

# The role of the private sector in environmental stewardship

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## **Introduction**

There can be little doubt that the role of the Australian private sector in environmental stewardship has changed dramatically in the past 15 years. This pace of change shows no sign of abating. Many factors have contributed to this shift, including globalisation, increased privatisation and the diminishing role of government, corporate scandals and collapses, the explosion of Internet use across the community, the increased participation of women in the work force, and the growing awareness of environmental issues and concern about their consequences.

Even among those who subscribe to the view that 'The social responsibility of business is to maximise profit for the shareholders' (Friedman 2000), many would now say that maximising profit involves a number of actions that are embraced by those encouraging social responsibility.

The place of environmental performance in a company's activities has also changed substantially over the past few years. Today, environmental activities are usually viewed within the context of sustainability, triple bottom-line performance or corporate social responsibility. A good indicator of this is the shift that has occurred in the past couple of years, from companies producing environmental reports to producing sustainability, corporate social responsibility or other types of combined environmental, social and economic reports.

It is therefore difficult to single out roles for the private sector in environmental stewardship without inextricably linking them to their roles in sustainability. Some key roles can broadly be characterised as:

- ensuring protection
- providing information
- undertaking research and innovation.

This commentary describes private sector activities related to each of these roles. It will also identify some of the roles of the financial sector, where these are unique to that sector.

## Ensuring protection

The earliest environmental roles of the private sector generally related to pollution control and stemmed from regulations on emissions from industrial facilities and other operations. These roles have expanded over time as regulations have consistently grown more stringent.

Occupational health and safety requirements are also longstanding, and have become more rigorous over the years. The community now generally expects companies to go beyond their legal requirements for protecting the safety of their own workers, and also holds them accountable for ensuring that safe working conditions are provided by their contractors, whether in Australia or overseas.

Over the past decade, the issue of protection has taken on an increasing prominence. The community now has much higher expectations for product safety than ever before, and many of today's demands were not even considered a decade ago. The private sector's role in ensuring protection covers a wide range of issues and environmental concerns.

## Reducing exposure to toxic chemicals

The private sector is developing new products and modifying existing ones to meet community demand for products and services that reduce exposure to toxic chemicals. They are supplying paints, coatings, glues and office products with low levels of volatile organic compounds. Many types of cleaning products are now offered with reduced toxicity compared to their traditional counterparts. Several Australian companies are producing microfibre cleaning products, which avoid the need for added chemicals.

Building products that do not release toxic chemicals have attracted considerable interest. These include particleboard and fibreboard that do not use formaldehyde in their manufacture. Use of treated pine is being restricted because of safety concerns about the effect on children of the chemicals used in treatment (APVMA 2005). Termite control now relies on products that do not include organochlorine pesticides for termite control because of regulations adopted in recent years (DoHA 2004).

Probably the most widespread evidence of community interest in reducing exposure to toxic chemicals has been the extraordinary growth of the organic food industry. According to Australian Certified Organic, which certifies most organic produce in Australia, the organic industry is worth about \$390 million annually and is growing by 25 per cent each year. Consumers have demonstrated a keen interest in buying food that is produced without the use of synthetic chemicals or genetically modified ingredients. Land devoted to organic farming has increased from 0.15 million hectares in 1990 to 15 million hectares today (Munro 2005).

The phasing-out of lead in petrol, begun in 1986, was completed in 2001. The lead industry has launched the Green Lead™ project to address ongoing concerns about lead exposure. The project aims to define a standard and audit system for the third-party certification of companies in the lead-acid battery lifecycle so as to provide assurance that the production, use and recycling of lead in batteries can be achieved safely (Toyne undated).

## Preventing waste

Nearly every household in Australia recycles some wastes, according to Australian Bureau of Statistics' surveys (ABS 2004). This high level of awareness of recycling and waste issues led to many calls for the banning of plastic bags because of their contribution to litter and their effect on marine life. In response to public concern, supermarket chains are promoting the use of reusable bags to encourage reduction in the number of plastic bags used. The Australian Retailers Association, which represents most big supermarkets, has agreed to substantial reductions in plastic bag use (Australian Retailers Association 2003).

The National Packaging Covenant was adopted in 1999 to reduce the use of packaging. It is a voluntary agreement between key stakeholders in the packaging industry and the Australian, state, territory and local governments. After a review of progress, a new strengthened covenant was adopted in July 2005 for a period of five years. Signatories have committed to a national recycling target of 65% for packaging and no further increases in packaging waste disposed to landfill by the end of 2010 (DEH 2005b).

