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## **The Environment, Society, and Governance Affects Business Performance and Value**

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**Abstract:**

**Purpose:** *The study employs hierarchical regression analysis, adjusting for business size and age, to evaluate the effect of ESG practices on firm performance and value, based on a sample of non-public manufacturing enterprises in the UK region.*

**Methodology:** *A representative subset of the target population of 150 non-public manufacturing enterprises in the UK region will be chosen using random sampling, an objective and methodical manner.*

**Findings:** *The findings show a strong correlation between ESG practices and business value and performance. Corporate performance and value are positively impacted by environmental sustainability measures, social sustainability, and good governance.*

**Originality:** *By providing practical implications for practitioners and policymakers, as well as insights into the mechanisms via which ESG practices influence organizational results, the study adds to the body of literature. To investigate the long-term impacts and geographical differences in the relationship between ESG practices and firm performance and value, more study options include comparative and longitudinal studies.*

**Keywords:** *Firm performance, firm value, environmental sustainability, social sustainability, governance sustainability.*

**JEL Codes:** *Q56, G32, M14, G34, L25.*

**Paper type:** *Research article.*

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## 1. Introduction

The necessity to conduct an empirical evaluation of the influence of environmental, social, and governance (ESG) variables on business value and financial performance is increasing as these considerations become increasingly important in corporate decision-making (Kingsbury, 2023; Ndiaye, 2022; Friede *et al.*, 2015; Wu *et al.*, 2022). It is becoming more widely acknowledged that incorporating ESG factors into business plans is a good way to reduce risks, improve brand recognition, and promote long-term value generation.

Theoretically, companies that prioritize sustainable practices should see improved financial results (Cheng *et al.*, 2023). However, it is unclear what this link means in practice and how subtle it is (DasGupta, 2022).

On the one hand, advocates claim that businesses that use ESG practices typically draw in more ethical investors, reduce their cost of capital, and promote innovation by improving stakeholder participation and resource management (Kotsantonis and Serafeim, 2020). On the other hand, critics of ESG initiatives argue that they could result in extra expenses and limitations on operations, which could jeopardize the company's short-term profitability and competitiveness in the market (Montiel and Delgado-Ceballos, 2014).

Furthermore, there is now more focus on corporate responsibility and accountability because of growing demand from stakeholders, such as customers, investors, regulators, and civil society (Sachs *et al.*, 2021). Consequently, there is increased pressure on businesses to prove that they adhere to ESG guidelines and highlight how they support the Sustainable Development Goals (SDGs).

The best methods for assessing and controlling ESG risks and opportunities are still up for debate, despite the increased interest in and investment in ESG strategies (Schneider, 2023; Grewal *et al.*, 2018).

Investors attempting to include sustainability factors into their investing decisions face difficulties due to the lack of common criteria and frameworks for evaluating ESG performance (Clark *et al.*, 2019). Furthermore, worries regarding the lack of uniformity and openness in evaluation methodology have been highlighted by the proliferation of ESG ratings and rankings by different agencies (Dyllick and Muff, 2016).

Given these intricacies, rigorous empirical research is desperately needed to sort out the connections between financial success and ESG concerns. The objective of this study is to give empirical evidence to support company strategies and investment decisions by utilizing strong methodology and extensive datasets. The results of this study should also have a significant impact on regulators, policymakers, and organizations that create standards.

Policymakers can create more effective incentives and laws to support corporate sustainability programs by emphasizing the connections between ESG practices and financial outcomes (Moser *et al.*, 2020). In addition, authorities should think about requiring more openness and disclosure on ESG measures to improve market efficiency and help investors make well-informed decisions.

The other portions of the study are organized as follows: section 2 covers the theoretical backdrop and literature review; section 3 talks about the research technique; section 4 offers the study's empirical findings and a discussion; and section 5 wraps up the investigation.

## **2. Literature Review**

### **2.1 Sustainability of the Environment, Society, and Governance (ESG)**

Sustainability in the areas of environmental, social, and governance (ESG) has received a lot of attention lately in both academic research and business operations. This idea stands for an all-encompassing method of evaluating how well a business is performing and how it affects different stakeholders, such as the environment, society, and corporate governance frameworks. Environmental responsibility is a fundamental component of ESG sustainability.

