

Preliminary findings from engaging with parent companies at board level and summary of company case studies

Parent company engagement using collated environmental data



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1 Introduction

The CLEAR Info project team has developed a data integration tool to collate site level data across regulatory regimes. It has then linked that data to company structure information to present aggregated data and information on an organisation's environmental performance at parent company level.

By building this data into a dashboard format, the project team was able to create interactive reports which provided an overview of a company's environmental performance at a corporate level.

The value of these parent company reports in enabling an open discussion about environmental performance, and highlighting areas for action, was tested by engaging with three companies from different business sectors, representing a cross-section of parent companies at board level.

2 Parent company engagement

During Winter 2013/14 the project team met with senior managers from three listed companies: Veolia, GlaxoSmithKline, and Premier Foods. The purpose of these meetings was to demonstrate the data dashboard, establish whether the results reflected the company's view of their environmental performance, discuss the results, and test the approach of engaging at parent company level.

We have captured key points specific to each company in a case study format, and will use these for communication and dissemination purposes. Feedback from the parent company trials has also been used to identify potential improvements to the parent company reports and to evaluate the success of parent company engagement as a regulatory intervention.

This report summarises the project team's findings, conclusions and recommendations from the first round of parent company trial meetings along with next steps for the project team.

3 Generic issues

The Case Studies provide a profile of each company taking part and the key points drawn from the first parent company trial meeting. The discussions with the three companies raised common issues with the data, the approach used, and the application of Parent Company level engagement, all of which are summarised below.

3.1 Data issues

Thirst for more data. The access to data, and the facility to interrogate the data was highly valued by all companies as a means to view trends, company totals, and to explore different ways of breaking down the data. If access to the dashboards were freely available, all companies indicated they would use the data to inform their management decisions.

A variety of additional data sets were suggested to expand the data used in the engagement. Suggestions included data from the Environment Agency and other sources such as energy generated from waste, feed in tariff, packaging levy data, and control of major accident hazards (COMAH) data.

Both Premier Foods and GSK asked that data on tonnes of product be integrated with resource use so that energy, water or waste intensity can be generated, e.g. water used per tonne of product.

In order to show the economic incentives for companies, the companies' preferred the use of real financial costs, such as packaging levy data, to the option of extrapolating future trends and assigning estimated financial values. They felt the methodologies used in any extrapolations would be open to challenge and could create friction across companies in the same or similar sector(s).

Data coverage. The materiality of the data had a fundamental impact on the value of the engagement with each of the companies.

The geographic coverage of the data presented in the first Parent Company trial was primarily England only, with only Carbon Reduction Commitment data stretching to cover the whole UK. In addition, each data set within the company report had limitations to the proportion of business operations it covered. For example; Pollution Inventory data related only to sites with an Installation permit, and water abstraction data related only to abstractions over a threshold of 20m³ a day.

Premier Foods found the CLEAR Info data of most value. As a UK based business, the geographic scope of the data covered a more significant proportion of their business operations than for the international companies.

For Veolia, 266 of their sites hold a Waste Operations permit and 98 hold an Installation permit under the Environmental Permitting Regulations. The permit compliance data and operational risk scores covered all these sites and were of real value to Veolia in relation to their UK based company. The Pollution Inventory data sets on waste and emissions were interesting but less material as they only related to those sites with an Installation permit.

Of the three companies taking part, the CLEAR Info data was probably of least value to GSK. As an international company, the England data represented only a very small proportion of their business. They also have a sophisticated system for gathering environmental performance data internally for measures such as carbon, water usage, and waste, and therefore had access to more comprehensive data than CLEAR Info could provide. GSK also focus environmental management on their value chain impacts. The scope of the CLEAR Info data is only operational impacts, not supply chain or product usage.

GSK saw most potential value from having access to CLEAR Info data as a way of obtaining information about their suppliers in order to manage their supply chain impacts.

