

Ethical arguments regarding corporate environmental reporting

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Abstract

The environment is an important business issue and it will be even more so in future. Environmental reporting nowadays features increasingly in annual reports and elsewhere. It is however not compulsory and corporate decision makers must therefore make a decision for or against such reporting. Ethics is at stake in any decision involving right or wrong. Ethical theory is therefore examined in an effort to establish whether environmental reporting should be done.

It is concluded that corporate environmental reporting constitutes the ethical high road.

Key words

Ethics

Ethical accounting

Environmental accounting

Environmental reporting

1 The problem

According to Collier *et al* (1993:26) and Gunther (2003) the environment is not only an important business issue at present, but it will gain even greater importance in future. Environmental reporting is increasingly used as a means of legitimising the operations of organisations (Shocker and Sethi 1974:67; Brown and Deegan 1998). Environmental reporting is however not compulsory and it may even be characterised as partial and biased, since emphasis is placed on good environmental news (Savage 1994:3; Hackston and Milne 1996; De Villiers and Lubbe 2001). Because it is not compulsory, it is up to corporate leaders to decide whether information regarding a firm's environmental conduct will be disclosed or not.

A study by Solomon and Lewis (2002) indicates that corporations see environmental disclosure as driven by intrinsic social responsibility and corporate ethics. Those individuals who have to make judgements on whether certain information should or should not be disclosed therefore enter the realm of morals and ethics.

Some authors consider ethics as relative to circumstances and culture, while DesJardins (1993:24), Chryssides and Kaler (1993:83) and Mintz (1992:17) contend that it is possible to know right from wrong objectively. De George in turn states that it is generally agreed that one needs to know “the standard techniques of moral reasoning that people typically use” (1990:41) in order to effectively and intelligently take part in discussions regarding ethics. It would therefore be helpful to examine ethical theory to ensure unbiased reasoning, or at least to ensure that different views are considered when corporate decision makers decide whether to report environmental information or not.

The important ethical theories that may illuminate the disclosure decision are therefore considered in this paper. The research method used is a literature review of relevant theories with applicable deductions or extensions regarding corporate environmental disclosure. The general theories are examined in section 2, while section 3 deals with the application of ethics to business and section 4 with the application of ethics to the environment. A conclusion is reached in section 5.

2 Ethical theory

2.1 Introduction

Ethical theory provides the building blocks for the application of ethics to specific areas such as business ethics and environmental ethics. Ethics is the science of morals (Swannell 1986). Morals in turn are defined as a concern with right and wrong conduct.

It is acceptable in the application of ethical theory to borrow from different theories in order to arrive at an appropriate course of action (Chryssides and Kaler 1993:103). This section will therefore attempt to cover the major divisions of ethical theories.

A major division in ethics that is addressed in section 2.2 is that between consequentialist theories and non-consequentialist theories (Shaw 1991:45). There are many theories regarding ethics, but three main categories can be identified, namely utilitarianism, Kantianism and natural law (Shaw 1991:49–73). These are subsequently discussed in sections 2.3 to 2.5.

2.2 Consequentialism vs non-consequentialism

One of the major divisions in ethical theory is that between consequentialism and non-consequentialism (Pettit 1991:230). As the name suggests, consequentialism is concerned with the consequences of actions (Chryssides and Kaler 1993:88). If the consequences are good, then the action must be good. Right and wrong are determined in terms of good or bad. Conversely, non-consequentialism is based on rules of right and wrong. In this case, good or bad is determined in terms of right or wrong (Chryssides and Kaler 1993:88).

An example may clarify the difference. In a situation where the taking of a person's life will result in saving the lives of two others, the consequentialist will kill and the non-consequentialist will refuse to do so.

It would be difficult to apply any one of the above principles exclusively and proponents of both therefore make concessions. The non-consequentialist is, however, the one who would usually make fewer such concessions (Chryssides and Kaler 1993:90).

