

# looking back moving forward

Building the business case for  
environmental improvement



BUREAU  
VERITAS

Business in the

Community





## About Business in the Community

Business in the Community is a unique independent business led charity whose purpose is to inspire, engage, support and challenge companies to continually improve the impact they have on society.

With a current membership of over 750 companies, including 71 of the FTSE 100, together Business in the Community members employ 12.4 million people in over 200 countries worldwide, including one in five of the UK private sector workforce.

## About Bureau Veritas

Established in 1828, Bureau Veritas is a professional services company. Bureau Veritas provides clients with all the necessary support required to achieve, maintain and demonstrate compliance with their environment, health & safety, quality, and social accountability obligations.

Employing 25,000 people in 150 countries, Bureau Veritas supports clients in a wide variety of sectors such as transport, marine, oil & gas, construction, property, finance and retail.

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## Foreword

For the past 15 years, Business in the Environment, the environmental campaign of Business in the Community, has worked with companies to inspire, challenge and support them in understanding, managing and improving the impact that their operations have on the environment. Over this time we have engaged with many businesses to help them further measure and manage their environmental performance.

Our Environment Index has been used for the past 10 years by hundreds of companies to benchmark themselves against peers and to identify areas for improvement. The Index remains the main feature of our campaign. It has had to evolve and will continue to do so over the coming years.

**Looking back**, we can reflect on a number of ways in which business has been affected by changes to the natural environment and developing societal expectations. Companies are beginning to address the risks and opportunities associated with these changes in their longer-term business planning. Companies are now recognising that transparency over material non-financial information is part of sound corporate governance. Increasing globalisation has caused many companies to broaden their thinking about the way their activities impact society and the environment from 'cradle to grave'.

**Moving forward**, engagement of companies in this area should not be a matter of compliance with this or that law or regulation. In generating long-term value for shareholders, companies need to be responsive to those parties who are effected by their activities. The environment is but one of those parties. This business case needs to be clearly articulated.

This document, produced jointly with Bureau Veritas, represents an important milestone in Business in the Environment's work to date. It identifies some of the trends we have seen in the past 10 years and, together with the experiences of a number of proactive companies, highlights a welcome shift from pure compliance to recognition of the broader business benefits of improving environmental impact.

Over the coming months we aim to work with forward-thinking companies and other organisations to build the business case for the environment and support even more companies in integrating the environment into the heart of their business.



**David Jackson**

Chairman, Business in the Environment  
Company Secretary, BP plc



## A decade of benchmarking

In 1994, Business in the Community undertook the 'City Analysts and the Environment' survey in association with Excel Financial (a sister company of the Financial Times) which showed the need for a structured framework to assess and compare companies' environmental management. As a result, the Business in the Environment team, working closely with corporate environmental practitioners and advisers, began the development of the Environment Index (formerly the BiE Index), culminating in its launch in 1996.

A pioneer in benchmarking environmental improvement, the Index's three-fold objectives are: to raise awareness about environmental issues; to determine the progress that participants have made against key environmental impacts; and to encourage environmental competitiveness.

Over the past decade, the Index has undergone continuous development to mirror leading-edge trends. It began with FTSE100 companies and is now open to all FTSE350 companies, Dow Jones Sustainability Index Sector Leaders and Business in the Community member companies with a significant economic presence.

### Methodology

The Environment Index is a voluntary exercise based on an on-line self-assessment survey. In its early years, the Index focussed on environmental management, but in 2000 its scope was extended to include environmental performance. It is now split into three sections (**Box 1**).

Each submitted survey is thoroughly reviewed by the Business in the Community Index team and a sample of companies receive a validation visit. The whole process, including data collection and analysis, is assured by an external audit.

Participating companies also receive a detailed confidential feedback report to help them analyse gaps, measure progress, drive improvement and raise awareness of the environment as a strategic, competitive issue at board level.

Box 1: The Environment Index Model

Section 1: Environmental management 45%	Section 2: Environmental performance and impact 45%	Section 3: Assurance 10%
<ul style="list-style-type: none"> <li>Key issues and risk assessment</li> <li>Leadership and Policy</li> <li>Objectives and Targets</li> <li>Employee training and Stakeholder communications</li> <li>EMS and Audit</li> <li>Supplier programme</li> <li>Environmental stewardship</li> </ul>	<ul style="list-style-type: none"> <li>Climate change</li> <li>Waste and resource management</li> <li>Self-selected impact area (eg. water consumption)</li> </ul>	<ul style="list-style-type: none"> <li>Assurance processes</li> <li>Submission disclosure</li> </ul>

### Continuous improvement

Since the Index was launched, corporate engagement on the environment has evolved tremendously as companies have grown to recognise the competitive advantage environmental action can bring. The average overall score of companies participating in the Index has increased from 60% in 1996 to the current 83% (**Graph 1**).

As a business led initiative, the Environment Index reflects the most current and relevant issues on the business agenda. It has evolved over the years to cover themes such as transparency, assurance and disclosure. When comparing results, it should be kept in mind that Index questions are updated each year to continuously challenge companies to improve their performance. The full survey and the results of the Environment Index 2005 are available on the **CD** attached to the back of this publication.

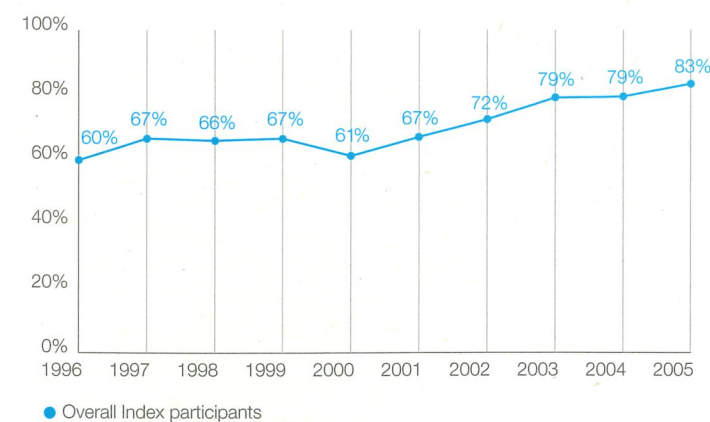
### Sector comparison

Sectors which are most regulated have scored highest in the Environment Index over the years (**Graph 2**). The utilities sector, for example, has ranked as the top sector every year since the Index was launched.

