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THE RELATIONSHIP BETWEEN CARBON PERFORMANCE AND CORPORATE FINANCIAL PERFORMANCE: SOME UK EVIDENCE

Abstract:

The environmental impact of economic activity has raised the profile of corporate carbon performance (CP) to a high level in recent times. This study examines the impact of the variation in CP on financial performance (FP). Using UK data comprising FTSE 350 firms from the period of 2007 to 2015. We also document a significant negative relationship between environmental regulations and FP. Our overall findings are consistent with the resource based view (RBV) of the firm and support the voluntary disclosure strategy by showing that firms with greater intangible resources are generating reputational assets through their enhanced carbon disclosures which in turn leads to a competitive advantage which converts into improved FP as evidenced in the present study.

Keywords:

Carbon Disclosure Project; Carbon performance; Resource-based view; Climate Change Score; Financial performance

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