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Welcome to the third edition of the APCEA News Journal for 2000. Readers are reminded of our homepage at:


APCEA would firstly like to welcome Ms Martine Hardy to the group. Martine has taken over as the APCEA (Newcastle) representative, following Geoff Frost’s move to the University of Sydney. Martine has just had an article along with Geoff titled: "Corporate Reporting and Urgent Issues Group Abstracts: The Impact of UIG 4 on the Australian Extractive Industries", accepted for publication in the Australian Accounting Review (forthcoming). Martine can be contacted by email on cmmmh@cc.newcastle.edu.au

In this edition the first article by Dr Jane Andrews of the University of Wollongong, discusses the recent protests at the World Economic Forum summit in Melbourne, and the role that environmental factors play in these, and other anti-globalisation protests around the world.

The second article by Michael Schaper of Curtin University, examines The Role of Small and Medium Enterprises in Environmental Management, arguing that small/medium enterprises, despite having a lot to offer in terms of practical environmental impact, have been often overlooked when examining solutions to environmental problems.

The third article looks at the recent Olympic Games in Sydney from an Environmental perspective. The article examines how the Sydney Organising Committee, from the start of the games sought to make the games as environmentally friendly as possible in terms of landscape and building design.

Roger Burritt then reports on a proposed Private Members Bill on a Code of Corporate Conduct currently under review in the Federal Senate, which would address Corporate Conduct Overseas in light of recent environmental disasters in the mining industry, and the failure of voluntary Codes of Conduct in curbing environmental mismanagement.

In our final article, kindly reproduced with permission of the Australian Mining and Environmental Energy Foundation (AMEEF) Kate Vinot examines environmental reports and provides examples of how environmental information can be independently verified, and looks at four selected examples of approaches used for verification.

A summary is provided of Roger Burritt’s recently released book “Contemporary Environmental Accounting: Issues Concepts and Practice”, written with Dr Stefan Schaltegger at the University of Luneburg in Germany. As usual, our environmental extra section provides short information on recent environmental events.

If any readers wish to contribute articles of news of any environment-related activities, please feel free to contact me at:

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Accountability, Democracy and the World
Economic Forum

Jane Andrews
University of Wollongong

It is difficult to ignore the growing international protest movement that is currently frustrating and disrupting ‘global’ social and economic discussions (Greider, 1999). Although the central protest issue represented within mainstream media is that of ‘anti-globalisation’, the reasons for the growth in these actions are much more diverse. Although the majority of protestors are concerned about the affects of globalisation, the rise of neo-liberalism and the rapid expansion of capitalism, there are also a huge number that link these concerns with environmental devastation. For some, concerns about the state of the global environment has provided the catalyst for their participation in the actions and has forced them to consider and protest the general lack of social and environmental accountability displayed by multinational companies and elected government officials. Even so, the environmental and human consequences of expanding global capitalism, along with the erosion of democratic economic decision making, are beginning to be raised in the media coverage of these actions.

Global Actions

Capital seeks through globalization to evade, subvert, and preclude popular and governmental regulation (Street, 2000, p. 22).

Last year in Seattle almost 70,000 people came out on to the streets to protest the World Trade Organisation. The WTO had met to discuss two key issues, labour and the environment. The point that was made consistently by protestors was that the WTO was undemocratic and unaccountable for the decisions taken and that the WTO prioritised trade over national policies on labour, the environment, food quality and so on.

Greider described this erosion, stating that as national legislation is developed to hold our global firms accountable for their behaviour, we will be told that this approach violates our agreement to accept the WTO's governance (1999, p.5).

Two well-known examples of the WTO’s judgement relate to challenges to US environmental law.

1. Venezuela challenged the US’s Clean Air Act as it limited the amount of Venezuelan gas that could be exported. The US law stated that foreign gas sold in the country had to be of the same or better quality as that of US produces from 1990 onwards. Venezuela claimed the law discriminated against them and the WTO agreed. The US law allowed for a small proportion of domestic producers to exceed this, so it was seen to discriminate between domestic and foreign producers. They demanded the

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1 www.citizen.org states that since 1995, the WTO has ruled that every health and safety, environmental and labour policy it has reviewed is an illegal barrier to trade. As domestic policies are eroded through this procedure and the
EPA water down the act, or pay $150 million in trade sanctions. The Act was diluted.

2. The US Endangered Species Act prohibits the sale of prawns caught in nets that do not allow endangered species to escape (such as turtles). India, Pakistan, Malaysia and Thailand challenged the law, claiming the US discriminated between countries in its application of the law and the WTO agreed. The law was subsequently amended.

The problems with the WTO, and correspondingly with the IMF and the World Bank have been highlighted by these kinds of erosions of hard won environmental legislation. Questions about the quality of our democracies and the necessity for greater accountability as a result of these kinds of decisions has fed the international protest movement (Nichols, 2000).

It appears that there is growing concern about the nature of international meetings of this sort and an expanding recognition of how much they shape our lives - which is why around 10,000 people encircled Crown Casino in Melbourne on September the 11th and 12th.

What’s Up With the World Economic Forum?

The World Economic Forum (WEF) was incorporated in 1971 in Switzerland by Klaus Schwab, Professor of Business Administration, when he convened the first annual meeting of international chief executives in the Swiss town of Davos. The WEF has since grown to become an ‘invite only’ private think tank with around 1000 member organisations. Of this, 430 come from Europe (roughly 43%) and 262 from North America (roughly 26%). These figures alone indicate some of the problems associated with ‘globalisation’ and its failings to be truly global. The consistent privileged representation of traditionally wealthy European and North American members within global economic meetings is now under challenge with n29, a16, s11, s26 – the new signpost of protest, expressing the month and day of action.

The WEF’s aim is to bring together unelected executives, corporate leaders, financial advisers and strategists, with elected government representatives and some non-governmental organisations (unions, charities, and academics) in order to discuss the direction of the global economy2. According to the WEF it is an independent organization committed to improving the state of the world. It serves its members and society by creating the foremost global partnership of business, political, intellectual and other leaders of society to define and discuss key issues on the global agenda. Incorporated since 1971 as a foundation, the World Economic Forum is independent, impartial and not-for-profit, tied to no political, partisan or national interests (www.weforum.org, 14/9/00).

