

The effect of non-financial disclosure on market value in environmentally sensitive sectors

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Abstract

Investors demand and value corporate transparency. The objective of this study is to analyze whether social and environmental disclosure and assurance are valued in the capital market. Moreover, given that transparency practices have been associated with certain board characteristics, such as diversity, the market may value diversity on the board of directors. The existence of these elements would signal a company's investor orientation. On the other hand, the fact that the company belongs to sensitive sectors, i.e., strong environmental impacts, could influence the market's assessment of these practices. A sample of 178 European listed companies from 13 European countries over the period 2013-2019 is used to achieve these objectives. After estimating the model through GMM, the results show that in companies with low environmental impacts, disclosure is a sufficient signal to generate credibility, while additional mechanisms are needed in sensitive sectors.

Keywords: social disclosure, environmental disclosure, assurance, gender diversity, sector.