

Eurosif / "Le Monde" indicators for environmental and social performance of international companies

## Companies must improve waste management

How do you get rid of it? The question of industrial waste took a dramatic turn with the massive intoxication of residents in Abidjan (Ivory Coast), at the end of August, due to materials unloaded from a ship that had already been refused in European ports. Things however will be looking up on October 9<sup>th</sup> during the 2<sup>nd</sup> national week of waste reduction when French mass distribution companies will try to promote products that create less waste. Companies are under regulatory pressure and worry more and more about how to better manage residual wastes in their sector.

The fourth in a series of "Eurosif/Le Monde indicators," published by "Le Monde Economie" in partnership with the European Social Investment Forum (Eurosif) and with the support of the European Commission provides an assessment of how 24 large companies, leaders in six industrial sectors chosen because of the large volume of waste produced, manage this problem. Rules and terms for waste management were set by a European Directive in 1975, and by sector related directives that followed: hazardous waste (1991), packaging (1994), dumping (1999), incineration (2000), end of life of vehicles (2000), electrical and electronic waste (2003). The idea of a new directive, to replace the one created in 1975, is currently a subject of hot debate. A first version provoked an outcry from ecological organisations, and even among certain members of the EU, while seeming to satisfy industrial lobbies who would like to create a more restrictive definition of the notion of "waste".

However, the European texts have set economic evaluation objectives and principles for companies, such as taking production costs into account. Even if these obligations do not have the same impacts for each sector, it is shocking to note that thirty years after the 1975 directive, the amount of waste produced by large companies is estimated by their recycling or combustion activities.

Certainly, performances can vary greatly from one company to another, and even within the same sector. Such is the case for the mass distribution

sector. However, Eric Duvaud, head of the environment and sustainable development department at Ernst & Young, cautions against such comparisons. Companies have trouble *"identifying all of the waste they produce which sometimes results in different interpretations of what exactly is or is not considered as waste, etc. This leads to the paradoxical situation where companies with good reporting can sometimes display less favourable performances than those with bad reporting, because they simply better identify the true volume of their waste"*.

Regulatory measures are a last resort to encourage companies to imagine more economic, or even profitable, systems to honour their obligations. Prorecyclage, an association that brings together various quantifying industrialists and companies, along with the Bureau of Information and Economic Forecasting (*Bureau d'informations et de prévisions économiques - BIPE*), created a report in 2004 calling for a realistic organisation of quantifying procedures, geographically as well as by sector, which would lead to significant savings for companies and better profitability for recycling activities. However, this is once again an empty dream since there is still much to be done in order to streamline calculation measures for companies in the same sector. For example, Renault developed a system less than two years ago and plans to be able to put it into place over the next ... ten years.

A.R.

### **PUBLIC DATA**

Information published in this table was collected and processed by the consulting firm Ernst & Young based on company documents available to the general public: annual reports, social balance sheets, "sustainable development" or "socially responsible" reports, web sites, etc. The companies listed above are the largest in their sector (based on 2004 sales figures from *Fortune*). However, nine companies were taken out of the original sample list due to a lack of published information: Alcan, Arcelor, Carrefour, McDonald's, Mittal Steel, PepsiCo, Pfizer, Sodexo and Target.

<b>Companies are getting used to recording waste</b>				
	Total waste production <sup>(1)</sup>	% of which are hazardous	Recorded <sup>(2)</sup>	% of waste Other treatments <sup>(3)</sup>
<b>Consumer goods</b>				
Nestlé (Sweden)	1 910 000	U	77	23
Unilever (UK)	188 400	4.41	79	21
Groupe Danone (France)	275 000	U	79	21
<b>Mass distribution</b>				
Metro AG (Germany )	363 501	U	89	11
Tesco (UK)	327 630	U	61	39
PPR (France)	607 696	0.23	5	95
<b>Pharmaceuticals</b>				
Johnson & Johnson (USA)	155 700	33.85	U	U
Glaxo SmithKline (UK)	356 000	U	80	20
Sanofi (France)	190 000	62.16	88	12
Novo Nordisk (Denmark)	21 855	57.89	40	60
<b>Electronics</b>				
Sony (Japan)	224 166	U	87	13
Philips (Netherlands)	150 000	U	72	28
Nokia (Finland)	26 605	U	U	U
Intel (USA)	60 782	29.85	68	32
Alcatel (France)	26 602	8.69	67	33
<b>Automobile</b>				
General Motors (USA)	4 090 000 <sup>(4)</sup>	2.44	65	36
DaimlerChrysler (Germany )	564 176	7.14	80	20
Toyota Motor (Japan)	759 000	U	100	0
Volkswagen (Germany )	479 368	17.83	56	44
Peugeot (France)	210 000 <sup>(5)</sup>	4.76	74	26
Renault (France)	270 000	7	81	19
<b>Steel &amp; Aluminium</b>				
Nippon Steel (Japan)	18 850 000	U	98	2
Norsk Hydro (Norway )	314 120	41.31	44	56
Alcoa (USA)	1 490 000	N.C.	74	26
(1) Solid waste (not including liquid or gas effluents)			(4) Including metal waste	
(2) Recycling and energy recovery			(5) Data on 23 industrial sites	
(3) Dumping, combustion, landfill burial, stabilisation				
U: Unknown				
<b>Source: Ernst &amp; Young, based on information published by companies</b>				

