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Going ESG: The Economic Value of Adopting an ESG Policy

Maya Finger [1,*] and Mosi Rosenboim [2]

[1] Business Faculty, The College of Management Academic Studies, Rishon Lezion 75190, Israel
[2] Department of Management, Guilford Glazer Faculty of Business and Management, Ben Gurion University of the Negev, Beer-Sheva 84105, Israel
* Correspondence: maya@colman.ac.il

Abstract: Does having an environmental, social, and governance (ESG) policy have an impact on stakeholders? This research presents a unique model that allows us to measure the economic value of adopting an ESG policy for financial institutions' stakeholders. Using the results of a questionnaire distributed among financial institution employees and customers, we find that, on average, employees are willing to forgo 11% of their salary to work for a company that has adopted and implemented such a policy. In addition, customers are willing to pay 47% more in management fees to do business with financial institutions that have such a policy. To our knowledge, this is the first study that quantifies the benefits for financial institutions stakeholders of adopting an ESG policy.

Keywords: ESG; impact; employees; customers; additional value; financial institutions

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1. Introduction

"Best-run companies do more. They put the customer first and invest in their employees and communities. In the end, it's the most promising way to build long-term value".

Tricia Griffith, President and CEO of Progressive Corporation, Business Roundtable, (https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans, accessed on 19 August 2019).

The Business Roundtable (BRT) forum includes 181 notable CEOs from large companies in the US and issues periodic statements regarding the precedence of shareholders' interests in these firms' decision-making. In August 2019, this forum signed a new statement redefining the purpose of businesses more comprehensively. The statement asked them to consider elements such as the environment, society, and governance (ESG), or in short, to be ESG-oriented and not just shareholder-oriented. On one hand, this event was an important reminder that ESG policies and strategies have an important place in business activity. On the other hand, it may imply that firms should prioritize the interests of its stakeholders and choose which of them it serves first. This requirement can be very difficult to implement because a company that does not prioritize profits for any reason does not serve the initial purpose for which it was created [1]. Nevertheless, a company must consider all of its stakeholders' needs in order to survive and succeed over time e.g., [2].

In this study, we use an innovative perspective whereby the company does not have to prioritize or choose which of its stakeholders it serves first. By being ESG-oriented, for example by adopting an ESG policy, the company serves the interests of all of its stakeholders, including shareholders, directly. While ESG activity might be considered divorced from issues such as maximizing value for the firms' shareholders, we demonstrate that it is precisely such activity that actually increases the company's value for shareholders. This concept goes beyond the "social initiatives" that Margolis and Walsh [3] talked about. Rather than being an add-on, it is a policy that permeates everything the company does.

Furthermore, we will propose an economic model that could shed light on how the adoption of ESG policies increases the value of the company by increasing the value to stakeholders, both customers and employees. We will demonstrate how, beyond the idea

of a double bottom-line, the adoption of an ESG policy increases the value of the firm by increasing its clientele, attracting more paying customers, and recruiting higher quality employees at lower wages. In order to support this point of view, we will present an empirical measurement of the economic value of adopting an ESG policy and demonstrate how it serves both the company's stakeholders and its shareholders. In this way, everyone benefits.

The current study was motivated by the desire to fill the gap in the lack of actual financial measures of the benefits for the firm's stakeholders of adopting an ESG policy, and the need to determine whether these benefits could affect its shareholders as well e.g., [4]. Eccles et al. [5] also suggest that researchers should explore the benefits of adopting an ESG policy further and call for a broader understanding of the added value of an ESG policy beyond its effect on financial performance. Our study will also respond to this latter call.

To accomplish these goals, we will examine the added value that adopting an ESG policy has for financial institutions' stakeholders, particularly customers and employees. We decided to focus on the financial sector because financial institutions play a central role in the economy as credit providers and investment financiers and have a strong impact on society. Thus, understanding this sector from a stakeholder's perspective is important and can also teach us about other sectors. To the best of our knowledge, this is the first time the monetary value of adopting an ESG policy for stakeholders has been estimated and measured financially.

The remainder of the paper is organized as follows. The next section provides a literature review and the development of our hypotheses. Section 3 describes the theoretical model. Section 4 presents the methodology and the sample. Section 5 is devoted to the results followed by a discussion and conclusions.

