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Corporate ESG Performance and Corporate Performance

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Abstract

This study examines the relationship between corporate ESG performance and corporate performance using a sample of China's A-share listed companies from 2011 to 2023. Multiple regression analyses and mediation effect models are employed to test the hypothesized relationships, with further heterogeneity analyses conducted from the perspectives of high-tech industries and ownership structure. The findings reveal that: Corporate ESG performance exhibits a significant positive correlation with corporate performance; Corporate innovation acts as a mediating pathway in the relationship between ESG performance and corporate performance; The positive association between ESG performance and corporate performance is more pronounced in high-tech firms compared to non-high-tech firms; Non-state-owned enterprises demonstrate a stronger ESG-performance linkage relative to state-owned enterprises.

Keywords

ESG Performance; Corporate Performance; Corporate Innovation.

1. Introduction

In recent years, climate change, environmental degradation, and social issues have garnered widespread attention, with corporations increasingly recognizing the critical importance of sustainable development. Corporate ESG (Environmental, Social, and Governance) performance has become a focal point for management teams, investors, and regulatory bodies, evolving into an integral factor in corporate governance and investment decision-making. Among large enterprises, over 90% of corporate investments now incorporate ESG considerations. Globally, institutions such as the United Nations Principles for Responsible Investment (PRI) and the Sustainability Accounting Standards Board (SASB) Foundation have established standards and frameworks to guide ESG-related practices. These tools enable companies to better understand and report their ESG performance while helping stakeholders assess and compare corporate efforts in advancing sustainability. A growing body of research has explored the relationship between ESG performance and corporate outcomes, with most studies substantiating a statistically significant positive correlation between ESG performance and financial returns. By aligning corporate objectives with ESG goals, businesses can effectively maximize long-term value creation(Malik,015). A substantial body of research contends that the relationship between ESG and corporate financial performance remains inconclusive or even negative, positing that ESG initiatives may incur significant costs, thereby diverting resources from core business operations and ultimately undermining corporate performance(Bhardwaj et al., 2018). To investigate this paradoxical relationship observed in existing literature, this study employs a sample of Chinese listed companies to conduct an in-depth analysis of the linkage between corporate ESG performance and business outcomes, aiming to offer actionable insights for holistic corporate development.

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2. Theoretical Analysis and Research Hypotheses

In recent years, the relationship between ESG performance and corporate outcomes has garnered significant academic attention. While China's ESG development started relatively late and remains comparatively underdeveloped, international studies such as Chaabouni et al. (2025) reveal a negative correlation between ESG risk scores and financial performance in Saudi-listed firms. Higher ESG risk scores were found to suppress return on equity (ROE) and return on invested capital (ROIC), with board size and independence also exerting adverse effects on corporate performance. Conversely, domestic research by Alsakeb et al. (2024) demonstrates that carbon risk awareness among China's A-share listed companies positively influences their ESG performance. Enhanced corporate awareness of carbon risks drives reductions in pollutant and greenhouse gas emissions, thereby improving environmental outcomes. From the perspective of diverse factors influencing the relationship between ESG and corporate performance, Xie and Chen (2024) explored the impact of ESG information transparency on corporate performance, revealing that transparency mediates corporate governance and social responsibility fulfillment, thereby affecting financial performance and market value. Kim and Yang (2025) examined how board characteristics shape the ESG management-performance nexus. Rui et al. (2025) analyzed the effects of political connections and gender diversity on corporate ESG performance, finding that political affiliations dilute ESG commitments, potentially leading to compromises in ethical standards. Daquan et al. (2025) proposed a moderated mediation model demonstrating that inefficient investments negatively impact corporate performance, with high ESG performance exacerbating this effect, suggesting firms must account for ESG implications in investment decisions. Pu (2024) investigated how ESG disclosure influences risk management and financial outcomes, showing systematic ESG reporting enhances corporate transparency, public trust, and plays a critical role in lowering capital costs. Gao and Lyu (2024) studied how managerial ethical awareness affects financial performance through ESG, identifying a positive correlation mediated by ESG initiatives. Lastly, Li et al. (2024) examined ESG system implementation in environmentally intensive industries, finding that ESG practices improve profitability but may widen pay equity disparities. Collectively, these studies underscore the multifaceted role of ESG factors in shaping corporate outcomes, with divergent mechanisms exerting significant effects. Given the conflicting perspectives on the ESG-performance relationship, this paper proposes the following research hypotheses:

Hypothesis 1: ESG performance enhances corporate performance.

