

## INSTRUMENTS FOR THE SUSTAINABLE DEVELOPMENT OF COMPANIES: ENVIRONMENTAL AGREEMENTS

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### SUMMARY

The promotion of a sustainable development as well as the principle of prevention and reduction of contamination at source demands and requires that the companies involved adopt appropriate environmental policies and management systems. Public Administrations should encourage the environmental participation of companies in these objectives by means of the adoption and of a commitment to continuous improvement of their performance. The environmental agreement is the framework used to define voluntary agreements between the Administration and the companies in order to plan better environmental performance. In the Autonomous Community of Galicia, northwest of Spain, the Decree 295/2000 has regulated this framework. It sets the guidelines for the companies to conform to environmental regulations and also encourages strategies of a local or regional nature as an instrument towards the ironing out possible conflicts between environmental and industrial values.

### 1 INTRODUCTION

Any company in its normal everyday operation can generate an impact on its surrounding environment. Such impacts are transmitted in the form of discomfort, loss of resources or contamination of the environment.

The company can undertake the reduction of the damage to the environment from two different perspectives. One is from that of development and the application of the appropriate legislation: this perspective is known as “command and control” and imposes standard limits and obligations for all companies, and so its efficiency is limited: economically, because a certain point is reached where the environmental improvement obtained has a social marginal cost superior to the social benefit.

The other perspective springs from the company’s firm belief that protection of the environment it is not just a legal obliga-

tion but also a profitable economic strategy, which generates savings, gives access to important market quotas and improves the social image of the company. If the environmental policy is part of the general policy of the company which considers environmental protection as a business strategy, then higher levels of commitment would ensue, contributing progressively to the protection of the environment through the use of good environmental practices.

In fact, the sustainable company is that which adopts the latter perspective, because it not only helps itself but also the environment in terms of social welfare.

Therefore, this concept of sustainable development is the foundation on which all company initiatives should be developed. It enables any project to be carried out in a manner compatible with the protection and conservation of the environment and consists of three areas: economic, social and environmental. The application of the concept of sustainable develop-

ment is closely linked to management methods, which define, for better or worse, the present and future relationship between a company and the environment. To foster this relationship, companies should be increasingly aware of the concept of Corporate Social Responsibility.

## **2 CORPORATE SOCIAL RESPONSIBILITY**

The aim of Corporate Social Responsibility (CSR) is to generate strategies by which profit may be obtained in a sustainable manner. The introduction of CSR criteria into business management is based on three principles: regulation of policies and management systems in the economic, social and environmental areas; clear, transparent information on achieved results; and the external scrutiny of the obtained results. As such, it represents a new model of business operation and aims to guarantee sustainable growth, a concept which is inherent to business success.

A company with social responsibility is conscious of its need to invest in the community, because if this then thrives, the consumer market would generate more profit.

Consumer perception of the best companies usually includes a factor of social responsibility, which benefits the company in terms of:

- Identification with the community
- Strengthening of image
- Greater faith in the trademark
- Marks a difference with competitors
- Increases client loyalty
- Enjoys a more favourable attitude from consumers and communication media

Therefore, by incorporating Corporate Social Responsibility in the companies strategic and management model, the confidence of its clients can increase, it helps optimize company management and improves stock-market performance. Careful monitoring and analysis of these CSR strategies allow us to adapt them to the real

scenario.

Given the advantages taking on CSR as a management model for the company, we have search for the means to apply it in an organized manner. In achieving this aim the Environmental Agreement has turned out to be a very potent tool indeed.

Public administration should encourage companies to participate by means of adopting commitments aimed at the continuous improvement of their performance. To this end, the Consellería de Medio Ambiente of the Xunta de Galicia regulated the environmental agreement with a Decree passed in December 2000.

The aim of such environmental agreements is to promote voluntary agreements between companies and the administration, in a way that establishes preventative and correctional measures, particularly in situations with conflictive environmental scenarios, technological innovation in production, contamination elimination systems and, in general, the continuous improvement of their performance.

