

How Does Your Environmental Information Strategy Stack Up?

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A strong environmental information strategy is a prerequisite for enterprises seeking to reduce environmental risks impacting their assets. Gaining clear visibility and the ability to analyze the environmental risks that impact your organization depends on maintaining a reliable flow of sufficient information to detect and mitigate the risks. Organizations with the most up-to-date and effective environmental information strategies implement the following best practices.

A broad view of risks

New accounting and disclosure rules in corporate governance represent the most striking reform affecting financial reporting in decades. Nevertheless, companies can benefit from the new requirements by looking beyond short-term compliance and adopting a broader view that encompasses waste vendor audits, internal facility audits, remediation, offsite risks, corporate responsibility, site selection, and mergers and acquisitions. This emerging trend of evaluating and monitoring the full range of environmental issues not only reduces risk, but also helps to build a better reputation with clients, shareholders and potential investors.

Organizing the effort

Today's growing emphasis on environmental risk management means that companies need to be proactive in strategies including data collection and reporting. Whatever the task, the foundation of successful environmental risk management begins with thorough research and organizing the effort across multiple corporate departments. Daniel Esty, Hillhouse Professor of Environmental Law and Policy at Yale University and author of the book *Green to Gold: How Smart Companies Use Environmental Strategy to Innovate, Create Value and Build Competitive Advantage* (New Haven: Yale University Press, 2006), says that for a program to be successful, more than one person is required to implement it. "Companies need to have a dedicated environmental management team *and* place responsibility on all line managers. Neither the top-level view of someone in the corporate headquarters nor the on-the-ground perspective of those with operational responsibilities can suffice alone. Both are necessary," he says.

Making effective use of information technology to gather and communicate risk information is also essential. Environmental information providers like Environmental Data Resources, Inc (EDR), offer Web-based systems which enable companies to develop common workspaces that can be shared by multiple users who can easily create project folders, data filters and search histories. Although each department may have a different reason for using environmental information, a common system allows the company to organize the data for more efficient evaluation and helps ensure that research efforts will not be duplicated, thus saving time and money.

Whether an organization tracks risk with simple spreadsheets or customized software applications, the system and process should be reviewed to ensure that it is functioning successfully to transmit, analyze and track data and promote the prioritization and implementation of action steps to mitigate risk.

Cross-check internal and external sources

Many companies have found that corroborating internal data with data from an objective third-party source of data is not only a prudent practice for establishing a process for FIN 47 compliance, but also an important step in meeting documentation or internal control requirements under the Sarbanes-Oxley Act. The environmental status of properties changes frequently, and verifying internal and external information helps to identify missed risks or concerns and can help detect data that may be stale, incomplete and/or out-of-date. For example, EDR's Web-based system, drawing on millions of property records from thousands of sources, provides instant reports for any company name or address, saving countless hours of research time.

Ongoing monitoring of risks

After an initial inventory of environmental risks, the organization should continue tracking its assets and operations for new risks that may arise. For example, if a new “sensitive off-site receptor” like an elementary school is built near one of the company’s industrial facilities, this is a new risk factor that should be tracked. Risks that have been resolved or mitigated should also be reported – for example, if a TSD vendor that has provided insufficient documentation of its environmental practices is no longer used by the company. Along with its periodic inventory, each department should provide a summary of what risks are new or have changed. These changes can also be tracked and reported in an automated fashion by in-house software applications and/or external service providers.

Doing more with less

Although tight budgets are forcing businesses to cut excess spending, companies still need to manage their environmental concerns, in fact more so today than ever before. When an effective environmental information system is in place, managers will know their business better, find ways to squeeze out waste to make processes run more efficiently, and avoid serious problems. In addition to helping organizations reduce environmental risks that affect safety and liability, an information-based approach that accurately identifies and describes the risks can ease reporting tasks and help to generate favorable publicity. For all these reasons, managers should take the opportunity to review and improve the organization's current environmental information gathering process.

To download EDR's white paper on environmental information strategy, visit www.edrnet.com/corporate.

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