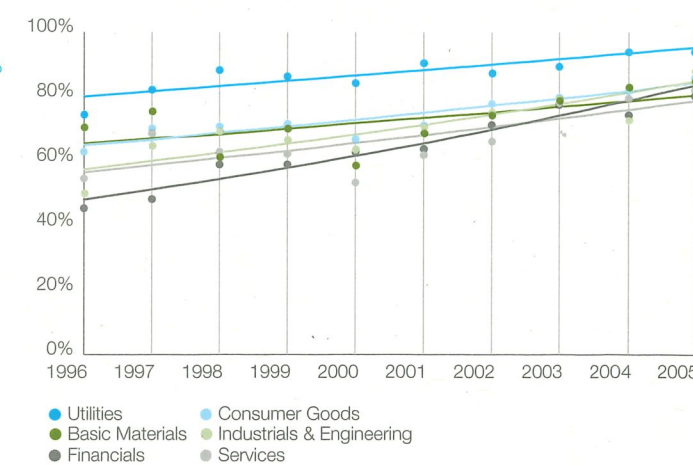
Sectors that are not highly regulated in terms of the environment, but are highly affected by reputation, such as Consumer Goods and Financials, have had the highest number of participants over the years. Although these sectors are not the highest scoring, they have made significant improvements in the last decade, with the financial sector achieving an increase of 35% in its average score (to its current 80%). Overall, every sector has improved and the gap between them is closing.

The challenge to the lower scoring sectors lies in their ability to recognise and improve their indirect impact on the environment. For example, through working with their suppliers to cascade environmental principles down their supply chain, and through the introduction of environmental criteria in investment decisions, companies can have a far-reaching positive impact on the environment.

Graph 1: Environmental Index average scores: 1996-2005



Graph 2: Average scores by sector: 10 year trends



The average overall score of companies participating in the Index has increased from 60% in 1996 to the current 83%.



"Public comparison with our sector and wider industry helps us to regularly assess how far we've progressed in relation to our peers. EDF Energy operates within one of the most competitive sectors in the Index. This means that we're kept on our toes and constantly looking for areas of improvement. The Index encourages us to take a regular and thorough review of our internal processes, highlighting the areas of strength, as well as where we can focus improvement."

**Peter Hofman**  
Director, Sustainable Future, EDF Energy



# results

## Growing relevance

To turn risks into opportunities, companies have increasingly integrated environmental considerations into mainstream business management and measurement processes. Over the past decade, all key management elements measured in the Environment Index have seen a significant increase in scores (**Graph 3**).

### Leadership and Policy

Creating change within a business requires buy-in by senior management, and the environmental policies that top management support reflect a company's commitment to environmental responsibility. Since 1996, 'Leadership' and 'Policy' have been the highest scoring elements of the Index. Now, 72% of companies publicly disclose who is responsible for environmental performance at Board level and 95% have an environmental policy in the public domain. These companies have realised their reputation can be enhanced by being open about their approach to environmental management, overcoming the perceived risks associated with disclosure.

### Objectives and Targets

To translate policies into focussed action, objectives and targets are required. In contrast to lower results in the first survey, in 2005 three quarters of Index participants both set and regularly reviewed management and performance objectives as well as provided a summary of performance against targets to the public. Only 3% of companies have not yet set environmental targets or are in the process of developing them.

### Environmental Management Systems (EMSs) and Audit

EMSs have been increasingly adopted over the past decade to help companies improve environmental performance and incorporate environmental issues into their key business practices. Now, most companies (89%) have EMSs in place that cover the majority of their business. Moreover, 63%

have their EMS assured by a third party and of those companies, more than half (60%) opted for ISO 14001 certification or equivalent.

### Environmental supplier programme

The supply chain has been the weakest-performing area in the Environment Index since its launch. Closing the gap in scores between this and other management areas continues to be a challenge for most companies, with only 38% of Index participants in 2005 working with suppliers/contractors to cascade environmental principles down the supply chain. However, supply chain has also been the area of greatest relative improvement over the past 10 years (average scores rose by 34% from 1996). Now most companies (83%) have a procurement policy that includes environmental criteria and almost half engage with prioritised suppliers/contractors to improve their environmental performance.

### Environmental stewardship

Over the past decade, there has been an increasing focus on the life cycle impacts of products and services. Companies are now taking more responsibility for the environmental impacts that arise directly or indirectly from their products and services. The scores in this element rose from 61% in 1996 to 81% in 2005.

### Communication with external stakeholders

With external stakeholders taking a greater interest in environmental matters, their relationship with business has changed in recent years. The increase in average scores for external stakeholder communication over the last 10 years, from 60% to 85%, demonstrates a corresponding increase in its importance to business.

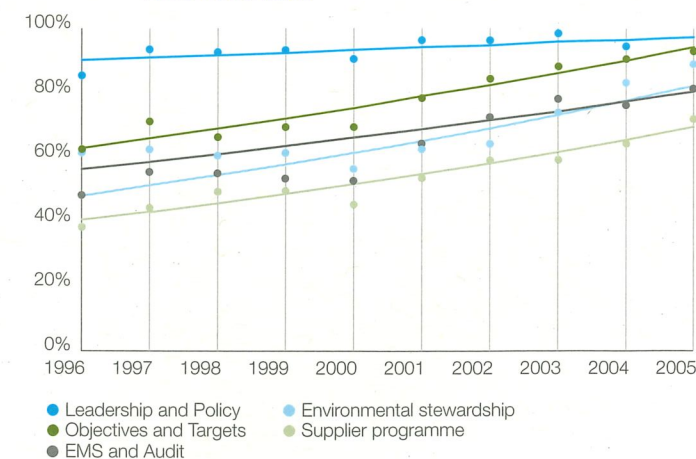
In terms of stakeholder groups, the biggest increase in communication has been with suppliers/contractors, rising by almost 40% since 1996 to 92% in 2005. This is followed closely by communication with financial investors/analysts and with NGOs/media. But there is still room for improvement in communication with all stakeholder groups, especially with local communities.

