



FACULTY OF LAW
University of Lund

Michael Wernstedt

Environmental Corporate Social Responsibility -

An Overview of the Frameworks and an Analysis of
Their Supply Chain Management

Master thesis
30 points

Birgitta Nyström

Commercial Law

Autumn 2007

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Summary

Climate change is a threat facing the planet which could bring disastrous consequences. In the globalised world, states are less capable of fighting this threat alone; it is also necessary that companies take on this challenge. Amongst other people, this idea is supported by Kofi Annan and Nicolas Stern. One of the ways in which this is done is through Corporate Social Responsibility (CSR).

This paper consists of two parts. The first gives an overview of the main horizontal frameworks that exist on the environmental sphere. These can be divided into three groups: codes of conduct, environmental standards and reporting frameworks. The codes of conduct generally do not put up binding rules that the companies are to adhere to. Thus they can be seen as a first step for companies willing to take greater environmental responsibility. Three such codes are brought up in this paper: CSR Europe, Global Compact and CERES Principles.

Environmental standards form a comprehensive group and include a range of different kinds of frameworks. The first distinction has to be made between performance standards and process standards. Performance standards effectively allow companies to monitor, assess and report their environmental performance effectively. They are usually focused either horizontally on broad areas such as environmental policy, or focused more vertically on certain industries. The performance standards focused upon in this paper are both horizontal, ISO 14001 and EMAS. Process standards do not tell an organisation what level of performance it needs to achieve. Instead they focus on helping companies judge if they have processes in place to monitor and report on their social and environmental performance. The process standard brought up in this paper is AA 1000.

The reporting frameworks provide the principles and content guidelines that allow an organisation to measure and report their economic, social and environmental performance in a competent and consistent way. The reporting framework dealt with in the paper is Global Reporting Initiative (GRI).

This overview will include looking at what environmental aspects the frameworks consider. GRI offers an unparalleled level of detail when dealing with the different environmental indicators and must be said, not only to cover most aspects but to deal with them in the greatest detail. However, there is no framework which does not lay down any measurable environmental requirement that the companies must reach in order to be certificated etc.

The second part of the paper deals with environmental supply chain management. Here ISO 14001, EMAS and GRI are dealt with in further

depth since they have clauses regulating this. One reason why there were no measurable environmental requirements found in the first part is that it would be hard to create measurable environmental requirements in regard to specific environmental aspects that are suitable for all kinds of companies. However, this explanation is not valid when it comes to environmental supply chain management since it is an area where it is possible to lay down measurable requirements regardless of what type of company it is. Thereby it gives a good idea of what ambition is set by the framework.

In this section it is clear that the frameworks do not strive to be as demanding as they could be. One reason that they are so unclear might be that the standards must meet the companies' need of having targets that are easily achieved in order to be accepted by the business community. The risk is therefore that environmental CSR might not reach the high expectations as a major force to come to terms with the problems of climate change which many people require. Furthermore there is the risk that the development of soft law regulation which CSR is hinders the development of more demanding hard law on the environmental sphere.

Preface

When deciding to write my thesis in the subject of commercial law I had the clear intention to write about a feature which has had a strong link to the society. Environmental issues has been a great concern of mine ever since the Stern Report and Al Gores Film, “*An inconvenient truth*” made me realise how serious and acute the situation is. After a while I concluded that I wanted to write about the private sectors relationship to the environment. At first I was anticipating writing about the European Union Emission Trading Scheme (EU ETS). However, it proved hard to find a legal feature worth writing about. Instead I decided to write about environmental Corporate Social Responsibility (CSR).

To make the subject narrower I decided to write about which requirements different frameworks have regarding supply chain management. CSR was, although not new a relatively unknown subject to me. My first action was therefore to try to get an overview of the different frameworks. I soon realised that there were so many frameworks that it would in itself be an idea just to try to systemise the different kinds of frameworks and describe the most important. When describing the frameworks it seemed natural to include the environmental aspects brought up in order to give the best possible idea about the frameworks as possible. This also worked to illustrate the differences between the frameworks.

The paper consists of two parts. The first and most comprehensive part describes the most well known frameworks and analyses which environmental aspects are brought up and in what way. The second part deals with the supply chain management of the frameworks that regard with this issue.

I thank my grandfather, former Court of Appeal President Gunnar Lagergren. Although this subject is not his legal expertise his help and suggestions has been invaluable. My parents, Mi and Lago Wernstedt, have also been a great help and support. Thank you, I love you all very much!

I would also like to thank my tutor, Professor Birgitta Nyström, for having the open mind to let me write about this topic, for helping me choose subject by putting me in contact with the right people and for coming with valuable suggestions. It has been a great privilege to crown my four and a half year at the Faculty of Law at Lund University by writing about a subject that is of such an importance and of great concern to me. Also, I thank my two co-tutors, assistant professor Marianne Steneroth Sillén and assistant professor Anneli Carlsson for helping me in deciding my subject and coming with suggestions. Lastly I thank my dear friend Chris Hatton for perfecting my English.

Abbreviations

AA 1000	AccountAbility 1000
CERES	Coalition for Environmentally Responsible Economies
CSR	Corporate Social Responsibility
EMS	Environmental Managing Systems
EMAS	European Union's Eco-Management and Audit Scheme
EST	Environmentally Sound Technologies
FSC	The Forest Stewardship Council
GC	Global Compact
GRI	Global Reporting Initiative
ICC	International Chamber of Commerce
ILO	International Labour Organisation
ISE	The Integrated Social and Environmental approach
ISO	International Organisation for Standardisation
IUCN	International Union for the Conservation of Nature and Natural Resources
MNE	Multinational enterprises
NGO	Non-governmental organisation
NRET	Natural Resource and Ethical Trade Program
SEAAR	Social and Ethical Accounting, Auditing and Reporting
SME	Small and medium size enterprises
TBL	Triple Bottom Line
UN	United Nations
UNEP	United Nations Environment Programme

1 Introduction

The Stern Review, *The Economics of Climate Change*, released on October 30, 2006 by economist Nicholas Stern for the British government suggests that global warming could shrink the global economy by 20%. The report warns that if no action is taken floods from rising sea levels could displace up to 100 million people. Melting glaciers could cause water shortages for 1 in 6 of the world's population. Droughts may create tens or even hundreds of millions of climate refugees. In addition, wildlife will be harmed; at worst up to 40% of species could become extinct.¹

Kofi Annan, former Secretary General of the United Nations, said in 2001 in his speech in Uppsala University commemorating the 40th anniversary of the death of Dag Hammarskjöld that the world in which Hammarskjöld was active in and the one that we live in today are fundamentally different in that sheer complexity of a world in which individuals and groups of all kinds are constantly interacting without expecting or receiving any permission, let alone assistance, from their national governments. As a consequence one should not rely exclusively on State action to achieve our objectives on the international level. A great deal depends on non-State actors.²

It is also stated in the Stern report that the private sector, as the single largest contributing group of greenhouse gases plays a key role in fighting climate change.³ The issue of decreasing emissions for private companies has therefore become a pressing issue. This is tackled in different ways. One of the most growing in significance is Corporate Social Responsibility, CSR. This is defined by the Dow Jones Sustainability Index as: “*a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments.*”⁴ Hence, CSR includes both environmental and social issues. However, the scope of this paper is limited to the environmental aspects that are called environmental corporate social responsibility in this paper.

There are a number of frameworks that provide the companies with guidelines on how to develop their CSR policies. As the pressure on companies to have a sustainable development grows many companies work to fulfil the requirements of these frameworks. This pressure is especially great for big multinational companies, MNE. Small and medium size companies, SME react quicker to downturns in economies and may well

¹HM Treasury, *Stern Review on the economics of climate change* (Cambridge University Press Cambridge 2006).

² Annan, Kofi *Dag Hammarskjöld and the 21st Century* (The Fourth Dag Hammarskjöld Lecture Uppsala 6 September, 2001), Available at: <http://www.dhf.uu.se/pdf/2001/Kofi%20Annan.pdf>.

³ *Stern Review on the economics of climate change* 2006.

