

ESG, Firm Performance, and Corporate Policy¹

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Abstract

This paper aims to investigate the importance of corporate social responsibility (CSR) in achieving United Nations' Sustainable Development Goals (SDGs) and the integration of environmental, social, and governance (ESG) considerations into corporate policy. Specifically, this study explores the impact of ESG on firm performance, marketing strategy, and R&D investment using comprehensive data from Japanese firms, addressing limitations of previous research. The study is motivated by ample evidence suggesting that ESG performance positively impacts financial performance and firms with high ESG ratings tend to outperform their peers in terms of stock price and profitability. Our results indicate that, in general, firms that prioritize ESG considerations perform better than other firms in the financial aspect and commit more corporate resources to R&D investment. Additionally, the social dimension may have a positive impact on marketing expenditure while the overall ESG effect on marketing is insignificant. The inspiration of our findings suggests that incorporating ESG considerations into corporate policy can benefit both the company and society, as it helps achieve the SDGs.

Keywords: corporate social responsibility (CSR), sustainable development goals (SDGs), environmental, social, and governance (ESG), firm performance, marketing, R&D

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