

ESG Performance and Financial Outcomes in Global Consumer Staples Firms

Sunay Rohatgi
srohatgi27@thehill.org

ABSTRACT

This paper investigates whether stronger Environmental, Social, and Governance (ESG) performance translates into superior financial outcomes among large Consumer Staples firms. Grounded in perspectives that treat ESG as a signal of firm quality and a mechanism for risk reduction, the study examines whether ESG operates as a value-creating driver or primarily reflects underlying firm characteristics such as governance quality and organizational maturity. Using Bloomberg Terminal data spanning 2016–2024 for 13 global companies, the study analyzes ESG scores in relation to four financial metrics: return on equity (ROE), return on assets (ROA), revenue growth, and Tobin's Q, both contemporaneously and over multi-year horizons.

The findings are mixed. Firms with higher ESG scores consistently earn modestly stronger equity returns, a relationship that holds after controlling for firm size and persists for up to five years. However, higher ESG scores are not associated with greater asset efficiency or faster revenue growth. Instead, ESG scores are linked to significantly lower market valuations, as captured by Tobin's Q. This pattern is consistent with a signaling and risk-management interpretation of ESG, where ESG performance is associated with stable governance structures, lower operational risk, and established market positions rather than growth potential.

Taken together, these results support a “quality but mature” interpretation of ESG in the Consumer Staples sector. High-ESG firms appear operationally disciplined, well-governed, and financially stable, generating modestly stronger equity returns but not exhibiting high-growth characteristics. Overall, ESG in this context is more closely associated with earnings stability and operational efficiency than with expansion or valuation premiums.

INTRODUCTION

In today's business world, companies are evaluated not only on profitability but also on the responsibility with which they operate. Environmental, Social, and Governance (ESG) factors capture this broader view of performance. Environmental factors describe how a firm affects the natural world, including pollution,

Aug 2026
Vol 10, No 3.

climate impact, and the use of energy, water, and other resources. Social factors cover how it treats people—workers, customers, and communities—through working conditions, safety, fair pay, diversity, and community engagement. Governance factors describe how the company is led and controlled, including board quality, ethics, internal controls, and shareholder rights.

Together, these three dimensions form an ESG score that summarizes how responsibly a company behaves and how well it manages non-financial risks. Strong ESG performance helps companies avoid regulatory and reputational problems, build stronger brands, lower their cost of borrowing, and support long-term value creation. Overall, many studies suggest a positive relationship between ESG and financial performance, with benefits that are more evident over longer time periods, but there are also some negative and mixed findings. This research aims to contribute to that debate by examining companies in the Consumer Staples sector.

Purpose and hypotheses of the study

This study investigates whether stronger ESG performance is associated with better financial results for large Consumer Staples companies between 2016 and 2024. It uses annual data for 13 major global firms that sell everyday food, beverage, household, and personal care products. These mature, brand-driven businesses have relatively stable demand, making them a useful setting for isolating the impact of ESG on profitability, growth, and market valuation.

The analysis focused on four key financial metrics: return on assets (ROA), return on equity (ROE), revenue growth, and Tobin's Q, with results calculated both with and without accounting for the firm sizes. The study tests two main hypotheses:

- H1 (Level effect): Firms with higher ESG scores have better financial performance than firms with lower ESG scores, as reflected by higher ROA, higher ROE, stronger revenue growth, and higher market valuation (Tobin's Q).
- H2 (Timing effect – short vs. long term): ESG scores at time t are positively associated with financial performance in future periods, such that higher ESG scores at t predict higher ROA, ROE, revenue growth, and Tobin's Q at $t+1$, $t+2$, and later years.

LITERATURE REVIEW

A large body of academic and industry research has examined whether companies with stronger Environmental, Social, and Governance (ESG) performance also do better financially. Overall, the evidence suggests that ESG is usually neutral or positive for financial performance rather than a drag on results (Friede et al., 2015; Whelan et al., 2021).

A review of more than 2,000 studies concluded that the business case for ESG is empirically well-founded, with approximately 90% of studies finding a non-negative relationship between ESG performance and corporate financial performance (Friede et al., 2015). They highlight that the positive

ESG impact on Corporate Financial Performance appears stable over time. Promising results are obtained when differentiating by portfolio and non-portfolio studies, regions, and young asset classes in ESG investing, such as emerging markets, corporate bonds, and green real estate. An updated review of more than 1,000 studies published between 2015 and 2020 reinforced these findings (Whelan et al., 2021). At the company level, most studies reported a positive relationship between ESG performance and financial metrics such as return on assets (ROA) and return on equity (ROE). The review also found that ESG-related benefits tend to strengthen over longer time horizons as improvements in governance quality, environmental management, and stakeholder trust accumulate over time.

Across these and related studies, profitability is commonly measured using return on assets (ROA) and return on equity (ROE). Both major meta-analyses find that higher ESG performance is frequently associated with higher ROA and ROE, or at least no loss of profitability, indicating that firms can manage ESG issues while still earning solid returns. This supports the idea that integrating ESG into core strategy can improve efficiency, risk management, and relationships with employees, customers, and regulators. Valuation measures such as market-to-book ratios or Tobin's Q are also examined. Many firm-level studies show that high-ESG companies often trade at higher valuation multiples, reflecting investors' expectations of lower risk and stronger long-term prospects, although some studies find neutral or negative effects, with ESG not always clearly rewarded in valuation ratios when markets view ESG spending as costly or uncertain in its payoff (Oddo, 2022; Aydoğmuş et al., 2022).

