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Research on the Impact of ESG Performance on Enterprise Value —— Take Western Construction Company as an example

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Abstract:
With the proposal of China's "dual carbon" goals, ESG is playing an increasingly important role in the development of enterprises. This article takes Western Construction as an example and first analyzes the ESG performance of Western Construction from three aspects: environment (E), society (S), and corporate governance (G). Then, based on the financial reports from 2019 to 2023, analyze the profitability, operation, growth and debt-paying ability of Western Construction, and explore the impact of its ESG performance on financial performance. Finally, based on the stock price fluctuations before and after the release of the ESG report and the Tobin Q value, this paper explores the impact of ESG performance on market value and puts forward reasonable and effective suggestions. The research results show that good ESG performance can effectively promote the improvement of an enterprise's financial performance and market value, and contribute to the long-term sustainable development of the enterprise.

Key words:
ESG performance, Enterprise value, Western Construction

1 Introduction

Since the State-owned Assets Supervision and Administration Commission announced that central enterprises and listed companies should actively improve their dual carbon plans and be required to disclose ESG reports, ESG has developed rapidly. Enterprises in all industries, from energy and manufacturing to finance and the Internet, are actively exploring how to integrate ESG into their business development. According to data from the Chinese government website, as of 2021, the ESG disclosure rate in the construction industry was still less than 40%. In recent years, the concept of green buildings has become widespread, and relevant policies, technologies and standards in China have flourished, driving the construction industry to shift from high-speed growth to high-quality development. This is in line with the ESG concept. The construction industry is a pillar industry of the national economy and a major consumer of energy and emitter of carbon. However, most enterprises have not realized the importance of ESG performance.

ESG performance represents a company's proactive fulfillment of ESG responsibilities. It serves as the driving force and decision-making basis for investors to make socially responsible investments and is also a

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potential driving force for enhancing the company's value. However, from the current relevant research on ESG performance and enterprise value, the existing achievements are mainly empirical analyses, and the case studies based on the institutional background and market environment of our country are still insufficient. Based on this, this paper takes Western Construction, the largest listed company in China's concrete industry, as an example to explore the impact of its ESG performance on its enterprise value, with the expectation of providing references and suggestions for enterprises, especially those in the construction industry, to enhance their enterprise value.

2 Literature Review

Driven by practice, academic research on ESG has gradually increased, and the relationship between ESG and enterprise value has attracted attention and become a major hot topic. This paper reviews the research literature on the relationship between ESG and enterprise value published at home and abroad in recent years and finds that there are mainly two viewpoints in the academic circle at present: one is that it has a positive impact, and the other is that it has a negative impact.

ESG performance has a positive impact on enterprise value. The research results of Mahmut et al (2022) show that ESG scores have a significant positive correlation with company values. Maintaining good ESG performance is crucial for long-term sustainable development and success. The research results of Lin Lin et al. (2023) affirmed the positive correlation between ESG ratings and enterprise value. With the enhancement of ESG performance, the financial and market performance of enterprises gradually improved, and the enterprise value rose. Liu Zhuocong et al. (2023) have concluded through research and analysis that there is a positive correlation between an enterprise's ESG performance and its value. Industry characteristics, the region it is located in, and the company's own attributes can play a moderating role in this positive impact.

ESG performance has a negative impact on enterprise value. When a company's actions deviate from the goal of creating maximum value for shareholders and instead pursue other goals, such as environmental responsibility and social responsibility, it may harm the company's economic performance and shareholder value. Orlitzky (2013) holds that organizational signals regarding corporate social responsibility may have a detrimental impact on the stock market, increase the stock price volatility of listed companies, and lead to the overestimation of the market value of enterprises. Masulis (2013) also believes that in pursuit of better ESG performance, enterprises will increase excessive investment in it, distract managers from the core business, which is highly likely to trigger regulatory and litigation risks, increase compliance costs, thereby harming the interests of shareholders and having a negative impact on the market value of enterprises. Huang Shizhong (2022) proposed that under the backdrop of "dual carbon" goals, enterprises will be more proactive in demonstrating their efforts in environmental and social responsibility in order to attract green investment. However, such motives may lead to "greenwashing" behavior.