Overall the scope of data gathered by the Environment Agency is reducing as it implements measures to streamline data collection, delivering the UK government agenda to reduce red tape and regulation on business. CLEAR Info had planned to include mains water usage and electricity usage data in the dashboard, but collection of this data under the REPI regime has been revoked as part of government regulatory streamlining, and will cease in 2015.

Timeliness of data. Each of the data sets used in the demonstration has a regular cycle for submission. For example the pollution inventory data is submitted once a year and compliance breaches are reported as they occur. The data also goes through a quality checking process before it can be entered into the collation tool. In order to have a full set of data for all the data types in the dashboard, the team had to use data which was over 12 months old. The feedback from the companies participating was that it was more important to see the most current data, than for the data in each graphic to cover the same time period.

3.2 Issues with the approach used

Tailoring dashboards. The team created a generic dashboard and used the same dashboard with each of the three companies. The companies were all operating in different business sectors, and the project team found that not all data was relevant to each company.

In particular, waste data generated from the Pollution Inventory was confusing when looking at Veolia, the waste management company. The “waste produced” data was a measure of waste leaving an installation site, so it did not include waste data from all their sites. It also had the potential to hide double counting as the same waste is moved from one site to another within a waste company. The project team learned that the data reports for engagement with business carrying out environmental services (e.g. waste management or water supply), need to look at different measures to data reports for companies that buy in environmental services.

Companies also asked that definitions used in the data should be agreed before the report is produced, to ensure they are the same definitions as used internally by the company. However, the team found that each company used a different set of definitions. In particular this was evident for carbon/energy usage, and for waste types. To agree the definitions used would require tailoring of the dashboard to every company it was used with, involving manual conversion of the data into new categories.

Benchmarking/ peer comparisons. The team prepared peer comparisons for water abstraction and waste disposal/recovery data. Peer companies operating in the same sector, were chosen and displayed anonymously. This information was considered ineffectual, with all companies suggesting different ways to make the comparisons fair. Suggestions included only comparing very similar activities and similar products, normalising the data by tonnes of product, or comparing water abstractions to areas of water stress. There seemed to be an

appetite for these types of benchmark comparisons but no practical solution to make them acceptable to all participants.

3.3 Parent company engagement

Level of engaging with the Company. The project team were not able to arrange meetings with board level contacts at the three companies. Instead, they allowed the company to suggest an appropriate senior level representative to take part. In each case, the companies suggested that specific senior managers with a role in sustainability were more appropriate contacts, as they have access to the board members and indicated that they could use the CLEAR Info dashboard to influence decisions made at board level. Both Veolia and GSK also elected to involve a manager or sustainability advisor with a more site level focus, who would have a better understanding of the data presented.

The engagement was very much a two-way discussion about what the data revealed, as well as an opportunity to discuss its accuracy. It was therefore beneficial that the contacts from each company had good background knowledge of the company and their sustainability performance, to help analyse and interpret the data.

For Veolia, the contacts were managers from a UK subsidiary rather than the parent company. This was the most appropriate solution given that the data for discussion was England focused.

Availability of managers. Due to the senior level of the engagement with the companies and based on the lessons learned from previous account management work, the project team thought it important to have a suitable senior manager to chair the engagement on behalf of the Environment Agency. The project team secured the Chief Executive and a Regional Director to Chair the meetings. Whilst this demonstrated the importance given to the project, their availability was very limited. In the event, flooding during the winter of 2013/14 meant that the Chairs were unable to attend two of the three agreed meetings, and had to be replaced by Deputy Directors.

Complexity of the hierarchies generated. The company ownership hierarchy was generated as a diagram for the reports. The results were complex and the project team had to ask the companies to explain them. For example some of the company names identified were legacy names no longer in use but still owned by the companies. The hierarchy diagrams were a useful way to show which parts of the company had permits, licences and consents, but they could not be used to as reliable representation of the company's structure in practice.

The project team found it was always better to ask the company themselves to explain their company structure.

