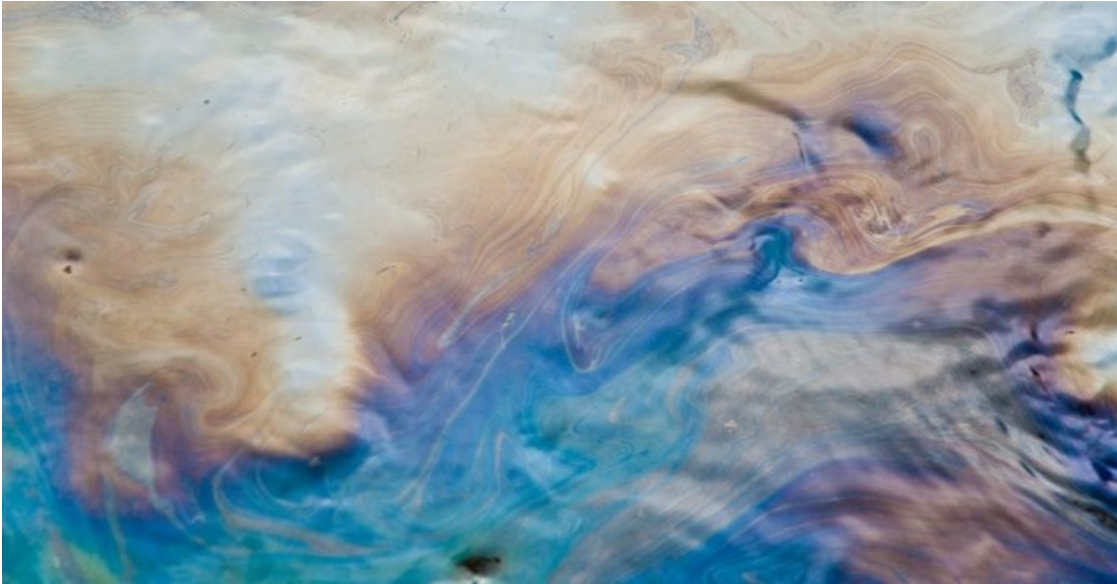


# Blue chip companies fail to disclose non-compliances - CER

South African companies not only frequently fail to comply with environmental laws, but also often fail to disclose to shareholders those non-compliances, and the risks that they pose to the company.



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Blue chip companies PPC, Sappi, ArcelorMittal South Africa, Lonmin, African Rainbow Minerals, Exxaro and Sasol count among the 20 JSE listed entities whose environmental compliance and disclosure were assessed by the [Centre for Environmental Rights](#) (CER) ([@CentreEnvRights](#)), an environmental rights law clinic.

Between 2008 and 2014, authorities found many of the 20 companies in the CER's study to be in violation of their permits and licences, or regularly to have violated environmental laws. Typical breaches include toxic spills, unauthorised disposal of hazardous waste, contamination of soil, ground and surface water, and air pollution. Yet many of these violations are not reported to shareholders.

## Listed on SRI Index

"All companies in our study have regularly been listed on the JSE's Socially Responsible Investment (SRI) Index. Many promote their JSE SRI status, and actively lay claim to good governance and full compliance with environmental laws in shareholder reports," Tracey Davies, head of the CER's Corporate Accountability & Transparency Programme, says.

"But we have found that some of the 'best performers' on the JSE SRI Index also feature repeatedly in the list of companies facing enforcement action by, amongst others, the Department of Environmental Affairs as reported in its annual National Environmental Compliance and Enforcement Reports.

"To make matters worse, in all but a few cases, firms understate, or neglect to report, significant breaches of South Africa's environmental laws in reports to shareholders, notwithstanding the dire impacts on human health and the environment, and the potentially significant current and future liabilities represented by these impacts," says Davies.

"No-one would expect all of these large industrial concerns to have a perfect compliance track record. But when violations occur, they must be taken seriously; shareholders and the public must be told about the violations and what the actual or likely consequences of the violations are; and finally, what the company is doing to come into compliance as quickly as possible."

## **Negative impact**

"These violations of environmental laws negatively impact the environment and the lives of South Africans each day, but also pose significant risk to the relevant companies' business. Consequences of environmental violations may include plant shut-downs, the requirement for significant unplanned capital expenditure, and criminal fines," says Davies.

"Our study presents publicly available information from multiple sources in a single report that will equip all stakeholders - particularly asset managers and institutional investors - with one source of credible information so that they can start asking the right questions. At present, major shareholders fail to recognise red flags in corporate reporting and are not asking enough questions about environmental risks and impacts.

"South Africa's asset managers, many of whom have adopted the Code for Responsible Investing in SA, have a responsibility to go beyond lip service in the integration of environmental, social and governance criteria into their investment decisions. Shareholders can help stem the damage by insisting on better corporate governance and greater disclosure of environmental violations," Davies concludes.

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