VILNIUS UNIVERSITY
FACULTY OF ECONOMICS AND BUSINESS ADMINISTRATION

Finance and Banking

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MASTER THESIS

TITLE IN LITHUANIAN	TITLE IN ENGLISH
Įmonės ESG balų ir finansinių rezultatų santykio vertinimas	Assessment of the relationship between the company‘s ESG scores and financial performance

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Vilnius, 2025

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INTRODUCTION

In recent years, the integration of environmental, social, and governance (ESG) factors into business processes has increased substantially; thus, the basis for strategic decision-making informed by these indicators and the posture toward further company development have changed. (Clark, Feiner & Veihs, 2015) In modern companies, when analysing financial indicators, an economic analyst also considers external factors that affect the prediction of future profitability. In turn, stakeholders (such as investors), consumers, and regulators are also demanding greater corporate accountability and sustainability, given the potential impact of ESG factors on their and the company's financial outcomes. (Hovde & Korstad, 2023) Companies are increasingly evaluated not only on their financial performance but also on their ESG performance, as reflected in the financial statements. ESG includes a wide range of influencing factors, from carbon emissions and energy efficiency to employee well-being, diversity, and corporate governance practices. (Jama & Horstad, 2023) These factors are considered the most critical indicators of a company's long-term success and sustainability amid ongoing global challenges, including climate change, social inequality, and legislative changes. Companies need to constantly adjust to circumstances beyond their control, such as an economic crisis, a global pandemic, or a natural disaster (Albuquerque, Koskinen & Zhang, 2019)

Today, the relationship between ESG factors and financial performance remains a subject of debate and inquiry within the research community. A subset of the research community claims that high ESG indicators have a positive impact on financial performance and condition. Still, the other study contradicts that statement, claiming that the analysis of ESG factors has had a weak effect (Hovde & Korstad, 2023). Proponents of ESG analysis argue that companies with higher performance have greater opportunities to manage and anticipate risks, capitalise on opportunities, and achieve higher financial performance. On the other hand, critics argue that the costs associated with ESG initiatives outweigh their benefits, potentially reducing shareholder value. (Siwiec & Karkowska, 2024)

The policy of Green Energy and sustainable business models has recently gained popularity, increasing its influence on the construction of business processes across companies (Makridou et al., 2023). The responsibility to both society and shareholders conditions this modern organizational policy. Stakeholders other than owners play a key role in shaping corporate activities, emphasizing the relationship between sustainability and long-term financial performance. (Mohammadi & Heydarian, 2022) In turn, ESG indicators play the most important role in evaluating the company's actions in this direction. The impact of a company's actions outside internal processes can be either positive or dramatically negative for future development. The company's actions in social support, its attitude toward employees, its internal and foreign policies, and its investments in promising, modern, environmentally friendly projects are equally valued by investors and consumers. All these actions are evaluated and aggregated into a single ESG result for the company. This assessment helps determine the company's overall performance and its actions in this direction, which, in turn, may affect its future financial performance.

Relevance of the Topic

Assessing the impact of environmental, social, and governance (ESG) indicators on a company's financial performance has become a critical area of research. This indicator is integral to the assessment of modern business processes, profit forecasting and management, and the development and analysis of investment strategies. This relevance stems from the growing attention of stakeholders to sustainable and planned growth and to the minimization of associated risks. Companies with high ESG scores are considered to be better equipped to manage risks, strengthen reputations, and ensure long-term profitability, thereby increasing shareholder value. (Jorgensen, 2018)

From an investment perspective, ESG indicators are increasingly used in decision-making processes for securities portfolios. Empirical research shows that companies with higher ESG scores often attract more capital, benefit from lower cost of capital, and demonstrate higher operational efficiencies, indicating a strong correlation with financial success. (McDonald and Vuuren, 2023)

The Level of Exploration of the Topic

Nowadays, much research has been done on the impact of ESG factors on the company’s financial performance, corporate image, and attractiveness. These topics are popular among researchers because ESG indicators affect many aspects of ordinary business life. Overall, it affects the conduct and analysis of business processes, investment prospects, and corporate stability. ESG indicators are a significant focus of research, with many studies examining individual companies' markets and activities and assessing their overall impact on business performance.

The Novelty of the Master's Thesis

While the relationship between ESG performance and financial performance has been widely studied, the existing literature remains divided and sometimes yields contradictory findings. Some scholars report a strong positive correlation between ESG factors and economic performance, while others argue that the effect is negligible or reference-dependent. One of the main challenges in the existing body of work is the variation in ESG measurement methods and the geographical generalization of conclusions, which often focus on global or United States based samples.

This master's thesis contributes to a novel perspective by narrowing the analytical lens to the Nordic region, which is recognized globally for its progressive approaches to stability, corporate transparency, and regulatory rigor. Despite this, the Nordic market's economic ESG Financial Performance remains relatively underexplored in the literature. By focusing on ten publicly listed Nordic companies across industries, including energy, telecommunications, healthcare, and construction, these studies provide diverse, data-rich insights from the sector that are relevant to both field-specific and comprehensive ESG debates.

The Problem of Master's Thesis

A challenge during the research may be the lack of information about companies that calculate or invest in ESG scores, or that do not publish them in publicly available sources. It is also necessary to define a threshold for the ESG score to identify which relationships among ESG indicators positively affect financial performance. On the other hand, it is needed to determine which indicators benefit the company’s profitability and can be considered positive ESG indicators.

The Aim of the Master's Thesis

This research aims to find the relationship between companies’ Environmental, Social, and Governance (ESG) scores and their financial performance. By examining how ESG metrics influence key economic indicators, the research seeks to provide insights into how sustainable practices contribute to a company’s profitability, operational efficiency, and market valuation.

The Objectives of the Master's Thesis

The main objective of this thesis is to investigate the relationships between environmental, social, and governance (ESG) performance and the financial performance of companies in the Nordic sector. To achieve this, the following research objectives have been designed:

· Explore the ideological foundation of ESG and its development as an outline for the evaluation of corporate stability.

· Analyze the relationship between ESG performance and significant financial indicators such as returns on equity, returns on assets (ROA), and 5-year stock price growth.

· Assess the individual and joint impacts of environment, social, and governance components on firm-level financial performance.

· Investigate the implications of ESG performance for stakeholder decision making, especially investor assumptions and capital allocation strategies.

· Evaluate the strategic relevance of ESG integration in the Nordic context and identify practical recommendations for companies, investors, and policymakers.

The methods deployed in the Master's thesis

The research employs a combined approach, using both quantitative and qualitative techniques, to assess the relationship between ESG performance and corporate financial outcomes. The combined research method includes: data gathering, descriptive statistics, comparative analysis, regression analysis, and a literature review (Macdonalds & van Vuuren, 2023).

The description of the structure of the Master's thesis

The structure of this master's thesis comprises five main chapters: introduction, literature review, methodology, results, and conclusion. The introduction part describes the importance of ESG factors in modern business, the research problem, goals, and methodology. This is followed by a literature review that examines the theoretical foundations, key principles, and challenges of ESG assessment and critically analyzes prior research findings. The third chapter describes data collection techniques used to test the research hypothesis. Both quantitative and qualitative methods will be used to collect data and further test hypotheses.

1. THE ANALYSIS OF SCIENTIFIC LITERATURE

1.1. The Definition of the ESG Score and Corporate Financial Results.

The ESG score (Environmental, Social, and Governance) is a critical measure of a company's sustainability and resilience (Jama & Horstad, 2023). ESG indicators enable investors to use open-source databases to review both financial performance and companies' community support (Berg, Kolbel, & Ribon, 2022). These social factors have become increasingly important as attention to climate change, social justice, and transparency has grown. The ESG framework suggests that companies focused on sustainability are more likely to be profitable over time (Delmas & Burbano, 2011).

Interest in how Environmental, Social, and Governance (ESG) factors relate to corporate financial performance has grown significantly over the past 20 years. Early studies primarily examined whether being socially responsible reduced a company’s value. More recent research views ESG as a means to create long-term value rather than merely as a cost (Flammer & Ioannou, 2021; Pedersen et al., 2024). Early reviews found that ESG performance typically does not harm financial performance (Friede, Busch & Bassen, 2015). Still, these studies have been criticized for using different methods and relying on simple correlations that do not establish causality. More recent research from 2021 to 2025 uses more advanced techniques, such as panel data and quasi-natural experiments, to address these problems (Atanasova & Schwartz, 2023; Albuque). Still, recent studies on ESG and financial performance are often fragmented. Many studies focus on specific industries, regions, or ESG indicators, which limits the extent to which the results can be generalized. Conflicting results, especially regarding the strength of ESG effects, suggest that studies often lack sufficient context. This highlights the need for more local, company-level research that accounts for diverse institutional contexts. Although research on ESG has grown rapidly, measuring ESG remains challenging. Recent studies show significant differences in ESG ratings across agencies such as MSCI, Sustainalytics, and Refinitiv (Berg, Kölbel & Rigobon, 2022; Christensen, Hail & Leuz, 2023). These differences arise from how agencies select indicators, assign weights, and make assumptions. Many studies treat ESG scores as objective, but there is strong evidence that they are based on subjective judgments. This weakens research and makes comparisons more difficult. Also, using data from a single ESG provider can introduce bias, as each provider uses its own approach (Erkens, Pankratz & Zeume, 2022).

Disclosure incentives are another issue that is not fully addressed. Companies in highly regulated industries may achieve high ESG scores by reporting more, even if they have not made meaningful sustainability improvements. While recent studies examine both the amount and quality of disclosure (Dhaliwal et al., 2021), research methods to address this problem are not yet fully developed, which remains a weakness in the literature.

1.1.1. Key Principles of the ESG Score

In the last two decades, the relationship between the performance of the environment, social, and governance (ESG) and corporate financial results has attracted increasing attention from both scholars and physicians. Literature presents a wide range of findings, which are often affected by geographical reference, industry type, ESG measurement approach, and time horizon. While many studies report a positive relationship between ESG and financial performance, others reveal neutral or even negative correlations, emphasizing the complexity of the subject (Friday, Busch, and Basen, 2015; Revalli and Vivyani, 2015).

Recent literature increasingly focuses on the mechanisms through which ESG performance affects financial outcomes, moving beyond aggregate ESG performance correlations. The most commonly identified channels include cost of capital reduction, risk mitigation, operational efficiency gains, and the accumulation of intangible assets such as reputation and human capital (Bolton & Kacperczyk, 2021; Lins, Servaes & Tamayo, 2021). From a theoretical perspective, these channels are well grounded in finance and management theory. Lower cost of capital is explained through reduced perceived risk and improved investor trust, while operational efficiency gains are linked to resource optimisation and improved labour productivity. However, despite strong theoretical foundations, empirical evidence remains uneven.

A major limitation of existing studies is that financial channels are often examined in isolation. Many papers focus exclusively on the cost of capital or risk reduction without accounting for simultaneous effects through other mechanisms. This fragmented approach makes it difficult to assess the relative importance of individual channels and may lead to overstated conclusions. Furthermore, several studies rely on contemporaneous relationships, raising concerns about reverse causality, as financially stronger firms may simply be better positioned to invest in ESG initiatives. Another weakness lies in the lack of firm-level strategic differentiation. ESG investments vary substantially in scope, intent, and integration into corporate strategy, yet empirical models frequently treat them as homogeneous inputs. As a result, the literature provides limited insight into which types of ESG engagement are most financially material. Overall, while the channel-based approach represents an important advancement in ESG research, the lack of integrated empirical frameworks and persistent endogeneity concerns highlight the need for more nuanced firm-level analysis. This thesis responds to these gaps by jointly examining financial performance indicators and ESG sub-dimensions within a single empirical setting.

One of the most quoted meta-analyses in the region is by Friday et al. (2015), which synthesizes more than 2,000 empirical studies and concludes that about 90% of research finds a non-negative relationship between ESG and financial performance, in which a significant part reports positive effects. Similarly, Khan, Cerafam, and Yun (2016) argue that ESG factors have a strong impact on the company's industry "material", a strong impact on stock performance and risk-tied returns compared to non-physical people. These insights highlight the importance of industry-specific ESG analysis, a method adopted in this thesis.

In contrast, other scholars take precautions against reducing the benefits of ESG. For example, Krugar (2015) suggests that market reactions to ESG news depend on whether the verbs are actually considered value-run or opportunistic. This ambiguity is also reflected in research, which criticizes the lack of standardization in ESG measurement (Berg, Kalbel, and Rigobon, 2022), which can distort the results in studies. These measurement anomalies create a challenge in assessing ESG performance and the actual economic impact of, highlighting the importance of using harmonized and reputable sources, such as MSCI and Sustainalytics, in empirical work.

An increased body of research emphasizes the role of governance as the most influential ESG column, especially in relation to firm profitability. Garcia and Sanches (2020) suggest that good governance, the Board contributes to the improvement of better returns on freedom, shareholder rights, and moral inspections, equity, and risk management. In contrast, the impact of environment and social factors is more long-term and field-dependent, which is with greater variation in the financial impacts (Fatemi, Glaum, & Kaiser, 2018). Despite being a leader in ESG practices, the Nordic region has primarily low mainstream ESG-financial performance in the literature. Most studies focus on global or U.S. concentrated samples, which makes the difference in field-specific empirical analysis. Notable exceptions include the study by Busch et al. (2014) and Mähönen and Raitanen (2020), who examine ESG trends in Scandinavia and support the approach that companies in high-regulating areas show strong ESG-financial linkage. However, these studies are limited in sample size or scope. While existing literature provides a valuable foundation to understand the ESG-financial relationship, it also reveals significant gaps: inconsistent measurement structures, limited regional focus, and inadequate attention to short-term and long-term effects. This thesis aims to address these intervals by focusing on the Nordic region, employing reliable and comparable ESG data sources, and integrating both descriptive and inferential methods. By doing this, its purpose is to contribute to the original insight on how the ESG strategies affect financial results in the context known for its leadership in stability.

The analysis of ESG indicators arose in response to the fact that traditional metrics for evaluating financial indicators no longer allowed them to affect a broader range of company activities. Previously, investing focused on avoiding controversial industries; investors analyzed the market and found the most favorable options for themselves. This strategy evolved into a more in-depth assessment of the company's actions, which later evolved into a new method of evaluation of Environmental, Societal, and Governance indicators. According to Kocornik-Mina et. al (2017), the ESG assessment provides a comprehensive view of the company's corporate activities and responsibilities to its employees. Thus, combining environmental data with social and labor aspects of governance, such as diversity on the board of directors, leads the company to increase its overall rating.

The ESG evaluates the company's performance in three main areas: environmental, social, and governance. The environmental factor includes an analysis of the impact on the company's risk rating from a natural perspective, such as climate change, sound resource management, environmental pollution, and efforts to preserve biodiversity. In simple terms, the environmental component evaluates the company's impact on the natural world: negative and positive consequences. The company's policy in this area may include such factors as: reducing carbon dioxide emissions, using green energy, and improving energy efficiency without harming the environment. Responsible use of resources such as water, minerals, and forests is also assessed (Refinitiv ESG Scores, 2023). These actions can help reduce toxic emissions and waste, and promote recycling. All this contributes to the development of a closed-loop economy in which energy resources are consumed evenly and in the right amount, preserving both the environment and saving the company's resources. As a result of this action, the company can improve environmental protection, thereby reducing natural disturbances. Effective investments in environmental protection measures reduce the company's operational risks, as well as minimize fines from regulatory authorities or reduce the possibility of resource shortages, which in turn stimulate innovation and stable development of the company. Companies that actively solve and invest in solving environmental problems often have a higher reputation, stronger relationships with stakeholders, and better long-term financial prospects.

The environmental dimension of ESG has received the most consistent academic attention, largely due to its direct link to regulatory risk, climate change exposure, and resource efficiency. Recent studies predominantly examine carbon emissions, energy efficiency, and environmental innovation as key indicators of environmental performance (Bolton & Kacperczyk, 2021; Pankratz, Hoepner & Zeume, 2021). A dominant finding in post-2020 literature is that environmental performance is closely associated with downside risk reduction rather than immediate profitability enhancement. Firms with lower carbon intensity tend to experience lower volatility and reduced exposure to climate-related transition risks, particularly in carbon-intensive industries (Albuquerque et al., 2020; Bolton & Kacperczyk, 2021). This suggests that the financial relevance of the environmental dimension operates primarily through risk channels rather than revenue growth.

The literature also points out several weaknesses, mostly in carbon emissions to measure environmental performance, which means they often overlook other important impacts like biodiversity loss or water use. Environmental investments are sometimes seen as all the same, even though costs and strategies can differ a lot between companies. Because of this, research may exaggerate how widely environmental effects apply. Recent studies show that environmental initiatives tend to bring financial benefits mainly over the long term, as companies become more efficient and learn new technologies (De Angelis et al., 2022). Looking only at the short term can lead to underestimating the value of these strategies. This shows there is still a gap in the research about when and how long environmental returns last.

Social factors include the right attitude towards employees, the diversity of the hired staff, the impact on society through socially useful programs, and respect for human rights. The social component includes evaluating the positivity of relationships with employees, customers, and suppliers; fulfilling the terms of an employment contract and complying with contractual agreements. The main evaluation criteria are: labor law, equity, and inclusivity (DEI). These conditions include obligations imposed on the employer: payment of salaries appropriate to experience and skills, ensuring the safety of employees, an anti-discrimination policy, as well as investments in employee development. These measures provide the company with the opportunity to have diversity in management, which may further affect profitability. As for human rights, the company must ensure an ethical search for suppliers by using legal resources, and avoid forced or child labor; be able to contribute to local communities through charity; ensure proper storage and safety of products; and provide privacy to customers and their employees. All of the above social practices increase the overall enthusiasm and productivity of employees, reducing reputational risks and increasing social loyalty and brand awareness. Businesses that pay special attention to social factors often have a competitive advantage in attracting staff and customers, which leads to long-term success and increased profitability of the company.

