



JIMMA UNIVERSITY COLLEGE OF LAW AND GOVERNANCE
SCHOOL OF LAW

ANALYZING THE IMPLEMENTATION OF ENVIRONMENTAL CORPORATE SOCIAL
RESPONSIBILITY AND DISCLOSURE OF ENVIRONMENTAL ACTIVITIES- A CASE
OF HAFFEDE TANNERY

BY
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Statement of declaration

I, Youzersif Tegene certify that this thesis which I now submit for examination for the award of LLM, is entirely my own work and has not been taken from the work of others and to the extent that such work has been cited and acknowledged within the text of my work. This thesis has been prepared according to the regulations of postgraduate study of the Jimma University and has not been submitted in whole or in part for an award in any other University or Institute. The work reported on in this thesis also conforms to the principles and requirements of ethics in research.

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ANALYZING THE IMPLEMENTATION OF ENVIRONMENTAL CORPORATE SOCIAL RESPONSIBILITY AND DISCLOSURE OF ENVIRONMENTAL ACTIVITIES- A CASE OF BLUE NILE AND HAFFEDE TANNERY

Approved by Examining Board

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Acronyms

CSRED	Corporate Social Responsibility and environmental Disclosure
CSREDI	Corporate Social Responsibility and environmental Disclosure Index
CER	Corporate Environmental Responsibility
CSR	Corporate Social Responsibility
CSRR	Corporate Social Responsibility Reporting
ECSR	Environmental Corporate Social Responsibility
EDA	Environmental Disclosure Activities
EMS	Environmental Management Systems
EIA	Environmental Impact Assessment
EISR	Environmental Impact Study Report
EIP	Eco-Industrial Park
EPA	Environmental Protection Agency
ER	Environmental reporting
FDRE	Federal Democratic Republic of Ethiopia
FEPA	Federal Environmental protection Authority
ETP	Effluent Treatment Plant
FGD	Focus Group Discussion
GTP	Growth and Transformation Plan
HAFDEPLC	Hafde Tannery Privately Limited Company
MoEFC	Ministry of Environment, Forest and Climate Change
MoI	Ministry of Industry
MNCs	Multinational Corporations
MNEs	Multinational enterprises
G2	Second generation
G3	Third generation
GRI	Global Reporting Initiative
ISO	International Standards Organization
NGOs	Non Governmental Organizations
PC	Private Company
PEs	Public Enterprises

PLC Private Limited Company
OECD Organization for Economic Co-operation and Development
OEFCCA Oromia Environment, Forest and Climate Change Authority
STEO Sebeta Town Environment Office
UN United nation
UNGC United Nation Global Compact
OHS Occupational Health and Safety
GCI Global compact initiatives

Abstract

Environmental Corporate Social Responsibility is a concept, where companies integrate environmental concerns in their business operations and the interaction with stakeholders, without compromising economic performance.

The study aimed at analyzing the implementation of environmental corporate social responsibility and disclosure of environmental activities-a case of Blue Nile and Hafde tannery corresponding to instruments of environmental corporate social responsibility and disclosure of environmental activities namely OECD Guidelines for MNEs, GRI, UNGC and ISO 14001 to address environmental issue. It is relevant to industries, especially for leather industries to implement ECSR concepts and DEA not only to address environmental issue but also to get benefit from it. Leather sector in Ethiopia is the most focused area as a development reinforcing component. The sector is also known for its intensive environment polluting practices. Hence, it is worth studying the implementation of ECSR and DEA to address its adverse environmental impacts. In relation to the methodology, purposive sampling technique was used in selecting industries. The study has been conducted on the basis of the qualitative research techniques to analyze the implementation of ECSR and DEA in the selected two tanneries. The Primary data were collected through interviews, Focus Group Discussion and observation. Moreover, semi-structured interview have been also conducted with managers of the respected companies through open ended questions which are designed to analyze the implementation of ECSR and DEA in the selected two tanneries and with different government level's officials and experts mandated with preserving the environment.

Finally, from the data collected it is found that let alone the implementation of ECSR and DEA, the concept is almost new not only to the companies but also to different level of government bodies mandated with the protection of the environment. In addition to this, the country's mandatory environmental laws are not implemented properly.

CHAPTER ONE

1.1. Background of the study

In late 1880s in the introduction stage of the industrialization it was broadly discussed whether or not companies should take their social responsibility. However, today, companies are working towards attaining the corporate social responsibility (CSR) of a business which concerned with benefit to all stake holder groups by incorporating social, economic and environmental practices into their business strategy. Literatures on CSR reveal that there are diverse definitions for the concept of CSR and a universally accepted definition doesn't exist¹.

The European commission defines CSR as 'Responsibility of enterprises for their impacts on society'². CSR covers a wide variety of stake holder relations existing inside and outside of the company's operation. The main area of CSR is the protection of the environment³. Environmental corporate social responsibility (ECSR) is an important and distinct part of the overarching concept of CSR. It is a Strategic related to environmental aspect mainly concern with the reduction and recycling of resources.⁴

This is the duty to cover the environmental implications of the company's operations, products and facilities; eliminate waste and emissions; maximize the efficiency and productivity of its resources; and minimize practices that might adversely affect the enjoyment as well as usability of the country's resources by future generations.⁵ ECSR focuses on firm-specific activities, both compliant and preventative, that limit the adverse environmental impact of these firms and

¹ Carroll, A.B, Corporate Social Responsibility: Evolution of a Definitional Construct. Business and Society, (University of Georgia38,1999)p268–295.

² European Commission, Communication From the European Economic and Social Committee and the Committee of the Regions: A Renewed EU Strategy 2011-14 for CSR, Com(2011)681 final,p.6

³ Oleszko-Kurzyna B, Corporate Social Responsibility Towards the Environment – the Involvement of Polish Enterprises in the Implementation of the idea of CSR, UDC 657.1:658.012, (Maria Curie –Skodowska University in Lublin, 2014)P.123

⁴ Oksana Seroka-Stolka (Ph.D.), ECSR in Polish Food Sector Enterprises Czestochowa Region-Empirical Analysis,(Scientific paper, Czestochowa University of Technology, 19b, 42-200)p.101

⁵Mazurkiewicz.P, 'Corporate Environmental Responsibility: Is a Common CSR Framework Possible?' (2004), World Bank working paper.p2

implementing of environmental good practices often leads to a reduction of environmental risks related to possible environmental threats.

Government can help the development of ECSR by implementing some measures of control or framework while still allowing others to be voluntary because it is far from optional for businesses to observe rules and regulations. On the other hand, since environment is a global issue, there are international instruments developed to be applied by industries to address environment problems created as a result of their operation.

They are recommendations to be applied voluntarily, countries are started to incorporate in to their legislation to make mandatory and also member states to such instruments have the duty to promote environment issue. Among these international CSR instruments, the OECD guidelines for MNEs, the UN Global Compact, ISO 14001, and GRI are the main one. ECSR has been popular in developed world and corporate governance system plays a kin role in ensuring the ethical business practice however, the idea of CSR is in the early developing stage in most of the developing countries like Ethiopia.

The most crucial environmental matter in Ethiopia is land degradation and pollution (air and water pollution) due to industrial wastes; a disclosure in this regard indicates the attitude of firms towards the environmental issues. The leather industries including the selected tannery are known for their significant contribution in employment & foreign currency earnings. On the reverse, they are blamed for polluting the environment. One way of addressing environment issue is by applying principles ECSR recommended by international instruments.

Another important component of corporate responsibility is environmental reporting, which is the process by which management reports to the public about environmental impacts of business activities and environmental initiatives undertaken to mitigate them by disclosing the environmental information related to those activities.⁶ Reporting on environmental performance and abiding by the rules of CSR raises public awareness and enables governments to monitor corporate environmental impacts.

⁶ Environmental Reporting Guidelines Ministry of the Environment Government of Japan, (Fiscal Year 2012 Version) April 2012, P.15 <<http://www.env.go.jp/en/policy/economy/erg2012.pdf>> accessed 23 December 2016.

Not only this, it also improves the transparency of corporate activities and their impacts towards reducing environmental impacts. The most accepted framework for Reporting Sustainability is the Global Reporting Initiatives Sustainability.

1.2. Statement of the problem

One of the basic elements of CSR which the researcher focuses among other things is the protection of environment within the operation of the industry because environmentally sound protection and active environmental and climate protection are essential components of ECSR strategy. Protecting and preserving the environment is central to achieving sustainable development and creating a better world for all today and for future generations which require the participation and responsibility of all including corporations.

Corporate action might have numerous kinds of negative impacts happening in the surrounding natural environment because of business operations. Such impacts might include: overuse of natural, non-renewable resources of energy, pollution wastage, and degeneration of biodiversity, climate change, deforestation and so forth⁷. Conversely, the impacts of corporate activities on the environment is less regulated in developing countries because of weak regulatory systems due to different factors such as lack of adequate resource and skill.

With a rapidly expanding population and a growing trend of industrial development, problems related to the management of industrial waste have become of considerable magnitude in Ethiopia.⁸ In Ethiopia the generation of industrial waste, including hazardous waste is increasing rapidly as a result of industrialization, urbanization, and the implementation of a new economic policy. Hence, the present challenge is how to effectively manage the increasing industrial waste due to a host of environmental and health problems associated with poor waste management.⁹

⁷ Uddin MB, et al, 'Three Dimensional Aspects of Corporate Social Responsibility,' (2008)3(1), Daffodil international journal of Business and Economics, 199-212.

⁸ Kelbesa Wakuma Kenea , "Ethiopian Environmental Policy: Challenges and Prospects on Sustainable Social and Economic Development" (Masters of Arts (Public Administration Indira Gandhi National Open University May, 2012)p. 35

⁹ Ibid.

Unfortunately, like other developing countries, Ethiopia does not possess sufficient resources to deal with this and other serious environmental issues. Accordingly, it has become imperative to prevent or at least minimize the generation of wastes in the first place, a concept known as ‘pollution prevention’ or ‘waste minimization’.¹⁰ So, one way of dealing with this serious environmental issues, is implementing ECSR in addition to the existing environmental laws of the country.

Although the selected industries (as a case study for my work) and its associated sectors contribute significantly to the Ethiopian economy, they are blamed for environmental pollution (air, soil, and water) causing serious health problems for the surrounding urban and rural community including animals. Leather industry is one of the pollutant industries and if there is no proper way of treating the waste from the industry it has harmful effect on the environment¹¹. The environmental impact caused by the tanning industry is also greatly increased.¹²We cannot say that the environmental problem of the tanning industry in Ethiopia is under control, the goal is still far but there are the premises for a proper solution¹³: Therefore, there should be a way to preserve the environment in addition to the existing mandatory environmental laws of the country.

It is right time that the country needs more research, innovative and practical solutions to manage its industrial development including the tanning industry in sustainable manner. The challenge will become more evident in future when the economy is transformed to industrialization; unless the task of environment protection is started at the early step of the industrialization phases¹⁴

In regard to Ethiopia and the empirical findings in the field study there is no understandable connection between CSR activities and cultural situations. This is evidenced in the study by the fact that companies and organizations in Ethiopia understand CSR

¹⁰ Ibid p.36

¹¹Favazzi, A. , Study of the Impact of the Main Policies and Environment Protections Measures in Africa's Leather Industry, (Paper presentation and study for Meet in Africa2002)

¹² Ibid p.18

¹³ Ibid p.21

¹⁴Hunegnaw Abebaw, ‘Leather Industry and Environmental Challenges’ (Master Thesis, Addis Ababa University February, 2015)p.5

practices mainly as corporate charity primarily aimed at addressing socio-economic development challenges.¹⁵ Currently, Ethiopian government doesn't have detailed standards in regulating the implementation of ECSR. International instruments on CSR such as OECD Guidelines for MNEs, the GRI and the UN Global Compact are the world's foremost comprehensive, voluntary corporate responsibility initiatives. However, they are not developed or adopted (if any are not enough) in our industries to address environmental problems caused as a result of their operation which the researcher is going to address.

On the other hand, let alone a well developed law and policy to regulate the implementation of ECSR and disclose environmental activities, it was not included as a program under the second growth and transformation plan (GTP II) 2015/16-2019/20 at least as an implementation strategies to address social welfare economy. Not only this, there is no law/practice (if any are not good enough) which require and regulate companies to engage in environmental responsible activities and report environmental activities.

When we come to our company law, it doesn't put obligation on companies to implement ECSR and disclose environmental activities apart from addressing share holders interest. The new investment proclamation, proclamation no. 769/2012 apart from creating conducive ground for investment does say nothing about the environment. For example, it does not put the obligation on the companies (especially pollutants such as leather industries) to address environmental issues.

Although, the Leather industry is one of the major exports earning in the manufacturing industry in Ethiopia, there is challenge in tapping its economic benefit with minimizing its pollution effect to the environment. It becomes a delicate balance to maintain practically both keeping the environment sustainable and the growth of the industry. Implementing environmental policy of the country in harmony with the required growth of leather industry becomes a difficult task for the government in which implementation of ECSR by such industries should be the other way out.

¹⁵ Kassaye Deyassa 'CSR From Ethiopian Perspective, '(2016)5, International Journal of Scientific & Technology,p.322

In addition, the country's mandatory environmental laws are not implemented properly as the government is geared towards economic growth at the cost of environment. As Favazi pinpoint, the majority of African countries have environment protection laws, but the scenario appears quite diversified as in some cases the laws are so generic that cannot be an efficient tool of prevention and control (basically only the preservation of the sources of water from pollution, poisoning, etc.)¹⁶. In addition, implementation of those laws results often impossible, because the standards are too high for the tanners and oblige the tanners to a complete waste treatment in the respect of all standards, which is above its real technical and financial capability. It would be much more rational to proceed for successive steps adopting a gradually principle¹⁷. Hence, this research will contribute for the literature and make possible recommendations by analyzing the implementation of the environmental CSR and disclosure of environmental activities specific to the leather industry taking Blue Nile and Hafde tannery as a case study.

1.3. Literature review

Environmental Corporate Social Responsibility and disclosure of environmental activities has been popular in developed world and corporate governance system plays a kin role in ensuring the ethical business practice. However, this idea is in the early developing stage in most of the developing countries like Ethiopia.

According to Thomas P. Lyon, although there has been much progress in the theoretical understanding of environmental CSR in recent years, much remains to be done. An area needing greater attention is the role of environmental CSR in developing countries¹⁸. In these nations, basic environmental legislation is often lacking, or, if on the books, is often poorly enforced.¹⁹ When government regulatory capabilities are limited, large international NGOs often play important roles in protecting biodiversity and environmental services.²⁰

¹⁶ Favazzi (n 11)p.45

¹⁷ Ibid

¹⁸ Lyon, et, al, Corporate Social Responsibility and the Environment: A Theoretical Perspective (Indiana University, August 31, 2007)p. 52

¹⁹ Ibid

²⁰ Ibid

The effects of CSR may be very different under such conditions than in the U.S. or Europe, and the importance of private politics is likely to be much greater. Given the rapid economic growth in the developing world, the importance of these issues is sure to grow in coming years²¹. Therefore, as a developing country ECSR is important for Ethiopia in addressing environmental problem taking into account the country's environmental laws are poorly enforced in which this paper will be the corner stone.

According to Pham Duc Hieu, CSR should build on Environmental Responsibility: protect and improve environment, reduce resources consumption (materials, water, electricity etc), improve waste management²². He also concluded that there is a perception gap in CSR issues between managers and customers. The positive management awareness of CSR is essential but not enough for the success of CSR implementation and practices.²³

According to Dr. Judy N. Muthuri, in Africa environmental dimension of CSR focuses on Pollution, water management, recycling, afforestation, biodiversity, drought & climate change²⁴. He also tried to put issues addressed according to popularity by companies and put the environment on the six levels.²⁵ This shows that ECSR doesn't get attention compared to other dimension of CSR in Africa. However, both writers didn't raise implementation of international instruments on CSR to be applied by businesses as a solution to environmental problem caused as a result of their operation. In addition to this, Visser put that in developing countries, more of the focus of CSR is put on social issues than on environmental or ethical issues²⁶. Therefore, making CSR focus on environmental issues in addition to social issue is important on which this researcher is interested on.

²¹ Ibid

²² PHAM DucHieu, 'Corporate social responsibility: A study on Awareness of Managers and Consumers in Vietnam, University of Commerce, Hanoi, Vietnam', (2011) 3(8), Journal of Accounting and Taxation.p.170

²³ Ibid

²⁴ Dr. Judy N. Muthuri, Corporate Social Responsibility in Africa: Definition, Issues and Processes, International Centre for Corporate Social Responsibility, (Nottingham University Business School, Royal Holloway-28th November 2012) p.17 <<https://www.royalholloway.ac.uk/management/documents/pdf/events/2012-judy-muthuri-seminar.pdf>>accessed 23 February 2017.