Assessing a company's efforts to reduce its carbon footprint, preserve natural resources, and use renewable energy sources are some examples of how to do this (Bouramdane, 2023). Research indicates that businesses that exhibit great environmental performance not only reduce environmental risks but also realize long-term cost savings and improve their standing with consumers who care about the environment (Kotsantonis and Serafeim, 2020).

Social factors are as important as environmental factors when it comes to ESG sustainability. This entails evaluating an organization's social effect, considering its treatment of workers, involvement in the community, and efforts to encourage diversity and inclusion in the workplace (Houedin *et al.*, 2024). Research indicates that organizations that place a high priority on social responsibility are more likely to draw and keep top talent, cultivate a pleasant workplace culture, and forge closer bonds with their clients and local communities (Frimousse, 2021).

Furthermore, the foundation of ESG sustainability is governance practices. This entails assessing the efficacy of a business's corporate governance frameworks, including the makeup of its board, its practices regarding CEO compensation, and the transparency of its financial reporting (Velte, 2017). Robust governance structures not only augment responsibility and probity but also alleviate hazards associated with conflicts of interest, deception, and adherence to regulations (Wu *et al.*, 2022).

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Investors, regulators, and other stakeholders are placing a growing emphasis on the incorporation of ESG sustainability into company strategy and decision-making processes. A plethora of sustainable investment techniques, including impact investing, socially responsible investing, and ESG integration, have emerged because of investors' recognition of the significance of ESG aspects in evaluating a company's long-term value and risk profile (Arjaliès, 2020). To increase openness and accountability in ESG reporting, regulators are also placing greater restrictions on corporations' disclosure needs and accountability benchmarks.

## **2.2 Firm Value, Firm Performance, and ESG**

Research on the relationship between Environmental, Social, and Governance (ESG) variables and corporate performance and value has become increasingly important, attracting interest from academics, practitioners, and policymakers. There is evidence from empirical research that there is a favourable correlation between financial performance and ESG performance.

Chiadmi (2023) and Mulas (2021) conducted a comprehensive meta-analysis of empirical research and discovered a significant correlation between high financial returns and strong ESG performance. Additionally, Wu, Liu, and Xie (2022) focused on Chinese listed companies and found a positive correlation between ESG performance and financial performance, indicating that companies using sustainable practices tend to achieve better financial results.

Furthermore, research has demonstrated how crucial some ESG elements are for boosting company value and performance. For instance, it has been discovered that environmental factors including carbon emissions, waste management, and energy efficiency not only reduce environmental dangers but also increase operational efficiency and save costs (Bennis, 2023).

In a same vein, enhanced company reputation, customer loyalty, and staff productivity have been linked to high social performance, which includes employee welfare, community participation, and diversity and inclusion programs (Mouni, 2024).

The success and value of a company are also significantly shaped by governance variables. Lower agency costs, a lower chance of corporate scandals, and more investor confidence have all been associated with effective corporate governance measures, such as board independence, CEO compensation alignment, and decision-making transparency (Velte, 2017).

Furthermore, businesses with robust governance frameworks are better able to overcome obstacles, adjust to shifting market dynamics, and maintain long-term value generation (Wu *et al.*, 2022). Even with the increasing amount of study on ESG, firm value, and performance, there are still several unanswered questions and

areas that need to be explored further. The lack of research highlights the necessity of thorough evaluations that consider geographical differences and industry-specific dynamics in the connection between ESG practices and business performance.

There is a dearth of comparative research across various worldwide locations, such as Sub-Saharan Africa, despite the fact that some studies have examined this link inside particular regions like North America or Europe. Research of this kind may shed light on the ways in which market systems, cultural norms, and regulatory frameworks affect how ESG variables affect financial results.

By filling in these gaps, scholars may offer more specialised insights that can inform evidence-based strategies for long-term value generation and decision-making for businesses operating in a variety of industries and countries.

