

Exploration on the Path of Integrating ESG Concept into Financial Management of Listed

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Abstract: Driven by the global wave of sustainable development, the ESG (Environmental, Social, Governance) concept has evolved from a compliance requirement to a core driver of long-term corporate value creation. Based on stakeholder theory and sustainable development theory, this paper systematically analyzes the inherent logic of integrating the ESG concept into the financial management and performance evaluation of listed companies. It points out existing problems in current integration practices, such as misaligned objectives, fragmented systems, and lack of mechanisms. The paper constructs integration paths from three dimensions: full-process penetration in financial management, reconstruction of the performance evaluation system, and construction of safeguard mechanisms. It aims to provide theoretical reference and practical guidance for listed companies to achieve synergistic development of economic benefits and social value.

Keywords: Financial Management; Performance Evaluation; Integration Path

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1 Research Background and Significance

1.1 Research Background

Intensifying global climate change, rising social responsibility demands, and frequent corporate governance scandals are driving a shift in capital market evaluation standards for companies from single financial indicators to comprehensive value dimensions. The ESG concept, through its three-dimensional framework of environmental responsibility fulfillment, social responsibility undertaking, and governance structure optimization, accurately captures the external impacts and long-term development potential of corporate operations, becoming a core benchmark for measuring the sustainable competitiveness of listed companies. Against this backdrop, the limitations of traditional financial management, focused on short-term profitability, and performance evaluation, emphasizing financial indicators, are increasingly prominent. Integrating the ESG concept into financial management and performance evaluation systems has become an inevitable choice for listed companies to respond to market changes and achieve enduring success.

1.2 Research Significance

Theoretical Significance: Breaking through the disciplinary boundaries of traditional financial management and performance evaluation, constructing an ESG-oriented corporate value management theoretical framework, enriching the practical connotations of stakeholder theory and sustainable development theory, and providing new perspectives for interdisciplinary research.

Practical Significance: Addressing the practical difficulties faced by listed companies in integration practices, proposing actionable integration paths to help companies transform ESG factors into financial competitiveness, enhance the comprehensiveness and scientific nature of performance evaluation, and promote sustainable corporate operations.

1.3 Research Methods and Framework

This paper employs the literature research method to systematically review domestic and international research findings related to ESG, financial management, and performance evaluation, clarifying the theoretical evolution. Using logical analysis, it constructs an integration path framework based on the intrinsic relationship between the three ESG

dimensions and corporate management practices. The research framework covers four parts: theoretical basis, integration status, core paths, and safeguard measures, forming a complete analytical chain of "theory - reality - countermeasures".

2 Theoretical Basis for Integrating ESG Concept into Financial Management and Performance Evaluation of Listed Companies

2.1 Definition of Core Concepts

ESG Concept: An umbrella term for the three dimensions of Environment (E), Social (S), and Governance (G), representing a company's comprehensive performance in environmental protection, employee rights protection, supply chain responsibility, board structure, information disclosure, etc. Its core essence is to achieve synergy between corporate development, environmental protection, and social well-being.

Financial Management of Listed Companies: The systematic management of corporate activities such as investment, financing, working capital, and profit distribution. The traditional model aims at maximizing shareholder wealth, focusing on optimizing short-term financial indicators. Under an ESG orientation, it expands to long-term value management that also considers the demands of multiple stakeholders.

Performance Evaluation of Listed Companies: A comprehensive assessment of corporate operating results through specific indicators and methods. Traditional evaluation focuses on financial indicators like profitability and solvency. After integrating the ESG concept, it forms a comprehensive evaluation system combining financial and non-financial performance.

2.2 Theoretical Support for Integration

Stakeholder Theory: This theory posits that a company's survival and development depend on the support of multiple stakeholders, including shareholders, employees, customers, communities, and the environment. The ESG concept, by responding to environmental and social stakeholder demands and optimizing governance structures to balance various interests, provides a theoretical basis for transforming the objective of financial management from "shareholder primacy" to "multi-stakeholder win-win," while also expanding the dimensional boundaries of performance evaluation.

Sustainable Development Theory: Emphasizes that economic development must balance the resource needs of current and future generations. The ESG concept, by internalizing environmental costs, strengthening social responsibility fulfillment, and improving governance mechanisms, promotes the transition of financial management from short-term resource allocation to long-term sustainable development, making performance evaluation better reflect the company's long-term value creation capacity.

Risk Management Theory: ESG risks have become important systemic risks faced by companies. Environmental violations, lack of social responsibility, and governance failures can all trigger financial losses and reputational crises. Integrating ESG factors into financial management allows for early identification of potential risks, while incorporating them into performance evaluation strengthens the incentive and constraint role of risk control.

3 Current Status and Dilemmas of Integrating ESG Concept into Financial Management and Performance Evaluation of Listed Companies

3.1 Current Status of Integration

In recent years, domestic listed companies have gradually deepened their understanding of the ESG concept, with some leading companies beginning to explore integration practices: In financial management, several companies have aligned with ESG financing and investment needs by issuing green bonds and conducting low-carbon investments; In performance evaluation, some companies have incorporated governance dimension indicators such as board independence and information disclosure transparency into their assessment systems. Meanwhile, regulatory agencies are gradually strengthening ESG information disclosure requirements, promoting the transition of listed companies from "voluntary disclosure" to "mandatory disclosure," providing policy guidance for integration practices.

