

PRESS RELEASE

Manufacturing companies and the environment: how do they view their policies? What is the role of environmental taxation?

A study by the LowendalMasai operational consulting firm

Ten years after the Kyoto Conference, just a few months after the “environmental Grenelle” and in the middle of efforts towards European harmonization, what stage have French companies reached in terms of their environmental policy? How do they view the role taxation in this area?

In March 2008, the Environment division of LowendalMasai, a specialist in cost optimization consulting, carried out a study involving 160 environmental, administrative and financial managers in companies with a turnover of more than 80 million euros. The sectors studied were those most affected by the issue: 67% of respondents were from the automotive, metallurgy, rubber and plastics industries. 46% of the companies questioned have ISO 14001 certification. The main conclusions of the study are as follows:

Real environmental awareness but still a rather vague understanding of eco-responsibility

68% of companies claimed that they had already made investments in favour of the environment. 83% of the companies questioned had medium-term action plans, with just 17% having long-term plans. According to Christophe Fillon, Manager of LowendalMasai’s Environment division: *“Current European policy, which could be described as short-termist, does not allow companies the required visibility to implement an ambitious investment policy. However, it is encouraging to observe that they are not waiting for any strong signal to implement actions: our study showed that 59% are planning to invest in new projects within the next two years”.*

Whether certified to ISO 14001 or not, almost all respondents (**91%**) **stated that their company was responsible with regard to the environment.** However, this answer was not necessarily synonymous with a comprehensive approach: in fact, just **76% believed that their company had an “eco-responsible approach”.** This answer highlights the rather subjective nature of the term eco-responsibility, which still lacks a standard definition. Where such an approach exists, the first steps implemented focused on reducing waste (83%), cutting energy consumption (76%) and preventing pollution (73%).

Eco-design, environmental reporting and supplier development are still minority activities at the moment. Christophe Fillon explains these results, pointing out that *“the three most frequently mentioned approaches were initiated by companies under financial pressure. In contrast, eco-design or environmental reporting and measures as active citizens without any obvious financial return, are simply fledgling concepts for now”*.

Incentive/obligation: companies need a mix to ensure positive progress for their environmental policy, but are apprehensive in relation to their performance

Two major motivations currently prevail among French companies that have signed up to an environmental approach: **compliance with regulations (69%) and improving their image (61%)**. Followed by a desire to make savings (44%) and obtain certification (48%).

In principle, respondents did not appear hostile to a regulatory framework and strong obligations, **89% stated that they agreed with the "polluter pays" principle**.

70% of companies believe that increasing environmental taxation would encourage more initiatives in favour of the environment. However, they remain cautious with regard to their competitiveness: **a clear majority of respondents (58%) feel that increasing taxation would have an adverse effect on their competitiveness**. *“In the end, to stay competitive, companies need to continuously come up with innovative new initiatives”*, explained Christophe Fillon.

Furthermore, 81% of companies believe that current taxation laws offer “little or no incentive” and are in favour of more motivating taxation. 52% feel that measures such as the tax credit would be likely to encourage positive action towards the environment.

“When we spoke to the companies, we realised that the main motivation for their environmental initiatives is still a legal obligation combined with concern for their image. We therefore have reason to believe that an effective and clearly communicated regulatory structure, together with motivating measures closely linked to the specific needs of each sector would be significantly more effective”, stated Christophe Fillon.

Still too little knowledge of environmental taxation and assistance

The burden of taxes or environmental contributions was not experienced in the same way by the companies. However, 54% believe that taxation is “considerable” or “not insignificant”. A surprising result, given that France has one of the lowest rates of environmental taxation in the European Union! Representing 2.4% of GDP in 2005 compared with 5.8% in Denmark, for example.

Of the fifty or so taxes and fees currently in force, sanitation, pollution fees, waste collection tax, company vehicle tax and the TGAP **were best known to 63% of companies**. This complex taxation situation makes it difficult for companies to have a clear view of the

amounts they pay. Thus, 27% admit that they do not monitor these taxes or give them any special attention. 54% said that they have not conducted any optimisation studies on any of the environmental taxes they pay.

With regard to assistance and grants (for instance, from ADEME) to fund environmental projects, only 58% of companies said they were aware of such assistance with 51% having already received a grant.

In conclusion, it appears that economic intervention tools are still not allowing companies to calmly and effectively reach the three objectives set by the European Commission, i.e., combating global warming, ensuring the competitiveness of European industries and preserving energy security.

According to Pierre Lasry, Chairman of the LowendalMasai Management Board: *“Although there is now a rather clear international consensus on the diagnosis of the planet’s environmental problems, the methods to cure them still need to be defined. This is a controversial area and public and will take longer from a public and economic point of view in comparison with citizens’ aspirations. In my view, one of the main focuses is implementing a balanced mix between a regulatory framework and fiscal incentives. It appears that one of the politicians’ objectives is to make our environmental taxation clearer, more innovative and more convincing - in short, more motivating, and more in line with environmental objectives and the specific needs of each sector”.*

About LowendalMasai

LowendalMasai was created as a result of the merger of the Lowendal group, Masai and Resulteam. It is currently the only operational consulting firm which is capable of fulfilling the full range of businesses’ needs in the area of cost optimisation on an international level. It is chaired by Pierre Lasry, the founding chairman of the Lowendal group and initiator of VAT recovery on representation costs in France, LowendalMasai provides a range of services through four specialised consulting business units: Social contributions, Fiscal (VAT, fixed assets, local taxes, R&D funding), Purchasing and strategic costs (sourcing, transport and logistics, environment, general expenses, investments) and Cash. LowendalMasai’s fees are mainly paid based on savings made by businesses. Since September 2004, AXA Private Equity has been a shareholder in LowendalMasai. LowendalMasai’s consolidated pro forma turnover for the year ending 31 March 2007 was 56.5 million euros and it employs 435 staff. It is present in 16 countries, including Germany, Spain, France, Portugal, the United Kingdom, the Netherlands, Italy, the United States, China, India and Japan.

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