

Our policy on corporate environmental governance

General

The Agency considers that companies that actively reduce environmental risks and impacts are more sustainable, profitable, valuable, and competitive. This is good for the economy and the environment (the win-win situation). Those that ignore environmental risks and impacts are less sustainable in the long-term. Exploitation of resources for short-term gain is detrimental both to the economy and the environment (the lose-lose situation). The Agency will praise good environmental performers and seeks to change the behaviour of poor performers.

Directors' duties

We believe all Company Directors should have a statutory duty of care for the environment in the same way they have a duty of care towards their employees and customers. This should not be an optional or voluntary requirement. We think this necessary not only to protect natural resources for future generations but because it is good for the planet, good for employees, good for the public, and good for the long-term sustainability and reputation of the company.

Company Directors should consider the merits of having a Health, Safety and Environment Committee to review and improve their performance. They should also include an item on environmental performance at their AGM to demonstrate their commitment to sustainable development, and enable shareholders to raise any issues about their environmental performance, as well as economic and social performance.

Environmental policy

The Agency considers that companies should have an environmental policy covering all aspects of their business activities and that the Directors of the company should promote this to their employees, contractors and customers as part of their staff training and management procedures.

Companies should set targets and report on historic trends for key indicators of environmental performance that includes raw material and energy consumption and emissions of waste to air, land and water. They should also include any serious pollution incidents, damage to wildlife, enforcement action and prosecutions or fines against the company in their published Annual Report.

Companies should also explain how they are positively seeking to continually reduce their consumption of raw materials and energy consumption, emissions to air, land and water and their other environmental incidents and impacts to improve overall company performance. Companies should also report on positive actions to improve environmental performance.

Eco-efficient goods and services

The Agency considers it makes good economic and environmental sense for companies to use their financial and other management information systems to track the cost and input of raw materials, energy and labour, and output of goods/services and waste products, to understand, and then to improve, their resource productivity and eco-efficiency. Any waste is loss of productivity and profit, as well as an environmental concern, and is bad both for the firm and the UK economy. We support and encourage companies to re-use and recycle both waste and final products.

Environmental management systems

We recommend that companies should use recognised quality management systems to help them reduce minimise environmental risks, report on their environmental performance and add value to the company. Large companies should adopt internationally recognised environmental management systems such as ISO14001 and EMAS. SME's should consider signing up to the DTI/DETR Project Acorn concerned with simpler EMS's and use the Agency's NetRegs web pages to help them understand their environmental responsibilities.

Environmental accounting

We believe companies should also use their financial systems to manage revenues and value derived from the environment. For example by developing a simple environmental profit and loss statement and green balance sheet within their published annual accounts. These should cover income from and value of environmental assets, services and by-products, expenditure on natural resources, licences/permits to operate, capital investment in anti-pollution equipment, payment of green taxes and court fines, and any provisions made for contingent liabilities such as remediation of contaminated land.

Environmental reporting

Directors of companies should be required to report on how they have assessed and managed environmental risks and describe their environmental performance in their statutory Annual Report and audited Accounts. This is to enable shareholders, stakeholders, investors, employees, customers, and the general public to be assured that environmental risks have been properly managed and reduced.

The Annual Report and audited Accounts should also disclose whether the Company or any of its Directors has ever been previously prosecuted for any environmental or wildlife offence that resulted in enforcement action, prosecution, a fine, or other punishments including disqualification or imprisonment. This is to enable shareholders and stakeholders to assess if they are competent to run the company.

Both financial and non-financial environmental performance statements should be audited and verified to recognised accounting, reporting and auditing standards, and their audited Annual Report and Accounts lodged at Companies House and placed on an Internet web site. In this way they will be available to the Government, shareholders, stakeholders, and the general public to assess the company environmental performance alongside its economic and social performance.

Companies in the FTSE All Share Index should also voluntarily produce a more detailed Environmental Report for their stakeholders and shareholders, and operate site reports for local communities on businesses with high environmental impacts. They should be prepared to agree standards and be audited and verified.

Implementation

The Agency is seeking to apply these principles to its own corporate governance, to those companies it regulates, and companies in which its Pension Fund Managers invest. Our Pension Fund Managers will vote against the approval of Annual Report and Accounts at the AGM's of UK companies that do not comply.

For further information on corporate environmental governance please contact

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