Mapping company structures. The main data quality issue that had an impact on the parent company trials was the difficulty in matching the company names on permits,

consents and licences, to company names registered with Companies House. The project team established some simple rules for correcting common mistakes but if company names had been spelled significantly differently, or had changed over time, it was not possible to match them to the Companies House register. The result of this was that the data relating to certain sites was not linked to the company and not collated in the dashboard. Also, if a company had been sold but the transfer of the company had not yet been logged with Companies House, the data was still included in the dashboard.

The project team concludes that it is necessary to agree with the company what subsidiary companies and sites should be included in their hierarchy, prior to generating the parent company reports, to ensure that data from all relevant sites was captured.

4 Findings and recommendations

The issues identified through the parent company engagement trials have provided valuable learning for any regulator considering using company engagement as a regulatory approach. The lessons learnt have been captured as recommendations under two headings: company reports and company engagement.

4.1 Company Reports

The development of a set of generic graphics from a number of different regulatory regimes is an efficient approach to analysing regulatory data, and preparing materials for company reports for companies with a range of different activities and impacts.

The graphics should be tested before they are used, to ensure they analyse the most relevant aspects of the data, and clearly tell the story of what has happened.

It is best to select a subsection of the data for the discussion. This keeps the meeting focused on a manageable number of topics, and avoids focussing on any data that is not particularly significant for the Company.

The sub selection of data could be either:

- data selected to reflect the priorities of the company
- data selected to reflect the key issues across the sector the company is part of
- data selected to reflect the priorities of the Regulator

The company report should be collated to the most appropriate level within the company ownership hierarchy. This may be the parent company, or a subsidiary at a lower level.

The company report should present the most recent data available. The most recent data may be a different time period for different data sets so it is important that the dates are clearly labelled on graphics.

The scope of the data presented in the company reports should be clearly and precisely communicated in the engagement to ensure the context is understood. For example this may be the thresholds for what activities are included and not included, or the geographical coverage of the data.

The company reports can be enhanced by adding data from sources outside the regulators data, for example showing the financial costs of environmental activities such as waste disposal.

Making the data available as open data which is accessible online would allow it to be used for different purposes, for example to explore supply chain compliance, or to create data analysis products. Data protection and security issues may mean some data cannot be published in this way. It is recommended that the collated data is published and regularly updated, to support businesses, provide opportunities for third party data analysis and create third party pressure on companies to improve their environmental performance.

4.2 Company engagement

Company engagement, rather than site engagement only, will be most effective for companies with the following characteristics:

- companies or subsidiaries that have the majority of their operation in the geographic area of the data (in this case England)
- companies that have a significant number of operational sites with environmental permits or consents from the regulator
- companies that do not already have sophisticated environmental data collation internally

There is some judgement required to apply these criteria, and it should be recognised that company engagement should only be implemented so long as it is productive. The regulator should set out their objectives for company engagement, and should end the engagement if measurable benefits are not being achieved.

The environmental benefit of company engagement can be measured if the company agrees to an improvement plan with measureable results and/ or activities. This would show the value being returned for the resource put in by the regulator to prepare the data, prepare the report and hold the meetings

The most appropriate level for engagement with the company should be determined through a discussion with the company about how they are structured and at what level environmental management occurs. For example, if subsidiaries within a company have very different business activities and environmental impacts, or manage their environmental impacts and reporting entirely separately, it may be more valuable to engage with them separately.

A suitable lead from the Regulator should be identified as a continuous point of contact for the engagement, with access to regulatory regime specialists to support the engagement if

required. The engagement lead needs to be suitably senior to reflect the importance of the engagement, but needs to have this role as an inherent part of their job description which they can commit to deliver over time.

Before a meeting with a company, the sites and companies to be included in the data should be agreed with the company, to ensure only the relevant data is presented,. Recent sales and acquisitions of sites or subsidiary companies need to be identified and inform the data collation for the company report.