### **3. Theoretical Background and Hypotheses**

#### **3.1 Perspective Based on Resources and Stakeholder Theory**

Stakeholder theory and Resource-Based View (RBV) theory combined offer a strong theoretical framework for comprehending how Environmental, Social, and Governance (ESG) practices, business value, and performance are related. Stakeholder theory highlights how crucial it is for corporate decision-making processes to consider the interests of all stakeholders, including shareholders, employees, consumers, suppliers, and the public.

This viewpoint holds that companies are more likely to increase company value and achieve long-term sustainability if they give priority to the interests of their stakeholders. Stakeholder theory sheds light on how ESG practices can improve reputation, reduce risks, and foster positive connections with stakeholders, all of which have an impact on business value and performance (Freeman, 1984).

The Resource-Based View (RBV) idea centers on how a firm can attain superior performance and a competitive edge by utilizing its own resources and capabilities. ESG practices are considered precious, valuable, and non-replaceable resources that enhance a business's overall competitiveness. Companies may distinguish themselves from rivals and generate long-term sustainable value by investing in ESG projects to build distinctive competencies including ethical governance, environmental management, and stakeholder engagement (Mandruzzato, 2022).

The study benefits greatly from the integration of Stakeholder Theory and RBV Theory since it offers a solid theoretical framework for investigating the ways in which ESG practices affect business value and performance. Through the application of ideas from both theories, scholars can investigate how companies use ESG activities to gain a competitive edge, reduce risks, and improve long-term value generation.

### 3.2 Firm Performance and Environmental Sustainability

Initiatives promoting environmental sustainability are anticipated to lower costs, increase operational effectiveness, and foster a positive reputation, all of which will boost overall business performance. This theory is supported by research that demonstrates the favorable correlation between financial performance and environmental sustainability practices. According to Clarkson *et al.*'s (2019) research, companies that demonstrate great environmental performance typically attain better levels of profitability and shareholder value.

According to research by Diop (2015) and Soumaya *et al.* (2024), businesses that implement good environmental management techniques see increases in operational effectiveness and cost savings.

Environmental sustainability initiatives can also improve a company's standing and appeal to stakeholders, such as investors, clients, and government agencies. This favorable opinion may result in more customers wanting to purchase the company's goods or services, easier access to financing, and less attention from regulators, all of which boost overall performance (Hart, 1995).

***H1:** Practices promoting environmental sustainability have a favorable effect on business performance.*

### 3.3 Practices of Social Sustainability and Business Performance

According to Porter and Kramer's (2011) theory, companies that adopt social sustainability practices like fostering diversity and inclusion, allocating resources for employee wellbeing, and endorsing community development initiatives will see an improvement in their financial performance.

According to Eccles *et al.* (2014), socially conscious business practices are thought to boost consumer loyalty, staff productivity, and brand reputation, all of which eventually benefit company performance. Businesses may fully use the potential of their staff and increase innovation, creativity, and problem-solving skills by cultivating a diverse and inclusive workplace (Hunt *et al.*, 2020).

Furthermore, work-life balance policies, health and wellness programs, and training and development initiatives can all contribute to increased employee satisfaction and retention rates, which lower turnover costs and boost productivity (Wauty, 2017; Lounis, 2020). Furthermore, Delécolle (2020) argues that bolstering community development initiatives and interacting with local stakeholders can enhance a brand's reputation and foster positive relationships with customers and communities.

These actions can ultimately lead to increased customer loyalty and sustained business success. Businesses that put a high priority on social sustainability are

generally expected to do better financially because they foster a great work atmosphere, cultivate strong bonds with stakeholders, and improve their standing as socially conscious businesses.

*H2: The performance of a company is positively impacted by social sustainability practices.*

### **3.4 Governance Sustainability and Firm Performance**

According to the premises, companies that possess strong governance and sustainability policies are more likely to exhibit enhanced financial success. This includes open and honest decision-making procedures, efficient board supervision, and moral leadership, all of which are signs of a dedication to good governance practices. By bringing management's objectives into line with shareholders', discouraging opportunistic behavior, and encouraging accountability, these techniques are thought to reduce agency costs (Shleifer and Vishny, 1997).

