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Interface between Corporate Social Responsibility and Climate Change

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ABSTRACT

CSR is a significant step as the corporate sector has rightly understood the approach as offering a vehicle to help society, among other, to combat the impacts of climate change and it helps in making a difference in the lives of the vulnerable communities affected by this inevitable global phenomenon. However, one should not forget that industrialization has contributed considerably for the present situation of climate change. This is also one of the reasons why corporate sector should take CSR as a means to mitigate climate change, it has got so much from the environment so it make sense in protecting the environment rather than deteriorating it further.

I. INTRODUCTION

An increased awareness of our environmental impact and an understanding of CSR is an important and growing part of business activity. Many companies are increasingly recognizing that they need to address the environmental, social and broader economic impacts of their operations and performance in order to achieve their long term business and financial goals. The influence of corporate stakeholders-be they employees, customers, investors, local communities or governments-make addressing environmental and social impacts an important, reputational and financial issue for companies. Environmental governance has been increasingly attracted corporate attention in the recent years, when range of stakeholders started to pay more attention to the potentially very serious consequences, and need to take action.[2]

Accordingly, executives of companies, in some sectors more than others, are now assessing and acting on the strategic and risk management implications of climate change for their companies, business operations, financial performance and future prospects. The need to address these implications is accentuated by the impact of current and anticipated government regulations for reduction of GHG's emissions, which are expected to progressively put a price on carbon.[3]

International treaties such as Kyoto and the follow up talks at Bali have focused governments

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[2] GRIFFITH, JENNY, THE HEALTH PRACTITIONER'S GUIDE TO CLIMATE CHANGE: DIAGNOSIS AND CURE, 2019, P.93
[3] Id.

action to mitigate climate change and subsequently even many countries have attempted to provide ways of moving in to a more climate friendly, non-fossil fuel future and now business, too is appearing to take on board the message that climate change need response and one that can be seen as exposing the business to make risk or greater opportunities. There are a range of management options for business to respond to the effects of climate change on its activities and some companies have demonstrated their pro-activities by declaring a commitment to tackling climate change in their strategic plans.[4]

Many accept that climate change is also a business issue that will continue to present important opportunities and challenges beyond the duration of the current global economic turn down. It therefore requires ongoing attention by the corporate sector in their oversight of risk of climate change, strategy, financial performance and reporting of climate change mitigation initiatives.[5]

II. ROLE OF BUSINESS IN CLIMATE CHANGE ADAPTATION[6]

i. The most significant driver for businesses to get involved with climate change adaptation is to protect the resilience[7] of their own operations and of their value chain (both suppliers and customers). Assessing risk and planning for business continuity will be central to any adaptation strategy. This is already a concern among owners and operators of critical infrastructure who make long-term investments and need to safeguard their networks and services.

ii. More and more, companies are identifying the business opportunities of long-term climate change, such as water technologies (e.g. seawater desalination plants and water-saving initiatives, agricultural improvements (e.g. drought and saltwater-resilient seeds, alternative farming practices), and insurance solutions to climate change risks (e.g. weather index insurance).

iii. Any approach to climate change adaptation needs to be linked to a broader development agenda, and efforts to build the resilience of the poor must be prioritized. This could be an interesting entry point for businesses that are becoming more interested in proactively contributing to sustainable development.

iv. Climate change adaptation requires responsible business practices that contribute to the sustainable development of an economy and society. Functioning ecosystems and

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[4].www.Crrconference.Org/ Jallowaccounting.Pdf, last visited on May 2nd 2018, 3.30pm, p.42

[5]www.Preventionweb.Net/Climate Change Adaptation: Engaging Business In Asia.20777-Sida21.Pdf last visited on 2nd May 2018, 4.15pm, p.17

[6]www.Preventionweb.Net/..../20777-Sida21.Pdf, last visited on May 2nd 2018, 4.30pm,p.38

[7] The capacity to recover quickly from difficulties or toughness .

