ON VERACITY IN CORPORATE SUSTAINABILITY CLAIMS: WHY SOCIETY SHOULD BE CAUTIOUS

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Abstract

This paper rethinks the veracity in corporate sustainability claims and highlights the need for societal caution in relying on sustainability claims. The paper adopts an opinionated approach but uses existing literature to argue that, whilst genuine corporate sustainability may exist, there may be some pockets of pretentious sustainability claims. Consequently, the paper cautions that false corporate sustainability presents danger to society in that it may prevent societal alertness against corporate unsustainability; these hazards include the danger of obscured escalation of carbon emission, with associated climate change impacts and entrenched socio-economic inequity that may escalate poverty. It concludes by proposing that regulatory agencies should adopt a 'behind-the-scene' strategy (beyond paid sustainability assurers) to authenticate corporate claims of sustainability.

Keywords: Environmental Sustainability; Sustainability Claims, Phoney Sustainability, Corporate Sustainability, Sustainable Development, Environmental Claims

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Introduction

Corporate sustainability reporting and claims of environmental friendliness have been increasing in recent years, possibly due to the growing global concern for environmental sustainability. Consequently, the sustainability claims of business have gained impetus because corporations businesses are blamed, in part, for allegedly destroying the environment and for doing little to mitigate pollution that has unfortunately resulted in the depletion of the ozone layer and negatively influences global warming. Although corporate environmental sustainability behaviour is not currently regulated, growing societal pressure seems to drive positive corporate environmental behaviour (Bowen, Neweham-Kahindi and Herremans, 2010). However, for other firms, sustainability pressures seem to be shift the previous attitude of corporate environmental apathy to a posture that is camouflaged as environmentally friendly while continuing business as usual (O'Connell, 2010). Hence, current and future environmental injustice may manifest and persist differently (Sicotte, 2009) amidst seemingly bogus sustainability claims. Thus a critical strand of literature has arisen to condemn phony sustainability claims. Despite apparent deceitful environmental claims, sustainability rating organisations (SAM, 2011; Dow Jones Sustainability Index, 2011; and FTSE, 2012) and a group of scholars (Chouinard & Brown, 1997; Berry & Randinelli, 1998; Forbes & Jermier, 2010; and Ferrer, Cortezia and Neumann, 2012) believe there are firms who are striving for genuine sustainability. Thus, there are apparently two schools of thought attempting to interpret corporate sustainability claims, and these are examined in this paper.

The problem that motivated this paper is the seeming dilemma between the current growth in corporate sustainability claims and the critical views on such claims, augmented by contemporary cases of false sustainability claims that cast doubt on the veracity of sustainability claims. Ultimately, deceptive claims of sustainability appear to be a new tactic to perpetrate corporate environmental infringements and its consequent social neglect while sustaining huge exploitative capital and economic fortunes.

The question that guides this paper is: Are all contemporary sustainability claims credible? And why should the society be cautious of some corporate sustainability claims? The paper aims to discuss the veracity or otherwise of contemporary corporate sustainability claims, and to highlight the need for society to exercise caution regarding corporate sustainability claims. It also attempts to suggest a framework – a behind-the-scene approach - to assist regulatory agencies in authenticating sustainability claims before presenting such claims to the public.

The paper is structurally subdivided into three sections as follows: The first section presents some thoughts on genuine corporate sustainability; a brief critique of phony sustainability claims; the second section highlights why society should be cautious and suggests a behind-the-scene approach to verify sustainability claims and the third and last section presents conclusions.

On Benevolent Corporate Sustainability

Documented evidence that seeks to extol corporate sustainability may be found in the publications of rating agencies and in some research literature. The sustainability and/or environmental rating agencies attempt to embolden environmentally responsible firms by enlisting their names in the public domain as best performers (Dow Jones Sustainability Index, 2011; and FTSE, 2012). In the same vein, some research literature has tried to establish the extent of corporate sustainability or environmental disclosure and, based on researchers' ratings, sampled companies have been approved as environmental sustainability friendly (Forbes & Jermier, 2010; and Ferrer *et al*., 2012). From a corporate benefit perspective, Ditz, Ranganathan and Banks, (1995) reported cases in which nine firms genuinely adopted environmental accounting to improve process and resource efficiency. Such firms' environmental operations contribute to ecological management and thus to sustainable development. Likewise, in their essay on proactive corporate environmental management, Berry and Randinelli (1998) claim existence of proactive corporate environmental management in industrialised countries. Hence Berry and Randinelli (1998) conclude that sustainability values are now being embraced by most multinational companies.

