

Sustainability & Environmental Assessment For Auditing: Environmental Reporting of Companies

Advanced Auditing & Certification Procedures

Environment & Energy BSc

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Introduction

An audit is a procedure used to inspect the impact and use of a product or service. As climate targets and goals are set, the importance of meeting them and designing better ways to do so becomes increasingly greater. Audits and environmental assessment techniques have the potential to strongly shape commercial and general practice, in such a way, as to bring industry demands into more sustainable, environmentally symbiotic focus. This report explores sustainability in companies, environmental reporting of companies as well as a brief inspection of this reporting, using Beiersdorf AG and Air Liquide as the companies of interest.

Materials & Method

This report was organized around two workshop activities examining 2 companies.

Activity 1

Using literature from Statista (2021), companies' view of sustainability and what is important to sustainability was examined, taking into consideration the perspectives of consumers and companies. Next, the acronym "TBL" was explained. Afterward, pivotal issues which form part of environmental reporting by companies were assessed, using literature from Castello (2013) and the company Beiersdorf AG as an example for comparison. Finally, credibility of environmental reporting from Beiersdorf AG was assessed. Information for its attitude towards efficiency, consistency or sufficiency strategies were researched, and the plausibility of the claims were examined.

Activity 2

Air Liquide's indicators for sustainability were identified and linked to impact categories using literature resources from Johnson (2012). Afterward, the indicators were examined based on how quantitative they were.

Activity 3

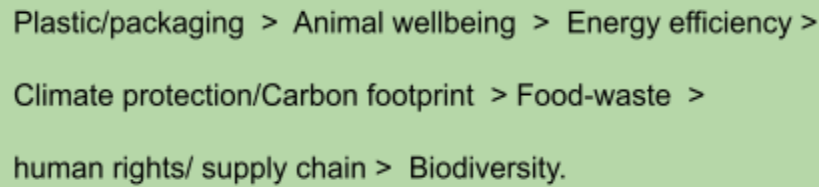
The question, "Can auditing be a tool to implement sustainability in companies," was discussed.

Results and Discussion

Activity 1

Different companies with different business models have different approaches to sustainability. How each company prioritizes current sustainability issues compared to the consumers can also vary. Two great perspectives to consider when examining company sustainability are the customer's view and company's view.

Company Perspective: When asked about important current issues in sustainability in the food and retail sector, participants had different consistencies of responses:



Plastic/packaging > Animal wellbeing > Energy efficiency >
Climate protection/Carbon footprint > Food-waste >
human rights/ supply chain > Biodiversity.

Fig.1 Priority of response to sustainability issues, adapted from Statista (2021)

In figure 1, all parameters are relevant in the companies' conception of sustainability. What stratifies the results is the consistency with which they are prioritized. Therefore, "plastic/packaging" was rated greatest.

Likewise, in the automobile industry, recycling and a high degree of reusability of components are important to the majority of companies. Also important are end-user incentives, encouraging the exchange or return of end-of-life products for recycling and reuse, developing new models to encourage customer participation in sustainability, priority assortment in procurement to reused and/or recycled components and developing products that last longer and are easy to recycle.

When it comes to the mechanical engineering industry, most companies prioritize digitalization of business departments, Marketing and sales, increasing cyber security, followed by increasing sustainability in the business. Between the years 2019 and 2020 the rating of development of sustainability rose from 34% to 40%, the steepest percentage-parameter change in the survey between the two years.

When asked about considerations towards environmental friendliness when planning business trips, companies in Germany have shown a general increase in the positivity of response. That means, more companies in 2020 compared to the previous years considered environmentally-friendly routes and travel prospects when planning business trips.

Customer Perspective: When it came to consumer perspectives, the following points were rated highest, in ascending order:

- Environmentally friendly packaging (e.g. recyclable, avoidance of plastic)
- Animal welfare
- Fair trade and production (e.g. fair wages, no child labour)
- Regionality (e.g. avoidance of long shipping routes)
- No use of environmentally harmful raw materials (e.g. palm oil)
- Conscious consumption
- CO₂ avoidance
- Use of renewable raw materials
- Resource-saving production (e.g. water consumption)
- Seasonality
- Eco-classification (e.g. organic/Demeter)

Approximately 8% of the participants thought none of the above parameters were important. Overall, the consumer perspective is more concerned with the environmental/ ecological aspects of sustainability which carries undertones of reductionism, minimalism, and preventionism compared to the companies' perspective which forms its view of sustainability through the process of bettering and improving customer relations, that is, how best to preserve the business model with adapting social needs for their customers and staff, even though the business perspective of sustainability is generally broader.

