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# Stakeholder influence on corporate reporting: An exploration of the interaction between WWF-Australia and the Australian minerals industry

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## Abstract

This paper explores the influence an initiative of WWF-Australia had on the environmental reporting practices of the Australian minerals industry. In 1999, WWF-Australia produced a report that evaluated the environmental reports of companies that were signatories to the *Australian Minerals Industry Code for Environmental Management*. The evidence provided in this paper suggests that the WWF's initiative influenced revisions to the industry code, as well as the reporting behaviour of individual mining companies. The study contributes to the limited amount of research that has been conducted with regard to the influence that lobby groups have on corporate disclosure policies.

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## Introduction

Research investigating whether lobby groups are a source of pressure upon the practices and policies of profit seeking organisations is limited (for example, Tilt, 1994, 1997). Despite this, there appears to exist a general presumption in the social and environmental accounting literature that lobby groups are a major source of pressure, particularly

upon the social and environmental operating practices and related disclosure policies of companies (for example, Deegan & Gordon, 1996; Heard & Bolce, 1981; Parker, 1986; Patten, 1992).

What is lacking in the literature are studies that directly seek the views of corporate management about how, and indeed whether, managers react to particular lobby group activities and concerns. The aim of the current study is to contribute to the research literature and to determine whether presumptions made to the effect that lobby groups are a major source of influence upon corporations can be substantiated. We specifically investigate

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whether the concerns of WWF-Australia (WWF was formerly known as the World Wide Fund for Nature) are reflected in the disclosure policies being implemented by the sample companies and their related industry body. If the results indicate that such claims cannot be supported then the view that particular constituencies' expectations, as represented by the officers of large lobby groups to which they belong, influence corporate behaviour (for example, corporate reporting practices) must be challenged.<sup>1</sup>

The study seeks to achieve the above aims by examining a case study involving the WWF environmental conservation organisation, and its recent interactions with the Minerals Council of Australia (MCA), and with individual companies operating within the Australian minerals industry. Specifically, we study how representatives of the MCA and mining companies reacted to a WWF-Australia initiative which involved WWF developing an instrument which enabled it to "score" the environmental reports being released by mining companies that were signatories to the *Australian Minerals Industry Code for Environmental Management*—a code that was developed by the industry. It perhaps should be acknowledged that the minerals industry in Australia is of great importance to the Australian economy with 12 of the top 50 companies listed on the Australian Stock Exchange (by market capitalisation) being from the mining industry (April 2005). The nature and magnitude of the industry's activities means that it has a multitude of significant social and environmental implications for the societies in which it operates, with many of these implications being capable of being disclosed. It is of interest to determine how or if potential corporate disclosures might be influenced by an initiative of a particular interest group, such as WWF.

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<sup>1</sup> For example, reflective of some of the claims that appear in the literature, Heard and Bolce (1981, p. 248) state, without any apparent substantiation, that "activist organisations have been instrumental in calling attention to issues such as product quality, safety, environmental protection [and] have had a substantial impact on the development of social measurement and social reporting".

## Models of corporation and NGO interaction

There are many non-government organisations (NGOs) operating throughout the world supporting and opposing a variety of causes. Some are small in membership and very local in orientation whereas others, such as Greenpeace, Friends of the Earth, and WWF are global in nature. Many of these organisations are particularly concerned with the damage governments and business entities are causing to particular environments and societies and they use various strategies in an attempt to alleviate some of the harm that they perceive is occurring. Some of these strategies might involve direct and sometimes violent confrontation, whereas other strategies might involve direct collaboration with business.

It has been argued that in general there has been a shift across time in how NGOs tend to interact with business. Stafford and Hartman (1996) provide a classification system based on perceived "waves" of activity. The history of relations between NGOs and business organisations is organised into three general waves. The "first wave" occurred under US President Roosevelt. Under his administration there was recognition of the need to protect wilderness and to establish national parks. At this time, NGOs were typically small and relatively non-militant. The "second wave" followed and was fuelled by the expansion and speed of economic growth and the resultant damage this was causing. During this period (from approximately the 1960s) there was growth in environmental laws and there was also a growth in citizen activism. NGOs began getting larger and better organised and one of their key strategies was direct confrontation with business. However, following this period, a "third wave" is considered to have commenced and this was described as an era in which many groups used their expertise to develop market-based programs that were deemed to be of benefit to both the environment and business (the so-called "win-win" situation). According to Stafford and Hartman (1996, p. 51), "this mind-set has diminished conflict between business and environmentalists, and the two are now turning to one another for cooperation". There was an apparent move away from the "anti-industry,

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