2.3 Utilitarianism

Utilitarianism is an important example of consequentialism. The nineteenth-century philosopher Jeremy Bentham (1748-1832) formulated this theory, although it had in fact been around for some time (Goodin 1991:242).

The various forms of consequentialism differ in the way that "good" is defined. In the case of Bentham, good is defined as happiness (Chryssides and Kaler 1993:91). He regards pleasure and the avoidance of pain as the only thing that is desirable as an end in itself, because it is the only thing that is good in itself (Goodin 1991:242).

This view can be regarded as the intrinsic good. All other actions that promote this intrinsic good are also good (instrumental good). Actions that will result in the maximum amount of happiness are clearly favoured. The greatest happiness for the greatest number is regarded as the maxim (DesJardins 1993:29).

Utilitarians will usually allow non-consequentialist ideas to temper their actions (Chryssides and Kaler 1993:90). It may be of interest to note that laws of government are usually based on utilitarian principles (DesJardins 1993:29).

The major elements of criticism of utilitarianism are related to measurement problems and to the fact that wrong deeds may be justified, whilst just deeds may be condemned (DesJardins 1993:32). The total happiness under different circumstances needs to be measured if the greatest happiness for the greatest number is to be attained. Happiness is, however, qualitative in nature and therefore difficult to measure (Chryssides and Kaler 1993:92; De George 1990:51). A case could also be made that a lot of happiness cannot make good even a small amount of unhappiness in others (De George 1990:52). If that is the case, then unhappiness or suffering should weigh more than happiness, but how much? The

measurement problem remains and implies subjectivity in the application of utilitarianism.

According to utilitarians, any action, including environmental reporting, should be performed if it leads to the happiness of society. This could be so, provided that the reporting allows society to make more meaningful decisions regarding the continued existence of companies and actions that are harmful to the environment.

2.4 Kantianism

Immanuel Kant (1724-1804) formulated a non-consequentialist theory of ethics that concentrates on principles and duties (Bowie 1999; DesJardins 1993:33). Kant held the view that people are free and rational and may choose what to do and what not. This means that they are responsible for their actions, but only for those actions over which they have control (DesJardins 1993:33).

According to Kant something is ethical if it is performed in accordance with the “categorical imperative” (O’Neill 1991:175). The categorical imperative refers to actions that comply with two principles. The first is that one should only act in such a way that it would be acceptable to all if such a principle (as the one acted upon) becomes a universal law (O’Neill 1991:175). The second is that humans should be treated as ends and never as means to ends (O’Neill 1991:178).

It is clear that neither self-interest, sympathy nor loyalty, but only a sense of duty constitutes a reason for action by deontologists (Brandt 1959:28). That sense of duty is guided by the categorical imperative. It is important to note that others do not acquire positive rights because of an individual’s duties under Kantianism (Chryssides and Kaler 1993:99). They merely acquire negative rights in that they should not be harmed or treated as means to ends.

Generally, Kantianists will only in unusual circumstances allow consequentialist thought to influence their actions (Chryssides and Kaler 1993:90).

There are also important objections to this theory. The major one is that it only applies to free and rational beings, in other words humans (DesJardins 1993:35). As long as one does not affect other human beings, one is allowed to do as one pleases. The theory therefore has no relevance for something like ecosystems, as long as the proposed actions will not have a spill-over effect on humans. It is therefore not possible to make value judgements with this theory as a basis unless humans are affected. Even with human involvement, simply doing nothing will be acceptable under this theory (DesJardins 1993:35).

Environmental reporting may be regarded as being in accordance with the “categorical imperative”. There could be no objection as far as the universal law is concerned and it will not entail treating individuals as means to an end. However, as long as non-reporting does not harm any human being, there would be no obligation on anyone to actually do reporting.

