

Determinants of environmental reporting disclosures within the Sri Lankan public listed companies

M.N.F. Nuskiya^{*} and E.M.A.S.B. Ekanayake

Department of Business Finance, Faculty of Management, University of Peradeniya, Sri Lanka

**nuskiyanazim@yahoo.com*

Environmental reporting communicates the environmental performance of a company, for example, pollution, and carbon emissions, and remains predominantly voluntary within the annual reports. The existing literature suggests that there could be three reasons for such voluntary disclosure. First, disclosure is necessary in the public interest (i.e., stakeholder view). Second, companies must meet the unstated expectations from the society if they want to continue (i.e., legitimacy view). Third, organizations' shall willingly disclose with the intention of boosting their profits (i.e., voluntary disclosure view). This paper aims to identify the determinants of the degree of environmental disclosure practices within the Sri Lankan listed companies. For this purpose, it is hypothesized that company size, industry type and profitability have positive associations with the level of environmental disclosures, respectively in line with the above three views. Companies tend to report extensively on the environmental performance when their businesses become larger, environmental sensitive and profitable due to stakeholder and legitimacy pressures and voluntary disclosure motive. The study followed the quantitative methodology. 45 listed companies that adopt Global Reporting Initiative (GRI) framework were selected into the sample from a total of 291 companies listed on the Colombo Stock Exchange. Data was gathered from the annual reports of the financial year 2014/15. A disclosure score was developed based on GRI guidelines to determine the impact of company size, industry type and profitability on the level of environmental disclosures. The results of the multiple regression analysis show that the level of environmental disclosures was significantly associated with the company size. However, the relationship between the environmental disclosures and profitability was statistically insignificant. Thus, it can be concluded that the motives of the Sri Lankan listed companies to disclose their environmental performance are driven by stakeholder pressures rather than merely to improve the profits. The results of the T-Test provide evidence to claim that companies in the low profile industries disclose more information than those in the high profile industries. This is in line with the legitimacy view to protect the social contract and to improve the public perception towards the company.