

STUDY ON ENVIRONMENTAL REPORTING PRACTICES OF SRI LANKA WITH SPECIAL REFERENCE TO PLANTATION SECTOR COMPANIES

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ABSTRACT

Environmental reporting (ER) is the method of communication of environmental performance information by an organization to its stakeholders. This information discloses environmental impacts, environmental risks, policies, strategies, targets, costs, liabilities, and environmental performance. According to the current environmental regulation of an organization, it is mandatory to disclose financial information. Other information such as environment and social can be disclosed as a voluntary practice in an organization's perspective it creates a competitive advantages, better reputation, and increased confidence of investors and improvement of relationships with stakeholders. In stakeholder perspective, it generates transparency, reduce negative environmental impact and availability of environment information. Due to these significant benefits, environmental reporting is very vital to practice in the current business world. This study focused to identify the reasons of **the plantations sector** organizations are less involving in environmental reporting in Sri Lanka and method to improve the current ER practices. Data was collected through content analysis of annual reports and semi-structured interviews. Sample was selected by applying judgmental sampling method. Data analysis was conducted on qualitative approach. Finally, the was identified the lower level of environmental reporting practices in plantations sector companies due to number of factors, which are creating challenges to function a better environment reporting system. Lack of top management commitment, lack of interest of shareholders, high-cost involvement, lack of mandatory legislation and regulations requirement, lack of competent staff and lack of organization policies and procedures are the identified challenges. To overcome these challenges, companies need to be supported through government involved programmes that raise the awareness for top management and stakeholders on the importance of ER, national-level updated legislation for

ER, cost reduction system, skill and knowledge development for staff on ER and motivate company level policy and procedure development on ER.

Keywords: Environmental Reporting, Environment impacts, Challenges, Development opportunity, Sri Lanka Plantation Sector Companies

1. INTRODUCTION

Environmental reports are published by the organizations, which will demonstrate final findings of the environmental reporting. Companies have to adopt the environmental report as a tool of environmental communication to make relationships with stakeholders stronger. Environmental groups, local communities, employees, shareholders, banks, insurers, and customers also push companies to continuously improve the environmental performance on production processes, products and logistical management (Ienciu et al., 2013). The focal objective of this communicate the current environmental issues to the stakeholders for furthermore improvements of sustainable environmental practice within the organization.

While such disclosure requirements are clearly in line with the stated demands of investors and shareholders, a substantial amount of literature suggests that firms will try to avoid such disclosures for fears of communicating negative images of the organization and devaluing the firm (Ahmad, 2012). Further due to the pressures occurred from the abovementioned parties, the belief created that businesses are 'citizens' of society who benefit from society and hence business must pay back to the society. Therefore, the environmental reporting is much important to identify whether a particular company involves ensuring the responsibility to the environment or not.

The environmental report is consisting of several modern instruments of environmental management and mostly it is published voluntarily in the world, showing a proactive attitude of the company towards the protection of the environment. The voluntary nature of environmental reports is an explanation of its rapid success (Ienciu et al, 2013).

Environmental pollution is increasing day by day in the world. The environmental issues such as global warming; ozone depletion; soil, water and noise pollution, have emerged in recent decades as a major aspect of the discussion of the problems of economic growth and development due to companies' activities affect the natural environment. However according to Pramanik, et al (2008) still, attention towards the style and recognition of environmental accounting is not a generalized one. Legal authorities, standard-setting bodies and other regulators cannot come to a consensus regarding the conceptual framework of environmental accounting and its disclosure.

According to Rajapakse, (2008), social and environmental reporting practices in developing countries lag behind that of the more developed countries and has a long way to go in order to meet the high demand for environmental information and related international standards. Further, according to Rajapakse (2008), it is believed that the lack of adequate resources and qualified personnel has contributed to ad-hoc and patchy environmental reporting practices. Financial reporting of quoted public companies of Sri Lanka consists of high standards of financial nature disclosures (Rajapaksha (2008).

