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Kimilu, Cynthia Ndanu
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**THE EFFECT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE
DISCLOSURES ON FIRM VALUE OF FIRMS LISTED ON THE NAIROBI
SECURITIES EXCHANGE**

KIMILU, CYNTHIA NDANU

**SUBMITTED IN PARTIAL FULFILLMENT FOR THE REQUIREMENTS FOR THE
DEGREE OF MASTER OF COMMERCE AT STRATHMORE UNIVERSITY**



**STRATHMORE UNIVERSITY BUSINESS SCHOOL
STRATHMORE UNIVERSITY
NAIROBI, KENYA**

NOVEMBER 2021

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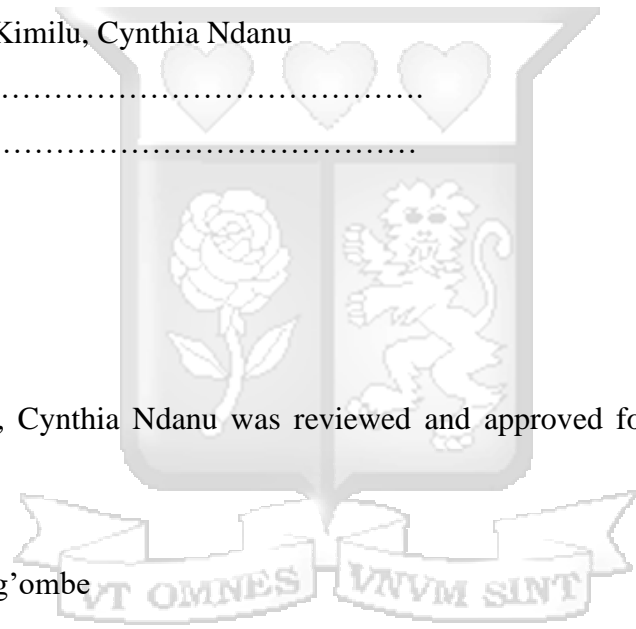
Approval

The thesis of Kimilu, Cynthia Ndanu was reviewed and approved for examination by the following:

Professor David Wang'ombe
Vice-Chancellor
Tangaza University College

Dr. George Njenga
Executive Dean
Strathmore University Business School.

Dr. Bernard Shibwabo
Director, Office of Graduate Studies



DEDICATION

I dedicate this work to my parents, brother and friends for their support and encouragement that always inspired me to work hard with determination in life. I hope I make you proud.



ACKNOWLEDGEMENT

I am grateful to our Almighty God for the gift of life as well as the ability to write this piece. I also want to express my gratitude to my supervisor, Professor David Wangombe, for his professional direction and motivation during the research. I am grateful to everyone of my classmates for their attendance, which provided me with the psychological support and motivation to learn that I required. Finally, I am grateful for my family's unwavering love and support.



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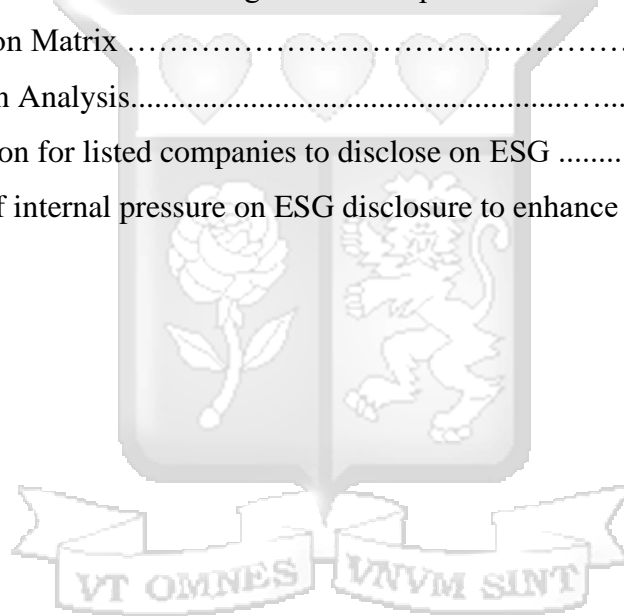
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LIST OF ABBREVIATIONS

COGS – Cost of Goods Sold

CSP – Corporate Social Performance

ESG – Environmental, Social and Governance

FV – Corporate Firm Value

GDP – Gross Domestic Product

GRI – Global Reporting Initiative

IIRC – International Integrated Reporting Council

KPIs - Performance Indicators

MNCs – Multi National Corporations

NFI - Non-Financial Information

NSE - Nairobi Securities Exchange

ROA – Return on Assets

ROI – Return on Investment

ROE – Return Equity

SDD – Sustainability Disclosure Database

SRI – Socially Responsible Investment

UNCTAD – United Nations Conference on Trade and Development

UNGC – United Nations Global Compact

UNEP – United Nations Environmental Programme



DEFINITION OF TERMS

Corporate Performance: Ng & Rezaee (2015) define corporate performance as a composite evaluation of how well the firm executes activities on the important parameters such as financial, stakeholder, shareholder, environmental, social and market.

Disclosures: Li et al. (2018) defines disclosures in business as a timely release or reporting of important positive or negative information about a company that influences investors' decisions.

Environmental disclosure: Based on Bernardi and Stark (2018) definition, environmental disclosure involves communicating to the stakeholders about how organizational activities influence the environment.

Social disclosures: Reporting how the organization acknowledges social practices in society during recruitment and selection and other operations (Bernardi & Stark, 2018).

Governance disclosures: Communicating all relevant information about the functions of the company and its leadership to the stakeholders through annual reports and other documentaries (Bernardi & Stark, 2018).

Mandatory disclosures: Cormier and Magnan (2014) define mandatory disclosure a situation whereby the law governing the state or country requires companies to communicate particular information to the public for them to continue operating within the jurisdiction.

Firm Value: Wang and Sarkis (2017) define firm value as an economic concept reflects the value of the business based on market capitalization. The firm value is determined using the capital incentive, competitive power, total revenue, among other important parameters.

Share price: According to Wang and Sarkis (2017), share price is the cost of single share of the saleable stocks of the firm, financial asset or derivatives.

Mutual fund: According to Rouf (2017), a mutual fund is a financial vehicle that pools money from numerous participants to acquire securities such as bonds, equities, money market instruments, and other assets.

ABSTRACT

This study investigates the link between environmental, social, and governance (ESG) disclosures and the firm value of firms listed on the Nairobi Securities Exchange (NSE). The research investigates ESG practices to demonstrate how a company's commitment to and effectiveness in attaining environmental, social, and governance goals produces intangible value that leads to improved total firm value. The empirical analysis looked at the association between ESG practices and ROA and ROE using the stakeholder theory and the ESG conceptual framework. Since most previous research has focused on corporate social obligations and sustainability disclosures, there is a dearth of literature on the relationship between ESG disclosures and business value. To collect, present, and evaluate data, the study used mixed methods research (MMR). The study used annual ESG data from 62 Kenyan enterprises registered on the Nairobi Stock Exchange (NSE) from 2013 to 2020. The influence of ESG disclosures on business value was investigated using random effect panel regression analysis. The data show a substantial link between regulatory agencies and stakeholder pressure, as well as the amount and reasons for ESG disclosures among NSE-listed companies. Corporates, investors, regulators, and policymakers should all be aware of the findings. The study found that NSE listed companies should deliberate steps directed toward strategic governance, as well as internal and organizational cultures geared toward information disclosure, in order to reduce the cost of getting essential information. Despite having a secondary research reliability test, it was unable to uncover bias since data may have been modified by the firm to appeal to stakeholders such as customers, investors and government. Future research should look into the factors that influence ESG disclosures in a variety of scenarios and settings, including country-specific, regional, and sector-specific scenarios.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In recent years, the role of corporate entities in society has transformed (Brammer & Pavelin, 2018). Edward Freeman's statement that enterprises have social and environmental governance obligations all across time has replaced Milton Friedman's famous assertion that a company's only focus is to make a profit (Brammer & Pavelin, 2018). Firms are thus classified as social enterprises, with their existence justified to the level that they serve the interests of stakeholders in their public and social realms. According to Chen Olhager and Tang (2016), a company's reporting power across the society in which it functions is connected to its extensive economic, environmental, social, and governance responsibilities. The time and resources under the business's regulation and how they are used to make profits are attributed to this power. As the company grows, it amasses more resources and, as a result, earns a greater return (Ali et al., 2004). However, given the firm's limited resources, it is still being debated what the company's scope, goal, and obligations are appropriate.

It is imperative to note that some businesses have grown to the point where their revenues exceed the GDPs of the countries in which they operate. Because they have grown to be more powerful than individual countries, these corporations are known as corporate relations or Multi-National Corporations (hereafter MNCs). They also influenced the rise in global corporatism that occurred between 2000 and 2015. (Kiron et al.). With this power comes a greater moral obligation for businesses to report on their overall impact, both positive and negative. As a result, the entire package of findings should be based on a financial and non-financial strategy that considers ESG. Traditional financial reporting has limitations when it comes to dealing with the triple bottom line (Prado-Lorenzo Gallego-Alvarez & Garcia-Sanchez, 2019). This is due to the fact that its level of disclosure focuses solely on the financial aspect, ignoring environmental, social, and governance (ESG) considerations. ESG reporting was created to fill this void by establishing a unified framework for companies to document all of their Voluntary disclosure implications (Adebimpe, Ekubiat & Bokime, 2015).

1.1.1 ESG Disclosures

Currently, there are over a dozen primary ESG reporting frameworks, each with its own set of measurements, methodology, and scoring system. According to Singhania and Saini (2021), these reporting frameworks serve as the foundation for establishing key performance indicators (KPIs), monitoring performance, and creating sustainability reports. One factor for the growing number of ESG reporting standards is the vast spectrum of enterprises that are now reporting.

Because different industries have different ESG components and ramifications, reporting on other metrics is understandable. Similarly, Bose (2020) found that many stakeholders are interested in various data types, such as investors, regulators, and customers. As a result, each standards group has developed its frameworks to meet these goals, typically based on earlier standards. Another framework is the Carbon Disclosure Project (CDP), which was founded in the year 2000. The idea was simple: link environmental integrity to fiduciary duty. CDP is presently used to report ecological impacts by over 9,600 firms and 800 cities, municipalities, and regions worldwide; making it one of the most widely used reporting frameworks.

The CDP evaluates corporations based on their environmental openness and activity each year, utilizing data gathered through its yearly reporting process. These scores, as well as CDP data, are used by investors to help them make decisions. Companies that have a high CDP score have a competitive advantage over their rivals. Scores can be used internally to track progress and confirm that plans as per current best practices (Yu & Van Luu, 2021). As the name implies, CDP focuses on climate consequences such as carbon emissions, water consumption, and deforestation. Companies that wish to report on social and governance issues must do so through a secondary reporting mechanism.

Additionally, the Climate Disclosure Standards Board (CDSB) framework was founded in 2007 during the World Economic Forum (WEF) annual conference, and the CDSB Framework was released in 2015. Like the CDP Framework, Yu and Van Luu (2021) argue that CDSB framework is primarily concerned with environmental reporting. CDSB, on the other hand, stands out in a few key ways. The Global Reporting Initiative (GRI), founded in 1997, was the first global standard for sustainability reporting. The Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environment Programme developed it in response to the Exxon Valdez oil spill (UNEP). Thirty years later, GRI is still the most widely used ESG reporting technique. GRI has been used to report sustainability by over 13,000 organizations in 90 countries, and the standards have been translated into a dozen languages (Cort & Esty, 2020). GRI is now utilized by more than 80% of the world's top 250 companies.

On the other hand, the GRI framework is equally beneficial to small firms and large international corporations. CDSB wants to include climate change disclosure into mainstream financial reports such as annual reports and 10-K filings, whereas CDP provides data collection and reporting platforms. By doing so, CDSB hopes to foster ties between sustainability and corporate strategy. The CDSB Framework does not specify its reporting metrics and key

performance indicators (KPIs) (Cort & Esty, 2020). It instead employs metrics and KPIs developed by other standards organizations such as CDP, GRI, WRI, WBCSD, and SASB.

The IIRC introduced the International Integrated Reporting Framework (IRF) in 2013 was a watershed moment in market-led corporate reporting. Based on Bose (2020) study, the IIRC's purpose was to replace corporations' various, fragmented corporate reports with a unified strategy that would "explain to financial capital providers how an organization produces, preserves, or erodes value over time." In short, the IRF would provide concise sustainability information to investors, lenders, and insurers. The SASB standards are a collection of 77 industry standards that companies may use to identify and report financially significant sustainability information to their investors. They emerged in the late 2010s (Bose, 2020). SASB is unusual because it specifies specific sustainability issues and key performance indicators (KPIs) for each business, including transportation, utilities, and oil and gas (Singhania & Saini, 2021). This makes it particularly useful for firms that require guidance in determining which disclosure subjects are financially relevant to their operations and which KPIs to post.

As ESG disclosure becomes increasingly common, these five leading sustainability organizations have taken steps toward a more standardized reporting format. Recently, CDP, CDSB, GRI, IIRC, and SASB announced their collaboration on comprehensive corporate reporting. Only time will tell how this pans out, but: environmental, social, and governance transparency will be there for long.

1.1.2 ESG Disclosures and Corporate Firm Value

Organizational sustainability disclosure in Kenya has emerged as a result of corporate responsibility, particularly as part of environmental, social, and governance concerns, allowing businesses to demonstrate transparency to their stakeholders. Kenya is one of the Sub-Saharan African countries that uses ESG reporting (Pesci, and Costa, 2014). Notably, Kenya's Nairobi Securities Exchange (NSE) is an active participant in the Sustainable Stock Exchange Initiative. This is a UNCTAD, UNGC, and UNEP initiative to encourage securities markets to embrace sustainability reporting (SSEI, 2018b). Flower (2015) contends that firms listed on the securities market have been shown to disclose more sustainability practices than those not listed (Fernandez-Feijoo et al., 2014). A number of large Kenyan companies, including Safaricom, SGS Kenya, and KCB, have gone above and beyond by producing stand-alone sustainability reports in accordance with the GRI guidelines and making these reports available on the Corporate Reporting Database (Ng & Rezaee, 2015).

Fatemi, Glaum, and Kaiser (2018) assess the impact of ESG activities and disclosure on business value. According to Fatemi, Glaum, and Kaiser, ESG strengths increase firm value while weaknesses decrease it. ESG disclosure reduces valuation on its own. However, the study revealed that disclosure has a significant moderating role, as it lessens the negative impact of defects while enhancing the positive impact of strengths. Aouadi and Marsat (2018) used a unique dataset of approximately 4000 firms from 58 countries from 2002 to 2011. According to primary research, ESG controversies are associated with better corporate value. However, when combined with the CSP score, ESG controversies have no direct influence on company value, despite the fact that the interaction is strongly and significantly advantageous. This evidence is used by Aouadi and Marsat (2018) to analyze the methods via which CSP can boost market value. According to sample split analysis, a higher CSP score has an impact on market value only for high-attention firms, which are larger, perform better, are located in countries with greater press freedom, are more frequently searched on the Internet, are closely followed by analysts, and have a better corporate social reputation. As a result, Aouadi and Marsat's findings shed new light on the significance of firm visibility in increasing CSP revenues.