⁴ Dow Jones Sustainability Indexes, http://www.sustainability-indexes.com/07_html/sustainability/corpsustainability.html, visited September 29th 2007.

place environmental management lower in the priorities when survival of the business is at stake.⁵

Against this background it is interesting to analyse how the different frameworks on the environmental sphere tackle the issue of supply-chain management. This is interesting for many reasons. 1) It would be easy for MNE to circumvent the rules in the frameworks, by outsourcing all the activities that do not meet the requirements on sub-contractors, if there were not rules regulating what demands needs to be put on suppliers. 2) Rules regulating the supply-chain management have a large impact on the development of SME towards more sustainable business activities. 3) It is an area where it would be possible to lay down measurable requirements regardless of what type of company it is. Thereby it gives a good idea of what ambition is set by the framework.

1.1 The Problem

This paper seeks to answer two questions. The first part deals with what important environmental CSR frameworks exist and which environmental aspects they cover. The second part answers how the most demanding frameworks deal with the supply chain management.

After answering these questions it will be examined why the standards do not contain more demanding clauses. Finally it will be asked what role environmental CSR, as a soft law instrument without the sanctions associated with hard law, can play as a tool in protecting the environment and how it correlates with the development of hard law.

1.2 Content

The frameworks covered in the first part can be divided into three groups: codes of conduct, environmental standards and reporting frameworks. This overview will include looking at what environmental aspects they consider. It will then be analysed which framework reaches the furthest in that they cover most aspects. This analysis might be uneven since the frameworks are so fundamentally different in their approach. Nonetheless it gives some idea of the ambition of the frameworks.

It is important to remember that it is a very large area of law and that many standards exist. It would be impossible to cover or even to mention all. The standards chosen are therefore the best known and most widely spread. When identifying which frameworks are most important an emphasis has been laid on those standards that have horizontal application, meaning that they apply to companies and organisations regardless of their size or what industry or sector they are in. This is because they have a wider scope and

⁵ Brorson, Torbjörn & Almgren, Rikard *ISO 14001 för små och medelstora företag* (3rd edn. SIS förlag Stockholm 2007) p. 11.

therefore applies to more organisations. Some vertical standards that are considered being of great importance will however be mentioned but not be dealt with in more depth.

In the second part, those frameworks that have clauses regulating the supply chain management will be singled out. Here the requirements regulating the relationship between the suppliers and the organisation targeted in the framework will be viewed in more depth. Accessible written material has then been analysed. However, the analysis has not included an empirical study aimed at finding out how the requirements work in practice.

1.3 Method and material

This is not a traditional legal area regulated in laws, so called hard law. Instead it is an area with voluntary regulations that companies can submit themselves to if they wish, so called soft law. Soft law is a quasi-legal instrument which does not have any legally binding force, or whose binding force is weaker than that of traditional hard law. It is attractive because it often contains inspirational goals and wish-list type aspirations that aim for the best of possible scenarios. On the other hand it is not possible to enforce in a traditional legal way.⁶

Nevertheless it is interesting to view soft law from a legal perspective. In the area of environmental law, soft law plays an important part. Since the economy is becoming more global and the impact of multinational enterprises (MNE) is growing, the sovereignty of nations is at bay. There is no global environmental law answer, since its focus is national. States are only competent for what happens on their own territory and consequently have no possibility to really influence the decisions made by MNE, especially when headquarters are located in another country.⁷

One solution is therefore soft law, namely voluntary guidelines and principles addressing MNE. These frameworks contain a list of standards specifically addressed to MNE. It is accepted that these guidelines or principles can add to national law. These various initiatives are addressed to MNE worldwide, wherever they operate. Hence they have a global reach. They are also recommended to national enterprises and to SME. Many of these guidelines and principles are recommended by governments, united in world wide-regional bodies. Despite being voluntary and not legally binding they are morally binding as constituting rules that society at large accept and promotes. Some of these principles can in theory also become part of the hard law as they constitute general principles of law, which many legal systems, including that of the EU, recognizes as sources of law.⁸

⁶ Landelius, Ann-Charlotte *Om Soft law på det sociala skyddsområdet – en EG-rättslig studie* (Nordstedts Juridik Stockholm 2001) p. 74-78.

⁷ Blanpain, R. & Colucci, M. *The Globalization of Labour Standards – The Soft Law Track* *Bulletin of Comparative Labour Relations* (Kluwer Law International Hague 2004) p. 119.

⁸ Blanpain, R. & Colucci, M. 2004 p. 119-120.

CSR plays an important role in respect to the environmental law. Leading companies do more than respect environmental law in their operations; they develop standards, methods, and tools to manage and communicate CSR. The accumulation and availability of this CSR experience may make the position of less proactive companies less defensible. Thereby leading businesses may trigger important regulatory dynamics. This means that the possible interactions between voluntary and public policy can help lawmakers advance towards systematic solutions in the areas of business and environmental law.⁹

Also, CSR plays a role as an alternative to legislation. There can be various reasons why companies take their own initiatives to regulate an area with soft law instruments. One reason for this self regulation might be that they want to show the authorities that this is an area that works well without governmental involvement and that there is no need for state regulation. In this capacity soft law plays an important legal role since it fills the function that hard law otherwise would have done and makes the government refrain from regulating the area.

The frameworks in this paper are a part of the SEAAR movement. SEAAR stands for Social and Ethical Accounting, Auditing and Reporting. This includes the full range of corporate dedication, from simple and unenforceable pledges to respect recognised labour and environmental codes of conduct through to the adoption of international standards covering social and environmental behaviour, with full and audited reporting.¹⁰ This paper covers both codes and standards. When taken together they will be called frameworks in this paper. Due to the different nature of the frameworks the comparison may, as mentioned above, be a bit uneven at times. However, it is the intent to give the best possible overview.

Many codes cover both social and environmental performance. From that point of view it would be an idea to cover social aspects as well in this paper. Since the standards mainly covers only the environmental or social performance this distinction has however been maintained.

A traditional legal method would be based on analysing the available legal sources. These include the law, the case law, the legal custom, the legal doctrine, and in some legal systems, e.g. Sweden, the preparatory work such as governmental bills. Since CSR is a soft law area there are no hard law rules, only the frameworks' texts to analyse. Furthermore there is no case law, custom or preliminary work.

⁹ Mares, Radu *Institutionalisation of Corporate Social Responsibilities – Synergies between the Practices of Leading Multinational Enterprises and Human Rights Law/Policy* (Juridiska Institutionen Lunds Universitet Lund 2006) p. 17-18.

¹⁰ Neef, Dale *Supply Chain Imperative: how to ensure ethical behavior in our global suppliers* (1 edn. American Management Association, New York 2004) p. 74.

Regarding the doctrine, CSR is an area which has been growing rapidly over the last couple of years. Therefore many frameworks are new and are regularly updated. It is obvious that authors have not kept up with this development. Several frameworks are barely described in the literature at all. When it comes to the bigger frameworks that are described, these descriptions are often a few years old and do not describe the latest edition of the framework. Where there are only editorial amendments in the new editions of the frameworks some literature that describes old editions has been used. When this is the case the facts are, when possible, controlled so that they are still accurate.

The primary source used is the frameworks' texts. Much of the essay is therefore based directly on these frameworks which then have been analysed. When these sources are unclear the only available answer is, in many cases, the information provided from the respective organisation providing the framework. However, there is no guarantee that this information correlates with how the frameworks are used in practice. It is even likely that the providing organisation tries to present their framework in an as positive manner as possible in order to get greater recognition and acceptance. Since so little information is available to help analysing the validity of the frameworks these have not been questioned. However, particularly in the second part of the paper their wording has been analysed and it is examined how the text can be interpreted.

Since environmental CSR is such a new legal area where so little has been written, an emphasis is laid on describing the standards and the analysis is therefore shorter.

Part I

2 Frameworks in the Environmental Sphere

Here an overview will be given over the various CSR codes and standards. The length of the description will vary mainly due to how extensive the requirements of the frameworks are.

2.1 Codes of Conduct

Aspirational codes of conduct include many forums and international codes for environmental sustainability. They serve as pledges to which companies aspire to adhere. Although seldom enforceable, and often based on elastic clauses they nonetheless provide a loose but growing coalition of willing companies with broad guidelines for behaviour.¹¹

The list of existing codes of conducts can be made very long. Therefore only those that are identified as being the most widely recognised codes will be brought up here. Although others will be mentioned, the focus is on three standards: CSR Europe, Global Compact and CERES Principles.

2.1.1 CSR Europe

CSR Europe was created in 1995 by the former president of the European Commission Jacques Delors, and is a networking forum and think tank covering a broad range of corporate and social responsibility issues. CSR Europe provides information for its members through publications, benchmarking standards, and leading practice tools and techniques. Their goal is to provide a forum that brings together governmental policy makers, investors, businesses, NGOs, labour unions, and academics, and as with similar forums, they have a set of aspirational principles that define their purpose. According to their guidelines, organisations should among other things adopt the following pledges:

- Minimise the negative impacts our activities can have on the environment and its resources, while striving to provide our customers with product and services that take sustainable consumption into account.

