

## Omission of Triple Bottom Line Reporting: Cause of Corporate Entities' Environmental Neglect in Nigeria

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### Abstract

The study critically looked into the ways in which social and environmental provisions in Nigeria can be improved upon and the body that should be socially responsible. Is it the government or the corporate entities? This paper selected six companies that are quoted in Nigeria Stock Exchange, taking two from each sector, and examined the content and quality of the concerns demonstrated in their 2013 Annual Report and Accounts for Social and environmental issues in Nigeria. Special attention was placed on the similarities or differences among the companies in their social and environmental care. This paper discovered that social and environmental issues in Nigeria had been grossly neglected by the corporate entities. They hardly reported on it in their annual reports. Even where there was reported on the social and environmental issues, it is always in the Chairman's speech. The main conclusion of this paper is that corporate social responsibility (CSR) is an integral part of the new business model and that it is increasingly recognized that the role of the business sector is critical. As a part of society, it is in business' interest to contribute to addressing common problems. Strategically speaking, business can only flourish when the communities and ecosystems in which they operate are healthy.

**Key words:** Corporate; Responsibility; Communities and grossly neglected

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### INTRODUCTION

When companies operate within an area or community, it is ethical for such an entity to be socially responsible. Corporate social responsibility (CSR) is a term that means that whatever a company does to give back to the community in which it operates. Sometimes this involves educational scholarship, pro-healthy environmental activities and the provision of social activities. There are some companies' activities that pose health hazards to the community. In such communities, it is ethical for such corporate entities to keep the environments healthy by embarking on health free sponsored social programmes.

There are diverse opinions as to whether corporate entities should be socially responsible or not. Ogoni people and other oil producing areas of Nigerian people had been clamouring in years past that a lot needs to be done by the companies operating in their areas in terms of social responsibilities and environmental health concerned activities. While some of the companies in Nigeria are claiming that they are socially and environmentally responsible, many of the communities in which they operate are not enjoying good social amenities and a lot of social menaces face the communities. Hence, it is pertinent at this point to delve into the follow areas:

- Are corporate entities in Nigeria doing enough in their CSR?
- Who should be socially responsible, Government or Corporate Bodies?
- What are the areas to engage in CSR?
- What are the advantages and disadvantages of CSR?

The researcher used four methods to select an adequate sample of articles and books for review:

- a) Using the 2013 Financial Statements and Reports of six Nigeria quoted companies – two from each sector.
- b) A systematic search of the academic and professional literature on CSR, as well as a keyword search in the library.
- c) Library cat log using keywords such as *corporate social responsibility, corporate citizenship, ethical*

*responsibility* and names of authors were used to bring out facts about the subject matter.

d) A review of bibliographic references from articles found.

The references came from scholarly journal articles, articles from the popular press and books from popular authors.

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## 1. ORGANISATION OF THE PAPER

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This study is divided into nine parts. The first takes care of the Abstract. Section two spells out the Introduction. Part three of the study enumerated the Objective of the paper. Section four and five treated the Relevance Of The Study and Literature Review respectively. The fifth part takes care of Nigeria Experience on Environmental Reporting. Part six analysed the Errors in Social and Environmental Reporting in Nigeria. Sections seven deals with the Hindrances to CSR Implementation in Nigeria while the eight brought out the Summary Conclusion and Recommendations.

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## 2. THE OBJECTIVE OF STUDY

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It must be recognized up front that CSR still creates a degree of confusion and controversy. Is the promotion and implementation of socially and environmentally corporate conduct a function of business or government? Is the implementation of CSR practices a cost or a value-enhancer? Is it just public relations? In past, the problem stems from definitional issues, and a perception in some quarters that CSR is more about philanthropy, rather than “doing business” and responding to shareholder interests. The central argument of this paper is that CSR is an integral part of the new business model. The main objective of the study is to evaluate how the corporate and business entities in Nigeria had been socially responsible in their immediate community.

