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Influence of ESGC Indicators on Financial Performance of Listed Travel and Leisure Companies

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Abstract: The objective of this work was to research the impact of environmental, social, governance, and controversies (ESGC) indicators on financial performance. We used a sample of financial and nonfinancial business data from international countries for 2017 obtained through the Thomson Reuters environmental, social, and corporate governance (ESG) database. The company participants in the study belong to the tourism sector and are listed on international stock market indices. The methodology used was based on parametric and nonparametric statistical tests. Evidence supports that governance practices significantly influence financial performance. The contribution of the study is two-fold—from a theoretical perspective, it adds to the existing literature and, from an empirical point of view, we developed ESGC indicators and their relationship with financial performance using a binary regression logistic model, with results that can be applied to an international tourist perspective.

Keywords: environmental pillar; social pillar; governance pillar; controversies; reputation; financial performance; return of assets (ROA); return of equity (ROE); Tobin's Q

1. Introduction

In recent years there has been a strong international escalation in research on environmental, social, and corporate governance (ESG) issues [1–3]. More and more companies are aware that publicly showing their ESG results is key to their good reputation and image [4,5]. In particular, the ESG score and its relationship with the financial performance of the company is being widely studied [2,3]. These studies are useful for both the academic and professional fields. Specifically, the ESG indicators can be consulted by investors in their decision-making.

Below, we describe the impact that international news can have on a company's business image and its financial profitability. Companies are exposed to risks related to ESG aspects. Proof of the impact of this type of data is the annual development of reports such as RepRisk based on information that is screened, analyzed, and quantified on a daily basis from a wide range of publicly available stakeholder and media sources. Thus, the Most Controversial Companies (MCC) 2018 report shows how major corporations from different sectors, including airlines, utilities, and banks, had to mitigate reputational and financial impacts resulting from the inadequate management of ESG risks [6]. The wide spectrum of ESG issues faced by these companies, and the ripple effects of these issues on the sector as a whole, stresses the global dynamics of ESG incidents.

For instance, Lion Mentari Airlines ranks as the most controversial company of 2018 due to a fatal plane crash in Indonesia, while Xe-Pian Xe-Namnoy Power ranks second for the cross-border impacts of a dam failure [6].

Similarly, business dispute cases, such as the departures of executive management teams, may not be positive for the development of the company. The strength of the internet and the speed with which news is spread through social networks makes it very difficult to hide controversial events that can occur inside companies. The awareness of such events has an almost automatic impact on the financial results of listed companies.

The news in the international economic press on the substitution and departures of managers in the companies of all the sectors is usual. For example, in 2017, McDonald's, a leisure and tourism company, replaced three key executives as part of its strategy to revert the decrease in US sales [7], and The Wall Street Journal also echoed in 2018 that this company would cut layers of managers to reduce administrative expenses [8]. Similarly, Hilton Grand Vacations announced the departure of the Executive Vice President and Chief Financial Officer for behavior not consistent with company policies [9]. Another enterprise, Southwest Airlines announced changes to the leadership team [10]. By continuing to track news in the international economic press, we found that, in October of the same year, Hyatt Hotels appointed a new finance chief, because the then current Chief Financial Officer bet on Starbucks [11]. Several departures of executives at Wynn Resorts and Avis Budget Group Inc. were collected in the economic press of these years, responding in all cases to an effort for increasing the stock prices and the profitability of the companies [12].

However, not all news published in the economic press has a negative impact on business performance. Sustainability aspects published on company websites, in the external press, or on social networks generate a positive image for the company by contributing significantly to the improvement of society in global terms.

For example, the Meliá hotel chain appeared in first place in the Corporate Monitor ranking of the Corporate Reputation MERCO (2018) on Corporate Responsibility and Governance [13], which represents a firm commitment to responsible tourism and a guarantee for all the stakeholders involved in the performance of the business internationally.

The appearance in rankings of controversial companies, the news in the economic press of changes in management teams, or public information about the sustainable actions of companies, have a significant influence on business financial behavior. This is the reason why we added the controversy indicator (C) to the ESG score, obtained from the Thomson Reuters ASSET4 database, as a measure of the complete impact of news on business performance.

Thus, the objective of this work was to research the impact of environmental, social, governance, and controversies (ESGC) indicators on financial performance (FP). With our study, we have tried to fill the gap found in the literature on the relationship between ESG and FP. The importance of our work lies in the fact that its results mitigate the risks associated with the lack of information and knowledge about the ESGC indicators, contributing to greater stakeholder satisfaction.

Below, we highlight the theories that support our study and review the literature. Next, we describe the research hypothesis, the statistical model, and the results of our empirical analysis. Finally, we discuss the study along with its limitations and our proposals for future research in this field and end with our conclusions.

2. Theoretical Framework

The main theories applicable to this study include stakeholder theory, resource dependence theory, classical economic theories, team production or operational model theories, and signaling theory. Stakeholder theory contributes to a good corporate social responsibility (CSR) policy together with adequate behavior of the board of directors. These actions will improve the financial profitability and favor the shareholders, employees, customers, suppliers, and all other agents that may be affected by the decisions made by the company. Some authors have offered a unified approach to CSR

decision-making, while simultaneously providing a practical framework for CSR executives who face the challenge of responding in an effective manner to stakeholders [14].

