

Social and environmental accounting case study of aviva and csr

[Environment](#), [Environmental Study](#)



Introduction

Corporate Social Report (CSR) is one of the ways to check how well developed accounting is in the company. Oliver Dubigeon in its article discerns two kinds of companies: the one who begin to account for their social, corporate and environmental responsibility to improve the impression of their reputation and acceptability to civil society and the second who understands that it is a response at this very moment to the 'right to knowledge and participation' that civil society is demanding, if not to eliminate the risks to their daily life and to future generations, then at least to control and master them.

First and second parts of this report will be analyzing an insurance company AVIVA, who like one of international community member, has its corporate responsibility. So it is necessary to find out whether this company belongs to the first or second category of discerned companies. Moreover, it is important to look how accountability is pursued in AVIVA company and how it takes responsibility in solving global warming problem. The second part of the report also considers the impact of professional accountancy bodies in global warming, how they deal with global warming issue in reporting. The third part will evaluate the role of global Socially Responsible Investment on the development of accountability. This section will not be specifically concerned with AVIVA company, but it will be considering about the increase of accountability and social and environmental accounting and of course the behaviour for companies.

Part 1 – accountability

Accountability is a concept that relates to flows of information, where those controlling resources provide accounts to society of their use of those resources. So, corporate accountability can be defined as the systematic and public communication of information that is designed to justify an organization's decisions and actions to various stakeholders. The other definition of accountability made Gray, Owen and Adams shows that there are two duties: responsibility to take actions and responsibility to account for those actions.

The best feature of accountability is that it can show the external verification of the company's performance – how well they minimize the social impact of a company's activity, provide good working conditions for employees and contractors, and create an acceptable arrangement for the distribution of benefits and services. It also can show that company does not carry out with its duties properly. Social Reporting (CSR) is one of the biggest challenges for company on CSR and lack of understanding how properly to do this can be the main problem in bad reporting. Sometimes the content of a report do not reflect actual performance, or it may be incomplete. The problem is that many organisations do not really understand the meaning and purpose of CSR. It is a mistake to think that it is simply engaging in philanthropic activities or making donations. It involves much more than this. Companies do the reporting because of very different reasons. One wants to reveal all the information about company's acts to society, other want to create a “

positive” look about the company, and the thirds just do not really know why they do this, but just tries to follow the “ model” companies’ example.

Annual report and the financial statements are as a mechanism for discharging accountability. It also includes financial and non-financial information to improve transparency and understandable information enabling users to assess a firm’s performance. AVIVA is an insurance company in which CRS involves a strong organisational commitment to social obligations and the internalization of these obligations in the culture of the organization as well as the mobilization of employees to execute these obligations in their day-to-day actions. But is it all like it sounds AVIVA looks like a big company which seeks to be the leading one in insurance industry, but there can be very contradictory reasons for doing this: the ones which company wants to tell in public and the others which it wants to keep inside the company.

The reasons AVIVA company is so active and responsible in such reporting is because it feels responsible for being an example of correct behaviour for all other beings, this company cares about planet and people. These non – financial reasons shows about companies universal responsibility. There are and financial reasons, which are promoted in CSR, such as reducing risks and increasing profits, because of an improved reputation in various markets. This company reacts to its customers, colleagues and everyone where they operate and takes positive actions towards climate change that shows good level in listening and dialogue with the society around it.

Although, AVIVA makes an impact to accountability, they improve their skills and experience every year and this can be easily seen in their reports.

Company was one of the first companies who helped developing and started using the HRH Prince of Wales' Accounting for Sustainability (A4S) connected reporting framework for their performance report. Using this framework AVIVA reported about greenhouse gas emissions, waste, resource usage, customer advocacy and investing in communities. AVIVA is a very good example for other organisations who wish to connect sustainability performance with business strategy. This company has a very valuable case study, which explains how following Connected Reporting Framework reaches good sustainability reporting practice. AVIVA also put their CR Report to a separate shareholder vote at the 2010 AGM and they are the first company in UK by doing this.

