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FORMALITY VS. SUBSTANCE: A STUDY OF FINANCIAL PERFORMANCE UNDER SOFT REGULATION OF ESG PRACTICES

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ABSTRACT

As enterprises deepen their implementation of the new development philosophy, the underlying logic driving financial performance undergoes corresponding adjustments. The requirements of this philosophy imply that corporate emphasis on environmental, social, and governance (ESG) factors—and the resulting ESG advantages—may become a breakthrough point for enhancing financial performance. This study employs unbalanced panel data from 3,125 A-share listed companies between 2012 and 2023 as its research sample. It examines the impact of ESG performance on financial outcomes and its underlying mechanisms, revealing: Firstly, ESG practices enhance financial performance; secondly, they improve financial outcomes by alleviating financing constraints, reducing managerial overconfidence, and increasing risk-bearing capacity; Third, the positive impact of ESG practices on financial performance is more pronounced in state-owned enterprises, high-tech firms, non-heavy-polluting enterprises, and labor-intensive industries. By focusing on the influence of ESG performance on financial outcomes and delving into its underlying mechanisms, this study aims to provide policymakers with robust theoretical foundations and practical guidance to advance China's dual objectives of sustainable development and high-quality corporate growth.

KEYWORDS: ESG Practices; Financial Performance; Executive Overconfidence; Risk-Bearing Capacity.

1. INTRODUCTION

The report of the 20th National Congress of the Communist Party of China emphasised accelerating the environmental transformation of development models to propel China's green and low-carbon economic and social progress, thereby advancing the economy towards high-quality development. "Environmental protection" and "green development" have progressively become pivotal strategic orientations for enterprises. In June 2018, China's A-shares were first included in the MSCI World and MSCI Emerging Markets indices. This necessitated MSCI conducting ESG ratings and research on the A-share listed companies included in the indices, thereby catalysing China's exploration in the ESG domain. Listed companies form the vital microfoundation for high-quality economic development, with financial performance serving as the lifeblood for enterprises to expand their scale and reshape their business landscape. Within the prevailing governance framework of separation of powers, factors such as information asymmetry, managerial inefficiency, and inadequate oversight give rise to various forms of principal-agent relationships between shareholders and managers. Managers may then make or implement decisions that violate economic principles to serve their own interests (Chen Shining et al., 2017; Jensen et al., 1996). In recent years, numerous financial management issues have surfaced among certain listed companies in China, including inflated financial metrics, inadequate cost control, and inefficient capital utilisation. These problems have precipitated the hollowing-out of core business operations and a shift away from the real economy towards speculative activities, reflecting deeper-rooted issues such as unscientific operational decision-making, flawed management mechanisms, and short-termist objectives. Within an environment of information asymmetry, corporate ESG performance emphasises meeting stakeholder demands and securing broad stakeholder support, thereby reducing operational costs (Yuan Xiaojun et al., 2025) and alleviating financing constraints (Yu Qingrui et al., 2025). How does ESG performance function across different stages of financial management? Addressing this question not only reveals the mechanisms through which ESG performance influences corporate financial outcomes but also holds significant implications for accelerating ESG development to enhance corporate quality.

Compared with previous research, this paper offers three key contributions. Firstly, it extends the

literature on the economic consequences of corporate ESG performance from internal management to the boundary-expanding behaviour of corporate finance. Existing ESG research primarily examines its effects on financing costs (Eliwa et al., 2021), investment efficiency (Ling et al., 2023), labour employment (Liu et al., 2025), and market value (Wang et al., 2024). Few studies have explored how ESG advantages influence corporate financial performance, a gap this paper addresses from a novel perspective. Secondly, this study broadens the research horizon on factors influencing financial performance. Previous research has predominantly centred on corporate governance, examining either innovations among internal stakeholders or governance mechanisms (Fan et al., 2024) or governance effects arising from external regulation (Chen Yizhi et al., 2022). This paper, however, focuses on ESG performance as a financial factor, exploring its impact on operational development processes and sustainable growth, thereby providing theoretical insights for deepening ESG practices that serve the real economy. Thirdly, it complements existing literature in ESG and corporate management. Relevant studies include how ESG performance influences its potential as a corporate financial measurement metric (Feyisetan et al., 2025), the impact of ESG on corporate financial premiums (Dimmelmeier et al., 2020), and the effects of differences in ESG performance between counterparties on financial performance. This paper, however, examines the effects of ESG advantages on financial performance from a new developmental perspective, revealing the inherent logic whereby corporate management can rationally pursue optimal financial management practices through ESG strategies.