### Communication with internal stakeholders – Employee environmental programme

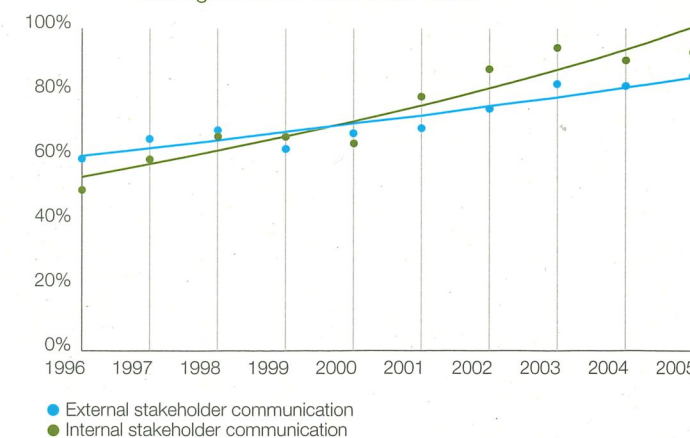
To help improve employee motivation, and therefore employee turn-over rates, companies are increasingly enhancing their employee environmental programmes. Besides training employees about the direct and indirect impact of their actions on the company's environmental performance, programmes also promote communication of corporate environmental objectives and processes. This allows employees to feed ideas up to senior management and to be consulted and involved in environmental decision-making.

With an average score of only 50% in 1996, the employee environmental programme average score has increased to an impressive 93% in 2005. Internal communication scores have also been higher than external communication scores over the past five years. This clearly demonstrates the importance business places on communicating not only externally but also internally (**Graph 4**).

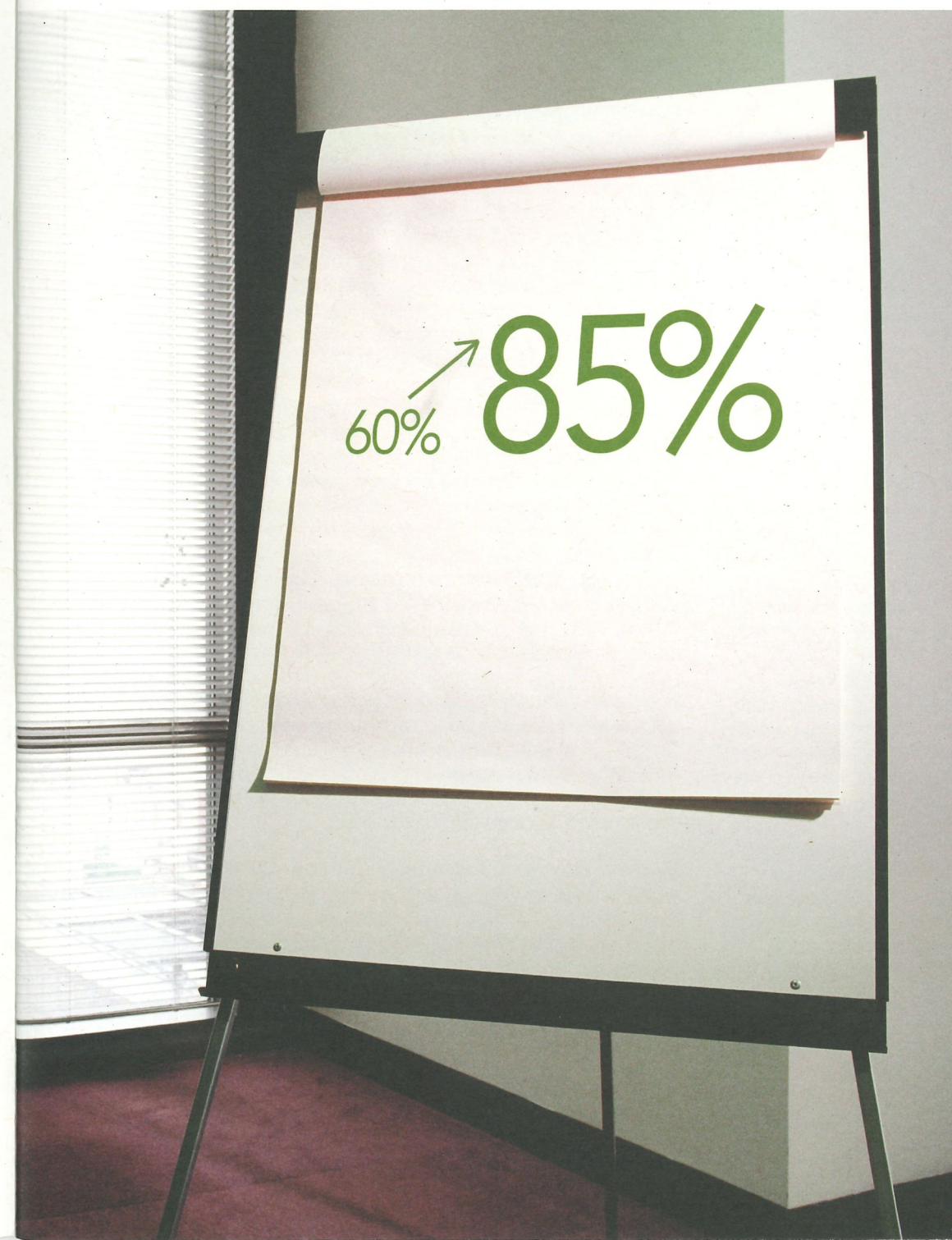
Graph 3: Environmental management average scores: 1996-2005 trend



Graph 4: Internal and external stakeholder communication average scores: 1996-2005 trend



The increase in average scores for external stakeholder communication over the last 10 years, from 60% to 85%, demonstrates a corresponding increase in its importance to business.





# profit

# 84%

of companies agreed to disclose their submission to the investment community.

## Emerging issues

### Focus on environmental performance

Since the UN Conference on the Human Environment in Stockholm in 1972, the environmental agenda has greatly progressed. The 1980s witnessed major environmental accidents, and the 1990s the emergence of Environmental Management Systems and the need to transform policies on paper to policies in practice. With increasing evidence of the environmental impact of climate change, waste generation and resource use, it is no longer enough to demonstrate improvement in the management of environmental issues. It is now essential to demonstrate real progress in performance.

In line with these emerging issues, in 2000 the Index began to focus on companies' impact on the environment, benchmarking their performance on climate change, waste and a self-selected impact area. Since then, average scores on climate change and on waste and resource management have risen from 50% in 1996 to approximately 75% in 2005.

The growing number of floods and heat waves has meant water consumption has also featured as a topic of high concern, with more companies taking action to deal with this issue each year. Since performance questions were introduced in 2000, the average overall score for water consumption has risen from 55% to the current score of 78%.

The challenge all companies now face is to consolidate the way they manage basic environmental issues whilst giving

a greater focus to measuring and improving their impact on growing challenges such as climate change and the use of natural resources.