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3 ESG Performance of Western Construction

3.1 Introduction to Western Construction

China Construction Western Construction Co., LTD., abbreviated as Western Construction, is listed on the Shenzhen Stock Exchange. The identification of its listed stock is 002302. It is an enterprise directly managed by the central government, topping the list of the world's top investment, construction and construction enterprises, and is also a member of the world's top 500 enterprises. By 2023, the company not only made it onto the list of China's top 500 listed companies released by Fortune magazine, but also ranked among the top 20 building materials enterprises in China. It is also the president unit of the Building Materials Industry Chamber of Commerce of the All-China Federation of Industry and Commerce.

In line with the accelerating pace of urbanization in China, Western Construction has quickly seized market opportunities, relying on technological breakthroughs and market exploration to continuously enhance its market influence. It has now become a core force in China's ready-mixed concrete industry. From a long-term perspective, Western Construction can consolidate and enhance its competitive strength in the field of building materials by virtue of its excellent ESG performance.

3.2 Specific Manifestations of ESG in Western Construction

Based on its geographical conditions, Western Construction is committed to achieving harmonious coexistence with society, the environment and stakeholders. It actively implements the relevant requirements of the State-owned Assets Supervision and Administration Commission of the State Council and regulatory authorities regarding the fulfillment of social responsibilities and ESG information disclosure, and is dedicated to the construction of an ESG system. In 2023, the ESG Wind rating was upgraded from B to BBB, and the Green gold rating of China Chengxin was A. Therefore, this paper mainly selects the ESG performance of Western Construction in 2023 as the research object.

3.2.1ESG Environmental Performance in Western Construction

The company actively responds to the call of "dual carbon", guided by the strategic orientation of green and low-carbon transformation, practices the concept of green development, scientifically carries out carbon reduction work, actively responds to climate risks and the opportunities of dual carbon work, and steadily advances the "Carbon Peak Action Plan" and the "Carbon Peak Ten, Hundred, Thousand, and Ten Thousand Projects". Among them, the "near-zero carbon" concrete products have reached the international leading level. 25.76 million kilowatt-hours of green electricity have been purchased, generating an indirect carbon reduction benefit of approximately 14,000 tons. Two distributed photovoltaic projects have been completed and the first phase of green medium-term notes has been issued. The company has been continuously deepening its green management, constantly improving its environmental, energy and dual-carbon management systems, and doing a good job in controlling the emissions of waste gas, waste water and solid waste. It has been continuously reducing the carbon emission intensity, achieving a 70% year-on-year decrease in the single-cubic meter solid waste discharge. 82 plants and stations have achieved zero solid waste discharge, and 144 plants and stations have completed the regional and classified classification of energy consumption measuring instruments. It has been vigorously promoting the resource utilization of solid waste. One hundred and ninety

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subsidiaries have passed the environmental management system (ISO14001) certification, and 90 subsidiaries have completed the energy management system (ISO50001) certification. Western Construction is safeguarding the green ecology with its own practical actions and contributing to the protection of a green Earth.

3.2.2Performance of Social Responsibility in Western Construction

Western Construction is committed to doing practical things for its employees and is courageous in shouldering social responsibilities. It focuses on the "urgent, difficult, worrying and pressing" issues of the people, conducts employee training covering a total of 56,826 people, establishes a "list" promotion mechanism, and carries out cultural lectures, craftsman commendations, "talent shows" labor and skills competitions. It has successfully built 16 mental rest stations and 104 staff reading rooms. Among them, four staff reading rooms have even been awarded the title of "National Model Staff Reading Room". The company has been continuously promoting all aspects of rural revitalization work, purchasing and helping to sell agricultural and specialty products from three counties in Gansu Province and Changting County in Fujian Province. The Xinjiang village work team has been providing on-site services for 10 years, and has been continuously advancing the construction of volunteer projects such as Golden Autumn Education Assistance and Love Examination assistance. The company has made even greater progress in technological innovation. In 2023, the R&D investment reached 618.5325 million yuan. In the same year, the company was successfully included in the list of world-class specialized, refined, distinctive and innovative demonstration enterprises created by the State-owned Assets Supervision and Administration Commission of the State Council. Nine of its subsidiaries have been awarded the title of provincial and municipal "Specialized, refined, distinctive and innovative" enterprises. The scientific research achievements are abundant, with 8 internationally leading achievements won and over 20 intelligent manufacturing achievements independently developed. We continuously promote the construction of the three series of "Congzhi", "Congyi" and "Conglian", and the process of digital transformation is constantly accelerating.

