

NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

South East Roadshow and Townhall Meeting

Transparency and Accountability in Nigeria's Extractive Industries Redefining Social Responsibility: What Role for Professionals

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INTRODUCTION

No business or company exists in isolation nor is it simply set up as a way of making money. All the employees depend on the business. Customers, suppliers and the local community are all affected by what they do. Their products, and the way they make them, have an impact on the environment.

Corporate social responsibility (CSR) is about understanding the impact of business on the environment and the wider world and considering how you can use this impact in a positive way. CSR can also be good for your bottom line. (The profit of the organization)

It means taking a responsible attitude, going beyond the minimum legal requirements and following straightforward principles that apply whatever the size of your business.

Corporate Social Responsibility is typically accepted as covering the following areas:

- The Environment

Such as steps that can be taken to reduce the company's impact on the environment.

- The Community

Such as the support that can be given to the development of the local social or business community

- Charity

As in direct or indirect giving to charity causes

- Ethics

The definition of CSR can also be extended to ethics as in the types of business that will or won't be undertaken by the organisation as a matter of principle and ensuring factual disclosures of all facts and numbers about the operation of the business. (Transparency)

SOCIAL RESPONSIBILITY AND BUSINESS

Advocates of social responsibility argue that businesses should focus not only on profit but also contribute to the community and the environment in which they operate. Embraced with sincerity, social responsibility can be a great business strategy and there is no reason why it can't be a way to improve profits and foster growth.

A well executed social responsibility strategy can positively impact a business in 3 main ways:

HR

It can help build a conducive and sincere atmosphere in the organization and amongst staff. It can also be an important aid to recruitment and retention, particularly within the competitive graduate market. Potential recruits are increasingly likely to want to work in a company that has a record of transparency and a positive attitude towards corporate social responsibility.

Brand differentiation

In a competitive market place, all good companies need to strive for the 'X' factor which will differentiate them from the competition. A company can improve its brand and be respected in the market place if it has corporate social responsibility at the heart of its brand and equally paying attention to integrity and best practise.

Profits

By embracing integrity and best practice, businesses are increasingly likely to make themselves eligible for sizeable business opportunities that would translate to a sustainability of the profit trend.

Beyond the income benefits that can be derived from embracing integrity and best practise, there can be immediate cost savings from more efficient use of energy and other resources.

SOCIAL RESPONSIBILITY POLICIES

In the past five years great strides have been made toward integrating Corporate social responsibility into the core culture of major blue chip companies. Some of them now have a stated public commitment to CSR and regularly report on their performance in this area.

Social Responsibility means a commitment to developing policies that integrate responsible practices into daily business operations and reporting on progress made towards implementing these practices.

Common Social Responsibility policies would include:

- Adoption of internal controls reform in the wake of Enron and other recent accounting scandals;
- Commitment to diversity in hiring employees and barring discrimination;
- Management teams that view employees as assets rather than costs;
- High performance work places that integrate the views of line employees into decision-making processes;
- Adoption of operating policies that exceed compliance with social and environmental laws;
- Focusing on the use of natural resources in a more productive, efficient and profitable manner.
- Taking responsibility for the condition under which employees are made to work.

Ownership and implementation

The social responsibility policy should be owned and actively supported by the main board. At an implementation level, it is important to involve the marketing and HR departments. In this way the brand and people development opportunities that arise can be properly identified and exploited.

Involving members of staff from all levels of the organization in the formulation and drive of the policy can help make sure the policy is properly embraced while at the same time providing an excellent development opportunity for those who volunteer.

Finally, the identification of a budget as part of the policy plan is helpful. This does not mean that incremental expenditure is required, it will, however, set the amount that is available for the associated costs. A well balanced policy plan can, of course, introduce economies into business through energy saving initiatives, tax breaks etc.

Writing a policy

While social responsibility is suppose to be a culture and can be done without resort to too much formality, a considered and properly adopted policy will help with:

- Identifying where an organisation can do more for the environment or contribute to the community
- Help people accross the organisation understand the policy and become involved with it and in the process it becomes an inbuilt culture.

