Corporate Environmental Policy, Management and Reporting

About EIRIS

The Ethical Investment Research Service (EIRIS) was set up in 1983 with the help of churches and charities that had investments and needed a research organisation to help them put their principles into practice.

EIRIS

- provides the research into corporate behaviour needed by ethical investors
- helps charities and other investors identify the approach appropriate to their requirements
- publishes guides to help investors and advisers identify and choose between funds with ethical criteria
- enables each investor to create a portfolio that reflects their own ethical concerns
- offers services for all types of client, from checking a portfolio to creating and implementing an ethical investment policy
- concentrates purely on ethical research and does not offer financial advice or investment management services

Company Group

By **Company Group** EIRIS means a company whose shares are quoted on the Stock Exchange, and all other parts of the company. By **parts** of a company we mean the parent company, direct and indirect subsidiaries, associated companies, divisions and units. We consider a company to be a **subsidiary** if another company holds more than 50% of its equity share capital. **Associated companies** are those companies in which the aggregate interest in the equity share capital held by the parent company and its direct and indirect subsidiaries amounts to 20% - 50% inclusive. For European Company Groups we also include as associated companies those in which the parent company hold 20% - 50% inclusive of the share of voting rights. A Company Group also includes any subsidiaries of associated companies. We do not include dormant companies. We use the terms **division** or **unit** when Company Group literature indicates that these best describe a particular part of its structure. We include Company Groups that are quoted on the Alternative Investment Market (AIM).

By **parent company** we mean the company quoted on the Stock Exchange. We refer to Company Groups by the names of their quoted parent companies. When we report that a Company Group is involved in one of the areas we research, we mean that some part of the Company Group is involved in that area. Similarly, when we report that a Company Group appears in a source (e.g. a table or list), we mean that some part of the Company Group appears in that source.

Unless otherwise specified, we do not research or report on parent companies in isolation from other parts of their Company Groups. Our analysis of any Company Group includes the record of each current part of that Company Group, whether or not it was a part of that Company Group at the date of any relevant source, except where specified otherwise.

N.B. Occasionally in this paper the terms ‘company’ and ‘corporation’ are used in a generic sense to cover a variety of business organisations including private companies and not-for-profit organisations.

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Executive summary

The whole area of corporate environmental policy, management and reporting is highly complex. Commentators, consultants and practitioners alike express a variety of views and approaches. Corporate commitments towards the environment express themselves in different forms. Company Groups are faced with different options for introducing management systems for the environment. They can also choose different means for communicating and reporting their performance and impacts. The resulting picture does not lead naturally to a debate entailing relatively clear-cut or polarised positions. Indeed some spheres such as management systems, stakeholder dialogue and reports are often ambiguous or two-sided in their intent and practice. A clear need exists for a method and a framework that would enable an assessment of these various practices in an integrated manner.

Similarly ethical investors want to be able to cut through this morass and be able to select suitable investments by comparing Company Groups. They want to be able to make a difference, perhaps by rewarding good practice by those Company Groups taking steps to address their environmental impacts, or by encouraging the laggards via shareholder action.

As informative as recent studies, such as those by SustainAbility/UNEP, Pensions & Investment Research Consultants (PIRC) and Business in the Environment (BiE) have been in surveying the ‘state of the art’, they are nevertheless constrained either by the limited universe of Company Groups covered or by their frames of reference. The practical utility of such studies is limited for investors faced with choosing between Company Group’s in their investment decisions. The EIRIS approach seeks to overcome some of these difficulties.

EIRIS’ contribution is to take this complexity of environmental commitments, policies, strategy, issues, impacts, initiatives and reporting, and distill it into a simpler framework that is meaningful and easy for investors to use without completely losing that complexity. The framework is built around the three headings of policy and commitment, management systems, and reporting. Each of these headings have their own set of indicators that provide a basis for Company Group assessment. Company Groups will be assessed and awarded grades under each of the three headings.

The intent has been to avoid a rigid methodology that acts as a straightjacket, but produce one that is sufficiently flexible to take into account any emergent need for refinement to reflect changes in the ‘real’ world while at the same time remaining robust and rigorous.

This report represents the culmination of the development of the methodology, criteria, factsheets and the testing of them by sampling specific sectors. After considering the feedback EIRIS will continue to complete the assessment of Company Groups.

Simultaneously, work will begin on environmental performance measurement to complement the framework outlined in this paper. This will more fully match management intent and practice of Company Groups with actual performance.

1 Introduction

1.1 Background issues and developments

In the 1980s and early 1990s the prime responsibility of company directors was widely proclaimed as promoting shareholder value. At the same time there was a growing public awareness of issues such as the depletion of the ozone layer, tropical forest destruction, global warming and numerous other environmental concerns. Non-governmental organisations (NGOs) built campaigns around these issues and pressures mounted on Company Groups to respond. Some in business saw the environment as an irritant getting in the way of doing business. Other Company Groups recognised the need to respond. Some may have thought green consumerism would be a sufficient response, while others saw at an early stage the need to embrace the environment and integrate it into the conduct of their business.

A wave of 'greening business' guides were produced (e.g. Elkington, Knight and Hailes 1991, Business in the Environment 1992). Whether the response from business was genuine intent, limited to green consumerism, or 'greenwash' was not always clear. Company Groups were perhaps unsure as to whether the environment was a 'bolt-on' extra or niche market for their activities, or necessitated full integration into their business plans and operations.

Developments have inevitably been uneven with Company Groups progressing at different speeds. Bennett and James (1998) have conceptualised these in terms of first, second and third generations of development. Today it is not uncommon to find Company Groups:

- working with rather than against the likes of Greenpeace, as in the case of Calor Gas, and the World Wide Fund for Nature via the WWF95 'Plus' Group
- engaging in stakeholder discussion panels with their 'critics' e.g. Shell
- implementing an environmental management system across all their operations e.g. Blue Circle Industries
- publishing their environmental performance on the internet for anybody to scrutinise e.g. British Petroleum, J Sainsbury

This is not to say that Company Groups are no longer targeted by environmental campaigns or motivated by a mixture of reasons. Nor have they embraced fully the principles of sustainable development. It has, however, become clear that the environment is widely accepted as a matter that cannot be ignored and now often appears at the heart of a Company Group's conduct of business.

One common outcome has led Company Groups to develop their own environmental policies. At the beginning of November 1998, EIRIS recorded 156 Company Groups in the Financial Times Stock Exchange Top 350 Index (FTSE 350) meeting its minimum requirements for having an environmental policy.[1] Pensions & Investment Research Consultants (PIRC)'s analysis of the FTSE 350 found that 226 Company Groups provided environmental information in their annual report and accounts (PIRC 1998).

[1] For Company Groups to meet the minimum requirements, their policy must be made public and meet at least two of the following: (i) it is comprehensive in terms of issues covered and being applicable to the whole Company Group, (ii) it includes the existence of targets or year- on-year performance data, (iii) provides an outline of responsibilities, and (iv) have a commitment to regular monitoring and reviewing.

According to the Association of Chartered Certified Accountants (ACCA), about 80 % of FTSE 350 Company Groups now refer to environmental issues in their annual reports (cited in Tromans 1998). The apparent discrepancies in these figures can be explained by the operation of different definitions as to what is covered. For example, is any mention of the environment included no matter how cursory, or does it need to meet certain basic requirements?

Not surprisingly, the quality of commitment has varied. Some policies are wide-ranging, whilst others resort to making highly generalised statements such as 'aiming to minimise the impact of their activities.' While many relate to the whole Company Group, others have been developed for particular divisions only. While many have been made public, some Company Groups have been reluctant to follow suit. This may reflect a fear of it becoming a hostage to fortune, but others may not appreciate that a well developed policy may find favour with ethical investors especially in business sectors that are not generally known for the incorporation of environmental considerations into their activities.

Simultaneously, industry sectors and business organisations have developed a range of initiatives, charters, declarations and fora that Company Groups have joined or endorsed. Although they may be regarded as arms-length commitments they are nevertheless public declarations. In practice it has been common for Company Groups to combine these approaches. The result has been a plethora of means by which Company Groups have been able to express their commitments to protecting the environment. While some Company Groups may have hoped that such actions would alleviate pressure and satisfy their critics, perhaps unsurprisingly it has raised questions of how Company Groups are going about acting on their commitments and demonstrating that they are having a positive effect.

A consequence has been the implementation of environmental management systems (ERM 1995). Many Company Groups have developed their own. Others have adopted the Eco-Management and Audit Scheme (EMAS), the EU supported certification scheme introduced in April 1995, or national standards, such as BS7750, which were replaced when the International Standard ISO 14001 came into effect in September 1996.

At the end of September 1998, the number of EMAS registered sites totalled 1,962. Almost 75% were in Germany and 57 (2.9%) in the UK. By August 1998, 5,400 companies worldwide had achieved the ISO 14001 standard.[2] It has been the more popular standard with UK companies. In the UK about 650 registrations (the second largest number after Japan) had been achieved, including subsidiaries of overseas parents.[3] At the beginning of November 1998, EIRIS recorded 46 Company Groups in the FTSE 350 having at least one part achieving either EMAS or ISO 14001 certification. PIRC (1998) found that 75 of the top 350 FTSE companies showed evidence of having implemented an environmental management system of any description.

The Business in the Environment (BiE)'s *Index of Corporate Environmental Engagement* (1996, 1998) has surveyed the FTSE 100 Company Groups on their approach to environmental management, on the premise that good management is a precursor to good performance and reduced impacts. It does not rate environmental

[2] *ENDS Report*, 283, August 1998
[3] *Tomorrow*, Vol. VIII, No.6, Nov/Dec 1998

performance or impacts. It has been undertaken in the last 2 years, and in 1998 is being extended to the FTSE 350 Company Groups.

The initial proposals for EMAS circulated by the European Economic Community in 1990 were to make EMAS mandatory and applicable to all operations on all sites. These proposals were diluted so that the scheme became both voluntary and flexible allowing Company Groups to choose which sites are audited.[4]

The European Commission is currently looking at revising EMAS, which would extend it to non-industrial sectors (including the financial sector) and improve its compatibility with ISO14001.[5] The draft revision to EMAS is due to be published this autumn followed by a consultation process before being adopted in 2000 (Hillary and Spencer-Cooke 1988, Baxter 1998). It is thought likely to:

- be eligible to all types of organisation
- provide legal compliance data
- include performance improvement
- require dialogue with stakeholders
- propose modification to reporting requirements to include (a) reference to national and sectoral indicators, and (b) the ability for organisations to produce it in different forms to fit selected and targeted audiences.

