ISO 14000:
A New Standard For Industrial Environmental

As the global marketplace continues to expand, U.S. companies are searching for ways to remain competitive with industries abroad. Adapting to a globally competitive economy will involve transcending traditional, domestic management approaches toward the implementation of international management standards. This move is especially apparent in the area of environmental compliance as environmental laws and regulations proliferate, and companies grapple with these new challenges.

Currently at issue are the new ISO 14000 environmental-management-system standards expected to be adopted in early 1996. The system promises global standards for environmental responsibility and protection. Whether U.S. companies will pursue registration under ISO 14000 will likely depend upon whether there are operational, regulatory and marketplace incentives for them to do so here and abroad, as well as whether ISO 14000 will add value to management systems already in place.

Background

The motivating force behind establishing ISO 14000 is the International Organization for Standardization (ISO), a worldwide federation made up of over 100 member countries, including the United States. Its purpose is to "promote the development of standardization and related activities in the world with a view to facilitating international exchange of goods and services, and to developing cooperation in the sphere of intellectual, scientific, technological and economic activity."

In 1991, the ISO established the Strategic Advisory Group for the Environment (SAGE) to determine the need for international standards for sustainable industrial development. In its determination, the group studied six separate subcategories, including: 1) environmental-management systems; 2) environmental auditing; 3) environmental-performance standards; 4) life-cycle analysis; 5) environmental guidance for product standards; and 6) industry-mobilization plans.

SAGE recommended that a technical committee be established, now known as TC207, which would be responsible for developing and writing the international environmental-management-system standards. TC207 has developed the ISO 14000 series, which remains in the draft stages but is expected to be adopted in some form early this year.

What Is ISO 14000?

The ISO 14000 series is an outgrowth of the ISO 9000 quality-management system, which established comprehensive standards to ensure that products purchased in the marketplace were manufactured according to known, verifiable and acceptable methods for controlling the manufacture and distribution of products. Like its predecessor, ISO 14000 establishes a management system for companies to address compliance with environmental laws and voluntary corporate policies, and to set objectives and goals to achieve that compliance. It calls for companies to conduct their environ-

An environmental-management-system model

Achievement

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mental matters within a structured framework that is combined with the company's overall management activity so that the company may integrate environmental issues with other aspects of its business operations.

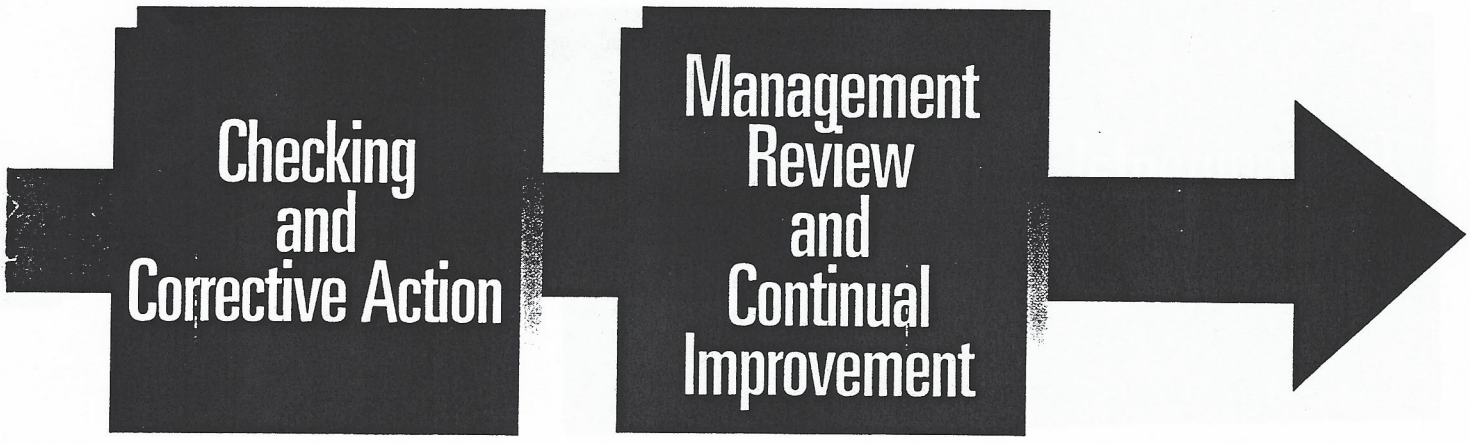
The heart of the ISO 14000 series is the environmental-management-system specification standard (ISO 14001) and the guidelines for implementing that standard (ISO 14004). ISO 14001 is the only standard for which an organization may currently register and become certified. It is based upon a continuous environmental-improvement model that includes the following elements:

- Establishment of an environmental policy;
- Planning;
- Implementation and operation;
- Checking and corrective action; and
- Management review and improvement.