Boards of directors in this study are analyzed under the approach of the resource dependence theory [12], according to which members of the board are the crucial link between the company and the resources needed to maximize performance [16,17]. We consider that the board must be an important resource for the company, especially in its relationship with the external environment, due to its ability in obtaining a sustainable competitive advantage over its competitors [18–20].

Stakeholder theory, by taking into account the interests of the whole of society, could make a contribution to this paper. The healthy financial results of the company, and their direct relationship with the correct structure and operation of the board, favor shareholders, employees, clients, suppliers, and all those other elements that can be affected by the decisions that are taken in the company. The academic debates surrounding this approach have occurred over a long period of time [21–29].

Classical economic theory holds that companies should limit themselves to complying with environmental legislation and not spend on environmental initiatives [30]. It considers that the voluntary adoption of environmental measures acts as a brake on the profitability of the company, diverting resources to initiatives that are difficult to quantify, which usually do not generate immediate direct economic benefits [31]. Therefore, companies should only be involved in environmental initiatives if they generate quantifiable economic benefits [32]. On the other hand, stakeholder theory suggests that companies should incorporate environmental initiatives as an integral part of their business strategy, because when they are made, they obtain long-term economic benefits derived from the achievement of competitive advantages [33–35].

A team production model of corporate governance has been proposed by [36]. For these authors, neither resource dependence nor stakeholder theory has generated an effective decision-making model for the selection of board members. These authors call for a stronger voice from shareholders to exercise control over the value of the company through its market price, as this figure can create or destroy the value of a company.

The activity of board members has a significant impact on the company's reputation. Corporate reputation can be seriously damaged by these matters and, as a consequence, its financial performance. The authors use signaling theory to investigate the relationship between management departures and corporate reputation. [37].

Along the same lines, an operational model for managing corporate reputation and image was developed by [38]. A model of reputation based on research, including strategy, stakeholder/social issues, and the newly emerging works in reputation, has been proposed by [5].

3. Formulation of Hypotheses and Model

The governance of the company includes strategic actions that affect the environmental and social aspects as well as the corporate image. With the adoption of environmental initiatives, companies expect to improve their competitive advantages [39], although these could detract resources for investments that in turn would reduce their competitiveness [40].

In recent years, the review of the academic literature on the relationship between environmental initiatives and financial development has shown that most studies present a positive relationship [41,42].

Despite this, there is no consensus among researchers on the relationship between environmental initiatives and financial development. Some show positive relationships [42–54], while a few point to negative correlations [55,56]. Likewise, others have not found any relationship between the environmental initiatives and the financial performance of companies [43,57].

The existing studies have tried to evaluate the environmental aspects and the financial performance of the companies by attempting to establish the bidirectional relationship between both subjects. Thus, companies that have had good financial development also perform well in environmental initiatives, significantly greater than those with low financial performance. This suggests that companies with greater financial resources should allocate more resources to environmental initiatives [58].

Other authors have indicated that the impact of environmental initiatives on financial performance may not be immediate, rather manifesting itself in the long term, and show a short-term decrease in financial performance as a result of environmental investments and the diversion of resources [59–61].

A study about China's listed power generation groups has explored the relationship between ESG performance and financial indicators in the energy power market [62]. However, there is a shortage of research that addresses the relationship between the environment and the financial development in companies in the tourism sector [58].

In the tourism sector, environmental initiatives are considered to be commercial strategies designed to improve, mitigate, and/or eliminate the negative externalities associated with their operations [63]. Some authors have emphasized that the adoption of environmental measures has meant restraint in the tourism sector. This delay is believed to be due to the scarcity of regulations, norms, and incentives in the industry, and the scarce development of the green supply chain discourages the adoption of initiatives in the sector [64].

There are differences between the environmental actions of large hotel chains and small independent hotels, depending on the policies of each organization [65]. Large hotel chains have global environmental policies, although the implementation and execution of these policies at the operational levels proves to be a challenge, and there is no uniformity across all the organizations. On the contrary, smaller hotel companies tend to focus on specific areas of environmental management, and many of them, with altruistic motivations, strive for the improvement of their competitiveness [66,67].

In addition to the environmental aspects, company management plays a fundamental role in achieving socially responsible objectives. Corporate governance arises as a result of the problem of owner control on management and the mechanisms available to exercise the control of all departments [68]. The board of directors plays a relevant role in disciplining and advising management to take the most correct decisions within organizations, including on social and environmental issues [69].

Company governance emerges as a result of the separation between the ownership of the company and its control in response to a system by which the companies are directed and controlled [70]. The mission of directors consists of ensuring the long-term viability of the company. Maximizing profitability for shareholders [71] and harmonizing the interests of the company with those of the interest groups are also competencies of the members of the board [72]. Their decisions will lead to increased levels of financial performance, the possible implementation of corporate social responsibility (CSR) policies, and the deployment of a particular strategy of socially responsible investment by part of the company [73,74].