There is undoubtedly a mixture of motivations for firms seeking certification. On the positive side they include an improved understanding of the company and its activities, a stimulant to improving performance while at the same time assisting with marketing.[6] On the other hand limitations are also apparent. They measure process rather than performance and could be seen as focusing on the quality of the system, rather than what the system delivers. It does not guarantee good performance nor by itself turn a 'dirty' company 'green'. Neither is the introduction of an environmental management system the same as applying best environmental practice.

As the environment has moved up the corporate agenda there has been an increase in Company Groups publishing environmental reports. Some may regard them as elaborate public relations exercises particularly from Company Groups operating in industries that have traditionally received a poor reputation, while others view them as a means of enhancing corporate accountability.

Many bodies and commentators have promoted both the need for, and improvement of, environmental reporting. A number of guidelines and formats have been produced (SustainAbility 1993, SustainAbility/UNEP 1996, 1997, ACBE 1997, Deloitte Touche Tohmatsu 1997, ACCA[7], Bennett and James 1998, PIRC 1998, VfU n.d.). SustainAbility's early report *Coming Clean* was one of the earliest reviews of environmental reporting, coming at a time when the practice was still in its infancy. Its key points included the importance of quantification of performance, targets for

[4] *Financial Times*, 31 March 1993

[5] Some commentators regard EMAS as superior to ISO 14001 due to its reporting requirement. However, a Swedish survey found one third of EMAS statements did not cover significant environmental issues, whilst an Italian survey of EMAS statements published by registered sites found great variability in both form and content (*Environmental Accounting and Auditing Reporter*, Vol.2: No.15, Nov 1997). Spencer-Cooke and Elkington (1996) found similar trends.

[6] The UK brochure promoting EMAS quotes Layezee Beds saying their decision to seek EMAS was "principally marketing driven." PowerGen's motivation to be ISO14001 certified worldwide appears to be as much to do with being market-driven in its quest to develop business overseas, as it is to do with any environmental benefits *per se* (*ENDS Report*, 275, December 1997).

[7] Roger Adams, *The Independent*, 15 April 1998

improvement, and reporting of good and bad news in order for a report to have credibility. The practice has continued to develop, especially among the larger corporations, both in terms of the numbers of Company Groups reporting and the sophistication of the reports. Award schemes such as the annual ACCA awards, the more recently introduced European Environmental Reporting Awards and the Financial Post awards in Canada, have been initiated to encourage and reward this.

Nonetheless, many Company Groups do not have environmental policies, let alone report on them. At the beginning of November 1998 EIRIS recorded 51 Company Groups producing stand-alone environmental reports. PIRC's (1998) survey of the top 350 FTSE companies found that 65% of companies, using various formats, reported to a greater or lesser extent on environmental issues, but less than 17% produced separate environmental reports. Furthermore significant variations existed between sectors. SustainAbility/UNEP (1998) have also focused on those who have not reported, particularly many of those who have made commitments to do so.

More recently, the increasing role of the Internet for environmental reporting has been noted (SustainAbility/UNEP 1996). Jones et al (1998) provides a review of the Internet's potential and guidelines for the creation of websites. The Centre for Sustainable Design has also been researching the process of planning, developing and implementing corporate electronic environmental reporting and has its own website to assist with this.[8] A comprehensive listing of published environmental reports and related publications is promised with a new British Library website.[9]

Some of the concerns about the progress in reporting have centred on the debate between the relative merits of voluntary take-up or mandatory requirements. Advocates of the former see peer pressure as the spur to increasing both the practice and in raising standards, while proponents of the latter argue that the laggards will only report if there is the force of law or regulation. For instance, Jonathon Porritt called for mandatory reporting requirements believing this would raise environmental management standards.[10] Elsewhere it has been suggested that the effect of regulatory pressures on the UK utility companies support a more mandatory approach for other sectors (PIRC 1998). Some countries such as Denmark, the Netherlands and the Flanders region of Belgium have taken the legislative path but no consistent picture emerges with regard to format and content (Tromans 1998).

In the UK, even though the Advisory Committee on Business and the Environment (ACBE) was unable to get environmental reporting requirements a condition of Stock Exchange listing (unlike the Cadbury Code for Corporate Governance)[11], legislation remains a possibility. The Environment Minister, Michael Meacher, has urged all companies with over 250 employees to report comprehensively on their environmental impacts and condemned the 120 Company groups in the FTSE 350 that had taken no steps in this regard.[12] Meacher has since written to these FTSE 350 'laggards' urging them to undertake reporting stating that service companies can have just as much of an environmental impact as manufacturing.[13] The Department of Environment, Transport and the Regions has published guidance and advice to help Company Groups report (DETR 1998).

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[8] Available on www.cfsd.org.uk/eer/
[9] This is expected to be available from November 1998 at www.Corporate-Register.bl.uk/
[10] Environment Business, 9 October 1996
[11] Comment by Roger Adams, Sustainable Business: The Benefits of Environmental and Social Reporting Conference, British Library, 22 October 1998
[12] *Financial Times*, 7 April 1998; The Guardian, 7 April 1998
[13] *Financial Times*, 11 August 1998

Although investors and stakeholders have generally welcomed increased reporting, the format and quality of it has varied making comparability difficult, and leading to criticisms of the exercise.

PIRC (1998), for instance, state:

> "Unless information is consistent, reliable and benchmarked, investors cannot readily value company policy in this field."

Similarly, Popper[14] comments that many environmental reports are often too dense and unwieldy, and companies need to communicate better. Peter James has asserted that comparability is the main concern of external stakeholders and argues that the needs of internal and external stakeholders are different and equal, which might require the use of different mediums for different audiences.[15] Bennett and James (1998) discovered some scepticism among environmental managers of corporate environmental reports and greater favour for developing indicators of environment-related performance measurement.

In addition, environmental reporting is to a certain extent an exercise in looking back, or at best setting targets for the next year or two. Demands for sustainability, however, require a more forward-looking approach, perhaps for the next 5-10 years or more. VBDO (forthcoming), the Dutch Association of Investors for Sustainable Development, state that environmental reports are inadequate to comparatively assess potential risks and opportunities associated with sustainable development.

In general at least three or more models of organisational level environmental reporting have been identified,[16] namely:

1. voluntary corporate environmental reports
2. statutory reports in some countries
3. EMAS site reports

Other formats have been proposed by, *inter alia*, UNEP/Sustainability and the CERES Global Reporting Initiative, whilst the published draft guidelines for ISO 14031 on environmental performance evaluation will spur developments in this sphere.

The diversity appears to run counter to the calls for standardisation and could hinder the achievement of it. Cultural differences exist e.g. compliance-orientated reporting via the Toxic Release Inventory (TRI) in the USA, target-based reporting in UK and the eco-balance approach in Germany, and these may impede success.

In April, ACCA called for moves towards establishing basic environmental reporting standards and stated that Company Groups should as a minimum report on a few commonly agreed parameters such as raw materials, energy consumption, emissions of wastes and pollution.[17] This echoes the position of the World Resources Institute (Ditz and Ranganathan 1997), Bennett and James (1998) and PIRC (1998) who have called for the inclusion of common core features thus facilitating comparability between Company Groups. The Danish Green Accounts also require this focus on inputs and outputs. EIRIS seeks to reflect this consensus in its new approach.

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[14] *Green Futures*, 10, May/June 1998, p.46
[15] Corporate Reporting and Environmental Issues: Seminar Report, Green College Centre for Environmental Policy and Understanding, 24 July 1997
[16] Environmental Accounting and Auditing Reporter, Vol.2: No.15, Nov 1997
[17] *Financial Times*, 18 April 1998

As the clamour for standardisation has grown louder (e.g. Pettersson & Earl 1998, VBDO forthcoming), the multi-stakeholder approach of the Global Reporting Initiative (GRI) promises to address these demands. Initiated by CERES in autumn 1997, it has brought together a large number of organisations working in this field such as Investor Responsibility Research Center (IRRC), World Business Council for Sustainable Development (WBCSD), World Resources Institute (WRI), Danish Government 'Green Accounts' Program, Canadian Institute of Chartered Accountants, Wuppertal Institute, AccountAbility and others. These are joined by some major corporations like General Motors, Swiss Bank Corporation and BP. They aim to work out suitable guidelines and formats for standardised environmental and sustainability reporting.[18] The vision is to

> "establish, through a global, voluntary and multi-stakeholder process, the foundation for uniform corporate sustainability reporting worldwide. We seek to advance the practice of reporting to serve the three linked goals of sustainable business practice – environmental protection, economic well-being, and social equity. We plan to accomplish this mission by developing three tools: a set of core metrics [measurable indicators] applicable to all business enterprises; sets of sector-specific metrics customised to specific types of enterprises; and a uniform format for reporting these metrics and related information integral to a company's sustainability performance." [19]

Working groups have been formed to consider user needs, format and measurement, and each working group has to consider the cross-cutting issues of North-South implications, implications for small and medium enterprises, and communications. A draft is to be launched in March 1999 at a symposium in London with final adoption by 2000.

A number of commentators and practitioners are quickly seeing that environmental reporting at the leading edge is quickly transforming into sustainability or simultaneous 'triple bottom line' reporting of economic, environmental and social impacts. Indeed, such has been the pace of development and the change in the discourse, that the terms 'environment' and 'sustainable development' are frequently and confusingly used interchangeably.[20] Nevertheless, John Elkington (1997) observes that there is a trend away from a narrow focus on the environment to a broader embrace of a sustainability agenda or 'triple bottom line'. Company Groups are encouraged to simultaneously address and report on economic prosperity, environmental quality and social equity arising from their business activities. Whether Company Groups fully grasp the significance of this or are merely paying lip service to this concept it is perhaps premature to judge.[21]

The Environment Council points out the dangers of misapplying the central principles of 'sustainable business' as merely 'business as usual dressed up in the new language' rather than facing the challenge of environmental imperatives, such as global climate change and limitations on natural resources, and adopting strategic changes

[18] Other guidelines, frameworks and standards have been derived for Social and Ethical Accounting, Auditing and Reporting (SEAAR) (Gonella et al 1998), Corporate Community Investment by the London Benchmarking Group (Tuffrey 1997) and the auditing of suppliers through the Council of Economic Priorities (CEP)'s SA8000.
[19] *Touchstone*, Issue 1, July 1998, Global Reporting Initiative, CERES
20 The overlapping links arising from the profusion of environmental reports, social and supplier audits, corporate governance requirements, codes of conducts etc. has arguably left some companies and observers confused as to how all these, and corresponding responsibilities for them, fit together within a Company Group.
[21] The journal *Tomorrow* provides a continuing review of these developments.

accordingly.[22] Others have been less convinced by the 'triple bottom line' approach. Nick Mayhew of Oikos fears that it might lead to a new technocracy rather than a "meaningful stakeholder dialogue process that would allow different forms of value to be properly realised, compared and prioritized with responsibilities recognised accordingly" (Mayhew 1998).

