

The Impact of the Environment Management Act on the Accountability of Companies in Fiji

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Abstract

Purpose – This study seeks to explore the impact of the Environment Management Act (2005) on the accountability of three companies in Fiji.

Design/methodology/approach – The study uses a multi-case study approach based on three subsidiaries of a conglomerate. Data collected for the study included semi-structured interviews with accountants, internal auditors and environmental, document reviews and content analysis of annual reports and websites of the respective companies.

Findings – The findings suggest that the Environment Management Act (2005) is having some effect in terms of engendering accountability in the companies case studied. Further evidence suggests that while this increased accountability has lead to disclosures in annual reports and websites; these disclosures are minimal at best and the primary groups of stakeholders these disclosures are addressing are the government regulatory authorities.

Practical/Policy implications – The study provides policy implications on how environmental legislations could be designed to improve the accountability of commercial entities in developing economies. The experience and issues highlighted are also useful to other developing economies who are contemplating developing their own environmental legislations.

Originality/value – This paper is one of the few papers that explore the impact of environmental legislations on accountability in a developing economy context.

Keywords Environmental Legislation, Environmental Management Act, Sustainability, Developing Economy, Accountability, Pacific, Fiji

Paper Research Paper

1. Introduction

Countries around the world are beginning to realize the importance of maintaining a sustainable relationship with the environment. This can be seen by the recent summits on climate change, which although highly criticized for its lack of any meaningful outcome, were able to bring the issue of climate change to an international forum (Bodansky 2010). Not only are the top leaders of the world unable to reach a consensus on important environmental issues, academics are also in debate with the role accounting has to play with environmental preservation and sustainability. This debate does not seem to be coming to a clear resolution any time soon and countries need to begin taking proactive measures to ensure the long-term future of their environment.

Environmental legislations are one such measure which a number of countries around the world have enacted to ensure the continued sustainability of their environment. Fiji is one of the few countries in the South Pacific that has an environmental legislation. Fiji's environmental legislation titled the Environmental Management Act of Fiji 2005 (hereafter referred to as the EMA) was passed in 2005 by parliament and became operational in 2008. The EMA provides a useful mechanism which compels entities to assess their business decisions not simply on financial constraints but also in light of environmental issues through the requirement of Environmental Impact Assessment (EIA) reports. The EMA also requires permits for waste disposals, the establishment of Environmental Management Committees (EMC) and imposes hefty fines for non-compliance. These provisions could have the potential effect of increasing commercial entities environmental consciousness and have a pervasive effect on their operations and lines of accountability. Therefore, environmental legislations could potentially improve the environmental performance of commercial entities in Fiji and engender a greater sense of accountability. Thus, the aim of this study is to explore whether environmental legislations engender accountability in private sector organizations by widening the number of stakeholders these organizations feel accountable to and increasing the quantity and quality of their environmental disclosures.

The paper adopts a case study based approach on three commercial entities in Fiji which are subject to compliance with the EMA. For confidentiality purposes, the entities name will not be revealed. However we will be referring to these entities as C1, C2 and C3. Semi-structured interviews were conducted with the accountants and environment officers of these entities. Content analysis of their financial reports and websites were also undertaken, together with information about the entities which were disclosed in other reports and other media were also analyzed for the purposes of this research.

The EMA was also analyzed to ascertain its general objectives and its specific provisions which have implications for accountants in terms of enhancing accountability.

The paper is structured as follows: Section 2 will focus on a review of the literature related to environmental reporting and environmental legislations; Section 3 will provide an outline of the EMA and its implications on enhancing the accountability of commercial entities; Section 4 will discuss the overarching theoretical framework ; Section 5 will discuss the development of our research questions; Section 6 will provide details of our research method and design; Section 7 will discuss the techniques employed for our data collection; Section 8 will provide a discussion and analysis of the results; Section 9 will conclude the paper, discuss the implications of the study and suggest possible avenues for future research.

2. Literature Review

This literature review comprises of four parts. Section 2.1 discusses the need for social and environmental reporting (SER). Section 2.2 we discuss the concept of accountability within the SER literature. Section 2.3 discusses environmental and sustainability policies; and finally in section 2.4 the literature and issues related to environmental legislations in small developing economies are reviewed.

2.1 *The need for Social and Environmental Reporting (SER)*

Organizations are becoming conscious of the need to incorporate sustainable and accountable practices in their business processes. This is evident in the works of Parker (2005) who highlighted that there is an increase in companies publicly disclosing their corporate and social responsibilities (CSR) through the medium of annual reports, websites, and stand-alone reports. Companies are even taking the extra-mile of having their stand-alone reports audited to enhance the credibility of the information (Simmnet et al., 2009 as cited in Rika, 2009).

Although the incremental change in organizations' attitude is commended, skeptics however are critical towards the real motive of such reporting. In particular Cooper & Owen (2007) argue that CSR reporting is just a façade of reputation building rather than that of genuine concern for accountability to other stakeholders. This stance has been supported by Business in the Community (2003), which laments such reporting practices as “*...a means by which companies can manipulate and influence the attitudes and the perceptions of their stakeholders, building their trust and enabling benefits of positive relationships to deliver business advantage*” (p.3).

