

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

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This study seeks to explore the impact of the Environment Management Act (EMA) (2005) on the accountability of three companies in Fiji. The study uses a multi-case study approach based on three subsidiaries of a conglomerate. Data collection methods include semi-structured interviews with accountants, internal auditors, and environmental officers, document reviews, and content analysis of annual reports and websites of the respective companies. The findings suggest that the EMA (2005) had some effects in terms of engendering accountability on the companies studied. Further evidence suggests that while this increased accountability has led to disclosures in annual reports and websites, these disclosures are minimal at best; furthermore, they primarily address that the stakeholder group comprised government regulatory authorities. 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 in developing their own environmental legislations. 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, Environment Management Act (EMA), sustainability, developing economy, accountability

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 were highly criticized for their 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 about the role accounting has to play in 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 environmental sustainability.

Environmental legislations are one such measure which a number of countries around the world have

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enacted to ensure the continued sustainability of their environment. Fiji's environmental legislation, entitled the Environment Management Act of Fiji 2005 (hereafter referred to as the EMA), was passed in 2005 by the Fiji parliament and became operational in 2008. The EMA provides a useful mechanism that compels Fijian entities to assess their business decisions not simply based on financial constraints, but also in light of environmental issues through the required submission 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 in Fiji 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 multi-case study approach based on three commercial entities in Fiji that are subjected to compliance with the EMA. For confidentiality purposes, the entities' names will not be revealed; however, the authors 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 was also undertaken, while taking into consideration the information about the entities that were disclosed in other reports and other media.

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 the research questions; Section 6 will provide details of the research method and design; Section 7 will discuss the techniques employed for the data collection; Section 8 will provide a discussion and analysis of the results; and Section 9 will conclude the paper, discuss the implications of the study, and suggest possible avenues for future research.

Literature Review

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

The Need for 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 social responsibilities (CSR) through the medium of annual reports, websites, stand-alone reports and having their stand-alone reports audited to enhance the credibility of the information (Rika, 2009).

Although the incremental change in organizations' attitude is commended, skeptics are critical towards the real motive of such reporting. In particular, Cooper and Owen (2007) argued that CSR reporting is just a facade of reputation building rather than that of a genuine concern for accountability to other stakeholders. This stance has been supported by Business in the Community [BITC] (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).

Accountability

Accountability is a vague and multi-faceted term that escapes definition (Sinclair, 1995). The accounting literature lacks consensus as to what accountability really means. However, accountability 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 in or are affected by the organizations' business activities. Benston (1982) identified the recipients of accountability as shareholders, stakeholders¹, and society in general. Environmental accountability, according to Burritt and Welch (1997), 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) resonated the importance of environmental accountability in terms of understanding the "ecological crisis" that exists.

SERs are catalysts used by organizations to discharge their environmental accountability. Global Reporting Initiative (GRI) and account ability standards are two of the most influential and widely-used accountability frameworks in which these SERs are devised. Steccolini (2004), however, argued that the preparation of accountability reports does not denote accountability. It is just the step of demonstrating accountability. Buhr (2007) solidified this notion when she stated that reporting in itself does not constitute accountability, but it indeed promotes the potential for change. In a similar vein, Burritt and Welch (1997) reiterated that reporting is not sufficient to denote the existence of an accountability relationship, and they recommended the need for mechanisms to be in place to ensure that companies 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 and Bebbington (2001) 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 and Bebbington (2001) gave in support of this warning were 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 and 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 and Bebbington (2001) and Deegan and Rankin (1996) are very clear: Corporations cannot be trusted to enhance social and environmental welfare.

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

Accountability mechanisms are, therefore, pertinent in addressing the current woes of accountability. Legislations have been identified as an effective accountability mechanism. Burritt and Welch (1997) strongly posited that regulation is pertinent to the success of discharging environmental accountability from organizations. The tone of the recommendation is in line 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 as genuine.

