

# Literature Review on ESG Performance of Enterprises

Ziyan Sun

School of Economics and Management, Southwest Petroleum University, Chengdu 610500, China

---

**Abstract:** ESG is an indicator and framework for evaluating corporate sustainability, covering three major areas: environmental, social and corporate governance. As the global public gradually attaches importance to social and environmental issues, ESG has become the focus of academic circles and enterprises. Therefore, based on the existing literature on ESG performance of enterprises, this paper will review and sort out the relevant literature from the three aspects of measurement methods, influencing factors and economic consequences of ESG performance of enterprises, and review the existing literature and research prospects, so as to provide direction and guidance for future scholars to further improve ESG related research.

**Keywords:** ESG performance of enterprises, Evaluation system, Influencing factors, Economic consequence.

---

## 1. Introduction

ESG represents a non-financial approach to investment and corporate assessment, emphasizing environmental, social, and governance factors. ESG emphasizes the importance of not only focusing on financial performance, but also measuring corporate value from environmental, social and corporate governance perspectives in order to achieve sustainable business development. Since the second half of the 20th century, with the increasingly prominent environmental and social problems in the world, many theories and practices on ecological environmental protection, labor rights and corporate social responsibility have emerged, which provides the theoretical and practical basis for the birth of ESG concept. The United Nations Global Compact introduced the complete ESG framework in 2004 and has since encouraged investment institutions to integrate ESG factors into their decision-making processes. Since then, international organizations and institutions have continued to deepen the ESG concept and put forward relevant evaluation and disclosure standards, which has promoted the development and construction of ESG concept and system, and investors have gradually paid attention to the impact of environmental protection, social responsibility fulfillment and corporate governance on investment value.

At present, China has entered the stage of rapid development of ESG, and the scope and influence of ESG are gradually expanding. Since the 18th National Congress, China has accelerated the economic and social transformation, continuously increased the introduction of various sustainable development policies, and provided policy support for the in-depth development of ESG. More and more enterprises attach importance to the performance of the company in the aspects of environment, social responsibility and governance, take the initiative to disclose ESG information, and integrate ESG into the strategic planning and business model of enterprises, so as to inject vitality into the realization of high-quality development in China. With the continuous advancement of ESG practice, the academic community has also carried out a lot of research on the ESG performance of enterprises. This paper mainly focuses on the review of relevant literature on the measurement methods, influencing factors and economic consequences of enterprise ESG performance, and reviews the existing literature and future prospects, which will help clarify the research status of enterprise ESG performance,

provide ideas for the future research direction of enterprise ESG, and promote the common development of theory and practice in the field of ESG.

## 2. Measurement of Corporate ESG Performance

Existing studies have not reached a consensus on the measurement methods of enterprise ESG performance, and the main measurement methods include the following two: The first is to use the rating and scoring data of third-party rating agencies as the measurement standard of enterprise ESG performance. Currently, there are over 600 ESG rating agencies globally, with leading international ones such as MSCI, FTSE Russell, Dow Jones, and Thomson Reuters. In addition, some scholars also adopt the Bloomberg ESG evaluation system to measure the disclosure and quality of corporate ESG. The main ESG evaluation systems in China include Sino-Securities ESG Rating and SynTao Green Finance ESG, etc. Each methodology formulates evaluation indicators across the three key pillars: environment, social responsibility, and governance, and the selected evaluation indicators are not the same, and the rating methods and results are also different. Li selected the ESG data of SynTao Green Finance from the Wind database as the measurement standard, and assigned the ESG rating of SynTao Green Finance to ten grades from D to A+ in order of 1-10 points [1]. Wang et al. used the data of Bloomberg ESG evaluation system to measure enterprise ESG performance and study its impact on investment efficiency [2]. Considering the reality of the Chinese market, Xi and Zhao used Sino-Securities ESG Rating to measure the ESG performance of enterprises, and assigned the nine grades of AAA-C of Sino-Securities ESG Rating to 9-1 points respectively [3]. The second method is to build evaluation methods and systems to measure ESG performance of enterprises. Li et al. used the environmental responsibility score and social responsibility score of Hexun's corporate social responsibility report to measure corporate environmental performance and corporate social performance respectively, selected 8 indicators to build a corporate governance index to measure corporate governance performance, and finally used the weighted average method to integrate the three dimensions to measure corporate ESG performance [4]. DasGupta used Thomson Reuters classified data on the three dimensions of environment, social

responsibility and corporate governance, and gradually combined them into comprehensive scores to measure enterprise ESG performance [5]. Wu et al. constructed a comprehensive ESG assessment framework incorporating environmental, social, and governance factors to evaluate corporate ESG performance [6].