¹¹ Neef, Dale 2004 p. 114.

- Be accountable to key stakeholders through dialogue and transparency regarding the economic, social and environmental impacts of our business activities.¹²

The CSR Europe's principles are mere aspirations and the companies can not be held accountable if do they not follow them. Furthermore they do not mention anything about supply-chain management. Therefore CSR Europe will not be viewed closer in the second part of this paper.

2.1.2 Global Compact

The Global Compact is a United Nations, UN, initiative introduced at the World Economic Forum in Davos in 1999 where Secretary-General Kofi Annan challenged world business leaders to take a greater responsibility for human rights, labour standards and environmental practices. In this way, the Global Compact, through the power of collective action, seeks to advance responsible corporate citizenship so that business can be part of the solution to the challenges of globalisation. This means that the private sector in partnership with other social actors can help realise the Secretary General's vision of a more sustainable and conclusive global economy.¹³

The Global Compact is a voluntary corporate citizenship initiative with two objectives:

1. Mainstream the principles in business activities around the world
2. Catalyse actions in support of UN goals.

To achieve these objectives, the Global Compact offers facilitation and engagement through several mechanisms: Policy Dialogues, Learning, Local Structures and Projects. It is a network and at its core are the Global Compact Office and five UN agencies: the Office of the High Commissioner for Human Rights, the United Nations Environmental Program, the International Labour Organisation, the United Nations Development Programme, and the United Nations Industrial Development Organisation. It involves all the relevant social actors: governments, who defined the principles on which the initiative is based, companies, whose actions it seeks to influence, labour, in whose hands the concrete process of global production takes place, civil-society organisations, representing the wider community of stakeholders and the United Nations, the world's only truly global political forum, as an authoritative convener and facilitator.

The Global Compact relies on public accountability, transparency and the enlightened self-interest of companies, labour and civil society to initiate and share substantive action in pursuing the principles upon which the Global Compact is based. The core of Global Compact is the Learning

¹² CSR Europe, <http://www.csreurope.org/aboutus/default.aspx> , visited October 26th 2007.

¹³ McIntosh, Malcolm; Waddock, Sandra & Kell, Georg *Learning to Talk – Corporate Citizenship and the Development of the UN Global Compact* (Greenleaf Publishing Ltd Sheffield 2004) p. 11.

Forum. Companies submit case studies of what they have done to translate their commitment to the Global Compact principles into concrete corporate practices. This occasions a dialogue among Global Compact participants from all sectors. The aim of this dialogue is to reach broader, consensus-based definitions of what constitutes good practices than any of the parties could achieve alone. Those definitions, together with illustrative case studies, are then publicised in an online information bank, which will become a standard reference source on corporate social responsibility. The hope and expectation is that good practices will help to drive out bad ones through the power of dialogue, transparency, advocacy and competition. This means that it helps create and build momentum towards its universal principles, but it is unlikely to get there by itself.¹⁴

There were originally nine principles in the Global Compact regarding Human rights, labour standards and environmental practices. Later a tenth principle regarding corruption was added. Principle 7-9 deals with the environment. The three environmental principles of the Global Compact are drawn from a Declaration of Principles and an International Action Plan (Agenda 21) that emerged from the United Nations Conference on Environment and Development (the Earth Summit) held in Rio de Janeiro in 1992. Chapter 30 of Agenda 21 identified that the policies and operations of business and industry can play a major role in reducing impacts on resource use and the environment. In particular, businesses can contribute through the promotion of cleaner production and responsible entrepreneurship.¹⁵

The environmental principles of the Global Compact provide an entry point for business to address the key environmental challenges. In particular, the principles direct activity to areas which can positively address the significant environmental degradation, and damage of the planet's life support systems, brought by human activity. Such principles might be research, innovation, co-operation, education, and self-regulation.¹⁶ The three environmental principles are:

**Principle 7:
Businesses should support and precautionary approach to environmental challenges.**

The key element of a precautionary approach, from a business perspective, is the idea of prevention rather than cure. In other words, it is more cost-effective to take early action to ensure that irreversible environmental damage does not occur. Companies should consider the following:

¹⁴ McIntosh, Malcolm; Waddock, Sandra & Kell, Georg 2004 p. 37-39.

¹⁵ Global Compact, <http://www.globalcompact.org/AboutTheGC/TheTenPrinciples/environment.html>, visited November 19th 2007.

¹⁶ Global Compact, <http://www.globalcompact.org/AboutTheGC/TheTenPrinciples/environment.html>, visited November 19th 2007.

1. While preventing environmental damage entails costs, remediating environmental harm after it has occurred can cost much more, e.g. for treatment costs, or in terms of company image.
2. Investing in production methods that are not sustainable, i.e. since it depletes resources and degrades the environment, has a lower long-term return than investing in sustainable operations. In turn, improving environmental performance means less financial risk, an important consideration for insurers.
3. Research and development related to more environmentally friendly products can have significant long-term benefits.¹⁷

Principle 8

Business should undertake initiatives to promote greater environmental responsibility.

7 key elements that contribute to environmental responsibility are:

- apply a precautionary approach,
- adopt the same operating standards regardless of location,
- ensure supply-chain management,
- facilitate technology transfer,
- contribute to environmental awareness in company locations,
- communicate with the local community, and
- share benefits equitably.¹⁸

In order to turn these concepts into concrete, environmentally responsible actions, a company can choose to

- implement the International Declaration on Cleaner Production¹⁹,
- work with suppliers to improve environmental performance (supply chain management),
- re-define company strategies and policies to include a triple bottom line approach, which takes into account economic prosperity, environmental quality and social equity,
- set quantifiable objectives and targets,
- develop sustainability indicators (economic, environmental, social),
- measure, track, and report progress in incorporating sustainability principles into business practices, including reporting against global operating standard,
- adopt voluntary charters, codes of conduct, codes of practice in global and sectoral initiatives, and

¹⁷ Global Compact, <http://www.globalcompact.org/AboutTheGC/TheTenPrinciples/principle7.html>, visited November 19th 2007.

¹⁸ Global Compact, <http://www.globalcompact.org/AboutTheGC/TheTenPrinciples/principle8.html>, visited November 19th 2007.

¹⁹ Can be found under <http://www.unep.org/pc/cp/declaration/pdfs/english.pdf>

- ensure transparency and unbiased communication with stakeholders.²⁰

Principle 9

Businesses should encourage the development and diffusion of environmentally friendly technologies.

For the purposes of engaging with the Global Compact, environmentally friendly technologies are considered to be those that are described in Chapter 34 of Agenda 21 as being "environmentally sound". The environmentally sound technologies (ESTs) are those which -

*"...protect the environment, are less polluting, use all resources in a more sustainable manner, recycle more of their wastes and products, and handle residual wastes in a more acceptable manner than the technologies for which they were substitutes. [ESTs] are not just individual technologies, but total systems which include know-how, procedures, goods and services, and equipment as well as organisational and managerial processes."*²¹

Since the aim of the Global Compact is not enforceable and the principles are somewhat elastic, specific requirements on control of suppliers can not be concluded. Therefore Global Compact will not be dealt with in the second part of this paper. It is however interesting to note that supply-chain management is brought up under principle 8.

2.1.3 The CERES Principles

The United States based non-profits Coalition for Environmentally Responsible Economies (CERES) was created by a coalition of U.S. environmental groups and the socially responsible investment community in 1989. The same year the CERES Principles were launched. Of the codes of conducts brought up the CERES Principles must be said to be the most comprehensive and demanding, covering 10 principles related to the environment.²² Leveraging shareholder authority, the coalition uses shareholder resolutions to push companies toward endorsing these environmental principles, with the expectation that CERES signatories will publish public reports on their progress in these areas.²³

The principles that the companies are to adopt are:

- **Protection of the Biosphere**

²⁰ Global Compact 2007, <http://www.globalcompact.org/AboutTheGC/TheTenPrinciples/principle8.html>, visited November 19th 2007.

²¹ Global Compact, <http://www.globalcompact.org/AboutTheGC/TheTenPrinciples/principle9.html>, visited November 19th 2007.

²² CERES, <http://www.ceres.org/coalitionandcompanies/principles.php>, visited November 19th 2007.

