

Does the Stock Market Value the Firm's Potential Chemical Risk Released and Transferred? : Empirical Study on the Japanese Pollutant Release and Transfer Register System

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Abstract

The Japanese Pollutant Release and Transfer Register (PRTR) system could help investors identify a firm's potential chemical risk related to toxic releases and transfers. If so, investors show a preference for firms with lower risk and the stock market may value the risk. If this is the case, the stock market is likely to play an important role in providing firms with incentives to reduce risk. This paper explores the relationship between company stock market values and quantity of toxic releases and transfers, using Japanese PRTR data. The main finding is that the Japanese stock market negatively values the firm's chemical pollution risk. However, this is only true of releases not transfers, indicating that investors are distinguishing between different types of pollution risk.

Keywords: Pollutant Release and Transfer Register (PRTR), Stock Market, Market Valuation, Pollution, Toxic Chemical Risk