ENVIRONMENTAL RESPONSIBILITY OF BUSINESS UNDER CONDITIONS OF UKRAINE’S EUROPEAN INTEGRATION

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Abstract. The article is dedicated to a problem of establishment and development of environmental responsibility of business in Ukraine. The authors pay attention to the methodological basis of environmental responsibility, define this category, and the specific features of this phenomenon. Important components of environmental responsibility development are environmental standards system, project environmental expertise, environmental audit. Therefore, the following matters are discussed by the researches.

Key words: environmental responsibility, environmental standards system, project environmental expertise, environmental audit.

Introduction

As part of the European integration of Ukraine's economy a particular necessity arises, which is to overcome the contradictions between achieving high rates of economic development under conditions of market type economy management and to ensure economic and environmental health and safety of the population. Against the background of reduction of resources required for the achievement and maintenance of technological progress’ high rates, a closer attention is paid to the environment’s fundamental role in the delivery of resources and provision of services. Issues of the technology development’s impact on the natural environment and estimation of its degradation are being brought up. While analyzing business activities, a growing number of companies recognize the advisability of including an environmental component to the economic calculations, which will contribute to improving the company's image in the future. Therefore, the matters of environmental responsibility become a top priority.

A wide range of publications dedicated to the said subject confirms the relevance of the chosen field of research. For instance a matter of environmental responsibility which is considered as an integral part of corporate social responsibility is being highlighted in the works of the following scholars: O. Veklych (2008), T. Galushkina (2000), B. Danylyshyn (2008), L. Melnyk (2006), A. Prokopenko (2012) and others. In the international scientific community the abovementioned issues are discussed in the framework of operation of the United Nations International Commission on Environment and Development and the International Finance Corporation, as well as other organizations. Application by the major corporations of the principles of corporate social responsibility, inclusion of environmental component in the annual reports, assessment of economic activity’s impact on the environment among other things have become a global-scale trend. However, the above matters have not been sufficiently systematized in the scientific literature yet. In view of the above-mentioned, the objective of this article is to provide the grounding of conceptual foundations of environmental responsibility’s core, to study the principles thereof, and to highlight the main components of the priority directions of development in Ukraine under conditions of European integration.

Method

General scientific and special methods are used in a paper to study processes and phenomena in their interconnection. In order to study the said issues in focus the methods of logic, economic analysis, expert estimations, comparison method, and methods of systems analysis, synthesis, induction, deduction, analogies, are being applied. The fundamental provisions of economic theory, scientific researches of domestic and foreign scientists in the field of ecological entrepreneurship, efficiency of companies’ activity, theory of management of complex social and economical systems are the theoretical basis of research.
Results

Environmental responsibility is a compensatory material and financial responsibility for caused environmental damage. In the legal literature environmental liability is interpreted as a duty to fulfill the standards of relations between society and nature in order to maintain reasonable relationship of ecological and economic processes (Malyshko, 2001).

The essence of environmental responsibility manifests itself in the following three functions: stimulating, compensating and preventive one, and lies in maintaining a sustainable balance of economic and environmental interests in the process of carrying out economic activity based on prevention, reduction and recovery of losses in natural environment (Malyshko, 2001). Environmental responsibility is a form of civil responsibility, which is used as an instrument to control and prevent environmental damage. The basic task is to recover the cost of elimination of environmental damage by the population responsible therefore. According to Ukrainian legislation application of the principle of civil responsibility involves achieving the following results: guarantee of economic damage compensation to the affected party; environment preservation through recovery of damages by the party responsible therefore; stimulating companies to take preventive and protective measures, namely risk assessment, environmental audits, introduction of environmental management system in order to avoid excessive expenses; compliance with ‘the polluter pays’ principle. Today in Europe the European Commission's Proposal on Civil Liability and the Council of Europe International Treaty for damage resulting from activities dangerous to the environment have been approved in order to reduce and eliminate damage to the environment.

Naturally, the application of solely civil environmental impairment liability is not sufficient to ensure complete environment’s safety from anthropogenic effects, particularly under conditions of more serious or repeated contamination when imposition of a fine is only a part of the punishment. With this approach the principle of payment for contamination is not fully applied.

According to information provided by UN report ‘World Economic Situation and Prospects-2013’, a number of companies in the world operating on the principles of social environmental responsibility increases. Today, the world market for environmentally friendly goods is one of the fastest growing markets with a turnover from 1.4 to 3 billion Euros per year. According to the UN estimates, the amount of investment in environmentally appropriate technology will amount to 600 billion US dollars by 2020 (www.ecounion.ru).

