Environmental Disclosure: An Action or a Re-action

**Research Question**
- In this research, I re-examine the relationship between environmental disclosure and environmental performance.
- I investigate whether firms with good environmental performance disclose more environmental information than those with lower performance.
- My main research question focuses on whether a change in disclosure would induce a change in performance.
- In other words, when a firm experiences a change in environmental performance, would it disclose more or less information?

**Theories**
- Legitimacy theory predicts that firms with low-environmental performance disclose more environmental information in order to legitimize their existence.
- Economic theory predicts that firms with good environmental performance have an economic incentive to disclose more information in order to influence their stock prices.
- Institutional theory predicts that firms would follow the norms of disclosure of their respective industries; therefore, we might not find significant differences between the patterns of disclosure of low- and high environmental performers.

**Research Motivation**
- Previous research has landed controversial results. Some research suggests that high-environmental performers disclose more environmental information (Al-Tuwaijri et al., 2004; Clarkson et al., 2008) while other research studies found that firms with low-environmental performance disclose more environmental information (Patten, 2002; Fekrat et al., 1995, Hughes et al., 2001).
- There is no common agreement on what is environmental disclosure, the variable has been measured differently in different research studies.

**Hypothesis**
- Firms that experience a decline in environmental performance have an incentive to disclose more information in order to legitimize their actions.
- Firms that experience an improvement in environmental performance have an economic incentive to disclose more environmental information in order to positively affect their market value.

**Results**

**Descriptive Statistics:** (I am still in the phase of data collection)
- Descriptive statistics shows that low environmental performers disclose more environmental information than high environmental performers.
- The relationship between performance and disclosure is not static over time. There are times where the levels of disclosures of low and high environmental performers are close.
- Although both low and high performers experienced a slight decline in performance, they still increased the level of environmental disclosure.
- Low performers increased their level of disclosure at a higher rate than high performers support for legitimacy theory.
- I still need to perform a regression analysis to examine the relation between the change in performance and the change in disclosure.