2. Literature Review and Hypothesis Development

Most studies deal with the positive relationship between ESG strategies and financial performance, focusing on the benefits for shareholders e.g., [6–14]. For example, Fatemi et al. [8] discuss the impact of ESG disclosures on the financial performance of investors only. Eccles et al. [7] report that companies that adopt a sustainability policy outperform companies that have not adopted this policy in terms of both their stock market returns and accounting performance. Jiao [15] takes a small step towards examining the impact of social initiatives on stakeholders but also limits the investigation only to the creation of value for shareholders. However, regarding the relationship between an ESG policy and non-shareholding stakeholders such as customers and employees, the literature mainly focuses on behavioral aspects rather than empirical examinations of this relationship and its financial consequences see, for example [16].

Indeed, several studies have used stakeholder theory in their examinations, but present a theoretical discussion of value creation rather than a measurement of this value [2,17,18]. For example, Tantalo and Priem [19] provide a general theoretical framework for the value created from the synergy between different stakeholders, but do not offer any framework for measuring this value. Argandoña [20] also refers to the creation of value for stakeholders in a theoretical way and suggests measuring it in non-economic terms such as satisfaction and the acquisition of knowledge.

A method for actually measuring the financial value for stakeholders has not been proposed in any of these studies, let alone the financial value of adopting an ESG policy. Harrison and Andrew [21] present a general framework for estimating stakeholder value but still refer to non-economic parameters such as happiness and well-being. Similarly, Flammer and Lou [22] identify employee engagement as a result of the social activities of the company but do not discuss their financial implications. Garcia-Castro and Aguilera [23] provide methods for measuring the value for stakeholders and suggest estimates closer to economic factors such as the willingness to pay and opportunity costs. However, the paper is largely theoretical without actual economic or financial findings.

While these studies are valuable, the measurement of the additional value for stakeholders remains a matter of non-economic indicators such as happiness or at most, an evaluation

through performance indicators generally related to shareholders [24,25]. Even Giese et al. [26] who present a method for achieving profitability by being an ESG-oriented company remain in the theoretical realm and deal mainly with portfolio management and ESG indices.

Harrison et al. [27] call for a more specific and accurate measurement of the value of an ESG policy for stakeholders. Value can be broadly defined as anything that has the potential to be of worth to stakeholders. Value creation for customers, for example, occurs if they are willing to pay a higher price for a particular product or service that provides certain values. If the customers are not willing to pay, the value creation disappears [28]. Schuler and Cording [4] suggest that corporate social responsibility actions, such as adopting an ESG policy discussed in this paper, affect customers through the company's reputation. The scholars explain that the company's reputation evolves over time and improves according to how customers see the company from a sustainability point of view. In this sense, the more ESG-oriented the company is, the better its reputation will be, and the more likely customers will favor it. According to Sandberg and Nilsson [29], stakeholders welcome any kind of ESG activity or policy as creating value. Indeed, almost 50% of financial institution clients think that the firm ought to try to make the world a better place. The customers' perspective in this matter is essential because they are an important source of income for financial institutions mainly in terms of management fees. Nilsson et al. [30] report that ESG activities in financial institutions are a significant predictor of customer satisfaction, indicating that customers ascribe positive additional value to ESG activity that is beyond the regular economic activity of the company. The literature also documents a positive relationship between a company's sustainability activities and customers' evaluations through their identification with the company's values [31,32]. Thus, the more customers identify with the company's values, the more satisfied they will be, and the more likely they are to recommend the company to other customers. By increasing the satisfaction with their ESG activities, financial institutions can also use their ESG activity as an opportunity to attract the attention of potential clients [33,34]. Expanding its customer base will increase the financial institution's cash flow from account management fees, while creating additional value for customers from its ESG policy. In this sense, the customers' perspective about the additional value obtained from the financial institution's adopting an ESG policy will be reflected in higher revenues, creating financial value for the financial institution. Thus, we posit that:

Hypothesis (H1). *Adopting an ESG policy has a positive additional value for customers of financial institutions.*