Sustainable development is a goal for the whole of society and cannot be achieved by Company Groups alone. They have a part to play, but not in isolation.[23] There is an emerging consensus that progress towards sustainability, which is likely to involve choices and trade-offs, can only be achieved through stakeholder dialogue (SustainAbility/UNEP 1996, ACBE 1997, Robinson 1998, UK Round Table on Sustainable Development 1998). Company Groups are increasingly being forced to address 'what is their role in society' and what does 'licence to operate' really mean.[24] Sustainable development and stakeholder dialogue are presented by this consensus as inseparable.

Although some powerful corporations have continued to resist the rising environmental agenda (Rowell 1996, Beder 1997),[25] a number of companies such as Shell, Eastern Group, Blue Circle Industries and British Petroleum, have now recognised (sometimes painfully so) the new emerging agenda.[26] There are a number of ways of defining stakeholders and methods for stakeholder dialogue (Robinson 1998, UK Round Table on Sustainable Development 1998). Some stakeholders may come to find themselves in an uncomfortable position, caught between feeling tied into a Company Group's decision making and issue management process, and being able to maintain their critical independence.

The UK Government is encouraging these general developments. In June 1998 the Environment Minister, Michael Meacher, sent a consultation paper to 30,000 companies and 160 trade associations asking companies for ideas on how they should pursue growth that is competitive and protects the environment. He is seeking agreements with at least 6 business sectors by the end of 1999 on voluntary strategies for becoming more sustainable. 20 sectors have expressed an interest in pursuing the concept.[27]

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22 Robinson (1998) highlights this within the context of eco-efficiency, stating: "Frequently managers still seem to confuse eco-efficiency with sustainable business. Eco-efficiency is about doing what the business does now better – almost regardless of the long-term outlook for the activity. Sustainable business involves deciding what is the best thing to do."

23 Although in a different context, the UK government supported Ethical Trading Initiative is a further illustration of this.

24 These developments have been reflected in the setting up of the Committee of Inquiry into a New Vision for Business during 1998. Established as an independent initiative by 8 UK companies (British Telecommunications, British Petroleum, Diageo, Nat Westminster Bank, Tesco, Body Shop, Wessex Water and Unipart Group), it is considering ways to "promote corporate social responsibility and visionary business attitudes by examples of best practice, and to recommend to government policy changes which will reinforce such practices and values whilst simultaneously enhancing competitiveness." In March 1998, the Department of Trade and Industry published a Consultation Paper on reforming Company Law which is expected to take into account these same issues.

25 The most prominent case is perhaps the Global Climate Coalition representing largely US companies in the fossil fuel and car industry sectors which lobbied hard to prevent progress on reaching international agreements on combating global climate change in Kyoto in 1997.

26 This does, however, appear to be at odds with the pursuit of the proposed Multilateral Agreement on Investment (MAI), which was regarded by many as a global constitution for transnational companies. Heavily criticised for neglecting environmental and social considerations, the agreement has effectively collapsed (*The Guardian*, 15 October 1998). Previously neglected stakeholders are arguing that sustainable development must be placed at the heart of any resurrected attempt to formulate an international investment agreement (WWF Press Release, October 1998). The head of the World Trade Organisation has now called for a new agreement on the relationship between the international trading system and multilateral environmental agreements (*The Guardian*, 31 October 1998). The substance of such suggestions remains to be seen.

27 *ENDS Report*, 285, October 1998. Business in the Environment (BiE) will help identify best future practices (*Environment Business*, 2 July 1998).

The path to sustainable development is still largely undiscovered. As Ranganathan (1998) points out, the corporate sustainability picture remains fragmented into the three separate elements with few approaches currently developed to integrate them.[28] Bartel (1998) argues that Management System Standards now exist for four core spheres of quality (ISO 9000 series), Health and Safety (BS8000), Environment (EMAS and ISO14000 series) and suppliers (SA8000), raising the potential of integrated management system standards, and by implication the possibility of a 'Sustainability Management System'.

Partly reflecting the current situation and partly reflecting the known views of ethical investors, the framework outlined in this EIRIS paper concerns itself with the environmental dimension of these developments.

Public and ethical investor opinion has consistently placed a strong emphasis on looking after the environment. For instance, the 1997 EIRIS/NOP Pensions Survey recorded 53% wishing their pension funds to favour companies with a good record on environmental issues. A 1994 MORI poll had found that 85% of the public said it was either extremely or very important that companies take positive steps to prevent or reduce environmental damage. Only one quarter felt that companies did enough in this respect. In 1995 NPI reported that the combined UK membership of Friends of the Earth and Greenpeace has risen tenfold between 1981 and 1993.

In relation to the 'social' strand of sustainability, EIRIS does offer a range of ethical and social criteria, and will look at ways of integrating them more fully at a later date as the practice of social auditing develops.[29]

1.2 Moving forward

This brief overview of developments in this field reveals a diversity of practices. Corporate commitments towards the environment express themselves in different forms. Corporations are faced with different options for introducing management systems for the environment. They can also choose different means for communicating and reporting their performance and impacts. The resulting picture does not lead naturally to a debate entailing relatively clear-cut or polarised positions. Some areas exhibit common ground, such as the need for more standardised environmental reporting, but generally the whole area is characterised by a high degree of complexity. Elements such as management systems, stakeholder dialogue and reports are often ambiguous or two-sided in their intent and practice. A clear need exists for a method and a framework that would enable an assessment of these various practices in an integrated manner.

Similarly ethical investors want to be able to cut through this morass and be able to select suitable investments by comparing Company Groups. They want to be able to make a difference, perhaps by rewarding good practice by those Company Groups taking steps to address their environmental impacts, or by encouraging the laggards via shareholder action. They may wish to adopt a 'best of sector' approach or avoid

[28] Ranganathan (1998) argues that the three elements need to be placed in the heart of business management systems, and that business and sustainability goals made compatible. Such a perspective makes the focus on successor initiatives in the aftermath of the collapse of the Multilateral Agreement on Investment (MAI) all the more significant.
[29] Social auditing and reporting is still at the experimental and infancy stage. Even so there have been some notable developments such as Traidcraft's annual social accounts, The Co-operative Bank's Partnership Report, British Telecommunications and Scottish Power's Community Reports, Grand Metropolitan (now part of Diageo)'s Corporate Citizenship report, Body Shop's Value Reports and Shell's recent Profits and Principles report. See also Zadek et al (1997) and Gonella et al (1998) for trends, developments and emerging approaches in this field.

those Company Groups that appear to be doing something, but operate in a business activity where they could reasonably be expected to be doing more.

It seems clear, therefore, that EIRIS clients are interested in:

- a wider range of information being made available to them
- being able to distinguish between levels of quality, commitment, disclosure, performance etc. among Company Groups
- being able to draw some overall conclusion about a Company Group

In developing its criteria EIRIS has taken into account:

- feedback from the EIRIS seminar on corporate environmental management in autumn 1997
- views of clients
- how other organisations and research groups address similar matters
- what is happening in the corporate world

To facilitate these needs, EIRIS begun its approach by asking three basic questions:

1. Does the Company Group have a commitment towards protecting and improving the environment?
2. How does the Company Group back-up its environmental commitment and implement its policy?
3. How does the Company Group communicate its environmental 'initiatives'? What is its willingness to disclose and be transparent about its activities and the environmental impact of its operations?'

The answers are structured under the following three corresponding headings:

1. Policy and Commitments
2. Management Systems
3. Reporting

(N.B. A fourth question, how well is a Company Group performing, will be addressed separately in a follow-on stage, although the potential links have been kept in mind. Clients will be able to continue using existing environmental performance-related criteria such as for pollution while at the same time be able to assist in the development of new indicators.)

EIRIS has attempted to take a lot of the complexity of environmental commitments, policies, strategy, issues, impacts, initiatives and reporting, and distill it into a simple form that is meaningful and useful for investors without completely losing that complexity. For example we have reviewed the components of different environmental management systems and the leading recommendations for environmental reporting. In these cases EIRIS has drawn out what we see as the most common or key features and devised its assessment guidelines accordingly.

Each of the headings has a set of key components, and EIRIS has asked if they should be treated as equivalents or are some more important than others. In addition, other factors such as the value put on different initiatives, the proportion of the Company Group covered and recognition of high environmental impact sectors is included. The methodology allows these to be brought together to provide a qualitative assessment for each Company Group under each heading.

The approach adopted will therefore:

- provide a means of analysing Company Groups
- distinguish between the quality of different Company Groups
- allow future developments in the ‘real’ world to be incorporated without having to rewrite the complete methodology.

The intent has been to avoid a rigid methodology that acts as a straightjacket, but produce one that is sufficiently flexible to take into account any emergent need for refinement to reflect changes in the ‘real’ world while at the same time remaining robust and rigorous.

2 Methodology

The general approach developed by EIRIS is outlined in the following diagram, and the details of the methodology and assessment are then set out below in relation to each of the aspects.

General Features
|
3 headings:
Policy & Commitments
Environmental Management Systems
Environmental Reporting
|
Indicators
|
General Assessment
|
Supplementary Rules
|
Grade
|
Criteria & Factsheets

2.1 General features of the approach:

2.1.1 Impetus and scope

EIRIS has recognised the need to both broaden and deepen its coverage of environmental policies, management systems, reporting and performance along with the prospect of integrating wider social and ethical reporting and accounting as part of an ‘internal management systems’ concept.

Whilst it is not intended to provide any overall grade, score or ranking of Company Groups, EIRIS will grade initiatives such as policies, charters, environmental management systems or environmental reports according to specified guidelines (i.e. what is it that makes particular initiatives good, moderate or weak). We do, however, wish to allow clients to regard the different headings as building blocks. They can assign their own weightings to these by using the EIRIS ratings service, which in combination with the EIRIS grade for each Company Group under each of the headings, will allow clients to arrive at their own scores or rankings.

2.1.2 Headings

The approach adopted by EIRIS is formulated under three headings. These headings essentially encapsulate the key questions and the grade awarded reflects the quality of the answer. For example, in answer to the question does the Company Group have a commitment to protecting and improving the environment, the answer may be “yes it does, but at a weak level.”