According to Elkington (1997), TBL is an acronym for Triple Bottom Line. It is a measurement of social, environmental and financial performance of a company over time. A TBL makes an assessment using issues and indicators to conceptualize the wide range of potential issues, range of risks relevant to a specific bottom line. In addition to meeting contemporary financial bottom lines, firms should also consider people (social parameter) and planet (environmental parameter) in the performance targets and reports. In the social bottom line, the "social capital" is considered. That is, the human resources and the settings needed to be developed to promote health, safety and wellbeing of the people in relationship to the company. The environmental bottom line gauges the toll to "natural capital." The financial bottom line looks at a firm's financial performance over time (Elkington, 1997).

According to Castello (2013), issues forming part of companies' environmental reporting are:

- Impact of biodiversity.
- Environmental management system.
- Consumption of water, energy, raw material/natural resources and soil use.
- Emissions (air, ground, water, odor, noise and wastes).

Companies can go on to disclose such data quantitatively or qualitatively. Moreover, a greater importance on CSR development and evaluation of companies' environmental reporting is developing. Integrated reporting is the next step in standardizing the validity and efficacy of environmental reporting by companies. Additionally, contemporary bodies setting guidelines and frameworks for environmental reporting are the Global Reporting Initiative (GRI) and the United Nations Global Compact and Global Reporting Initiative (UNGC) (Castello, 2013).

Sustainability Reporting of Beiersdorf AG

Beiersdorf AG has three primary elements in their sustainability reporting:

1. Consumer : health and wellbeing.
2. Society : inclusivity, employees along the entire value chain.
3. Environment : Regenerative water environments, sustainable land use, fully circular resources and a climate positive future.

Beiersdorf AG goes on to relate each goal to reciprocal SDGs. Table 1 below goes on to describe the sustainable development targets in the environmental report of Beiersdorf AG.

Table 1: Quantitative and Qualitative Sustainable Development Targets of Beiersdorf AG (data adapted from 2020 Sustainability Report of Beiersdorf AG).

Element	Target
Environment	<ul style="list-style-type: none"> - 30% absolute reduction in scope 1,2 &3 greenhouse gas emissions by 2025 (base year 2018) - Climate neutral production sites by 2030. - Replace fossil carbon with renewable carbon -50% less fossil-based virgin plastic in production - 30% recycled material - 100% refillable, reusable and recyclable packaging. - 25% reduction of water consumption per manufactured product by 2025
Consumer	-100% transparency to consumers
Society	<ul style="list-style-type: none"> - Disinfectants Donation -Worldwide Product Donations - Matching Employee donations - Location COVID-19 emergency aid - Empowering girls campaign

When compared, the sustainability report of Beiersdorf AG follows GRI guidelines for reporting. The format is clear, mostly quantitative and appears reputable.

The quality of information reported by Beiersdorf AG is rated by several organizations, with specific technical focuses, in areas of environment and social concern. Many of these ratings bodies are affiliated to boost the investment potential and PR of the company, but also aid in publicly supporting the reporting of Beiersdorf AG. The Carbon Disclosure Project (CDP), Financial Times Stock Exchange (FTSE Russell), Institutional Shareholder Service group (ISS ESG) and Morgan Stanley Capital International (MSCI).

When analysing sustainability in companies, there are 3 main strategies. Beiersdorf AG has examples for these strategies:

1. Efficiency: Beiersdorf AG aims to consume 25% less water per manufactured product.
2. Consistency: 50% less fossil based plastic in production and increased use of recyclable products.
3. Sufficiency: The company has limited sustainability strategies which highlight a sufficiency strategy. At best its efforts at attempts for a system of circular resources may contribute and targets for 100% refillable, reusable or recyclable packaging may qualify.

When it comes to plausibility of the information presented by Beiersdorf AG, the targets set are predominantly quantitative, and reinforced by deadline year-dates. The company also follows GRI environmental reporting guidelines, and have been consistently approved sustainability reviews each year for the last nine years. Having a consistent and standardized approach to sustainability is a good sign. Such a long track record with official bodies such as GRI as mentioned by Castello (2013) as well as a placing 12th in the of 20 most sustainable companies in Germany according to ESG criteria and 8th in the top 20 most sustainable companies in Germany in the Economic sector (Statista 2021) also adds to the plausibility of the reporting by Beiersdorf.

Activity 2

Air Liquide is a prominent player in the gases, technologies and services for industry and health. The company is present in 78 different countries around the world with over 3 million customers according to the official company profile page (Air Liquide, 2021).

Table 2 lists the sustainability indicators to their impact categories using literature from Johnson (2012). Afterward a comparison of the reporting by Air Liquide and the literature from Johnson (2012) is done.

Table 2: Sustainability Indicators and Their Related Impact Categories of Air Liquide (data adapted from Johnson (2012)).

Indicator	Impact	Comments
Goal of zero accidents. Indicators of accidents and accident frequency.	Social: reduction of work/production accidents as much as possible.	-0% group R&D devoted to energy efficiency, new energy and cleaner production. Target for new patents -Fuel cells and hydrogen-power for automobiles.
At group level, nine indicators of energy and water consumed, GHGs emitted. Targets to raise energy efficiency.	Climate Change and Water Consumption. Toxicity release	Individual indicators not listed. No numbers published; no accountability in action toward indicators.
Other emission and consumption indicators for specific processes and transport.	Climate Change Acidification (from emission of transport fumes; SO ₂ and NO _x).	Very vague, qualitative indications.
19 indicators of employee “sustainability”.	Social impact	Vague.

