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Environmental Reporting Practices of Insurance Companies in Bangladesh

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Abstract: The objective of the study is to analyze the practices of sample insurance companies in disclosure of environmental information for stakeholders. The study is based mainly on annual reports of six insurance companies relating to year 2022. Major findings of the study are that all the sample companies disclose mainly qualitative information regarding the awareness for the environmental protection, compliance with environmental law& regulations, details of imparted environmental training facilities, pollution preventive practices, impact of climatic change, good governance, gender equality, efforts for less carbon emissions, conserving energy and natural resources reducing health safety risk, disposing wastage, CSR activities etc. Companies should follow the relevant IAS/IFRS and ethical practices of financial reporting along with quantitative disclosure of environmental accounting information.

Keywords: Corporate environmental reporting, Impact Factor-Social Awareness, Working condition, Safety & security, environmental Pollution- wastage.

Introduction

Environmental accounting refers to the identification, measurement, and allocation of environmental costs, environmental financing, environmental assets and liabilities, and also the integration of those variables in to business decisions and subsequent communication of the environmental information with the stakeholders. It helps the accurate assessment of the costs and benefits of environmental preservation measures for companies. It provides substandard framework for organizations to identify and account for past, present, and future environmental costs to support managerial decision-making, control, and public disclosure. Environmental financial accounting deals with accounting thought and reporting on the environmental transactions and events that affect or are likely to affect the financial position of an enterprise. Environmental issues are climatic change, energy, water, biodiversity and land use, chemicals, toxins and heavy metal's air pollution, waste management, etc. (1). The Insurance sector plays a vital role in the economic advancement of Bangladesh. Government prescribed Insurance Act 2010 and established IDRA (Insurance Development & Regulatory Authority) to foster the expected service to the policy holders through payment of claims &other development efforts.

We know that Environmental Reporting (ER) emphasizes environmental conservation costs, conservation benefits, and economic benefits related to environmental conservation activities. Major principles are relevance, reliability, clarity, comparability, and verifiability. In practice, the major contents of environmental reporting are Mission and Vision, strategic considerations,

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the commitment of top management, good governance, stakeholders' expectations, risk management, business model, and value chain management etc. Major forms of environmental reporting are environmental cost accounting, management accounting, financial accounting, and environmental national accounting. We know that the required guidelines are environmental responsibility, customer satisfaction, social contribution, employees' awareness, and fulfillment of environmental targets. The major objectives of Environmental Reporting (ER) are to assess the company's actions and measure the pollution of good use of natural resources. This develops good awareness for achieving our sustainable development goals.

Objectives of the Study

The major objectives of the study are as follows:

i) To analyze the major characteristics of environmental reporting practices of sample Insurance Companies in Bangladesh.

ii) To focus on the regulatory framework used for the same.

iii) To provide suggestions for better reporting.

Review of related Research Studies

Different research studies have been done earlier in this field; relevant studies are reviewed here:

Afroze and Haque (2017) while highlighting the extent of risk disclosure of 32 selected nonfinancial companies in Bangladesh, narrated that firm size was positively correlated with disclosure scores. Foreign investment was also positively related to the disclosure of risk-related factors. Mainly mandatory items are disclosed having little emphasis on voluntary items. Practically disclosure practices are highly inadequate compared to stakeholders' expectations.

Ahsan Uddin & Mazumder (2016) while analyzing the ratio-related disclosure practices of 61 listed companies in DSE, found that sample companies disclosed 3.74 items out of 19 required disclosure items. The standard deviation was 2.47 leading to inconsistent disclosure practices.

Ahmed (2009) states that climate change and carbon disclosure reporting is highly important to measure the risk, liabilities, and portfolio opportunities in a low-carbon economy.

Akhter (2017) found that corporate environmental reporting is qualitative in nature and practically Return on Assets (ROA) & Earnings Per Share (EPS) are positively correlated with the extent of corporate environmental reporting of 85 listed Companies in Bangladesh. He recommended for the use of an index showing 10 major items of information.

Bhowmik etal (2021) state that the Compliance level of the five listed companies is not up to the mark. The companies paid more expenses than the allowed amount as per the Insurance Act 2010.They need to control such expenses.

