

DOES THE ENVIRONMENTAL SCORE OF ESG (ENVIRONMENTAL, SOCIAL, AND GOVERNANCE) REPORTING HAVE AN EFFECT ON CORPORATE PERFORMANCE OF COMPANIES?

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Integrating environmental, social, and governance (ESG) factors into investment decision-making has gained momentum in recent years, causing companies (mostly large-scale) to acquire and disclose the sustainability in ESG form in reporting. Out of all three aspects of ESG, environmental reporting is crucial since it gives insights into measures taken to address serious industrial environmental aspects. However, there are individuals questioning the requirement of environmental reporting. Therefore, the objective of this study is to measure the relationship between the Environmental score of ESG performance against the corporate performance of publicly listed companies in Sri Lanka, using the list of 128 companies for the year 2020. The data collection of the study was done through annual reports to quantify the qualitative ESG data using the Refinitiv methodology of ESG quantification as the independent variable. The two dependent variables to measure corporate performance are return on equity (ROE) and return on assets (ROA), collected through the same annual reports. The statistical analysis includes scatter plots, regression analysis and residual analysis to measure the significance of the relationship. However, the results of this study show no significant relationship between environmental score with both ROE and ROA. It concludes no relationship with corporate performance for the year 2020. Therefore, this study does not communicate the need for any environmental information reporting to improve the corporate performance of the companies. The limitations of conducting for the year 2020, a year with the pandemic, can directly impact the results. Furthermore, reasons may include greenwashing and the unsuitability of Refinitiv methodology for the Sri Lankan context.

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