ABSTRACT

The pressure exerted by stakeholders who are aware of the environment has increased so it is important for stakeholders to assess firm's environmental management efforts in the context of the association between carbon emission disclosure and company financial performance. The condition of carbon emissions in South Africa made Department of Environmental Affairs of South Africa take decisive action such as issued a carbon policy, National Greenhouse Gas Emission Reporting Regulation, on 3rd of April 2017. This study aims to determine whether the issuance of a carbon policy makes a difference or not in practice of carbon emission disclosure and financial performance of firms in South Africa. This study also examines the relationship of disclosure of carbon emissions to the firm's financial performance on an accounting-based and market-based.

This study uses 252 research samples which firms were registered on the Johannesburg Stock Exchange (JSE) in 2013-2021 based on criteria set by the researcher through purposive sampling. Hypothesis testing uses the Wilcoxon Matched Pairs and Spearman Correlation tests.

Based of the results of hypothesis testing, the carbon emission disclosure produces a significant positive relationship with Return on Sales but does not has relationship with Return on Assets. Second, carbon emission disclosure has a significant positive relationship with market-based financial performance. Third, differences were found in the practice of carbon emission disclosure and firm's financial performance before and after the issuance of a carbon policy.

Key words : Carbon emission disclosure, financial performance, carbon policy