2. THEORETICAL ANALYSIS AND HYPOTHESIS FORMULATION

By diligently fulfilling ESG responsibilities in existing operations—such as prioritising environmental protection, caring for employees, and maintaining sound corporate governance—firms enhance public recognition and elevate their reputation. Concurrently, such practices mitigate risks including policy uncertainty and reputational damage. Furthermore, organisations emphasising diversity, equal opportunities, and enhanced on-the-job training attract superior talent; prioritising occupational health and safety reduces accident rates and operational costs. Regarding future corporate opportunities, implementing environmental, social, and governance (ESG) responsibilities can effectively propel organisations into new commercial territories

more rapidly (Boeheetal, 2010). Enhanced social standing for prominent enterprises not only provides greater opportunities for bidding or selection but also strengthens partnerships and access to expanded financing resources (Orlitzky et al., 2003).

H1: Strong ESG performance drives financial outcomes.

ESG disclosure serves as a vital vehicle for implementing corporate sustainability strategies and an innovative tool for assessing investment value. Its fundamental purpose is to compel enterprises to shoulder social responsibilities such as environmental protection and safeguarding employee rights, thereby driving green transformation and high-quality development. The public disclosure of ESG information constitutes a strategic decision-making act that profoundly influences a company's resource allocation. Analysis based on signalling theory indicates that proactively publishing performance data concerning environmental, social, and economic aspects not only benefits corporate reputation but also bolsters market confidence, garnering recognition and support from capital markets. When enterprises disclose information regarding their environmental stewardship, social contributions, and corporate governance, it effectively mitigates information asymmetry among stakeholders. This enables investors to gain a comprehensive understanding of the company's actual operational conditions, bolsters their investment confidence, and reduces projected capital expenditure. Consequently, it facilitates the achievement of sustainable development objectives. Such disclosure aligns with national policy directions, improves financing conditions, and propels the economy towards high-quality development.

H2: Strong ESG Performance Alleviates Financing Constraints and Enhances Financial Performance

When a company demonstrates strong environmental, social, and governance (ESG) performance, an overly confident executive team may overlook potential risks and underestimate the value of managing negative information, thereby creating operational challenges that prove difficult to resolve. Conversely, even with favourable ESG metrics, blind confidence coupled with neglect of internal management vulnerabilities can allow detrimental factors to accumulate gradually. The "vanity effect" may prompt firms to maintain superficial appearances through concealment strategies for negative information. This exacerbates conflicts of interest between management and

shareholders while substantially diminishing the value advantages inherent in ESG implementation. The rational economic man hypothesis posits that individuals act rationally, making decisions based on self-interest maximisation. Empirical research reveals significant flaws in this assumption, with studies indicating widespread overconfidence among management groups (Teng et al., 2021).

H3: Strong ESG performance can mitigate executive overconfidence to enhance financial performance.

From the perspective of legitimacy theory, research explores the intrinsic link between corporate social responsibility (ESG) practices and risk-bearing behaviour. Findings indicate that proactively assuming environmental, social, and governance obligations can markedly enhance a firm's legitimacy status, thereby optimising its risk management capabilities and bolstering resilience against external shocks (Lin et al., 2024). Corporate legitimacy is grounded in institutional demands within specific contexts and dynamic adaptation processes (Suchman, 1995). To gain recognition by conforming to institutional norms, firms pursue two pathways: internal structural adjustments and external interactions to secure resource support (King et al., 2005). Internal governance mechanisms focus on creating organisational structures that meet legitimacy requirements, while external interactions prioritise responding to specific stakeholder demands (Sine et al., 2005). Legitimacy serves as a crucial pillar for corporate sustainability. Strategic legitimation approaches can mitigate uncertainties faced by emerging industries or start-ups during their initial phases. Research by Meyer et al. (1977) and Ortiz et al. (2016) indicates that enterprises demonstrating higher levels of social and environmental responsibility exhibit greater resilience when encountering adverse events. Strengthened organisational legitimacy leads to a marked reduction in regulatory pressure and a significant decrease in non-systemic market risk, thereby enhancing the enterprise's overall risk-bearing capacity.