sustainable livelihoods are key to building resilience to climate change. Proactive business approaches to protecting ecosystems and contributing to sustainable livelihoods, especially for vulnerable communities along their value chain, will need to be more effectively promoted.

v. Climate change adaptation projects can be a significant part of a company's CSR strategy, particularly when linked to community investment programmes, responsible supply chain management, inclusive business practices, and "bottom of the pyramid" (BOP) products and services. Innovative, community-based climate change adaptation can be an important element of CSR. Increasingly, businesses will need to screen their community investment projects for climate risks to ensure that project outcomes are not undermined by a changing climate in the long term.[8]

vi. Business can play an even greater role in climate change adaptation by contributing expertise, effective planning and management approaches, and fast moving innovative capacity. Through responsible business practices, products and services, as well as corporate community investment programmes, business can help to build resilient economies and societies.

III. BUSINESS RISK FROM CLIMATE CHANGE

Types of business that are most at risk from climate change include.

(A) Businesses dependent on climate or weather-sensitive resources:

Agriculture, forestry agro-forestry, fishing, aquaculture, and tourism sectors in South and Southeast Asia are already experiencing impacts from increased climate variability. Changing seasonal precipitation patterns, droughts, and floods are affecting yields and profits throughout the region.[9]

(B) Businesses that make long-term investments and operate long-life assets:

These include utilities such as energy or transport, industrial facilities, and ports with a long operational life. Future climate change impacts pose risks to the efficiency and service delivery of these systems and will challenge their ability to adapt.[10]

(C) Businesses with extended supply chains:

These include businesses that rely heavily on logistics and supply networks. Those who practice

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[8] Supra note 5,p.40

[9] SCHOTT ,CHRISTIAN TOURISM AND THE IMPLICATIONS OF CLIMATE CHANGE: ISSUES AND ACTIONS, 2019, P.25

[10] JONATAN,PINKSE INTERNATIONAL BUSINESS AND GLOBAL CLIMATE CHANGE, 2020, P.112

lean manufacturing based on just-in-time delivery and single source supply chain management are particularly vulnerable to disruptions that will restrict their flexibility and challenge their ability to adapt.[11]

(D) Businesses that are global in nature:

Global supply chains increase a company's vulnerability to disasters since natural hazards at one location can trickle through the supply chain and create significant business disruptions. Strong interdependencies in the production process also increase the likelihood of business interruptions following a flood or storm.[12]

(E) Businesses that are labour intensive and highly dependent on local workers:

Local climatic disruptions may affect workers abilities to work or even to stay resident in a particular location. [13]

(F) Small, medium, and microenterprises:

The impact of a natural hazard can put these types of enterprises out of business since they do not have the capacity or resources to cope with and recover from major business disruptions.[14]

IV. Implications of Director's Oversight

To carry out their oversight role, directors not only need a thorough knowledge and understanding of the company's business, but also how it might be impacted by climate change. In particular, they will want to enhance their understanding of:[15]

- The business issues arising from climate change,
- How their business issues influence a company's risk management and strategy?
- The impact of climate change issue on the company's financial performance,
- The external communications necessary to inform investors about climate change matters,
- The adequacy of the company's information systems and related internal controls for

[11] Id.
[12] Supra note 5, p.42
[13] Id.
[14] Visser,Wayne, The Age Of Responsibility: Csr 2.0 And The New Dna Of Business, also available at http://Books.Google.Co.In/Books?Id=Gfzx4xywobyc&Dq=Csr+And+Climate+Change&Source=Gbs_Navlinks_S , last visited on 2nd May 2020, 5.45pm, p.323
[15] http://www.Mckinseyquarterly.Com/Pdf Download.Aspx?L2=21&L3=114&Ar=2125 last visited on 3rd May 2021, 2.30pm, p.115

managing climate change issues.[16]

V. Categories of Climate Change Business Issues

Climate change business issues fall into two general categories i.e. adaptation and mitigation, some companies will be more concerned with both. In addition these issues, sooner or later, mayimpact some industries and companies more than others.