Behl et al. (2021) used a four-wave cross-lagged panel structural equation modeling to examine the bidirectional causation and auto-regression effects between ESG disclosures and the firm value of Indian energy sector enterprises. According to the findings of Behl et al. (2021), the relationship between ESG disclosures and firm value is not bidirectional in both the overall and particular parts of ESG to firm value. AR effects are stable, with a negative association in the first two lags and a positive association in the last lag, according to our findings. Sustainability disclosure and board gender diversity, according to Qureshi et al. (2019), have a positive influence on firm value, meaning that optimal management practices, higher stakeholder trust, and female participation on boards boost firm value. According to Wong et al. (2021) analysis ESG certification lowers a firm's cost of capital while significantly raising Tobin's Q.

As a result, various studies showcase conflict in the level of disclosure in corporate sustainability reports in the determinants of its occurrence (Jain, Jain, & Rezaee, 2016), and especially in developing countries (Cho et al., 2015; Hahn and Kühnen, 2018). A large part could be based on the types of disclosures that companies are likely to prioritize in various institutional contexts. In this regard, the current study aims to fill a gap in the literature by examining how the combination of ESG disclosures in organizational processes affects firm value of a company listed on the Nairobi Securities Exchange.

The Capital Markets Authority (CMA) is a statutory agency established in 1989 by an Act of Parliament with the ultimate responsibility of licensing and monitoring all capital market

intermediaries. The institution guarantees proper conduct of all licensed persons and entities in reporting on ESG. It also help in regulating capital market product issuance, regulating securities, derivative and spot commodity exchanges, and promoting market integrity (Kimani, 2021). CMA works closely with Kenya Bankers Association (KBA) has been involved in an industry development process that has been largely determined by the market.

1.2 Problem Statement

In Kenya, corporate sustainability reporting has emerged as a result of corporate responsibility, particularly as it relates to environmental, social, and governance concerns, allowing businesses to demonstrate transparency to their stakeholders. Kenya is one of the countries in Sub-Saharan Africa that reports on environmental, social, and economic factors (Pesci, and Costa, 2014). The Nairobi Securities Exchange (NSE) in Kenya, for example, is a participant in the Sustainable Stock Exchange Initiative such as UNCTAD, UNGC, and UNEP initiatives to encourage securities markets to embrace sustainability reporting (SSEI, 2018b). Flower (2015) argues that companies that are publicly traded have been shown to disclose more sustainability information than companies that are not publicly traded (Fernandez-Feijoo et al., 2014). Several large Kenyan companies, including Safaricom, SGS Kenya, and KCB, have gone a step further and are now providing stand-alone sustainability reports based on the GRI guidelines, which are available on the Sustainability Disclosure Database (Ng & Rezaee, 2015).

Kenya, on the other hand, has received little attention in studies on the determinants of disclosure in various forms of ESG disclosures (Ng & Rezaee, 2015). The majority of available studies have concentrated on the factors that influence ESG disclosures (Ng & Rezaee, 2015). This is due to the fact that in Kenya, sustainability reporting is still largely voluntary. Regulation is almost certainly on the way, given the growing trend of Kenyan businesses adopting the practice. However, there are no adequate studies to encourage firms to participate in voluntary ESG disclosure by examining the benefits of the reporting on firm value. To achieve this, it is imperative to conduct a study to evaluate the change in firm value among firms that disclose and those do not report their ESG activities.

As a result, conflict is evident in the level of disclosure in corporate sustainability reports (Hahn and Kühnen, 2018), in the determinants of its occurrence (Jain, Jain & Rezaee, 2016), and even more so in a developing country (Jain, Jain & Rezaee, 2016; Cho et al., 2015). A large part of it could be determined by the types of disclosures that companies are most likely to prioritize in various institutional contexts. In this regard, the current study aims to fill a gap in the literature by looking at how the combination of ESG disclosures in organizational processes

affects the firm value of firms listed on the Nairobi Securities Exchange. The study would be useful to both large and small businesses in assessing how ESG disclosure can enhance their competitiveness and overall market performance.

1.3 Objectives of the Study

1.3.1 General Objective

The study's main objective is to assess the level of ESG disclosures and their impact on company value among Nairobi Securities Exchange-listed firms.

1.3.2 Specific Objectives

- i. To determine how environmental disclosure influences values of Nairobi Securities Exchange-listed firms.
- ii. To assess the effects of social disclosure on the firm value of Nairobi Securities Exchange-listed firms.
- iii. To identify the effects of governance disclosures on value of firms listed on the Nairobi Securities Exchange.

1.4 Research Questions

- i. What effects of disclosing environmental practices on value of the Nairobi Securities Exchange-listed companies?
- ii. What are effects of social disclosures on the firm value of Nairobi Securities Exchange-listed companies?
- iii. What are effects of disclosing governance practices on Nairobi Securities Exchange-listed companies?

1.5 Scope of the Study

The scope this research is to see if businesses that pay attention to environmental, social, and governance (ESG) disclosures are fairly compensated financially. The study examines NSE listed companies based on their industry and level of ESG disclosure. In order to provide a solution to this problem, the research metrics the degree of transparency of environmental, social, and governance information in voluntary non-financial reports. Using a 7-year longitudinal investigation of listed companies, Ling and Mowen (2018) contend that the study

attempts to determine if and how a deeper grade of disclosure, supported by quantifiable and indisputable information, determines greater company value, enhancing businesses' market value.

1.5 The Significance of the Study

Environmental, social, and governance (ESG) disclosures are important to NSE-listed businesses' performance. The study's objective is to determine whether there is a relationship between ESG disclosures and the value of NSE-listed firms. Policymakers, investors, and academics will benefit from the findings.

1.5.1 Decision Makers

Based on the findings, the Kenyan government will have compelling reasons to invest in increasing ESG reporting in the country. The study is particularly useful because it provides a platform for legislators to learn about the financial stability benefits of ESG disclosure. This will aid the relevant parties in developing better and nonconventional strategies to address any issues or roadblocks that may arise during the implementation of mandatory ESG reporting. It will also provide empirical data on the impact of ESG disclosures on business value, which can be used in short and long-term programs like poverty alleviation and crisis management.

1.5.2 Speculators

Investors benefit from ESG disclosures because they can assess a company's financial situation as well as its adherence with ESG disclosure requirements before making a decision to invest. On the other hand, the analysis allows for individual company benchmarking. Correlation analysis can be used to examine the benefits of investing in ESG practices, though it should be noted that data to date shows that different metrics used to describe both ESG and business value can lead to varying findings. Investors will be able to learn about the firms' compliances as a result of the survey.

1.5.3 Educators

The study will be useful to other researchers and academics because it will show how ESG disclosures affect the value of registered firms in Kenya and other countries. Scholars may find it useful because it will serve as a foundation for future research on a variety of ESG topics. Its goal is to provide more information about the link between ESG and the growth and survival

of Kenyan publicly traded companies. This can help the parties involved develop better and alternative policies to deal with any issues or challenges that NSE-listed companies face.



CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature on the impact of ESG disclosures on firm value based on previous research. Various studies on the impact of ESG on company growth have been conducted. Various business scholars' arguments about how ESG has boosted enterprise growth in various countries will be compared and contrasted in this critical review. The research will begin with a global perspective before focusing on Kenya. A theoretical literature review will be presented, as well as a theoretical review and conceptual framework that presents the critical review of fundamental theories in ESG disclosures. After that, there will be a review of the variables and how they affect a company's value. A critique of the existing literature on ESG disclosures is also included, as well as a discussion of the current research gap.

2.2 Theoretical Review

This section explores theories that relate to how ESG disclosures influence firm values. Theories are stated and reviewed to present their significance to the study and how they support the idea presented in the thesis. The theories used in these studies are stakeholder theory by Edward Freeman, legitimacy theory and discretionary-based disclosure theory

2.2.1 Stakeholder Theory

Edward Freeman proposed the stakeholder theory in 1984, which states that a company is a part of the social system, and that its survival is dependent on how it manages its relationships with multiple interest groups, not just its shareholders. According to Oladipupo Mathias and Mohammed (2015), the theory has been used to explain why a company might voluntarily choose to provide sustainability information to address stakeholder concerns. Stakeholders come in a variety of shapes and sizes, each with a unique perspective on the company's operations (Herly & Sisnuhadi, 2015).

Stakeholder Theory is a view of capitalism that stresses the interconnected relationships that exist between a corporation and its customers, suppliers, employees, investors, communities, and other stakeholders. A corporation, according to the notion, should provide value for all stakeholders, not just shareholder (Herly & Sisnuhadi, 2015). Edward Freeman initially detailed the Stakeholder Theory of organizational management and corporate ethics, which addresses morality and values in organizational management, in 1984. Many researchers, have

used the concept in their research and published work as a foundation for future inquiry and development, and it has become an essential consideration in the study of business ethics (Oladipupo, Mathias and Mohammed, 2015). Since the 1980s, the concept has risen in prominence, with experts all over the world debating whether relying on shareholders' money as the most basic purpose of business sustainability, which is among the key reasons for ESG disclosures.

Powerful stakeholders, such as the government, may, for example, use accounting data from a company to redistribute the company's resources. New taxes, price controls, and lobbying are just a few examples of regulations that can be used to redistribute wealth. The company may incur significant financial costs as a result of such actions. Businesses seek to manage these relationships by voluntarily disclosing sustainability information in order to reduce associated costs such as taxes, fees, and fines, and to obtain certain incentives such as subsidies and grants (Herly and Sisnuhadi, 2011).

In a lot of research, this theory has been used to determine ESG disclosures. Rouf (2017) demonstrated that stakeholder power has an impact on ESG disclosure using the stakeholder theory framework. Cho, Roberts, and Patten (2010) discovered that a firm's willingness to reach out to multiple stakeholder groups and its general attitude toward sustainability reporting are the most important factors influencing the level of disclosure from a resource-based perspective.

As a result, the theory is critical for this study because it informs the stakeholder attributes variable. In order to build a positive perception among powerful stakeholders, the company finds itself in a position where it must negotiate various "social contracts." These social contracts will involve multiple stakeholder groups rather than a single "social contract" with the general public (Eccles and Krzus, 2018). Firm executives identify and manage various stakeholder relationships based on their power over the company's operations (Pucci et al., 2018). A stakeholder with more clout than the other stakeholders is deemed more important by the company. Cho and Patten (2017) also argue that as a result, the company will devote more resources to meeting the needs of that particular stakeholder group. As a result, sustainability data becomes an important tool for managing stakeholder relationships for the company. The goal is to strike the right balance between the concerns of all stakeholders, resulting in value creation at both the firm and stakeholder levels.

2.2.2 Legitimacy Theory

According to Suchman (1995, p. 574), “legitimacy is a wide view or presumption that an entity's behaviors are desirable, proper, or appropriate within some socially formed system of norms, values, beliefs, and definitions.” Based on the legitimacy theory, companies provide social responsibility information to portray a socially responsible image and legitimize their actions to their stakeholder groups. Legitimacy theory is founded on the premise that there is a social contract between business and society. It stresses the extent to which cultural boundaries influence corporate social and environmental disclosures in order for the company to be recognized by the community in which it works and avoid being penalized. Social perceptions of the organization's operations are reported in accordance with public expectations. When an organization's operations violate social and moral values, society severely punishes it. However, it is assumed that the uniqueness of organizational resources will be preserved for a set period of time before being tampered with by specific organizations (Gupta & Nayar, 2017). The organization will be strategically positioned and reap the benefits of resource empowerment at this point.

Corporate organizations must achieve their objectives, according to Neely, Gregory, and Platts (2015), by evaluating the measures taken by individual institutions to meet their strategic objectives. Corporate strategy has traditionally favored externally based strategies that would benefit them in the long run through increased sales and competition mitigation strategies (Gray, 2015). The desire for sustainability disclosure has changed because corporations are skewed toward minimizing information asymmetry levels. This is in line with Krippendorff (2016), who claims that a company's resource heterogeneity allows for forays into non-traditional business needs and areas. There are both financial and non-financial resources available. Non-financial resources can help organizations position themselves as platforms for reducing information costs, according to Higginson, Simmons, and Warsame (2016).

It's important because a company's ability to comprehend its internal resources will help it adopt sustainable disclosure. This will be based on an organization's understanding of the benefits that will accrue as a result of how much economic, social, environmental, and governance data they disclose (Cataldo & Rowlands, 2015; Choudhury, 2016). Due to the challenges of excessive data disclosure and access, businesses must be bold, take risks, and be driven by a desire to improve the quality of service they provide to their customers.

2.2.3 Discretionary-Based Disclosure Theory

The idea that underpins this research is Discretionary-based Disclosure, which approaches disclosure as endogenous by taking into account managers' incentives to share specific types of data. According to Verrecchia (2017), this is a subset of Game Theory, in which the key premise is that entities will always weigh the costs and advantages of disclosing information. The logic is that the advantages of voluntary disclosure should outweigh the costs. Essentially, if the managers' goal is to increase shareholder wealth, there appears to be selective disclosure; information that benefits an entity is released, while information that disadvantages it is not. The theory examines the circumstances in which firms voluntarily reveal information as a result of strategic interactions with external agents such as investors and competitors (Sethi et al., 2017). In this way, this theory aids in determining when managers and/or businesses choose to reveal information. As a result, features associated to the company could explain voluntary disclosure.

Firms, according to the theory, must record and report positive performance in order to reveal a long-term trend (Verrecchia, 2017). Voluntary disclosure and sustainability reporting have also been linked to signaling theory. Corporations have reported significant causality of sustainability disclosure and degree of information asymmetry. The availability of information content has a big impact on how much money investors put on a stock. According to Hyvönen (2017), management should use sustainability disclosure as a tool to lower the cost of information access. Companies must disclose information about their organizational practices and internal sustainability disclosure measures, so the theory is relevant (Sethi et al., 2017). These practices would aid in the establishment of a culture that would aid in the achievement of desired sustainability disclosure standards, as well as the control of environmental hazards and the creation of a pleasant working environment.

An increase in monitoring and agency costs may result from the emergence of opposing viewpoints within an organization. Organization management may be motivated by a desire to keep their jobs, which are largely based on performance, according to Lee (2017), so engaging in sustainability activities may erode performance ratings and exacerbate conflicts among all parties. ESG disclosures could be used as a management quality evaluation tool, according to Jain et al. (2016), which is in line with the agency theory. The amount of information disclosed in reports is up to management's discretion, and they may try to use it to assuage shareholders' concerns while also demonstrating that they are acting optimally (Maniora, 2017).

The theory is applicable to the study because different stakeholders have different needs in terms of the quality of sustainability disclosure adopted by corporations. This would save resources that would otherwise be used to respond to external pressure. Due to the diversity of these stakeholders, management should use all available means to disseminate required information to each group, according to Hummel and Schlick (2016).

2.3 Empirical Review

As early as the 1940s, there were evidence of ESG reporting (Buhr, 2017). Studies at the time concentrated on criteria other than the traditional profit/loss computation. Wages, human connections, health, education, and public and community relations were all factors taken into account (Minguel, 2017). They were used to assess a business's performance in areas other than profit. The data was largely meant for internal use, with managers using it to assure their companies' competitiveness. This evolved into general corporate responsibility reporting in the 1970s, which mostly comprised of social responsibility reports.