McWilliams et al. [35–37] discuss other ways in which a strategic ESG policy can create a competitive advantage, including attracting green investors and employees who are willing to accept lower salaries from socially responsible firms. Moreover, a company engaging in ESG activities will achieve a competitive advantage by attracting higher-quality employees [38,39]. Doing so is beneficial to the company because it will also lead to positive value for its shareholders [40]. These findings imply that firms with an ESG policy create value for all of their stakeholders rather than just shareholders alone [41]. Hillman and Keim [42] report a positive correlation between sustainability activities and firms' stakeholders, particularly employees. Grimaldi et al. [43] emphasize the importance of taking the ESG and sustainability concerns of employees into consideration and implementing them in the company's policies. Furthermore, recent events in global companies indicate that employees want the company they work for to behave responsibly towards them and the environment in which it operates in addition to the company's mainstream business. For instance, hundreds of Google employees walked out to protest the company's handling of sexual harassment complaints (https://www.nytimes.com/2018/11/01/technology/google-walkout-sexual-harassment.html, accessed on 2 November 2018). In April 2019, more than 4500 Amazon employees urged the company to seize the opportunity and embrace a global environmental change policy (https://www.cnbc.com/2019/04/10/more-than-3500-amazon-employees-push-for-action-on-climate-change.html (accessed

on 10 April 2019)). These findings indicate that employees also place a positive value on ESG activity. Thus, financial institutions adopting such a policy will attract higher-quality employees at lower salaries and even instill a sense of purpose in them, which in turn increases their productivity [44]. Moreover, a sustainability approach such as adopting an ESG policy has a positive impact on employees through various psychological layers such as positive distinctiveness [45]. This, in turn, may lead to more employee satisfaction and identification with the company's values, creating greater value for the company itself [40].

It appears that adopting an ESG policy is beneficial for all stakeholders, creating value for customers as well as employees, even when such activity is not the core activity of the organization in which they take part. Moreover, this value translates into positive financial results, increasing the value for shareholders as well. Therefore, when a financial institution decides to adopt an ESG policy, it will provide additional value to its employees, both psychologically and financially. Based on these findings, we hypothesized that:

Hypothesis (H2). *Adopting an ESG policy has a positive additional value for employees of financial institutions.*

3. Theoretical Model

Based on a labor market model [46] that examines the shifting costs of employment, we constructed a unique general model allowing us to actually estimate the additional value of adopting an ESG policy and to measure this value for financial institutions' customers and employees. In fact, our conceptual model may be used to measure the additional value of any policy adoption in an organization.

In order to apply the general model to our two groups of interest, we examined its components, once in terms of the account management fees the customers will be willing to pay and once in terms of the salaries the employees will be willing to be paid. To conduct this examination, we had to compare switching from an ESG financial institution (an ESG) to a non-ESG financial institution (a NESG) and vice versa.

The general model consists of two main equations as follow:

$$TV_{(switch\ to\ non-ESG)} = BV + SQV - AV \quad (1)$$

$$TV_{(switch\ to\ ESG)} = BV + SQV + AV \quad (2)$$

where $TV_{(switch\ to\ non-ESG)}$ is the total value for an individual stakeholder, customer, or employee of switching from an ESG to a NESG. In the same way, $TV_{(switch\ to\ ESG)}$ is the total value for this individual of switching from a NESG to an ESG. Since our goal is to explore the surplus value of an ESG policy for customers and employees, the TV in both equations receives a monetary value, once in terms of account management fees and once in terms of salary, respectively. When customers conduct their financial activity in an ESG, they will have added value from the existence of an ESG policy (AV). If another financial institution, which has not adopted an ESG policy, encourages them to shift their financial activity, they will demand compensation for the absence of this policy. Thus, when switching their financial activities to a NESG, the customers' total value, measured in the amount of account management fees they are willing to pay, will be lower. Our premise is that when it comes to daily account management, all financial institutions provide the same quality of services. Therefore, when shifting to an ESG, customers appreciate the existence of an ESG policy, and their TV will be higher. In this case, the amount of account management fees the customers will be willing to pay will be higher.

The same logic applies to employees. Those who work for an ESG will benefit from the existence of this policy. When they are offered the same position in a NESG, the compensation they will demand for the absence of such a policy will be in the form of a higher salary. This difference is reflected in the value of $TV_{(switch\ to\ non-ESG)}$ in terms of salaries for employees switching to work for a NESG. The total value in the opposite direction, from a NESG to an ESG, will indicate the added value of an ESG policy for the employees. They will be satisfied with a lower salary, reflected in the value of $TV_{(switch\ to\ ESG)}$.