²³ Neef, Dale 2004 p. 117.

We will reduce and make continual progress toward eliminating the release of any substance that may cause environmental damage to the air, water, or the earth or its inhabitants. We will safeguard all habitats affected by our operations and will protect open spaces and wilderness, while preserving biodiversity.

- **Sustainable Use of Natural Resources**
We will make sustainable use of renewable natural resources, such as water, soils and forests. We will conserve non-renewable natural resources through efficient use and careful planning.
- **Reduction and Disposal of Wastes**
We will reduce and where possible eliminate waste through source reduction and recycling. All waste will be handled and disposed of through safe and responsible methods.
- **Energy Conservation**
We will conserve energy and improve the energy efficiency of our internal operations and of the goods and services we sell. We will make every effort to use environmentally safe and sustainable energy sources.
- **Risk Reduction**
We will strive to minimize the environmental, health and safety risks to our employees and the communities in which we operate through safe technologies, facilities and operating procedures, and by being prepared for emergencies.
- **Safe Products and Services**
We will reduce and where possible eliminate the use, manufacture or sale of products and services that cause environmental damage or health or safety hazards. We will inform our customers of the environmental impacts of our products or services and try to correct unsafe use.
- **Environmental Restoration**
We will promptly and responsibly correct conditions we have caused that endanger health, safety or the environment. To the extent feasible, we will redress injuries we have caused to persons or damage we have caused to the environment and will restore the environment.
- **Informing the Public**
We will inform in a timely manner everyone who may be affected by conditions caused by our company that might endanger health, safety or the environment. We will regularly seek advice and counsel through dialogue with persons in communities near our facilities. We will not take any action against employees for reporting dangerous incidents or conditions to management or to appropriate authorities.
- **Management Commitment**
We will implement these Principles and sustain a process that ensures that the Board of Directors and Chief Executive Officer are fully informed about pertinent environmental issues and are fully responsible for environmental policy. In selecting our Board of

Directors, we will consider demonstrated environmental commitment as a factor.

- **Audits and Reports**

We will conduct an annual self-evaluation of our progress in implementing these Principles. We will support the timely creation of generally accepted environmental audit procedures. We will annually complete the Ceres Report, which will be made available to the public.²⁴

The Principles are, although admirable pledges, hard to measure. Furthermore they do not deal with any questions concerning the relationship with suppliers. Therefore it will not be dealt with further in the second part of this paper. CERES also offers reporting but offers no guidelines, instead companies in the CERES Coalition are encouraged to use the Global Reporting Initiative (GRI) Guidelines for sustainable reporting, see below.²⁵

2.1.4 Other

Other standards that can be mentioned but will not be dealt with in further depth are the Bellagio Principles and the International Chamber of Commerce's (ICC) Business Charter for Sustainable Development. The Bellagio Principles endorse four aspects of assessing progressing toward sustainable development. Principle 1 deals with establishing a vision in terms that are meaningful for the decision-making unit in question. Principles 2 through 5 deal with the content of any assessment and the need to merge a sense of the overall system with a practical focus on current priority issues. Principles 6 through 8 deals with key issues of the process of assessment, and Principle 9 and 10 deals with the necessity for establishing a continuing capacity for assessment. The Business Charter for Sustainable Development comprises sixteen Principles for environmental management which, for business, is virtually important aspect of sustainable development.²⁶ The aim is to assist enterprises in fulfilling their commitment to environmental stewardship in a comprehensive fashion, in line with national and international guidelines and standards for environmental management.²⁷

²⁴ CERES, <http://www.ceres.org/coalitionandcompanies/principles.php> , visited November 19th 2007.

²⁵ CERES, <http://www.ceres.org/sustreporting/corporate.php>, visited November 9th 2007.

²⁶ The principles can be found on:
http://www.iccwbo.org/home/environment_and_energy/sdcharter/charter/principles/principles.asp.

²⁷ Olson, Scott S. *International Environmental Standards Handbook* (CRC Press LLC, Boca Raton, Florida 2000). p. 147-154.

2.2 Environmental Standards

2.2.1 Performance standards

The first important group of standards is what has become known as performance standards. They contain the guiding principles for social and environmental performance that are common to the aspirational codes of conducts, and create a level of detail that allows companies to monitor, assess and report on their performance in these areas much more effectively. There are three key themes at the heart of these performance standards: transparency, comparability and quality improvement. They are usually focused either horizontally on broad areas such as environmental policy, or focused more vertically on certain industries.²⁸

Because of the detailed level of these systems they will not be treated in their entirety here but only an overview will be given and the aspect of supplier control will later be viewed in further detail.

2.2.1.1 EMS

The two best known horizontal standards are ISO 14001 and EMAS. The central theme in both these standards is the development of an Environmental Management System (EMS) for an organisation. There are many definitions of an EMS. Here two have been singled out. Steger does according to Wenk define an EMS as *“a transparent, systematic process known corporate-wide, with the purpose of prescribing and implementing environmental goals, policies and responsibilities, as well as regular auditing of its elements”*.²⁹ Another definition of EMS is *“system that include everything that is done in a companies work, that concern, affect or can affect the environment.”*³⁰ Also EMAS and ISO 14001 contain similar definitions.³¹

Both ISO 14001 and EMAS involve voluntary participation and the aim of the standards is therefore primarily to make the environmental work of companies and organisations easier and more effective.³²

2.2.1.2 ISO 14001

The International Organisation for Standardisation (ISO) is an international standard-setting body composed of representatives from various national standards organizations. The organisation develops worldwide industrial

²⁸ Neef, Dale 2004 p. 141-142.

²⁹ Wenk, Michael S. *The European Union's Eco-Management and Audit Scheme (EMAS)* (Springer, Dordrecht 2005) p. 41.

³⁰ Berg, Göran *MiljöledningsGuiden – Steg för steg mot ISO 14000 och EMAS* (SIS Forum AB Göteborg 1997) p. 36.

³¹ EC Regulation 761/2001, article 2 (k) and ISO 14001:2004 clause 3.8.

³² Berg, Göran 1997 p. 35.

and commercial standards.³³ While ISO defines itself as a non-governmental organisation (NGO) its ability to set standards that often become law, either through treaties or through national standards, makes it more powerful than most NGOs. In practice, ISO acts as a consortium with strong links to governments.³⁴

Within ISO the technical committee 207 is responsible for standardising of Environmental Management. The work of the committee is divided in six sub-committees. Sub-Committee 1, based in the UK is responsible for Environmental Management Systems and has developed the ISO 14001.³⁵ ISO 14001 is the only standard in the ISO 14000-series that is designed to be used for certification.³⁶ Therefore only ISO 14001 will be considered in this paper. ISO 14001 was first published in 1996 and the second edition was released in 2004.³⁷ Whenever ISO 14001 is referred to in this paper ISO 14001:2004 is intended unless otherwise is indicated.

As has been said ISO 14001 is a horizontal standard. Hence, the ISO 14001 can be used by all types of companies and organisations that have an activity and administration.³⁸ There are four main aims of ISO 14001:

1. To be a tool to make sure that the environmental work within a company is carried out systematically and effectively.
2. To, through constant improvement, make sure that the environmental work leads to continued reduction of the companies' total environmental burden.
3. Make sure that the management of the companies has control over the development of the environmental work in terms of both costs and results.
4. To make it possible for companies to both internally and externally show that environmental work is taking place in a concrete and verifiable way.³⁹

The standard is somewhat simplified based on process: perform-control-evaluate-improve.⁴⁰ It helps with:

1. Surveys the environmental effect of an activity
2. Introduce governing routines

³³ International Organisation for Standardisation, <http://www.iso.org/iso/about.htm>, visited September 29th 2007.

³⁴ Krut, Riva and Gleckman, Harris *ISO 14001 – A missed opportunity for sustainable Global Industrial Development* (Earthscan London 1998) p. 2.

³⁵ Högström, Jonas *Företagens miljöstyrning med EMAS – En översikt över EEG-förordningen 1863/93 om frivilligt deltagande för industriföretag i EMAS* (Nordstedts Juridik Stockholm 1996) p. 146-7.

³⁶ Högström, Jonas 1996 p. 147.

³⁷ Whitelaw, Ken *ISO 14001 – Environmental Systems Handbook* (2nd edn. Elsevier Butterworth-Heinemann Oxford 2004) p. xvi.

³⁸ ISO 14001:2004 clause 1 in combination with clause 3.16.