2.2 *Accountability*

Accountability is a vague term and multi-faceted term that cannot be defined accurately (Sinclair, 1995). There is also a lack of consensus as to what accountability really means in the accounting paradigm. However, despite the set-back, it is pertinent to an organization's going concern as it is the main ingredient for fostering relationships between management and its relevant stakeholders. Accountability is considered as “*the duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible*” (Copper& Owen, 2007 p.650). The notion of accountability is extended to groups who are interested or are affected by the organizations' business activities. Benson (1982 p. 88) identifies the recipients of accountability as shareholders, stakeholders¹ and society in general. Environmental accountability according to Burrit & Welch (1996) is a specific area of accountability which refers to the actions made on behalf of organizations and the impacts of resulting activities on ecological systems. Maunders and Burritt (1991) resonate the importance of environmental accountability in terms of understanding the “ecological crisis” that exists.

Social and environmental reports (SER) are catalysts used by organizations to discharge their environment accountability. Global Reporting Initiative (GRI) and AccountAbility standards are two of the most influential and widely used accountability frameworks in which these SERs are devised. Steward (1984) however, argued that the preparation of accountability reports does not denote accountability. It is just the step of demonstrating accountability. Buhr

¹ Refers to those groups who are interested in the business activities such as creditors, financiers, employees, government, suppliers etc.

(2007) solidified this notion when he states that reporting in itself does not constitute accountability, but it however promotes the potential for change. In a similar vein, Burritt & Welch (1996) reiterate that reporting is not sufficient to denote the existence of an accountability relationship, and recommended the need for mechanisms to be in place to ensure that “accounter’s” are held responsible for the actions taken and the consequences incurred.

SER literature has also warned against accepting the validity of accountability reports at face value due to the voluntary nature associated with reporting. Gray et al. (1993) warned that “*the essence of environmental accountability and transparency are too complex and crucial to be left entirely in the already over burdened hands of the corporation*” (p.296). The reasons Gray et al. (1993) gave in support of this warning was the lack of appropriate information about the environmental impacts of business activities and the financial markets “awesome indifferent” attitude towards social and environmental activities; that is companies will only show concern if these activities provide a financial gain. Deegan & Rankin (1996) found that organizations fail to incorporate “bad news” when reporting news on the environment thus providing evidence of biasness in SER. The words of caution resonated by Gray et al., (1993) and Deegan & Rankin (1996) is very clear – corporations cannot be trusted to enhance social and environment welfare.

Accountability mechanisms are therefore, pertinent in addressing the current woes of accountability. Legislations have been identified as an effective accountability mechanism. Burritt & Welch (1996), strongly posit that regulation is pertinent to the success of discharging environmental accountability from organizations. The tone of the recommendation is inline with issues associated with the voluntary nature of SER. For a legislation to be effective, it needs to greatly impact an organization so that it changes its core internal process which will then tend to impact the internal operation as well as the external activities. Only by means of internal process change will organizations’ accountability be considered genuine.

Consequently, the SER that major business organizations are providing has been argued to be driven by corporate strategy rather than a deep commitment to corporate responsibility and accountability (Parker, 2005) that is meaningful. Hence, the conflict that organizations face is between being truly sustainable versus meeting the self-interest of the business (Gray and Milne, 2004, cited in Buhr, 2007). That is the reason for the move towards environmental legislations, as organizations are forced to comply with the law or as stated in Buhr (2007, p. 58) make “*laws to enforce the behavior*” required from them. In doing so it is enforced on the company to be accountable (Gray et al., 1997). The nature of this accountability relationship and its accompanying rights to information are said to be contextually determined by society, most obviously expressed in terms of legal statutes and statutory body regulations and standards (ibid).

2.3 Environmental Policies and Sustainability Reporting

Regulators such as the government are heeding the call for the need to promote sustainable and accountable practices from organizations operating in their respective vicinity. Environmental laws are being enacted as a result to ensure that companies operate in a manner that is not detrimental to the environment as well as to the local population (see US National Environmental Policy Act 1970). These legislations often require entities to publicly disclose the social and the environmental impacts of their activities.

Legislations can be an effective tool of fostering sustainable and accountable practices if it is a clearly thought out process and the proper monitoring mechanisms are in place to enforce compliance. However, as pointed out by Rika (2009), this is not always the case. If the

government or regulators fail to ensure such provisions, “*there is a danger that the legal requirements will be regarded as an acceptable standard rather than a minimum standard*” as companies will be more concerned with avoiding the penalties rather than improving their business processes (ibid, p. 306).

Corporate Environmental Policies (CEPs) are usually the first and an essential step for businesses when embracing the environmental agenda (Tilt 2001). It is supposed to provide a broad statement of the company’s philosophy and the background to all their activities that affect the environment (ibid).The CEP framework as explained by Tilt (2001) includes a statement of objectives and is linked to the standards set by the company, in which performance can be assessed and the outcomes reported. The summarized reports from the CEP’s should then be found in the annual report of the company, if the company wishes to be accountable to the public and the stakeholders can respond to the data communicated to them, hence, influencing the company’s environmental policy setting (ibid). This is the expected framework that organizations would follow in order to satisfy its accountability function.

The two major types of CEP’s, are charters developed by an outside body and subscribed to by various organizations and the other is one that is developed by the company for itself (ibid). In Tilt’s results (2001, p. 199) compliance with the ‘Environmental law’ was one of the leading reasons to the provision of the CEPs and companies appear to be using the CEPs to set their environmental objectives rather than objectives to report or to set environmental standards or targets. The results did not follow the expected framework (Tilt, 2001) and most of the disclosures that appeared reported discussions on the “*firm’s rehabilitation, waste and recycling methods, and other environmental activities*” (ibid, p. 203). Tilt explained that this was justified on the grounds that such disclosures legitimized the nature of the expenditure, and the companies received tax benefits from it.