Dhar & Chowdhury (2021) state that EAR has been developed after publication of Bangladesh Bank guidelines. They found significant positive correlation between EAR & Profit margin. But it has insignificant relation with ROE, EPS & ROAA.

Faruk (2022) states that there are positive relations with a management role, age, size, earnings, and leverage with Corporate Social Environmental Reporting (CSER) disclosures of the 51 sample companies of the Dhaka Stock Exchange (DSE).

Fayekezzaman (2012) states that environmental accounting is related to environmental ecosystem & environmental information. Contamination of human resources increases the cost burden. Environmental accounting reflects the environmental & social impacts rules & guidelines, Regulation & restrictions, feasible strength in production & supply. All these are measured by environmental & economic feasibility.

Hossain & Dhar (2017) while analyzing the intellectual capital reporting of 40 listed companies found that 92.5% of the sample companies disclosed at least 50 sentences on Environmental Corporate Reporting (ECR). The banking sector had the highest disclosure but insurance companies had the least amount of disclosure.

Khan (2019) asserts that most of the environmental reporting standards are voluntary in nature. Compliance with the relevant standards is not satisfactory. We need mandatory requirements to develop the existing practices.

Khan (2018) found that the environmental reporting practice of Non-Banking Financial Institutions (NBFIs) emphasizes energy savings initiatives, environmental awareness programs water treatment plans, tree plantation & global warming issues. Quantitative disclosure is mainly followed & these are related to equity growth of the sample companies.

Khan (2018) hada study on "Sustainability reporting in financial institutions in line with GRI : Bangladesh Perspective & International experience". He found that the absence of sustainable model for business creates difficulties in such reporting practices. He suggested for improvement of social reporting practice based on GRI.

Nick O Laon & Copucos (2009) found that firm disclose environmental information through environmental reports. These are important to control the financial loans out of environmental incidents & to have risk management success. They used probabilistic model for efficient risk management through disclosure of the following information:

a. information on environmental costs,
b. environmental liabilities risks, contingent liabilities,
c. Provision for liabilities impairments,
d. environmental taxes & tradable permits,

Nazar & Hilal (2021) found that the commitment of the companies for sharing the environmental cost are not disclosed in their annual reports. They suggest for developing knowledge for introducing environmental accounting in different perspectives.

Prokash (2016) made a study on "Environmental accounting in India: A survey of selected Indian industries." This study is based on the identification of annual reports of 85 Indian companies. They disclose environmental accounting voluntarily in a positive manner. Industry

types and firm size have positive relations while leverage has no significant effects on environmental disclosures. Only 38.82% of companies have environmental reports in their annual reports.

Sarkar (2021) in a study on "Compliance of GRI & Pattern of sustainability Disclosure in the corporate sector of Bangladesh." found that SDI is poor compared to that of developed and & developing countries. Economic disclosure is five times higher than environmental & four times higher than social disclosure. Most of the companies disclose sustainability information in more than one place of the annual report. Quality of disclosed in formation is not judged at all.

Sarker & Ahmed (2020) state that the environmental accounting disclosure index is poor in the corporate sector. The Environmental Accounting Discloser Index (EADI) is higher in the banking sector but lowest in the IT sector. Significant variables are earnings, ownerships, capital, and total revenue, but net profit per share & dividend payment are insignificant. They suggest for mandatory regulatory requirements to be prescribed by the Bangladesh Security Exchange Commission (BSEC).

Sultana (2019) found that company age, size of audit firms, and board composition are significantly correlated with the disclosure scores, and compliance with IAS/ IFRS is very low in our insurance companies. Average disclosure is 43% to 58% of the total requirements.