Ethical CSR highlights the role of regulation and its dynamic history; the perception of multinational corporate corruption sheds light on the fluidity of the regulation—CSR relationship as demonstrated by [75]. CSR and corporate social performance (CSP) through business cases as well as a statistical analysis including bidirectional causality between social and financial performance is developed in the study of [76]. Although the results of this work provide no evidence that there is a generic or universal business case for CSR, they indicate that there is a strong link between single stakeholder-related issues of CSR and financial performance.

It is widely assumed that greater diversity in corporate governance will enhance a firm's corporate social performance. Diversity and managerial control of the board as possible predictors of corporate social performance have been empirically evaluated in the study of [77].

The extent to which boards use executive compensation to incite firms to act in accordance with social and environmental objectives has been explored by [78]. The study examined the association between executive compensation and CSR for 77 Canadian firms, using three key components of executives' compensation structure. Their findings suggest the importance of the structure of executive compensation in encouraging socially responsible actions and the impact of institutional context in influencing the association between executive compensation and CSR.

Sotorrío and Sánchez [79] constructed an indicator of social behavior (termed sustainability effort) by aggregating the firm's social effort with customers, employees, community, and environment

for a sample of the 40 European and North American companies most highly reputed in 2003 and 2004. McGuire, Dow, and Argheyd [80] examined the relationship between CEO incentives and strong and weak corporate social performance. Using the KLD database they found that incentives have no significant relationship with strong social performance. Salary and long-term incentives have a positive association with weak social performance. Tarmuji, Maelah, and Tarmuji [1] found the support that social and governance practices significantly influence economic performance with a sample of nonfinancial data from two countries (Malaysia and Singapore) for the period of 2010–2014.

Social corporate performance is related to the reputation of the company. Hence, Aouadi and Marsat [38] established a relationship between image and corporate reputation using the case of United Airlines. Changes in the strategy or in the name of this company have influenced the price of the stock. These authors concluded that for a company to successfully establish and perpetuate relationships with stakeholders, a good reputation, ethical behavior, and technical and business competence are essential.

Aouadi and Marsat [4] recently incorporated company controversies in the analysis of ESG and found a corresponding association with greater firm value. The controversies of the companies in our study mainly relate to management departures and respond to the following question: Has an important executive management team member or a key team member announced a voluntary departure (other than for retirement) or been ousted? Flatt, Harris–Boundy, and Wagner [37] investigated the relationship between chief executive transitions and corporate reputation, as assessed by the 2007 and 2008 Fortune ratings of 241 companies. The conclusions of this study show that, on average, CEO successions improved corporate reputation.

Based on the previous theoretical body, we proposed the following hypothesis for our study and its corresponding subhypotheses:

Hypothesis 1 (H1). *Financial performance is influenced by the value of the Environmental (E), Social (S), Governance (G), and Controversies (C) indicators.*

Subhypothesis 1.1 (H1.1). *Return of assets (ROA) is influenced by the value of the E, S, G, and C indicators.*

Subhypothesis 1.2 (H1.2). *Return of equity (ROE) is influenced by the value of the E, S, G, and C indicators.*

Subhypothesis 1.3 (H1.3). *Tobin's Q is influenced by the value of the E, S, G, and C indicators.*

To test these hypotheses, we proposed the logistic model with the following generic formula:

$$P(Y = 1) = \frac{1}{1 + \exp(-\alpha - \beta_1 X_1 - \beta_2 X_2 - \beta_3 X_3 - \dots - \beta_K X_K)} \quad (1)$$

where FP means financial performance, the dependent variable, which takes into account different economic and financial values, such as return of assets (ROA), return of equity (ROE), and Tobin's Q.

The independent variables were the Environmental (E), Social (S), Governance (G), and Controversies (C) indicators.

4. Methodology

This study used several criteria to determine the sample. First, we considered the companies that operate in the travel and leisure sector, since we wanted to focus our analysis on tourism companies. Second, we focused on companies that are listed on the main global stock markets, chosen because of the quality of data and availability of financial information.

The selected companies belong to the STOXX Sector indices and the IBEX 35, as seen in Table 1. They are available for global markets as well as Europe, the Eurozone, and Eastern Europe.

Table 1. Selected companies that belong to the STOXX Sector indices and the IBEX 35.

Index	Number of Companies	Countries
SXTP STOXX@Europe 600 Travel and Leisure	20	United Kingdom, France, Ireland, Germany, Sweden
STOXX@Global 3000 Travel and Leisure	125	USA, Canada, Japan, United Kingdom, Australia, France, Hong Kong, Korea, Philippines, Singapore, Thailand, Sweden, Malaysia, Ireland, Germany
STOXX@North America 600 Travel and Leisure	25	USA, Canada
IBEX 35 Madrid Stock Exchange Leisure, Tourism, and Hospitality	35	Spain

Source: own elaboration.

Using the market standard Industry Classification Benchmark (ICB), companies were categorized according to their primary source of revenue. This categorization guarantees a professional and accurate classification of companies in their respective business environments. There are four levels of classification ranging from broad to very detailed: 10 industries are broken down into 19 supersectors, 41 sectors, and 114 subsectors.

