



## **How Do Firm's CSR Performance and ESG Ratings Affect Performance and Risk**

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### **ABSTRACT**

Based on data from 1,590 non-financial industry listed firms on the Taiwan Stock Exchange and the Taipei Exchange between 2007 and 2020, this study examines whether a firm's corporate social responsibility (CSR) performance and ESG ratings affect its performance and risk. The firm's CSR performance was constructed based on whether it was included in the list of annual CSR awards by Taiwan's leading business magazines, the *Global Views Monthly* and the *Common Wealth*. Furthermore, referring to the inclusion criteria of the constituents of the Shanghai Stock Exchange Social Responsibility Index, the firm's social contribution value, social return on assets and social contribution value per share were calculated to quantify CSR performance. Firm's TESG ratings variables, including TESG ratings, TESG score, TESG score on environment performance, TESG score on social performance and TESG score on corporate governance performance. Through correlation analysis and regression estimations, the empirical result shows that better CSR performance and ESG ratings are associated with better accounting and market performance and lower risk indicators, indicating that better CSR performance and ESG ratings enable firm to obtain better operating consequences and financial market performance, and also have risk mitigation effect in reducing the volatility of firm's operation and stock market performance.

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