Conceptual Framework

Environmental Accounting Disclosure is the self-reporting of a firm's environmental impacting information to different stakeholders. It is a major device used for managing the environmental & operational activities relating to the protection of natural resources, contribution of natural resources & economic prosperity of a country through controlling environmental pollution and degradation of natural resources in both short-term and long-term perspectives towards the achievement of sustainable development strategy. Economic and environmental health & social costs for managing natural resources are the major considerations for the good use of environmental disclosure policy; human, social, economic & environmental efforts are the major segments of such disclosure efforts. (2)

Practically environmental accounting follows physical or monetary units used for measuring the consumption of available natural resources in an economy. As to control the waste of environment, cost of cleaning the dirt & waste or for cleaning the polluted aspects of rivers/ canals/ lakes/ roads/ highways. There might be penalties or declining sales due to loss of goodwill for failing to manage environmental accountability. In 2003 UNDSO prescribed four types of costs for effective allocation and utilization of natural resources. These are mainly input/ output focus, cost accounting flow, ABC& life cycle costing tools.

We know that every fairness is to present relevant information for social activities introduced in the environmental management of natural resources to satisfy the different stakeholders. Environmental reporting is the way of disclosing the related information in managing the natural resources of an economy. It comprises compliance with relevant legal provisions prescribed by regulatory authorities for effective environmental protection and continuous growth. Business firms always think about their contribution towards the achievement of sustainable development

strategies of any economy. Environmental cost responsibility, protection, pollution, and benefits are always motivating factors for our entrepreneurs to stand in the global market. A major pillar of sustainable accounting practices is economic, environmental & society-related to people, planet & profits. (3)

Major techniques for achieving sustainable reporting practices are as follows:

Optimization of the use of fossil fuels, wastage elimination, energy recovery, time savings & good uses, and control of pollution and significant challenges of fulfilling environmental responsibilities are as follows: (4)

a) changing global climate,
b) Rapid loss of global biodiversity,
c) loss of forest/wetlands,
d) Transfer of Toxic items,
e) Reduction of coastal ocean protection,
f) Pollution of available fish water,
g) Changing ecological systems,
h) Unethical practices of human resources,
i) Lack of adequate regulatory framework,
j) Absence of penalties for noncompliance, etc.

Virtually environmental concepts center around the basic philosophies like change in climate, nature of pollution, environmental hazards & degradation & depletion of available natural resources global warming, pollution of air, land & water arising due to rapid deforestation, greenhouse gas emissions, overfilling of land falls, etc.

For effective environmental reporting, we need good matching of environmental hazards and health environment, unfamiliar hazards, social awareness, and satisfying the stakeholder's satisfaction. In practice water, air, and soil are protected by forest development activities for environmental benefits and creating national economic growth and prosperity (5).

Methodology of the Study

The sample of the study comprises six listed insurance companies based on purposive sampling on the basis of convenience in data collection. Companies are:
Global Insurance Co., Agrani Insurance Co., Central Insurance Co., Phoenix Insurance Co., Republic Insurance Co., & Pragati Life insurance co.

The Study follows the Contents analysis of their annual Reports for the period of 2022 only
Following disclosures of environmental information are highlighted:

i. Environmental presentation for sustainable development,
ii. Compliance with environmental laws & regulation,
iii. Eco friendly activities are detailed,
iv. Environmental training opportunity,
v. Conservation of supplies & natural resources,
vi. Pollution preventive practices,
vii. Awareness for climate change,
viii. Good governance,
ix. Compliance with capital Market. regulations,
x. Ensuring gender equality etc.

Major Observations: (Practices of Environmental Reporting)

The major practices of environmental reporting reflect that all the sample companies comply with environmental laws & regulations principles. Environmental training is given to the employees for creating their social awareness for minimum use of energy. Water & natural resources, pollution &wastage, Eco-friendly environment & green earth activities etc. Emphasis is given on nature of human rights, climate change, good governance gender equality & less carbon emissions etc. Disclosure of CSR activities, incentives for employees, social security manures etc. are also emphasized.

Company wise disclosures are given below:

In Phenix company emphasis is given on promoting environmental preservation having a society with healthy atmosphere.

ii) Encourages the awareness for the protection of environment in support of sustainable & equitable development for the next generation.

(iii) Good conservation initiatives are there and environment friendly office equipment is given to preserve the ecosystem.

(iv)Complies with environmental law& regulations strictly.

(v) Environmental principles are strictly followed by the employees.

(vi) Eco friendly computers, Monitors, printer, Fax, machines, copiers are used.