4 Next steps for CLEAR Info

The feedback from the meetings will be used to develop the Parent Company Report structure and content further. In particular it will be used to:

- develop functionality so the Dashboard operates at a subsidiary level below the parent company
- develop functionality so that the most recent data can be selected for each data set
- improve the presentation on current data sets based on the feedback
- introduce additional EA data sets to the collation tool and the dashboard

Veolia

Case Study

Company Activities:

- Waste & Environmental Services Management,
- Water and Waste Water Management,
- Energy Facilities

Regulatory Sector:

Waste Management



Country of Incorporation: France

Location of Operations: 48 Countries, mainly in Europe and Asia

Stock Exchange Listings: Paris & NYSE.

(FTSE4Good & Ethical Sustainability Index)

Turnover: €22.3bn 4bn in 2013

Company Data Coverage

Veolia is an international company. The CLEAR Info project team identified 766 permits, consents and licences from the Environment Agency registered to 57 companies owned by Veolia. The regulated sites in England are all within the subsidiary company Veolia UK Limited.

The 2012 data used for the trial included the company Affinity Water, which has since been sold. Further changes to the Veolia company ownership are expected in the future. This demonstrates the importance of having hierarchy data regularly updated, in order to present a true picture of the current company

Most valuable data sets

In England Veolia is a waste and waste water management company.

During the trial the company was particularly interested in data sets relating to Waste Operation and Installation permits (permit breaches, and OPRA scores), and to waste data (waste produced, and waste destination).

Waste companies typically have more compliance breaches than other types of permitted companies and compliance with permit requirements is important to Veolia. Veolia already monitor this data closely, and they found the interrogation possible in the CLEAR Info dashboard helped look at trends and patterns.

Operational Risk Appraisal (OPRA) scores are given for all the Installations and Waste Operation sites in England. Veolia found the collated view of all OPRA scores for the company gave a new insight, as they previously only looked at the information behind this data on a site by site basis although performance targets were set on a Divisional / Regional and Company wide basis.

Veolia found the data on waste produced, and waste destination to be of interest, particularly where trends were shown over a number of years. However, the waste data was limited in its materiality for them as it was generated using the Pollution Inventory (E-PRTR) reporting which only relates to Installations and very large waste operation sites. These types of sites only account for about 10% of Veolia sites in England, and exclude most of the waste operation sites they have.

Suggested Additional Data

The following data sets were identified by Veolia having the most potential to add value to future engagement.

Existing EA Data sets:

- hazardous waste
- pollution incidents
- enforcement action taken
- electricity use
- mains water use
- water stress in abstraction areas

Non EA data sets:

- products of waste treatment e.g. energy or steam, to show the value of these outputs.
- waste exported
- waste tracked through a waste management business i.e. waste received, treated, disposal or recovery

Corporate collection and use of data

Veolia uses data internally on climate change, permit compliance, resource use, recycling and recovery rates for Corporate Responsibility reporting purposes.

The scope of the EA data sets are not exactly the same as those collected within Veolia. For example CRC carbon reporting requirements are not as comprehensive as the energy use data that the company gathers internally. To address this Veolia suggested:

- Clear Info data parameters and scope are made clear to assist users in understanding the data in context
- definitions and methodologies for calculating the data could be agreed with the Company before discussions, to ensure the CLEAR Info data is comparable with definitions used inside the company

Current regulator engagement with the Company

The Environment Agency has held a programme of Waste Account Management with all the large waste management companies in England since 2006. Senior managers at Veolia have had regular meetings with an EA Regional Director in recent years. At these meetings regulatory data has been used to explore environmental performance of the company relating to its waste operations and installation permits.

The CLEAR Info company dashboard used for the project trial drew data from a wider range of regulatory regimes, giving a more integrated view of performance against a broader range of regulatory requirements. The CLEAR Info team were also able to present the data in new ways, with “drilldown” options to allow greater interaction and interrogation.