H4: Strong ESG performance enhances risk-bearing capacity to drive financial performance

3. RESEARCH DESIGN

(1) Data Sources and Sample Selection

The data for this study primarily originates from the Guotai An (CSMAR) database and annual reports of listed companies, covering information on non-financial listed companies on the Shanghai and Shenzhen A-share markets from 2012 to 2023. To

ensure greater accuracy, the following adjustments were made following the methodology of Zhang Jianping et al. (2023): companies delisted, designated as ST or *ST (due to persistent losses rendering data unanalysable) were excluded; samples with incomplete data were removed; financial and insurance enterprises were excluded; and truncated treatment was applied to continuous variables. Ultimately, 3,125 listed companies were selected as the research sample.

This study examines the impact of ESG performance on enterprises, thus treating ESG performance as the explanatory variable. Following the methodology of Long Ziwu et al. (2023), Huazheng ESG rating data was employed to measure corporate ESG performance.

The Huazheng ESG rating system categorises listed companies into nine tiers from lowest to highest: C, CC, CCC, B, BB, BBB, A, AA, and AAA.

$$SA_{i,t} = -0.737 \times Size_{i,t} + 0.043 \times Size_{i,t}^2 - 0.040 \times Age_{i,t} \tag{3-1}$$

A lower SA index indicates weaker financing constraints, meaning the firm can access capital more readily. Here, Size denotes the natural logarithm of firm size, and Age represents the firm's years in operation.

The second mediating variable is executive overconfidence (OC). Drawing upon Xu, Gaoyan et al. (2023), this study examines managerial personal

$$OC_{i,t} = \frac{1}{4} (\text{SexScore}_{i,t} + \text{AgeScore}_{i,t} + \text{DegreeScore}_{i,t} + \text{PosiScore}_{i,t}) \tag{3-2}$$

The third mediating variable is risk-taking capacity. Following the methodology of Cao Yue et al. (2025), this study employs return on assets volatility as a proxy for corporate risk-taking levels, excluding stock return volatility to mitigate interference from anomalous data.

The specific calculation method is as follows: ROA is computed by dividing earnings before interest, taxes, depreciation, and amortisation (EBITDA) by total assets. After subtracting the

$$ROA_{in} - ADJ = \frac{EBITDA_{in}}{ASSETS_{in}} - \frac{1}{X} \sum_{k=1}^x \frac{EBITDA_{kn}}{ASSETS_{kn}} \tag{3-3}$$

$$Risk = \sqrt{\frac{1}{N-1} \sum_{n=1}^N \left(ROA_{in} - ADJ - \frac{1}{N} \sum_{n=1}^N ROA_{in} - ADJ \right)^2} \tag{3-4}$$

(3) Setting The Measurement Model

To test Hypothesis H1, this paper adopts a panel

This study assigns these nine tiers' scores from 1 to 9 in ascending order, then calculates the average of the four quarterly ratings for each year as the final annual ESG score.

The dependent variable is defined as financial performance. This encompasses how much profit a company generates during operations, the efficiency of its expenditure, the effectiveness of its asset utilisation, and the returns delivered to shareholders. In essence, it assesses the company's operational efficacy and profitability.

This study adopts the approach of Xiao Yan et al. (2021), employing return on assets (ROA) as the dependent variable.

Regarding the mediating variables, the first mediator is financing constraints. This paper selects the SA indicator as the mediating variable. The specific calculation method is as follows:

characteristics including gender, age, educational attainment, and dual role status to assess executive overconfidence through a scoring system.

The arithmetic mean of these four personal characteristic scores serves as the composite evaluation metric for measuring managerial overconfidence levels.

annual industry average, to measure the firm's risk-taking level, this study employs a five-year rolling window to calculate the volatility of the firm's industry-adjusted ROA (return on assets).

Simply put, this examines the extent of fluctuations in the firm's profitability over the past five years. Greater volatility indicates higher risk exposure. The specific calculation method follows Model (3-3).

fixed-effects model following the methodology of Yu Qingrui et al. (2025) and Liu Dingping et al. (2025).

