

Research on Environmental Accounting Information Disclosure Problems

--Take Fosun Pharmaceutical for Example

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Abstract

The quality of environmental accounting information disclosure of listed companies in China is uneven, in different forms and in incomplete content, and enterprises do not pay enough attention to environmental accounting information disclosure. Fuxing Pharmaceutical has been rated as the top ten enterprises in the "pioneer list" of environmental information disclosure of listed companies for many times, with high quality of environmental information disclosure. Through the longitudinal comparison of Fosun Pharmaceutical history disclosure, it is found that Fosun Pharmaceutical's investment in environmental construction is increasing year by year. In horizontal comparison with the disclosure of health materials pharmaceutical in foreign enterprises in the same industry, although the environmental accounting information disclosure level of Fosun Pharmaceutical is at a high level in China, there is still a certain gap compared with health materials pharmaceutical. According to the deficiencies of Fosun Pharmaceutical's environmental accounting information in the disclosure method, disclosure matters, the comparison of disclosure content and the quantitative expression of disclosure content, suggestions are made from the perspective of the construction of relevant laws and regulations, the formulation of environmental audit of listed companies and the government encourages enterprises to innovate.

Keywords

Environmental Accounting; Information Disclosure; Listed Companies.

1. Research Background

Since the reform and opening up, China has relied on rapid economic growth through rich natural resources and cheap production factors. However, behind the rapid economic growth is excessive resource consumption and environmental deterioration. Over the years, the extensive mode of economic development has led us to destroy the ecological environment at an unprecedented speed. In the late 1990 s, China began to attach importance to the information disclosure of listed companies. In 1997, the first legal documents on the information disclosure format and content of listed companies were officially released, marking the beginning of the standardization of information disclosure of listed companies in China. However, the disclosure content mainly focused on the information affecting the investment decisions, and the environmental accounting information was not disclosed separately. The 2008 Environmental Information Disclosure Guidelines clearly required highly polluting enterprises to disclose environmental information or otherwise separately in their annual reports. In order to strengthen environmental supervision and urge enterprises for the upgrading of environmental protection construction, the Environmental Protection Tax Law of the People's Republic of China was released in 2017. In order to implement the "harmonious coexistence

of Man and Nature" of the 19th National Congress, China established the Ministry of Ecology and Environment in 2018.

Corporate activities have a wide impact on the environment, the company is also more and more need to disclose the company's environmental accounting information, and stakeholders are also paying more and more attention to the impact of corporate business activities on the environment. Contribution to environmental protection through environmental information disclosure, which can create a better corporate image, increase product sales and reduce financing costs in the stock market

2. Literature Review

2.1 Current Status of Foreign Studies

The research and implementation of environmental accounting information disclosure system abroad is earlier than China, and some European and American countries have begun to carry out research on environmental accounting information disclosure system since around 1970. Bram and Deeld [1] By quantified and distinguishing corporate environmental reports of Dutch company samples with or without external guarantees during the period 2009-2011, and finding that greenhouse gas emissions and water consumption and external guarantees play an important incremental role in explaining the level and nature of environmental disclosure, it is necessary to complement voluntary mitigation and mandatory sustainability reporting requirements to urge the company to be more responsible for environmental performance. Diebs F [2], By comparing the reported greenhouse gas emissions with the methodology interpretation provided, we found that the greenhouse gas volume in the company report was significantly lower than the carbon disclosure program. Hammel [3]", Using legitimacy theory to find performers with poorer sustainability prefer low-quality sustainability disclosures to mask their real performance while protecting their legitimacy. Hussein N [4] We empirically study a significant correlation between corporate governance and the triple bottom line sustainability performance through the perspective of agency and holder theory. Harther [5], found that the size of the board and independent directors have a positive impact on environmental information disclosure.