3.2 Core Dilemmas

Disconnected Objectives: Traditional financial management focuses on short-term financial returns as its core objective, while ESG investments often have long cycles and slow results, leading to a lack of motivation for ESG-related financial decisions and creating a trade-off conflict between "short-term interests and long-term value."

Fragmented System Architecture: Most listed companies have not yet built a financial management framework that integrates ESG factors; environmental cost accounting, social responsibility investments, etc., are not incorporated into formal financial processes. In performance evaluation, ESG indicators are often add-ons, lacking organic connection with financial indicators, making it difficult to reflect their synergistic effects.

Lack of Implementation Mechanisms: There is a shortage of specialized ESG management teams and cross-departmental collaboration mechanisms, creating coordination barriers between finance, environment, human resources, and other departments. The quality of ESG information disclosure is uneven, with some companies engaging in "greenwashing," resulting in a lack of reliable data support for financial management and performance evaluation.

Vague Standards and Understanding: The current ESG rating system is fragmented, with different agencies having varying indicator designs. Listed companies lack clear guidance on "how to integrate" and "which elements to integrate," leading to blindness and arbitrariness in integration practices.

4 Construction of Integration Paths for ESG Concept into Financial Management and Performance Evaluation of Listed Companies

4.1 ESG Penetration Path throughout the Financial Management Process

ESG-oriented Transformation of Investment Decisions: Construct a trinity investment evaluation framework of "financial feasibility - ESG risk - long-term value." In the project initiation phase, introduce ESG materiality analysis, identifying core issues based on industry characteristics (e.g., focusing on carbon emissions for manufacturing, data security for tech companies). In the risk assessment stage, establish an ESG risk matrix, incorporating environmental compliance risks, supply chain social responsibility risks, etc., into investment risk calculations. In the decision-making and approval stage, set ESG investment thresholds, implementing a "one-vote veto" system for projects with high ESG risks, ensuring investment activities balance short-term returns and long-term sustainability.

Innovation in ESG Tools for Financing Management: Expand ESG-related financing channels, incorporating green bonds, carbon neutrality funds, and other green financial instruments into the financing mix; obtain lower-cost financing support by disclosing ESG performance. Optimize capital structure, reasonably matching financing terms with ESG investment cycles to avoid liquidity risks caused by using short-term financing for long-term ESG projects. Embed ESG clauses in financing contracts, clarifying the adjustment mechanism of financing interest rates based on ESG performance, strengthening ESG constraints in financing activities.

ESG-optimized Management of Working Capital: Integrate ESG factors into all links of the working capital cycle. Establish ESG supplier access criteria in the procurement phase, prioritizing cooperation with suppliers with excellent ESG performance to reduce supply chain disruption risks. Implement environmental cost accounting in the production phase, incorporating energy consumption, waste treatment, and other environmental costs into operating cost management, achieving cost reduction and efficiency increase through technological innovation. Strengthen ESG brand building in the sales phase, enhancing customer loyalty through green product certification, social responsibility marketing, etc., accelerating capital turnover.

ESG-oriented Adjustment of Profit Distribution: Establish a mechanism linking ESG performance with profit distribution, determining the profit retention ratio based on the completion of ESG goals, and reserving special ESG development funds for low-carbon technology R&D, employee welfare improvement, etc. Introduce "ESG special dividends" in dividend distribution, providing additional returns to shareholders who hold shares long-term and pay attention to the company's ESG performance, guiding investors to focus on the company's long-term value.

4.2 ESG Reconstruction Path for the Performance Evaluation System

Dual-Dimensional "Financial-ESG" Design of the Indicator System: Construct a multi-level integrated indicator system. The core layer retains traditional financial indicators such as Return on Equity (ROE) and Asset-Liability Ratio, reflecting short-term profitability and solvency. The extension layer incorporates ESG three-dimensional indicators: environmental dimension selects indicators like energy utilization efficiency, pollution control compliance; social dimension selects indicators like employee rights protection, community contribution; governance dimension selects indicators like board independence, information disclosure quality. The linkage layer sets "ESG-Financial" coupling indicators, such as green investment return rate, impact of social responsibility investment on customer retention rate, etc., reflecting the transmission effect of ESG on financial performance.

Integrative Innovation in Evaluation Methods: Adopt a combined "qualitative + quantitative" evaluation method. Use quantitative scoring for financial indicators and quantifiable ESG indicators (e.g., energy consumption intensity); use expert scoring for qualitative indicators like social responsibility fulfillment quality and governance mechanism effectiveness. Introduce the Analytic Hierarchy Process (AHP) to determine indicator weights, adjusting the weight of ESG dimensions according to industry characteristics (e.g., increasing the weight of the environmental dimension for highly polluting industries). Draw on the principles of the Balanced Scorecard to organically link ESG indicators with financial, customer, and internal process indicators, forming a closed-loop evaluation system.