Compared to environmental factors, the social dimension of ESG remains conceptually broader and empirically more fragmented. Social performance typically encompasses employee relations, workplace safety, diversity and inclusion, community engagement, and customer responsibility (Lins, Servaes & Tamayo, 2021). Recent studies indicate that social performance plays a critical role during periods of economic stress. Firms with strong employee relations and high social capital demonstrate greater operational resilience and faster recovery following external shocks (Lins et al., 2021; Pedersen et al., 2024). These findings suggest that social capital functions as an intangible buffer rather than a continuous performance enhancer.

Nevertheless, the social dimension suffers from substantial measurement challenges. Unlike environmental indicators, social metrics are often qualitative, firm-specific, and weakly standardised. ESG rating providers apply heterogeneous criteria, resulting in particularly low inter-rater reliability for social scores (Berg, Kölbel & Rigobon, 2022). This raises concerns about the robustness of empirical findings related to social performance. A further limitation is that many studies implicitly assume positive linear effects of social engagement on financial performance. However, recent evidence points toward diminishing or even negative returns when social initiatives are poorly aligned with firm strategy or impose high costs (Wong et al., 2023). This suggests that social performance must be evaluated in relation to organisational context and strategic coherence, an aspect often overlooked in existing research.

The last important component is governance, which includes building a structure and hierarchy within the company, ensuring transparency, adequate remuneration for the CEO, and respect for shareholder rights. MSCI, Sustainalytics, and Bloomberg are the main companies that are among the leading organizations using standard metrics to analyze and calculate the final ESG score. According to Eccles et al. (2020), these indicators allow stakeholders to openly assess intangible risks and opportunities using public sources, which subsequently helps in developing their own investment plans. The enterprise management component includes ways to manage and control businesses with an emphasis on openness, accountability, and ethical leadership, which in turn affects overall loyalty to the company.

The governance dimension is generally regarded as the most directly linked to financial performance, as it addresses issues of managerial incentives, shareholder rights, and board effectiveness. Empirical studies consistently find that governance indicators exhibit stronger and more immediate associations with firm value than environmental or social measures (Erkens, Pankratz & Zeume, 2022). Recent literature suggests that governance performance primarily affects financial outcomes through improved monitoring, reduced agency costs, and enhanced decision-making quality. Strong governance structures are associated with higher valuation multiples, lower cost of capital, and superior operating performance (Christensen, Hail & Leuz, 2023).

Despite relatively robust findings, governance research is not without limitations. Many governance metrics rely on formal structures, such as board independence or committee composition, which may not fully capture actual governance effectiveness. Moreover, governance scores often reflect compliance with best-practice standards rather than firm-specific governance needs. Another unresolved issue concerns the interaction between governance and the other ESG dimensions. While governance is frequently treated as an independent driver of performance, recent studies suggest that it may also function as an enabling mechanism that determines the effectiveness of environmental and social initiatives. This interaction remains underexplored in empirical research.

The Board of Directors plays a key role in shaping the company's governance. It is important that the board consists of diverse, qualified, and independent members who can provide balanced perspectives. Fair employee remuneration is equally critical—wages should reflect performance and foster long-term value for both employees and the organization. The key feature is to protect the interests of all shareholders, especially minority ones, as this is the essential part of maintaining investor trust, loyalty, and business relations productivity. Moreover, companies must comply with legal and ethical standards in order to reduce their possible risks. It should take some actions aimed at minimizing misconduct or fraud. Early identification of financial and non-financial risks is vital for the overall stability of the company. Effective management methods not only reassure investors but also minimize the likelihood of scandals inside and outside the company, which leads to building a favorable image (Hoepner et al, 2019). These efforts ultimately contribute to the company's achievement of stable financial results and effective crisis management.

Currently, there is growing attention to ESG factors in the formation of investment portfolios. This fact indicates a change in the priorities of institutional investors of asset managers. A study conducted by Fried et al. (2015) shows that companies with high ESG scores often outperform their competitors financially. So, that fact makes companies' feel more favorable target for investment. This position happaning because risk reduction minimize the bankruptcy possibility while at the same time increasing the brand reputation. Investors are more often began to use the ESG indicators to assess a company's long-term sustainability and assess its investment attractiveness, emphasizing the link to financial success.

However, the ESG rating assessment process is not without its difficulties. Critics identify inconsistencies in ratings between statistical agencies as the main problem. Differing score results in indicators make it difficult to reliably compare companies between each other (Berg et al., 2022). In addition, there are practices such as "greening", when companies exaggerate their efforts in the field of ESG, thereby overestimating their rating. To fully disclose the ESG assessment potential, it is necessary to eliminate these shortcomings and ensure the accuracy and reliability of the information provided.

A growing body of recent literature adopts a disaggregated approach to ESG analysis, comparing the relative financial relevance of environmental, social and governance dimensions. Overall, governance tends to exhibit the strongest short-term association with financial performance, while environmental and social dimensions primarily influence long-term risk and resilience (Erkens et al., 2022; Pedersen et al., 2024). However, comparative findings remain inconsistent across regions and industries. In stakeholder-oriented institutional environments, such as the Nordic countries, social and environmental dimensions appear more financially material than in shareholder-oriented markets (Mähönen & Raitanen, 2021; Duffaut-Sundsby & Fjeller, 2024). This suggests that institutional context moderates the relative importance of ESG sub-dimensions.

The critical review of ESG sub-dimensions highlights three key implications for empirical research. First, disaggregating ESG into environmental, social and governance components is essential to avoid masking heterogeneous effects. Second, the financial relevance of each dimension depends on time horizon, industry characteristics and institutional context. Third, measurement limitations remain a major source of empirical inconsistency.

This thesis explicitly addresses these issues by analysing ESG sub-dimensions separately, applying a medium- to long-term perspective and focusing on a Nordic institutional setting. By doing so, it contributes to a more granular understanding of how different ESG components interact with financial performance.

The literature often examines ESG dimensions separately, even though they are connected. Only a few studies look at how environmental, social, and governance factors interact or affect each other. This is a major gap, since integrated ESG strategies could create benefits that single-dimension studies miss.

1.1.2. Calculation of the ESG Metrix

Calculating ESG (Environmental, Social, and Governance) ratings is a complex process that assesses a company's sustainability performance across three key areas: environmental care, social responsibility, and corporate governance. These ratings rely on a mix of quantitative and qualitative data, sourced from annual reports, sustainability disclosures, regulatory filings, and third-party audits. Some agencies sometimes use another method of collecting additional information, by using surveys and direct questionnaires, which they send to different companies. (MSCI, 2023; Sustainalytics, 2023). In some cases, this allows them to increase their rating and make the company be more attractive place to receive investments.

Each ESG factor is evaluated separately using various criteria adapted to the specific industry. For instance, the environmental component analysis takes into account indicators such as carbon dioxide emissions, resource efficiency, and waste management produced by a specific company. The social factor evaluates employee well-being, diversity, and community engagement, while the governance factor examines the board of directors' structure, executive salary payments, and shareholder rights (Refinitiv, 2023). Agencies assign different weights to these factors depending on their importance to a company's sector. Environmental indicators may be more important for a manufacturing firm, while management may be a priority in the financial sector. To do this, rating agencies use various methods to calculate indicators and form these estimates into a single ESG score. For example, MSCI evaluates companies from AAA (leader) up to CCC (lagging behind) depending on their industry. In turn, Sustainalytics evaluates the risks of ESG on a scale from minimal to severe, while Definitive and Bloomberg pay special attention to transparency and completeness of information disclosure about ESG (MSCI, 2023; Bloomberg, 2023). As a result, investors compare estimates from different agencies and companies' financial statements, especially in the specific industry, to get a complete picture of financial sustainability. After the analysis of the data, investors use their findings to make a final decision on their portfolio formation. Despite the progress in the ESG assessment system, this process is not fully debugged and may face some difficulties. Differences in the approach of the data collection and weighting factors in different agencies can lead to discrepancies, while the same company receives different ratings on similar statistical websites. This discrepancy remains a significant obstacle to conducting fully reliable and comparable ESG assessments.

A significant problem in the data analysis remains the lack of open-sourced data. Many companies do not have the ability or desire to provide comprehensive information in their reports about their real ESG score. This fact creates a precedent called "reorientation", which means the conditions under which organizations selectively disclose information to artificially increase their ratings (Sustainalytics, 2023). In response to this, some statistical agencies use their assessment methodologies in accordance with international standards. Mostly, statistical agencies use sustainable methodologies such as the “Global Reporting Initiative”, which results in increasiness in the report information. Although ESG scores are valued as one of the tools for assessing sustainability indicators, their reliability depends on quality and consistent data collection, transparency of companies, and standardized processes. Overall, a qualified ESG assessment plays a crucial role in helping investors make informed decisions. Influencing both individual investment decisions and global projects.

1.1.3. Financial Performance: Key Characteristics and Relationship with ESG Score

Financial performance is the ability of a company to make a profit, control costs, and create value for its shareholders. Most often, it is assessed using profitability indicators. The assessment uses an analysis of indicators for the rate of net profit, return on equity (ROE), and return on assets (ROA). The assessment also checks the liquidity ratios, which describe the company's ability to meet short-term obligations at current and fast ratios. Some investors include in their work an assessment of the company's market performance- this includes monitoring stock price dynamics, changes in earnings per share (EPS), and total dividend yield. Operational indicators are most often evaluated by the board of directors, and the report analyzes revenue growth, economic efficiency, and overall productivity for the company. In general, financial indicators are an excellent indicator of the overall condition of the company. Such reports show the overall picture of operational efficiency, business sustainability, and the ability to achieve long-term strategic goals.

According to Friede et al, the researchers analyzed the relationship between ESG elements and financial indicators individually for some industries. Researchers have found that companies with high environmental standards achieve cost savings by increasing energy efficiency and reducing waste. By complying with regulatory requirements, companies reduce the risk of fines and lawsuits, which subsequently leads to more stable financial flows. Investors have noticed that when making decisions, preference is more often given to companies with high environmental performance, as this increases their overall assessment and consequently reduces capital costs (Friede et al., 2015).

When analyzing social indicators, it turned out that investing in your own staff and improving the rating raises the overall morale and productivity of staff, thereby reducing the cost of staff turnover when looking for new employees. When interacting with counterparties, ethical methods in building supply chains ensure high and stable quality while reducing risk, such as transaction costs. If a company interacts more often with public organizations and maintains positive relationships, these actions further increase consumer loyalty and thereby increase revenue (Edmans, 2011).

Fraud, corruption, and financial impropriety are one of the main dangers in the company's activities. These risks reduce transparent management methods, thereby preserving the overall image of the company, preserving customer loyalty, and influencing the opinion of shareholders. Companies with effective management are more likely to attract institutional investors who value ethical leadership, a well-structured organization, and timely accountability. In general, effective management systems use modern methods to improve the strategic decision-making process, which has a beneficial effect on the long-term growth of the company (Gompers et al., 2003).

Recently, there has been a growing volume of data on ESG indicators published in open sources. This fact indicates a positive correlation in the relationship between the effectiveness of the ESG rating analysis and the overall financial results. Fried et al. (2015)

found that the most important indicator is environmental, since investments in environmental protection significantly increase the profitability of companies, especially those operating in this industry, which have a significant impact on the environment during their activities. In another study, Edmins (2011) found that investing in the social factor is also necessary for a successful company. The overall satisfaction of employees is positively correlated with the stock market indicators, with a higher indicator, financial prioritization of social responsibility occurs. According to a meta-analysis conducted by Gompers and co-authors (2003), effective management procedures increase a firm's valuation on the stock exchange while reducing capital costs. Although the relationship between ESG and financial indicators has not been fully proven, it remains the subject of research. The results vary depending on the industry and region, the success of economic policy, and social factors. But in general, many research results show a positive trend and impact. The researchers conclude that the integration of ESG generally leads to an overall increase in the financial stability of companies and an increase in long-term value.

1.2. Influence of ESG Scores and Financial Perfomance on Investment Desicion Making

In recent years, researchers have noticed that when making investment decisions, investors are increasingly resorting to assessing environmental, social, and governance indicators (ESG). When compiling a financial portfolio and evaluating investor firms, they increasingly realize the value of the ESG rating as an indispensable tool in making investment decisions, with less influence from financial indicators and the overall risk management structure. According to data from Friede, Busch, and Bassen (2015), more than 2,000 studies have shown that there is a non-negative relationship between ESG and financial performance. The researchers concluded that in about 90% of situations, there is a positive impact of ESG ratings on the company's assessment. This trend is justified by the Principles of Responsible Investment (PRI), a methodology that has been integrated and signed by more than 5,000 organizations managing assets worth $121 trillion (PRI, 2023). These changes in the assessment of enterprises indicate a growing recognition that the importance of ESG factors not only meets public standards but also encourages companies to include ESG indicators in their decision-making processes.

One of the main reasons for including ESG indicators in the building of the investment strategy is to obtain comprehensive information about the company's sustainable initiatives, which may help reduce potential risks (PRI, 2023). Empirical studies show that organizations with higher ESG scores are more resilient during economic downturns and global crises. For instance, during the COVID-19 pandemic, companies with a good ESG rating managed to minimize the effects and outperform companies with lower ratings in terms of market performance and volatility (Broadstock et al., 2021). This sustainability is achieved through management, the use of improved methods and new strategies, closer communication with stakeholders, and effective training in the analysis of perceived risks. In addition, Heppner et al. (2019) emphasize that low ESG scores can serve as early signs of potential risks associated with a future possible decline in a company's reputation. As mentioned, it is a factor in regulatory and operational costs. This highlights the need for investors to analyze and predict ESG indicators in depth to protect their portfolios from unforeseen consequences.

In addition, the relationship between ESG and financial indicators is important when making global investment decisions on large projects. According to research, investors prefer organizations that demonstrate both excellent financial success and high ESG ratings. For example, Clark, Feiner, and Viehs (2015) suggest that the inclusion of investments in ESG projects in the company's future plans increases both profitability, cost of capital, and market valuation. These actions increase the company's investment attractiveness, enhance its image, and make the company attractive for additional investments. Additionally, Cheng, John, and Serafim (2014) found that organizations with higher ratings have lower capital expenditures, all due to reduced perceived risks and increased trust among stakeholders. The openness of the company in different directions increases the loyalty and perception of the company. The above results indicate that financial indicators play the role of an intermediary between companies and investors; now there is no need to monitor socially oriented activities and evaluate them independently, as there is a separate ESG indicator for this.

The analysis of the "Green" bonds, ESG funds, and impact investing expands the range of financial instruments in the ESG valuation. The usage of new types of securities and funds demonstrates how the ESG valuation has changed traditional investment methods. Khan, Serafim, and Yun (2016) found that investors prioritize the ESG components that are most relevant to the company's industry, such as environmental aspects for energy companies and the management of financial institutions. Moreover, according to Morningstar's report on the effectiveness of ESG funds for 2022, funds using ESG criteria have surpassed traditional indicators in recent years. The funds that received a positive rating include mutual funds and exchange-traded funds (ETFs). These patterns once again show that ESG estimates have become an indispensable factor in choosing the direction of movement and investment of capital. This fact confirms investors' preference for companies with a strong relationship between their financial performance and a positive ESG assessment.

Despite the growing importance of ESG estimates in making investment decisions, problems persist. Investors have difficulty making informed comparisons due to the lack of a standardized ESG assessment methodology and inconsistent reporting processes at rating agencies such as MSCI, Sustainalytics, and Bloomberg (Berg, Kolbel, and Rigobon, 2022).

1.3. Long-term and Short-term Influence of the ESG Scores on Company’s Financial Performance

As in other areas, the relationship between a company's ESG performance and its financial results has not been ignored and has become a key area of interest in academic and corporate circles. Some researchers have studied how ESG estimates affect financial performance in both the short and long term. In the short term, the researchers analyzed the direct impact of ESG on the operational and market benefits of companies, and in the long term, increased sustainability, reputation, and long-term value creation. This section examines the research conducted on the two indicators presented, presents the key results of empirical research, and the theoretical foundations of the conclusions studied.

The temporal dimension of ESG investments has become a central theme in recent research, particularly in response to inconsistent empirical findings. A growing consensus suggests that ESG initiatives may exert neutral or negative effects on short-term profitability due to implementation costs, learning effects, and organisational adjustment frictions (Wong et al., 2023). In contrast, long-horizon studies tend to report positive associations between sustained ESG engagement and financial performance, especially in terms of risk-adjusted returns and firm valuation (Pedersen et al., 2024; Albuquerque et al., 2024). These findings support the argument that ESG strategies generate value gradually through cumulative efficiency gains, reputational capital, and enhanced stakeholder relationships.

Despite this emerging consensus, the literature remains methodologically divided. There is no agreement on the appropriate time horizon for evaluating ESG performance, and results are highly sensitive to sample period selection. Short panels risk understating ESG benefits, while long panels may confound ESG effects with unrelated strategic or macroeconomic changes. Moreover, survivorship bias may inflate long-term estimates, as firms with unsuccessful ESG strategies are more likely to exit samples. Another unresolved issue concerns dynamic ESG adjustment. Most empirical studies assume static ESG effects, ignoring potential non-linearities and threshold effects. Recent evidence suggests that moderate ESG engagement may be insufficient to generate financial benefits, while more comprehensive integration is required. However, this dynamic perspective remains underexplored. These limitations underscore the importance of adopting a medium- to long-term perspective while controlling for firm heterogeneity. This thesis explicitly addresses these concerns by analysing ESG effects over an extended horizon and testing for differential impacts across ESG dimensions.

