

Analysis Of the Impact of ESG Performance on Enterprise Value

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Abstract. Environment, Society, and Governance (ESG) are comprehensive business practice framework that requires companies to consider the environmental, social, and corporate governance structure while pursuing economic benefits. This concept has become an indispensable part of modern enterprise management and is of great significance for shaping the long-term value of the enterprise. In the field of corporate governance, ESG advocates for an efficient, transparent, and responsible management system to guide enterprise operations. Effective regulatory mechanisms, such as independent board members, improved audit procedures, and risk management strategies, are all necessary to ensure that stakeholders' rights and interests are respected and protected. In addition, companies should be committed to fighting corruption and ensuring that all stakeholders have a say in the decision-making process. ESG is an enterprise that profoundly changes business philosophy and behavior. It aims to seek a balance between economic value and social value, help enterprises better obtain and consolidate competitive advantages, promote enterprises to return to their heart and conscience, and achieve a higher level of management and profit creation. This paper analyzes the influence on the concept of corporate value and social value from three aspects of environmental protection, social responsibility fulfillment, and corporate governance, and puts forward ideas and suggestions based on the concept of sustainable development.

Keywords: ESG performance; sustainable development; enterprise value.

1. Introduction

As an important part of the social economy, how enterprises effectively enhance the economic value of enterprises by using the concept of sustainable development in the context of economic and social transformation and development, is not only a key issue urgently concerned investors, but also a core issue urgently to be solved by enterprises themselves. It also puts forward higher requirements for enterprises to seek the integration of economic benefits, social benefits, and environmental benefits, and achieve a win-win situation of commercial value and social value. In a word, only when a company can integrate and consider the possible impact of its business activities on the economy, society, and environmental aspects, can it truly achieve sustainability and create a more win-win situation of business value and social value in the process. This not only gives back to the steady return growth that investors expect but also gives the company widely recognized, laying a solid foundation for possible market changes in the future.

With the increasing awareness of the concept of sustainable development, "low-carbon and environmental protection" has gradually become a key focus that many enterprises urgently need to pay attention to in their current development. As a new investment concept and evaluation standard for disclosing non-financial performance of enterprises, ESG aims to adopt three dimensions of Environmental, Social, and Governance, based on environmental protection, good employee welfare and rights and interests, business ethics, corporate governance, and many other aspects. Identify environmentally conscious and socially responsible companies to manage risk better, enhance corporate image and reputation, and promote corporate sustainability. Second, environmental protection has shifted from a simple concept to a practical action. In the context of increasingly severe global climate change and resource constraints, companies that can take effective measures to reduce carbon emissions, save energy, and use renewable resources will be more likely to gain public recognition and thus increase their brand value.

In recent years, with the concept of "dual carbon" being proposed, the business model of corporate sustainable development has paid more attention to balancing environmental protection, corporate social responsibility, governance capacity, and economic development, to achieve sustained and steady growth in the economic efficiency of enterprises, especially listed enterprises.

2. Analysis of the impact of environmental protection on enterprise value

For enterprises, in carrying out business activities, the pursuit of profit maximization may sometimes result in ecological damage, which may bring considerable short-term economic benefits, but it will affect the safe and stable development of the whole society in the long run.

In addition, there are also many difficulties in the practical application of green innovation. Therefore, from the early control of pollutant discharge to the use of clean energy, and to the current carbon-neutral action plan to respond to climate change, the cost of environmental governance of enterprises will increase accordingly. However, from the perspective of stakeholders, the whole society is particularly concerned about the performance of enterprises in terms of environmental benefits. Consumers nowadays pay more attention to the environmental protection level of enterprises, and those enterprises that use green raw materials and have more environmentally friendly production processes been more favored by consumers, thereby increasing their income. Especially under the "dual carbon" goal, enterprises with low-carbon and green characteristics are more likely to be favored by investors, thus bringing more stable financing channels and obtaining competitive advantages among enterprises [1]. It can be seen that good environmental governance performance plays an important role in the sustainable and healthy development of enterprises.

All these transformations and upgrades will undoubtedly increase the cost burden of enterprises in environmental governance. For example, make production process modifications to reduce wastewater and exhaust emissions; purchase higher price but more environmentally friendly raw materials; introduce advanced technology to improve the efficiency of resource utilization, etc. Nevertheless, in the long run, excellent environmental governance performance can bring to the sustainable development and market competitiveness of enterprises.

The first is at the consumer level: modern consumers are increasingly concerned about whether products are environmentally friendly and are willing to pay a premium. Companies that make products using renewable resources, non-toxic materials, or low-pollution manufacturing processes are often able to attract a wider and more loyal customer base. The second is the Angle of investors: especially in the global promotion of the "two-carbon" target, a low-carbon economy has become the future development trend. As a result, in stock markets and other financing platforms, "green" brands are often considered to have great potential and relatively little risk, and thus attract stable and long-term investment.

3. Analysis of the impact of social responsibility fulfillment on enterprise value

With the rapid development of the economy and the acceleration of globalization, enterprises are increasingly aware that their prosperity depends on the healthy development and operation of society while creating profits. By integrating social issues into their core business strategies and consciously connecting to social innovations, enterprises will become social enterprises that operate resources to help solve development problems.