(vii) Slogan like let us go green to Keep our earth green. Vehicles are CNG converted to reduce the air pollution.

(viii) Environmental training is given to the employees for environmental awareness.

(ix) Environmental information is disclosed to protect the Environment.

(x) Minimum use of energy & water is ensured to conserve the supplies & consumption of natural resources.

(xi) Pollution preventive practices are followed. Practices are there for reusing, recycling & reprocessing to avoid the larger wastage (Annual Report 2022, P-173)

Agrani Insurance Co. follows global reporting initiative (GRI) disclosing the following variables:

i. Human rights scenario;
ii. Climate Change;
iii. Good governance and anticorruption measures;
iv. Trade facilitation &sustainability;
v. Compliance with capital market regulations;
vi. Ensuring gender equality;
vii. Use of equipment with less carbon emissions etc. (Annual Report 2022)

In Republic Insurance Company,
There is a good commitment for good Environmental practice ensuring. The following variables are narrated in a good sequence:

ii) Safe & healthy working place,

(iii) Protection of Environment through conserving energy and natural resources,

(iv) Use of technology to reduce waste & other pollution,

(v) Reduce health risk & safety risk disposing the wastage timely,

(vi) Conserving the supplies &controlling the consumption of resources,

(vii) Purchase of supplies through least damage to the Environment,

(viii) Good compliance with all Environmental regulations,

(ix) Train up the employees on Environmental program for their social awareness,

(x) Creating Environmental commitment to the clients, contractors, suppliers & the society.

(xi) Strengthening Environmental management system. Ensuring good use of ethical practices in all level of management (Annual Report 2022, P- 80)

In Central Insurance Co. Ltd. Environmental reporting shows
(i) good commitment to save the health & safety of the employees, Environment & communities,
(ii) Commitment to ensure healthy working place to utilize employees' potential,

(iii) Good commitment to sustainable development through adding value for the shareholder, employees & the society in general.

(iv) Showing active involvement in CSR activities.

(v) Discloses the financial &non-financial information relating to growth, CSR activities in compliance with BSEC notification (Annual Report 2022 P- 75)

In Global Insurance Co.

(i) The company develops congenial Environment to improve employee's term spirit, creativity & productivity,

(ii) Employee's training programs are organized to update their knowledge & awareness for Environmental adjustment,

(iii) Adequate financial & non-financial incentives are also given to motivate the employees,

(iv) Social security measures are also ensured to increase their morale, loyalty & job satisfaction. (Annual Report 2022).

In Progati life insurance company, environmental reporting is done through sustainable reports. This cover creating positive impact on society and the environment over the long term through creating value & competitive advantage for our business, building a sustainable tomorrow, providing financial security to the policy holders & new customers, improving health and welfare for all. (Annual Report 2022)

Problems of Environmental Reporting

Major environmental reporting problems are as follows:

i) Lack of specific IAS/IFRS governing the disclosure of environmental accounting information.
ii) Lack of mandatory requirements for such disclosure.
iii) Insurance Act. 2010 as does not provide any provisions for disclosure of such information.
iv) IDRA does not prescribe any specific guidelines for such reporting.
v) Companies Act 1994 also does not provide for disclosure of such information.

Conclusion

Environmental accounting is the modification of the system of national accounts integrating the use or depletion of natural resources. It is an effective mechanism to measure the environmental and operational costs of natural resources. The insurance companies disclose the manifold environmental information like awareness for the protection of environment, Environmental preservation, conservation initiatives, nature of compliance with Environmental law and regulations, organized training program to create such awareness, etc. Pollution preventive practices, minimum use of energy & water, impact of climatic change, human rights scenario, nature of corporate governance activities, gender equality, environmental commitment for CSR activities, social security measures. Financial & non-financial incentives are also disclosed nicely.

Recommendations

i. More attention is to be given to relevant IAS/IFRS.

ii. Ethical codes of environmental reporting must be strictly followed.

iii. Recognition of fair reporting & penalty for non-compliance must be ensured.

iv. Managerial awareness must be developed.

v. Broad-based accounting principles must be followed consistently.

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