

DOES CORPORATE ENVIRONMENTAL MANAGEMENT DISCLOSURES IMPROVE CORPORATE PERFORMANCE? EVIDENCE FROM FTSE 100 MALAYSIAN FIRMS

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ABSTRACT

This research paper aims to determine the linkage between corporate environmental management disclosure and firm financial performance by using the sample of top 100 public listed companies in Bursa Malaysia from the period 2012 to 2017. Therefore, the independent variables selected in this paper are corporate environmental management systems (CEM) which can further be classified as water management (WM), energy management (EM) and carbon management (CM). Meanwhile, the dependent variables are; return on equity (ROE), return on sales (ROS), return on investment (ROI), return on invested capital (ROIC) and capital intensity (CI). Besides that, firm characteristics have been added in this paper as control variables, namely; firm liquidity, size, leverage and age. All the data used in this paper were manually gathered from annual reports of respective companies and Thomson Reuters Eikon Database. The empirical analysis indicated that carbon management is significant to firm financial performance (ROE, ROIC). This might be due to the Malaysian government actively engaging in carbon emission reduction programmes; hence firms will be more aware and put more effort into carbon management. The findings recommended that the corporate environmental management disclosure should be one of the core concerns for shareholders, policymakers and investors.

Keywords: Corporate Environmental Management, Carbon Management, Energy Management, Water Management, Firm Performance.

JEL Classifications: G32, L25, Q52, Q56.

INTRODUCTION

Malaysia is moving forward to be an industrialized economy in this 21st century. Consequently, industry or corporation is the major factor of environmental problems. This is because human depends on industrial products, and corporations use the resources and release environmental pollution. Environmental issues such as climate change can be considered a hot matter and the most significant threat to nature and humanity around the world. The impact of the environmental problems in Malaysia may affect our politics, economy and even the social. Thus, companies are urged to adopt environmental management to manage environmental issues. Malaysian government engages with the international community in order to enhance environmental management. For example, UNFCCC (Paris Agreement), Montreal Protocol,