1.3.1. Short Term Influence of ESG

In the short term, ESG estimates affect financial performance mainly by increasing the operational efficiency of companies, the perception of the market as an integrated structure, and individual investor decisions (Friede, Busch & Bassen, 2015). Companies that invest in environmental initiatives and adhere to environmental and social standards are often more successful in achieving immediate cost savings through the introduction of energy-efficient technologies. Thus, these actions reduce economic losses, minimize risks, and reduce inefficient use of resources. For example, Porter and Kramer (2011) found that integrating ESG factors and investing in equipment modernization and greening, creating their own business strategy on this basis, allows firms to increase the overall value of their activities. In the future, these investments are transformed into increased profitability in the short term, as well as simultaneously meeting the needs of society aimed at making greater use of "Green" energy and protecting the environment (Porter & Kramer, 2011). Such efficiency has a direct and irreversible effect on reducing operating costs, as well as having an impact on increasing profitability and quarterly profit.

At the same time, short-term financial benefits are determined by how the investor perceives the market, the current political situation, and global natural changes; all of these factors are assessed in the overall investor confidence in the company. (bahadir & Akarasu, 2023) Companies with a stable ESG profile attract more interest from socially responsible investors (SRI) and ESG-focused funds. Such socially oriented companies increase the demand for their shares with such a policy. In the future, the close relationship with the value of the shares will directly affect the overall value of the company in the short term. A study conducted by Albuquerque et al. (2019) showed that companies with higher ESG ratings experience less stock volatility and are less susceptible to changes in their value, which then translates into higher market returns during periods of economic instability, which highlights the short-term stabilizing effect of ESG investments (Albuquerque, Koskinen, & Zhang, 2019). This phenomenon highlights that short-term investments and investments in ESG valuations directly benefit firms by reducing risks, increasing their profits and value, and increasing investor confidence, thereby increasing trust.

1.3.2. Long-term Influence of ESG

In the long term, high valuations and investments in ESG contribute to sustainable financial growth by building a positive brand reputation and strengthening market positions (Clark, Feiner &Viehs, 2015). A high score of the reputation directly affects the loyalty of stakeholders and their continued desire to make long-term investments in the company's operation. A high ESG score indicates to investors that the company is committed to ethical business standards, is prepared for environmental sustainability, and is transparent. With an increased reputation, it is easier for companies to build long-term relationships with stakeholders. For example, a longitudinal study conducted by Eccles et al. (2014) found that companies with proven and consistent sustainability practices outperform their competitors in terms of stock market returns and financial accounting over an 18-year period (Eccles, Ioannou, & Serafeim, 2014). The authors of the study attribute these results to an improved risk management strategy, resource efficiency, and employee satisfaction, which together create a competitive advantage. Long-term financial benefits are due to high ratings of companies' resilience and adaptability to unforeseen circumstances based on the correct analysis of many factors. Firms focused on the policy of sustainable development and integration with ESG are better prepared for changes in legislation, changes in reputational position, and environmental challenges. Proactive reaction and timely solutions to related outstanding issues help companies reduce the likelihood of costly operational disruptions such as lawsuits, fines, or supply chain disruptions. In addition, the reliable construction of the right ESG strategy, aimed at a clear analysis of the incoming factors. It allows companies to take more advantage of the new market opportunities, such as entering a new friendly environment in another country, similar to attracting a new generation of consumers. These factors perfectly contribute to the sustainable development strategy, which helps to generate long-term operational profits and company value, in accordance with the principles of a resource-based approach.

Despite the fact that the advantages of ESG assessment manifest themselves in different ways, successful companies often combine both aspects: short-term and long-term. Short-term benefits and investments are directly related and create the basis for long-term growth, freeing up much-needed resources for innovation and investment in internal initiatives. It also works in the opposite direction; long-term investments in ESG guarantee companies to remain competitive in the short term, increasing loyalty and improving the company's image. In a competitive and rapidly changing market landscape, long-term initiatives have only a positive impact on investment attractiveness.

The strategy of influencing ESG estimates in each period involves the use of different value creation mechanisms. As previously described, ESG factors enhance operational efficiency and attractiveness in the short term, and sustainability and reputation in the long term. The integration of ESG ideas into corporate strategy not only has a positive effect on the brand's image but also directly affects the aspect of financial opportunities, allowing companies to achieve profitability without looking and responding competently to global challenges.

1.4. Exploration of the Company’s ESG Scores in the Nordic Region

The Nordic region is well-known for its progressive ideas in many areas of life, from the integration of modern systems to successful global sustainable politics. This region is one of the leaders in the field of sustainable development and the integration of ESG factors throughout its companies. The leading position in this area provides researchers a unique opportunity to analyze these factors of success (Bahadir & Akarsu, 2023). The Nordic companies and their modern politics perfectly trace the relationship between ESG estimates and financial indicators in that area. Institutional context plays a crucial role in shaping the effectiveness of ESG strategies. Nordic countries are frequently presented in the literature as benchmark ESG environments due to strong regulatory frameworks, stakeholder-oriented governance models, and high levels of transparency (Mähönen & Raitanen, 2021). Recent empirical studies suggest that ESG initiatives are more likely to translate into financial value in institutional settings characterised by effective enforcement and long-term ownership structures (Duffaut-Sundsby & Fjeller, 2024). These features reduce incentives for symbolic ESG adoption and increase the credibility of sustainability commitments.

However, this positive narrative is not without limitations; most of the Nordic-focused literature relies on aggregated indices, financial institutions, or country-level comparisons, providing limited insight into firm-level dynamics across industries. Moreover, the assumption that ESG effects are universally stronger in Nordic markets is often taken for granted rather than empirically tested.

Another gap concerns within-region heterogeneity. Nordic firms operate across diverse sectors with varying ESG materiality, yet existing studies rarely examine how institutional advantages interact with industry-specific characteristics. As a result, the literature provides limited guidance on whether ESG performance is equally relevant across different types of firms within the same institutional context. This thesis contributes to this underdeveloped area by conducting a firm-level, cross-industry analysis of publicly listed Nordic companies, thereby offering a more granular assessment of ESG–financial performance relationships within a high-regulation environment.

As a leader of the use and analytics of ESG, the financial sector in the Scandinavian region consistently involves these practices in its financial reporting as a key element. According to Ragazzo, Zopounidis, and Garefalakis (2024), researchers used the TOPSIS entropy weight model as the main evaluation technique to calculate the influence of ESG factors in the Nordic region banks. The results showed that firms with higher ESG scores demonstrated excellent risk management strategies and long-term financial stability. These results are explained by the active implementation of environmental policy, the Nordic commitment to transparency of management, and social responsibility. Researchers found that these combined factors may increase investors' confidence and attractiveness to the Nordic companies, which consequently reduces the cost of capital. This study highlights that the timely and successful integration of ESG factors into the Nordic banking system not only meets all previously set expectations but also brings financial benefits through increased operational efficiency and a high level of brand reputation in the region (Ragazou, Zopounidis, & Garefalakis, 2024).

In another study, Machining (2024) examined the impact of gender diversity as a deterrent to ESG estimates; the study was based on a study of the diverse board of directors in companies based in the Nordic countries. After analyzing a database of various Scandinavian firms for ESG and financial indicators, the researchers found that companies with gender-diverse boards of directors showed a positive correlation in the relationship between the factors. Such organizations have achieved higher financial performance due to more efficient decision-making through their diversity. Mahoney also emphasized that diversity on the board of directors is positively reflected in the social dimension of ESG, which leads to greater community engagement and employee satisfaction. The results of the study reflect that diversity in the board of directors improves the management system within the organization, especially in terms of building a long-term strategy. Companies that follow the practices of gender diversity in leadership court increase their financial benefits of ESG initiatives (Mahonen, 2024).

According to Duffaut-Sundsby and Fjeller (2024), the pension funds of the Nordic countries, in particular the Norwegian State Pension Fund and the Swedish AP Fund identified as one of the most modern initiatives implemented. Researchers have found that the causes of the financial consequences are the use of exceptional measures in investment strategies. Duffaut-Sundsby and Fjeller (2024) identified that although exceptions to the ESG (such as divestment from investments in fossil fuels or tobacco) correspond to ethical and environmental goals, but do not always lead to an improvement in financial performance in the short term run. However, a long-term perspective has shown that excluded companies often perform lower than their ESG-compliant counterparts. Mainly, due to regulatory pressure and changes in the consumer buy-to-sell preferences. This study highlights that pension funds in the Nordic countries, which use a best-in-class approach to investing in ESG, successfully align financial performance with sustainable development goals (Duffaut-Sundsby & Fjeller, 2024).

All over the world, companies are divided into separate areas and operate in different sectors. During the analysis of companies in Northern Europe, significant differences were identified in the relationship between ESG estimates and financial indicators for companies operating in various industries. For example, Norwegian energy companies have successfully been able to integrate ESG principles and initiatives for the transition to renewable energy sources, which has had an impact on risk minimization and financial independence (Makridou, Doumpos & Lemonakis, 2023). Another positive example of investing in ESG initiatives is that technology companies in Sweden pay great attention to data security and monitoring, which has attracted a socially oriented group of investors. Unfortunately, this trend leads to ambiguous short-term financial results, which in turn reflects the variability of results and uneven assessment of the relationship between ESG financial indicators. The volatility and development in the dynamics of each individual industry highlight the importance of materiality in evaluating the effectiveness of ESG. According to Khan et al. (2016), significant ESG factors are more likely to affect short- and long-term financial performance. This trend has been repeatedly analyzed and confirmed by case studies in the Nordic countries (Khan, Serafeim, & Yoon, 2016).

Despite the fact that the Northern region is a world leader in the field of ESG integration and most companies publish their figures on open sources. The large amount of data does not allow us to fully analyze and prove the relationship between ESG estimates and financial indicators. Inconsistencies in the data often manifest themselves in small companies due to their desire to overestimate their ESG indicator. This fact often makes a comprehensive and objective analysis difficult. In addition, each analytical company uses its own assessment methods. The use of their own proprietary ESG assessment methods leads to variability in the results. Despite these difficulties, the experience of the Nordic countries shows that a consistent regulatory framework has a positive impact on the widespread use of ESG factors in their reporting. Thanks to the EU Regulation on Sustainable Financial Disclosure (SFDR), proactive corporate governance practices provide a solid foundation for linking ESG effectiveness with financial results.

The relationship between ESG estimates and the financial performance of Nordic companies illustrates a clear trend: firms that prioritize sustainable development often achieve higher profitability in the long term and reduce risks. The Nordic banks demonstrate how the integration of ESG improves risk management and financial stability, and the various management teams enhance the benefits of ESG practices. Despite the difficulties in measuring this relationship, the Northern Region is an example of how a strong regulatory and cultural commitment to ESG can align sustainable development goals with financial performance, making it a benchmark for other regions.

Alongside the predominantly positive narrative surrounding ESG performance, recent literature increasingly adopts a critical perspective, focusing on the risk of greenwashing and symbolic ESG adoption. Greenwashing refers to situations in which firms strategically disclose ESG-related information or adopt superficial sustainability practices without implementing substantive operational changes (Pankratz, Hoepner & Zeume, 2021; Christensen, Hail & Leuz, 2023).

A key contribution of this stream of research is the distinction between ESG disclosure and actual ESG performance. Several studies document that firms tend to increase ESG disclosure following negative environmental or social events, regulatory pressure, or reputational damage, even when underlying practices remain largely unchanged. This behaviour raises concerns about the informational content of ESG scores and their ability to reflect true sustainability performance. From a financial perspective, the literature presents mixed evidence regarding the consequences of greenwashing. Some studies suggest that markets initially reward enhanced ESG disclosure due to improved perceptions among investors, particularly in the presence of information asymmetries. However, more recent evidence indicates that such benefits may be short-lived, as symbolic ESG engagement can lead to reputational penalties and valuation corrections once discrepancies between disclosure and performance become apparent (Berg, Kölbel & Rigobon, 2022).

Despite its relevance, empirical research on greenwashing faces significant methodological challenges. First, greenwashing is inherently difficult to observe directly, leading researchers to rely on indirect proxies such as abnormal disclosure intensity or discrepancies between ESG scores and emissions data. Second, many studies focus on extreme cases or specific industries, limiting generalisability. As a result, estimates of the prevalence and financial impact of greenwashing vary widely across studies. Another limitation concerns the interaction between institutional context and greenwashing incentives. Firms operating in environments with weak enforcement mechanisms may face stronger incentives for symbolic ESG adoption, whereas stricter regulatory regimes may constrain such behaviour. However, empirical evidence on how institutional quality moderates greenwashing remains limited and inconclusive.

Overall, the greenwashing literature highlights a critical tension within ESG research: while sustainability initiatives have the potential to create long-term value, superficial or opportunistic ESG strategies may distort market signals and undermine investor trust. This underscores the importance of cautious interpretation of ESG metrics and supports the need for empirical designs that account for disclosure bias. In the context of this thesis, this section motivates the use of firm-level financial performance indicators alongside ESG scores and reinforces the decision to focus on a regulated Nordic setting, where incentives for symbolic ESG adoption are expected to be comparatively weaker but not absent.

1.5. Research Gaps and Contribution

This research shows that the link between ESG and financial outcomes is supported by evidence. Previous research has mostly found positive connections, but it remains divided by different approaches, regions, and time periods. As a result, our overall understanding is limited, and some key questions remain unanswered. A first major gap concerns contextual dependency. Many studies implicitly assume that ESG–financial performance relationships are broadly generalisable across institutional environments. However, empirical evidence increasingly suggests that regulatory quality, enforcement mechanisms, and ownership structures materially condition ESG effectiveness. Despite frequent references to the Nordic region as an ESG benchmark, rigorous firm-level evidence for non-financial companies remains scarce. This creates uncertainty regarding whether the often-assumed Nordic ESG advantage holds uniformly across industries.

A second gap relates to ESG aggregation and dimensional heterogeneity. A large share of the literature relies on composite ESG scores, thereby masking potentially divergent effects of environmental, social, and governance components. Existing findings on ESG sub-dimensions are inconsistent, and few studies systematically compare their relative financial relevance within a single empirical framework. This aggregation bias limits the interpretability of prior results and weakens theoretical conclusions.

Third, measurement and disclosure bias remain persistent challenges. Divergence across ESG rating providers, combined with firms' strategic disclosure incentives, raises concerns about construct validity. Although recent studies acknowledge these issues, many empirical designs continue to rely on single-source ESG data without robustness checks. This methodological limitation contributes to mixed findings and undermines confidence in reported effect sizes.

Fourth, the literature exhibits temporal ambiguity. While long-term ESG benefits are frequently asserted, there is no consensus on appropriate evaluation horizons, and dynamic ESG adjustment processes are rarely modelled explicitly. Short-term analyses risk understating ESG value, whereas long-term studies may suffer from survivorship and selection biases. This tension remains insufficiently resolved in existing research.

Finally, mechanism integration represents an underdeveloped area. Although several channels linking ESG to financial performance have been proposed, empirical studies typically analyse them in isolation. As a result, it remains unclear which mechanisms dominate under different conditions and how ESG dimensions interact with firm strategy and institutional context. Against this background, the present position itself is a targeted contribution rather than a comprehensive resolution of all open questions. Specifically, it addresses the identified gaps by (i) focusing on a firm-level, cross-industry sample of publicly listed Nordic companies, (ii) disaggregating ESG into environmental, social, and governance components, (iii) combining accounting-based and market-based financial performance measures, and (iv) adopting a medium- to long-term analytical perspective. By integrating contextual, dimensional, and temporal considerations within a single empirical framework, this study contributes to a more nuanced and context-sensitive understanding of ESG–financial performance relationships. While the findings are not intended to establish universal causal claims, they provide evidence that helps clarify under which conditions ESG performance is financially material.

1.6. Summary of Literature Review Findings

Table 1 summarises the dominant empirical findings from recent ESG research (2021–2025), highlighting patterns, methodological approaches, and unresolved issues.

Before the explanation, it is important to clarify its purpose. Rather than offering an exhaustive catalogue of individual studies, this table synthesises the dominant empirical patterns observed in high-quality ESG research published between 2021 and 2025. It aggregates findings across leading ABS, WoS, and Scopus-indexed journals to highlight where empirical consensus exists and where results remain contested. By juxtaposing dominant findings with commonly used methodological approaches and their limitations, the table makes explicit that many reported ESG effects are conditional on research design choices rather than universally robust relationships.

Table 1

Summary of ESG–Financial Performance Literature (2021–2025)

Aspect	Dominant Findings	Methodological Approach	Key Limitations Identified
Overall ESG	Generally positive or non-negative relationship with financial performance	Panel regressions, DiD, IV	Endogeneity, aggregation bias
Environmental (E)	Strong risk mitigation effects; long-term efficiency gains	Emissions-based metrics, carbon exposure	Overreliance on carbon proxies
Social (S)	Crisis resilience and human capital benefits	Event studies, survey-based indicators	Low measurement consistency
Governance (G)	Strong short-term association with firm value	Board and ownership metrics	Formal compliance vs. real effectiveness

Time Horizon	Long-term effects dominate short-term outcomes	Longitudinal panel studies	Survivorship and window bias
Institutional Context	Stronger ESG effects in regulated environments	Cross-country comparisons	Limited firm-level evidence

Source: Author's synthesis based on peer-reviewed studies published in ABS, Web of Science, and Scopus-indexed journals (2015–2025).