Some industries have adopted product stewardship programs for the return of used products for recycling. MobileMuster, the official recycling program of the mobile phone industry, started full-scale operation in 1999. By the end of 2005 it had collected 330 tonnes of handsets, batteries and accessories for recycling (AMTA 2006). Recycling of non-returnable crop production and on-farm animal health chemical containers is facilitated through the drumMUSTER program, sponsored by the National Farmers' Federation, CropLife Australia, Animal Health Alliance (Australia), the Veterinary Manufacturers and Distributors Association, and the Australian Local Government Association (drumMUSTER 2002).

Design for disassembly facilitates recovery and recycling by making products easy to take apart at the end of their useful life and ensuring that materials are not contaminated with substances or other materials that would inhibit recycling. Fuji Xerox has put this principle into practice, and reclaimed parts from its old machines are remanufactured or rebuilt to current standards. Remanufactured components now account for 80% of the company's spare parts requirements. This has resulted in large savings and reduced requirements for imported products, and has led to a major export business into Asia (Fuji Xerox 2004). Office furniture manufacturers are increasingly designing their products for disassembly so that usable parts can be put to good use, and worn-out materials can be recycled. Holden is helping the motor vehicle industry work towards the establishment of systems for the disassembly, sorting and recycling of plastic vehicle components by labelling all plastic parts with a code number that identifies the type of plastic used.

Cleaner production techniques prevent waste and often create other environmental benefits, such as reduced energy use and greenhouse emissions, through changes in processes and procedures, products and/or packaging. They are based on using resources more efficiently to reduce environmental impacts and costs. Successful partnership programs related to cleaner production have been conducted by the Environment Protection Agency (EPA) in New South Wales, EPA Victoria, the Centre for Excellence at Curtin University of Technology (with support from the Western Australian Government's Waste Management and Recycling Fund), as well as agencies in other states. Many of the projects carried out under these programs have resulted in cost savings as well as reduced environmental impacts.

Manufacturers are providing a wide range of products made from recycled materials for use by business, government and individuals. Visy Industries has been recognised for its commitment to the

use of recycled materials in the manufacture of paper, cardboard and plastic beverage containers. The price of some products has decreased markedly. An example is recycled paper, which is now competitive with paper from virgin sources.

ETree was initiated by financial sector company Computershare in partnership with Landcare, and now has over 60 member companies. The companies encourage shareholders to adopt electronic delivery of annual reports and other communications to reduce the cost and environmental impacts of paper use. They donate funds to Landcare Australia for every shareholder that accepts electronic delivery. The initiative has so far resulted in the planting of over a million trees (Computershare 2004).

Hotels in Australia are trying to reduce waste by moving from single-serve packaging of shampoos and soaps to refillable containers.

## **Reducing energy and greenhouse gas emissions**

Australians surveyed in October 2005 felt that global warming is the most important environmental issue facing the world today (although water conservation is seen as even more important for Australia than global warming). Private sector organisations are taking voluntary action to reduce their greenhouse gas emissions through programs such as the Greenhouse Challenge as well as through activities related to their products and services (Morgan and Levine 2005).

The building industry, property managers, occupiers of commercial buildings and house buyers have demonstrated a great deal of interest in 'green building' over the past few years. Some of the reasons for this interest are concern about energy efficiency, greenhouse gas emissions and social responsibility, coupled with recognition of the reduced cost of operating an efficient building. There has also been increased government pressure to improve the energy efficiency of houses and commercial buildings.

Although some builders have been supportive of moves towards more efficient buildings and have produced new homes and commercial buildings that incorporate features to reduce energy use, the industry in general is apprehensive about the effect of energy requirements on the cost of buildings, particularly housing. Energy efficiency requirements for housing were built into the Building Code of Australia in 2004 and were adopted by most states. Some states adopted more rigorous requirements. Starting in 2006, the building industry is required to meet stringent new requirements for energy efficiency of housing and commercial buildings to conform to provisions of the Building Code of Australia that form part of the Building Code of Australia 2006 (DEH 2005a).