2.5 Natural law

The history of natural law dates back to classical times. Plato and Aristotle were the first philosophers who began to explore the role of government in society (Lubbe and Schutte 1993:71). Johannes Althusius (1557–1638) made an important contribution, as did John Locke (1632–1704) and Jean-Jacques Rousseau (1712–1778) (Lubbe and Schutte 1993:71–72). Most people accept that Rousseau's ideas sparked off the French Revolution. The best known of modern philosophers to have developed the theory of natural law is John Rawls (1921–) (Lubbe and Schutte 1993:73).

Natural law is about the rights of people (Chryssides and Kaler 1993:101) and it is considered to be above any laws made by man. Man-made laws can and in fact should be tested against natural law to ensure their legitimacy (Chryssides and Kaler 1993:101). Natural law can therefore be seen as a limitation on government. There is a point past which a government is not allowed to go. If it does so, then the citizens are entitled to be disobedient (Chryssides and Kaler 1993:101). The idea of a contract between government and the governed eventually became part of natural law (Chryssides and Kaler 1993:101). In the 17th century the emphasis seems to have changed slightly to a contract between people to establish a government (Kymlicka 1991:187). The term "social contract" was coined to describe this new relationship. Thinking on this subject also changed in the sense that citizens now acquired certain rights and not only the alternative to disobey under given circumstances (Chryssides and Kaler 1993:101). According to Jean-Jacques Rousseau, man has the right to life, freedom and equality (Lubbe and Schutte 1993:72–73). John Locke also believed in the right to private property (DesJardins 1993:36). These rights are regarded as human rights as they cannot be given or taken away by government.

Currently a host of other human rights are also taken for granted (Chryssides and Kaler 1993:102). They include the freedom of expression, belief and association, as well as the right to education, welfare, fair trial and fair wages (Chryssides and Kaler 1993:102). These and other rights were acknowledged by the United Nations when it voted 48 to none in favour of the Universal Declaration of Human Rights on 10 December 1948 (Brownlie 1992:21–27).

Some (among others, Halal Donaldson) also apply the social contract to economics (Lubbe and Schutte 1993:83–4). In this context, a contract is said to exist between members of society and business enterprises. According to Halal, the business enterprise will regard the welfare of various stakeholders as its responsibility in exchange for continued patronage and a committed workforce (Lubbe and Schutte 1993:83).

According to social contract theory, as applied to the economy, society will need information to enable it to assess whether the business enterprise is still committed to the welfare of all its stakeholders. Environmental disclosure could provide some of the information needed.

3 Business ethics

3.1 Introduction

Ethics in business could be discussed at various levels, such as for example the systematic (macro) level and the corporate level (Mintz 1992:15).

The economic system is examined at the macro level. Since the system within which business normally operates, is capitalism, the rights and wrongs of capitalism are considered in section 3.2. Criticism levelled at capitalism mainly focuses on the (in)justice of the distribution of wealth and power in society. A specific theory of distributive justice, that of John Rawls, is therefore discussed in section 3.3.

The corporate level of business ethics concerns decisions within corporations that may affect parties outside the corporation. At this level, corporate governance is reviewed (section 3.4) as this area is constantly in the news, most recently as a result of the spectacular corporate collapses in the USA. The social responsibility of corporations is examined in section 3.5. (Recall from section 1 that this is regarded as grounds for environmental reporting.)

Section 3.6 examines the involvement of business in the environment from an ethical point of view. In this section, it will become clear that corporations do not pay for many of the outcomes of their own environmental actions. These costs are known as externalities and their ethical implications are analysed in section 3.7. Finally, the efficient market hypothesis and its implications for environmental reporting are explored in section 3.8.

3.2 Capitalism and justice

With the fall of the former USSR and the acceptance of free-market principles by China, the capitalist economic system has gained global dominance. The influence of the capitalist system on most individuals permeates everything they do. The system dictates the working lives of people, their home environment and their motivation. However, the issue that seems to be most different between capitalism and socialism is the distribution of wealth and income.

