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# How ESG Performance Affects Sustainable Green Innovation

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## Abstract

Sustainable green innovation is a key link in achieving green transformation and sustainable development. Consequently, how to promote sustainable green innovation is becoming increasingly important. Based on the perspective of ESG (Environmental, Social, and Governance), we use a dataset of Chinese listed firms in Shanghai and Shenzhen from 2009 to 2023, study the impact of ESG performance on sustainable green innovation, and make the mediating analysis of the reputational and financing effects. We find that ESG performance significantly promotes corporate sustainable green innovation. This finding remains unchanged after a series of robustness tests and endogenous tests. The mediating analysis shows that ESG performance promotes corporate sustainable green innovation by improving corporate reputation and alleviating financing constraints. Specifically, alleviating internal financing constraints has a greater marginal impact than that of external financing constraints. This study enriches research on the drivers of sustainable green innovation and offers valuable insights for ESG practice in emerging economy.

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