### Evolving expectations

Society's expectations of business behaviour have changed over the past few decades. Public trust in business and government has fallen, particularly in the 1980s, following major accidents such as Bhopal and Chernobyl. To tackle growing concern and environmental challenges, in the 1990s a series of regulatory measures were introduced, including the creation of the Environment Agency in England and Wales in 1996 and the Aarhus Convention in 2001 which granted greater access to public participation, environmental information and justice (see opposite).

The Index has also evolved over the years, meeting the expectation of more reliable information about the relationship between business and the environment. As an independent survey, the Environment Index is able to compare businesses across a broad range of sectors. With the growing demand for independent verification of environmental data, a question was added in 2000 on companies' data assurance processes. Since then, the average score for assurance has increased from 61% to 79% in 2005. The increase in the number of environmental audits over the past decade (see page 4) confirms this trend.

In order to meet the demand for increased disclosure, in 2004 the survey began to score companies on their willingness to share their answers. As a result, in 2005 84% of companies agreed to disclose their submission to the investment community, while only 4% of companies chose not to disclose any information.

Similarly, reporting practices have changed over the years. In order to keep up with evolving stakeholder pressure, there has been a shift in emphasis from producing qualitative data to providing more quantitative information. Reporting is an opportunity to give stakeholders an open account of how a company meets its responsibilities, whilst taking stock of environmental performance against targets and objectives.

## Society's expectation of business

### Key environmental regulation

<b>2005</b> - Kyoto Protocol - EU Emissions Trading Scheme <b>2004</b> EC Directive on Strategic Environmental Assessment (SEA)	<b>2003</b> Waste & Emissions Trading Act <b>2001</b> Aarhus Convention <b>2000</b> - European Communication on the Precautionary Principle - Contaminated Land Regulations (UK)
<b>1999</b> IPPC Directive (EU) transposed into the Pollution Prevention Control Act (UK) <b>1995</b> Environment Act and the establishment of a national Environment Agency in England and Wales <b>1994</b> Waste Management Licensing Regulations	<b>1992</b> UN Conference on Environment and Development (Earth Summit) - Rio de Janeiro <b>1991</b> Water Resources Act & Water Industry Act <b>1990</b> Environmental Protection Act and the establishment of Integrated Pollution Control
<b>1988</b> Intergovernmental Panel on Climate Change established <b>1987</b> - Montreal Protocol on protecting the ozone layer	- The Brundtland report (Our Common Future), introducing the term 'Sustainable Development' <b>1985</b> EC Directive on Environmental Impact Assessment (EIA)
<b>1979</b> Geneva Convention on Long-range Transboundary Air Pollution (LRTAP) <b>1974</b> OECD Recommendation on the Implementation of the Polluter-Pays Principle	<b>1972</b> UN Conference on the Human Environment - Stockholm <b>1970</b> UK Department of the Environment established

### Key events

<b>1979</b> Three Mile Island nuclear accident <b>1978</b> Love Canal, contaminated land scandal - USA <b>1972</b> Acid rain <b>1972</b> Club of Rome - The Limits to Growth <b>1970</b> First Earth Day	<b>1989</b> Exxon Valdez oil spill - Alaska <b>1986</b> Chernobyl nuclear accident <b>1985</b> 'Hole' discovered in the Earth's ozone layer <b>1984</b> Union Carbide's pesticide plant accident - Bhopal, India <b>1983</b> 'Greenhouse gases' linked with global warming	<b>1999</b> Massive civil society protests in Seattle <b>1998</b> The ozone hole over Antarctica grows <b>1997</b> Forest fires around the world <b>1993</b> Braer oil spill - Shetland Islands	<b>2005</b> Hurricane Katrina <b>2003</b> Summer heat-wave kills thousands in Europe <b>2002</b> Prestige oil spill - Spain <b>2002</b> Major floods in Northern Europe <b>2001</b> World's water reservoirs are losing storage capacity
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"Over the past decade a range of issues have moved onto the environmental agenda. Some of these, such as waste and energy efficiency, have been embraced by business and are now institutionalised as a standard operating practice.

Other issues are still to be properly integrated into day-to-day business processes. Life cycle analysis and supplier codes are still only used on an ad hoc basis and opportunities exist to extend their reach. And then there are emerging issues, such as climate change for which robust solutions need to be developed."

**Gavin Neath**  
Chairman, Unilever



# value

"As a business moves towards balancing its aspirations for growth with care for the environment, Shields' environment leadership and innovation in environmental management has enabled it to grow from strength to strength by creating solutions that enable companies to manage the whole life cycle of the goods they use and sell."

**Gordon Shields**

Founder and Chairman, Shields Environmental plc

## Introduction to case studies

Bureau Veritas has been supporting companies in managing their compliance and associated responsibilities since 1828. This means that we are well placed to understand the long-term benefits of managing the issues that affect business, such as the environment. Over this time period we have had to adapt the services that we offer to reflect the changing needs of business and society. These services have evolved from providing health & safety and quality support to sectors such as marine and oil & gas through to providing environmental and corporate responsibility services to all business sectors.

We have also seen the drivers for managing environmental impacts progress from legislative compliance, risk and reputation management to innovation and performance improvement. The environment is increasingly being used as a way to differentiate businesses in the marketplace.

Using our network of clients worldwide we have identified a series of case studies that would provide the best opportunities for shared learning. This has also been informed by the knowledge within Business in the Community's membership companies and Business in the Environment Leadership Team.

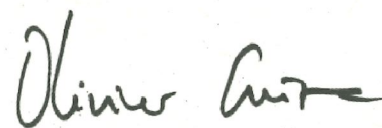
We recognise the need for a flexible rather than 'one size fits all' approach. We want to reach a wide audience that extends beyond those companies that are already engaged in environmental management, to those that are less experienced and need guidance addressing these issues. We hope that the best practice case studies provided present compelling arguments for companies to integrate environmental management into their normal business and operational practices.

The case studies comprise a range of different issues from regulation to resource efficiency. They encompass different sectors, from manufacturing to service industries and are relevant to all companies, large and small, who operate

in national or global markets. The case studies include companies that are at different stages of their environmental management programmes, from those that are regarded as best practice to those that are relative newcomers to the subject. These case studies aim to complement the information provided by Business in the Community on the trends in environmental management and performance over the last 10 years of its Environment Index.

You will notice that the key words used throughout this publication are not terms that we normally associate with communicating environmental issues. They are words like share, return, profit, risk – business terms that we associate with established commercial operations. This demonstrates that environment is not only about philanthropy or altruism but is regarded in the business context as an opportunity for improved competitiveness and market share. Effective management of environmental issues will contribute to business success and should therefore be part of mainstream business models.