Other secondary objectives include:

- The challenges the corporate and business entities in Nigeria are facing when trying to be socially responsible.
- The benefits that accrue to both the business entity and the community when efficient social responsibility is put in place.
- To open the eyes of corporate and non corporate entities on the ways to be socially responsible.
- To proffer solutions to some of the problems that may crop up when entities are implementing their social responsibility plan and the cleaning up of the environment.

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## 3. RELEVANCE /SIGNIFICANCE OF STUDY

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The Study will use to both individuals and the government at large in the following ways:

- Proffering a good way of solving the unemployment problem in Nigeria if the recommendation of the study is followed.

- Recommending ways of solving the challenges of business entities when trying to implement social and environmental issues.

- Opening the eyes of corporate and non corporate entities to various ways to be socially and environmentally responsible.

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## 4. LITERATURE REVIEW

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Wood, (1991) was of the opinion that corporate social responsibility (CSR) is also called corporate conscience, corporate citizenship, social performance, or sustainable responsible business. Wood, (1991) defined CSR as a form of corporate self-regulation integrated into a business model. He noted that CSR policy functions as a built-in, self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. There are some models, a firm’s implementation of CSR goes beyond compliance and engages in “actions that appear to further some social good, beyond the interests of the firm and that which is required by law. (McWilliams, Abigail; Siegel, Donald, 2001 and McWilliams, Abigail; Siegel, Donald; Wright, Patrick M. March, 2006).” DeGeorge, and Richard, (2010) defined Corporate Social Responsibility (CSR) as a process which aims to embrace responsibility for the company’s actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered as stakeholders. Diverge, and Richard, (2010) opined that the term “corporate social responsibility” became popular in the 1960s and has remained a term used indiscriminately by many to cover legal and moral responsibility more narrowly construed. Paul Hohnen, (2012) pointed out as said by Niall Fitzgerald, former CEO and Chairman, Unilever:

We believe that the leading global companies of 2020 will be those that provide goods and services and reach new customers in ways that address the world’s major challenges—including poverty, climate change, resource depletion, globalization, and demographic shifts.

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## 5. NIGERIA EXPERIENCE ON ENVIRONMENTAL REPORTING

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Many corporate bodies had not been socially responsible in Nigeria in the past. It is only in the recent time after the 1999 elections that the big companies especially in banks, Oils & Gas and Communications sectors had significant effects on the economy of the nation when talking about social and environmental responsibility. Despite this fact, most corporate bodies in Nigeria see environmental care as just another way of giving part of the profit they had made in the society back to the

environment – they only believed that it is corporate philanthropy.

The Tables below show excerpt of 2013 Financial Statement and Report from six Nigeria quoted companies in Nigeria stock Exchange. The table exemplified corporate

concerns for Social and environmental issues in Nigeria. From Beverages sector are Cadbury Nigeria Limited and International Breweries; from the Petroleum sector are SEPLAT Oil and Mobil Oil; while from the Banking sector we have First Bank Plc. and ZENITH Bank Plc.

**Table 1**  
**Samples on Social and Environmental Care in Nigeria**

Corporate social responsibility reporting					
Coy	Name	Notes	Report on people (employee)	Report on profit	Report on planet
Beverage	Cadbury Nigeria Ltd	E & F	<ul style="list-style-type: none"> <li>Employed 2 physically challenged</li> <li>Value spent on employee not reported</li> </ul>	<ul style="list-style-type: none"> <li>Profit after Tax = ₦6,023,219,000:00</li> </ul>	<ul style="list-style-type: none"> <li>Amount spent on the community – N8.4m</li> <li>Safety week organised yearly</li> <li>Value spent on environment – Not reported</li> </ul>
	International Breweries	10 & 11	<ul style="list-style-type: none"> <li>Physically challenged employment – Not reported</li> <li>Value spent on employee not reported</li> </ul>	<ul style="list-style-type: none"> <li>Profit after Tax = ₦2,506,490,000:00</li> </ul>	<ul style="list-style-type: none"> <li>Amount spent on the community – N10.72m</li> <li>Compliance with US ten principles on environment.</li> <li>Value spent on environment – Not reported</li> </ul>