Consequently, the SER that major business organizations are providing has been argued to be driven by corporate strategy rather than a deep and meaningful commitment to corporate responsibility and accountability (Parker, 2005). Hence, the conflict that organizations face is between being truly sustainable versus meeting the self-interest of the business (Gray & Milne, 2004). That is the reason for the move towards environmental legislations, as organizations are forced to comply with the law or as stated by Buhr (2007, p. 58) make "laws to enforce the behavior" required from them. In doing so, accountability is enforced on the company (Gray, Owen, & Adams, 1996). 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 (Gray et al., 1996).

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 vicinities. Environmental laws are being enacted to ensure that companies operate in a manner that is not detrimental to the environment and to the local population. These legislations often require entities to publicly disclose the social and the environmental impacts of their activities.

Legislations can be an effective tool for 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, 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 (Rika, 2009, 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 of all their activities that affect the environment (Tilt, 2001). 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 CEPs should then be found in the annual report of the company, if the company wishes to be accountable to the public. The stakeholders can then respond to the data communicated to them, thereby influencing the company's environmental policy setting (Tilt, 2001). This is the expected framework that organizations would follow in order to satisfy its accountability function.

There are two major types of CEPs: the charters developed by an outside body and subscribed to by various organizations, and that which is developed by the company for itself (Tilt, 2001). According to Tilt (2001), compliance with the "environmental law" was one of the leading reasons for the provision of CEPs, and

companies appear to be using the CEPs to set their environmental objectives rather than objectives to report or 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” (Tilt, 2001, p. 203). Tilt (2001) 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.

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 to the well-being of its environment; thus, legislation plays a vital role in terms of enhancing and promoting accountability to those organizations whose operations have detrimental effects on the environment. It is easy for SDCs to import environmental legislations from large developed countries (LDCs). The costs of producing these environmental legislations, such as research, legal costs, and stakeholder consultations, have already been borne by the LDCs. These legislations are accessible to anyone, and SDCs could easily select an environmental legislation and tailor it to suit their jurisdiction, or alternatively choose different provisions from different legislations to form their own legislations. The costs of actually drafting these legislations are not significant for SDCs, but if they were to enforce the legislation rigorously, the costs they would bear would be greater in comparison with that of the LDCs from which these legislations were borrowed. This is due to the fact that the fixed costs of enforcement would be the same for both SDCs and LDCs; however, the costs to the LDCs would be lower, as it would be spread over a more affluent community as compared with the SDCs. The lack of financial resources and expertise to enforce these legislations in SDCs 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 SDCs would also be reluctant to enforce legislations that stifle economic activities, and pollution is usually accepted as an unavoidable cost in the quest for greater economic growth by SDCs (Arrow, Bolin, Costanza, Dasgupta, Folke, Holling, & Pimentel, 1996). However, SDCs 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 an additional burden to organizations.

The trade-off between economic growth and environmental protection is not an issue exclusive to SDCs, but to all developing countries. An extreme example is the case of Bhopal, India, where a multinational company’s lack of environmental safety procedures led to a gas leak that killed and injured thousands of people working in the plant and the surrounding community in 1984. The effect of this gas leak is still affecting the surrounding community today. The government of India at the time was also responsible, as they allowed the multinational 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 respect to more powerful investors, such as multinational companies at the expense of less powerful stakeholders. Governments of developing countries desire to attract foreign investment to stimulate economic growth. To attract and retain these foreign investors, governments usually provide incentives. In addition, these investors also receive preferential treatment and the convenience of more lenient accountability requirements. Neu (2000) also found

this to be true in Canada where the Canadian government downgraded accountability mechanisms for multinational corporations. This resulted in degradation of the environment, which Neu (2000) referred 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 was facing after the 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 into 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 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.

The EMA of Fiji

Brief History of the Development of Environmental Legislations in Fiji

Fiji is an example of an SDC that has implemented its own environmental legislations as part of its responsibilities in fostering sustainability and accountability among entities operating in Fiji. The agriculture, tourism, and the industrial sectors are significant, as they are the major sources of foreign exchange earnings. The dependency on such sectors signifies the urgency to implement legislations that ensure sustainable practices from organizations.