## Marc Cheverry: “Today there are economic reasons to sort waste and to recycle”

### Would you say that large companies today have reached an acceptable performance level in waste management?

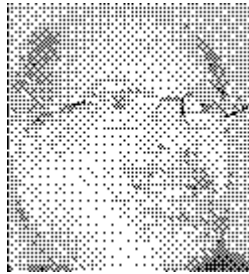
First, it's important to realise that the tonnage of waste produced by companies with more than ten employees, in France in 2004, was only 25 million tons (Mt). Whereas it reached 375 Mt for agricultural and silvicultural activities, 200 Mt for public works and extractive sectors, and 106 Mt for all other companies. At the Agency for the Environment and Energy Control, Ademe (*Agence de l'environnement et de la maîtrise de l'énergie*), we try to raise awareness among, in order of priority, small businesses, shop keepers and skilled tradesmen. For example, we analyse their waste and give them advice on how to set up management solutions. For an average of 100 companies with whom we have started the “10% waste” operation, half of them have reached their goal in one year, and they have increased profits from recycling by 20%.

However, the course of action taken by large companies is more important, as they are the ones who set the tone and help lift up the economy.

### What caused large companies to change their habits?

There are several combined factors, but the starting point was a long series of European directives. Before, the companies dealt with the situation by dumping a maximum of waste and burning the rest. The directives on storage and incineration changed this behaviour: the cost of dumping has increased from 10 to 20 euros per ton of non-hazardous waste fifteen years ago to 60 euros today! And hazardous waste can go up to 100 to 1 000 euros. However, all stored waste that contains a parcel of hazardous waste is considered to be dangerous! As for incinerators, they are similar to a filtering system, rather than a simple oven. Today there are economic reasons to sort waste and to recycle.

In addition to this regulatory pressure, and more unexpected, was the skyrocketing of energy prices, which made glass and plastic recycling, that have a high energy component, worthwhile. Also, the increased rates for all raw materials as well as the rise in prices for second hand material in the global market have made waste sorting profitable.



In the 1990s, sector-related directives (tires, end of life of vehicles, electrical and electronic waste, etc.) lay down the principle of “broader responsibility” for producers of a product, even once the product becomes waste. For example, when a battery recycling company recently went bankrupt the administrator made all the company's clients come and collect their waste products. This led companies to integrate waste treatment costs into their production costs. This of course requires a more complex management system, but this way companies started thinking about eco-design, or reducing the flow of materials and energy and concentrating on organising waste collection and recycling efforts – which are usually outsourced.

### Could upcoming regulatory changes modify company obligations and practices?

There shouldn't be any major policy modifications, but more of a reinforcing of requirements, and a larger segmentation of areas covered, which would create increased costs for industrialists. Companies must put technical solutions into place, which are currently rather costly; to treat specific waste, like for instance airbags, or waste from the mechanical industry or surface treatment. The major risk for companies is not an increase in regulation, but the risk that emerging countries capture a large part of the recycling market.

*Interview conducted by Antoine Reverchon*

#### **CV**

**2002** Marc Cheverry is department head of optimised waste management at the Agency for the Environment and Energy Control – Ademe (*Agence de l'environnement et de la maîtrise de l'énergie*).

**1998** He is department head of technical action for town waste at Ademe.

**1982** He is a waste management engineer for consumer goods at the National agency for recovery and elimination of waste, the forerunner of Ademe.