It will be apparent that some components of the methodology appear under more than one heading, or it may be both a name of a heading as well as an indicator under another heading. In such cases distinctions are drawn, for example, between the level of principle and its details and/or content, or between the general and the specific. The following components in the table below appear more than once. Occurrence at a general or principle level is in 'bold' and the specifics or details of that component in 'normal'. In the case of reporting the differences are ones of focus.

Environmental Policy	Environmental Management System	Environmental Reporting
Policy	**Policy**	**Policy**
Key Issues	Key Issues	Key Issues
Targets	Targets	Targets
Monitor / review / audit	**Monitor / review / audit**	-
EMS	EMS	**EMS**
Reporting (public)	**Reporting (internal, local)**	Reporting (corporate, public)

Whilst it could be argued that a component should appear either under one heading or another, there is an overriding need to maintain conceptual coherence. For instance it would be wrong to separate out policy as a component of an environmental management system when the principle of a Company Group having one in place is *sine qua non* for the system to be regarded as a whole. Similarly distinctions can be drawn between the commitment to setting objectives and targets, their devising and incorporation into an environmental management system, and the public reporting of their progress.

A glossary of other terms, as used in the methodology, is included in Appendix 1.

2.1.3 Grades

The concept of grades outlined above are essentially a measure of quality. In other words it is not solely facts or yes/no type assessments but why something is good or poor.

Initially, the approach was to have been based on three levels, namely good, moderate and weak. However, discussion suggested that this would be unlikely to highlight those Company Groups that would get grouped with the 'good', but which are really outstanding or at the leading edge. It therefore seemed appropriate to have an extra grade of 'exceptional'. The framework sets out the guidelines for assessing at each the different levels.

Assuming that in general Company Group standards improve with time, it is envisaged that the assessment guidelines will be 'ratcheted up' in future, so that the requirements for each level will be made more demanding.

The grade levels will work in such a way that if a client chooses, for example, to select Company Groups assessed at the medium level then the Company Groups identified will also include those assessed as good or exceptional.

2.1.4 High environmental impact sectors

All business activities have an impact of some kind on the environment. EIRIS has sought to identify those activities that have highly significant impacts on the environment or those that have a high public exposure such as food retailing. EIRIS is therefore defining business sectors based on these activities. The FTSE sectors have been used as an initial starting point and may in some cases continue to coincide with the business sectors. It is apparent, however, that some of these FTSE sectors are too broad or diverse to offer meaningful comparisons e.g. the Oil Exploration and Production sector includes Company Groups providing support services to the oil producers. For the purpose of the analysis the latter would be excluded. The creation of more meaningful business sectors will give comparisons greater validity. In the case of the Diversified Industrials sector, it may be necessary to look at each division individually so that they can more readily be integrated into sector comparisons. A similar approach may be appropriate for other Company Groups e.g. food retailer J Sainsbury could also be included with DIY retailers. Consequently a Company Group may appear in more than one sector. All Company Groups will belong to a sector, some of which will be 'high environmental impact'.

The following is an initial EIRIS working list of high environmental impact business sectors.

- Mining and quarrying
- Integrated oil producers
- Oil exploration and production
- Civil engineering
- Steel
- Building materials
- Chemicals
- Aerospace
- Metallurgy
- Vehicle manufacture
- Food producers
- Paper & packaging
- Airlines
- Rail and road
- Electricity
- Gas
- Water
- Food retailers
- Textile & leather manufacture
- Waste disposal

Within these business sectors Company Groups can be compared. A degree of flexibility will be applied as to whether sector comparisons will be made on a UK only or European basis. When there are few Company Groups in a sector in the UK or an industry is particularly concentrated (e.g. Oil Integrated, Airlines, Steel), UK Company Groups will be integrated into a broader European comparison.

To facilitate this, research on sectors will normally be updated as a whole, which may be occasioned by a regular review or prompted by significant takeovers, mergers or disposals within a sector.

2.1.5 Following through corporate action on particular issues

The approach makes it possible to assess how well a Company Group regards particular issues such as energy or waste management. For instance, it may be observed that its policy highlights energy efficiency as an area for improvement. We will then be able to assess if it has produced targets to reflect this, whether the issue is integral to its environmental management system and finally whether or not it reports publicly on progress on those targets. Those Company Groups that highlight the issue in their policy but fail to produce targets and report on them, could justifiably be seen as paying token regard to the issue. A similar principle is built into the criteria on reporting and the monitoring of broken commitments. This approach could be developed for other factors over time especially for the core key issues and the forthcoming performance-related work.

2.1.6 Factsheets

Factsheets for each Company Group will provide information under each of the three headings. They will state the grade awarded under each heading, along with how that relates to any other specific criteria for that area such as high environmental impact sectors.

To explain these grades and provide context, the factsheet sections will generally include:

- Details of specific initiatives or environmental management system certifications achieved.
- How much of the Company Group is covered, both by business activity e.g. all divisions, and geographically e.g. limited to Europe etc.
- Statements of which indicators are met/not met along the lines of 'It has A, B and C, but does not have D, E or F'. This will illustrate how a Company Group can be 'relegated and promoted' by referring to correct ones for that level and those missing for level above.
- Examples of how a Company Group addresses key environmental issues relevant to its sector & business activities sector (e.g. supermarket Company Groups should make reference to transport).
- Contextual information by providing a statement on how a Company Group compares to others in its business sector. This might provide, although not limited to, a 'best of sector' emphasis. Other Company Groups will not be named, instead the Company Group will be described, for example, as being "amongst the best of the chemical sector in the FTSE Top 350 Company Groups", or "this Company Group stands out in a sector notable for its lack of environmental commitment."
- Any other relevant contextual information

In cases where a Company Group claims to have an environmental policy, management system or report but does not meet the minimum standard for being assessed and graded, a statement will also be included. This will still say what the Company Group does and does not cover.

For Company Groups that do not have an environmental policy, management system or report, a statement will be included to this effect. A contextual statement may also be made in relation to the general practice within its sector(s).

Sample factsheets are provided in Appendix 2.

2.1.7 Takeovers and demergers

If one Company Group takes over another, then a one-year allowance[30] will be made for the Company Group which has been taken over to be integrated into the corporate system. If this does not happen, then the relevant policy, management system or report would not be deemed to cover the whole Company Group and the assessment would be modified accordingly. EIRIS will record the acquisition in its database to assist a review of the position after a year and the need for the acquired Company Group to be integrated into the full record. If over time this has an effect on the grades of a Company Group, then reference will made in the factsheet.

If a Company Group demerges then the assessment will be carried forward to each of the new Company Groups, providing that the original assessment was made for the whole Company Group. All of the new Company Groups would get the same grade, and a year would be allowed, in the same way as for acquisitions, for each new Company Group to produce policies, management systems or reports in their own right. If this does not occur, then the grade will drop a level. In cases where the original assessment was only for some parts of the Company Group, the appropriate grades would depend upon what parts were originally covered and the respective constituent parts of the demerged Company Groups.

2.1.8 Time period

The criteria for environmental reports make explicit that they must have been produced within the last three years either as calendar years or Company Group reporting years. The same timeframe will be applied to the other headings. For environmental management systems the certified standards require that the auditing is undertaken at no more than three-year intervals and therefore is consistent with environmental reporting. Similarly, it also seems reasonable to require environmental policies to be operational within the last three years. This would guard against policies being produced some years previously and not being re-published and/or reviewed, which could be seen as a sign of decreasing corporate commitment being given to it. This perspective also implicitly acknowledges that this area is fast changing and the three-year period helps to reflect this. Therefore environmental policies that were established in the early 1990s and do not get restated let alone revised will cease to be identified. In this way EIRIS is implicitly 'encouraging' environmental policies to be part of regular reporting like political donations and corporate governance, although there is not the force of law or regulation.

[30] In practice this may not be a strict 'one year', as it may depend upon when the event occurred in relation to the Company Group's reporting year.

3 Policy and commitments

Criteria
Company Groups which have a public environmental policy, or have made a similar public environmental commitment which EIRIS assesses to be ♦+ exceptional ♦+ good ♦+ moderate, or ♦+ weak
Company Groups which EIRIS defines as being in a sector with a high environmental impact, but ♦ do not have an environmental policy or other similar public environmental commitment ♦ do not have an environmental policy or other public environmental commitment, or only have one which EIRIS assesses to be weak

These criteria seek to address the question 'Does the Company Group have a commitment towards protecting and improving the environment?'

The approach acknowledges that there are three ways in which this can be expressed. It can either be by:

(i) an explicit policy
(ii) a description of attitudes, activities and initiatives which can be interpreted as amounting to an environmental policy even if it is not explicitly designated as such, or
(iii) signing up to or endorsing various charters, fora, industry sector initiatives etc., which signify a commitment towards the environment that amounts to being a policy. The criteria treat these in the same manner and as a basis by which a Company Group can be held accountable. The relative strengths of the three expressions of policy and commitments are assessed below.

The approach also acknowledges that there are sectors that have 'high environmental impacts' and Company Groups that operate within them should reasonably be expected to have established environmental policies, or have one that is more than a weak commitment.

Not all Company Groups have environmental policies or commitments, and if in less environmentally sensitive sectors they would not be categorised as 'negative''.

3.1 Definitions

By ***public environmental policy*** we mean an explicit statement published by the Company Group in its annual report, environmental report, brochures, leaflets, website or any other of its publicly available literature. Alternatively it may be an assessment made by EIRIS of the contents of text found in these publications which implicitly describe the Company Group's attitude and commitments in this sphere. We do not include information provided in correspondence, or internal or staff documents.

By a ***similar public environmental commitment*** we mean that by the act of signing declarations, charters etc. or by membership of organisations, forums or industry sector initiatives, the Company Group has expressed an intention to adhere to a set of environmental principles or commitments.

By ***a sector with a high environmental impact*** we mean those business sectors within which Company Groups can readily be identified as engaging in similar or common activities which have highly significant impacts on the environment. It can also include sectors that have a high public profile such as food retailers.

3.2 General assessment

3.2.1 Indicators

A distinction will be made between 'explicit' and 'implicit' policies. They will be assessed against a set of nine indicators divided between those that EIRIS regards as either essential or desirable as follows:

Essential	**Desirable**
Comprehensiveness of issues (Q)	Global operating standards (Q)
Responsibility of policy (Q)	Stakeholder involvement (Q)
Existence of targets (Q)	Product stewardship (E)
Monitor/audit/review (E)	Moves to environmental sustainability (E)
Commitment to public reporting (E)	

Key: Q – indicators with different levels of quality
E – indicators with various but equal levels of supporting evidence

The extent to which Company Groups meet these indicators will determine the grade of policy. A number of them have their own levels of quality. The assessment is therefore a function of both the scope of the policy and the quality of individual indicators. In some cases an assessment may be an amalgam of both explicit and implicit statements.