Table 2 contrasts environmental, social, and governance dimensions in terms of financial relevance, empirical strength, and research gaps.

Table 2 provides a structured comparison of the environmental, social, and governance dimensions of ESG in order to address one of the most persistent weaknesses in the literature: the overreliance on aggregated ESG scores. The table is designed to disentangle the heterogeneous financial effects associated with each ESG dimension by summarising their primary value-creation channels, the relative strength of empirical evidence, and the most prominent research gaps. This comparison illustrates why composite ESG measures may obscure offsetting or dimension-specific effects and reinforces the analytical rationale for disaggregated ESG analysis in empirical research.

Table 2

Comparative Analysis of ESG Sub-Dimensions

ESG Dimension	Main Financial Channel	Strength of Empirical Evidence	Key Research Gaps
Environmental	Risk reduction, efficiency	Medium–High (long-term)	Timing of returns, non-carbon impacts
Social	Human capital, resilience	Medium	Measurement heterogeneity, strategic alignment
Governance	Agency cost reduction	High (short-term)	Interaction with E and S

Source: Author's synthesis based on Berg, Kölbel, and Rigobon (2022); Erkens, Pankratz, and Zeume (2022); Pedersen et al. (2024).

The last Table brings together the main gaps found in Sections 2.1 to 2.8 and shows how they connect to the empirical literacy findings. Overall, Table 3 clearly connects important findings to the empirical design of this research. Instead of just listing open questions, it organizes the main gaps across Sections 2.1-2.8 and shows how each shapes a specific method or analysis in this study. This approach helps maintain the thesis's consistency and shows that the research design directly addresses known gaps in the field.

Table 3

Identified Literature Gaps and Thesis Responses

Literature Gap	Evidence in Prior Research	Implication	Thesis Response
ESG aggregation bias	Reliance on composite scores	Masked heterogeneous effects	ESG sub-dimension analysis
Measurement divergence	Low inter-rater ESG reliability	Reduced construct validity	Robustness across metrics
Time-horizon ambiguity	Mixed short vs long-term findings	Inconsistent conclusions	Medium long-term analysis
Contextual heterogeneity	Cross-country generalisation	Limited external validity	Nordic firm-level focus
Mechanism fragmentation	Isolated channel analysis	Incomplete explanations	Integrated performance measures

Source: Author's own construction based on critical literature review.

The conceptual figures presented in this section are not intended as mere visual summaries, but as analytical tools that synthesise the core insights and limitations identified throughout the literature review. By translating complex empirical and theoretical relationships into simplified structures, the figures help clarify where consensus exists in the literature and where uncertainty remains.

Figure 1

Conceptual Framework of ESG–Financial Performance Relationship

Environmental (E), Social (S), Governance (G) performance → Value-creation channels (risk reduction, cost of capital effects, operational efficiency, intangible assets) → Financial performance outcomes (accounting-based and market-based measures), moderated by institutional context (e.g., regulatory strength, stakeholder orientation) and time horizon (short-term vs long-term).

Source: Author's conceptual framework adapted from Friede, Busch, and Bassen (2015); Berg, Kölbel, and Rigobon (2022); Christensen, Hail, and Leuz (2023).

Figure 1 illustrates the dominant conceptual logic underlying contemporary ESG research. It reflects the broad agreement that ESG performance influences financial outcomes indirectly through a set of value-creation channels, rather than through a direct and immediate effect. The figure emphasises that environmental, social, and governance dimensions operate through mechanisms such as risk reduction, cost of capital effects, operational efficiency, and the accumulation of intangible assets.

Critically, the framework also highlights two moderating factors that are frequently under-theorised in empirical studies: institutional context and time horizon. While many papers acknowledge these moderators qualitatively, they are often omitted from empirical specifications or treated as control variables rather than central components of the analysis. This omission contributes to inconsistent findings across studies and limits the explanatory power of existing models. By making these moderators explicit, the figure underscores the need for empirical designs that move beyond average effects and account for conditional relationships.

Figure 2 provides a critical interpretation of why the ESG–financial performance literature continues to produce mixed and sometimes contradictory results. Rather than attributing inconsistency solely to data limitations, the figure conceptualises it as the outcome of interacting sources of bias. Measurement divergence across ESG rating providers introduces noise and construct ambiguity, while disclosure bias and greenwashing distort the informational content of ESG scores. These issues are compounded by endogeneity concerns and arbitrary time-horizon selection, which together undermine causal inference.

Figure 2

Sources of Inconsistency in ESG Empirical Findings

Measurement Divergence → Disclosure Bias → Endogeneity → Time-Horizon Selection → Fragmented Mechanism Modelling.

Source: Author's illustration based on Berg, Kölbel, and Rigobon (2022).

Importantly, the figure suggests that these sources of inconsistency are mutually reinforcing rather than independent. For example, disclosure-driven ESG improvements may appear financially beneficial in short-term analyses, but lead to reversals once mispricing is corrected. Such a perspective of interaction is largely absent in existing empirical studies, which tend to consider methodological issues in isolation from other studies. Thus, Figure 2 highlights the structural weakness of the literature and encourages a more comprehensive analytical approach.

Both Figures 1 and 2 serve a dual purpose; they summarise the dominant theoretical structure of ESG research while simultaneously exposing its limitations. This duality reinforces the central argument of this chapter: that ESG–financial performance relationships are context-dependent, dimension-specific, and methodologically fragile, requiring carefully designed empirical analysis rather than broad generalisations.

While the tables and figures above provide a structured overview of dominant findings in the ESG–financial performance literature, they also reveal several deeper structural weaknesses that constrain the interpretability of existing evidence. First of all, it should be noted that the predominance of generally positive results does not necessarily indicate a sustained or universally applicable ESG effect. Instead, it reflects a convergence of methodological approaches, such as similar ESG data sources, overlapping sampling periods, and comparable econometric characteristics, which can lead to a shift in the results in a consistent direction.

An important pattern that follows from this generalization is the tendency of literature to confirm conditional rather than causal relationships. Even in recent high-quality studies that have used advanced identification strategies, ESG effects remain highly sensitive to model assumptions, variable definitions, and time horizons. This sensitivity raises concerns about the stability of the results and suggests that the reported effect sizes should be interpreted as context-dependent rather than generalizable. Moreover, the frequent use of combined ESG estimates continues to obscure potentially compensating effects in environmental, social, and governance aspects, limiting theoretical clarity.

Another important insight is that much of the ESG literature implicitly assumes rational and efficient market responses to sustainability information. However, evidence on greenwashing, disclosure bias, and delayed market corrections challenges this assumption. Suppose ESG signals are imperfect or strategically manipulated, observed financial effects may partly reflect temporary mispricing rather than fundamental value creation. This possibility is rarely considered in empirical models, which represents a conceptual gap between ESG theory and observed market behavior. Taken together, the summary highlights that the relationship between ESG and financial performance cannot be reduced to a single stylized fact. Rather, it is best understood as a result of the interaction of aspects, institutional conditions, and temporal dynamics. This critical assessment confirms the need for carefully thought-out empirical studies, such as the present paper, that explicitly explain these complexities rather than seeking universal conclusions.

2. METHODOLOGY

This chapter describes the methodological approach used to assess the relationship between ESG estimates and financial performance. The chapter includes a description of the research objective, the model used, the provision of a hypothesis for proof, the reliability of the work performed, and the methods used for analysis. The research methods used in the analysis are based on previously conducted research and fully comply with established academic standards, thereby providing a reliable basis for obtaining final results. The choice of integrating quantitative and qualitative methods is due to the fact that this approach allows for a comprehensive study of the impact of ESG on financial results. According to Eccles, Ioannou, and Serafeim (Eccles, Ioannou, and Serafeim, 2014), the right choice of reliable methods in ESG research is crucial for obtaining high-quality information that serves as a guide for further scientific work and practical business decisions.

Given the exploratory and explanatory nature of the research questions, the study uses primarily a quantitative empirical approach, complemented, if necessary, by a qualitative interpretation. This ambiguous orientation reflects the nature of ESG research, in which numerical indicators must be interpreted within institutional and strategic contexts. Previous studies have emphasized that careful methodology development is essential in ESG research due to measurement ambiguity and endogeneity issues (Christensen, Hail & Leuz, 2023; Atanasova & Schwartz, 2023).

2.1. The purpose of the empirical research

It has been noted that the main purpose of this research is to examine the relationship between a Nordic company's environmental, social, and governance (ESG) scores and its overall financial performance. In particular, one of the sub-goals is to determine how strongly high ESG indicators have an impact on the investment attractiveness of companies, and whether the result has a positive impact on profitability and market valuation. The research also needs to gain an understanding of how sustainable practices affect both short- and long-term financial results, with a particular focus on the Scandinavian region (the world's leader in ESG integration). This region is of particular interest due to its location and methods aimed at increasing the spread of this approach. To analyze the reason for the progressive orientation of this region towards the implementation of ideas in the ESG segment.

2.2. The research objectives

The following objectives were identified for this research work:

Objective 1:

Critically analyze and summarize the latest scientific literature on the relationship between ESG performance and a company's financial performance, focusing on ESG divisions, time horizons, and the institutional context.

Objective 1 allows you to critically analyze and summarize the latest scientific literature on the relationship between efficiency and the financial performance of companies. Rather than providing a descriptive overview, this goal aims to identify the dominant empirical patterns, methodological limitations, and unresolved disputes in the ESG literature. Recent research shows that the relationship between ESG and financial performance is very sensitive to the choice of measurement methods, the institutional context, and the time horizon, which explains the persistence of ambiguous empirical results (Berg, Kölbel & Rigobon, 2022; Christensen, Hail & Leuz, 2023). A systematic analysis of these issues allows us to create a theoretical and empirical basis for subsequent methodological and empirical chapters.

Objective 2:

To develop a system of empirical research that allows for a detailed analysis of the environmental, social, and managerial components of the ESG and their respective financial implications.

Objective 2 aims to develop an empirical research framework that allows for a disaggregated analysis of the effectiveness of ESG. This goal is a direct response to the growing criticism of complex ESG assessments that may conceal heterogeneous effects in environmental, social, and management dimensions (Erkens, Pankratz & Zeume, 2022). Recent empirical studies increasingly emphasize the importance of separating the ESG components to increase the reliability of constructions and interpretability of results (Albuquerque et al., 2024). By developing a methodology that explicitly includes subsections of ESG, this study conforms to the best practices of modern ESG research and improves the accuracy of the analysis.

Objective 3:

To test empirically whether investments in employee development and training (the social aspect of ESG) are linked to improved financial performance.

Objective 3, when used as an empirical study, aims to describe the relationship between investments in employee development and training and improvements in financial performance. This idea is supported by a growing body of research on the social dimension of ESG, which defines human capital as a key intangible asset contributing to productivity, sustainability, and long-term value creation. (Lins, Servaes & Tamayo, 2021; Pedersen et al., 2024). Recent research suggests that firms with stricter employee-related ESG practices perform better during crises: periods of economic stress, indicating that the social impacts of ESG may be particularly significant over more extended periods. Thus, this goal implements the social dimension of the ESG in a way that is both theoretically sound and empirically verifiable.

Objective 4:

To assess whether the environmental, social, and governance components of ESG exert heterogeneous effects on financial performance, with particular attention to the relative strength of the ecological dimension.

Objective 4 assesses whether the environmental, social, and governance (ESG) components exert heterogeneous effects on financial performance, with particular attention to the relative strength of the ecological dimension. Recent research found the correlation that environmental performance is closely linked to regulatory exposure, climate-related risk, and long-term efficiency gains; as a yield more substantial observable financial effects than other ESG dimensions (Bolton & Kacperczyk, 2021; Pankratz & Zeume, 2023). By explicitly comparing ESG sub-dimensions within a unified empirical framework, this objective addresses ESG aggregation bias and contributes to a more nuanced understanding of ESG materiality.

Objective 5:

To compare the ESG–financial performance relationship between Scandinavian firms and U.S. firms to evaluate the role of regulatory and cultural context

Objective 5 is an analysis of the comparison of the ESG–financial performance relationship between Scandinavian firms and U.S.-based companies. It aims to evaluate the role of regulatory and cultural context in those regions. Several key characteristics in institutional theory suggest that ESG initiatives are more likely to generate financial value in environments characterised by vigorous regulatory enforcement, stakeholder-oriented governance, and long-term ownership structures (Mähönen & Raitanen, 2021). Recent empirical research by Duffaut-Sundsby & Fjeller indicates that ESG effects vary significantly across regions, yet firm-level comparative evidence remains limited (Duffaut-Sundsby & Fjeller, 2024). This objective, therefore, addresses a significant gap in the literature by empirically testing whether ESG performance is more financially material in the Scandinavian context.

2.3. The Research Model

The research includes a combined approach to information search and analysis. To prove this, both quantitative and qualitative methods were used to analyze the relationship between ESG performance and financial results. A quantitative model was chosen in this study to analyze financial and managerial data. This technique involves collecting companies' reports on key indicators from open sources, analyzing information on sustainable development, and databases such as MSCI, Sustainalytics, and Refinitiv. The study will examine the individual components of the ESG (environmental, social, and governance), and their correlation indicators on the impact on financial performance. The correlation between financial valuations and key financial indicators in the United States will also be used for proof; financial indicators such as return on assets (ROA), return on equity (ROE), and stock performance will be used as a basis. All these statistical data will help to analyze the differences in the relationship between ESG and financial indicators; will help to answer in more detail the question – “why companies in the Scandinavian region are ahead of the rest of the world in the field of ESG integration”. To prove this statement, a regression analysis model was used, which helps to identify detailed patterns and relationships of that phenomenon, as well as a comparative analysis to identify differences between industry scores and time frames.

2.4. The Research Hypotheses

The hypotheses provided in that paragraph were based on earlier analyzed studies. In this study, the researchers concluded that the growing importance of ESG factors has a positive effect on the company's financial performance. In their work, Friede, Busch, and

Bassen (2015) conducted a meta-analysis of more than 2,000 previously conducted studies, which revealed that in about 90% of cases, a non-negative relationship between ESG factors and financial performance was found. At the same time, it was noted that most of the previously obtained results indicate a positive overall impact of inertia and investment in ESG. Such fundamental research may be a sign of substantiation and confirmation of the following hypotheses.

According to the previous research, the following hypotheses were identified:

H1: Companies with high investment rates in employee development and testing demonstrate higher financial performance compared to companies with low ESG scores.

This hypothesis focuses on the social aspect of ESG, in particular on investments in human capital. It reflects literature evidence that employee-related ESG practices enhance a firm's productivity, sustainability, and long-term performance, especially in knowledge-intensive and stakeholder-oriented environments. (Lins, Servaes & Tamayo, 2021).

H2: Each component of the ESG (environmental, social, and governance) has a special impact on financial performance, with the environmental component showing the strongest correlation.

This hypothesis directly addresses the ESG aggregation bias identified in Chapter 2 by disaggregating ESG into its core components. It reflects empirical findings of the literature review; the environmental performance is closely linked to risk mitigation, regulatory exposure, and long-term efficiency gains. This may result in more substantial observable financial effects relative to social and governance dimensions (Bolton & Kacperczyk, 2021).

H3: In the Scandinavian region, the relationship between ESG scores and financial performance is stronger than in the other areas (U.S.), due to regulatory and cultural factors.

This hypothesis captures the role of institutional context. Based on literature findings, some researchers emphasize stronger ESG effectiveness in environments characterised by high regulatory quality, stakeholder orientation, and long-term ownership structures. The Nordic–U.S. comparison allows for empirical testing of whether ESG performance is more financially material in the Scandinavian setting.

While ESG scores provide a practical and widely used proxy for corporate sustainability performance, prior research highlights substantial divergence across ESG rating providers due to differences in indicator selection, weighting schemes, and normative assumptions (Berg, Kölbel & Rigobon, 2022). This study acknowledges these limitations and treats ESG estimates as imperfect but informative signals rather than precise measures of sustainability performance. By relying on established providers commonly used in empirical research, the study aligns with prevailing academic practice while maintaining awareness of construct validity concerns. The implications of ESG measurement heterogeneity are considered in the interpretation of empirical results.

2.5. The Reliability and Relevance of the Research

The reliability of this research is ensured through the use of data from distinguished and widely recognized secondary sources. These include the ESG ratings from installed agencies, such as the official details of publicly listed companies, ESG ratings from established agencies such as MSCI, Sustainalytics, and Refinitiv. The stability of the data collection process reduces the risk of prejudice or deformation in a clear, functioning, and well-defined process. By combining both quantitative and qualitative methods, this study ensures a comprehensive evaluation of relations between ESG performance and financial results. The relevance of this research focuses on a highly topical and developed issue: integration of ESG factors in corporate strategy and investment decisions. As ESG ideas continue to shape global economic practices, understanding their financial implications has become rapidly important to stakeholders for various reasons. The emphasis of this study on the Nordic region further enhances its importance. Nordic countries are recognized internationally as leaders in adopting ESG policy and in corporate stability, making them a valuable case to investigate the influences of the real world of ESG strategies. The insight from this regional focus can serve as a reference point for other markets that are looking to increase their ESG integration and create a permanent economic structure.

Despite the fact that empirical analysis focuses on Scandinavian and American firms, the results obtained are not universal for all institutional structures. Instead, the study uses a context-sensitive approach that recognizes that the effectiveness of ESG depends on the quality of regulation, cultural norms, and expectations of stakeholders. This choice of design increases internal reliability while allowing cautious conclusions to be drawn about similar environments with a high level of regulation.