In this way, the WEF plays a significant role in defining global economic policy and direction. They also claim to hold the public interest at the core of their ‘private’ project and discussions, with an international mission of peace3. The idea that globalising

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2. In my review of the proceedings it seemed that there was 10 academic presenters, 1 union representative, and 2 representatives from charitable organisations presenting. Of the academics, there were only 2 that overtly opposed the current formation of the WEF.

3. The WEF is currently under investigation in Switzerland for failure to pursue its mission and also for some confusing funds transfers between the
the free-market, making capital more mobile, reducing barriers to trade and pursuing the ideals of late-capitalism by relating profit with general prosperity and growth with goodness is nothing new, but the lack of democracy and accountability of such organisations is becoming increasingly intolerable.

**Putting Pressure on the WEF**

The increasing pressure being placed on global economic institutions has led to some changes within the World Economic Forum. It is difficult to tell how substantial the changes have been, but there has certainly been a change in the language used within Davos policy debates. Words and phrases such as 'institutional accommodation', 'corporate responsibility', 'global dialogue', 'responsible gloablity', 'inclusive prosperity' and 'sustainable development' are now commonplace. The WEF has also opened some of its doors to non-government organisations, but perhaps the change that is most questionable is the introduction of the 'Environmental Sustainability Index' at Davos 2000. This is set to supplement the 'Growth and Current Competitiveness Ranking' which provides yearly data on how national environments are conducive or detrimental to the domestic and global competitiveness of enterprises. These two indexes are intended to be used side-by-side, yet the substance of the data could not be more different. It has even been suggested that the Sustainability Index could be used to make decisions about where not to invest (due to strict environmental legislation) because it is less competitive and will have limits on growth potential.

**The Environmental Sustainability Index**

The World Economic Forum in partnership with the Global Leaders of Tomorrow Environment Task Force, the Yale Center for Environmental Law and Policy and the Center for International Earth Science Information are currently in the process of developing a measurement yardstick for environmental performance. On face value this seems to be a responsible move forward in regard to issues of the sustainability of current business practice. According to the World Economic Forum the objective if the ESI is to measure and rank economies based on their success in facilitating economic growth without crossing environmental sustainability barriers. The long term goal of the process is to find a singular indicator for environmental sustainability in the same way GDP gives a single figure for an economy (www.weforum.org, 15/9/2000).

Such a process is logical within the context in which it has emerged, but like GDP such an index would suffer from the same problems associated with what it ‘actually tells us’. GDP tells us nothing about the ways the economic growth is distributed amongst the community, how economic activity effects the general quality of life, it doesn’t tell us what is being produced, by whom under what conditions. The ESI is still in the development stage, but it will be made up of five key components including environmental system, environmental stresses and risks, human vulnerability to environmental impacts, social and institutional capacity and global stewardship. According to the WEF the idea is to promote environmental sustainability without having any impact on competitiveness and economic growth.

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*WEF’s bank accounts and that of the Schwab Foundation.*
This project is an interesting response to public pressure about the lack of accountability displayed generally by the WEF and more particularly concerns about the environmental credentials of the international business community. The idea of an index is not new (Cummings, 2000), nor is the idea that economics and the environment are compatible aims, but the new exercises in public relations/concessions are definitely new to the WEF. Only since the emergence of the international movement expressing concerns about the activities supported by the WEF (which was in 1996) has the WEF began to change the secret nature of its practices and ‘embrace’ public consultation, inclusion and are newly sensitive to environmental and social justice issues. One could be forgiven for feeling as though this is a public relations exercise, just as we could be forgiven for interpreting Bill Gates’ comments at the Melbourne meeting of the WEF as a call for increasing PR and corporate propaganda. Gates claimed that the problem was not the globalisation of capitalism, the engineering on behalf of corporate executives, the failure to be held accountable to national governments and ‘civil’ society, the abuses of labour associated with the new economic order, or the extraordinary burden placed on the environment to service this vision, no, it was none of these things. Instead, the failing according to Bill Gates has been the corporate community’s inability to get the message across to us that globalisation is working, that it has problems but that it is essentially the only rational path available to address the very concerns of the protestors outside.

Although the media has represented the debate by claiming that the protestors were anti-globalisation, which in the current economic climate is easy to dismiss and ridicule, the struggle is much more complex than that. When statistics point towards the dysfunctional side of ever-expanding capitalism, with all its in built biases towards those who are already wealthy, the distribution issues, the environmental problems associated with continuous expansion, growth and the opening of markets and the abuses of human rights that have become synonymous with the pursuit of profit the questions are enormous and the challenges are diverse. They are even more difficult to digest when our elected representatives keep telling us that this is the best way to beat poverty and environmental devastation – even if it has some problems, it is still the best way. What we have seen as a result of ‘globalisation’ is the expanding search for cheaper labour and resources – the consequences of this pursuit are becoming less easy to cover up.

**PostScript**

Having attended the protest in Melbourne, concerns about the affect of the current economic order on society and the environment were clearly articulated by the protestors that I spoke to. The main issues surrounded the lack of accountability displayed by organisations such as the WTO, IMF, The World Bank and the World Economic Forum, and the unsustainability of the current global economic agenda. Many focused on the need to revitalise democracy through carefully staged challenges to corporate power. The idea of power came up often, to many, power brings with it responsibilities (to consult, report, include), and many others felt that the nature of power in our societies had become intolerably distorted. Although democracies support equitable distribution of political
power (one person, one vote), capitalism supports inequities in economic power – and the contradiction between these forces is a source of a great deal of protestor frustration. Although the goal for many would be to dismantle such inequity, the current state must be tempered by flows of information, inclusive decision making, and the right to enforce certain standards (such as environmental and social justice and human rights).