However, there was some debate about whether these corporate responsibility reports would be used internally or externally. These reports were preserved as internal tools by a huge number of businesses. By creating their own social auditing measures, external parties raised the pressure on firms to disclose these responsibility reports (Minguel, 2017). As the concept of sustainability reporting gained hold in the 1980s and 1990s, businesses were obligated to start using them for external purposes (Buhr, 2007). Governments and market regulators also had an influence on the practice's creation because they became involved in response to crises and rising challenges in their own markets.

One thing is certain: the widespread interest in redefining corporate responsibility originated as a result of increasing stakeholder demand on businesses to become more open in their operations while reducing negative impacts (Schaltegger et al., 2016). The concerns linked with rising issues such as global warming, which has been widely debated at all levels of society, contributed to stakeholder pressure (Bradford et al., 2017). People and governments have become more curious about the items and services they consume as a result of a general increase in awareness about this issue. Similarly, communities where businesses operate are increasingly asking them to assume responsibility for their environmental and social consequences (Hughen et al., 2014).

Corporate sustainability reporting, often known as the triple bottom line approach, was created to address stakeholder concerns. It portrays the firm's responsibility based on a combination of economic, environmental, and social components (Azlan & Roszaini, 2017). The ability of

traditional financial reporting to address the triple bottom line is restricted (Raar, 2018). This is because it is primarily concerned with the economic side, ignoring the social and environmental components (Raar, 2018). As a result, corporate sustainability reporting, which focuses on the firm's internal and external stakeholders, has evolved to fill the void (Hughen et al., 2014).

Since its inception in the 1990s, corporate sustainability reporting has risen in popularity in both academics and business (Sen & Das, 2018). In academia, a number of researchers have devoted significant attention to corporate sustainability reporting, tracing its historical development and determining the goals and benefits motivating firms that have adopted the practice (Herzig & Schaltegger, 2019), while others have sparked debates, conducting a critical appraisal on whether corporate sustainability reporting is actually conscientious (Hummel & Schlick, 2016). This underscores the importance of involving managers in discussions and choices concerning the long-term health of their businesses (Schaltegger & Burritt, 2016).

Despite these differences, business leaders are increasingly agreeing that corporate sustainability reporting has become more important (Deegan & Islam, 2016). Businesses may now monitor, manage, and disclose the impact of their operations on their internal and external surroundings thanks to corporate sustainability reporting (Chiu & Wang, 2015). Individual companies may use different techniques to delivering sustainability data, but they are all centered on the threefold bottom line (Environment, Economy, and Society) or the 3 Ps (People, Planet, and Profits) (Bradford et al., 2017; Sen & Das, 2013). Based on (Hahn and Lülfs (2018), corporate governance reports, which contain non-financial data and are usually voluntary..

2.3.1 Environmental Disclosure and Firm Value

Environmental accounting encompasses data on all aspects of the environment, including expenditures, product environmental benefits, and details on long-term operations (Adebimpe, 2015). Several studies have supported the idea that there is a link between environmental practices and improved business performance. Wang and Sarkis (2017) found a moderate to strong relationship between financial indicators, such as profitability, and some environmental indicators, such as pollution control, particularly in the pulp and paper industry. Truant et al. (2017) went on to say that technology transfer, total quality environmental management, and other methods can help to facilitate such a positive relationship. According to Molla et al. (2019), the advancement of pro-environmental technologies is linked to an increase in the productivity and quality of business processes. Further research by Zhu et al. (2012) and Ehnert

et al. (2016) have backed up this conclusion, implying that better environmental and social practices can help businesses gain a competitive advantage and thus improve performance.

Siew (2015) conducted empirical research on the Chinese manufacturing industry and discovered that there are significant links between overall green supply chain management practices and environmental and economic performance. Environmental management practices can lead to innovation (Amran et al., 2018; Bernardi and Stark, 2018; Wu and Pagell, 2011; and Hofer et al., 2012). As a result, innovation can assist businesses in increasing their market share and lowering their costs, resulting in greater financial gains. According to Semenova and Hassel (2008), the reputational benefits of environmental preparedness primarily increase market value, while environmental performance can also improve financial performance operationally. Truant Corazza and Scagnelli (2017) discovered that a company's environmental performance has a positive impact on its financial performance and vice versa in their research. Companies that incorporate ISO 14001 standards into their daily operations report improved environmental and financial performance, Guoyou et al. (2011) also presented similar findings.

Simultaneously, some studies have backed up the claim that there is a negative link between sustainable initiatives and company performance. The main point here is that sustainable initiatives frequently raise operational costs and product prices, negatively impacting financial performance and market share (Tang et al., 2012; Giannarakis, 2014). Giannarakis (2014) discovered that environmental regulations are negatively associated with productivity, implying that CSR measures, particularly environmental ones, would have a negative impact on the firm's financial and operational performance. Environmental investments appear to be at odds with shareholder value maximization (Sethi, Martell, and Demir, 2017). According to the findings of the statistical analysis, registering ISO 14001 environmental management systems has resulted in lower profitability.

Green environmental strategies do not increase market valuation, according to Fernando et al. (2010), but there is no statistically significant difference in performance between green and environmentally neutral companies. The market only devalues inappropriate environmental management. Njoroge (2019) also found evidence of the negative effects of voluntary corporate environmental initiatives on shareholder wealth. They claimed that companies that announce their participation in environmental programs have significantly negative abnormal stock returns. Another concern is that businesses may ostensibly follow environmental policies without actually pursuing the objectives (Haque and Ntim, 2018). According to the previous studies mentioned above, only policies that reduce costs or increase revenue are positively related to corporate efficiency, according to the researcher.

Hypothesis 1: Increasing the reporting of environmental activities improves ROE and ROA.

2.3.2 Social Disclosures and Firm Value

Social accounting obligations can be used to provide stakeholders and society at large with information on a corporation's relationship to social policy issues. Stakeholders can then use the disclosed information to decide whether or not to transact with a company on what basis, if at all (Choudhury, 2016). Ng and Rezaee (2015) defined social disclosure as the preparation and publication of a report on a company's social, environmental, employee, community, customer, and other stakeholder interactions and activities, as well as the consequences of those interactions and activities, where applicable.

According to Minguel (2017), there is only a small positive correlation between corporate behavior and good financial results, which could be due to reverse causality, in which companies with a track record of strong financial performance are better able to contribute to society. (Minguel, 2017) looked into the other aspect of CSR, corporate philanthropy, and its impact on sales growth. They discovered that charitable contributions are strongly linked to future revenue, while reverse causality is only marginally so. Consumers consistently express a willingness to favor socially responsible companies and tend to pay more for products associated with charitable activities (Schaltegger et al., 2016). Equity Bank uses Corporate Social Responsibility through the Equity Group Foundation as an action plan to increase profits, retain customers and employees, gain a reputation advantage, and cut costs, according to Githinji (2015). Theorists who support the shareholder wealth maximization theory argue that there is a negative relationship between CSR and a company's performance.

However, "the sole purpose of a company's social responsibility is to increase profits." Friedman claims that CSR is expensive, and that the costs of implementing CSR improvements will most likely outweigh the financial benefits. As a result, it lowers shareholder value by lowering financial performance. Human rights and product safety indicators may be valuable, but they are not well incorporated into stock prices, according to Manescu (2011). Scholtens and Zhou (2008) discovered that different aspects of stakeholder relationships appear to be linked to shareholder performance in a complex way. According to Bradford et al. (2017), existing studies do not clearly demonstrate that socially responsible investments (SRI) have a positive impact on shareholder value. According to Cormier and Magnan (2014), CSR activities may have a negative impact on financial results. Managers who devote corporate resources to social issues, according to Crifo, Forget, and Teyssier (2015), impose a direct cost

on shareholders. Due to information asymmetry and the lack of a relationship between CSR and a firm's economic fundamentals, Orlitzky (2013) suggests that CSR may have a negative impact on stock performance by increasing market volatility and creating a stock price bubble.

CSR and corporate firm value are unrelated, according to the neutral relationship. The body of evidence supporting this theory claims that no link can be found because there are too many variables to consider when attempting explaining the potential link between social and financial performance. The lack of significant results could be due to measurement issues and flaws in the theoretical framework, according to the study (Crifo, Forget & Teyssier, 2015). Furthermore, using Carroll's conceptual framework of CSR, there is no link between CSR and profitability. In the long run, good corporate social performance, such as corporate charitable giving, will benefit financial performance (Azlan & Roszaini, 2017). Furthermore, these long-term benefits may be greater in industries that rely on reputation, brands, and large amounts of natural resources (Eccles et al., 2014). Social activities, on the other hand, raise the same concerns about additional costs as environmental activities. As a result, hypothesis 3 is proposed by the researcher.

Hypothesis 2: Social disclosures and firm value have a positive relationship.

2.3.3 Governance Disclosures and Firm Value

The procedures and processes by which an organization is directed and controlled are referred to as corporate governance. It establishes the framework within which the company's goals are set, as well as the methods for achieving those goals and measuring performance (Raar, 2018). The majority of previous research on the link between company performance and corporate governance shows that better corporate governance is linked to better company performance. These studies argue that good governance and sustainability are inextricably linked, and that corporate governance should be incorporated into the sustainability concept (Galbreath, 2013; Saltaji 2013). According to Sen and Das (2018), directors believe that there is a link between responsibility and performance, and that it is impossible to achieve shareholder value without also achieving stakeholder value. Furthermore, the fusion of the two approaches serves as a catalyst for long-term success, as well as an effective tool for risk management and improving reputation by avoiding corporate scandals (Herzig & Schaltegger, 2019). Tian and Twite (2011) discuss the growing body of empirical research on the link between corporate governance and firm performance, as well as how investors interpret that link. (Bradford et al. (2017) discovered that better-governed firms in the United States have higher ROE, ROA, and Tobin's Q. The implementation of a good corporate governance structure can improve the performance

of a company. However, the company may need to consider whether the financial cost of implementing an effective governance system outweighs the benefits.

The effectiveness of a company's corporate governance in preventing management opportunistic behavior, which can then improve financial performance, has been proven (Habbash et al., 2014). While Hahn and Lülfs (2018) claimed that there is no strong evidence that companies with better management are more profitable, whereas, according to the findings of Ammann et al. (2011), good corporate governance practices are reflected in a company's notably high market value.

Similar variables are used in most empirical corporate governance research to characterize how well corporate governance is implemented. The main four, according to Tian and Twite (2011), are executive compensation, shareholder rights, ownership structure, and board characteristics. According to (Khlif, Guidara and Souissi (2015), the number of board meetings per year, board size, and the percentage of independent directors were the most important board characteristics to US investors. Empowering independent directors is positively associated with firm value in China, according to Zhu et al. (2016).

In terms of women on boards, numerous studies have found that board gender diversity can improve CFP (Hoobler et al., 2016; Terjesen et al., 2016; Wang, 2012). Good corporate governance also has a positive effect on CFP in certain industries, such as banking (Esteban-Sanchez et al., 2017). Following the lead of previous studies, this study included global sustainable governance principles as a factor in our analytical model to see how governance activities affect corporate efficiency. The following hypothesis is proposed by the researcher.

Hypothesis 3: Corporate governance activities' disclosures have a positive relationship with firm value.

2.4 Summary of Literature and Gaps

According to the reviewed literature, an organization's ability to effectively integrate its resources in activities that maximize wealth or enhance its coexistence with firm value is critical to its sustainability and survival. These organizations are expected to help the organization achieve its goals by providing resources or relevant information for decision-making. Input and output evaluation techniques have revealed that a corporation's financial and non-financial gains are dependent on its ability to integrate its corporate resources to the needs of stakeholders, even when there is no monetary gain. Stakeholder pressure, according to studies, has a significant impact on ESG disclosures. They also stated that the significance of

ESG disclosures varies greatly by industry. Multinational corporations have the ability to spread an ESG disclosure culture, particularly if they have done so in their home country. Local environmental reporting is heavily reliant on the government, customers, shareholders, and environmental activists, according to studies.

2.4.1 Research Gap

Researchers' findings on a variety of factors influencing ESG disclosure performance have been presented. There is a gap, however, because there isn't enough research on the consistency of reporting based on ESG strengths and how reporting affects firm value. According to recent research in a number of countries, ESG disclosures have a growing lateral effect on company performance, indicating that stakeholders and regulatory bodies are putting pressure on companies to do so. As a result, businesses have focused their efforts on making ESG disclosure practices more user-friendly. Synergistic efforts result in a competitive advantage and improved organizational performance. The current study will fill this void by investigating how ESG factors and practices influence corporate firm value, and would be useful in motivating firms in reporting.

2.4.1 Matrix of Studies

Author/ Date	Research Question(s)/ Hypotheses	Method	Analysis & Results	Implicatio ns for Future research	Implication s For practice
Behl, Kumari, Makhija and Sharma (2021).	In light of the correlation between ESG score and corporate financial performance, business unification with the internal and external world creating attention..	four-wave cross-lagged panel structural equation modeling	The overall and individual parts of ESG to firm value do not have a bidirectional link.	Investors, fund managers, legislators, and energy industry executives will benefit from the findings.	The study advises leaders on ESG investment and practices, as well as the time it takes to reap the benefits of such investments through increased firm value.
Aouadi and Marsat (2018).	What is the relationship between ESG issues and the market value of a company?	Mixed method research, sample split analysis	Larger companies perform better, are located in nations with more press freedom, are more frequently searched	The study informs future study by providing informatio	The findings shed light on how organizations might

			on the Internet, are more closely followed by analysts, and have a stronger corporate social reputation.	n that is useful to demonstrate how ESG reporting enhances firm visibility.	benefit from their corporate social performance by increasing their visibility.
Fatemi, Glaum and Kaiser (2018).	What is the impact of ESG tasks on corporate value, as well as their disclosure?	Mixed method research	Study discovered that ESG strengths raise business value while deficiencies lower it. In and of itself, ESG disclosure lowers valuation. But, more importantly, the research discovers that disclosure has a critical moderating effect, reducing the negative impact of shortcomings while reducing the positive impact of firm strengths.	The study contributes to the future research by providing the background of the relationship between ESG and firm value.	The study implicates firms' decision whether to disclose or not, by presenting the positive and negative effects of ESG reporting.
Qureshi, Kirkerud Theresa and Ahsan (2020).	There is a link between ESG disclosure and the market value of European companies.	Benchmark price model of Ohlson	There is a link between ESG disclosure and the market value of companies. There is a link between having a female on the board of directors and the market value. There is a link between having a female on the board of directors and companies' ESG disclosure.	The findings hold up in a variety of institutional setups and inform future study on the need for sustainable ESG disclosures.	Adjusting for a number of time-varying firm-specific variables to guarantee that firm-specific factors do not dominate the findings, which hold up in a variety of European institutional setups.
Wong, Battan,	What effects does accreditation for	Mixed method	ESG accreditation decreases a company's cost of	Findings are consistent with	The benefits of companies

Mohamed-Arshad,. Nordin and Adzis (2021).	ESG have on Malaysian businesses?	research, Tobin's Q	capital while considerably increasing Tobin's Q.	previous research in rich economies , and future studies need to explore how ESG disclosures contribute to firm value.	following an ESG strategy to stakeholders are confirmed in this study.
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Table 2.4.1: Matrix of studies

2.5 Conceptual Framework

Conceptual framework explains or forecasts how essential concepts/variables will interact to explain the problem/phenomenon. Provides study direction and parameters. The framework aids in the organization of ideas and the clarification of concepts for the research. The section introduces the study and how it benefits the field of research. Dependent, independent, and control variables relevant to the topic of study are included in a conceptual framework below.