²⁵ Ibid. P.16

²⁶ Visser.W, CSR Drivers: The Forces Shaping Corporate Sustainability and Responsibility:V3 (CSR International Inspiration Series, 2000)P. 75-78

Corporate Social Responsibility from Ethiopian perspective can be viewed as two fold. **Firstly**, there is a current development of certain formal CSR activities made by international companies and NGOs. **Secondly**, there exist some informal CSR activities that are closely linked to cultural Ethiopian traits found in national companies and organizations of Ethiopia²⁷. In a nut shell according to the study, there is no an increased concept of CSR in Ethiopia, of the need for new management systems, which are more in tune with cultural contexts and traditions.²⁸ Although, he tried to show the fact that the development of CSR in Ethiopia is at an infant stage, he didn't address environmental dimension of CSR. In addition, he recommends the need for further research on the area is important to increase the concept of CSR in Ethiopia.

According to Tedla Zegeye, Farms should have to involve employees and community leaders in the CSR process and evaluation so that all of them have common understanding and responsibility that will enhance to have an effective on CSR program²⁹. He also recommend that, this research area (CSR) seems to be fully untouched, and needs to be done or exploit by other interested party with more effort and resources considering a firsthand empirical data from all stakeholders within the industry in order to come up with a better result. Moreover according to him, it gives a clue and opens an opportunity for students, researchers and stakeholders to analyze, discuss on the current issue of CSR of the industry.³⁰ However, both writers didn't address ECSR and Disclosure of environmental activities and also as per their recommendations; this paper will contribute to such needs.

On the other hand, according to Tewelde Mezegobo, in Ethiopian context the practice like many other African countries is on the economic aspect of CSR and such emphasis may be at the expense of other dimensions³¹. What he tried to tip is that other dimension of CSR such as environmental dimension is ignored. So, this paper will address this ignored dimension.

²⁷ Kassaye Deyassa (n 13)p.322

²⁸ Ibid.

²⁹ Tedla Zegeye, 'How is Corporate social Responsibility Practice in Ethiopian Floricultural Industry '(LLM thesis, St. Mary's University, 2013)p.69

³⁰ Ibid, p.70

³¹ Tewelde Mezegobo, 'The nature of Corporate Social Responsibility (CSR) in Ethiopian Business context ', (PHD dissertation, International School of Management 2012)p.12

According to Mathias Nigatu Bimir, in his study on CSR Learning in the Ethiopian Leather and Footwear Industry, the findings of the study show that CSR in Ethiopian Leather and Footwear firms is at early stage. As the same time, he argued that working towards environment is central part of Leather Industry since it determine economic performance³². Therefore, this paper is indispensable in addressing environment issue in the leather industry as he failed to address environmental problem by implementing ECSR and disclosure of environmental activities. In addition, according to Lyon, the role of ECSR in developing countries needs more study³³.Therefore this work will contribute to such needs.

The study by K. Rama Mohana, ‘Environmental corporate social responsibility of brewery firms in Ethiopia’ concluded that gender and position do not influence the perception of employees toward the ECSR initiatives of brewery firms; however, years of experience influence the perception of employees towards ECSR initiatives of firms³⁴. However, he studied the perception of ECSR initiatives, rather than the implementation of ECSR to address environmental issue.

Again, Agnieszka pinpoint that, Literature studies and conclusions from the research of companies experience in this area (CSR) have shown that attention must be focused on three key groups of activity: on a strategic level, with regard to the environmental aspects and operational activities³⁵. Therefore, environmental aspect of CSR is the focus of this paper.

As Zeleke tried to pinpoint , tanneries should select key strategy to maintain achievement and enhance its performance that extends beyond compliance in promoting EMS in general in tanning process, transfer technological and eco-friendly management practice (i.e. ECSR)³⁶. According to him, the tanneries development path way should comply with five pillars of

³² Mathias Nigatu Bimir, “Corporate Social Responsibility Learning in the Ethiopian Leather and Footwear Industry” (LLM thesis, the Hague, Netherlands December 2015)p.37

³³ Lyon, et al, Corporate Social Responsibility and the Environment: A theoretical perspective. Review of Environmental Economics and Policy, 2(2)(2008)p.240–260

³⁴ K. Rama Mohana Rao, et al, ‘Environmental Corporate Social Responsibility of Brewery Firms in Ethiopia,’ (2016)2(4) International Journal of Applied Research p.5

³⁵ Agnieszka Misztal Małgorzata Jasiulewicz-Kaczmarek, Environmental Issues of the Corporate Social Responsibility, Management Vol. 18(2014) No. 1 ISSN 1429-9321.p.68

³⁶ Zeleke A (2011), “Tannery Waste Management Problems in Ethiopia the case of Batu Tannery, (Master thesis Addis Abeba University, 2011)p.30

sustainable development; - ecologically protective, socially acceptable, economically productive, and environmentally just and efficient.

However, to the knowledge of the researcher, no research has been conducted from environmental perspective. Therefore, to bridge this gap, this study was conducted to examine the implementation of environmental corporate social responsibility and disclosure of environmental activities. In addition to this, all the above already conducted researches are not legal research (social researches) which means the conclusion and recommendation to be reached on will be different.

1.4. Research Questions

- A. What is the current status of these industries in implementing international instruments on ECSR and disclosure of environmental activities
- B. What is the role of government in facilitating the implementation of environmental CSR and disclosure of environmental activities
- C. How to incorporate ECSR and disclosure of environmental activities in to the country's legal frame work.

1.5. Objective of the study

The purpose of the paper is to examine ECSR concept and DEA in general and specifically, the research will have the following detailed objectives:

- I. Analyzing the implementation of international instruments on CSR and DEA such as (the UN Global Compact, OECD Guidelines for MNEs, GRI, and ISO14001 EMS) and the country's mandatory environmental laws in the selected industry.
- II. Examining the role of the government in promoting and developing the implementation of ECSR and DEA in industries.
- III. Examining and incorporating the concept of ECSR and DEA in to legal frame work of the country and forwarding policy recommendation.

1.6. Significance of the Study

- ✓ Since researches concerning ECSR and Environmental reporting are very limited, this study has its own significance and contribution to the Ethiopian legal system and in light of the significant legal lacuna in academics and practical applications on the topic under the consideration, this study has far reaching significance particularly in the Ethiopian context.
- ✓ This study contributes to the existing body of knowledge in the field of CSR from the perspectives of Environment in general, to Ethiopian literature in particular. Managers of the leather and other industry can make use of this research output to devise their ECSR strategies to address effectively the environmental impact of their business activities so that they can acquire significant business advantages through minimizing the cost of complying with future legislation; operating expense can be lessened through waste minimization, pollution prevention, and the elimination of health and safety hazards; enhance financial performance; and improve reputation and relations among communities, customers and stakeholders and for their future sustainability.
- ✓ The study also throw some idea for academicians, researchers, students and even to others a stepping stone for further study and most importantly, will encourage local researcher to examine the problem in a wider scope.
- ✓ The findings of this paper will help formulate government policy decisions that promote environmental corporate social responsibility and environmental reporting and thereby make entities more responsive to changes in the natural and social environments.
- ✓ To make possible recommendations that may help legislative organ, regulatory organ and any concerned body in Ethiopian to make efficient laws, regulations adopt guidelines of related to the implementation of ECSR and DEA to industries in general and to leather industries (tannery) in particular.

1.7. Research methodology

This part of the paper contains the research approach, methods of data collection, data sources and sample selection, sample size, presentation and analysis used in the whole process of the

study. It is intended to give a clear direction to the researcher and readers on how the study was done as a case study in the selected industry.

1.7.1. Study area

The study was conducted in Sebeta town, Ethiopia. Sebeta Awas is located in Oromia National Regional State 20km south west of Addis Abeba. It is nowadays, known as especial zone surrounding Addis Abeba. It is one of the well known industrial zones in Ethiopia where a number of industries are established and create job opportunity for hundred thousands of fellow citizens and also a source of foreign currency.

1.7.2. Research Design

This research is designed to be descriptive case – study type of qualitative research. It is meant to mainly describe the implementation of environmental corporate social responsibility and disclosure of environmental activities in the selected industries. Besides, in order to analyze this topic in an in-depth and detailed manner, this study has logically been made to have case-study form.

1.7.3. Method of data collection

In this research, I used both primary and secondary data. The Primary data for my thesis were secured or collected through personal interviews, focused group discussion and personal observation. Since the secondary data contribute to a fundamental knowledge of the research subject, it was collected from written literatures on the issue, articles, academic publications on the topic, web pages, various reports from companies and organizations to gain an understanding of the area and what has already been done.

1.7.3.1. Interview (semi-structured)

It helps to gather valid and reliable data that are relevant to research questions and objective. The paper employed a semi-structured interview with a list of questions. The researcher made an interview with the manager of the industry and high officials and experts of government body at different level mandated with the protection of the environment such as (STEO,OEFCCA,

MoEFC and MoI) as I considered this method is the most suitable to obtain the qualitative information that I needed to answer my research questions.

The strength of this method is that, the researcher can prompt and probe deeper into the given situation, Since interviewer not adhere only to the interview guide. Again the researcher can explain or rephrase the questions if respondents are unclear about the question. It also provide much more detailed information than what is available through other data collection methods, such as surveys as people may feel more comfortable having a conversation with you as opposed to filling out a survey.

The Drawbacks of this method is that, inexperienced interviewers may not be able to ask prompt questions. If this is the case, some relevant data may not be gathered. The use of an occasional spontaneous question makes the answers difficult to quantify and analyze. Again it is not generalisable and may Prone to possible bias.

1.7.3.2. Focused Group Discussion (FGD)

To conduct this paper I used FDG method with the surrounding community leaders. This method is selected because it will enable me get data/information easily regarding the issue. It is useful technique for gathering qualitative information. While doing this, the researcher tried to form a mini group. In doing this, the researcher ascertained that the members are capable of holding discussion. To get necessary information regarding the issue, the researcher identified the discussion points and tried to control the participants and record (sound) while taking the notes.

1.7.3.3. Observation

The researcher tried to observe some activities related to ECSR at the industries .This were fully depended on the willingness of the management of the organization on the degree of freedom I got to access to each functional unit of the industries. The strength of this method is that Subjective bias is eliminated if observation is done accurately and the information obtained under this method relates to what is currently happening. The Weakness is that information observed/gathered can be limited and unforeseen factors may interfere during observations.

1.7.3.4. Sample selection

The researcher select both the study area and the industries purposively because one way of getting a research topic and doing a research to solve a problem is personal knowledge of the researcher through seeing, hearing and discovering. Although the selected industries are known for their export earning and more employment, it is also known for its adverse environmental impact. Hence, it is worth studying the implementation of ECSR and DEA to address its adverse environmental impacts in addition to the already existing mandatory environmental laws of the country.

1.7.3.5. Sample size

The researcher selected the appropriate respondents for the research purposively. In doing that the researcher decided the operation manager of the company to be the appropriate respondent. Regarding to the government officials, the researcher preferred the heads of the concerned offices and appropriate experts related with preservation of the environment. As to FDG, the surrounding community leaders of Roge kebele which include kebele leaders, elders and religious leaders have been included. The number of participants on the FDG doesn't affect the sample size as they are community leaders they can represent the community affected by the operation of the industries and it is impossible to maximize their number as it is limited.

1.7.3.6. Method of Analysis

The study involves qualitative data collected through semi-structured interview, FDG, personal observation and secondary documents review. Hence the analysis scheme is basically of qualitative nature. It involves concurrent content analysis of primary and secondary data. Content analysis is the longest established method of text analysis. It helps to explain how a particular phenomenon develops and its existing stage. The researcher is convinced that content analysis makes great sense to analyze the implementation of ECSR and DEA in the selected industry and the rationale behind then.

1.8. The scope of the study

The study is aimed/ confined to examine the implementation of ECSR and DEA in the selected industries. The study intended to deal with the ECSR and DEA practices of these industries, in addition to the country's mandatory environmental law. Further the study didn't make an attempt to evaluate various models of CSRED. The study is limited in its scope not only to the selected industries but also limited to environmental dimension /aspect of CSR not on all other CSR dimensions (human rights, employee, customer and community dimension).

1.9. Ethical Considerations

In this research ethical issues were considered. During the observations, interview and focus group discussion, the researcher informed all respondents about purpose, methods and importance of the research and the implication of their participation. The study tried to implement core universal ethical principles through respecting participants of the study, enhance their beneficence and ethical treatments of stakeholders of the study.

Confidentiality- The respondents have been assured that they will not be confused and that their response will remain confidential. The information they provided is confidential and used for academic purpose only.

Great ethics-The study also considered prohibitions against fabricating, falsifying, or misrepresenting research data, and promoted the truth and avoids error.

1.10. Organization of the paper

The paper attempted to analyze the implementation of ECSR and DEA at Hafde and Blue Nile tanneries and have been classified into chapters. The first chapter starts with an abstract followed by background of the study and continuous with statement of the problem, literature review, research questions, objective of the study, significance of the study, research methodology, scope of the research, ethical consideration, limitation of the study and future direction, references and annexes.

The second chapter is left for the concept of ECSR and DEA. The third chapters look into the relation between law and ECSR and DEA. The fourth chapter dwells on presentation, discussion and analysis of the data collected. At last, the fifth chapter includes summary of the findings, the conclusions reached and the recommendations forwarded so as to solve observed problems and to accelerate the development and implementation of ECSR and DEA in such industries particularly.

1.11. Limitation of the Study and future direction

Since it is a have semester work, there is time constraint. In addition to time, I was confronted with the following challenges:

- Since one of the selected tannery (Blue Nile tannery), is not in operation for the time being as they are on reestablishment and also the appropriate persons (the owner and the managers of the industry) for my thesis was out of the country, I analyzed using the rest one. However, with the interview I made with government officials at different level, I ascertained that there is no difference between the two tanneries in implementing the countries existing environmental laws and ECSR and DEA so that the sample size, will not affect the quality of the results of the investigation.
- On the other hand, I attempted many times to make an interview with a person with the name G/Mikael G/Kida; Environment, Climate Change and Industrial Zone Development Directorate Director, Ministry of Industry, however he was not interested.
- The researcher's limited experience in conducting such research may prove to be a limitation. More over regarding to the nature of the research, as it is basic research, it shall not be taken as the final generalized result on the subject matter. It is believed that this research is useful as the spring board to further study on the subject matter not as the final output.

CHAPTER TWO

CONCEPTS OF ENVIRONMENTAL CORPORATE SOCIAL RESPONSIBILITY AND DISCLOSURE OF ENVIRONMENTAL ACTIVITIES

2.1. What is Corporate Social Responsibility (CSR)

Within the world of business, the main “responsibility” for corporations has historically been to make money and increase shareholder value. However, in the last decade, a movement defining broader CR for the environment, for local communities, for working conditions, and for ethical practices—has gathered momentum and taken hold. This new driving force is known as corporate social responsibility. It is known by many names, including corporate responsibility, corporate accountability, corporate ethics, corporate citizenship, sustainability, stewardship, and triple-E bottom line (economical, ethical, and environmental).

There is no global consensus on a single definition of corporate responsibility. One of the main reasons is that all of the scholars have studied the idea of CSR from different perspective. This has shaped their opinion with emphases on either one area of CSR while neglecting or shadowing others.

However, in line with my research, I have identified **three** definitions which would be useful for the purposes of my research work. The **first** definitions that I found interesting is by Sir Geoffrey Chandler, according to him, it generally refers to transparent business practices that are based on ethical values, compliance with legal requirements, and respect for people, communities, and the environment. Thus, beyond making profits, companies are responsible for the totality of their impact on people and the planet.³⁷

The **second** most commonly used definitions of CSR come from the Commission of the European Communities in 2001 “A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their

³⁷ Sir Geoffrey Chandler, Defining Corporate Social Responsibility,(Ethical Performance Best Practice, fall 2001) <<http://www.docu-cu-archive.com/Defining-Corporate-Social-Responsibility%3A.pdf>>accessed 11 January 2016.

stakeholders on a voluntary basis”³⁸.The Commission stresses: ”being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing ‘more’ into human capital, the environment and the relations with stakeholders”. It also means contributing positively to society and managing your organization’s environmental impact³⁹.

The **last** one is the one which is defined by others as; Environmental CSR is an environmentally friendly actions not required by law, also referred to as going beyond compliance, the private provision of public goods, or voluntarily internalizing externalities.⁴⁰ The whole point of Corporate environmental responsibility (CER), by looking at the present theoretical evidence, is conceived to be the collection strategies that make the companies to see the environment as part of their responsibility and devise preventive measures.

