Proceedings of the 4th International Conference on Business and Policy Studies
DOI: 10.54254/2754-1169/162/2025.20075

In-depth Analysis and Prospect of Factors Influencing Corporate ESG Performance

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Abstract: The ESG (Environmental, Social, and Governance) concept is receiving increasing attention globally and has become an important consideration factor for corporate sustainable development. This article provides an in-depth analysis of the factors influencing corporate ESG performance. Firstly, the research background was elaborated, including the attention of governments, investors, and society to corporate ESG performance in the context of global sustainable development trends. The research objective is to provide theoretical support and practical guidance for enterprises to improve their ESG level, and to provide decision-making basis for investors. Through literature review, the current research status and shortcomings at home and abroad are sorted out, and literature research and case analysis methods are used for research. Analyzed the relevant applications of ESG ratings, including becoming a decision-making basis for investors globally, being used by companies for governance and performance improvement, and the influence and application scope in the financial industry. Explored the internal and external factors influencing corporate ESG performance, and provided recommendations for companies, investors, and regulatory agencies. Finally, an outlook on the future ESG performance of enterprises was provided. This study indicates that corporate ESG performance is influenced by multiple factors such as environment, society, governance, and supply chain finance. Improving corporate ESG performance requires joint efforts from businesses, governments, investors, and all sectors of society. In the future, ESG research should be further strengthened to promote sustainable development of enterprises.

Keywords: Corporate ESG performance, Influencing factors, ESG rating, Sustainable development

1. Introduction

With the global emphasis on sustainable development, the ESG performance of enterprises is receiving increasing attention. The government, regulatory agencies, and industry associations have introduced a series of policies to encourage companies to improve their ESG performance[1]. At the same time, investors are increasingly concerned about the ESG performance of companies, using it as an important reference factor for investment decisions.

On the one hand, at the environmental level, issues such as global climate change and resource scarcity are becoming increasingly severe, and corporate environmental responsibility has become a focus of social attention. On the other hand, society has also put forward higher requirements for enterprises. Corporate social responsibility involves multiple aspects such as employee benefits, community relations, product quality, and supply chain management. At the governance level, a sound corporate governance structure, board independence, transparency, and other factors are crucial for the long-term development of a company. ESG represents a company's performance in environmental protection, social responsibility, and good governance. It is forward-looking and reflects the company's future sustainable development capabilities, and is more directly related to the long-term interests of investors. Therefore, the ESG performance of enterprises has received attention from governments, regulatory agencies, industry associations, investors, and various sectors of society. In the current global sustainable development context, improving the ESG performance of enterprises has become an inevitable trend [2-4].

The theoretical significance of this study is to deepen the understanding of the relationship between corporate ESG performance and corporate performance, and provide theoretical support for the sustainable development of enterprises. The practical significance is to provide empirical evidence for enterprises to improve their ESG performance, guide them to attach importance to environmental protection, social responsibility, and scientific governance, and achieve sustainable development. The research objective is to deeply analyze the influencing factors of corporate ESG performance, explore how to improve corporate ESG performance, and provide a decision-making basis for sustainable development of enterprises.

2. Literature Review

2.1. The Impact of ESG Performance on Corporate Performance

Most studies have found that ESG can help improve corporate financial performance, and good ESG performance has a positive impact on various aspects of corporate environment, society, and corporate governance.

In terms of the environment, taking the energy industry as an example, if companies effectively manage carbon emissions, such as adopting environmentally friendly production methods, they can not only reduce environmental costs, but also improve product quality and reputation, increase consumer loyalty, and thus increase income. In terms of society, the performance of corporate responsibility towards society, such as safeguarding employee rights, protecting consumer rights, actively participating in community building, etc., will affect the reputation and image of the enterprise. Good social performance can enhance employees' sense of belonging and loyalty, improve product quality and consumer satisfaction, and ultimately enhance corporate financial performance. In terms of governance, actively improving the corporate governance structure, such as establishing a sound internal control and risk management system, can reduce agency costs, improve management efficiency, reduce financial fraud and corruption risks, enhance financial transparency, strengthen investor confidence, and promote stock price and market value growth[5][6].

2.2. Investor Attention and Corporate ESG Performance

Investor attention has a significant impact on a company's ESG performance. In the sample of private enterprises, investors' attention has a significant effect on improving the ESG level of listed companies[7-9]. This may be because private enterprises are more proactive and sensitive in catering to investors, able to quickly and effectively adapt to their concerns, and strengthen their ESG practices.

2.3. ESG and Corporate Innovation

Corporate ESG performance has a positive impact on innovation, and innovation has a mediating effect on the relationship between ESG and corporate performance.