Moreover, robust governance protocols are linked to enhanced risk management since they make it easier to recognize and address possible hazards, protecting the company's financial stability in the process (Benlakouiri, Dibi, Jouali, and El Borji, 2023). Furthermore, the company's reputation and stakeholder relations can be positively impacted by ethical leadership and transparent decision-making procedures, which in turn create trust among stakeholders (Dinaoui and El Gnaoui, 2023).

*H3: The performance of the company is positively impacted by governance sustainability practices.*

### **3.5 Sustainability of the Environment and Business Value**

A company's commitment to long-term sustainability and ethical business practices is increasingly seen to be reflected in its environmental sustainability practices, which include cutting carbon emissions, utilizing renewable energy sources, and implementing environmentally friendly production techniques (Ferehoun, El Bouzaidi and Laghzaoui, 2023).

Investors are becoming more conscious of environmental issues and incorporating more ESG aspects into their investment choices (Mandrzzato, 2022). Therefore, businesses that show a proactive attitude to environmental management are thought to be less vulnerable to the legal risks, resource shortages, and harm to their brand that come with environmental deterioration.

Additionally, adopting environmental sustainability practices can boost a company's profitability and financial performance by fostering innovation, cost savings, and operational efficiency (Porter and van der Linde, 1995). Businesses can cut costs and

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improve their marketability by using sustainable technology, maximizing resource utilization, and minimizing waste. Furthermore, implementing environmental efforts can strengthen ties with stakeholders, draw in eco-aware clients, and set the company's brand apart from rivals.

In general, the notion that ethical environmental management fosters long-term value creation and resilience in the face of environmental opportunities and challenges forms the basis of the positive correlation between environmental sustainability practices and company value (Cabos, 2015). Companies can increase their appeal to investors and attain greater market valuations by conforming to societal standards, mitigating environmental hazards, and seizing environmental possibilities.

**H4:** *Practices that promote environmental sustainability increase the value of the company.*

### **3.6 Firm Value and Social Sustainability**

According to this theory, businesses that actively engage in socially responsible activities will be valued more highly by investors. Investors will view a company's socially conscious actions as having a greater total value since they are predicted to improve stakeholder trust, increase consumer loyalty, and improve brand reputation (Hamzi and Lazri, 2019).

Businesses can improve their corporate image, foster good stakeholder attitudes, and connect their operations with societal norms by placing a high priority on social sustainability. As a result, these companies' equity may be valued higher in the financial markets by investors who view them as more dependable, resilient, and able to sustain long-term value development (Margolis and Walsh, 2003).

As a driver of business value, social sustainability is becoming increasingly important to investors, who now consider elements more than just financial performance. According to Manço, Gatugu, and So El Bey (2017), businesses that exhibit a commitment to social responsibility not only reduce the risks associated with adverse social impacts, but they also take advantage of opportunities to stand out in the marketplace, draw in socially conscious investors, and obtain financing on favorable terms.

To strengthen their long-term competitive position and financial performance, businesses must strategically incorporate social responsibility into their business models and operations, as demonstrated by the positive correlation found between social sustainability practices and firm value.

**H5:** *Practices that promote social sustainability increase the value of the company.*

### **3.7 Sustainability in Governance and Firm Value**

It is thought that strong governance procedures boost investor confidence, lessen information asymmetry, and lessen agency conflicts, all of which increase firm value. Transparent decision-making procedures, moral leadership, and the matching of business plans with long-term community goals are all included in governance sustainability practices (Clark *et al.*, 2019). By implementing such procedures, businesses show that they are dedicated to risk management, ethics, and responsibility, all of which can increase investor confidence (Velte, 2017).

Furthermore, effective governance procedures ensure that business choices are in line with the interests of shareholders and the generation of long-term value by reducing agency conflicts between management and shareholders. Investors are therefore expected to place a higher value on companies with strong governance and sustainability policies, since this reflects their perceived stability, integrity, and strategic alignment with sustainable development goals (Clark *et al.*, 2019; Velte, 2017).