2.2. Arguments for and against CSR

Ever since the debate over CSR began, supporters and detractors have been articulating the arguments for the idea of CSR and the arguments against the concept of CSR. The case against the concept of CSR typically begins with the classical economic argument articulated most forcefully by the late Milton Friedman (1962). Friedman held that management has one responsibility and that is to maximize the profits of its owners or shareholders. He argued that social issues are not the concern of business people and that these problems should be resolved by the unfettered workings of the free market system.⁴¹

Further, this view holds that, if the free market cannot solve the social problems, it falls not upon business, but upon government and legislation to do the job. It is for the Government to look after interests of the society. The prime responsibility of assuming social responsibility should, therefore, be of the Government and not of the business enterprises.

³⁸European Commission, ‘Promoting a European framework for corporate social responsibility’, (2001) Green Paper, Luxembourg: Office for Official Publications of the European Communities. p. 8

³⁹ Ibid.

⁴⁰ Hay, et, al, Present a Lively Series of Papers and Commentaries that Reflect Varying Notions of CSR, (2005)p.9

⁴¹ Friedman, M., The Social Responsibility of Business is to Increase its Profits, (New York Times, September, 1962)p.126

A second objection to CSR has been that business is not equipped to handle social activities. This position holds that managers are oriented towards finance and operations and do not have the necessary expertise (social skills), to make socially oriented decisions⁴². The argument is based on lack of skill and competence i.e. professionally qualified managers may not have the aptitude to solve the social problems.

A third objection to CSR is that it dilutes businesses' primary purpose. The objection here is that to adopt CSR would put business into fields of endeavor that are unrelated to their 'proper aim'⁴³. A fourth argument against CSR is that business already has enough power, and so why should we place in its hands the opportunity to wield additional power, such as social power⁴⁴. A fifth argument is that, by pursuing CSR, business will make itself less competitive globally.

Arguments in favor of CSR typically begin with the belief that it is in business's long-term self-interest – enlightened self-interest – to be socially responsible. This view holds that, if business is to have a healthy climate in which to function in the future, it must take actions now that will ensure its long-term viability. It is to mean that, business organizations are powerful institutions of the society. Their acceptance by the society will be denied if they ignore social problems. To avoid self-destruction in the long-run, business enterprises assume social responsibility.

A second argument in favor of CSR is that it will 'ward off government regulation'. This is a very practical reason, and it is based on the idea that future government intervention can be forestalled to the extent that business polices itself with self-disciplined standards and fulfills society's expectations of it. What it means is that, non-conformance to social norms may attract legislative restrictions. Government directly influences the organizations through regulations that dictate what they should do and what not.

Two additional arguments in favor of CSR include 'business has the resources' and 'let business try'. These two views maintain that, because business has a reservoir of management talent, functional expertise and capital, and because so many others have tried and failed to solve social

⁴² Davis, K, 'The Case for and Against Business Assumption of Social Responsibilities' 1973, *Academy of Management Journal*, 312–322.

⁴³ Hayek, F.A., *The Corporation in a Democratic Society: in Whose Interest Ought it and will it be run*, In Ansoff, H.(ed.),*Business Strategy*. Harmondsworth: Penguin Books. (eds,1969)P.225

⁴⁴ Ibid

problems, business should be given the chance⁴⁵. It is to say that, business organizations have enormous resources which can be partly used for solving social problems.

Businesses are the creation of society and must work in the best interest of society, both economically and socially. Another justification for CSR holds that proacting is better than reacting. This basically means that proacting (anticipating, planning and initiating) is more practical and less costly than simply reacting to social problems once they have surfaced⁴⁶. Finally, it has been argued that business should engage in CSR because the public strongly supports it.

Many of these arguments for and against CSR have been around for decades. They certainly present the legitimate perspective that there are, indeed, two sides of the argument with respect to almost any concept. Today, the public believes that, in addition to its pursuits of profits, business should be responsible to their workers, communities and other stakeholders, even if making things better for them requires companies to sacrifice some profits⁴⁷.

Again, there are increased public expectations for business entities and industries to take responsibility for the impact their activities have on their environment and society. Civil society and media increasingly request companies to consider the social and environmental consequences of their activities and to provide more transparency and openness with respect to their action.⁴⁸ Nowadays, the society as a whole and media increasingly request companies to consider social and environmental problems while doing business activities. Government has also come as an initiative to control those business activities which makes a harmful effect on the society.⁴⁹

⁴⁵ Davis, K. (n 38) p. 316

⁴⁶ Carroll, A.B. and Buchholtz, A.K., Business and Society: Ethics and Stakeholder Management, Mason, OH: South-Western Cengage Learning, (7th eds, 2009) P. 53

⁴⁷ Bernstein, A., Too Much Corporate Power. Business Week, (11 September, 2000) p.149 <<https://businesshumanrights.org/en/too-much-corporate-power-0#c18792>>accessed 7 November 2016.

⁴⁸ Freeman, R. E., et.al, Stakeholder Theory. The State of the Art, Cambridge, UK: Cambridge University Press (eds,2010)

⁴⁹ Geeta Rani & Kalpana Hooda, 'Corporate Social Responsibility: Review of Literature', (2013) Vol. 2 (6), International Journal of Social Science & Interdisciplinary Research.p.1

2.3. Strategic and Altruistic CSR

If CSR was in place to benefit the financial agenda of an organization, CSR is strategic⁵⁰. Thus, strategic CSR is allowably profitable, and assumes CSR can be used to gain competitive advantages⁵¹. If, on the other hand, a CSR action is socially motivated, and occurs at the cost of company profits, the CSR action is altruistic, or separate from strategic motives⁵². Despite extensive research on CSR, however, evidence of firms sacrificing profits for exclusively social or environmental interest is scarce⁵³.

Accordingly, managers must decide whether to reveal the practical and strategic motives for engaging in CSR as some stakeholders may view CSR activities “more favorably if divorced from any discussion of the bottom line”⁵⁴. By managers choosing to limit certain discourses, the resulting lack of communication has resulted in stakeholders having difficult in assessing CSR⁵⁵. Among the many strategic benefits of implementing CSR (e.g., brand differentiation, attracting consumers, etc.), many CSR critics have questioned the voluntary roots of the concept, and are often skeptical of companies adhering to CSR principles when not obliged to do so by law.

In turn, many critics argue that CSR is also a tactic companies use to persuade governments and the general public that additional regulation is unnecessary for a given cause⁵⁶. It is speculated that by taking (or appearing to take) measures to improve a given social situation, “corporations wish to pre-empt government intervention and regulation”⁵⁷

⁵⁰ Baron, et al. ‘Private Politics, Corporate Social Responsibility and Integrated Strategy’ (2001)10(1), Journal of Economics and Management Strategy, 7-45.

⁵¹ Porter, M.E. and Kramer, M.R., Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility. Harvard Business Review, 84(12)(2007) 78-92.

⁵² Latnos, et al, ‘The Boundaries of Strategic Corporate Social Responsibility’ (2001)18(7), Journal of Consumer Marketing, 595- 632.

⁵³ Lyon, et al. (n 33)240- 260.

⁵⁴ McWilliams, et al. ‘Creating and Capturing Value: Strategic Corporate Social Responsibility, Resource-Based Theory, and Sustainable Competitive Advantage’ (2010) 26, 117-127. Journal of Management P.4

⁵⁵ Baron, et al. (n 50) 7-45.

⁵⁶ Latnos, et al. (n 52) 595- 632.

⁵⁷ Asongu, et al. ‘The History of Social Corporate Responsibility’(2007)1(2), Journal of Business and Public Policy,P.13

2.4. Principles of Corporate Social Responsibility

According to Crowther and Aras (2008:14), there are three basic principles, which together comprise all CSR activities. These are: sustainability, accountability, and transparency⁵⁸

2.4.1. Sustainability

Sustainability implies that society must use no more of resource than can be regenerated. This can be defined in terms of the carrying capacity of the ecosystem and described with input-output models of resource consumption.

2.4.2. Accountability

This is concerned with an organization recognizing that its actions affect the external environment, and therefore assuming responsibility for the effects of its actions. This concept therefore implies a quantification of the effects of actions taken, both internal to the organization and externally. More specifically the concept implies a reporting to external stakeholders of the effects of actions taken by the organization and how they affect those stakeholders.

2.4.3. Transparency

Transparency, as a principle, means that the external impact of the actions of the organization can be ascertained from that organization's reporting and pertinent facts are not disguised within that reporting. Thus all the effects of the actions of the organization, including external impacts, should be apparent to all from using the information provided by the organization's reporting mechanisms.

2.5. Environmental Corporate Social Responsibility (ECSR)

ECSR is proposed as a holistic and strategic approach to organizational actions to address the issue of ever growing environmental catastrophe facing the global society. Although the environment has been identified as one aspect of CSR, the introduction of the concept of

⁵⁸David Crowther and Guler Aras, Corporate Social Responsibility, Ventus Publishing Aps, (2008), PP.14-24

ECSR has added an intense focus on the comprehensive and pervasive nature of the global environmental protection agenda. Nowadays, more attention is directed towards the environmental aspect of CSR as environmental concern is a key pillar of the CSR. After witnessing an increase in environmental catastrophes that was contributed by the unscrupulous business interest and human careless attitude⁵⁹, business organizations is turning to CSR as its payback tool.

More and more companies place environmental related issues high on their CSR agenda as one of the most serious effects of external economic activity is detrimental impact on the environment, the environmental issues are of great importance in the company. That is why; today many companies have accepted their responsibility to do no harm to the environment.⁶⁰ In the industrialized nations, more and more companies are “going green” as they realize that they can reduce pollution and increase profits simultaneous⁶¹.

The Environment Strategy of the World Bank indicates, too that the private sector is becoming a decisive factor in influencing environmental performance and long-term environmental sustainability⁶². These studies have then become the empirical foundation to the development of a holistic organizational perspective to environmental protection or ECSR. Williamson et al. (2006) have regarded ECSR as:

“...a concept about companies extra effort integrating environment concerns in their business operations and in their interaction with their stakeholders. It is viewed as the contribution that firms make to sustainable development by balancing and improving environment impacts without damaging economic performance”⁶³.

Therefore, the basic idea of CSR in environment is to reduce the environmental impact of production processes and products. CSR standard studies of William and Jose (et al, 2009)

⁵⁹ Banyte, J et al. A., Expression of Green Marketing Developing the Conception of Corporate Social Responsibility Inzinerine Ekonomika-Engineering Economics, 21 (5)(2010), 550 - 560.

⁶⁰ Hart Stuart L.; Beyond Greening in Harvard Business Review on Business and the Environment, HBD Press, Boston, (2000) p.3

⁶¹ Ibid.

⁶² WB, Making Sustainable Commitments: An Environment Strategy of the World Bank, Washington D.(2000) <http://www.preventionweb.net/files/2595_288170PAPER0Ur1ent010infrastructure>accessed 4 December 2016

⁶³ Williamson, D. et. al. ‘Drivers of Environmental Behavior in Manufacturing SMEs and the Implications for CSR’ (2006) 67(3), Journal of Business Ethics, P.317

proposed that environmental protection using means such as: Comply with or surpass set environmental laws, rules and regulations to promote environmental protection and minimize, if not eliminate, environmental risks, companies will continue to work towards developing innovative products that integrate environmental standards, minimize environmental impacts in integrated manner and enhance the social value, they will participate in environmental protection and restoration projects, they will promote environmental awareness and provide information to their employees to enhance their understanding of environmental issues⁶⁴.

Therefore, the most critical dimension of CSR, especially for leather and similarly industries, is protection of the environment. Because, it relates to the community, workers, animals as well as the physical environment such as water bodies, soil, plants and so on.

On the subject of CSR in leather industry, environmental protection has described in terms of: Comply with environmental laws, rules and regulation, waste reduction and pollution minimization, identify potential negative environmental effects, and implement technologies to reduce harm done to the environment in production processes, Protection of natural environment, creating environmental awareness.

2.5.1. Why Entities engage in ECSR

There will be increased costs to implement ECSR, but the benefits are likely to far outweigh the costs. There are a number of reasons why companies are engaging ECSR in their facet of the modern business environment. A general idea behind the motivation of firms to invest in ECSR activities comes from the stakeholder theory. Stakeholder theory recommends that organizational survival and achievement is dependent up on satisfying both its economic (e.g., profit maximization) and noneconomic (e.g., corporate social performance) objectives by addressing the needs of the company's various stakeholders⁶⁵. It also recommends that organizations are motivated to widen their objectives to incorporate other goals in addition to profit maximization.

⁶⁴William F et al. Three Views of Corporate Social Responsibility, (2009)

⁶⁵ Pirsch J, et al,' A Framework for Understanding Corporate Social Responsibility Programs as a Continuum: An Exploratory Study' (2007) 70, Journal of Business Ethics 125-140.

In light of this theory, organizations that embraced the ECSR activities as an approach to promote socially responsible activities and policies is in a better position to react successfully to the stakeholder demands⁶⁶. An important justification for attempting to investigate the environmental dimension of CSR lies in the basic idea around which the “green business organization” is created⁶⁷.

A company that truly held environmental protection and sustainability need to have a comprehensive and consistent strategic management approach⁶⁸. Its organizational members are expected to embrace shared assumptions and beliefs about the significance of balancing economic efficiency, social equity and environmental accountability⁶⁹.

A proactive management approach permits organizations to save money by foreseeing and evading expenditures arising from environmental damage, and minimizing the cost of complying with future legislation. Likewise, operating expense can be lessened through waste minimization, pollution prevention, and the elimination of health and safety hazards⁷⁰. Environmental management can minimize external effects, enhance financial performance and, improve reputation among communities, customers and stakeholders⁷¹. The other reason why do firms engage in ECSR is that, traditional hypotheses contend that ECSR is attractive to key stakeholders such as consumers and employees⁷².

⁶⁶ Maignan I, et al. ‘Corporate Social Responsibility and Marketing: An Integrative Framework’ (2004) 32(1) Journal of the Academy of Marketing Science. 3-19.

⁶⁷ Nik Ramli NAR, et al., Environmental Corporate Social Responsibility (ECSR) as a Strategic Marketing Initiative. *Procedia Social and Behavioral Sciences*, 2014(130)499-508.p.501

⁶⁸ Velasquez-Man off M, Environmental Problems needs a Holistic Approach. *The Christian Science Monitor*, (2009).<<http://www.csmonitor.com/Environment/Bright-Green/2009/1016/environmental-problems-need-a-holistic-approach>>16 August 2016

⁶⁹Bertels S, et al., Embedding sustainability in organizational culture. *Network for Business Sustainability*, (Simon Fraser University 2010)P.10 <www.nbs.net/knowledge/culture>accessed 19 April 2017

⁷⁰ Sarmiento M, et al., Analysis of companies’ Environmental Strategies for green society. *Energy*, 31(2006):2333-2340.

⁷¹ Ibid

⁷² Torelli, et al. ‘Doing Poorly by Doing Good: Corporate Social Responsibility and Brand Concepts’ (2011) 38, *Journal of Consumer Research*: 948–63.

Companies which care about the wellbeing of society as well as environmental protection is perceived more favorably in comparison to a company which does not.⁷³ Another theory is that firms use ECSR as a strategy for averting political conflict; they over-comply with existing regulations in an effort to preempt new legislation, stiffer enforcement, interest group pressure, and public protests⁷⁴. On the other hand consumers research have also shown that consumers are more willing to purchase from companies that show higher commitment to environmental protection⁷⁵

The other key motivation for ECSR that the surge of environmental programs may be a result of managers beginning to understand that wasteful by-products are symptomatic of other production inefficiencies, and minimizing inefficiencies leads to cost reduction and a strategic “win/win opportunity”⁷⁶. On the other hand, noted another popular reason for ECSR’s implementation is; the goodwill it can generate in communities and potential consumers⁷⁷.

Environmentally aware consumers are often willing to pay more for products provided by environmentally conscious organizations, and may be another convincing factor in managers deciding to implement (or appear to implement) ECSR for strategic differentiation reasons.⁷⁸. Moreover, managers also often use ECSR as a defensive strategy in dealing with their damaged brand images, or when business practices are under scrutiny⁷⁹. Not only this, businesses also take active steps under the guise of ECSR to avert mandatory environmental regulation, an argument echoed by⁸⁰.

⁷³ Ailawadi, et al, The Impact of Retailers’ Corporate Social Responsibility on Price Fairness Perceptions and Loyalty. InraIdei Seminar on Competition and Strategies in the Retailing Industry, Toulouse, (France, May 16 – 17, 2011).

⁷⁴ Maxwell, et al. ‘Self-Regulation and Social Welfare: The Political Economy of Corporate Environmentalism’, (2000)43(2), *Journal of Law and Economics* 583–618.

⁷⁵ Nik Ramli NAR (n 64) p.503

⁷⁶ Lyon, et al. (n 33) p. 243.

⁷⁷ Portney, P. R., The (not so) New Corporate Social Responsibility: An Empirical Perspective. *Review of Environmental Economics and Policy*, 2(2)92008) 261–275.

