

# **EVALUATING THE INTERPLAY BETWEEN ESG PRACTICES AND CORPORATE FINANCIAL PERFORMANCE IN AMERICA: THE INDUSTRIAL SECTOR**

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## **Abstract**

A comprehensive strategy that incorporates social responsibility, environmental stewardship, and economic viability is needed to achieve sustainability in the industrial sector, a sector that is responsible for almost a quarter of all carbon emissions worldwide. Nowadays, business strategy, risk management, and long-term value creation are deemed to be critically dependent on sustainability factors. The present paper targets to examine the relationship between ESG (Environmental, Social, and Governance) and CFP (Corporate Financial Performance) for 100 American-listed companies that operate in the Industrial sector from 2018 to 2022. The data used in this study is collected from Thomson Reuters and analyzed using STATA Software. The research reveals a strong association between CFP and ESG as a combined score. When an in-depth analysis is performed regarding the sustainability pillars with separate consideration, a positive relationship was shown between the social and environmental pillar and the financial performance, whereas a weaker link could be determined regarding the governance pillar. As such, American companies need to carefully review ESG investments to avoid bad financial outcomes and gain long-term performance.

**Keywords:** ESG performance, financial performance, total revenue, industrial sector

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