2.2 Domestic research status

In recent years, domestic literature has examined the impact of environmental information disclosure on enterprise value from different aspects, and has achieved certain research results. From the perspective of resource dependence, political influence on environmental information disclosure of private enterprises [6] From the relationship between external pressure and enterprise environmental information disclosure, the establishment of external pressure mechanism with main system supervision and social supervision can well improve the quality of enterprise environmental information disclosure [7] From the perspective of corporate responsibility, the construction foundation of environmental information disclosure of listed companies is essentially incompatible with the securities law [8] From the perspective of capital market response to environmental information disclosure policy, illegal responsibility of environmental law is low, and local governments often "lenient" to protect local economic development, causing the failure of environmental information disclosure in capital market [9]. If local environmental officials change, the level of corporate environmental information disclosure increases significantly, but gradually decreases over time [10] But if the party organization embedded in the senior management, the efficiency of environmental disclosure will be greatly improved [11].

3. Research content

3.1 A Brief Introduction to Fosun Pharmaceutical

Shanghai Fosun Pharmaceutical (Group) Co., Ltd. is taking pharmaceutical manufacturing and development as its core, covering medical devices and medical diagnostics, medical services, pharmaceutical distribution and retail. Of the 356 enterprises in —— Bio-pharmaceutical, Fosun Pharmaceutical ranked 11th with a total market value of 85.6 billion and 8th among the top 100 pharmaceutical enterprises in 2019 issued by the All-China Federation of Industry and Commerce.

Fosun Pharmaceutical is the first pharmaceutical enterprise in China to conduct environmental accounting information disclosure. Fosun topped the latest Listed Companies Environmental Information Disclosure List released on December 21, 2019, up third from the previous year [12].

3.2 Longitudinal comparison of Fosun Pharmaceutical Environmental Information Disclosure

EHS is short for Environment, Health and Safety, Fosun Pharmaceutical established the EHS Management Committee in 2012, The EHS Management Department was established in 2013, The Handbook on EHS was issued in 2014, Preliminary construction of the EHS management system framework in 2015, Complete the EHS risk map and SWOT analysis in 2016, and publish the corporate EHS strategic policy, Environmental protection facilities renovation and EHS system optimization in 2017, Build the EHS Internal Talent Training in 2018, In 2019 with the "Green Factory, Inherently safe" is the principle of strengthening the construction of EHS supporting facilities. Fosun Pharmaceutical disclosed environmental information by issuing corporate social responsibility reports, accepting stakeholders to supervise the construction and development of the EHS management system, so as to protect the environment and protect the health and safety of employees.

Table 1. Statistical Table of Construction Investment Cost of Fosun Pharmaceutical EHS from 2014-2019 (Unit: 10,000 Yuan)

	The Year of 2014	The Year of 2015	The Year of 2016	The Year of 2017	The Year of 2018	The Year of 2019
Operating cost of environmental protection facilities	-	-	1319	1995	9840	7871.7
Investment in environmental protection facilities	1266	2156	2027	5353	6112	4611.6
Investment and operation expenses of the health and safety facilities	2060	4505	3155	3919	3843	7760
Total:	3326	6661	6501	11267	19795	20243.3

Source: Fosun Pharmaceutical Corporate Social Responsibility Report-2015-2019

Table 1 shows that Fosun Pharma has continuously increased its investment in EHS construction from 2014-2019. The development and construction of EHS management system will, on the one hand, be conducive to strengthening the corporate cohesion and internal management ability of Fosun Pharma, and on the other hand, have improved the corporate image of Fosun Pharmaceutical and brought better economic and social benefits. Fosun Pharma's investment in EHS construction from 2014 to 2018 has increased significantly year by year, while the investment amount in 2019 was almost the same as that in the previous year. In Fosun Pharmaceutical 2015-2018 corporate social responsibility report, the EHS investment cost amount and growth range are shown to the chart, and the EHS investment cost amount in 2019 is only in words, reflects the environmental information disclosure of listed companies is not strict norms, also reflects that listed companies in environmental information disclosure is more inclined to show the corporate image.