Goals to raise hiring of women, training, and performance reviews	Social impact; gender equality.	
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Sustainability Report of Air Liquide

There are 3 primary components of of Air Liquide's sustainability reporting:

1. Abatement of CO₂ emissions
2. Care for patients
3. Employee relations

Table 3 summarizes the reporting of Air Liquide on its sustainability targets. Other relevant information pertaining to its environmental and social projects and ambitions are also noted.

Table 3: Sustainability Targets of Air Liquide (Data adapted from Sustainability Report of Air Liquide (2021)).

Sustainability Parameter	Targets	Other Related Environmental & Social Points
Environment	33% reduction in carbon emissions by 2035 Carbon neutrality by 2050 Development of hydrogen (alternative fuel) technologies.	-60% group R&D devoted to energy efficiency, new energy and cleaner production. -Hydrogen fuel cell development -ISO 14001 system -Sponsors environmental actions.
Social - Employee	- Zero accident mobition - 35% female managers by 2025 - 100% employee care coverage (life insurance, health coverage and new maternity leave policy)	Sponsors healthcare and education
Social- Customer/Society	- Facilitating access to medical oxygen campaigns - build a better in-class governance	

After comparing the publication from Johnson (2012) with the later environmental report from Air Liquide (2021), it would appear as if the company became slightly more serious towards its environmental and sustainability reporting, and more serious in managing its TBL. The indicators put forward in Johnson (2012) are not verifiable, substantial and are at best vaguely qualitative. Their attitude toward sustainability and sustainability reporting including all relevant bottom lines (especially the environmental bottom line) can be deduced to be daft and unserious. Furthermore, according to Johnson (2012), the sustainable development targets and indicators are not benchmarked to GRI, but uses many of its indicators. One could argue they attempted to copy the standard without any real intention of quantifiably upholding it.

However since the publication of Johnson (2012), Air Liquide has added an environmental indicator (Climate change mitigation in the abatement of CO₂ emissions) to list of zero accidents to compliment their ISO 14001. The company appears more dedicated in the scope of issues they pose such as, safety, environmental management, development of employee conditions and hydrogen technology development.

Overall, the new indicators given for environmental and social (employee) parameters are quantitative. They give both numerical percentages and timeframes for completion. Compared to the quality of their publications in Johnson (2012), Air Liquide has improved a great deal in sustainability reporting, with greater potential and direction for sustainable action.

Activity 3 | Auditing as a Tool for Implementing Sustainability in Companies |

Auditing can be a powerful tool for systematically organizing not only the attitudes but also the actions companies take, and can take towards developing more sustainable practices, and more holistic business model integration. Contemporary models consider mostly financial bottom lines; audits have the ability to develop this model to include environmental and social parameters, to create a more comprehensive understanding on the relationship between the company and the environment (Elkington, 1997).

Auditing and environment reporting also offers a greater deal of accountability. Stakeholders and the greater society can use this accountability to rate the attitude of the company towards issues of sustainability. In this way the cost of exploiting “natural capital” not traditionally covered in accounting, can be recorded. This represents a positive step on the way to sustainability in companies (Fortes, 2001).

In earlier periods, sustainability reporting from auditing was viewed more as an inconsequential step towards business development, but today there’s a growing awareness and demand for sustainability in business practices. Society values consistent sustainability strategies, in line with a carbon free economy. So much so, increasing numbers of stock market corporations have obtained Environmental, Social and Governmental (ESG) labels within the last 5 years at a tremendous rate, based primarily on stakeholder demand and pressure (Marotta et al, 2021).

The downsides of auditing as a tool to implement sustainability in companies are:

- Environmental obligations are complex and long term; sustainable use of natural resources encompasses present use without compromising the needs of future generations. This exactly can be difficult to factor in.
- Can be expensive and time consuming.
- The resulting sustainability is contingent on the attitude and competence of the auditee.
- In the earlier stages, environmental reporting was even more unstandardized and ineffective, due company bias.

The up-sides of auditing as a tool to implement sustainability in companies are:

- Systematic approach to developing holistic business habits.
- Inclusivity of social and environmental bottom lines to financial bottom bottom, and developing the method of integrating them.
- Accountability of “natural capital.”
- Greater public appreciation for more sustainably integrated companies.

Conclusion

In summary, the environmental reporting of Air Liquide and Beiersdorf were assessed and explored. Both the companies have developing approaches to sustainability, with various idiosyncratic measurements of, and processes to achieve this sustainability. Standardized reporting of companies is also the most developed solution to companies achieving greater lengths of sustainability. The more precise and quantitative the reporting, the greater the potential for sustainable development, and the aspirations of the company are more substantiated.

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