The environmental policy requires a strong commitment to regulatory compliance, pollution prevention and continual improvement in these areas. To create such a policy, an organization needs to do an initial environmental review, what is sometimes called a "gap analysis," to determine not only what elements of the envisioned policy are missing but also what elements the organization already has in place. It is important to note that establishing a corporate policy may not be enough to satisfy the requirements under 14001 because the policy will need to reflect both the specific operations at individual facilities and a commitment at a local level.

Under the planning phase, each organization must set up procedures to identify the key "environmental aspects" associated with its operations, products and services that it can control and over which it can be expected to have an influence. "Environmental aspects" are defined as "element[s] of an organization's activities, products or services that can interact with the environment." This is a different standard from "environmental impact" — which is often the standard used to measure environmental effects under the U.S. regulatory regime — because it does not require any type of measurement of outputs to the environment or the environmental risk. It simply seeks identification of key aspects that touch upon the environment, including what a company already reports through its regulatory requirements, as well as other aspects such as noise, energy and water usage. In addition, each facility must have procedures in place to identify its legal obligations and any other performance standards to which it may voluntarily subscribe.

To implement the environmental-management system, members of top management must be fully on-board, providing the necessary resources and keeping abreast of their facility's performance. Implementation also will involve having operational controls in place, as well as emergency and accident preparedness; procedures for receiving, responding to and documenting relevant communications; and training procedures and



competency requirements. Many of these activities may already be in place within an organization in some format — the point being that an organization need not "re-invent the wheel."

Checking and corrective action entail monitoring the environmental-management system to ensure continual adequacy and effectiveness in addressing the significant impacts on the environment. Periodic audits of the system will need to be done, as well as evaluation of systems for managing and documenting corrective action. Lastly, a review of the above must be done by top management to ensure continual suitability, adequacy and effectiveness, thus creating a holistic approach to compliance.

The main philosophy behind the ISO 14000 is to achieve international, sustainable development by moving away from the "command and control" way of achieving environmental compliance to a more flexible and voluntary approach. With this approach, individual companies can explore and design their own systems by drawing on their particular processes and experiences to achieve the regulatory goals.

Mark Sofman, manager of the PolyUrethanes Recycle & Recovery Council of the Society of the Plastics Industry's Polyurethane Division, New York, notes that "industry recognizes that environmental performance is important. The question is what is the best way to implement it? Something more flexible than a top-down approach will be the way of the future."

Driving Forces Behind Implementation

Joe Del Rossi, technical manager in the Management Systems Division of Roy F. Weston, Inc., West Chester, Pa., finds three major categories of drivers that are affecting industry's willingness to implement ISO 14000. One driving force is improved operations. Companies spend a great deal of money to keep up and stay in compliance with the growing number of environmental regulations. "An environmental-management-system approach may significantly reduce those costs," notes Del Rossi. "Everyone we know who has followed the ISO 14000 model has met or exceeded his or her expectations for operational improvements."

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Another major driving force is the potential regulatory incentive of implementing ISO 14000. Other countries already have implemented environmental-management systems, such as the European Union's Eco-Management and Audit Scheme (EMAS) and Great Britain's BS7750 Standards, and it is becoming a common theme in U.S. pilot regulatory programs. Brazil, Japan and Malaysia are reportedly using environmental-management standards as a strategic tool and a requirement to gain a competitive advantage in the marketplace. The ISO 14000 embraces the environmental-management systems referred to in all of these programs, and as such it would satisfy these international or potential domestic requirements.

The third category of drivers is the marketplace. Many consumers and customers are screening their suppliers by their environmental performance. Some are concerned that their suppliers have an environmental-management system in place, while others will go as far as to specifically require ISO 14000 certification.

Del Rossi notes, however, that most customers are currently focusing on the environmental performance of the product rather than on the environmental performance of the facility itself, and, therefore, this marketplace driver has not yet materialized. "We are led to believe that this will become important in the future and, as the focus shifts to product performance, government purchasers will be the first to jump on the bandwagon."

The marketplace driver also will be enhanced by the introduction of product-labeling requirements and life-cycle analysis, both part of ISO 14000 but still in the very early draft stages of development. Future marketplace drivers also may include stakeholders such as green organizations, stockholders, lenders, insurance companies and environmental-justice groups.

Fitting Within Current Regulations

The EPA is currently exploring several ways in which ISO 14000 could be applied to the present regulatory scheme in the United States. The EPA has been working on several projects that would incorporate innovative approaches to improving environmental performance, including the Environmental Leadership Program and Project XL, both of which utilize an environmental-management standard that mirrors the ISO 14000 as a baseline tool to measure environmental performance. Additionally, a question in many minds has been whether EPA will recognize ISO 14000 as a mitigating factor in enforcement.

On December 18, 1995, EPA announced its final Environmental Audit Policy. The policy states that if companies meet the "due diligence" standard of promptly disclosing and correcting violations discovered during a voluntary audit, they may, under certain circumstances, qualify for reductions or eliminations in gravity-based penalties. Since the ISO 14000 usually meets the criteria for "due diligence" under the Environmental Audit Policy, it is likely that those who are ISO 14000-certified would be able to take advantage of these reductions.