
Case: Greenwash's Wish List

The management of Greenwash Company is concerned about the growing demand on the part of investors and the public in general for environmental disclosures in corporate annual reports. In reviewing a number of foreign competitors' annual reports, they have observed a variety of environmental disclosures, including 1) actual and contingent liabilities for the cost of environmental clean-up, 2) corporate programs and policies to protect the environment, and 3) self-assessment reports of the internal goals reached with respect to its environmental protection measures. They have also noticed that some companies include environmental disclosure in their annual report while others prepare a separate environmental report. The management of Greenwash is agonizing over the type and extent of environmental disclosure to provide in the company's next annual report. They have hired you as a consultant to help them establish environmental reporting policies.

1. In your opinion, are environmental disclosures in company annual reports necessary? Explain.
2. What specific environmental disclosure should companies provide? Why?
3. Using examples of two domestic and two foreign annual reports within the same industry as Greenwash, suggest the type of environmental disclosure Greenwash should provide. Explain the costs and benefits of the environmental disclosures you recommend.