³⁹ Berg, Gröan 1997 p. 35.

⁴⁰ Högström, Jonas 1996 p. 148.

3. Put in place goals for improvements
4. Introduce programs for improvements
5. Control that the programs work
6. Evaluate the environmental work
7. Move based on the results of the evaluation.⁴¹

The ambition is to offer an effective, flexible and internally run system.⁴²

Primarily ISO 14001 regulates the process and the organisation largely is free to design the goals of the environmental-policy and the other parts of the system. It does however require that the environmental policy shall contain undertakings to comply with applicable legal requirements and with other requirements to which the organisation subscribes, that the organisation shall continually evaluate and improve its EMS and prevent pollution.⁴³

Beyond this, it is up to the organisation itself to define its environmental goals and the standard does not indicate a minimum level that the organisations environmental performance has to reach. This is also stated under clause 1: *“It applies to environmental aspects that the organisation identifies as those which it can control and those which it can influence. It does not itself state specific environmental performance criteria.”*⁴⁴ This means:

*“...that the application of various elements of the management system might differ depending on the intended purpose and the interested parties involved. The level of detail and complexity of the environmental management system, the extent of documentation and the resources devoted to it depend on a number of factors, such as the scope of the system the size of an organisation and the nature of its activities, products and services.”*⁴⁵

The consequence of this is that: *“...two organisations carrying out similar operations but having different environmental performance can both confirm to its requirements.”*⁴⁶ The standard even goes as far as to state: *“...adoption of this International Standard will not in itself guarantee optimal environmental outcomes.”*⁴⁷

The approach laid out in ISO 14001 makes it very flexible and easily adaptable for all organisations. The risk is that it then becomes too flexible so that it enables companies too set to low ambitions. There are however guidance for which aspects shall be included. Clause 4.1 state that: *“The*

⁴¹ Berg, Gröan 1997 p. 35.

⁴² Högström, Jonas 1996 p. 148.

⁴³ ISO 14001:2004 p. 5.

⁴⁴ ISO 14001:2004 clause 1

⁴⁵ ISO 14001:2004 p. 6.

⁴⁶ ISO 14001:2004 p. 5.

⁴⁷ ISO 14001:2004 p. 5.

organisation shall establish, document, implement, maintain and continually improve an environmental management system.” Clause 4.2a states that the: “Top management shall define the organisations environmental policy and ensure that... ...it is appropriate to the nature, scale and environmental impacts of its activities, products and services.”⁴⁸ As mentioned it is also stated in many places that the organisation shall comply with applicable laws.⁴⁹

Clause 4.3.1 states that: *“The organisation shall ensure that the significant environmental aspects are taken into account in establishing implementing and maintaining its environmental management system.”⁵⁰ This is repeated in many places in the standard.⁵¹ Which these environmental aspects might be is not stated in the actual standard. In the informative Annex A some environmental aspects are however brought up under clause A.3.1:*

“Although there is no single approach for identifying environmental aspects, the approach selected could for consider:

- *Emissions to air,*
- *Releases to water,*
- *Releases to land,*
- *Use of raw materials and natural resources,*
- *Use of energy,*
- *Energy emitted, e.g. heat, radiation, vibration,*
- *Waste and by-products, and*
- *Physical attributes, e.g. size shape, colour, appearance.*

In addition to those environmental aspects an organisation can control directly, an organisation should also consider aspects that it can influence, e.g. those related to goods and services used by the organisation and those related to products and services that it provides. Some guidance to evaluate control and influence is provided below. However, in all circumstances it is the organisation that determines the degree of control and also the aspects it can influence.

Consideration should be given to aspects related to the organisations activities, products and services, such as:

- *Emissions to air,*
- *Design and development,*
- *Manufacturing processes,*
- *Packaging and transportation,*

⁴⁸ ISO 14001:2004 clause 4.2a.

⁴⁹ ISO 14001:2004 clauses, 4.2b, 4.3.2, 4.3.3, 4.5.2.

⁵⁰ ISO 14001:2004 clause 4.3.1.

⁵¹ ISO 14001:2004 clauses 4.3.3, 4.4.4, 4.4.6, 4.5.1.

- *Environmental performance and practices of contractors and suppliers,*
- *Waste management,*
- *Extraction and distribution of raw materials and natural resources,*
- *Distribution, use and end-of-life of products, and*
- *Wildlife and biodiversity.*

...Since an organisation might have many environmental aspects and associated impacts, it should establish criteria and a method to determine those that it considers significant... ...the method used should provide consistent result and include the establishment and application of evaluation criteria, such as those related to environmental matters, legal issues and the concerns of internal and external interested parties.”⁵²

Some additional clauses can be identified. Clause 4.4.7 deals with emergency. There it is stated that: *“The organisation shall respond to actual emergency situations and accidents and prevent or mitigate associated adverse environmental impacts.”*⁵³ Clause 4.5.3 states that: *“The organisation shall establish, implement and maintain a procedure(s) for dealing with actual and potential nonconformity(ies) and for taking corrective action and preventive action.”*⁵⁴ Lastly there is a requirement in the standard for a revision in clause 4.5.5. It does however not state what to revision needs to show just how they are to be performed.⁵⁵

2.2.1.3 EMAS

European Councils Regulation Number 1836/93 adopted 29 June 1993, set out the requirements for EMAS. 1836/93 list three specific objectives and principles to be accomplished: *“to prevent, reduce and as far as possible eliminate pollution.....to ensure sound management of resources and to use clean or cleaner technology.”*⁵⁶

Since the requirements under EMAS were very similar to ISO 14001 the European Commission in 1997 declared that the requirements of ISO 14001 met some of the requirements of the EMAS program and that ISO 14001 was accepted as fulfilling the environmental management system provisions of EMAS. This ultimately resulted in the EMAS II regulation 761/2001 which addressed the synergy between ISO 14001 and EMAS by stating that: *“organisations which have a certified environmental management system do not need to conduct a formal environmental review when moving on the EMAS implementation.”*⁵⁷

⁵² ISO 14001:2004 A.3.1.

⁵³ ISO 14001:2004 clause 4.4.7.

⁵⁴ ISO 14001:2004 clause 4.5.3.

⁵⁵ ISO 14001:2004 clause 4.5.5.

⁵⁶ EC Regulation 1836/93.

⁵⁷ Wenk, Michael S. 2005) p. 33-36.

EMAS Annex I, which include the requirements of the EMS, was then, apart from some editorial differences, identical to the requirements of ISO 14001:1996's clause 4. When ISO 14001:2004 came was Annex I of the regulation amended by regulation 196/2006 which contain the same text as clause 4 of ISO 14001:2004. Apart from Annex I is however regulation 761/2001 still applicable. Hence, when talking about EMAS in this paper regulation 761/2001 as amended by regulation 196/2006 is meant unless anything else is indicated.

In the first edition of EMAS its scope only covered industrial activities. The standard would then probably fall within the scope of a vertical standard.⁵⁸ This scope is now wider and now, just as ISO 14001, include all organisations.⁵⁹ It is however still limited to the EU region. Despite its geographical limitation it must nevertheless now be said to be a horizontal standard.

As has been shown, EMAS has very much in common with ISO 14001. There are however still differences in the content between ISO 14001 and EMAS. Four main differences can be observed:

1. EMAS' audit, unlike ISO 14001, checks for improvement of environmental performance rather than environmental system performance;
2. The starting point in EMAS is that the organisation should know all environmental effects of its activities after the first environmental investigation that is to be made by the organisation. ISO 14001 requires no such initial review.
3. EMAS requires that the important environmental effects or impacts shall be documented in a register. The ISO-standard includes only the environmental aspects that the organisation can control and can be expected to have an influence over.
4. There is no requirement concerning audit frequency and the relevance of past activities in ISO 14001.⁶⁰

The mandate for regulatory compliance is paramount in EMAS: *"If a competent body is informed by the competent enforcement authority of a breach by the organisation of relevant regulatory requirements regarding environmental protection, it shall refuse registration of that organisation or suspend it from the register as appropriate."*⁶¹

EMAS does, just like ISO 14001, not sets any specific quantitative requirements. This is instead regulated by the relevant environmental law.

⁵⁸ Neef, Dale 2004 p. 142-150.

⁵⁹ Regulation 761/2001, article 3.1.

⁶⁰ Wenk, Michael S. 2005 p. 35.

⁶¹ Regulation 761/2001, article 6.4; Wenk, Michael S. 2005) p. 36-37.