2.4 Environmental Legislation in Small Developing Countries (SDCs)

Environmental issues are of pertinent concern to all countries especially to SDCs. The economic survival of an SDC is inextricably linked with the environment, thus legislation plays a vital role in terms of enhancing and promoting accountability to those organizations whose operations have detrimental effects to the environment. It is easy for SDC’s to import environmental legislations from Large Developed Countries (LDC’s). The costs of producing these environmental legislations such as research, legal costs and stakeholder consultations have already been borne by the LDC’s. These legislations are accessible to anyone and SDC’s could easily select an environmental legislation and tailor it to suit their jurisdiction or alternatively selectively choose different provisions from different legislations to form their own legislation. While the cost of actually drafting these legislations are not significant for SDC’s, if they were to enforce the legislation rigorously the costs they would bear would be greater in relative terms as compared to the LDC’s from which these legislations were borrowed from. This is due to the fact that the fixed costs of enforcement would be the same for both SDC’s and LDC’s, however the costs to the LDC’s would be lower as it would be spread over a more affluent community as compared to the SDC. The lack of financial resources and expertise to enforce these legislations in SDC’s is also a hindrance to the legislation’s effectiveness. The consequences therefore, often lead to ineffective legislations because of the lack of adequate infrastructure in place to enforce such laws.

Governments of SDC's would also be reluctant to enforce legislations which stifle economic activity and pollution is usually accepted as an unavoidable cost in the quest for greater economic growth by SDC's (Arrow et al., 1996). However, SDC's need companies to carry out operations in their economy as they contribute to the much needed economic growth and development. A delicate balance therefore needs to be sought as to how legislations can be implemented effectively without adding additional burden to organizations.

The trade-off between economic growth and environmental protection is not an issue exclusive to SDC's but to all developing countries. An extreme example is the case of Bhopal, India where a multi-national company's lack of environmental safety procedures led to a gas leak which killed and injured thousands of people working in the plant and the surrounding community in 1984. The effects of this gas leak are still affecting the surrounding community today. The Government of India at the time was also responsible as they allowed the multi-national company to cut corners and employ untested technologies which posed a danger on contaminating nearby subsurface water supplies (Mintz & Morris, 2008).

For developing countries accountability mechanisms are usually downgraded with respects to more powerful investors such as multi-national companies at the expense of less powerful stakeholders. Governments of developing countries to stimulate economic growth desire to attract foreign investment. To attract and to retain these foreign investors, governments usually provide incentives. Not only are incentives provided but also preferential treatment are accorded and also less accountability required from them. Neu et al. (2000) also found this true in Canada where the Canadian Government downgraded accountability mechanisms for multi-national corporations. This resulted in degradation of the environment which Neu et al. (2000) refers to as 'ecocide' and the costs of their activities being externalized to the less powerful indigenous people.

The same was also true for the indigenous communities in the Ok Tedi mining region in Papua New Guinea (PNG). PNG which is legislatively the most advanced country in the South Pacific has its own environmental legislation in place. However, the provisions of these legislations were relaxed for the Ok Tedi Mining Limited (OTML) company due to the pressures the PNG government were facing after independence by the World Bank and the Australian Government. The exemption of certain provisions of the environmental legislation to OTML by the PNG's Government allowed OTML to save significant costs by dumping toxic waste products from the mine in the nearby river. While financially beneficial to OTML, this led to environmental degradation of the ecological system, which drastically affected the lives of the nearby indigenous communities.

Therefore, the presence alone of an environmental legislation is insufficient if it is not enforced rigorously and if the accountability mechanisms are downgraded to suit the interests of powerful interest groups.

3. The Environmental Management Act (EMA) of Fiji

3.1 Brief History of the Development of Environmental Legislations in Fiji

Fiji is an example of a SDC that has implemented its own environmental legislations as part of its responsibilities in fostering sustainability and accountability from entities operating in Fiji. The agriculture, tourism and the industrial sectors are significant as they are the major export

earning sources. The dependency on such sectors signifies the urgency to implement legislations that ensure sustainable practices from organizations.

The Fiji government had previously enacted various environmental regulations² in its attempt to curb environmental degradation which often results from economic development. These legislations were however, ineffective due to the laxity of those agencies responsible to enforce such legislations (UNESCAP Report). It was in 1989, when a report known as the “National State of Environment Report” was prepared to review the quality of Fiji’s environment, natural resources, their uses, environmental policies and laws in place, and their administration prompted actions from the government. The above report noted the current decline in the state of Fiji’s environmental resources and the potential consequences for a small island nation in the future if the issue of sustainable development is not dealt with. Thus, four years later the National Environmental Strategy (NES) was formulated.

A major recommendation included in the NES was the establishment of a comprehensive legislative framework for environmental management. This resulted in the drafting of the Sustainable Development Bill (SDB) which was completed in 1996, to serve as a sustainable development legal framework under which decisions were to be made. The SDB replaced various provisions that were believed to be outdated (Lodhia 2003) with various new provisions to help counter current global environmental problems³. However, after wide ranging consultations with various stakeholders it was recognized that the SDB was too comprehensive a legislation and would be difficult to implement in a developing island nation, given the available finance, technology, and administrative and political leadership resources.

As a result, after extensive public consultation the current Environmental Management Act emerged in 2005 and is a streamlined version of the SDB. The EMA was enacted on 17th March 2005 and became operative in Fiji from 1 January 2008 (Chambers 2008). Section 3 (2) of the act state that its central objectives are:

“(a) to apply the principles of sustainable use and development of natural resources; and (b) to identify matters of national importance for the Fiji Islands as set out in subsection (3).”