The aim of this section is to encourage more companies to not only manage their environmental compliance issues but to think innovatively to promote activities that bring simultaneous economic, social and environmental benefits. We look forward to continuing to work with Business in the Community in the future to achieve this long-term goal.



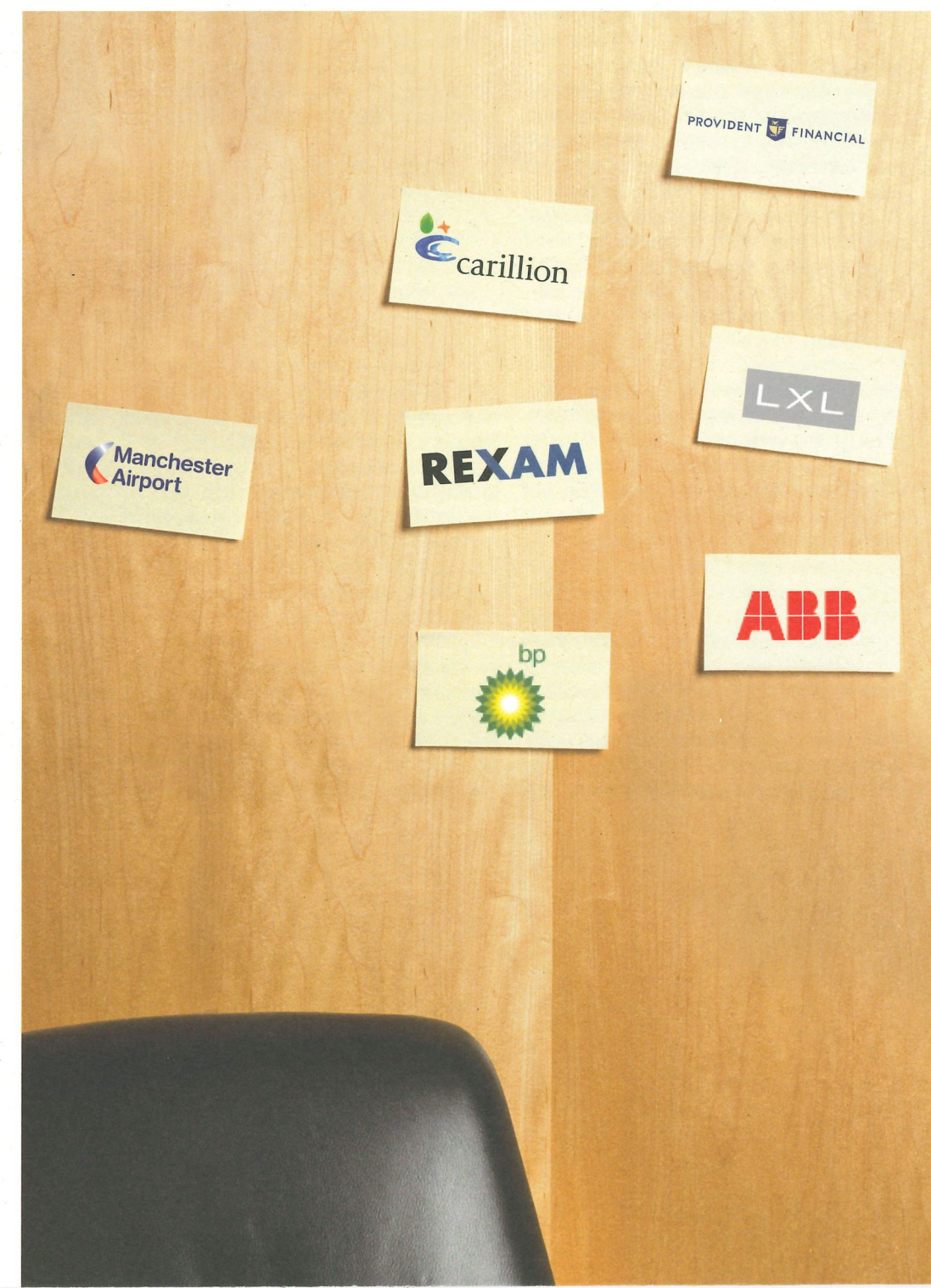
**Olivier Guize**

Chief Executive Officer  
Bureau Veritas UK & Ireland

"Environmental Management is at the heart of Boots' business. It is part of our proud heritage. It is not a, 'bolt on' or a response to criticism but embedded in every part of our business. It is this approach, developed over 150 years, that has enabled Boots to gain the trust of its customers and the broader stakeholder community, which is so important to our success. Caring for the environment is simply part of our DNA."

**Paul Bateman**

Group Operations Director, Boots plc





**Richard White, Environment, Health and Safety Manager – Europe and Asia, provides an overview of the resource efficiency processes in place at Rexam.**

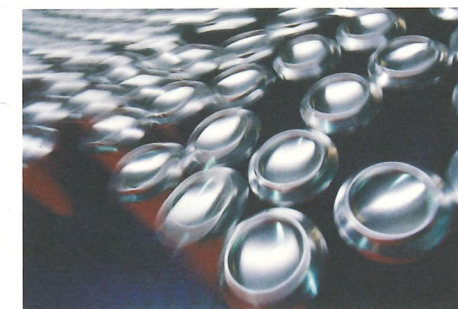
Beverage can making is Rexam's principal activity. In the beverage can making process, aluminium or steel coils are converted into cans via a draw wall iron process, with subsequent coating, decoration and lacquering. A range of raw materials are used in this process, some containing volatile organic compounds (VOCs). Resource efficiency and environmental management are therefore key drivers for Rexam.

One of the ways in which Rexam has optimised its resource use is through the implementation of an Environmental Management System (EMS) in its manufacturing locations, in accordance with the requirements of the international environmental management standard – ISO 14001. In its can operations in Europe and the Middle East Rexam has adopted a continuous improvement philosophy in minimising environmental impacts, specifically focussing on resource use.

One example that demonstrates Rexam's commitment to resource efficiency is a reduction in the level

of VOCs used during the process by switching to water-based coatings and lacquers. This switch has allowed Rexam to reduce the level of VOCs emitted to atmosphere by 50% over the last 10 years, has further reduced exposure to VOCs within manufacturing locations as well as reducing the VOC content of waste generated from coatings and lacquers.

In addition, the use of low VOC materials allows compliance with EU solvent emission legislation without the use of thermal oxidiser abatement equipment. Thermal oxidation can be a very energy intensive and expensive



process, and results in significant carbon dioxide emissions. The move to water based coatings therefore has significant benefits on legal, financial and environmental grounds.