⁷⁸ Latnos, et al. (n 52) 595- 632.

⁷⁹ Waller, R. et al. ‘Framing and Counter Framing the Issue of Corporate Social Responsibility: The Communication Strategies of Nikebiz.com’, (2011)48(1), *Journal of Business Communication* 83-106.

⁸⁰ Asongu, J. J. (n 57)118

2.5.2. The Overall Effect of ECSR

My discussion to this point has focused primarily on positive analysis illuminating the various roles corporate environmental improvement can play as a part of overall corporate non-market strategy. ECSR could decrease demand for environmental regulations by persuading people that environmental problems have been solved, or at least reduced to the point that the marginal costs of lobbying, protesting and regulating exceed the marginal benefits⁸¹. Observers could interpret ECSR as proof that environmental problems are real and that firms can afford to behave more responsibly. ECSR could also reduce support for spending on monitoring and enforcement⁸².

Moreover, once firms have invested in technologies that partially solve an environmental problem, citizens may be reluctant to demand stiffer standards that would destroy the value of the firms' investments. Environmental corporate responsibility can contribute to the establishment of new businesses and to the improvement of relations with interested parties, especially with local communities. Enterprises' engagement and its commitment to solve environmental problems make obtaining the local communities favor easier, help to win local authorities' trust, and to reduce the frequency of interventions by regulators.⁸³

ECSR also might raise the aspirations of citizens, activists and officials, leading to demands for more action⁸⁴. Taking on the obligation to limit the damage inflicted on the environment also decreases the likelihood of government regulation. By going beyond what is legally required at the present time, businesses that support initiatives benefitting the environment are less likely to be adversely impacted by any legislation that is introduced in the future. This means they reduce the risk of consequences for noncompliance⁸⁵

Finally, some firms might use ECSR as part of a conscious strategy for promoting—rather than avoiding—stiffer regulation. Large firms, in particular, may engage in ECSR and then lobby for

⁸¹ Maxwell, et al. (n 74)583–618.

⁸² Maxwell, et, al., Voluntary Environmental Investment and Regulatory Responsiveness, *Environmental and Resource Economics*,33(2006)425–39

⁸³ Oksana Seroka-Stolka (Ph.D.)(n 4) p. 101

⁸⁴Bendor, et al, *A Behavioral Theory of Elections*. Princeton, NJ: Princeton University Press,(2011)p.162-165 <<http://press.princeton.edu/titles/9352.html>>accessed 30 September 2016

⁸⁵ Sabina Medarevic, 'Environmental Corporate Social Responsibility and the Carbon Economy: A Case for CSR , the Triple Bottom Line and Obliquity', (2012)(6-12)*Corporate Governance e Journal* , p.5

government to impose the same standards on other firms. In this way, the voluntary actions of environmental leaders could lead to involuntary regulations against environmental laggards⁸⁶.

2.6. Communicating Corporate Social Responsibility

Reporting is an important communication tool which can ensure greater corporate transparency and enable better engagement with stakeholders. Reporting on environmental performance and abiding by the rules of CSR raises public awareness and enables governments to monitor corporate environmental impacts. Not only this, it also improves the transparency of corporate activities and their impacts towards reducing environmental impacts.

Throughout the 1990s, building corporate reputations based on CSR efforts became a main concern for many successful companies that now incorporate information regarding CSR efforts in annual reports and other communications⁸⁷.

2.6.1. Environmental Reporting

An important component of CR is environmental reporting, which is the process by which management reports to the public about environmental impacts of business activities and environmental initiatives undertaken to mitigate them by disclosing the environmental information related to those activities⁸⁸. They may also disclose financial information, such as the amount invested in preserving the environment. Environmental reporting should provide relevant information systematically and comprehensively and in accordance with the general principles for environmental reporting specified in the guidelines.⁸⁹ However, only a minority of companies report environmental information in their annual reports and the disclosures are limited in nature, with inconsistent treatment of environmental matters across companies⁹⁰.

⁸⁶ Denicolò Vincenzo, 'A Signaling Model of Environmental Over compliance', (2008)68, *Journal of Economic Behavior and Organization* 293–303

⁸⁷ Conaway, R et al, 'Do Their Words Really Matter? , Thematic Analysis of U.S. and Latin American CEO Letters', (2010) 47(1), *Journal of Business Communication* 141-168.

⁸⁸ Environmental Reporting Guidelines (n 6)p.15

⁸⁹ Ibid

⁹⁰ Gamble, et al, 'The Materiality of Environmental Information to Users of Annual Reports' (1997)10 *Accounting, Auditing and Accountability Jnl* 562-583.

Multinational corporations are equally urged to disclose to the public and their workers information on the potential environmental, health, and safety impacts of their activities. Such information should not only be timely but it should also be adequate, measurable, and verifiable.⁹¹ In essence, the OECD Guidelines implore MNCs to make honest and transparent reports on the environmental impacts of their activities as well as to take measures aimed at controlling or ameliorating such impacts.

In the Environmental Reporting practice, there are two main vehicles that companies use to publish information about the ways in which they interact with the natural environment.

- a. The published annual report (which includes the financial statements)
- b. A separate environmental report (either as a paper document or simply posted on the company website.) Again, some companies use a special report, and some have simply used local press and other media. Many companies publish their environmental and social reports on their websites, which encourages access to a wide audience.

2.6.1.1. Content of an Environmental Report

The content of an environmental report may cover the following areas: The entity's policy towards the environment and any improvements made since first adopting the policy, whether the entity has formal system for managing environmental risks, the identity of the director(s) responsible for environmental issues, the entity's perception of the risks to the environment from its operations, the extent to which the entity would be capable of responding to a major environmental disaster and an estimate of the full economic consequences of such a future major disaster,

In addition, the report may cover the effects of, and the entity's response, to any government legislation on environmental matters, details of any significant violation of environmental legislation or regulations, material environmental legal issues in which the entity is involved, details of any significant initiatives take, if possible linked to amounts in financial statements, details of key indicators (if any) used by the entity to measure environmental performance.

⁹¹ Organization for Economic Cooperation & Dev. (OECD), OECD Guidelines for Multinational Enterprises³ (2011 eds) [here in after OECD Guidelines]

Unlike most of the 'soft-law' initiatives, 'hard law' initiatives require companies to behave as good corporate citizens, for instance, by having mandatory social and environmental reporting and disclosure for companies. In many jurisdictions there are laws in place requiring firms in particular sectors to publicly disclose certain of their practices and activities. In South Africa, following the second King report into corporate governance, all companies listed on the Johannesburg Securities Exchange have been required since 1 September 2003 to report on their social and environmental performance using the GRI as their frame work⁹².

On the other hand, in terms of corporate environmental reporting and disclosure, the legal system in China, for example, mainly provides frameworks that require enterprises to report to the government when they produce any pollutant, where their projects have negative environmental impacts, or where any operating change occurs that affects the environment. Failing to do this will result in a punishment and fine⁹³.

The Possible challenges with reporting are the following:

Several researchers have further delved into the challenges of communicating CSR, and have found managers are often hesitant to communicate especially about environmental initiatives⁹⁴. In addition, information on a firm's social and environmental performance is often lacking. Currently, with voluntary compliance comes voluntary reporting, i.e. companies that engage in social responsibility often also choose to report their conduct, but many companies feel free not to report on social or environmental issues.

2.6.1.2. Green washing

Green washing is "the selective disclosure of positive information about a company's environmental or social performance, without full disclosure of negative information on these

⁹² W. Baue and G. Sinclair, 'Johannesburg Securities Exchange requires compliance with King II and Global Reporting Initiative'(16July2003):<[http://www.apf.gov.au/About Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp0304/04RP04](http://www.apf.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp0304/04RP04)>accessed 13 October 2016

⁹³ Guo Peiyuan, Corporate Environmental Reporting and Disclosure in China, (June 2005) ,p.6

⁹⁴ Burgess, J.et al, 'Environmental Communication and the Cultural Politics of Environmental Citizenship', (1998)30(8), Environment and Planning 1445-1460.

dimensions”⁹⁵. Green washing is problematic as it is essentially false advertising, and can be used to dupe consumers into supporting businesses on false pretences⁹⁶.

At all it is the practice of misleading stakeholders by promoting environmental initiatives to leave the impression that the firm is operating in environmentally conscious ways⁹⁷. While some companies have lied outright about their environmental actions in hopes of reaping competitive advantages, the primary green washing concern (among NGOs and academics) appears to be the practice of presenting “positive information out of context in a way that could be misleading to individuals who lack information about the company’s full portfolio of activities⁹⁸.

While there is evidence of green washing being purposeful and calculated, others admit green washing is also done accidentally⁹⁹. Green washing is problematic because, whether intentional or not, over-emphasizing a product or service’s positive traits can mislead consumers into purchasing products or services based on unmerited environmental credit¹⁰⁰.

2.6.1.3. Reluctance to communicate ECSR

One possible reason leading to managers reluctance to communicate about environmental initiatives is the belief that environmental claim skepticism is rising among many consumers¹⁰¹ and is a direct result of the immense amount of false advertising regarding supposed environmentally friendly products¹⁰². Several authors have pointed to organizations over-emphasizing the positive effects their ECSR actions can have, and argue that since customers can not readily test many intangible ECSR actions, green claim skepticism has increased¹⁰³.

⁹⁵ Lyon, et al, ‘Green wash: Corporate environmental disclosure under threat of audit’ (2006). Ross School of Business Paper 1055.p.6 :<<http://ssrn.com/abstract=938988>>accessed 26 December 2016

⁹⁶ Terra Choice, *The Sins of Green Washing: Home and Family*, Toronto: Underwriters Laboratories, (2010, eds)P.58

⁹⁷ Lyon, et al. (n 33) p.240–260

⁹⁸ W. Baue and G. Sinclair (n 92)p.5

⁹⁹ Gibson, D. ‘Awash in Green: A Critical Perspective on Environmental Advertising’ (2009)23(1), *Tulane Environmental Journal*, 423-443.

¹⁰⁰ Ibid

¹⁰¹ Kilbourne, W, ‘Green Advertising: Salvation or Oxymoron?’ (1995) 24(2), *Journal of Advertising* 7-20

¹⁰² Lyon, et, al. (n 95)p. 23-24

¹⁰³ Sethi. P, A Conceptual Framework for Environmental Analysis of Social Issues and Evaluation of Business Response patterns, *Academy of Management Review*, 4(1) (1977)p.63-74

Therefore, with increasing green claim skepticism, managers are beginning to withhold environmental communications to avoid attracting any potential backlash or negative attention. Legitimacy gaps occur when stakeholders recognize discrepancies between an organization's actual performance, and what those stakeholders have come to expect based on the organization's previous brand promise or communication¹⁰⁴. ECSR performance can lead to improved corporate reputations, appearing overly strategic without fulfilling ECSR commitments often leads to legitimacy gaps that damage corporate reputations¹⁰⁵.

2.7. Instruments on Environmental Corporate Social Responsibility and Disclosure

It is nice to point out that to improve environmental standards of pollutant corporations especially leather industries, there are international environmental tools aimed at keeping them in check of improving the quality of the environment. The report provides insight regarding the channels by which governments endorse standards relevant to CSR. Four categories have been made¹⁰⁶

- I. International Instruments developed and formally recognized by governments which have formal support from business and labor organizations, like the ILO Declaration and the OECD Guidelines
- II. International Initiatives developed by intergovernmental bodies includes recognized initiatives like the UN Global Compact.
- III. International Initiatives endorsed by the governments include non-government initiatives which have provided relevant instruments. These include the International Organization for Standardization (ISO) initiative to introduce a social responsibility standard (ISO 26000), and to report environmental, social and economic performance according to the Global Reporting Initiative (GRI).

¹⁰⁴ Ibid

¹⁰⁵ International Standard Organization, 1996:1<http://www.magasbakony.hu/Val/ISO1996-1_2003.pdf>accessed 9 October 2016

¹⁰⁶ Lyon (n 95)p.45-46

- IV. National Initiatives developed and endorsed by government facilitate the creation of instruments by active governments in association with business and civil society. An example would be the Ethical Trading Initiative (ETI) founded with the support of the government of UK.

2.7.1. The OECD Guidelines

The organization for economic co-operation and development (OECD) adopted the OECD Guidelines for MNEs in 1976. Since then, the Guidelines have been revised five times, most recently in 2011, “reflect changes in the landscape for international investment and multinational enterprises”.¹⁰⁷ Sound environmental management is an important part of sustainable development, and it is increasingly seen as both a business responsibility and a business opportunity.

Multinational enterprises have a role to play in both respects.¹⁰⁸ The OECD Guidelines for MNEs recommend that managers of enterprises give appropriate attention to environmental issues in their business strategies and day-to-day operations.¹⁰⁹ The Guidelines are recognized as one of the world’s foremost corporate voluntary codes of conduct. Their ten chapters cover a broad range of corporate activities, several of which are relevant to companies’ environmental performance.

One of the chapters deals specifically with environmental issues.¹¹⁰ The Environment Chapter of the Guidelines encourages MNEs to raise their environmental performance by improving internal environmental management practices and seeking continuous environmental improvements.

According to the guideline, enterprises should, within the framework of laws, regulations and administrative practices in the countries in which they operate, and in consideration of relevant international agreements, principles, objectives, and standards, take due account of the need to

¹⁰⁷ Organization for Economic Co-operation & Dev. (OECD) (81) OECD Guidelines], 2 p. 546.

¹⁰⁸ Environment and the OECD Guidelines for Multinational Enterprises Corporate Tools and Approaches, p.5 <<https://www.oecd.org/env/34992954.pdf>> accessed 16 September 2016

¹⁰⁹ Ibid

¹¹⁰ Ibid

protect the environment¹¹¹. These can be achieved through a range of tools and approaches relating to environmental management, such as engaging in public information and stakeholder consultation; assessing environmental impacts through the whole life cycle of processes; acting with precaution; providing for contingency planning; ensuring environmental training and contributing to the development of environmental policy.¹¹²

A). Environmental management systems

Environmental management systems (EMS) provide an internal framework to enable enterprises to control their environmental impacts and integrate environmental considerations into business operations. They can help improve enterprises' environmental and business performance, increase market access, and improve communication with stakeholders.

B). Public information and stakeholder consultation

Collecting and providing information about the activities of enterprises and associated environmental impacts is an integral part of good environmental management and an important vehicle for building public confidence. This is most effective when information is provided in a transparent manner and accompanied by active consultation with stakeholders, promoting a general climate of mutual trust and understanding. There is a range of tools exist to guide enterprises wishing to communicate with the public on the environmental aspects of their activities. These include sustainability and environmental reporting, eco-labels, direct communications with stakeholders and partnerships.

C). Life cycle assessment

Environmental life-cycle assessment is a tool for systematic evaluation of the environmental aspects of a product or service through its entire life-cycle. Life-cycle assessment starts with life-cycle thinking — an understanding that the environmental impacts of the entire life -cycle of products and services need to be addressed. A product's life-cycle starts when raw materials are extracted, followed by manufacturing, transport and use, and ends with waste management including recycling and final disposal.

¹¹¹ OECD Guidelines for Multinational Enterprises, OECD PUBLISHING, 2, Rue André-Pascal, 75775 PARIS CEDEX 16
PRINTED IN FRANCE (00 2008 4C 1 P) – No. 89095 2008.

¹¹² Emphasis added see <http://www.oecd.org>>accessed 2 December 2016

D) Exercising precaution

The basic premise of the Guidelines is that enterprises should act as soon as possible, and in a proactive way, to avoid serious or irreversible environmental damage resulting from their activities. For enterprises, precaution is in part a function of how they operate in an everyday setting, and in part how they implement national regulatory requirements. A range of tools are available to enterprises to put these in practice, including environmental impact assessment, life-cycle assessment, environmental management systems, environmental audits and corporate reporting.

E) Emergency prevention, preparedness and response

The three core components of emergency management include prevention (minimizing the likelihood that an accident will occur), preparedness and mitigation (mitigating the consequences of accidents through emergency planning and risk communication), and response (limiting adverse consequences to health, environment and property in the event of an accident). As the case for corporate transparency gains ground, corporate environmental, health and safety reports increasingly include information about community involvement in environmental and emergency management.

F) Continuous improvements in environmental performance

Multinational enterprises are continually adapting themselves to a changing socio-economic environment. The OECD Guidelines address four categories of environmental improvements: process-related improvements, product-related improvements, consumer awareness, and research and development. A large range of tools and approaches are available to enterprises wishing to improve their performance, including environmental management accounting, life-cycle assessment and product stewardship.

G) Environmental education and training

Training plays an important role in raising environmental performance of enterprises, by improving staff awareness about conformance with requirements of environmental management systems, their roles and responsibilities, and the environmental impacts of the enterprises' activities.