In our case, we used the travel and leisure supersector. We also introduced, as Spain is the country of origin of the researchers, the companies belonging to the IBEX 35 Consumer Services Sector, Subsector: 4.1 Leisure, Tourism, and Hospitality, all of which are listed on the Madrid Stock Exchange. The data were obtained on April 4th 2019.

The Eikon Thomson Reuters ASSET4 database was used to obtain corporate information. This database contains financial, environmental, social, corporate governance, and internationalization information for more than 6000 companies worldwide for all sectors of activity, incorporating more than 400 measures grouped in more than 70 indicators and extracted from more than 75,000 information sources based on 10 proportionally weighted categories (Table 2).

Table 2. Categories of pillars and their weights.

Pillar	Category	Indicators in Rating	Weights
Environmental	Resource Use	19	11%
	Emissions	22	12%
	Innovation	20	11%
Social	Workforce	29	16%
	Human Rights	8	4.50%
	Community	14	8%
	Product Responsibility	12	7%
Governance	Management	34	19%
	Stakeholders	12	7%
	CSR Strategy	8	4.50%
TOTAL		178	100%

Source: [81]. CSR: Corporate social responsibility.

Out of these four indexes, a list of 205 companies emerged, some of which were present in several of the indexes, so a filtering was done to eliminate those that were repeated, giving rise to

124 companies. Of the 124 companies that make up our sample, five did not provide enough ESGC or financial data and, hence, were excluded. All values were standardized and verified to facilitate statistical analysis.

As a result of the above, a longitudinal database was obtained, with data for 2017, composed of 119 companies (Appendix A) and 833 observations. The companies were divided into six sectors of activity according to the Dow Jones U.S. Travel and Leisure index (DJUSCG). The subsectors to which the companies in the sample belong and their associated codes are: Airlines (5751), Gambling (5752), Hotels (5753), Recreational Services (5755), Restaurants and Bars (5757), and Travel and Tourism (5759).

4.1. Dependent Variable

The dependent variable was financial performance, measured through ROA, ROE, and Tobin's Q. Numerous studies show that these variables are the most used when measuring financial performance [82–86].

ROA is widely used in the literature as a proxy to examine the effects of ESG on FP [2,85,87]. This ratio is defined as the quotient of net income to total assets and focuses on how a company's earnings responds to different management policies and the relative efficiency of asset utilization [88].

ROE (return on equity) measures the profitability generated by a company on its own capital and is mainly used to compare the profitability of a company with that of other companies in the same industry.

Tobin's Q is a basic indicator of profitability. It is obtained by dividing the market value of assets by the book value. This ratio indicates if an asset is overvalued or undervalued and is a long-term measure of the value of the company. Where ROA and ROE represent accounting values, Tobin's Q measures financial market value.

4.2. Independent Variables

In our study, the independent variables were represented by the values of the Environmental, Social, Governance, and Controversies pillars, which were obtained through the Thomson Reuters ASSET4 database. The complete content of the components of these pillars can be found in Table 2 of this work.

The Environmental pillar reflects environmental responsibility. For this dimension, 57 indicators were evaluated. It is the extent to which a company uses the best management practices to avoid environmental risks, capitalizing on environmental opportunities. It is formed from a weighted assessment of the indicators related to emission reduction, product innovation, and reduction of resource consumption.

The Social pillar reflects the company's commitment to the community. This pillar contains 60 indicators. It is formed from a weighted assessment of the indicators related to responsibility of the product, community, human rights, and human resources.

The Governance pillar reflects the degree to which the systems and processes of the firm guarantee that its members and board executives act in the best interest of the shareholders in their forecast for long-term operations. This dimension contains 48 indicators on the leadership levels of the team. It is formed from a weighted assessment of the indicators related to management (advice, functions and structures), CSR strategies, and relations with stakeholders.

To these pillars we added Controversies (Appendix B), which reflects in a unique score aspects which take into account the different debates arising within each of the following categories: Community, human rights, management, product responsibility, reduction of resource consumption, relationship with groups of interest, and human resources.

The Thomson Reuters score for each of the pillars corresponds to a grading scale from D– to A+. For the statistical treatment of the data set, a numerical conversion of each of the ratings was carried out taking into account the intervals that appear in Table 3.

Table 3. Rank conversion.

Score Range	Grade
0.0 <= score <= 0.083333	D–
0.083333 <= score <= 0.166666	D
0.166666 <= score <= 0.250000	D+
0.250000 <= score <= 0.333333	C–
0.333333 <= score <= 0.416666	C
0.416666 <= score <= 0.500000	C+
0.500000 <= score <= 0.583333	B–
0.583333 <= score <= 0.666666	B
0.666666 <= score <= 0.750000	B+
0.750000 <= score <= 0.833333	A–
0.833333 <= score <= 0.916666	A
0.916666 <= score <= 1	A+

Source: [81].

With this database, which gathers the main international companies, a selection of those operating in the field of travel and leisure, with their respective ESG + Controversies indicators, can provide a global vision of the current situation in the sector, enabling us to make general conclusions on the influence of the ESG + Controversies indicators on financial performance.