The regulatory agency for the EMA is Fiji’s Department of Environment (DoE) which is the main authority for the prevention and control of environmental pollution in Fiji, and a department under the Ministry of Local Government, Urban Development, Housing and Environment.

A report prepared by Fiji’s DoE in 2006, stated that the EMA resulted as Fiji is party to numerous international, multilateral and regional treaties pertaining to the environment (Department of Environment Report, 2006), and that the EMA is an initiative of the Fiji government in response to global pressures for ensuring sustainable development. Hence, with the EMA in place the DoE has the legislative powers to address environmental issues, especially those of waste management of all entities⁴ and sustainable development through

² These include the Birds and Game Protection Act, 1923; Fisheries Act, 1941; Land Conservation and Improvement Act, 1953 and the Forestry Act, 1963.

³ Examples include the ozone depletion and climate change, issues which is becoming very real and threatening to the existence of small developing island nations in the South Pacific.

⁴ This includes not only Government entities but commercial entities as well.

screening of all Environmental Impact Assessment (EIA) reports. As noted by Chambers (2008) the EMA now allows the DoE to effectively address waste management and pollution control issues of commercial entities in a coherent way, thus forestalling the deteriorating rate of the environment.

3.2 The EMA and its Specific Provisions for Enhancing Accountability for Commercial Entities

The EMA refers to commercial entities as commercial or industrial facilities. The EMA defines commercial or industrial facilities as follows:

“a) a person (including Government) who engages in-

(i) providing services; or

(ii) manufacturing, production, processing, transportation, storage and packaging, mining, quarrying, sand extraction, coral mining, tourism, commerce, the preparation or processing of any agricultural produce or food or any other activity undertaken for financial gain, including any such services or activity conducted at or in residential premises;

(b) the place, land or premises on, at or from which the activities mentioned in paragraph (a) are carried on” (Part I, Section 2).

The EMA has specific provisions targeted towards commercial entities aimed at improving their environmental impact. These provisions also affect commercial entities accountability as these provisions require entities to report to DoE with relation to certain activities undertaken by the commercial entities which have an effect on the environment. These provisions are summarized below:

- Waste Management Pollution Control (WMPC)⁵
- Environmental Impact Assessment (EIA)⁶
- Environmental Management Committee (EMC)⁷

The WMPC provision requires facilities to apply for permits to discharge waste. If a facility is caught discharging waste without a permit, that facility faces fines and penalties up to \$100,000. The DoE also has powers to cease the operations of the facility for up to 72 hours. Both commercial entities have received waste disposal permits. All commercial facilities that discharge solid, liquid or gaseous wastes are required to apply for the permit except if the waste is disposed safely in approved containers or by approved waste disposal agencies. However, this is not applicable if the commercial facility is deemed to be a significant disposer or situated in a sensitive ecological zone then a permit is required. A significant disposer is a commercial facility which disposes an average of 250 m³ of waste per week and a significant discharger is a commercial facility which discharges on average 50,000 liters per day.

⁵The EMA, Part 5.

⁶The EMA, Part 4.

⁷The EMA Part 2, s. 16.

Permits are valid for a period of three years. The DoE has powers under the Act to inspect the commercial facility should the DoE believe that the commercial facility is in breach of any of the conditions of the permit. The commercial facilities are also required to submit periodic reports to DoE stating the amount of waste discharged during the period. The DoE also requires commercial facilities to use the services of approved waste disposal handlers to dispose of their waste.

For facilities wishing to develop a natural resource, an EIA report is required to be prepared if the development is likely to cause significant environmental or resource management impact⁸. An EIA report is an assessment of the impact of a project on the environment and is usually carried out by environmental consulting agencies. These reports are then submitted to the relevant approving authority who will then decide whether the project will proceed or not. The EIA process is very expensive as certified environmental consultants are usually hired to conduct the exercise. Discussions with an environmental officer working for an environment consulting agency in Fiji revealed that the cost of an EIA could cost a company around \$10,000 on average depending on the size of the development. Also while, theoretically EIA if used systematically should enable control of the quality of the environment in which the project will be developed within, Turnbull (2003) argues that the use of EIA reports by the government of Fiji are ineffective due to factors such as technical shortcomings, lack of proper monitoring of outcomes and enforcing consent conditions. The report must then be submitted to the relevant approving authority and the development cannot commence until approval has been received.

The EMA also requires commercial facilities to establish an EMC. The EMC's provide a means for employees to raise environmental issues which the committee will be able to review and consider appropriate actions. The EMA also requires EMC's to submit reports to DoE. However, the Act is silent as to the frequency and nature of these reports. Both entities have established EMC's, however, C1 has established their own separate EMC while C2 and C3 have merged their EMC with their Occupational, Health and Safety Committee.

4. Theoretical Framework

As resonated by Parker (2005), a major obstacle in the SEA paradigm is the absence of a well defined theory derived from data. However, researchers in this area have managed to produce some quality research which has been recognized in top tier accounting journals using deductive theories as the foundation of their work. The most pervasive theory used in SEA is the legitimacy theory. This theory has given insights as to the reason why entities volunteer to practice SEA. For example, O'Dwyer (2002) provides insights on the managerial perspective of corporate social disclosures by interviewing 27 public listed companies in Ireland (as cited in Adams & McNicholas, 2007). His findings concluded that sustainability reporting is propaganda of enhancing corporate legitimacy. Legitimacy theory is founded on the political economy and uses the notion of a "social contract" to explain the motivation behind the survival and the growth of an organization (Gray et al, 1995). However, this theory has a number of limitations. Neu et al. (1998) argued that the legitimacy theory assumptions are too narrow and

⁸ EMA s. 27(1)(b)

fails to hold in certain situations such as interest group effective lobbying and the need to operate in a competitive global economy.