Table 1 illustrates a rating of brands which are paying the most attention to the protection of the environment. Rating has been worked out based on a conducted analysis of 50 global leading enterprises. Unfortunately, Ukrainian manufacturers are not included therein.

<table>
<thead>
<tr>
<th>No</th>
<th>Brand</th>
<th>Country</th>
<th>Sector (business area)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Toyota</td>
<td>Japan</td>
<td>Car industry</td>
</tr>
<tr>
<td>2</td>
<td>Ford</td>
<td>USA</td>
<td>Car industry</td>
</tr>
<tr>
<td>3</td>
<td>Honda</td>
<td>Japan</td>
<td>Car industry</td>
</tr>
<tr>
<td>4</td>
<td>Panasonic</td>
<td>Japan</td>
<td>IT</td>
</tr>
<tr>
<td>5</td>
<td>Nissan</td>
<td>Japan</td>
<td>Car industry</td>
</tr>
<tr>
<td>6</td>
<td>Johnson &amp; Johnson</td>
<td>USA</td>
<td>day-to-day goods</td>
</tr>
<tr>
<td>7</td>
<td>Volkswagen</td>
<td>Germany</td>
<td>Car industry</td>
</tr>
<tr>
<td>8</td>
<td>Danone</td>
<td>France</td>
<td>day-to-day goods</td>
</tr>
<tr>
<td>9</td>
<td>Nokia</td>
<td>Finland</td>
<td>IT</td>
</tr>
<tr>
<td>10</td>
<td>Dell</td>
<td>USA</td>
<td>IT</td>
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</tbody>
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For the purpose of implementing the practice of environmental responsibility in the activities of Ukrainian enterprises it is advised to introduce the following tools: implement the principle of environmental protection while developing strategies and plans for ecological enterprise’s development; introduce certification on compliance of product manufactured by an enterprise with ISO environmental standards’ requirements ISO 14000; carry out environmental expertise in order to ensure the environmental safety of the facility; conduct environmental audit in order to early identify environmental violations; develop environmentally friendly productions.
An integral part of environmental responsibility is the protection of the environment, sustainable use of natural resources and creation of appropriate conditions for ecological safety of human life and activities. Business entities must know and adhere to the following principles of environmental protection: priority ranking of environmental safety requirements, mandatory compliance with environmental standards, regulations and limitations concerning the use of natural resources in the process of carrying out economic and administrative activities; ensuring environmentally safe environment for human life and health; precautions for protecting the environment; environmentalization of material production based on integrated solutions regarding environmental protection, use and recovery of renewable natural resources, widespread introduction of new technologies; preservation of spatial and species diversity, integrity of natural sites and systems; mandatory environmental expertise; scientifically proven valuation of economic activity’s impact on the environment; penalties for contamination of environmental assets and the deterioration of quality characteristics thereof, compensation for damage; combination of measures on promotion and responsibility regarding protection of the environment, international cooperation on this matter (Vynogradskaya, 2005).

Environmental responsibility of the business provides for compliance with environmental standards system. Nowadays international standards ISO 9000 which are based on universal experience of quality management achieved over the long period of time are generally recognized, especially in the world market economy. In many countries, including Ukraine, they are accepted as the national standards. In Ukraine, they have entered into force on October 1, 2001. All laws, regulatory documents and standards relating to the matter of nature preservation and quality of life should be based on a single scientific and methodical foundation. States are working out joint programs for the purpose of developing and complying with environmental management regulations which can improve the environmental condition. Development and implementation of large-scale projects in the field of environmental protection are impossible without the use of international standards.

In 1993 the ISO’s Environmental Management Committee has also developed a special series of international standards ISO 14000 which regulate the Environmental Management and Audit Scheme - EMAS. Since 1995 the EU directive ‘EMAS’ has been applied to EU companies. It provides for filing of declaration on environmental condition by the enterprise. The said declaration shall include description of the production operation of the company, the assessment of its environmental impact, volume of waste and contamination, water and energy consumption, management methods, control over the environmental condition etc.

International series ISO 14000 have therefore taken in the best features of all systems. Official standards ISO 14000 are voluntary. They do not substitute for statutory requirements and serve as peculiar guidelines for institutions on how to fulfill with self-obligations in the field of use of natural resources. However, a growing number of companies use these standards for a variety of reasons.

Firstly, there is a mild pressure from international organizations. For instance, the major banks in Switzerland and Germany do not grant credits without environmental impact statement. In this respect, the said system of standards is one of the few that are recognized by the banks. The EU announced its intention to allow only ISO-certified companies into their markets several years ago.