To comply with the Mandatory Renewable Energy Target (MRET), energy suppliers must source a minimum of 2% of their electricity supply from renewable sources. Most suppliers have gone beyond these requirements to offer business and residential consumers the opportunity to buy Green Power, electricity supplied from renewable sources above the amount required under MRET. Accredited Green Power is from 'new' renewable energy sources, that is, from sources that have been built since 1 January 1997. Purchasers of Accredited Green Power contribute to further investment in renewable energy and reduce greenhouse gases from electricity generation (Department of Energy, Utilities and Sustainability 2005).

Several programs aim to reduce greenhouse gas emissions from cars. Companies participating in Greenfleet donate funds to plant native trees in order to offset the emissions created by their travel. Since its inception in 1997, Greenfleet has planted more than two million trees. Greenfleet has

committed that these forests will not be harvested and will create an investment in rural Australia for future generations (Greenfleet 2005).

Car sharing is a way of providing people with ready access to cars without the need for car ownership. Research overseas has shown that it changes people's travel patterns, reducing car use and increasing use of public transport. Two car-sharing companies offer these services in Australia: GoGet in Sydney and Melbourne, and Flo Carshare in Melbourne. The firms allow members to rent a car for as little as one hour. As the program is a pay-as-you-go service, members have an incentive to avoid car use unless it makes economic sense, leading to reduced car usage. Use of smart cards permits members to reserve their car by phone or Internet, walk to the car, use the smart card to unlock the car doors and drive off, because the keys are already in the car (GoGet undated; Flo 2006).

Many companies facilitate the use of bicycles for commuting to work by providing showers and bicycle racks for employees. Some provide sponsorship for bike-to-work days.

Actions that reduce waste and encourage recycling are frequently also energy efficiency measures, because much less energy is generally required to manufacture a product using recycled materials than with virgin materials.

## **Protecting biodiversity**

As the *2006 Australia State of the Environment Report* describes in detail, loss of biodiversity is a major environmental issue facing Australia. One of the key contributing factors is land clearance. Major industries associated with land clearance are agriculture, mining, forestry, and housing and land development. The approaches taken by these industries vary considerably.

The mining and minerals industry has adopted a program called Enduring Value—the Australian Minerals Industry Framework for Sustainable Development, based on a set of sustainable development principles developed by the International Council on Mining and Metals. One of the ten principles is 'contribute to conservation of biodiversity and integrated approaches to land use planning'. An important mechanism for conservation of biodiversity is detailed scientific assessment of the biological values of areas to be cleared and sharing of information and knowledge about techniques for conservation and protection. This helps in the preservation of key elements, where possible, and in the restoration and rehabilitation after mining. It may lead to use of offsets or land trades to replace native vegetation lost during mining (Minerals Council of Australia 2004).

A large number of Australian farmers are involved in the Landcare program. Activities include the use of agricultural practices that protect biodiversity, the restoration of degraded soils, revegetation with native plant species, fencing of creeks and many other diverse activities. Agriculture, more than any other industry, has been affected by legislation to restrict land clearing. The introduction of stronger clearing legislation The introduction of stronger clearing legislation and its implementation over the next few years should result in a slowing of the rate of deforestation. Industry groups have formed partnerships with conservation organisations and government to focus on the methods for protecting biodiversity.

The forestry industry has been closely involved with government in identifying areas to be protected and in developing approaches to protect biodiversity while maintaining forestry activities.

Housing and land development may involve clearance for new residences, roads and other facilities. Some developers have set aside areas of biological significance for protection, and have taken

measures to protect or enhance biodiversity. Decisions about specific developments are usually worked out on a case-by-case basis and involve individual agreements between developers and local governments.

Some manufacturers of furniture and other timber products take efforts to ensure that they are protecting biodiversity by choosing only timber from sustainably managed forests or recycled timbers. They avoid the use of rainforest timbers and timber from native forests. Certification by an external independent body is generally considered the criterion for sustainable management.

A growing area of private sector activity is based on Australia's native species and natural environment. Some of the products or services include native foods (both plant- and animal-based), essential oils, natural body care products and services, aquaculture, arts and crafts, native flowers, and nature-based or wildlife tourism.

## **Protecting wellbeing**

Many manufacturers and retailers now recognise that they are accountable for ensuring acceptable working conditions both for their own employees and the employees of the contractors who produce goods for them. These conditions may cover payment of a living wage, hours of work, prevention of child labour and freedom to organise, among others. Recruitment and retention of skilled staff is an issue of growing importance to Australian companies, and many have come to recognise that there are significant financial benefits in implementing progressive workplace strategies.