Evidence on revenue growth is more limited and mixed. Some work suggests that ESG can support growth through stronger brands, customer loyalty, and innovation, helping firms protect or expand market share. At the same time, high-ESG firms are often large, mature companies that naturally grow more slowly, which can make it harder to observe a clear, consistently positive relationship between ESG scores and revenue growth across all samples (Whelan et al., 2021; Doherty et al., 2023; McKinsey & Company, 2023).

Despite extant literature on ESG important gaps remain. Most meta-analyses combine data from many industries and countries, which can hide differences in how ESG affects specific sectors. The present study aims to contribute to this literature by concentrating on one sector, Consumer Staples, using consistent measures of ESG and financial performance (ROA, ROE, Revenue Growth, and Tobin's Q), and explicitly comparing contemporaneous and lagged relationships over the 2016–2024 period.

METHODS

Data Sources

All data was sourced from the Bloomberg Terminal — the professional financial data system used by investment banks and fund managers worldwide. The dataset initially spans 16 global Consumer Staples companies: ADM, Colgate-Palmolive, Costco, Estée Lauder, General Mills, Hershey, Kraft Heinz, Kimberly-Clark, Coca-Cola, Mondelēz, Monster Beverage, Nestlé, PepsiCo, Procter & Gamble, Philip

Aug 2026

Vol 10, No 3.

Morris, and Unilever. After filtering for companies with complete ESG score availability, the final sample comprised 117 firm-year observations across 13 companies spanning years 2016–2024. All statistical analysis and data visualization were produced in Excel.

Variables

The main variable being tested is the Bloomberg ESG Score — a number from 0 to 10 that measures how responsibly a company behaves on environmental, social, and governance dimensions. The higher the score, the better the company's sustainability practices. This score is compared against four measures of financial performance.

The first metric, return on equity (ROE), measures how effectively a company generates profit from shareholders invested capital. The second, return on assets (ROA), evaluates how efficiently a company uses its assets—including factories, equipment, and inventory—to produce profit. The third metric, revenue growth, measures the increase in a company's total sales from one year to the next. The fourth, Tobin's Q, compares a company's market value to the value of its physical assets, reflecting how investors perceive the firm's future growth potential and intangible value. When Tobin's Q is above 1, it means investors believe the company is worth more than its buildings and machines — they are betting on its future. The analysis also accounts for company size using Market Capitalization, since larger companies naturally tend to perform differently than smaller ones.

Taking together, these four measures capture the full picture of what it means for a company to perform well financially: how efficiently it uses capital (ROE and ROA), how quickly it is growing (revenue growth), and how much confidence the market has in its future (Tobin's Q).

Analysis Steps

The analysis proceeds in three steps. The first is a straightforward Pearson correlation between the Bloomberg ESG Score and each of the four financial metrics across all 117 firm-year observations, establishing the baseline relationship between sustainability performance and financial outcomes.

The second step introduces size control. Because larger companies tend to score differently on both ESG and financial metrics simply by virtue of their scale, a raw correlation can be misleading. To address this, both ESG scores and each financial metric are individually regressed on the logarithm of Market Capitalization, and the resulting residuals — the variation in each variable that cannot be explained by firm size — are then correlated with one another. This ensures the analysis is comparing companies on a level playing field, isolating the ESG-performance relationship from the confounding influence of size.

The third step is a time-lag analysis designed to test whether ESG performance today predicts future financial performance. Each company's ESG score in a given year is matched against its financial outcomes one through five years later, and correlations are calculated at each horizon.