H).Contributing to the development of environmental policy

Enterprises should contribute to the development of environmentally meaningful and economically efficient public policy, for example, by means of partnerships or initiatives that will enhance environmental awareness and protection. The involvement of all stakeholders in policy discussions reduces the risk that some problems go unanticipated by regulators. By involving the business sector, policy-makers and regulators are better able to design policies to reflect business realities and discussions also allows policy-makers to apprise themselves of new technologies, and the feasibility of the changes that may be needed to achieve compliance.

Conversely, policy changes without consultations with enterprises may lead to unsatisfactory results, insofar as companies may have little scope and incentive to go beyond minimum requirements. Enterprises can contribute to the development of environmental policies in numerous ways, for example, through participation in national and international consultation processes, partnerships with government and local authorities, and cooperative approaches among enterprises.

2.7.2. The ISO 14001

ISO 14001 is a set of guidelines which enables the company to reduce harm in relation to the environment according to the needs of the organization. It originally developed by the ISO; a network of national standards institutes– the ISO 14001 awards participating companies an ‘ISO 14001 certification’, specifies the requirements for an EMS whose implementation in a company is audited every three years. It specifies a framework of control for an EMS against which an organization can be certified by a third party. The specific standard, ISO 14001, specifies the requirements for an EMS [environmental management system] that may be objectively audited for self-declaration or third-party certification/registration purposes¹¹³

Thus, the ISO does not set actual pollution abatement standards, but commit participating companies to ‘continuous improvement’ and evaluates the extent to which the EMS is

¹¹³ ISO 14001, A Missed Opportunity for Sustainable Global Industrial Development, Earthscan, London,(1998)p.4

utilized¹¹⁴. The ISO 14001 (EMS) has been developed to help organizations identify, manage, and control the activities that have an environmental impact. Another major criticism of some forms of environmental certification relates to the fact that what is evaluated is environmental management, not environmental impact¹¹⁵

According to the ISO 14001 EMS is an integral part of the enterprise management system. It is implemented voluntarily and provides a systematic approach to environmental issues. Its aim is to achieve a sustainable improvement and reduction of adverse environmental impacts. In Poland, the EMS in compliance with ISO 14001 is widely used by enterprises of different industries, such as energy, automotive, food, etc.

In order for buyers to verify the social and environmental record of their suppliers, many are turning to certification programs that provide independent verification. ISO 14001 was one of the first and most popular of these programs, but many more have been launched since. ISO14001 are not only the most well known, but is the only ISO 14000 standard against which it is currently possible to be certified by an external certification authority¹¹⁶.

2.7.2.1. Benefits of ISO 14001 for the organization

The advantage of having ISO 14001 certification is primarily reduction in operating costs(the company makes real changes to optimize the selection of raw materials, proper waste management and efficient use of materials and infrastructure), gaining competitive advantage and value in the eyes of investors. The following are some of the benefits ISO 14001 for an organization:

- Strengthened stakeholder confidence:-ISO 14001reduces risk of liability keeps a head of legislation and regulatory developments and reduces the environmental burden through elimination, reduction and options.

¹¹⁴Utting Peter, Business Responsibility for Sustainable Development, UNRISD Occasional Paper No. 2, Geneva: United Nations Research Institute for Social Development, (2000)p.20

¹¹⁵ Hopkins, M., Defining indicators to assess socially responsible enterprises, Futures, Vol. 29, No. 7, 1997, pp. 581-603.

¹¹⁶ International Standard Organization(n 105)

- Greater Competitive advantage:-the organization would achieve improved cost control, improved organizational effectiveness and image of organization.
- More secure long term viability:-environmental management standard facilitates effective management, demonstrates environmental focus and introduces change in a controlled manner.
- Employee involvement and motivation:- ISO 14001 demonstrates innovation and forward thinking approach to customers and prospective employees. It clearly defines employees' functions and establishes environmental awareness and clear methodologies.

2.7.2.2. Fundamental elements of ISO 14001

The critical elements of environmental management system are:

- ✓ Defining environmental aspects
- ✓ Analyzing relevant environmental impacts
- ✓ Removing the impacts
- ✓ Improving environmental performance

According to the ISO 14001, the concern for the environment should be concentrated on the surroundings in which the organization operates such as air, water, land, fauna flora and human interactions. Downstream retailers require their suppliers to achieve ISO 14001 certification, this can have a large impact on environmental performance upstream.¹¹⁷

2.7.3. The UN Global Compact

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. The UN Global Compact has shaped an initiative that provides collaborative solutions to the most fundamental challenges facing both business and society.

One of the key elements of the principles are the importance of resource restoration, thus, businesses should be aware of the impact that their activities has on the environment in order to

¹¹⁷ Lyon(n 95)p.16-17

avoid environmental degradation¹¹⁸. Among the 10 principles of UNGC, three of them were dedicated for the environment in which they approach the environmental challenges of businesses.

The UNGC provides a high profile means for mobilizing and encouraging enterprises to integrate CSR into their daily operations. The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values among other things in the environment. The environmental principles the compact are:

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

2.7.3.1. Global Reporting Initiative Guideline

In response to global trends, international organizations produce guidelines and principles to help companies undertake environmental reporting and disclosure. Among such guidelines, the Sustainability Reporting Guidelines by Global Reporting Initiative (GRI) in 1999 and updated in 2002. Global Reporting Initiative (GRI): The GRI is a multi-stakeholder developed and governed framework for developing sustainability reporting guidelines. It is available for use by public agencies, firms and other organizations wishing to understand and communicate aspects of their economic, social and environmental performance¹¹⁹.

GRI produces the world's de facto standard in sustainability reporting guidelines. Sustainability reporting is the action where an organization publicly communicates their economic, environmental, and social performance. The GRI's mission is to make sustainability reporting by all organizations as routine and comparable as financial reporting. The GRI Guidelines are the most common framework used in the world for reporting. All sorts of organizations report using

¹¹⁸ UN (2012), The Ten Principles. Located on <<http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html> October 12th 2012> accessed 5 December 2016

¹¹⁹ <<http://www.globalreporting.org>.> accessed 13 January 2017

the GRI Guidelines, such as corporate businesses, public agencies, smaller enterprises, NGOs, industry groups and others¹²⁰.

2.7.3.2. G3 and the Reporting Framework

The G3 are the so-called “Third Generation” of the GRI’s Sustainability Reporting Guidelines launched in October 2006 at a large international conference that attracted thousands. There is a “third generation” because the GRI seeks to continually improve the Guidelines. The G3 Guidelines provide universal guidance for reporting on sustainability performance.

This means they are applicable to small companies, large multinationals, public sector, NGOs and other types of organizations from all around the world. The G3 consist of principles and disclosure items (the latter includes performance indicators). The principles help reporters define the report content, the quality of the report, and give guidance on how to set the report boundary.

2.8. The role of government in facilitating the implementation of environmental CSR and disclosure of environmental activities

Nowadays, more attention is directed towards the environmental aspect of CSR. More and more companies place environmental related issues high on their CSR agenda. Governments have an important role to play in Social Responsibility, and many government organizations are making significant advances in this field.

The role of governments as stakeholders is legitimized by the fact that they are elected representatives of the people. Governments which show pro activeness in policy making related to CSR activities of companies benefit through increased peace and stability, enhanced environmental protection, increased public trust due to the mainstreaming of sustainable development and assurance to communities adversely affected by business activities of getting redress.

Government interest in CSR issues takes many forms. Some governments have issued CSR guidance and play a wide range of partnering, facilitating and profiling roles. In some countries,

¹²⁰<www.acca.global.com.>accessed 13 January 2017

parliaments have also become engaged. For instance, on 13 March 2007, the European Parliament adopted a resolution on CSR in which it expressed the view that “increasing social and environmental responsibility by business, linked to the principle of corporate accountability, represents an essential element of the European social model...”¹²¹

The Government of Gujarat, for instance, in its latest Industrial Policy (2009) has put forward the idea of “Wealth with Social Health” to promote the idea and implementation of CSR activities in the state. This is a shift in the policy role of the Government of Gujarat as far as social responsibility is concerned. This can be understood as a change from the ‘mandating’ role to a ‘partnering’ one. The Industrial Policy also lays specific focus on the environment and gives it an infrastructure status¹²².

2.8.1. Why governments show interest in ECSR

Governments have become increasingly proactive in promoting CR by adopting a variety of policies to promote responsible business activities. Given the management focus and widely accepted voluntary character of CSR, why do governments care about the concept at all? This question can be answered by the following five literature-based propositions:

First, governments are interested in CSR because the respective business efforts can help to meet policy objectives on a voluntary basis. This motivation touches not only on policy objectives related to sustainable development and environmental protection, but also to foreign policy goals such as human development and development assistance ¹²³ because CSR is concerned with redistributing corporate resources to public causes.

Second, CSR policies are regarded as an attractive complement for hard-law regulations in cases where new regulations are politically not desirable or infeasible (in particular at the international

¹²¹ <<http://www.euractiv.com/en/socialeurope/parliament-criticises-commission-csr/article-162431>> accessed 18 February 2017

¹²² Ajay Gajanan Bhave, ‘Experiences of the Role of Government in promoting Corporate Social Responsibility initiatives in the private sector’, (Master Thesis, Lund University – University of Manchester - University of the Aegean – Central European University June 2009)p.21-22

¹²³ Haufler, V, A Public Role for the Private Sector: Industry Self-Regulation in a Global Economy, Washington: Brookings Institution, (2001)p.29

level; for examples see Haugler 2001)¹²⁴. Compared to hard-law regulations, the soft-law character of CSR and CSR policies implies comparatively low political costs in terms of resistance by special interest groups¹²⁵.

Third, governments inevitably define CSR negatively with conventional social and environmental regulations because the ‘voluntary business contribution to sustainable development’ starts where the legal framework ends¹²⁶. In addition, governments seek to play a more active role in defining the concept and also fostering the respective practices positively with softer, non-binding initiatives.

Fourth, a look into the governance literature of recent years shows that the soft approach of CSR policies coincides with a broader transition of public governance altogether, which leads away from hierarchical regulation towards more network like and partnering modes of self and co-regulation¹²⁷.

Fifth and finally, since CSR is concerned with managing business relations with a broad variety of stakeholders, the concept obviously reshapes not only management routines but also the roles of, and relations between, businesses, governments, and civil society.

2.8.2. The Role of Government in CSR promotion

In the theory of the modern corporation it is argued that the government has a potential role to play towards promoting and enhancing corporate social responsibility. The government should act as arbiter of business responsibility in society¹²⁸. Government can also exercise the arbiter role through regulation and the setting of minimum standards to help society overcome free-rider problems. Governments have a role to play in ensuring that corporations behave

¹²⁴ Ibid. p. 29-30

¹²⁵ Moon, J, The Contribution of Corporate Social Responsibility to Sustainable Development, in: Sustainable Development, 15(2007) 296-306.

¹²⁶ McWilliams, et al, Corporate Social Responsibility: A Theory of the Firm Perspective, in: Academy of Management Review, 26/1(2001)117-127.

¹²⁷ Kooiman, J, Modern Governance. London: Sage, (1993,ed)p.125-126

¹²⁸ Reich R B , The New Meaning of Corporate Social Responsibility, California Management Review, V40, No 2, (1998) pp817.

according to the rules and norms of society; corporations stand to gain from CSR activities due to its social influence and acceptance¹²⁹.

Hence, governments play an important part in supporting corporate social responsibility initiatives. Governments can legislate, foster, partner with businesses and endorse good practice in order to facilitate the development of corporate social responsibility.¹³⁰ The state can, however, create better framework conditions for the CSR activities of the enterprises.¹³¹ For example, in Switzerland the state is particularly active on four levels: Ensuring good framework conditions, promoting transparency, raising awareness and supporting companies, consolidation of CSR in the development context¹³²

2.8.2.1. Initiative by Government

The next section introduces some initiatives which combine some of the different roles that government may undertake to raise the CSR profile of a country. Some key means used to introduce an enabling environment for CSR in a country include the following initiatives.¹³³

(i) creating an enabling environment:- There is substantial evidence that governments around the world have begun to take on a CSR agenda¹³⁴ Some studies emphasize the influence of public policy as a critical factor in establishing a context within which CSR practice can flourish. Public policymakers can thus initiate policies and measures enabling CSR to flourish using several means

(ii) creating awareness and raising public support:- CSR cannot be imposed against the will of enterprises, but can only be promoted together with them under involvement of

¹²⁹ International Journal of Computing and Corporate Research ISSN (Online) : 2249-054X Volume 4 Issue 1 January 2014 ,International Manuscript ID : 2249054XV4I1012014-09' p.1 <https://www.ijccr.com>>May2014 < > accessed March 10 2017

¹³⁰ Ibid

¹³¹ Corporate Social responsibility from a Business Perspective Swiss Holdings Nägeligasse 13.p. http://www.swissholdings.ch/fileadmin/kundendaten/Dokumente/Archiv_Publikationen-Studie/Corporate_Social_Responsibility_from_a_Business_Perspective.pdf. Accessed January 12 2017

¹³² Ibid

¹³³ Neha Singhal, 'Corporate Social Responsibility - Role of Government', International Journal of Computing and Corporate Research ISSN (Online) : 2249-054X (Volume 4 Issue 1 January 2014)p.6 <https://www.ijccr.com>>9.pdf < > accessed March 10 2017

¹³⁴ Ibid

their stakeholders. The first step to promote CSR in a country is necessarily to fill the knowledge gaps about the significance and contribution of CSR to business success and sustainability, as well to increase awareness and acceptance¹³⁵.

(iii) Establishing a specialized CSR agency:- Governments in many countries has decided to set up specific agencies with a specific mission to promote CSR practice in their respective Countries. In Thailand, for instance, the CSR Institute (CSRI) was established in 2007 to promote CSR practices among its listed public company members.¹³⁶

(iv) reforming regulatory frameworks to meet CSR-related standards:- Government plays an important role in setting standards that reflect a minimum standard of good CSR practice or performance requirements. It also can make necessary changes to regulatory frameworks in cases where laws, tax and administrative compliance may hinder the development of responsible business practice.

(v) Fostering interaction with businesses, NGOs and other key stakeholders:-Government is in a unique position to convene necessary stakeholders in order to address social problems through a CSR agenda. In one way or another, governments can partner with foundations and corporations to support business responsibility initiatives.

2.8.2.2. Types of government intervention in corporate responsibility

Governments may wish to combine different types of intervention in order to address social challenges effectively. Practical experience shows that various types of government interventions can comfortably coexist, and can in fact be complementary. There are at least four types of government intervention that can usefully be distinguished¹³⁷

A. Awareness-raising

Awareness-raising instruments represent an important tool for governments in disseminating the idea of CR and providing incentives for business to adopt it. Thus, an important activity for

¹³⁵ Bertelsmann, S. et al., The CSR navigator: Public policies in Africa, the Americas, Asia and Europe, (2007)p.2 <http://www.ku.de/fileadmin/160124/CSR_Navigator.pdf>accessed 25 October 2016

¹³⁶ Neha Singhal (n 127)

¹³⁷ United Nations Global Compact | Bertelsmann Stiftung , The Role of Governments in Promoting Corporate Responsibility and Private Sector Engagement in Development, (2010)P.16

governments is to raise awareness for CSR and to build the respective capacities among both groups. Regarding improving the disclosure and transparency for CSR, governments can play a key role in improving the quality and dissemination of the respective CSR reports.

B. Partnering

Partnerships combine the expertise, competencies and resources of the public sector with those of business and other societal actors to address action areas within the CR agenda, thus creating benefit for all. In these partnerships, governments may be the initiator, moderator or facilitator. Through facilitation, governments enable companies to engage in CSR to drive social and environmental improvements.

Government may provide tax incentives award schemes that increase the visibility of CR activities, training and capacity building and providing funding for research on CR and penalties to promote responsible business; ensure business can access information needed; facilitate understanding of minimum legal requirements for issues relating to responsible business practice; include CSR elements in related policy areas (such as industrial policy, trade policy, environmental policy),

In addition, government may provide business advisory services and technical assistance to business when needed; or, support supply chain initiatives and voluntary certification. Again, governments can launch multi-stakeholder dialogues, undertake collective action or capacity building efforts with companies, involve various stakeholders in standard-setting procedures or simply mobilize financial resources.

C. Soft law

Soft law interventions to promote CR are non-regulatory interventions. Examples of soft law policies include the promotion of universal principles such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the GRI and ISO 14001 the inclusion of corporate responsibility criteria in public procurement procedures, and the establishment of a national action plan on CR. Soft forms of regulation may offer an attractive complement to legislation.

It can take various forms, including commitment to implement international principles; education or awareness raising programmes; official policy documents; publicity of good CSR practice conducted by other leading companies; or, endorse specific pro-CSR indicators, guidelines (such as international ECSR and DEA such as OECD Guidelines for MNEs, GRI, ISO 14001), systems and standards.

