

# **THE ENVIRONMENTAL DIMENSION IN THE ORGANISATIONAL SUSTAINABILITY**

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## **Abstract**

The concept of Sustainable Development in organisational context implies the integration of environmental and social concerns in company's business operations. The main purpose of this work was to analyse published Sustainability Reports to evaluate the importance of the environmental dimension on the global sustainability strategy of Portuguese organisations. As main conclusions, the environmental dimension was found to be relevant in the management of Organisational Sustainability, although efforts must be taken to further stimulate organisations in guiding their strategic development towards Sustainability.

# 1. INTRODUCTION

The European Commission has published, on July 2001, a Green Paper entitled *Promoting a European Framework for Corporate Social Responsibility*, where Corporate Social Responsibility is defined as “(...) a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (European Commission, 2001, p.8).

There is a close association between Corporate Social Responsibility and Sustainable Development since organisations must integrate, in their operations, concerns relating their environmental, social and economic impacts (European Commission, 2002).

Communication regarding Sustainable Development is an excellent way for companies to openly promote their values, mission, principles and performance, which contributes to the building of a trusty relationship between the company and its stakeholders (WBCSD - World Business Council for Sustainable Development, 2002). The publication of Sustainability Reports is a means to provide communication to the stakeholders regarding the company's socially responsible behaviour (KPMG, 2007). According to the Global Reporting Initiative (GRI), “Sustainability reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organisational performance towards the goal of Sustainable Development” (GRI, 2006, p. 3).

According to the website of CorporateRegister.com, the number of organisations publishing information concerning Sustainability has increased from a little over 20 cases in 1992 to more than 2200 cases in 2006 (Home Page of CorporateRegister.com). This suggests that organisations are increasingly concerned in guiding their development according to Sustainability principles, as well as in disclosing themselves to the community, publishing information on their behaviour and performance.

In spite of the increasing interest in reporting information regarding companies' sustainability practices, a more enlarged agreement is required on the type of information to disclose, the content of the reports, the indicators to use and the reliability of the evaluation and auditing procedures. These are fundamental factors to

enable the measurement and comparison of practices from organisations differing in size, activity sector and location. GRI developed global guidelines for Sustainability Reporting, which came as a basis for the desired consensus. The mission of GRI is to satisfy the needs of communicating sustainability in a clear and transparent way, offering a reliable structure that may be used by all kinds of organisations (European Commission, 2002; GRI, 2006; WBCSD, 2002).

The guidelines developed by GRI establish a set of Environmental Indicators on the company's performance regarding consumptions (materials, energy and water), production (emissions, effluents and waste), biodiversity, legal compliance and other relevant information like the environmental impact of products and services. According to the GRI guidelines, Sustainability Reports should contain a short description on the following environmental aspects: materials, energy, water, biodiversity, emissions, effluents and waste, products and services, legal compliance, transport and overall issues.

In order to improve the credibility of their reports, an increasing number of companies request an independent body to verify the information published. Nevertheless, there is no standardised or generically accepted approach for this process. Companies have to make a cost/benefit analysis for this independent verification: although favouring credibility, it will possibly arise in considerable additional costs. GRI guidelines provide some global orientation on this subject, and AccountAbility has created the AA1000 standard series on report verification, where more specific guidelines are given (WBCSD, 2002).

WBCSD was created in 1992 and consists on a global association formed by over 190 companies from more than 35 countries dealing exclusively with business and Sustainable Development. The mission of this council is to provide business leadership as a catalyst for change towards Sustainable Development (Home Page of WBCSD). In Portugal, in October 2001, three important Portuguese companies (Sonae, Soporcel and Cimpor) created the Business Council for Sustainable Development (BCSD), a regional member of WBCSD (Home Page of BCSD).

The number of Portuguese companies publishing information regarding sustainability has significantly

increased in the last few years. As an example, 19 Sustainability Reports of Portuguese organisations relating to the year 2005 are published up to the present date in the website of BCSD.

On the scope of the subjects exposed, the purpose of the present work is to analyse the communication practices regarding Sustainability of Portuguese companies and to evaluate the role played by the environmental dimension on their Sustainability Strategy. The study consisted in the analysis of Sustainability Reports related to the year 2005 and published in the website of BCSD up to the date of the 30<sup>th</sup> October 2006.

## 2. ANALYSIS OF SUSTAINABILITY REPORTS

The sample of this study consisted of 13 Portuguese companies from a broad scope of activity sectors, as is shown in Table 1.