Theoretically, opportunity is equal in capitalism, but reward is based on the extent to which individuals avail themselves of opportunities (De George 1990:130–131). The wealth and income of different individuals in a capitalist society may differ distinctly, and it is a well known fact that power goes hand in hand with wealth (Shaw 1991:130–131). The wealthy have more options; they can act as they please; they have access to the mass media and they are able to lobby effectively for political gain.

An argument to support the notion that inequality is desirable, is that it provides the incentive for some to do better – and this oils the wheels of commerce. The better efficiency achieved in this way leads to a greater good for all. How-

ever, this argument only proves that some degree of inequality is necessary – not that the extremes that exist, are justified.

In summary: it seems that the inequality in wealth that results from capitalism is not wrong in itself, but it may have to be moderated to some degree to be totally just.

The only role that environmental reporting can play in this context is to ensure that information is available, also to the masses. The environment can be regarded as an asset belonging to everyone. Environmental reporting could limit the power of the wealthy to do as they please regarding their own and their businesses' conduct towards the environment. In other words, the masses will be empowered to look after their communal assets.

3.3 John Rawls – a theory of justice

One of the egalitarian thinkers is the American, John Rawls (Shaw 1991:100). His book "A Theory of Justice" outlines a theory that is egalitarian, but allows departures under certain circumstances in the interest of promoting efficiency. Rawls' theory has been mentioned before (section 2.5) under natural law. His living environment involved a highly industrialised society where political rights were well established and almost taken for granted. It is under these circumstances clear why his theory made provision for the economy, whereas some earlier writers like Jean-Jacques Rousseau were only interested in political issues. Rawls (1971:302) does, however, give political freedom priority over economic equality.

The theory assumes that people are self-interested as understood by economists (Rawls 1971:142). If that is the case, the theory explores the way to arrive at a set of principles whereby society should be organised in such a way that it is acceptable to all. Given current inequalities and the fact that people are self-interested, it would seem impossible to reach such an agreement. Rawls (1971:137) gets around this problem by assuming an original position where everyone is equal and where everyone is unaware of his own position and social status, as well as of his own strengths and weaknesses. His intelligence and physical abilities are not known. Rawls calls this the veil of ignorance (1971:136). Under the veil of ignorance, participants cannot make choices that would later be to their advantage, as they do not know their strengths and weaknesses. In these circumstances of, firstly, having to agree on rules that will apply to everyone and, secondly, being ignorant of your own potential, choices will be made that are just. The idea of rules that will become universal has strong links with the categorical imperative in Kantianism.

According to Rawls (1971:302), the following principles will be adopted:

First Principle:

Each person is to have an equal right to the most extensive total system of equal basic liberties compatible with a similar system of liberty for all.

Second Principle:

Social and economic inequalities are to be arranged so that they are both:

- (a) To the greatest benefit of the least advantaged, ... and
- (b) Attached to offices and positions open to all under conditions of fair equality of opportunity.

Should conflict arise between the various rules, the first principle has priority over the second and the second part of the second principle has priority over the first part (Rawls 1971:302–303).

The first principle reminds very strongly of the ideas of Jean-Jacques Rousseau and others mentioned in the earlier discussion (section 2.5) of natural law. It states that an individual freedom cannot be allowed to infringe on the freedom of another person. The second principle, however, is the one that allows inequalities under certain conditions. It is this second principle that makes specific mention of economic issues.

Environmental reporting can fit into the Rawls theory. According to the first part of the second principle, social and economic inequalities are to be arranged in such a way that they are of the greatest benefit to the least advantaged. Given the power of the owners of capital, the disclosure of the environmental conduct of the vehicles of their power, business enterprises, can play a role in empowering the least advantaged in society.