**Table 2**  
**Samples on Social and Environmental Care in Nigeria**

Corporate social responsibility reporting					
Coy.	Name	Notes	Report on people (employee)	Report on profit	Report on planet
Petroleum	Seplat oil	Under Chairman's speech	<ul style="list-style-type: none"> <li>Physically challenged employment – Not reported</li> <li>Value spent on employee not reported</li> </ul>	<ul style="list-style-type: none"> <li>Profit after Tax = \$550,268,000,000</li> </ul>	<ul style="list-style-type: none"> <li>Health and educational programs</li> <li>Educational: to 722 students at a cost of 19.3 million</li> <li>Skills acquisition training.</li> <li>Donated computers to the University of Benin, Department of Petroleum Engineering.</li> <li>The Company also initiated a state-wide educational programme.</li> <li>Value spent on environment – Not reported</li> </ul>
	Mobil oil Nig. Plc.	10 & 11	<ul style="list-style-type: none"> <li>Employment opportunities are open to all suitable qualified Nigerians irrespective of their place of origin, religion or gender. The same opportunities are opened to qualified physically challenged persons.</li> </ul>	<ul style="list-style-type: none"> <li>Profit after Tax ₦ 5,123,002,000</li> </ul>	<ul style="list-style-type: none"> <li>Amount spent on the community – Not reported</li> <li>Value spent on environment – Not reported</li> </ul>

**Table 3**  
**Samples on Social and Environmental Care in Nigeria**

Corporate social responsibility reporting					
Coy	Name	Notes	Report on people (employee)	Report on profit	Report on planet
Banking	First Bank Plc (Holdings)	Under Chairman's speech	<ul style="list-style-type: none"> <li>Physically challenged employment – Not reported</li> <li>Value spent on employee not reported</li> </ul>	<ul style="list-style-type: none"> <li>Profit after Tax = ₦ 70,631,000,000</li> </ul>	<ul style="list-style-type: none"> <li>Amount spent on the community – Not reported</li> </ul>
	Zenith bank	10 & 11	<ul style="list-style-type: none"> <li>The bank's policy prohibits discrimination against disabled persons in the recruitment,</li> <li>Training and career development of its employees.</li> <li>Male 52% Female 48%</li> </ul>	<ul style="list-style-type: none"> <li>₦110,597,000,000 Profit before tax (continuing and discontinued operations)</li> </ul>	<ul style="list-style-type: none"> <li>Amount spent on the community – ₦ 856m</li> <li>Amount spent on the community – Not reported</li> </ul>

Note. Sources: From Their 2013 Financial Statement and Report.

Tables 1, 2, & 3 above show an excerpt of 2013 Financial Statement and Report from six Nigeria quoted companies in the Nigeria stock exchange. It clearly indicates the current nonchalant and nothing to write home about of attitude of Nigeria companies towards their social and environmental concerns.

When discussing the issue of social and environmental responsibilities, the three principal things that should be reported on are: the People, Profit and the Planet. Some authors called this “*the triple bottom line reporting*”.

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## 6. ANALYSIS OF TABLES

• **Beverages Companies: Cadbury Nigeria Limited** reported a profit of ₦6, 023,219,000:00 after tax. For the employee, two physically challenged persons were reported employed during the year. The sum of ₦ 8.4m was spent on the community while the value spent on the environment was not reported (probably nothing). The second company considered here was **International Breweries**. It reported a profit of ₦2, 506,490,000:00 after tax. For the employee, the number of physically challenged persons employed during the year was not reported. The sum of ₦10.72m was spent on the community while the value spent on the environment was not reported. It only reported that the company complied with US ten principles on environment. How they complied and amount spent on the environment was conspicuously absent from their 2013 Financial Statement and Report.

• **Petroleum Companies: SEPLAT Oil** reported a profit of ₦550,268m after tax. For the employee, the number of physically challenged persons employed during the year was not reported. On the community, the company organised health and educational programs. Education was given to 722 students at a cost of ₦19.3 million. Also skills acquisition training was given to youth. The company donated computers to the University of Benin, Department of Petroleum Engineering. The Company also initiated a state-wide educational programme. **Mobil Oil Nigeria Plc** reported a profit of ₦5, 123,002,000 after tax. For the employee, two physically challenged persons were employed during the year. For the employment the company reported that Employment opportunities are open to all suitable qualified Nigerians irrespective of their place of origin, religion or gender. The same opportunities are opened to qualified physically challenged persons. The value spent on the environment was not reported and even on the community was not reported.

