CORPORATE ENVIRONMENTAL RESPONSIBILITY: COMMITMENT AND COMPLIANCE

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ABSTRACT

Corporate Organizations seem to embrace Corporate Environmental Responsibility for very different reasons: Compliance, Commitment (to environment), Camouflaging (environmental sins) and seeing yet another business opportunity in environmental goods and services. This paper discusses these dimensions.

Keywords: *Corporate Environmental Responsibility, Corporate Governance, Environment*

1. INTRODUCTION

Most Corporate organizations regard environmental regulations like emission control as constraints which they must satisfy in their pursuit of maximizing profits. They look at environment from a **compliance** point of view. However, some organizations **embrace environment** as a positive feature of their products, like 'green products' and show their **commitment** to environment as a feature of product differentiation. There are also other organizations that look at environment as a market and as a new business opportunity and **exploit environment** by entering this market with new environmental products and also advertising some of their activities as part of their Corporate Social Responsibility. The compliancers look at cost, the embracers look at consumer behavior and product differentiation and the exploiters look at the possibility of either green bucks or 'green-washing' their image. In this essay, I would like to examine these issues.

2. ENVIRONMENT AS A CONSTRAINT

In this case, environment is treated as an externality. That is the company that pollutes does not incur the cost but others in the society bear it. Take the case of a chemical factory which discharges toxic effluents into the river. And say there is no environmental regulation to check this company discharging the effluents. The company treats the river as a free resource. Since it is a free resource, it over uses it and pollutes it more. Upto a certain point, the river itself has the absorbing capacity and nothing happens. But beyond this level of pollution discharge, fishes in the river start to die. This is a 'cost' not borne by the company but by the fishermen, who also fish in the river. The solution to this problem is to make the company pay a pollution tax, an amount equal to the value of the fish that die, based on the extent of pollution. This is called internalizing the externality, viz. making the company pay for the pollution, which it was not paying before, and thereby making the pollution cost internal to the company.

3. CASHEW CULTIVATION, PROCESSING AND POLLUTION

While calculating the cost of pollution of river in terms of the fishes dying may be simple, there may be other situations where it may be complex. When a cashew growing farmer resorts to aerial spraying of insecticides like endrin, BHC and endosulphan on the cashew crop in his field, the population and children in the area develop skin infections.

Because farmers are 'holy cows' nothing can be done to stop this, except bringing to public awareness[i]. About 26,000 hectares are under cashew cultivation in Kerala in Kasargode and Kannur districts. Cashew cultivation needs very little care and cashew is a lucrative export commodity. From 1963 onwards as a part of management of the plantation, agrochemicals were used in all the estates. Hand pumps were used for spraying pesticides at that time. Toxic chemicals like Endrin were in use at that time and no precautions were given to the workers while spraying. Like doing any other work in the plantation, they resorted to this spraying operation in their usual dress dhoti and shirt. They never even covered their nose or mouth with a cloth while spraying. In 1980 they started the aerial spraying programme saying

that this is the most effective and economic way of managing the pests of a plantation[ii]. Here we see an example of economic objectives and environmental objectives on the opposite sides of each other.

Interestingly, Cashew curing in factories has its own environmental problems. The drum roasting method of curing, leads to air pollution. The Andhra Pradesh Pollution Control Board issued orders to close down many factories in Srikakulam district for not switching over to a more environmentally friendly method of curing, viz. boiler cooking method. Obviously, the boiler cooking method needed new and costly machinery which the cashew curing factories resisted. Each unit required about Rs.10 lakhs for change over. The Central Government announced a subsidy scheme of Rs.10 lakh for each unit, of which Rs. 2.5 lakh was subsidy and the remaining was tax concession[iii]. Eventually, they changed over.

4. COKE-PEPSI AND POLLUTION:

In 2003, the Centre for Science and Environment, an NGO in Delhi, published a report 'Pesticides in Cold drinks' where it alleged that it found in Pepsi and Coke drinks in India, residues of lindane, DDT, malathion, and chlorpyrifosup to 36 times the maximum allowable limits set down by European regulations for pesticides in water used as food. The environmental organization says these agricultural pesticides have contaminated groundwater used in the manufacture of the soft drinks.
"Each sample had enough poison to cause, in the long term, cancer, damage to the nervous and reproductive systems, birth defects and severe disruption of the immune system," the CSE report said.
The CSE's Pollution Monitoring Laboratory, which conducted the tests, found pesticide residues in bottles of the two soft drink brands sold in India, but no residues in bottles of Coke and Pepsi sold in the United States.

