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Qeios

Peer Review

Review of: "ESG Performance and Firm Financial Outcomes: A Cross-Country Analysis of Developed and Emerging Markets"

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This paper presents an interesting analysis of the relationship between ESG performance and firm financial performance. The analysis is conducted for a larger sample (2200 firms) across 19 economies over the period from 2009 to 2022. The 19 economies are also further disaggregated into 12 developed markets and 7 emerging markets. The analysis is also extended by disaggregation of the ESG performance into separate E, S, and G components.

Some considerations for improving the paper are as follows:

1. Could you consider further disaggregation of your sample? Bilyay-Erdogan et al. (2024) find that ESG performance is linked to investment efficiency but that information asymmetry also matters. Further, Doidge et al. (2007) show that corporate governance matters for managing agency problems and information asymmetry, though this can also vary by legal family considerations. Could you also consider disaggregation of your economies by legal family considerations?

2. For your analysis, you have a single measure of ESG performance. Berg et al. (2022) discuss the importance of ESG ratings divergence, and while you don't have multiple ESG performance measures, you could discuss the implications of divergence for your results.

3. Why does your sample and modelling require 5 years of ESG and financial data? Is it possible that policy initiatives in the ESG space might encourage new firms and listings that do well? Would your results be robust to a change in the 5-year requirement?

References

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Declarations

Potential competing interests: No potential competing interests to declare.