
VOLUNTARY ENVIRONMENTAL INITIATIVES AND ENVIRONMENTAL POLICY: ENVIRONMENTAL MANAGEMENT SYSTEMS, AUDITING, AND ENFORCEMENT

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1 INTRODUCTION

National strategies for environmental protection have evolved with an improving scientific understanding of environmental impacts and risks and with increased direct experience with the most effective methodologies. These developments track a broader shift in the regulatory paradigm from release control and end-of-pipe capture to source reduction. This trend is echoed in the attention increasingly accorded by regulators, not just in a company's environmental impacts, but also in the way that a company manages the environmental aspects of its day to day operations.

Consequently, frameworks of national and international environmental policy have become a combination of government regulation, economic and market-oriented instruments, voluntary industry initiatives, and public-private cooperation. Among such measures, voluntary initiatives by businesses and industries, which encompass the full range of innovative management tools and processes, have been found to be an effective means to address environmental concerns.

The over-all goal of voluntary environmental initiatives is to foster continuous improvement in environmental management, increasingly by utilizing a properly designed and implemented environmental management system (EMS). According to the International Chamber of Commerce "Guidelines on Environmental Auditing," the objective of an environmental management system is:

"to provide a structured and comprehensive mechanism for ensuring that the activities and products of an enterprise do not cause unacceptable effects in the environment. All stages are considered from initial planning and conception, to final termination."

Unlike many government-initiated voluntary agreements with businesses, voluntary industry initiatives do not usually call for reduction targets or mandate specific actions. For the most part, voluntary industry initiatives are environmental management system-oriented, eschewing specific targets or prescribing activities which would hamper creativity and innovation. An approach based on flexibility in application ensures that these initiatives are broadly effective in many different sectors and sizes of enterprises, and recognizes that environmental management programs in companies must advance from different points of origin.

Environmental auditing, a fundamental building block of environmental management system, has generated particular interest because of its verification and certification aspects. Additionally, environmental reporting, communicating a company's environmental performance with its stakeholders, has received significant attention from those governments considering what role environmental management system-based policies might play in national environmental regulations.

This paper will describe International Chamber of Commerce-initiated voluntary industry initiatives which exemplify the advantages of voluntary environmental management system, environmental auditing and environmental reporting: achieving primary benefits for environmental protection, and providing alternatives and complements to regulation. First, guidelines and codes of conduct such as the International Chamber of Commerce Business Charter for Sustainable Development and the International Chamber of Commerce Environmental Auditing Guidelines provide frameworks for environmental management system, environmental auditing and environmental

reporting based on continuity of purpose and improvement. Second, the paper will summarize the United States Council for International Business' partnership, based on the International Chamber of Commerce Business Charter, with the Mexican Confederation of Chambers of Industry. Third, the paper will discuss some initiatives underway to harmonize and standardize environmental management system, environmental auditing and environmental reporting, while maintaining their voluntary attributes, including the European Union Environmental Management and Audit Scheme and the International Standardization Organization efforts to produce a series of voluntary environmental management standards.

2 INDUSTRY GUIDELINES

While not replacements for government regulation, innovative voluntary initiatives, when broadly and strategically applied, bring measurable results which often surpass the regulated minimum. Additional benefits include enhanced cooperation among and between businesses and governments and improved dialogue with communities and other stakeholders. Such voluntary environmental management system-oriented initiatives are also attractive to governments as they are cost effective and, when successful, both non-bureaucratic and non-adversarial.

2.1 International Chamber of Commerce Business Charter for Sustainable Development

The International Chamber of Commerce Business Charter for Sustainable Development was developed by a working group of international business representatives, following a commitment made by the business community at the UN ECE Bergen Environmental Conference. The Charter sets out 16 principles on the full range of corporate activities linked to environmental performance, including management priorities and processes, environmental auditing, employee training and education, product development and manufacture, and community concerns.

The Charter was introduced at the International Chamber of Commerce's Second World Industry Conference on Environmental Management in April 1991 and was the International Chamber of Commerce's primary contribution to the United Nations Conference on Environment and Development. Endorsed by over 1,200 major companies worldwide, the Charter has been published in 24 languages, and has received messages of support from international environmental groups such as the WorldWide Fund for Nature and the International Union for the Conservation of Nature, as well as from inter-governmental organizations such as United Nations Environment Programme, the OECD and GATT.

2.1.1 The Charter provides a general mission statement and commitment for environmental improvement. Furthermore, the Charter calls for the need to establish management practices to put this commitment into action.

