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Sustainability can be defined as the process whereby the needs of the current generations are met without comprising the needs of the future generations. Major world conferences held since the late 1980s followed from extensive media coverage of various environmental disasters such as Chernobyl, Exxon Valdez, Sea Empress and the Bhopal gas tragedy which led to increased community awareness of the need to protect the environment and its inhabitants. The World Commission on Environment and Development, referred to as the Brundtland Commission held in 1987 and the Kyoto Protocol held in 1997, signed an agreement making a commitment to save the planet Earth from further deterioration and ensure its sustainability for future generations. The 1992 Rio de Janeiro conference, also commonly referred to as the ‘Earth Summit’ has been a major turning point in organisations’ perceptions, attitude and response towards the ecological environment.

In response to pressure from organisational stakeholders, especially the government and the non-governmental organisations (NGOs), a number of pieces of national and international environmental legislation have been introduced globally in an attempt to avoid further environmental degradation. This legislation covers areas such as air emissions, water effluents, recycling waste and product take-backs. Many industrial sectors have initiated industry/sector specific guidelines, such as the chemical industry’s ‘Responsible Care’ guidelines, aimed at making their sector ‘greener’.

Voluntary guidelines such as those of the Global Reporting Initiative and ISO 14001 certification released in the last decade are gaining importance globally with their widespread acceptance. Not being industry sector or organisational size specific, these guidelines allow companies to demonstrate that, in addition to being compliant with the mandatory regulations, they are also addressing the concerns of ecological degradation and social and economic impacts by going beyond the legislative requirements.

In light of the presence of an increasing number of voluntary guidelines, the question today is whether these are enough or would increased mandatory legislative
requirements better ensure that ‘ecological sustainability’ is achieved? This article addresses this question while broadly examining some of the environmental laws and voluntary guidelines in particular those concerning corporate social responsibility and triple bottom line reporting.

Corporate social responsibility and reporting
Corporate social responsibility has been defined by Smith\(^8\) as ‘the integration of business operations and values whereby the interests of all stakeholders, including customers, employees, investors, and the environment are reflected in the organisation’s policies and actions’. Corporate citizenship and corporate social responsibility are often used interchangeably, though Waddock\(^9\) argues that corporate citizenship necessarily places a strong emphasis on ‘developing mutually beneficial, interactive and trusting relationships between the company and its many stakeholders …’ while corporate social responsibility does not necessarily require stakeholder involvement.

Corporate social responsibility is increasingly being seen as essential to the long-term survival of companies and is based on social values being embedded within the organisation and influencing decision-making throughout the organisation’s operations. A survey conducted by PricewaterhouseCoopers in early 2002 found that nearly 70% of the global chief executives surveyed believed that addressing corporate social responsibility was vital to their company’s profitability.\(^10\)

Information on environmental and social issues is commonly communicated by companies either as a section within their annual reports or as stand-alone reports. Stand-alone reports are either hard copy only, Internet based only or, most commonly, provided in hard copy format as well as being put on the Internet.\(^11\) Corporate social reports are the primary means used by companies to demonstrate their corporate social responsibility. An international survey conducted in 2002 by KPMG on Corporate Social Reporting found that 45% of the world’s largest 250 companies now produce environmental and social reports, up from 35% in 1999.\(^12\) Corporate social reports or corporate social disclosure can be defined as a medium from which information is ‘voluntarily communicated by the organisations about their activities, programs and application of their resources which affect the relevant public image at large to meet social, political and economic demands’.\(^13\) Many companies are also following the GRI
guidelines (discussed later) and adopting triple bottom line reporting structure in their reports. Explaining the meaning of the three components of triple bottom line reporting, Jermyn Brooks of Transparency International, said:

[quote] when discussing the economic dimension companies need to go beyond the legal financial requirements to show that it has generated value by creating human capital; the environmental dimension includes the impact of the company’s products and services on ecological environmental and climate change; and, the social dimension of TBL incorporates reporting on aspects such as gender, ethnicity, staff security, working hours, human rights and diversity.14

The role of legislation

The manufacturing sector is one of the first to come to mind when thinking about polluting industries and poor environmental performance. It is thus interesting to note that the first industry to be prosecuted under the UK’s Environmental Protection Act 1990 was a health authority for its incinerator emissions. Another notable sentence within England and Wales within this sector was the imprisonment of the director of a waste management business for 18 months for an environmental offence.15

Companies’ destruction of the ecological environment has been one of the major factors driving governments to introduce mandatory laws/regulations. Legislation has accordingly been a major determinant in an organisation’s decision to implement corporate responsibility guidelines and sustainability programs.16 Other factors include pressure from customers17 and other stakeholders, especially NGOs. Some authors argue that the mandatory legislation approach is heavily reliant on enforcement through ‘monetary fines, revocation of licenses, liability for cleanup and prosecution’;18 ‘increase in personal liability for environmental offences and reduction in the mens rea (or proof of intent) requirement’.19 As these changes have increased companies’ potential exposure to environmental liabilities, few companies go beyond the basic requirements to adopt voluntary guidelines and become proactive in their efforts to make their operations greener.

