Introduction

This report aims to delve deep into the United Kingdom's (UK) laws and regulations that specifically pertain to business regulation and organization (especially regarding stakeholders). The primary objective concerning this report is to extrapolate knowledge and ideas from two main sources of interest from the UK legislation regarding corporation activity. These sources are: *s.172(1) Companies Act 2006* and *The Companies (Miscellaneous Reporting) Regulations 2018.* With aid from the abovementioned resources, and by interpreting them, this report will identify and analyze how these groundbreaking instances in the UK legislature relating to business activity have shaped the business climate of today, and the rationale for introducing them. Although the efficiency of the changes garnered by these newly introduced legislatures might still not be astoundingly plausible, coupled with the inevitable consequence of loopholes being created by companies in order to evade these regulations, it must be realized and accepted that these regulations will -and are- instilling a 'green' revolution amongst most major private organizations where the focus of alleviating all stakeholders has become a major objective.

Discussion

Historic basis of Law relating to Directors' Duties

Historically speaking, when regulations such as the *172 (1) Companies Act 2006* were not yet published, directors rallied to the cause of individualistic economic opportunities. In this process, they ignored stakeholder preferences. This was seen on many occasions as during the early 21st century, numerous such cases of 'boardroom scandals' came to surface. This factor was one of the major motives behind the crafting of these regulations. Some major examples are stated below:

A) "Hours after former Tyco International Limited executives were charged last week with stealing $170 million from the company, Tyco announced it was shaking up its board of directors—an apparent acknowledgment that confidence was waning in the group that the indictment described as dupes." (Girion, 2002). Occurrences such as this were extremely common in the past as there were no set guidelines or laws.

B) Accounting frauds were also the norm in the early years of the century. "In June 2002, WorldCom confessed to nearly $4 billion in accounting wrongdoings, and on July 22, 2002, the company filed for bankruptcy—one of the biggest in American history. The bankruptcy filing led to an increase of scrutiny for the company's executives and prompted legal investigations into WorldCom CEO Bernard Ebbers and CFO Scott Sullivan." (Kennon, 2020).

C) "Four former MG Rover directors, who paid themselves millions as they ran the car manufacturer into the ground, have been banned from acting as company directors for a combined total of 19 years." (Goodley, 2011)

It will certainly not be a mistake to accept the fact that the introduction of these regulations inhibited the authority and power of directors, simultaneously keeping them in a tight check. If this rationale was not followed, directors would continue to have higher autonomy which was detrimental to the whole economy, even the world economy at that time.

Another major motive behind forming *172 (1) Companies Act 2006* was enforcing companies to consider and take account of stakeholder interests. Employees, customers, suppliers, the community and the environment etcetera, were all included in the stakeholder slot. Before the regulations were imposed, regard for these groups that were both directly and indirectly affected by business activity was rare. Sly aspects such as discrimination, racism and homophobia etc were all more common before these regulations were put into place. It is also a widely accepted reality that earlier on, large corporations such as Coca Cola and ExxonMobil polluted the environment on astronomical scales. But since then, these major corporations are in the pursuit of being sustainable. Regulations such as the ones mentioned in this report have been one of the first steps in making business activity more ethical by all means and ways. Coca-Cola is launching a bottle made from 100% recycled material in an effort to reduce the company's use of new plastic. (Marcos, 2021). Back in the early years, this would have seemed to be nothing less than a fairytale. In contrast, previously, Coca Cola's notoriety levels were at the paramount as Coca Cola always found itself in an ethical muddle. In contrast to the reference given above regarding Coca Cola launching a bottle made up from 100% recycled material in these present times, Coca Cola was destroying whole communities early on by dehydrating them.

"Coca-Cola established a bottling plant in the village of Kaladera in Rajasthan at the end of 1999. Rajasthan is well known as a desert state, and Kaladera is a small, impoverished village characterised by semi-arid conditions. Farmers rely on access to groundwater for the cultivation of their crops. but since Coca-Cola's arrival, they have been confronted with a serious decline in water levels. Locals are increasingly unable to irrigate their lands and sustain their crops, putting whole families at risk of losing their livelihoods.