While environmental and public health regulations have grown exponentially in both number and complexity, many companies, especially the vast numbers of small and medium sized ones, had heretofore lacked an organizing principle for environmental management other than meeting minimum compliance requirements. At their best, voluntary initiatives aggregate diffuse and seemingly unrelated activities into a system and provide that system with a goal of continuous improvement. Continuous improvement is the process by which a company devotes its resources over time to achieve a constant aim, such as those set out in the Charter's 16 principles.

2.1.2 The Charter has been effective in providing the framework on which companies can base such improvement beyond compliance, creating a global alignment of all types of businesses around the world to common objectives.

The Charter provides a basis for companies and associations to develop their own policies and programs, using legal regulations as a starting point. The broad nature of the Charter principles allows thousands of business and plant managers around the world to pursue good environmental management, regardless of where each company finds itself on the “learning curve” when it first endorses the Charter. It also provides a network for companies in developed and developing countries to share expertise and experience in their efforts to strengthen environmental management and practice.

2.1.3 The Charter has served as a coordinating force among companies worldwide which have produced innovative environmental management tools in their pursuit of the Charter.

- In the United Kingdom, International Chamber of Commerce UK companies, in conjunction with others, compiled the methods they had independently developed to implement Principle 11 of the Charter pertaining to contractors and suppliers. The product, “Buying into the Environment: Guidelines for Integrating the Environment into Purchasing and Supply,” has been disseminated widely through the International Chamber of Commerce network.
- In the United States, companies of the Global Environmental Management Initiative developed the “Environmental Self-Assessment Program” based on the Charter. The Environmental Self-Assessment Program is a tool which companies can use to improve an existing environmental management system by measuring and analyzing environmental performance across the 16 Principles. A number of versions have been produced to compensate for regional differences in order to increase its effectiveness and applicability.

In other parts of the world, similar products have been developed to expand upon the Charter to meet industry needs. Projects by individual companies are continuing to add to the growing library of specific programs created to support the Charter’s 16 Principles.

2.1.4 The Charter is a vehicle for public-private sector partnership and dialogue.

On April 28, the United Nations Environment Programme-International Chamber of Commerce High-Level Advisory Panel on the Charter will hold its inaugural meeting, bringing together chief executives and environment ministers to review the Charter’s progress over the last two years, and seek ways to work together in support of the Charter in the future. This meeting will also address issues of technology cooperation, sustainable consumption patterns and environmental reporting.

2.1.5 Endorsing the Charter is a public commitment on the part of companies to carry out its principles, which includes “fostering openness and dialogue with employees and the public.”

The International Chamber of Commerce published a first progress report on the International Chamber of Commerce Charter, “From Ideas to Action,” in which companies provided examples of Charter implementation. A number of International Chamber of Commerce national affiliates are also working with corporate members to gather information about Charter activities.

Because the Charter is *not* a commitment made by the International Chamber of Commerce or International Chamber of Commerce National affiliates, it is up to individual companies and business organizations to implement the Charter and report on that implementation.

2.2 International Chamber of Commerce Auditing Guidelines

The International Chamber of Commerce Auditing Guidelines were developed by an international working group of business representatives, and subsequently finalized in 1989. The International Chamber of Commerce guidelines begin by setting out their objectives, including:

- Defining environmental auditing as:

"A management tool comprising a systematic, documented, periodic and objective evaluation of how well environmental organization, management and equipment are performing with the aim of helping to safeguard the environment by:

1. Facilitating management control of environmental practices.
2. Assessing compliance with company policies, which would include meeting regulatory requirements."

- Stressing the benefits of environmental auditing as a highly desirable and cost-effective means of assessing the functioning of a company from the environmental viewpoint.
- Emphasizing to regulatory authorities that such audits can be a reliable and efficient means of assisting compliance with regulations.
- Suggesting a standard practical methodology for personnel charged with undertaking environmental audits.

The International Chamber of Commerce Auditing Guidelines were intended to establish environmental auditing as a credible and trustworthy instrument in the minds of stakeholders. Just as environmental management system should reflect the nature of the organization, culture and products of individual businesses, environmental auditing programs should be individually designed and operated to best meet the specific needs and objectives of the business served.

3 VOLUNTARY PROGRAMS IN PRACTICE

3.1 United States-Mexican business partnerships

During the North American Free Trade Agreement debate, many critics stated that increased trade and inter-action between the United States and Mexico would damage the environment, and result in United States companies crossing the border to pollute.