3. Research Design

3.1. Sample Selection and Data Sources

This study selects Chinese A-share listed companies from 2011 to 2023 as the research sample. To enhance data validity and ensure research quality, the following data processing procedures were applied: First, we excluded companies with operational abnormalities (ST/*ST-listed firms), insolvent entities, and financial institutions during the sample period. Second, samples with critical missing data were removed. Finally, a 1% winsor was applied to continuous variables at both the top and bottom extremes to mitigate outlier effects. The data are sourced from annual financial reports of listed companies, China Research Data Platform, and the China Statistical Yearbook.

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3.2. Variable Definition

3.2.1. Dependent Variable-Corporate Performance (ROA and ROE)

The dependent variable in this study is corporate performance. In academic research, corporate performance is commonly measured by Return on Assets (ROA) or Return on Equity (ROE). Following the approach of Wei et al. (2017), this paper adopts Return on Assets (ROA) and Return on Equity (ROE) as proxy indicators for the performance of listed companies.

3.2.2. Explanatory Variable-Corporate ESG Performance

Drawing on the research of Fang and Hu (2023), this study measures corporate ESG performance using ESG scores from the third-party rating agency Hua zheng ESG Rating. The Hua zheng ESG ratings, which include nine tiers (AAA, AA, A, BBB, BB, B, CCC, CC, C), are replaced with Arabic numerals ranging from 9 to 1, respectively. Higher numerical values indicate better ESG performance.

3.2.3. Mechanism Variable-Corporate Innovation (Patent)

Corporate innovation is measured through two approaches. The first method, based on Cao and Zhang (2020), calculates the natural logarithm of the number of externally cited patents plus one (Patent1) to assess innovation. The second method, following Yu et al. (2016), uses the natural logarithm of the total granted patents (including inventions, utility models, and designs) plus one (Patent2) as a proxy for innovation.

3.2.4. Control Variables

Following Wei et al. (2017), this study selects eight control variables. Detailed definitions of all variables are provided in Table 1.

Table 1. Variable Definition

Type	Name	Variable	Definition
Dependent Variable	Corporate Performance	ROA	Net Profit / Average Total Assets
		ROE	Net Profit / Average Owner's Equity
Explanatory Variable	ESG	ESG	Huazheng ESG Rating
Mechanism Variable	Corporate Innovation	Patent1	Natural logarithm of the number of citations of listed company patents plus one
		Patent2	Natural logarithm of the total number of granted invention patents, utility model patents, and design patents plus one
Control Variable	Company Size	Size	Natural logarithm of total assets at year-end
	Debt-to-Asset Ratio	Lev	Total liabilities at year-end / Total assets at year-end
	Equity Multiplier	EM	Total assets at year-end / Total owner's equity at year-end
	Listing Age	ListAge	Natural logarithm of (current year - listing year + 1)
	Fixed Asset Ratio	Fixed	Net fixed assets / Total assets
	Shareholding Balance	Balance 1	Proportion of the second largest shareholder's holdings / Proportion of the largest shareholder's holdings
	Largest Shareholder's Holdings	Top1	Number of shares held by the largest shareholder / Total number of shares
	Management Expense Ratio	Mfee	Management expenses / Operating income

3.3. Econometric Model

In order to explore the impact of corporate ESG performance on corporate performance, this paper constructs an econometric model as shown in Equation (1) to verify Hypothesis 1. In addition, this paper draws on the research of Jiang (2022) to further construct the model shown