RESULTS

ESG Score Distribution by Company

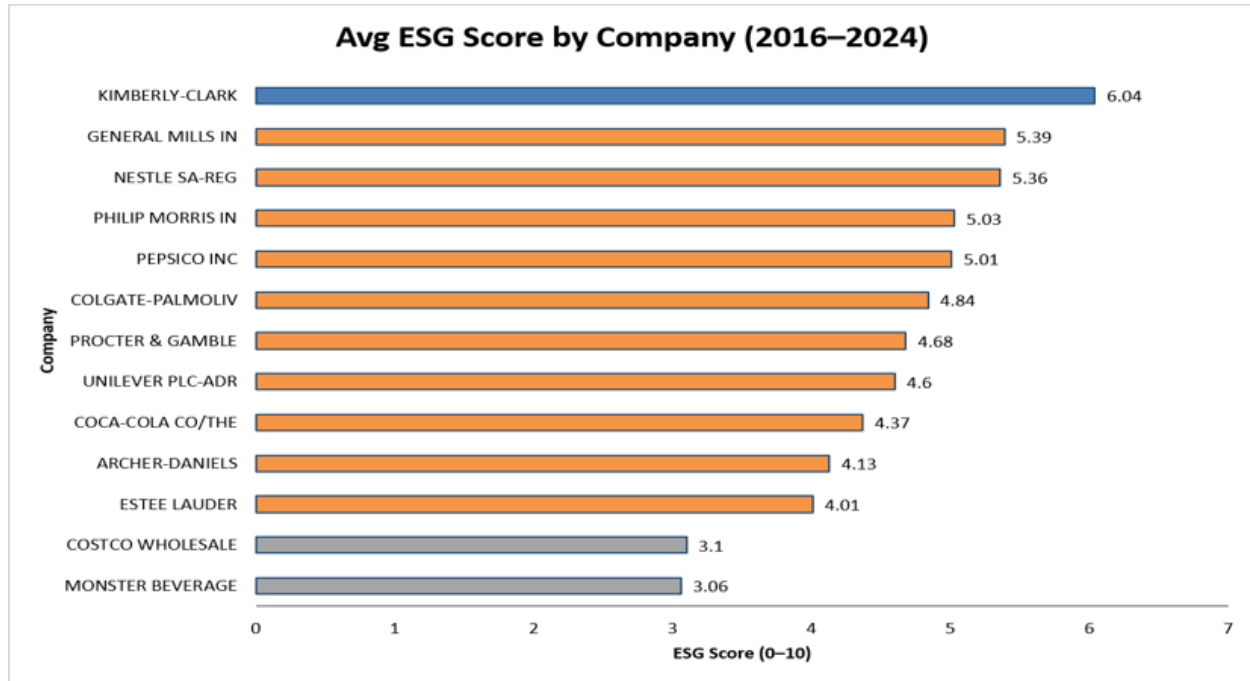


Figure 1. Average ESG score by company (2016–2024), sorted ascending. Blue bars = ESG (≥ 6), orange = ESG (4–6), grey = ESG (< 4).

Figure 1 shows that there is real variation in ESG scores across the sample. Monster Beverage and Costco sit near the bottom, while Nestlé and Kimberly-Clark sit near the top. This variation is required to detect any statistical relationship between ESG and financial performance. It is also worth noting that higher-ESG companies tend to be well-known global consumer brands with large sustainability operations (like Nestlé, Unilever, and P&G), while lower-ESG companies tend to be more commodity-oriented or niche businesses.

ESG Trends Over Time

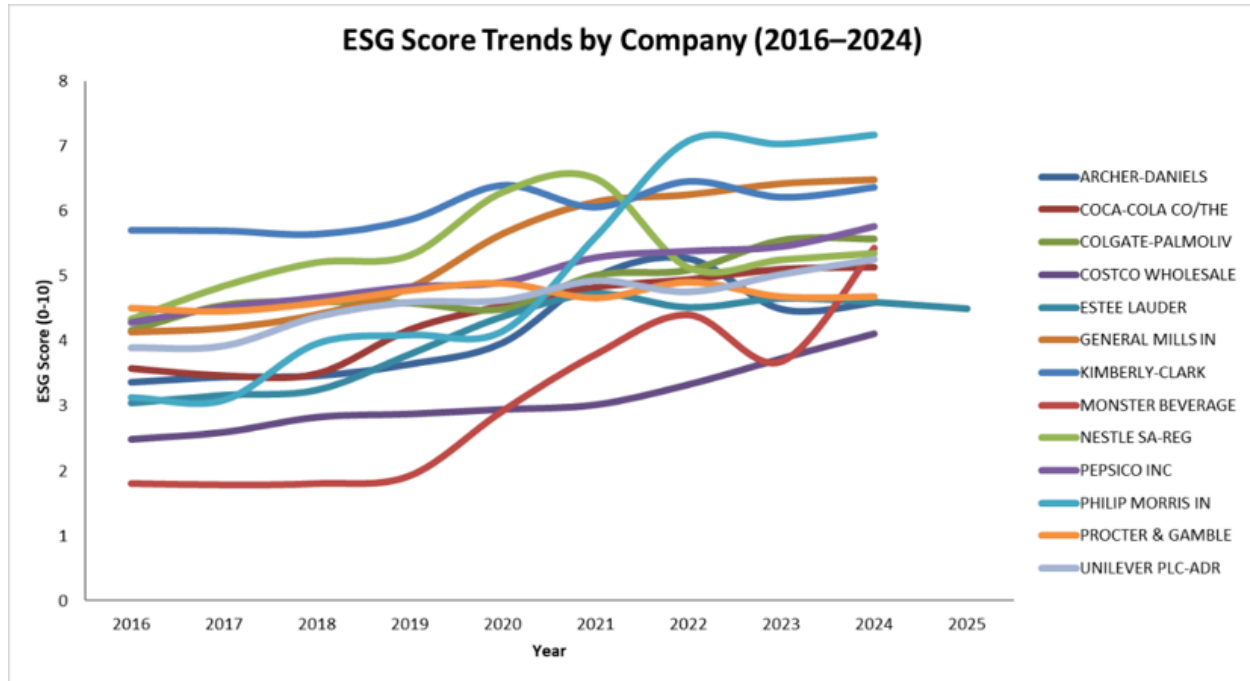


Figure 2. ESG score trends for all 13 companies from 2016 to 2024.

Figure 2 shows that ESG scores are generally rising across the board — most companies improved their ESG ratings over the 2016–2024 period. The key point to note is that the relative ordering of companies tends to be quite stable — firms that scored highly in 2016 generally still scored highly in 2024, and vice versa.

H1: Level Effect (Same-Year Correlations)

Using 117 firm-year observations from 2016 to 2024, the same-year correlations between ESG scores and financial performance are generally weak and often negative, both before and after accounting for the firm size.