This means that the reach of environmental improvements is not an outspoken goal but a result of the more effective environmental control.⁶²

To be sure, that EMAS would have a lasting impact, article 12 expressly lays out specific actions that Each Member States are appropriate to take with regard to the promotion of EMAS. Specifically to ensure that:

1. Organisations are informed of the content of the Regulation;
2. That public is informed of the objectives and principal components of EMAS.⁶³

Furthermore paragraph 9 of the preamble state that: *“Organisations should be encouraged to participate in EMAS on a voluntary basis and may gain added value in terms of regulatory control, cost savings and public image.”*⁶⁴ This is confirmed in paragraph 15 which states that: *Member states could create incentives to encourage organisations to participate in EMAS.*⁶⁵ Neef claims that Germany and the Netherlands have gone so far as to make some parts of EMAS mandatory in their respective countries.⁶⁶

Just like ISO 14001, EMAS mentions some environmental aspects that may be included. As mentioned all aspects under ISO 14001’s clause 4 is also included in EMAS in Annex I. This includes the main requirements in ISO 14001 that the organisation shall comply with applicable laws; that the organisations management shall continually evaluate and improve the EMS and prevent pollution. In EMAS Annex VI are more specific environmental aspects mentioned. Clause 6.1 – General – states:

“An organisation shall consider all environmental aspects of its activities, products and services and decide, on the basis of criteria taking into account the Community legislation, which of its environmental aspects have a significant impact, as a basis for setting its environmental objectives and targets. These criteria shall be publicly available.

*An organisation shall consider both direct and indirect environmental aspects of its activities.”*⁶⁷

Clause 6.2 – Direct environmental aspects – states:

These cover the activities of an organisation over which it has management control and may include, but is not limited to:

- *Emissions to air;*

⁶² Högström, Jonas 1996 p. 148-150.

⁶³ Wenk, Michael S. 2005 p. 21.

⁶⁴ Regulation 761/2001, preamble, paragraph 9.

⁶⁵ Regulation 761/2001, preamble, paragraph 15.

⁶⁶ Neef, Dale 2004 p. 150.

⁶⁷ Regulation 761/2001 Annex VI, clause 6.1.

- *Releases to water;*
- *Avoidance, recycling, reuse, transportation and disposal of solid and other wastes, particularly hazardous wastes;*
- *Use of contamination of land;*
- *Use of natural resources and raw material (including energy);*
- *Local issues (noise, vibration odour, dust, visual appearance, etc.);*
- *Transport issues (both for goods and services and employees);*
- *Risks of environmental accidents and impacts arising, or likely to arise, as consequences of incidents,*
- *Effects on biodiversity.*⁶⁸

Clause 6.3 – Indirect Environmental aspects – states:

“As a result of the activities, products and services of an organisation there may be significant environmental aspects over which it may not have full management control. These may include, but are not limited to:

- *Product related issues (design, development, packaging, transportation, use and waste recovery/disposal);*
- *Capital investments, granting loans and insurance services;*
- *New markets;*
- *Choice and composition of services (e.g. transport or the catering trade);*
- *Administrative and planning decisions;*
- *Product range compositions;*
- *The environmental performance and practices of contractors, subcontractors and suppliers.*

Organisations must be able to demonstrate that the significant environmental aspects associated with their procurement procedures have been identified and that significant impacts associated with these aspects are addressed within the management system. The organisation should endeavour to ensure that the suppliers and those acting on the organisation’s behalf comply with the organisation’s environmental policy within the remit of the activities carried out for the contract.

*In the case of these indirect environmental aspects, an organisation shall consider how much influence it can have over these aspects, and what measures can be taken to reduce the impact.”*⁶⁹

Clause 6.4 – Significance – states:

⁶⁸ Regulation 761/2001 Annex VI, clause 6.2.

⁶⁹ EC Regulation 761/2001, Annex VI, clause 6.3.

“In assessing the significance of the environmental impacts of the organisation’s activities the organisation shall think not only of normal operation conditions but also of start-up and shutdown conditions and of reasonable foreseeable emergency conditions. Account shall be taken of past, present and planned activities.”⁷⁰

2.2.1.4 Vertical Standards

A vertical environmental standard is the Better Banana Project, Sponsored by the Rainforest Alliance and a group of Latin American conservation organisations. It was formed in 1991 in order to help ensure that tropical wildlife and rainforests were protected from poor agricultural policies – pollution, over use of pesticides and agrochemicals, excess soil or water use – and to ensure the health and safe of worker. The effort has helped to alter the way that bananas are farmed by improving soil and water use, reducing rainforest destruction and waste, and promoting reforestation. They also set strict standards for worker health and safety on the farms. Individual farms seek certification under the program, and the Rainforest Alliance helps the farms to create an improvement plan and to become certified under the standards. The certification process can apply to farms, grower cooperatives, and MNE.⁷¹

The Forest Stewardship Council (FSC) is an independent NGO that provides performance standards and a certification scheme for good environmental and economic forest management. It was one of the first organisations to develop the concept of the chain of custody and requires forest products to be labelled and monitored through manufacturing and to the point of sale by retailers in order to be certified.⁷²

2.2.2 AccountAbility 1000

The AccountAbility (AA) 1000 Framework was launched in 1999 by the Institute of Social and Ethical AccountAbility.⁷³ AA 1000 is not a code of conduct or performance standard but a framework of best practice methods in social and ethical accounting, auditing and reporting. Known as a process standard AA1000 does not tell an organisation what levels of performance it needs to achieve. Instead standards like ISO 14001 or EMAS will provide the requirements for companies wishing to assess their suppliers, and usually also provide coaching and consultancy suggestions. AA 1000 focuses on helping companies judge if they have processes in place to monitor and report on their social and environmental performance.⁷⁴

⁷⁰ EC Regulation 761/2001, Annex VI, clause 6.4.

⁷¹ Rainforest Alliance, <http://www.rainforest-alliance.org/programs/index.html>, visited October 26th 2007.

⁷² Neef, Dale 2004 p. 150-151.

⁷³ AccountAbility, <http://www.accountability21.net/default.aspx?id=216>, visited November 13th 2007.

⁷⁴ Neef, Dale 2004 p. 151-152, 192.

Among the benefits that come from this type of a stakeholder focused approach is the fact that the AA 1000 framework encourages specific dialogue with business partners, activists, and community leaders in a way that quickly tend to identify areas of social or environmental risk or abuse that are often ignored or purposely overlooked through an impersonal survey or questionnaire.⁷⁵

The most important components of the AA1000 Series are the AA1000 Framework, the AA1000 Assurance Standard (AA 1000AS), the AA1000 Stakeholder Engagement Standard (AA 1000SES) and the Certified Sustainability Assurance Practitioners Program. The aim of AA1000 Framework is to support organisational learning, performance and progress towards sustainable development by improving the quality of social and ethical accounting, auditing and reporting. It is basic standard which could support the development of more specialist standards and accelerate convergence of standards for accountability.⁷⁶ The framework only gives guidance and states no requirements. It is therefore not suitable for any further analysis in this paper.⁷⁷

The AA1000 Assurance Standard was launched in 2003 and is meant to provide a systematic and consistent framework for assurance of performance.⁷⁸ It is usually implemented in conjunction with a recognized standard such as SA 8000⁷⁹ or ISO 14001 helps organisations evaluate their social and environmental performance against these industry standards.⁸⁰ Also it is specifically designed to be consistent with the GRI Guidelines and other standardised or company-specific approaches to disclosure. It is based on assessment of reports against three principles known as assurance principles: completeness, materiality, responsiveness. It therefore helps the company ensure that readers of their report can be assured of its accuracy and authenticity.⁸¹ The Assurance Standard does also not put up any requirements on its own and will therefore not be dealt with any further.⁸²

In 2005 the AA1000 Standard for Stakeholder Engagement was launched to secure the quality of organisations' engagement with their stakeholder

⁷⁵ Neef, Dale 2004 p. 154.

⁷⁶ AccountAbility, <http://www.accountability21.net/default.aspx?id=216> , visited November 13th 2007.

⁷⁷ AccountAbility, <http://www.accountability21.net/uploadedFiles/publications/AA1000%20Framework%201999.pdf>, visited November 15th 2007.

⁷⁸ AccountAbility, <http://www.accountability21.net/default.aspx?id=216> , visited November 13th 2007.

⁷⁹ SA 8000 stands for Social Accountability 8000 and is a workers' rights performance standard.