Details of the content of individual indicators are set out in the table on page 19.

Table: Indicators for Assessing Policy and Commitment

Indicators		Weak	Moderate	Good	Exceptional
Essential	Comprehensiveness of issues	Some core or key issues	All core or key issues		
	Responsibility of policy	Corporate environmental manager / co-ordinator	Dedicated environmental unit, department, working group, committee or explicit Board/ Director responsibility	Specified Corporate Board / Director responsibility with supporting resources	
	Existence of targets	General commitment to continual improvement	Implied existence of, or general commitment to, objectives/targets	Provision of key objectives/targets	
	Monitor / review / audit [31]		Monitor / review / audit		
	Commitment to public reporting		General commitment to communicate policy and performance, and/or public reporting		
Desirable	Global operating standards	Compliance with local laws and regulations only	Beyond compliance of local laws and regulations ('compliance plus')	Applying common practices and standards worldwide beyond compliance, but less than best environmental practice	Adopt principle of applying best environmental practice worldwide
	Stakeholder involvement		General commitment to community liaison and/or stakeholder dialogue	Establish stakeholder discussion group / forum, or established external expert advisory group	
	Product Stewardship[32]			Product Stewardship	
	Moves to environmental sustainability[33]				Moves to environmental sustainability

[31] Includes commitment to review policy, implementing or operating an environmental management system, or undertaking environmental audits

[32] Product stewardship involves manufacturers or service providers taking responsibility for products throughout their life from the conception and design, allocation of resources, production and use to their eventual disposal. EIRIS includes:
use of life cycle analysis (LCA) or 'cradle to grave' assessments
use of eco-efficiency ratings, defined by the OECD as "the efficiency with which ecological resources are used to meet human needs" (cited in *ENDS Report*, 279, April 1998) i.e. 'making more from less' or 'factor x' increases in resource productivity; and eco-balance ratings entailing a systematic input-output analysis of energy and materials, primarily developed in Germany
embodies dematerialisation i.e. the production of end-use products or services through the reduction of energy and material consumption, possibly involving different methods of provision
embracing The Natural Step principles or 'system conditions' (established by the Swedish organisation of the same name) which focus on living within the physical constraints of natural or ecological systems (see *Green Futures*, Nov/Dec 1998)
integration of environmental considerations into either product design or Research and development (R&D)
membership of the World Business Council for Sustainable Development (WBCSD), which is promoting the concept of eco-efficiency

[33] covers evidence of a corporate strategic change of direction or paradigm shift in the basis of a Company Group's activities. It is about approaching something differently, rather than modifying operational practices and reliance on technological fixes. Evidence may include statements such as " we will move to clean or zero-emission production by a certain date", "all wastes will be utilised to provide a closed-loop operation." Discretion will be used in accepting statements of a similar vein but in principle they should embody a vision that goes well beyond gradual improvements, 'end of pipe' technologies or what are effectively a mere extension to existing practices.

3.2.2 Core or key issues

There has been an emerging consensus that the core issues for any business relates to their use of raw materials and energy (inputs), and the production and treatment of emissions and waste (outputs). These can normally be sub-divided. In addition, EIRIS will also look at issues specific to a particular industry sector.

Core issues would include:

- raw materials (including water)
- energy use and efficiency
- emissions and effluents to air, water and land
- waste minimisation / reduction / disposal and recycling

plus

- major industry-specific issues (e.g. a supermarket should consider transport for its distribution system/activities)

There are other issues that might reasonably be covered which will be more or less relevant depending on the nature of the business activity. For example, good 'housekeeping' measures are likely to be of greater importance to financial institutions or business service industries than to manufacturing industries. These issues include:

- transport
- suppliers and contractors
- packaging
- social impacts (noise, bad neighbour, visual blight)
- employee training
- 'green housekeeping'

This conception of core or key issues will also be utilised under the other headings of environmental management systems and environmental reporting.

3.3 Grade levels

In the existing assessment of environmental policy statements, EIRIS currently allows two out of the first four essential indicators to qualify for having a policy, providing it relates to the whole Company Group.

The grading concept revolves around the notion of essential (or core) indicators and desirable (or supplementary) indicators. Having all the essential indicators will be sufficient to achieve a 'moderate' grade; less than this will result in a 'weak' grade, whilst additional desirable indicators will lead to a good, or in some cases, exceptional. In addition, there are rules that allow this general rule to be overridden. This can occur either through having a desirable indicator compensating for a weak essential one, or having a higher quality essential indicator compensating for another weak essential indicator. The assessment therefore reflects the extent or scope of the policy, changing qualities within individual indicators, and a distinction between essential and desirable indicators.

The detailed grades are as follows:

Exceptional:

i. 5 essential indicators were identified, plus at least 3 desirable indicators, one of which must be 'moves to environmental sustainability'

Good:

i. 5 essential indicators were identified, plus at least 1 desirable indicator
ii. 4 essential indicators and at least 2 desirable indicators
iii. 4 essential indicators, one of which is at a higher level of quality, and at least 1 desirable indicator

Moderate:

i. at least 4 of the essential indicators are identified
ii. 3 of the essential indicators are identified plus at least 1 desirable indicator
iii. 3 of the essential indicators are identified with 1 at a higher level of quality

This allows one 'failure', or two 'failures' providing there is a compensatory quality in one other.

Weak:

i. there are 3 essential indicators identified
ii. there are 2 essential indicators and at least 1 other desirable indicator
iii. there are 4 essential indicators, 2 of which are at a lower quality level

This would in effect be a 'ratcheting up' of the current minimum qualification for EIRIS' environmental policy statement criteria which has been relatively easy to obtain.

3.4 Supplementary rules

The above grades are on the basis of the policy being for the whole Company Group. However if a policy is only for part of the Company Group, [34] then the grade will be dropped a level i.e. although a policy might be assessed as medium, it will only be graded weak if, for example, it is only for one out of three divisions.

EIRIS analyses both 'explicit' and 'implicit' policies. The latter will not be automatically downgraded, but discretion may be exercised in this regard when there is insufficient circumstantial evidence to suggest that there is more substance behind what is published. In such cases where discretion is exercised, an implicit policy assessed as medium will only be graded as weak.

In cases where the policy is both 'implicit' and for some parts only, then the grade will drop two levels compared to the same policy being explicit and for the whole Company Group. For example, a good policy would drop to weak, or a medium policy would not be graded.

[34] By parts of a Company Group for criteria under this heading, EIRIS includes divisions, subsidiaries or operating units. Associated companies are excluded unless they:
- are a significant joint venture such as where other countries prevent a larger shareholding, or where it is clear that it is strategically part of a Company Group's main business
- are part of a Company Group which principally exists as an investment holding company
- have a strategic role within the Company Group e.g. supplying key raw materials for the other activities of the Company Group

EIRIS will not consider statements if they only take the following forms without any supporting details:

- only commit to compliance (i.e. keeping to the law)
- liasing and co-operating with authorities/regulators
- general notions of environmental concern / care / commitment / improvement / protection
- minimising environmental impacts
- conserving natural resources
- exercise responsibility to the environment
- operate in an environmentally sound manner
- only contain selected examples of initiatives
- involvement in environmental projects or sponsorships
- environmental management in general rather than specifying developing / operating an environmental management system per se
- only assert environmental management is essential for sustainable development
- vague notions of sustainability or the principle of meeting the needs of today without undermining needs of future generations
- claiming to embrace sustainability, but only group 'traditional' environmental issues together under a new heading without suggesting any change of approach or way of thinking
- produce products with environmental benefits or friendliness (which are covered under EIRIS' Positive Products and Services area)
- statements of awards being received (other than those covered under existing criteria – see section 6 on the relationship to existing criteria)

3.5 Other public environmental commitments

For ***similar public environmental commitments*** (e.g. ICC Business Charter for Sustainable Development, UNEP Insurance Declaration etc.), the initiatives themselves have been assessed as if they were policies. These initiatives are of varying quality and in some cases fall beneath the minimum standard required and therefore do not count.

The initiatives fall into three groupings:

- Organisations or forums
- Charters and declarations
- Industry sector

A number of initiatives that embody some expression of corporate commitment towards the environment have been assessed. Their initial assessment, based on how they meet EIRIS' policy and commitment indicators is as follows:

Weak	CBI Business Forum
	Responsible Care
Moderate	UNEP Financial Institutions
	UNEP Insurance sector
Good	ICC Business Charter for Sustainable Development
	CERES Principles (produced by the Coalition for Environmentally Responsible Economics)

Do not count	World Business Council for Sustainable Development OECD Guidelines for Transnational Companies Natural Step ETNO (Telecommunications)

However, because these can be regarded as surrogates for Company Groups' own policies, the initiatives are dropped one level (with the exception of Responsible Care[35]) to provide their respective grades. Therefore those that receive a grade are as follows:

Weak	Responsible Care UNEP Financial Institutions UNEP Insurance sector
Moderate	ICC Business Charter for Sustainable Development CERES Principles

Other initiatives will be assessed, graded and incorporated into the methodology as the cases arise.

In some cases a Company Group may have its own policy and also have associated itself with a 'similar public environmental commitment'. In these cases the grade will be determined by whichever is the better.

[35] Although the literature EIRIS has assessed does not explicitly cover all the key core issues by omitting reference to the use of raw materials, this is judged insufficient to deny it a 'weak' status.

4 Environmental management systems

Criteria
Company Groups whose environmental management systems have received certification, or have implemented their own-design environmental management system which EIRIS assesses as ♦+ exceptional ♦+ good ♦+ moderate, or ♦+ weak
Company Groups which EIRIS defines as being in a sector with a high environmental impact but ♦ do not have an environmental management system or have one which does not cover all the main impacts ♦ do not have an environmental management system, or have one which does not cover all the main impacts, or only have one which EIRIS assesses to be weak

This heading seeks to address the question 'How does the Company Group back-up its environmental commitment and implement its policy?' The evidence is given by the extent Company Groups have introduced environmental management systems.

Recognition is given to the fact that although environmental management standards exist for which Company Groups can gain certification, a number of Company Groups have developed their own that may differ. Company Groups have variously claimed their own systems to be superior to the international standards, necessary because their activities are unique, or assert there is little point in being certified. Each form of environmental management system is treated in the same manner allowing the relative strengths to be assessed.