Through the literature, researcher has put forward some evidence to prove that only a few companies of Sri Lanka are following environmental reporting, in other words, most of the organizations do not follow environmental reporting. Therefore, it is high time to prove that there is a significant gap between current environment reporting trends in the world and the present practices of organization in Sri Lankan on environmental reporting. By considering the all above aspects, research problem can be illustrated as follows; **“Why organizations are less involving in environmental reporting in Sri Lanka”**.

The environmental reports demonstrate the degree to which the organization should take responsibility for environmental impacts, which were caused by production activities. The organization should identify the specific factors, which has an impact on their relevant organizations and management systems. Therefore, an organization would be able to take immediate action to reach effective decisions on this matter. After attaching to an environmental reporting organization, a positive public image can be developed in the society and it will improve the relationship with the local community in an effective way. It would aid the discharge of the organization’s accountability and increase its environmental transparency. ***

Due to that, the organization may succeed in attracting funds from ‘environmentalist’ individuals and groups. The further organization would able to produce environment-friendly products to increase the competitive benefits of the market Furthermore employees of the organization will have more connectivity with the business and their motivation and commitment will increase. Not only that environmental reporting will enhance the business environmental profile in the market and the company will stand out positively from competitors. Hence, it is more important to identify the particular factors that are affecting to lead less involvement in environmental reporting in the organization.

2. LITERATURE REVIEW

2.1 Key Performance Indicators (KPIs) and Environmental Reporting

Simply environmental reporting means public disclosure by a firm of its environmental performance information, similar to the publication of its financial performance information.

Environmental reporting is a useful way in which reporting companies can help to discharge their accountabilities to society and future generations. Moreover, Ahmad (2012) realized that the environmental reporting was an important aspect of a company's information system for external communication. KPIs usually provide information about the causes or drivers of business outcomes and are usually linked to the firm's competitive strategies. KPIs are typically non-financial in nature and are said to assist managers in achieving better financial performance, by focusing on lead indicators rather than lag indicators, where lead indicators guide the organization on how to achieve improvements to outcomes (Braam and Nijssen 2004). The KPIs related to environmental reporting involve reporting on specific indicators developed for corporate information requirements (Perrini and Tencati 2006) and assist business entities to quantify information which is usually viewed as non-measurable (Roca and Searcy 2012). In other words, environment KPIs represent a 'control panel' for environment reporting. This helps to continually monitor an organization's environment performance trends. KPIs are an essential component of environment reporting as they focus on the financial stability, eco-efficiency and socio-efficiency of the organization (Cohen et al. 2012).

Environment KPIs can also be used as a fundamental tool to communicate information to the different direct and indirect stakeholder groups, such as shareholders, employees, suppliers, community and society in general. Environment-related KPIs can be used to reflect organizations' overall environment performance, across economic, social and environmental aspects, and assist in creating efficient and useful strategies in linking environmental and social activities with the organization's strategic planning and management (Adams and Frost 2008). These environment indicators are used to estimate variables that cannot be measured exactly, and this approach is considered appropriate where variables are essentially qualitative (Henri and Journeault 2008, Roca and Searcy 2012, Lamberton 2005). Hence, environment KPIs provide information to attain environment objectives (Henri and Journeault 2008). Non-financial information allows investors to better assess key areas of environmental performance and support a broader view of performance (Adams and Frost 2008, Bouten et al. 2011, Dawkins and Fraas 2011, Roca and Searcy 2012). This allows top management to improve their environment practices and boost the company image (Elijido-Ten 2011). Also, managers can have more control over environmental performance measures, just as they have over financial measures of performance. Finally, KPIs enhance the transparency of the internal processes that enable the stakeholders to better understand the environment approach and benefits resulting in added value. As such, environment KPIs have to be given significant consideration when embracing environment reporting. The use of environment KPIs is one of the approaches to measure, monitor and assess an organization's improvement in environment reporting.

