

CARBON DISCLOSURES AND FIRM PERFORMANCE: EVIDENCE FROM SRI LANKA

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Abstract

Green House Gas emissions (GHG) have become one of the primary threats to life on earth. Companies are among the largest emitters of greenhouse gases, making them crucial to the fight against climate change. Therefore, companies are expected to play an increasingly important role in reducing their greenhouse gas emissions and stabilizing climate change. Businesses are required to disclose a greater amount of information about their climate change strategies and plans. The importance of carbon disclosure has grown dramatically in recent years, becoming a strategic decision making issue for organizations today. Most of the prior researchers conducted research on carbon disclosures and firm performance in the context of developed economies. However, there is limited research available from developing country context particularly. Hence, this study is aims to examine the relationship between Carbon disclosures and firm performance in the Energy and Material sector companies in Sri Lanka. Five independent variables used in the research are: GHG emissions accounting (Carbon footprint), climate change, energy consumption accounting, GHG reduction and carbon emission accountability. Return on asset (ROA) ratio has been used to measure financial performance. Sample of the study consist with all companies listed in the Energy & Material sector of the Colombo Stock Exchange (CSE) in Sri Lanka. Data will be collected from annual reports of listed companies in the Energy and Material sector for the period from 2017 to 2021. Data analysis will be performed using Eviews 10 software. The correlation analysis and regression will be used to examine the relationship and to determine the effect of the independent variables on the dependent variable. Finding of the research will help to the companies to understand the benefit of carbon disclosure and the importance of carbon disclosure. Additionally, these disclosures help to stakeholders such as shareholders and creditors to make better investment decisions for a particular company.

Key Words : *climate change, carbon disclosure, carbon footprint, financial performance (FP)*