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**Insert Table 2 around here**

Table 3 provides detailed information for the country composition of the sample and for the variable of interest *ENVSCORE* across countries. The table shows that French and Finnish firms show the highest levels of *EP*, whereas Chinese and US firms present the lowest values. Besides, Canadian firms are just slightly above US firms in terms of *EP*. Focusing on European countries, the lowest levels of *EP* are observed for Irish firms.

**Insert Table 3 around here**

#### 4. RESULTS OF THE STUDY

Before conducting the multivariate analysis that will lead to the estimation of Equation (1), we conduct a preliminary univariate analysis of mean and median differences of the dependent variable *PS* between the best and worst environmental performers. Hence, we define the new variables *HIGHEP* (best environmental performers) and *LOWEP* (worst environmental performers) to label, in the case of *HIGHEP*, the firms in the first quartile of *ENVSCORE*, and in the case of *LOWEP* the firms in the last quartile. The *t*-test is utilized to assess the level of significance of mean differences of *PS*, whereas the Mann-Whitney test is conducted for the assessment of median differences. Table 4 summarizes the results of this analysis. For the whole sample, the table shows that firms with stronger *EP* (with *HIGHEP*=1) are quoted at significantly lower mean and median *PS* than other firms. In the same vein, firms with weaker *EP* (with *LOWEP*=1) are quoted at higher multiples than other firms. These results are consistent with the negative correlation between *PS* and *ENVSCORE* observed in Table 2, and support that the stock market values more (less) those firms with lower (higher) levels of *EP*. Next, Table 4 replicates the univariate analysis at the region level, showing rather similar results. It should be noted, however, that these differences are less significant for European firms, and particularly, for firms from the Scandinavian region.

**Insert Table 4 around here**

Table 5 displays the results of the estimation of Equation (1). The first column shows the estimates with the whole sample, whereas the remaining columns depict the results of the estimations performed with segmented samples by region. Estimations are conducted with panel data models with random effects. Because a preliminary estimation of Equation (1) reveals that the residuals of the estimation are heteroscedastic, the significance tests of the coefficients of the independent variables are performed with robust standard errors. Besides, the assessment of the variance inflation factors

(untabulated) confirms the lack of multicollinearity problems in our dataset anticipated by the correlation coefficients in Table 2 (average value of 1.05 with a maximum of 1.06).

A first issue to stress is the relatively high explanatory ability of the proposed model, with R-squares ranging between 44% in the estimation conducted with the whole sample and 57% in the estimation with the Scandinavian subsample. Focusing on the estimation with the whole sample, the most interesting result in Column (1) is the negative and significant coefficient of *ENVSCORE* ( $p$ -value < 0.01). This indicates that firms with stronger levels of EP are quoted at significantly lower *PS* multiples compared to other firms. This result is consistent with both the negative correlation between *PS* and *ENVSCORE* observed in Table 2, and also with the results of the univariate analysis displayed in Table 4. Consequently, the first hypothesis of this study, formulated in the null form, is rejected as we observe a significantly negative association between EP and FP. In the estimations conducted at the region level, we report significant results for the subsamples of American (in Column (2)) and Chinese firms (in Column (3)), although in the latter case the coefficient associated to *ENVSCORE* is only marginally significant ( $p$ -value < 0.10). This indicates that the negative relationship between *ENVSCORE* and *PS* depicted in Column (1) is driven by American firms and, in a lesser extent, by Chinese firms. Conversely, in the estimations conducted with European firms (displayed in Columns (4) and (5)), *ENVSCORE* presents insignificant coefficients in both cases, denoting that EP is not negatively considered by the participants in the stock market. In fact, *ENVSCORE* presents positive coefficients in both estimations suggesting a positive view towards EP, although in both cases the coefficient is insignificant. Therefore, these results provide support for the hypothesis H2 (a more positive or less negative relationship between EP and FP in Europe than in China or America) but not for H3 (a more negative or less positive relationship between EP and FP in China than in Europe or America).

As discussed in the second section of the paper, the related literature has provided inconclusive results about the sort of relationship between EP and FP (Endrikat et al., 2014). Several factors may explain the inconsistency of empirical finding. Hence, differences in the contexts examined by the empirical studies make it extremely difficult the comparability of their results. When we compare our findings, for example, with those reported in some of the available meta-analyses, one must take into account that some of the studies covered in these meta-analyses examine research periods dating as back as the 70s.<sup>6</sup> In our view, given that the society's concern towards environmental issues is a very dynamic issue, the empirical evidence reported for such distant periods, does not tell much about the current relationship between EP and FP. Similarly, the different countries or regions investigated by prior studies can also explain the lack of consensus in the literature. In that regard, Albertini (2013) and Dixon-Fowler et al. (2013) come to the conclusion that the firm's home country is an important moderator factor of the impact of EP on FP. The different results reported in this paper for the US, China and Europe provide support for this view. Apart from the different institutional setting investigated by prior studies, Albertini (2013) find that the different measures used for capturing EP and FP also explain the different results reported by these papers. That being said, our findings are in line with some of the more recent studies that have shown negative or insignificant relationships between EP and market-based indicators of FP (Chen et al., 2018; Li et al., 2017; Martí-Ballester, 2017; Wang et al., 2014).

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<sup>6</sup> For example, the research period in Mahapatra (1984), one of the studies included in Albertini's (2013) meta-analysis, covers the years 1972-77.





