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in Equation (2) to examine the mechanism through which ESG promotes corporate performance.$Patent_{it}$ is the mechanism variable, representing corporate innovation. the first step is to test whether corporate ESG performance promotes corporate performance (i.e., the baseline regression result); the second step is to test whether ESG promotes corporate innovation; the third step is to demonstrate that there is a substantial body of literature explaining the relationship between corporate innovation and corporate performance. If the coefficient$\theta_1$is significant and there is literature supporting the relationship between corporate innovation and corporate performance, then the mechanism test is validated.

$$y_{it} = \alpha_0 + \alpha_1 ESG_{it} + \sum_{j=2}^{9} \alpha_j \, Controls_{it} + \mu_{it} + \tau_{it} + \varepsilon_{it} \quad (1)$$

$$Patent_{it} = \theta_0 + \theta_1 ESG_{it} + \sum_{j=2}^{9} \theta_j Controls_{it} + \mu_{it} + \tau_{it} + \varepsilon_{it} \quad (2)$$

In this context, the subscript (i) represents the company, and (t) represents the year. The key dependent variable in this paper is corporate performance(y_{it}), which includes two proxy variables: ROA and ROE. The key explanatory variable is ESG_{it}, $\text{Controls}_{\text{it}}$ represents the control variables. Additionally, this paper controls for industry fixed effects and year fixed effects in the regression model as much as possible, and robust standard errors clustered at the firm level are used in all regression equations.

4. Empirical Testing

4.1. Descriptive Statistics

Table 2 presents the main results of the descriptive statistics. From Table 2, it can be seen that the total sample size is 24,719. The mean and median of corporate performance measured by ROA are 0.044 and 0.041, respectively, indicating that there is not much variation in ROA among companies. The mean of ROE is 0.071, and the median is 0.073, which shows that the variation in ROE is also not significant compared to ROA. The mean ESG score is 4.275, and the median is 4.000, indicating that ESG performance in China is relatively low. The other control variables are within a reasonable range, and further details are not elaborated here.

Table 2. Descriptive Statistics Results

Variables	N	Mean	p50	SD	Min	Max
ROA	24719	0.044	0.041	0.061	-0.297	0.245
ROE	24719	0.071	0.073	0.108	-0.565	0.391
ESG	24719	4.275	4.000	0.948	1.000	7.000
Size	24719	22.330	22.110	1.291	19.980	26.450
Lev	24719	0.410	0.405	0.191	0.036	0.867
ListAge	24719	2.126	2.197	0.754	0.693	3.401
Fixed	24719	0.205	0.176	0.146	0.003	0.690
Balance	24719	0.369	0.290	0.286	0.006	1.000
Top1	24719	0.336	0.314	0.147	0.080	0.758
Mfee	24719	0.084	0.069	0.061	0.007	0.423

4.2. Baseline Regression

Columns (1) and (2) of Table 3 present the baseline regression results. The regression coefficient of ESG performance with respect to corporate performance measured by ROA is 0.0049, which is positively correlated at the 1% level, thereby validating Hypothesis 1. Additionally, the regression coefficient of ESG performance with respect to corporate

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performance measured by ROE is 0.0077, which is also positively correlated at the 1% level, further validating Hypothesis 1. Columns (3) and (4) of Table 3 present the results of the two-step mechanism test. It can be observed that the regression coefficient of ESG with respect to corporate innovation (Patent1) is 0.1023, which is significantly positively correlated at the 1% level, and the regression coefficient with respect to Patent2 is 0.1191, also significantly positively correlated at the 1% level. Furthermore, there is a substantial body of literature demonstrating the positive correlation between corporate innovation and corporate performance (Ren Yingjie et al., 2025; Li Beiwei and Sun Wanjun, 2024). Corporate innovation can enhance product competitiveness, optimize operations, expand market share, and adapt to market changes, thereby driving corporate performance growth. Therefore, ESG can increase corporate performance by promoting corporate innovation, indicating that corporate innovation is the mechanism through which ESG influences corporate performance.