Many commentators regard EMAS as superior to ISO 14001 due to the former's public reporting requirement. In some cases making judgements on their relative quality is complicated at a practical level. For instance, it may be that while EMAS is intrinsically better a Company Group may only have one site certified whereas a comparable Company Group may have ISO 140001 certification covering a much larger proportion of its business activities. EIRIS takes the view that it should treat EMAS and ISO 14001 as equivalents, by separating the EMAS report and placing it under the environmental reporting heading. In this way the dilemma of relative strengths is circumvented.

The approach seeks to capture the pervasiveness of environmental management systems in a Company Group, therefore allowing distinctions to be drawn between those that only have a limited part of their business employing these systems and those that are more fully committed to implementing them throughout the Company Group.

The approach also acknowledges that there are sectors that have a 'high environmental impact' and Company Groups which operate within them should reasonably be expected to have introduced environmental management systems, or have one that is covering more than only some of the key issues/impacts.

Not all Company Groups have environmental management systems and if in less environmentally sensitive sectors they would not be categorised as 'negative''.

4.1 Definitions

By ***environmental management system has received certification***, as stated in the criteria, EIRIS means the environmental management system has been certified to either EMAS or ISO 14001 standard.

By ***EMAS*** we mean the Eco-Management and Audit Scheme whereby particular company sites can obtain accreditation certificates and the audit reports must be made publicly available. It is currently only applicable for manufacturing, mining, power stations and recycling/waste disposal operations, but following revisions to its governing regulation is expected to encompass all sectors of economic activity. As a European Union scheme, certification only occurs for sites within its borders plus Norway, although Company Groups may have sites elsewhere with environmental management systems designed and operating on the same basis which we would include.

By ***ISO14001*** we mean the international environmental management standard established by the International Standards Organisation that is open to any organisation. This superseded BS7750 in the United Kingdom in October 1997 and similar national standards in other countries.

By ***own-design environmental management system***, as stated in the criteria, EIRIS means those systems which are specific to individual Company Groups and embody some if not all the component features of the certifiable environmental management systems, or make explicit adherence to ISO14004 guidelines.

By ***ISO 14004*** we mean the international environmental management standard established by the International Standards Organisation which provides "general guidelines on principles, systems and supporting techniques" for non-certifiable environmental management systems. Organisations are not required to include each component, but can choose those that seem appropriate to them.

4.2 General assessment

EIRIS obtains the information from lists of certified environmental management systems from the EMAS Helpdesk or in the case of ISO14001 the United Kingdom Accreditation Service (UKAS) and its equivalent bodies in other countries. We also look at annual reports, environmental reports and websites.

Six key components (indicators) have been identified for assessing own-design environmental management systems:

- Environmental policy
- Initial/base line review, including environmental impact assessments prior to development
- Setting of objectives and targets in key areas as derived from the key issues set out under Policy and Commitment. This may form an action plan. (If they are set out in an environmental report rather than within a description of an environmental management system, this would be acceptable)
- Means of implementation (outline of process and responsibilities)
- Monitoring & auditing (day to day basis or local rather than corporate, including internal audits, site audits)
- Reporting (at least internally for management review, not necessarily independently verified)

4.3 Grade levels

Weak:

i. meet at least 3 of the key components of an environmental management system, and must cover at least 33% of the Company Group

ii. make explicit that it is implementing an environmental management system in accordance with ISO 14004, and must cover at least 33% of the Company Group

Moderate:

i. meet 4 or 5 key components of an environmental management system, and must cover at least 33% of the Company Group

ii. all 6 key components with targets only being set in some core areas, and must cover at least 33% of the Company Group

Good:

i. needs to be EMAS or ISO14001 certified, and must cover at least 33% of the Company Group

ii. meet all key components with targets being set in all core areas, and must cover at least 33% of the Company Group

Exceptional:

i. needs to meet the same requirements as for 'good' above including the coverage of all issues and must cover at least 66% of the Company Group

In view of the fact that EMAS is site-related and ISO 14001 is organisation-related, flexibility will be exercised in assessing the proportion of a Company Group affected. Therefore the proportion might reflect the number of sites, the size of turnover, or the number of divisions or operating units. It might also be necessary to take into account the strategic importance of a particular activity or part and the degree of environmental impact relating to that particular activity or part. For example, although a chemical division may not account for 33% of a Company Group it might be far more environmentally significant than its retail and personnel services divisions. In other words some flexibility will be incorporated into the grade under this heading. In doing so reference will be made to the analysis of defining 'high environmental impact sectors'.

4.4 Supplementary rules

It is necessary to distinguish between the achievement of certification and a stated intention to achieve certification. The above grades are given on the basis that the particular environmental management system has been achieved at more than 33% of the Company Group and with the intention to achieve it more widely. If it has been achieved at less than 33% or there are only stated intentions to achieve certified standards for the environmental management system to cover the whole Company Group, then the grade will be dropped a level.

Similarly if an own-design environmental management system is only applicable to parts of a Company Group, then the grade will be dropped a level. For example, although an environmental management system might be assessed at a medium level, it will only be graded as weak if it is only applicable to one out of three divisions.

In cases where there is a mix of environmental management systems operating, the grade will be assigned according to whether or not it meets the full conditions for the highest quality environmental management system. To illustrate, if a Company Group has 60% of its sites EMAS certified and 20% with its own-design graded 'moderate', then the Company Group will be graded 'good'. If the figures were 20% for EMAS and 60% for the own-design system, the level of EMAS certification would not be large enough and the grade would be 'moderate'.

Company Groups that have introduced initiatives such as:

- being accredited under the Energy Efficiency Accreditation Scheme
- conducting site audits or environmental impact assessments prior to developments
- implementing the Building Research Establishment Environmental Assessment Method (BREEAM) (UK only)
- undertaking supplier audits

These exhibit a number of the characteristics of an environmental management system and will be assessed in the same terms. Such initiatives may be particularly significant for some kinds of Company Groups. For example, suppliers will be especially significant for an assembly business such as car manufacturing, or retailers such as supermarkets. However, because they essentially deal with either only one issue or a limited sphere, and then may not embody the full components of a management system, they will be graded as weak.

5 Environmental reporting

Criteria
Company Groups which have publicly reported on their environmental impacts and performance in at least one of the last three years, the reporting of which EIRIS assesses as ♦+ exceptional ♦+ good ♦+ medium, or ♦+ weak
♦ Company Groups which have made commitments to report publicly, but have not publicly reported on their environmental impacts and performance in any of the last three years
Company Groups which EIRIS defines as being in a sector with a high environmental impact, but have not publicly reported on their environmental impacts and performance in at least one of the last three years have not publicly reported on their environmental impacts and performance in at least one of the last three years, or have publicly reported, but only in a form that EIRIS assesses as weak

This heading seeks to address the question 'How does the Company Group communicate its environmental 'initiatives'?'. In essence what is the quality of its willingness to disclose and be transparent about its activities and the environmental impact of its operations?'

Stand-alone environmental reports have become a common feature, especially among larger Company Groups. Other Company Groups elect to provide performance related information which is obviously more than just a re-iteration of policy in the Annual Report and Accounts, and indeed some commentators suggest that a combined annual report / environmental report is a more appropriate way to proceed. Additionally Company Groups are putting environmental reports on their websites, which sometimes include additional information than in the printed version or see it as a substitute for the printed option. It seems reasonable to expect this trend to continue. Therefore the approach incorporates each of these variations without making judgements as to which is better, and to make some assessment as to how good they are using the same assessment guidelines. In practice a short section in an Annual Report and Accounts summarising environmental impact data is unlikely to be assessed as highly against the indicators as a full environmental report.

As with the other headings a negative dimension is included. It is possible to identify both those Company Groups in 'high environmental impact sectors' that are not reporting, and those who have made public commitments to report (or communicate with the public) but have provided no evidence of doing so. In this way Company Groups could be identified as failing to fulfil this commitment.

5.1 Definitions

By ***publicly reported on its environmental impacts and performance*** we mean either in a stand-alone Environmental Report, a dedicated section in a Company Group's Annual Report and Accounts or on its website.

By ***stand-alone environmental report*** we mean reports of environmental performance published separately from the Annual Report and Accounts. We also include those reports which have clear environmental content but may be called Health, Safety and Environment (HSE) Reports, Sustainability Reports, Stakeholder Reports, Stewardship Reports and similar. Commonly these are produced by the parent company, but we also include those reports if produced by a significant part of the Company Group. By ***significant part*** we mean a division, subsidiary or operating unit with at least 10% of the Company Group's annual reported turnover.

By ***last three years*** we mean either the three most recent calendar years or the three most recent Company Group financial years. In some cases Company Groups produce Environmental Reports every other year or less frequently. In these cases the most recent report must fall within the period defined above.

5.2 General assessment

Ten indicators are used for assessing environmental reports, divided between essential and desirable as follows:

Indicators		Content
Essential	Basic environmental policy	Provides the basic policy, but not an assessment of the quality of the policy which is provided under Policy and Commitment
	Description of main impacts	In key areas as derived from the assessment of Policy and Commitment
	Provides quantitative data (including year-on-year data)	In key areas as derived from the assessment of Policy and Commitment • past year only • over several previous years (year-on-year)
	Performance against targets	Targets in key areas as derived from the assessment of Policy and Commitment • examples of targets and progress made • full listing of targets and progress made, making clear if met or not • full listing of targets and progress made, making clear if met or not, and targets established for the next year or future date

Indicators		Content
Desirable	Outline of environmental management system	An outline, not an assessment of its components
	Non-compliance, prosecutions, fines or accidents	Provision of details or statement that it has none
	Financial dimensions	• capital investment / expenditure • savings and/or additional income achieved • environmental provisions, liabilities or assessment of risk
	Verification	• not independently verified • is independently audited or verified, but comments on accuracy of data only • is independently audited or verified, and makes reference to discussions and trends (interpretative) • is independently audited or verified, and makes recommendations • is independently audited or verified, providing a full review of data collection, trends and recommendations
	Stakeholder relations or involvement	Details of initiatives undertaken beyond regulatory requirements and liaison with authorities
	Coverage of sustainability	Discussion of strategic changes of direction (as outlined under Policy and Commitment), life cycles or eco-balances

Some indicators having levels of quality within them and some discretion may be employed in the assessment.

5.3 Grade levels

Weak:
i. meet 3 of the 4 essential indicators

Moderate:
i. meet all 4 essential indicators
ii. meet 3 essential indicators, plus at least 2 desirable indicators

Good:
i. meet at least all 4 essential indicators and be independently verified

Exceptional:
i. meet all 4 essential indicators, be independently verified and at least 3 of the other desirable indicators.

5.4 Supplementary rules

The above grades are on the basis of the report being for the whole Company Group. However if a report is only for a significant part, then the grade will be dropped a level.

For example, although a report might be assessed as medium, it will only be graded weak if it is only for one out of three divisions.