Companies have developed a variety of systems to provide them with assurance about the conditions provided by their contractors. These may involve direct auditing by their own staff or agreements with organisations that conduct such audits and provide detailed information on contractors.

Companies are also taking measures that take account of employees' needs for a balance between work and other aspects of their lives. These measures are designed to encourage people to stay in the workforce and to retain valuable employees. They are intended to ease pressures on parents that might otherwise discourage them from workforce participation, starting a family, or adding to it. A Business Council of Australia work-family survey (BCA 2003) identified a number of measures being taken by their member companies, including:

- flexible working hours
- paid maternity and paternity leave
- assistance with childcare
- family support services
- job-share schemes
- work-from-home opportunities.

The private sector has taken action to meet community concerns about the treatment of animals, particularly in research and product testing. Many companies have phased out testing of their products on animals. Others have adopted more benign practices than were used in the past. The poultry industry has acknowledged concerns about the conditions in which animals are raised, and is meeting consumer demand for free-range eggs and poultry. The livestock industry has worked with government to develop new procedures for the export of live animals.

## **Supply chain management and green purchasing**

A number of companies in Australia are taking steps to ensure good environmental performance by their suppliers. As customers and investors are increasingly holding them responsible for actions by suppliers and contractors, companies are adopting measures to provide some certainty about their suppliers' activities and management systems. Companies also recognise that their own sustainability efforts will be greatly helped if their suppliers are committed to similar goals.

The South Australian Wine Industry Association, with support from the South Australian Government and Wine Industry Suppliers of Australia, has developed a new Internet-based toolkit to help the wine industry implement better, smarter and more efficient supply chain management and in turn reap economic and environmental benefits. This toolkit is the first step towards promoting wider industry adoption of sustainable purchasing (EPA (SA) 2006).

Insurance company Insurance Australia Group Limited (IAG), working with its suppliers, has introduced guidelines for selecting suppliers that provide standards of sustainability performance. Performance assessments of principal suppliers are conducted every six months using a number of criteria, including sustainability criteria. The company also works with its suppliers to help them improve their environmental management and safety performance (IAG 2005).

The Ford Motor Company of Australia Ltd imposes environmental requirements on its suppliers, including the development of an environmental management system certified under ISO 14001 (Ford 2003). Some companies specify that particular chemicals or substances may not be used in products supplied to them. A number of companies work with suppliers to encourage the return of packaging.

Green purchasing is a form of supply chain management, but the term is most often used to refer to the purchasing of products for direct use rather than as inputs to a manufacturing process. Many companies have adopted green purchasing techniques for products such as recycled paper and toner, energy-efficient office equipment and water-efficient appliances. The Victorian ECO-Buy Business program is built on the model of the successful ECO-Buy program for local government, and provides assistance to companies in implementing green purchasing programs (ECO-Buy 2005).

## **Providing information**

The private sector provides information to the general community, government and other businesses about their products, services and activities. The types and extent of the information made available today far surpass anything previously expected, and there is every indication that this will become an even greater responsibility in the future. Some companies go beyond the provision of company information to inform the public about environmental issues.

The media in Australia help to increase community awareness and responsibility for environmental issues. In recent years, stories on salinity, water conservation, energy efficiency, the greenhouse effect, recycling, transport and biodiversity have regularly appeared in the media.

## **Product labelling**

Manufacturers of a range of energy-using appliances are required to display energy efficiency labels on their products. The label was introduced in 1986 in Victoria and New South Wales, and later expanded to national coverage. It was upgraded in 2000 to employ more stringent criteria for the

ratings. It typically shows the star rating (efficiency) of the product and the annual energy consumption. Labels for some products carry additional information (DEH 2001). The energy label has been highly effective in increasing consumer awareness of energy efficiency. An Australian Bureau of Statistics' survey in March 2005 found that energy efficiency and cost (price) were the two main factors considered by households across Australia in buying or replacing white-good appliances. Energy efficiency ranked first over cost in buying/replacing a dishwasher, washing machine and refrigerator (ABS 2005).

A water efficiency label was introduced on a voluntary basis in 2005 and is mandatory from July 2006 for showers, toilets, domestic washing machines and dishwashers, urinals and some types of taps. It is similar to the energy label, containing a star rating and water consumption information. The mandatory labelling scheme replaces a voluntary scheme conducted by the water industry before 2005. The industry strongly supported the introduction of the new scheme (Commonwealth of Australia 2005).