Table 3. Baseline: Regression and Mechanism Test

	(1)	(2)	(3)	(4)
	ROA	ROE	Patent1	Patent2
ESG	0.0049***	0.0077***	0.1023***	0.1191***
	(8.592)	(7.656)	(6.359)	(7.906)
Size	0.0110***	0.0228***	0.6978***	0.6366***
	(15.651)	(16.730)	(32.370)	(31.170)
Lev	-0.1165***	-0.0479***	0.4107***	0.6691***
	(-20.050)	(-3.652)	(2.708)	(4.771)
EM	-0.0071***	-0.0291***	-0.1020***	-0.1161***
	(-7.662)	(-9.421)	(-4.046)	(-4.799)
ListAge	-0.0093***	-0.0147***	0.2301***	-0.0523**
	(-9.976)	(-8.973)	(8.660)	(-2.088)
Fixed	-0.0408***	-0.0692***	-1.0445***	-0.5024***
	(-8.063)	(-7.612)	(-6.626)	(-3.512)
Balance1	0.0035	0.0078*	-0.1660**	-0.0343
	(1.330)	(1.671)	(-2.217)	(-0.492)
Top1	0.0334***	0.0664***	-0.3485**	0.0720
	(6.060)	(6.794)	(-2.048)	(0.440)
Mfee	-0.2902***	-0.4984***	2.2494***	1.0028***
	(-21.038)	(-20.734)	(6.435)	(3.391)
_cons	-0.1200***	-0.3314***	-13.5083***	-11.7546***
	(-8.297)	(-11.950)	(-30.230)	(-28.088)
ID	YES	YES	YES	YES
Year	YES	YES	YES	YES
N	24719	24719	24719	24719
F	269.2178	152.1039	234.3666	182.3712
r2_a	0.2944	0.2347	0.5684	0.4564

Note: * Significant p<0.1, ** Significant p<0.05, *** Significant p<0.01; The value in parentheses is the t-statistic, and the same applies hereafter.

4.3. Robustness Test

4.3.1. Lagged Explanatory Variable

To verify the stability of the above regression results, this paper employs a lagged one-period method for robustness testing. The ESG variable is lagged by one period and reintroduced into

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the regression model. The regression results are shown in columns (1) and (2) of Table 5. The lagged ESG (L.ESG) remains significantly positively correlated with ROA and ROE at the 1% level. The robustness test, compared to the previous regression results, fully demonstrates the robustness of the conclusions drawn in this paper.

4.3.2. Replacing the Dependent Variable

In addition to the lagged explanatory variable, this paper refers to the study by Zhang et al. (2015) and replaces the measurement of corporate performance with the Tobin's Q (Tobin Q). The Tobin Q is reintroduced into the regression, and the regression results are shown in column (3) of Table 5. The regression coefficient of ESG with Tobin Q is 0.0257, which is significantly positively correlated at the 1% level, consistent with the original regression conclusions, thereby fully demonstrating the robustness of the model.

4.3.3. Further Control for Fixed Effects

his paper further controls for year, industry, and city fixed effects simultaneously to eliminate the influence of unconsidered factors such as region, industry, and time on the model as much as possible. The regression results are shown in columns (4) and (5) of Table 4. After controlling for city fixed effects, ESG remains significantly positively correlated with corporate performance (ROA and ROE) at the 1% level, consistent with the original regression results.

