



The Impact of Corporate Governance and ESG Performance on Firm Value

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I. Abstract

This paper mainly studies the mediating influence of ESG performance on the relationship between corporate governance and firm's value. This investigation has been performed on a sample of 131 Taiwan firms listed in Taiwan Stock Exchange in 2018. We have used two performance measures; return of asset (ROA) and Tobin's Q; as dependent variables and five corporate governance variables. three board characteristics promote ESG activities to establish and reach higher performance, which have short-term firm value enhance. These results denote the importance and value of ESG in Taiwan

Keywords: Board Characteristics, ESG, Firm Value, Structural Equation Model

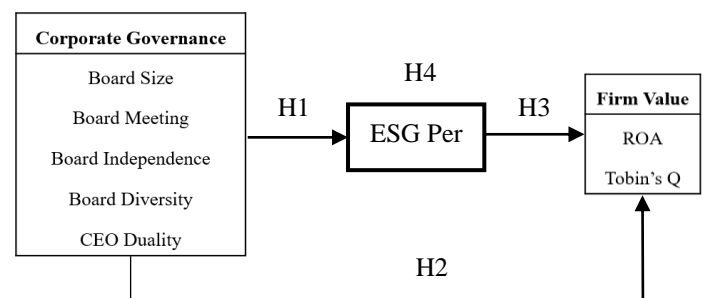
II. Motivation & Purpose

Previous studies strengthened the importance of sustainable performance and seek the vital governance variables could promote the activities and performance related to sustainability development. Also, they investigated sustainable performances result in firm values. Yet, in Taiwanese sustainable research, few studies investigated if the mediator role of ESG performance would help corporate governance variables improve. In this study, corporate governance variables concentrate on board characteristics, and ROA and Tobin's Q are the proxies of firm value. The research question and objective are following:

1. How the mediating role of ESG performance work between board and firm value when board as corporate decision-making center? Does it to the extent influence ESG activities and sustainability development forward?
2. To expand previous studies, we mainly investigate the full model which will be better observe the relationships between the variables at the same time.

III. Literature & Research Design

In this study, we mainly refer to several previous research (Lagasio & Cucari, 2019; Jizi, 2017; Yang & Zhao, 2014) and conduct a further study. This study investigates the relationships between board characteristics, ESG performance and firm value. These data is collected form TEJ and Datastream. Additionally, SEM approach is appropriate method of analyzing the whole model and considering the entire situation. Also, this method will be helpful to explain the mediating role of ESG performance and the antecedents and consequences of it.



IV. Research Result & Discussion

Board size and board independence effect ESG performance positively and significantly and board diversity has negatively impact on ESG. Furthermore, ESG affects ROA but not on Tobin's Q. Therefore, the mediating effect is merely supported in the model of ROA. This study investigates the importance of ESG in Taiwan. The result shows board size, board independent and board diversity will be the key factors in executing activities about sustainability development. Also, most hypotheses in model of ROA are supported.

V. Conclusion

This investigation reveals in a pursuit of short-term performance, ESG activities extremely help improve it, and also corporate with boards. For instance, corporates enable to increase the members of independent directors and directors but reduce the female members when planning sustainability development.