2.2 Framework for Environmental Reporting

Table 1: Environmental Reporting Frame Work

Framework	Focus	Environment Related Disclosures
Global Reporting Initiatives (GRI)	The GRI Standard is the first, most popular and widely used global standards for sustainability reporting. They feature a modular, interrelated structure, and represent the global best practice for reporting on a range of economic, environmental and social impacts.	Energy, Water, Biodiversity, Greenhouse Gases, Material consumption, Compliance with environment laws and regulation, Environment impacts of supply chain, Supplier screening on environment aspect
Environmental, Social, and Governance (ESG) Criteria	ESG stands for Environmental, Social, and Governance. Investors are increasingly applying these non-financial factors as part of their analysis process to identify material risks and growth opportunities. ESG metrics are not commonly part of mandatory financial reporting, though companies are increasingly making disclosures in their annual report or in a standalone sustainability report.	Climate change and carbon emissions Air and water pollution Biodiversity Deforestation Energy efficiency Waste management Water scarcity
Integrated Reporting <IR>	Integrated reporting is a process of creating corporate value and sustainability to organizations. It is influencing the way organizations think, plan and report the activities of their businesses. Organizations are using IR to communicate a clear, concise, integrated story that explains how all of their resources are creating value and it helping businesses to think holistically about their strategy and plans, make informed decisions and manage key risks to build investor and stakeholder confidence and improve future performance.	There is no specific disclosure requirement, Natural capital as input of business model and outcomes and impacts need to be mention.

ISO 26000:2010	ISO 26000:2010 provides guidance rather than requirements, so it cannot be certified to unlike some other well-known ISO standards. Instead, it helps clarify what social responsibility is, helps businesses and organizations translate principles into effective actions and shares best practices relating to social responsibility, globally. It is aimed at all types of organizations regardless of their activity, size or location.	Prevent pollution; reduce emissions of pollutants into the air, water and soil as much as possible, Practice green procurement – evaluate suppliers of goods and services on their environmental impacts, Use sustainable and renewable resources whenever possible Conserve water in operations, Practice life-cycle approach (including disposal) – aim to reduce waste, re-use products or components, and re-cycle materials.
National Green Reporting System of Sri Lanka (NGRS)	Aim of NGRS is promoting the integration of environmental aspects into the socio-economic development process Encouraging self-monitoring and reporting of the performance.	Energy, Water, Biodiversity, Greenhouse Gases, Material consumption, Compliance with environmental laws and regulation, Environment impacts of the supply chain, Supplier screening on environment aspect

Source: Outputs of review of Environmental Reporting Standards by Author

2.3 Significant Environmental Reports

Table 2: Significant of the environmental Reports on Stakeholder Aspect

Literature	Stakeholder	Relevant finding
(Proto & Supino, 1999)	Customer	Most of the customers interesting to buy eco-friendly products as a trend. Therefore, customers looking for transparent environment-related information from the product.
(Wilmshurst & Frostr, 2000)	Investors	Investors of the current business world are mostly aware and concerning the environment-related information. The current trend of performance analysis and comparison of the companies were done under the sustainability aspect including environment parameters by investors.
(Douglas Beets &	Regulation	Regulation and legislation on environment-related information reporting practices are implemented and