4.3. Empirical Analysis

In order to find a relationship between our dependent variables (indicators of financial performance) and independent variables (ESGC indicators), parametric and nonparametric tests were applied.

Among the parametric tests, two models were tried: Multiple linear regression and binary logistic regression. Completing the statistical analysis, nonparametric tests were carried out, including the Mann–Whitney U test.

5. Empirical Results

Our initial idea was to estimate a multiple linear regression model in order to find a relationship between our dependent (indicators of financial performance) and independent variables (ESGC indicators). As is known, there are different conditions that must be met for this model to be guaranteed validity. We applied the normality test to the variables; according to the Klomogorou–Smirnoy indicator, $p < 0.05$, the null hypothesis was not accepted, and the variables did not present a normal distribution.

We executed the binary logistic regression model in order to determine if the dichotomous ROE (ROE = MED < 11.97 and MED \geq 11.97), ROA (ROA = MED < 4.69 and MED \geq 4.69), and Tobin's Q (Tobin's Q = MED < 2.4108 and MED \geq 2.4108) financial variables were based on the values obtained in the four pillars (Environmental, Social, Governance, and Controversies).

The conversion of the dependent variables into dichotomous variables was carried out following [89] and, hence, considered the median of each of these variables.

The Wald statistics were used to determine if the coefficients introduced in the model were statistically significant ($p < 0.05$). To determine the goodness-of-fit, the Hosmer test of the model coefficient was employed, and to specify the percentage of variance explained by the binary variables, the Cox and Snell statistics and the Nagelkerke correction were run [90,91].

From the logistic regression, we found that the ROA classificatory variable explained between 8% and 11% of the variance of the data (Cox and Snell = $R^2 = 0.082$, Nagelkerke = $R^2 = 0.110$), and the Governance variable was the best and the only predictor for the model (Table 4). The general evaluation of the model shows a proper fit (Hosmer and Lemeshow = $X^2(8) = 5.222$, $p < 0.401$).

Table 4. Return of assets (ROA) logistic regression analysis.

Variables	β	EE β	Wald	Gl	P	e^{β}
Environment	0.993	1.292	0.590	1	0.442	2.699
Governance	2.257	1.070	4.453	1	0.035	9.553
Social	0.046	1.364	0.001	1	0.973	1.047
Controversies	1.086	0.835	1.691	1	0.193	2.964
Constant	-2.183	0.835	6.831	1	0.009	0.113

Note: The backward stepwise Wald method was used. Source: Own elaboration.

From Table 4, the logistic regression equation can be expressed as follows:

$$P (ROA = 1) = \frac{1}{1 + \exp(2.183 - 0.993x_{env} - 2.257x_{gover} - 0.046 x_{soc} - 1.086 x_{contro})} \quad (2)$$

We also found that the ROE classificatory variable explained between 5% and 7% of the variance of the data (Cox and Snell = $R^2 = 0.054$, Nagelkerke = $R^2 = 0.073$), with no predictor/independent variable (Table 5). The general evaluation of the model shows a proper fit (Hosmer and Lemeshow = $X^2 (8) = 7.048$, $p < 0.531$); however, no covariable predicted the model.

Table 5. Return of equity (ROE) logistic regression analysis.

Variables	B	EE β	Wald	gl	p	e^{β}
Environment	0.811	1.280	0.402	1	0.526	2.251
Governance	1.612	1.052	2.347	1	0.126	5.013
Social	0.160	1.351	0.014	1	0.905	0.852
Controversies	0.588	0.826	0.507	1	0.477	0.555
Constant	0.703	0.801	0.771	1	0.380	0.495

Note: The backward stepwise Wald method was used. Source: Own elaboration.

From Table 5, the logistic regression equation can be expressed as follows:

$$P (ROE = 1) = \frac{1}{1 + \exp(0.703 - 0.811x_{env} - 1.612x_{gover} - 0.160 x_{soc} - 0.588 x_{contro})} \quad (3)$$

The Tobin's Q classificatory variable explained between 3% and 4.6% of the variance of the data (Cox and Snell = $R^2 = 0.034$, Nagelkerke = $R^2 = 0.046$), and no predictor/independent variable predicted the model (Table 6). The general evaluation of the model shows a proper fit (Hosmer and Lemeshow = $X^2 (8) = 14.661$, $p < 0.66$), but no covariable predicted the model.

Table 6. Tobin's Q Logistic regression analysis.

Variables	β	EE β	Wald	gl	P	e^{β}
Environment	0.917	1.261	0.530	1	0.467	0.400
Governance	0.386	1.204	0.142	1	0.706	1.470
Social	-0.838	1.324	0.401	1	0.527	0.433
Controversies	-1.435	0.824	3.029	1	0.082	0.238
Constant	1.425	0.804	3.142	1	0.076	4.157

Note: The backward stepwise Wald method was used. Source: Own elaboration.

From Table 6, the logistic regression equation can be expressed as follows:

$$(\text{Tobin's } Q = 1) = \frac{1}{1 + \exp(1,425 - 0.917x \text{ env} - 0.386x \text{ gover} + 0.838 x \text{ soc} + 1.435 x \text{ contro})} \quad (4)$$

Subsequently, the Mann–Whitney U test was performed in order to further delve into the results and analyze the significance of the differences observed between the groups in which the financial variables were divided. This test was chosen because a priori, as previously stated, the normality test was run, and the results of the normality tests showed that the distributions of the financial variables did not comply with the condition.

