



Cyprus
University of
Technology

Faculty of Commerce,
Finance, and Shipping

Master's Thesis

**The Connection Between ESG Evaluation and Financial
Performance: A Study of European Businesses**

NIKOLAOS DIMITRIOU

Limassol, March 2023

CYPRUS UNIVERSITY OF TECHNOLOGY
FACULTY OF COMMERCE, FINANCE AND SHIPPING
DEPARTMENT OF FINANCE, ACCOUNTING AND MANAGEMENT
SCIENCE

Master's Thesis

The Connection Between ESG Evaluation and Financial Performance:
A Study of European Businesses

NIKOLAOS DIMITRIOU

Limassol, March 2023

Approval Form

Master's Thesis

The Connection Between ESG Evaluation and Financial Performance: A Study of European Businesses

Presented by

Nikolaos Dimitriou

Supervisor: Panayiotis Andreou

Cyprus University of Technology

Limassol, March 2023

Copyrights

Copyright© 2023 Nikolaos Dimitriou

All rights reserved.

The approval of the thesis by the Department of Finance, Accounting and Management Science does not imply necessarily the approval by the Department of the views of the writer.

Acknowledgments

I would like to express my sincere appreciation to the Cyprus University of Technology and all its members for their unwavering support and valuable contributions to the completion of this Master's thesis.

I am deeply grateful to the professors at the Cyprus University of Technology whose expertise, guidance, and feedback have been invaluable throughout the research process. Their dedication to teaching and their commitment to academic excellence have greatly influenced the quality and depth of this thesis.

I extend my thanks to the library staff at the Cyprus University of Technology for providing access to extensive resources and research materials. Their assistance and support have been crucial in conducting a comprehensive literature review and gathering relevant information.

I am grateful for the research grants awarded by the Cyprus University of Technology, which have provided financial support for data collection, analysis, and other research expenses. These grants have played a vital role in the successful execution of this research project.

Lastly, I would like to express my deep appreciation to my family and friends for their unwavering support, understanding, and encouragement throughout this challenging journey. Their love and belief in my abilities have been a constant source of motivation.

ABSTRACT

Customers, members of society, and top executives are all showing a growing interest in sustainable practices. Opportunities for leadership in areas of long-term corporate social responsibility and financial success are becoming more available to businesses as they shift towards a more **sustainable** company model.

The goal of this dissertation is to analyze/evaluate the connection between a company's ESG assessment/evaluation/scoring, and its bottom line in terms of financial performance. European businesses are the focus of the research. An ancillary goal is to look at other industries to see whether there are any differences in the nature of this connection between firms and their respective sectors.

To support its claims, the dissertation draws on secondary data collected for multiple companies between 2009 and 2020. The data was designed as panel data so that it could be used to study several entities across this time frame. Panel regressions were used to probe the motivation for the study.

When companies across all industries are combined into a single dataset, it becomes clear that the Environmental scoring/rate has a substantial influence on earnings. The **correlation** between ESG and financial success is typically negative, as seen by the industries with the highest ESG ratings.

This dissertation adds to the body of research concerning **environmental, social, and financial performance**. Consumers, financiers, and business tycoons can all benefit from current and future research's insights as they consider how they can adopt more **ethical** practices. The link between all ESG factors and a company's net income/profitability is an intriguing area for further study in Europe.