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The environmental, social, and governance performance of a company is closely related to its innovation. From an environmental perspective, good ESG performance helps drive companies towards green innovation. While emphasizing environmental responsibility, enterprises can stimulate their own innovation vitality by adopting environmentally friendly production methods, developing green technologies, and other means to enhance their innovation capabilities. In terms of society, the emphasis on social responsibility by enterprises can also promote innovation. Actively fulfilling social responsibilities can also enhance a company's recognition in society and improve customer satisfaction. Consumers' preference for companies with good ESG performance drives them to continuously innovate to meet market demand and enhance the quality and competitiveness of their products and services. In terms of governance, good corporate governance is an important guarantee for enterprise innovation. A sound corporate governance structure can ensure scientific and efficient decision-making, and provide a favorable institutional environment for innovation.

3. The Application of ESG Ratings in Enterprises

3.1. Establish a Good Brand Image and Enhance Brand Value

ESG ratings can comprehensively reflect a company's performance in environmental, social, and governance aspects. When a company performs well in these areas, it will send a positive signal to the market and establish a good corporate image[10]. Consumers are more inclined to purchase products and services from companies with good ESG performance because they believe these companies are more responsible and their product quality is more guaranteed. Investors also consider ESG performance as an important reference factor for investment decisions, believing that companies with good ESG performance have more long-term investment value. This positive market feedback helps companies establish a good brand image and enhance brand value.

3.2. Identify and Manage Risks More Comprehensively, Optimize Operations

ESG ratings cover a company's performance in multiple aspects such as environmental, social, and governance, and can help companies identify potential risks more comprehensively[11,12]. In terms of the environment, companies can use ESG ratings to understand their carbon emissions, resource utilization efficiency, etc., and promptly identify potential environmental risks, such as the risk of penalties brought about by stricter environmental regulations. In terms of society, enterprises can prioritize issues such as employee rights and community relations to prevent labor disputes, reputation damage, and other issues from impacting their operations. In terms of governance, a good corporate governance structure can improve decision-making efficiency and transparency, reduce internal corruption and management risks. Meanwhile, companies can take targeted measures to optimize their operations based on ESG rating results.

3.3. Promoting Sustainable Development for Enterprises

With the global emphasis on sustainable development, the sustainable development capability of enterprises has become an important indicator for measuring their competitiveness. ESG ratings can guide companies to pay attention to environmental, social, and governance issues, and promote sustainable development. On the one hand, companies can gain more market opportunities and resource support by improving their ESG performance. On the other hand, good ESG performance helps companies attract outstanding talents, improve employees' work enthusiasm and creativity, thereby enhancing the company's core competitiveness. In addition, by actively participating in ESG practices, companies can contribute to society and achieve mutual development between the company and society[13-15].

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4. ESG Influencing Factors

4.1. Environmental Factors

The environmental performance of a company is directly related to its ecological footprint, resource use, and pollution emissions. Good environmental management can reduce the legal litigation, environmental damage compensation, and regulatory risks faced by enterprises, and lower potential business risks. At the same time, in the context of global climate change, environmentally friendly measures such as reducing carbon emissions and improving energy efficiency not only meet social expectations, but also help enhance corporate image and competitiveness.

4.2. Social Factors

Corporate social responsibility involves multiple aspects such as employee benefits, community relations, product quality, and supply chain management. Poor social performance may lead to labor disputes, reputation damage, and even trigger public opinion pressure, affecting the company's business stability and sustainable operation ability. On the contrary, good social responsibility performance can win the trust and loyalty of consumers, ensuring the stability and sustainable operation ability of the company's business. Enterprises can enhance their social performance by providing good employee benefits, actively participating in community building, ensuring product quality and safety, and strengthening supply chain management[16-18].

4.3. Governance Factors

Corporate governance involves aspects such as corporate governance structure, board independence, and transparency. A good governance structure can improve a company's decision-making efficiency and risk management capabilities, and enhance its ESG performance. Actively communicate with investors and stakeholders to ensure transparency and accountability. Enterprises can improve their governance performance by optimizing their corporate governance structure, enhancing board independence, and increasing information transparency[19,20].

5. Suggestions

Firstly, the suggestion for enterprises is that, in the current global context of sustainable development, they must deeply recognize the importance of ESG concepts. Enterprises should incorporate ESG factors into their strategic planning, clarify goals and action plans in environmental, social, and governance aspects. Enterprises should strengthen their management in environmental, social, and governance aspects to enhance their ESG performance. In terms of environmental management, enterprises should actively take measures to reduce their negative impact on the environment. In terms of social management, enterprises should pay attention to multiple aspects such as employee benefits, community relations, product quality, and supply chain management. In terms of governance and management, enterprises should establish a sound corporate governance structure to ensure the independence, transparency, and accountability of the board of directors. Enterprises should disclose ESG information in a timely and accurate manner in accordance with relevant standards and requirements. Enterprises can improve the transparency of information disclosure by publishing ESG reports and publishing ESG data on their company website. At the same time, companies should ensure the comparability of ESG data and use unified standards and indicators for disclosure.