D. Mandating

Mandating instruments are often used to set and enforce minimum standards for business performance in CR-relevant areas such as environmental protection, anti-corruption and labor laws. These standards can come in the form of laws, regulations or sanctions which regulate and enforce business activities. Although CR is generally considered a voluntary tool, a number of governments have implemented mandatory measures in recent years that oblige companies to report on their CR-associated business activities or to initiate public-private partnerships.

Governments at different levels can regulate the behavior or practice of business by defining minimum standards for business performance embedded within the legal framework; establishing targets for business to achieve; setting up enforcers and inspectorates to oversee business conduct; promulgating codes or laws to confine undesirable business conduct; or imposing license of operation or mandatory environmental friendly industrial systems. Examples of this include mandating the implementation of ECSR and DEA especially for pollutant industries.

CHAPTER THREE

THE RELATION BETWEEN LAW AND ENVIRONMENTAL CORPORATE SOCIAL RESPONSIBILITY

There is a close relationship between CSR and the law¹³⁸. The main instrument governments use to address a firm's social, environmental, and economic impacts is the law. Many countries have a wide range of laws' whether at the national, state or local levels of governments, among other things relating to environment. A firm's CSR approach should begin by ensuring full compliance with those laws already in place. No matter how good a CSR policy may be failure to observe the law will under-mine other good efforts because the main obligation of businesses is complying with the already existing law in place.¹³⁹

Looking ahead, the CSR activities of firms can be seen as a proactive method of addressing potentially problematic conduct before it attracts legal attention.¹⁴⁰ In Ethiopia regulatory instruments have great contribution in enforcing firms towards responsible production. These are laws that played significant role as parameter for firms. Some of the very important environmental decrees at national/industrial level shaping social responsibility are discussed below.

3.1. Policy and legal framework for environmental management of Ethiopia

The government of Ethiopia starting from the constitution formulated different proclamations, regulations and guidelines for implementation of its environmental policy to address environmental problems so as to enable the people to live in a clear and clean environment

¹³⁸ Paul Hohnen , 'Corporate Social Responsibility :An Implementation Guide for Business' in Jason Potts, (eds), International Institute for Sustainable Development , ISBN 978-1-895536-97- (2007)p.153

¹³⁹ Ibid

¹⁴⁰ Ibid

3.2. The constitution of Ethiopia

The constitution of the FDRE provides the overriding principles for all legislative frameworks in the country. The concept of sustainable development and the environmental rights of the people are protected in the constitution by articles that stipulate the rights of peoples in the country. The concept of sustainable development and environmental rights are enshrined in article 43, 44 and 92 of the constitution¹⁴¹.

According to article 44; Environmental rights, all persons have the right to a clean and healthy environment. Moreover, in article 92; Environmental objectives are identified as, “Government shall endeavor to ensure that all Ethiopians live in a clean and healthy environment, the design and implementation of programs shall not damage or destroy the environment, people have the right to full consultation and to the expression of views in the planning and implementation of environmental policies and projects that affect them directly and government and citizens shall have the duty to protect the environment”¹⁴².

3.3. Environmental policy of Ethiopia

The Environmental Policy of Ethiopia was approved in 1997 and is the first key document that Captured environmental sustainable development principles. Its goal is to improve and enhance the health and quality of life of all Ethiopians and to promote sustainable social and economic development through the sound management and use of resources and the environment as a whole so as to meet the needs of the present generation without compromising the ability of future generations to meet their own needs¹⁴³.

It provides a number of guiding principles that require adherence to principles of sustainable development; in particular, the need to ensure EIA. It considers impacts on human and natural environments, provides for early consideration of environmental impacts in

¹⁴¹FDRE, constitution, 1995

¹⁴² Ibid

¹⁴³EPA, 1997

projects and programs design, recognizes public consultation, includes mitigation and contingency plans, provides for auditing and monitoring; and is a legally binding requirement¹⁴⁴.

3.4. Establishment of Environmental Protection Organs

Proclamation 295/2002 establishes the organizational requirements and identifies the need to establish a system that enables coordinated but different responsibilities of environmental protection agencies at federal and regional levels. The Proclamation indicates the duties of different administrative levels responsible for applying federal law. AS a part of the effort to realize the government's Climate Resilient Green Economy strategy, the former EPA has been upgraded into MoEFC in 2013.

3.4.1. Objective of Ethiopian Environmental Protection Authority

The objective of the Authority is to formulate policies, strategies, laws and standards, which foster social and economic development in a manner that enhance the welfare of humans and the safety of the environment sustainable, and to spearhead in ensuring the effectiveness of the process of their implementation.

3.5. Environmental Impact Assessment

The Federal Government has issued a Proclamation on EIA, (Proc, 299/2002) and the primary aim of this Proclamation is to make EIA mandatory for specified categories of activities undertaken either by the public or private sectors, and possibly, the extension of EIA to policies, plans and programmes in addition to projects.

The provisions of the proclamation include; projects will be subject to EIA and execution is subject to an environmental clearance from the former EPA or Regional Government Environmental Agency, as applies; EPA or the Regional Agency depending on the magnitude of expected impacts, may waive the requirement of an EIA; All other licensing agencies shall, prior to issuing of a license, ensure that either EPA or the regional Environmental Agency has

¹⁴⁴ Ibid

authorized implementation of project; a licensing agency shall either suspend or cancel a license that has already been issued, in the case that EPA or the Regional environmental agency suspends or cancels the environmental authorization; and approval of an Environmental Impact Study Report (EISR) or the granting of authorization by the EPA¹⁴⁵

3.6. Pollution Control

Proclamation no. 300/2002 on Environmental Pollution Control primarily aims to ensure the right of citizens to a healthy environment and to impose obligations to protect the environment of the country. The proclamation is based on the principle that each citizen has the right to have a healthy environment, as well as the obligation to protect the environment of the country.

The law addresses the management of hazardous waste, municipal waste, the establishment of environmental quality standards for air, water and soil; and monitoring of pollution. Furthermore, it empowers the EPA and/or the Regional Environmental Authority to assign environmental inspectors with the duties and responsibilities of controlling environmental pollution.

3.7. Solid Waste Management

Proclamation no. 513/2007 aims to promote community participation in order to prevent adverse effects and enhance benefits resulting from solid waste. It provides for preparation of solid waste management action plans by urban local governments. Therefore, the proclamation states that Urban Administrations shall ensure the participation of the lowest administrative levels and their respective local communities in designing and implementing their respective solid waste management plans¹⁴⁶.

¹⁴⁵Proclamation no. 299/2002)

¹⁴⁶Article 5.1, Proclamation No. 513/2007

3.8. Prevention of Industrial Pollution Regulation

As a follow up to Proclamation 300/2002, a regulation to prevent industrial pollution was developed by the Federal EPA and endorsed by the Council of Ministers to ensure compatibility of industrial development with environmental conservation. This Regulation confers important obligations to industrial operators. A factory subject to the regulations is obliged to prevent or minimize the generation and release of pollutants to a level not exceeding the environmental standards.

The regulation also obliges industrial operators to handle its equipment, inputs and products in a manner that prevents damage to the environment and to human health. Moreover, the regulations urge industrial operators to prepare and implement an emergency response system of their own.

On the other hand, industrial operators are required to prepare and implement internal environmental monitoring systems and keep written records of the pollutants generated and the disposal mechanisms used to get rid of the pollutants. In relation to it, factories are required by the regulation to submit annual compliance reports with the provision of the regulations¹⁴⁷.

3.9. Environmental guidelines and standards

During 2008 – 2010 EPA had prepared draft environmental standards for several industrial sector activities and ambient environmental qualities. During the same period, the EPA also prepared several draft guidelines that includes the draft Guideline on Sustainable Industrial Zone/Estate Development. The accepted industrial emission standards include Tanning and leather finishing, Manufacturing and finishing of textiles, pharmaceutical manufacturing etc.¹⁴⁸.

In general starting from the constitution to different law Ethiopia in corporate useful environmental laws this is a positive step in applying the environmental policy and laws, however additional policy instruments and mechanisms are required to enforce the above law.

¹⁴⁷*Prevention of Industrial Pollution Regulation, Regulation 159/2008*

¹⁴⁸ Ministry of industry, 2012

Again, the problem is that there is no political commitment to enforce the existing laws let alone the capacity of the country (weak regulatory power as a result of lack of manpower and necessary technology), it seems that the government is geared towards growth/investment at the cost of environment. Sectoral approaches should be used to study the binding constraints in implementing Environmental policy, laws and standards.

3.10.The Ethiopian company law

It is obvious that, Company as one of an operating institution within the community, its goals is understood to be the protection of the interests of the share holders alone. To this end, there are ample provisions under Ethiopian company law to advance the basic feature of the company that among other things involves: limited liability of the company, separate personality, investor ownership, etc.... All the aforementioned interests revolve around the share holders who are the key stake holders to the company.

Owing this, the interests of the workers, the interests of the suppliers, the interests of customers of the company, the interests of the local communities, the interests of the beneficiaries of the natural environment and the environment and other similar interests is not get due attention under our company law in operating and giving a decision that directly or indirectly affects the above interests especially the environment. In addition, there is no requirement to report environmental activities performed by the company.

However, in many jurisdictions there are laws in place requiring firms in particular sectors to publicly disclose certain of their practices and activities. The U.K. Companies Act 2006, for example, requires publicly-listed companies to report on a number of specific issues where they are necessary to understanding the company's business. These include environmental matters (including the impact of the company's business on the environment).

On the other hand, in European countries laws require companies to report on their social and environmental performance. Social and environmental issues are increasingly being seen as

integral components of the corporate governance agenda¹⁴⁹. A 2005 report by the international law firm Freshfields and Deringer¹⁵⁰ concluded that under the current legal systems of many countries, directors might be in breach of their fiduciary duties if they did not take into account environmental, social and governance issues. However such mandates and requirements are not there under our company law.

3.11.The Ethiopian investment proclamation

It is obvious that, the Ethiopian investment proclamation no.769/2012 and regulation no.270/2012 gave high protection and incentives for investors especially those investors engaged in leather processing. Indeed, according to Dinh et al. (2012), with policy reforms that have been successfully applied elsewhere, Ethiopia could expand its export potential by orders of magnitude in several light manufacturing subsectors: apparel, leather products, agribusiness, and wood and metal products.¹⁵¹ .

The detailed aspects of incentives are governed in the regulation (regulation no. 270/2012). The basic types of incentives (tax incentives) and investors entitled for it are listed in the table annexed to the regulation. Reading through the table one can understand that those sectors entitled for incentives are priority sectors identified either in the investment policy or law; or those that are identified to have contribution to the socio- economic development. The tax incentive scheme for establishment of industries in identified sector is extended for expanding and upgrading of those industries¹⁵² .

Although Leather industry is a pollutant industry, it is one of the sectors eligible for high tax incentives from 5 to 6 years in addition to other incentives. As to the Ethiopian investment proclamation no.769/2012, any investor shall have the obligation to observe the laws of the

¹⁴⁹ The 2004 OECD Principles of Corporate Governance provide an authoritative source of reference.<<https://www.oecd.org/corporate/ca/corporategovernanceprinciples/31557724.pdf>>accessed 15 January 2017

¹⁵⁰ <<http://www.unepfi.org/events/2005/roundtable/press>> accessed 27 March 2017.

¹⁵¹ Dinh et al, Light Manufacturing in Africa: Targeted Policies to Enhance Private Investment and Create Jobs, the World Bank, Washington DC. (2012)p.13

¹⁵² Art.6 Regulation no.270/2012

county in carrying out his investment activities. In particular, he shall give due regard to environmental protection¹⁵³.

However, the proclamation doesn't put detail obligation of investors regarding environmental protection apart from putting the obligation to observe the laws of the county in carrying out his investment activities (may be environmental law of the country). It doesn't put obligation to go beyond this (observe the laws of the county) such as applying ECSR and DEA in line with international CSR instruments.

3.12.Ethiopian GTP II

Ethiopia has recently begun implementing its five-year (2010/2011-2014/2015) Growth and Transformation Plan (GTP)¹⁵⁴. The Plan expressly recognizes that development should be environmentally sustainable¹⁵⁵ Moreover, it also states that it is necessary to formulate policies, strategies, laws and standards which foster social and economic development to enhance the welfare of humans and the safety of the environment sustainably, and to spearhead in ensuring the effectiveness of their implementation.¹⁵⁶

As a vehicle towards the realization of Ethiopia's vision of becoming lower middle income country by 2025, the Second Growth and Transformation Plan (GTPII) is built on Sectoral Policies, Strategies & programs, lessons drawn from the implementation of the first GTP.

¹⁵³ Art.38 of proclamation N0.769/2012

¹⁵⁴ Ethiopia's long-term vision is to become a country where democratic rule, good-governance and social justice reigns, upon the involvement and free will of its peoples; and once extricating itself from poverty and becomes a middle income economy. The GTP is thus directed towards achieving Ethiopia's long term vision. In this regard, the major objectives set out in the GTP are maintaining at least an average real GDP growth rate of 11% and meet the Millennium Development goals, expanding and ensuring the qualities of education and health services thereby achieving the MDGs in the social sectors, establishing favorable conditions for sustainable state building through the creation of stable democratic and developmental state, and ensuring growth sustainability by realizing all the above objectives within stable macroeconomic framework. See GTP, Supra note 12, at 7 (or Sections 2.1 and 2.2).

¹⁵⁵ See id. at 77

¹⁵⁶ See id. Emphasis added

3.1.2.1. Environmental Protection and Building Green Economy

Strategic Directions

Enabling the community to actively participate in environmental protection and forest development activities as well as mixed farming, and implementing climate resilient green economy strategy at all administration levels and embarking on environmental protection and forest development are the strategic directions of the sector in GTP II.¹⁵⁷

Major Objectives

Enabling rapid and equitable economic growth to be achieved in sustainable and environmentally sound manner, ensuring the implementation of the CRGE strategy in each sector of the economy and increasing the economic and social impact of the forest sector through enhancing forest development, protection and utilization are the objectives of the sector in the GTP II.

Implementation Strategies

In the GTPII Plan, the sector has thus set goals mainly in relation to building climate resilient green economy, environmental protection and forest development. This will be applied mainly in priority sectors identified by the CRGE strategy. In addition, various goals are also set in relation to environmental protection licenses, forest development and utilization rules and ensuring development institutions work in compliance of environmental laws.

In order to achieve the aforementioned and other goals of the sector, several strategies and mechanisms are designed. Besides, developing systems in relation to environmental protection and forest development and utilization creating awareness on environmental strategies and laws

¹⁵⁷ The Second Growth and Transformation Plan (GTP II) (2015/16-2019/20) (Draft), National Planning Commission September (2015 Addis Ababa) p.51

at different levels of officials, experts and the community at large are also among the strategies design.¹⁵⁸

However, the problem with GTPII is, although it aims at protecting the environment, there is no plan to implement ECSR and EDA under its implementation Strategies in addressing environmental protection. It doesn't recognize the role and obligation of businesses, let alone polluting the environment, rather protecting the environment and reporting their environmental performance.

3.1. Incorporating the ECSR and disclosure of environmental activities in to the countries legislation

It is nice to note that, there should have been strong legal frame works under Ethiopian company law that gives a room for the environment. This could have been done, for example, through the incorporation of ECSR instruments. Furthermore, giving a say to the environmental authorities in necessary issues to be decided by the company that affects the environment should have been taken in to account. Transparency and public participation of the communities around should have been given a due weight under our company law. Again disclosure and reporting requirement on their CSR performance should get place under our company law.

However, these and other interests do not get the required recognition under our company law. Apart from keeping the interest of share holders and geareding towards investment by protecting and encouraging investors, our company law and investment proclamation and regulation should give due attention to the environmental protection by incorporating international instruments on ECSR and DEA, and put obligation on investors to apply such instrument.

In addition, the Ethiopian future government strategy such as GTP III(if it is to be revised), and other strategies, agendas and similar programs should incorporate international instruments on ECSR and DEA so as to enable businesses especially the pollutant one in addressing environmental pollution caused as a result of their operation.

¹⁵⁸ Ibid.

CHAPTER FOUR

DATA PRESENTATION, DISCUSSION AND ANALYSIS

In this chapter, the data collected will be interpreted and analyzed. The analysis is supported by the information obtained from the key respondent's interviews, focus group discussion and the observation made during the research. For this purpose data, information and observations related to analyzing the implementation of ECSR and DEA-a case of blue Nile and Hafde tannery will be analyzed in relation to international instruments(the UNGC initiatives, OECD Guidelines for MNEs , GRI, ISO 14001 EMS) and the country's environmental laws.

4.1. The current status of these factories in implementing international instruments on ECSR and disclosure of environmental activities.