This was particularly interesting because many protestors articulated the very issues addressed by this news journal. At one point I walked around the Casino reading the graffiti and I came across one of particular interest that read, “We demand environmental accountability”. Although one piece of graffiti at s11 does not mean that the idea of social and environmental accountability has entered into mainstream public discourse, the general theme of the events were demanding just that – even if the words used were somewhat different.

References


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THE ROLE OF SMALL AND MEDIUM ENTERPRISES IN ENVIRONMENTAL MANAGEMENT

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Much of the research to date into business management of environmental issues has dealt almost exclusively with large and multinational corporations. But is this necessarily the right focus for researchers? Small and medium-sized enterprises (SMEs) are often overlooked when causes and solutions to environmental problems are examined. This is despite the fact that they account for the majority of the world’s business enterprises, and at least half of all employment. In Australia and other developed nations, SMEs account for over 90% of all firms, and produce about two-thirds of national GDP (Storey 1994; Australian Bureau of Statistics 2000). Although no definite figures exist, it is also commonly claimed that they are responsible for about 70% of global pollution (Hillary 2000).

Small firms, then, can have a substantive collective impact on environmental outcomes. Moreover, it is often easier to reach key decision-makers in such enterprises. This is because management and ownership of the firm is frequently synonymous; indeed, one of the defining features of an SME is that ownership is usually restricted to one or two persons, who are also the key decision-makers in the enterprise (ABS 2000). As a result, this provides a unique opportunity for an individual to put his or her values into practice in the workplace, and to influence the behaviour of employees, consumers and other stakeholders (Storey 1994).

However, the involvement of small firms in measures to protect the natural environment has been one of mixed fortunes so far. Most research in this arena has indicated that there is a substantial gap between the environmental views and attitudes of small business owner/managers (which are generally positive and supportive) and the actual practices of their firms (which generally tend to lag behind). Several researchers have shown that whilst many SME owner/managers have a high awareness of their role in environmental remediation, and have a strong desire to actively do something, their actual performance often falls far short of what is desired (Tilley 1999; Hutchinson & Gerrans 1997). This is the so-called “SME problem” in environmental management (Merritt 1998).

Although there are over 950,000 SMEs in Australia, only minimal research has been conducted into their performance (Hutchinson & Gerrans 1997; Townsend 1992). My own research focuses on the attitudes and performances on small business owner/managers in one particular service industry – retail pharmacists. Unlike manufacturing, the environmental impact of service industries is rarely noticeable, even though they are collectively major consumers of energy and raw materials (such as paper) and producers of waste. The study seeks to measure their professed...
attitudes, their actual performance, and the impact of several moderating variables that may account for the discrepancy in performance (Schaper 1999).

The author would be interested in hearing from any other researchers who are also interested in this field.

References


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As Sydney hosted the XXVII Olympiad, and athletes from around the world competed for medals of a gold silver and bronze orientation, another achievement should be noted, that is worthy of a distinctly ‘green’ award.

The 760-hectare site at Homebush Bay, on which the Olympic village and facilities were built, was in fact, until a few years ago, an abandoned abattoir and slaughterhouse, containing a cesspool of deadly toxic chemicals. It became a dump for much of Sydney’s household and industrial waste, including solvents, paint thinners, dioxins, batteries, and household cleaners, amongst other things.

This site itself has had a long and chequered history. Europeans arrived in Homebush Bay within 10 days of the arrival of the First Fleet in 1788, at which time it was known as “The Flats”. The Home Bush estate was established by Thomas Laycock, one of the earliest recipients of a land grant in the area. He developed a horse stud on the areas and then a racetrack. The Estate at Newington was first used as a salt pan for the production of salt in 1807, by John Blaxland, who gave the surrounding suburb its current name of Newington. The name ‘Homebush’ was given by D’Arcy Wentworth, a reformed felon and founding father of a pastoral empire.

In the latter half of the nineteenth century it was an armaments depot for the Royal Marine Garrison, storing primarily gunpowder. At the beginning of the century it was both a state abattoir a state brickwork’s. It was even depicted in the post-apocalyptic film “Mad-Max: Beyond Thunderdome”.

Today however, the site is known more for its environmentally friendly structure than anything else. Over $137 million was spent cleaning up the site by the Olympic Coordination Authority (OCA). Furthermore, the organising committee spent over $A1 million protecting the patriotic little Green and Golden Bell Frog (termed so due to its distinct green and gold stripes). The frog is an endangered species, which had been losing its habitat for the past 20 years. A colony of the species was found in 1993 in a disused brickpit on the Homebush Bay site. The discovery forced the abandonment of plans to construct the Olympic tennis venue on the brickpit. Instead, the venue had to be moved to another location. With a controlled breeding and protection program in place, frog numbers have now lifted to around 1500. In addition to the frog, other native fauna that make the area their home include the grey headed flying fox (Pteropus poliocephalus), the Blue-Tongued Lizard (Tiliqua scincoides), the White Bellied Sea Eagle (Haliaeetus leucogaster), the Tawny Frogmouth Owl (Podargus strigoides), a species of parrot and a long necked turtle. A not so welcome species is the dreaded ‘Agrostis Infusa’ (aka Bogong Moth), known more for its liking of Stadium lights, clothing material and female Soprano’s than anything else.

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1 One landed on the dress of Opera singer Yvonne Kenny at the closing ceremony.
Sustainable development initiatives are evident in operational guidelines, which include a waste management policy, energy-saving techniques, and environmental specifications for suppliers of goods and services.

The Homebush bay site itself is a visual representation of urban renewal. The waste material that had been on the site, instead of being removed, was consolidated into four large mounds, which were then capped and then covered with a clean, impermeable one metre thick cap of clay, followed by topsoil and landscaping. The resulting ‘Kronos Hill’ and ‘Woo La Ra’ (both are officially termed millenium markers) are landscaped to provide fantastic views of Millennium Parklands and Sydney Olympic Park from a variety of locations.

