Business Research Proceedings

ISSN: 2993-0049 (Online)

Volume 0, Issue 0 | 10.51300/BRP-2026-4

Extended Abstract | Proceedings of the 1st International Conference on Sustainable Economies and Inclusive Growth

Environmental Performance, Market Risk, and Market Returns in Green Construction Companies

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KEYWORDS

Environmental Performance, Green Construction, Market Risk, Earnings Volatility, Sustainability

ARTICLE HISTORY
Published: 7 July 2026

This study examines whether environmental performance influences market risk and market performance in green construction companies. Using a sample of 96 publicly listed green construction firms across Europe, environmental performance is measured through the Environmental Pillar Score, while financial outcomes are captured by beta, earnings volatility, and total return. Ordinary least squares regressions with robust standard errors are employed, including linear and nonlinear specifications, with additional robustness checks using sector fixed effects. The findings show that stronger environmental performance is positively associated with stock returns, suggesting that firms with better environmental profiles benefit from improved market valuation. No significant relationship is found between environmental performance and either systematic risk or earnings volatility. The results also provide no evidence of nonlinear effects. These findings indicate that, in green construction companies, environmental performance functions primarily as a value-creation mechanism rather than a risk-reduction tool. The study contributes to the sustainability and finance literature by providing sector-specific evidence on how environmental performance is reflected in market outcomes.

Funding Statement

This research received no external funding.

Conflict of Interest

The authors declare that there is no conflict of interest regarding the publication of this paper.

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Cite as
Feghali, E., Naimy, V., Abi Rizk, J., & Asmar, G. (2026). Environmental Performance, Market Risk, and Market Returns in Green Construction Companies. In *Proceedings of the 1st International Conference on Sustainable Economies and Inclusive Growth* (pp. 1–2). Business Research Proceedings. 10.51300/BRP-2026-4