All this proves about Aviva's active and valuable contribution to CSR, because even being a right example for other companies it already helps for better and clearer understanding in CSR area which is still found difficult for organisations to understand and make valuable reporting.

Part 2 – accounting for global warming

Today's actions will affect future generations, and nowhere is this more evident than in our approach to climate change and the environment. Global warming is a long lasting problem in the world. There are a lot of different opinions about this, but it is clear that some part of the world is trying to do something on behalf of the environment. The insurance industry has the most to lose from the increasingly extreme weather that scientists agree is

the result of global warming. Aviva's strategy is to control their own impacts and resources, including water, gas, waste and electricity. The main impact on the environment is Aviva's total carbon dioxide emissions. There is a small number of companies, who are carbon neutral, but AVIVA was the first insurer to offset emissions on a global basis and become carbon - neutral, this company is a good example for all other companies, who used more to talk than to act. AVIVA is a signatory and responding company to the Carbon Disclosure Project (CDP), moreover, in 2009 it was ranked eighth in the Carbon DisclosureLeadershipIndex for the FTSE350, third in the financial services sector and 38th overall in the FSTE Global 500.

The results of emission reducing is best seen now, when in 2008 company reduced 6, 6% of CO2 emissions and further 5, 2% in 2009. Companies aim is to reduce their carbon emissions by 30% till 2020, from their 2006 baseline, which is 120000 tones of CO2. Company also encourages others to do the same, to manage and reduce the CO2 output, because CO2 is the principal ' greenhouse' gas contributing to global warming.

AVIVA has invested in cutting-edge tropical storm research, revamped its flood models to incorporate global warming, publicized the need for action and encouraged reduced vehicle usage with pay-as-you-drive insurance.

During the period of 2005 – 2010 AVIVA company continuously improved and reported of their direct and indirect environmental impacts. In all these years AVIVA company is trying to develop products and services that provide a positive link between climate change and premium paid. In 2005 AVIVA

established a climate change forum to coordinate related activities across their businesses. In the same year, company involved in including flood research, flood mitigation and prevention work, sponsored a pan-European flood project. 2008 was the year, when AVIVA concentrated on water: they helped people to prepare to deal with a flood and shared the information how to limit the damage. Company is encouraging others to make responsible choices and tries to promote good environmental practice among their colleagues, customers and suppliers. In fact, Norwich Union is playing a leading role helping to mitigate the effects of global warming. The other offer made, seeking to provide right decisions for environment was in 2006, by offering reduced premium insurance for drivers of hybrid and flexi – fuel Ford cars.

2007 was the year of projects. During this time, AVIVA made a progress on three strategic areas to combat climate change: carbon reduction, carbon offsetting and enhanced employee education and engagement. Biogas project, wind turbine project, “ Green cement” project, treadle plumps and other projects where AVIVA company participates, shows that this company is very active in environments protection, it belongs to various organizations, sponsors projects and also takes valuable actions inside the company, such as signing a ‘ green’ service level agreement with Hewlett Packard (HP) in 2009, for the provision and running of two data centers which are ran by ‘ eco friendly’ or renewable power sources.

AVIVA is an independent auditor, which uses the guidance of rules made of International Federation of Accountants’ (IFAC). This organisation made a

contribution to global warming by considering this problem from a strategic perspective: it explored the enterprise governance model which encourages organisations to view governance as having a performance as well as conformance perspective. The aim of this model was to consider why corporate governance often fails in companies and, more importantly, what must be done to ensure that things go right.

It still seems like the professional accountancy bodies are not involved in global warming problems as they could be. This proposition is wrong, because a professional accountancy body keeps an eye to global economy. Issue of sustainability is not an exemption too. In the company accountants might also become involved in the development of environmental and social accounting, by doing this, accountants would be involved in the organization's management of environmental performance at all points of the company. Environmental accounting, accurate global warming, shows the interaction between the world and the company.

