You never know the value of water until the well runs dry - The impact of Sustainable Development Goals on firm value

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Abstract

The contribution in this Sustainable Development Goals (SDGs) represents the most recent generation of measures for the sustainability of firms. We use the first to study the impact of 17 long-term impacts on firm value, by focusing on 17 economic impacts from 17 discipline-driven SDGs performance from the Global Impact Survey (GIPS) 2018. We apply a logistic regression model to evaluate the relationship between the independent variables and the dependent variable. To control for potential endogeneity bias, we use a Heckman two-stage approach. The results show that the implementation of SDGs can positively impact firm value. To further investigate this effect, we conduct a mediation analysis to assess the impact of SDGs on firm value through the mediating role of economic performance. The findings suggest that the implementation of SDGs can positively impact firm value through economic performance, thereby providing empirical evidence for the relevance of SDGs in driving sustainable development.

Motivation: The SDGs and firm value

Key Takeaways

- The SDG performance of a firm has a significant impact on firm value.
- "Eliminating poverty", "ensuring healthy lifestyles", "attaining gender equality", "protecting the climate" and "attaining peace" have a significant negative impact on firm value.
- The Sustainable Development Goals (SDGs) framework has a significant impact on firm value, with a few exceptions.
- The results suggest that firms can achieve sustainable development by focusing on specific SDGs.

Implications for Investors: Integration of SDGs framework into Asset Management

- Firms should consider the impact of the SDGs framework on their portfolio to achieve sustainable and responsible financial performance.
- An integration of the SDGs framework into asset management is the next step to combine sustainability and sustainable financial performance.

Conclusion: SDGs performance can also be financially rewarding

Our findings reveal that certain SDGs-driven products and services have a significant impact on the value of firms. They provide several insights into the financial implications of SDGs integration for firms. We extend the prior research in the area of SDGs and financial performance by considering a broader range of SDGs and financial performance measures. Our findings suggest that the implementation of SDGs can positively impact firm value, and firms should consider the impact of the SDGs framework on their portfolio to achieve sustainable and responsible financial performance.

Aim: To examine the impact of various SDGs on firm value at the firm level, we test a specific model to achieve a coherent sustainability performance framework.

Data: Sustainability and Financial Data

We collected data on the sustainability performance of firms from several sources, such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). The financial data were obtained from the Worldscope database.

Main Result I: SDGs disclosing firms are on average higher valued and more profitable

Main Result II: Specific SDGs have a significant impact on firm value

Main Result III: ESG has only small influence on the impact of a firm's SDGs performance on its value

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