(A) Adaptation

Adaptation issues refer to those which require management to take action to minimize and respond to the effects of climate change on the business. These issues may present strategic opportunities and competitive advantage for some companies. The operations of many businesses may be affected by climate change, whether or not they are responsible for emitting large amounts of GHG's. Adaptation issues facing a given company or industry may be readily apparent or may take time to develop and may be cumulative. Climate change may impact the entire structure of an industry creating risks and opportunities for the sector as well as foe companies within the sectors

(B) Mitigation

Mitigation issues refer to those which require that management take action to reduce the GHG's emissions attributable to a company's operations, products and services. The impetus for reducing GHG's may be regulatory requirements and/or voluntary commitments arising from demands by environmental NGO's, customers or some institutional investors. It may also relate to supply chains, products labeling or other pressures.[17]

Industries that are responsible for significant amounts of GHG emissions include.

- Oil and gas production,
- Coal, oil and gas electricity generation,
- Mining and manufacturing such as chemicals, fertilizers, pulp paper, smelting and refining including aluminium, steel, cement, lime and glass industry.

Obligations to reduce GHG's emissions may involve costs but also can present opportunities as businesses, products and services to address climate change challenges. Prompt initiatives by a company to improve production and distribution processes to reduce GHG's emissions can

[16] Id.
[17] Id.

result in competitive advantage.[18]

VI. Risk and Risk Management

(A) Over sight of risk identification and risk management systems

Climate change presents a number of business risks, some of which may qualify as principal businesses risks for which boards have an oversight responsibility and they are increasingly looking to ensure that the identification and management of climate change related risks are appropriately included within the scope of risk management systems.[19]

(B) General categories of risks

Climate change risks are generally viewed as falling in to 4 categories, they are

a. Physical

How might the operations of the business and its supply chains be affected by physical risks arising from climate change such as the impacts of changing weather patterns, increased frequency of extreme weather events and changes in air and ocean temperature, sea level and water availability?[20]

b. Regulatory

Companies face an uncertain and fragmented regulatory environment with different jurisdictions introducing or developing different approaches and regulations related to climate change. This increase operating complexity and compliance costs.[21]

Regulations may include not only GHG's emissions limits and trading systems but also instruments such as carbon taxes, energy efficiency standards, building codes and environmental permits

c. Reputational

How companies are perceived to be addressing climate change issues can have a neither positive nor negative impacts on intangibles such as brand value, consumer confidence, employee loyalty and timely regulatory approval of projects. As the impact of climate change become more apparent, companies that are perceived to the responsible for significant GHG's emissions in either the production or use of their products or services will face increasing challenges. Some

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[18] Supra note 14, p.121
[19] Supra note 16,p .4
[20] http://www.Ethicalfunds.Com/Sitecollectiondocuments/Docs/Albertoilsands-Whitepaper.Pdf, last visited on 3rd May 2020, 5.30pm, p.12
[21] Id.

may face campaigns by environmental NGO's, activists, investors and others that may adversely affect reputation. Some companies may see a decrease in demand for their product or services. Conversely, companies whose products and services are seen to reduce GHG's may see an increase in customer demand and an enhanced reputation. [22]

d. Litigation

There are instances of climate change related litigation against companies, like they may be treated by nuisance, negligence, discloser or other law suits or challenges brought by parties such as governmental bodies, communities, institutional share holders, NGO's or individuals.[23]

(C) Risk management

Directors will want to assess whether the risk management strategies employ be insurance for physical risk, physical upgrades, directors planning, public policy engagement, development of action plans to respond NGO's campaigns. Acceptances of risk etc are adequate and appropriate for the types of risk in question and companies risk tolerance.

(D) Strategy

Climate change will require companies to position themselves for success in a low carbon economy. This may involve reassessing strategies to ensure that companies seize opportunities for carbon competitive advantage. For example, companies are increasingly designing products, developing production processes and supply chains and creating technologies that will be appropriate in a low carbon future.