In order to analyze if there were differences between the previously established groups of the ROA financial variable, an analysis of the significance of the differences observed through the Mann–Whitney U test was carried out. The results obtained (Table 7) show that there were statistically significant differences between the groups for the Governance pillar (Mann–Whitney U = 1235, $p = 0.004$). Namely, those that present a higher ROA score have higher values of Governance. With respect to the other pillars, no statistically significant differences were found.

Table 7. Average ranges of ROA.

Variables	ROA	N	Average Range	Sum of Ranges
Environment	0	58	54.41	3155.50
	1	61	65.32	3984.50
	Total	119		
Governance	0	58	50.80	2946.50
	1	61	68.75	4193.50
	Total	119		
Social	0	58	54.97	3188.50
	1	61	64.78	3951.50
	Total	119		
Controversies	0	58	56.71	3289.00
	1	61	63.13	3851.00
	Total	119		

Note: $0 < \text{Median} = 4.69$, $1 \geq \text{Median} = 4.69$.

The same analysis of significance was performed on the ROE variable through the Mann–Whitney U test. The results obtained (Table 8) show statistically significant differences between the groups for the Governance pillar (Mann–Whitney U = 1333, $p = 0.027$) and partially significant differences for the Environment pillar (Mann–Whitney U = 1389, $p = 0.057$). Those that presented a higher score in the ROE had higher values of Governance and Environment. With respect to the other two pillars, no statistically significant differences were found between the two groups.

Table 8. Average ranges of ROE.

Variables	ROE	N	Average Range	Sum of Ranges
Environment	0	52	53.21	2767.00
	1	67	65.27	4373.00
	Total	119		
Governance	0	52	52.13	2711.00
	1	67	66.10	4429.00
	Total	119		
Social	0	52	54.27	2822.00
	1	67	64.45	4318.00
	Total	119		
Controversies	0	52	63.14	3283.50
	1	67	57.56	3856.50
	Total	119		

Note: 0 < Median = 11.97, 1 ≥ Median = 11.97.

We carried out a Mann–Whitney U test analysis of significance to determine if there were differences between the previously established groups of the Tobin’s Q financial variable. The results obtained (Table 9) show that there were no statistically significant differences between groups with respect to any pillar. Although their average ranges were different, these differences were not statistically significant.

Table 9. Average ranges of Tobin’s Q.

Variables	Tobin’s Q	N	Average Range	Sum of Ranges
Environment	0	58	62.87	3646.50
	1	61	57.27	3493.50
	Total	119		
Governance	0	58	61.86	3588.00
	1	61	58.23	3552.00
	Total	119		
Social	0	58	64.00	3712.00
	1	61	56.20	3428.00
	Total	119		
Controversies	0	58	64.12	3719.00
	1	61	56.08	3421.00
	Total	119		

Note: 0 < Median = 2.4108, 1 ≥ Median = 2.410.

In summary, the results obtained, both in the execution of the binary logistic regression model (parametric test) and in the Mann–Whitney U test (nonparametric test) are shown in Table 10.

As can be seen from the results obtained with parametric and nonparametric tests, the relationship was positive for ROA and ROE with the Governance variables in connection with [62,76]; and ROE partially with Environment according to [58,62]. Thus, the results partially endorse the objective pursued with our work. However, this was not the case for the relationship obtained using Tobin’s Q.

Table 10. Summary of results.

Variables	PARAMETRIC TESTS				NONPARAMETRIC TESTS			
	E	S	G	C	E	S	G	C
ROE	Not Sig.	Not Sig.	Not Sig.	Not Sig.	Partially Significant	Not Sig.	Significant	Not Sig.
ROA	Not Sig.	Not Sig.	Significant	Not Sig.	Not Sig.	Not Sig.	Significant	Not Sig.
Tobin's Q	Not Sig.	Not Sig.	Not Sig.	Not Sig.	Not Sig.	Not Sig.	Not Sig.	Not Sig.

Source: Own elaboration; E: Environmental; S: Social; G: Governance; and C: Controversies.

6. Discussion

The objective of this work was to research the impact of environmental, social, governance, and controversies (ESGC) indicators on financial performance. As verified in the analysis of the results of our empirical study, there is a direct and positive relationship between the corporate financial performance measured through the ROA and ROE variables and the Governance variable. However, Duque–Grisales and Aguilera–Caracuel [3] found that the relationship between the ESG score and financial performance is significantly negative for the Latin American business context, although they did not take into account the Controversies variable.

Many authors have studied this relationship, although not necessarily applied to the case of listed tourism companies. As shown in the review of the literature, no work has been found from the international tourism sector that shows the relationship between the ESGC indicators and FP. For this reason, we tried to cover this gap in the literature with our work.