3.2.3Governance Performance of Western Construction

The company closely adheres to the theme of the "Year of Reform Promotion", vigorously strengthens the work of institutional reform, and continuously improves the mechanism construction, thereby enhancing its own modern enterprise governance capacity. The company resolutely implements the "two consistent principles" to the end. In 2023, Western Construction held 6 shareholders' meetings, 16 board of directors meetings, and 9 board of supervisors meetings. It revised the company's articles of association, the rules of procedure for the board of directors and its special committees, and also formulated the rules of procedure for the special meetings of independent directors. This has further enhanced the integrity and coverage of the corporate governance system. The company has continuously improved its internal information reporting system. The announcements disclosed throughout the year achieved zero errors and zero inquiries, and it has received the highest A rating in the information disclosure evaluation of the Shenzhen Stock Exchange for two consecutive years. Western Construction has achieved remarkable results by actively strengthening corporate governance and has successively won many honors such as "Outstanding Practice Case of the Board of Directors" and "Outstanding Practice Case of the Board Office" from the China Listed Companies Association, as well as "One Hundred Best Practice Cases of Chinese Listed Companies in Jointly Building the Belt and Road Initiative in the Past Ten Years".

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4 The impact of ESG performance of Western Construction on Financial performance

Western Construction released its first ESG report in 2023, summarizing its ESG-related practices in 2022. The impact of Western Construction's ESG practices on its four major capabilities shows the characteristics of "short-term adjustment and long-term optimization". This article selects some indicators for analysis and compares them with the industry average and Jidong Cement, which has not participated in ESG ratings, to analyze the impact of Western Construction's implementation of ESG on its financial performance.

4.1 Profitability analysis

Profitability refers to the potential for a company to make profits. This indicator reveals the realization of a company's earnings within a specific period of time and constitutes the core criterion for evaluating a company's operation. This paper selects return on equity (ROE) and return on total assets (ROA) as indicators to analyze the profitability of Western Construction. The changes in the profitability indicators of Western Construction in the past five years are shown in Table 4-1.

Table 4-1 Profitability of the Construction and Building Industry in Western China from 2019 to 2023

Profitability indicator	2019	2020	2021	2022	2023
Western Construction ROE (%)	9.62	10.48	10.32	6.01	6.81
Western Construction ROA (%)	4.88	5.16	4.72	3.17	3.16
ROE of the construction industry (%)	18.17	15.55	10.44	-2.54	-6.27
ROA of the construction industry (%)	13.11	12.12	9.32	0.90	0.47
Jidong Cement's ROE (%)	16.50	16.31	15.38	4.39	-4.99
Jidong Cement's ROE (%)	11.32	12.92	10.16	4.19	-1.91

By comparing with the secondary industry of Shenwan (building materials - cement), from the perspective of return on net assets, although the return on net assets of Western Construction was on the rise from 2019 to 2021, it was lower than the industry average. From 2022 to 2023, although this indicator declined compared to before, it remained consistently above the industry average. Since Western Construction released its 2022 ESG report, its ESG performance has consistently been above the industry average, which has established a good corporate image within the industry. At the same time, as the company's supply chain continues to expand, its return on net assets is also at a relatively high level in the industry. From the perspective of return on total assets, Western Construction has achieved remarkable ESG practice results from 2022 to 2023. Even though the return on total assets of the same industry has dropped rapidly, the return on total assets of Western Construction is still higher than the industry average. Although its trend has slightly declined, this change is not entirely consistent with the improvement in its ESG score. The reason for this situation is that in the past five years, the return on assets of the same industry has been in a sharp downward trend. However, Western Construction has effectively reduced the risks it faces in the industry with its outstanding ESG performance, thus making its own decline lower than the industry average.

