

# ESG and Corporate Valuation of Non-Financial Listed Firms: Evidence from China

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## Abstract

ESG have become increasingly important for modern businesses seeking to drive growth while achieving sustainable development. Studies have found a significant positive relationship between a company's ESG performance and its market valuation, as measured by Tobin's Q. This paper evaluates the effect of ESG on corporate valuation of Chinese non-financial listed firms during 2019 and 2024 by using multiple regression analysis and robust test. The result indicates that corporate valuation is positively correlated to social factors, governance factors, and overall ESG score, while it is negatively correlated to environmental factors. This suggests firms should focus on enhancing their internal governance systems, including strengthening the board, ensuring transparency, and managing stakeholder relationships. Digitization can also improve ESG scores by reducing costs and improving communications. While environmental factors may initially reduce valuation, green marketing and promoting eco-friendly products can help offset this by attracting environmentally-conscious consumers and investors. Overall, the integration of ESG into corporate strategy can lead to tangible benefits for a company's valuation and market position, though the specific impacts of the environmental, social, and governance factors vary. As ESG continues to grow in significance, businesses must prioritize these areas to remain competitive and drive long-term sustainable growth.

**Keywords:** corporation valuation; environment; ESG; governance; society; Tobin's Q