**Table 1.** Sample of the study

Company	Activity Sector
Águas do Cavado S.A. (Águas do Cavado, 2005)	Water supply
Águas do Douro e Paiva S.A. (Águas do Douro e Paiva, 2006)	Water supply
Amorim Imobiliária (Amorim Imobiliária, 2006)	Construction
Banco Espírito Santo – BES (Banco Espírito Santo, 2006)	Banks
Brisa Auto-Estradas de Portugal (Brisa, 2006)	Highways
EDP – Energias de Portugal S.A. (EDP, 2006)	Energy
Lipor (Lipor, 2006)	Waste Management
Millennium bcp (Millennium bcp, 2006)	Banks
Grupo Portugal Telecom – PT (Portugal Telecom, 2006)	Communications
Rede Eléctrica Nacional S.A. – REN (Rede Eléctrica Nacional S.A., 2006)	Energy
Santander Totta (Santander Totta, 2006)	Banks
Unicer – Bebidas de Portugal, SGPS, S.A. (Unicer – Bebidas de Portugal, SGPS, S.A., 2006)	Industry
Valorsul (Valorsul, 2006)	Waste Management

It is important to point out that the reduced size of the sample strongly conditioned the obtained conclusions. This is particularly relevant in the results obtained regarding activity sectors, since half of the activity sectors considered here are only represented by one company.

Analysing Table 1 it can be verified that the Banks are the activity sector most represented in this sample, fact that might be explained considering the international presence of this type of companies, resulting in greater exposure and demands from stakeholders. Nevertheless, there are other activity sectors well represented in the sample of this study which work exclusively in national markets: Water Supply and Waste Treatment. This indicates that the degree of internationalisation of a company is not a fundamental factor in the establishment of communication practices.

It was verified that 54% of the companies analysed were publishing their 2<sup>nd</sup> Sustainability Report, indicating a trend for the continuity of the communication process. Nevertheless the publication practices in Portugal are still scarce and recent, since only 8% of the companies in this sample were publishing their 3<sup>rd</sup> report.

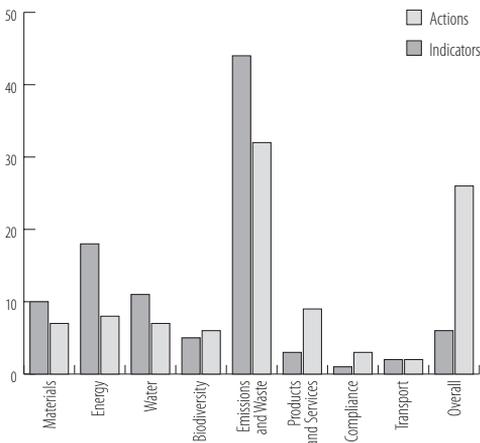
As for the elaboration of the report, it was verified that 92% of the companies in this sample followed GRI guidelines, revealing a high acceptability level of this instrument for elaborating Sustainability Reports. However, companies do not strictly follow these guidelines since they do not comply with all its requirements. As an example, the external verification of the reports, which is a recommendation of the GRI guidelines, was only performed in 54% of the cases analysed in this study.

It was also verified that the majority of the companies under analysis have a certified management system: 77% have an ISO 9001 certificate (quality management); 62% have an ISO 14001 certificate (environmental management) and 54% have an OHSAS 18001 certificate (occupational health and safety management). As a conclusion of these data, although the environment and occupational health and safety are an increasing concern of organisations, quality management seems to still be the priority.

To evaluate the importance of the environmental dimension on Sustainability Reports, the main actions and indicators regarding environmental performance described in the reports were identified. Aiming a better organisation of the collected data and a possible comparison of the results obtained, the actions and indicators identified were classified in the categories of environmental aspects described in GRI guidelines and referred above.

Figure 1 shows the distribution of the environmental actions and indicators identified in the reports under study in the different GRI environmental aspects. It is possible to verify that the environmental aspect most represented is “effluents and waste”.

**FIGURE 1 - ENVIRONMENTAL ACTIONS AND INDICATORS REFERRED IN THE REPORTS BY ENVIRONMENTAL ASPECT.**



It was verified that, in the sample under analysis, more than 50% of either the environmental actions or the indicators described under the category of Emissions, Effluents and Waste were related with waste management. A possible explanation for this fact is the large amount of legal requirements related to this issue in Portugal, when compared to other environmental aspects.

Analysing Figure 1 it is possible to see that the environmental aspects “materials,” “energy” and “water” have also a relevant role in the sustainability practices reported by the companies representing the present study. Most of the actions defined under these categories were directed to the reduction of resource consumption, which conducts to cost reductions for the organisation.

Regarding the environmental aspect “products and services”, in spite of the reduced fraction of actions and indicators identified, it should be acknowledged the example of Lipor in the development of several projects for the environmental education of the community regarding the company’s activities on waste management.

In the “overall issues” category a large number of actions were identified, mainly related with environmental noise control, environmental education projects, development of partnerships with environmental goals, and environmental awareness of suppliers.

### 3. DISCUSSION OF RESULTS

The relevance of Pollution Prevention practices on the sustainability strategy of Portuguese organisations was evaluated from the information collected in the Sustainability Reports analysis.