⁸⁰ Neef, Dale 2004 p. 152.

⁸¹ AccountAbility, <http://www.accountability21.net/publications.aspx?id=288> , visited November 13th 2007.

⁸² AccountAbility, <http://www.accountability21.net/uploadedFiles/publications/Assurance%20Standard%20-%20Full%20Report.pdf>, visited November 15th 2007.

engagement which is crucial to learning, governance and accountability.⁸³ AA 1000SES deals with suppliers as they are stakeholders. It is however more focused on how to include them rather than what requirements are to be put upon them.⁸⁴ The same year was the Certified Sustainability Assurance Practitioners Program launched to provide professional certification for assurance practitioners in partnership with IRCA.⁸⁵ This comprehend requirements but none of them address the control of suppliers.⁸⁶

2.2.3 Integrated Social and Environmental Auditing (ISE)

Neef mentions ISE which was developed by the Natural Resource and Ethical Trade Program (NRET), and draws on the experience of extensive agricultural auditing that has taken place in Africa.⁸⁷ The approach combines many of the best practices found in the Ethical Trading Initiative, SA 8000 and EMAS guidelines and standards.⁸⁸

2.3 Reporting – Global Reporting Initiative

Global Reporting Initiative (GRI) was formed by CERES, mentioned above, and Tellus Institute, with the support of the United Nations Environment Programme (UNEP) in 1997. Although the GRI is independent, it remains a collaborating centre of UNEP and works in cooperation with the United Nations Global Compact. GRI is made up of a series of multi-stakeholder governance bodies that coordinate the formal components of the GRI network. The cornerstone of the framework is the Sustainability Reporting Guidelines. It released an exposure draft version of the Sustainability Reporting Guidelines in 1999 and the first full version in 2000. The second version was released at the World Summit for Sustainable Development in Johannesburg in 2002 where the organisation and the Guidelines were also referred to in the Plan of Implementation signed by all attending member states. Later that year it became a permanent institution, with its Secretariat in Amsterdam, the Netherlands. The third version of the Guidelines, known as the G3 Guidelines, was published in 2006.⁸⁹ When hereafter referred to

⁸³ AccountAbility, <http://www.accountability21.net/default.aspx?id=216> , visited November 13th 2007.

⁸⁴ AccountAbility, <http://www.accountability21.net/uploadedFiles/publications/SES%20Exposure%20Draft%20-%20FullPDF.pdf>, visited November 15th 2007.

⁸⁵ AccountAbility, <http://www.accountability21.net/default.aspx?id=216> , visited November 13th 2007.

⁸⁶ AccountAbility, <http://www.accountability21.net/uploadedFiles/publications/Certification%20as%20a%20Sustainability%20Assurance%20Practitioner%20-IRCA.pdf>, visited November 15th 2007.

⁸⁷ Integrated Social and Environmental Auditing, <http://www.nri.org/NRET/TP7.pdf>, visited November 15th 2007.

⁸⁸ Neef, Dale 2004 p. 193.

⁸⁹ Coalition for Environmentally Responsible Economies, <http://www.ceres.org/sustreporting/gri.php>, visited September 29th 2007.

the GRI Guidelines the G3 guidelines is intended unless otherwise indicated.

Other components of the framework include Sector Supplements, Protocols, and National Annexes. Sector Supplements respond to the limits of the overall approach and complement (not replace) the use of the Guidelines by addressing the sustainability issues faced by different sectors. Protocols are the instructions behind each indicator in the Guidelines and include definitions for key terms in the indicator, compilation methodologies, intended scope of the indicator, and other technical references.⁹⁰

Unlike the CERES Principles, AA 1000, EMAS or ISO 14001 the Global Reporting Initiative is not a code of conduct (explaining what a company should or should not do), a performance standard (providing measures by which a company can judge how well it is performing), or a management system (mandating the necessary management processes and policies that should be in place to ensure compliance).⁹¹ GRI is a sustainability-reporting framework that provides the principles and content guidelines that allow an organisation to measure and report their economic, social and environmental performance in a competent and consistent way.⁹² It is said to be based on the concept of Triple Bottom Line (TBL) reporting. TBL is a concept developed by John Elkington in 1997. The TBL Agenda focuses corporations not just on the economic value they add, but also on the environmental and social value that they add or destroy. Therefore there are three bottom lines: People, Planet and Profit instead of just one: Profit.⁹³

Sustainability reports based on the GRI framework can be used to benchmark organisational performance with respect to laws, norms, codes, performance standards and voluntary initiatives; demonstrate organisational commitment to sustainable development; and compare organisational performance over time. It consists of principles that define and ensure the quality of the reported information. It also includes standard disclosures made up of performance indicators and other disclosure items, as well as guidance on specific technical topics in reporting.⁹⁴

The structure of the framework incorporates several important principles:

- First it provides a standard reporting process (ensuring transparency and auditability).

⁹⁰ Global Reporting Initiative, <http://www.globalreporting.org/ReportingFramework/ReportingFrameworkOverview/>, visited September 29th 2007.

⁹¹ Neef, Dale 2004 p. 229.

⁹² Global Reporting Initiative, <http://www.globalreporting.org/AboutGRI/WhatWeDo/>, visited September 29th 2007.

⁹³ Henriques, Andrian & Richardson, Julie *The Triple Bottom Line –does it all add up?* (Earthscan London & Sterling, VA 2004) p.4.

⁹⁴ Global Reporting Initiative, <http://www.globalreporting.org/AboutGRI/WhatWeDo/>, visited September 29th 2007.

- Second it helps companies decide what to include in their reports (completeness, relevance and context)
- Third the framework is designed to ensure quality and reliability (accuracy, neutrality and comparability)
- Finally it helps to ensure that the reporting is relevant and readable (clarity and timeliness of information).⁹⁵

Neef writes that GRI is at the center of the European move toward requiring triple-bottom-line accounting, in that it provides a guidance to companies on how to develop consistent and easily compared reports that reflect their activities (and the activities of the suppliers) in these areas.⁹⁶

The framework sets out the principles and indicators to measure and report their economic, environmental, and social performance. It covers seven areas: Economy, Environment, Product Responsibility, Labour Practices and Decent Work, Human Rights and Society. Altogether there are 79 indicators of performance of which 49 are mandatory and 30 are voluntary. Under Environment 30 indicators divided in nine aspects. There are two kinds of clauses in GRI, core clauses, which are to be included in the organisations report and additional clauses that are optional to include.⁹⁷ 30 indicators follow below under their respective aspects. They are divided so that the core indicators come first under the aspects and then the additional (add).

Materials

Core:

- | | |
|-----|---|
| EN1 | Materials used by weight or volume |
| EN2 | Percentage of materials used that are recycled input materials. |

Energy

Core:

- | | |
|-----|---|
| EN3 | Direct energy consumption by primary energy source. |
| EN4 | Indirect energy consumption by primary source. |

Add:

- | | |
|-----|--|
| EN5 | Energy saved due to conservation and efficiency improvements. |
| EN6 | Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives. |
| EN7 | Initiatives to reduce indirect energy consumption and reductions achieved. |

Water

Core:

- | | |
|------|-----------------------------------|
| EN 8 | Total water withdrawal by source. |
|------|-----------------------------------|

Add:

⁹⁵ Neef, Dale 2004 p. 229.

⁹⁶ Neef, Dale 2004 p. 228.

⁹⁷ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, RG p. 25-36.

- EN9 Water sources significantly affected by withdrawal of water.
 EN10 Percentage and total volume of water recycled and reused.

Biodiversity

Core:

- EN11 Location and size of land owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas.
 EN12 Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.

Add:

- EN13 Habitats protected or restored.
 EN14 Strategies, current actions, and future plans for managing impacts on biodiversity.
 EN15 Number (IUCN) Red List species⁹⁸ and national conservation list species with habitats in areas affected by operation, by level of extinction risk.

Emissions, Effluents, and Waste

Core:

- EN16 Total direct and indirect greenhouse gas emissions by weight.
 EN17 Other relevant indirect greenhouse gas emissions by weight.
 EN19 Emissions of ozone-depleting substances by weight.
 EN20 NO_x, SO_x, and other significant air emissions by type and weight.
 EN21 Total water discharge by quality and destination.
 EN22 Total weight of waste by type and disposal method.
 EN23 Total number and volume of significant spills.

Add:

- EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved.
 EN24 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention⁹⁹ Annex I, II, III and VIII, and percentage of transported waste shipped internationally.
 EN25 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.