Secondly, the introduction of the EMS gives companies additional advantages, namely:

- environmental problem solving is simplified; responsibility increases; clear separation of duties is achieved;
- systematic approach is achieved;
- opportunity to reduce costs due to more efficient use of water, raw materials, energy and waste reduction is created;
- compliance with requirements of environmental regulations is guaranteed; the risk of judicial punishment is minimized;
- relationship between employees and related entities is improved;
- enterprise’s position on the market is improved; its reputation and competitiveness increase;
- healing of the environment and production processes at the enterprise is achieved;
- pre-prerequisites to engage highly experienced labor force are created;
- possibilities to conquer the markets of green products arise;
- assessment value of fixed assets increases (this can be useful since it creates the possibility to obtain additional credits).
Based on the above-mentioned each environmentally responsible business faces the need to carry out the project environmental expertise governed by the laws of Ukraine “On Environmental Protection” and “On Environmental Expertise”. This is one of the most efficient mechanisms which is able to guarantee environmental safety, as it combines independence, transparency, social justice, and ensuring citizens’ constitutional rights to safe living conditions, appropriate level of health and the quality of the environment. The main objectives of the environmental expertise are to determine the degree of environmental risk and safety of planned or ongoing activities; organization of integrated, scientifically proven evaluation of projects; compliance of the facilities with the requirements of environmental legislation, construction standards and regulations; assessment of the facilities’ impact on the environment and quality of natural resources; estimation of efficiency, completeness, reasonableness and adequacy of measures on protection of the environment; preparation of objective and thoroughly reasoned conclusions.

Global experience in conducting environmental expertise has shown that in order to achieve its objective and successful implementation one should adhere to a number of basic principles: 1) environmental expertise should be of mandatory nature, i.e. a permit for the project implementation and funding can be issued only upon its completion; 2) priority should be given to medical and biological safety; 3) environmental expertise must be independent and conducted by the experts who do not work and are not affiliated with design organizations, customers, and executers; 4) environmental expertise should be of scientifically proven, interdisciplinary and integrated nature.

In fact the company’s management believes that taking such environmental measures causes the unnecessary costs that are especially unacceptable amid the crisis. Therefore, the need to develop and implement new approaches to address existing and potential environmental and economic issues as well as to find new reserves of society’s development becomes evident.

In order to find an effective solution to this problem new instruments of environmental regulation must be introduced. Under market conditions, one of these instruments is an environmental audit that can have a significant impact on the environmental situation, especially at the level of individual enterprises, manufacturing complexes and territories. Basic principles and provisions of environmental audits are implemented in the EU Resolution No. 1836 on environmental management and environmental audit (EMAS), adopted in 1993, and titled “On the voluntary participation of commercial enterprises in the overall system of environmental management and environmental audit.” Since 1996 international standards ISO14000 have been in effect setting out general principles and procedures for environmental audit. The objectives of environmental audit are to justify environmental strategy and enterprise policy, to define priorities when planning nature protection activities of the company, to identify additional opportunities for implementation thereof, to verify compliance with environmental legislation; to reduce the risk of emergencies associated with environmental contamination.

Therefore, the relevance of environmental audit in Ukrainian companies raises no doubts and has economic, environmental and social aspects. These three groups of factors affecting each individual economic entity are interdependent and interrelated. In a group of economic factors the desire to attract investment funds, bank loans and international investment funds are an incentive for optimization of environmental activities. Environmental certification and environmental insurance are relatively new areas of activities for Ukraine; however, they are necessary when assessing the compliance of enterprise’s current management system with requirements of international standards ISO 14000. An efficient establishment of interaction between companies and population affects prestige, advertising of manufactured products and provided services, which in turn will have a positive impact on increasing consumer demand, value of company’s shares, expansion of sales market of finished goods and increase of its competitiveness.

Discussion

Thus, a responsible attitude to the environment is the key to human existence and it must be considered when managing and developing any company. Solving the problem of increasing operating efficiency of the economic entities shall include the environmental component, namely environmental responsibility of business, the mandatory elements of which are environmental expertise, environmental audits, preventing damage caused to the environment and environmentally friendly production. Prerequisite for and an important part of growth and competitiveness on international markets is compliance with international standards and business philosophy with regard to environmental impact. Fluency in these issues will allow the economic
entities to objectively evaluate their capabilities, to develop new directions of innovation activities, to generate an efficient development strategy, which is a prerequisite for the competitiveness of the company.

References