Environmental claims about products are regulated under the Trade Practices Act, and the Australian Competition and Consumer Commission (ACCC) has taken action against manufacturers that made misleading claims about the environmental attributes of their products. The ACCC does not rule on the environmental merits of products, but does enforce requirements for the claims to be accurate, substantiated and verified, specific about the improvement or benefit claimed (for example, vague claims about a product being environmentally friendly are not permitted), and clear about the part of the product or its packaging to which the claim relates. Information must not be misleading; for example, the recycling logo may only be used on packaging that can be recycled using existing recovery schemes (Martin 2005).

There are calls from sectors of the community for expanded requirements for product labelling related to environmental claims. Consumer groups, for example, want products that are labelled 'recycled' to provide more information about the extent and source of the recycled content. The growing interest in environmental purchasing has made many buyers realise how difficult it can be to compare the environmental aspects of products.

Visy Industries provides an environmental label intended to reduce consumer confusion about recycling. According to the company, Roy Morgan Research consistently indicates that about 80% of people would recycle if it were made easier and that about 65% of people feel that 'it is confusing trying to work out what can or can't be recycled'. The Visy label says 'I am Visy recyclable' and is backed by a compliance program that ensures all labelled products are able to be recycled and collected, and are in fact recycled (Visy 2004).

Manufacturers of household laundry detergents participate in a voluntary labelling scheme administered by ACCORD Australasia (formerly the Australian Consumer & Specialty Products Association). Products with 5% or less phosphorus content are eligible to use a logo showing a P in a square; those with 0.5% or less phosphorus may use the NP logo (ACSPA 2003).

## **Disclosure of data and information**

A worldwide concern about exposure to toxic chemicals led to the development of programs to provide detailed information on emissions by location. 'Right-to-know' encompasses a variety of programs meant to give the public access to information on the amount of chemicals in their neighbourhood. In Australia, the most significant program is the National Pollutant Inventory (NPI),

which provides people with free access to information on the types and amounts of chemical substances being emitted in their community.

NPI data is from industry and non-industry sources. Industrial facilities are required to annually report emissions to the NPI if they exceed NPI reporting thresholds for one or more NPI substances. These are substances with possible health and environmental effects. Nearly 4000 facilities and 90 substances are currently covered by the inventory. Non-industry (or diffuse) sources come from non-reporting facilities and household activities. State and territory governments estimate emissions from diffuse sources. An online database ([www.npi.gov.au](http://www.npi.gov.au)) allows individuals and organisations to search for emissions by substance, location, facility or company (DEH 2005c).

Some seven hundred Australian companies (as at February 2006) participate in the voluntary Greenhouse Challenge Plus program, which aims to reduce emissions of greenhouse gases and accelerate the uptake of energy efficiency. Participating companies annually report to the Australian Greenhouse Office their emissions of greenhouse gases as well as their emissions intensity, that is, the amount of greenhouse gases emitted per unit of activity, such as per kilogram of product produced.

The Financial Services Reform Act, introduced in March 2002, established new requirements for disclosure by providers of investment products. If the product has an investment component, providers must include in their product disclosure statements 'the extent to which environmental, social, ethical considerations or labour standards are taken into account in the selection, retention or realisation of an investment' (ASIC 2003). Companies offering socially responsible managed funds generally have quite detailed statements on the methods they use for consideration of environmental, social and ethical considerations or labour standards; most others indicate that these factors are not considered or are considered on an ad hoc basis (Berger 2004).

## **Public sustainability reporting**

Sustainability reporting is of considerable interest around the world, and is becoming one of the basic criteria for judging the social responsibility of organisations. The number of companies in Australia releasing a public sustainability report is continuing to grow every year, although the overall reporting rate of the top 100 publicly listed companies is still low by international standards (KPMG and the University of Amsterdam 2005). Companies in the manufacturing and mining sectors are the most likely to produce sustainability reports. The benefit most often perceived by companies from producing a sustainability report is reputation enhancement (CAER et al. 2005).

Increasing numbers of companies are producing reports using Global Reporting Initiative (GRI) guidelines. The GRI is an independent organisation that develops and disseminates globally applicable sustainability reporting guidelines for voluntary use by companies or other organisations.