Table 2. Fosun Pharmaceutical Environmental Information Disclosure Form

Disclosure Section	Main content	Whether it numernumbers	Whether it is measured in a currency or not
EHS strategic objectives and Policy Policy	EFS manages the first five-year (2016-2020) strategic core objectives, EHS operational input, EHS certification	Yes:	No:
Environmental management and continuous improvement	In the past four years, greenhouse gas emissions and energy management, air emission management, sewage and waste management, water consumption management, material circulation reduction, biodiversity, and climate response.	Yes:	No:

Source: Fosun Pharmaceutical 2019 Annual Corporate Social Responsibility Report

Table 3. Environmental Information Disclosure of Health Materials

Disclosure Section	Main content	Whether it numernum bers	Whether it is measured in a currency or not
Efforts and practical results of environmental protection activities	It introduce the improvement of environmental management, energy conservation and preventing global warming, waste reduction, resource conservation, chemical management, prevention and control of air pollution and water pollution, and the goals and actual achievements of the regional environment protection.	Yes:	No:
Environmental input and environmental load	Energy, water, copying paper and other resources input, waste gas, waste, and environmental loads caused by indirect emissions.	Yes:	No:
Environmental Accounting	Cost of realizing environmental objectives, cost corresponding to environmental related laws, cost of environmental management activities; economic benefits of environmental countermeasures, and environmental efficiency.	Yes:	Yes:
Environmental Management	Promote the system, environmental education, internal audit, environmental risk response, legal compliance, environmental communication, and environmental accident reports.	No:	No:
Dedicated to the formation of a low-carbon society	Greenhouse gas reduction targets; CO 2 emissions from factories, institutes, offices, warehouses, warehouses, sales and commercial vehicles; governance, strategies, indicators and targets for climate change risks.	Yes:	Yes:
Dedicated to the formation of a circular society	Actual achievements of waste treatment, resource circulation plan, and on-site confirmation and investigation of the entrusted units for waste treatment.	Yes:	No:
Chemical Material Management	Drainage control of substances controlled by Japanese management method, VOC discharge, PCB waste management, and chlorocarpipes.	Yes:	No:
Resource-saving efforts	Effective utilization of water resources and green procurement.	Yes:	No:
Emission volume and drainage load data of air pollutants	Emissions of SOX, NOX, smoke, BOD, COD, nitrogen and phosphorus from various factories and firms in the past five years.	Yes:	No:
Resource input, environmental load data (domestic)	Three years of energy usage, waste treatment experience, air pollution and emissions from domestic factories and firms.	Yes:	No:
Resource input, environmental load data (abroad)	Three years of energy usage, waste treatment experience, air pollution and emissions from foreign factories and firms.	Yes:	No:
Sustainable development indicators	Energy productivity, waste productivity, greenhouse gas productivity, and water resources productivity in the recent three years	Yes:	No:
Third-party inspection report on greenhouse gas emissions	SGS Certification Inspection Opinion	Yes:	No:

Source: Wei Material Pharmaceutical Environmental Report 2019

3.3 Longitudinal comparison of Fosun Pharmaceutical Environmental Information Situation

Wuwei Pharmaceutical is a fifth largest pharmaceutical company in Japan founded in 1941, the same with the main business of Fosun Pharmaceutical, pharmaceutical research and development, manufacturing, sales and import. Pharmaceutical has production factories in Japan, United Kingdom, China and India, laboratories in Japan, the United States and the United Kingdom, and overseas sales offices in the United States, United Kingdom, Germany, France, China and South Korea. In 2008 to 2014, Sanitary Pharmaceutical released environmental and social reports and disclosed the

environmental and social activities of enterprises. Since 2015, environmental reports focusing only on environmental activities were released, and provided them to all stakeholders for reference.

Compared with Fosun Pharmaceutical and the 2019 Environmental Information Report of Wuwei Pharmaceutical, in terms of disclosure methods, the environmental information of Fosun Pharmaceutical is written separately in the corporate social responsibility report, while Wuwei Pharmaceutical is a comprehensive compilation of environmental information into an environmental report for disclosure to the outside world. Compared with the disclosure, Wei pharmaceutical than fosun pharmaceutical environmental accounting, chemical management management and third-party inspection report disclosure content more comprehensive, and fosun pharmaceutical environmental information disclosure using example specific introduction: Wanbang pharmaceutical E FS operation management, wanbang pharmaceutical and zhaohui pharmaceutical photovoltaic power generation project, Kaimao biological and pharmaceutical friends pharmaceutical lean production management to promote energy conservation and emission reduction, guilin south pharmaceutical and Dongting pharmaceutical and binary pharmaceutical V OCs emission reduction and management project. In terms of the comparability of disclosure, the matters disclosed by Wuwei Pharmaceutical and Fuxing Pharmaceutical are relatively compared to the data in previous years, while Fosun Pharmaceutical mostly adopts the form of tables, while most Wuwei Pharmaceutical adopts cylindrical and folding diagrams and are more intuitive and obvious. Compared with the quantitative expression of the disclosure content, almost all the environmental projects disclosed by them are expressed in numbers, but the health material pharmaceutical adopts monetary measurement in terms of environmental accounting disclosure, which is more comparable and is also conducive to the economic benefits brought by the measurement and environmental protection of enterprises.