Part 3 – socially responsible investment

UK Investment Forum, describes socially responsible investment (SRI) as “investments enabling investors to combine financial objectives with their social values”. Miller A. SRI equates to Ethical investments and explains them as the contribution towards particular social and environmental aims. So, socially responsible investment seeks for two benefits: social good and financial return. The problem arises when this investment becomes more moneymaking than improving social, ethical values, becoming eco – friendly company. Of course, it can not be said about all organisations that

they look just for profit for themselves, in many companies it is more a positive issue – they help environment, takes care of it and also helps other companies as being a right example. That shows that positive and negative criteria's can be made analyzing SRI market.

In recent years, SRI has experienced an explosive growth around the world. The growing increase in global SRI determines the better and wider understanding about companies ethical values in environment. Without good environmental management company would not achieve the maximum of profitable green investing. It is understandable why companies want financial profits of all investments, but it is important to seek more for the positive aspects of the green investments. So, there are negative and positive aspects investing in SRI. Ethical investments have financial returns, but unfortunately very small ones. Anyway, the SRI is expected not to stop growing, because it does not matter that there will be less companies, who aims to get non-financial utility from investing in SRI, it is important that at least some investors would care less about financial performance.

Crisis has led to the increase of financial accounting. One of the reasons for such close accounting implication can be that a company can show very positive 'success' indicators to the environment by doing this. Moreover, the information made by accountants is needed for profitable shareholders decisions in global socially responsible investments. Social accounting (social reporting) provides all stakeholders with information about the social and environmental activities and impacts of the organization it is necessary because it is the way for stakeholders to decide for themselves if a company

was really socially responsible or not. Firms ignoring social responsibility may destroy long run shareholder value due to reputation losses and/or potential litigation costs.

Issue like global warming has gained attention by governments and investors around the world. This means that increase in SRI will not stop growing. Environmental reporting is one of two areas where environmental agenda has encouraged the greatest development in organizational practice. The good thing is if the company gets non-financial benefits from SRI, because in that case the investors would not care so much about the money, financial profit, which they can get from these investments. Otherwise the problems with personal or societal values can arise. The question needed to answer is whether the stakeholders care about the values mentioned above. Unfortunately, social disclosure and social performance are the subjects shareholders care about just in how they affect the financial performance. The ethical positions of organizations, takes just a little part of the things shareholders cares about.

The ethical norms which characterize a company are fundamental to any green investment analysis. They include the integrity of the vision and leadership of top management, and a company's openness and accountability to its employees and to the outside world.

Companies economic behaviour can be seen in the works it done. The increase in SRI is one of the factors which can determine and reveal whether the company has positive or negative behaviour in investing. Heinkel et al.

(2001) suggests looking if company investors are green or neutral investors and whether they have a clean or a polluting technology. The other problem is that the company which is pursuing social and environmental goals can suffer in competitive market. So, both of the profits need to be balanced. SRI must be an investment where part of the returns is donated to good causes. Corporate governance have to reflect the positive screening of the company, it is preferred that company would be focused on social welfare in addition to value maximization.

Conclusion

AVIVA company is one of these companies who cares about their customers, employers and tries to be the right example for everyone in reporting, activities related with environment, behavior which can be called representative for other organizations in successful development. Being the leading organization in Corporate reporting this company seeks to concentrate to positive values and behavior. AVIVA company makes a lot of good works in global warming issue, it is active inside and outside the organization, tries to “infect” the other organizations and people by environmentally friendly behavior and the results is already seen. Of course, only positive and valuable works showed in Aviva’s Corporate reporting makes human doubts about good faith of this company, but otherwise by having a good name this company gain confidence of customers, shows a good example for other insurers and of course the same logics asks a question why such company would harm and disparage its reputation. So, it can be said that this company is the one who understands that it is

responsible to control and master the 'right to knowledge and participation' which civil society is demanding for.