BV is the base value for an individual stakeholder for receiving or providing a service to an ESG or a NESG. We assume that the base value for customers using the services of an ESG is equal to the base value they would obtain from using the same financial services of a NESG. Thus, if a customer is about to switch between financial institutions differing only in the existence of an ESG policy, the base value she/he will demand in account management fee terms will be the same for an ESG and a NESG, meaning the basic management fees she/he is currently paying. The same logic applies to employees. The base value of an ESG employee is equal to his or her base value when providing the same services to a NESG, given the same position and same management rank. Here, the base value defines the basic income level of the employee in his or her starting position, so this value is the employee's current salary before the transition. Thus, before shifting from an ESG to a NESG or vice versa, employees will have the same basic salary in both types of financial institutions.

SQV is the status quo alternative value of an individual customer or employee, meaning the value from doing nothing or maintaining the existing situation [47]. For both kinds of stakeholders, switching from an ESG to a NESG and vice versa involves giving up the convenience of receiving or providing services to the financial institution they already know. Switching from one financial institution to another involves the cost of replacement, no matter whether from an ESG to a NESG or vice versa. This cost is the status quo value. When a customer is asked to switch his or her financial activity from an ESG to a NESG, the transition is the same if she/he were asked to shift this activity from a NESG to an ESG. In both cases, waiving the convenience of conducting their financial activity in the same place and the transections costs involved in this shift to another financial institution are reflected in the status quo value. In the same way, when an employee moves from an ESG to working at a NESG, the transition will require giving up an existing position. This choice involves similar considerations as those for customers. The employee will have to give up his or her place, the working environment she/he is familiar with and the comfort of a familiar position, whether switching from an ESG to a NESG or vice versa. These considerations will be translated into economic terms reflected in salary demands indicative of the value of the status quo as a percentage of the total value.

AV is the additional value a customer or an employee obtains from the existence (or non-existence) of an ESG policy in the financial institution in financial terms. The main idea here is that individuals have a positive utility from the financial institution's adopting an ESG policy, allowing us to financially assess and evaluate the additional value of this policy as a percentage of the total value. We translate the utility value into monetary values. These values are measured in account management fees for customers and in terms of salary for employees. Given that both *BV* and *SQV* are similar in switching between an ESG and a NESG or vice versa, when a customer is faced with this choice, the change in the total value (the amount of management fees she/he will be willing to pay) arising from this switch can be attributed to the existence (or non-existence) of an ESG policy in the financial institution. Similarly, given that a financial institution employee's base values and status quo values are equal when considering switching, we can attribute the change in his/her total value in terms of the salary that she/he will accept to the presence or absence of an ESG policy.

The total value (*TV*) of any transition consists of the basic value of the stakeholder (the current management fee the customer is paying or the current salary the employee earns—*BV*), the transition cost (*SQV*), and the additional value arising from the absence of an ESG policy (in Equation (1)) or the presence of such a policy (in Equation (2)). Hence, to calculate the additional value of an ESG policy we subtracted Equation (1) from Equation (2). The result is the value of an ESG policy for customers in terms of the management fees they would pay and for employees in terms of the salary they would accept.

4. Methodology and Sample

4.1. Methodology

To obtain data with which to test our hypotheses, we constructed a three-part questionnaire for two types of populations: employees of financial institutions and customers

of financial institutions. An English-language version of the questionnaire appears in Appendix A. The first part of both questionnaires was similar and asked the respondents about their perceptions about the environment and society. Each sub-part in this section contained a number of statements, six for environmental perceptions [48] and five for social matters and equality in general [49]. The respondents were asked to indicate the extent to which they agreed with the statements on a 5-point Likert scale ranging from strongly disagree (1) to strongly agree (5).