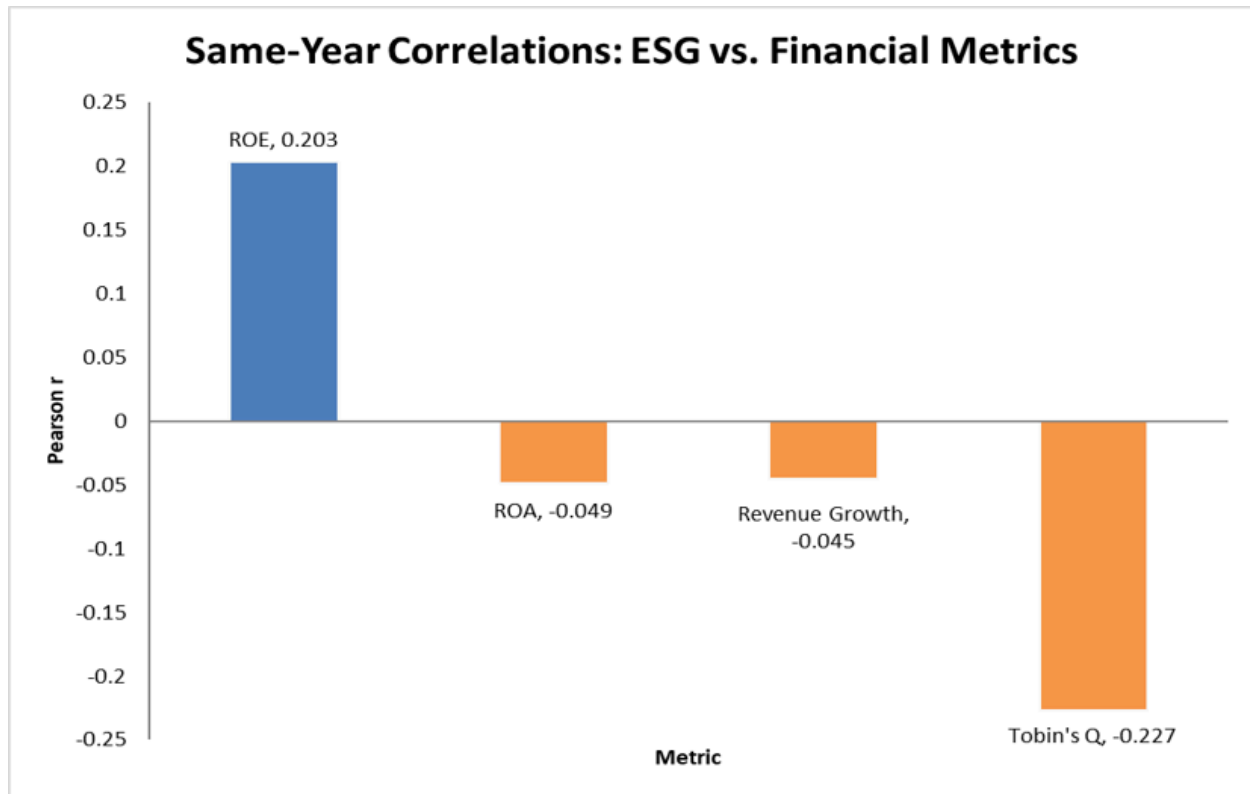


Figure 3. Pearson correlation coefficients between ESG score and each financial metric, same year. Blue bar = positive correlation; Orange bars = negative correlations.

Figure 3 shows the correlation between ESG scores and each financial metric in the same year. The blue bar for ROE demonstrates that higher-ESG companies tend to earn slightly better equity returns ($r = +0.203$, statistically significant at 5%). The orange bars for ROA and revenue growth are very close to zero — essentially no relationship. And the biggest orange bar — Tobin's Q at $r = -0.227$ — surprisingly shows that companies with higher ESG scores are associated with lower market valuations. Similar results are obtained even after accounting for the company sizes. Results both before and after accounting for the company sizes are provided in Table 1 and Table 2 below.

Table 1. Same-Year Correlations: ESG Score vs Financial Metrics (n=117)

Metric	r (ESG, metric)	p-value	What It Means
Return on Assets (ROA)	−0.049	0.601	Very weak, not significant — basically no link
Return on Equity (ROE)	+0.203	0.028	Small positive link — significant at 5%
Revenue Growth	−0.045	0.628	Very weak, not significant — basically no link
Tobin's Q (Valuation)	−0.227	0.014	Negative link — significant at 5%

Table 2. Size-Controlled Correlations (After Accounting for Company Size)

Metric (Size-Adjusted)	r (ESG, metric)	p-value	What It Means
Return on Assets (ROA)	−0.038	0.680	Still basically no link after size adjustment
Return on Equity (ROE)	+0.220	0.017	Still a positive link — survives the size test
Revenue Growth	−0.043	0.645	Still near zero — no meaningful link
Tobin's Q (Valuation)	−0.215	0.020	Still negative — high-ESG firms valued lower

Size controlled using Log(Market Cap) residuals. The patterns in Table 1 hold up, confirming that the results are not just a big company effect.

The evidence only partially supports **H1**: ESG scores show a modest but statistically significant positive relationship with ROE but do not translate into clearly higher asset returns, faster revenue growth, or richer valuation multiples in the Consumer Staples sample.