Other authors have found a positive relationship between the ROA variable and the size and composition of the boards of directors for Portuguese companies [92]. Elsayed [93] explored a positive relationship between ROA and the duality of the president of the board of directors for the case of Egyptian listed companies based on the theories of agency, such as we have proposed in the theoretical framework of our work. The case of Indian companies has been used to obtain insight about the positive and direct relationship between the financial variable and the size of the board, using the theories of agency and resource dependence [94].

Other theorists also separately found the same relationship in the case of Canada, New Zealand, and Hong Kong, based on the theory of agency as we postulated in the theoretical framework [95–97]. Our results coincide with those demonstrating recently that Governance variables significantly affect financial performance in the majority of the listed companies of countries in the Gulf Cooperation Council observed by [98].

If we consider the results obtained considering both parametric and nonparametric tests, the relationship is positive for both ROA and ROE; however, in no case is this so for the relationship obtained using the Tobin's Q. This is explained by the fact that both ROA and ROE are accounting variables, while Tobin's Q is a financial variable influenced by the market, dependent upon its upward or downward trend. Definitively, we have found, as many authors have previously illustrated, that the accounting variables, especially ROA, are positively affected by the Governance variable.

On the contrary, we have not been able to find such a relationship with Tobin's Q, since this variable depends on the financial markets where many factors converge to determine the price of the stock. It is also worth highlighting the fact that the rest of the variables analyzed, such as the environmental, social, or controversial aspects, are not related to financial performance with any of the three measures used.

This result endorses an argument that may be indicative of the strong link that exists between the boards of directors and the accounting departments of the companies. This has regulatory and administrative implications, all of which require efforts in the strategic implementation of prudential governance solutions in order to make management councils independent of accounting departments.

Regardless of the above, the efforts of the boards of directors in their task of strategic management of travel and leisure companies as well as in obtaining good results in terms of ROA and ROE are undeniable. Components of the Governance pillar, including the CSR Sustainability Committee, the Global Compact Signatory, CSR Sustainability Reporting, the Global Reporting Initiative (GRI) Report Guidelines, or the CSR Sustainability External Audit, tell us the importance of sustainability in this variable.

From this perspective, we understand that there is a positive and direct relationship between sustainability aspects and obtaining good financial results in the case of travel and leisure companies. That is, the boards of directors are key in executing corporate sustainability policies, and, as has been demonstrated with our data, this leads to a positive result in financial performance measured in terms of ROA and ROE.

The limitations of this study are, on the one hand, the fact that the data covered only one calendar year (2017) and, on the other hand, that the study was limited to the scope of large multinational companies listed on the stock exchange.

7. Conclusions

Two main theories of our theoretical framework support the empirical results: Stakeholder and resource dependence [15]; the first by considering all actors implicated in the functioning of the company, and the second by the importance of the board of directors in developing sustainable actions that benefit society while generating a good image and reputation for the company. In this sense, we agree with the model of reputation based on three pillars: Strategy, stakeholder/social issues, and reputation aspects—proposed by [5].

The information and knowledge derived from our analysis helps stakeholders in their decision-making thereby increasing their satisfaction. The results of the research carried out transcend the academic environment. Investors, managers, and board members of tourism companies should be aware of the impact of the Governance and Environment indicators on financial results.

Although a clear relationship between the Tobin's Q and Controversies variables was expected, given the rapidity in the diffusion of information and its capture by the financial markets, the results have not been confirmed. The reason for this lack of relationship may be the fact that the study only covered one year, so in future research we intend to expand the time horizon. In addition, for future works, it would be convenient to analyze the small and medium enterprises in local and regional environments. This relationship, together with the analysis of the rest of the variables, will be the subject of future research, which is already underway with panel data from 2008 to 2018. This study will also analyze the temporal evolution of the relationship between the financial variables and the ESGC indicators.

An important contribution of the article is the separation between accounting and financial issues. Hence, from this study, new lines of thought arise related to the differentiation between accounting ratios (ROA and ROE) and financial ratios (Tobin's Q). Likewise, national and international government regulations should be considered as determining factors of the ESGC indicators.

Author Contributions: M.R.-F. designed the research framework and drafted the paper; E.M.S.-T. conducted the analysis, analyzed the data, and helped edit the manuscript; A.A.L.-T. gave practical recommendations for the construction of the index system; and S.B.-D. made contributions in data collection and writing material.

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Appendix A

Table A1. List of 119 companies in the empirical study sample.