A similar empirical study that acclaims genuine corporate environmental sustainability was conducted by Ehrenfeld and Gertler (1997) who presented a case of industrial ecology in practice from the industrial district at Kalundborg, Denmark. These authors found practical examples of 'industrial symbiosis' (p.67), in which firms exchanged waste, by-products and energy amongst themselves, thus leading to much desired cleaner production and a sustainable ecosystem. In a related study, Hoffman (1997) identified the Motorola Company as an example of a firm that applies Design for Environment (DfE) to address customer and environmental requirements in its manufacturing processes. Similarly, Chouinard and Brown (1997) examined the use of organically produced cotton in Patagonia's clothing manufacturing that resulted in a reduction of the environmental footprint of the company and on consumers. Very recently, Ferrer *et al.*, (2012, p.142) have demonstrated how industrial symbioses led to 'a successful case of operational and cultural change in the disposal of industrial waste' in the town of Três Coroas, Brazil; thus leading to cleaner production and ecological responsiveness. These authors cite the work of Chertow, Ashton and Espinosa, (2008) which investigated another case of sustainable manufacturing via industrial symbiosis in Barceloneta, Puerto Rico, where pharmaceutical and chemical plants initiated an industrial symbiosis that led to a common waste-water treatment and conversion of sludge to fertilizer for agricultural application by nearby farms. Hence, Lifset (2012) has recognised progress in industrial ecology and highlights that contemporary growth in industrial symbiosis may be a veritable catalyst to green growth. These practical examples of proactive environmentalism suggest that genuine corporate sustainability does exist even in the midst of seeming corporate ecological apathy and/or phony sustainability claims.

On Phony Corporate Sustainability

Contrary to the benign literature that eulogises corporate sustainability claims, the other strand of literature evidence seems to suggest a preponderance of phony sustainability and/or claims of ecological friendliness through advertising and/or reporting. Thus, the question that was raised by Gray and Bebbington (2001, p.1) may be seen to resonate here, namely, 'Is the planet safe in the hands of business?' For instance, in 2011, a Belgium advertising watchdog banned a false claim of sustainable production of palm oil by the Malaysian Palm Oil Council (Friends of the Earth International, 2011); and in June 2012, a Deep Fish Ad Case ruling in France found a French supermarket giant, Intermarche, guilty of making false claims that its fish are sustainability caught (PR NewsWire, 2012, p.1).

Consequently, Wannen, (2010) bemoans the growing environmental hypocrisy in sustainability disclosure; non-performing firms hide under the cloak of triple bottom line (TBL) and are shielded against public condemnation and may continue business as usual with a diminutive environmental stance (Prior *et al*., 2008; and Gray, 2010). For instance, the New Economics Foundation (2000, p.2) comments thus: "…there are huge discrepancies between what some of the leading reporting companies say versus what they actually do. Some are guilty of excluding relevant information, while others could be accused of outright corporate lies".

This seeming lack of credibility in certain sustainability reports is further highlighted by Adams (2004, p.731) who concludes from his empirical study that some sustainability reports fall short of accountability on ethical and environmental problems. Similarly, recent findings by Qian (2011, p.2) in Australia suggest lack of significant change in corporate eco-efficiency behaviour amidst mandatory disclosure in Australia. Furthermore, a 2008 sustainability reporting survey identified a 'business as usual' stance by certain corporations (Sustainability, 2008). Rawlins *et al*., (2008, p.1) conducted an in-depth study in which they measured the transparency of sustainability reports of Fortune 50 corporations and they found that sustainability reporting was being used as a public relations tool.

Additionally, a 2010 sustainability reporting survey in Brazil notes 'a great deal of polarization' regarding report quality, rigour and credibility (Sustainability, 2010, p.1). In the same vein, it is reported that the 'environmental and sustainability initiatives' of some United States of American firms 'reveal fundamental flaws that pose real questions as to their value and credibility' (Management-Issues, 2010, p.1).