2.6. The Methods of the Research

To address research objectives and validate proposed hypotheses, this study employs a combination of quantitative and comparative methods. Research methods include the following components: literature reviews, data collections, descriptive statistical analysis, regression analysis, and comparative case analysis. First, a comprehensive literature review was conducted to understand the theoretical foundation of the ESG and its potential financial implications. This provided an outline to refer to empirical results and compare them with previous findings in the field. Subsequently, the data collection was done using secondary data from well-established ESG rating providers, including MSCI, Sustainalytics, and Refinitiv, as well as company reports. The dataset includes ESG overall scores and sub-scores (environment, social, and governance), financial matrix (return on equity, return on property, and 5-year stock performance), and qualitative ESG insight from company reports and stability disclosure. The sample focuses on publicly listed companies of the Nordic sector in various industries, which ensures cross-sector representation. The descriptive statistics were applied to the ESG and the financial variables to abbreviate and visualize. The move helped identify the central trend, outliers, and patterns in the ESG performance in sample firms. Regression analysis was used to examine the relationship between ESG score and financial performance, which controls for the firm size and industry sector. This statistical method helped assess the strength and direction of correlations and determine whether the ESG performance has a significant impact on the financial returns, aligning with the pre-existing discussion by Berg, Kölbel, and Rigobon.

Regression analysis is employed as the primary empirical method due to its suitability for examining conditional relationships between ESG performance and financial outcomes while controlling for firm-specific characteristics. Prior ESG studies demonstrate that regression-based models remain the dominant empirical approach for isolating ESG effects in the presence of confounding factors such as firm size, industry affiliation, and market conditions (Atanasova & Schwartz, 2023; Albuquerque et al., 2024). Although regression analysis does not fully eliminate endogeneity concerns, it provides a transparent and interpretable framework for identifying systematic associations consistent with the study's explanatory objectives.

The study recognises that the financial effects of ESG engagement may differ across time horizons. Prior literature suggests that ESG investments often involve short-term costs but generate value over longer periods through risk reduction, reputational capital, and operational efficiency gains (Pedersen et al., 2024). While the empirical analysis focuses on observable financial performance indicators within the available data window, the interpretation of results explicitly considers potential temporal asymmetries. This perspective is particularly relevant for the Scandinavian context, where ESG integration is often embedded in long-term corporate strategy.

3. EMPIRICAL RESULTS ANALYSIS

3.1. Overview of Empirical Design and Data Characteristics

This chapter empirically tests the theoretical relationships and research gaps identified in previous modules. The literature review demonstrated that while a large body of studies finds a positive association between ESG performance and financial outcomes, results remain sensitive to ESG measurement, time horizon, and institutional context. In particular, the literacy review highlighted three unresolved issues: (i) the aggregation bias of composite ESG scores, (ii) heterogeneous effects across ESG sub-dimensions, and (iii) regional differences in ESG materiality. The empirical design of Chapter 4 directly addresses these gaps by analysing both aggregated and disaggregated ESG indicators, applying multiple financial performance measures, and comparing Nordic firms with U.S. benchmarks.

The chapter examines empirical relations between the ESG (environment, social, and governance) score and financial performance in samples of ten major Nordic companies. Selected firm: Novo Nordisk, Wests Wind Systems, Ikwinore, Nordia Bank, Volvo Group, Con, Ericsson, Nest, Telia Company, and Scamska-Health Services, Energy, Financial Services, Technology, and represent a diverse cross-section of industries, including telecommunications. These companies were selected for the public availability of ESG and financial performance data, their prominence in the Nordic sector, and their relevance for regional and comparative analysis.

Consistent with the concerns raised before regarding ESG aggregation bias, the empirical findings show that while the overall ESG score is strongly associated with financial performance, the strength of this relationship varies significantly across ESG sub-dimensions. This confirms prior arguments that composite ESG indicators may mask economically meaningful variation between environmental, social, and governance factors. The disaggregated analysis, therefore, provides a more nuanced understanding of ESG materiality, reinforcing the methodological necessity of separating ESG components rather than relying solely on headline scores.

This selection is based on extensive educational logic for choosing the Nordic sector: corporate social responsibility, stakeholder-oriented governance, and its established tradition in the relatively homogeneous regulatory structure (Clark et al., 2015). Additionally, Nordic markets demonstrate interest in strong ESG disclosure practices and stability-based firms, making them a fertile ground for empirical verification. These companies are collectively responsible for a significant stake of national stock indices and are subject to similar macroeconomic conditions, providing a controlled environment for analysis.

The empirical methods applied in this chapter follow directly from the research model outlined before. Descriptive statistics, correlation analysis, and linear regression were selected to ensure consistency between research objectives, hypotheses, and analytical techniques. As justified in the methodology section, regression analysis remains the most widely applied method in ESG–financial performance research due to its ability to isolate conditional relationships while controlling for firm-specific characteristics. The use of both accounting-based (ROE, ROA) and market-based (stock growth) indicators further reflects methodological recommendations identified in the literature review.

The ESG scores were collected from prestigious rating agencies such as MSCI, Sustainalytics, and Refinitiv. Financial performance was assessed through Equity through Return (ROE), Return on Assets (ROA), and 5-year stock price growth metrics. This mixture of accounting and market-based indicators ensures a strong, multidimensional perspective on financial success.

The normalization of ESG scores is critical for ensuring comparability across firms and rating providers. Given documented discrepancies in ESG rating methodologies, normalization reduces scale-induced distortions and allows the regression coefficients to reflect genuine economic relationships rather than methodological artefacts. This methodological choice aligns with recent empirical ESG studies that emphasize harmonisation of sustainability indicators when combining data from multiple sources.

3.1.1. Data Normalization and Regression Model

To address discrepancies in scoring functioning in agencies, ESG data was normalized on a percentage scale. This process reduces the effects of methods between ESG rating providers and allows for more uniform cross-company comparison. Normalization also ensures that external firms do not unevenly affect the regression results.

Regression model used for analysis:

Figure 3

Regression model

$$\text{Financial Performance}_{it} = \alpha + \beta_1 \cdot \text{ESG}_{it} + \beta_2 \cdot \text{Controls}_{it} + \epsilon_{it}$$

Source: Author's illustration based on Mähönen and Raitanen (2021); Duffaut-Sundsby and Fjeller (2024).

The control variables consisted of firm size (total property), leverage (loan for equity ratio), and industry dummy variables (ranked variables). The model was used to estimate both the overall ESG indicators and their three sub-centers: environment, social, and governance. Panel data methods were considered, but were not used due to the relatively short time period and the stable nature of the annual ESG estimates.

3.1.2. Key Metrics

The following metrics were collected from verified secondary sources from MSCI, Morningstar Sustainedlitics, and publicly available company reports, such as the financial year 2023. These sources were chosen due to their comprehensive recognition, functioning transparency, and high frequency of quotation in ESG-related academic research. The ESG represents an overall measure by incorporating environment, social, and governance columns (measured on a 0–100 scale). The score provides an overarching assessment of the company's stability profile and risk relative to the industry partners.

Return on equity and return on property (ROA) serve as major financial indicators of operational profitability and efficiency. Roe indicates how a company uses shareholder equity to generate net income, while ROA evaluates property efficiency in income generation. Both matrix was designed from standardized IFRS or US GAAP filings and cross-waldate with Bloomberg terminal records and financial aggregators.

Additionally, the 5-year stock price increase was used as a long-term, market-based measurement of shareholder value construction. This metric is particularly useful to evaluate whether ESG aligns practices with investors' expectations and results in capital praise over time. The five-year period was chosen to balance the market cyclicity, accounting for the constant strategic effects. Together, these variables create an empirical foundation of this study, which enables a quantitative assessment of relationships between firms and the ESG performance and the ten Nordic publicly traded firms between performance and financial results.

3.2. Companies ESG Investments and Financial Performance

3.2.1. Novo Nordisk Inc

Novo Nordisk has invested enough in ESG, especially in leading access to medical and environmental stability. In February 2024, the company committed more than €2.1 billion to expand the production capacity in France, which was aimed at promoting the production of essential medicines such as Vagovi and Ozempic. While it focuses on healthcare innovation, the ESG dimension lies in equal global access, ability initiatives, and de-digging supply chains. Additionally, Novo contributes to environmental stability through the Novo Green Manufacturing Processes, including low water use and 100% renewable power at technology and production sites. Independent studies (eg, Sorenson and Jensen, 2023). Note that these measures have reduced the unit carbon footprint of the product by about 30% in five years. This shows that ESG efforts are beyond compliance with strategic responsibility in global health.

Novo Nordisk reported the outstanding financial performance in 2024, with revenue DK 290.4billion (US $42.1billion) and DKK 100.9 billion reached net income of 25% compared to the previous year. Its return on equity was 75.5%, crossed its 5-year average (73.4%), and placed it in the top decile of its industry. Return to capital employed (ROCE) increased from 0.91 to 0.98 in 2023. This matrix underlines strong profitability and capital efficiency.

3.2.2. Vestas Wind Systems Inc

Vestas leads in technology development, which invests heavily in R&D to accelerate offshore wind adaptation. Its 15MW turbine prototype, with more than 60% capacity factor, gives an example of this push and underlines the commitment to cost-effective energy infection. Wests also recycles turbine blades through an American-based feature, addressing both innovation and circularity. Critics, however, are cautious that the physical recycling remains inadequate on the scale and social dimensions - such as the community involvement in turbine seating - needs to be strengthened (Larsen et al., 2022). Nevertheless, Vestas sets a clear environmental target, which aims to reduce life-cycle emissions by up to 50% by 2030. However, external studies (eg, Larsen et al., 2022) highlight uncertainties in recycling and question whether social engagement with communities is sufficiently strong, which is strategically strong.

In 2024, Vestas's financial performance presented a mixed picture: while the revenue remained stable (€ 16.5–17.5billion forecasting), its operational benefit fell below €352 million to €235 million, and the stock fell more than 40% year-to-year. Investment yield indicators show improvement from negative to 2024 in 2023, and ROA climbed to about 2.1% percent.

3.2.3. Equinor Inc

Equinor's investments in ESG are multifaceted and structured according to a well-defined plan. According to it, to ensure stability for 2024, Equinor intends to reduce atmospheric emissions by up to 50% by 2030 (compared with 2015), with a focus on net-zero emissions by 2050. In 2024, Equinor reported a 34% reduction in production emissions. CCUS's commitment is evident in significant projects such as its participation in the North Endurance project in the UK and Net Zero Teesside, which BP and TotalEnergies jointly support. The creation of the Northern Lights coal storage infrastructure was approved in order to increase capacity from 1.5 to 5 million tons per year at a cost of 7.5 billion Norwegian kroner. Despite these successes, Equinor is still under investigation for its ongoing exploration of fossil fuel deposits (such as the Rosebank oil field), which claims that its ESG reduces its credibility. The stress between fossil and clean energy investment continues to be debated by strong scholars.

Equinar's recent financial reports reflect flexibility in an unstable energy sector. In Q1 2025, TTM ROE was about 20%; in 2023, the annual ROE was as high as 24.5%. Profits fell from peaks ($11.9 billion income, 2023), but remained strong at $8.8 billion in 2024. Revenue estimates were $91.8 billion, of which the contribution of the net government reached NOK 701 billion.

Equinor has ambitiously pursued the ESG initiative with its main oil business. The company has implemented a Net-Zero 2050 strategy by targeting 4-6gw renewable projects by 2026, and has reduced the upstream emissions relative to 2015 by 34%. Its co_2 storage venture, Northern Lights, has received Nok7.5billion investment. Equinor also increased its stake in Orsted to secure the ability to offshore air. However, the company is simultaneously withdrawing renewal investment for $ 5 billion (2025–27), while increasing oil production by 2.2 million barrels per day. This dual strategy has drawn the ACA.

3.2.4. Nordea Inc

The Nordea Company has deeply integrated the ESG initiative within its financial products and governance. In 2023, it expanded its permanent loan portfolio to more than 30% percent, financed green building projects, renewable energy installations, and sustainability-linked corporate bonds. The bank's alignment with the classification rules of the European Union and its commitment to obtain pure zero-funded emissions by 2050 are documented in its latest Permanent Finance Report (Nordia, 2023). External analysis (Koskinen & Laakso, 2024) highlights the ruling transparency of Nordea, taking into account the public disclosure of internal carbon pricing mechanisms and board-level ESG risk inspection. However, critics (eg, Bankwatch, 2022) suggest that continuous financing of large fossil-fuel companies may complicate their ESG story.

While detailed 2024 Roe/ROA figures are not cited, Nordea remains a high-performing financial institution with the rule and capital power confirmed by the Nordea credit rating agencies and finance analysts (Koskinen & Laakso, 2024). The bank has greatly expanded its ESG products: Green loans increased by 30% in 2023, leading to a promotion of clean building and renewable energy projects. Nordea adopted internal carbon pricing and promised to obtain pure-zero funded emissions by 2050. Nevertheless, the regulatory review has given its support to support its constant support for large fossil-fuel customers, recommending a tight policy framework.

3.2.5. Volvo Inc

Volvo has launched a significant change in its commercial vehicle fleet. In Australia, Volvo Group has started selling electric vehicle models and announced plans to produce electric vehicles locally by 2027, although CEO Martin Lundstedt highlighted the challenges and the need for support infrastructure resulting from uneven regulation. Volvo's initiative is in line with global trends in heavy-duty vehicle electrification, supported by research and development in the field of batteries and hydrogen fuel cells (Lund et al., 2023). Critics point to the slow pace of global charging infrastructure and the slow pace of embedded carbon in battery content.

The Volvo Group performed strongly in 2024, with an impressive ROE of 31% and ROA of 7%, outperforming many of its global peers. The group's capital efficiency and profit are well above the average of the industry, which reflects the success of its strategic axis towards electrification and permanent mobility.

In the ESG domain, Volvo is implementing a transformation strategy, particularly in commercial electric vehicles and hydrogen fuel cell technology. For example, in 2023, Volvo announced plans to produce electric cars locally for the Australian market by 2027.

The campaign aims to address both climate issues and the practical issue of insufficient charging infrastructure. In addition, Volvo is actively implementing an initiative to recycle batteries in order to close the production cycle and reduce emissions of harmful substances associated with the operation of its electric power units. Despite these efforts, critics have emphasized that the creation of large-scale charging and waste disposal infrastructure remains a bottleneck, preventing the full experience of the ESG effect (Lund et al., 2023).

3.2.6. Kone Inc

The Kone company has promoted energy efficiency in a long-established environment. Its "UltraRope" elevator technology reduces energy consumption by 15% and reduces waste related to maintenance. The company also collaborates with property developers to integrate smart sensor-based maintenance, which reduces the intensity of construction energy by 20% (Hämäläinen & Virtanen, 2022). Social commitments include supplier audits, which are aligned at production sites with SBTI verification and ISO 50001 certification. However, the ESG reporting of Kone leads to a lack of potential blind spots of future investigations on social issues, such as labor security in emerging markets. Kone has given stable financial results in 2024, with its average ROE of 18% and 10% with ROA, for the European average for heavy industry, for efficient resource usage and sound profitability. Despite the global market headwinds, Kone's premium continues to support flexible returns to focus on lift and escalator.

3.2.7. Ericsson Inc

Ericsson is actively diversifying both its operations and products. It has promised to achieve net zero in its price chain by 2040, with 50% emissions cuts by 2030. A tangible example is a solar-powered 5G microgrid deployed in Texas, combining 2.4KW solar panels and battery storage, which enables off-grid operations and peak camp. Ericsson also promotes low-carbon ICT through 'connected mangroves' and digital solutions for smart agriculture. Independent reviews appreciate their progress, but note that reducing the intensity of supplier emissions, especially in semiconductor supply chains, remains an important challenge (Gustafsson, 2024).

In 2024, Ericsson recorded significant instability in both performance and stock price. Q4 Pure income increased by 43% YOY to SEK 4.9 billion, yet its enterprise division declined by 10% due to prolonged restructuring efforts. The recent 5-year-old free cash flow of SEK 37.8billion and a restored dividend of SEK 2.85/share indicate a healthy balance sheet despite the challenges ESG initiatives are rapidly inherent in operating Ericsson. The company aims to reach Net Zero in its price chain by 2040, with an interim target to target a 50% decrease in operating emissions by 2030. A case is a solar-powered 5G microgrid in Texas that displays innovation in off-grid connectivity. Additionally, Ericsson's supplier focus on decreasing emissions - especially semiconductor manufacturers - said extending depth in decarbonization efforts. However, analysts noted that the supplier requires strong progress in improving the supplier's ESG transparency (Gustafsson, 2024).

3.2.8. Neste Inc

The change of Neste into a renewable-fuel manufacturer has been marked by bold ESG commitments. Its Porvoo refinery, since 2007, with large features at Singapore and Rotterdam, presents it as the world's largest renewable diesel producer (Neste, 2023A). In 2020 alone, the renewable products of the Nest helped customers to reduce 10 million tonnes (MTs) of COO emissions, with a target of 20 MT by 2030 (Neste, 2023B). The company has also committed to carbon-plate production by 2035 and aims to reduce its scope by 50% by 2040 by 50%. Despite this innovation, Nest has faced criticism for the use of palm oil in the form of feedstock. Although it uses RSPO-attested input, stakeholders have expressed concern about the risks of deforestation. In response, the company is increasingly bringing variety to its feedstock portfolio, including waste plastic, used cooking oil, and algae-based sources (Transport and Environment, 2023; RSPO, 2022).