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Compared with Western Construction, Jidong Cement failed to find a solution to the sluggish state of the cement industry. Unlike Western Construction, which remained positive, its return on net assets and return on total assets dropped rapidly to negative values along with the rapid decline of the same industry. The main reasons are the decline in demand and the increase in costs. Moreover, Jidong Cement has not conducted ESG ratings, which has not given investors sufficient confidence.

4.2 Operational Capacity Analysis

Operational capacity refers to the ability of an enterprise to rationally utilize various assets to obtain profits. This paper selects the current asset turnover rate and total asset turnover rate to analyze the changes in the operational capacity of Western Construction before and after implementing ESG, as shown in Table 4-2.

Table 4-2 Operating Capacity of the Construction and Building Industry in Western China from 2019 to 2023

Operational capacity indicator	2019	2020	2021	2022	2023
The current asset turnover rate of western construction	1.28	1.18	1.17	0.92	0.8
The total asset turnover rate of western construction	1.08	1.01	1.00	0.78	0.67
Current asset turnover rate in the construction industry	1.80	1.80	1.82	1.55	1.45
Total asset turnover rate of the construction industry	0.7	0.67	0.66	0.52	0.48
The current asset turnover rate of Jidong Cement	1.50	2.13	2.27	2.15	1.87
The total asset turnover rate of Jidong Cement	0.52	0.59	0.61	0.56	0.46

From the perspective of current asset turnover rate, the current asset turnover rate of Western Construction has consistently been lower than the average value of the same industry. The overall trend of the current asset turnover rate of Western Construction is the same as that of the same industry, showing a downward trend. From 2019 to 2022, this indicator maintained a relatively stable situation. In 2022-2023, due to the extended collection cycle of accounts receivable, it decreased. The changing trend of the total asset turnover rate is similar to that of the current asset turnover rate. However, the total asset turnover rate of Western Construction is higher than the industry average. This is mainly attributed to its excellent ESG performance, which enables it to have a relatively high asset management efficiency. It can be known from the company's financial statements that the proportion of accounts receivable to total assets of Western Construction is relatively high, which precisely reflects that the sales strategy and credit policy formulated by the company are relatively reasonable and appropriate.

From 2019 to 2023, the current asset turnover of Jidong Cement rose first and then declined, and the total asset turnover rate dropped, remaining consistently lower than that of Western Construction. The main reasons were the deterioration of industry demand, the imbalance of asset structure, and the pressure on accounts receivable management. The absence of ESG ratings further exacerbated problems such as high financing costs and lagging technological upgrades. Therefore, it can be concluded that ESG has a certain auxiliary effect on the improvement of an enterprise's operational capacity, and it helps enhance the recognition of the enterprise.

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4.3 Growth Ability Analysis

Growth capacity reflects the development rate of a company in the future, which is usually presented through the growth rates of various indicators. This article mainly compares the changes in the operational capacity of Western Construction before and after implementing ESG by comparing the growth rate of operating income and the growth rate of net profit, as shown in Table 4-3.

Table 4-3 Growth Capacity of the Western Construction and Building Industry from 2019 to 2023

Growth ability indicator	2019	2020	2021	2022	2023
The growth rate of operating income of Western Construction(%)	21.47	2.30	14.96	-7.54	-8.17
The net profit growth rate of Western Construction(%)	118	18.70	7.72	-34.25	16.11
The growth rate of operating income in the construction industry(%)	9.32	75.86	17.98	-15.52	-4.56
Net profit growth rate of the construction industry(%)	-22.58	-0.74	-135	-415	-37.62
Revenue growth rate of Jidong Cement (%)	9.73	2.82	3.24	-4.94	-18.26
Net profit growth rate of Jidong Cement (%)	41.86	5.53	-1.40	-51.69	-209