The Fiji government has 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 for enforcing such legislations (United Nations Economic and Social Commission for Asia and the Pacific [UNESCAP], 2009). 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, and environmental policies and laws in place, that 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

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 are becoming very real and threatening to the existence of small developing island nations in the South Pacific.

wide-ranging consultations with various stakeholders, it was recognized that the SDB was too comprehensive, making it 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 EMA emerged in 2005, which is a streamlined version of the SDB. The EMA was enacted on March 17, 2005 and became operative in Fiji from January 1, 2008 (Chambers 2008). Section 3 (2) of the act states 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)” (EMA, 2005, p. 6).

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.

Fiji is party to numerous international, multilateral, and regional treaties pertaining to the environment (Evans, 2006), and 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 screening of all 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.

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 the government) who engages in: (i) Providing services; and (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; and (b) The place, land, or premises on, at, or from which the activities mentioned in paragraph (a) are carried on (Part I, Section 2) (EMA, 2005, p. 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 that have an effect on the environment. These provisions are summarized below:

- (1) Waste management pollution control (WMPC)⁵;
- (2) EIA⁶;
- (3) EMC⁷.

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 FJ\$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

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

⁵ The EMA, Part 5.

⁶ The EMA, Part 4.

⁷ The EMA (2005), Part 2, s. 16.

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 is situated in a sensitive ecological zone; in this case, 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.

Permits are valid for a period of three years. The DOE has the powers under the act to inspect any commercial facility if the DOE believes that the commercial facility has breached any conditions as stipulated in the permits. The commercial facilities are only 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 companies that wish to develop a natural resource, an EIA report is required if the development is likely to cause significant environmental or resource management impact⁸. The 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, which 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 an EIA could cost a company around FJ\$10,000 on average, depending on the size of the development. Moreover, while the EIA, if used systematically, should enable control of the quality of the environment in which the project will be developed, Turnbull (2003) argued that the use of EIA reports by the government of Fiji is 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 the approval has been received.

The EMA also requires commercial facilities to establish an EMC. The EMCs provide a means for employees to raise environmental issues which the committee will be able to review before considering appropriate actions. The EMA also requires EMCs to submit reports to DOE. However, the legislation is silent as to the frequency and nature of these reports. There is also no provision under the EMA that requires commercial entities to include such environmental disclosures in the annual reports.

Theoretical Framework

As resonated by Parker (2005), a major obstacle in the Strategic Environmental Assessment (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 that 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) provided insights into the managerial perspective of corporate social disclosures by interviewing 27 public listed companies in Ireland. His findings conclude that sustainability reporting is propaganda of enhancing corporate legitimacy. Legitimacy theory is founded in 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, 1996). However, this theory has a number of limitations. Neu, Warsame, and Pedwell (1998)

⁸ The EMA (2005), s. 27(1) (b).

argued that the legitimacy theory assumptions are too narrow and fail to hold in certain situations, such as interest groups' 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 the 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, this 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 the 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 to be superior to the two aforementioned theories 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 are to improve corporate legitimacy; this assumption rules out any other justification for entities adopting SEA. Institutional theory addresses this shortcoming by focusing explicitly on the organization's processes and other internal factors that facilitate a much more affluent environment that allows the development of additional theoretical explanations (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 (Rika, 2009).

Research Question

This paper's research objective, therefore, is to investigate the accountability mechanisms present in Fiji's environmental legislation: the EMA 2005. The paper will then determine whether these accountability mechanisms have actually enhanced accountability of commercial entities in Fiji. Ultimately, this paper aims to answer the following research question:

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:

- (1) The number of stakeholders the commercial entities were reporting to;
- (2) The content of the commercial entities' reports to stakeholders.

Thus, the specific research questions are:

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

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

Research Method

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 subjected 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 that can be generalized. 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). However, if the case is sufficiently rich, then the findings can also be generalized to similar cases (Hoque, 2006). 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) stated 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 its aim 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.