The stakeholder theory is closely related to the legitimacy theory. Stakeholder theory assumes that management undertakes reporting to manage and maintain a good relationship with a certain group of stakeholders that it perceives as crucial to its survival. With reference to the environment, stakeholder theory assumes that the organization will identify key stakeholders concerned with environmental issues, and thus will tend to provide information in an attempt to communicate its transparency and accountability regarding the impacts of an organization's operations on the environment. This theory posits that these key stakeholders can act to change any adverse environmental behavior of an organization (Burritt & Welch, 1997).

Institutional theory is considered the more superior of the two in terms of providing insights in the practice of SEA. This theory also draws on some conceptual contents of legitimacy theory, thus they tend to be akin in some explanations. The difference however, lies in the area of considerations. Legitimacy theory offers a "blanket" assumption that any actions undertaken by an entity is to improve corporate legitimacy, this assumption rules out any other explanations as to the reason of entities adopting SEA. Institutional theory addresses this shortfall by focusing explicitly on the organization's processes and other internal factors that facilitates a much more affluent environment that allows the development of additional theoretical explanations (2007, as cited in Rika, 2009). Institutional theory posits that the competition for political influence and institutional legitimacy are the motivational factors that prompt organizations to adopt similar policies and business practices. The ripple effect of such practices usually results in institutional isomorphism which can be coercive, mimetic or normative in nature (Dimaggio & Powell, 1983 in Rika, 2009).

5. Research Question

This paper's research question therefore, is to investigate the accountability mechanisms present in Fiji's environmental legislation: The Environmental Management Act 2005. The paper will then determine whether these accountability mechanisms have actually enhanced accountability of commercial entities in Fiji. The research question is therefore as follows:

RQ1: Has the EMA enhanced the accountability of commercial entities in Fiji?

Two facets of accountability will be observed to measure whether there has been any enhancement of accountability. The two facets are:

- i.) The number of stakeholders the commercial entities were reporting to; and
- ii.) The content of the commercial entities reports to stakeholders.

Therefore, the specific research questions are:

RQ1a: Has the number of stakeholders commercial entities were reporting to changed after the implementation of the EMA?

RQ1b: Has the content of environmental reporting changed after the EMA?

6. Research Method

6.1 Use of Case Study Methodology

To answer the research questions a comparative case study based approach was used on three commercial entities operating in Fiji and subject to the requirements of the EMA. The use of a multi case study approach was based on the nature of the research questions. Because the principal objective of this paper is to explore whether the EMA enhances accountability for commercial entities in Fiji, a case study on only one commercial entity would not be able to provide results which can be generalized. While admittedly, a major weakness of the case study approach is its lack of generalizability due to the investigation of a few observations in which variables affecting the research are not controlled (Hoque, 2006), if the case is sufficiently rich then the findings can also be generalized to similar cases (ibid). Therefore, three commercial entities were selected to compare whether there have been any differences in accountability within these three organizations due to the implementation of the EMA.

Yin (2003) states that case study methods are useful when ‘how’ or ‘why’ questions are being posed and when the focus is on a contemporary phenomenon within some real-life context which, the researcher has little control over. Hence, the case study approach is appropriate for this study as the aim of the study is to observe how commercial entities compliance with an environmental legislation would affect their accountability. The way commercial entities accountability will be affected by the EMA is a contemporary phenomenon which we the researchers have little control over and as such fits the case study methodology.

6.2 Boundaries of the Case

It is also important when adopting a case study methodology to identify boundaries to avoid the research becoming to unreasonable in scope (Yin, 2003). We have therefore, decided to define the boundaries of research by time and place as suggested by Creswell (2003). The boundaries of study in terms of time relate to the period immediately before the adoption of EMA (2007) and the period to date for both commercial entities. Interview data for the study was conducted in 2009. The boundaries of the study in terms of place relate to the context of Fiji.

6.3 Selection of Cases

The commercial companies that were selected were those which had to comply with the provision of the EMA. These were organizations that from the nature of their operations would have an impact on the environment and as such fall under the ambit of the EMA. This was also confirmed through discussions with staff knowledgeable with regards to the organization’s compliance with the EMA.

Letters were sent out to a number of organizations; however only one organization responded favorably This organization is a subsidiary of large publicly listed conglomerate in Fiji. For confidentiality purposes, information relating to this organization and its parent company will remain anonymous. After approval was received from the company, internet research on the company was conducted to gain an understanding of the operations so as to better prepare us for the interview. From our initial interview with the Manager Finance of the company, we discovered that he also is the accountant for another subsidiary and that under this subsidiary there are two separate companies. Therefore, for the purposes of this case there are actually three separate companies.

6.4 The Case Studies

For the purposes of confidentiality the names of the companies are not used. The three companies shall be referred to as C1, C2 and C3. All three companies are wholly owned by the same conglomerate. This parent company we refer to as P1. All three companies also share the same corporate services and management resources. All three companies operate in the same industry and have an impact on the environment, however in different degrees. The impact on the environment is both through air, liquid and solid waste pollution. As such all three companies need to comply with the EMA. The company referred to as CI has received significant attention in the media and even journal articles for its impact on the environment. In response the company has made media announcements in the newspaper, radio, financial reports and websites that it has adopted a new environmental management system and new technology that will reduce its impact on the environment. The three companies are major players in their industry and have also ventured their operations supply to other Pacific Island Countries.