Coca-Cola, in a statement issued claimed that the soft drinks it manufactures in India "conform to the same high standards of quality as in the U.S. and Europe and that there is no duality of standards.''
Pepsi, in a separate statement, claimed that all its products met all international standards and that the company has delivered only "safe and world-class quality" drinks to Indian consumers. "All Pepsi products meet and indeed better the most stringent testing standards," the company said.
But the controversy has exploded beyond the controversial CSE laboratory report. In 2003 two Indian state governments intensified matters by accusing the two drinks companies of causing cancer, kidney failure and miscarriages. The West Bengal government said that its Pollution Control Board has found high levels of the toxic metal cadmium in waste released from Coca-Cola and PepsiCo plants. The Kerala Pollution Control Board made a similar claim about Coca-Cola's Plachimada plant. It is not accidental that both Governments were Communist Governments, which used the report to attack the US based MNCs.

Meanwhile, the Centre for Science and Environment was contemplating legal action against the cola companies for attacking the organization's credibility and for not presenting relevant data to support their allegations that their soft drink brands are safe[iv].

Several lessons can be learned from this episode. 1. While CSE said that the drinks contained 36 times the pesticides as in Western countries, it was silent on the quality of input water. Obviously, these contaminations were part of the water and not part of processing. Even the milk supplied by Government PSUs like Nandini and Avin may also contain similar insecticides, but NSE did not choose to test that. Thus NGOs have a tendency for MNC bashing, even though such reports have their use in keeping the MNCs on their toes. 2. The MNCs did not choose to remove the insecticides, because the Indian Rules did not require them to do. So they have a tendency to exploit the loop holes or ignorance of developing countries, or even bribe their way through corrupt Government officials for sulking compliance. The Bhopal Gas tragedy would not have occurred in Union Carbide's Connecticut plant, because of greater clarity in environmental laws and better enforcement in the U.S. 3. MNCs will use their money power to muscle such organizations as CSE by involving them in series of court cases, where the NGOs cannot match them in money power. 4. At the same time, they suffer incalculable damage to their reputation by publication of such adverse reports, which damage their credibility and instigate Governments in developed countries too to investigate them. For instance, UK Government also found that Coke was bottling ordinary water and selling as mineral water!

5. COKE MEETS ITS WATERLOO IN WATER

Coca Cola has the biggest brand name in the World and few would have thought that it would have found a slippery slope in marketing its bottled water in UK, under the brand name 'Dasani'. But only after 5 weeks of its launch, in March 2004, it had to withdraw Dasani off the shelves in UK. What went wrong? Dasani was launched in the USA in 1999 as a bottled, purified water, and had become a huge success there. Taking that same formula and repeating it for the UK market must have looked like a breeze, but that wasn't quite how it turned out.
Unlike most of the bottled water sold in British petrol stations and supermarkets Dasani hadn't come from alpine glaciers or trickled out of a precious natural spring - it had come out of the local tap. True, the company put it through a purification process and added mineral salts, but the source was still tap water. The British press and people were outraged that they had to pay 95 pence for drinking tap water, marketed in a blue bottle, as a life style product! To add insult to the injury, some carcinogenic chemicals got into the process and Coke had to withdraw 500,000 bottle in circulation leading to the demise of the brand in UK and Europe. A vigilant press brought about this in the UK.[v]

6. EXXON WALDEZ POLLUTION

In 1989 The Ship Exxon Waldez dumped 11 million **gallons** of oil in the Alaska's coast out of its carrying of 1.5 million **barrels** of oil, and destroyed 700 miles of coastline and killed 36,000 birds[vi]. In the subsequent clean up operation, it further endangered the health of another 6,700 workers due to chemical poisoning by inhalation of oil mists during the clean up[vii]. Experts opined that had it used double hulled ships instead of single hulled ones, which were 20% cheaper, it might have drastically reduced the damage. It saved some $18 million using single hull ships, but eventually paid a cleaning cost of around $3.9 billion over 3 years and a punitive damage of around $507 million, apart from damage to reputation.