(Souther, 1999)	Authorities	developing as an increasing trend. Most of the regulatory authorities are enhancing the concern of environment-related information.
(Sciulli, 2011)	Government	Pressure from the government to improve the environment best practices and transparency through environment reporting is increasing continually.
(Gray, Kouhy, & Lavers, 1995)	Employees	Working with an eco-friendly ethical employer is now most of the employees concerning the first choice. There are good demand and trend on green jobs and environment reporting related jobs.
(Azzone, Brophy, Noci, Welford, & Young, 1997)	Creditors (Bank and Financial agencies)	Creditors like banks and finance companies mostly giving priority for environment-friendly business and project due to the current trend and requirements on environment protection.
(Kolk, 2003)	Suppliers	The environment-friendly supply chain is a current trend of the business world. Most of the sustainable business-oriented suppliers looking to supply their products and services to overall well-reputed companies.
(Michelle R. Greenwood, 2001)	Community	Environment best practices, protection, minimum impact and related information most relevant to the surrounding and engaging community.
(Esty & Ivanova, 2002)	Non-Government Organizations	Especially environment-related activist mostly interesting on company environment-related information, which is publicly available to identify the environmental impact of the company.
(Pollach, 2014)	Media	Current world media is very strong entity due to the evolution of social media. Therefore, media pressure to access to environment-related information of the company is very high.
(Gao et al., 2005)	Trade Unions	The trade union also accessing and taking public action on environment-related issues due to attractive current trend on environment protection.

Source: Outputs of the Literature Analysis

2.4 Purpose of environmental reporting

Corporate environmental reporting serves many different purposes for different stakeholders and aspects (Cormier & Gordon, 2001). It empowers the people and the information they need to hold corporations accountable. It also invites stakeholders more fully into the process of

corporate goal-setting. Environmental reporting permits the investor to harness the power of the capital market to promote and ensure environmentally superior business practices. It allows companies and their stakeholders to measure companies adherence to standards outlined in their statement of environmental principle, and their various goals and objectives. According to that purpose of environmental reporting capture the wide range of corporate decision making.

2.5 Advantages of Environmental Reporting

The basic advantage of undertaking the practice of environmental accounting is that the identification and increased awareness of environment-related cost, which allows finding the ways to narrow trim down or to completely avoid these costs whilst improving environmental performance. The organization that opts to disclose environmental issues in their financial statements gets certain other benefits, which are mentioned below (Chaudhuri, 2017). It enhances the image of the product and the company which may have an impact on the sales and ultimately profitability. It improves the safety of the workers which in turn will help to increase productivity. Environmental Reporting provides a competitive advantage as the customers may prefer environmentally friendly products and services. It helps to build up trust and confidence in the society. The environmental cost can be offset by generating revenues through the sale of waste or by-products and better knowledge of environmental cost can facilitate more accurate costing and pricing of products.

2.6 Global Scenario and Sri Lankan Scenario of Environmental Reporting

Sustainability reporting including environmental reporting is the most crucial concern of the cooperate world. Because stakeholders in the modern world not only concern on financial performance, due to current global issues stakeholder are highly concerning on non-financial disclosures like sustainability, environmental and social parameters (Pramanik, Shil, & Das, 2014). According to conducted researches, majority of the companies in the world consider environmental reporting as a critical strategic planning component to them. As per the facts, 60% of biggest companies in the world have environmental policies and 41% of the companies disclose the requirement of an environmental management system. About 45% of the global companies are publishing an annual report or any other report including environmental disclosure (Jose & Lee, 2007).

Sustainability reporting with environmental disclosure in Sri Lanka evolved over the last decades due to government and nongovernment motivation actions to companies. Majority of listed and few non-listed companies are involving to publishing their environmental performance through the annual report, sustainability reports or any other method. Most of these disclosures align with international standard of Global reporting framework, integrated reporting framework and national standard of Green Reporting System of Sri Lanka (She Consults, 2015). According to

Rajapakse (2008), 52% of stakeholders of Sri Lanka have awareness about the environmental management system of the companies and they are knowledgeable of its environmental impacts also. Furthermore, 44% of companies have disclosed their environmental status with responsibilities, strategies, performance and outlook.

2.7 Factors influencing to Environmental Reporting

Reporting of environmental disclosers depend on various factors: political pressure through legal provisions in the Company Act, in the National Environmental Act, in the Income Tax Act and professional guidelines for environmental accounting and auditing. Organizational Factors include organizational policies, management support to implement environmental management and reporting, qualified staff to carry out environmental reporting practices and conflict with business motivations. Individual factors include knowledge and training of report preparers, and their negative attitudes about environmental reporting (Rajapakse, 2008).