From the perspective of the growth rate of operating income, unlike the fluctuating trend of the growth rate of operating income in the construction industry, the growth rate of operating income in Western Construction has generally shown a downward trend. The growth rate of operating income remained positive from 2019 to 2021, but turned negative from 2022 to 2023. This is because the economic development level in the western region is relatively low, and the construction industry has been hit hard due to the impact of the epidemic. From the perspective of net profit growth rate, the net profit growth rate of Western Construction from 2019 to 2021 was basically consistent with the downward trend of the same industry. However, from 2022 to 2023, it can be clearly seen that the net profit growth rate of Western Construction was much higher than that of the same industry.

The growth rate of operating income and net profit of Jidong Cement has sharply dropped to negative values and is far lower than the target values of Western Construction. This kind of "stable at first and then collapsing" performance. The main reason is that the downward trend of the industry cycle, combined with insufficient internal operational efficiency, and the failure to participate in ESG ratings have exacerbated the lag in technological upgrades and competitive disadvantages in the market, creating a vicious circle. Since Western Construction released its ESG report, it has performed well in ESG, effectively controlling costs, obtaining high-profit projects, and expanding into the Central Asian market, thereby enhancing its corporate value.

4.4 Debt-paying Ability Analysis

Debt-paying ability refers to an enterprise's capacity to repay various debts that are about to mature. This ability serves as an important indicator reflecting the enterprise's financial status and operational capacity. This paper mainly selects three indicators, namely the current ratio, the quick ratio and the asset-liability ratio, to study the changes in the debt-paying ability of Western Construction before and after implementing

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ESG, as shown in the following table.

Table 4-4 Debt-paying Capacity of the Construction and Building Industry in Western China from 2019 to 2023

Year		2019	2020	2021	2022	2023
Liquidity ratio	Western Construction	1.53	1.49	1.49	1.38	1.36
	Industry average	1.34	1.48	1.55	1.41	1.49
	Jidong Cement	0.78	1.16	1.18	1.19	0.91
Quick ratio	Western Construction	1.51	1.47	1.47	1.36	1.34
	Industry average	1.15	1.29	1.33	1.19	1.29
	Jidong Cement	0.65	0.96	0.95	0.87	0.70
Asset-liability ratio	Western Construction	58.89%	57.81%	61.83%	68.33%	67.80%
	Industry average	47.69%	46.92%	45.91%	49.91%	51.70%
	Jidong Cement	52.52%	45.46%	44.01%	47.46%	48.58%

Through observation, it can be found that the current ratio and quick ratio of construction in the western region show the same changing trend, that is, a relatively significant decline has occurred. Although the current ratio has been below the industry average since 2020, the quick ratio has consistently been above the industry average. The main reasons are the sharp increase in accounts receivable of Western Construction, the continuous growth of inventory scale, coupled with the shrinking demand in the concrete industry, the decline in inventory turnover efficiency and the increase in current liabilities. Although these two indicators show a downward trend, they have remained at a relatively high level above 1 continuously, demonstrating a good short-term debt-paying ability. From the perspective of the asset-liability ratio, the asset-liability ratio of Western Construction has consistently been higher than the industry average and shows an upward trend. The main reasons are that the real estate regulation and weak demand have led to a continuous decline in revenue, an increase in the proportion of long-term liabilities, and an imbalance in the debt structure. The current ratio and quick ratio of Jidong Cement showed a trend of rising first and then falling, but overall they rose, while the asset-liability ratio decreased somewhat. Therefore, the improvement of the long-term debt structure of western construction by ESG governance is limited.

5 The impact of ESG performance of Western Construction on the market value of enterprises

5.1 Analysis Based on the Event study Method

Event study methods can be classified as a category of statistical methods. They are mainly used to study whether stock prices will fluctuate and whether abnormal rates of return will be formed when specific events occur in the market. This method is adopted to determine whether stock price fluctuations are related to the event.