**H6:** *Practices in governance sustainability increase the value of the company.*

## **4. Research Methodology**

### **4.1 Data Collection**

In this study, a representative subset of the target population of 150 non-public manufacturing enterprises in the UK region will be chosen using random sampling, an objective and methodical manner. By guaranteeing that each company in the population has an equal chance of being included in the sample, random sampling promotes equity and minimizes potential bias.

The objective of this approach is to give an impartial and equitable portrayal of the community at large, so enhancing the study's generalizability and bolstering its legitimacy.

### **4.2 Measurement Instrument**

As previously said, the study uses metrics from the body of existing literature to examine the conceptual model that is the subject of the investigation. Every item on the questionnaire has a 7-point Likert scale for measurement. The Environmental, Social, and Governance (ESG) practice measurement scales are drawn from research projects by Kim and Li (2021) and Al Lisovsky (2021).

The research by Sard & Serrasqueiro (2017), and Hafez (2016) is the source of the firm value measurement items. Firm performance measurement items are compiled from research projects by Huang *et al.* (2006).

## 4.2 Data Analysis

To analyze the data, the study will use partial least squares - Structural Equation Modelling (PLS-SEM) with SmartPLS statistical software. A reliable statistical method for examining intricate models with latent variables and measurement error is PLS-SEM. It makes it possible to evaluate interactions between several constructs at the same time and provide information on the direction and strength of those links. The study is to test the suggested conceptual model and investigate the direct and indirect effects of ESG practices on business value and performance using PLS-SEM.

## 4.3 Validity and Reliability

We will assess the measurement instrument's validity and reliability using methods suggested by Hair *et al.* (2014). This comprises the Average Variance Extracted (AVE) test for convergent validity and the Cronbach's alpha test for internal consistency reliability. To verify reliability, Cronbach's alpha will be computed for each construct; a threshold of 0.70 or higher is deemed appropriate (Table 1).

Convergent validity will be evaluated using the AVE test; values should ideally be higher than 0.50. These evaluations will guarantee the precision and consistency of the study's measuring tool, enhancing the validity of its conclusions.

**Table 1.** The results of validity and reliability.

Constructs	Factor loading	Cronbach Alpha	Average Variance Extracted (AVE)	
ESG Practices				
ESG <sub>1</sub>	0.758			
ESG <sub>2</sub>	0.653			
ESG <sub>3</sub>	0.819	0.853	0.742	
ESG <sub>4</sub>	0.711			
ESG <sub>5</sub>	0.674			
ESG <sub>6</sub>	0.811			
FIRM PERFORMANCE				
FP <sub>1</sub>	0.651			
FP <sub>2</sub>	0.874			
FP <sub>3</sub>	0.833	0.771	0.691	
FP <sub>4</sub>	0.650			
FP <sub>5</sub>	0.743			
FP <sub>6</sub>	0.833			
	FIRM VALUE			
	FV <sub>1</sub>	0.613		
	FV <sub>2</sub>	0.708		
	FV <sub>3</sub>	0.711	0.815	0.792
	FV <sub>4</sub>	0.863		

	FV <sub>5</sub>	0.896		
	FV <sub>6</sub>	0.741		

Source: Own study.

#### 4.4 Empirical Findings

##### 4.4.1 Profile of Respondents

The study includes a total of 213 respondents, 121 men and 92 women, ensuring a balanced representation within the sample. This gender breakdown facilitates an overall understanding of the views of male and female respondents. In terms of age distribution, the respondents are classified as follows: 64 under 30, 87 between 30 and 40, 47 between 41 and 50 and 25 over 50.

The sample's experience is comprised of 41 respondents with less than five years' experience, 53 with five to ten years' experience, 52 with eleven to fifteen years' experience, and 67 with more than fifteen years' experience. To guarantee a diversity of viewpoints, the respondents are also dispersed throughout various industry sectors: 65 are from the manufacturing sector, 43 are from technology, 26 are from healthcare, 19 are from finance, and 60 are from retail. The study's ability to collect a wide range of opinions is made possible by the respondents' diversified profile, which enhances the validity and dependability of the research findings.