3. RESEARCH METHODOLOGY

3.1 Sample, Sample Selection, Data & Data Collection

This study was based on environmental reporting practices of Sri Lankan companies. The sample of the study consisted of 19 plantations companies listed in the Colombo Stock Exchange. Judgmental sampling was the sampling technique used to collect data in this study. The required data was collected through annual reports of 19 listed plantations companies of the Colombo Stock Exchange, which includes environmental report and environmental information. This study was depended on the primary and secondary data obtained through the annual report and structured interview conducted with relevant persons of selected companies. Primary data was produced through the semi-structured interview with selected persons through the judgmental sampling method and content analysis was conducted on 2018/19 annual reports of 19 listed plantations companies in Colombo stock Exchange.

Content analysis was conducted to identify existing practices of environmental reporting of plantation companies in Sri Lanka. Environmental disclosure definitions of GRI standard were based on the content analysis. Therefore, 33 environmental disclosures were identified as important subtopics under 9 main environment topics for reporting. The semi-structured interview was the tool to collect data to identify the challenges and difficulties of environment reporting. Furthermore, improvement opportunities and recommendations of the environmental reporting were captured through the interview process. 33 topics, 19 companies have been divided into three categories on the number of reported disclosures.

Table 3: Categories of Content Analysis

Category type	Number of disclosures	Category Name
Highest level of reporting	33 – 23 disclosures	High
Moderate level of reporting	22 – 12 disclosers	Moderate
Lowest level of reporting	11 – 0 disclosers	Low

Representing each category of High, Moderate and Low, two semi-structured interviews were conducted with one top management member and the relevant officer from each company.

4. DATA ANALYSIS & DISCUSSION

4.1 Existing Reporting Practice

4.1.1 Existing Reporting Practice Management Approach for Environment Management System

Management approach of the environment management system is critical and primary disclosure for environmental reporting. Seven companies reported their “The management approach and its components” and three companies reporting “Explanation of the material topic and its Boundary” and “Evaluation of the management approach” out of nineteen companies. These figures indicate that only very few companies focused to report proper management approach of the environmental management system.

Low level of reporting on the management approach of the environmental management system is an indicator of identifying unavailability of the proper environmental management system with the organization (Aruppala et al, 2013). According to this analysis, environment management approach of the Sri Lankan plantations sector companies is not properly disclosed and it can clearly assume that their environmental practices also not in a systematic approach. The companies who are having visible and disclosed environment management approach can be categorized as the best environment performing company. The finding of this study indicates the majority of plantations companies in Sri Lanka, not in the category of best environment performing company due to unavailability of Management Approach for Environment Management System.

4.1.2 Existing Reporting Practice of Material Consumptions Related Topics

Material consumption is the most critical area of every manufacturing company on the environmental aspect. Every company need to identify their material supply chain and its environmental impact to develop and proper environmental management system (Alok-Kumar &

Bhagaban, 2008). Out of nineteen, only five companies disclosure “Materials used by weight or volume”. Only one company reported on “Recycled input materials used” and two companies’ disclosure “Reclaimed products and their packaging materials” out of nineteen companies. This fact indicates a moderate level of attention to material consumption and lowest attention for recycling or reclaim material use disclosures in their reporting practice. According to the finding of the study Sri Lankan plantation sector companies are in the average level of the proper environmentally friendly material supply chain. Their average level of reporting practices on material consumption and the lowest level of recycling or reclaimed material consumption are indication lowest contribution to best environmental practices on material consumption.

4.1.3 Existing Reporting Practice of Energy Related Topics

Energy-related topics are a highly weighted topic for environmental management and environmental reporting. According to secondary data 12 companies, reporting their energy consumption information within the environment reports this is a moderate level status of energy-related topics. Energy consumption outside of the organization only reported two companies, Energy intensity reported by only four companies, Reduction of energy consumption reported by seven companies and Reductions in energy requirements of products and services was reported by two out of nineteen companies. These facts indicate that majority of companies focusing on energy-related basic information and very few companies focused on comprehensive topics. Energy related topics in environmental reporting indicate, level of environment friendly practices on energy aspects and due to high-cost involvement every organizations having some level of a monitoring mechanism for it (She Consults, 2015). This study finding also proved that argument due to most companies reporting their energy related information.