In the same vein, Siddiqui (2009, p.1) has observed that corporate philanthropy claims by Pakistan business tends to co-exist with unsustainable behaviour since according to Siddiqui, some firms are involved in labour exploitation. Hence, Frynas (2005) has stressed that a rift exists between the proclamations of corporate social responsibility by some oil and gas companies and what they actually do. Thus, some oil and gas firms engage in 'false developmental promise of corporate social responsibility' (Frynas, 2005). These suggest that with this neo-capitalist tactic, society is unconsciously being plunged deeper into social and environmental problems through oblivious environmental friendly messaging intended to obscure real environmental degradation plunder.

Why society should be cautious

Drawing from preceding sections, it seems that some corporate sustainability claims may not be veracious. This therefore calls for caution on the part of society because, if corporate unsustainability is concealed by undue sustainability claims, it may contribute to hamper efforts towards biodiversity conservation, carbon reduction, adaptation and reduction of socio-economic inequality. Accordingly, the following section offers a brief discussion on these issues that necessitate caution.

Biodiversity, Carbon and Climate Change

It is widely believed that human activities, mostly industrial, contribute to loss of biodiversity and climate change. However, transparent communication of sustainability efforts is vital towards the initiation and implementation of policies for biodiversity conservation and effective adaptation to and mitigation of climate change (International Energy Agency [IEA], 2009). But corporate exaggeration of sustainability activities might divert government attention from actual corporate threats to biodiversity management and conservation as firms whose operations are destructive to biodiversity make false claims of sustainable operations.

Furthermore, false claims of carbon reduction may result in a more intense rate of carbon emission with attendant increase in climate change impacts on society. This means that some quantity of factual emissions is being hidden from the attention of monitoring and/or regulatory agencies. Even where a firm's direct operation is less carbon intensive, the firm's importation might be carbon intensive; in such situation, it is misleading for a company that imports goods with heavy carbon content to claim sustainability, as such business is fraught with 'hidden carbon' which might be inimical to a country's carbon control efforts. In the same vein, an exaggerated sustainability disclosure on energy conservation might imply that, in reality, more energy is being consumed unsustainably.

False sustainability claims may thus constitute a diversionary tactic to avoid the attention of regulatory authorities, and this may be more dangerous than overt sustainability apathy in that it seems to be fashioned to obfuscate regulatory censure and societal alertness, which may in turn frustrate efforts toward the global desire for sustainable development.

Socio-Economic Inequity

Socio-economic equality is a vital component of sustainability; but feigned corporate sustainability claims may perpetrate obscured socio-economic inequality –through diversionary sustainability claims to circumvent regulatory censure. And this may resonate in this critique of corporation: "...this 'opulent minority' does not give what it does not intend to 'begin' to claw back with its cold, non-living corporate 'hand'" (Ransel, 2010). Consequently, false sustainability claims appear like a modern devise for incessant penchant for "clawing back" as socio-economic inequity is shielded by deceitful sustainability claims, which constitutes a subtle betrayal of sustainability. For instance, a phony sustainability claim may obfuscate poor conditions of corporate health and safety issues to entrench social and economic inequity against workers. The current labour unrests in the South African mining and farm industry serve as an example. Whilst working conditions in the South African mining and farm industry are tantamount to modern day slavery, alluring sustainability reports by mining firms becloud the reality by painting a glossy picture of happy workers. Such reports apparently camouflage sustainability and misinform regulatory authorities (Fonsenca, 2010) into believing that all is well in the firms and thus obstruct external interventions that may restore desirable sustainable corporate environment.

Gross underpayment, poor working and living conditions of workers in the South African mining and farm industry have contributed to deepening existing socio-economic inequality. In this milieu, it has been difficult for workers to meet basic pressing needs of immediate families such as children's education and healthcare; decent housing. Workers are exposed to poor health and safety working conditions leading to numerous fatalities. Low environmental standard for air and water have awful consequences for miners and farmers negatively impacting on indigenous peoples' rights to the use of agricultural lands. Hence Probsting (2012, p.1) comments: "...As a result, many miners and farmers – and in particular their children suffer chronic illnesses. The farmers around the mines are often forced to give up their land as a result and the mining corporations buy up their land cheaply".