The Sydney Organising Committee for the Olympic Games (SOCOG), have been commended on the focus on public transport as a means of access to the games, the use of solar power applications, good building material selection, construction waste recycling, energy and water conservation, and wetland restoration. Remedial works on the Bay’s wetlands and creeks have created more natural creek system, improving both water quality and the health of the plant species. This in turn has improved the habitat for fish, aquatic invertebrates and bird species.

Visitors to the Homebush site are greeted at the North gate of the complex by five 30-metre poles. One would be forgiven for thinking that these poles are large sticks burning incense, designed to demonstrate Australia’s multi-cultural identity and make visitors in countries to our North, feel a little more ‘at home’. Guess not. In fact these white pillars are steam producing energy rods. Titled Luminous Threshold, they represent Environmental Renewal.

The facilities that were built on the site all comprised environmentally friendly materials, and minimal use of PVC (a chlorine based product). Access to and from the games were via rail, boat or bus. No automobiles were allowed. The large International Aquatic Centre uses natural lighting to the extent that only 10 artificial lights are needed to light the centre during the day. Furthermore, the energy-efficient zoned air-conditioning keeps air warm at pool-level around the athlete and cool in spectator seating areas. As a result, only 20 per cent of the volume of air in the pool halls needs to be cooled, resulting in major energy savings. The banked cycling track at the $41 million Dunc Gray Cycling Velodrome, is made from plantation grown Baltic pine. Track supports are made from plantation Radiata pine.

The Village itself is one of the largest solar powered communities in the world. It has the capacity to generate over one million-kilowatt hours of electricity per year. Solar photovoltaic panels built into the roof of each residential dwelling, generate enough power to meet electricity needs. Each building is connected to a central power grid, which can store surplus electricity in times of heavy demand. Toilets and Gardens in turn, use recycled water.

In 1991, the environment by definition, became the third dimension of the Olympic Games, behind Sport and Culture, after the International Olympic Committee (IOC) amended its Charter to include the environment. The focus on environmental matters has been a central part of planning for the Games since the beginning, when the Organising Committee submitted a 25 page document titled Environmental Guidelines.
for the Summer Olympic Games with its bid in Monte Carlo in 1993. In 1994, IOC President, Juan Antonio Samaranch, admitted that Sydney’s environmental focus partly contributed to its successful bid for the millenium games.

Despite the successful revamping of the Homebush site, the N.S.W Government has still come under pressure for not completely eliminating the toxic agent ‘dioxin’ from the area, despite assurances that the levels are ‘safe’.

However overall, the environmental aspect of the Games has not only brought a greater commitment toward environmental management here in Australia, but significantly changed the perception of what the Olympic spirit is all about. In addition to being a staging point for human individual achievement, the spirit also reflects the commitment toward sustainable living, a commitment that benefits humanity as a whole. Hears hoping future games embody the same spirit and commitment to environmental protection!

References

CORPORATE CONDUCT OVERSEAS

Roger Burritt  
The Australian National University

Too many incidents, such as BHP’s involvement in the environmental disaster at Ok Tedi in Papua New Guinea, and Esmeralda Exploration’s association with the cyanide tailings spill in Romania, implicate poor corporate conduct and/or performance when business is conducted in overseas countries (see e.g. Burritt, 2000, p.9). These incidents have happened since the voluntary Code for Environmental Management of members in the Australian Minerals Industry was formulated in 1995-6. At that time an attempt was made by Aid groups to encourage an enforceable code of conduct for Australian mining companies operating overseas (Dwyer 1996, 23). The attempt was unsuccessful.

With recent developments and disasters in mind, a new enforceable code has recently been introduced into the Senate as a private members Bill by Senator Vicki Bourne, of the Democrats. The Corporate Code of Conduct Bill 2000 has been presented and read for the first time and may have some way to go before it becomes law, however, it does raise the issue of whether mandatory codes are more effective than voluntary codes for accountability purposes. The Bill is ‘for an Act to impose standards on the conduct of Australian corporations which undertake business activities in other countries, and for related purposes’. Details can be found at http://search.aph.gov.au/search/ParlInfo.ASP?action=view&item=3&resultsID=DSnGU. The proposed Act’s objects are stated to be as follows:

“(a) to impose environmental, employment, health and safety and human rights standards on the conduct of Australian corporations or related corporations which employ more than 100 persons in a foreign country; and

(b) to require such corporations to report on their compliance with the standards imposed by this Act; and

(c) to provide for the enforcement of those standards.

(2) To avoid doubt, a body corporate to which this Act applies is not required to take any action to meet the requirements of this Act in respect of its operations in a foreign country that it would not be required to take in respect of its operations in Australia.”

These aims clearly attempt to impose, as a minimum, Australian standards on the environmental, health, safety and human rights operations of corporations in overseas countries.

Some size and structural limitations on the applicability of the proposed Act are included:

‘This Act applies outside Australia but does not apply in relation to any corporation outside Australia unless that corporation employs or engages the services of 100 or more persons in a country other than Australia and is:

(a) a trading or financial corporation formed within the limits of the Commonwealth; or
(b) a holding company of such a corporation; or
(c) a subsidiary of such a corporation; or
(d) a subsidiary of a holding company of such a corporation.’

It also has much broader coverage of industrial undertakings than the minerals industry:

‘industrial undertaking means:

(a) mines, quarries and other works for the extraction of minerals, including oil and gas, from the earth or seabed; or

(b) industries in which articles are manufactured, altered, cleaned, repaired, finished, adapted for sale, broken up or demolished, or in which materials are transformed; or

(c) the generation or transmission of electricity; or

(d) the distribution of gas or water; or

(e) the construction, reconstruction, maintenance, repair, alteration or demolition of any building or structure; or

(f) the transport of passengers or goods by road, rail, air, sea or inland waterway, including the handling of goods at docks, quays, wharves and warehouses.

The links between this proposed Act, environmental accounting information and sustainability are strong. In particular, Section 7 provides details about environmental standards included in the Code:

(1) An overseas corporation, which undertakes any activity in a place, must take all reasonable measures to prevent any material adverse effect on the environment in and around that place from that activity.