4.1.4 Existing Reporting Practice of Water Related Topics

Water-related topics are another important subcategory of environmental management and reporting practice. But only 4 companies reporting their water consumptions and only one company reported “Water sources significantly affected by the withdrawal of water” and “Water recycled and reused rate” which highly important topics for environmental reporting. These facts emerge to focus on water-related information of the companies is very low in the environment reporting practice. As the most critical natural resources, every organization must quantify and conserve water. Proper reporting practices on water footprint is a highly important indicator of environmental friendly organization. According to study findings, Sri Lanka plantation sector companies’ attention on water footprint reporting is very low. This finding is justified by the study of Sustainability Reporting in Sri Lanka: Reporting in the big picture (She Consults, 2015).

4.1.5 Existing Reporting Practice of Biodiversity Related Topics

Biodiversity is a critical aspect of the plantation industry since this study focused on the listed plantations companies; this is one of the highly important sections. According to analysed data six companies reporting on “Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas” and “Significant impacts of activities, products, and services on biodiversity” topics. Only two companies reporting on “Habitats protected or restored IUCN Red List species and national conservation list species with habitats in areas affected by operations”. This fact shows overall low attention on biodiversity. Plantations sector is highly impacting industry on biodiversity of high conservation value area in Sri Lanka. However, reporting practices are average level on this indicator (Aruppala et al, 2013). That finding indicating poor attention on biodiversity conservation or poor attention on reporting practices on biodiversity conservation of Sri Lanka plantations companies.

4.1.6 Existing Reporting Practice of Emission Related Topics

Global warming and its effects are a critical alarm for forced to greenhouse gas emission and Ozone-depleting substances. As per the gathered data, seven companies reporting their direct emission under scope-1, four companies reporting indirect emission under scope-2, three companies reporting indirect emission under scope-3 and four companies reporting emission intensity. Emission reporting is highly important for the overall picture of emission scenario of Plantation sector in Sri Lanka (Pollach, 2014). Furthermore, only four companies reporting their emission reduction and only one company reporting their Emissions of ozone-depleting substances (ODS) and Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions. As per the facts, focus on comprehensive emission-related topics are a very low majority of companies.

4.1.7 Existing Reporting Practice of Effluents and Waste Related Topics

Level of Effluents and Waste Related Topics covered by the companies are on a moderate level. Eight companies reported on “Water discharge by quality and destination” and “Waste by type and disposal method” out of nineteen companies. Other compressive topics address on minimal level by the companies. This finding justified by study of Sustainability Reporting in Sri Lanka: Reporting in the big picture (She Consults, 2015).

4.1.8 Existing Reporting Practice of Environment Compliance Related Topics

Level of environmental compliance is one of the important factors on the legal aspect in the environmental reports. Seven companies out of nineteen companies were reported their status of Non-compliance with environmental laws and regulations. Environment compliance related topics are a very important topic for emerging the level of transparency of environmental

reporting and its management system (Chaudhuri, 2017). However, the average level of reporting practices on Environment compliance related topics of Sri Lankan plantation companies' indicator their average level of attention to reporting and comply on environmental laws.

4.1.9 Existing Reporting Practice of Supplier Environmental Assessment Related Topics

The better environmental management system of the companies must have a traceable supply chain on environmental aspects. Therefore, environment assessment on suppliers is a critical practice for the environmental management system. According to analysed data, "New suppliers that were screened using environmental criteria" and "Negative environmental impacts in the supply chain and actions were taken" are covered only by three and two companies respectively.