Details are presented in Equation (3-5).

$$ROA_{i,t} = \alpha_0 + \alpha_1 ESG_{i,t} + \sum \alpha_x Controls_{i,t} + Code + Year + \varepsilon_{i,t} \tag{3-5}$$

where $ROA_{i,t}$ denotes the financial performance of firm i in year t , specifically the return on assets, and $ESG_{i,t}$ denotes the ESG performance of firm i in year t . $Controls$ denotes the set of firm-level control variables, including firm size (Size), firm age (FirmAge), leverage level (Lev), asset utilisation efficiency (ATO), proportion of independent directors (Indep), largest shareholder ownership

ratio (Top1), and Tobin's Q (TobinQ). $\varepsilon_{i,t}$ represents the random disturbance term. Code denotes the individual fixed effect. Year denotes the year fixed effect.

To test hypotheses H2-4, this study adopts the approach of Wang Ni et al. (2024), employing a stepwise regression method. Details are presented in equations (3-6) and (3-7).

$$Media_{i,t} = \partial_0 + \partial_1 ESG_{i,t} + \sum \partial_x Controls_{i,t} + Code + Year + \varepsilon_{i,t} \tag{3-6}$$

$$ROA_{i,t} = \delta_0 + \delta_1 ESG_{i,t} + \delta_2 Media_{i,t} + \sum \delta_x Controls_{i,t} + Code + Year + \varepsilon_{i,t} \tag{3-7}$$

To test Hypothesis H2, this study examines the sign of the interaction term coefficient relative to the main effect coefficient. A positive sign indicates strengthening, while a negative sign suggests weakening.

divergence in ESG implementation across firms. The findings reveal that the mean value for financing constraints (SA) is -3.918 with a standard deviation of 0.249, indicating that enterprises collectively face a certain degree of financing constraints, albeit with limited variation.

4. EMPIRICAL FINDINGS AND ANALYSIS

(1) Descriptive Statistics

Table 4.1 presents descriptive statistics. The mean financial performance (ROA) of the sample enterprises is 0.265 with a standard deviation of 0.070, indicating moderate variability in financial outcomes. The mean ESG performance is 4.131 with a standard deviation of 0.966, reflecting significant

The mean value for executive overconfidence (Over Con) is 0.655 with a standard deviation of 0.115, suggesting variations in the degree of executive overconfidence across enterprises.

The mean value for risk-taking ability (CRT) is -3.642 with a standard deviation of 0.326, indicating that firms also exhibit some fluctuation in their risk-taking capacity.

Table 4.: Descriptive Statistics.

Variable Name	Sample Size	Mean	Standard Deviation	Minimum	p25	p50	p75	Maximum
ROA	24739	0.026	0.070	-0.578	0.009	0.029	0.057	0.220
ESG	24739	4.131	0.966	1	3.500	4	5	8
SA	24739	-3.918	0.249	-4.641	-4.076	-3.916	-3.756	-3.096
Over Con	24739	0.655	0.115	0.033	0.630	0.655	0.655	0.995
CRT	24739	-3.642	0.326	-5.015	-3.847	-3.638	-3.431	-1.621
Size	24739	22.59	1.310	19.48	21.68	22.42	23.36	26.45
FirmAge	24739	3.051	0.270	1.792	2.890	3.091	3.258	3.689
Lev	24739	0.453	0.198	0.038	0.301	0.451	0.601	0.934
ATO	24739	0.603	0.417	0.048	0.330	0.513	0.746	2.645
Independent	24739	0.377	0.0550	0.286	0.333	0.364	0.429	0.600
Top1	24739	0.326	0.146	0.076	0.212	0.302	0.422	0.758
TobinQ	24739	1.954	1.295	0.795	1.175	1.553	2.234	17.68

(2) Benchmark Regression Results

As shown in Table 4.2 of the regression results, when control variables are not included, the coefficient for ESG performance is 0.016 and remains statistically significant at the 1% level.

coefficient for ESG performance is 0.007 and continues to be statistically significant at the 1% level. This outcome indicates that enterprises with strong ESG performance exhibit superior financial performance, thereby validating Hypothesis H1.

After incorporating control variables, the

It supports the conclusion that ESG performance exerts a significant positive influence on corporate

financial performance (ROA).

Table 4.2: Benchmark Regression Results.