3.4 Corporate governance

Corporations usually have many members or shareholders, and these shareholders cannot all be involved in running them. The shareholders therefore appoint directors by vote to act on their behalf (Brown *et al* 1994:8). The directors appoint senior managers to take up a full-time position in the company and to make the daily decisions (Brown *et al* 1994:8). The control of shareholders over directors and directors over managers is, however, flawed in practice. There are moves to improve this situation in the form of the Cadbury Report in the United Kingdom and the King Report and King II Report in South Africa.

Unfortunately, without effective corporate governance, the power and wealth of corporations are in the hands of their senior management. According to agency theory (Brown *et al* 1994:18–21), management will act in their own best interests. This could be to the detriment of other stakeholders.

Environmental reporting could ensure the availability of information regarding the environmental conduct of business enterprises. In this way, it can have the effect of limiting the power of managers and ensuring that other stakeholders are not adversely affected.

3.5 Social responsibility

It is contended by some authors (DesJardins and McCall 1990:98) that corporations have a social responsibility. For example, it is believed that it is their duty to accept the welfare of members of the community within which they operate as part of their responsibility, in addition to the traditional responsibility of profit maximisation. Stakeholder theory comes to the same conclusion, namely that corporations have a responsibility towards various groups, including the general public (Evan and Freeman 1993:254; Mintz 1992:19).

The most prominent proponent of the traditional view – that the only social responsibility of business is to increase its profits – is economist Milton Friedman (1962:133). Friedman sees it completely from a shareholder's point of view. However, returning to the stakeholder argument: stakeholders could be creditors, customers, government and the community (SAICA 1990:9). The role of managers would in this theory be to strike an equitable balance between stakeholders in their decisions (Mintz 1992:19). Profits can, therefore, not be the only concern if they are to be made at the expense of other stakeholders.

Should corporations have intentions of their own, then there can be no dispute over the fact that they have moral responsibilities. However, should corporations not have intentions (one of Friedman's (1970:33) contentions), it does not mean that management (those who determine corporate direction) does not have a moral responsibility. The owners (shareholders) also have a moral responsibility for the actions of the corporation. The fact that shareholders have a moral responsibility is important if it is seen along with the agency argument. This would mean that managers, acting as agents for the owners, will have to act in a morally responsible way.

Social responsibility does not necessarily have to be associated with reduced profits as is implied by Friedman (1962:135). Some studies even found that social responsibility disclosures could be associated with increased profits (Mathews 1993:20; Gunther 2003).

Lubbe (1991:32–35) holds the view that employers are in a better position than anyone else to know the needs and to determine priorities for socially responsible spending amongst their employees. This could be another reason for employers to take the lead in socially responsible actions.

The idea of social responsibility also seems to have substantial support in the business community. Harry Oppenheimer (in Gantsho 1985:12) and Henry Ford II (in Mathews 1993:26) have, amongst others, been quoted as being in favour of corporate social responsibility.

One of the reasons for acceptance of social responsibility by leaders in business could be the legitimacy argument. According to this theory, companies will voluntarily accept social responsibility in order to legitimise themselves in the community (Deegan and Rankin 1995:2). Belkaoui (1984:81) echoes this view

when he states that organisations have to wield the power given to them by society responsibly or risk losing it. The emergence of ethical investment funds (Gray 1993:193; Gunther 2003:72) is increasing the pressure on publicly held corporations to act in a socially responsible way if they are to take advantage of this source of capital.

It is assumed for the purposes of this study that corporations have a social responsibility, including a responsibility towards the environment. In this context, environmental reporting can be the vehicle for corporations to show their commitment to sound environmental management principles. Society will also be able to monitor the extent to which corporations fulfil their social responsibility commitments.

3.6 *Environmental responsibility in business*

Business enterprises usually have a negative impact on the environment (Gray 1993:43; DesJardins and McCall 1990:350). Most types of business have an environmental impact as they all use energy, produce waste, own or lease buildings, etc. A supermarket, for instance, may choose more or less environmentally friendly methods of transport for its distribution network and decide to stock only items that are considered to be environmentally friendly.