Companies	Companies	Companies
Accor	Greene King	Penn Nat. Gaming
Air Canada	GVC Holdings	Planet Fitness CL.A
Air France-KLM	Hankyu Hanshin Holdings Inc.	Qantas Airways Ltd.
Alaska Air Group	Hilton	Restaurant Brands INTL
American Airlines GRP	Hilton Grand Vacations	Royal Caribbean Cruises
Ana Holdings	Hotel Shilla	Ryanair
Aramark	Hyatt Hotels CL.A	Sabre
Aristocrat Leisure Ltd.	IAG	Sands China Ltd.
Avis Budget Group	Intercontinental Hotels GRP	Seibu Holdings
Booking Holdings	Jack in the Box	Singapore Airlines Ltd.
Boyd Gaming	Japan Airlines	Six Flags Entertainment
BTS Group Holdings PCL	Jetblue Airways	SJM Holdings
Caesars Entertainment	Jollibee Foods	Skywest
Carnival Corp.	Kangwon Land	Sodexo
Central Japan Railway Co.	Keihan Holdings	Southwest Airlines Co.
Cheesecake Factory	Keiky Corporation	Spirit Airlines
Chipotle Mexican Grill Inc.	Keio Corp.	SSP Group
Choice Hotels INTL.	Keisei Electric Railway Co. Ltd.	Starbucks Corp.
Churchill Downs	Kindred Group	TABCorp Holdings Ltd.
Cinemark HLDG	Kintetsu Corp.	Texas Roadhouse
CINEWORLD GROUP	Kyushu Railway	The Star Entertainment Group
ComfortDelGro Corp. Ltd.	Las Vegas Sands Corp.	The Stars Group INC.
Compass GRP	Latam Airlines Group	Tobu Railway Co. Ltd.
Copa Holdings S A	Liberty Expedia HDG.CL.A	Tokyu Corp.
Cracker Barrel Old CTRY. Store	Live Nation Entm.	Tripadvisor
Crown Resorts Ltd	Lufthansa	TUI
Darden Restaurants Inc.	Madison Square Garden	United Continental Holdings
Delta Air Lines Inc.	Marriott International Inc. Cl	Vail Resorts
Dominos Pizza	McDonald's Corp.	Wendy's/Arby's Group
Dunkin Brands Group	Merlin EnterTainments	West Japan Railway Co.
East Japan Railway Co.	MGM Resorts International	Whitbread
Easyjet	Minor International	William Hill
Eldorado Resorts	MTR Corp. Ltd.	World Wrestling Entm. 'A'
Expedia Group Inc.	Nagoya Railroad Co. Ltd.	Wyndham Destinations
Galaxy Entertainment GP.	Nankai Electric Railway Co. Ltd.	Wyndham Hotels and Resorts
Genting Bhd	National Express GRP	Wynn Macau Ltd.
Genting Malaysia BHD	Norwegian Cruise Line	Wynn Resorts Ltd.
Genting Singapore PLC	Odakyu Electric Railway Co. Ltd.	Yum China Holdings
Great Canadian Gaming	Oriental Land Co. Ltd.	Yum! Brands Inc.
Greek Organisation of Football Prognostics SA	Paddy Power Betfair	

Appendix B

Table A2. Categories of controversies.

Category	Name	Description
Community	Anticompetition Controversy	Number of controversies published in the media linked to anticompetitive behavior
	Business Ethics Controversies	Number of controversies published in the media linked to business ethics in general, political contributions, or bribery and corruption.
	Intellectual Property Controversies	Number of controversies published in the media linked to patents and intellectual property infringements.
	Critical Countries Controversies	Number of controversies published in the media linked to activities in critical, undemocratic countries that do not respect fundamental human rights principles.
	Public Health Controversies	Number of controversies published in the media linked to public health or industrial accidents harming the health and safety of third parties (nonemployees and noncustomers).
	Tax Fraud Controversies	Number of controversies published in the media linked to tax fraud, parallel imports, or money laundering.
Human Rights	Child Labor Controversies	Number of controversies published in the media linked to child labor issues.
	Human Rights Controversies	Number of controversies published in the media linked to human rights issues.
Management (Mgt)	Mgt Compensation Controversies Count	Number of controversies published in the media linked to high executive or board compensation.
Product Responsibility	Consumer Controversies	Number of controversies published in the media linked to consumer complaints or dissatisfaction directly linked to the company's products or services.
	Customer Health and Safety Controversies	Number of controversies published in the media linked to customer health and safety.
	Privacy Controversies	Number of controversies published in the media linked to employee or customer privacy and integrity.
	Product Access Controversies	Number of controversies published in the media linked to product access.
	Responsible Marketing Controversies	Number of controversies published in the media linked to the company's marketing practices, such as over marketing of unhealthy food to vulnerable consumers.
	Responsible R&D Controversies	Number of controversies published in the media linked to responsible R&D.
Resource Use	Environmental Controversies	Number of controversies related to the environmental impact of the company's operations on natural resources or local communities.

Table A2. Cont.

Category	Name	Description
Shareholders	Accounting Controversies Count	Number of controversies published in the media linked to aggressive or nontransparent accounting issues.
	Insider Dealings Controversies Count	Number of controversies published in the media linked to insider dealings and other share price manipulations.
	Shareholder Rights Controversies Count	Number of controversies linked to shareholder rights infringements published in the media.
Workforce	Diversity and Opportunity Controversies	Number of controversies published in the media linked to workforce diversity and opportunity (e.g., wages, promotion, discrimination, and harassment).
	Employees Health and Safety Controversies	Number of controversies published in the media linked to workforce health and safety.
	Wages Working Conditions Controversies Count	Number of controversies published in the media linked to the company's relations with employees or relating to wages or wage disputes.
	Management Departures	Has an important executive management team member or a key team member announced a voluntary departure (other than for retirement) or been ousted?

Source: Thomson Reuters environmental, social, and corporate governance (ESG) scores.

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