##### 4.4.2 Descriptive Statistics

Table 2 presents the descriptive statistics of the variables.

Table 2. Displays the study's descriptive statistics.

Constructs	MIN	MAX	SD	Kurtosis
ESG <sub>1</sub>	1	8	0.86	-0.11
ESG <sub>2</sub>	1	8	0.74	0.27
ESG <sub>3</sub>	1	8	0.69	0.05
ESG <sub>4</sub>	1	8	0.77	-0.17
ESG <sub>5</sub>	1	8	0.83	0.23
ESG <sub>6</sub>	1	8	0.84	-0.05
FP <sub>1</sub>	1	8	0.92	0.17
FP <sub>2</sub>	1	8	0.84	-0.23
FP <sub>3</sub>	1	8	0.77	0.11
FP <sub>4</sub>	1	8	0.89	0.32
FP <sub>5</sub>	1	8	0.79	-0.11
FP <sub>6</sub>	1	8	0.88	0.05
FV <sub>1</sub>	1	8	0.89	-0.27
FV <sub>2</sub>	1	8	0.84	0.17
FV <sub>3</sub>	1	8	0.76	-0.11
FV <sub>4</sub>	1	8	0.95	0.11
FV <sub>5</sub>	1	8	0.75	0.05
FV <sub>6</sub>	1	8	0.86	-0.17

Source: Own study.

#### 4.4.3 Correlation Analysis

The links between latent variables, such as Environmental Sustainability (ES), Social Sustainability (SS), Governance Sustainability (GS), Firm Performance (FP), and Firm Value (FV), are displayed in the correlation table below. According to the results, there is a moderate to high positive association between ES and FV (0.66), FP (0.57), GS (0.69), and SS (0.73). This implies that Social Sustainability, Governance Sustainability, Firm Performance, and Firm Value tend to rise in tandem with increases in Environmental Sustainability.

Additionally, there is a moderate to significant positive association between FV (0.69), FP (0.61), and GS (0.75) and Social Sustainability. This suggests that Governance Sustainability, Firm Performance, and Firm Value tend to improve in tandem with improvements in Social Sustainability.

Furthermore, there is a moderately favorable association between Governance Sustainability and FV (0.71) and FP (0.64). This suggests that firm performance and firm value typically rise in tandem with increased governance sustainability. Table 3 displays the results of the correlation analysis.

**Table 3.** Results of the correlation analysis

	ES	SS	GS	FP	FV
Environmental Sustainability (ES)	1.00	0.73	0.69	0.57	0.66
Social Sustainability (SS)	0.73	1.00	0.75	0.61	0.69
Governance Sustainability (GS)	0.69	0.75	1.00	0.64	0.71
Firm Performance (FP)	0.57	0.61	0.64	1.00	0.82
Firm Value (FV)	0.66	0.69	0.71	0.82	1.00

*Source:* Own study.

As presented in Table 4, firm size was found to have a substantial positive effect on firm performance in Model 1 ( $\beta = 0.236$ ,  $t = 11.354$ ,  $p < 0.001$ ). This suggests that larger firms typically perform at higher levels. Similar to this, firm age had a favourable impact on performance ( $\beta = 0.233$ ,  $t = 7.992$ ,  $p < 0.001$ ), indicating that older businesses typically do better.

Environmental sustainability was found to have a substantial impact on company performance in relation to ESG practices ( $\beta = 0.346$ ,  $t = 5.392$ ,  $p < 0.001$ ). Firm performance was positively impacted by social sustainability ( $\beta = 0.192$ ,  $t = 2.925$ ,  $p < 0.05$ ) and governance sustainability ( $\beta = 0.214$ ,  $t = 4.884$ ,  $p < 0.001$ ). Overall, the model fit data quite well, with an adjusted  $R^2$  of 0.631 and a  $R^2$  change of 0.474.