EMAS site reports are graded as good as they are expected to be independently verified and cover:

- Basic environmental policy
- Description of main impacts
- Quantitative data (including year-on-year data)
- Performance against targets
- Outline of the environmental management system

However if a report(s) is only for a significant part or covers less than 33% of the Company Group (as defined under the Environmental Management Systems heading), the grade will be dropped to medium.

6 Relationship to existing criteria

The intention is for the new approach to replace the criteria currently offered under the Environmental Initiatives area. The status and proposals for the existing criteria are as follows:

Current criteria	Impact of new approach and criteria
Have a public environmental policy statement	The nearest equivalent will be a weak grade. This will be a little harder to attain than the current minimum. Currently no distinction is made between those meeting the minimum requirements and those with higher quality statements. The new approach will make these distinctions possible.
Have a stand-alone environmental report	This will not be available as a single identifiable criterion, but will be incorporated under 'Reporting', which will also include other reporting formats. Distinctions in quality will also be made.
Support the ICC Business Charter for Sustainable Development	This will be incorporated under 'Policy & Commitment' and is graded 'moderate'. It will not be available as a single identifiable criterion, but membership will be stated on factsheets.
Members of the CBI Environment Business Forum	This will not be available as a single identifiable criterion, and will not in future be included in the assessment of 'Policy and Commitment'
Achieved EMAS certification	This will not be available as a single identifiable criterion, but will be incorporated under 'Management Systems'. Distinctions in quality will be made, taking into account any other management systems employed and the extent of the Company Group covered.
Achieved ISO 14001 certification	This will not be available as a single identifiable criterion, but will be incorporated under 'Management Systems'. Distinctions in quality will be made, taking into account any other management systems employed and the extent of the Company Group covered.
Accredited under the Energy Efficiency Accreditation Scheme	This will not be available as a single identifiable criterion, but will be incorporated under 'Management Systems' as a single issue.
Won ACCA Environmental Reporting Awards	Will continue as a criterion for the time being, but may become incorporated under the proposed development of environmental performance criteria
Won the Queen's Award for Environmental Achievement	Will continue as a criterion for the time being, but may become incorporated under the proposed development of environmental performance criteria

Current criteria	Impact of new approach and criteria
Develop or use alternative energy sources in UK	Will continue as a criterion for the time being, but may become incorporated within the Positive Products and Services
Sponsor conservation projects in the UK	Criterion will be retained with a new source being identified. It may become included under the Community Involvement area

7 Findings

Thus far an analysis has been undertaken for two business sectors covering Company Groups in the FTSE 350, plus Oil Services. This is set out in the tables below.

Key to the following tables:

X either does not have or has but does not meet the minimum requirements
W weak
M moderate
G good
E exceptional

Those marked with an * in the reporting column denote those Company Groups which have made a commitment to report, either via the ICC Charter or in their own policy.

7.1 Chemicals

This covers FTSE 350 Company Groups in Chemicals FTSE sector.

Company Group	Policy & Commitment	Management System	Reporting
Albright & Wilson	M	M	X
BOC Group	M	M	W*
BTP	W	X	X
British Vita	W	W	X
Burmah Castrol	W	M	X
Croda International	M	M	X*
Elementis	G	M	X*
Imperial Chemical Industries	G	G	G*
Kalon Group	X	X	X
Laporte	W	W	X
Scapa Group	X	X	X
Yule Catto & Co.	W	M	X

7.2 Oil Exploration and Production

This covers Company Groups in the FTSE 350 sector by the same name, but excludes those businesses that supply services to support the oil industry. It does not include the integrated oil companies like Shell and British Petroleum that are more fairly comparable with the likes of Total.

Company Group	Policy & Commitment	Management System	Reporting
British-Borneo Oil & Gas	X	X	X
Cairn Energy	X	X	X
Enterprise Oil	G	G	M*
LASMO	W	W	X
Monument Oil & Gas	M	M	X*
Premier Oil	W	M	X

7.3 Oil Services

Company Group	Policy & Commitment	Management System	Reporting
Abbot Group	X	X	X
Expro International	X	X	X

7.4 Comments

In general the analysis demonstrates that the methodology is able to make qualitative distinctions between Company Groups especially given the sectors covered have high environmental impacts. Each of the principal sectors portray a wide range of assessments, illustrating the potential for investors, for example, to select the better Company Groups and avoiding those showing little or no endeavour. In the case of the latter, these Company Groups could be the targets of shareholder action and encouragement for them to do more.

The analysis highlights that in each sector there are cases of Company Groups making little or no effort. With the notable exceptions of ICI and Enterprise Oil, the level of environmental reporting is poor.

By the nature of their business activities, Oil Services Company Groups warrant being identified separately even though part of the FTSE Oil Exploration & Production sector. The findings indicate that they have not felt the need to undertake any initiatives despite being an integral part of the industry. This reinforces the danger of relying solely on broad FTSE sectors for analysis and the distortions such a reliance is likely to generate.

The analysis also shows those Company Groups that have made a commitment to communicate and report publicly. Again a variable picture is revealed allowing both ‘promise keepers’ and ‘promise breakers’ to be identified.

Factsheets for a sample of these Company Groups are provided in the appendix of this paper. They indicate the assessment given, details in support of that assessment and context including comparisons with other Company Groups in the sector.

8 Conclusions

8.1 Merits of the EIRIS approach

As informative as studies such as SustainAbility/UNEP's on environmental reporting, PIRC's review of the FTSE 350 and BiE's Corporate Engagement survey are in surveying the 'state of the art', they are nevertheless constrained either by the limited universe of Company Groups covered or by their frames of reference. This hampers their practical utility for investors faced with choosing between Company Group's in their investment decisions. The EIRIS approach seeks to overcome some of these difficulties.

The EIRIS framework offers:

1. Coverage by June 1999 of over 1150 UK and 450 other European Company Groups and will assess their quality and compare them others in their business sector, thus assisting investors to make choices.

2. Takes complexity and distills it into a simple user format

3. Allows different kinds of Company Group practices to be integrated:

   - explicit / implicit
   - formal / informal
   - mandatory / voluntary

4. The grading system provides flexibility by including compensating rules if some essential indicators are missing or only exist at a lower level of quality

5. Provides an assessment of quality including best or worst of sector

6. Allows investors to weight headings by using the EIRIS rating system, rather than EIRIS providing an overall Company Group assessment 'score'

7. Flags up those Company Groups that do not meet their commitments

8. Allows new initiatives to be incorporated without the need to revise the whole methodology

9. Will allow a 'ratcheting-up' of assessment standards to reflect any general improvement of practices in the corporate world

10. Not a fixed framework, but one that is in a state of ongoing evolution
    - refinement of high environmental impact sectors
    - reporting
    - key issues
    - relate to performance in due course
    - leaves open the possibility and potential of assessing management systems in a similar way (using headings & grades) in other areas that EIRIS covers

In addition it should be noted that the methodology does not at this stage provide an assessment of environmental performance i.e. matching policy and practice with actual environmental performance. This is being addressed as a separate but related project in combination with reviews of existing areas covered by EIRIS and the development of new areas and indicators.

The methodology does not explicitly focus on Sustainable Development or 'triple bottom-line reporting', but instead highlights the environment. This is largely due to:

- economic and financial considerations being beyond EIRIS' remit
- the environment being highly demanded by clients
- the environment being the most developed strand of Sustainable Development
- social reporting still being in its infancy, although we will be looking to include it in due course
- ethical and supplier codes of conduct being looked at by EIRIS in 1999

8.2 Next steps

EIRIS welcomes feedback on the work undertaken along with any suggested refinements. EIRIS will consider how it may be able to take suggestions into account without guaranteeing it will be able to incorporate them all.

This report represents the culmination of the development of the methodology, criteria, factsheets and the testing of them by sampling specific sectors. After considering the feedback EIRIS will continue to complete the assessment of Company Groups. The practicalities of undertaking this task means some prioritisation is necessary, so the assessment programme will focus particularly on:

- Company Groups in client portfolios

- Top 350 Company Groups in high environmental impact sectors (including major European Company Groups in highly concentrated sectors)

- Other top 350 Company Groups

- Other Company Groups in high environmental impact sectors

- Other major European Company Groups

- Other Company Groups, especially smaller Company Groups, which may be examples of good practice or are otherwise of environmental significance

- Other UK and European Company Groups

In practice these priorities will inevitably overlap in order, for example, to take a sector as a whole.

The criteria will be available to clients from the New Year, although in accordance with the assessment programme outlined above not all Company Groups will be available initially. Data will be progressively added in stages. It is intended that all UK and European Company Groups will be available by June 1999.

EIRIS will also keep abreast of developments in the ‘real’ world and consider how they may be integrated or reflected in the methodology and assessment. Developments currently known about and may have a bearing are the EU revisions to EMAS and the Global Reporting Initiative (GRI).

Simultaneously, work will begin on environmental performance measurement to complement the framework outlined in this paper. This will more fully match management intent and practice with actual performance.

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Appendix 1
Glossary

assessment	an analysis by EIRIS of a Company Group
criteria	the level of identification that a client can choose
grade	the level of quality EIRIS attaches to each environmental heading
heading	one of the three elements under which a Company Group is assessed for its corporate environmental activities
indicators	the different components by which a Company Group is assessed under each heading

Appendix 2

Sample factsheets of Company Groups analysed

Cairn Energy

Environmental Policy, Management and Reporting

Policy and Commitment

Assessment:

- In a high environmental impact sector, but does not meet EIRIS's minimum assessment standards
- Does not meet EIRIS's minimum assessment standards

The Company Group has made an environmental statement but does not meet the minimum standards to be classified as a policy.
The Company Group:
* only addresses some issues, namely contractors and employers training
The policy does not cover:
* responsibility for policy
* existence of targets
* monitoring and reviewing
* commitment to public reporting
[Company Group's Annual Report, 31/12/97].

The majority of FTSE 350 Company Groups in the Oil Exploration & Production business sector have better declarations of policy and commitment.

Management Systems

Assessment:

- In a high environmental impact sector, but does not meet EIRIS's minimum assessment standards
- Does not meet EIRIS's minimum assessment standards

The Company Group has a health, safety and environment management system which has been reviewed and is being phased in throughout the Company Group. It does not provide any details of its components, to meet the minimum standards to be classified. [Company Group's Annual Report, 31/12/97]

The majority of FTSE 350 Company Groups in this business sector publicise more fully the content and development of their management systems.