(2) Without limiting subsection (1), an overseas corporation must:

(a) at least once in every period of 12 months, collect and evaluate information regarding the environmental impacts of its activities; and

(b) establish objectives for the measurement of its environmental performance; and

(c) monitor and assess its compliance with those objectives; and

(d) provide timely information to its employees and to members of the public in any place in which it undertakes activities on the actual and potential environmental impacts of the activities of the corporation; and

(e) have appropriate policies on matters of environmental safety, including (where applicable) the handling of hazardous materials and the prevention and control of environmental accidents; and

(f) undertake environmental impact assessments of all new developments, including providing an opportunity for public comment on the assessment; and

(g) have regard to the precautionary principle in carrying out the actions mentioned in paragraphs (a) to (f).

Inclusion of the precautionary principle reflects the growing recognition of the importance of sustainability in policy.
making and attempts to encourage its serious consideration by business. Development of suitable environmental management accounting systems for corporations is implied in Section 7(a), conventional planning for performance is addressed in 7(b) (targets), 7(c) (monitoring against targets), and 7(d) feedback on performance as a basis for improved actions in the future. Section 7(f) takes a project specific view of environmental impacts, whereas the earlier aspects of the standard relate to the total performance of an overseas corporation.

Standards are set down for health and safety (section 8), employment (Section 9) and, most controversially, human rights (Section 10).

It is proposed that accountability be backed up through reporting mechanisms, with reports to be lodged by each overseas corporation with the Australian Securities and Investments Commission (ASIC) before 31 August each year, and the ASIC reporting to Parliament. Detailed reporting by corporations would be through a ‘Code of Compliance Report’ that provides information about:

(a) the financial and operating results of the corporation for 12 months; and

(b) the members of the board of directors of the corporation and their remuneration; and

(c) the 5 most significant executive officers of the corporation in each country (other than Australia) in which the corporation undertakes activities, and their remuneration; and

(d) details of all shareholdings representing more than 5% of the issued capital of the corporation; and

(e) the number of employees employed by the corporation in each country (other than Australia) in which the corporation undertakes activities; and

(f) the total remuneration paid to the employees in each country (other than Australia) in which the corporation undertakes activities; and

(g) a statement of the environmental impact, prepared by an independent auditor, of the activities of the corporation in each country (other than Australia) in which the corporation undertakes activities; and

(h) a statement of any foreseeable risk factors that might arise as a result of the activities of the corporation in each country in which it operates (other than Australia); and

(i) a statement of any contravention’s of standards or laws relating to the environment, employment, health and safety and human rights by the corporation in each country in which it operates (other than Australia); and

(j) a statement of the social, ethical and environmental policies of the corporation; and
(k) any other matter relevant to the environmental, employment, health and safety and human rights standards observed by the corporation.

Whether the Bill will successfully be enacted remains to be seen. Given the strong moves by government in Australia to try and remove Section 299 (1)(f) of the Company Law Review Act 1998, which requires some corporate environmental disclosure, additional pressure for information to be collected on a systematic basis is crucial to achieving ecologically sustainable development in Australia. Such information provides the very foundation for environmental and ecological issues to be included in decision making so that environmental risks associated with projects and corporate activities, such as those at Ok Tedi and the Baia Mare Treatment Facility in Romania, will be transparent; and so that the behaviour of environmental laggards becomes heavily constrained through government and market mechanisms working together.

References


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Environmental reporting has become an important tool for companies wishing to demonstrate their environmental commitment. But the question of verification of reports continues to be debated. In this article, Kate Vinot, Principal - Management Services with Dames & Moore Woodward-Clyde, looks at the issues surrounding verification and some of the experiences to date.

There are now two types of public reporting of a company's environmental performance in Australia. The mandatory environmental report (MER), which is currently part of the Corporations Law, and the voluntary environmental report (VER).

Given the way the MER has been established, it is virtually impossible to combine the two. This isn't such a bad thing, because the documents are destined for very different audiences.

The key purpose of an MER is to provide extra risk and liability information to shareholders, whereas the key purpose of a VER is to communicate with a broader range of stakeholders in an effort to enhance company reputation. Providing extra information to shareholders, and providing extra information to other stakeholders are very important objectives, because both groups can make life difficult for a company if they disapprove of the information they are getting, either from the company or from elsewhere.

With so much riding on the reports, there is a very strong incentive for companies to present more of their good side than their bad, or to paint themselves in a better light than is really deserved. Even if the company wants to present a balanced picture, they still need to convince a skeptical reader that they have been fully open in their reporting and that there are no skeletons in the cupboard.

Why Independent Verification?

Let's take VERs first. The primary aim of independent verification of VERs has been to enhance the credibility of a company's or association's report. Readers need to know how much they can rely on the accuracy of what they are reading, or whether it is 'greenwash', or half-truths. Unless the report is credible, it is a waste of good time and money. External verifiers provide the report's readers with independent assurance of the accuracy of the information provided by the company. The verifiers must therefore be credible to the audience, and independent of the company being verified. This might mean using a range of technical and non-technical parties in the verification process. With this in mind, many multinational companies and an increasing number of Australian companies have moved towards external verification of their reports over that past few years. As John Elkington, from UK firm SustainAbility said, no company should even be thinking of bringing out an unverified environmental report in 1999.

Turning now to MERs, Dames & Moore has found that the MER requirement has added
an extra dimension to independent verification, making the current Australian situation a little different from the international one. Even though the information is reported in a section of the company annual report that does not have to be independently audited, there are now two issues at stake. One is the same external credibility issue as for VERs. The other is an enhanced internal concern about the accuracy of the information. This concern is coming from companies that have either not reported previously and don't have the necessary knowledge of their compliance status, or from companies that have previously issued a VER, but have not closely scrutinised the accuracy of the information they are reporting.

The MER's emphasis on providing compliance information, as well as broader performance information, changes the focus of external verification locally. Overseas, external verification has tended to focus upon cleaner production indicators or environmental accounts, where locally, there is also a need to address the accuracy of a company's compliance information. This needs experienced and technically qualified environmental auditors.