**Key learning**  
Implementation of an EMS has provided a further driver for Rexam to develop water based coatings and lacquers. This results in a range of environmental benefits, significant cost savings – through avoiding purchase of abatement equipment and their associated running costs – and improved coating and print quality.

**Lawyers, Alan Jones and Linda Spedding, explain that the experience gained by advising on large energy infrastructure projects, from pipelines in Africa to regasification terminals in Wales, has given service providers such as LXL the opportunity to broaden the scope of advice given on environmental risks.**

Law firms have traditionally provided corporations with advice in areas such as strategy, corporate governance, risk management, due diligence and internal compliance. LXL believes it is important that environmental risks are incorporated into these areas, ensuring that the implications and costs associated with the environmental impacts of projects are considered, and that future concerns on risk management are addressed.

One particular legal case involved advising a large energy exploration company in the Indian subcontinent and Terai region in Nepal. During a two-year consultation phase, Linda led the stakeholder consultation. This involved spending considerable time liaising with and prioritising the 10,000+ non governmental organisations in the region that represented the environmental concerns of the communities affected by the company's activities.

The key was to balance the needs of the local community with that of providing advice to the company on ethical business behaviour and internal compliance whilst ensuring a safe business investment.

The effective management of this process meant that all environmental risks were identified through stakeholder engagement, and mitigated accordingly. Relationships with key stakeholders were also improved leading to fewer complaints and a reduction in litigious concerns.

This type of approach is particularly important for large scale international projects that have complex funding arrangements, involve numerous stakeholders, and may be regarded as controversial. Whilst they may present huge risks to those involved, law firms have a responsibility to meet the environmental and reputation needs of stakeholders within the scope of legal services.

**Key learning**  
As a niche law firm LXL is able to push the boundaries of legal advice, from traditional client engagement on environmental due diligence, towards a holistic approach to the management of environmental risk aversion.



**Quentin Leiper, Director for Engineering and Environment, explains how Carillion has embraced environmental management through the implementation of its Sustainability Strategy.**

The Strategy was developed in 1995 as a response to shareholder and public questioning regarding the company's involvement in controversial road building projects. Over time the Strategy has become an integral part of Carillion's core business and brand.

This demonstrates the internal recognition that Carillion can no longer just manage economic performance, but must effectively communicate to

clients, shareholders and employees that the business is continually seeking new innovative ways to deliver sustainable solutions.

For example, a model was developed for the Great Western Hospital where the implementation of sustainable design and management is projected to save the hospital £1.8m over its lifetime, compared to traditional techniques. This model is now used in all new Private Finance Initiatives that Carillion tender for, or subsequently work on.

In March 2006, the Government set a new challenge for business when it published its 'Sustainable Development

Strategy – Securing the Future'. This strategy identifies four priority areas for sustainable development (communities; natural resource protection & environmental enhancement; climate change & energy; and sustainable consumption & production) and this year Carillion has realigned its own sustainability strategy and programme to reflect this. This means that the business is better placed to respond to the needs of the Government in relation to road and hospital development.

Part of Carillion's Sustainability Strategy is to understand how Carillion staff view the brand. The 2005 Graduate Survey indicated that graduates recognised sustainability issues as a key attraction to Carillion – 65% stating that Carillion's focus on sustainability influenced the decision to join, and 89% stated that they would be interested in becoming involved in sustainability activities.

Carillion people are a key source of competitive advantage through their efforts to meet or exceed customers' expectations and deliver the company's strategy. The company remains committed to attracting, developing and retaining excellent people by becoming an employer of choice.

**Key learning**  
Carillion's Sustainability Strategy reflects a core business value. Integrating this strategy into everyday activities is a key differentiator of Carillion's brand, both for the winning and delivery of projects and in relation to staff recruitment and retention.



**Gardiner Hill, Manager, Group Environmental Technology discusses the effectiveness of a partnership approach.**

BP engaged with Princeton University to undertake long-term research that could identify solutions to the climate change problem. BP was not looking for a service provider but for a partner that could provide access to long-term thinking and technology development, and could think 'outside the box'.

Ford Motor Company, with which BP was already developing a strategic alliance, also joined as a key partner, increasing financial support and extending involvement across the supply chain. Ford brought a useful perspective on transportation issues, along with its technical knowledge on fuel cells, fuels and efficiency, and experience in product development.

In October 2000, the three partners formed the Carbon Mitigation Initiative (CMI), its mission – to develop new approaches to carbon management.

The current work is focussed via four groups:

- Carbon Capture Group – feasibility and cost of reducing carbon emissions
- The Carbon Storage Group – effectiveness and leakage potential of underground storage
- The Carbon Science Group – natural Carbon Dioxide (CO<sub>2</sub>) sources and sinks
- The Integration Group – economic and environmental impacts of carbon mitigation

Engaging in 'big picture' discussions can build bridges between participants whose fields of interest do not clearly overlap. Both BP and Ford have adopted this approach in carbon mitigation efforts and both companies encourage CMI staff and directors to visit their offices to promote the two-way flow of information. The ultimate goal is to maximise the overall benefits for the partnership, rather than benefit only one organisation.

The partners have adopted a 'light-touch' management style, relying on frequent informal contact and regular CMI team meetings supplemented by annual progress reviews.

Successful partnerships can deliver exceptional results, and CMI has delivered innovative analyses and concepts that have contributed to industry and government thinking on helping to solve climate change issues.

**Key learning**  
By forming partnerships, opportunities to share learning frequently bring solutions to complex problems. The Carbon Mitigation Initiative is now entering its sixth year and continues to go from strength to strength.



**Tim Walmsley, Environment Manager at Manchester Airport, describes some of the regulatory challenges facing the airport, the steps taken to meet and exceed regulatory requirements, and some benefits of this approach.**

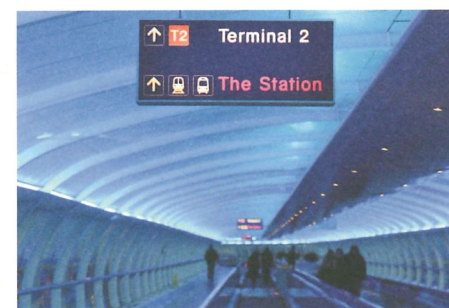
As a business with major direct and indirect environmental impacts, Manchester Airport is faced with a wide range of regulatory controls as well as the constantly evolving policy framework surrounding the aviation sector.

