Social responsibility and the environmental accounting

16

Chapter preview

Ever since the early 1980s there has been a growing concern to improve the level of social responsibility and environmental reporting in both the public and private sectors. While initial concerns tended to focus on issues such as the development of employee reports and value added statements, general social accounting disclosure has more recently focused on the reporting of environmental performance. At the same time, increasing emphasis has been placed on broader 'corporate governance' issues, particularly the roles and responsibilities of directors, as discussed in Chapter 2. Those who support greater social responsibility and environmental accounting by corporations see this in terms of a broader level of accountability owed to society as a whole, which should reveal the full impact of an enterprise's economic activities on a broader range of stakeholders.

This pressure for the development of a broader base of corporate accountability has arisen for various reasons. Incidents such as the *Exxon Valdez* oil spill and the Bhopal chemical leak received worldwide media attention. This led to a number of national and international initiatives in reaction to this new climate of public opinion. In addition to initiatives undertaken by individual companies, organisations such as the CBI, the British Institute of Management and the Institute of Directors have launched a series of initiatives designed to promote greater managerial social responsibility. The UK's Environmental Protection Act 1990 has also been recognised as an important step in implementing the 'polluter-pays' principle. Perhaps the most important accounting issue that arises as a result of this legislation, is in terms of costing out new pollution-control methods under the legal obligation imposed to minimise waste production, utilising what is called the 'best available technology not entailing excessive cost (BAT NEEC) principle' (see Owen 1992). At the same time, there is increasing concern about the responsibilities of corporations for their activities in developing countries (e.g. the use and remuneration of child labour) as part of the development of the ethical investment movement.

At the European Community level there has been the circulation of a draft Directive which has called for the compulsory environmental auditing of companies whose activities have a significant impact on the environment. There is also a resurgence of interest in the 'ethical behaviour' of businesses.