

## **Corporate Disclosures on Carbon Emissions in Sri Lankan Public Listed Insurance Companies**

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Carbon emission is considered as one of the root causes for global warming, which has become the most significant environmental challenge to be addressed at present not only by corporates but also by society as a whole. Because of the increase in corporate understanding of environmental responsibilities and increased investors' demand on corporate legitimacy stimulated companies to disclose carbon emissions voluntarily. However, there is an inconsistency in the extent of corporate disclosures on carbon emissions among companies across periods. Insurance companies appears to be the first industry to disclose carbon emissions around the world. This study aims to investigate trends of Corporate Disclosures on Carbon Emissions. More specifically, it examines whether the disclosure practice on carbon emissions affects the value of Sri Lankan public listed insurance companies to assist investors to evaluate a company's legitimacy towards environment and society. There is a need to conduct such a study as the ultimate objective of investors to maximize their wealth. This study follows a quantitative approach with a sample of 8 Sri Lankan public insurance companies out of a population of 10 public listed insurance companies listed in the Colombo Stock Exchange of Sri Lanka. This sample selection was based on the companies that existed during the entire period of the study (2012 – 2018). Longitudinal secondary data were collected on the independent variable (i.e., disclosure on carbon emissions), the dependent variable (i.e., firm value), and control variables (i.e., firm size and profitability) from annual reports of the seven financial years. A disclosure score was developed using dummy variables to measure disclosure practices to determine the impact on the firm value, which was measured by market capitalization using statistical techniques of correlation analysis and multiple regression model along with control variables. The findings suggest that the level of disclosure was showing a statistically significant weak positive correlation with firm value. Regression analysis results indicate that there is statistical evidence to prove that carbon disclosures positively impact the firm value. Further, annual average disclosures on carbon emissions of insurance companies display a marginal increase over seven years. Based on such findings, it can be concluded that in the Sri Lankan context, though the insurance companies voluntarily disclose the firm value of the company it is affected by disclosures on carbon emissions.

**Keywords:** Disclosures on carbon emissions, Legitimacy, Firm value, Sri Lankan listed insurance companies