

practices in the S&P/ASX200 which suggests that the risk of environmental exposure threatening an additional 60 companies makes an environmental report of this type crucial⁴. In addition to considering the appropriateness of verified corporate environmental reports, companies should review their Director Statements under s299(i)(f) of the *Corporations Act*. Environmental disclosure can also be integrated into the company's Annual Report and published on corporate websites.

In Australia, the *Financial Services Reform Act 2001* ("FSRA") now requires the disclosure statement of financial products to include information about the extent to which the product issuer does or does not take into account labour standards and environmental, social and ethical considerations. In the UK, the recent White Paper reviewing company law⁵ recommended the need for: "Environmental disclosure... and that directors need to take account of a wide range of factors such as the company's impact on the environment which the Government believes every director needs to consider

as first among equals".

The new provisions of the FSRA are yet to have a substantial impact on mainstream corporate reporting or socially and environmentally responsible corporate practices in Australia. Additional incentives, such as ASIC disclosure guidelines and enforcement powers, would make the conversion of the financial disclosure statement in the FSRA into material changes in financial practices more effective.

In the meantime, as traditional concepts of corporate governance expand to include the governance of social and environmental factors, boards and management are encouraged to review their regulatory and community liabilities, identify their key areas of social and environmental risk and report on meaningful steps taken towards their mitigation. ●

¹ Innovest Strategic Value Advisors Inc, Energy Sector Carbon Risk Exposure, July 2002.

² Repetto, R. and Austin, D. *Pure Profit: The Financial Implications of Environmental Performance*, World Res-



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ources Institute, March 2000

³ "Corporate Social Responsibility: Unlocking the value", Ernst & Young, August 2002

⁴ The research by Monash University was conducted in March/April 2002. For further information about the research, please contact the writer.

⁵ Modernising Company Law, Command Paper CM 5553, Presented to Parliament by the Secretary of State for Trade and Industry, by Command of Her Majesty July 2002

LAWYERS
for FORESTS

Lawyers for Forests – Corporate Accountability and Forests

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Lawyers for Forests, Inc. ("LFF") is an independent, non-politically aligned, association of legal professionals working in the corporate, government and community sectors. It was established in 2001 to address growing concern among members of the legal community about native forest management in Australia and, more particularly, Victoria. LFF has four broad purposes, which are:

- to promote the conservation and better management of Australia's native forests;
- to increase the accountability of government and business for their forest management policies;
- to stimulate and encourage public interest in the value and importance of protecting native forests and related environmental issues; and
- to provide pro bono legal advice and undertake law reform and policy development activities to further these purposes.

LFF has three committees that focus on particular areas related to its purposes: Law and Policy, Access to Justice and Corporate Awareness. This article examines some of the activities engaged in by the Corporate Awareness Committee.

LFF and the Wilderness Society – A partnership against the woodchippers

Contrary to the common perception that destruction of old growth forests is confined to developing countries, large-scale devastation of Australia's natural heritage is proceeding at an unprecedented rate. One Australian company, Gunns Ltd, is, according to its own literature, the largest exporter of woodchips in the southern hemisphere. This year Gunns Ltd will export approximately 5.5 million tonnes of woodchips out of Tasmania's forests, more than doubling the rest of Australia combined. The Wilderness Society has calculated that at least 65% of chips exported are sourced from old growth, high conservation value forests. Forests currently being ravaged include the world heritage quality Tarkine in the North-West of the State and the extraordinary Styx Valley of the Giants where 400 year old Eucalyptus Regnans rise to over 90 metres, making them the tallest flowering hardwood plants on earth.

The dominant form of logging in Tasmania, as in Victoria and New South Wales, is clearfelling, where hundreds of hectares of forest are completely flattened each year. The cleared area, with plenty of good, usable wood left on the ground, is then bombed from helicopters with jellified petroleum incendiaries similar to napalm. The searing heat created by this scorched earth policy destroys many seeds left

in the ground and in most cases the area is then converted into a monoculture plantation by re-seeding with exotic species or a few economically valuable species. In Tasmania, to protect the seedlings, the area is baited with carrots dipped in 1080 poison, killing any native wildlife that grazes on the young trees. Tasmania is the only state in Australia which still clearfells rainforest and sanctions the poisoning of its native animals.

Community opposition to the practices of Gunns Ltd in Tasmania is running high, with a broad cross section of the community, including many traditional conservatives, now supporting an end to the destruction. Despite this increasingly vocal opposition to its practices, Gunns Ltd is steadfastly refusing to listen and continues to clearfell log massive areas of pristine forest.

In response to this ecological vandalism, LFF joined with The Wilderness Society's forests campaigner (and former LFF Corporate Awareness Committee convener), Leanne Minshull, to take the fight for our forests into the boardrooms. The approach has been to target those organisations that own significant amounts of Gunns Ltd equity – the large institutional investors including the major banks – in order to place pressure on the company to change.

Shareholder groups, consisting of shareholders holding at least \$500 worth of shares, were set up by The Wilderness Society for each of the

four major banks. After the critical number of 100 shareholders was recruited for each bank, section 249D of the *Corporations Act 2001* was used to allow the submission of resolutions to the bank boards. The resolutions demand changes to the constitution of each bank to prohibit any investment in, or financing of, any industry or business whose activities impact upon high conservation value forests. These resolutions were handed over to the banks, both in Victoria and New South Wales, on 11 July 2002. Several LFF members in suits were in attendance at the ANZ protest to support the campaign.