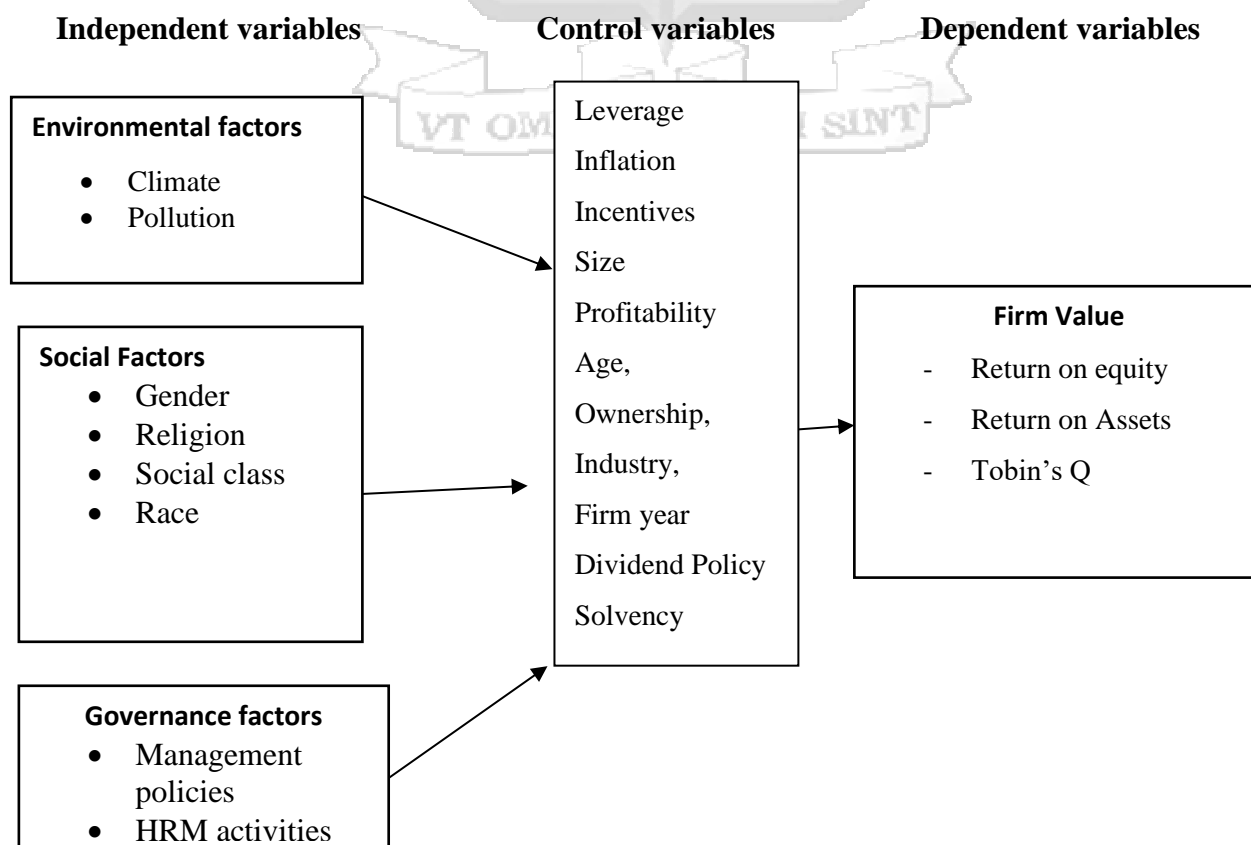


Figure 2.6.1: Conceptual Framework

2.6.1 Independent Variables

The independent variables are ESG disclosures, while the dependent variable is the firm value of companies listed on the Nairobi Securities Exchange. The environmental disclosure variable examines a company's overall environmental impact. The social disclosure variable assesses a company's ability to involve all stakeholders' interests in a way that builds trust and confidence. The governance disclosures variable collects data based on the influence rules and mandated reporting have on numerous stakeholders' interests.

2.6.2 Dependent Variables

Statistical regression analysis is used to compare the data collected regarding the independent variables to the firm value of firms listed on the NSE. Market performance, return on equity, and return on assets all influence the firm's worth. Statistical regression is used to determine the coefficient of correlation and the level of significance. The major purpose is to examine the impact of ESG disclosures on NSE-listed companies using return on investment, equity, and assets.

2.6.3 Control Variables

A control variable in a research study is anything that is kept constant or limited. It is a variable that has no relevance on the study's objectives, but it is kept under control because it has the potential to alter the outcomes. Financial leverage is one of the study's control variables. Financial leverage is defined by Fischer and Sawczyn (2013) as total debt divided by total assets. Waddock and Graves (2017) claimed that a company's financial success could be influenced by decisions about the cost of long-term investment prospects. Other variables are inflation, government incentives size, market capitalization and asset tangibility that also influence firm value, but are held constant in this study. Companies with high levels of ESG transparency have reduced loan costs (lower financial leverage), high profitability, solvency and favorable dividend policy, resulting in better financial efficiency, according to Orlitzky and Benjamin (2017).

2.7 Operationalization of Variables

Table 2.7.1: Operationalization of Variables

Objectives	Variables	Supporting Empirical Studies	Analysis Method	Supporting Theory
To assess the relationship between environmental disclosures and corporate firm value among listed companies on the Nairobi Securities Exchange.	<p>Independent Variable Environmental disclosures</p> <p>Dependent Variable TQ, ROE, ROA</p> <p>Control variable Leverage</p>	Adebimpe, Ekubiat & Bokime (2015)	Descriptive statistics Inferential statistics	To measure environmental disclosures, the study examines the reporting of activities that aim at conserving and protecting environment. This is integrated with stakeholder theory to determine how these disclosures influence firm's value.
To examine the link between social disclosures and company value of Nairobi Securities Exchange-listed firms.	<p>Independent variable Social disclosures</p> <p>Dependent Variable TQ, ROE, ROA</p> <p>Control variable Leverage</p>	Bernardi & Stark (2018).	Descriptive statistics Inferential statistics	The variable is supported by Bernardi & Stark (2018) study that examines how firm value is influenced by social reporting, accuracy as well as analyst forecasts.

<p>. To examine the connection between governance disclosures and firm value of Nairobi Securities Exchange-listed firms.</p>	<p>Independent Variable Governance disclosures</p> <p>Dependent Variable TQ, ROE, ROA</p> <p>Control variable Leverage</p>	<p>Crifo, Forget & Teyssier (2015).</p>	<p>Descriptive statistics Inferential statistics</p>	<p>The evaluation of corporate governance provides an avenue to integrate legitimacy theory and firm value. The companies agree to follow policies and regulations such as employee rights and safety in management processes.</p>
<p>To assess the effect of ESG disclosures on firm value among the listed companies on the Nairobi Securities Exchange.</p>	<p>Dependent variable Firm value</p> <p>Dependent Variable TQ, ROE, ROA</p> <p>Control variable Leverage</p>	<p>Cho, Roberts, and Patten. (2017); Cormier & Magnan (2014)</p>	<p>Descriptive statistics Inferential statistics</p>	<p>Firm value measures are used to determine the effectiveness of companies' operation that are enhanced by reporting their operations to the external environment. Based on discretionary based disclosure theory, both favorable and unfavorable information influence organizational performance.</p>

CHAPTER THREE: METHODOLOGY

3.1 Introduction

This chapter focuses on the study's data collection methods and processes. The following topics are thoroughly discussed: research design, target population, sampling technique and sample size, instrumentation, ethical issues, data gathering techniques, and data analysis procedures.

3.2 Research Philosophy

This study's data was collected and analyzed utilizing the positivist research philosophy, which stresses experiment design, execution, and observation of experiment findings. In this philosophy, existing ideas are used to develop testable hypotheses, and research is used to test beliefs that eventually become laws. The researcher conducted the investigation independently and without influencing the subject under study to improve the acceptance of the findings. Because the ultimate result should be a law, a quantitative technique that can be statistically tested is essential in order to obtain outcomes comparable to natural approaches. This philosophy was selected since it integrates credible research approaches and techniques that enhanced collection of valid data for the study.

The purpose of the research is to investigate how environmental, social, and governance disclosures affect the value of Kenya's biggest enterprises. In order to achieve a conclusion and offer recommendations for further research and action, the objectives are studied utilizing a logical approach informed by theories, hypotheses development, and hypotheses analysis.

3.3 Research Design

A research design is a strategy for collecting, reducing, and interpreting data (Creswell & Creswell, 2017). To attain the best results, design is typically done to balance efficiency and economy. It lays the groundwork for data collection. According to Creswell & Creswell (2017), research is an experiment in which data is collected from members of the population to assess the population's condition using one or more factors. They went on to say that the purpose of a survey study is to collect data on a research topic by asking participants to describe their beliefs, attitudes, and behaviors. The survey was eventually developed into a descriptive study.

The study was developed using mixed method research (MMR). The design is intended to direct the research toward data collection and analysis on the effect of ESG disclosures on the firm value of NSE-listed companies, which includes an assessment of a variety of factors. The

When selecting the appropriate sample for this study, Slovin's Formula is used as a sampling technique to ensure that confidence levels and error margins are taken into account. Despite the fact that information on firms listed on the NSE may be available, Slovin's Formula assumes that nothing is known about the sample. The algorithm is used in simple random sampling to select a sample of firms from other NSE-listed firms for use in research to make broad generalizations about all listed companies (Gregoire & Affleck, 2018). Because of its ease of use and accuracy in reflecting a larger population, simple random sampling is recommended.

3.5 Data Collection Method

The data collection process involves gathering raw data from a population or sources to identify a solution to the study challenge. It aids in the evaluation of the problem's outcome. A researcher can deduce a response to the relevant inquiry using the data collection methods. Most studies employ data collection methods to establish assumptions regarding future probability and trends (Brannen, 2017). After the data has been gathered organization procedure must be completed. The data collection process was guided by applying a list of ESG indicators examples found in ESG Disclosure Framework for Private Equity (UNPRI, 2014).

3.5.1 Primary Data

The primary data collection method in this study was a questionnaire. According to Orodho (2012), questionnaires are widely used in social science research because they are a quick and easy way to collect data. Brannen (2017) was praised for his application's ability to collect data with minimal effort. Based on previous research and current indexes, the environmental, social, and governance disclosures were chosen and integrated for this study.

As a result, questionnaires were distributed to 80 respondents from the companies on the list. The questionnaire was divided into four sections, each with a five-point Likert scale for data collection. The first three sections gathered data on the factors that influence sustainability disclosure, while the final section investigated levels of sustainability disclosure based on environmental, social, and governance factors. Section A contained company information, Section B contained ESG practices and firm value, Section C contained ESG Level of Disclosure, and Section E contained concluding remarks and follow-up. The questionnaires were delivered to the company and collected at a mutually convenient time and date.

After the application was approved, the Strathmore University Business School provided ethical approval. This aided the researcher in obtaining a research permit from the local

government, allowing him to conduct research on NSE-listed companies. As a result, Kenyan companies listed on the Nairobi Securities Exchange were the study's target demographic. The Nairobi Stock Exchange (NSE) list was used to identify target companies in Kenya (Creswell, 2018). When data is gathered from a variety of sources, the objectivity of information about a company's performance improves. Questionnaires were used in conjunction with checklist questions. All of the questions on the questionnaire are tailored to the study's objectives. The questionnaire was to be completed by two participants in managerial positions from each organization (Servaes and Tamayo, 2013). As a result, 40 people were involved in the primary data collection process. The questionnaires contain both structured and unstructured items. To gauge responses, structured questions are used. The level of disclosures relevant to ESG issues was assessed using content analysis in this study (Ismail & Ibrahim, 2019). Due to the lack of a database containing disclosure information among the businesses listed on the NSE Krippendorff, content analysis is the most acceptable option.

3.5.2 Secondary Data

Secondary data is information gathered by someone other than the user. It signifies that the data has already been collected and is being analyzed. Magazines, newspapers, books, and journals are examples of secondary data. It could be either published or unpublished information (Brannen, 2017). The data about ESG disclosure was obtained from annual reports, sustainability reports, and public records made available to the website and documents with historical and statistical information on board governance. Additionally documents for the workplace and journals of technical and professional interest were reviewed. Secondary data were collected to facilitate comparison with the primary data.

3.6 Data Analysis

After gathering raw data, it must be cleansed, coded, input into a computer, and evaluated. This helps to eliminate mistakes and increases the study's reliability and validity. The two approaches for analyzing data are descriptive statistics and inferential statistics. T tests were performed to see if there were any statistically significant variations in ESG disclosure levels. The Pearson R correlation was used to analyze the influence of ESG disclosures on company performance. To determine how the independent factors impacted the dependent variable, the data was fitted with a multiple regression model. The multiple regression analysis employed in this study is a statistical approach for predicting a dependent variable using two or more independent variables. Multiple regressions are used to see if a group of factors can predict a

certain variable when used together (Zikmund et al., 2013). The researchers classified, summarized, analyzed, and presented the data to make it more helpful.

The mode of data analysis employed is determined by the kind and nature of the data gathered. Because the study data was quantitative, the analysis employed a statistical analytic technique. The most common data analysis approach was descriptive data analysis, which evaluates quantitative data and provides the results as they are, frequently emphasizing what they imply to the researcher and their implications for the target population. To establish a relationship between ESG disclosures and corporate company value, linear regression analysis coefficients were utilized (Bickel & Lehmann, 2012). This study's data was analyzed statistically and subjectively using the SPSS program version 22. To convey the data, visual aids such as tables and graphs were employed. The following multiple regression model was used to evaluate the data:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 Lev + \varepsilon \quad \text{----- (iii)}$$

Whereby: Y = Firm value of selected companies listed in NSE

X1= ESG disclosures

X2 = Environmental disclosures

X3 = Social disclosures

X4 = Governance disclosures

Lev = Financial leverage

ε = Error.

The coefficient of regression is presented by $\beta_0, \beta_1, \beta_2 \dots \beta_5$ and the independent variables is presented by $x_1, x_2 \dots x_4$, the firm's control variable is Lev while random variation in y and X are indicated by ε .

After receiving the final results, they were given an appropriate explanation of the findings. This aided in emphasizing key findings as well as existing correlations to justify hypotheses and explain how ESG disclosures affect firm value. Following the discussion of the findings, a conclusion and recommendation were reached, which were made available to the study's participants to assist them in identifying strategies for improving ESG disclosure practices. As a result, the findings were crucial in assisting the Kenyan government and the Nairobi Securities Exchange in proposing the implementation of ESG disclosure policies to increase the value of listed companies. The primary data, on the other hand, was electronically saved for future reference in the event that the findings needed to be verified.