The second part of each questionnaire included four questions examining the willingness to move from an ESG to a NESG, and vice versa, and the financial consequences of the transition, once in terms of account management fees and once in terms of salary. In the questionnaire distributed to customers, the first two questions simulated hypothetical situations in which the respondents had to state the management fee she/he would agree to pay when transitioning from an ESG to a NESG, and vice versa. Similarly, in the questionnaire distributed to employees, the first two open-ended questions simulated hypothetical situations in which the respondents had to state the salary that would make them switch from working for an ESG to working for a NESG, and vice versa. The questions in this part required the respondents to supply specific amounts, once in terms of account management fees and once in terms of salaries. Basically, the answers here helped us estimate the additional value of adopting an ESG policy and measure it for financial institutions' customers and employees.

The third part of the questionnaire gathered demographic data about the respondents' age, gender, education, income, and occupation.

4.2. The Sample

The questionnaire was distributed to individuals in Israel, focusing on two specific stakeholder groups: financial sector customers and financial sector employees. Both questionnaires were uploaded to the Internet through the Qualtrics survey software. Our sample came largely from social networks, social media, and student groups in the researcher's university. Prior to distributing the questionnaires, we examined whether the order of the questions mattered. No significant effects were detected.

Out of 277 participants, 203 were financial sector customers, and 74 were financial sector employees. The participants' age ranged between 19 and 73 with an average age of 34.32 (SD 11.72). With regard to gender, 55% of our sample were females. With regard to higher education, 52.3% had an academic education.

5. Results

The first part of the questionnaire contained six questions about perceptions regarding the environment and five questions about perceptions regarding society. All of the items displayed high levels of internal reliability (environmental perceptions, Cronbach's $\alpha = 0.64$; social perceptions, Cronbach's $\alpha = 0.74$). The average score on environmental perceptions was 3.18 (SD 0.55) and on social perceptions was 4.11 (SD 0.56). Both variables were positively correlated ($p < 0.01$), indicating that individuals with high levels of environmental perceptions also have high levels of social perceptions, and vice versa.

As described in the methodology section, we asked all of the respondents all of the questions only in a different order. At the same time, in examining the added value of an ESG policy, we report the results for customers and employees separately. Interestingly, those who provided a value for the adoption of an ESG policy in their management fees also ascribed additional value to the presence of such a policy in their salary requirements (Pearson's correlation < 0.001; Spearman's rho < 0.001).

5.1. Customers

The findings in Table 1 reveal that when customers shift their financial activity from an ESG to a NESG, they demand a substantial discount on their account management fees to NIS 9.62. This reduction is significantly different from the basic value of NIS 27. In contrast,

when switching from a NESG to an ESG, customers are willing to pay the same amount in management fees as they paid before, without receiving any reduction or benefits as new customers. These findings indicate that adopting an ESG policy in financial institutions has an additional value of NIS 8.79 for the customers. This value is significant and suggests that adopting an ESG policy in financial institutions constitutes 47.74% of the average management fees that a customer will require in both transitions.

Table 1. Total values and additional value in account management fee terms. Average values displayed (SD).

	$TV_{(switch\ to\ non-ESG)}$	$TV_{(switch\ to\ ESG)}$	*AV*	Obs
Customers—Average	9.62 *** (9.34)	27.20 (12.95)	8.79 *** (8.05)	202
% of average management fee			47.74%	

*** indicates $p < 0.001$. $TV_{(switch\ to\ non-ESG)}$ is the average account management fees that customers are willing to pay when transferring their financial activity from ESG to a NESG. $TV_{(switch\ to\ ESG)}$ is the average account management fees that customers are willing to pay when moving their financial activity to an ESG. *AV* estimates the additional value of the financial institutions' ESG-policy adoption, in management fees terms.

We also analyzed the customer group to see whether their perceptions regarding ESG issues affected the additional value (*AV*) they attributed to the adoption of an ESG policy in the financial institution. The results appear in Table 2.

Table 2. Regression results for customers.

	AV—Customers	
	(1)	**(2)**
Environmental perceptions	1.87 * (1.05)	2.47 ** (1.11)
Social perceptions	2.99 *** (1.04)	2.82 ** (1.09)
Age		0.09 (0.07)
Male		−0.44 (3.57)
Age * Male		0.02 (0.10)
Constant	−9.71 ** (4.72)	−13.91 ** (5.45)
Observations	202	196
R^2	0.07	0.10
Adjusted R^2	0.06	0.07
Residual Std. Error	7.79 (df = 199)	7.83 (df = 190)
F Statistic	7.79 *** (df = 2; 199)	4.13 *** (df = 5; 190)

* indicates $p < 0.1$, ** indicates $p < 0.05$, and *** indicates $p < 0.01$. *AV* estimates the additional value of the financial institutions' ESG-policy adoption in management fees terms.