7. Data Collection

Data was collected from multiple sources such as semi-structured interviews, content analysis of annual reports, environmental policies, companies' websites and other information such as newspaper articles. The use of multiple sources for data collection is a hallmark of the case study approach. Moreover, using multiple data sources is a strategy that enhances the credibility of data collected through the triangulation of these sources (Yin, 2003).

7.1 Semi-structured interviews

Semi-structured interviews were conducted with staff of the three companies. Only four staff members from the three organizations were interviewed. The four people interviewed were the Manager Finance (1), Internal Auditors (2) and the Environment Officer of all three companies. This is a severe limitation of our study but one which is unavoidable as all three commercial entities share the same corporate services and are all subsidiaries of the same parent company. Therefore, all three entities share the same Manager Finance, Internal Auditors and Environment Officer. Despite this limitation, we believe that the information gathered from these individuals were sufficient as they were knowledgeable in their related areas with relation to both commercial entities. The limitation is also mitigated by the analyses of data collected from a variety of sources.

Three separate interview schedules were prepared for the Manager Finance, Internal Auditors and the Environmental Officer to elicit their individual views on how the EMA has affected the three different entities level of accountability. Interviews were conducted with all four interviewees separately at the companies' office. All interviews were tape recorded with the consent of the interviewees. Questions from the interview schedules were posed and further questions were asked to probe deeper into the interviewees' responses. All interviews took approximately an hour each. Interviews were then transcribed and analyzed for important themes.

7.2 Content analysis of reports and documents

Other sources of evidence include content analysis of annual reports, documents and even websites of commercial entities. Content analysis is considered to be a good instrument to measure the comparative positions and trends in reporting (Guthrie et al, 2004). According to

Gray et al. (2005), all forms of company data released to the public domain is considered an accountability-discharge activity of an organization. We therefore, analyzed the companies' annual reports using content analysis to determine if organization's accountability level has increased subsequent to the EMA implementation.

Content analysis of annual reports involved analyzing the annual reports of all companies listed on the South Pacific Stock Exchange over three years from 2007 – 2011. Content analysis was carried out by counting the number of sentences dedicated to social environmental information in the companies' annual reports. The purpose of this analysis is to investigate whether listed companies in Fiji operating in environmentally sensitive industries would report more environmental disclosures in their annual report. This analysis would also provide insights into whether the level of reporting to external stakeholders has increased after the implementation of the EMA which is relevant in answering RQ1b. Other documents such as corporate environmental policies, environmental plans, and mission statements were also analyzed.

7.3 Content analysis of corporate websites

Content analysis of the companies' websites for social and environmental reporting was also undertaken. Websites have been suggested as an alternative means of reporting that organizations could use to report social and environmental information to stakeholders (Janggu et al., 2007). Social environmental reporting on the internet provides a number of advantages such as an inexpensive and effective vehicle to communicate to various stakeholders (Ho and Taylor, 2007), greater accessibility for users as a result of the Internet's interactive capabilities (Lodhia, 2006) and provides a more diverse range of social environmental information through the Internet's capability of providing larger information and incorporating electronic versions of documents (Frost et al. 2005). Therefore, the use of the Internet can be seen as a medium for companies to disseminate social and environmental information to a wide range of stakeholders that offers companies flexibilities and capabilities beyond that of the traditional annual report.

8. Analysis and Findings

8.1 Research Question Analysis

The analysis and findings will be presented so as to discuss the findings of the research in light of the research questions previously mentioned.

RQ1a: Has the number of stakeholders commercial entities were reporting to changed after the implementation of the EMA?

The interview with the Manager Finance revealed that there was no increase in the number of stakeholders after the implementation of the EMA. This is because according to him the three companies have always considered the rights of all major stakeholders and were always acting in an environmentally responsible manner.

The interview with the Environment Officer revealed that a major stakeholder which was introduced after the implementation of the EMA has been the DoE. This is especially the case for C1, whose plant was at risk of being shut down by the DoE due to numerous complaints received from the surrounding communities. C1's response was a \$4 million restructure of its facilities to comply with ISO14,001 standard. The ISO 14,001 standard provides the

requirements for entities to implement Environmental Managements Systems (EMS). An EMS provides the framework for integrating corporate environmental policies, programs and practices into the operations of the entity (Morrow and Rondinelli, 2002).

An effective EMS needs the commitment of all the above parties especially that of senior management, whose role is to enforce its environmental policy into the organization's different activities and functions. Furthermore, it is important for the EMS to be firmly tied to regular assessments of environmental performance and audits of environmental damage (Welford, 1992). Hence, the organization is on an improvement cycle learning from successes and failures and improving operations and outputs (ibid). The adoption of an EMS can be seen as evidence of a firm's commitment to the environment. However, the environmental officer stated that the accreditation towards an EMS was a direct result of the pressure from the DoE. The environmental officer stated:

"..If it wasn't for the EMA we would not have moved so fast towards implementing the EMS. The company did not want to be closed down."

This was also reiterated by the Manager of Finance who stated:

"The dust emission from the factory was causing a lot of people to complain about the company and the EMA is so strict and gives the DoE so much power that they could have closed down operations. So to minimize our dust emissions we have bought new filters. The problem is still there but we are working slowly towards fixing it."