• **Banking Sector: First Bank Plc** reported a profit after Tax ₦91, 337,000. On the employee, Note 36 spoke about the amount spent on employee and the number employed for the year. Executive director – 19, Management 114 and non management 8,021. The sum of ₦ 52, 138,000,000 was spent on them as salaries and wages (FBN, 2013). Amount spent on the community

was not reported. What was done to the environment was conspicuously absent in the report. Did they do anything? Another bank considered was **ZENITH Bank Plc**. The bank made the sum of ₦ 110,597m Profit before tax (continuing and discontinued operations). Amount spent on the community was ₦ 856m; on employee, the Bank’s policy prohibits discrimination against disabled persons in the recruitment, and training and career development of its employees was done. On gender equality, going by 2013 report of the company, the ratio of gender employment stood at Male 52%, Female 48%.

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## 7. ERRORS IN SOCIAL AND ENVIRONMENTAL REPORTING IN NIGERIA

The standard of reporting on social and environmental issues is for an entity to report on the People (employee), Profit and the Planet. From the above analysis, most of the corporate entities in Nigeria are fair in dealing with the community in terms of donation made to the community, education given etc.. On the first “P” (people); these are the employees. Though many entities did not report on the number of physically challenged they employed but the emolument and staff training and development are always mentioned in companies’ annual report.

Also, on the second “P” which is reported on profit; the annual financial statement and report had been doing that adequately for years now. The report always tells the public about the earnings – the profit and dividends. On the third “P” which is the planet; it is a pity that a higher percentage of Nigeria corporate bodies neglect the report on the planet. Often times these companies’ activities emit carbon dioxide into the air. Thereby cause air pollution. The oil spillage on the Nigeria sea side had sent many fishes to untimely death, thereby causing unemployment for the farmers. Big companies like Mobil Nigeria Oil and First Bank Plc did not report on how they affected the planet positively in the 2013 annual report.

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## 8. HINDRANCES TO CSR IMPLEMENTATION IN NIGERIA

It is on record that some corporate entities had invested much on CSR especially the gas and petroleum industries while some are yet to embark on CSR at appreciable level. Some of the factors hindering CSR in Nigeria as pointed out are:

i. Problem of CSR areas: Many corporate bodies cannot easily identify areas in which they should invest into concerning social responsibilities in their host communities. This unidentified channel is a common problem in developing economics like that of Nigeria.

Hence, the business entities are faced with barrage of demands from their host communities.

ii. Insurgents and Pressure Groups: In the recent times Nigeria has been battling with the problems of insurgency and fighting from various pressure groups. This had led to unfriendly operating environment for the corporate bodies. Often times the little CSR projects that had been executed or ongoing are destroyed during crises from these insurgents and pressure group.

iii. Demands from the Shareholders: There are often problems of who should be satisfied first in business decision. There are tripartite bodies in corporate entities. They are: shareholders, the employees and host communities. The shareholders want wealth maximization objectives to be pursued; the workers are majorly concerned with their welfare while the host communities want to be economically and ecologically satisfied. This a great challenged for CSR decision.

iv. The Population Explosion Problem: The population on Nigeria had been increasing at an alarming rate. In 1991 the population stood at 88.9 million, in 2006 the figure rose to 140,003,542 million (an increase of 54.4%) (National Population Commission) and the figure for 2015 is 160,000,000. This rising in population is major concern for many corporate bodies in Nigeria as it is an additional responsibility on the management.

v. Wrong Notion of who should execute CSR: Some corporate bodies believed that CSR is majorly the affairs of the government after their taxes had been paid to the government. On the other side the government is of the opinion that these corporate bodies are making enormous profit which not only the shareholders should enjoy but the employees and their immediate communities should benefit from such jumbo profit.