VARIABLES	(1)	(2)
	Without Control Variables ROA	With Control Variables Added ROA
ESG	0.016*** (36.447)	0.007*** (16.777)
Size		0.017*** (41.737)
FirmAge		0.002 (1.341)
Lev		-0.159*** (-64.891)
ATO		0.031*** (28.433)
Indep		-0.048*** (-6.793)
Top1		0.042*** (14.822)
TobinQ		0.009*** (25.070)
Constant	-0.042*** (-21.717)	-0.357*** (-35.429)
Observations	24,739	24,737
R-squared	0.097	0.280
Id FE	YES	YES
Year FE	YES	YES

Note: ***, ** And * Denote Significance at the 1%, 5% And 10% Levels Respectively; Values in Parentheses Are T-Statistics

(3) Endogeneity Issues and Robustness Checks

As shown in Table 4.3 summarising endogeneity issues and robustness tests, to address endogeneity concerns, this study employs ESG fund holdings as an instrumental variable. Results from the instrumental variable (IV) method indicate that, after controlling for potential endogeneity bias, a one-unit increase in ESG score still significantly boosts ROA by 0.042 ($p < 0.01$).

This confirms the causal reliability of ESG's financial value creation effect. Upon substituting the dependent variable with ROE, the ESG coefficient remains positively significant ($\beta = 0.038$, $p < 0.05$), confirming that the conclusion is not contingent

upon specific financial metrics. Furthermore, after excluding years of financial market volatility (e.g., the 2015 stock market crash), enterprises in municipalities directly under central government (due to policy particularities), and pandemic-period data, the coefficient range for the ESG-ROA relationship fluctuated within ± 0.005 , demonstrating the conclusion's independence from exceptional circumstances.

Employing a one-period lagged model to control for reverse causality, the ESG coefficient remained significantly positive ($\beta = 0.039$, $p < 0.01$), ruling out the alternative interpretation that performance drives ESG.

Table 4.3: Summary Of Endogeneity Issues and Robustness Tests.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
VARIABLES	first stage ESG	second stage ROA	Substitution method ROE	Eliminating financial market volatility ROA	Exclusion of municipalities ROA	Exclusion of pandemic period ROA	One-period lag ROA
IV_ESG	1.012*** (15.713)						
ESG		0.042*** (8.607)	0.018*** (14.745)	0.007*** (16.262)	0.007*** (16.777)	0.008*** (16.792)	
L_ESG							0.005*** (11.475)
Constant	-3.343***	-0.220***	-0.925***	-0.358***	-0.357***	-0.352***	-0.399***

	(-22.982)	(-14.089)	(-33.926)	(-34.147)	(-35.429)	(-35.485)	(-37.050)
Observations	24,737	24,737	24,737	23,413	24,737	18,117	20,864
R-squared	0.144	0.047	0.220	0.278	0.280	0.250	0.253
Control FE	YES						
ID FE	YES						
Year FE	YES						

Note: The Symbols ***, **, And * Denote Significant Differences at the 1%, 5%, And 10% Levels Respectively. The Values in Parentheses Represent T-Values.

(4) Testing Of Mechanisms

As indicated by the mechanism testing results in Table 4.4, ESG performance enhances financial performance through three pathways. Firstly, it alleviates financing constraints, where the significant negative SA coefficient facilitates easier access to low-cost capital. Secondly, it curbs executive overconfidence, with the substantial negative Over_Con coefficient reducing losses from irrational

decision-making. Thirdly, it elevates risk-bearing capacity, where the substantial positive CRT coefficient promotes innovation investment. Collectively, these mechanisms elucidate how ESG systematically generates financial value.

Beyond directly enhancing financial performance, it indirectly exerts influence through multiple pathways, thereby providing robust support for enterprises to achieve sustainable development.

Table 4.4: Testing of Mechanisms.

	(1)	(2)	(3)	(4)	(5)	(6)
	Financing constraints		Excessive confidence among senior executives		Risk-bearing capacity	
VARIABLES	SA	ROA	Over_Con	ROA	CRT	ROA
SA		-0.064*** (-17.983)				
Over_Con				-0.004* (-1.935)		
CRT						0.005*** (3.003)
ESG	-0.005*** (-5.778)	0.008*** (17.537)	-0.003*** (-4.051)	0.007*** (16.740)	-0.021*** (12.434)	0.007*** (16.491)
Constant	-2.640*** (-146.459)	-0.524*** (-38.341)	0.725*** (37.781)	-0.354*** (-34.157)	-2.329*** (-59.433)	-0.368*** (-34.202)
Observations	24,737	24,737	24,737	24,737	24,737	24,737
R-squared	0.819	0.289	0.051	0.280	0.503	0.280
Control FE	YES	YES	YES	YES	YES	YES
ID FE	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES

Note: The Symbols ***, **, And * Denote Significant Differences at the 1%, 5%, And 10% Levels Respectively. The Values in Parentheses Represent T-Values.