Boundaries of the Case

It is also important when adopting a case study methodology to identify boundaries to avoid the research becomes too unreasonable in scope (Yin, 2003). The authors have therefore decided to define the boundaries of the 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 the EMA (2005) and the period to date for the three commercial entities. Interviews for the study were conducted in 2011. The boundaries of the study in terms of place relate to the context of Fiji.

Selection of Cases

The commercial companies that were selected were those that had to comply with the provisions 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 about 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 a large publicly listed conglomerate in Fiji. For confidentiality purposes, information relating to this organization and its parent company will be withheld. After the approval was received from the company, Internet research on the company was conducted to gain an understanding of the operations so as for the authors to better prepare the interview. From the initial interview with the finance manager of the company, the authors discovered that he is also the accountant for another subsidiary, under which there are two separate companies. Hence, for the purposes of this case, there are actually three separate companies.

The Case Studies

For confidentiality purposes, the identity of the companies used in this study will not be revealed. The sample of this study consists of three subsidiary companies, which shall be referred to as C1, C2, and C3. All three companies are wholly owned by the same conglomerate. This parent company is referred to as P1. All three subsidiary companies also share the same corporate services and management resources. They all operate in the manufacturing industry, yet their operations impact the environment differently. These operation externalities include air, liquid, and solid waste pollution. As such, all three companies need to comply with the

EMA. The subsidiary company referred to as C1 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 technologies that will reduce its impact on the environment. The three subsidiary companies are leaders in their industry and have also ventured in other Pacific Island Countries.

Data Collection

Data were collected from multiple sources, such as semi-structured interviews, content analysis of annual reports, environmental policies, companies' websites, and other information sources 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).

Semi-structured Interviews

Semi-structured interviews were conducted with staff members of the three companies. Only four staff members from the three organizations were interviewed. The four people interviewed are the finance manager, two internal auditors, and an environmental officer. This is a severe limitation of our study, but it was unavoidable, as all the three commercial entities share the same corporate services and are subsidiaries of the same parent company. Consequently, all the three entities share the same finance manager, internal auditors, and environment officer. Despite this limitation, the authors believe that the information gathered from these individuals was sufficient, as they were knowledgeable in their respective areas in relation to the commercial entities being studied. The limitation is also mitigated by the analyses of data collected from a variety of sources.

Three separate interview schedules were prepared for the finance manager, 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 recorded with the consent of the interviewees. Questions from the interview schedules were posed and follow-up questions were asked to probe deeper into the interviewees' responses. All interviews were approximately an hour each. Interview data were then transcribed and analyzed for important themes.

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, Petty, Yongvanich, & Ricceri, 2004). According to Gray (2006), all forms of company data released to the public domain are considered as an accountability-discharge activity of an organization. The authors, therefore, analyzed the companies' annual reports using content analysis to determine if each 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 (SPSE) over the period of 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 reports. This analysis would also be relevant in answering RQ1b by providing insights into whether the level of reporting to external stakeholders has increased after the implementation of the EMA.

Other documents, such as CEPs, environmental plans, and mission statements, were also analyzed.

Content Analysis of Corporate Websites

Content analysis of the companies' websites for SER 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, Joseph, & Madi, 2007). Social environmental reporting on the Internet provides a number of advantages, such as having an inexpensive and effective vehicle to communicate to various stakeholders (Ho & Taylor, 2007), greater accessibility for users as a result of the Internet's interactive capabilities (Lodhia, 2006), and the means to provide a more diverse range of social environmental information through the Internet's capability of providing larger information and incorporating electronic versions of documents (Frost, Jones, Loftus, & Laan, 2005). Hence, 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.

Analysis and Findings

Research Question Analysis

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

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

The interview with the finance manager revealed that there was no increase in the number of stakeholders after the implementation of the EMA. According to him, the three companies have always considered the rights of all major stakeholders and were always acting in an environmentally responsible manner. When probed as to who these stakeholders were, the response was mainly: "... the government and the shareholders..." (An interview with the finance manager of C1, June 20, 2011).