Furthermore, labour protests that exposed poor wages and lack of healthy working and living conditions resulted in the shooting of mine workers with live bullets, leading to the untimely death of many workers, thus violating workers' rights to freedom of speech and fair hearing, and consequently inflicted further social-economic inequality and suffering to the poor families of deceased workers (Jika, 2013). These are few examples and instances of hidden risks of unsustainability that is obscured by distractive corporate sustainability claims.

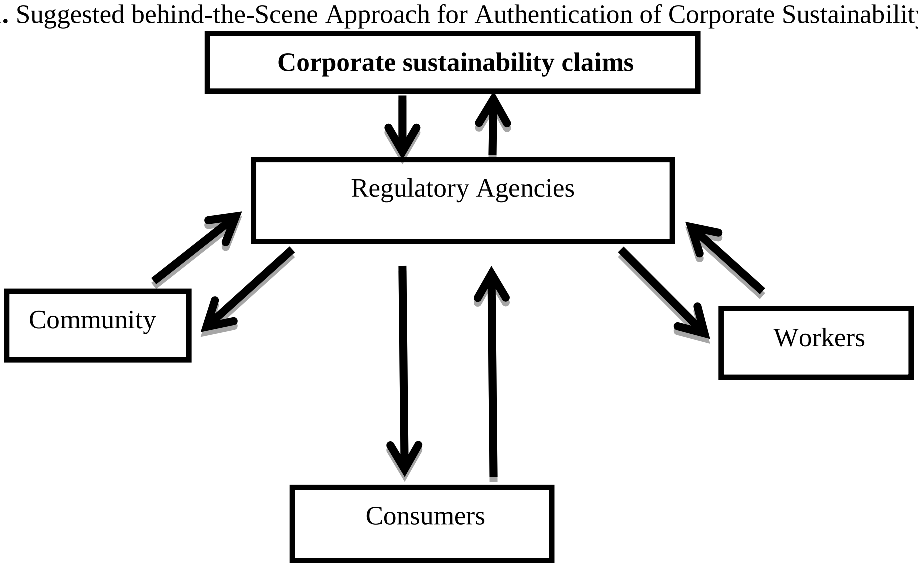
Subsequently, Mathew (2009) calls for a proposal for further development of sustainability reporting verification methodology that may enhance veracity in corporate sustainability. Accordingly, this paper suggests that the time has come when regulatory agencies should look beyond the assurance reports of sustainability consultants, to adopt a behind-the-scene approach to authenticate corporate sustainability claims before publication.

Conclusions and recommendations

This paper set out to rethink the veracity of corporate sustainability claims and to highlight the need for society to exercise caution in relying on claims of sustainability. Whilst some benign literature recognises and extols instances of genuine corporate sustainability commitment, there are critical views and/or current evidence that suggest apparent appropriation of sustainability by corporations to perpetuate unsustainability and economic hegemony. The paper however recognises that feigned sustainability may be more dangerous than overt corporate sustainability apathy in that it may obstruct regulatory alertness against corporate unsustainability. The paper as such highlights the dangers of obscured corporate unsustainability which includes, *inter alia*, concealed obliteration of biodiversity; disguised increase in carbon emission; social and economic inequity; and associated poverty.

This paper proposes a behind-the-scene approach as graphically presented in Figure 1 below. This suggests that companies should submit their sustainability claims to regulatory agencies that should thereafter proceed to validate the claims by seeking independent opinion and/or evidence from workers, the local community, and consumers regarding the veracity of such claims. Ultimately, companies may only report or advertise sustainability claims after a regulatory agency has, after satisfactory authentication, issued reporting permission to the relevant company. This may eliminate subjectivity inherent in the opinions of sustainability assurance consultants. This suggested model may also assure governments that subscribe to sustainability principles and ethos that corporate environmental sustainability reports accumulate appropriate achievements and outcomes.

Figure 1. Suggested behind-the-Scene Approach for Authentication of Corporate Sustainability Claims



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