Secondly, it is recommended that investors strengthen their understanding of ESG concepts and incorporate ESG factors into investment decisions. Investors should gain a deeper understanding of

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the connotation and value of ESG through learning relevant knowledge, attending training and seminars, and other means. Investors should pay attention to the ESG performance of companies and choose companies with good ESG performance for investment. Enterprises with good ESG performance often have stronger competitiveness and sustainable development capabilities. Investors should strengthen their analysis and research of ESG data to improve the scientific and accurate nature of investment decisions. When analyzing ESG data, attention should be paid to the quality and reliability of the data to avoid being influenced by greenwashing behavior. At the same time, investors can also develop personalized ESG investment strategies based on their investment goals and risk preferences.

Thirdly, it is suggested that regulatory agencies should strengthen their supervision of corporate ESG performance and promote the improvement of ESG levels. Regulatory agencies can effectively promote enterprises to improve their ESG performance by formulating clear regulations and policies and strengthening their supervision of corporate ESG performance. Regulatory agencies should strengthen their supervision of ESG rating agencies to improve the accuracy and reliability of ESG ratings. Regulatory agencies may require ESG rating agencies to publicly disclose their rating methods and data sources, and accept social supervision. Regulatory agencies should strengthen education and guidance for investors, enhance their ESG awareness and investment decision-making ability.

6. Future Research Directions

6.1. Providing Stronger Theoretical Support for their Sustainable Development.

Future research can delve deeper into the specific mechanisms and pathways between ESG performance and long-term value creation for businesses. For example, empirical research can be conducted to analyze how ESG performance affects key factors such as a company's innovation capability, brand value, and customer loyalty, thereby influencing the company's long-term value creation. At the same time, it is also possible to study whether there are differences in the relationship between ESG performance and long-term value creation among enterprises of different industries and scales, providing more targeted theoretical support for enterprises. Explore the differences in ESG performance among enterprises in different industries and their influencing factors, providing a basis for targeted ESG policy formulation in the industry[21].

6.2. Significant Differences in ESG Performance Among Companies

Future research can focus on specific industries such as energy, finance, manufacturing, technology, etc., and conduct in-depth analysis of their ESG performance characteristics and influencing factors. For example, companies in the energy industry may pay more attention to environmental factors, while companies in the financial industry may focus more on corporate governance factors. By studying different industries, we can provide a basis for targeted ESG policy formulation and promote sustainable development in various industries.

Study the relationship between ESG performance and enterprise risk management to enhance the ability of enterprises to cope with risks.

6.3. ESG performance is closely related to enterprise risk management.

Future research can further explore how ESG performance affects the environmental, social, and governance risks faced by companies, as well as how companies can reduce risks by improving ESG performance. For example, the role of ESG performance in addressing risks such as climate change, labor disputes, and poor corporate governance can be studied. At the same time, research can also be conducted on how to establish an effective ESG risk management system to enhance the ability of enterprises to respond to risks[22].

7. Conclusion

The ESG performance of enterprises is influenced by multiple factors such as environment, society, governance, and supply chain finance. Improving corporate ESG performance requires joint efforts from businesses, governments, investors, and all sectors of society. In terms of environmental factors, climate change, energy and resource consumption, pollutant emissions, etc. have a significant impact on the operating costs, supply chain stability, and reputation of enterprises. Among social factors, employee welfare, community relations, product quality, and supply chain management are crucial for ensuring a company's human resources, image and reputation, market share, and operational stability. Poor social performance may lead to increased business risks such as labor disputes and reputation damage. Among the governance factors, corporate governance structure, independence of the board of directors, transparency, etc. affect the scientificity, efficiency, and market trust of corporate decision-making. Good corporate governance helps to reduce operational risks. Supply chain finance factors enhance corporate ESG performance by alleviating financing constraints, reducing operational risks, promoting green innovation, and curbing management short sightedness.

In order to enhance the ESG performance of enterprises, they should strengthen environmental management, reduce pollution emissions, and improve resource utilization efficiency; Emphasize social responsibility, enhance employee welfare, and strengthen supply chain management; Improve corporate governance structure, enhance transparency, and strengthen market trust; Actively participate in supply chain finance. In the future, an international cooperation ESG performance evaluation system should be established to study the economic consequences of ESG performance on the social level, explore the impact of new quality productivity on ESG performance, and study how to curb ESG "greenwashing" risks under the background of "dual carbon".

In short, corporate ESG performance is a complex system engineering that requires joint efforts from all parties, continuous exploration and innovation, in order to achieve sustainable development of the enterprise.

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