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## CONCLUSION

It is a pity that a higher percentage of Nigeria corporate bodies neglect the report on the planet when trying to report on Social and Environmental issues. Often times these companies' activities emit carbon dioxide into the air. Thereby cause air pollution. The oil spillage on the Nigeria sea side had sent many fishes to untimely death, thereby causing unemployment for the farmers. Big companies like Mobil Nigeria Oil and First Bank Plc did not report how they affected the planet positively in the 2013 annual report. Both policymakers and the public believe that companies have a moral responsibility to society. Most of the corporate bodies see CSR as only a Philanthropy gesture. The normal thing is for companies to offer certain benefits to their employees and the communities where they operate that will lead to strong economic platform that will pave way to future good Gross Domestic Product of the country.

The cooperation of the Nation is receiving from the International development is on the poor side. Since the

influence of the International development organisation is not encouraging, attentions of the Nation should be for the foreign companies to be socially responsible. Often times CSR activity is discussed by Non Governmental Organisations (NGOs) and the media, but not by the wider public at large. This means that it is only certain members of civil society and the political community that have recognized that CSR can be an essential component of sustainable economic development. Often times because of Nigeria's high poverty rate – over 50% companies are asked to help meet short-term needs. This action does not allow for long-term planning. There are often no formal meet or forum to meeting the community and even their employees to deliberate on the CSR policies of the organisation.

As expected from young democracy which is about 15 years (1999 to 2014), the nation is often battling with political and religious upheavals. Nigeria is regularly confronted with threats to its security and the stability of the political order. The issue of Niger Delta tensions is just dying down while that of Boko Haram violent conflict with Nigeria is currently taking uncontrollable dimension. All these factors are not helping the CSR activities in Nigeria.

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## RECOMMENDATIONS

- Corporate bodies in Nigeria need to be more socially responsible by involving in technological excellence and innovations, public private partnership, community development foundations and sustainable development.

- Companies should have much appreciation of strategic importance of building business practices that create sustainable economies and environments. This is a holistic approach to corporate social responsibility; and not just a philanthropy gesture to spend part of the company's profit back to the society.

- The corporate and non corporate organisation in Nigeria should take the lead in initiating sustainable conversations on CSR through period magazines. Also there should be a link between the corporate culture, employee relation policies, product development and service delivery guidelines or customer engagement practices and their CSR activities.

- The organizations in Nigeria should take the ethnicity and religious beliefs of the country into consideration when considering CSR. Nigeria has over 250 ethnic groups with various religions varying from Christianity, Islam, and animism to traditional beliefs. All these factors should be considered in implementing CSR.

- There are several different ways that companies express their corporate social responsibility. Commitment to CSR should include the use 100% clean energy, production of zero waste, fuelling with clean energy e.g. wind energy and health hazards free environmental are promises that responsible companies make to their communities.

• Nigerian consumers of various goods should become more enlightened, more critical and more demanding of the government and corporate organisations. Buyers should choose to make their purchases from entities that are tends to be more customer-oriented and affect positively the environment in which they operate.

• Employees' safety and good health environment should be enhanced by government policies on employees' safe working environment and modern health facilities.

• To be on the safer side, every corporate body in Nigeria should pursue their CSR very well in: Responsibilities towards shareholders wealth maximization, superb management-employees relationship, perfect responsibilities to consumers, meeting the statutes enacted and make their host communities happy.

• The government must as matter of policy come out with relevant laws, policies and other controls to guide and monitor CSR in the country.

This paper posits that many companies in Nigeria are not doing enough in their corporate social responsibility. More alarming is the fact most of them neglect the report on their environment in their annual report. The corporate entities should note that the leading Nigeria companies in 2020 will be those that are socially responsible, and those that can address the current political and economic debacles of the Nation. The surviving companies in 2020 will be those that have respect for the natural systems and international standards protecting core social and environmental values. The main conclusion of this paper is that CSR is an integral part of the new business model and that it is increasingly recognized that the role of the business sector is critical. As a part of society, it is in the business' interest to contribute to addressing the common problems. Strategically speaking, the business can only flourish when the communities and ecosystems in which they operate are healthy.

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