Approval of the second runway in 1997 brought a formal framework with long-term planning conditions and legal binding agreements, covering issues such as noise control, community relations, ground transport and ecology. The current Manchester Unitary Development Plan aims to improve the city as a place to live, work and visit, and revitalise the local community. Manchester Airport therefore has the ability to make a major contribution to this by achieving high environmental standards.

Manchester Airport was one of the first in Europe to establish an environment programme. The airport has taken a leading role in developing and

understanding the concept of sustainability relating to its main environmental impacts such as climate change, local air quality, noise, energy use, land use and biodiversity, water quality and waste. For example, a £17 million mitigation package was developed to enhance the ecological value of the land surrounding the second runway. This included creating over 100 new ponds for amphibians, creating new woodlands and grasslands, and restoring hedgerows. Therefore, the development of the second runway has increased the airport's capacity, contributed to the growth of its business, as well as enhancing the ecological value of the site.

Manchester Airport's first Environment Plan was published in 1996 and detailed nearly 100 policies and targets for environmental control. A further Environment Plan was published for 2004-2015, setting out a new framework for controlling environmental issues and addressing regulatory requirements. This promotes a proactive response to regulation, maintaining the licence to operate and facilitating the planning processes. This has also helped to ensure that a good relationship with the local community is maintained.



This experience has enabled Manchester Airport to better respond to the UK government White Paper requirements on airport growth – effectively balancing the economic goals of airport expansion with that of noise levels, air quality standards and other environmental impacts.

#### **Key learning**

**A practical outlook and proactive response to regulatory requirements helps Manchester Airport to effectively manage business risk and maintain their licence to operate.**

**John Watson, ABB UK Sustainability Controller explains why ABB decided that product development was a vital part of reducing the environmental impact of their activities.**

ABB's environmental programme began with the signing of the International Chamber of Commerce Business Charter for Sustainable Development in 1991. One of the first initiatives developed from this was a Life Cycle Assessment Tool. This included issuing material selection guidelines to be used for environmentally conscious design throughout ABB. These guidelines were supported by training and education programmes for over a thousand of its own staff and suppliers.

A life cycle perspective that covers the whole process from design and material selection to waste management is now required for all product development. The result is that ABB reduces the environmental impact of its new technologies and continually improves existing products. It means supplying products and systems that are more easily recycled, require less material and consume less energy throughout their working life.

For example, the paper manufacturing industry uses ABB drives on rolling mill

motors. The drives reduce energy consumption by closely regulating the motor speed. Worldwide, ABB drives save 80 TWh (terawatt hours) of energy each year. This is the equivalent of ten 900 MW (Megawatt) power plants. These savings translate into a reduction in Carbon Dioxide (CO<sub>2</sub>) emissions of energy use of 68 million tonnes a year, more than the annual emissions of a country like Finland.

For the future, ABB is committed to continually improving the environmental performance of its products and facilities. As part of this commitment ABB is investigating the possibility of becoming a carbon neutral company, whilst helping customers to do the same. A detailed plan is being developed to reduce emissions and ABB aims to create and develop emission reduction projects with its customers to offset emissions.

#### **Key learning**

**Development of a Life Cycle Analysis Tool enabled ABB to identify the benefits of improved environmental product design. The return from this has a positive impact on the environment and maintains ABB's high quality design specifications – both outcomes to the ultimate benefit of customers.**



**Tim Richards, motor claims engineer and a key member of the environment steering group at Provident Insurance, describes some of the challenges and achievements of the environmental supply chain management program.**

In 2002 Provident Insurance introduced a range of leading edge environmental practices into their supply chain network. Through the implementation of an environmental supply chain management programme (ESCM) Provident sought to demonstrate to suppliers the benefit of environmental good practice so that they would be more likely to introduce elements into their own businesses. This provided a range of business and environmental benefits.

The ESCM adopted a supplier mentoring system which focussed on providing suppliers with information and guidance that enabled them to identify and better understand environmental risks to their businesses. In addition, an environment award mechanism was implemented to recognise and reward suppliers that continually improved environmental performance against a number of environmental measures, compliance and business processes.

A major benefit to Provident Insurance and approved suppliers has been the saving of over £1 million, mostly through the economical repair of vehicle parts as opposed to the costly (in terms of both financial and environment impacts) replacement of new parts.

The introduction of annual environmental assessment measures linked to business requirements have been used to determine and measure the environmental performance of Provident's suppliers over the life of the programme, highlighting:

- Vehicle repair garage improvements each year. Approved repairers collectively improved 18% against the environmental assessment measures between 2004/2005 reporting period compared to the previous years' target

- Salvage agents were measured against primarily legislative / regulatory key performance indicators and highlighted 100% compliance against all targets set

Other benefits included reducing the risk of negative environmental impacts by improving the suppliers environmental operating performance. This provides assurance to relevant stakeholders that Provident Insurance is working with environmentally responsible approved suppliers.

#### Key learning

**By working with suppliers on improving environmental impacts, the company has seen a reduction in risk and made significant savings, in this instance a net benefit of over £1 million between 2002 and 2005.**

# stakeholder

## Commentary

### Defra

Some see the environment and the economy as competing interests, but in reality environmental responsibility and business responsibility are very similar. Both aim to prevent waste and both embody the principle of investing now for longer-term benefits. We have a compelling and ever more urgent duty of stewardship to take care of the natural environment and resources on which our economic activity and social fabric depends. And despite the perceived tension between environmental and economic agendas, there is also opportunity to think innovatively and advance both. Examples abound where we can demonstrate the win-wins achieved by forward-thinking organisations.

It has been estimated that the cost of wasted natural resources to the UK manufacturing industry is equivalent of around 7% of profit – approximately £2-3bn each year.

Defra is developing a long-term strategy for a shared evidence base to underpin the Sustainable Consumption and Production (SCP) programme, and Business Environmental Performance and Competitiveness has been identified as one of the major themes for research. Overall, available evidence supports a positive link between improved environmental performance and company financial performance.

This research is valuable to Defra in building our case for promoting business environmental performance improvements that also benefit the economy. We also know that regulation can, under certain circumstances, stimulate innovation and efficiency gains without an adverse impact on competitiveness, and further work is planned to investigate this.

### Robert Lawson

Director of Environmental Strategy, Defra

### FTSE Group

Launched in 2001, the FTSE4Good Index has become one of the leading international financial benchmarks in the responsible investment sector. Today, the most demanding requirement of the Index is the environmental criteria. From 2002-2005, over 200 FTSE4Good companies have improved both their environmental disclosures and their management systems, reflecting the importance of environmental stewardship for investors as described in the FTSE4Good criteria.