Diversified Application of Evaluation Results: Incorporate ESG performance evaluation results into the basis for corporate strategic adjustments, optimizing resource allocation based on exposed ESG shortcomings. Link them to executive compensation incentives, increasing the proportion of ESG performance in compensation assessment, and granting special rewards to teams with excellent ESG performance. Use them as core content for information disclosure, publicly reporting to stakeholders such as investors and regulatory agencies through annual ESG reports, strengthening external supervision and market recognition.

4.3 Full-Process Control Path for Integration Implementation

Top-Level Design at the Strategic Level: Incorporate the ESG concept into the corporate development strategy, formulate medium- and long-term ESG strategic goals, and decompose them into executable annual tasks. Establish an ESG committee led by the finance department and involving cross-departmental representatives from environment, human resources, legal, etc., responsible for the overall coordination of integration work. Establish an ESG management closed loop of "strategy - budget - execution - evaluation" to ensure integration practices align with strategic goals.

Collaborative Optimization at the Process Level: Restructure financial management systems, clearly defining the embedding requirements for ESG factors in documents such as the "Financial Budget Management Measures" and "Investment Decision Procedures." Establish an ESG information sharing mechanism, breaking down data interfaces between the financial system and the ESG management system, achieving real-time collection of information such as environmental costs and social responsibility investments. Implement ESG full-lifecycle management, incorporating ESG considerations from project initiation to outcome evaluation.

Dynamic Control at the Supervision Level: Establish an internal ESG audit function, regularly conducting special audits on the integration of ESG in financial management and performance evaluation. Introduce external third-party ESG rating agencies for independent assessment, identifying gaps by comparing with industry benchmarks. Establish an ESG risk early warning mechanism, providing timely warnings and initiating response plans for potential risks such as environmental violations and governance failures.

5 Safeguard Measures for the Implementation of ESG Concept Integration

5.1 Internal Corporate Mechanism Safeguards

Organizational Safeguards: Establish a dedicated ESG management department, staffed with interdisciplinary talents from finance, environment, law, etc., clarifying their responsibilities and authorities in financial management and performance evaluation. Strengthen the board of directors' ESG oversight function, set up an ESG special committee under the board, regularly reviewing ESG financial decisions and performance evaluation reports.

Institutional Safeguards: Formulate specialized systems such as "ESG Financial Management Measures" and "ESG Performance Evaluation Detailed Rules," clarifying operational standards and assessment requirements for integration practices. Establish an ESG information disclosure management system, standardizing disclosure content, processes, and timelines, ensuring information authenticity and transparency.

Cultural Safeguards: Convey the concept of "ESG creates value" to management and employees through internal training, ESG-themed activities, etc., cultivating ESG thinking among financial personnel. Integrate the ESG concept into corporate values, forming a cultural atmosphere where "everyone values ESG, and everything implements ESG."

5.2 External Environment Support Safeguards

Improvement of Regulatory Policies: Promote the establishment of nationally unified ESG information disclosure standards and evaluation norms, reducing practical confusion caused by fragmented rating systems. Strengthen ESG regulatory enforcement, imposing severe penalties for "greenwashing" and information disclosure fraud, creating a fair market environment.

Market Incentives and Guidance: Encourage financial institutions to develop ESG-related financial products, offering financing interest rate preferences to listed companies with excellent ESG performance. Guide investors to establish ESG investment philosophy, directing capital towards sustainable development enterprises through products like ESG index funds, forming market incentive mechanisms.

Industry Collaboration and Linkage: Promote industry associations to establish ESG best practice databases, sharing integration experiences. Encourage leading companies to take the lead in formulating industry ESG standards, driving SMEs to improve their ESG management levels, forming a pattern of industry collaborative development.

5.3 Technical Support System Construction

Leverage big data, blockchain, and other technologies to build an ESG data management platform, enabling automatic collection and integrated analysis of environmental data, social responsibility data, and financial data. Use artificial intelligence technology for ESG risk prediction and performance simulation, providing precise support for financial decision-making. Utilize blockchain technology to achieve the immutability and traceability of ESG information, enhancing the credibility of information disclosure.

6 Conclusion

The integration of the ESG concept into the financial management and performance evaluation of listed companies is essentially an inevitable requirement for the transformation of enterprises from a short-term interest orientation to a long-term value orientation, and a strategic choice to address global sustainable development challenges. Current integration practices face multiple dilemmas such as disconnected objectives and fragmented systems. It is necessary to achieve the deep integration of ESG factors and corporate management through full-process ESG penetration in financial management, ESG reconstruction of the performance evaluation system, and the establishment of a full-process control mechanism. Simultaneously, internal organizational and institutional safeguards, external regulatory and market support, and the construction of technical systems provide comprehensive support for integration practices.

In the future, with the further popularization of the ESG concept and the continuous improvement of the institutional environment, listed companies should continue to deepen integration practices, transform ESG into financial competitiveness and core development advantages, achieve the synergy of economic benefits, environmental benefits, and social benefits, and inject lasting momentum into the sustainable development of the capital market.

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