Bibliography

Books:

Dave Owen 'Green Reporting: Accountancy and the challenge of the nineties' Chapman & Hall 1992

Gray, R., Owen, D. and Adams, C., Accounting and accountability: Changes and challenges in corporate social and environmental reporting, London: Prentice Hall Europe, 1996

John Houghton 'Global Warming : the complete briefing ' 2nd edition, Cambridge University P., 1994

Jose Allouche, Corporate Social Responsibility Volume 1 Concepts, Accountability and Reporting, Basingstoke: Palgrave Macmillan, 2006

Rob Gray, Dave Owen, Keith Maunders Corporate Social Reporting: Accounting and accountability 1987

Rob Gray, Jan Bebbington Accounting for the environment 2nd edition, Rob Gray with Jan Bebbington 2001

Journal articles:

Anne Ellerup Nielsen, Christa Thomsen ' Reporting CSR – what and how to say it?' 2007 Aarhus School of Business, Denmark Volume: 12 Issue: 1 pp. 25-40

Ainscough, T., Hill, R. P., Shank, T. & Manullang, D. 2007, ' Corporate Social Responsibility and Socially Responsible Investing: A Global Perspective', Journal of Business Ethics, vol. 70, no. 2, pp. 165-174.

Experts who put a premium on expecting the worst and working out what it costs NON-FINANCIAL RISK: Mike Scott looks at the mechanisms employed by the insurance industry to minimise the impact of risk on its balance sheet: SURVEYS EDITION 2007, , London (UK).

Garry Booth, ' Climate change: Talk needs to turn into action', 2008 Reactions.

Janet M Epps and Fiona L Solomon, ' Adding Social Value Through Accountability in Mineral Development' 2000 The AusIMM Annual Conference, Sydney, [online]. Available from: http://www.minerals.csiro.au/sd/CSIRO_Paper_Accountability.htm [accessed 20/03/11]

Jean Raar ' Reported social and environmental taxonomies: a longer-term glimpse' 2007 Deakin University, Burwood, Australia Volume: 22 Issue: 8 pp. 840-860

McGuire, D. & Garavan, T. N., ' Human Resource Development and Society: Human Resource Development's Role in Embedding Corporate Social

Responsibility, Sustainability, and Ethics in Organizations', 2010, vol. 12, no. 5, Advances in Developing Human Resources, pp. 487-507

Ter Horst, J., Zhang, C. & Renneboog, L. 2008, ' Socially responsible investments: Institutional aspects, performance, and investor behavior', Journal of Banking & Finance, vol. 32, no. 9, pp. 1723-1742.

Reports and On-line sources:

Aviva plc Annual Report and Accounts 2009, 2008, 2007, 2006 and 2005 [online]. Available from: [http://www.aviva.com/corporate-responsibility/reports/?category= All](http://www.aviva.com/corporate-responsibility/reports/?category=All) [accessed 01/03/11]

Accounting for Sustainability. [online]. Available from: <http://www.accountingforsustainability.org/output/Page136.asp> [accessed 01/03/11]

Climate care. Treadle pumps in India. [online]. Available from: <http://www.jpmorganclimatecare.com/projects/countries/treadle-india/> [accessed 14/03/11]

Climate friendly Hebei Kangbao Wind Project Project Profile [online]. Available from: <https://climatefriendly.com/projects> [accessed 20/03/11]

International Federation of Accountants [online] Available from: <http://www.ifac.org/> [accessed 13/04/11]

Insurance company AVIVA web page [online]. Available from: <http://www.aviva.co.uk/> [accessed 20/02/11]

<https://assignbuster.com/social-and-environmental-accounting-case-study-of-aviva-and-csr/>

Going green [online]. Available from: [http://www. lowcarbonconcrete. ie/documents/ScanofarticleJan2009-smallOCR. pdf](http://www.lowcarbonconcrete.ie/documents/ScanofarticleJan2009-smallOCR.pdf) [accessed 20/03/11]

Practical Action. Biogas: power from cow dung. [online]. Available from: [http://practicalaction. org/biogas](http://practicalaction.org/biogas) [accessed 14/03/11]

Special English development report. ‘ The Importance of a Simple Water Pump’[online]. Available from: [http://www. youtube. com/watch? v= A36hUKNPY-Q](http://www.youtube.com/watch?v=A36hUKNPY-Q) [accessed 20/02/11]