Table 4. Robustness Test

	(1)	(2)	(3)	(4)	(5)
	ROA	ROE	Tobin Q	ROA	ROE
L.ESG	0.0040***	0.0060***			
	(6.538)	(5.525)			
ESG			0.0257**	0.0043***	0.0067***
			(2.082)	(7.699)	(6.563)
Size	0.0119***	0.0247***	-0.2450***	0.0113***	0.0237***
	(15.977)	(17.072)	(-13.428)	(15.975)	(17.073)
Lev	-0.1238***	-0.0653***	-1.1801***	-0.1151***	-0.0460***
	(-19.618)	(-4.545)	(-8.862)	(-20.245)	(-3.496)
EM	-0.0068***	-0.0294***	0.0785***	-0.0073***	-0.0296***
	(-7.040)	(-8.972)	(4.887)	(-7.918)	(-9.552)
ListAge	-0.0093***	-0.0146***	0.1127***	-0.0099***	-0.0158***
	(-8.109)	(-7.136)	(4.763)	(-10.444)	(-9.320)
Fixed	-0.0415***	-0.0704***	-0.5375***	-0.0426***	-0.0717***
	(-7.602)	(-7.154)	(-4.988)	(-8.360)	(-7.668)
Balance1	0.0029	0.0070	0.1325**	0.0032	0.0076
	(1.020)	(1.395)	(2.175)	(1.208)	(1.588)
Top1	0.0359***	0.0716***	0.4064***	0.0326***	0.0655***
	(6.073)	(6.733)	(3.168)	(5.862)	(6.531)
Mfee	-0.3037***	-0.5250***	0.9134***	-0.2905***	-0.5016***
	(-20.799)	(-20.247)	(3.068)	(-20.393)	(-20.006)
_cons	-0.1353***	-0.3610***	7.3355***	-0.1225***	-0.3452***
	(-8.782)	(-12.173)	(20.154)	(-8.499)	(-12.330)
Ind	YES	YES	YES	YES	YES
Year	YES	YES	YES	YES	YES
City				YES	YES
N	21165	21165	24715	24706	24706
F	231.5847	141.2345	84.7375	259.1997	144.5744
r2_a	0.2919	0.2411	0.2854	0.3227	0.2573

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4.3.4. Propensity Score Matching

Regarding the regression results on the impact of ESG performance on corporate performance, there may be differences inherent to companies with varying ESG performances, leading to a sample selection bias. To reduce the influence of these inherent differences, companies are classified into an experimental group if their ESG scores are above the median of the sample. The selection of covariates includes all control variables used in this paper, while also controlling for year and industry fixed effects. The specific measurement methods for the covariates are detailed in Table 1. Subsequently, one-to-one nearest neighbor matching without replacement is conducted for propensity score matching (PSM). The average treatment effect and balance tests after matching are both passed. Finally, regression is performed using the matched sample, and the results are shown in Table 5. The regression coefficients for ESG performance with respect to corporate performance (ROA and ROE) are 0.0048 and 0.0080, respectively, both significantly positively correlated at the 1% level, indicating that the conclusions of this paper have a certain degree of reliability.

Table 5. Propensity Score Matching

	(1)	(2)
	ROA	ROE
ESG	0.0048***	0.0080***
	(6.898)	(6.425)
Size	0.0119***	0.0234***
	(14.075)	(14.361)
Lev	-0.1192***	-0.0557***
	(-15.909)	(-2.976)
EM	-0.0070***	-0.0261***
	(-5.341)	(-5.263)
ListAge	-0.0092***	-0.0139***
	(-8.400)	(-7.381)
Fixed	-0.0385***	-0.0699***
	(-6.715)	(-6.843)
Balance1	0.0046	0.0082
	(1.437)	(1.473)
Top1	0.0313***	0.0620***
	(4.962)	(5.646)
Mfee	-0.2641***	-0.4327***
	(-14.700)	(-14.381)
_cons	-0.1418***	-0.3535***
	(-8.081)	(-10.645)
Ind	YES	YES
Year	YES	YES
N	14661	14661
F	56.4307	46.5981
r2_a	0.6039	0.8759

4.4. Heterogeneity Analysis

4.4.1. Heterogeneity in High-Tech Industries

High-tech industries are typically centered around innovation, requiring companies to continuously launch new products and services to maintain a competitive advantage. ESG