Scatter Plots: ESG vs ROE and Tobin's Q

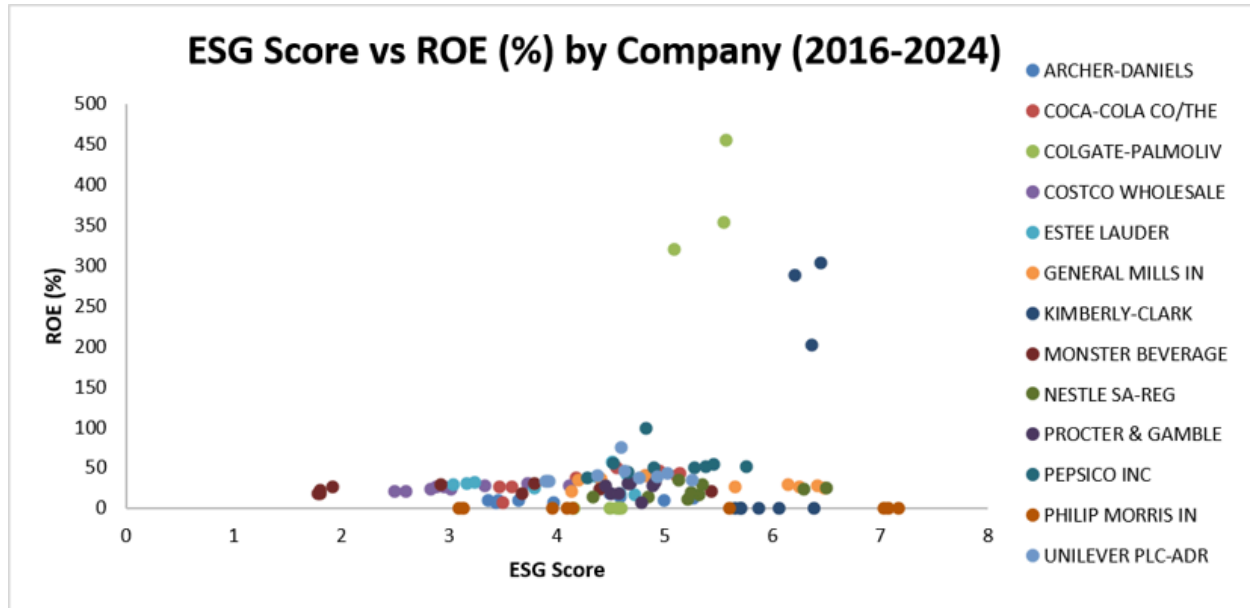


Figure 4. Scatter plot of ESG score vs ROE — each dot is one firm-year, color-coded by company.

Figure 4 shows the ESG vs ROE scatter with each company in a different color. The upward trend is visible but not dramatic — there is a lot of scatter around the line. The correlation of +0.203 is real and statistically significant, but it does not mean ESG explains everything about ROE. Other factors, such as industry position, leverage, and operating efficiency also matter.

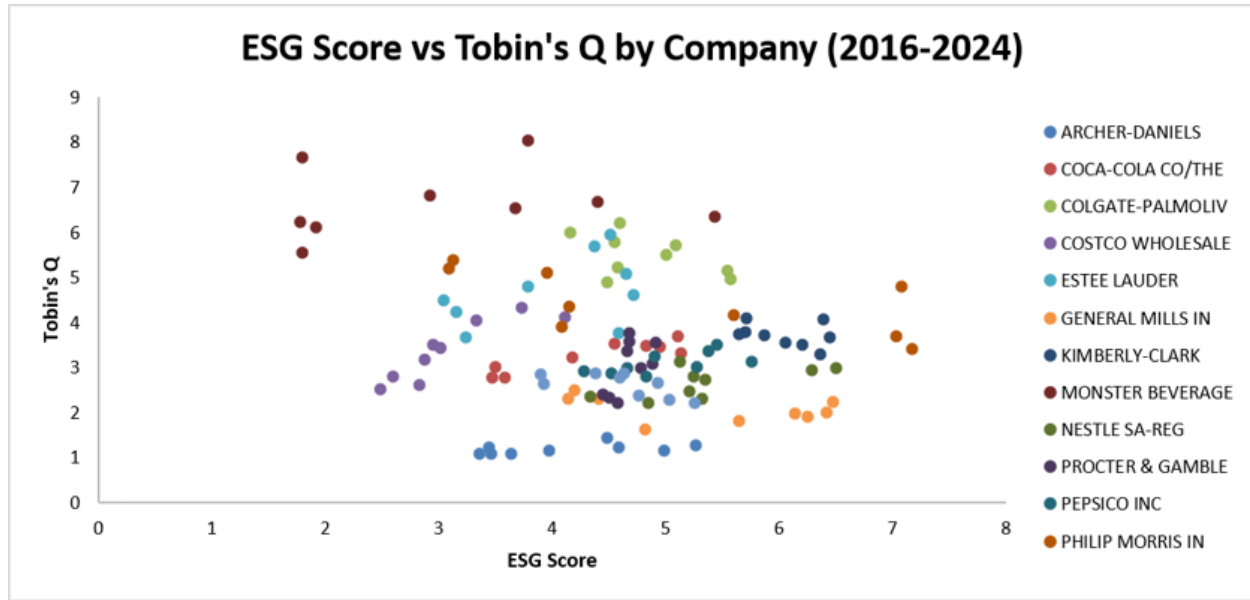


Figure 5. Scatter plot of ESG score vs Tobin's Q.

Figure 5 clearly shows a downward trend — as ESG scores rise, Tobin's Q tends to fall. This negative relationship ($r = -0.227$) is consistent across different company sizes and persists after controlling for market cap.