### **3. Factors Affecting Corporate ESG Performance**

Numerous factors can influence a company's ESG performance. According to the existing literature, the influencing factors of enterprise ESG performance can be summarized into two levels: external factors and internal factors. First of all, the external factors that affect enterprise ESG performance mainly include government behavior, policy system and capital market. The government, acting as a 'visible hand', will significantly influence corporate ESG development. From the perspective of government procurement, Jiang et al. found that government procurement can provide impetus for improving ESG performance of enterprises by improving internal control and increasing market attention of enterprises [7]. Wang et al. took listed enterprises in China as research samples, and their research results showed that central environmental protection supervision can significantly improve the ESG performance of enterprises [8]. Chen et al. established that environmental governance subsidies from authorities can upgrade corporate ESG performance through three approaches: easing financing constraints, promoting green innovation and improving information transparency [9]. Combining institutional theory, Zhang and Huang confirmed that mandatory and imitative homogeneity institutional pressure can promote listed companies to fulfill ESG responsibilities, while normative homogeneity institutional pressure is not conducive to the fulfillment of ESG responsibilities of enterprises [10]. Empirical studies indicate that civilized city policies significantly enhance corporate ESG performance, with particularly pronounced effects observed in state-owned enterprises [11]. In terms of the capital market, Huang and Xia conducted research based on the exogenous policy of "Shenzhen-Hong Kong Stock Connect", pointing out that the opening of the capital market can promote the development of enterprise ESG and provide empirical data for the further opening of the capital market [12]. According to Li's study, capital market liberalization enhances corporate ESG performance through reduced agency costs [13].

Secondly, the internal factors that affect ESG performance mainly include the characteristics of senior management and board of directors, corporate behavior and corporate industry characteristics. The different characteristics of corporate executives and the board of directors will have an important impact on their behavioral decisions. Mehmood et al. took public utility companies as research samples and found that gender diversity of the board of directors can improve the ESG performance of public utility companies [14]. Yang combined various theoretical bases to build a theoretical model of "background characteristics of executives - cognition (attention) - enterprise behavior (performance)", pointing out that overseas experience of senior management teams can improve the ESG performance of enterprises by improving ESG attention [15]. From the perspective of enterprise behavior, according to Barros et al., corporate mergers and acquisitions contribute positively to enterprise

ESG performance, but this impact will not be realized immediately and has a certain delay [16]. Wang et al. empirically demonstrate that corporate R&D expenditures significantly enhance ESG performance, with enterprise digitalization serving as a positive moderator in this relationship [17]. Hu et al. suggested that digital transformation enhances corporate ESG performance through three mechanisms: facilitating green technology innovation, optimizing decision-making and operational efficiency, and internalizing ESG externalities [18]. In terms of enterprise industry characteristics, there are differences in environmental awareness and environmental requirements in different industries. Focusing on sensitive industries (characterized by social taboos, political sensitivities, and environmental concerns), Garcia et al. discovered these companies actually outperformed in environmental metrics. This stems from increased regulatory pressure and stronger motivations to improve ESG outcomes [19]. Xue et al. found that because heavy polluting enterprises are subject to strict supervision, national environmental protection policies and environmental pressure on enterprises will force them to actively increase environmental protection investment, making other factors play a small role in promoting ESG performance [20].

### **4. The financial Implications of Corporate ESG Performance**

As the public becomes more concerned about the environment, social issues and sustainable development, the importance of ESG performance for business development is increasing. Extensive research has examined how corporate ESG performance influences businesses, primarily analyzing its effects on firm valuation, risk exposure, and investment/financing decisions. In terms of enterprise value, Naeem et al. take global energy and power generation enterprises as samples and find that ESG performance can promote the improvement of enterprise profitability, but it will adversely affect the market value of enterprises [21]. From a stakeholder perspective, Zheng et al. demonstrated that ESG performance substantially increases firm value. Specifically, environmental and social dimensions positively contribute to corporate worth, whereas governance factors show insignificant effects [22]. The results of Wang et al. show that ESG performance can achieve effects through different channels. First, the performance of ESG responsibility reduces the financing cost and reduces the financial burden of enterprises, thus significantly increasing the book value of enterprises; Second, the good evaluation of the fulfillment of ESG responsibilities has gained more market attention and released positive signals to the market, thus promoting the improvement of the market value of enterprises [23]. Bai et al. introduced the shareholding ratio of institutional investors as an intermediary variable and pointed out that attracting institutional investors to increase their holdings is one of the ways for listed companies to enhance corporate value through ESG practice [24]. Second, in terms of enterprise risk, Xi and Zhao believe that good ESG performance can strengthen the relationship between enterprises and stakeholders, thus helping to reduce business uncertainty and reduce enterprise risk [3]. Based on the perspective of resource acquisition, Tan et al. found that enterprise ESG performance can reduce enterprise risks by improving the ability of enterprises to obtain resources from

