

# Corporate social responsibility in malaysia

[Business](#), [Management](#)



In Malaysia, it was critical for the accounting profession to be concerned with more than just profit and loss. It should recognise the impact of businesses have in the environment. According to the study commissioned by ACCA in the state of environmental reporting in Malaysia, only 7.7% KLSE main board companies were engaged in some form of environmental reporting in 2001. However, the number of reporting number increased from 25 in 1999 to 35 in 2000 and to 40 in 2001. Environmental report contains two major parts that is non-financial disclosure and financial disclosure.

Today, people tend to concern more on the non-financial disclosure rather than the financial disclosure. So, what is meant by non-financial disclosure of environmental report? It means when a company involved in an environmental matter, (such as throwing chemical wastage that destroy the marine ecological cycle in the sea; the destroy of great volume of trees; smoke emission by manufacturer and etc. ), it is the responsibility of the company to respond to the stakeholders on how it will react to such destroy to the environment.

For instance, when a company destroyed a great volume of trees, is the company going to replant it? How much would be the investment made by the company to rescue such impact? In this section, the company will disclose the extent of the environmental impact of its operations, products and services, and the efforts of the company to reduce such impacts in the environmental report. Now, let's view what should be the ideal contents of the environmental report specifically prepared to the environmentalist: An environment report may start with statement of potential risk.

This is a report that requires the company to be frank to the shareholders as to what extent of risk that the company is encountering and will encounter. Although it sounds a bit ridiculous, where it is likely to de-motivate the confidence of the investors, it shows that the company is responsible to disclose the risks to the public. A company that is brave to disclose the statement of potential risk means that the company has a very stable position, as if it dares to be frank to the shareholders, it must have a very good backup plan to solve the problems or risks.

By showing a statement of potential risk, this is likely to show the information presented contains with the greatest extent of transparency, which in the financial users point of view, they gain the advantages in advance through the analysis of the background of the company. Of course, by hinting the potential risk, the company must disclose some clues of handling these risks efficiently. As a result of this, rational investors are capable to make much more worth economic decisions. For instance, the British American Tobacco Company disclosed a page of this statement, telling that its products carry risk:

Smoking is, among others, a cause of serious diseases such as lung cancer, pulmonary heart disease, and if you smoke, you may stand a higher risk of contracting these serious illnesses - which drives our often stated position that we market cigarettes only to adults who have made the decision to smoke and aware of the risks associated with smoking. In trying to be responsible, we believe we have to fully understand what is considered

responsible. This is not to say that we have not played our role as responsible corporate citizens in the past.

Our track recording fulfilling our wider Corporate Social Responsibility, through contributing towards economic development, social causes, sound business partnerships, employment opportunities, speak for itself. However, by embedding the principles of Corporate Social Responsibility, and engaging stakeholders in forums such as dialogue, and reporting back to society through our Social Reporting process, we will demonstrate that we are carrying out our commercial activities consistent with reasonable public expectations of a responsible tobacco company.

On the other hand, it also referred to Corporate Social Responsibility. Companies are increasingly recognising the importance of adopting a social, ethical and environmentally responsible approach to business activity and entering into dialogue with all group of stakeholders. Reporting is slowly evolving from simply reporting the amount of charitable donations in the annual report to including additional activities, which the company considers to be of key interest. The reporting might be brief but gives an attractive picture if a company's social responsibility.

For example, the 2001 Kingfisher Annual Report has a brief two pages section for social responsibility in which it gives information on: Besides, an Environment Policy Statement should be disclosed. The primary purpose of adopting an environmental policy is as a guide to future action. It therefore needs to be informed by reliable data on the organisation's environmental interactions, consist of commitments which are as specific as possible and be

supported by as many mechanisms for turning the policy into specific targets as can be established.

The specific targets, which should be transitory and developing, should be referred to in the policy itself. It makes considerable sense for any initial environmental policy statement to be a draft only. Once the organisation has carried out environmental reviews, assessed its own environmental position and assessed the feasibility of its environmental goals, then it can turn the draft into the 'real thing' in the knowledge that the policy is feasible and can be long-lived document.

Only then, the organisation can consider publishing the statement. This environmental policy statement, not only do they establish the first approximation for the evolution of environmental objectives, they will reflect the particular orientation of the organisation; signal information to employees, customers and suppliers; as well as provide a hostage to fortune by announcing parameters of acceptable activity within the public domain. The process of developing the environmental policy is not without its problem.

One company, for instance, was concerned that: this emphasis on environment policy is in danger of overshadowing other areas of policy. Isn't environmental policy just one more part of the organisation's general policy? Shouldn't we be making the same fuss about health and safety for example? Indeed, it seems most appropriate that the organisation should have a general mission and policy statement, but backed up by detailed policies in the appropriate areas - including environment, health and safety.

The best-known recent example is the 'Valdez Principles' [see Appendix for Valdez Principles], which it is intended, should be adopted by all companies with aspirations to being 'green'. The principles were derived by the Social Investment Forum in North America in the wake of the Exxon Valdez tragedy. The group claim the backing of many large investors who claim control of 150 billion dollars of assets. Corporations are invited publicly to sign the principles as a demonstration of their belief in them and their intended adherence to them.

The large investor will only invest or continue investing in those corporations who have signed. Then, it is ideal to include a report of the projects undertaken relating to the environment issues. This report should consist of the definition and objective of the projects undertaken. Besides, under this report, the organisation must identify all the feasible options of the projects undertaken and conduct qualitative and quantitative analysis of options' environmental impact.

There must be a clear, objective presentation of the information relevant to the choice in order to select the Best Practicable Environment Option (BPOE), which provides the most benefit or least damage to the environment as a whole, at an acceptable cost, in the long term as well as the short term. Next, the organisation must have choice examined by individuals independent of the initial choice and, implement and monitor performance against expected or desired criterion.

The disclosure of activity and performance of what the company is doing, its voluntary undertakings and a statement of its performance against the

standards set in law and quasi-law and its own personally set targets, should not be ignored as well! A minimum inclusion here will be emission levels, noise level and toxic waste as well as recycling or 'clean' waste activity. For instance, The Shell Report disclosed the level of emissions caused by the business operation to the environment and its effort to reduce this impact: We recognise that the use of our products, particularly fuels, can contribute to both global and local air emissions.

Our efforts to reduce this impact include expanding the availability of unleaded petrol for use in cars with catalytic converters (Shell sells more unleaded petrol than any other oil company), low sulphur petrol and diesel and liquefied petroleum gas (LPG). Then, there is a need to disclose how efficient use of natural resources by the company, such as energy, water, land and etc. to reduce the costs and respects the needs of future generations. The efficient use of natural resources is believed to be the advantage to the company as this can save cost for maximum utilisation.