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## **CORPORATE ENVIRONMENTAL DISCLOSURE AND LEGITIMACY THEORY: AN EUROPE PERSPECTIVE\*\***

**Patricia Milanés-Montero\*, Esteban Pérez-Calderón**

*University of Extremadura, Department of Financial Economics and Accounting, Faculty of Business Studies and Tourism,  
Avda. Universidad, s/n; 10.071 – Cáceres (Spain)*

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### **Abstract**

Given the scenario of conflicting evidence found in previous literature with respect to the best Theory to explain the relationship between Environmental Disclosure and Environmental Performance, in this study we have tested Legitimacy Theory by using a time series structure for DJS Europe Index and controlling for the kind of industry. We have used Panel Data Methodology to eliminate the individual heterogeneity and Generalized Method of Moments (GMM) to control for problems of endogeneity by using instruments. We have found that Legitimacy Theory explains the relationship between the quantity of environmental information disclosed and the environmental performance in non-environmentally sensitive industries. The quality of environmental disclosures increases whether the firm is better environmental performer.

*Key words:* environmental disclosure, environmental performance, legitimacy theory, panel data

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\* Author to whom all correspondence should be addressed: e-mail: [estperez@unex.es](mailto:estperez@unex.es); Phone: +34 927 257 000 (# 57926)

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