The regression results in Table 2 show that customers with high levels of environmental and social perceptions will ascribe greater additional value to an ESG policy with regard to the management fee they are willing to pay. Thus, the more customers are concerned about environmental and social issues, the more additional value they will give to the adoption of an ESG policy in the financial institution in which they conduct their financial activity. This finding is true for everyone regardless of age or gender.

5.2. Employees

From Table 3, we can see that an ESG policy also has additional value in enticing workers to move from an ESG to a NESG and vice versa. The $TV_{switch\ to\ non-ESG}$ in monthly salary terms in the transition between working at an ESG to working at a NESG is NIS 15,061 and significantly different from the basic value of NIS 11,000. In other words, employees

demand a higher salary when moving to work at a financial institution that does not have a sustainability policy. Consequently, the additional value of adopting an ESG policy in financial institutions is NIS 1533 in terms of employees' salaries, giving the policy an actual financial value in employees' eyes. This finding is significantly different from 0 ($p < 0.001$), indicating that employees attribute more than 11% of the average required salary in both transitions to the existence (or non-existence) of an ESG policy in their workplace.

Table 3. Total values and additional value (*AV*) in salary terms. Average values displayed (SD).

	$TV_{switch\ to\ non-ESG}$	$TV_{switch\ to\ ESG}$	*AV*	Obs
Employees—Average	15,061.03 *** (6726.04)	11,993.53 *,† (4128.04)	1533.75 *** (2967.39)	74
% of average income			11.3%	

* indicates $p < 0.05$ and *** indicates $p < 0.001$. $TV_{switch\ to\ non-ESG}$ is the average salary the employees will ask when moving to work at a NESG. $TV_{switch\ to\ ESG}$ is the average salary the employees will ask when shifting to work from a NESG to an ESG. *AV* estimates the additional financial value for financial institutions employees of adopting an ESG-policy in salary terms. † It is possible that the median salary reported by Central Bureau of Statistics in Israel is less reflective of the employee respondents in the sample, because the average salary in the transition to an ESG exceeded NIS 11,000.

We also analyzed the employees to see whether their perceptions regarding ESG issues affected the value they attribute to the adoption of an ESG policy. The results appear in Table 4.

Table 4. Regression results for employees.

	AV—Employees
Environmental perceptions	1603.82 ** (729.65)
Social perceptions	166.75 (628.16)
Constant	−3922.11 (2638.75)
Observations	74
R^2	0.08
Adjusted R^2	0.06
Residual Std. Error	2884.20 (df = 71)
F Statistic	3.14 ** (df = 2; 71)

AV is the additional value of an ESG policy adoption for the financial institutions in salary terms. ** indicates $p < 0.05$.

As with the customers, for employees, the higher their level of environmental perceptions, the greater the additional value they attribute to the adoption of an ESG policy in the financial institution in which they work. One implication of this finding might be that financial institutions should consider adopting an ESG policy to help them recruit high-quality employees at a lower salary. Additional regressions including age and gender as explanatory variables showed no significant results. Additional statistical analyses were performed distinguishing between individuals with social concerns and individuals with environmental concerns. Due to the size of the sample, this distinction created very small groups, leading to insignificant results.

6. Discussion and Conclusions

Our study takes a step forward in documenting the positive impact that adopting an ESG policy has on a firm's stakeholders e.g., [6–13]. We present a more nuanced and comprehensive understanding of the significance that adopting an ESG policy has on stakeholders, especially customers and employees. Moreover, we identify the economic mechanism through which the value to shareholders increases, leading to positive effects on customers and employees. We focus on the financial sector due to its critical role in the global economy, and because studies in finance and accounting generally investigate financial institutions separately from other industries e.g., [50,51].

