

The Information Value of the Toxics Release Inventory as a Measure of Corporate Environmental Performance

Elizabeth Connors

Integrated Reporting: What to Measure?

- Map environmental performance measures to financial measures of performance (Stock price, Cost of debt and/or equity, etc.)
- Currently there is no consensus on what environmental measures map well to, or predict, financial measures of performance
- The stakeholders of interest tend to be shareholders
- Should there be a universal set of measures? Which ones?

Market response to TRI by Industry

- TRI public release 2002 – 2007.
- Average annual total TRI emissions/US revenues change

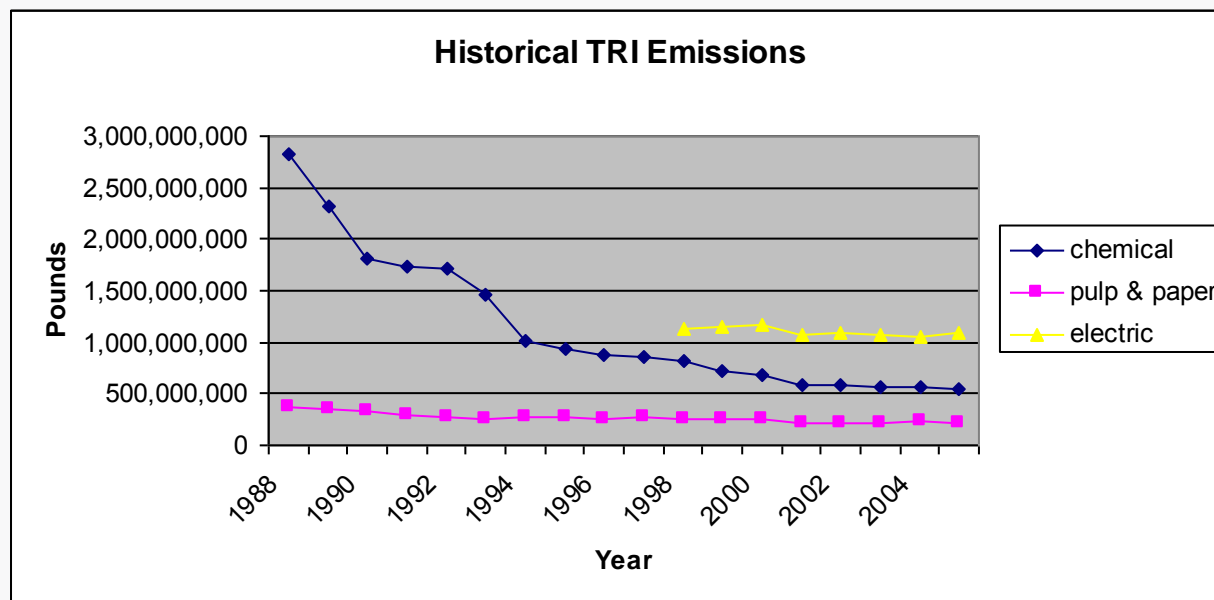
Chemicals	-.23
Electric Utilities	-.27
Pulp and Paper	-.12

- Measured Cumulative Abnormal Returns in a 3 day window around the dates TRI data were made public

Results

- Electric Utilities
 - Investors reward decreases in scaled emissions
 - Do not penalize increases
- Chemicals
 - Investors penalize increases in scaled emissions
 - Do not reward decreases
- Pulp and Paper
 - Investors do not show a significant reaction to increases or decreases in emissions

Un-standardized TRI emissions



Environmental Disclosure by Industry (2004-2009)

- Electric Utilities
 - Usually disclose TRI in Sustainability Reports after disclosed by EPA
 - Also often disclose GHG emissions, other air emissions, and hazardous waste generated
 - Beginning to discuss renewable energy investments
- Chemicals
 - Rarely disclose TRI in Sustainability Reports
 - Often disclose GHG emissions, water use, energy use, other air emissions and hazardous waste generated
 - In later years, discuss REACH implementation

Thoughts on TRI and RSEI

- Plant disclosure of accurate parent company information has improved dramatically over the last decade
- Possible improvements - TRI
 - JV percentage ownership
 - Plant level units of production for normalization
 - Diversification, price and GAAP issues
 - Ways to easily access data by parent/year?
- Possible improvements - RSEI
 - Predictable data availability dates?
 - Annual data releases?
 - Ways to easily access data by parent/year?