On May 26, 2023, Western Construction released the "Western Construction 2022 ESG Report". As the first ESG report of Western Construction, it comprehensively showcases the practices and achievements of Western Construction in the ESG field in 2022, reflecting Western Construction's emphasis on ESG construction. Therefore, the event study method can be adopted to study the event of Western Construction releasing its 2022 ESG report, calculate the corresponding abnormal rate of return, and thereby analyze the impact of the

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enterprise's ESG performance on the formation of its market value.

The event selected by the research institute for Western Construction was the release of the first ESG report by Western Construction. The occurrence date of the incident is the release date of the report, which is May 26, 2023. The five trading days before and after the occurrence of the event are selected as the event window period, totaling 10 trading days (the day of the event occurrence is a non-trading day). The 100 trading days before the window period are determined as the event estimation period.

During the research process, this paper selects the most common market model to estimate the normal rate of return of the case enterprises. Represent the actual rate of return of Western Construction on day t, and represent the market rate of return of Western Construction on day t. Since Western Construction is listed on the Shenzhen Stock Exchange, the daily rate of return of the Shenzhen Index for the same period is selected as the market rate of return. The calculation model established accordingly is as follows:

$$R_{it} = \alpha + \beta R_{mt} + \varepsilon_t \tag{5-1}$$

Among them,andare the regression coefficients of the formula, and is the error residual term.

After performing regression calculations on the data during the window period, the regression coefficients can be calculated respectively, and the following formulas can be obtained. The market model fitting results are shown in the following figure:

$$R_{it} = 0.12 + 1.05R_{mt} \tag{5-2}$$

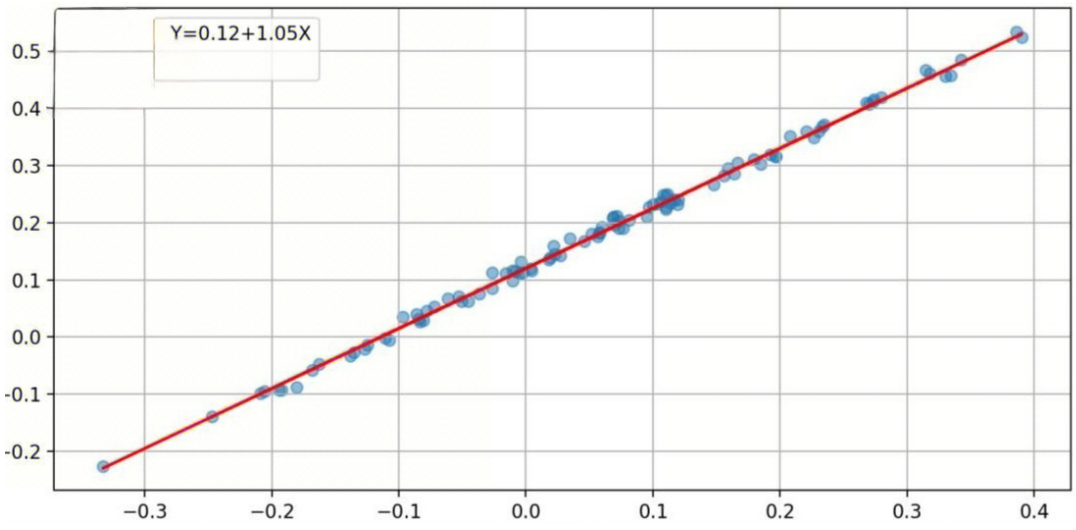


Figure 5-1 Fitting results of the western construction market model

Finally, based on the regression function and the daily return rate of the Shenzhen Index during the event window period, the expected daily return rate ' of the case enterprise during the window period can be calculated. Subsequently, the abnormal return rate and the cumulative abnormal return rate CAR of Western Construction during the window period are calculated according to the following formula:

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$$AR_{it} = R_{it} - R_{it} \quad (5\text{-}3)$$

$$CAR_{(t1,t2)} = \sum_{t1}^{t2} AR_{it} \quad (5\text{-}4)$$

Table 5-1 Calculation Results of Abnormal Return Rate and Cumulative abnormal Return Rate in Western Construction