Two organisations in Australia present awards for sustainability reporting: the Association of Certified Chartered Accountants (ACCA) and the Australasian Reporting Awards (ARA). The winners of the 2005 ACCA awards for Australia and New Zealand were:

- mecu for Best Sustainability Report
- Watercare Services and Australian Ethical Investment for Continued High-Quality Sustainability Reporting
- BHP Billiton for Sustainability Communication Using the Internet (ACCA 2006)

The winner of the 2005 Sustainability Reporting Award of the ARA was Aurora Energy Pty Limited (ARA 2005).

# Research and innovation

The private sector has a critical role to play, along with academic institutions and publicly funded research organisations, in conducting research and contributing to sustainability through innovation. New approaches are needed to help solve existing environmental problems and to prevent the emergence of new ones in the future. Curtin University of Technology, which has been an Australian leader in the area of cleaner production, says ‘The challenge ahead is to turn sustainability imperatives into a launchpad for innovation to deliver the sustainable technologies and products of the future, which reflect tomorrow’s—rather than yesterday’s—balance between economic, environmental and social imperatives’ (Curtin University of Technology 2005). One of the key issues in translating innovative ideas into commercial realities is the availability of capital investment funds. In many cases, Australian ideas are commercialised in other countries because of the limited Australian market and a shortage of local funding.

Painting a detailed picture of private sector research and innovation in Australia, and clearly distinguishing it from public sector or collaborative work, is difficult for a number of reasons. The Business Council of Australia found when it surveyed its members that a great deal of private sector research occurs in collaboration with universities and publicly funded research organisations. Much of the research and innovation that occurs in companies involves improvements to processes or products within the core business of the organisation, in some cases using cleaner production techniques, and may not be readily apparent to external casual observers (BCA 2004). It is also worth noting that innovations developed within the publicly funded research organisations or universities may become commercialised and may end up as the basis for new enterprises either in Australia or overseas.

The work of the winner of the 2005 Prime Minister’s Prize for Science, Professor David Boger, demonstrates the collaborative nature of innovative research in Australia, as well as the application of process improvements. Professor Boger, working at Monash University and the University of Melbourne, collaborated with the mining industry to find a way to work with concentrated mineral slurries, thereby reducing the required size of processing vessels, substantially decreasing the amount of liquid waste produced and saving the industry millions of dollars. He worked with Alcoa at their Kwinana alumina plant to remove the water from bauxite residue (a caustic red mud) while still allowing the waste to flow. The technology has now been taken up by many alumina plants around the world and has dramatically improved the environmental performance of alumina production (DEST 2005).

Now Alcoa has taken the further step of pumping waste carbon dioxide through the caustic mud, sequestering the carbon (creating a greenhouse sink) and producing a less caustic waste, which could potentially be re-used.

The emerging field of environmental biotechnology is expected to identify new ways to address critical environmental issues in the fields of biodiversity, pollution control, bioremediation (restoration of degraded areas) and reduction of toxic chemical use. At present most of the Australian research in this area is being conducted by publicly funded research organisations and universities working in cooperation with private sector companies. It seems likely that a number of new private sector enterprises will result from such research (EBCRC 2005).

Water management products and services provided by Micromet Pty Ltd demonstrate how private sector initiative and expertise can combine with financial assistance from government to yield innovative solutions that contribute to sustainability. Micromet developed technology that turns

existing irrigation controllers, which usually operate on pre-set schedules, into 'smart' irrigation controllers that remotely control the watering of public spaces such as parks, so water is only applied when needed. Data from a network of weather stations and rain radar feeds into a central communications hub, which then relays information to the irrigation controllers at the site to be watered on whether to water and, if so, how much water to apply (Micromet 2005).

Micromet developed the technology and then received federal government financial assistance to fund the ability to incorporate rain radar data and to develop Internet capability (AusIndustry 2003). The company now operates from offices in South Australia and California, USA, and serves about fifty municipalities, helping them to maintain their irrigated areas in top quality while conserving water.

Wattyl's acrylic paint with very low volatile organic compounds (VOCs) is an example of an innovative product developed by a private sector company based on its own research and internal funding. As VOCs contribute to indoor air pollution and allergic reactions, there has been considerable interest in developing low VOC paints for interior use. Wattyl's new paint contains no ammonia, no formaldehyde and minimal VOCs. It has also been formulated without the use of APE (alkyl phenol ethoxolate) surfactants, which may be a risk to marine life. It is not being sold as a niche green product but as a mass-market, mainstream, premium interior paint. It is being sold for the same price as conventional premium quality paints. The new paint combines environmental and safety benefits with superior performance characteristics without increasing the selling price (Jackson 2004).