According to the study of Sustainability Reporting in Sri Lanka: Reporting in the big picture (She Consults, 2015) plantation sector reporting practices on supplier environmental assessment related topics are very low. These facts reflect attention and relevant practices were not enough to ensure on environment friendly supply chain.

4.2 Challenges and Difficulties for Environment Reporting

4.2.1 Lack of Top Management Commitment

All the respondents of the interview agreed that the top management commitment is the first and most important requirement, which may lead to establishing the environment reporting and disclosers in the proper way. 100% responders of the interview were agreed having a lack of top management commitment, it's very difficult to implement and or continuing the environment reporting system within the organization. According to (Rizwan & Waris, 2013) there should be impact-full support, commitment and interest from the top management for environment reporting of an organization without having top management commitment it is very difficult to establish the environment reporting system within the organization.

4.2.2 Lack of Interest of Shareholders

According to 75% of respondent, justifying the less interest of shareholders for environmental reporting is another most challenging difficulty for practice the environment reporting within the organization. Currently, shareholders are less interested in environmental reporting; most of the companies are not taking priority for that. Influence from stakeholders and especially shareholders significant for the environment reporting. Shareholders are the most influencing and interested stakeholder for the company. Therefore, influence from shareholders impactful factor for the environment reporting of the companies (Azzone et al., 1997).

4.2.3 High Cost Involvement

62% of the respondent of the interview were highlighting that *“Cost involvement of environment reporting is very high. Financial cost and time involvement cost are considering factors for companies to make the decision to implement the environment reporting practice. There is no visible direct financial gain from the environment reporting. Furthermore, implement the environment-reporting framework within the companies, it should have a skillful and knowledgeable team for it or need to have external consultancy for that. However, this expertise, whether it is external or internal very high and not viable for the companies in the current situation”*.

According to the above facts, it can be justified cost factor is one of most challenge and demotivation factor for implement the environment reporting. As a challenge of the cost factor, it needs to be overcome to implement the environment reporting practices within the companies. (Wilmschurst & Frostr, 2000) Cost is one of influencing factor for the voluntary activities of the companies. High time, cost involvement and less direct profitability from environment reporting practice is most demotivation factor for implement it.

4.2.4 Lack of Mandatory Legislation and Regulations Requirement

Environmental reporting practices in Sri Lanka are voluntary activity as in some other developed and developing countries. Since prevailing accounting standards, guidelines and policies do not adequately cover environmental reporting practices in Sri Lanka, all respondents have emphasized that *“professional accounting bodies should act in order to develop guidelines for environmental reporting in a broad sense. 87% respondent highlighted lack of regulations and proper guidelines on environment reporting are a critical challenge for the companies to implement the environment reporting system. According to (Aruppala et al, 2013) For environment reporting, legislation and regulation requirement are highly influencing factors and proper regulation/ legislation system is leading proper environment reporting systems within the companies or organizations. Other than to regulations or legislation, proper environment reporting systems and guidelines are important to lead the environment reporting.*

4.2.5 Lack of Competent staff

According to 87% interviewee highlighted that *“To implement environment reporting system within the organization, competent staff is the one of significant requirement. Without having competent and knowledgeable staff on environment reporting, its impractical task to implement it. Furthermore, maintain separate competent staff for environment reporting system is a high-cost factor for the companies and there is no direct financial gain from it.*

As per the (Alok-Kumar & Bhagaban, 2008) Competent staff are one of the most important factors and influencing factor for implement the environment reporting system in the

organization. Competent, aware and committed staff will be able to develop environment-reporting systems within the organization by using their professional expertise on environment reporting.

4.2.6 Lack of Organization Policies and Procedures

50% percent of respondent agreed, company policies and procedures playing a major role in motivating environment-reporting practices within the organization. Therefore, lack of company policies and procedures are great to challenge and difficulty for implement the useful environment reporting and proper environmental management systems. Organization policies and procedures are other important factors, which is highly influencing to implement the environment reporting system within the companies. Without having any policies or procedures in the company, it is very difficult to implement or maintain the environment reporting system.