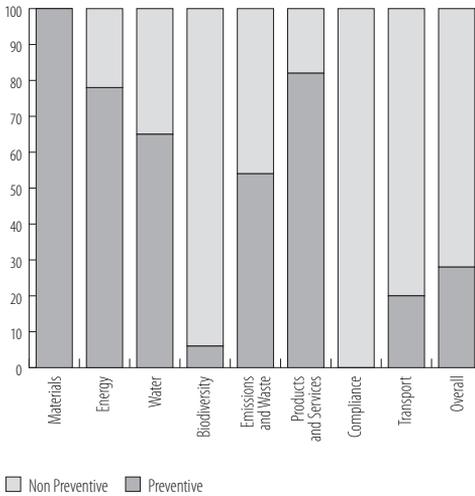
According to United States of America *Environmental Protection Agency* (cit in Bishop 2000, p. 11), a possible definition of Pollution Prevention is:

“The use of materials, processes, or practices that reduce or eliminate the creation of pollutants or wastes at the source. It includes practices that reduce the use of hazardous materials, energy, water or other resources and practices that protect natural resources through conservation or more efficient use.”

The environmental actions described in the Sustainability Reports analysed were classified as “preventive” or “non-preventive” actions, according to the definition given above. All actions concerning waste segregation with the aim of recycling were considered “preventive” in the scope of the given definition, since they will result in the protection of natural resources. Similarly, all actions promoting improvements in the environmental performance of others (environmental education or awareness) were considered “preventive”.

Figure 2 shows the distribution of “preventive” and “non-preventive” actions in the different categories of environmental aspects considered in this study.

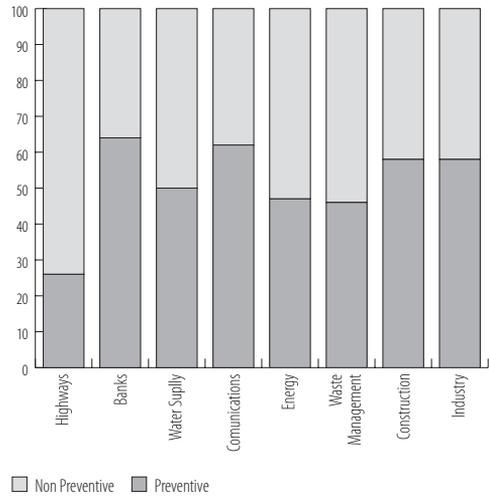
**FIGURE 2 - "PREVENTIVE" AND "NON-PREVENTIVE" ACTIONS BY ENVIRONMENTAL ASPECT**



The significant predominance of "preventive" actions in the aspects "materials", "energy" and "water" shows that the organisations under study are aware of the importance of the correct management of these aspects in cost reduction benefits. On the other hand, the environmental aspect "legal compliance" has, in this study, a 100% "non-preventive" actions: all actions classified under this aspect had monitoring purposes. It is also relevant to note that the environmental aspect "emissions and waste" has a similar distribution of the "preventive" and "non-preventive" actions identified in this study. This indicates that the efforts to reduce environmental impacts caused by the generation of waste or emissions focus both preventive approaches (waste recycling, for example) as well as pollution control activities (emission monitoring, for example).

Figure 3 shows the distribution of "preventive" and "non-preventive" actions in the different activity sectors represented in this study. It was verified that the environmental actions are fairly equally distributed by the preventive and the non-preventive categories in almost all the activity sectors under analysis, with the exception of the Highways where it was registered, in the sample of this study, a predominance of "non-preventive" actions.

**FIGURE 3 - "PREVENTIVE" AND "NON-PREVENTIVE" ACTIONS BY ACTIVITY SECTOR**



## 4. CONCLUSIONS

There is an increasing number of companies choosing to publish information regarding their contribution to Sustainable Development through Sustainability Reports. These reports have the purpose of describing, in a sensed and balanced way, the organisation's impacts at the environmental, social and economic levels.

The growing interest of organisations in the publication of these reports is due not only to the society's increasing awareness on this subject, but also to regulatory pressures. Nevertheless, the practice of publishing information regarding sustainability is still scarce in Portugal when compared with other countries. In spite of this fact, it is possible to find Sustainability Reports of Portuguese companies from different activity sectors. The degree of internationalization of the companies does not seem to condition these publication practices.

GRI guidelines on Sustainability Reporting are generally followed by the organisations publishing this type of information. The great majority of the organisations analysed in this study based their Sustainability Reports on GRI guidelines, but not all of them accomplished the totality of the guidelines' requirements. The verification of the published reports is an example of a requirement not very often fulfilled.

Analysing the environmental dimension described in the Sustainability Reports of the Portuguese companies under study, it was verified that the environmental aspect presenting the larger number of actions and indicators was “emissions and waste”, where the majority of the actions identified were related to waste management.

As for the importance given to preventive approaches in the environmental actions described in the reports analysed, it was verified that the distribution of “preventive” and “non-preventive” actions was dependent on the environmental aspects’ category. For aspects like “materials”, “energy” and “water”, a majority of “preventive” actions was identified, suggesting that the companies are aware of the economic importance of the correct management of these aspects. As for the different activity sectors analysed in this study, no significant differences were found in the distribution of “preventive” and “non-preventive” actions in the company’s sustainability strategy.

As the main conclusion of this study, the results suggest that the environmental dimension is relevant in the organisations’ sustainability management, since it was associated with a large number of actions implemented in the companies under analysis. Nevertheless, it is very important to continue to inspire and encourage companies, so that the importance given to the different dimensions of Sustainability continues to increase.

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