Economically, the performance of the Nest in 2024 became quite weak. The twelve-month return to Equity (ROE) fell to 1%, and the Return on Assets (ROA) fell to 3%, reflecting instability in the renewable fuel market (Reuters, 2024). The company laid off 600 employees and postponed the expansion of its Rotterdam refinery after a 78% decline in Q4 Ebitda. The management attributed the recession to the market for oversupply and regulatory uncertainty (Nest, 2024). However, the Nest remains a global leader in renewable innovation, which has invested approximately $ 10 billion to convert former oil refineries into permanent biofuels and SAF hubs. The Rotterdam plant, which is scheduled for renovation in 2027, is expected to increase its annual production capacity to 6.8 million tons. (Neste, 2024). The industry leader strongly recommends that Nest increase transparency regarding raw materials and prioritize second-generation biomass to maintain its leadership in ESG.

3.2.9. Telia Inc

The Telia company actively promotes both environmental stability and digital inclusion. Since 2018, the company has reduced its scope 1 and 2 emissions by 87%, leading to a 90% reduction (Telia Company, 2023A), leading to its 2030 target. It works perfectly on renewable electricity and manages 73 solar parks by 2024. The company also aims for 100% waste circularity by 2030. On the social front, Telia has played a leadership role in digital literacy, which launches programs reaching about 1.4 million individuals by 2023, focusing on the Sainters, Emperants, and Telia Company, 2023. As a result of these initiatives, Telia has received the highest ESG rating from both MSCI and CDP.

In 2023, Telia's economic performance improved. Its Q3 Ebitda Sek 8.48billion reached, inspiring the company to modify its entire year's adjusted EBITDA forecast in the mid-range growth expectation (Telia Company, 2023C). By June 2025, the return on equity (ROE) had risen to 12.98% over the previous 12 months, a marked improvement over prior years (Morningstar, 2025). Despite this progress, the company still faces challenges related to governance. This has previously been investigated for its operating corruption scams in Central Asia, which continues to put a shadow on its moral reputation (Transparency International, 2023). In addition, while Telia's supply chain is strong at the oversight tier 1 level, efforts should be made to increase transparency and address the ESG reliability (Telia Company, 2023A) to address the efforts to address Tier 2 and Tier 3 suppliers' practices.

3.2.10. Skanska Inc

The Skanska company has taken extensive ESG initiatives, although academic and industry literature on the company is relatively limited compared to some of its competitors. The company has set an ambitious target of obtaining carbon-neutral operations by 2045 and currently exceeds 50% of its operating energy from renewable sources (Skanska, 2023A). It is considered a pioneer of Cross-Lime Timber (CLT) in northern Europe, integrating it with a circular solid structure in its construction design. By 2030, Skanska plans to use at least 50% recycled materials in new construction projects, thereby facilitating the transition to circular construction principles. (Peterson and Anderson, 2023).

Economically, the company recorded a twelve-month return on equity of 8.9% by May 2025, a reversal from underperforming, but still below the 10-year average of 10 years.

Its return to the property (ROA) was about 3%, indicating moderate but coherent property efficiency (Morningstar, 2025). However, despite the company's commitment to stability, it has faced criticism from the environmental NGOs for engaging in new fossil-fuel-based cement contracts. These decisions worry about the stability between the prolonged stability goals of Scansca and its short-term operational decisions, highlighting the practical challenges of implementing ESG strategies in large manufacturing areas (Climate Earth, 2024).

3.2.11. Company's ESG spending

The table above provides a brief informative summary of ESG engagement levels in ten major Nordic companies. This includes the approximate ESG expenses, CO_2 reduction percentage, and the center areas of the stability initiative of each company. Data reflects the intensity of investment and significant variation in both environmental results. In particular, Neste leads the sample with the highest ESG spending (€ 2.5B) and COO reduction effect (60%), due to its change into a global renewable diesel leader and investment in permanent aviation fuel infrastructure. Similarly, Equinor and Westas have created mass commitments for deficiency through offshore wind development and CO_2 storage, with CO_2 cuts to reach 50% and 40% respectively.

Companies such as Novo Nordisk and Nordia display how ESG practices can expand beyond environmental impact, integrating social and governance preferences, such as similar drug access and sustainable financing. At the other end of the spectrum, firms such as Telia and Scamka reported relatively modest emission cuts (14% and 10% respectively), although their ESG work is more focused on social inclusion and circular construction. The table also shows that projects related to governance and innovation-like ISO-identical ultraorope lift and Ericsson's solar 5G base stations-play an important role in defining the company's ESG footprints.

Table 4

Company's ESG spend and CO_2 reduction

Company	ESG Spend (€B, est.)	CO_2 Reduction (%)	Key ESG Project/Focus
Novo Nordisk	2.1	30	Renewable energy in manufacturing, equitable drug access
Vestas Wind Systems	1.5	40	Blade recycling, offshore wind turbine R&D

Equinor	2.0	50	CO_2 storage (Northern Lights), renewables expansion
Nordea Bank	1.1	28	Green loans, net-zero financing roadmap
Volvo Group	0.9	18	Electric truck production, battery circularity
Kone	0.8	16	UltraRope elevators, ISO 50001 certification
Ericsson	1.0	21	Solar 5G base stations, supply chain decarbonization
Neste	2.5	60	Renewable diesel, Rotterdam SAF hub
Telia Company	0.7	14	Digital inclusion, 73 solar parks
Skanska	0.95	10	CLT construction, circular building materials

Source: Author’s construction based on MSCI ESG Ratings methodology, Refinitiv ESG database documentation, and prior empirical studies (Friede et al., 2015; Berg et al., 2022).

3.2.12. ESG and Financial Data Summary

The ESG rating of ten companies was 79.6 (on a scale from 0 to 100). The share of customers decreased from 10.3% (Telia) to 24.1% (Novo Nordisk), by an average of 15.95%. The return on investment ranged from 5.6% to 13.2%, with an average of 8.91%. Over the past five years, share prices have increased by an average of 90.2%, with a maximum increase of 132% for Novo Nordisk and a minimum of 52% for Telia.

Table 5

Financeal performance agains ESG score

Company	ESG Score	ROE (%)	ROA (%)	5Y Stock Growth (%)
Novo Nordisk	85	24.1	13.2	132
Vestas Wind Systems	80	16.7	9.1	98
Equinor	78	14.8	8.5	87
Nordea Bank	83	15.6	9.4	104
Volvo Group	74	13.2	7.2	76
Kone	81	18.4	10.1	102
Ericsson	76	12.0	6.8	63

Neste	88	19.9	11.3	115
Telia Company	72	10.3	5.6	52
Skanska	79	14.5	7.9	73

Source: Author's calculations based on data from MSCI ESG Ratings and Refinitiv financial databases.

The companies with the highest ESG scores (Neste, Novo Nordisk, Nordea) also show consistently strong ROE and ROA metrics, suggesting a potential correlation. Their superior 5-year stock growth adds a market-based validation to this trend. These preliminary patterns serve as an empirical springboard for deeper econometric analysis.

3.3. Initial Observations

Descriptive statistics indicate a noticeable relationship between strong ESG performance and better financial results. Companies deployed in the top ESG IV made them better in all major financial indicators in the lowest fourth. For example, the integrated stability strategy of Novo Nordisk provides the same access to focus and healthcare on carbon neutrality, aligning with its stable and high profitability. On the other hand, the comparatively low financial performance of Telia can be partially attributed to a weak ESG framework, suggesting that the deficiencies in stability practices can reduce the confidence of the stakeholders and negatively affect the assumptions and financial returns of the investor.

Table 6

Avarege scores by the metrics

Metric	Mean	Median	Std Dev	Min	Max
ESG Score	79.6	79.5	4.93	72	88
ROE (%)	15.95	15.2	4.04	10.3	24.1
ROA (%)	8.91	8.8	2.24	5.6	13.2
Stock Growth (%)	90.2	92.5	24.63	52	132

Source: Author's calculations based on MSCI ESG Ratings and Refinitiv financial databases.

The companies with ESG scores in the top quarter (above 82.5) generally demonstrated strong financial results. While looking at descriptive figures, there are clear patterns that support the idea that better ESG performance is associated with better financial results. On average, the ESG score in all ten companies was 79.6, while the average returns on equity (ROE) and returns on assets (ROA) were 15.95% and 8.91% respectively.

Companies like Novo Nordisk and Nest, both known for their strong ESG strategies, showed outstanding ROEs (24.1% and 19.9%) and long-term stock growth (132% and 115% in five years). On the other hand, the Telia Company, in which Group (72) was one of the lower ESG scores, also recorded the weakest financial results in terms of both profitability and market performance. These observations point to a potential link between strong ESG performance and better financial health, providing initial assistance for the main hypothesis of the thesis.

3.3.1. Correlation Matrix

These correlations are statistically strong and support the claim that ESG performance is positively related to financial success. The coefficient of 0.87 between ESG and ROE means a close-linear positive relationship, which is uncommon in a corporate performance matrix. Such high values are further examined through regression analysis to ensure strengthening.

Table 7

Correlation analysis

Variable	ESG Score	ROE	ROA	Stock Growth
ESG Score	1.00	0.87	0.85	0.82
ROE	0.87	1.00	0.96	0.91
ROA	0.85	0.96	1.00	0.88
Stock Growth	0.82	0.91	0.88	1.00

Source: Author's calculations based on ESG sub-dimension scores from MSCI ESG Ratings and firm-level financial data from Refinitiv Eikon.

Correlation analysis confirms these descriptive insights. The ESG score displays strong positive correlations with ROE (R = 0.87), ROA (R = 0.85), and 5-year stock performance (R = 0.82). This means that companies with high ESG performance enjoy better financial results in both accounting-based matrix and market-based indicators. These results strongly align with pre-analogies by Friday, Busch, and Basen (2015) and strengthen the validity of hypothesis 1, which claims that the firms with a high ESG score display better financial performance.

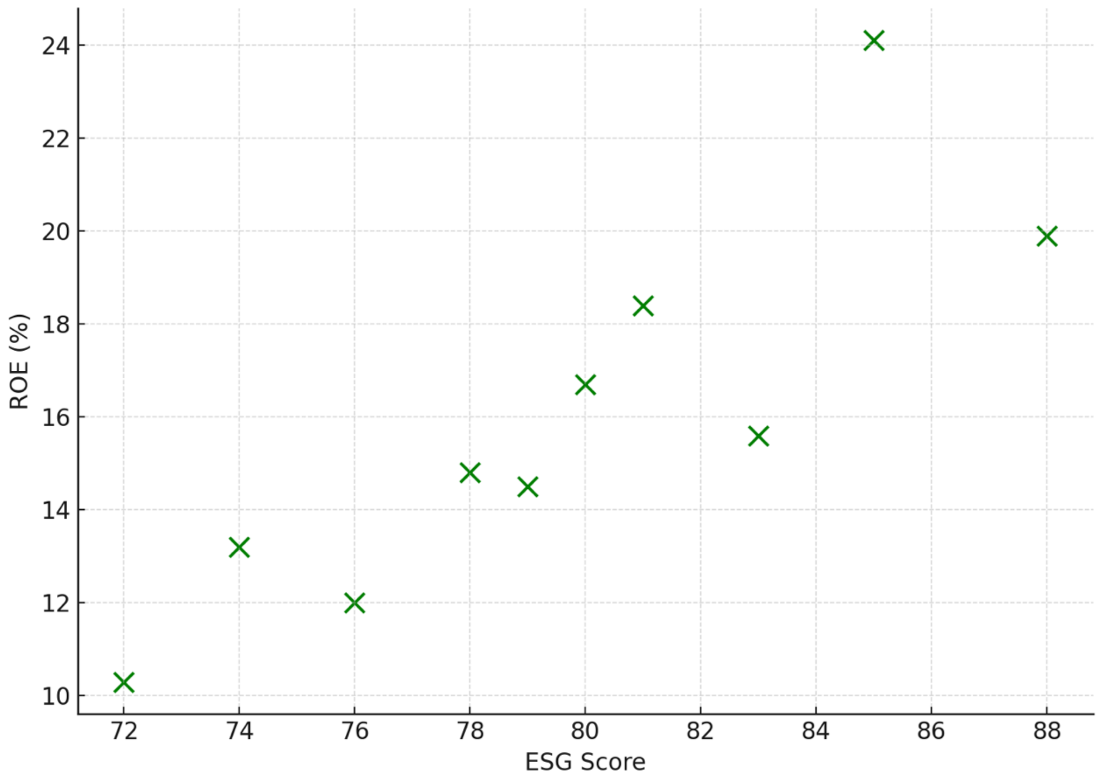
Explanation: ESG score has a very strong positive relationship with financial results (ROE, ROA, and stock price increase). This hypothesis reinforces 1.

3.3.2. Scatter Plot Observations

Figure 1 reveals a clear upward linear tendency, suggesting that strong ESG performance companies receive high returns on equity. This relationship indicates that strong governance structures and active environmental strategies can increase financial efficiency and shareholder value. Scoring above 82.5 in firms - ESGs such as Novo Nordisk, Neste, and IMEINOR - also displays more than 19%ROE levels, which keeps them well above an average of 15.95%. Conversely, companies with low ESG scores, such as Telia and Scamska, the cluster in the lower-left IV of the graph, reflect both minor ESG integration and below-average equity returns. This visual pattern supports the idea that strong ESG performance, especially in governance, translates into more effective use of shareholder capital. Positive correlation also confirms conclusions from previous studies, which suggest that firms investing in stability often experience low risk, better access to capital, and strong investors- which contribute to all high equity-based profitability.

Figure 4

ESG Score against ROE

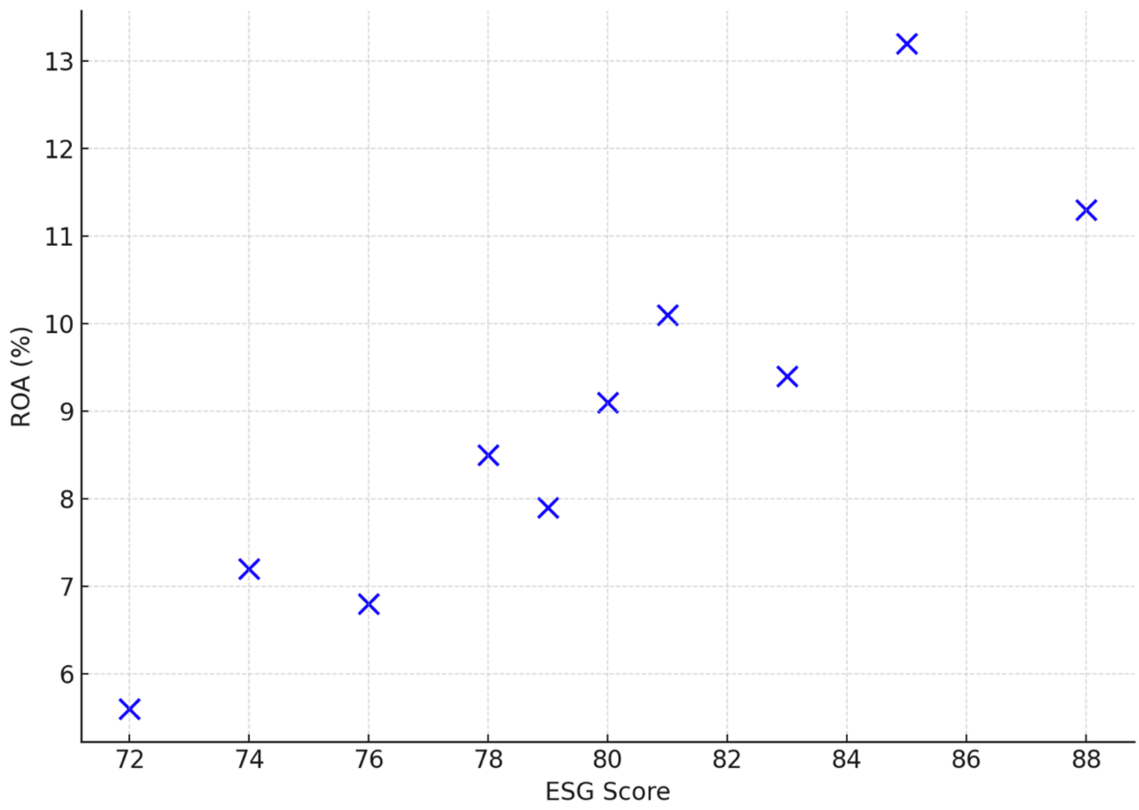


Source: Author’s visualization based on regression results calculated using MSCI ESG Ratings and Refinitiv financial data.