3.7 Research Quality

3.7.1 Reliability

The term "reliability" refers to both the consistency of scores over time and the degree to which measures are error-free in order to produce consistent results (Brannen, 2017). The Cronbach alpha was used to test for reliability in order to ensure that the study was reliable. The coefficient alpha test provided estimates for determining the scale of consistency, which is a reliability measure based on internal consistency and overall variable correlation.

Cronbach's alpha was used to calculate the correlation between the questionnaire responses. When there is a strong correlation between variables, the alpha is high. This claim is supported by Andrew et al. (2015), who claim that scores greater than 0.9 indicate the use of an incorrect or overly narrow scale.

$$Nc/v + (N-1) = c \text{ ————— (ii)}$$

N stands for the total number of samples utilized, c for the average covariance, and v for the average variance.

The Cronbach alpha coefficient was used to assess the reliability of the variables in this study that were subjected to the questionnaire strategy. Furthermore, factor analysis was used in the study, making it much easier to assess the validity of variables. According to Field (2017), a score of more than 0.7 is sufficient to consider the data genuine.

3.7.2 Validity

The validity evaluation determined how well the study's data collection and analysis accurately reflected the reality under investigation. According to Zikmund et al. (2018), a successful data collection instrument should generate data that allows the researcher to make meaningful inferences from the scores and measure the intended content. To ensure authenticity, however, two steps must be taken. As a result, previous studies' research questions were used to improve the study instrument's validity. To determine whether issues were accurately represented, an expert's judgment was used.

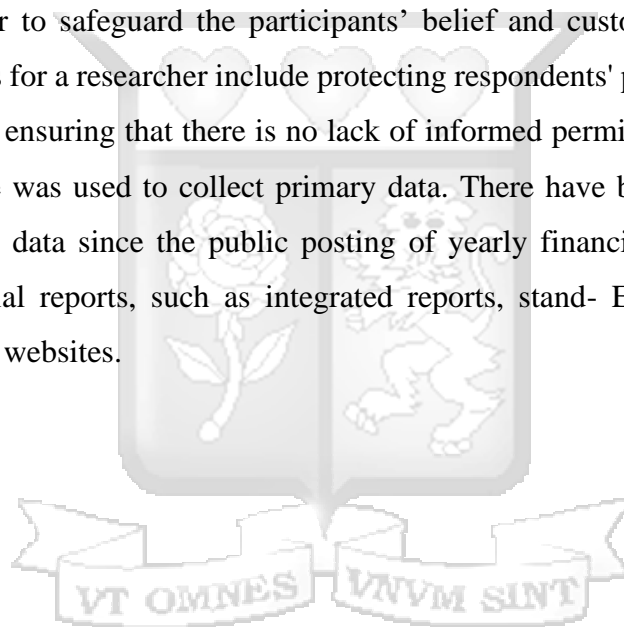
3.8 Pilot Tests

Participants were asked to provide details about their business operations because the study assisted in resolving the financial issues that had arisen as a result of the failure to use ESG

disclosures. Because the data is only used for research purposes, participants were free to provide even confidential details when answering the question. The pre-test is attended by between 1% and 10% of the target population. As a result, a pilot study was carried out with volunteers drawn from administrative wards of selected companies (Brannen, 2017). The pilot test was completed after administering it to various groups and receiving similar results. Cronbach Alpha is currently the most widely used method for assessing reliability.

3.9 Ethical Issues to Consider

Ethical issues of the study involves norms and behaviors that influence the validity, reliability and credibility of the data collected (Bickel & Lehmann, 2012). The researcher considers ethical issues in order to safeguard the participants' belief and custom. Some of the most essential ethical issues for a researcher include protecting respondents' privacy, discretion, and anonymity, as well as ensuring that there is no lack of informed permission (Bryman & Bell, 2015). This technique was used to collect primary data. There have been few ethical issues concerning secondary data since the public posting of yearly financial reports on business websites. Non-financial reports, such as integrated reports, stand- ESG reports, are made available on company websites.



CHAPTER 4: RESEARCH RESULTS AND FINDINGS

4.1 Introduction

This chapter summarizes the study's findings and compares them to previous research. The data was analyzed using descriptive and inferential statistics. The results of the study are presented in the form of figures and tables, which are structured according to the study's objectives. Section 4.2 starts with the response rate, followed by Section 4.3 with the level of ESG disclosures, Section 4.4 with effect of ESG disclosure on firm value including regression analysis and descriptive statistics and Section 4.5 with the reasons for disclosing ESG practices and their effect on firm value.

4.2 Descriptive Statistics

Descriptive characteristics were carried out to determine the characteristics of the data used.

Table 4.2.1: Descriptive statistics

Variable	Mean	Median	Maximum	Minimum	Std. Dev
<i>ESG Disclosures</i>					
ESG aggregate	0.524	0.53	0.962	0.076	0.178
E	0.531	0.535	0.993	0.026	0.223
S	0.521	0.520	0.990	0.033	0.214
G	0.523	0.528	0.990	0.025	0.211
<i>Financial Performance</i>					
ROE	0.162	0.132	1.078	-0.253	0.173
ROA	0.072	0.061	0.339	-0.082	0.067
Tobin's Q	1.365	0.01	7.311	0.232	1.164
<i>Control Variable</i>					
Leverage	0.234	0.214	1.215	0.001	0.166
Inflation	0.365	0.392	1.472	0.013	0.247
Incentives	0.432	0.490	1.467	0.053	0.381

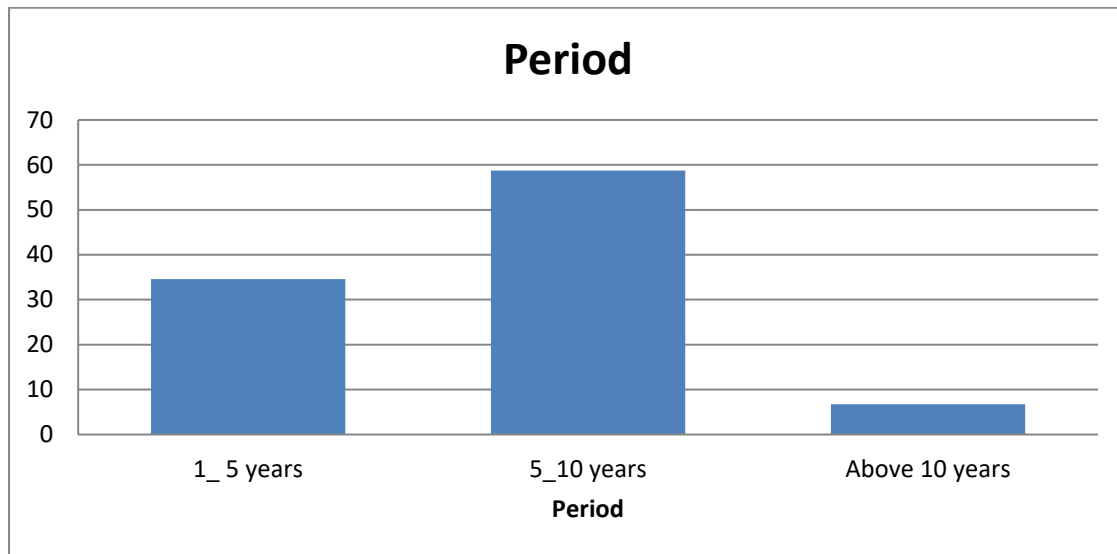
The average level of social disclosure was 0.521, whereas the average level of environmental disclosure was 0.531. The greatest maximum value was for environmental disclosure (0.993), while the lowest minimum value was for governance transparency (0.001). (0.025). As a

control variable, leverage had a maximum value of 1.215 and a minimum value of 0.001. Inflation and incentives present higher minimum and maximum than leverage. When compared to ROA and ROE, Tobin's Q showed a relatively big standard deviation.

4.2.2 Percentage of Responses

The length of time respondents had worked at their companies was inquired about. The responses are depicted in Figure 4.2.2.

Figure 4.2.2 Working for publicly traded companies for a time



According to Figure 4.2.2, slightly more than half of the respondents (58.7 percent) had worked for the company for 5-10 years, 34.6 percent for 1-5 years, and 6.7 percent for more than ten years. This demonstrates that the respondents have been with the organization for a long time and are familiar with the concept of ESG disclosures.

Table 4.2.3: Reliability Analysis

Variables	Number of items	Cronbach's Alpha
Environmental Indicators	11	0.832
Social Indicators	11	0.855
Governance Indicators	11	0.826
ESG Disclosures	33	0.849

Cronbach's Alpha was used to assess the research's reliability, as shown in Table 4.2.3, with environmental indicators having a coefficient of 0.832, social indicators having a coefficient of 0.855, governance indicators having a coefficient of 0.826, and ESG disclosures having a

coefficient of 0.849. As a consequence, the research tool was reliable because all coefficients were larger than 0.7 (Brannen, 2017).

Table 4.2.4 Percentage of ESG information based on secondary data

Year	Number of Companies	% of ESG information
2013	54	39%
2015	57	47%
2016	59	45%
2017	61	52%
2018	62	67%
2019	62	84%
2020	62	93%

First, the impact of governance, social and environmental disclosure on firm value has been largely favorable and consistent across our sample period. This is consistent with the idea that good corporate governance leads to increased profits for businesses. Regardless of the current economic situation, it should be noted ESG information outcomes has been increasing. All ESGs have an increasing score from 2013 to 2020 based on the metrics for the samples considered.

4.2.3 The Level of ESG Disclosures among NSE-Listed Companies

The study's major objective was to investigate the influence of ESG disclosures on the stock valuation of NSE-listed firms. Scores on a five-point likert scale ranging from Not at all Important (1) to Very Essential (5) were assigned to assess the level of significance (5). (5). The mean, median, mode, and standard deviation were utilized to analyze each indicator's data set using descriptive statistics.

Table 4.2.3.1: Environmental indicators among Listed Companies on the NSE

Indicator	Mean	Median	Mode	Std. Dev
Air and water pollution	3.8	4	4	1.0
Biodiversity	3.5	4	4	1.2
Climate change	4.2	4	5	0.8
Transport	4.4	3	4	1.5
Ecosystem services	3.5	3	4	1.3
Energy efficiency	4.0	4	4	0.9
Hazardous materials	3.7	4	5	1.2
Supplier environmental assessment	4.2	4	4	1.0
Resource depletion	3.8	4	5	1.3

Waste management	3.6	4	5	1.1
Compliance	4.5	4	4	0.8
Overall average	3.9			1.1

As shown in Table 4.2.3.1, the majority of NSE-listed companies indicated that environmental compliance disclosure was very important (mean = 4.5, standard deviation = 0.8). The study also discovered that disclosure was less important in terms of biodiversity protection (mean = 3.5) and approach to ecosystem services (mean = 3.5). Overall, companies were found to have embraced environmental disclosures (mean = 3.9, standard deviation = 1.1, and coefficient of variation = 28.2 percent).

Table 4.2.3.2: Social indicators among Listed Companies on the NSE

Indicator	Mean	Median	Mode	Std. Dev
Customer satisfaction	3.9	4	5	0.9
Diversity and equal opportunity	3.6	4	4	1.0
Employee retention and turnover	3.3	3	3	1.4
Employee competence	3.4	3.5	4	1.5
Government and community relation	3.5	3.5	4	1.1
Occupation, health and safety	4.7	4.5	5	0.8
Labour standards	4.5	4	5	1.0
Compliance and anti-competitive behaviour	4.4	4	5	0.9
Product safety and liability	3.4	4	4	1.5
Supply chain management	3.8	4	5	1.2
Non-discrimination	3.2	3	4	1.3
Overall average	3.8			1.1

As shown in Table 4.2.3.2, the majority of NSE-listed companies ranked occupational health and safety (mean = 4.7, standard deviation = 0.8), labor standards (mean = 4.5), and compliance and anti-competitive behavior as very important (mean = 4.4, standard deviation = 0.9). On the contrary, the study discovered that disclosure was less important in terms of non-discrimination (mean = 3.2). Overall, companies were found to have embraced social disclosures (mean = 3.8, standard deviation = 1.1, and coefficient of variation = 28.9%).

Table 4.2.3.3 Governance indicators among Listed Companies on the NSE

Indicator	Mean	Median	Mode	Std. Dev
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Accounting Standards	3.9	4	5	1.5
Stakeholder consultation	3.6	4	4	1.2
Audit committee structure	3.3	3	3	1.4
Board composition and structure	4.6	3.5	4	0.7
Bribery and corruption	3.2	3.5	4	1.1
Business ethics policy	3.5	4	5	1.3
Risk management and compliance	4.0	4	5	0.9
Executive remuneration	4.4	4	5	0.8
Whistleblower schemes	4.5	4	4	1.0
Succession planning	3.4	4.5	5	1.3
Separation of Chairman and CEO	3.6	3	4	1.3
Overall average	3.8			1.1

According to the findings in Table 4.3.3, disclosure of board composition and structure was very important in listed companies (mean =4.6, standard deviation = 0.7). Second, the majority (mean =4.5) disclosed whistleblowing schemes. On the other hand, disclosure of an audit committee structure was ranked lower (mean = 3.3) than bribery and corruption (mean = 3.2). Overall, companies were found to have embraced social disclosures (mean = 3.8, standard deviation = 1.1, and coefficient of variation = 28.9%).

Table 4.2.3.4 Overall Level of disclosure per sector based on secondary data

Sector	No. of Companies	2013		2014		2015		2016		2017		2018		2019		2020	
		mean	Std dev	mean	Std dev	mean	Std dev	mean	Std dev	mean	Std dev	mean	Std dev	mean	Std dev	mean	Std dev
Consumer Service	12	3.8	1	5.2	1.2	5.2	1.2	3.8	1.5	4.2	1.7	4.8	1.7	3.8	1.3	3.8	1
Consumer Goods	13	6.5	1.2	3.1	1.7	3.1	1.3	7.5	1.2	3.8	1.9	5.5	1.9	7.5	1.5	3.5	1.2
Utilities	3	3.2	0.8	4.1	0.9	4.1	0.8	3.7	0.7	5.2	0.4	6.2	0.4	3.7	0.6	4.2	0.8
Industrials	6	4.4	1.5	5.1	1.3	5.1	1.6	5.4	1.3	3.4	1.7	7.4	1.7	5.4	1.4	4.4	1.5
Oil and Gas	1	3.5	1.3	6.5	1.3	6.5	1.4	6.2	1.8	3.5	1.6	3.5	1.6	6.2	1.6	3.5	1.3
Financials	22	4	0.9	3	0.7	3	0.5	5	0.6	4.1	0.5	6	0.5	5	0.7	4	0.9
Telecom	1	4.7	1.2	5.7	1.2	5.7	1	4.7	1.2	3.9	1.3	4.7	1.3	4.7	1.3	3.7	1.2

Basic materials	4	4.8	1	4.2	1.7	4.2	1.5	5.2	1.4	5.7	1.4	6.2	1.4	5.2	1.2	4.2	1
Total Average		4.3625	1.1125	4.6125	1.25	4.6125	1.15	5.1875	1.25	4.225	1.3125	5.5375	1.3125	5.1875	1.25	3.9125	1.1125

When the effect of ESG disclosure is broken down based on companies' sector, the observation of the annual reports indicate increases rates on disclosure. The reported standard deviation and mean value for ESG variables is positive and significant, meaning that increasing the social ESG information by one unit increases firm value by 0.09 percentage points. However, from the above table there is inconsistency of the mean and standard deviation from 2013 to 2020, which means that some companies did not disclose some ESG information that they had reported in previous year.