Another shareholder activist group, Gunns Ethical Shareholders, is poised to call an Extraordinary General Meeting of the company, with the aim of placing a moratorium on receiving or logging any sawlog or residue from a number of areas recognised as having values of world heritage significance. LFF's job is to now get the community mobilised to help in its lobbying efforts of the major institutions who are profiting from the destruction of our forests. Lobbying kits for individuals, professional associations, sporting clubs etc will be ready soon. For more information on how to get involved, please contact **Leanne Minshull** at The Wilderness Society on (03) 9639 5455 or at leanne.minshull@wilderness.org.au.

Forest-Friendly Law Firm Kit

Another significant initiative of the Corporate Awareness Committee is the preparation of a Forest-Friendly Law Firm Kit. The Kit specifically targets law firms, but can be readily adapted to any office environment.

With few exceptions¹, law firms are massive consumers of forest-based products, particularly printing paper, using millions of sheets of paper annually. The majority of law firms use Reflex or other native forest-sourced paper. As a result, even small changes in purchasing and consuming habits can have very positive outcomes for our native forests. With this in mind, the Kit targets forest-related issues rather than attempting to be a total Environmental Management System for a law firm. However, the Kit also touches upon other matters that are essential to establishing a truly "green" office, including recycling and energy consumption.

The Kit contains a guide which looks briefly at the plight of Australia's forests and examines several products and brands commonly used in law firms. It urges the boycotting of particular brands and endorses others, based on the product or the manufacturer's impact on the environment. For example, the Kit strongly urges law firms to implement a purchasing regime that favours recycled paper products and avoids products made in Australia and overseas from old growth and high conservation value native forests, such as rainforest. The buying of Reflex paper – which is made by Paperlinx from wood-pulp sourced from the clearfell logging of parts

of Gippsland and the Central Highlands – is particularly discouraged, as are those brands labelled "Made in Indonesia".

The Kit also contains a checklist to allow a managing partner or purchasing officer of a firm to work steadily through the suggestions contained in the Kit, ticking off when the Kit's recommendations have been implemented. The checklist references back to the guide with its more comprehensive examination of the issues and the background to LFF's recommendations.

A summary of the recommendations contained in the guide are as follows:

Do's

- Do devote resources to enable the transformation to a "forest-friendly" law firm;
- Do conduct an audit;
- Do formulate and implement a purchasing regime that favours recycled paper, furniture and office fit-out materials;
- Do facilitate reduced consumption of paper products via staff and client education, the installation of duplexers, the rationalisation of paper-based transactions;
- Do establish a robust electronic storage system that obviates the need to store all files in paper form;
- Do contract with a waste management organisation that collects and recycles all recyclable wastes;
- Do re-fill ink and toner cartridges;
- Do ensure the firm's preferred superannuation provider offers all staff a "green" socially responsible investment option;
- Do save energy by modifying usage and purchasing energy efficient office equipment.

Dont's

- Don't purchase paper products, furniture and office fit-out materials made from native forest trees;
- Don't print unless absolutely necessary;
- Don't purchase electricity from a provider who sources energy from the burning of forest biomass;
- Don't take on clients engaged in, or financing, the logging of native forests.

The Forest-Friendly Law firm Kit is currently being completed. It will soon be available to be downloaded from www.lawyersforforests.asn.au.

Ethical Superannuation

Socially responsible investment ("SRI") is an increasingly popular alternative to passively investing superannuation in a company, irrespective of its environmental (and social) performance. As at July 2002, approximately 20 superannuation funds offered an SRI option, generally as a member investment choice, representing a significant portion of the total superannuation industry and markedly increasing the potential for investment benefits for preferred sustainable companies. These funds include HESTA, Unisuper, VicSuper, CSS/PSS and Australian Retirement Funds, which together manage superannuation funds worth almost \$28 billion on behalf of 1.8 million workers.²

On balance, the evidence suggests that there is certainly no penalty for investing in SRI and

many studies have found that SRI funds give better returns than non-SRI, suggesting that there is a strong link between good management generally and social and environmental considerations.

If your superannuation fund does not offer an SRI option, you can make a formal request in writing to your fund that one be introduced. Environmentally-aware members asking for change have driven much of the uptake of SRI by super funds in Australia. Firms can also seek expert financial advice and set up their own firm-specific superannuation fund to invest in an environmentally sustainable way.

The Corporate Awareness Committee of LFF is seeking to have all super funds, particularly those with lawyers as members, offering a "green" SRI option. The Committee has already forwarded a letter to the board of trustees of the Legal Industry Super Scheme ("LISS") requesting they offer such a product and the Committee will be following them up in due course.

Contact Us

LFF, and the Corporate Awareness Committee in particular, is always looking for more members. If you are interested in getting involved, you are most welcome to come along to one of our meetings which are held more or less monthly. Please contact James Gray at jdgray@foleys.com.au or Glenn Osboldstone at gosboldstone@hotmail.com for further information. ●

¹ One example of a firm that has a strong paper reduction focus is Milham Lawyers, which has an innovative virtual "boardroom" to reduce paper-based transactions (see www.milhamlaw.com.au).

² F. Wade "Rash of Super Funds going Ethical", *Ethical Investor*, (7) Dec-Jan 2001-2002, page 40