Some of the positive outcomes that can arise when businessess adopt a policy of social responsibility include:

1. Company Benefits:
 - Improved financial performance
 - Lower operating costs

- Enhanced brand image and reputation
 - Increased sales and customer loyalty
 - Greater productivity and quality
 - More ability to attract and retain employees
 - Reduced regulatory oversight
 - Access to capital
 - Workforce diversity
 - Company safety (no kidnapping) and product safety.
2. Benefits to the community and the general public:
- Charitable contributions
 - Corporate involvement in community education, employment etc
3. Environmental benefits
- Better product durability and functionality
 - Safe and clean environment

TRANSPARENCY

Transparency as used in humanities and in a social context more generally implies openness, communication and accountability.

According to its website:

“The Extractive Industries Transparency Initiative (EITI) aims to increase transparency in transactions between government and companies within extractive industries.”

To achieve this objective, there must be proper record keeping.

Records are the foundation of compliance to transparency and the key to success for organizations of any size and in any industry. Litigation and compliance professionals are becoming painfully aware of the need to manage information at an organisational level in order to mitigate risk during the legal discovery process. In short, credible records sustain defence in law.

To achieve this transparency objective, companies in the extractive industry must adhere to objective records and information management standards and principles.

Without adherence to these standards and principles, these companies will have poorly run operations, legal compliance failures and – potentially- a mask for improper or illegal activities.

It is in the interest of our extractive industries to be fully aware of these principles and to manage records and information assets in accordance with them.

There are eight Generally Accepted Recordkeeping Principles:

- Accountability
- Integrity
- Protection
- Compliance
- Availability
- Retention
- Disposition
- Transparency

Each of these principles has an expanded description containing detailed information on how to ensure organizations are meeting the criteria for a sound information management program.

Three of these principles with ethical ramifications include the following:

Principle of Accountability

An organization shall assign a senior executive who will oversee a recordkeeping program and delegate program responsibility to appropriate individuals, adopt policies and procedures to guide personnel, and ensure program auditability.

Principle of Integrity

An organization's executives are ultimately responsible for business records, as they are strategic and operational assets. Proper corporate governance and integrity of the information are important, and it is necessary to maintain the authenticity of records over time. Investors and government regulators should expect the integrity of the organization's records and information.

Principle of Transparency

The process and activities of an organization's recordkeeping program shall be documented in an understandable manner and be available to all personnel and appropriate interested parties. Every company must therefore create and manage the records documenting its recordkeeping program to ensure the structure, process and activities of the program are apparent and understandable to legitimately interested parties and the records documenting the program and its activities are reasonably available to them.

ACCOUNTING DISCLOSURES

The International Accounting Standard Board's task force on extractives has put forward a proposal for country-specific disclosure of extractive company payments and will soon be presenting its recommendations for a new financial reporting standard for extractive activities.

Mandatory disclosure requirements will strengthen reporting and bring us closer to achieving a global standard for disclosure of natural resource revenues.

Natural resource revenue transparency, achieved through a combination of voluntary and mandatory measures, is key to achieving poverty reduction, economic growth and development.

One of the key standards in accounting is **REVENUE RECOGNITION**. No account is regarded accurate if the total revenue is not recognized in the financials. The major objective of EITI is to ensure that revenue is recognized which is in consonance with international accounting standards.

The move globally to harmonize accounting standards towards International Financial Reporting Standards IFRS will assist to achieve this objective.

CONCLUSION

N EITI aims at making extractive industries' revenues of most benefit to society by increasing the transparency and accountability of extractive industry revenues.

To achieve this purpose, they need to provide robust standards for revenue transparency and tools to measure progress in this field by, encouraging companies engaged in the extractive industries to improve transparency and accountability. This accountability should in turn support good practice and, more specifically, limit bad practices that can foster conflict, poverty, poor development and corporate risk.

To support the use of the revenue transparency standards and measures of performance by companies, rating agencies, investors, government regulators and civil society should be involved

When the economy and business is booming and the bottom line comfortable, corporate responsibility seems an achievable goal. But in difficult times, "responsibility" and "accountability" are – *surprise, surprise* – much trickier terms to define and employ.

In this period of global economic meltdown and the credit crunch affecting the raising of credit facilities and capital corporate social responsibility may not be in the front burner of many companies.