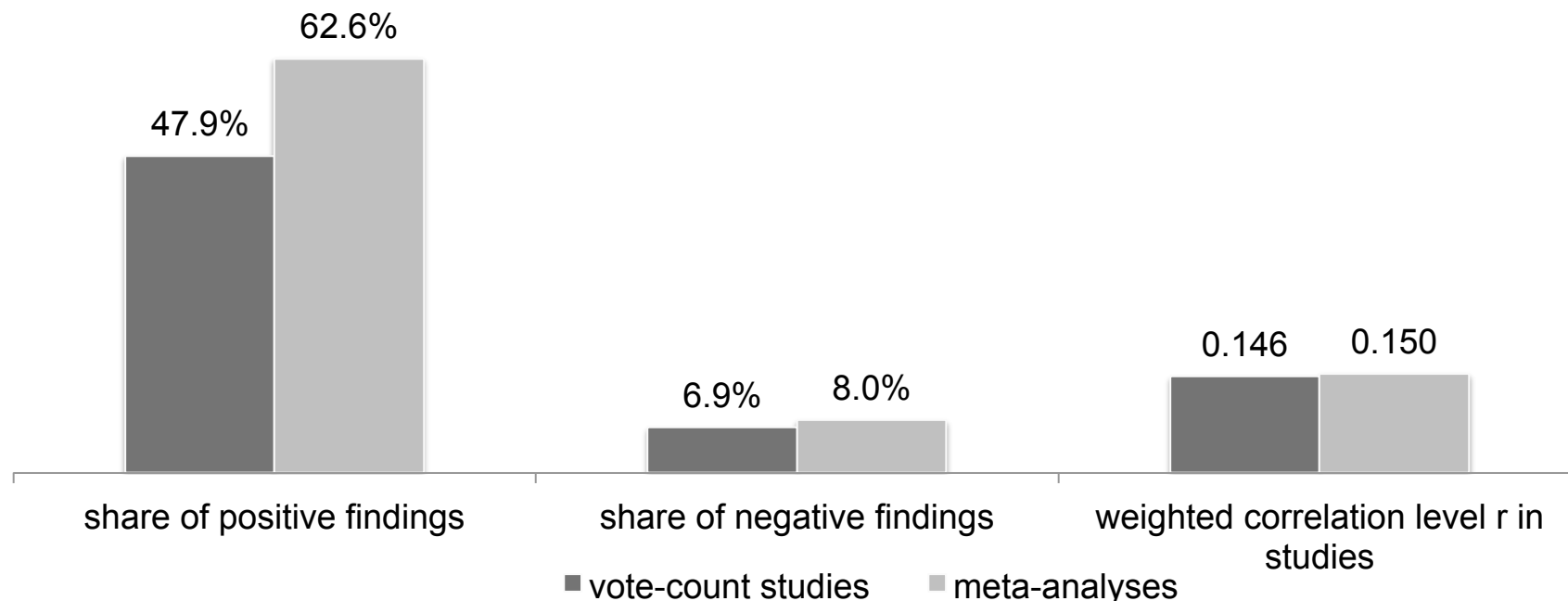


ESG and financial performance: 2nd order meta analysis

Unequivocal evidence for the business case based on more than 2,000 studies



Carbon and financial performance

Table 2: Firm-fixed effects model of the link between corporate carbon and financial performance.

	ROA	TQ	ROA _{EU}	ROA _{US}	TQ _{EU}	TQ _{US}	ROA _{ETS}	ROA _{NOETS}	TQ _{ETS}	TQ _{NOETS}
CP	-0.055*** (0.009)	-0.032*** (0.003)	-0.049* (0.019)	-0.048** (0.015)	-0.013** (0.004)	-0.040*** (0.007)	-0.063 (0.053)	-0.049* (0.022)	-0.006 (0.011)	-0.017** (0.005)
Size	0.188*** (0.011)	0.303*** (0.005)	0.269*** (0.025)	0.210*** (0.024)	0.310*** (0.009)	0.312*** (0.010)	0.328*** (0.046)	0.243*** (0.029)	0.278*** (0.014)	0.308*** (0.012)
Risk	-0.077*** (0.006)	-0.025*** (0.003)	-0.068*** (0.013)	-0.092*** (0.014)	-0.026*** (0.006)	-0.038*** (0.006)	-0.133*** (0.031)	-0.049** (0.015)	-0.045*** (0.011)	-0.024** (0.009)
Cap.-Int.	0.284*** (0.023)	0.225*** (0.010)	0.308*** (0.043)	0.358*** (0.042)	0.226*** (0.017)	0.251*** (0.016)	0.378*** (0.082)	0.268*** (0.054)	0.242*** (0.025)	0.213*** (0.024)
Cash Flow	0.515*** (0.022)	0.060*** (0.005)	0.435*** (0.046)	0.539*** (0.056)	0.052*** (0.009)	0.064*** (0.013)	0.564*** (0.084)	0.351*** (0.056)	0.055*** (0.013)	0.049*** (0.012)
Observations	27083	27083	6240	6104	6240	6104	1952	3276	1952	3276
R ²	0.157	0.482	0.135	0.142	0.555	0.519	0.180	0.113	0.534	0.559

Note: ROA = return on assets, TQ = Tobin's Q, EU = European Union, US = United States, ETS = emission trading system, Cap.-Int. = capital intensity
 Numbers in parentheses are the heteroscedasticity-robust standard errors.

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Conclusions

- Focusing on the “when does it pay” question is essential;
 - which issues are material?
 - what are the measurements? which methods?
- For GHG emission there seems to be no business case; when we are serious about the Paris outcome
 - a carbon price is essential;
 - and beyond that a proactive engagement by financial markets.