

## **Abstract**

Is being sustainable rewarded by the capital market? For a long time, the relationship between corporate social performance and corporate financial performance has been a topic of unceasing debate. In this study, I investigate the financial performances of the Global 100 most sustainable corporations applying the portfolio approach to the most sustainable corporations in the whole market as well as ten individual industries and eleven separate countries. The market performance (share prices) of companies serves as the measure of corporate financial performance, since the accounting measures are not suitable for comparisons across different industries. The findings show that sustainability does enhance corporate financial performance, as significant outperformances of portfolios composed of sustainable corporations are identified in different levels of benchmarks. In particular, the financial performance of industry specified portfolios of the most sustainable corporations display strong evidence that the effects of the sustainability on financial performance rely substantially on industry characteristics, which appear to be the relevance of the final consumer and the opportunity for substantial eco-efficiency gains. The results have implications for managers, investors and the society; corporation managers should have less concerns that the implementation of sustainable operations would decrease corporate financial performance as the fact revealed is the sustainability does enhances the corporate financial performances. Investors are not very likely to profit from the information once it is published, however, investors might have the opportunity to earn higher rate of return if they are able to differentiate the better sustainability performers from the lower performers before the annual publication of the Global 100 list. Given these incentives, society and the natural environment are more likely to benefit from more sustainable corporate behaviour.