Abstract

Corporate environmental disclosure entails reporting on the impact of company activities on the natural environment such as waste management, recycling, carbon management, emission, pollution, wet land and wildlife conservation. Conventional accounting systems are limiting since they fail to directly address sustainability concerns. They have failed to address economic growth against social and environmental needs in order to balance the different needs of various stakeholders. Sustainability has become a major pillar of today's business activities. This study consequently aimed at assessing the effect of corporate environmental disclosure on financial performance of listed firms at the Nairobi Securities Exchange, Kenya. This study made use of longitudinal secondary data from the annual reports and financial statements of listed companies at the Nairobi Securities Exchange. Content analysis of sampled listed companies' annual reports was undertaken to examine environmental disclosure practices. A checklist of environmental disclosure items and categories was developed and environmental disclosure indices computed. Casual research design was employed to determine the cause-effect relationship between corporate environmental Disclosure and financial performance. Target population of the study was 61 listed companies. Purposive sampling was employed in selecting firms that have been listed for entire period of study and whose annual reports are available at the Nairobi Securities Exchange. This resulted into a sample size of 32 listed companies. Coefficient of Skewness was used to test the normality of data. Homoscedasticity and auto-correlation assumptions of the regression model were tested using scatter plots and Durbin Watson test. Linear regression model was used to determine the casual relationship between environmental disclosure and financial performance. The overall model was found to be significant with $F=8.514$, P-value <0.05. The predictor variable explained 47.7% of changes in financial performance. Firm size and leverage have no effect on environmental disclosure. Findings reveal that environmental disclosure with P-value <0.05 has a positive significant effect in the mean financial performance. The study recommends that firms should engage in environmental disclosure because it leads to increased financial performance. The study would be useful to the government and also managers to ensure policies are put in place to ensure present generations meet their needs without compromising the ability of future generations to meet theirs. The study also forms basis for further research and adds knowledge to existing body.