4.3 Inferential Statistics

4.3.1 Effect of ESG disclosures on Firm Value of Companies Listed on the NSE

The study's second goal was to see how ESG disclosure affected the firm value of companies listed on the NSE.

4.3.2 Correlation Matrix Results

The Pearson correlation matrix for the independent, dependent, and control variables is shown in Table 4.4.2.

Table 4.4.2: Correlation Coefficient

	ESG	ENV	SOC	GOV	ROE	ROA	TQ	LEV
ESG	1.00 (0.00)							
ENV	0.67 (0.00)	1.00 (0.00)						
SOC	0.64 (0.00)	0.36 (0.00)	1.00 (0.00)					
GOV	0.15 (0.00)	0.18 (0.00)	0.97 (0.00)	1.00 (0.00)				
ROE	0.31 (0.00)	0.23 (0.00)	0.17 (0.00)	0.78 (0.00)	1.00 (0.00)			
ROA	0.07 (0.00)	0.04 (0.01)	0.06 (0.00)	0.17 (0.00)	0.23 (0.00)	1.00 (0.00)		

TQ	-0.07 (0.00)	-0.10 (0.00)	-0.02 (0.00)	-0.05 (0.00)	0.51 (0.00)	0.66 (0.00)	1.00 (0.00)	
LEV	0.28 (0.00)	0.20 (0.00)	0.14 (0.00)	0.45 (0.00)	0.87 (0.00)	0.45 (0.00)	0.12 (0.00)	1.00 (0.00)

The Pearson correlation matrix for the independent, dependent, and control variables was shown in Table 4.4.2. The rho is represented by the positive digits, while the p-value is represented by the one in bracket. Among companies listed on the NSE, the ENV, SOC, and GOV disclosures are all positively significant. Second, the control variable LEV has a positive relationship with ROE, ROA, and Tobin's Q (rho = 0.87, 0.45, and 0.12, respectively, p value 0.05). Finally, Tobin's Q and the combined ESG, ENV, SOC, and GOV disclosures have a negative correlation (rho = -0.07, -0.10, -0.02, and -0.05, p value 0.05).

4.3.3 Regression Analysis

The coefficients from multiple linear regressions was used to evaluate if there is a link between the independent and dependent variables. The regression summary findings are as follows:

Table 4.3.3.1 Regression Analysis for Environmental Disclosures

Environmental Indicators	Firm Value					
	Tobin's Q		ROA		ROE	
Air and water pollution	0.65	0.003	0.282	0.007	0.785	0.014
Biodiversity	0.075	0.016	0.592	0.341	0.538	0.002
Climate change	0.106	0.933	0.031	0.652	0.793	0.050
Transport	0.042	0.541	0.053	0.149	0.649	0.259
Ecosystem services	0.431	0.039	0.081	0.007	0.344	0.004
Energy efficiency	0.017	0.000	0.005	0.018	2.990	0.009
Hazardous materials	0.016	0.933	0.031	0.352	0.793	0.050
Supplier environmental assessment	0.042	0.541	0.053	0.149	0.649	0.259
Resource depletion	0.131	0.039	0.081	0.007	-0.544	0.004
Waste management	0.042	0.541	0.053	0.149	0.649	0.259
Compliance	0.131	0.019	0.081	0.007	-0.544	0.004
Adj R squared		0.247		0.315		0.169
F		19.691		14.771		10.279

p-value of F statistic		0.000		0.000		0.000
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The p-value is used to represent the level of significance generated from the comparison of dependent variable and environmental indicators. If the significant level (P-value) is less than 0.05, the indicator and firm value have a strong relationship. While a p-value larger than 0.05 denotes that the correlation is not significant. According to Table 4.3.3.1, ROA has the greatest adjusted R squared of 0.315 percent or 31.5 percent on market performance (Tobin's Q).

Table 4.3.3.2 Regression Analysis for Social Disclosures

Social Indicators	Firm Value					
	Tobin's Q		ROA		ROE	
Customer satisfaction	0.026	0.633	0.051	0.352	0.893	0.055
Diversity and equal opportunity	0.044	0.548	0.073	0.179	0.638	0.257
Employee retention and turnover	0.131	0.039	0.081	0.007	-0.544	0.004
Employee competence	0.042	0.541	0.053	0.149	0.649	0.259
Government and community relation	0.016	0.933	0.031	0.352	0.793	0.050
Occupation, health and safety	0.017	0.000	0.005	0.018	2.990	0.009
Labour standards	0.131	0.019	0.081	0.007	-0.544	0.004
Compliance and anti-competitive behaviour	0.042	0.541	0.053	0.149	0.649	0.259
Product safety and liability	0.017	0.000	0.005	0.018	2.990	0.009
Supply chain management	0.042	0.542	0.053	0.147	0.648	0.256
Non-discrimination	0.062	0.541	0.074	0.349	0.549	0.359
Adj R squared		0.447		0.215		0.169
F		19.691		14.771		10.279
p-value of F statistic		0.000		0.000		0.000

The p-value is used to represent the level of significance generated from the comparison of dependent variable and social indicators. If the significant level (P-value) is less than 0.05, the indicator and firm value have a strong relationship. While a p-value larger than 0.05 denotes that the correlation is not significant. According to Table 4.3.3.2, social disclosures have the greatest adjusted R squared of 0.447 percent or 44.7 percent on market performance (Tobin's

Table 4.3.3.3 Regression For Governance Disclosures

Governance Indicators	Firm Value					
	Tobin's Q		ROA		ROE	
Air and water pollution	0.65	0.003	0.282	0.007	0.785	0.014
Biodiversity	0.075	0.016	0.592	0.341	0.538	0.002
Climate change	0.106	0.933	0.031	0.652	0.793	0.050
Transport	0.042	0.541	0.053	0.149	0.649	0.259
Ecosystem services	0.431	0.039	0.081	0.007	0.344	0.004
Energy efficiency	0.017	0.000	0.005	0.018	2.990	0.009
Hazardous materials	0.016	0.933	0.031	0.352	0.793	0.050
Supplier environmental assessment	0.042	0.541	0.053	0.149	0.649	0.259
Resource depletion	0.131	0.039	0.081	0.007	-0.544	0.004
Waste management	0.042	0.541	0.053	0.149	0.649	0.259
Compliance	0.131	0.019	0.081	0.007	-0.544	0.004
Adj R squared		0.247		0.315		0.169
F		19.691		14.771		10.279
p-value of F statistic		0.000		0.000		0.000

The p-value is used to represent the level of significance generated from the comparison of dependent variable and social indicators. If the significant level (P-value) is less than 0.05, the indicator and firm value have a strong relationship. While a p-value larger than 0.05 denotes that the correlation is not significant. According to Table 4.3.3.3, social disclosures have the greatest adjusted R squared of 0.447 percent or 44.7 percent on market performance (Tobin's

Table 4.3.3.4: Regression Results Summary

Independent Variables	Dependent Variable					
	Tobin's Q		ROA		ROE	
	B	Sig.	B	Sig.	B	Sig.
(Constant)	-0.441	0.000	-0.182	0.002	-3.785	0.014
ESG	0.075	0.016	-0.692	0.341	-2.538	0.002
ENV	-0.006	0.933	-0.031	0.352	-0.893	0.050
SOC	0.042	0.541	0.053	0.149	0.649	0.259
GOV	0.131	0.019	0.081	0.007	-0.544	0.004
LEV	0.017	0.000	0.005	0.018	2.990	0.009

Adj R squared		0.165		0.115		0.079
F		17.691		11.771		8.181
p-value of F statistic		0.000		0.000		0.000

The p-value is used to represent the level of significance generated from the comparison of variables. If the significant level (P-value) is less than 0.05, the variables have a strong relationship. While a p-value larger than 0.05 denotes that the correlation is not significant. According to Table 4.3.3.4, ESG disclosure has the greatest adjusted R squared of 0.165 percent or 16.5 percent on market performance (Tobin's Q). Meanwhile, ROA has an impact contribution of 11.5 percent, while ROE has a contribution of 7.9 percent. According to the table above, factors other than the examined variables have a significantly higher influence on company value. On Tobin's Q, the first regression model reveals that integrated ESG disclosure has a positive effect of 0.016, governance disclosure has a positive effect of 0.019, and leverage has a negative effect of 0.00. Tobin's Q, on the other hand, has values of 0.933 and 0.541 that are unaffected by environmental or social disclosures.

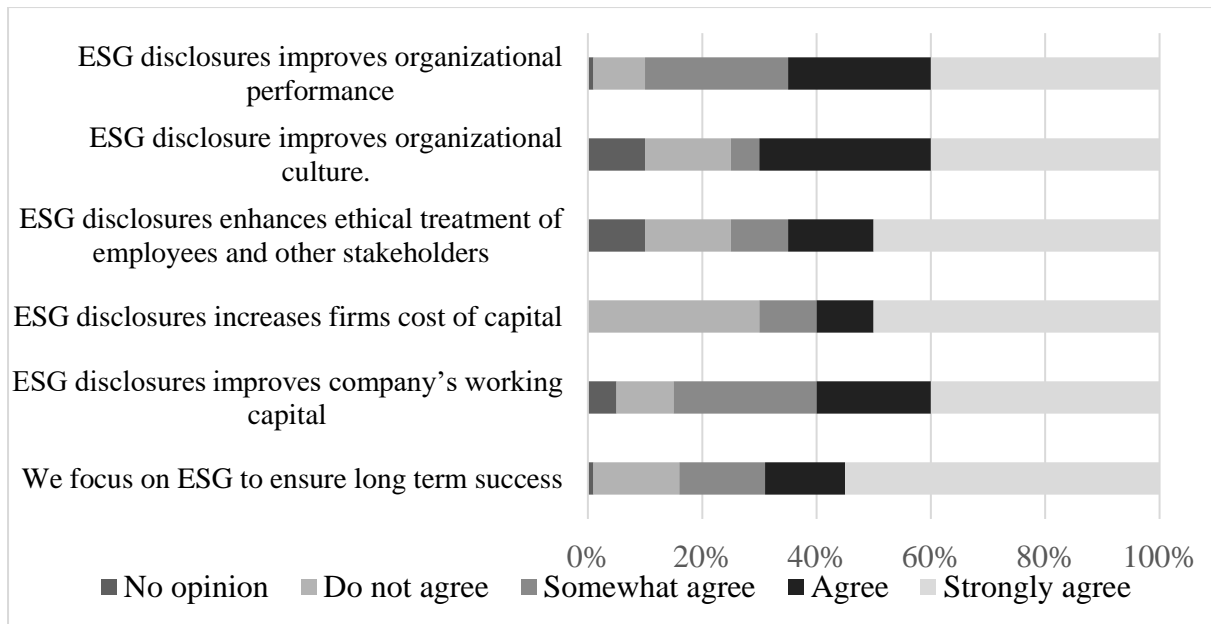
In the second regression model, the combined ESG, environmental, and social disclosure variables have significant values of 0.341, 0.352, and 0.149, suggesting that they have no influence on ROA. Governance transparency and leverage, on the other hand, have a favorable influence on ROA, with significance values of 0.007 and 0.018, respectively. The third regression model yields distinct findings. ESG, environmental, and governance disclosures had significant values of 0.002, 0.050, 0.004, and 0.009, indicating a negative influence on ROE. Leverage has a favorable impact on ROE. Social disclosure, on the other hand, had no influence, with a significant value of 0.259.

4.4 Questionnaire Results and Analysis

4.4.1 Reasons for ESG Disclosure and their Impact on the NSE's Stock Market Value

The third objective of the study was to discover the causes behind ESG disclosures. Based on the demand from various organizations to report on ESG, information was given concerning the causes for ESG disclosures and their influence on firm value on listed firms. Participants were required to answer depending on the alternatives that were provided to them.

Figure 4.4.1.1: Motivation for listed companies to disclose on ESG



The respondents were requested to rate their level of agreement with the statements above. According to Figure 4.4.1.1, the majority of respondents, 55%, strongly believe that firms should publish ESG to ensure long-term performance, while just 1% strongly disagree. According to 50% of respondents, ESG disclosures raise businesses' cost of capital and enhance ethical treatment of employees and other stakeholders.

Tables 4.4.1.2 and 4.4.1.2 present additional reasons for ESG disclosures stated by participants who work for publicly traded companies.

Figure 4.4.1.2: Origin of internal pressure on ESG disclosure to enhance firm's value

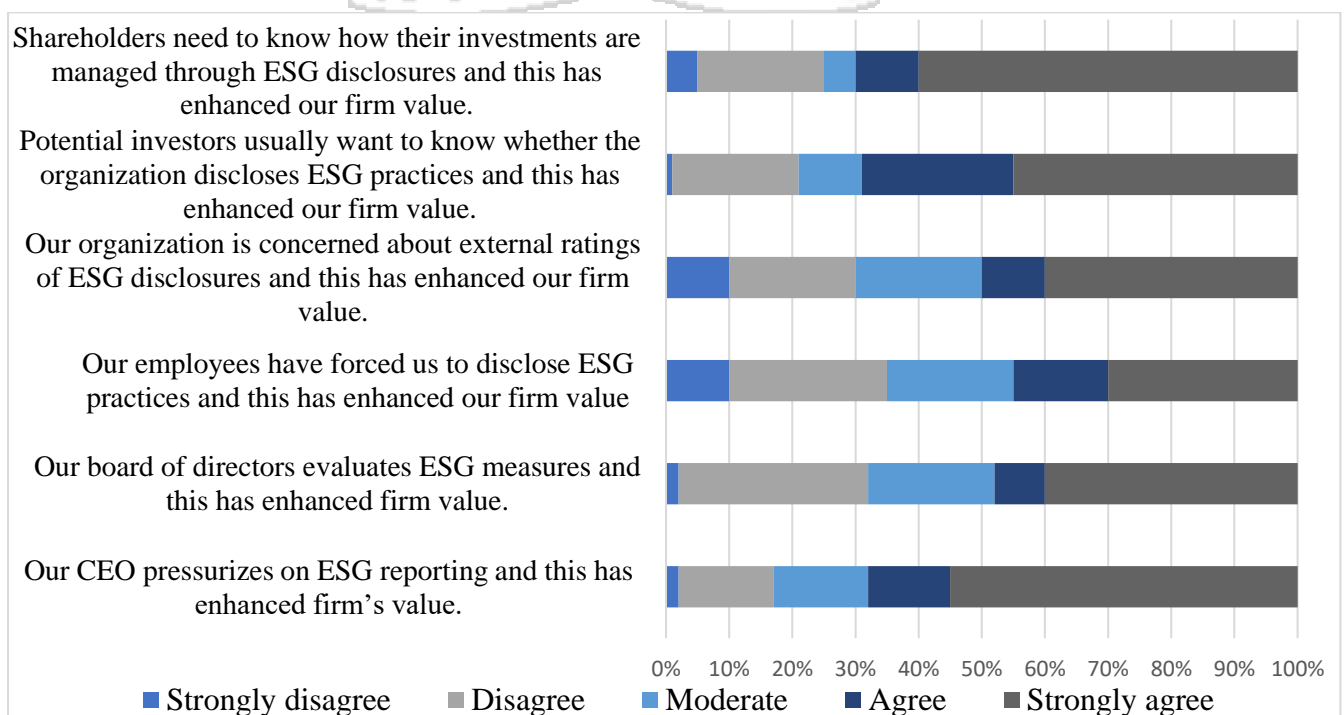


Figure 4.4.1.2 shows that the majority of respondents (60%) strongly agree that ESG disclosures help shareholders understand how their investments are managed, and that this has increased the firm's value. Furthermore, 55% of respondents strongly agree that the CEO's pressure on ESG reporting has increased the firm's value.