stakeholders, providing a new perspective for in-depth understanding of the value of enterprise ESG performance [25]. Barth et al.'s research shows that good corporate ESG performance reduces the credit risk of American and European companies, and the risk mitigation effect is U-shaped [26]. Ni et al. pointed out that the ESG performance of enterprises can reduce the risk of debt default by increasing corporate cash flow and analysts' attention [27]. Third, regarding corporate investment and financing, Qiu and Yin's research revealed varying impacts of ESG components on financing expenses, where enhanced environmental and governance practices notably reduced borrowing costs [28]. Wang et al. argue that ESG disclosures enhance stakeholder trust, lower transaction expenses, and optimize capital allocation, with empirical evidence confirming that superior ESG performance boosts investment efficiency [2]. Lin et al. examined how digital transformation influences ESG implementation and corporate investment efficiency, revealing that ESG practices more substantially enhance investment efficiency in digitally advanced firms [29].

## 5. Summary

Through systematic examination of studies concerning ESG performance metrics, influencing factors, and financial outcomes, scholars have yet to establish standardized measurement techniques. Foreign ESG rating systems started earlier and developed more mature, while domestic ESG rating systems, although started later, developed rapidly and combined with the reality of the Chinese market. It will be more applicable to Chinese enterprises. As a key indicator of sustainable development potential, corporate ESG performance has spurred growing academic interest in its determinants and economic implications in recent years. The research on the influencing factors of enterprise ESG performance mainly focuses on external factors and internal factors, and there is still room for further exploration of the subdivided factors. Research on ESG performance's financial consequences is substantially more extensive compared to studies of its determinants, mainly covering the aspects of enterprise performance, enterprise value, enterprise risk, investment and financing, etc., and most of the studies believe that good ESG performance of enterprises can bring positive impact on enterprises. Meanwhile, the underlying mechanisms of corporate ESG performance require deeper investigation and additional empirical evidence, leaving substantial room for future research in this domain.

Building upon the existing literature review, this paper will look forward to the enterprise ESG research from the following two aspects: First, establish and improve the ESG evaluation system in line with the actual situation in China. At present, most studies adopt ESG evaluation systems of internationally renowned institutions, which are based on developed capital markets such as Europe and the United States and are not necessarily applicable to Chinese enterprises. At the same time, different rating agencies have differences in data sources and scoring methods, and there is no unified standard for ESG evaluation, which may hinder investors' comprehensive evaluation of enterprises. Thus, establishing an optimized ESG assessment system for Chinese enterprises is essential. By integrating global and local regulatory requirements with market expectations, formulating unified rating benchmarks, improving transparency in evaluation processes and data sources, and strengthening investor trust in rating results can be achieved.

Second, further refine the ESG research direction. Most of the existing studies have carried out ESG as the anthems and outcomes variables, and it can be considered as a mediating variable or a moderating variable for further discussion. At the same time, when studying the influencing factors, we can consider different industry policies, industry environment and so on. In the study of its economic consequences, the impact of ESG performance on business activities and industry development can be further analyze.

## References

- [1] Li Tongtong. Intertemporal impact test of ESG Performance and Financial Performance of Listed companies. Shandong University of Finance and Economics, 2021.
- [2] Wenbing Wang, Yanyan Yu, Xuan Li. ESG performance, auditing quality, and investment efficiency: Empirical evidence from China. *Frontiers in psychology*, 2022, Vol.13: 948674.
- [3] Xi Longsheng, Zhao Hui. Mechanism and data Test of Corporate ESG Performance affecting earnings Sustainability. *Management Review*, 2022, 34(9): 313-326.
- [4] Li Jinglin, Yang Zhen, Chen Jin, et al. Research on the mechanism of ESG promoting firm performance: from the perspective of firm innovation. *Science of Science and Science and Technology Management*, 2021, 42(9): 71-89.
- [5] Ranjan DasGupta. Financial performance shortfall, ESG controversies, and ESG performance: Evidence from firms around the world. *Finance Research Letters*, 2022, Vol.46: 102487.
- [6] Qinglan Wu, Guifu Chen, Jing Han, et al. Does Corporate ESG Performance Improve Export Intensity? Evidence from Chinese Listed Firms. *Sustainability*, 2022, Vol.14(12981): 12981.
- [7] Jiang Aihua, Zhang Xinna, Fei Kunjie. Government procurement and ESG performance of Enterprises: Based on Empirical evidence of A-share listed companies. *Journal of Central University of Finance and Economics*, 2023, (7): 15-28.
- [8] Lin Wang, Quanquan Le, Manru Peng, et al. Does central environmental protection inspection improve corporate environmental, social, and governance performance? Evidence from China. *Business Strategy and the Environment*, 2023, Vol.32(6): 2962-2984.
- [9] Chen Xiaoshan, Chen Simin, Liu Hongduo. Will government environmental governance subsidies improve companies' ESG performance under the "two-carbon" target? *Journal of China University of Geosciences (Social Sciences Edition)*, 2023, 23(5): 132-144.
- [10] Zhang Hui, Huang Qunhui. Institutional pressure, dominant CEO and ESG responsibility fulfillment of listed companies. *Journal of Shanxi University of Finance and Economics*, 2022, 44(9): 74-86.
- [11] Zhenyu Qi, Zhenyu Qi, Enqi Zhang, et al. The Power of Civilization: The Role of Civilized Cities in Corporate ESG Performance. *Frontiers in Environmental Science*, 2022, Vol.10: 872592.
- [12] Huang Guoliang, Xia Yixin. Research on capital market opening and ESG performance of enterprises: Based on the empirical evidence of Shenzhen-Hong Kong Stock Connect. *Friends of Accounting*, 2022, (12): 126-134.
- [13] Li Xiaochen. The impact of capital market opening on firm ESG performance: An intermediary effect test based on agency cost. *Shanghai International Studies University*, 2023.
- [14] Mehmood, Asad, De Luca, et al. Investigating how board gender diversity affects environmental, social and governance