Fundamentally, there is no doubt that a verification letter in a report has 'existence value'. A report with an endorsement letter from a major multinational firm is more credible than one with no letter, even if you don't actually read the letter. If you look a little closer at the content of the letter, though, you'll see that the credibility of the sign-off varies.

Here are four examples:

1 'As requested, we have verified the assertions given in the section headed 'Embedding Key Policies' on pages 6 and 7 of the Shell Report 1998.... Compliance with these assertions is the responsibility of management'...As part of our work we reviewed on a test basis the Board Minutes of Shell companies... In addition we reviewed the letters submitted by the Chairmen of the Boards of Shell Companies and by the Country Chairmen confirming that the Principles had been formally adopted by their own companies. Our work did not include any additional steps with regard to the implementation of the Principles.'

from - The Shell Report 1998, Profits and Principles - does there have to be a choice? - Verification by Accounting Firm

2 The scope of the independent verification was to cover the following:· Review of the report for any major anomalies; Verify data interpretation and accuracy at the corporate and reporting level and to a limited extent, data collection methodologies; and Investigate potential improvements in data collection and reporting techniques.....The following general findings/recommendations resulted from the verification process.... The verification process for the following
reporting cycle assess both the data collection and reporting mechanisms in more depth, as well as the completeness of the reporting of TBS's environmental performance.


3 The auditors performed a detailed audit of Hazelwood's compliance with its environmental licence obligations. The auditors also reviewed Hazelwood's performance in relation to meeting its obligations under the Australian Minerals Code of Environmental Management and the Electricity Supply Association of Australia Code of Environmental Practice, and its commitments to the Greenhouse Challenge......The auditors confirm that the licence compliance information provided by Hazelwood in this report, together with the supporting data is a fair and reasonable representation of the actual situation, and progress is being made against the initiatives as reported.

from - Hazelwood Power Annual Environment Report 1998 - Verification by EPA - Accredited Environmental Auditors

4 The verification was conducted by visits to the three manufacturing facilities in the U.K.....The British Standards Institute is able to verify that: The statement gives an accurate description of the activities of the Body Shop International at the sites listed below; The presented data on consumption, wastes, other nuisance issues and other factors regarding environmental performance, based on the samples taken, constitute an accurate statement of performance; The report addresses all of the environmental issues related to the sites visited.

from - The Body Shop Values Report 1997 - Verification by technically-qualified Environmental Auditors

Clearly, if you read the words of the verification letter, you get a very much clearer picture of how much value it is adding to the credibility of the report, and how much assurance it can provide to management about company compliance and risk exposure.

Let us look at several verification processes in more detail:

1. Verifying the numbers

Many independent verifications of VERs have taken the approach of verifying the 'data' on which the report is based. 'Data' is a sorely misused word. It should refer to both the qualitative and quantitative (numerical) data on the company which when interpreted becomes 'information'. However, it is often taken to refer only to a narrow range of quantitative environmental key performance indicators (KPIs), such as carbon dioxide emissions, sulphur dioxide, waste production and water use. These KPIs cover either resource use or environmental emissions (i.e. input/output data, or materials balance data).

This emphasis on the "numbers" stems from financial reporting processes where the KPIs are relatively simple and readily linked to actual performance. Unfortunately, there are several weaknesses with this approach.

a) There is, at present, only a tenuous link between numerical data for many
commonly used KPIs and actual environmental performance.

b) Many reasonable data collection methods produce numbers that are far less precise than financial data. It is not uncommon for waste data to be reported to +/- 30%, and there are many circumstances where it is simply not cost effective to obtain greater data precision.

c) The 'numbers only' approach does not use enough of the broader qualitative and quantitative data that is readily available. It certainly cannot verify compliance or whether a key issue has been omitted or misrepresented in the report.

2. Verifying the quantitative data

Verification processes that take a broader view of the data that are valuable in performance evaluation can provide a more thorough verification. These data can include a wider range of quantitative material or can use a range of techniques to quantify qualitative material. Guidelines for identifying appropriate performance indicators are outlined in the ISO 14031 Standard on Environmental Performance Evaluation. Examples of broader quantitative indicators that are commonly collected by sites, and can be very useful both for the sites to determine their own performance improvement and for external parties to track site progress and company commitment to good environmental performance, include:

- numbers of meetings on environmental matters, numbers of times Board meetings addressed environmental issues;
- numbers of internal/external audits, numbers of non-compliances with EMS, numbers of action items established and completed;
- numbers of complaints, types of complaints, close out of complaints, delay before close out of complaints;
- numbers of licence breaches, numbers and close out of environmental incidents; and broader community relations and sustainability indicators.

There is a very large range of quantitative indicators to choose from, and care must be taken to choose the right ones for a given situation. There is also a risk of missing out on some of the qualitative data that are very useful in assessing a company's environmental performance.

To address this, several groups are developing methods of quantifying this valuable qualitative information. The Minerals Council has developed a protocol for measuring performance in relation to its Code of Environmental Practice, which includes a one to five ranking against issues such as Sustainable Development and Community Partnership. The Code Protocol for the Electricity Supply Association of Australia (ESAA) allows for a numerical ranking against 'Best Practice', and Normandy Mining has developed a ‘Five Star’ system for ranking its sites in terms of management system implementation and environmental performance.

Verification processes that involve auditing broader quantitative data, and/or developing quantitative indicators based on qualitative data are more thorough than verification processes that only look at environmental resource use and emissions data. Consequently, the verifying company can provide greater assurance about the accuracy of the information provided.
An example of a company using a non-numerical quantitative performance indicator is North Limited. The company has developed site-specific and company-wide statistics for how well it is meeting its annual actions and targets. Each year, external and highly experienced environment and safety auditors verify progress against commitments, assess whether the commitments are addressing the key issues, and audit site numerical data.