Feedback on Parent Company Engagement

As Veolia already engages at a company level with the Environment Agency at Waste Account Management meetings. They viewed the CLEAR info Dashboard as a potential tool to use in that context.

“The CLEAR Info Data collation tool could give us a really clear and useful picture of a range of environmental impacts across our activities. We can see real potential for expanding the scope of the current company level engagement to identify priority areas for action.”

Alan Timperley, Group Environmental Manager,
Veolia UK Ltd

GlaxoSmithKline Plc

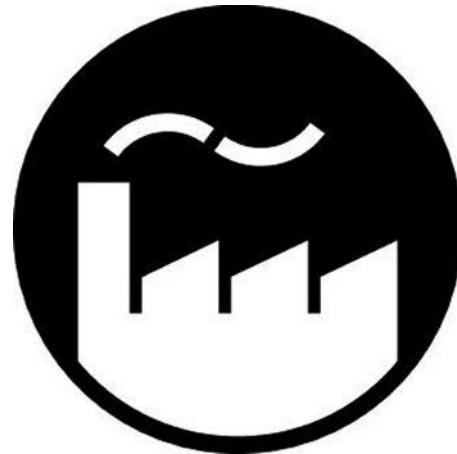
Case Study

Company Activities:

- Chemicals, Pharmaceuticals, Vaccines and Healthcare products
- Manufacturing
- Research and Development

Regulatory Sector:

Chemicals



Country of Incorporation: UK

Location of Operations: Operational activities in 150 countries and Manufacturing in 36 countries. R&D centres in UK, USA, Spain, Belgium and China.

Stock Exchange Listings: London Stock Exchange (+ FTSE100)

Turnover: £26.4bn in 2012

Company Data Coverage

The CLEAR Info Project Team identified 33 permits, registrations and consents issued by the Environment Agency to 10 subsidiary companies of GSK located in England.

As an international company with global manufacturing and research operations, the data provided by CLEAR Info (which is England or UK only) related to only a small part of their operational impacts.

Most valuable data sets

GSK found the most relevant data for them was the permit breaches. The breakdown of breach information by type and by company, down to site level, allowed for a useful interrogation of the causes and trends.

They considered the summary of all breach information would be of interest to their Environment, Health and Safety Committee, because it included minor breaches which may not normally be highlighted to executive managers.

The data did not cover enough of GSKs global operations to significantly inform their corporate environmental priorities. However, compliance with environmental permit and consent requirements in UK is important to them, and the data would be of value for environmental management at the UK level.

Suggested Additional Data

The following data sets were identified as those with most potential to add value to the engagement with GSK.

- more detailed breakdown of the operator performance attribute in OPRA
- hazardous waste
- EU Emissions Trading Scheme
- Climate Change Agreements
- water usage per litre of product
- water stress in abstraction areas
- Control of Major Accident Hazard sites (COMAH/Seveso Directive)
- in general, more drills and detailed breakdowns

Corporate collection and use of data

At GSK each site is responsible for managing its environmental permit requirements, but data also is gathered for environmental management at the strategic level. Their monitoring information system pulls data from over 100 sites.

The corporate environmental targets are “beyond compliance” measures, and the priority areas are Carbon, Waste and Water, measured and managed throughout the value chain (e.g. supply chain, manufacture, product use, and end of life).

Water Use: GSK monitors its mains water use and water abstraction globally and compares it with water stress / availability data. It has a four year improvement plan cycle regarding water management.

Waste: GSK records the waste it produces against its own classification of types of waste. This classification is designed to overcome discrepancies between US and EU standards for waste classification. It also divides its waste data into beneficial and non beneficial waste streams, depending on if the waste can be used to generate energy using its CHP plant.

It monitors data to assess progress on its targets for reduction of hazardous and non hazardous waste from manufacture, and its Zero waste to landfill target.