Figure 4.4.1.3: Origin of external pressure on ESG disclosure to enhance firm's value

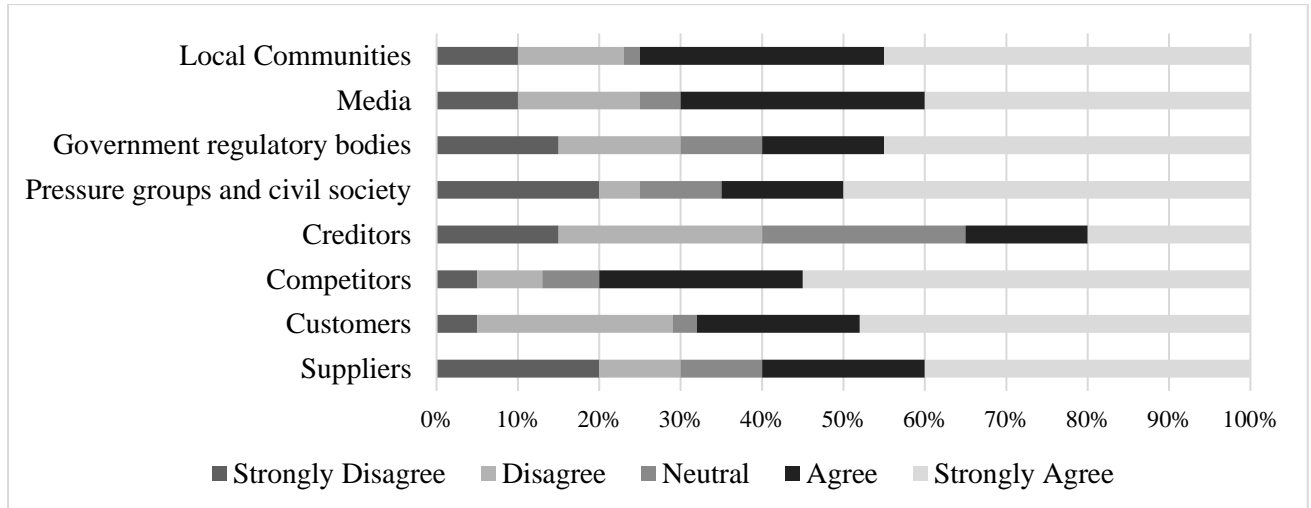
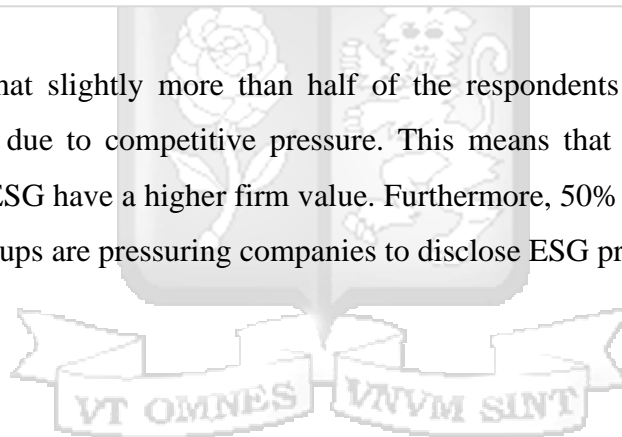


Figure 4.5.3 shows that slightly more than half of the respondents (55%) said it is very important to disclose due to competitive pressure. This means that competitors who have already disclosed on ESG have a higher firm value. Furthermore, 50% claim that civil society and other pressure groups are pressuring companies to disclose ESG practices.



CHAPTER FIVE: DISCUSSION, CONCLUSIONS, AND RECOMMENDATION

5.1 Introduction

This chapter discusses the study's key results and conclusions, which aim to give answers to studied study questions. Based on the research gaps found during the study process, it provides ideas and recommendations for more research. The study discovered various elements influencing the firm's worth based on information from the literature. Understanding the elements that influence business value enables corporate leaders and managers to make informed decisions and implement policies that increase the firm's value.

5.2 Summary of Findings

The research findings add to our current understanding three times. ESG disclosure is often lacking among companies listed on the NSE, according to the study's findings. While the majority of companies used global reporting indicators, others only reported on their annual financial results. This is due to the fact that ESG practices are entirely voluntary. The secondary reveals that the percentage of the disclosed information based on industries has been increasing from 2013 to 2020.

Legitimacy and discretionary disclosure theories were also supported by the findings. According to legitimacy theory, increased disclosure reduces monitoring and agency costs, thereby increasing firm value. The discretionary based disclosure theory, meanwhile, advocates for a company disclosing information whenever it expects a positive outcome from its performance. Several NSE-listed companies are in this situation, as many have only recently implemented ESG disclosure mechanisms. Similarly, the levels of ESG disclosures may be dictated by a company's geographical location and operations; for example, some multinationals' disclosures must adhere to their own disclosure regulations.

5.2.1 ESG Disclosure Level among Listed Companies on the Nairobi Securities Exchange

The study's initial goal was to see how much environmental, social, and governance (ESG) information was disclosed by NSE-listed companies. Environmental compliance, occupational health and safety, and board composition and structure were the most publicly published individual ESG indicators, according to descriptive statistics. According to the second hypothesis, the findings should corroborate those of Kuzey and Uyar (2017), who found a significant link between sustainability reporting drivers and company value. The level of

disclosure and firm valuation of Nairobi Securities Exchange-listed companies are expected to have a positive correlation coefficient once again.

Across our sample period, the impact of governance, social, and environmental disclosure on business value has been overwhelmingly positive and consistent. This is consistent with the notion that effective corporate governance leads to improved business earnings. Regardless of the current economic scenario, it should be recognized that ESG information outcomes are on the rise. Based on the parameters for the samples considered, all ESGs have an improving score from 2013 to 2020. The majority of NSE-listed companies rated environmental compliance disclosure as extremely important. The study also discovered that disclosure was less important in terms of biodiversity conservation and approach to ecosystem services. According to the study's findings, businesses are supportive of environmental disclosures. The majority of NSE-listed companies' social disclosures concentrated on labor standards for occupational health and safety, as well as compliance and anti-competitive behavior. In terms of non-discrimination, transparency, on the other hand, was found to be less important. According to the study, businesses welcome social disclosures. In a comparative study, Michelin (2017) discovered that sustainability disclosure has a strong relationship with a company's reputation. As a result, firm characteristics had a positive and significant impact on publicly traded companies' ESG disclosures, as the level of disclosure improved stakeholder relationships.

Correlation analysis reported similar results to the expected finding in the Siew (2015) study that found sustainability reporting tools to be important to corporate performance. According to the findings, firm attributes have a significant positive impact on ESG disclosures. Disclosure of board membership and structure was extremely important in listed firms, according to the findings in Table 4.3.3 from the governance indicators study. Whistleblower tactics were also mentioned by the majority of respondents. On the other hand, bribery and corruption were ranked lower than audit committee structure disclosure. Businesses have embraced social disclosures in general.

5.2.2 The Relationship between ESG Practices and Firm Value of Listed Companies on the Nairobi Securities Exchange

The second objective of the study was to investigate the correlation between ESG practices and the firm value of firms listed on the NSE Nairobi. Based on the examined literature, such as Idowu et al. (2013), Khlif Guidara and Souissi (2015), and the first hypothesis, a favorable connection between ESG disclosures practices and corporate value was predicted in this study.

According to the descriptive statistical research, the mean for social disclosure was 0.521, while the mean for environmental disclosure was significant. Environmental transparency received the greatest maximum, while governance transparency received the lowest minimum score. As a control variable, leverage had a maximum value and a minimum value of which shows a strong correlation. When compared to ROA and ROE, Tobin's Q standard deviation was unusually high. A study done by Khlif Guidara and Souissi (2015) discovered a relationship between company social and environmental transparency and financial success. Furthermore, descriptive statistics indicated that the bulk of ESG disclosures made by Kenyan publicly traded firms were dependent on firm value. The great majority of publicly listed firms were ready to forgo short-term earnings in order to attain long-term prosperity.

The positive values in the Pearson correlation matrix for the independent, dependent, and control variables reflect the rho, while the one in brackets represents the p-value. Companies registered on the NSE place a high priority on ENV, SOC, and GOV disclosures. Second, LEV shows a positive connection with ROE, ROA, and Tobin's Q with a significant p value. Finally, there is a negative relationship between Tobin's Q and the totality of ESG, ENV, SOC, and GOV disclosures. The impact of ESG disclosure on market performance (Tobin's Q) has the greatest adjusted R squared value is significant according to the regression study. As demonstrated in the table above, other factors have a considerably higher influence on firm value than the examined variables. Similar to Njoroge's (2019) study on sustainability disclosure on bigger businesses in Kenya, a positive and substantial influence of business value on ESG disclosure reporting was discovered.

The combined ESG disclosure and leverage have a positive influence on Tobin's Q, according to the first regression model. However, environmental and social disclosures have little influence on Tobin's Q. The combined ESG, environmental, and social disclosure variables showed significant values in the second regression model, suggesting that they had no influence on ROA. Governance transparency and leverage, on the other hand, have a favorable influence on ROA, with significance values. The third regression model yields distinct findings. Significant values show a negative impact on ROE when ESG, environmental, and governance disclosures are combined. ROE improved as a result of leverage. With a significant value of social disclosure, on the other hand, had no effect. This is due to the fact that revealing ESG practices assists firms in implementing superior business strategies that enhance ROE and ROA, therefore enhancing company value.

5.2.3 Reasons for ESG Disclosures and their Effect on Firm Value of Companies Listed on the Nairobi Securities Exchange

The study's third goal was to look into the reasons behind ESG disclosures and how they affect the value of companies listed on the NSE. The study was supposed to produce findings that indicate how listed firms are pressured by stakeholders to reveal their operational plans after analyzing the findings of Hahn and Kühnen (2018) on determinants of sustainability reporting. This includes the motivations for disclosing ESG practices as well as their impact on company value.

The participants were asked to rate how much they agreed with the above assertions. According to the findings, the majority of respondents strongly feel that companies should provide ESG data to achieve long-term success, while only a few strongly disagree. According to half of respondents, ESG disclosures also increase businesses' cost of capital and improve ethical treatment of employees and other stakeholders. The findings were in line with Diouf, D., and Boiral, O. (2017), who claimed that impression management had a role in corporate disclosures. Following descriptive statistics, it was discovered that government pressure, groups, civil society, and local communities all amplify ESG disclosures. Additional pressures came from the media, competitors, international and local lenders, tax compliance, employee attitudes, suppliers, and customers, among others.

According to the research, the majority of respondents believe that ESG disclosures assist shareholders understand how their assets are managed, and that this has boosted the value of their company. Furthermore, more than half of respondents say the CEO's insistence on ESG reporting has boosted the company's value. Correlation analysis found a substantial positive and significant effect of stakeholder qualities on ESG disclosures and business value, similar to the third hypothesis.

According to the data, slightly more than half of those polled felt that disclosure is absolutely required due to competitive pressure. This implies that competitors who have already made ESG disclosures have a higher business value. Furthermore, half of the respondents believe that civil society and other pressure groups are forcing businesses to divulge their ESG strategies. According to Mathuva Barako and Mumbi (2017) in their study on the economic consequences of ESG disclosures, stakeholder attributes have a positive and significant effect on ESG disclosures for firms listed on the NSE, because the reasons for disclosure are based on business objectives.

5.3 Conclusion

5.3.1 Practices of ESG Disclosure

Despite the disparities in ESG disclosure levels, it can be stated that the majority of NSE-listed businesses were disclosing the most information on environmental and social issues, while disclosing the least information on governance issues. The dominance of environmental indicators in ESG disclosures can be linked to the company's sphere of activity. It was notable that the majority of businesses were in the manufacturing sector, with only a few in the service sector, suggesting that pollutant emissions were limited. This is in line with global findings and can be attributed to environmental management programs.

5.3.2 ESG Disclosure Effect on Firm Value

Furthermore, it can be stated that the level of ESG disclosure has a considerable impact on the listed businesses' ROA and ROE, which determines their overall firm worth. Customer satisfaction would rise if excellent service was maintained, and organizations would be motivated to maintain high ESG disclosure requirements. Continued pressure from the government, competitors, suppliers, and other stakeholders on NSE-listed businesses would result in a competitive advantage, which might lead to better disclosure procedures and enhanced firm value.

5.3.3 Reasons for Environmental, Social, and Governance (ESG) Disclosure

Furthermore, among companies listed on the NSE, the reasons for ESG disclosures had a significant impact on firm value. As a result, it may be stated that listed companies' ESG disclosure procedures have an impact on their value. These practices include top-level management initiating environmental, social, and governance efforts, as well as stakeholder engagement and comparative study with peers in their particular industries. Furthermore, it may be stated that NSE listed businesses' organizational processes have an impact on ESG disclosure practices and company value.

In summary, stakeholders have a significant influence on ESG disclosures in ESG listed firms. Pressure from stakeholders changed the basis for and degree of disclosure, affecting the firm's value. Furthermore, ESG disclosure has a considerable positive influence on the company value of Nairobi Securities Exchange-listed companies.

5.4 Study Implications

Based on their industry and amount of ESG disclosure, the study looked into NSE listed companies. The research measures the degree of transparency of environmental, social, and governance information in voluntary non-financial reporting in order to give a solution to this problem. The study, which is based on a 7-year longitudinal investigation of publicly traded companies, aims to investigate if and how a higher level of disclosure, supported by quantitative and irrefutable data, predicts greater corporate value, hence boosting enterprises' market value.

5.4.1 Policy Consequences

Environmental, social, and governance practices must be adopted by NSE listed companies, as well as making information available to the public. It is critical to create strategies aimed at raising the amount of information dissemination on governance, as low information dissemination would exacerbate conflict and raise the cost of accessing information. Environmental disclosure, which is the most common in publicly traded corporations, would be supplemented with social disclosure.

5.4.2 Implications for Practice

Many of the companies in the research have notable environmental disclosure practices. The practice emphasizes the importance of regularly evaluating their governance practices in terms of product/service quality, aggressiveness, product differentiation, entrepreneurial orientation, evaluation and alignment options, and other factors that could improve their disclosure practices and firm value. Companies must examine their organizational culture, processes, and operational procedures on a regular basis in order to improve their ESG disclosures individually or collectively. Furthermore, NSE-listed companies must assess their operating practices in order to improve their ESG disclosures and company value.