Local villagers testify that Coca-Cola's arrival exacerbated an already precarious situation. Official documents from the government's water ministry show that water levels remained stable from 1995 until 2000, when the Coca-Cola plant became operational. Water levels then dropped by almost 10 metres over the following five years. Locals fear Kaladera could become a 'dark zone', the term used to describe areas that are abandoned due to depleted water resources." (Coca-Cola: drinking the world dry, 2007).

Evaluation

The *Companies (Miscellaneous Reporting) Regulations 2018* was indeed developed and implemented in the best of intentions by the regulating bodies of the UK. The intentions included making a transparent, cleaner and more equitable business environment. However, the issues at hand did create an economic loss as well, and this cannot be ignored by any means. Organizations had to reshuffle and reintegrate many functions they had possessed since a lengthy period of time. For example, training labor/employees by educating them and providing them with the best of environments to work might be seen as, by some Economists and thinkers, as an economic loss as the cost incurred is higher and profits go down.

"Organizations spent $359 billion globally on training in 2016, but was it worth it?

Not when you consider the following:

- 75% of 1,500 managers surveyed from across 50 organizations were dissatisfied with their company's Learning & Development (L&D) function;
- 70% of employees report that they don't have mastery of the skills needed to do their jobs;
- Only 12% of employees apply new skills learned in L&D programs to their jobs; and
- Only 25% of respondents to a recent McKinsey survey believe that training measurably improved performance.

Not only is the majority of training in today's companies ineffective, but the purpose, timing, and content of training is flawed." (Glaveski, 2019). Moreover, training and educating employees creates another problem for the organization. When employees reach a certain skill level, they leave the organization if a more fruitful opportunity comes knocking their way. This is indeed a complete waste of valuable resources which the company had invested in their employee.

Another flaw to these regulations is the fact that companies, by atoning for the losses to the environment and being 'greener' and sustainable, end up using the 'greenwashing' tactic which is very commonly used to this day. Companies use sustainability as a marketing ploy in order to attract the general public. Unfortunately, caring for the environment has become a marketing tactic rather than a real issue which needs to be addressed in the eyes of giant multinationals. Every major multinational uses this tactic to attract the public. ExxonMobil, Coca Cola, Nike etcetera, all reap the benefits of 'greenwashing' yet the world stands where it is at and the pollutions levels continue to rise at a massive rate. "According to a report by Nielsen, 66% of global consumers say they're willing to pay more for sustainable brands. This, even though is good news, has led to the creation of an atmosphere of suspicion among the customers as according to a report by TerraChoice Environmental Marketing, 98% of green-labelled products are green washed." (Faizal, 2021).

Furthermore, the regulations strive to achieve higher levels of transparency. However, the sad reality of window dressing still exists to this day as accountants always seem to find a way of making their financial statements look attractive so that banks and investors could land them money. Window dressing is considered a foul practice as it portrays a favorable yet false picture of a company's books. Large companies also manage to avoid taxes as well. "The top five tech companies operating in the UK managed to generate profits estimated at £8.1bn from UK customers in 2018, a new analysis by TaxWatch shows.

However, due to these companies implementing complex financial structures to take these profits offshore, these companies only paid a combined total of £237m in taxes on these profits in the UK, an effective tax rate of just 2.9%. That puts the total amount of tax avoided by the companies in the UK at an estimated £1.3bn in 2018, the latest year where figures exist." (Turner, 2020).

Conclusion

The *Companies (Miscellaneous Reporting) Regulations 2018* is worthy of being called a major developmental in the UK's corporate ecosystem. Its emphasis on transparency by reducing the authority and power which is held at the centre of the organization is praiseworthy. After its inception, fewer corporate scandals/mishaps have taken place and the UK's economy has also performed reasonably well in recent times as the pound still is higher in value as compared to the dollar; although this is a vague comparison, it still is an indicator of positivity and progress.

References

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