- performance: Evidence from the utilities sector. *Utilities Policy*, 2023, Vol.83: 101588.
- [15] Yang Fang. Study on the influence mechanism of overseas experience of senior management team on ESG performance of enterprises. *China University of Mining and Technology*, 2023.
- [16] Victor Barros, Pedro Verga MatosCA1, Joaquim Miranda Sarmiento, et al. M&A activity as a driver for better ESG performance. *Technological Forecasting and Social Change*, 2022, Vol.175: 121338.
- [17] Wang Xiaohong, Luan Xiangyu, Zhang Shaopeng. R&d investment, ESG performance, and Market value: Moderating effects of firm digitization. *Research in Science of Science*, 2023, 41(5): 896-904, 915.
- [18] Hu Jie, Han Yiming, Zhong Yong. How enterprise digital transformation affects Enterprise ESG performance: Evidence from listed companies in China. *Industrial Economics Review*, 2023, (1): 105-123.
- [19] Sanches Garcia, A., Mendes-Da-Silva, et al. Sensitive industries produce better ESG performance: evidence from emerging markets. *Journal of Cleaner Production*, 2017, Vol.150: 135-147.
- [20] Xue Minggao, Yuan Muyang. Research on the impact of female executives on corporate ESG performance. *Finance and Finance*, 2024, 39(1): 66-78.
- [21] Nasruzzaman Naeem, Serkan Çankaya. The impact of ESG performance over financial performance: A study on global energy and power generation companies. *International Journal of Commerce and Finance*, 2022, Vol.8(1): 1-25.
- [22] Yuhua Zheng, Baosheng Wang, Xiaoyang Sun, et al. ESG performance and corporate value: Analysis from the stakeholders' perspective. *Frontiers in Environmental Science*, 2022, Vol.10: 1084632.
- [23] Wang Bo, Yang Maojia. A study on the mechanism of ESG performance affecting firm value: Empirical evidence from China's A-share listed companies. *Soft Science*, 2022, 36(6): 78-84.
- [24] Bai Xiong, Zhu Yifan, HAN Jinmian. ESG performance, institutional investor preferences and firm value. *Statistics and Information Forum*, 2022, 37(10): 117-128.
- [25] Tan Jinsong, Huang Renyu, Zhang Jingxin. ESG performance and enterprise risk: an explanation based on a resource acquisition perspective. *Management Science*, 2022, 35(5): 3-18.
- [26] Barth, FlorianCAa, Hübel, et al. ESG and corporate credit spreads. *Journal of Risk Finance*, 2022, Vol.23(2): 169-190.
- [27] Ni Xiaonan, Wen Jiayu, Zhang Jian. Can corporate ESG performance reduce the risk of debt default? *Journal of Finance and Accounting*, 2023, 44(16): 27-33.
- [28] Qiu Muyuan, Yin Hong. Corporate ESG performance and financing cost in the context of ecological civilization construction. *Journal of Quantitative and Technical Economics*, 2019, 36(3): 108-123.
- [29] Yongjia Lin, Zhenye Lu, Yizhi WangCA1. The impact of environmental, social, and governance (ESG) practices on investment efficiency in China: Does digital transformation matter? *Research in International Business and Finance*, 2023, Vol.66: 102050.