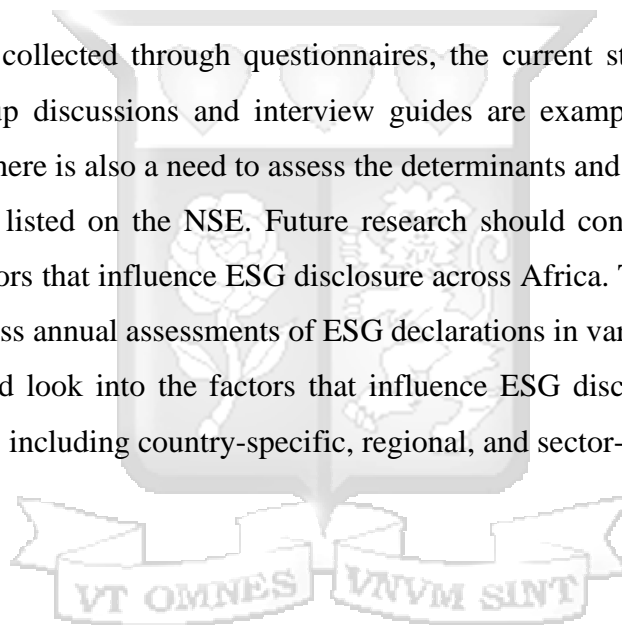
Finally, stakeholder pressure had a strong positive effect on ESG disclosures. This underscores the need for publicly traded companies to better integrate internal and external influences in order to improve their disclosure processes. Furthermore, NSE listed businesses should include such information in their ESG disclosures to demonstrate their value contribution to all of their stakeholders.

5.5 The Limitation of the Study

The limitation of the study influences validity and reliability of findings, conclusion and recommendations. The research focused on the 62 companies listed on Nairobi Securities Exchange, which may not reflect the nature of ESG disclosure and its effect on firm value among thousands of registered companies in Kenya. As a result, the research may not fully reflect all Kenyan businesses or how they may increase their company value through ESG reporting. Despite having a secondary research reliability test, it was unable to uncover bias since data may have been modified by the firm to appeal to stakeholders such as customers, investors and government.

5.6 Recommendations for Further Research

To examine the data collected through questionnaires, the current study used a regression approach. Focus group discussions and interview guides are examples of qualitative data collection methods. There is also a need to assess the determinants and levels of other Kenyan companies that aren't listed on the NSE. Future research should concentrate on comparing approaches to the factors that influence ESG disclosure across Africa. This will make it easier for academics to discuss annual assessments of ESG declarations in various African countries. Future research should look into the factors that influence ESG disclosures in a variety of scenarios and settings, including country-specific, regional, and sector-specific scenarios.



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APPENDICES

Appendix I: Research Questionnaire

Kimilu Cynthia Ndanu,
Strathmore University Business School,
Admin No. 084760
0720122819
cynthia.kimilu@strathmore.com

Dear Sir/Madam,

REF: REQUEST TO PARTICIPATE IN RESEARCH QUESTIONNAIRE ON “The Effect of Environmental, Social and Governance Disclosure on Firm Value”

The purpose of this research is to examine the relationship between environmental, social, and governance (ESG) disclosure by publicly traded businesses on the Nairobi Securities Exchange and company valuation during a five-year period, from 2013 to 2018. Since ESG disclosure is mostly optional in African countries, with the exception of South Africa, and reporting is at the discretion of management, managers' perceptions of ESG disclosure are sought.

Because your company is listed on the relevant Securities Exchanges, it has been chosen for this study — Annual reports are required by law in the country.

Please assign this questionnaire to two members of your employees from middle or upper management who make decisions directly related to ESG operations in your firm. Your participation is greatly appreciated and will contribute significantly to the development of ESG practice in Kenya.

Your participation is greatly appreciated and will contribute significantly to the development of ESG practice in Kenya.

Yours Sincerely,

Kimilu Cynthia Ndanu

Information sheet for questionnaire participations

1. Title of the Research:

The Effect of Environmental, Social and Governance Disclosure on Firm value for Firms Listed on the Nairobi Securities Exchange

2. Researcher's name and contact information:

Kimilu Cynthia Kimilu,

P.O Box 14217 - 00800

Nairobi, Kenya

0720122819

cynthia.kimilu@strathmore.edu

3. Supervisor's name and contact information:

Prof. David Wang'ombe,

Tangaza University College,

Langata South Road

P.O Box 15055-00509

dwangombe@strathmore.edu

4. Research Goal: The goal of this study is to determine the impact of ESG disclosure by publicly traded companies in Kenya, as well as whether there is a link between ESG disclosure and corporate firm value. This study intends to help firm executives, shareholders, potential investors, and other stakeholders understand the link between ESG disclosure and risk and return. The findings of this study should help to inform and add to scholarly debates about the relationship between ESG and CFP in the countries studied.

5. The questionnaire's purpose is to assist the researcher in gathering primary data from respondents about their perceptions of the usefulness of ESG disclosure in Kenya. The data

augmented existing secondary data and aided the researcher in answering the research topic.

6. Estimated time to finish the survey: around 20 minutes.
7. Confidentiality: The researcher and study supervisors will keep all data/information you supply secret, and no identifying information will be utilized in any later reports or publications. Participants' and organizations' real names will not be used in study reports or publications.
8. Consent: It is assumed that completing the survey questionnaire constitutes your consent to participate in the research.
9. Your right to opt out of the questions: If you are unsure or uncomfortable with any particular question or questions, you have the option to opt out.
10. How will the information gathered from participants be used? The researcher and her supervisors will have exclusive access to all research materials. When the study is finished, all surveys will be destroyed. You are entitled to receive the findings at the conclusion of the study, and the findings may be published in scholarly journals.

Questionnaire

Section A: Company’s Details

Company Name

Industry

Location of the organization headquarters’ offices

Section B: ESG Practices and Firm Value

The following section aims at presenting information about ESG practices and firm value in your organization. You are required to respond based on the question and options provided.

1. To what extent do you agree to this statement: “ESG practices are important part of company’s agenda to improve firm value”

- Does not apply
- Disagree
- Somewhat disagree
- Neither agree nor disagree
- Somewhat agree
- Agree

2. Please indicate your level of importance on the following environmental issues to consider in firm’s value.

	Very important (5)	Fairly important (4)	Important (3)	Slightly important (2)	Not at all important (1)
Air and water pollution					
Biodiversity					
Climate change					
Transport					
Ecosystem services					
Energy efficiency					
Hazardous materials					
Supply chain management					

Resource depletion					
Waste management					
Compliance					

3. Please indicate your level of importance on the following social issues to consider in firm's value.

	Very important (5)	Fairly important (4)	Important (3)	Slightly important (2)	Not at all important (1)
Customer satisfaction					
Diversity and equal opportunities					
Employee retention and turnover					
Employee compliance					
Government and community relations					
Occupation, health and safety					
Indigenous rights					
Labour rights					
Product safety and liability					
Sales volume					
Supply chain management					

4. Please indicate your level of importance on the following governance issues to consider in firm's value.

	Very important (5)	Fairly important (4)	Important (3)	Slightly important (2)	Not at all important (1)
Accounting Standards					
Anti-competitive behaviour					
Audit committee structure					
Board composition					
Bribery and corruption					
Business ethics					
Risk management and compliance					
Executive remuneration					
Whistleblowing schemes					
Whistleblowing schemes					
Separation of Chairman and CEO					
Succession planning					

5. Does your company disclose on Environmental, Social and Governance activities?

- Yes
- No

6. If Yes, in which reporting media is the Environmental, Social and Governance disclosures published? (Please check boxes for all that apply)

- As part of the Annual Report
- As part of Stand-alone Sustainability Report
- On the Company Website

Section C: ESG Level of Disclosure and Firm Value

7. You are required to indicate the level of agreement on a five-point Likert- scale on how ESG measures influence your firm’s value. **Strongly Disagree (1), Disagree (2), Moderate (3), Agree (4), Strongly Agree (5).**

Stakeholders attributes	1	2	3	4	5
Our CEO pressurizes on ESG reporting and this has enhanced firm’s value.					
Our board of directors evaluates ESG measures and this has enhanced firm value.					
Our accounting professional bodies ensure ESG reporting and this has enhanced our firm value.					
Our international presences have forced us to disclose ESG practices and this has enhanced our firm value					
Our organization is concerned about external ratings of ESG disclosures and this has enhanced our firm value.					
Stakeholders usually want to know whether the organization discloses ESG practices and this has enhanced our firm value.					
Stakeholders need to know how their investments are managed through ESG disclosures and this has enhanced our firm value.					

Section D: Reasons for ESG Disclosures and Firm’s Value

The following section aims at presenting information about reasons for ESG disclosures and firm value in your organization. You are required to respond based on the question and options provided.

8. Our organization is experiencing pressure to disclose ESG reports from?

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Parent company					
Shareholders					
Employees					

Management’s perceptions, values, beliefs and commitments					
Suppliers					
Customers					
Competitors					
Creditors					
Pressure groups and civil society					
Government regulatory bodies					
Media					
Local Communities					

9. To what extent do you agree with the following statements: “In our organization...”

	No opinion	Do not agree	Somewhat agree	Agree	Strongly agree
The focus on ESG ensures long term success					
ESG disclosures improves company’s working capital					
ESG disclosures increases firms cost of capital					
ESG disclosures enhances ethical treatment of employees and other stakeholders					
ESG disclosure improves organizational culture.					
ESG disclosures improves organizational performance					

10. Thinking about the future, in the next three years, what is your perception of the value of Environmental Social and Governance disclosure? (Please fill-in one box)

- No more important to the firm’s value

- Marginally more important to the firm's value
- More important to the firm's value
- Much more important to the firm's value
- Unable to determine

Section E: CONCLUSION

Although no personal or corporate identities are released with the findings, it does assist the researcher in determining who in the firm completed the questionnaire.

Please include the following information about your title:

.....

May I contact you again for any follow-up required?

- Yes
- No

If yes, please provide your e-mail address:

.....

Thank you for your cooperation



Appendix II: List of Companies used in the Study

Company	Sector
1. WPP Scangroup	Consumer Services
2. Williamson Tea Kenya	Consumer Goods
3. Unga Group	Consumer Goods
4. Umeme	Utilities
5. Uchumi Supermarkets	Consumer Services
6. TransCentury	Industrials
7. TPS Eastern Africa	Consumer Services
8. Total Kenya	Oil & Gas
9. Standard Group	Consumer Services
10. Standard Chartered Bank Kenya	Financials
11. Stanbic Holdings	Financials
12. Sasini	Consumer Goods
13. Sanlam Kenya	Financials
14. Sameer Africa	Consumer Goods
15. Safaricom	Telecom
16. Olympia Capital Holdings	Industrials
17. NCBA Group	Financials
18. Nation Media Group	Consumer Services
19. Nairobi Securities Exchange	Financials
20. Nairobi Business Ventures	Consumer Services
21. Mumias Sugar Co	Consumer Goods
22. Longhorn Publishers	Consumer Services
23. Limuru Tea	Consumer Goods
24. Liberty Kenya Holdings	Financials
25. Kurwitu Ventures	Financials
26. Kenya Re-Insurance Corporation	Financials
27. Kenya Power & Lighting	Utilities
28. Kenya Orchards	Consumer Goods
29. Kenya Airways	Consumer Services
30. KenGen Company	Utilities
31. KCB Group	Financials
32. Kapchorua Tea Kenya	Consumer Goods
33. Kakuzi	Consumer Goods
34. Jubilee Holdings	Financials
35. ILAM Fahari I-REIT	Financials

36. I&M Holdings	Financials
37. Homeboyz Entertainment	Consumer Services
38. Home Afrika	Financials
39. HF Group	Financials
40. Flame Tree Group Holdings	Basic Materials
41. Express Kenya	Consumer Services
42. Eveready East Africa	Consumer Goods
43. Equity Group Holdings	Financials
44. East African Portland Cement	Industrials
45. East African Cables	Industrials
46. East African Breweries	Consumer Goods
47. Eaagads	Consumer Goods
48. Diamond Trust Bank Kenya	Financials
49. Deacons (East Africa)	Consumer Services
50. Crown Paints Kenya	Basic Materials
51. Co-operative Bank of Kenya	Financials
52. CIC Insurance Group	Financials
53. Centum Investment	Financials
54. Carbacid Investments	Basic Materials
55. Car & General (K)	Consumer Services
56. Britam (Kenya)	Financials
57. BK Group	Financials
58. BAT Kenya	Consumer Goods
59. Bamburi Cement	Industrials
60. B O C Kenya	Basic Materials
61. ARM Cement	Industrials
62. Absa Bank Kenya	Financials

Source (NSE, 2021)

Appendix III: ESG Indicators Used

Environmental Indicators	Air and water pollution
	Biodiversity
	Climate change
	Transport
	Ecosystem services
	Energy efficiency
	Hazardous materials
	Supplier environmental assessment
	Resource depletion
	Waste management
	Compliance
Social Indicators	Customer satisfaction
	Diversity and equal opportunity
	Employee retention and turnover
	Employee competence
	Government and community relation
	Occupation, health and safety
	Labour standards
	Compliance and anti-competitive behaviour
	Product safety and liability
	Supply chain management
	Non-discrimination
	Accounting Standards
	Governance Indicators
Audit committee structure	
Board composition and structure	
Bribery and corruption	
Business ethics policy	
Risk management and compliance	

	Executive remuneration
	Whistleblower schemes
	Succession planning
	Separation of Chairman and CEO

Source: (UNPRI, 2014)



Appendix IV: Research Permit


REPUBLIC OF KENYA
National Commission for Science, Technology and Innovation


NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 757364 Date of Issue: 15/May/2020

RESEARCH LICENSE



This is to Certify that Miss. Cynthia Kimili of Strathmore University, has been licensed to conduct research in Nairobi on the topic: The Effect of Environmental, Social and Governance Disclosures on Firm Value: A Case of Firms Listed on The Nairobi Securities Exchange for the period ending : 15/May/2021.

License No: NACOSTIP/204997

757364

Applicant Identification Number


Director General
NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY &
INNOVATION

Verification QR Code



NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

Appendix V: Ethical Approval



Strathmore
UNIVERSITY

7th May 2020

Ms Kimilu Cynthia
cynthiakimilu@gmail.com

Dear Ms Kimilu,

RE: The Effect of Environmental, Social and Governance Disclosures on Firm Value: A Case of Firms Listed on The Nairobi Securities Exchange


This is to inform you that SU-IERC has reviewed and **approved** your above research proposal. Your application approval number is SU-IERC0733/20. The approval period is 7th May 2020 to 6th May 2021.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including (informed consents, study instruments, MTA) will be used
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-IERC.
- iii. Death and life threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-IERC within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-IERC within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days upon completion of the study to SU-IERC.

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://oris.nacosti.go.ke> and also obtain other clearances needed.

Yours sincerely,


Dr Virginia Gichuru,
Secretary; SU-IERC

Cc: Prof Fred Were,
Chairperson; SU-IERC



Ole Sangale Rd, Madaraka Estate, PO Box 59857-00200, Nairobi, Kenya. Tel +254 (0)703 034000
Email info@strathmore.edu www.strathmore.edu