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performance can enhance a company's innovative capabilities, particularly in environmental and social responsibility, thereby improving market competitiveness. This increased competitiveness allows high-tech companies to more effectively leverage ESG to enhance their performance. Therefore, referencing the study by Shi et al. (2020), the sample is divided into high-tech and non-high-tech companies. High-tech industries are determined based on the 2012 version of the industry classification by the China Securities Regulatory Commission and the "National Key Supported High-Tech Fields." When the sample belongs to a high-tech company, it is coded as 1; otherwise, it is coded as 0, and group regression is conducted. The regression results are shown in Table 6. In the non-high-tech company sample, the regression coefficients for ESG are 0.0039 and 0.0060, both significantly positive at the 1% level. In the high-tech company sample, the regression coefficients for ESG are 0.0060 and 0.0096, also significantly positive at the 1% level, indicating that the role of ESG in promoting corporate performance is more pronounced in high-tech industries. Additionally, the empirical p-values are all 0.000, indicating a significant difference in the coefficients of the explanatory variables between the two groups, suggesting that the grouping is reasonable.

Table 6. Heterogeneity in High-Tech Industries

	(1)	(2)	(3)	(4)
	ROA	ROA	ROE	ROE
ESG	0.0039***	0.0060***	0.0060***	0.0096***
	(5.154)	(7.089)	(4.323)	(6.695)
Size	0.0104***	0.0114***	0.0222***	0.0228***
	(11.160)	(10.889)	(12.185)	(11.174)
Lev	-0.1222***	-0.1056***	-0.0635***	-0.0136
	(-15.283)	(-11.489)	(-3.528)	(-0.690)
EM	-0.0062***	-0.0099***	-0.0260***	-0.0386***
	(-5.707)	(-5.247)	(-6.907)	(-6.927)
ListAge	-0.0075***	-0.0111***	-0.0111***	-0.0179***
	(-5.975)	(-8.082)	(-4.830)	(-7.734)
Fixed	-0.0390***	-0.0418***	-0.0746***	-0.0617***
	(-5.508)	(-5.767)	(-5.679)	(-4.883)
Balance1	0.0040	0.0032	0.0088	0.0074
	(1.142)	(0.837)	(1.334)	(1.167)
Top1	0.0357***	0.0302***	0.0718***	0.0594***
	(4.784)	(3.760)	(5.205)	(4.383)
Mfee	-0.3239***	-0.2779***	-0.5739***	-0.4595***
	(-14.843)	(-15.467)	(-14.156)	(-15.467)
_cons	-0.1073***	-0.1276***	-0.3167***	-0.3297***
	(-5.513)	(-5.960)	(-8.454)	(-7.972)
Ind	YES	YES	YES	YES
Year	YES	YES	YES	YES
N	12971	11746	12971	11746
F	136.9585	136.4520	78.7713	76.9579
r2_a	0.3199	0.2742	0.2494	0.2264
P- vlaue	0.000		0.000	

Note: The empirical p-value is used to test the significance of the differences in ESG coefficients between different groups, obtained through 1000 bootstrap iterations.

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4.4.2. Property Rights Heterogeneity

There are significant differences between state-owned enterprises (SOEs) and non-state-owned enterprises (non-SOEs) in China. Non-SOEs typically face stronger market competition and must enhance their performance to maintain market share and profitability. Good ESG performance can help these enterprises stand out in a competitive market environment, attracting more consumers and investors, thereby improving performance. To explore the heterogeneous effects caused by the nature of property rights, the sample is divided into two subsamples: state-owned enterprises and non-state-owned enterprises, and regressions are conducted separately. The regression results are shown in Table 7. In the non-SOE sample, the regression coefficients for ESG are 0.0064 and 0.0103, both significantly positively correlated at the 1% level. In the SOE sample, the regression coefficient of ESG on ROA is 0.0017, significantly positive at the 5% level, while the regression coefficient of ESG on ROE is 0.0023, which is not significant. This indicates that the role of ESG in promoting corporate performance is more pronounced in the non-SOE sample. Additionally, the empirical p-values are all 0.000, indicating a significant difference in the coefficients of the explanatory variables between the two groups, suggesting that the grouping is reasonable.