Trading Day t	Date	R_{mt}	R_{it}	R_{it}'	AR_{it}	CAR
-5	2023/5/19	0.25%	0.38%	0.382%	-0.002%	-0.002%
-4	2023/5/22	-0.15%	-0.10%	-0.0375%	-0.065%	-0.065%
-3	2023/5/23	0.60%	0.75%	0.750%	0.000%	-0.065%
-2	2023/5/24	-0.30%	-0.20%	-0.190%	-0.005%	-0.070%
-1	2023/5/25	0.45%	0.60%	0.593%	0.008%	-0.063%
0	2023/5/26	-	-	-	-	-
+1	2023/5/29	0.80%	1.20%	0.960%	0.240%	0.178%
+2	2023/5/30	0.10%	0.30%	0.225%	0.075%	0.253%
+3	2023/5/31	-0.20%	0.05%	-0.090%	0.140%	0.393%
+4	2023/6/1	0.50%	0.90%	0.645%	0.255%	0.648%
+5	2023/6/2	0.35%	0.70%	0.488%	0.213%	0.861%

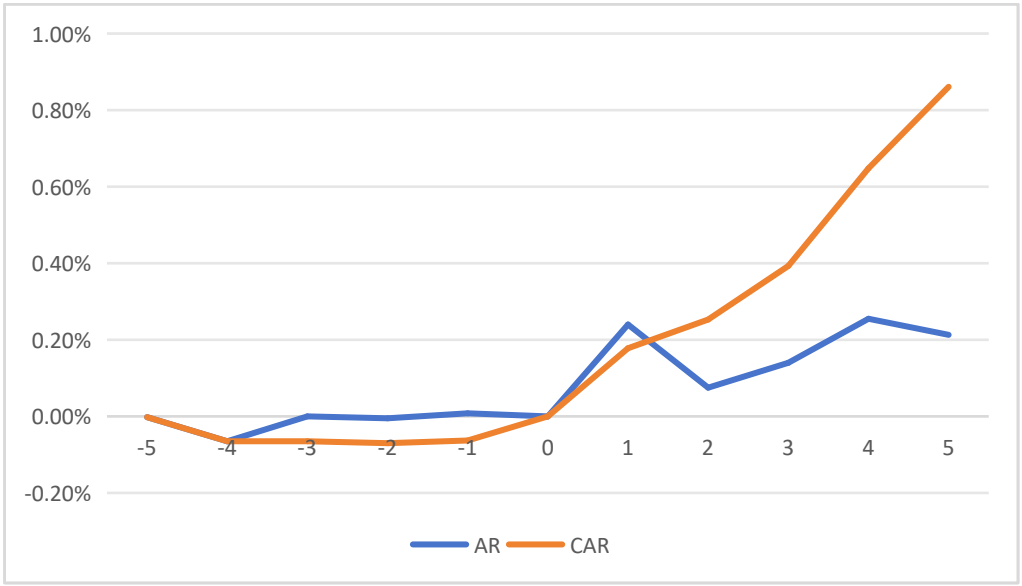


Figure 5-2: Trend Chart of AR and CAR in Western Construction

According to the chart, there is a clear trend of change between the abnormal rate of return (AR) of Western Construction after the event date. Within five days after the start of the event day, the abnormal rate of return remained positive, which created conditions for the increase in cumulative returns. This indicates that the market has responded positively to the release of the ESG report by Western Construction, generating an excess return of approximately 0.86% cumulatively. This has enabled the company's stock price to perform well in market competition, and its enterprise value has also been continuously increasing.

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5.2 Analysis Based on Tobin's Q value

The Tobin Q value integrates two factors: the market value of an enterprise and the replacement cost, and can comprehensively present the enterprise value. It is the ratio of the enterprise's market value to the asset replacement cost.