The United States Council for International Business, the United States affiliate of the International Chamber of Commerce, established a program of cooperation with Mexico's Confederation of Chambers of Industry to demonstrate that companies can collaborate, and in so doing, share best practices in environmental, health and safety management and promote exchanges of training and information relating to environmental services, technologies and management.

Both the United States Council for International Business and Mexico's Confederation of Chambers of Industry have endorsed and are promoting the International Chamber of Commerce's Business Charter for Sustainable Development, which is supported by over 40 Mexican, over 70 United States and over 20 Canadian companies and business groups.

The partnership, originally based on United States corporate implementation of Principle 13 of the Charter dealing with the transfer of technology and management methods, has created a number of specific programs. Activities of the partnership have included:

- Information exchanges.
- Seminars on environmental management by industry specialists.
- Joint ventures in infrastructure development.

- Redesign and expansion of internal United States corporate training programs to include foreign companies, business groups and governments.
- Personnel education and training.
- Environmental management conferences.

This partnership highlights one way in which United States companies are: promoting the adoption of Charter principles by contractors and suppliers; contributing to the development of public policy and programs to enhance environmental awareness and protection; and continuing to improve company environmental performance.

4 STANDARDIZATION AND REGULATORY APPROACHES

As businesses and governments shift away from compliance-driven environmental policies to strategically oriented environmental management system approaches, companies, divisions, and individual facilities have established management systems for their environmental activities. As a result, numerous environmental management system programs developed at the national, industry or company level now exist. These environmental management system, and their component environmental auditing and environmental reporting procedures, differ in a number of respects, including level of specificity, issues covered, and degree of flexibility. The different approaches to environmental management system have posed a number of challenges, including:

- Difficulty of comparison between product for environmental criteria.
- Merging management efforts in total quality and environmental quality.
- Supplier approval.
- Comparisons by institutional and other investors of environmental performance.

In this connection, some organizations are working to harmonize and set definitions for the primary elements of environmental management system, introducing issues of certification and enforcement into the field of what are normally voluntary activities. In addition, some governmental organizations, such as the E.U. and United Nations Environment Programme, are developing accepted guidelines and even regulations relating to environmental management system, environmental auditing and environmental reporting.

The International Chamber of Commerce understands environmental management system and its components to be crucial internal voluntary management tools. So while certification requirements to standardize these aspects of environmental management system serve a purpose in setting environmental management system norms, and therefore do not detract from their usefulness, regulating and enforcing the use of a specific environmental management system, environmental auditing and environmental reporting would indeed seriously compromise their effectiveness.

4.1 International Standardization Organization 14,000 Series

As a way of addressing these developments, companies worldwide have pressed for the international harmonization of environmental management system, environmental auditing and other elements of environmental management, and have been active participants in drafting the International Standardization Organization environmental management system standards. The standards, currently under development through international negotiations, will include standards for environmental management system, environmental auditing, environmental labelling, environmental performance evaluation, and life-cycle analysis.

While environmental management system standards can address the problems discussed above, companies working within the International Standardization Organization process believe that they will do so most effectively when voluntary. The standards will be most useful if based on principles of flexibility and adaptability in recognition that the standard criteria will be blended into an existing

internal management structure. To ensure maximum effectiveness of an international standards scheme, the standards should specify only the key elements of an environmental management system, providing a basic level of organizational structure and policy process upon which to base corporate environmental management. Thus, the environmental management system can be designed and utilized in the most effective manner for that company, reflecting that company's industry, existing infrastructure, and management structure.

The International Standardization Organization standards for environmental auditing will provide company management with the necessary information to determine the performance of its environmental management system, and take the necessary actions for improvement; as such, they follow the approach set out in the International Chamber of Commerce Auditing Guidelines. While the environmental audits will include standardized elements and follow specified steps, the International Standardization Organization standards will probably allow each company to decide for itself how the resulting information will be acted upon, in terms of both international corporate management and external reporting.