ESG Quartile Analysis

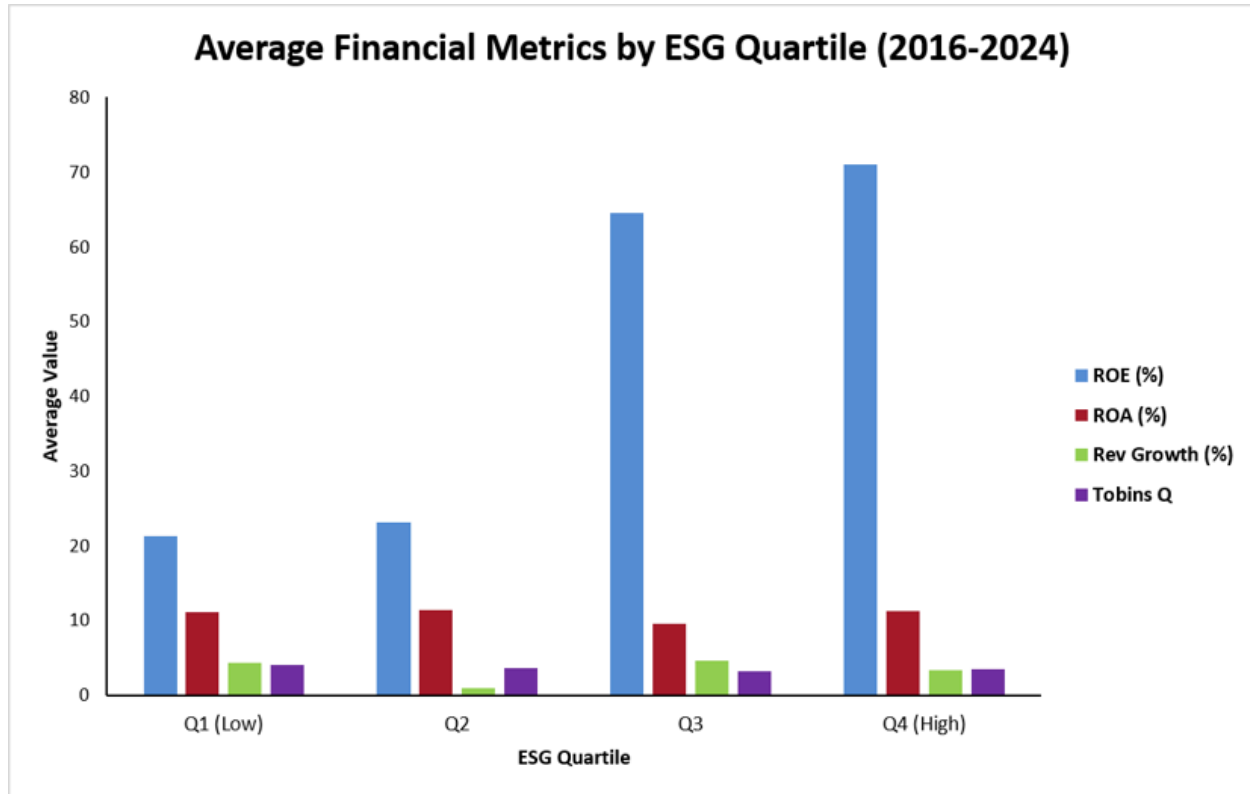


Figure 6. Average financial metrics by ESG quartile.

Figure 6 divides the sample into four equal groups by ESG score and compares the average financial metrics of these groups. This is a clean way to visualize the main pattern. The Q4 group (highest ESG) has slightly better average ROE than the Q1 group (lowest ESG) — this supports the positive ESG-ROE relationship. But Q4 firms have a lower average Tobin's Q than Q1 firms. This confirms that the market does not reward Consumer Staples companies for having high ESG scores — if anything, it prices them lower.

H2: Timing Effect — ESG Today vs Future Performance

To test whether today's ESG score predicts future financial performance, each firm's ESG score in a given year was correlated with its financial outcomes one through five years into the future. Table 3 presents the full results across all time horizons.

Table 3. Timing Effect: Correlation Between ESG(t) and Future Financial Performance (t+1 to t+5)

Lag	Metric	r	p-value	n	Significant?
t+1	ROE	+0.189	0.055	104	Marginal (10%)

t+1	ROA	−0.102	0.304	104	No
t+1	Revenue Growth	−0.121	0.220	104	No
t+1	Tobin's Q	−0.303	0.002	104	Yes — 1%
t+2	ROE	+0.200	0.058	91	Marginal (10%)
t+2	ROA	−0.194	0.066	91	Marginal (10%)
t+2	Revenue Growth	−0.205	0.049	91	Yes — 5%
t+2	Tobin's Q	−0.361	0.001	91	Yes — 1%
t+3	ROE	+0.229	0.044	78	Yes — 5%
t+3	ROA	−0.287	0.011	78	Yes — 5%
t+3	Revenue Growth	−0.328	0.003	78	Yes — 1%
t+3	Tobin's Q	−0.408	<0.001	78	Yes — 1%
t+4	ROE	+0.245	0.038	65	Yes — 5%
t+4	ROA	−0.320	0.008	65	Yes — 1%
t+4	Revenue Growth	−0.355	0.002	65	Yes — 1%
t+4	Tobin's Q	−0.432	<0.001	65	Yes — 1%
t+5	ROE	+0.210	0.062	52	Marginal (10%)
t+5	ROA	−0.285	0.025	52	Yes — 5%
t+5	Revenue Growth	−0.302	0.015	52	Yes — 5%
t+5	Tobin's Q	−0.395	<0.001	52	Yes — 1%

n decreases at longer horizons due to the 2016–2024 data window. Results at $t+4$ and $t+5$ are more uncertain due to smaller samples.