Once it has been established that corporations do have an influence over the environment, the next step would be to decide who should take responsibility to ensure reasonable conduct towards the environment. This duty could be performed by government, consumers or companies (Chryssides and Kaler 1993:458).

Laws to protect the environment may increase over time, but there are certain problems associated with additional legislation. Differences of opinion exist among scientists as to the desirability of certain actions. Under such circumstances, it is difficult and possibly ill advised to promulgate laws.

Consumers themselves could take the lead by making their shopping preferences count. If they buy only environmentally friendly products, the other brands will have to be taken off the market. Consumers, however, are not always equipped with enough information to enable them to make informed decisions.

Instead of the government and consumers, the company could therefore take the lead in environmental matters. If the company pollutes, then the company should take responsibility and clear up the pollution or change the process so that pollution is eliminated. This is referred to as the *polluter-pays* principle (Shaw 1991:369). However, it would be very difficult to calculate the amounts involved (Chua 1990:10–13). Several authors nevertheless feel that such calculations are not beyond the scope of accountants (Estes 1976:142–146; Gous 1994:6; Chryssides and Kaler 1993:460). These costs are referred to as external costs (Chua 1990:2), and companies may feel that internalising these external

costs may put them at a competitive disadvantage. They would therefore welcome legislation to ensure that all their competitors are also forced to comply.

There would seem to be problems with and objections to entrusting any one of the three groups mentioned with exclusive responsibility for ensuring that corporations act responsibly towards the environment. Government, consumers and companies should all play a part in the process (Chryssides and Kaler 1993:462; Shaw 1991).

If government puts its legislative efforts into promoting environmental disclosure, this will to some extent solve the problem of not knowing what is good and not good for the environment. In this way, the final decision is left to consumers. With the provision of additional environmental information, they may be in a better position to make decisions regarding their consumption patterns.

3.7 Externalities

One of the moral arguments regarding disclosure concerns externalities. Corporations use natural resources such as rivers and fresh air without properly accounting for the costs involved (Estes 1976:103). These costs are external to the corporation and paid for by others, and they are therefore called externalities (Chua 1990:2). For example, if a corporation pollutes the air and this leads to respiratory ailments in a nearby community, the resultant medical bills are paid by the community and not the corporation. If the *polluter-pays* principle were to apply, the corporation would be forced to pay and the increase in costs will be passed on to all consumers. The corporation could be made to pay by *inter alia* introducing legislation that forces it to treat noxious gases and to emit only harmless gases. In this way the consumers would pay the full price for products and they would not be subsidised by the nearby community. According to free-market economic theory, the incorrect pricing of products (because of externalities) will lead to a misallocation of resources in the economy (Mathews 1993:10). According to these theories, if resources are misallocated, the result will be inefficiencies. Inefficiencies are to the detriment of society as a whole. The logical conclusion of this line of argument would be to agree with Rubenstein (1992:31) that the goal should be to produce financial statements that measure the ability of a corporation to produce goods and services after accounting for environmental costs.

In general, Mathews asserts (1993:10) that the free market will be more efficient if more information is available.

The disclosure of externalities could lead to a more efficient allocation of resources in the economy. Externalities often involve the environment. Certain forms of environmental reporting can therefore be justified by way of the externalities argument above.

3.8 Efficient market hypothesis

The efficient market hypothesis states that all the information regarding a company is already discounted in the price of its shares (Brown *et al* 1994:42). If an investor therefore becomes aware of an extremely profitable venture a company is about to exploit, it would be futile to buy shares in that company, because the market has already discounted the information into the current share price.

The efficient market hypothesis is believed to exist in one of three forms, namely the weak form, the semi-strong form or the strong form (Brown *et al* 1994:43). According to the weak form of the hypothesis, all information about the past is incorporated in the share price; in the semi-strong form, all publicly available information is incorporated; whereas, in the strong form, all information is already discounted in the share price of a company.