3. Verifying performance

Ideally, however, external verification of a company's public environment report should be able to answer the following:

- does the document contain accurate information, or is it an accurate representation of the company's environmental performance?

- is there any information of which the company is aware that is not, but should be, reported in this document?

Linking the verification of a company's environmental report to the company's fundamental auditing cycle can maximise the benefits to the company. This approach is known as Integrated Audit. There are several advantages from Integrated Audit.

a. The company benefits from regular feedback on regulatory changes and industry practice from technical and accredited environmental experts, such as those approved by the Victorian EPA or by a recognised accreditation scheme.

b. The company receives a periodic external assessment of its compliance with particular and significant environmental regulation, as well as its voluntary agreements, such as the Greenhouse Challenge, the ESAA Code or the Minerals Industry Code.

c. The audits can be part of the site's EMS, either as part of a review cycle, or as part of certification in the case of an Accredited Licensee (Victoria) or Best Practice License (WA and soon in Queensland).

d. At the same time, the external auditors can verify both the quantitative and qualitative performance information for the public report.

e. The company avoids having to have both compliance and report verification audits (and also avoids other aspects of 'death by a thousand audits').

f. The external verification process can be conducted on a rotating basis such that all sites or operations are covered, say, once in every three-year period.

g. Other interested stakeholders may be invited to join all or part of the detailed audit process.

h. Finally, the auditors can provide the company with a credible verification letter - more credible than can be achieved by almost any other process - based on their comprehensive knowledge of the company's performance.

Two examples of a company adopting this approach are Hazelwood Power and Stanwell Corporation. Both have combined the verification of their environmental reports with:

- detailed compliance audits;
- verification of their Greenhouse Challenge commitments;
- verification of their conformance with Industry Codes of Practice (ESAA and Minerals Industry for Hazelwood, ESAA and Wet Tropics Agreement for Stanwell Corporation); and verification of their involvement of other stakeholders in setting company objectives and reviewing performance.

In both cases, the external verification has also become part of the company's EMS audit program. For these companies, Dames & Moore has been able to sign off on verification letters that confirm the consistency of the reported information with our extensive and expert understanding of site performance, and the lack of significant omissions.

Summary

It follows from the above discussion that a good independent verification process should cover the following:

- does the document contain accurate information, or is it an accurate representation of the company's environmental performance?

- is there any information of which the company is aware that is not, but should be, reported in this document?

This approach can also be designed to provide comfort to a company's Board that it is receiving accurate data from its operations. Many verification processes to date have only covered a subset of the data necessary to meet the objective of the first bullet point. Few verification letters describe a process that would enable the verifiers to sign off on the second bullet point.

Only an integrated verification/due diligence auditing process can meet all objectives of voluntary and mandatory environmental report verification.

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Contemporary Environmental Accounting: Issues, Concepts and Practice

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The book has been written by two of the leading experts in the field of environmental accounting. It is the most comprehensive and state of the art book yet to be published. The book is suitable for both undergraduate and postgraduate students, as well as teachers, researchers and professional accountants. The goals of the book are to discuss and illustrate contemporary conceptual approaches to environmental accounting, to make readers aware of crucial controversial topics; and to offer practical examples of how the concepts have been applied throughout Europe, North America and Australia. In order to increase the usefulness of the book for relevant courses, each chapter concludes with a set of questions for review. This book is essential reading for all those who are interested in how environmental issues influence accounting.

Executive Summary

Individuals have preferences and they care about values. Values should, therefore, be the driving force behind decision-making by corporate management. Over the last two decades, environmental issues have exerted an increasing influence over economic values, and protection of the environment has become an important goal for many individuals and groups in society. As a result of growing stakeholder pressure and changes in cost relations, more and more companies have found themselves supplying the demand for environmental information. Stakeholder pressure has also lead to an increase in the internal costs of environmental impacts (e.g. fees, fines, liabilities and loss of reputation) made by companies. This increased cost has made a
greater number of pollution-prevention measures economically beneficial.

The purpose of collecting environmental data is to help support management make better decisions. However, compilation of data is often very poorly co-ordinated and lacks focus. It is, therefore, questionable whether environmental issues are adequately considered in corporate decision-making. It is, furthermore, often unclear what value is created by the compilation of data.

Management of information is not just the handling of large amounts of data. It also involves the creation of purpose-oriented knowledge, to achieve goals and to enhance value (i.e. to meet desired ends). To create knowledge means to restrict the amount of data computation and to focus the classification, recording, analysis and communication of information toward specific goals. Movement toward sustainable development and improvement in eco-efficiency are commonly mentioned goals of environmental management.

Eco-efficiency is, in general terms, the ratio between an economic and an environmental performance measure (e.g. value added and environmental impact added).

Environmental impact added is the sum of all environmental interventions (e.g. CO2 emissions) assessed according to their relative harmfulness. To improve a company's eco-efficiency, its management has to be fully informed of any environmentally induced economic impacts on the company and of any corporate environmental impacts.

This book discusses how accounting systems and the management of environmental information can be oriented towards the goal of improving corporate sustainability and eco-efficiency while promoting accountability of management activities. It is shown that links between economic and environmental issues are getting stronger and that perspectives of economic and environmental interest groups are converging. The management of eco-efficiency-oriented information is, therefore, of growing interest.

Eco-efficiency complements and is a necessary step toward the more far-reaching goal of sustainable development which, in addition, considers the full range of social issues. To manage eco-efficiency information, contemporary environmental accounting has not only to integrate the financial impacts of environmental issues with conventional accounting and reporting but has also to provide for the need to account for physical environmental information. Environmental information is defined as knowledge about the impact of corporate activities on the natural environment (i.e. about environmental impact added).

Conventionally, accounting has provided the central economic management information system for any company. Contemporary information for environmental management is, therefore, strongly influenced by accounting. The main information-management notions guiding the collection of eco-efficiency-oriented economic information are management accounting, financial accounting and reporting, and the shareholder value concept. The main notions behind the measurement and reporting of environmental performance are life-cycle assessment and internal and external ecological accounting. Management accounting is designed for internal company purposes. It addresses the measurement of benefits and costs of pursuing and ignoring corporate environmental protection.