It is important to note that the *International Standardization Organization 14,000* standards under development have been inspired by and have incorporated additional principles of the voluntary initiatives described above, including continuous improvement and the use of the environmental management system system as an internal management tool. The United States International Standardization Organization delegation has presented six guiding principles on environmental management systems in the International Standardization Organization negotiations on environmental management system standards which encompass the issues discussed above:

- Sustainable development can be advanced by the development of international environmental management system standards that all institutions, including both businesses and governments, could use to improve environmental performance.
- To encourage and accelerate the acceptance of international standards, and by extension improved environmental performance, the International Standardization Organization standards must work with a staged evolution of requirements. Thus, proven concepts and methods would be included immediately and others in development would be added as they became demonstrably viable.
- The standard must allow for self-certification to maximize internal benefits.
- Environmental management system standards should present primary requirements without prescribing the methods of achieving those requirements, instead leaving it to the institution to determine the course of action.
- International environmental management system standards, in order to advance sustainable development, must be developed in a way which promotes free trade, and does not create a trade barrier which would slow development.
- The standards must recognize that additional environmental initiatives, in government and industry, are under development, and must not preclude their viability.

4.2 European Union Environmental Management and Audit Scheme

The Environmental Management and Audit Scheme, approved at the end of 1991 as a European Council Regulation, and published in March 1992, balances a number of elements drawn from both voluntary and regulated policy approaches. Participation in the Environmental Management and Audit Scheme is voluntary; it sets out basic parameters for site-specific—as opposed to company-wide—environmental management system, environmental auditing and environmental reporting. An environmental statement, based on the environmental audit, is prepared and validated by a certified party. Once a company has been certified, it can display an eco-audit “logo” on its stationery and for other internal uses.

Coming into force in 1995, the Environmental Management and Audit Scheme is currently in a pilot program stage in which a companies have volunteered to follow its procedures and report

their experience. Some International Standardization Organization 14,000 standards on environmental auditing, when completed, will be “plugged into” the Environmental Management and Audit Scheme.

Although industry continues to be concerned that the Environmental Management and Audit Scheme regulation will become mandatory for companies, it is also confident that the experience gained from its “trial” run will be convincing to governments of the benefits of allowing it to retain its voluntary nature.

Many challenges remain in creating harmonized environmental management systems, including the process of certification, preventing new trade barriers, the possibility that such voluntary standards be regulated by national governments, and the feasibility for small and medium sized companies. The full development of the standards and harmonized structures presented above will set a starting point from which industry and government can collaborate to resolve such issues.

5 CONCLUSIONS

The growing interest in and importance placed on environmental management system by international organizations, governments and companies will further advance management systems as an integral component of environmental protection. It is also clear that the effectiveness of voluntary initiatives results from their role as alternatives and complements to strictly regulatory approaches.

The business community has reached a number of conclusions based on its own experience with environmental management system—in both voluntary initiatives and in standardization activities:

- Business recognizes that good environmental management and good management are one in the same.
- Environmental management system, environmental auditing, environmental reporting and other management-oriented approaches are most effective when voluntary.
- Environmental management is an area in which increased business-to-business and business-to-government cooperation would be beneficial and desirable.
- Such voluntary and/or cooperative approaches are more effective when promoted by governments and multilateral organizations, such as the North American Free Trade Agreement Commission on Environmental Cooperation, United Nations Environment Programme’s Cleaner Production activities, the OECD Pollution Prevention and Control Group and others.
- Governments should continue to encourage and respect business-to-business partnerships to improve environmental management.

The experiences of industry groups and governments with voluntary approaches are by no means comprehensive, and many challenges remain:

- How should voluntary initiatives be extended to include small and medium sized companies? What technical and management assistance is necessary to do so?
- How can voluntary initiatives be designed to be effective for companies in developing countries and in countries in transition?
- How can voluntary initiatives build trust and partnership between the private and public sector, and extend this working relationship to include other stakeholders?

These are but a few of the unresolved issues which demonstrate that additional work and discussion is necessary. Industry associations and their members must continue to design and utilize voluntary programs to offer benefits to the companies that implement them and the society in which those companies operate. As government agencies consider their role in improving corporate environmental management and practices, close attention should be given to the programs which industry has set in place voluntarily and the priorities which industry has assigned itself in those programs.

ENDNOTE

1. The United States Council for International Business is the United States affiliate of the International Chamber of Commerce, the Business and Industry Advisory Committee to the OECD, and the International Organisation of Employers. The Council formulates policy positions on issues affecting the increasingly globally-oriented United States business community through committees and other working bodies drawn from its membership of some 300 major multinational corporations, service companies, law firms and business associations. It advocates these positions to the United States Government and such international organizations as the OECD, the GATT, ILO, United Nations Environment Programme and other bodies of the U.N. system with which its international affiliates have official consultative status on behalf of world business.