4. Research conclusions and recommendations

4.1 Research conclusions

Through the horizontal comparison of the accounting disclosure of Fosun Pharmaceutical, The following conclusions are reached: First, The legal foundation of Chinese environmental accounting information disclosure is relatively weak, Relevant laws and regulations are not perfect enough; Second, How the environmental accounting information is described, Fosun Pharmaceutical selection adopts a large number of qualitative description and simple quantitative description, This greatly increases the difficulty for information users to obtain effective information; Third, In terms of environmental accounting information disclosure content, Fosun Pharmaceutical the overall degree of information is not high, Less information disclosure of detailed data; Fourth, On the channels of information disclosure, Lack of unified environmental accounting information disclosure standards, Enterprise independent selectivity is relatively high.

Through the longitudinal comparison between Fosun Pharmaceutical and Wuwei Pharmaceutical, it can be found that although Fosun Pharmaceutical has always been at the forefront in the environmental accounting information disclosure of listed companies in China, there is still a gap with international peers in the disclosure matters, readability, and internal and international supervision. There is still a certain gap between the development and the developed countries. Foreign countries have certain practical experience and operability in the formulation of government laws and public supervision, and China lacks in this respect. Learn on the experience of Japanese environmental accounting information disclosure, and put forward experience suggestions from the internal and external perspectives of enterprise environmental accounting information disclosure. From the internal perspective of the enterprise, improve the quantitative behavior of environmental accounting information disclosure, adopt monetary measurement to increase reporting comparison, adopt independent bad border information disclosure to facilitate the supervision of stakeholders, and strengthen the construction and disclosure of enterprise internal environmental audit. From the external perspective, strengthen the construction of environmental accounting, to provide operability

for environmental accounting information disclosure; strengthen the supervision of the government and third-party institutions, and strengthen the training of professional accounting personnel.

4.2 Suggestions

From the perspective of the construction of relevant laws and regulations. The environmental report of Sinopharm was prepared in strict accordance with the Environmental Accounting Standards and the Environmental Report Guide of the Japanese Ministry of Environmental Environment. The guide clearly stipulates the content, format and scope of environmental information disclosure of enterprises. However, on the contrary, the environmental information of listed companies in China is still dominated by voluntary disclosure. Therefore, it is necessary to improve and strengthen the relevant laws on environmental accounting information disclosure. The Environmental Protection Law, Company Law, Securities Law, Accounting Law and other amendments will clarify the contents and scope of corporate environmental information disclosure, and strictly stipulate environmental information disclosure in accordance with the law. However, a specific challenge facing the formulation of laws related to enterprise environmental information disclosure, that is, the general acceptance and recognized standards of disclosure. Coping this challenge should define the type of indicators and quantification used to measure and report environmental information and form a set of normative standards.

From the perspective of environmental audit formulation of listed companies. Sanitary Pharmaceutical has a special audit organization to conduct environmental related internal audit to ensure the quality level of environmental accounting information disclosure. Listed companies in China should establish a clear environmental audit system, and an effective audit system can prevent companies with poor environmental performance in information disclosure. The development of environmental audit will help improve the credibility of information disclosure. To prove the authenticity, compliance and fairness of environmental information disclosure of listed companies, China should formulate environmental audit standards and practice standards of listed companies and strengthen the professionalism of environmental auditors.

From the perspective of the government encourages enterprise innovation. The government can encourage enterprise innovation by formulating policies to reduce environmental pollution. In order to avoid punishment, enterprises must disclose environmental information, leading to the huge economic cost of complying with environmental regulations. According to the Porter hypothesis, the effect of technological innovation can make up for corporate losses resulting from compliance with environmental regulations, and the government can also promote corporate innovation through other industrial policies such as environmental subsidies.

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