Environmental responsibility continues to be an important issue for global investors particularly in light of the debate around climate change. Currently FTSE is developing a set of challenging but achievable criteria for companies on the issue of climate change in conjunction with both Business in the Community and a range of other key stakeholders.

FTSE applauds Business in the Community on the achievements of the Environment Index over the past 10 years and on its joint initiative with Bureau Veritas to allow companies to share the benefits of improving their environmental impact.

### Will Outon

Head of Responsible Investment, FTSE Group



"In the past, environmental performance has been seen as a burden on business. In the future it will be seen as a great opportunity. With ever-increasing energy prices, energy efficiency is no longer a luxury but an essential for businesses. Waste is no longer just an operational by-product but a real cost to the bottom line. Successful companies are able to convert environmental issues into cogent financial arguments comparable with the more traditional investment decisions made by companies on a daily basis."

**Stephen Pettit**  
Non-executive Director,  
National Grid plc



## Moving forward

Many companies recognise that a proactive approach to the environment makes good business sense. The continuing improvement in average scores of companies participating in the Environment Index over the past 10 years, and the examples cited in this publication, illustrate this.

But there is still more to be done. For some companies, assessing the risk and opportunity which the environment represents may go little further than introducing double-sided photocopying. In the UK alone, the Environment Agency reported 1,200 serious environmental incidents during 2004, resulting in the prosecution of 233 companies. Average fines reached £8,500 and 13 directors were fined a total of £2.3 million for environmental offences.

For other companies, management of environmental practices has considerably improved, but reducing their impact continues to be a challenge. There remain too many instances of companies using natural resources inefficiently and often unsustainably, and although climate change is now centre stage for both government and business, uncertainty on how companies should respond still exists. In addition, too few companies are currently considering the environmental, and indeed social, impact of their supply chain.

And these challenges are not going to go away. According to the UK Government's Chief Scientific Advisor, Sir David King, climate change is a greater threat than global terrorism. Business will therefore need help to understand, measure and reduce their impact upon the earth's climate. Business will also need support in overcoming the barriers to move to sustainable consumption and production. With the world's resources diminishing, in some cases at an alarming rate, business will need to meet the challenge of 'making more with less'. Companies will also need to give greater thought to reducing the environmental impact of the goods and services brought into the company, and the environmental impact of their own goods and services from 'cradle to grave'. Cascading environmental principles down the supply chain and product stewardship will form a central role in allowing continuous improvement in companies' environmental performance.

However, none of this can be done in isolation. Companies will need help and support to tackle environmental challenges and make the most of the opportunities in the years ahead. Business in the Environment, working with a range of other organisations, will continue to support, challenge and inspire companies in continually improving their environmental impact. Through benchmarking and measuring environmental management and performance, and sharing best practice, Business in the Environment will allow companies to grasp the environmental opportunities of the next decade.

**Jim Haywood**  
Director, Business in the Environment  
Business in the Community

The Environmental Index and case studies in this publication highlight environmental issues such as climate change and resource use. These are familiar to us all but there has been a significant shift in the context of the risk they now represent to society and to business. There is also a greater public awareness of issues such as world poverty and globalisation which has led to increasing concern about business activities. The result is additional reputational risks to those businesses that are highly visible in the marketplace. However, creative and effective environmental management is also an opportunity for business, illustrated by examples such as the rise in consumption of organic products and the carbon reduction and offset market.

This signifies that there is a market logic to environmental management. Businesses that are managing their environmental impacts today will be better placed to compete in the future. Companies that have undergone profound changes in the past are now able to see how reducing their environmental impact has led to better business performance through lower costs, product/service differentiation, enhanced competitiveness and stronger reputation.

Organisations such as Business in the Community and Bureau Veritas are well placed to support companies to translate corporate ambition into action and achieve real performance improvement. This involves guidance in the development of environmental governance, strategy, systems and action plans as part of existing health & safety, and social accountability agendas.

In our opinion, there are three aspects that should be considered to achieve this:

- **Strengthen the basic building blocks** by ensuring top level commitment, embedding management systems and adopting transparent and independently assured measures;
- **See the big picture** by covering the global supply chain and total life cycle of products/services, optimising organisational efforts and return through integrated environmental, health & safety, quality, and social accountability management. Constantly horizon scan - review changes in legislation, reputation and stakeholder expectations to assess risks and opportunities;
- **Identify where you can make a real difference** and how you can align your organisation to make sure that change can happen quicker.

Companies are operating in an ever changing dynamic environment in which environmental issues and stakeholder demands are playing a greater role. They may have the foundations in place to manage environmental risks but the opportunity lies in making the connections necessary to improve environmental performance and business performance simultaneously. This is the challenge for the future.

**Mick Jenkins**  
Managing Director, Environment Consulting Division  
Bureau Veritas UK & Ireland



## Useful contacts

**Carbon Trust**  
[www.carbontrust.co.uk](http://www.carbontrust.co.uk)

**DEFRA**  
[www.defra.gov.uk/environment/business](http://www.defra.gov.uk/environment/business)

**Department of Trade & Industry**  
[www.dti.gov.uk](http://www.dti.gov.uk)

**Earthwatch Institute**  
[www.earthwatch.org](http://www.earthwatch.org)

**Energy Saving Trust**  
[www.est.org.uk](http://www.est.org.uk)

**Environment Agency**  
[www.environment-agency.gov.uk](http://www.environment-agency.gov.uk)

**Envirowise**  
[www.envirowise.gov.uk](http://www.envirowise.gov.uk)

**Groundwork**  
[www.groundwork.org.uk](http://www.groundwork.org.uk)

**Institute of Environmental Management  
and Assessment (IEMA)**  
[www.iema.net](http://www.iema.net)

**UK Climate Impacts Programme (UKCIP)**  
[www.ukcip.org.uk](http://www.ukcip.org.uk)

**The University of Cambridge Programme for Industry**  
[www3.cpi.cam.ac.uk](http://www3.cpi.cam.ac.uk)

**Waste & Resource Action Programme (WRAP)**  
[www.wrap.org.uk](http://www.wrap.org.uk)

**World Business Council for Sustainable Development**  
[www.wbcsd.org](http://www.wbcsd.org)

**World Wide Fund for Nature (WWF)**  
[www.wwf.org.uk](http://www.wwf.org.uk)

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### Business in the Environment Leadership Team

We would like to thank our Leadership Team, chaired by David Jackson, for its continued support and guidance.

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