These statements imply that the real motivation to implement an EMS was not because of a deep seeded commitment to the environment which is stated as the main reason on C1's website, but due to fear of closure. C1 was willing to spend \$4 million to ensure that it would not close down.

We also asked the staff whether C2 and C3 are moving towards ISO 14001. The Manager Finance stated the following when posed the question:

"Yes, definitely because of the competitive market we want to market our product as being of a superior quality because our price is so high. So we are definitely moving towards certification."

The Manager Finance confused ISO 14001 with ISO 9001. Both are international standards however, the latter relates to the standards to ensure the quality of their product while the former relates to the implementation of EMS. When we asked the same question to the environmental officer he stated:

"Yes, we are planning to move towards ISO 14000 but I don't think we will be moving towards ISO 14000 anytime in the near future."

The adoption of ISO 14000 by C1 and not by C2 and C3 can be best explained by the coercive isomorphism aspect of institutional theory. Coercive isomorphism is the adoption of generally accepted norms by organizations due to pressures from more powerful organizations who are able to exert tremendous pressures on organizations to change (Rika, 2009). The

powerful organization in this case is the Government, who significantly influenced C1 to change their operations to reduce pollution. Therefore, government pressure was the significant influence in the adoption of ISO 14000 by C1. Delmas (2002) also supports this as he found that governments can play a significant role in a firms' decision to adopt ISO 14000. He found that governments can act as a coercive force by sending clear signals of their endorsement through enhancing the reputation of adopters and facilitating the adoption of the standard by reducing information and search costs linked to the standard (as cited in Delmas and Toffel, 2004). C1 is also more accountable to DoE after the implementation of the EMA. This can be seen in the environmental officer's statement:

"..nowadays if we do anything we consult with the DoE not because we have to but because we want to keep them informed about what we are doing"

The reasons given by the environmental officer included the risk of fines and penalties and halting of operations of the business. However, with regards to C2 and C3's operations, the environment officer states:

"..we don't have to inform DoE because their operations are not that problematic."

Therefore, it can be seen that the introduction of the EMA has not significantly increased the number of stakeholders both entities find themselves accountable to. The only new stakeholder is the DoE and it is only C1 which find themselves more accountable to the DoE. The reason for this is due to the DoE's power to impose fines and cease C1's operations. However, the entity does not see itself particularly accountable to other stakeholders such as the people who are most affected by their operations. Stakeholder theory can be used to explain why increased accountability is being provided to only the Government. Stakeholder theory states that entities use social and environmental reporting as a tool to manage their relationships with powerful stakeholders. Therefore, in this case the commercial entities especially C1 is reporting more to the Government so as to manage their relationship to ensure the business is not forced to close down.

It is also worth noting, that since there were no real pressure from other stakeholders such as consumers, activist groups and communities, these companies are not pushed to legitimize their existence in the society. Most people only pay lip service to their concern about the environment while the others who really care, do not have the capacity (financially or otherwise) to effectively put pressure on these organizations. Hence, Legitimacy theory could not render a possible explanation for the adoption of EMA in Fiji.

RQ1b: Has the contents of environmental reporting changed after the EMA?

The Manager Finance stated that they are incorporating more environmental information in their monthly management accounts. He was able to show us a copy of a management accounts and the document contained approximately twenty pages of which only one page contained environmental information. He stated that the environmental officer was responsible for the preparation of this report and during the monthly meetings he is also responsible for reporting environmental issues. He stated that neither he nor any other accountant plays any role in actually reporting environmental information. We were not able to obtain a copy of the monthly

management account but were allowed to go through it while in his presence. The environmental information disclosed was minimal and primarily related to compliance issues.

The environment officer also confirmed that he is also required to prepare more environmental information for management. He stated that this is attributed partly due to the EMA ensuring compliance with the relevant provisions and also due to a new balance scorecard system introduced by the Human Resources Manager. The Manager Finance also confirmed this and said that balance scorecard assesses performance of individual staff not only on financial measures but also on other measures such as environmental issues. However, both were unsure the importance of environmental issues in the balance scorecard system as it has yet to be fully implemented.

We also analyzed the level of environmental disclosures by all publicly listed companies on the South Pacific Stock Exchange (SPSE) for the periods: 2007 to 2011. Table 1 summarizes the results of our findings:

Table 1: Environmental disclosures by listed companies from 2007 to 2011.

Company Ref	No. of sentences				
	2011	2010	2009	2008	2007
A1	1	0	1	0	0
A2	0	0	0	0	0
A3	1	0	0	0	0
A4	0	0	0	0	0
PI	16	3	3	2	1
A5	0	0	0	0	0
A6	0	0	0	0	0
A7	0	0	0	0	0
A8	10	11	26	7	7
A9	0	0	0	0	0
A10	0	0	0	0	0
A11	0	0	0	0	0
A12	0	0	0	0	0
A13	0	0	0	0	0
A14	0	0	0	0	0
A15	0	1	0	0	0

The table shows that disclosure of environmental information was only conducted by five companies. P1: the parent entity of the three case study companies was one of these companies. The analysis shows that after the enactment of the EMA, environmental disclosures in the annual reports of PI have increased slightly from 2007 to 2010 and then significantly increased in 2011. Although this was greater than most of the other publicly listed companies this was not a significant increase in the level of disclosure. The financial statements are primarily prepared for the shareholders. The fact that social and environmental disclosures were minimal at best implies that the company does not perceive the need to report social and environmental information to its stakeholders through the financial report.