Despite many encouraging developments in the field of environmental accounting, it
must be kept in mind that simply updating conventional accounting and enlarging it by supplementing it with ecological accounting will not help to solve environmental problems unless the management of eco-efficiency information is integrated with the environmental management system. To show the links between environmental information management and the corporate environmental management system, the requirements of the European Eco-Management and Auditing Scheme (EMAS) and ISO 14001, as well as the main tools of corporate environmental management, are briefly reviewed.

Finally, it is argued that the notion of eco-control provides a useful framework for integrating and co-ordinating different tools (including those for the management of eco-efficiency-oriented information management) and for supporting activities to improve corporate eco-efficiency as an important step toward corporate sustainable development.
Recent news from APCEA (ANU)

Roger Burritt presented a paper at the Eco-efficiency 2000 conference in Malmo, Sweden between 19 and 21 June 2000. His paper (co-authored with Professor Dr Stefan Schaltegger) was entitled 'On the Interrelationship between Eco-Efficiency and Operational Budgeting'. An abstract of the paper follows: "Management accounting staff provide key monetary information about the numerator in eco-efficiency calculations. Hence, in order for eco-efficiency measures to be calculated, and add value to corporate activity, it is essential for them to be integrated with management accounting and financial management processes - such as operational budgeting. Calculating past and present measures of eco-efficiency only provides a starting point for adding corporate value. Value to be added from continuous improvement in eco-efficiency activities also needs to be anticipated. This article argues that accounting staff need to be involved in the planning of future eco-efficiency improvement through the integration of eco-efficiency and operational budgeting. Even where companies have rejected the use of operational budgeting to encourage creative development of intellectual capital, it is argued that if potential environmental conservation activities are ignored the costs to such business can be very high. Finally, Materials and Energy Activity Based Budgeting (MEABB) is introduced as a necessary generic management tool designed to recognise the contribution that environmental accountants can make in an integrated team based approach to eco-efficiency." Further information about the conference can be found at:


Furthermore, Roger will be making a presentation at a meeting of the International Expert Working Group Meeting on 'Improving Governments' Role in Promoting Environmental Management Accounting (EMA)' being organized in Bonn, Germany between 1-3 November 2000, by the United Nations Division for Sustainable Development. Roger has been working with Professor Dr Stefan Schaltegger and Tobias Hahn at the University of Luneburg, Germany, on the second of three workbooks on environmental management accounting entitled 'EMA and Links between Different Levels of Decision-Making'. Other workbooks address issues of EMA metrics and available policy options for government promotion of EMA.

China’s Pollution Worsens

The recent annual report of China’s State Environmental Protection Administration (SEPA) indicated that China’s environment overall is continuing to deteriorate. Despite spending in excess of US$10b on pollution control last year, pollution increased. The Yellow River is polluted 2/3 of its length, and acid rain continues to fall on 30 percent of the country’s area. Air pollution also exceeds medium range government targets in over 130 Chinese cities. Some good news however is that a majority of China’s 230,000 polluting industrial factories were
now meeting state industrial standards. Furthermore unleaded petrol is now compulsory in 8 of China’s 30 provinces, and over 31,000 coal mines have been closed.

**Australia to address Salinity Crisis**

The Federal Government recently unveiled a $1.5 billion plan to address Australia’s worsening salinity and water quality crisis. The Prime Minister John Howard, committed $700 million in federal funds over a seven year period, conditional upon an equal matching of funds by the States and Territories. In addition to the funding, the government is considering implementing market-based incentives, such as tradeable water credits, to improve environmental management systems. This would involve reforming property and water pricing rights, by requiring states to complete the separation of property rights for water from property rights for land title. The Commonwealth would also buyback ground and surface water allocations and prohibit land clearing in areas which would lead to environmental degradation.

**Japan embraces Ethical Investment Funds**

Emerging as a first within the Asian region, Japan has for the past year, been actively involved in the formation of ethical investment funds. To date, over 200 billion yen (AUD$3.5 billion) has been invested in ‘ecofunds’. Like attempts in western economies to promote ‘ethical’ funds, to date has been the problem of identifying what is termed ‘ethical’? However Japanese legislation, due to take effect in April 2001, will seek to partly address this problem. The Pollutant Release and Transfer Registration Law (PRTR), like its counterparts in Australia and the United States, will require companies to report to government, the quantities of chemical contaminated they generate and move. This will enable eco-funds to broader their information base on which to assess companies for environmental performance. Several Japanese companies, including Fujitsu Ltd, Shiseido Co, and Kyocera Corp have already been included in European based “eco-funds”. These funds are emerging at a time when there is a greater interest in Environmental reporting by major corporations in Japan.

**Philippines embraces Natural Resource Accounts**

The Philippines Government has recently announced that it will be establishing a comprehensive system to evaluate the state of the country’s natural resources. The National Statistical Coordination Board (NSCB) will expand the existing environmental and natural resource accounting (ENRA) system to measure resource depletion, which will aid sustainable policy development. The new system will be based on the United Nations framework for environmental accounting, but will not be adopted in its entirety. The Philippines system hopes to embrace the Contingent Valuation as a method by which to accurately assess the cost to protect resources, which is different to the market based approach used by the UN. A Contingent Valuation method would more effectively help the government set ‘user taxes or fees’ for industries that pollute the environment.

**Valuing Brazil’s Environment**

A recent government survey has revealed that Brazil accounts for roughly 10 per cent of the world’s environmental heritage. According to
the Brazilian Institute for Environment and Renewable Resources (IBAMA), the monetary value of those resources is USD2.072 billion. The aim of the valuation estimate is to improve the relationship between ecology and economic development by balancing principles and profits. One prospect is to profit from investments by companies looking to product from the country’s immense biodiversity. With the valuation complete, the government can calculate compensation for damages caused by resource extraction. The survey was funded by the International Institute for Sustainable Development, the World Bank, and the Office of Environment Canada.