Some nation has already enacted legislation that put a price on carbon; others are in the process of doing so. Leading companies are developing a range of possible legislative scenarios and evaluating their potential impacts on the company and industry sector. For companies with longer operating or investment cycles (e.g. automotive industry, oil and gas utilities, real estate), it will be particularly important to understand the impact of structural changes in markets arising from climate change adaptation and mitigation issues. Companies strategies regarding climate change may also affect intangibles such as brand value, reputation and the ability to attract and retain the employees[24]

(E) Reporting

Reporting is the practice of measuring and disclosing and being accountable to internal and

[22] Supra note 20, p.15
[23] Id.
[24] Id.

external stakeholder for organizational performance towards the goal of sustainable development. In broad terms it is considered synonymous with others used to describe reporting on economic, environmental and social impact.[25]

Reports can be used for the following purposes, such as

- Benchmarking and assessing the performance with respect to laws, norms, codes, performance standard and voluntary initiatives.
- Demonstrating how the organizations influences and is influenced by expectations about development and
- Comparing performance with an organization and between different organizations over time.

Climate change presents new reporting issues in both mandatory and voluntary disclosure channels, where companies voluntarily provide information with respect to surveys such as carbon disclosure project, corporate sustainability and climate change report and on corporate websites, in mandatory reporting the reports should contain carbon taxes, regulatory emissions reduction targets/caps and emissions trading create transactions and obligations. [26]

(F) Board Responsibility

Current practices reveal a variety of board structures and arrangements respecting the over sight of climate change issues. Should oversight of climate change issues be the responsibility of the board as a whole or should it be delegated to a committee of the board? If delegated, which committee should play the lead role?

Climate change is a cross cutting issues in many companies affecting strategy, risk and financial performance. An argument can be made that as an enterprise wide business issue, the board as a whole should play the lead role. Given the heavy agenda of most boards, however, consideration might reasonably be given to assigning primary responsibility for climate change matters to a practical committee. Regardless of which committee is changed with primary responsibilities for climate change issues, the board may expect its compensation committee to align short and long term management incentives with achievement of objectives that include those related to management of climate change business issues.[27]

Whatever structure is chosen, directors are increasingly expected to promote and support a

[25] SAMUEL, IDOWU. O, GLOBAL PRACTICES OF CORPORATE SOCIAL RESPONSIBILITY, 2019, P.135
[26] Id.
[27] BOUBAKER ,SABRI, BOARD DIRECTORS AND CORPORATE SOCIAL RESPONSIBILITY, 2019, P.202, 203

corporate welfare that embeds climate change as well as other environmental and social factors into decision making and performance throughout the organization.[28]

VII. Conclusion

CSR and climate change by explaining the role of business in climate change adaptation, implication of climate change over business and what are the director's oversight in including mitigation of climate change in their CSR activities. However, we can say CSR has become increasingly important today considering the impact not only on economy, society but also on environment. The influence of stakeholders make addressing environmental and social impacts an important, reputational and financial issue for companies, especially environmental governance has been increasingly attracted corporate attention in the recent years that to mitigation of climate change has garnered a prime importance, that is because the impact of climate change threaten to destabilize our whole world and way of life. The worst hit is on developing countries, the ongoing social, economic, and environmental challenges are intensifying the impacts climate change, as climate change is real and its impact will remain with us for longer if we do not make it our business today. CSR is a significant step as the corporate sector has rightly understood the approach as offering a vehicle to help society, among other, to combat the impacts of climate change and it helps in making a difference in the lives of the vulnerable communities affected by this inevitable global phenomenon. However, one should not forget that industrialization has contributed considerably for the present situation of climate change. This is also one of the reasons why corporate sector should take CSR as a means to mitigate climate change, it has got so much from the environment so it make sense in protecting the environment rather than deteriorating it is also Protecting environment from further climate change is not always responsibility of an individual or the state, the corporate being an integral part of the society it also has its responsibility towards it. Businesses does not need 100% certainty about projected impacts in order to take action though it is responsible for climate change or not. Any approach to climate change adaptation needs to be linked to a broader development agenda, Climate change adaptation requires responsible business practices that contribute to the sustainable development of an economy and society.

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[28] Id.