First of all, in operation and management, enterprises adopt scientific and reasonable profit distribution methods to protect shareholders' rights and interests and promote the stability of enterprise capital structure, which can ensure the rationality of strategic planning and enhance enterprise value in the long run. This signal to protect internal investors makes more external personnel interested in investing in the enterprise, thereby reducing the costs of the investment process and enhancing the value of the enterprise [2].

Secondly, actively fulfilling social responsibility by enterprises can improve employee satisfaction and team cohesion. The human resources market will have a positive effect, attracting more job seekers to pay attention to the enterprise. At the same time, by continuously enriching training content, and providing a better work environment and development opportunities, a high-quality competitive environment can be built, further, enhancing employees' sense of belonging and self-worth, improving work enthusiasm and creativity, and building a high-quality compound talent team, and then reduce labor costs and improve the production efficiency and quality of enterprises [3].

Finally, enterprises that take the initiative to fulfill social responsibility will actively think about how to reduce resource consumption in an innovative way to meet the needs of environmental protection, and then gradually change the development mode of the enterprise, so that the production and operation of the enterprise can adapt to the overall strategy of China's economic development mode transformation, and provide strategic guarantee for the sustainable development of the enterprise.

In summary, social responsibility is not only an obligation that enterprises should fulfill but also one of the important ways for enterprises to achieve sustainable development and a good cycle of economic and social benefits both internally and externally.

4. Analysis of the impact of governance enhancement on enterprise value

Scientific and reasonable corporate governance models can not only ensure the implementation of the company's sustainable development goals but also play a role in environmental and social responsibility. Through reasonable resource allocation, ensure that enterprises make long-term plans and clarify strategic positioning, all kinds of subjective investment activities can be avoided, and decision-making activities in all aspects of enterprise management can be more rational, scientific, and standardized [4]

Transparent corporate governance can increase investors' trust in enterprises and enhance the market value. An enterprise with a good governance structure can better cope with market risks and fluctuations of economic cycles, possessing stronger risk resistance capabilities. Through the establishment of a sound governance structure, enterprises can better identify, evaluate, and control various internal and external risks. The board of directors and senior management are responsible for major decisions of enterprises, monitoring and effectively managing business risks, and ensuring the steady development of enterprises. At the same time, an effective internal control system can also help prevent fraud, corruption, and mismanagement and ensure compliance [5]

5. Conclusion and Prospect

5.1. Conclusions

As people become more aware of the importance of sustainable development, the three important factors of environmental protection, social responsibility, and corporate governance can either individually or interactively affect enterprise value. However, against the backdrop of a tightening global financial environment, sluggish trade growth, and declining business and consumer confidence, the increasing number of ratings and rankings, as well as inconsistent or even confusing evaluation criteria, have made it difficult for environmental protection, social responsibility, and corporate governance practices to form a recognized and authoritative influence, which makes some enterprises have the motivation to engage in opportunistic behaviors such as "greenwashing", and the substantial benefits to the actual operation and management improvement are still up for discussion. How to carry out green and low-carbon development that is more economically efficient and climate-effective has become an urgent issue that needs attention.

5.2. Prospects

Sustainable development is the inevitable trend of the development of human society. Enterprises should pay more attention to the impact of ESG on enterprise value and take timely countermeasures to ensure the healthy and steady development of enterprises. Enterprises continuously explore green and low-carbon business models, reduce carbon emissions, and improve resource utilization efficiency through technological research and innovation. At the same time, take the initiative to pay attention to the environmental needs of the public, through the reduction of the green tax burden, providing environmentally friendly products, and other ways to guide consumers and the market to recognize and support environmentally friendly products. Enterprises continue to strengthen the implementation of social responsibilities, establish an effective internal management system, clarify responsibilities and goals, and formulate standards and norms to ensure that enterprises adhere to the principle of sustainable development at the economic, environmental, and social levels. Enterprises continue to improve their governance capabilities and levels, establish and improve risk management mechanisms to ensure effective and easy responses to various sub-risks, and constantly strengthen information disclosure to promote the effective allocation of capital. In addition, through the establishment of effective supervision mechanisms, timely detection and correction of internal risks and problems, improve the effectiveness and efficiency of governance. Enterprises should fully consider the relationship between the three core elements of environment, society, and governance, grasp the essence of the concept of sustainable development, to better achieve the goal of sustainable development, and contribute to the green, low-carbon, high-quality, and sustainable development of the whole society.

Sustainable development is an inevitable trend in the development of human society, and enterprises should be highly concerned about the impact of environmental protection, social responsibility, and corporate governance on their value, and take timely response measures to ensure the sustainable development of enterprises. Enterprises need to strengthen their contribution to environmental benefits, although environmental benefits may not necessarily have a positive effect on enterprise value in the current stage of enterprise application, the government is paying more and more attention to the ecological environment, the concept of sustainable development is widely used in the market operation environment. And various policies and laws related to environmental benefits are being improved, to play a positive role in environmental benefits. Enterprises should strengthen the fulfillment of social responsibilities, which can not only balance the relationship between the interests of all aspects of the enterprise, but also ensure the fulfillment of obligations and responsibilities of all personnel and ensure the realization of enterprise value. Improving the level of corporate governance will have a positive effect on the operation and development of enterprises and will also be enhanced in terms of environmental benefits and social responsibilities. Only by actively adopting sustainable business models can enterprises achieve the goal of sustainable development and contribute to the sustainable development of human society.

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