Carbon: GSK has carbon targets rather than energy usage targets. Management bonuses are affected by the achievement of these targets. Value chain impacts can be very significant for carbon targets, for example respiratory medicines have a much larger carbon footprint during their use by the customer than from their manufacturing or disposal.

Current regulator engagement with the Company

The Environment Agency has site level engagement with individual permitted sites at GSK, and this trial was the first corporate level engagement that had been held with the company.

Feedback on Parent Company Engagement

GSK thought that some of the data produced by the CLEAR info dashboard was of interest, but as they gather more comprehensive data internally for environmental management, covering their global operations, it would not add any significant value to their own reporting procedures. However they were interested in using the collation tool to explore the data of their UK suppliers, and suggested it would be of value for smaller businesses.

“The CLEAR Info tool has the potential to be very useful for helping us to incorporate environmental performance into the management of our supply chain”

Mark Rhodes, Vice President of Sustainability, GSK

Premier Foods Plc

Case Study

Company Activities:

- Production of branded foods

Regulatory Sector:

Food and Drink



Country of Incorporation: UK

Location of Operations:

32 operational sites across Britain

Stock Exchange Listings:

London Stock Exchange

Turnover: £1. 8bn in 2012

Company Data Coverage

Premier Foods has two business areas:

- bread
- groceries

The Hierarchy diagram produced for Premier Foods was complex, with long chains of historical company names retained for legal reasons. This highlighted that the best way to understand the company structure is to talk to the company and use the information they provide to prepare tailored parent company reports, which represent the most up to date company structure.

The CLEAR Info project team identified 109 permits, registration and consents issued by the Environment Agency to 24 companies within Premier Foods.

The company has 32 sites but the data discussed with Premier Foods at the first meeting related mainly to the 8 sites with installation permits. This highlights the importance of being clear about the scope of the data.

Most valuable data sets

Premier Foods thought compliance breaches and Operator Risk Appraisal scores relating to their 8 sites with installation permits, and the Waste data taken from the Pollution Inventory (E-PRTR) reporting were of most relevance to their operations.

They found the analysis and interrogation of the data was useful, particularly graphics showing trends and the facility to drill to site level information. The site level data also gave them a point they could verify against their own information, to build confidence in the dashboard results.

Suggested Additional Data

Premier Foods identified the following data sets as those with most potential to add value to the engagement.

Existing EA Data sets:

- Climate Change Agreements
- producer responsibility data for packaging waste.
- more drills to site level data
- mains water usage

Non EA data sets:

- Industrial Emissions Directive data
- Packaging Levy data
- non Environment Agency sustainability data such as WRAP, Food and Drink Federation, Feed in Tariff
- tonnage of product to allow intensity to be calculated

Corporate collection and use of data

Premier Foods use benchmarking between their sites for internal management purposes. All sites submit data on a monthly basis using an online database. This is used to compare sites that do similar activities. They use monthly averages to produce rolling trends year on year.

In addition to monitoring compliance breaches internally, Premier Foods also gives credit for positive behaviour. Sites submit examples of best practice to management.

Premier Foods use their own system for classifying and recording waste internally, in order to best reflect the waste types they most commonly produce. The European Waste Catalogue (EWC) codes are provided on waste transfer notes by the waste contractors who take their waste away, so these could be used to match EWC codes to the descriptions used internally.

Current regulator engagement with the Company

The Environment Agency has site level engagement with individual permitted sites at Premier Foods, and this trial was the first corporate level engagement that had been held with the company.

Feedback on Parent Company Engagement

Premier Foods thought the dashboard provided an excellent foundation for engagement with the company at the Parent level. They said it would provide new insights and drive performance on environmental management.

Premier Foods liked the way we had displayed the data and thought it would influence the way they managed data internally.

“The CLEAR Info Data collation tool gave quick and flexible analysis of our environmental performance, providing helpful insights in some key areas. Compliance data and trends over time could be very useful for driving change in our business.”

Graham Paterson, Group Head of Manufacturing, Premier Foods