Another form of reporting is the use of the company's website. A website analysis was also conducted on all listed companies on the SPSE with the exception of P1. As all three commercial entities in our case study are subsidiaries of P1 we decided to analyze these companies' websites separately. Table 2 summarizes the results as follows:

Table 2: Website analysis

Company Ref	No. of Sentences	Location	Access Route
C1	16	Home Page	Home Page
C2	12	Separate Tab	Policy
C3	9	Separate Tab	About Us
A1	0	N/A	N/A
A2	*		
A3	**		
A4	0	N/A	N/A
A5	0	N/A	N/A
A6	1	Separate tab	A6 ProC1e -> Principles
A7	0	N/A	N/A
A8	1	Separate Tab	About Us -> Corporate Strategies
A9	0	N/A	N/A
A10	2	Separate Tab	About Us
A11	6	Separate Tab	About Us
A12	***		
A13	***		
A14	0	N/A	N/A
A15	0	N/A	N/A

*- The company does not have a separate website of its own. Instead its details are on its parent company's website. Its parent company is A6.

** - Website under construction

***- No website.

In comparison with other listed companies, all the three companies case studied have more disclosures on their websites. Even company A8 which has the highest level of disclosures in the content analysis of annual reports has only one sentence on their website dedicated to environmental disclosures. This shows that C1, C2 and C3 are using websites as the main medium to report environmental disclosures to interested parties.

From the three companies, C1's website has the most disclosures. Furthermore, the disclosures were displayed on C1's home page as compared to the other two websites which disclosed their environmental information on different pages which needed to be accessed via a tab link. This

further highlights the importance C1 is placing on environmental reporting as compared to C2 and C3.

Our analysis reveals that the content of reporting with regards to environmental reporting has changed but not significantly. There has been increased environmental information in monthly management reports which are driven partly by the EMA and the new balance scorecard performance system. There was also an increase in the disclosure in the P1 annual report; however this related only to C1 and not to C2 or C3 and the level of disclosures was not substantial. Furthermore, website analysis also revealed that C1 had more environmental disclosures than C2 or C3. This provides partial evidence that the more environmentally sensitive a company's operations are in Fiji, the more disclosures they would make through conventional mediums such as annual reports and new mediums such as websites. This is consistent with legitimacy theory which predicts that firms under scrutiny will legitimize their activities through voluntary reporting. However, it should be noted that our analysis for websites could not determine whether the level of reporting had increased after the introduction of the EMA as that would require us to analyze the amount of environmental information the websites disclosed prior to the EMA which we are not able to do.

9. Conclusion

The objective of this study was to investigate whether aspects of an environmental legislation would enhance the accountability of commercial entities in Fiji. The study used a case study-based approach of three commercial entities. We found that the accountability of all three entities was enhanced, however, in varying degrees. This was especially the case for C1 whose operations had a greater impact on the environment than C2 and C3. The accountability was operationalized by observing the number of stakeholders the companies were reporting to and whether the content of their reports had increased with regards to environmental disclosure. With the former, we found that a new stakeholder was the DoE and that C1 found themselves accountable to the DoE for almost every decision they make which impacts the environment. We also found that C1 went to the extent of a \$4 million restructure which included, amongst other things ISO 14000 accreditation in order to comply with the EMA so as to avoid being shut down.

In terms of level of disclosure from our review of management accounts, content analysis of annual reports and the websites, we find that while reporting has to some extent increased, the content of the increased reporting is not substantial.

To conclude the EMA has enhanced the accountability of commercial entities in Fiji in terms of greater accountability to stakeholders and increased environmental reporting. However, the increase in accountability is not generally to the public but specifically to the regulatory authority being the DoE. This increased accountability is largely motivated by commercial entities fear of closure or avoidance of fines and penalties. Environmental reporting has increased but primarily for organizations trying to legitimize their operations. We find that the level of accountability and disclosure is positively correlated with a commercial entity's impact on the environment. The increased reporting for all three entities was also found to lack significant substance. Also the Manger Finance for the commercial entities did not seem to be

aware of the social environmental agenda nor does he play an active role in environmental reporting.

The study has a number of policy implications in terms of how to actually refine the EMA to ensure that commercial entities also increase accountability to other stakeholders who are affected by the entity, but do not possess the same level of power as the DoE to demand increased level of reporting. Other Pacific Island Countries yet to implement an environmental legislation could also learn from the Fiji experience to develop their own environmental laws.

It should be noted that this was an exploratory study of three commercial entities which shared similar support staff. The enactment of the EMA is also fairly recent and most entities are slowly changing towards adoption. Future studies could also investigate the effect of the EMA on commercial entities business performance. Also a study to assess the perceptions of accountants to gauge their awareness of the social environmental agenda could also be conducted to determine whether accountant's attitudes in Fiji have changed since Lodhia's (2003) study. (Neu 2000)

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APPENDIX

Interview Schedule

1. What is your perception of the implications of the EMA on the company's financial reporting processes?
2. Have this regulation in anyway added more responsibilities to your role in the company?
3. Did you undertake any special training from the DOE?
4. Did you carry out awareness in the company regarding the implication of this legislation?
5. Will the EMA improve the company's environmental performance? How?
6. Do you think environmental performance disclosures are useful to your stakeholders?
7. What were some of the changes the company made in order to comply with the EMA?
8. Were there any major costs incurred by the company when it complied with this regulation? If so in what areas?
9. Were there any reservations from the company regarding the introduction of the EMA?
10. If the EMA was not made mandatory, do think the company would have implemented changes anyway?
11. What are some potential benefits that complying with the EMA?