This response suggests that the company's main motivation for complying with the EMA was demand-driven rather than responsibility-driven. This means that the company complied with the EMA to secure the interest of its powerful stakeholders only. Environmental acts, such as the EMA, are designed to increase companies' social responsibility, thereby widening their accountability to the general community in which they operate. Such legislations should have triggered business process restructures in order for companies to engage in business activities that not only advance the interest of its powerful stakeholders, but also accommodate the general interest of the society. The finance manager's response also supports the conventional viewpoint of accounting where only those parties that could affect an organization's operations are regarded as important to the company.

The interview with the company's environmental officer, however, revealed that a new stakeholder existed after the implementation of the EMA. This was 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 an FJ\$4 million restructure of its facilities to comply with International Standardization Organization (ISO) 14001 standard. The ISO 14001 standard provides the requirements for entities to

implement Environmental Managements Systems (EMS). An EMS provides the framework for integrating CEPs, programs, and practices into the operations of the entity (Morrow & 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). The organization will then be on an improvement cycle, learning from successes and failures and improving operations and outputs (Welford, 1992). 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 that: "... 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" (An interview with the environmental officer of C1, June 20, 2011).

This was also reiterated by the finance manager who stated that:

The dust emissions from the factory were 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. (An interview with the finance manager of C1, June 20, 2011)

These statements imply that the real motivation to implement an EMS was not because of a deep-seeded commitment to the environment that is stated as the main reason on C1's website, but due to fear of closure. C1 was willing to spend FJ\$4 million to ensure that it would not close down. The responses above again indicate that the motivation for compliance with the EMA was to legitimize the company's operation to powerful stakeholders in order to secure its survival.

The authors also asked the staff whether C2 and C3 are moving towards ISO 14001. The finance manager replied that: "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" (An interview with the finance manager of C1, June 20, 2011).

The finance manager confused ISO 14001 with ISO 9001. Both are international standards, but the latter relates to the standards to ensure the quality of their product, while the former relates to the implementation of EMS. When asking the same question to the environmental officer, he stated that: "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" (An interview with the environmental officer of C1, June 20, 2011).

The adoption of ISO 14000 by C1 instead of by C2 and C3 is best explained by the coercive isomorphism aspect of the institutional theory. Coercive isomorphism is the adoption of generally accepted norms by organizations due to pressures from more powerful stakeholders who are able to exert tremendous pressures on organizations to change (Rika, 2009). The powerful stakeholder in this case is the government, who has significantly exerted pressure on C1 to reduce pollution output. Government pressure was the significant factor in the adoption of ISO 14000 by C1. Delmas (2002) also supported this, as he found that governments could play significant roles in a firm's decision to adopt international environmental standards. 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 (Delmas & 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 that: "... 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" (An interview with the environmental officer of C1, June 20, 2011).

The reasons given by the environmental officer included the risk of fines and penalties and halting of operations of the business. However, with regard to C2 and C3's operations, the environment officer stated that: "... We don't have to inform DOE, because their operations are not that problematic" (An interview with the environmental officer of C1, June 20, 2011).

The introduction of the EMA has not increased the number of stakeholders the company feels accountable and responsible to. The DOE is the only party that the company has identified as important apart from its traditional stakeholders after complying with the EMA. The DOE is, however, the legislation regulator and has the authority to punish non-compliance with fines, litigations, and in extreme cases, the termination of operations. Even though the participants mentioned other stakeholders such as members of the community that are affected by the company's operation, minimal emphasis on this group of stakeholders was noted. This attitude suggests that CSR is still new in Fiji and that companies are still adopting the conventional accounting perspective which only emphasizes traditional stakeholders, such as shareholders, investors, and the government (Lodhia, 2006).