Table 7. Property Rights Heterogeneity

	(1)	(2)	(3)	(4)
	ROA	ROA	ROE	ROE
ESG	0.0064***	0.0017**	0.0103***	0.0023
	(9.036)	(1.980)	(8.493)	(1.367)
Size	0.0152***	0.0086***	0.0306***	0.0177***
	(15.853)	(8.318)	(17.354)	(8.378)
Lev	-0.1106***	-0.1151***	-0.0041	-0.0695***
	(-14.573)	(-11.614)	(-0.235)	(-3.406)
EM	-0.0102***	-0.0050***	-0.0441***	-0.0199***
	(-6.875)	(-4.600)	(-9.167)	(-5.704)
ListAge	-0.0103***	-0.0039**	-0.0174***	-0.0040
	(-7.914)	(-2.354)	(-8.080)	(-1.279)
Fixed	-0.0356***	-0.0437***	-0.0590***	-0.0787***
	(-5.367)	(-5.562)	(-5.217)	(-5.333)
Balance1	0.0073**	0.0000	0.0161***	-0.0014
	(2.250)	(0.006)	(2.930)	(-0.161)
Top1	0.0512***	0.0161*	0.0968***	0.0400**
	(7.044)	(1.960)	(7.939)	(2.416)
Mfee	-0.3103***	-0.2254***	-0.4967***	-0.4541***
	(-18.328)	(-9.031)	(-17.371)	(-9.182)
_cons	-0.2187***	-0.0693***	-0.5113***	-0.2211***
	(-10.952)	(-3.148)	(-13.895)	(-5.017)
Ind	YES	YES	YES	YES
Year	YES	YES	YES	YES
N	16154	7998	16154	7998
F	211.8299	77.3658	138.1435	38.2757
r2_a	0.3013	0.3385	0.2617	0.2450
P-value	0.000		0.000	

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5. Conclusion and Implications

Based on the research sample of Chinese A-share listed companies from 2011 to 2023, this paper explores the impact of corporate ESG performance on micro-level corporate performance, with a focus on corporate innovation as a mediating variable to investigate the pathways through which ESG performance affects corporate performance. The study finds that ESG performance has a positive impact on corporate performance, significantly influencing corporate innovation. Corporate innovation plays a mediating role between ESG performance and corporate performance. In the comparison between high-tech and non-high-tech enterprises, both the ESG performance of Chinese high-tech and non-high-tech enterprises significantly affects corporate performance, but the correlation between ESG performance and corporate performance is more pronounced in high-tech enterprises. In the comparison between state-owned and non-state-owned enterprises, both the ESG performance of Chinese state-owned and non-state-owned enterprises significantly affects corporate performance, but the correlation between ESG performance and corporate performance is more pronounced in non-state-owned enterprises.

Based on the findings of this study, we draw the following implications: First, companies should integrate sustainable development into their core strategies, clearly set ESG goals, and align them with business objectives. By formulating and implementing sustainable development strategies, companies can not only enhance their sense of social responsibility but also improve their market competitiveness. Second, companies can leverage new technologies (such as big data, artificial intelligence, and blockchain) to improve the efficiency and transparency of ESG management. For example, by utilizing data analysis, companies can more accurately assess environmental impacts, optimize resource allocation, and reduce operational costs. Third, companies should recognize that good ESG performance can directly promote performance growth. Active practices in environmental protection, social responsibility, and corporate governance are often associated with higher investment returns, profit margins, and market value. Therefore, companies should incorporate ESG factors into financial decision-making and performance evaluation to achieve long-term financial growth.

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