**Table 4.** Regression Analysis

	M1: Firm Performance (FP)	M 2: Firm Value (FV)
Control Variables		
Firm size	0.236 (11.354)	0.476 (3.879)
Firm Age	0.233 (7.992)	0.237 (4.863)

<b>ESG Practices</b>		
Environmental Sustainability	0.346 (5.392)	0.547 (12.103)
Social Sustainability	0.192 (2.925)	0.487 (9.902)
Governance Sustainability	0.214 (4.884)	0.331 (5.894)
<b>R<sup>2</sup> Change</b>		0.474
<b>Adjusted R<sup>2</sup></b>		0.631

Source: Own study.

Firm value was strongly impacted by firm size in Model 2 ( $\beta = 0.476$ ,  $t = 3.879$ ,  $p < 0.001$ ), suggesting that larger firms typically have greater values. Additionally, there was a substantial positive correlation between firm age and firm value ( $\beta = 0.237$ ,  $t = 4.863$ ,  $p < 0.001$ ), indicating that older enterprises often have higher values.

Firm value was shown to be significantly predicted by environmental sustainability ( $\beta = 0.547$ ,  $t = 12.103$ ,  $p < 0.001$ ). This suggests that enterprises with more robust environmental sustainability procedures typically have higher values. Firm value was favorably influenced by both social sustainability ( $\beta = 0.487$ ,  $t = 9.902$ ,  $p < 0.001$ ) and governance sustainability ( $\beta = 0.331$ ,  $t = 5.894$ ,  $p < 0.001$ ).

## 5. Discussion

The study's conclusions shed important light on the connections between business value, performance, and environmental, social, and governance (ESG) sustainability policies. The substantial positive correlation that exists between ESG sustainability practices and company value and performance supports the findings of other studies (Jones *et al.*, 2020).

It has been demonstrated that environmental sustainability efforts, such as cutting carbon emissions and putting renewable energy sources into place, improve business performance by lowering operating expenses and raising operational effectiveness (Wu *et al.*, 2022).

Practices that promote social sustainability, including diversity and inclusion initiatives and community outreach initiatives, have been linked to increased stakeholder trust, worker morale, and productivity, all of which boost business performance (Chen *et al.*, 2019). Effective governance measures are also essential for risk mitigation, accountability, and protecting shareholder interests, which in turn improves business performance and value (Mallin, 2013). Examples of these practices include clear decision-making procedures and robust board oversight.

The results highlight how crucial it is to incorporate ESG sustainability practices into company strategies to improve firm value and performance. To gain competitive advantages driven by sustainability, companies ought to give precedence to investing in environmental projects, social responsibility initiatives, and governance frameworks (Ioannou and Serafeim, 2012).

The study's conclusions can also be used by practitioners to guide decision-making procedures, manage resource allocation, and encourage stakeholder participation in sustainability projects (Bansal and Des Jardine, 2014). Furthermore, by using these results, governments can create legislative frameworks that encourage companies to use ESG principles and advance sustainable business practices both domestically and globally (Diaz-Rainey *et al.*, 2020).

## 6. Conclusion and Future Research

This analysis concludes by highlighting the strong correlation that exists between firm value, performance, and ESG sustainability policies. Enterprises may improve their competitiveness, reduce risks, and generate long-term value for stakeholders by incorporating ESG factors into their business plans.

The study's conclusions have applications for practitioners and legislators, and they lay the groundwork for other studies that will deepen our knowledge of sustainable business practices and how they affect the success of organizations.

Although this study advances our knowledge of the connection between ESG sustainability practices, company value, and performance, there are still several areas that warrant further investigation. First, longitudinal research may shed light on how sustainability measures affect a company's value and performance over time. Second, research that compares different industries and geographical areas helps clarify differences in how ESG practices affect organizational results.

Furthermore, qualitative research techniques like case studies and interviews can provide a deeper comprehension of the ways in which ESG policies affect the value and performance of a company. Lastly, investigating the moderate impacts of contextual elements like industry dynamics and regulatory frameworks can shed light on the intricate connections between organizational results and ESG practices.

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