**PROBLEM STATEMENT DOCUMENT**

**TDI Excel Capstone Project – ESG & Financial Performance Analysis**

**Project Background**

Environmental, Social, and Governance (ESG) metrics are becoming increasingly critical in evaluating companies, not only by investors, but also by consumers, regulators, and other key stakeholders. As sustainability and corporate responsibility gain momentum across industries, understanding the connection between ESG performance and financial success has never been more important.

**Why ESG Matters**

* Investors rely on ESG scores to identify sustainable, lower-risk investment opportunities.
* Stakeholders view strong ESG performance as an indicator of long-term value, ethical governance, and social responsibility.

In this capstone project, I aim to explore how ESG factors influence a company’s financial health and growth potential. By analyzing **10 years of data (2015–2025)** to uncover actionable links, trends, patterns, and correlations between ESG scores and financial metrics, this project supports the development of data-driven, sustainable investment strategies.

**Business Questions**

While ESG data is widely available, its direct link to financial performance is often unclear or underutilized. Investors and stakeholders need a clearer understanding of:

* Which ESG pillars (Environmental, Social, Governance) drive the most value.
* Which industries or regions lead or lag in ESG performance.
* Whether high ESG scores translate into strong financial outcomes.

**Problem Statement**

To what extent do ESG (Environmental, Social, Governance) scores correlate with financial success (measured by net profit, ROE, and revenue growth) across industries and regions, and which ESG pillar contributes most strongly to this relationship?

**Objectives**

This project will focus on answering the following key questions:

1. How do ESG scores correlate with financial performance metrics such as profit margin, revenue growth, or return on equity?
2. Which ESG pillar (E, S, or G) most strongly predicts financial success?
3. Which industries or regions show strong ESG performance, and how does that align with financial outcomes?
4. Are there outlier companies with strong ESG scores but weak financials, or vice versa?
5. Can ESG trends be used to guide better investment decisions?
6. Are companies with improving ESG scores showing upward financial trends over time?
7. Are companies with higher ESG scores also more financially successful?
8. Which ESG pillar has the strongest relationship with net profit or ROI?
9. Which industries have the weakest ESG scores?

**Scope of Work**

To solve the challenge, the project will involve:

* Cleaning and transforming ESG and financial datasets for analysis.
* Creating new calculated metrics (ratios, ESG categories, trends).
* Visualizing key findings in an interactive Excel dashboard.
* Producing insights that support sustainable investment strategies.

**Expected Outcomes**

* Identification of patterns between ESG pillars and financial success.
* Visual dashboards to support stakeholder decision-making.
* Actionable recommendations for policy and investment strategy.
* Documentation to ensure transparency and replicability of findings.