

Environmental protection and corporate social responsibility



**ASSIGN
BUSTER**

Introduction:

How well a business corporation performs in financial terms is significant for a broad group of people that includes potential/existing investors, creditors, employees or managers. With differing information needs and purposes, each category of stakeholders should be provided with data that is comprehensive, relevant and reliable, so as to allow an informed opinion to be reached on the corporation's financial performance. However, all too often, the general public is left out of this equation. A corporation's operations have direct and indirect effect on the general public, who don't have a "stake" in the company in the conventional use of the term. Yet, business corporations are purely economic structures, whose sole purpose is profits and whose foresight stops with the next quarter. This essay tries to discuss the existing norms of accountability, its deficiencies and areas that need improvement.

What Financial Reports do not reveal:

First of all, financial reports have their limitations. While they can accurately evaluate the values of tangible assets, more often than not the measure of intangible consequences of the company's operations are not accounted for. For example, let us take a company that manufactures cosmetics. The manufacturing and packaging of the company's products involves chemical processes, the residues of which are purged into a nearby river stream or sea. The discharged residual matter is highly toxic and hence harmful for the aquatic life in the waters. This leads to the diminishing in numbers of many species. Those that survive this hazard and land in fishing nets are

consumed by human beings. So, now the citizenry of the area surrounding the company's processing unit get affected. The affectation could be of varying degrees and can manifest slowly over a long period of time. These are all costs alright, but not for the corporation. These " externalities" are not accounted for in the annual reports.

Who pays for Externalities?:

So who pays for the " externalities"? Well, let us say the sickened citizenry are hospitalized for treatment. The treatment costs could be imposed on the patients themselves (in a highly privatised economy) or by the government (if a public health-care system is in place). Either way, the corporation that was the culprit in this case goes Scot-free. This is just one externality. There are others such as " contribution to global warming", " contribution to the erosion of ozone layer", " depleting fertile soils by industrial production policies", " contribution to air and noise pollution", etc. The economic structures of many countries (including the advanced ones like the United Kingdom) are not designed to make business corporations pay for the damages induced by them. This blatant unfairness had gained better awareness over the last decade or so - mainly through the persistent efforts of activists and intellectuals. The efforts of devoted activists are finally having an impact on the regulatory and legislative branches of governments to improve existing standards of accountability.

Corporate Social Responsibility in the UK:

United Kingdom is no exception to this trend. Let us overview of measures already adopted and those in the pipeline in United Kingdom and their <https://assignbuster.com/environmental-protection-corporate-social-responsibility/>

implications. The UK government's Corporate Social Responsibility (CSR) website proclaims, " We have an ambitious vision for UK businesses to consider the economic, social and environmental impacts of their activities, wherever they operate in the world." Consistent with its mission statement, the CSR engages in advocacy activities so that business corporations will adopt a sustainable model of growth and development. To help businesses with this transition, the CSR offers policies and institutional frameworks that encourage companies to adhere to the highest ethical standards. The CSR also provides substantial incentives for those companies that accept and adopt newer (and more just) regulations. The framework of CSR is very broad and it includes environmental protection, health and safety and workplace rights.

Measures for Redress:

Since CSR is not a government department in itself, it collaborates with other existing government institutions for policy initiatives. For example, in association with the Department of Environment, Food and Rural Affairs the CSR has initiated a handful of projects for sustainable commerce and environmental protection. In association with the Department for Business, Enterprise and Regulatory Reform a programme called " The business case for CSR" has been initiated. The programme is aimed at corporate decision makers and attempts to convince them through rational argument. In total, the CSR works with 14 government departments and has initiated nearly a 100 projects and programmes so far. The success of these programmes and projects is very crucial. Upon it lies the economic and social welfare of the future generations of people.

<https://assignbuster.com/environmental-protection-corporate-social-responsibility/>

The changing legal environment:

The environmental movement has already had an impact on legislations in the UK. For instance, the Pensions Act (amended in 2001), “ requires trustees of occupational pension schemes to state their policy regarding the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.” The Companies Act (enacted in 2006) requires corporations to comply by the proposed regulatory framework and drives home the point “ that directors will be more likely to achieve long term sustainable success for the benefit of their shareholders if their companies pay appropriate regard to wider matters such as the environment and their employees.”

Conclusion:

When Global Reporters Survey published its findings in 2006, the results showed companies in UK in a kinder light. The UK business community as a whole were placed in third place for their consistency and accuracy in reporting “ all costs and benefits” of their business activities. This shows that the spirit of Corporate Social Responsibility is catching up fast and that business corporations are able to see their operations from a broader perspective. This trend needs to continue in the future too, so that the true implications of business activities do not get buried under an impressive facade of profits. Even a few defaulting companies can negate all other positive developments. In other words, the collective conscience of corporate decision makers has to change unanimously.

References:

The following official websites were referred for the essay:

1. Corporate Social Responsibility in the United Kingdom

<http://www.csr.gov.uk/ukpolicy.shtml>, retrieved on 23rd October, 2007.

2. Department for Business, Enterprise and Regulatory Reform

www.berr.gov.uk, retrieved on 23rd October, 2007.

3. Department of Environment, Food and Rural Affairs (DEFRA)

www.defra.gov.uk, retrieved on 23rd October, 2007.

4. Department for Work and Pensions

www.dwp.gov.uk, retrieved on 23rd October, 2007.