## Financial sector initiatives

The financial sector has a key role in achieving sustainability. Beyond its ability to take the types of actions available to all organisations, such as reducing waste, energy and water, and instituting green purchasing programs, its activities of lending, investing and insuring underpin nearly all other companies and thereby have the potential to influence their behaviour. The potential for exercising this influence to promote sustainability is being increasingly recognised by the financial sector in Australia, and many new initiatives are being taken. Examples of these include:

- socially responsible investment managed funds
- socially responsible superannuation funds
- individual portfolios invested using socially responsible criteria
- lending policies that take account of environmental and social issues
- green loans that reward sustainable choices
- green bank accounts
- community banking
- microcredit to provide very small loans, generally to low-income individuals, for self-employment projects that generate income, allowing them to care for themselves and their families.

## Examples of Australian financial sector initiatives

Socially responsible investment (SRI) in Australia, which takes account of the environmental and social, as well as the financial, performance of companies, has grown very rapidly in the past several years. Socially responsible managed portfolios have grown from \$325 million to \$7.67 billion between 2000 and 2005 (Corporate Monitor 2005). Returns from SRI managed funds compare

favourably with mainstream funds. Although SRI still represents a small share of overall investment in Australia and overseas, its rapid growth indicates an increasing interest by investors in reflecting their values in their investments. The Ethical Investment Association (EIA) is a membership organisation for professionals working in the area of SRI and it manages the world's first certification program for providers of SRI products and services. Certified products and services are entitled to carry the SRI symbol (EIA 2005).

An example of a financial sector incentive provided to encourage environmentally beneficial action is the goGreen® car loan offered by Melbourne-based financial cooperative mecu Limited. The loan rewards members for purchasing environmentally efficient cars by charging different interest rates depending on the car purchased. The more efficient the car is, the lower the interest rate. In addition, mecu offsets the car's greenhouse gas emissions for the life of the loan through partnership with Greenfleet to plant and maintain 17 native trees annually in the Murray-Darling Basin. Since the product was launched in September 2003, mecu has benefited from a 45% increase in car loans. In recognition of this financial initiative, mecu in 2005 won the Publishers National Environment Bureau Gold Banksia Award as well as the Banksia Award for Leadership in Financial Services and Sustainability (Banksia Environmental Foundation 2005).

VicSuper invests in direct property through ownership of units in the Direct Property Investment Fund, an unlisted trust managed by Colonial First State Property Limited. In 2002, it established an innovative partnership with Colonial First State Property to manage its properties using sustainability principles.

Westpac has been a leader in the financial sector in integrating sustainability across its operations. Its programs span a range of social responsibility issues. The environmental initiatives include management of their ecological footprint, measuring and reporting on performance and incorporating environmental considerations into the risk management framework. Westpac regards these and other actions in the area of social responsibility as an essential part of its activities and as a competitive advantage (Westpac 2005).

IAG is another company treating environmental stewardship as a competitive advantage and as part of their core business. It states on its website that 'sustainability is neither a program nor an initiative, but simply good management. Our strategy is to embed sustainability in our existing business and organisational practices'. Sustainability, therefore, is becoming an integral part of the way the company pays its claims, manages costs and reduces its risk.

The majority of office properties for which Colonial First State Property has responsibility are rated under the Australian Building Greenhouse Rating Scheme. The company is working towards reducing greenhouse gas emissions through better operational management and abatement projects, and has achieved significant reductions in energy, greenhouse gas emissions and water use. Sustainable design principles are a feature of all fitout projects (ACCA and URS 2004).

## **Conclusion**

The illustrations cited in this article demonstrate that the private sector plays a role in virtually all areas of sustainability. Some of the actions are a response to regulations, some have arisen as result of regulation but have gone well beyond regulatory requirements, and a substantial number have been driven by private sector recognition of opportunities to benefit their businesses while undertaking activities that contribute to sustainability. Some of the initiatives have arisen from partnerships:

businesses to business, between business and non-profit organisations, and between business and government.

Although there is still a long way to go in meeting the environmental challenges facing Australia, it seems apparent that a growing number of Australian businesses recognise the opportunities as well as the challenges in achieving sustainability.

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