

# Environmental proactivism and firm performance: evidence from security analyst earnings forecasts

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## Abstract

There is an ongoing debate over the impact of corporate pro-environment actions and strategies (reflected, for example, in pollution prevention and emission reductions, product re-design, materials stewardship) on corporate financial performance in US corporations today. A review of the existing literature in this area yields no consistent pattern of relationships between corporate environmental proactivism and financial performance when historical corporate accounting performance and stock market measures of performance are used. We revisit this relationship using a novel measure of firm performance: security analyst earnings forecasts. Specifically, we demonstrate a significant, negative relationship between environmental proactivism (using Toxic Release Inventory data) and industry analyst 1- and 5-year earnings-per-share performance forecasts for a sample of 523 US firms in 1992. We discuss the implications of these findings and provide suggestions for future research. © 1997 John Wiley & Sons, Ltd and ERP Environment.

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