It is obvious that the first obligation of businesses is to obey and comply with the country's mandatory environmental laws and regulations, then going beyond this i.e. implementing ECSR and DEA comes next. To this end the international instruments recommend businesses to comply with the laws of the country in which they operate. Regarding this, it is mandatory to protect the environment from and damage and save the world to the coming generation. There are rules and regulations that forces companies especially manufacturing companies to protect their surrounding environment since their waste pollute the environment.

According to Environmental Pollution Control Proclamation no. 300/2002 and the regulation of Industrial Pollution, Industries, including tanneries, should have appropriate mechanism for not discharging hazardous chemicals to the environment. In relation to this tanneries are expected to have ETP. During the observation it is observed that HAFDE PLC has primary ETP, but have no secondary and tertiary ETP. This shows that no significant change is made to the tannery to reduce its environmental impact and there is public complain as could be understood from the FDG made with the "Roge" community leaders.

The Environment Chapter of the OECD Guidelines encourages multinational enterprises to raise their environmental performance by improving internal environmental management practices

and seeking continuous environmental improvements .In doing this enterprises should establish and maintain Environmental management systems, Life cycle assessment , engage in adequate and timely communication , Maintain contingency plans for exercising precaution . Emergency prevention, preparedness and response, Provide adequate environmental education and training, continually seek to Contributing to the development of environmental policy. Regarding this, the respondent says that:

Among the principles enshrined in the guidelines we practice some of them such as environmental education and training, our company is open any days for all community or government body, we give tours and awareness as much we can offer efforts in regard to environmental issues. We offer awareness creation to people from different groups towards environmental issues (such as Climate change,) and also educate employees towards the current environmental problems and their solutions. However, we actually not implemented environmental management system and also other principles too¹⁵⁹.

In addition, according to the UNGC, Businesses should support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies to avoid or at least minimize environmental pollution caused as a result of company's operation.

Regarding this, we at Hafde, doing a lot as much as we can, we have initiatives to promote greater environmental responsibility, in which we are practicing in our research and development as well in making products to have less impact on environment and preventing aspects and more take initiatives, however frankly speaking there is no precautionary approach taken, and we still use primary ETP and no environmentally friendly technologies developed because waste treatment is not a simple.¹⁶⁰

On the other hand, the ISO 14001-Environmental Management system (EMS) has been developed to help organizations identify, manage, and control the activities that have an

¹⁵⁹ Interview with Husen Haji Feyisa, the owner as well as the operator manager of the HAFDE PLC, Alemgena district, (Sebeta town, 22 April 2017)

¹⁶⁰ Ibid

environmental impact and awards participating companies an 'ISO 14001 certification. Accordingly, enterprises are expected to define environmental aspects of their enterprise, analyzing relevant environmental impacts, remove the impacts of their operation on the environment and improve environmental performance. According to the respondent of the HAFDE PLC:

*Being a signatory to the ISO 14001 is a very important environmental point for the company and thus we try our possible best to ensure continuous improvement, we had started much of it in practice even though we are not certified, we work not just to be certified but also to live certified, in that aspect we continue to full fill what is required, even though we hadn't applied for certification*¹⁶¹.

The other important instrument on ECSR is disclosure of environmental activities according to the GRI, Sustainable Reporting Initiatives including the impact of an organization on the environment; however, the respondent of the said tannery said that:

*There is a regular checkup by local authorities on our activities including its impacts on the environment, but our disclosure system is not according to the principles of the GRI, Sustainable Reporting Initiatives and even our reporting is not regular as there is implementation gap both with the local authority and among us*¹⁶².

In addition the respondent was asked, to recommend on the implementation of ECSR to leather industry including their plan to address their environmental impacts in the future and in that he replied:

*With respect to corporate social responsibility, in business world there is a challenge especially in the leather industry as there is competition. Our company intends to do variety things to practice its responsibility, we have many programs which is to alleviate the social, environmental as well as ethically and economically empowering activities and the government should introduce the concept of ECSR and DEA to the business and other stake holders by creating awareness.*¹⁶³

¹⁶¹ Ibid

¹⁶² Ibid

¹⁶³ Ibid

On the other hand, the other respondent from Sebeta town environment protection office replied regarding the above issues as follow:

As to the status of this tannery in polluting the environment; it is difficult to say that there is significant change because there is always complain from the surrounding community and still the company uses primary treatment plant. As a mandate, we based on the laws, the expert on the area having a check list monitoring and evaluation will be made. For example, in case when hazardous chemicals is used, we take sample test, examine, then we evaluate whether it is in line with the standard set by the country. At the end, feedback (including their weakness and strength) will be written to them. Based on the feedback if there is no, change first warning will be written, however even if the authority have the power to close most of the time we proceed with tolerance¹⁶⁴.

Regarding the implementation of environmental corporate social responsibility and disclosure of environmental activities using international instruments in addition to the existing mandatory environmental laws of the country to address the issue, the respondent replied as follow:

In general, let alone implementing ECSR and DEA based on international instruments (OECD Guidelines for MNEs, GRI, ISO 14001), this industry could not comply with the country's environmental laws. Again, the secondary and tertiary treatment plant which is a final solution in addressing pollution is not established, and it couldn't even recycle the water so that there will be no pollution at least less. Regarding the disclosure of environmental activities, we give them a mandate to report quarterly, however there is a problem of implementation both by the industry and from our side¹⁶⁵

On the other hand, the respondent from Oromia Environment, Forest and Climate Change Authority regarding how the Authority follows up the implementation of the Environmental policy guide line to leather Industry, respond that:

The follow up is made by two ways: First based on the mission of the Authority attention is given especially to leather, flower and textile industry as they are more pollutant than others. Second based on the complain comes from the society and also based on the report of the local government (in case the issue is beyond their capacity). In general, as

¹⁶⁴ Interview with Adunya Lemma, environmental monitoring and evaluation pollution control, Sebeta town environment protection office, (Sebeta town, 27 April, 2017)

¹⁶⁵ Ibid

to the countries law , the leather industry should have to have their own guideline and emission system to avoid pollution, however our industries had not reached on this stage and the follow up from our side is not enough fruit full¹⁶⁶.

The respondent continued narrating the reason why tanneries are less reactive to implement/comply with the country's environmental laws as follow:

The reason for why tanneries are less reactive to implement the country's environmental laws is that all things were ignored in the initial stage, i.e. since the country is in need of investment, companies without making EIA will directly start production, then stopping the production is problematic as there is clash of interest(society, environment and growth) and the investors also use this opportunity(need of investment for growth) then the issue of the environment would not be the concern of investors.¹⁶⁷

Regarding the annual report of these industries (to include the activities done to address environmental problem and also the impact of their activities on the environment), the respondent continue by saying:

As to regulation and also incase when EIA is approved it puts the mandate to make annual report, however there is problem of implementation, for one thing I have never seen a single company(while doing this), let alone the leather industry but also others making annual report to the authority. For the other thing, as to me the authority itself is not structured to follow up the implementation and making them responsible in case they fail to report which is difficult since this needs awareness creation, human power, structuring the system and the integration of other government body¹⁶⁸.

Regarding the implementation international CSR instruments to such industries to address environmental impacts caused as a result of its operation the respondent continued by saying:

Regarding the international CSR instruments such as OECD Guidelines for MNEs, GRI, ISO 14001to address environmental issue (pollution), let alone its implementation to the

¹⁶⁶ Interview with Sintayew Befikadu, monitoring and evaluation of water pollution, Oromia Environment, Forest and Climate Change Authority (Addis Abeba, 8 May 2017).

¹⁶⁷ Ibid.

¹⁶⁸ Ibid

leather industry, they are not implementing the country's environmental laws for example; still they are on the primary treatment stage. These international instruments on CSR is a new concept even to most of us, however there is a good start by horticulture industry although it is for its interest (market access, image and good will).¹⁶⁹

At the end the respondent was given an opportunity to recommend a way of addressing the environmental impacts of leather industry in the future and replied as follow:

At the end what I recommend is that the countries environmental laws should be implemented properly, the policy of the country should balance the two competing interest (environment and economic growth) otherwise, let alone preserving the environment there will be no sustainable development, the complain of society will continue, and the industry itself will not sustain which need the cooperation of all stakeholders and building the countries capacity¹⁷⁰.

Again, there was hot discussion with other respondent within the same authority; the summary of the interview will be as follow:

As far as my knowledge is concerned, to address environment issue great effort have been made to create awareness about the countries environmental laws (including the constitution in light of society's right, mandate and the government) on the meeting, by using the mass media and by giving training. Regarding the implementation of the environmental policy guide line to leather Industry, there are two ways:

1). Proactive environmental tool which means whenever there is a question to establish a project, after its impact on the society and environment is assessed, we provide environment clearance. Again, after consulting the stakeholders we at the end provide approval letter so that it start its production.

2). Monitoring and evaluation i.e. it will be made not only in our level but also at local governments including kebele administration, there is a check list for monitoring and evaluation then there is a feedback report. In addition, environmental auditing will be made to pollutant industries such as tannery, cement and textile, and then such measures (written feedback, first written warning and up to closing (having the audit report which

¹⁶⁹ Ibid

¹⁷⁰ Ibid.

is based on laboratory) until they approve their problem based on written feedback) would be taken¹⁷¹.

On the other hand the respondent was asked regarding the implementation of environmental corporate social responsibility and disclosure of environmental activities to such industries, and replied as follow:

The international instruments on CSR such as OECD Guidelines for MNEs, GRI, and ISO 14001 are new even to our authority, and I afraid that it would be implemented not only to the Hafde and Blue Nile tannery but also to other industries. As to me, the future direction should be, for one thing, protecting the environment should not be seen as only the mandate of this authority; all stakeholders should play their role to implement environmental laws of the country including the emerging tools such as international CSR instruments (OECD Guidelines for MNEs, GRI, ISO 14001to address environmental issue (pollution). For the other thing, environmental compliance inventory should be made i.e. attention should be given to problematic industries such as tanneries however what has been doing is extinguishing the fire based on the societies grievance” i.e. rectifying.¹⁷²

Again, in an interview made with the Ministry of Environment, Forest and Climate Change regarding the basic role that the ministry plays with respect to pollution control in industries/tanneries, the respondent say that:

There is a pollution control proclamation, depending on that most of the time we follow up the implementation of the proclamation. In doing that we give support such as technical support to regions since it is the duty of them. There is the so called environmental compliant directorate which goes down up to industries to check its implementation. As to evaluating its implementation this bureau, cannot do everything alone , since it is a cross-cutting we do with all stake holders, how much it is strong is

¹⁷¹ Interview with Bona Yadesa, deputy director general, Oromia Environment, Forest and Climate Change Authority, (Addis Abeba, 8 May 2017)

¹⁷² Ibid

*the other question. Not only this, there is a consultative work shop, work of inspection and also awareness creation would also be done.*¹⁷³

Regarding the implementation of CSR to these industries in general and ECSR and DEA in particular to address the pollution caused as a result of their operation; what should be known is that at the very beginning CSR is not mandatory, it is something going beyond the law voluntarily and as to its implementation to such industries, I afraid let alone implementing ECSR and DEA, it couldn't properly implement and comply with the country's mandatory environmental laws.

We as a bureau planned, on CSR, however the problem is how to make it mandatory since it is a voluntary action. Again, there is no clear law on CSR. Honestly speaking what is being done is to make them comply with the country's mandatory environmental laws, it is not the right time for CSR, and however there are some corporations who apply ECSR somewhat such as horticulture industry”¹⁷⁴.

On the other hand, the other respondent says:

*Normally following up the country's mandatory environmental laws, is the mandate of this section, in doing this we have our strategy especially on those industries given a license by the federal level. For example, if the license is given by the investment commission, the mandate is ours, we have a check list, and we give them a feed back. Most of the time, we concentrate on supportive unless it is dangerous we would not take them before the law to make them responsible.*¹⁷⁵

Regarding disclosure of environmental activities, when the license to operate is given to them, there is a condition which includes the mandate of reporting in which they are expected to report to us. At all there is a problem of implementation, we only push them, there is no penalty for non-compliance, most of the time they send to the main company, however the main company wouldn't send to us¹⁷⁶.

¹⁷³ Interview with Wondeson Tadese, Lawyer (Policy, Laws, and Standards Research and development Directoral General), ministry of Environment, Forest and Climate Change (Addis Abeba, 13 May 2017)

¹⁷⁴ Ibid

¹⁷⁵ Interview with Temesgen Ayalew, Mega project Environmental Compliance Monitoring and Control senior expert, Ministry of Environment, Forest and Climate Change (Addis Abeba, 13 May 2017)

¹⁷⁶ Ibid

Again, let alone the implementation of international ECSR and DEA such as OECD Guidelines for MNEs, GRI, ISO 14001 to address environmental issue (pollution), implementing of the country's environmental laws is challenging, such instruments are new concept to most of us including industries.¹⁷⁷

As long as it is a manufacturing factory, it is obvious that it is going to harm the surrounding Community in different ways. The company is located around Sebeta and obviously there are a lot of responsibilities expected from the company for that community. Respondents from the community (FGD with the leaders of the community affected by the impact of the tannery) were asked if they are comfortable with the company being there, it is said that there is steal water pollution which affect their lives including their animals.

They blame not only the company but also the government because even if they tell to the concerned government bodies many times no significant solution and they are totally hate its existence in their surroundings. Regarding the implementation of ECSR and DEA, let alone (knowhow as to the concept) its implementation to these tanneries to address environmental issue, they have no idea of this instruments as most of them are farmers.

All key respondents, including the FDG accept that there is no significant improvement on complying with the environmental standard sets by MoEFC as there is still public grievance. Regarding the CSR, let alone international CSR instruments the concept is almost new to all of them but HAFDE PLC and the respondent from the Ministry of Environment Forest and Climate Change have a relatively a good understanding of the concept.

¹⁷⁷ Ibid

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

After careful examination of the implementation of ECSR and DEA throughout the selected companies, presentation, discussion and analysis of the study was made based on the data obtained through, an interview conducted, FGD made and the observation held in HAFDE Tannery P.L.C and Blue Nile Tannery P.L.C. Based on the discussion and analysis , conclusion and recommendations of the study were presented in this chapter.

5.1. Summary of the findings

The purpose of the paper was to examine the implementation of ECSR concept and DEA taking Blue Nile and HAFDE PLC as case study. After the data presentation and analysis the following major findings were obtained.

- From this study it is found that, the concept and development of international instruments on ECSR and DEA is at infant stage in Ethiopia, it is not recognized under the Ethiopian company law, investment proclamation and the GTP II in realizing the right of people to live in a clean environment and addressing environmental issues.
- The HAFDE PLC starting from its establishment were shouldering their social responsibility (CSR) by performing different activities to the community such as building school, clinic providing clear water for free throughout a year.
- The study also reveals that, let alone the implementation of ECSR and DEA in the selected tanneries, implementing the country's mandatory environmental laws is challenging and at the same time the concept of ECSR and DEA is new almost to the industry.
- The study also reveal that different stakeholders have different conception about ECSR and DEA i.e. HAFDE PLC relatively have a good understanding and knowhow about international ECSR instruments, however , ORLEMB ,STEO, MoEFC including FGD have no idea about this concept. They see CSR as a charity to be done by organizations on the voluntary basis.

- Environmental policy, regulations and standards are not properly implemented by HAFDE PLC due to lack of cost effective mechanism of treating its waste, financial constraint and skill in running ETP. Using ETP by HAFDE PLC has its additional cost of production , this cost coupled with the less competitiveness nature of the tannery in the internal market results in discharging waste water without treating adequately to the environment.
- Since there is no significant improvement waste discharge by HAFDE PLC, it has been affecting the “Roge” villages environment, it affects human and animal health. Some farmers have no confidence to use Sebeta river for irrigation purpose and all in all it damages the overall ecology of the village. There is policy implementation gap in realization of environmental policy in Roge village.
- Though the community leaders of this village have the chance to participate in environmental issues; there have been capacity limitation and weak coordination between government institutions to bring innovative ways and solution for the waste discharged by HAFDE PLC and other companies near sebeta river. Lack of practical solution in keeping the environment sustainably is making theme investment phobic about future projects in their village; this is dangerous because of the fact that without future investments it is difficult to bring economic growth.
- The other findings of the research show that, the government is geared towards the economic growth at the cost of the environment. This can be understood from two angles: First. The government is creating a conducive environment to attract and expand investment especially to the leather industry industries and other similar sectors (textile and flower industries) by providing tax incentives in the regulation and prioritizing under the GTP II as they have much contribution to the country’s GDP.

Second. As can be understood from an interview made with government officials at different level, implementing the existing environmental laws of the country is challenging as there are many constraints such as budget, capacity building, lack of integration with other stake holders such as justice sector (court, justice office and police), in addition to the government position (geared towards the economic growth at the cost of the environment).

- Finally, this findings imply that without some form of regulatory intervention, reliance on voluntary disclosure alone is unlikely to result in either a high quality of disclosure or sufficient levels of disclosure of environmental activities.