(5) Heterogeneity Analysis

Table 4.5 presents the results of a heterogeneity analysis indicating that the impact of ESG performance on financial outcomes varies significantly across different enterprise types and environmental conditions.

For state-owned enterprises, the coefficient for ESG performance stands at 0.004, demonstrating statistical significance at the 1% level.

This suggests that state-owned enterprises can enhance their financial performance through the implementation of ESG practices. Among high-tech enterprises, the ESG performance coefficient reaches 0.009, also statistically significant at the 1% level.

This reflects that high-tech enterprises, leveraging

technological innovation and management advantages, can more effectively translate ESG practices into enhanced financial performance.

For heavily polluting enterprises, the ESG performance coefficient stands at 0.002, significant at the 5% level.

These enterprises can improve environmental performance and enhance financial outcomes through ESG implementation. In labor-intensive enterprises, the ESG performance coefficient was 0.005, significant at the 1% level.

This indicates that labour-intensive firms can enhance employee satisfaction and productivity—thereby boosting financial performance—by improving working conditions and fulfilling social

responsibilities.

Table 4.5: Heterogeneity Analysis.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Non-state-owned enterprises	State-owned enterprises	High-tech enterprises	Non-high-tech enterprises	Heavily polluting enterprises	Non-heavy-polluting enterprises	Labour-intensive	Technology-intensive	Asset-intensive
VARIABLES	ROA	ROA	ROA	ROA	ROA	ROA	ROA	ROA	ROA
ESG	0.004*** (7.174)	0.009*** (14.305)	0.009*** (13.004)	0.005*** (8.409)	0.002*** (3.002)	0.009*** (16.158)	0.005*** (7.206)	0.010*** (13.948)	0.002*** (2.579)
Constant	-0.303*** (-25.636)	-0.463*** (-29.264)	-0.379*** (-24.311)	-0.378*** (-24.719)	-0.331*** (-16.232)	-0.383*** (-29.636)	-0.415*** (-22.410)	-0.370*** (-21.400)	-0.302*** (-12.985)
Observations	10,178	13,960	11,951	9,556	4,954	16,553	7,982	9,137	4,035
R-squared	0.341	0.301	0.278	0.296	0.306	0.281	0.261	0.310	0.305
Control FE	YES	YES	YES	YES	YES	YES	YES	YES	YES
ID FE	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES

Note: The Symbols ***, **, And * Denote Significance at the 1%, 5%, And 10% Levels Respectively; The Values in Parentheses Represent T-Values.

5. RESEARCH FINDINGS AND POLICY RECOMMENDATIONS

(1) Research Findings

This study employs unbalanced panel data from 3,125 A-share listed companies between 2012 and 2023 to thoroughly analyse the impact of ESG performance on corporate financial outcomes and its transmission pathways. The findings conclusively demonstrate that a company's ESG performance tangibly enhances its financial returns. This conclusion remains valid even after controlling for other variables and excluding confounding factors. In this process, ESG performance drives financial growth by reducing capital constraints, mitigating excessive managerial overconfidence, and enhancing corporate risk resilience. These findings suggest that ESG practices not only directly elevate financial performance but also exert indirect effects through multiple mechanisms, thereby providing robust support for corporate sustainability.

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(2) Policy Recommendations

Based on the findings of the above research, the following policy recommendations are proposed: Companies should prioritise ESG performance as a key element within strategic planning. By actively fulfilling environmental, social, and governance responsibilities, enterprises can enhance their financial performance and market competitiveness while achieving long-term sustainable development. Specifically, enterprises should establish clear ESG objectives and develop corresponding management systems to ensure tangible progress in environmental protection, social responsibility fulfilment, and corporate governance. Subsequently, policymakers should strengthen ESG disclosure regulations to incentivise improved corporate ESG performance. Governments should enact legislation requiring regular publication of ESG-related data, thereby enhancing transparency and boosting investor and stakeholder confidence.

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