The company's main motivation of complying with the EMA can therefore be perceived as a technique to legitimize itself to its powerful stakeholders; in this case, the DOE in particular. The stakeholder theory argues that the reports and the adoption of the ISO 14001 are tools that the companies use to manage relationships with its powerful stakeholders for survival purposes. The company's compliance with the EMA is to secure its own interest and is not driven by a sense of social responsibility.

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

The finance manager stated that they are incorporating more environmental information in their monthly management accounts. He was able to show us a copy of 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. The authors 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 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 finance manager also confirmed this and said that the 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 about the importance of environmental issues in the balance scorecard system, as it has yet to be fully implemented.

The authors also analyzed the level of environmental disclosures by all publicly listed companies on the SPSE for the period from 2007 to 2011. Table 1 summarizes the results of the findings of this paper.

Table 1

Environmental Disclosures by Listed Companies From 2007 to 2011

Company ref.	No. of sentences (2011)	No. of sentences (2010)	No. of sentences (2009)	No. of sentences (2008)	No. of sentences (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
P1	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

Only five companies attempted to disclose environmental disclosures in their annual reports. P1, the parent entity of the three case subsidiaries being studied, was one of these companies. The analysis shows that after the enactment of the EMA, environmental disclosures in the annual reports of P1 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 the three commercial entities in this case study are subsidiaries of P1, the authors 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

(Table 2 continued)

Company ref.	No. of sentences	Location	Access route
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

Notes. *: 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; and ***: No website.

This analysis revealed that C1, C2, and C3 are using websites as the main medium to report environmental disclosures to interested parties. The participants indicated that disclosing information online was much cheaper and easier as compared with disclosing in annual reports. Websites enable the company to disclose more information at a faster rate to a wide range of stakeholders.

From the three companies, C1's website has the most disclosures. Furthermore, the disclosures were displayed on C1's home page, while the other two websites disclosed their environmental information on different pages which needed to be accessed via a tab link. The difference in website structures may suggest the different level of importance the companies place on complying with the EMA. Compared with the other two subsidiaries' operations, C1's operations are directly affected by the EMA. Thus, C1 will tend to publish as many environmental disclosures as possible to try and portray an image to the regulators that it is a socially responsible company.

This analysis also reveals that the content of reporting with regard 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 environmental disclosures 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 the legitimacy theory, which predicts that firms under scrutiny will legitimize their activities through voluntary reporting. However, it should be noted that this analysis for websites could not determine whether the level of reporting had increased after the introduction of the EMA, as that would require the authors to analyze the amount of environmental information the websites published prior to the EMA, which they are not able to do.

Conclusions

The objective of this study is to investigate whether aspects of an environmental legislation will enhance the accountability of commercial entities in Fiji. The study uses a case study-based approach of three commercial entities. The authors find that the accountability of all three entities is enhanced, but in varying degrees. This is especially the case for C1 whose operations have a greater impact on the environment than C2 and C3. The accountability is operationalized by observing the number of stakeholders the companies are

reporting to and by checking whether the contents of their reports have increased with regard to environmental disclosure. With the former, the authors find that a new stakeholder is the DOE and that C1 finds itself accountable to the DOE for almost every decision it makes that may impact the environment. The authors also find that C1 goes to the extent of an FJ\$4 million restructure which includes, amongst other things, ISO 14000 accreditation in order to comply with the EMA and to avoid being shut down.

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

To conclude, the EMA has to some extent 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, which in this case is 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. The authors also 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 the three entities also lacks significant substance. Furthermore, the finance manager for the commercial entities neither seems to be aware of the social environmental agenda, nor does he play an active role in environmental reporting.

The policy implication of this paper is in terms of how the DOE can 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 which have 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 is an exploratory study of three commercial entities which share similar support staff. The enactment of the EMA is also fairly recent, and most Fiji entities are slowly moving towards adoption. Future studies could also investigate the effect of the EMA on commercial entities' business performance. 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.

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Appendix

Interview Schedule

1. What is your perception of the implications of the EMA on the company's financial reporting process?
2. Has 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 you think the company would have implemented changes anyway?
11. What are some potential benefits if complying with the EMA?