



Better environmental performance boosts profits and cuts costs

Through a study of 8,547 companies across 34 countries, Kyushu University researchers revealed that disclosing and addressing environmental concerns leads to stronger financial performance.

Fukuoka, Japan—Sustainable practices in business are more than just an ethical responsibility; they make sound financial sense. Researchers from Kyushu University, in a study published on December 11, 2024 (JST), in [*Corporate Social Responsibility and Environmental Management*](#), reveal that companies with better environmental performance and transparent disclosures can lower costs and boost profits.

Investors are increasingly recognizing companies' contributions toward carbon neutrality, driving the growth of environmental, social, and governance (ESG) investing. To support this trend, the Sustainability Accounting Standards Board ([SASB](#)) has provided an industry-specific framework to help companies effectively communicate their sustainability risks and opportunities to investors. Many companies now disclose their environmental information using this framework, and in many countries around the world, such transparency is becoming mandatory.

Despite the advancements, the impact of corporate environmental strategies and performance on costs and profits remains unclear. To address this, Professor [Hidemichi Fujii](#) from [Kyushu University's Faculty of Economics](#) and his team analyzed financial and environmental data from 8,547 companies across 34 countries spanning 2015 to 2022.

The team developed two quantitative indicators to assess corporate environmental information: materiality-based scores and overall environmental scores.

"Financial materiality is a relatively new concept. Environmental priorities vary across industries, as different companies face different key environmental challenges. Financial materiality helps investors assess whether disclosed information is relevant, and supports informed decision-making," explained Siyu Shen, a graduate student at Kyushu University's Graduate School of Economics and the paper's first author.

According to the SASB framework, environmental issues can be categorized into six areas, including greenhouse gas emissions, and water & wastewater management. For instance, water management is highly relevant to industries like mining but less critical for sectors such as finance. Materiality-based scores quantify only the relevant issues to see how efficiently a company addresses environmental challenges, while overall environmental scores evaluate all disclosed information to assess a company's general environmental efforts.

The researchers applied these two scores to assess companies' environmental disclosures and performance. They found that companies with stronger environmental engagement can achieve better financial outcomes, including enhanced short- and long-term profits, and reduced costs. Notably, firms with superior environmental performance—rather than those focusing merely on disclosure—demonstrate better financial results and attract greater interest from investors.

"Investors value what companies do for the environment more than what they say," says Fujii.

"By taking concrete action on environmental issues, companies signal sustainability and reliability to consumers and investors, lowering perceived risks, and strengthening their appeal as stable and ethical investments."

While overall environmental scores have a clear positive link to financial performance, materiality-based scores show only a limited correlation. This contradicted the team's hypothesis, leading them to explore differences in how environmental efficiency is valued across countries.

A closer look at the global data reveals that environmental efficiency is more strongly tied to financial performance in developed countries, such as America and Japan. In contrast, it remains less significant in developing countries like Chile and Indonesia.

"This difference likely reflects variations in environmental regulations and public awareness across countries," Shen explains. "In more economically developed countries, where companies have long been engaged in sustainability efforts, improving environmental efficiency can enhance profitability and market valuation. Meanwhile, in developing regions, as the overall regulatory frameworks are still developing, the priority is placed on environmental performance and transparency rather than efficiency."

The team is further investigating how macroeconomic factors, such as regulatory and social environments, influence corporate sustainability practices and financial outcomes across countries. Through a series of studies, they aim to provide scientific evidence of the impact of corporate environmental information disclosure and conservation efforts on economic performance. "We expect our international comparative studies to offer useful information for promoting effective policy planning to promote proactive responses to environmental issues," Fujii adds.

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For more information about this research, see "Does environmental materiality matter to corporate financial performance: Evidence from 34 countries," Siyu Shen, Jun Xie, Hidemichi Fujii, Alexander Ryota Keeley, Shunsuke Managi, *Corporate Social Responsibility and Environmental Management*, <https://doi.org/10.1002/csr.3062>

About Kyushu University

Founded in 1911, [Kyushu University](#) is one of Japan's leading research-oriented institutes of higher education, consistently ranking as one of the top ten Japanese universities in the Times Higher Education World University Rankings and the QS World Rankings. The university is one of the seven national universities in Japan, located in Fukuoka, on the island of Kyushu—the most southwestern of Japan's four main islands with a population and land size slightly larger than Belgium. Kyushu U's multiple campuses—home to around 19,000 students and 8000 faculty and staff—are located around Fukuoka City, a coastal metropolis that is frequently ranked among the world's most livable cities and historically known as Japan's gateway to Asia. Through its [VISION 2030](#), Kyushu U will "drive social change with integrative knowledge." By fusing the spectrum of knowledge, from the humanities and arts to engineering and medical sciences, Kyushu U will strengthen its research in the key areas of decarbonization, medicine and health, and environment and food, to tackle society's most pressing issues.

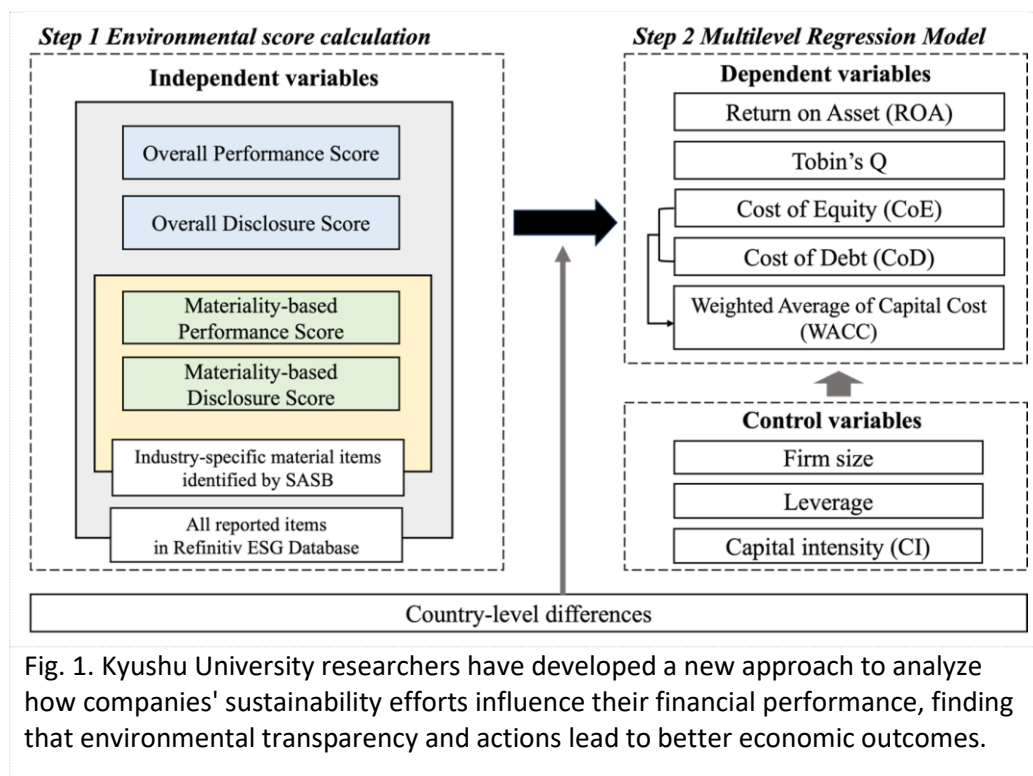


Fig. 1. Kyushu University researchers have developed a new approach to analyze how companies' sustainability efforts influence their financial performance, finding that environmental transparency and actions lead to better economic outcomes.

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