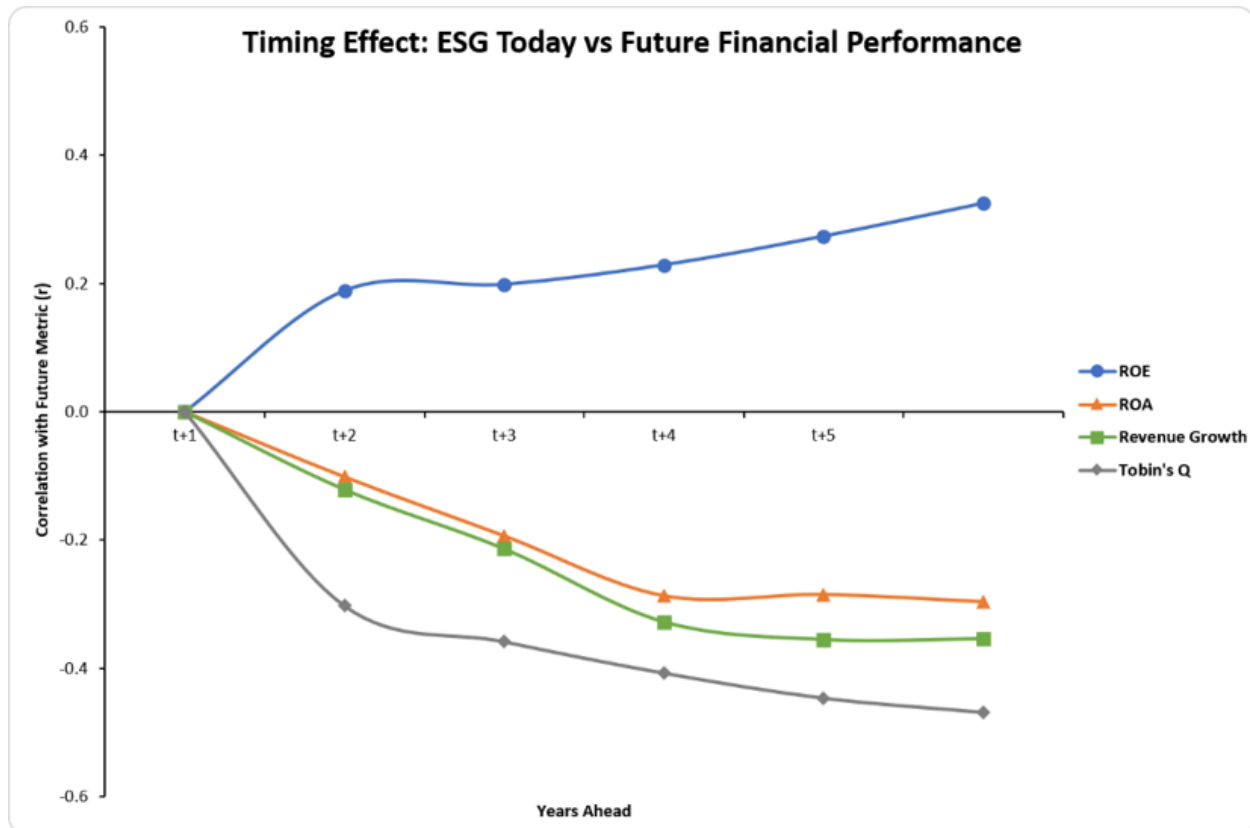


Figure 7. Line chart of lag correlations for all four metrics from t+1 to t+5.

Figure 7 shows that the blue ROE line remains positive across all time horizons — even 5 years out, i.e., today's ESG score is associated with a slightly higher future ROE. This is the one consistent finding that supports the case for ESG in Consumer Staples.

Every other metric has an inverse relationship. The grey Tobin's Q line becomes increasingly negative over time. This shows the market increasingly "prices in" the fact that high-ESG Consumer Staples firms are mature, steady businesses rather than high-growth opportunities. The orange ROA line and green Revenue Growth line also trend negatively, suggesting that ESG today does not predict faster growth or better asset returns in future years.

Thus, **H2** as originally formulated—that higher ESG at t would predict higher ROA, ROE, revenue growth, and Tobin's Q from t+1 through t+5—is not supported by the evidence. ESG at time t consistently predicts modestly higher future ROE across all horizons (t+1 to t+5), suggesting high-ESG firms earn slightly better equity returns over time. However, it forecasts lower ROA, slower revenue growth, and substantially weaker Tobin's Q, with these negative links strengthening at longer lags—especially for valuation, which grows from moderately negative at t+1 to strongly negative by t+5.

ESG appears to be rewarded in terms of future ROE but is linked to weaker future growth, lower accounting returns on assets, and lower market valuation over the tested horizons. ESG today signals "quality but mature" performance, not broad financial out performance.

DISCUSSION

Meta-studies generally find ESG to be neutral or mildly positive for financial performance overall, while emphasizing that its effects vary across sectors, time periods, and financial metrics. The findings of this study reinforce that conclusion. In the Consumer Staples sample, higher ESG scores are consistently associated with modestly stronger return on equity (ROE), but show little to no relationship with return on assets (ROA) or revenue growth, and a persistent negative association with Tobin's Q. One possible explanation is that ESG delivers financial benefits mainly through stronger governance, better risk management, and improved stakeholder relationships rather than through faster growth. These practices can reduce operational disruptions, regulatory costs, and reputational risk, leading to more stable returns on shareholders' equity. However, they are less likely to create new demand or higher valuation multiples in a mature, low-growth sector such as Consumer Staples.

Consistent with this interpretation, higher-ESG firms in the sample are generally larger, more mature, and lower-risk companies that deliver solid but slower growth. The combination of stronger ROE but weaker or negative relationships with growth, ROA, and Tobin's Q supports a "quality but mature" interpretation of ESG. Rather than acting as a driver of rapid financial expansion, ESG appears to reflect organizational quality, disciplined management, and long-term resilience. This interpretation is also consistent with the financial metrics examined. ROE is a backward-looking measure of profitability, while Tobin's Q reflects investors' expectations of future growth. The higher-ESG firms in this sample—such as Nestlé, Unilever, and Procter & Gamble—are also large global companies with limited opportunities for rapid expansion. Their lower Tobin's Q therefore appears more consistent with expectations of slower growth.

