

Findings from the top companies environmental survey

Environmental issues are already important for South Africa's top companies and are anticipated to become increasingly so, driven by a number of key forces in the market, especially government policy and legislation, public opinion, customer demand and international trade requirements. This is one of the main findings of a recent survey by KPMG and the Industrial Environmental Forum (IEF) on the environmental performance of SA's largest organisations. But do the public and others believe it?

The survey would suggest that the days of superficial corporate 'greenwash' are over. Environmental Performance Improvement (EPI) has become as much a risk management and operational efficiency issue as a social responsibility item. As a result, the likelihood that environmental issues will affect the bottom line, positively or negatively, is high and increasing steadily.

This shift is reflected in what business is actually doing: over half of the top companies have a board member with environmental responsibilities, an environmental policy, give environmental donations or sponsorship and have an environmental management system. In addition, more than a third of top companies annually spend in excess of R1 million on the environment per year, some hundreds of millions.

But there still seems to be a gap between business's environmental management initiatives and public perception of these, according to a national survey by the Human Sciences Research Council. Findings showed the population blamed the environmental destruction in the country first and foremost on companies, ahead of consumers, urban growth, government and agricultural practices.

Furthermore, an overwhelming 81 % of the public believed that companies pay little or no attention to their actual or perceived impact on the environment. Contrast this with companies' response in the KPMG-IEF survey in which only 7% felt they suffered from a negative public perception on their environmental responsibility. So where's the middle ground? And what is the solution?

Much of it has to do with greater transparency, and disclosure of credible information by companies on their progress and failings in environmental management. It is indicative that less than a third of the top companies had conducted an external environmental audit, complied with international environmental management standards, produced separate environmental reports, had such reports verified by an independent third party, or had an environmental accounting system.

On the other hand, around three quarters of the public believed companies should inform them about their impact on the environment, but did not receive any such information presently. This is augmented by the strong emphasis for public disclosure of information in the 1994 King Report on Corporate Governance, the new SA Constitution, and the emerging national policies on the environment. Even the South African Institute of Chartered Accountants recently issued guidance on environmental disclosure.

By international standards, South Africa is lagging some way behind. An analysis of "green reporting" by listed South African companies performed by the University of Pretoria finds that less than 10% are engaging in any environmental disclosure in their annual reports to shareholders. Whereas, a study by environmental reporting in 13 countries by KPMG shows comparable figures in excess of 50% internationally.

Clearly, the responsibility for this current credibility gap needs to be shared. Companies need to communicate their environmental management progress (including problems) more effectively to stakeholders, and ensure that this information is externally audited or verified in some way. And the public and other interested and affected parties need to make their environmental information needs more readily known. Only then can real progress be made.

Source:

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