## **3 IMPLEMENTING AN ENVIRONMENTAL AGREEMENT IN GALICIA**

The environmental agreement allows us to establish guidelines for companies to adapt to environmental legislation, and also promote local or regional strategies and environmental actions as means to iron out possible conflicts between environmental and industrial values, thus permitting economically viable solutions.

Also, the principle of prevention and reduction of contamination in its origin coupled with the promotion of sustainable development, demands that companies adopt an adequate environmental policy. This leads to the implementation of environmental management systems, or, in other words, it gets a commitment from the company to improve its performance in a reasonable and continuous manner. For this reason, those companies signatory to an environmental agreement with the administration of the Autonomous Commu-

nity of Galicia, will have to implement the European Environmental and Audit Management System (EMAS) in those production centres binding to the agreement.

The implementation of EMAS in an installation involves the selection of environmental indicators, their measurement and publication in order to describe each of its environmental impacts. The measure of the chosen indicators is the fundamental first step for the implementation of a series of best available techniques and good environmental practices, as well as for the assessment of their effectiveness. These indicators can also be used by companies to write environmental reports on sustainability in accordance with the model of the Global Reporting Initiative (GRI), often used by CSR.

EMAS is a guarantee of continuous improvement in the environmental performance of the installation and establishes a periodicity of environmental obligations, which means that up and running companies must comply with the technical requisites according to current legislation. Also, it is a guarantee of environmental responsibility and environmental protection. The implementation of a management system of this kind implies an improvement in the production process, because, for example, the decrease in the generated waste is often associated with a conversion of part of the waste into by-products which can be partly re-introduced into the production process. This also gives important economic savings, because both the efficiency and productivity of the installation are increased.

Signing an environmental agreement involves a commitment on the part of the company to carry out a series of specific projects within a limited period of time. The regularisation and development of this agreement never should lead to a continuing harm or damage to the environment.

Compliance with acquired commitments is supervised by mixed commissions of personnel from the company and the Administration. These commissions control and monitor the environmental agreement and can modify the scope or the lifetime of

any projects pertaining to that agreement.

The economic viability of the projects is fundamental. For this reason the signing of an environmental agreement will benefit a company in the economic and fiscal measures which might be established by the Administration to encourage environmental prevention and promotion of the best available techniques.

#### 4 CONCLUSION

To this end, the Central Government of Spain promulgated in 1997 the first Royal Decree to regulate the issue of a certificate to validate the investment in environmental protection. The Galician Administration passed a Resolution in 2002 to decide the documentation required to obtain this certificate. This represents an incentive for the companies because it allows them to deduct a 10% of the total amount invested in equipment intended to protect the environment in their installations.

The Royal Decree 1777/2004, 30 July, Regulation of corporative tax, states in its article 38 the necessary requisites for such a deduction. These are the following:

- The investment should lead to compliance with environmental legislation on emissions to air and to water as well as to production, recovery and treatment of industrial waste and to the improvement of the legislation demands.
- The investment should be carried out under plans, programs or agreements passed or signed by the appropriate environmental administration

Therefore, the correct development of an Environmental Agreement between the company and the Administration guarantees compliance with the requisites for issuing the validation certificate for investment to protect the environment. Apart from being a useful tool in environmental management, the environmental agreement has turned out to be a key factor in the economic management of a company, simply because it defines the economic planning

of investments as well as facilitating the means to get money to finance investments.

All things considered, we can conclude that the signing of an environmental agreement encompasses all the pillars on which the CSR is based: it formulates company policy and plans long-term investment and facilitates its finance. It imposes the implementation of an environmental management system (EMAS) which eases company management, increases the transparency of information by means of

the environmental declaration and guarantees external scrutiny of the results obtained because that declaration has been validated by an environmental verifier and revised administrative personnel.

For these reasons, environmental agreements serve as a big umbrella under which the financial, social and environmental management of the company can develop in a coordinated way and proves itself to be an excellent instrument to enable sustainable enterprise development.