4.2.7 Improvement Opportunity for Environment Reporting

According to facts from interview respondent of the professional expert of environments and sustainability reporting, *"The Banking, Finance & Insurance, Plantations, Hotels and Diversified Holdings sectors are relatively more advanced in environments and sustainability reporting with a number of entities reporting using the GRI Framework and reporting across a number of material aspects. Other sectors Beverages, Food & Tobacco, Chemicals & Pharmaceuticals, Manufacturing and Health Care must be encouraged to adopt more holistic reporting practices particularly as their operations have wide-ranging environmental and social impacts"*. All reporting entities are encouraged to review their processes for identifying material aspects as reporting across less significant aspects compromises the quality of the report as they become more voluminous. It also raises concerns on greenwashing and whitewashing by companies compromising the value of environments and sustainability reporting. Reporting entities should subject the environments and sustainability information to the same rigorous internal control processes and review as financial reporting information to enhance the quality of the reports. This will enable organisations to understand and use the information to support objective decision making which in turn will support optimal resource allocation and reduce brand vulnerabilities.

Furthermore, interviewers highlighted that, *"It is important to note that environments and sustainability reporting initiatives must be led from the front by the CEO and the Board. This serves to highlight the importance placed on the processes and encourage a change in the organisation culture on awareness and engagement with environments and sustainability reporting. High-level engagement in review of stakeholder engagement processes and the organisation's value creation processes greatly enhances the identification of material issues and connectivity of risk management, internal controls and performance management to the material issues. It also secures the much needed time, resources and recognition required for*

embedding environments and sustainability reporting processes within the organization". Environments and sustainability reporting in Sri Lanka needs to evolve to a stage where targets can be set for key indicators and only high-level commitment can take entities forward towards this goal. Investing in external assurance on environments and sustainability reports will enhance their credibility and gain expertise and insights into areas for improvement from experts in environments and sustainability reporting". This will also collectively drive the quality of reporting across the Board as entities implement the recommendations, enhancing their quality of reporting. Awards and accolades for environments and sustainability reporting also drive growth in both the number and the quality of reports as entities review and research new developments to gain an advantage. The above recommendations intend to drive performance and innovation as expand environment reporting.

5. CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion

Based on the research findings, most of the Sri Lankan plantations companies are not focusing to produce environment reports due to the challenges and difficulties that they are facing in the implementation of a proper environmental management system. Study findings clearly illustrate that only very few companies attempt to disclose their environmental impact through environment reporting indicators, according to the national and international reporting framework. Previous researches and studies also verify this argument. Lack of top management commitment is the foremost challenge to implement comprehensive environment reporting practice within the organization. Minimum interest and use of environmental indicators for management decision and making a negative environmental impact are the critical outcomes of this gap. Therefore, proper environmental reporting mechanism needs to be implemented for every plantation companies with the top management commitment. Furthermore, unavailability of strong influence from shareholders on environmental reporting, High-cost involvement, and insufficient influence from legislation other challenges that are facing by plantations companies to implement proper environmental reporting and management system. Due to these key challenges, the majority of Sri Lankan plantation companies were unable to achieve the best environmental performance in long term. Lack of competent staff in the organizations is another key challenge for Sri Lankan plantations companies to implement the environmental reporting system. Due to these challenges companies are not able to function best environment management system and it will negatively impact the environment in long term.

5.2. Recommendations

Base on the findings of this study, it's recommended national-level policy development for enhancing the legislation background to strengthen environment reporting practices,

Furthermore, enhance awareness to top management and shareholders in understanding importance of environmental reporting is highly required to make a positive influence for companies. Competency developments of relevant staff on environmental reporting are the significant requirements in improving and promoting the environment reporting practice of plantations sector. Moreover, this study emphasis requirement of more studies, to overcome the challenges of the strong environmental reporting system in Sri Lanka and other developing country contexts.

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