

Intrinsic Mechanisms of ESG Strategy in Creating Long-Term Value for Enterprises

## 2.1 Impact of ESG Strategy on Corporate Financial Performance

### 2.1.1 Relationship Between ESG Strategy and Corporate Profitability

ESG strategy enhances corporate profitability directly by optimizing environmental management, social responsibility, and corporate governance. This innovation not only increases operational efficiency but also creates new market opportunities and value growth points, providing a solid foundation for long-term value creation. Especially in the context of the growing emphasis on green finance and sustainable investment, companies can obtain favorable conditions from financial products such as green bonds and socially responsible investment funds, thereby reducing financing costs.<sup>[4]</sup> Moreover, effective ESG practices help companies avoid potential legal and environmental risks, reducing financial losses from environmental litigation or social conflicts. Digital technologies such as big data, artificial intelligence, and blockchain enhance a company's capability in ESG data management and analysis, enabling real-time monitoring and assessment of environmental and social responsibility performance, thereby improving decision-making efficiency and strategic execution. Additionally, building a sustainable supply chain can enhance the company's brand image and increase consumer trust in its products, thereby providing a competitive market advantage.<sup>[6]</sup>

### 3.2 New Opportunities Through Policy Support for ESG Strategy

Government policies supporting sustainable development provide new opportunities for enterprises to implement ESG strategies. From the above analysis, it is evident that ESG strategy has a profound impact on creating long-term value for enterprises in aspects such as financial performance, brand management, and innovation capability, and it helps companies achieve comprehensive advantages in sustainable development and social responsibility fulfillment.

## 3. Moreover, the continuous development of green finance also drives financial institutions and investors to focus on ESG performance, further promoting positive actions by companies in environmental and social responsibility.

### 3.1.2 Building a Sustainable Supply Chain Through ESG Strategy

The implementation of ESG strategy also creates new opportunities for enterprises in building sustainable supply chains. Specifically, companies can ensure that every link in the supply chain meets environmental and social responsibility requirements by selecting ESG-compliant suppliers, establishing green procurement policies, and implementing supply chain transparency measures. For example, companies can establish ESG-related innovation award mechanisms to motivate employees to propose improvement suggestions and innovative solutions, thereby enhancing overall innovation capabilities. This policy support not only boosts investment confidence but also drives innovation and development in the ESG field, providing a safeguard for long-term value creation.

### 3.3 New Opportunities in Digital Transformation for ESG Strategy

Digital transformation brings new opportunities for ESG strategy, facilitating the development of enterprises in data governance, technological innovation, and business model transformation. Second, fulfilling social responsibilities, such as improving employee welfare and work environments, boosts employee satisfaction and productivity, thereby reducing human resource costs and enhancing brand loyalty. Companies often need to develop new technologies and solutions to address environmental challenges such as climate change and resource scarcity, thus advancing technological innovation. As companies implement ESG strategies, they need to encourage employees to participate in innovation practices, such as environmental innovation and social welfare

projects, which helps cultivate an internal innovation atmosphere. After implementing an ESG strategy, a company can significantly enhance its reputation and credit rating in the capital markets, thereby attracting more investors and financing channels. First, environmental protection measures, such as energy conservation and emission reduction, not only lower operational costs but also increase profits by reducing compliance expenses. For example, companies that engage in environmental projects and public welfare activities can enhance their brand's social recognition and reputation, thereby increasing market competitiveness. Companies that actively implement social responsibility measures, such as supporting community development, promoting fair employment, and improving consumer protection, can significantly increase social recognition and support. Moreover, an improved social image also positively impacts internal employees, increasing their job satisfaction and sense of belonging, which in turn promotes internal stability and cohesion.

### 2.3 Promotion of Corporate Innovation Capabilities by ESG Strategy

#### 2.3.1 Coupled Relationship Between ESG Strategy and Technological Innovation

ESG strategy fosters technological innovation by stimulating a company's innovation potential in environmental protection and social responsibility areas. For example, by developing eco-friendly materials and energy-saving technologies, companies not only meet ESG requirements but also open new market opportunities and create additional revenue sources.