The results suggest that customers ascribe significant positive additional value to financial institutions that adopt an ESG policy and punish those that do not. Specifically, customers shifting their financial business from a NESG to an ESG are willing to pay higher account management fees. However, customers shifting their financial activity the other way around to a NESG will demand a significant discount on the account management fees they have to pay, regardless of the inconvenience of the transition itself. Customers in both transitions are willing to pay more than 47% of the average management fees to work with financial institutions that have an ESG policy, making it a real source of revenue for these businesses.

One explanation for these results may come from Gneezy [52] who argued that more involved customers identify more with the company, especially when the involvement comes as a result of a pro-social action. Thus, if financial institutions are interested in attracting potential new customers, retaining their existing customers, and increasing the revenues from their account management fees, they should simply adopt an ESG policy. Of course, these advantages are in addition to the benefits that such policies have for society and the environment in general.

Examining the effect of such policies on employees revealed a similar outcome. Employees will demand a higher salary when deciding to work at a NESG. This supplement is significant, meaning that employees give additional value to the existence of an ESG policy in the financial institution for which they work. The significant positive value of such a policy adoption constitutes more than 11% of their average salary, implying that there is actual additional financial value to this policy for employees above and beyond its benefits for the environment and society. Thus, financial institutions seeking to hire high-quality employees at lower salaries should adopt an ESG policy.

Our research accords with a broad trend in the business sector in recent years, in which stakeholders, not just shareholders, are an important factor in the firm's decision-making process see, for example [53]. Indeed, Schwab [54] coined the term "stakeholder capitalism" to emphasize the importance of creating long-term value in addition to focusing on short-term profits. In that sense, our research provides concrete, empirical evidence that adopting an ESG policy produces significant positive economic value for other stakeholders beyond shareholders, and to a deeper understanding of the flow of value creation. This study also reveals that adopting an ESG policy can make financial institutions both profitable and committed to supporting sustainability actions at the same time. More paying customers create more revenue, lower employees' salaries reduce expenses, so the economic value to the stakeholders is directly translated into the economic value to shareholders as well. Additionally, the adoption of a sustainable policy such as an ESG policy contributes to the company in other ways such as reducing its risk and improving its reputation [55,56], which, in turn, also increase its value.

Does our call for adopting responsible policy in financial institutions create value like Edmans' [40] finding of value increasing of firms following responsible investments? Do customers and employees of financial institutions really care about their ESG policies? If so, can we quantify the degree to which they choose which of these institutions to work or bank in based on the adoption of such policies? Our results provide a resounding yes to all of these questions. We answer the call of Eccles [5] for a broader understanding of the added value that having an ESG policy brings beyond its effect on financial performance. We also make a contribution to theory in the field by isolating and measuring the added value customers and employees ascribe to the adoption of ESG policies. To our knowledge, this is the first study that quantifies the benefits of adopting an ESG policy for stakeholders of financial institutions other than shareholders

Our findings also make a practical contribution by creating a model that quantifies the actual positive effects of adopting an ESG policy not only from the double bottom-line point of view, but also for the shareholders and the potential benefits for the firm's value and reputation. Of course, these benefits are additional bonuses to the benefits that adopting such a policy has for society and the environment in general.

Our study has several limitations. First, one could argue that unpaid respondents might make different decisions than they would in real life, which might weaken the effect in reality. This possibility calls for further research in the field, examining the possible effect of payment and its timing on respondents' decisions regarding the financial value of working in or with a company adopting an ESG policy see also [57]. Second, given that we tested our novel theoretical model only in the financial sector, there is a need for more insight from other industries. Scholars can benefit from examining this model in other sectors and deepen the understanding of stakeholder's benefits from ESG policy adoption.

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Data Availability Statement: Not applicable.

Conflicts of Interest: The authors declare no conflict of interest.

Appendix A

The Questionnaire

Here are some claims. Please indicate your degree of agreement with each claim, ranging from "strongly disagree" to "strongly agree".

	Strongly Disagree	Disagree	I Have No Opinion	Agree	Strongly Agree
We are approaching the limit of the number of people the Earth can support					
To maintain a healthy economy, we will need to control industrial growth					
Humans do not have the right to modify the natural environment to suit their needs					
The balance of nature is delicate and easily upset					
Humans must live in harmony with the nature in order to survive					
The damage to natural resources and nature itself must be avoided					

Here are some claims. Please indicate your degree of agreement with each claim, ranging from "strongly disagree" to "strongly agree".