7. GREEN EMBRACERS

A whole new industry has come up offering green products for the home and office. Their product line includes green products made from organic, recycled, or bio-based (biodegradable) materials that lessen the impact on the environment. They have a full line of environmental products that can transform any home into an eco-friendly environment. Similarly another class of industry has come up that is in the business of pollution abatement, using new technologies and innovative solutions. Yet another industry looks at green final consumption products. These industries supply organic farming based vegetables, free of pesticides, for which some consumers are willing to pay more. The local **Namdhari** vegetable shop is an example.

Green certifying organizations are one of those that want to make hay in the environmental sun shine. They have come up with procedures that certify a product / process to be green, based on the following criteria[viii]:

Manufacturer's Commitment to Sustainability:
Is there a written, working environmental policy in place?
Is it easy to find on their Web site or product literature?
Does this policy strive to make important improvements in manufacturing, reducing and reusing first, then recycling?
Do they comply with their industry's voluntary testing programs?

Product's composition

What are the raw materials used to create the product?
And where do they come from?
Did the materials come from renewable resources?
Is the manufacturing process energy efficient?
Does the manufacturing process release harmful substances?
Are adhesives needed to make the product viable?
What are they using?

Other aspects of the products:

Are coatings or finishes needed to make the product viable?
What are they using?
Does the product nurture the health and well-being of its occupants?
Does the product do the job well?
How much energy does it use?
Does the product release VOCs? At what rate?
How is the product packaged and transported?
How is the product installed and maintained?
Does it have a color or texture that can lead to reduced lighting energy or an expanded range of thermal comfort conditions?
Can the product be maintained in a benign manner?
Using safe cleaning products?

Strategies for disposal:
Is the product durable? Biodegradable? Recyclable?
Can the parts be separated for recycling?
Can it be made into something else?
Can the product be returned to its manufacturer at the end of its useful life?

Cost considerations:

What is the price range for the product?
Does the manufacturer provide life cycle cost analysis on this product?

8. ENVIRONMENT EXPLOITERS (FOR IMAGE)

These organizations exploit being green for their Corporate Social Responsibility slogan. They are mainly energy producers who pollute the environment in the process and therefore want to 'green-wash' their negative image with green related atonement of their sins. There are other non-sinners, who just include 'greening' as part of their CSR product-mix; here CSR works as a public relations tool, creates a positive impression of customers about their products and improves their profits thereby. For instance, Du Pont voluntarily stopped making Chlorofluorocarbons. Patagonia makes very expensive natural garments. In the second category, Ben and Jerry's (ice cream maker) has a Product mission which states: "to make, distribute and sell the finest quality all natural ice cream and euphoric concoctions with a continued commitment to incorporating wholesome, natural ingredients and promoting business practices that respect the earth and the environment".

In a book on Environment and CSR, the authors ask and answer the question: When does it pay for firms to be green? The answer is simple: viz. when it can either increase consumer's willingness to pay or reduce the costs.[ix] They also say that only a few firms do active CSR and that too under special circumstances.

9. ENVIRONMENT AND CSR COMMITMENT OF ORGANIZATIONS:

Most energy organizations and most polluters are high on Environmental rhetoric. An inspection of web site of Oil Energy giants tells this story. For Instance Total, a French energy firms, puts environment at the top of their website. It claims that they do the following environmental good deeds:

- Improving air quality
- Protecting water resources and optimizing use
- Maintaining bio diversity
- Reducing and recycling waste
- Remediating sites and soil

Exxon says that they reduce their environmental impact by a host of the following things:

- Spill prevention
- Air emission from operations
- Waste management
- Water management, and
- Site remediation

De beers has to capture the hearts of women and men and so being environmental friendly is a sine qua non for its business. It claims that the stewardship of environmental resources is a core part of their commitment to the future of the countries in which we operate. They say that more than 185,000 hectares of their owned and managed property is set aside as nature reserves that conduct research on biodiversity.

10. CONCLUSION

For all the ascendance of environmental concerns in the society especially through increased awareness of the climate change problems, environment is still looked upon as something to be complied with, in order to be within the bounds of legality and firms have not gone beyond. Those firms that have indeed gone beyond are few, and their circumstances were special, in the sense that they may be making so much money that they could afford the luxury of donning the environmental mantle. Thus it would appear for firms profit comes first, shareholder's welfare next and environment comes after these basic goals are satisfied.

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