5.2. Conclusions

Corporate Social Responsibility (CSR) is increasingly becoming a topic of interest among academicians and industrial experts, where it is accepted as a potentially valuable approach to building long term relationship with both internal and external stakeholders of the business entity. CSR is based on the presumption that the stakeholders expect companies to perform responsibly in terms of reducing negative outcomes resulting from their operation and for the most part profit-orientated objectives of their undertaking. Various definitions and approaches to CSR coexist today. Environmental CSR and DEA is the other pillar dimension of CSR.

In this paper, an attempt has been made to show that environment protection is necessary because, among other things, (1) it leads to sustainable development and (2) it facilitates the enjoyment of the right to clean and healthy environment; not only by complying with the already existing mandatory environmental laws of the country, but also by going beyond this and implementing ECSR and DEA. As a result, governments have been taking various steps to ensure effective environmental protection and still the lion share is on the government in preserving the environment through the incorporation of CSR instruments.

In addition to the government endeavor, organizations are now expected to be able to demonstrate that they are aware and addressing the impact of their operations on the environment and society in general. The other way of addressing environmental issues in addition to the country's mandatory environmental laws, is by applying instruments on ECSR and DEA (guidelines, initiatives) such as OECD Guidelines for MNEs, GRI, ISO 14001.

The OECD guidelines for MNEs- encourage enterprises to take due account of the need to protect the environment and maintain a system of environmental management. ISO 14001 is also there to support enterprises application of the principle of ECSR - environmental management

system as an integral part of the enterprises management system. On the other hand, there is the Global Reporting Initiatives which require companies to report their environmental activities including their impact on the environment. Reporting in itself has become a virtue of the firm.

In addition, there is UNGC initiative with principles on the environment to be applied by companies. ECSR and disclosure has been popular in developed world and corporate governance system plays a kin role in ensuring the ethical business practice. Partnerships with the International CSR instruments could promote dialogue and awareness activities between government, workers and employers, organizations and the large community by providing assistances and tools to better understand the environmental dimension of CSR (ECSR). However, this idea is in the early developing stage in most of the developing countries like Ethiopia.

The finding of the research show that, the international instruments on CSR is not being implemented in the selected leather industry and also the concept is new to the government bodies of different level. It is not incorporated under our company law, investment proclamation and GTP II. Again as can be understood from the finding, let alone the implementation of ECSR and DEA, the country's environmental laws are not implemented properly because for one thing there is weak regulatory power, for the other thing it seems that the government is geared towards economic development at the cost of the environment.

Governments have a role to play in ensuring that corporations behave according to the rules and norms of society; corporations stand to gain from CSR activities due to its social influence and acceptance. Hence governments play an important part in supporting corporate social responsibility initiatives.

For the proper implementation of ECSR and DEA, the governments have many roles to play .i.e. endorsing, fostering, facilitating and promoting the development, implementation and compliance with of ECSR and DEA. Environmental education is very important in every company's activities. Employees, the local community as well as consumers should be informed about the possibilities of taking care of the environment. Environmental dimension of CSR should get due attention in the future by researchers and other stakeholders.

5.3. Recommendations

A. For the Community

- The Local community should recognize and support the role of corporations and social enterprises for sustainable environmental preservation and be involved in CSR plan so that projects are designed according to the need of the community.
- Local community should ensure that they cooperate with the companies operating in their area to achieve the objectives of CSR especially environmental dimension to its fullest sense through amicable presentation of grievances both to the company and to the concerned government body

B. For Social Enterprises

- The media has an impact on CSR activities especially in the transformation of information among stakeholders to create awareness. Therefore, the country's mass media including the social media should play their active role in introducing international CSR instruments in the country to all stakeholders especially to the pollutant industries.
- They should influence the government to endorse such international CSR instruments and the corporations to implement such instruments in addition to the already existing environmental laws of the country.

C. For Multinational and Local corporations

- Considering the growing importance of sustainable development in Ethiopia companies need to pay more attention to both their environmental performance and their corporate social responsibility.
- companies are expected to be socially responsible (implementing ECSR) while preserving the profitability of the corporation for the sake of stakeholders within and outside the activities of the business especially to the surrounding community and the environment.

- Multinational enterprises should seek to prevent or mitigate adverse impacts by a business relationship when this impact is directly related to the MNE's operations, products or services by applying international CSR instruments.
- Companies should strive to implement EMS and certified ISO14001 in order to ensure that whatever their level of impact, that impact is managed appropriately and minimized where possible; as being a signatory to the ISO 14001 is a very important environmental point for the company.
- For heavy polluting companies, the best way to deal with environmental problems is to upgrade their technology to an environmental friendly one, which will influence future competitiveness. Before that, they should at least meet with government-required standards and report all required details to the government.
- For polluting companies such as leather industry, corporate social responsibility and environmental disclosure enhance their competitiveness in the marketplace. It is not difficult for them to use leading international reporting guidelines or standards such as GRI.

D. For policy Developers

- Since Environmental Corporate social responsibility is at an initial stage in Ethiopia instead of mandating Environmental corporate social responsibility, it can be more feasible for governments to act as facilitator, partner or advocator.
- However, regarding environmental disclosure Ethiopia should establish mandatory environmental reporting in line with the GRI guidelines especially on those companies known for their environmental pollution such as leather, textile and flower industry.
- Businesses should be legally forced to report on a set of measurable, universally applicable, and objective standards, just as there exist accounting standards to provide information on financial performance.
- The government needs to develop institutions and structures that provide education, training, technical assistance, & awareness especially for the polluting companies such as leather, textile and flower industry, regarding international instruments on CSR.

- The government should adopt policies that encourage the implementation of ECSR and DEA i.e. the government need to provide a mix of incentives to encourage firms to adopt ECSR and DEA which may includes extending of tax holiday year, tax free, recognitions, etc
- There should be a legal framework which gives a room for the issue of environment under our company law, investment proclamation and environmental law of the country.
- The country's future development program like that of GTP II should incorporate international instruments on CSR and initiatives to address environment issue.
- At all, the government should be flexible in choosing between the two competing interests i.e. protection of environment and economic growth in that; the government should balance such interests not only by implementing the existing mandatory environmental laws of the country, but also by introducing ECSR and DEA as additional instrument to address environmental problems.
- It is also proposed that a case study approach may provide a clearer understanding of the nature, type and extent of CSR practices within the particular organization(s). It may also provide insight into the motivation for undertaking CSR and the impact of such activities
- **Lastly**, it was noted earlier that the limitation of this research is that it focused on the selected tanneries of Sebeta Awas town. Future research may include other Ethiopian leather factories and also other industries (for instance textile and flower factories) or other countries' companies which would allow for comparison between countries

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Persons Interviewed

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2. Bona Yadesa, deputy director general, Oromia Environment, Forest and Climate Change Authority, Addis Abeba, May08 2017.
3. Husen Haji Feyisa, the owner as well as the operator manager of the HAFDE PLC, Alemgena district, Sebeta town, April 22 2017.
4. Sintayew Befikadu, monitoring and evaluation of water pollution, Oromia Environment, Forest and Climate Change Authority, Addis Abeba, May08 2017.
5. Temesgen Ayalew, Mega project Environmental Compliance Monitoring and Control senior expert, Ministry of Environment, Forest and Climate Change, Addis Abeba, May13 2017.
6. Wondosan Tadese, Policy, Law and Standard Research and Development Directoral General, Lawyer, Ministry of Environment, Forest and Climate Change Addis Abeba, May13 2017.

5.5. Annex I

Interview questions for key informants and focused group discussions involving different stakeholders.

1. The interview questions for Blue Nile and Hafde tannery Respondents (to be responded by the top manager)

JIMMA UNIVERSITY
SCHOOL OF GRADUATE STUDIES
COLLEGE OF LAW AND GOVERNANCE
SCHOOL OF LAW

Analyzing the implementation of environmental corporate social responsibility and disclosure of environmental activities-a case of Blue Nile and Hafde tannery

Introduction:

Date_____

Company Name _____

Position_____

Contact Address_____

I am a final year law (LLM) student at Jimma University School of Graduate Studies: College of Law and Governance. As a partial fulfillment of the program, I am conducting a study on analyzing implementation of Environmental Corporate Social Responsibility and Disclosure of Environmental Activities and to make possible recommendations for its implementation to leather Industry and the Blue Nile and Hafde Tannery .

The purpose of this interview questions is to better analyze the extent of the implementation of Environmental Corporate Social Responsibility and Disclosure of Environmental Activities at the Blue Nile and Hafde Tannery. The questions are designed in a manner that be dealt with easily and the corresponding answers will be kept strictly confidential and the findings will be used only for academic purposes and your contribution is highly appreciated.

Finally, I would like to express my gratitude in advance for your cooperation and time spent for responding this interview questions. Do not hesitate to write me on my email

or to call on my phone if you have any questions or concerns about the interview questions or any aspect of Study.

Sincerely yours;

Youzersif Tegene, Email: youzersiftegene5@gmail.com

I. Implementation of Environmental standards, regulations and international instruments on ECSR and DEA.

INTERVIEW QUESTIONS

Research on Analyzing Implementation of Environmental Corporate Social Responsibility and Disclosure of Environmental Activities in the selected tannery.

1. Can you explain your understanding of the phrase ‘Corporate Social Responsibility’?
2. Does your organization have a corporate social responsibility program or undertake activities that would be considered as CSR? [Please note that this may be called corporate citizenship/corporate responsibility/ethical Business in your company]
3. Does your company have annual budget for CSR?
4. What is your organization main objective to engage in corporate social responsibility programs?
5. Does government intervene in your corporate social responsibility activities? And how?
6. Is your organization apply Environmental guide lines to the leather Industry?
7. Does your organization apply ECSR and DEA?
8. Does your organization disclose environmental activities? And how?
9. Is ‘your’ /the sector code of conduct modeled on international, national or industry standards?
10. Has your facility actually implemented an environmental management system?
11. Has your facility acquired ISO 14001 certifications in environmental management?
12. Does your enterprise offer awareness creation to people from different groups towards environmental issues? (Such as Climate change, Eco-efficiency, etc)
13. Do you have an open dialogue with the people on environmental issues?
14. Do you educate your employees towards the current environmental problems and their solutions?
15. Does your enterprise give regular financial support to local community activities and projects towards Sustainable Environmental Management?

16. In what way your company practices CSR? (More than one answers possible) Donating to social projects & environmental projects, sustainable production (standard), own social, economic and environments projects, adopting national and international standards (which?) or else.

17. Does your organization Offer awareness creation to people from different groups towards environmental issues?

18. Does your organization give regular financial support to local community activities and projects towards sustainable environmental management?

19. How do you explain the challenges and opportunities in practicing CSR in the leather industry?

20. How do you explain the role and interest of government with respect to your social, environmental and economic activities?

21. Does government require you to annually report on the performance of environmental activities?

22. How do you explain the challenges and opportunities in practicing ECSR and DEA in the leather industry like you?

23. Please use this opportunity to say anything you would like to mention with respect to corporate socially responsible business, challenges and opportunities in the leather industry.

24. Is your organization familiar with international CSR instruments such as OECD Guidelines for MNEs, GRI, ISO 14001 to address environmental issue (pollution)?

25. A) Do you apply the OECD Guidelines for MNEs such as:

I. Environmental management systems

II. Life cycle assessment

III. Exercising precaution

IV. Emergency prevention, preparedness and response

V. Environmental education and training

VI. Contributing to the development of environmental policy?

B) Do you apply the principles of UNGCI such as:

- I).Businesses should support a precautionary approach to environmental challenges;
- II).Undertake initiatives to promote greater environmental responsibility; and
- III).Encourage the development and diffusion of environmentally friendly technologies” to avoid or at least minimize environmental pollution caused as a result of your companies operation?

C) Do you apply the GRI, Sustainable Reporting Initiatives in disclosing your environmental activities including the impact of your organization on the environment?

D) Is your organization applied for ISO 14001/ certified?

II. Challenges

1. What is/ are the main challenge/s in implementing ECSR and DEA?

- A). Finance _____ B).knowledge as to the issue.....
- C) .both 1 and 2 D). other than these_____

2. Please mention any other challenge.

III. Future Recommendations

Please make possible recommendations to implement cost effective mechanism in using effective ECSR by Hafde Tannery , Blue Nile tannery and other tanneries?

2. Research stakeholders: - key informant interview questionnaire guide.

The objective of this study is to find out the implementation of Environmental CSR and DEA to address environment problem caused as a result of its operation, the case of Hafede and Blue Nile Tannery and make possible recommendations for implementing environmental CSR guide lines to leather Industry. This requires your genuine response for the research questions posed in any form. It is worthwhile to confirm that any information you give us is maintained confidential and your contribution is highly appreciated.

A. Ministry of Industry/MOI/-Industrial Zone Development and Environment Preservation Directorate.

1).What is the key issues with respect to industrial /environmental/ policy executions and implementation status?

- 2).Compliance with current global perception on pollution prevention and effective natural resource management.
- 3).How is the implementation of the program on the best available technology/BAT/ transfer and retention accomplishments in Ethiopia tanneries?
- 4).Is there organized and structured effluent/wastewater /management system installed to assure efficiency and production process integration in tanneries?
- 5).How are the sectorial and institutional government's bodies integrated to execute policies, regulations and legislations?
- 6).Is there any wastewater treatment plant performance monitoring and empowerment system in cooperation with non- governmental development organizations?
- 7).Capacity building in relation to tannery wastewater management accomplished so far if any.
- 8).Is your ministry adopted international ECSR and DEA such as OECD Guidelines for MNEs, GRI, ISO 14001to address environmental issue (pollution)?
- 9).Do you encourage/ enforce industries especially Tanneries to implement ECSR during their operation? How?
- 10).Do you follow and mandate the annual report of these industries to include the activities the done to address environmental problem?
- 11).Future plan of Ministry of Industry (MoI) for Minimizing Environmental pollution by Tanneries.

B. Ministry of Environment, Forest and climate change- Legal and Monitoring Section

- 1).Basic role that your ministry plays with respect to pollution control in industries/tanneries.
- 2).How do you evaluate implementations, compliance and enforcements of environmental policies, regulations and legislations?
- 3).How is tannery wastewater management problems addressed in your section?
- 4).How your ministry is integrated with Ministry of Industry (MoI), Leather Industry
- 5).Development Institute, Oromia environmental protection bureau and Tanneries to prevent river pollution to assure community welfare?

- 6).Facilitation schemes as to awareness creation on how to effectively manage wastewater in tanneries if any.
- 7).Do you think that, these industries apply CSR in general and ECSR DEA in particular to address the pollution caused as a result of their operation?
- 8).How much is your office familiar with international ECSR instruments such as OECD Guidelines for MNEs, UNGC, ISO 14001, and GRI?
- 9).How do you see international instruments on ECSR and DEA to address address environmental issue?
- 10).Do you follow and mandate industries especially tanner industries to apply ECSR and DEA to address environmental issue (pollution)?
- 11).Do you follow and mandate the annual report of these industries to include the activities done to address environmental problem including their impacts on the environment?

C). SebetaTown Environment Protection Office and Oromia Environment, Forest and Climate Change Authority.

- 1).How your Bureau follows up the implementation of the Environmental policy guide line to leather Industry?
- 2).The status of Hafde and Blue Nile Tannery in polluting the environment in general
- 3).The response of federal and regional, and Hafde Tannery and Blue Nile Tannery in implementing Environmental policy regulations
- 4).What Do you think Tanneries are less reactive to Implement Environmental policy regulations
- 5).The main challenges implementing Environmental policy guide line to leather Industry
- 6).Do you think that, these industries apply CSR in general and ECSR DEA in particular to address the pollution caused as a result of their operation?
- 7).How much is your office familiar with international ECSR instruments such as OECD Guidelines for MNEs, UNGC, ISO 14001, and GRI?
- 8).Do you follow and mandate the annual report of these industries to include the activities the done to address environmental problem
- 9).Future recommendations for minimizing the environmental challenge by Hafde Tannery and Blue Nile Tannery.

**D. Focused Group Discussion (FDG) with “Roge” villagers /in sebeta town/
Administration Downstream villagers of Hafede and Blue Nile tannery**

- 1).How Hafde and Blue Nile Tannery affect your Environment?
- 2).Did you participate in discussions conducted with other parties concerning environmental pollution/river pollution/?
- 3).What is your understanding about the right of living in a clean environment?
- 4).As a community did you face unresolved challenges related to the wastewater?
- 5).What do you think is your own role other than different parties in preserving the environment?
- 6).How do you describe tannery in terms of environment and development?
- 7).Are you aware the company has a social responsibility towards this community? 8).Do you know the objectives of their CSR policies?
- 9). Have you noticed some specific things that the company has done for the community?
10. Are they involving you in the planning and implementation of these projects? (their CSR policies)