An increasing number of multinational companies in the UK, the US, Canada and Australia are being indicted for their actions/or lack of towards human rights within their global operations.20 Supporting the existence of environmental and human rights law
Sappideen comments that ‘corporate management resorts to shortcuts in terms of employee safety, pollution, and engage in other improper behaviour when under stress to meet the bottom-line. There is [thus a] need for law and business ethics to monitor the deficiencies of the marketplace’.21 Wide-spread availability of information via the Internet and action of NGOs is one of the major reasons. Others include pressure from the market and shareholders to perform better. McMurray argues that to avoid litigation companies can use ‘Rights Review’, which came into action on 21 December 2001 in Australia as part of the changes to the Commonwealth Privacy Act 1988. This will assist companies to identify, collect and verify information on human rights incidences in their overseas operations. Other proposed regulations that can clarify uncertainties with respect to duty of care, tort claims include: Australian Corporate Code of Conduct Bill, the European Parliament Green Paper; and the United Kingdom’s Company Law Reform (Corporate Responsibility) Bill.22

Lubbe-Wolff23 classified the European legislation into three categories:

- **technical prescriptions** make use of certain mandatory technologies by the companies to reduce pollution
- **emission standards** indicate the maximum level of emissions from various installations
- **quality standards** relate to the quality of environmental media, for instance emissions into the air (ie ecological environment).

Lubbe-Wolff noted that application of these three categories can be seen in other countries too with technical prescriptions being most stringent of all. The United Nations Environmental Programme (UNEP) and the National Pollutant Inventory released the Corporate Global Warming Indicator (GWI) framework to assist companies measure their carbon dioxide and other greenhouse gas emissions. Supporting the release of GWI, the Department of the Environment, Transport and the Regions (UK) commented that ‘indicators are designed to help inform business, government, and the public about how businesses are becoming more sustainable’.24

UNEP25 argues that ‘regulation is still the core instrument of environmental policy … [Legislation has] been favoured because [it] promises certainty of outcome--though without the costly monitoring and enforcement, this promise may not be realized’. This view is also supported by Li26 who commented that ‘government involvement is a critical
factor for the corporate accountability for the environment’. Compliance with these laws is required by companies for them to apply and get mortgage loans and insurance in case of an accident. Liability is now being placed on both the seller and buyers of property to ensure that there is no contamination and potential of environmental damage. In case of non-disclosure of property history, companies can be faced with costs of identifying the extent and nature of waste contamination, cleaning up the site, litigation and punitive damages, and construction and development delays to name a few.

Customers, the wider community and the governments are choosing to deal with environmentally and socially responsible businesses. A survey conducted by International Environment Monitor, Toronto, Canada in 1998 of more than 35,000 people in 30 countries worldwide, including China, US, UK, Australia, India, Japan, and Germany, found that respondents from 28 of these countries were unhappy with the level of environmental legislation in their respective countries. Commenting on the survey finding, Doug Miller, President of Environics International Ltd, said that: ‘in the face of rising environmental concerns and dissatisfaction with pollution laws, it will be increasingly difficult for government and industry leaders to continue to emphasise voluntary corporate environmental targets. Most citizens want to see legal teeth around the words.’

Legislation has been found as a major driver for the adoption of corporate sustainability reporting in countries such as Australia, Canada, Denmark, Norway, Sweden, Netherlands and the USA. Environmental laws are becoming increasingly stringent in newly emerging market economies as they attempt to fit with the global competitive environment, show commitment to save the environment and receive international aid and secure international investors.

The role of voluntary guidelines
The release of the Rio Declaration and Agenda 21, two major outcomes of the World Conference in 1992 reflect the international commitment towards achieving sustainability. One of the obstacles to achieving the objective of sustainability realised by the companies has been the absence of a ‘specific methodology for incorporating the criteria of sustainability into the policies’. One initiative towards achieving this has been
the release of the Environmental Sustainability Index following the World Economic Forum Annual Meeting in Davos, Switzerland, in January 2000. The index has indicators to measure performance in areas of: environmental systems; environmental stresses and risks; human vulnerability to environmental impacts; social and institutional capacity; and global stewardship.\(^{34}\)

The 1999 initiative of the Coalition for Environmentally Responsible Economics (CERES), of standardised guidelines for corporate environmental performance and sustainability reports\(^{35}\) resulted in the release of the Global Reporting Initiative (GRI) in 2000.\(^{36}\) GRI provides comprehensive guidelines on sustainability reporting,\(^{37}\) on organisations’ environmental, economic and social performance. McCloskey, discussing the significance of indicators said that ‘issues become real and get addressed once their particulars are measured, that is, what gets measured, gets addressed’.\(^{38}\) Measuring and quantifying aspects (issues) and impacts can also compel companies to take initiatives to become proactive in reducing waste, for example. This would save the dollars spent on waste being sent to the landfill. Improvements in a company’s performance, however, will follow when top management understands the process and is committed towards it. As indicated earlier one of the ways to achieve this is to put a dollar figure on the company’s impacts. Once commitment for improvements is made, benefits can be seen in a number of areas such as better relations with the stakeholders and lower liabilities, all of which can lead to an improved bottom line. By implementing voluntary guidelines such as those released by CERES, McCloskey argues that companies are enhancing their competitive advantage and becoming more innovative as a result of:

- knowing more because they measure more
- getting more out of their inputs
- having a workforce that is happier and more productive in a cleaner environment
- having improved community relations
- not being preoccupied by regulatory concerns as they are well beyond them
- being more alert to external environment conditions which may effect them.\(^{39}\)

A number of other voluntary guidelines have also been released to assist companies in areas such as communication with their stakeholders. For example, in 1999 the Advisory Committee on Business and the Environment (ACBE) released guidelines aimed at
assisting organisations to improve their communications with various stakeholders. The Energy Efficiency Best Practice Program is also helping to increase cooperation between the trade unions and managers.\textsuperscript{40} Guidelines released by ACBE, UNEP, ACCA are assisting companies to report on their triple bottom line performance. Some of the guidelines for environmental reporting include:

- The UNEP Engaging Stakeholders Programmes\textsuperscript{41}
- US based Public Environmental Reporting Initiative\textsuperscript{42}
- BRESCHU, Guide to Environmental and Energy Reporting and Accounting\textsuperscript{43}
- ACCA, Encouraging Trends\textsuperscript{44}
- ACBE, Environmental Reporting and the Financial Sector\textsuperscript{45}
- Eco-Management and Audit Scheme\textsuperscript{46}
- ISO 14001, the International standard for Environmental Management System\textsuperscript{47}
- Coalition for Environmentally Responsible Economics\textsuperscript{48}
- Responsible Care Program, for chemical companies\textsuperscript{49}
- The Natural Step\textsuperscript{50}
- Business Charter for Sustainable Development, developed by the International Chamber of Commerce\textsuperscript{51}
- Global Environmental Management Initiative.\textsuperscript{52}

Some of the benefits of practising social responsibility and reporting are mentioned below.

- recruitment and retention of the best employees
- improved internal decision-making and cost savings
- improved corporate image and relations with stakeholders.

A detailed discussion of these benefits will be included in a forthcoming article.\textsuperscript{53}

\textbf{Discussion}

Are voluntary guidelines enough to protect and sustain the environment? It can be argued that, especially in less developed countries where there is currently rapid development taking place, mandatory legislation is required to ensure non-renewable resources are not used at a faster rate than they can be replenished. Of concern is the tendency of multi-national corporations to locate operations in areas with fewer
regulations. For example, stringent waste disposal regulations in developed countries have turned the attention of the organisations in these countries towards developing countries, generally with lower regulatory controls and public awareness. Key issues for less developed countries are the lack of skilled employees to assist with compliance and a lack of resources to enforce legislation.

Within developed countries, a lack of resources (such as skills, expertise, staff) was also found to be inhibiting companies from implementing environmental initiatives, as found in the ICL survey of the UK’s FTSE 500 companies in September 1999. Warren Norrid, Director of External Affairs, Chrysler, criticising the disclosure of environmental performance commented that ‘it’s not fair that we are disclosing our environmental performance in fine nail detail while foreign corporations in other markets don’t have to’. A survey conducted by ‘The Smart Company’, a corporate social reporting consultancy, in 2001 found that three-quarters of the respondents believed that legislation was required to ensure that companies act responsibly. Julia Cleverdon, Director of the business-led corporate social reporting lobby commented that ‘anyone pushed into [corporate social reporting] will do the bare minimum and just pay lip service’.

UNEP argues that greater corporate responsibility has been ‘realized through self-regulation, corporate environmental policies, voluntary codes of practices, and environmental audits’ and also in public reporting within the private sector as they are given responsibility to protect the environment. Deregulation of environmental law in some countries is thus resulting from ‘the increasing complexity of environmental regulation and high control costs as well as demands from the private sector for more flexibility, self-regulation and cost-effectiveness’.

**Conclusions**

We conclude that mandatory regulation alone is essential to protect the ecological environment but it must be effectively enforced. This will help ensure a minimal standard of performance. Organisations with the resources and means to implement and develop more advanced technologies and measures may play a significant part in achieving further innovative advances in protecting the environment. Such innovative practices can provide companies with significant competitive advantages and many companies will
therefore continue to report significantly more than required by legislation. This behaviour is encouraged by the development and refinement of guidelines.

There is a need, however, for widely accepted international guidelines in this area. Some of the areas which will gain more attention in the next few years are:

- sustainability reporting on the Internet
- verification of data in the reports and on the Internet and audit of reporting processes
- governance processes involving key stakeholders in addition to shareholders
- accountability for human rights impacts, equal opportunities, impacts on the economic and social wellbeing of local communities
- sustainability impacts of small and medium sized businesses.

Whilst initially it will be important to encourage companies to develop innovative practices and contribute to the development of voluntary guidelines, there may well come a point where legislation is necessary to achieve a minimum level playing field.

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