In practical analysis, the tobin Q value of an enterprise is often compared with 1. When the Q value is greater than 1, it indicates that the market value of the enterprise's stocks is higher than the asset replacement cost, meaning that the enterprise's value is overvalued in the financial market. When the Q value is less than 1, that is, the market value of the enterprise's stocks is lower than the asset replacement cost, it indicates that the enterprise's value is underestimated in the financial market. If the Q value is equal to 1, then the market value of the enterprise's stocks is consistent with the asset replacement cost. its

When calculating the market value of an enterprise, the sum of the market values of debt capital and equity capital can be used. Among them, the market value of bond capital can be calculated by the sum of short-term liabilities and long-term liabilities, and the market value of equity capital can be calculated by the market value of tradable shares in regular reports and the net asset value per share. When calculating the replacement cost, the book value of the enterprise's total assets is usually used instead.

Table 5-2 Tobin Q Values of Western Construction from 2019 to 2023

Year	2019	2020	2021	2022	2023
Tobin Q value	0.93	0.96	0.90	0.86	0.92

As can be seen from the above table, the Tobin Q value of Western Construction has generally shown a trend of "first decreasing and then increasing". Although it slightly rebounded in 2023 due to the improvement of ESG ratings and green transformation measures, it has remained below 1. The valuation of Western Construction in the market has long been lower than the cost of asset replacement. This is mainly due to the weak demand in the industry, the slowdown in the growth rate of concrete sales, and the fact that as the country pays increasing attention to environmental protection and national environmental protection standards become stricter, the supervision over the company's environmental protection and the environmental protection standards implemented will also be higher and stricter. The company is now facing safety and environmental protection risks. At this time, the green technology research and development and equipment renewal in the western region have raised costs in the short term, and long-term investment in ESG is needed to bring benefits. Therefore, Western Construction still has a long way to go in terms of ESG practices.

6 Conclusions and Suggestions

(1)Conclusion

ESG performance has become a core element for measuring a company's sustainable development capabilities and is gradually becoming a key factor influencing a company's valuation. Under the backdrop of the "dual carbon" era, the influence of ESG performance on corporate value will become increasingly prominent. This paper selects Western Construction as the research subject and analyzes the financial performance and market value of the enterprise. It is found that attaching importance to ESG performance has a certain posi-

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tive effect on both financial performance and market value. Western Construction actively practices ESG to convey positive signals to stakeholders, establish a good corporate image, build a differentiated competitive edge for Western Construction during the industry's downturn, and lay the foundation for sustainable growth. Therefore, in the long term, good ESG performance can promote risk reduction, lower capital costs, thereby enhancing investment capabilities, improving innovation and efficiency, increasing enterprise value, and forming a positive cycle mechanism.

(2) Suggestions

Enterprises are the main body of ESG practices, and their strategies and actions directly affect ESG performance. Promoting the mandatory disclosure of ESG information by enterprises can optimize capital allocation, force enterprises to transform, and enhance social trust, etc. It is suggested that disclosure standards be formulated by industry. For highly polluting industries, priority should be given to mandatory disclosure of core indicators such as carbon emissions and waste, and a hierarchical disclosure mechanism should be established. Large listed companies and state-owned enterprises should be the first to implement it, while small and medium-sized enterprises should be provided with simplified templates and transition periods. In line with the principle of "no disclosure means explanation", flexibility should be retained, and at the same time, infrastructure construction should be strengthened. Promote the ESG data platform and combine incentives with constraints. Mandatory disclosure of ESG information is an inevitable choice for promoting sustainable development. The construction of the western region also needs to deepen ESG disclosure, quantify the benefits of emission reduction and cost savings, and enhance investor information.

Driven by China's "dual carbon" goals, the construction industry, as a major category of carbon emissions, needs to implement green transformation to comply with policy requirements. Backed by policy funds such as green finance and carbon trading, and with the increasing demand in emerging fields like green buildings and intelligent construction, the implementation of ESG in the construction industry is an inevitable choice in the face of global sustainable development challenges. It is also the core path to enhance the long-term value of enterprises. The trend of construction industry enterprises integrating into ESG is unstoppable.

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