Reporting

Assessment:

- In a high environmental impact sector, but does not meet EIRIS's minimum assessment standards
- Does not meet EIRIS's minimum assessment standards

The Company Group has not provided EIRIS with evidence of having publicly reported on its environmental commitment and performance.

A lack of environmental reporting is common for FTSE 350 Company Groups in this business sector.

Enterprise Oil

Environmental Policy, Management and Reporting

Policy and Commitment

Assessment:
- Good

The policy, as set out in the Company Group's Environmental Review 1997, covers
* the whole Company Group, including non-operated joint ventures
* all key issues
* responsibility residing at Board level
* setting targets and continual improvement
* monitoring and reviewing by undertaking environmental audits
* communicating on its activities
* commitment to operating beyond compliance of laws and regulations
* incorporating environmental considerations into its Research and Development and the use of environmental efficiency measures.
The policy does not cover:
* any reference to stakeholder involvement
* moves towards environmental sustainability
[Company Group's Environmental Review 1995, 1997]

The policy and commitment is currently the best among FTSE 350 Company Groups in the Oil Exploration & Production business sector.

Management Systems

Assessment:
- Good

For its own operations the Company Group has implemented its own health, safety and environment management system which meets all the key components by which EIRIS assesses environmental management systems, namely:
* environmental policy
* review
* setting objectives and targets, although no key ones explicitly stated
* implementation
* monitoring & auditing
* internal reporting, for example every 6 months for the Nelson Field
For its non-operated joint-ventures, the Company Group seeks assurance that the operation will incorporate environmental protection similar to its own objectives.
[Company Group's Environmental Review 1997]

The Company Group's management system is currently the best among FTSE 350 Company Groups in the Oil Exploration & Production business sector.

Reporting

Assessment:
- Moderate

The Company Group's 1997 Environmental Review meets more of EIRIS' indicators than the 1995 edition which was mainly a report on the operation of the management system. The 1997 Review covers:
* the whole Company Group including non-operated joint-ventures
* the basic policy
* an outline of the environmental management system
* a description of all the key issues within the context of the business life cycle of the industry including licence acquisition, seismic surveys, testing and drilling, field development, and production operations
* some quantitative data for the year
* information on non-compliance and accidental oil spills
* provides data from environmental efficiency measures
The review does not:
* provide year-on-year data
* performance against targets
* financial dimensions
* stakeholder relations
The review has been verified by consultants. Although they make some suggestions for improvement, the full independence of the consultants is offset by the acknowledgement that they have acted as consultants at a strategic level and on individual projects.
[Environmental Review, 1997]

The Company Group stands out from other FTSE 350 Company Groups in this business sector for the quality of its environmental reporting.

Monument Oil & Gas

Environmental Policy, Management and Reporting

Policy and Commitment

Assessment:
- Moderate

The Company Group produced an environmental policy in August 1998. The policy covers:
* the whole Company Group
* all key issues
* responsibility residing with the Chief Executive Officer
* undertaking a regular reviews and audits
* a commitment to communicate openly
It does not refer to:
* operating standards beyond compliance

* existence of targets
* stakeholder involvement
* product stewardship
* moves to environmental sustainability
[Policy sent to EIRIS, dated 11 August 1998]

The policy and commitment of this Company Group is better than most FTSE 350 Company Groups in the Oil Exploration & Production business sector.

Management Systems

Assessment:
- Moderate

The Company Group has introduced its own environmental management system. It includes:
* a basic policy
* a base-line review
* implementation of standards and procedures through line management
* regular review and audits
It does not include:
* setting objectives and targets
* internal reporting
[Policy sent to EIRIS, dated 11 August 1998]

The management system is better than most FTSE 350 Company Groups in this business sector.

Reporting

Assessment:
- In a high environmental impact sector, but does not meet EIRIS's minimum assessment standards
- Does not meet EIRIS's minimum assessment standards

The Company Group has not provided EIRIS with any evidence of having publicly reported on its environmental commitment and performance.

A lack of environmental reporting is common among FTSE 350 Company Groups in this business sector.

BOC Group

Environmental Policy, Management and Reporting

Policy and Commitment

Assessment:
- Moderate

The Company Group is a signatory of the ICC Business Charter for Sustainable Development. The Company Group's own policy covers:
* the whole Company Group
* all key issues
* the existence of objectives and targets, although no details are given
* overall responsibility resides at Board level
* introduction of environmental management systems
* a commitment to operate above compliance standards.
The policy does not refer to:
* commitment to public reporting
* product stewardship
* stakeholder involvement
* moves to environmental sustainability
[Health, Safety and Environment Review, 30/03/98]

The Company Group's policy and commitment, while not amongst the best, is better than most FTSE 350 Company Groups in the Chemicals business sector.

Management Systems

Assessment:
- Moderate

The Company Group has 4 sites certified to ISO 14001 level (less than 33% of Company Group sites).
* BOC Gases Europe: St.Helens, UK
* BOC Gases Americas: Kittery, USA
* Edwards: Eastbourne, UK
* Thai Industrial gases: Talan, Thailand
The Company Group expects this to rise to 12 by the end of 1998. All parts of the Company Group are to have implemented the internal environmental management system which the Company Group states is compatible with national and international standards. No details are given of the components of the internal system.
[Health, Safety and Environment Review, 30/03/98]

The quality of the management system is common for this business sector, being better than several FTSE 350 Company Groups but not as good as the best.

Reporting

Assessment:
- Weak
- In a high environmental impact sector, but EIRIS only assesses as weak

The Company Group produced its first Health, Safety and Environment Review in 1998. The Review does outline:
* the basic environmental policy
* provide descriptions of the main impacts
* provide some quantitative data
* breaches of compliance
The review does not provide:
* an outline of the environmental management system
* details of performance against targets
* financial dimensions

* stakeholder involvement
* discussion of sustainability issues
* and is not independently verified
[Health, Safety and Environment Review, 30/03/98]

The Company Group is notable for being one of a small minority of FTSE 350 Company Groups reporting in this business sector.

BTP

Environmental Policy, Management and Reporting

Policy and Commitment

Assessment:
- Weak
- In a high environmental impact sector, but EIRIS only assesses as weak

The Company Group has adopted the chemical industry's worldwide Responsible Care programme for all subsidiaries and divisions.
The Company Group has produced its own environmental statement but does not meet the minimum standards to be classified as a policy. It indicates:
* responsibility exists at Group Director level for Responsible Care including the prioritisation of safety, health and environmental performance standards.
The statement does not make reference to:
* key issues
* the level of operating standards
* objectives and targets
* monitoring and reviewing
* commitments to public reporting
* stakeholder involvement
* product stewardship
* moves to environmental sustainability
[Company Group's Annual Report, 31/03/98]

This is among the poorer policy and commitments of FTSE 350 Company Groups in the Chemicals business sector.

Management Systems

Assessment:
- In a high environmental impact sector, but does not meet EIRIS's minimum assessment standards
- Does not meet EIRIS's minimum assessment standards

The Company Group indicates the existence of high safety, health and environmental performance standards, but details of a management system are only provided for health and safety. [Company Group's Annual Report, 31/03/98]

Most other FTSE 350 Company Groups in this business sector provide fuller details of the content and development of their management systems.

Reporting

Assessment:
- In a high environmental impact sector, but does not meet EIRIS's minimum assessment standards
- Does not meet EIRIS's minimum assessment standards

The Company Group does provide some reporting of environmental performance but it does not meet EIRIS' minimum standards for environmental reporting. The Company Group provides:
* limited description of impacts relating to energy, waste and packaging
* details of environmental expenditure.
The Company Group does not provide:
* an outline of its policy or environmental management system
* quantitative data
* performance against targets
* references to non-compliance, accidents and spillages
* references to stakeholder involvement
* discussion of sustainability issues
* evidence of independent verification
[Company Group's Annual Report, 31/03/97, 31/03/98]

The lack of environmental reporting among FTSE 350 Company Groups is commonplace in this business sector.

Imperial Chemical Industries

Environmental Policy, Management and Reporting

Policy and Commitment

Assessment:
- Good

The Company Group is a signatory of the ICC Business Charter for Sustainable Development and supports the chemical industry's worldwide Responsible Care programme. The Company Group's own policy in the Safety, Health and Environment Performance report 1997 and supplemented by the 1997 Annual Report covers:
* all parts of the business
* all key issues
* commitment to operate above compliance levels
* a general commitment to targets
* operating an environmental management system
* communicating with the public
* product stewardship, by looking at the life-cycle of products
It does not refer to:
* where ultimate responsibilities lie within the Company Group
* refer to moves to environmental sustainability
[Company Group's Health, Safety and Environment Performance 1997, 31/12/97; Company Group's Annual Report, 31/12/97]

The policy and commitment is among the best of FTSE 350 Company Groups in the Chemicals business sector.

Management Systems

Assessment:
- Good

Have 11 sites in Europe and Asia meeting achieving either EMAS or ISO 14001 certification (less than 33% of Company Group) with 11 more expecting to achieve in 1998/99. As part of its environmental management system is the Company Group's Environmental Burden Approach which the Company Group states as assessing the potential impact of different emissions rather than actual amounts of particular substances emitted. It therefore assesses the extent to which there is potentially an environmental effect rather than the actual affect on the environment resulting from releases.
The Group's Safety, Health and Environmental (SHE) management system applies to all businesses and locations. It involves:
* a basic policy
* development from a 1995 base line level
* setting objectives and targets, including halving the environmental burden of the Group's manufacturing activities between 1995 and 2000
* implementation procedures and responsibilities
* auditing
* internal reporting and review
[Safety, Health and Environment Performance 1997, 31/12/97]

The management system rates as the best among FTSE 350 Company Groups in this business sector.

Reporting

Assessment:
- Good

The Company Group has regularly reported on its environmental performance since 1992. The Safety, Health and Environment Performance 1997 report provides:
* the basic policy
* outlines the environmental management system
* provides a description of all the main impacts for each business area
* highly detailed quantitative data
* details of fines, prosecutions and accidents
* financial dimensions
* discussion of sustainability issues.
It also provides:
* some details of performance against targets with progress shown for emissions to water and air, including its contributions to ozone depletion and global warming.
* acknowledgement of a lack of progress in energy efficiency
* limited independent verification restricted to the extent the ICI Acrylics and ICI Polyurethanes divisions complied with ICI guidelines on SHE reporting only and not the actual data.
[Safety, Health and Environment Performance 1997, 31/12/97]

The Company Group's environmental reporting stands out among FTSE 350 Company Groups in this business sector that is characterised by little or no reporting.

Feedback

EIRIS would be very interested in any comments you might like to make about the issues raised in this paper on corporate environmental policy, management and reporting, and about its research in this area. Please send comments to:

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