The semi-strong form of the efficient market hypothesis is usually accepted (Brown *et al* 1994:45). In this theory, the only way to outperform the market would be to have insider information, which is not yet publicly available.

The implication for the purposes of this study is that all environmental information should be disclosed to ensure that it is discounted in the share price. This would preclude anyone from making an unfair profit (at the expense of someone else) because he/she had insider information.

4 Environmental ethics

4.1 Introduction

Environmental ethics should receive particular attention, as ethics in general (when applied to the environment) are unsatisfactory in the following respects (Sylvan 1993; DesJardins 1993:41):

- 1 Ethics are normally anthropocentric (human centred).
- 2 The interconnectedness of nature is ignored.
- 3 Extensions do not always cover the whole of nature.

Since environmental issues are often analysed from an economic perspective, the validity of this method is discussed in section 4.2. Different theories of environmental ethics are examined. According to DesJardins (1993:146), biocentric and ecocentric ethics can be identified as different theories of environmental ethics. These theories are first discussed in general (in sections 4.3 and 4.4), followed by a review of a specific version of ecocentric ethics, that of Holmes Rolston (section 4.5).

4.2 *Economics and the environment*

Environmental problems are often dealt with in a way that presupposes economic theory (Sagoff 1990:26). Analysis of the environmental problem is carried out in an economic way which, of necessity, is based on certain underlying assumptions. Any problem will thus be explored in the light of what people will be prepared to pay for something (Sagoff 1990:26). The Kruger National Park would, for example, only be allowed to continue its existence as a game reserve if people were prepared to pay for it.

According to Sagoff (1990:26–29), the underlying assumptions of this approach are the following:

- 1 An anthropocentric view with no rights ascribed to animals or plants.
- 2 Wants and preferences are equated with beliefs and values.
- 3 Individuals are viewed as customers, ignoring any higher ideals that may exist.

The second assumption is false, as wants and preferences are expressed in an economy as a willingness to pay, but beliefs and values are not (Sagoff 1990:26–29). An individual may prefer a certain type of food and this preference can be measured by the willingness of the individual to pay for it. On the other hand, an individual may believe that freedom of the press is important. This belief cannot be measured by a willingness to pay. That is what is attempted when economic analysis is applied to beliefs and values (Pojman 2001:450).

The economic solution will lead to maximum satisfaction of individual preferences, despite the fact that some of these preferences are vulgar, immoral and criminal (DesJardins 1993:64; Pojman 2001:450).

In utilitarian theory, good can be intrinsic or instrumental. To satisfy individual preferences cannot be intrinsically good, as there are sadists, child molesters and rapists (Pojman 2001:450). It cannot be regarded as instrumental either, because the satisfaction of some preferences leads to disappointment or is harmful to the individual.

For the purpose of this study, it is accepted that it is not always appropriate to analyse environmental issues from the point of view of one's willingness to pay for it. Furthermore, it is accepted that individuals need more than merely information to allow them to make sound economic decisions.

4.3 *Biocentric ethics*

According to the biocentric ethics theory, all life has to be respected as it is said to possess inherent worth (Taylor 1986:99). Inherent worth is not the same as intrinsic value or the "good" of a creature (Taylor 1986:71–72). A human life is said to have inherent worth. According to this theory all life has inherent worth.

Albert Schweitzer's "reverence for life" is regarded as a forerunner of biocentrism (Pojman 2001:75).

If all life has inherent worth, then one should respect it and not harm any living thing. According to Taylor (1986:157), humans have no superiority over other forms of life. Moral agents (humans) have the responsibility to move in the direction of a long-term goal that is perceived to be more ideal for all forms of life (Taylor 1986:311).

For the purposes of this study, the disclosure of the environmental conduct of an organisation would ensure that individuals or groups outside the organisation have access to the information they would need to ensure that no harm is done to any life form and to continue to move in the direction of a more ideal future for all forms of life.