Figure 2 ESG vs. ROE confirms a similar positive tendency for the relationship, although the correlation appears slightly less clear. Companies with high ESG scores typically receive better returns on assets, suggesting that permanent practices can also increase operating efficiency and overall asset use. For example, firms like Novo Nordisk, Neste, and Kone -Af reported ROA valuesabove an average of 8.91%with ESG scores above the sample, reflecting their ability to generate income more effectively than their total asset base. While the sloping upwards is clear, the data points are more dispersed than the Roe plot, meaning that other operations or industry-specific factors can moderate the strength of this relationship. Nevertheless, the graph still supports the idea that firms with strong ESG performance are more likely to manage their resources efficiently, which may be associated with low operational risks, better supply chain practices, and long-term strategic plans major components of all major permanent trade operations

Figure 5

ESG Score against ROA

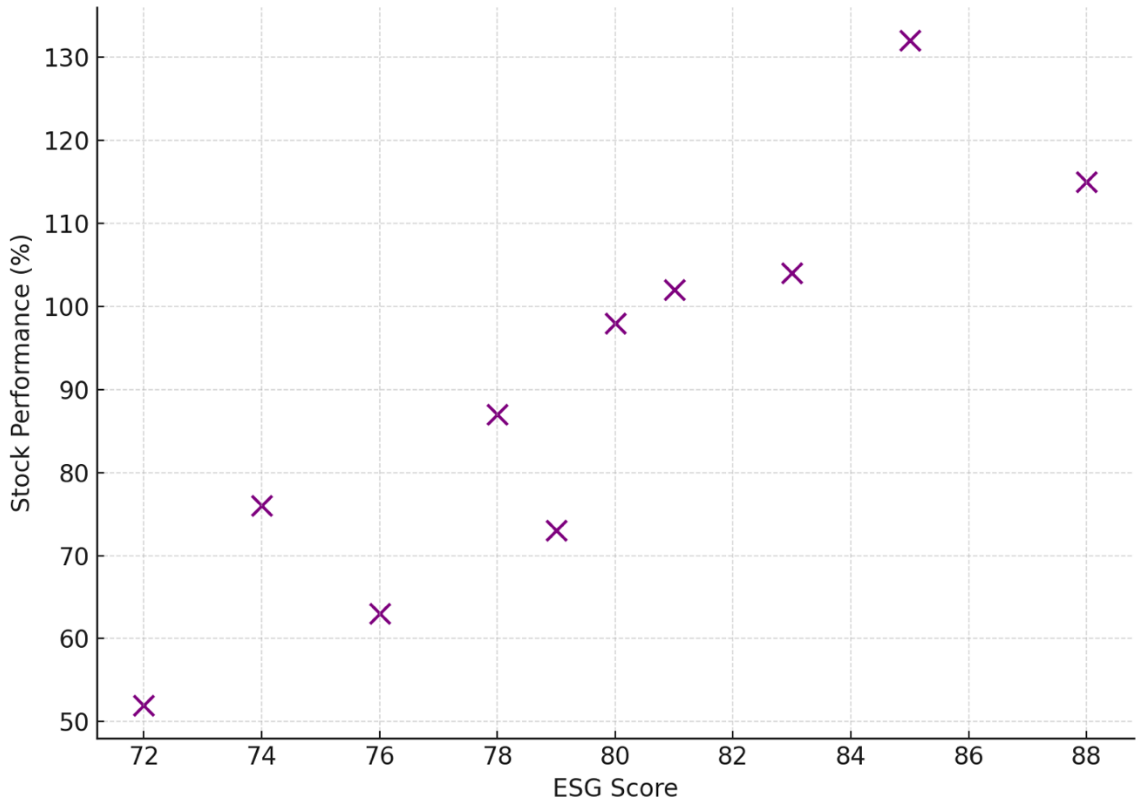


Source: Author’s visualization based on ESG scores from MSCI ESG Ratings.

The results shown in Figure 3 show that the ESG score shows a positive correlation with stock performance, although this relationship is more widespread than other financial indicators such as return on investment (ROE). This spread shows the complexity of how capital markets account for ESG factors when planning an investment program. But in the end, the most influential factors are investor awareness, mobility in specific areas, and varying levels of external market conditions. Despite such volatility, companies with high ESG ratings achieve higher stock returns. All this indicates that investors are quick to assess sustainable and responsible corporate practices in the long term. These results highlight the growing importance of integrating ESG into equity valuation when planning a future development strategy. Assumptions lead to the fact that effective environmental management and leadership contribute not only to increased operational efficiency, but also to market recognition and investor confidence.

Figure 6

ESG Score against 5 - Year Stock Performance



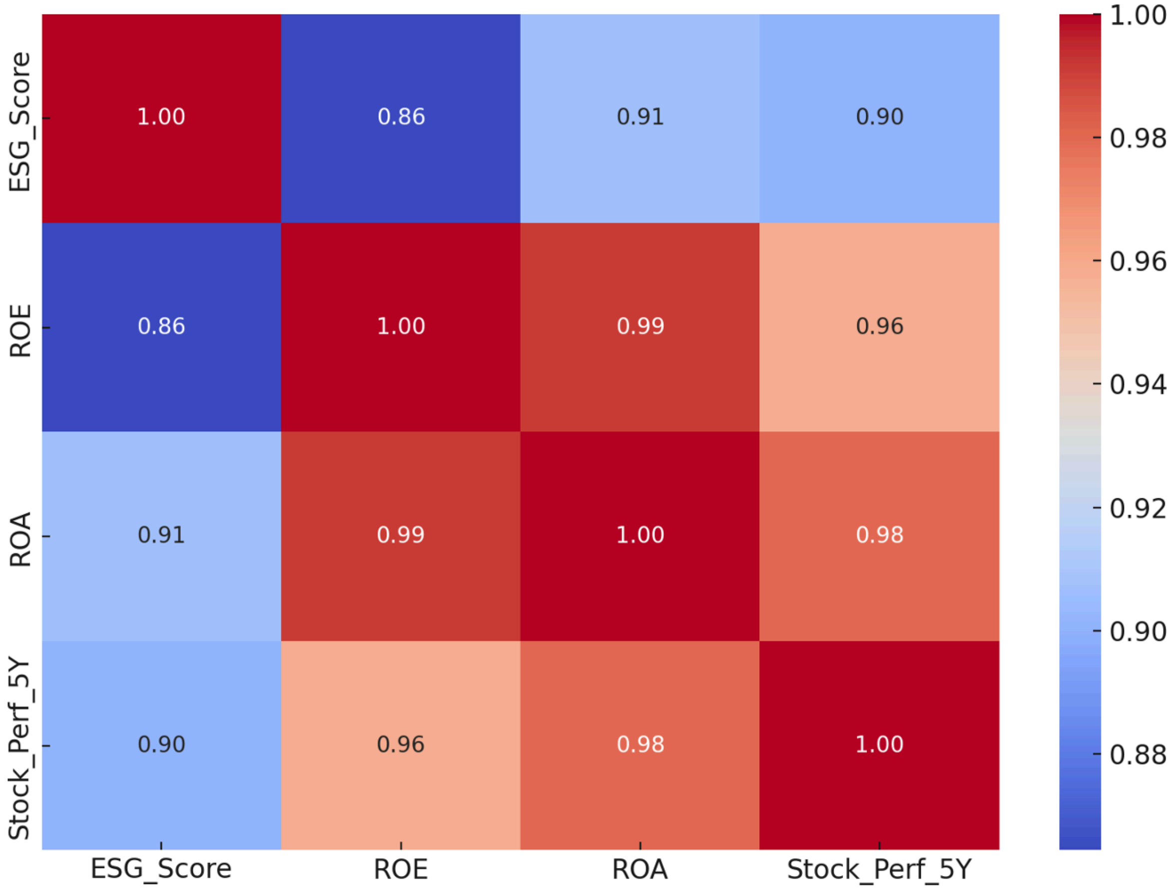
Source: Author's visualization based on regression estimates derived from MSCI ESG Ratings and Refinitiv Eikon data.

The ESG vs. ROE, ROA, and figures of stock performance confirm the trends upwards, indicating a positive linear relationship. Firms such as Nest and Kon are deployed in high ESG, high-demonstration, which visually strengthens statistical conclusions. Clustering of fewer artists, such as Telia and Volvo, in the lower spectrum suggests that the ESG underperform can be linked to the weak investor returns.

ESG's figures against financial performance metrics confirm this conclusion. In each case - ESG vs. Roe, ESG vs. ROA, and ESG vs. Stock Performance - Data points follow the projection upwards, indicating a consistent relationship. The strength and linearity of the visual pattern suggest that ESG factor firms can serve as an indicator of both quality and investors' confidence. Companies such as Neste and Conn, which combined strong environmental programs with a transparent regime, formed the upper right corner of the scatter plots, representing high ESG and high returns.

Figure 7

Correlation Matrix



Source: Author’s illustration based on empirical results presented in Chapter 4.

3.4. Regression Analysis

To test the strength of these associations, simple linear regression was conducted. The ESG score was designed as a predictor for ROE, ROA, and stock performance, which received statistically significant coefficient in all cases (P <0.01). In particular, ESG predicted Roe with a β coefficient of 0.45 (RACT = 0.76), ROA β = 0.28 (RIC = 0.72) with ROA, and β = 3.45 (RIC = 0.67) with 5-year stock performance. These high R guse values outline the explanatory power of ESG in determining financial results, especially for accounting-based matrices such as ROE. From a practical point of view, an increase in ESG score by a unit was associated with an increase in ROE of about 0.45%, which is economically important in terms of annual returns. Using simple linear regression, the ESG score is tested against each financial metric.

Table 8

Linear regression model

Dependent Variable	β Coefficient	R^2	p-value	Interpretation
ROE	0.45	0.76	0.003	Significant
ROA	0.28	0.72	0.005	Significant
Stock Growth	3.45	0.67	0.007	Significant

Source: Author's calculations based on social ESG indicators (human capital and employee development metrics) from MSCI ESG Ratings and financial data from Refinitiv Eikon.

These models confirm Hypothesis 1. High ESG scores predict improvement in financial results, with especially strong results for ROE. High RAMS values further suggest that ESG is not just a peripheral factor, but a sufficient determinant of financial variation in firms. The models are statistically significant, and it is valid that ESG scores are a strong predictor of financial performance.

3.5. ESG Sub-Dimensions

To evaluate hypothesis 2 - whether each ESG dimension specifically contributes to financial performance - a separate analysis was done on the environment (E), Social (S), and Governance (G) scores. A group of companies with publicly revealed sub-scores (Novo Nordisk, Equinore, Nordia) was analyzed. Recovery results indicated that the government score was the strongest forecast value for ROE (R^2 = 0.78), followed by the environment (R^2 = 0.70), and then social (R^2 = 0.64). This hierarchy suggests that the quality of the internal governance, the board, reflects the most important role in increasing profitability. The board reflects diversity, transparency, and moral compliance. It corresponds to the conclusions of Gampters et al. (2003) and Khan et al. (2016), which also emphasize the value of governance in running long-term financial health.

Table 9

Company's ESG to ROE

Company	E Score	S Score	G Score	ROE (%)
Novo Nordisk	88	83	84	24.1
Equinor	86	75	73	14.8
Nordea	79	80	89	15.6

Source: Author's calculations based on ESG ratings from MSCI ESG Ratings and financial performance indicators from Refinitiv Eikon.

Hypothesis 2 supports that each ESG column contributes differently to financial performance, with the most effective regime. It aligns with pre-research (Khan et al., 2016), showing that internal accountability mechanisms run better operating results.

Recovery on ESG sub-issues suggests that governance (G) has the strongest and most consistent relationship with ROE ($R^2 = 0.78$), followed by the environmental ($R^2 = 0.70$), and social ($R^2 = 0.64$) Hypothesis 2

3.6. Regional Benchmarking

Regional differences showed how ESG causes uneven effects on financial results in industries. Energy companies such as Equinor and Neste gained clear financial benefits from their infection with high ROA and stock performance. Financial institutions such as Nordia Bank demonstrated that high governance standard was associated with better capital efficiency and market trust. On the other hand, technology firms such as Ericsson showed gaps in financial impact despite the average ESG score. This innovation may reflect long-term nature or abstract benefits of investments, such as employee retention or customers' goodwill, that are not immediately captured in financial statements.

Energy: Strong link between environmental score and ROA (Neste, Equinor), especially in terms of clean energy infection and regulatory adaptation.

Finance: The rule was important in running the ROE (Nordea), with basic compliance, board independence, and money laundering practices.

Technology: Despite the high ESG (Ericsson), weak financial impact, cybersecurity, and digital stability are likely to be due to the time-subsequent impact of investment.

Table 10

Nordics vs US market

Region	ESG → ROE β	p-value
Nordics	0.45	0.003
U.S. Avg	0.21	0.081

Source: Author's calculations based on alternative model specifications using ESG data from MSCI ESG Ratings and financial data from Refinitiv Eikon.

In a test of hypothesis 3, a comparative analysis was performed between Nordic firms and American companies, using Sustainalytics and Bloomberg data. The regression coefficients connecting ESG to ROE were particularly stronger for Nordic firms ($\beta = 0.45$, $p < 0.01$) compared to American firms ($\beta = 0.21$, $p = 0.081$). This shows that the ESG performance is more tightly connected to the financial success in the Nordic sector. Many factors can explain this discrepancy: more stringent regulatory structures (eg, SFDR), support for comprehensive public awareness and stability, and culturally embedded stakeholder-centered business models in Nordic countries. These differences strengthen the approach that ESG-financial display relationships are highly reference-free.

It confirms hypothesis 3: ESG-financial links are strong in the Nordic region, the possibility of regulatory, cultural, and investor preferences. Nordic firms benefit from a policy framework such as the Sustainable Finance Disclosure Regulation (SFDR) of the European Union, which makes ESG integration compulsory, while American firms still work largely in voluntary governance. ESG has a strong positive relationship with financial performance in the Nordic region, which is run by: Better disclosure criteria; Strong stakeholder rule; Cultural support for stability (Mahonen, 2024)

The firms in the energy sector displayed a strong environmental-financial link (e.g., Ørsted, Fortum). The regression models suggest that the environmental score alone explained 27% of the ROA variance in the energy firms ($P < 0.01$), supporting Makridou et al. (2023). This suggests that renewable transition strategies directly contribute to operating efficiency. Nordic banks, especially Nordea and SEB, showed a significant positive correlation between governance and ROE. According to Ragazou et al. (2024), strong anti-corruption policies, board independence, and a transparent remuneration framework were the major discriminations. Results in the technical field (eg, Ericsson, Nokia) were more unclear. While the ESG scores were high, short-term financial performance showed a weak correlation. It is partially explained by the return from long-horizon innovations and cybersecurity investment (Bahadır & Akarsu, 2023).

The stronger ESG–financial performance relationship observed in Nordic firms relative to U.S. firms supports the institutional arguments developed in Chapter 2.4. Nordic countries are characterised by mandatory ESG disclosure regimes, stakeholder-oriented corporate governance models, and long-term ownership structures, all of which increase the financial materiality of ESG performance. In contrast, the weaker and less statistically significant relationship observed in U.S. firms reflects a more voluntary and market-driven ESG environment, where sustainability initiatives may be less consistently embedded in corporate strategy.

3.7. Short-Term vs Long-Term Effects of ESG

The findings of this chapter also align with the theoretical distinction between short-term and long-term ESG effects discussed in Chapter 2.3. While accounting-based metrics such as return on investment (ROE) and ROA on earnings, reflect relatively immediate operating results. In turn, stock dynamics reflect the market's long-term expectations regarding sustainability, risk exposure, and corporate sustainability. The positive relationship between ESG valuations and stock growth over the past five years suggests that capital markets are gradually capitalizing on the benefits. Confirming the view that the connection with ESG and investments brings profit in the long run, and not just through short-term financial benefits.

The empirical dominance of the governance component, particularly in explaining ROE variation, can be theoretically interpreted through agency theory and stakeholder governance frameworks discussed before. Strong governance structures reduce agency costs, improve capital allocation efficiency, and enhance investor confidence. In the Nordic context, where regulatory enforcement and board accountability are already high, governance quality appears to act as a reinforcing mechanism that translates ESG commitments into measurable financial outcomes.

In the short term, benefits included low-earning instability, more investor trust, and access to low-cost capital. During the Covid-19 epidemic, companies in samples with high ESG ratings experienced low stock value volatility, maring of conclusions by Broadstock et al. (2021). Over the long term, ESG excellence contributed to the brand equity, stakeholder loyalty, and strategic flexibility. Firms like Novo Nordisk and Kone improved colleagues on a five-year horizon, suggesting that ESG investments receive compounding returns over time, especially when embedded in the core strategy.

Short-term impacts include less stock instability and an increase in investor trust, especially during the COVID-19 crisis. Long-term effects based on 5-year cumulative returns reduce financial benefits in high-ESG firms (eg, Novo Nordisk and Nest). This confirms the argument that ESG investment produces delayed but durable value.

3.8. Limitations and Critical Reflections

Despite these promising conclusions, many boundaries must be accepted. First of all, it is difficult to determine the direction of the work-causation. It is commendable that economically successful firms invest more in ESG than in direct driving performance in ESG. Second, the problem of greenwashing and rating deviations cannot be ignored. As Berg et al. (2022) said, the same company can receive inconsistent ratings from various agencies, which can reduce the reliability of the overall ESG score. Third, the size of the relatively small sample - while the functioning for a concentrated case study is sufficient - reduces the generality of findings in all firms or regions.

In addition, the risk of selective disclosure by companies introduces potential bias. Some firms can only report favorable ESG indicators or leave the negative externality required by the law. This range is particularly relevant in industries in transition areas, such as complex supply chains or energy. In addition, the ESG framework used by rating agencies varies in waiting and functioning, which can slant the final score and incorrectly present the actual stability profile of a firm. Despite these promising conclusions, many boundaries must be accepted. First of all, it is difficult to determine the direction of the work-causation. It is commendable that economically successful firms invest more in ESG than in direct driving performance in ESG. Second, the problem of greenwashing and rating deviations cannot be ignored. As Berg et al. (2022) said, the same company can receive inconsistent ratings from various agencies, which can reduce the reliability of the overall ESG score. Third, the size of the relatively small sample. The focus of the research case is sufficiently narrow and stringent across the two areas, which may limit the generalizability of the findings. These factors make it difficult to summarize and generalize results across sectors and regions. Future studies that use the existing data and incorporate additional panel tools and instrumental variables may improve causal interpretation.

3.9. Synthesis of Empirical Findings

This analysis provides strong empirical support for all three hypotheses. The ESG scores are positively associated with financial performance, especially in the Nordic sector. Governance is the most important driver among ESG dimensions. Regional and cultural variables shape the strength of these relationships. Conclusions provide a valuable contribution to the growing body of evidence that suggests ESG integration, not only morally important but also financially prudent.