Importantly, these findings should not be seen as evidence of a direct causal link between ESG and financial performance. One possible mechanism is that stronger ESG practices improve governance, efficiency, and risk management, which support more stable profitability. However, the relationship may also work in the opposite direction, since firms with stronger cash flows and established market positions have more resources to invest in ESG activities and reporting. The relationship may therefore go both ways, with ESG and financial performance reinforcing each other over time. In addition, the observed associations may be influenced by confounders. Although this study controls for firm size, other factors—including geographic diversification, product portfolio composition, capital intensity, management quality, brand equity, and overall risk profile—may jointly influence both ESG scores and financial performance. Consequently, the results should be interpreted as correlational rather than causal.

The lag analysis supports this view. While higher ESG scores are still linked to slightly stronger ROE over time, they do not predict faster revenue growth or higher market valuations. One possible reason is

that ESG investments often involve upfront costs, while many of their benefits—such as stronger stakeholder trust, greater resilience, and lower risk—take longer to appear. In the relatively short 2016–2024 period, these long-term effects may not be fully reflected in growth or valuation measures.

Several limitations should also be noted. The study period includes major economic disruptions, especially the COVID-19 pandemic, which may have affected both firm performance and ESG reporting. In addition, Bloomberg's ESG score combines environmental, social, and governance factors into one measure, which can hide differences between them. Future research could separate these components, use panel-data or other causal methods, extend the analysis to faster-growing industries, and test results using other ESG providers such as MSCI or Refinitiv.

CONCLUSION

This study examines whether stronger ESG performance is associated with superior financial outcomes for large Consumer Staples firms over 2016–2024, focusing on ROE, ROA, revenue growth, and Tobin's Q contemporaneously and at horizons up to several years ahead. The results show a consistent but modest positive association between ESG and ROE, both in the same year and at short horizons, while relationships with ROA and revenue growth are weakly negative or near zero; the association with Tobin's Q is significantly negative in most cases. Taken together, the findings only partially support the hypothesized level effect (H1) and do not support the timing effect (H2). Higher ESG scores are associated with modestly stronger return on equity, but they do not appear to translate into broadly higher asset returns, faster growth, or richer valuations over the horizons studied.

Importantly, these results should be interpreted as correlational rather than causal. The observed relationships may be bidirectional, with stronger ESG practices supporting operational efficiency and profitability, while financially stronger firms may also have greater capacity to invest in ESG initiatives. In addition, the associations may be influenced by confounding factors beyond firm size, including governance quality, brand strength, capital intensity, geographic diversification, management capability, and overall risk profile. These factors may also explain why ESG appears more closely linked to ROE than to growth or valuation measures.

The evidence aligns with a “quality but mature” interpretation in which high-ESG Consumer Staples firms are stable and capital-efficient, yet markets do not systematically reward them with growth or valuation premia within the sample period. The higher-ESG firms in Consumer Staples tend to be large, global, well-run incumbents—operationally disciplined, but not high-growth stories. The market prices them accordingly. In this sector, ESG signals operational excellence rather than disruptive potential.

For investors, this suggests that ESG integration need not compromise equity returns but should not be expected to guarantee growth or multiple expansion over typical investment horizons. For managers, the evidence points to efficiency rather than growth as the primary channel through which ESG delivers

financial benefits and suggests that these benefits may materialize gradually, potentially beyond what is captured by standard medium-term performance metrics.

REFERENCES

- Aydoğmuş, M., Gülay, G., & Ergun, K. (2022). Impact of ESG performance on firm value and profitability. *Borsa Istanbul Review*, 22(Suppl. 2), S119–S127.
<https://doi.org/10.1016/j.bir.2022.11.006>
- Bloomberg L.P. (2025). *ESG scores and financial data for consumer staples companies, 2009–2024*. Bloomberg Terminal.
- Doherty, R., Kampel, C., Koivuniemi, A., Pérez, L., & Rehm, W. (2023, August 9). The triple play: Growth, profit, and sustainability. McKinsey & Company.
<https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/the-triple-play-growth-profit-and-sustainability>
- Friede, G., Busch, T., & Bassen, A. (2015). ESG and financial performance: Aggregated evidence from more than 2,000 empirical studies. *Journal of Sustainable Finance & Investment*, 5(4), 210–233.
<https://doi.org/10.1080/20430795.2015.1118917>
- McKinsey & Company. (2023, September 28). How do ESG goals impact a company's growth performance?
<https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-insights/next-in-growth/how-do-esg-goals-impact-a-companys-growth-performance>
- Oddo, R. (2022). *To what extent do ESG scores affect firm valuation? Evidence based on large Dutch enterprises* (Master's thesis, University of Twente). University of Twente Student Theses Repository. <https://purl.utwente.nl/essays/92863>
- Whelan, T., Atz, U., Van Holt, T., & Clark, C. (2021). *ESG and financial performance: Uncovering the relationship by aggregating evidence from 1,000+ studies published between 2015–2020*. NYU Stern Center for Sustainable Business & Rockefeller Asset Management.
https://www.stern.nyu.edu/sites/default/files/assets/documents/NYU-RAM_ESG-Paper_2021%20Rev_0.pdf

ABOUT THE AUTHOR

Sunay Rohatgi is a high school rising senior at The Hill School in Pottstown, Pennsylvania. His research interests focus on how systems such as ESG frameworks shape human behavior, and how human behavior, in turn, shape such systems. He is particularly interested in the influence of cultural, institutional, and social contexts on decision-making and plans to pursue multidisciplinary study in this area in college. He is the founder of the Humanistic Leadership Project <https://hlp.life/>, an initiative aimed at encouraging high school students to explore leadership through a human-centered lens.