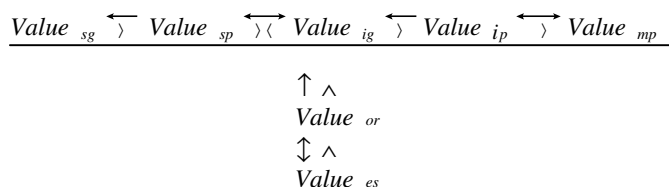
4.4 *Ecocentric ethics*

Ecocentric ethics involves a more holistic approach and includes all living and non-living things in an ecosystem (Pojman 2001:75). The good of the whole ecosystem is regarded as more important than the good of any individual or part of the system. "The land ethic", an essay by Aldo Leopold (1887–1948), is regarded as a landmark in the development of ecocentric ethics (Pojman 2001:75). The main thrust of the essay is that land is not dead, and that the owner of the land has certain duties towards the land.

Deep ecology, social ecology and ecofeminism can all be regarded as being ecocentric (DesJardins 1993:189). These theories will not be discussed here, as they do not have direct relevance as far as the current study is concerned. The work of a particular ecocentric ethicist, Holmes Rolston, is however of interest for this study and will be discussed in the next section.

4.5 *Rolston's value system*

Holmes Rolston, an internationally known environmental ethicist, proposes an axiological model for environmental policy (Rolston 1988:259). The model is presented below:



Key:

value _{sg} = social good value	value _{or} = organismic value
value _{sp} = social preference value	value _{es} = ecosystemic value
value _{ig} = individual good value	= produce
value _{ip} = individual preference value	= produce reciprocally
value _{mp} = market price value	= override or is more important than

Source: Rolston 1988:258

The model addresses anthropocentric issues along the horizontal axis, with non-anthropocentric issues along the vertical axis (Rolston 1988:258). The strength of the model lies in the fact that individuals with an exclusively anthropocentric view can still relate to it, simply by ignoring the vertical axis.

One of the aspects of the model that warrants discussion is the fact that social preference is not equated to social good, as individual preference is not equated to individual good (Rolston 1988:258). In economic theory, for instance, no distinction is made between the two (refer to section 4.2). It is, however, conceivable that there may be a difference. An individual may prefer to use drugs, but it may not be good for him or her. This also applies to society; for example, society may want to wage war against a neighbouring country, but it may not be good for them.

The “override” signs in both directions between individual good value and social preference value indicate that, although social preference value normally overrides individual good value, there are a few important vetoes. For example, murder may not be acceptable even if society prefers someone to be murdered (Rolston 1988:258).

One may ask what implications Rolston’s model has for environmental reporting. Assuming that an anthropocentric audience is addressed (the business community would normally be predominantly so), the horizontal axis will have to be considered. Along the horizontal axis, the most important aspect – the one that overrides all others (with some minor exceptions pertaining to individual rights) – is social good value.

Environmental reporting should therefore, according to Rolston, be done if it delivers social good value. One could argue that more environmental reporting will give society the information it requires to make informed decisions about the environmental conduct of companies. For example, companies with unacceptable emission levels will be obliged (by way of legislation or other means of pressure) to improve. This will deliver social good value. According to Rolston’s model the fact that certain individuals (such as managers or auditors) may not be in favour of more environmental reporting is immaterial, as social good value is more important than individual preference value. Even if society as a whole prefers to go without more comprehensive environmental reporting, and it

can be shown that such reporting will deliver social good value because social good value overrides social preference value, more environmental reporting should, according to Rolston, be done.

It is assumed, for the purposes of this study, that social good value will be derived from additional environmental reporting. Environmental reporting should therefore take place, according to Rolston's model.

5 Conclusion

The ethical theories discussed above all point towards the fact that environmental issues should be reported by business organisations. Corporate decision makers may therefore be assured that reporting environmental information constitutes the ethical high road.

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