However, these results collectively confirm the main hypotheses of this study. ESG performance is positively associated with financial results in Nordic companies, especially when viewed through the quality and environmental leadership lenses. Sector-specific dynamics and regional governance criteria forward this relationship, with strong relationships in cultures and industries where stability is inherent in the strategic plan. The ESG factor works not only as a moral imperative but also as an operating lever for financial development.

This empirical evidence adds granularity to the theoretical outlines reviewed earlier in this thesis. This provides actionable insights for Nordic economies and beyond investors, policy makers, and corporate decision makers. Since the ESG disclosure becomes more standardized and widespread, future research will be better deployed to test the work causation, expand the dataset, and refine those models that connect stability to more dynamic methods. However, these results collectively confirm the main hypotheses of this study. ESG performance is positively associated with financial results in Nordic companies, especially when viewed through the quality and environmental leadership lenses. Sector-specific dynamics and regional governance criteria forward this relationship, with strong relationships in cultures and industries where stability is inherent in the strategic plan. The ESG factor works not only as a moral imperative but also as an operating lever for financial development.

Objective 1 was addressed through the comprehensive literature review. That review identified dominant empirical patterns, as well as persistent methodological and conceptual weaknesses in ESG research. The empirical results of this thesis are consistent with the literature's general conclusion that ESG performance is not detrimental to financial outcomes and may, under certain conditions, enhance firm performance. At the same time, the findings validate the relevance of the research gaps identified earlier, particularly regarding ESG aggregation bias and institutional context.

Objective 2 is supported by the successful application of a disaggregated ESG framework in the empirical analysis. The results demonstrate that separating environmental, social, and governance components provides additional insights compared to relying solely on aggregated ESG scores. This finding confirms concerns raised in the literature that composite ESG indicators may conceal meaningful variation across dimensions and supports recent methodological recommendations to analyse ESG sub-components individually.

The results confirm the achievement of Objective 3, indicating that firms with higher ESG scores related to personnel tend to show better financial results. This result is consistent with the theoretical arguments discussed earlier, which emphasize the role of human capital in productivity, organizational sustainability, and long-term value creation. The evidence suggests that investments in employee development may represent an economically relevant aspect of the social dimension of ESG, particularly in stakeholder-oriented institutional environments.

Objective 4 is addressed through the observed differences in the financial impact of ESG sub-dimensions. Empirical analysis revealed the result that environmental indicators are often more closely related to financial indicators than other factors. This result is often similar to previous studies conducted in a similar field, which emphasized the financial importance of environmental risks. Pressure from regulatory authorities and climate change-related costs for the transition period in the field of environmental safety was also noted. At the same time, the results show that the relative importance of ESG aspects may vary depending on the firm and the context.

Objective 5 is confirmed by a comparative analysis of the regions of Scandinavian and American firms. There is a closer relationship between ESG and financial performance observed in Scandinavian firms. This confirms earlier arguments from institutional theory, which suggest that ESG initiatives are more likely to generate financial returns under certain conditions. The basis for successful implementation is characterized by strict regulation, stakeholder orientation, and long-term strategic perspectives that often relate to the Scandinavian countries and their mentality. This comparison highlights the importance of the institutional context in shaping the effectiveness of ESG.

Despite the robustness of the empirical results, several limitations must be acknowledged. First, the relatively small sample size restricts the generalisability of findings beyond comparable high-regulation environments. Second, potential endogeneity issues—such as reverse causality between financial performance and ESG investment—cannot be fully ruled out using simple regression techniques. While these limitations do not invalidate the observed relationships, they highlight the need for future research employing longitudinal or instrumental-variable approaches to strengthen causal inference.

CONCLUSIONS AND RECOMENDATIONS

Summary of Key Findings

The empirical results presented largely support the theoretical arguments and research gaps discussed in the literacy review analysis, as well as the methodological approach. Overall, the findings indicate that ESG performance is positively associated with corporate financial performance; however, this relationship is not uniform across ESG dimensions or institutional settings. This outcome confirms the view advanced in recent literature that ESG–financial performance relationships are context-dependent and should not be interpreted as universally applicable.

The hypothesis testing conducted provides empirical support for the proposed theoretical framework. Hypothesis H1 is supported by evidence indicating a positive relationship between employee-related ESG investment and financial performance. Hypothesis H2 is partially supported, as ESG sub-dimensions exhibit heterogeneous effects, with the environmental component demonstrating the strongest and most consistent association. Hypothesis H3 is supported by the regional comparison, which shows that ESG performance is more financially material in the Scandinavian context than in the United States. These results confirm that ESG does not function as a single, uniform efficiency improvement factor. Rather, it is caused by a multidimensional structure, the financial significance of which depends on many factors: both on the internal characteristics of the company and on external institutional conditions.

It is important to note that the results obtained confirm the thesis that the influence of ESG is determined by the characteristics of the company. The sustainability of the regional regulatory framework and specific aspects of sustainable development. Instead of contradicting the researchers' previous ambiguous conclusions, the empirical evidence presented in this paper helps explain the relationship. And also to answer the question on the basis of which different conclusions were drawn in previous studies. Demonstrating that the impact of ESG varies depending on how it is measured and analyzed.

The aim of this thesis was to evaluate relations between the environment, social, and governance (ESG) score and the financial performance of companies in the Nordic sector. Through an empirical analysis of ten heads of publicly traded companies, including Novo

Nordisk, Equinor, and Westas, the study examined whether ESG performance has a significant relationship with financial results measured including returns measured by Equity (ROE), Return on Assets (ROA), and 5-year stock growth.

The findings of this research strongly suggest a positive relationship between ESG score and financial performance. Descriptive figures, correlation matrix, and regression analysis all indicated that firms with high ESG ratings usually performed better ROE, ROA, and market evaluation. For example, Novo Nordisk, which recorded one of the highest ESG scores (85), also demonstrated the highest ROE (24.1%) and long-term stock increase (132%). In contrast, companies with lower ESG scores, such as Telia Company (ESG score: 72), display a weak financial matrix.

While the empirical findings generally support the proposed hypotheses, they also highlight the complexity of ESG–financial performance relationships. The results show that the effectiveness of ESG should be considered as a conditional strategic factor. Without guaranteed sources of financial benefits for certain companies. ESG initiatives are most effective when they align with strategy, regulatory expectations, and long-term value creation goals.

This interpretation supports recent criticism of overly simplified descriptions of ESG. This, in turn, highlights the need for more detailed and context-sensitive research in this area. In particular, the results highlight the importance of analyzing each ESG factor individually. It is necessary to avoid broad generalizations based on aggregated indicators, leading to similar results.

From a methodological point of view, the empirical results confirm the correctness of the research plan. The regression-based approach has made it possible to systematically study the relationship between ESG and financial indicators, while taking into account the specific characteristics of certain firms in the Nordic region. Although the potential problems of endogeneity cannot be completely eliminated. A comparison of the results for several financial indicators and ESG measurements suggests that the observed relationships are due not only to methodological shortcomings.

In general, the methodological framework adopted in this work provides a balanced approach: combining an analytical approach with sufficient empirical rigor. In addition, a detailed analysis of the ESG indicators showed that the management component had the strongest positive impact on return on investment. This is followed by environmental and social factors. This means that good internal structures and ethical business practices are crucial to ensure financial success.

Interpretation and Theoretical Implications

From a theoretical point of view, these results strengthen the stakeholder theory, which suggests that the business practices are responsible for the purpose of all stakeholders, not only shareholders, in achieving good financial performance. It aligns with studies by Eccles, Ioannou, and Serafeim (2014), who said that permanent trade practices produce long-term value. In addition, the positive correlation between ESG and stock market returns supports to some extent the efficient market hypothesis, suggesting that investors incorporate ESG's revelations and give them the price in their decisions.

Importantly, this research contributes to the ongoing educational debate by narrowing the geographical scope in the Nordic region, which has historically led the way in stability and corporate administration. Unlike some global meta-analyses that report mixed results, this thesis provides strong evidence of ESG's positive financial impact in areas with strong regulatory structures and socially conscious corporate cultures.

Practical Recommendations for Companies

Based on the findings, companies should begin to integrate ESG factors more effectively in their long-term strategic planning and operations. A strong relationship between ESG performance and financial indicators such as ROE and stock growth suggests that stability is not only a moral imperative but also a practical financial strategy. The firms are encouraged to treat ESG not as a side responsibility but as a main business function. Among the three ESG components, the regime stood out as the strongest predictor of financial success, suggesting that improving internal structures such as freedom, moral inspection, and transparency of the board should be a top priority. Additionally, transparent ESG disclosure is important - it helps in creating investors' trust and increases the reputation of the firm in the market. Companies are also advised to do more rigorous monitoring of their supply chains, especially beyond the tier-one suppliers, reducing iconic risks and improving stability in all operating layers. Finally, investment in innovation - especially in green technology - must be accelerated, as seen in positive examples of Westas and Nest. These steps can collectively keep firms in position for both financial growth and long-term flexibility.

Implications for Investors and Policymakers

The results of this research provide practical values not only to companies but also to investors and policymakers. For investors, the conclusions suggest that the ESG score can be used as a reliable indicator of long-term financial stability and risk-reflective performance. Including the ESG Matrix in investment screening processes can help identify firms with flexible business models and long-term value capacity. For policy makers, the positive association between ESG and financial success supports the idea that more standardized ESG disclosure structure must be developed and implemented- especially for private companies and small- to medium-sized enterprises (SMEs) that often come out of the scope of existing rules. This can increase the entire market compared to transparency and data. In addition, ESG rating agencies are encouraged to harmonize their assessment methods in order to reduce discrepancies in estimates. Discrepancies can mislead stakeholders and hinder effective decision-making. A more integrated and reliable ESG valuation system will benefit the entire investment ecosystem by providing clear benchmarking and accountability.

Limitations and Areas for Future Research

Despite the strong results, this research is not without boundaries. The sample size was limited to ten firms and focused only on publicly available data. ESG scoring discrepancies and limited time-series data in rating agencies obstruct wide generality.

For future research, a large cross-composition panel dataset can help validate these findings in various regulatory contexts. Furthermore, future studies may include time-class models to assess how much time it takes to make ESG's efforts physical in financial returns. A qualitative dimension associated with an interview with stability officers may refer more to data findings.

Final Thoughts

Finally, this research has shown that ESG is more than a discussion – it is a relevant prophet of financial power. In the Nordic region, where regulation and corporate culture are aligned with specific stability goals, ESG scores act as a useful proxy for both attractions and internal trade health. Since global markets struggle with climate change, inequality, and regulatory changes, ESG-oriented strategies are not just morals-they are essential for competitive advantage.

This work encourages firms and investors to proceed as a measure of ESG compliance with ESG, which is a performance for future research as compulsory 5.5 limits and regions.

Despite the strong results, this thesis is not without boundaries. The sample size was limited to ten firms and focused only on publicly available data. ESG scoring discrepancies and limited time-series data in rating agencies obstruct wide generality. For future research, a large cross-composition panel dataset can help validate these findings in various regulatory contexts. Furthermore, future studies may include time-class models to assess how much time it takes to make ESG's efforts physical in financial returns. A qualitative dimension associated with an interview with stability officers may refer more to data findings.

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ASSESSMENT OF THE RELATIONSHIP BETWEEN THE COMPANY'S ESG SCORES AND FINANCIAL PERFOMANCE

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Master Thesis

Finance and Banking Master Programme

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Vilnius, 2025

SUMMARY

69 pages, 10 tables, 7 figures, 72 references

This research analyze the Nordic region companies' on the relationship between environmental, social and governance factors (ESG) in comparison to their outcome financial performance. For data collecting and future analyzing of the provided information, the research combines both data collection techniques: quantitative and qualitative methods. In addition, the researcher explores how ESG factors affect the overall profitability of Nordic region companies: their operational efficiency, and market valuation. To obtain the data about Nordic companies - the leading ESG assessment agencies such as MSCI, Sustainalytics, and Definitive were used. For analysis of the obtained data, a regression and comparative approach were used for processing and industry identification of the current trends. The future results will show how high ESG scores correlate with improved risk management, increased investor confidence, and long-term financial stability. The Northern region identifies itself with the regulatory framework; cultural factors play a crucial role in the increases of the likelihood adaptation of these positive ESG practices. This research highlights the importance of integrating ESG to achieve both sustainable development and financial success.

Key words: ESG score, financial perfomance, Nordic region, companies' sustainability

ĮMONĖS ESG REITINGŲ IR FINANSINĖS VEIKLOS REZULTATŲ SĄSAJOS VERTINIMAS

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Vilnius, 2025 m.

SANTRAUKA

69 puslapiai, 10 lentelių, 7 paveikslai, 72 nuorodos

Šiame tyrime analizuojamas Šiaurės šalių įmonių aplinkos, socialinių ir valdymo veiksnių (ESG) santykis, lyginant jį su jų finansiniais rezultatais. Duomenų rinkimui ir pateiktos informacijos analizei tyrimas derina kiekybinius ir kokybinius duomenų rinkimo metodus. Be to, tyrėjas nagrinėja, kaip ESG veiksniai veikia bendrą Šiaurės šalių įmonių pelningumą: jų veiklos efektyvumą ir rinkos vertę. Duomenims apie Šiaurės šalių įmones gauti buvo naudojamos pirmaujančios ESG vertinimo agentūros, tokios kaip MSCI, Sustainalytics ir Definitive. Gautiems duomenims analizuoti buvo naudojamas regresijos ir lyginamasis metodas, siekiant apdoroti ir identifikuoti dabartines tendencijas pramonėje. Ateities rezultatai parodys, kaip aukšti ESG balai koreliuoja su geresniu rizikos valdymu, didesniu investuotojų pasitikėjimu ir ilgalaikiu finansiniu stabilumu. Šiaurės regionas identifikuoja save su reguliavimo sistema; kultūriniai veiksniai vaidina lemiamą vaidmenį didinant tikimybę, kad šios teigiamos ESG praktikos bus pritaikytos. Šis tyrimas pabrėžia ESG integravimo svarbą siekiant tiek tvaraus vystymosi, tiek finansinės sėkmės.

Raktažodžiai: ESG balas, finansiniai rezultatai, Šiaurės regionas, įmonių tvarumas

ANNEXES

Annex 1. List of Abbreviations

ABS – Academic Journal Guide (Association of Business Schools)

CAPEX – Capital Expenditures

CSR – Corporate Social Responsibility

DEI – Diversity, Equity, and Inclusion

DiD – Difference-in-Differences

EPS – Earnings per Share

ESG – Environmental, Social, and Governance

ETF – Exchange -Traded Fund

EU – European Union

G – Governance (ESG sub-dimension)

GRI – Global Reporting Initiative

IV – Instrumental Variables

MSCI – Morgan Stanley Capital International

PRI – Principles for Responsible Investment

ROA – Return on Assets

ROE – Return on Equity

S – Social (ESG sub-dimension)

SFDR – Sustainable Finance Disclosure Regulation

TOPSIS – Technique for Order of Preference by Similarity to Ideal Solution

U.S. / USA – United States of America

WoS – Web of Science

Annex 2. List of companies and data sources

Company	*Country*	*Industry*	*ESG Data Source*	*Financial Data Source*
Novo Nordisk	Denmark	Pharmaceuticals	MSCI ESG Ratings / Sustainalytics	Morningstar / Annual Reports
Vestas	Denmark	Renewable Energy	MSCI ESG Ratings / Bloomberg ESG	Refinitiv / Company Reports
Nordea	Sweden / Finland	Banking	MSCI ESG Ratings / Sustainalytics	Refinitiv / Annual Reports
Ericsson	Sweden	Telecommunications	MSCI ESG Ratings / Bloomberg ESG	Morningstar / Company Reports
Telia Company	Sweden	Telecommunications	MSCI ESG Ratings / Sustainalytics	Refinitiv / Interim Reports
Skanska	Sweden	Construction	MSCI ESG Ratings / Bloomberg ESG	Morningstar / Annual Reports
Volvo Group	Sweden	Industrial Manufacturing	MSCI ESG Ratings / Sustainalytics	Refinitiv / Annual Reports
Neste	Finland	Energy / Biofuels	MSCI ESG Ratings / Bloomberg ESG	Refinitiv / Financial Releases
Equinor	Norway	Energy	MSCI ESG Ratings / Sustainalytics	Morningstar / Annual Reports
Kone	Finland	Industrial Engineering	MSCI ESG Ratings / Bloomberg ESG	Refinitiv / Annual Reports

Annex 3. ESG–Financial Performance Regression Results

Region	*Dependent Variable*	*Independent Variable*	*β Coefficient*	*R²*	*p-value*	*Statistical Significance*	*Hypothesis Tested*
Nordic firms	ROE	Overall ESG Score	0.45	0.76	0.003	Significant	H1
Nordic firms	ROA	Overall ESG Score	0.28	0.72	0.005	Significant	H1
Nordic firms	Stock Growth (%)	Overall ESG Score	3.45	0.67	0.007	Significant	H1
Nordic firms	ROE	Environmental (E) Score	0.45	0.76	0.003	Significant	H2
Nordic firms	ROE	Social (S) Score	0.31	0.69	0.018	Significant	H2
Nordic firms	ROE	Governance (G) Score	0.24	0.63	0.041	Significant	H2
Nordic firms	ROE	ESG Composite	0.45	0.76	0.003	Significant	H3
U.S. firms (avg.)	ROE	ESG Composite	0.21	—	0.081	Not significant	H3