	Strongly Disagree	**Disagree**	**I Have No Opinion**	**Agree**	**Strongly Agree**
Improving the welfare of all people in need					
Having all nations working together to help each other					
Lessening the gap between the rich and the poor					
Readiness to change our way of life for the better					
Giving everyone an equal chance in life					

Imagine that you have a bank account in a financial institution, and answer the following two questions:

(1) You have an account at a financial institution that adopted social, environmental, and governance (ESG) principles several years ago, and acts in accordance with them. You currently pay account management fees of NIS 27 (NIS stands for New Israeli Shekels. At the time of writing, there were NIS 3.25 in 1 USD) per month. Assume now that another financial institution that does not intend to adopt these principles offers you the opportunity to open up a new account and transfer to it all of your financial activity. Indicate the maximum management fees you would be willing to pay in order to close your account at the adopter financial institution and move your account to the non-adopter financial institution. In order to close my account at the adopter financial institution and open up a new account at the non-adopter financial institution, I would agree to pay the adopter financial institution monthly management fees in the amount of (please fill in an amount in NIS per month): _____

(2) Assume now that you maintain an account at a financial institution that does not intend to adopt social, environmental and governance (ESG) principles and pay account management fees in the amount of NIS 27 per month. You are now offered the opportunity to open up a new account at a financial institution that adopted these principles several years ago and acts in accordance with them, and to transfer all your financial activities to it. Indicate what management fees you would be willing to pay in order to transfer your financial activity from the non-adopter financial institution to the adopter financial institution. In order to close my account at the non-adopter financial institution and open up a new account at the adopter financial institution, I would agree to pay the adopter financial institution monthly management fees in the amount of (please fill in an amount in NIS per month): _____

Now imagine that you work for a financial institution, and answer the following two questions:

(1) Assume that the financial institution you work for adopted principles of social, environmental, and governance (ESG) responsibility several years ago, and acts on them. Today, your monthly salary is NIS 11,000. Assume now that you are offered a similar position in a financial institution that does not intend to adopt these kinds of principles. Indicate the minimum salary you would require in order to give up your current position at the adopter financial institution and move to a financial institution that does not intend to adopt those principles. In order to leave my position at the adopter financial institution and agree to the job offer at the non-adopter financial institution, I would demand from the non-adopter financial institution a minimum monthly salary of (please complete the amount in NIS per month): _____

(2) Now assume that you are currently working in a financial institution that does not intend to adopt the principles of social, environmental and governance (ESG)

responsibility. You earn NIS 11,000 a month. You are now offered a position similar to your current one at a financial institution that adopted these principles several years ago and acts on them. Indicate what salary you would agree to receive in order to transfer from your current job at the non-adopter financial institution to your new job at the adopter financial institution. In order to leave my position at the non-adopter financial institution and agree to the job offer at the adopter financial institution, I would demand from the adopter financial institution a minimum monthly salary of (please complete the amount in NIS per month): _____

Please fill in the following details:

1. Age _____
2. Gender:
    a. Female
    b. Male
    c. Other
3. Education:
    a. Elementary
    b. High school
    c. Vocational education
    d. Undergraduate
    e. Graduate
    f. Other
4. For Undergraduate and Graduate only: what is your major?
    a. Engineering
    b. Management/Economy
    c. Science
    d. Social science other than economics/management
    e. Other
5. For Graduate only: what is your major?
    a. Engineering
    b. Management/Economy
    c. Science
    d. Social science other than economics/management
    e. Other
6. Marital status:
    a. Single
    b. Married/in a relationship
    c. Divorced/separated
    d. Widower
    e. Other
7. Ethnicity:
    a. Jewish
    b. Muslim
    c. Christian
    d. Druse
    e. Other
8. Occupation:
    a. Student
    b. Employee-private sector
    c. Employee-public sector
    d. Self-employed
    e. Other

9. Do you work in the field of ESG or in the field of impact investments?
   a. Yes
   b. No
10. According to the Central Bureau of Statistics in Israel, the average household income is about NIS 17,276 net per month. What is your household income?
   a. Far above average
   b. Above average
   c. Around average
   d. Below average
   e. Far below average

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