Products and Services

Core:

⁹⁸ IUCN Red List species is in the guidelines defined as: "An inventory of global conservation status of plant and animal species developed by the Interantinoal Union for Conservation of Nature and Natural Resources (IUCN) (Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, EN p. 21).

⁹⁹ This is later explained to be the Ban Amendment to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal adopted in Basel 1989. (Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, EN p. 31)

- EN 26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.
- EN 27 Percentage of products sold and their packaging materials that are reclaimed by category.

Compliance

Core:

- EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.

Transport

Add:

- EN29 Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.

Overall

Add:

- EN30 Total environmental protections expenditures and investments by type.¹⁰⁰

¹⁰⁰ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, EN p. 1-2.

3 Analysis

The frameworks that have been viewed can be divided into three groups: codes of conduct, environmental standards and reporting frameworks. The analysis of their clauses will therefore also follow this model.

3.1 Codes of Conduct

The codes of conducts generally do not put up binding rules that the companies are to adhere. Thus they can be seen as a first step for companies willing to take a greater environmental responsibility. The Codes on Conducts that has been brought up here are CSR Europe, Global Compact and CERES Principles. Out of these three, CSR Europe has the fewest requirements to follow but the first requirement – to minimise the negative impacts our activities can have on the environment and its resources – is however very demanding if carried out properly. On the other hand it must be said to be very vague. The first principle also states that companies shall strive to provide customers with product and services that take sustainable consumption into account.

The Global Compact has three requirements. Furthermore it leaves a detailed explanation on what they mean and gives examples on how they can be achieved. Hence, they are more specific in what is expected from the businesses. Principle 7 – Businesses should support and precautionary approach to environmental challenges – has no equivalent in the CSR Europe Principles.

Principle 8 – Business should undertake initiatives to promote greater environmental responsibility – is quite similar to CSR Europe’s principle requirement to minimise the negative impacts. Principle 8 is more specific but limited only to initiatives. Thereby it might be said not to reach as far as CSR Europe’s requirement. The explanation to principle 8 does however show that it is far reaching so it can probably also be said to reach as far as CSR Europe’s principle. Principle 8 furthermore embeds the second environmental requirement in CSR Europe, namely to be accountable to key stakeholders through dialogue and transparency. Here CSR Europe must however be said to be a bit more specific than Global Compact.

Principle 9 – Business should encourage the development and diffusion of environmental friendly technologies – is to some extent embedded in principle 8 but gives a more detailed explanation which further strengthens the impression that Global Compact is a more developed system than CSR Europe. Global Compact does however fail to bring up the aspect that the products in themselves shall be sustainable.

CERES Principles is on a different level than both Global Compact and CSR Europe when it comes to clarity and detail. CSR Europe’s first

environmental principle and Global Compacts principle 8 are considered in the first four principles of CERES Principles – Protection of the Biosphere, Sustainable Use of Natural Resources, Reduction and Disposal of Wastes and Energy Conservation – and to some extent principle 6 – Safe Products and Services. Hence CERES Principles is a much more specific and wide code than Global Compact. It is hard to say if it is wider than CSR Europe since CSR Europe is so vague.

The 5th principle of CERES Principle – Risk reduction – almost goes outside the environmental field and will therefore not be considered in any further depth. The 6th principle, Safe Products and Services, also deals with consumers relations just as Global Compacts principle 8 and the second part of CSR Europe's first environmental principle. It does however only require the organisations to inform the consumers and try to correct unsafe use. Also there is no undertaking to take sustainable consumption into account as with CSR Europe.

Principle 7 – Environmental Restoration – has no equivalent in CSR Europe. Neither Global Compact has an equivalent but it instead puts the emphasis on the precautionary approach articulated in Global Compact's principle 7. A principle like number 7 in the CERES Principles would however be a useful compliment to the Global Compact.

Principle 8 – Informing the Public – is within the same field as the second environmental principle in CSR Europe. Furthermore does Global Compact's principle 8 touch upon this. The CERES Principles is however once again a more specific code and goes further by stating that no actions will be taken against employees who report dangerous incidents or conditions.

Principle 9 – Management Commitment – goes further than CSR Europe and Global Compact and works to ensure that the principles are ensured. Principle 10 – Audits and Reports – also works to ensure that the principles are complied with. This is not seen in the Global Compact or CSR Europe.

Conclusively it must be said that although the codes offer different clauses the CERES Principles reach furthest. The fact that they also have tools in place to ensure compliance almost make them go further than what is normally the case with aspirational codes. Although it may lie outside the focus of this paper it must however be said that while CERES Principles almost exclusively look at the environmental aspect the Global Compact and CSR Europe also include other aspects. They must therefore be said to wider, in that they cover more areas, while CERES is deeper, in that it covers one area in more depth.

3.2 Environmental Standards

In the EMS the emphasis is laid on the procedure. The three main requirements are that the organisation shall comply with applicable laws,

that the organisations management shall continually evaluate and improve the EMS, and prevent pollution. That the companies shall obey the laws should however be obvious and there is hardly any need for certifications to ensure that since the authorities shall control that. The demand on improvement is also somewhat teeth-less if the company set their standards very low. Since it is not regulated how demanding the organisation standard must be it is likely that it will not to be so ambitious.

Both ISO and EMAS do however in their advisory parts mention some aspects that the EMS may include. Their environmental aspects are very much the same, they both bring up:

- Emissions to air;
- Releases to water;
- Releases to land;
- Use of natural resources and raw material (including energy);
- Transport issues;
- Effects on biodiversity;
- Product related issues.

ISO than brings up the aspect:

- Energy emitted, e.g. heat, radiation and vibration.¹⁰¹

While EMAS brings up the aspects:

- Local issues (noise, vibration odour, dust, visual appearance, etc.);
- Risks of environmental accidents and impacts arising, or likely to arise, as consequences of incidents;
- Avoidance, recycling, reuse, transportation and disposal of solid and other wastes, particularly hazardous wastes.¹⁰²

Although there are some differences in their formulations ISO 14001 and EMAS must be said to be very similar in the aspects they bring up. It can possibly be said that EMAS covers a few more issues than ISO does. Furthermore, EMAS suggest that more aspects are under the direct control of the company while ISO states that they are only under the indirect control.

In this section it is of course also interesting to compare the requirements in the EMSes with the code of conduct that was concluded as being the most far reaching, the CERES Principles. All three frameworks include:

- Sustainable Use of Natural Resources
- Reduction and Disposal of Wastes
- Energy Conservation

¹⁰¹ ISO 14001:2004, Annex A, clause A.3.1.

¹⁰² EC Regulation 761/2001 Annex VI, Clause 6.2.

- Informing the Public
- Management Commitment
- Safe Products and Services
- Protection of the Biosphere
- Audits and Reports

Both EMAS and CERES bring up risk reduction. The CERES Principles include Environmental Restoration, which is covered by neither ISO nor EMAS.

Both ISO and EMAS contain many more environmental aspects than CERES Principles, which has been seen above. Of course it has to be remembered that the environmental aspects brought up in ISO and EMAS are mere suggestions and not requirements but if these suggestions are taken into account especially EMAS but to some extent also ISO must be said to be further reaching than the CERES Principles.

The fact that ISO 14001 and EMAS are so similar raises the question if they both are needed. It is especially apparent in the older literature that EMAS had a higher ambition than ISO 14001. In every new edition of EMAS the requirements are however more and more similar to those of ISO 14001. Most companies seem to choose ISO 14001 anyway since that is the bigger and more widely recognized standard. Although there still are some differences it might not be enough to defend two different systems.

As stated above the AccountAbility 1000 and the Social and Environmental Auditing do not in themselves contain any environmental aspects that can be taken into account. Thereby they are not comparable to the other standards or codes of conducts and will not be considered any further. Neither will the other standards that have been mentioned since they are not horizontal and therefore fall outside the scope of this paper.

3.3 Reporting

GRI also focuses on the procedure and just like EMAS and ISO 14001 it does not state any certain level that the companies must reach. There is however extensive focus on the content of the reporting in GRI. Unlike ISO and EMAS GRI is firm which aspects the organisation shall include. Out of the nine aspects that are covered six are equivalent to those in ISO and EMAS:

- Materials: EN1-2;
- Energy: EN3-7;
- Biodiversity: EN11-15;
- Emissions, Effluents and Waste EN16-25;
- Products and Services EN26-27;
- Compliance EN28;
- Transport EN29.

Furthermore does GRI cover the following additional aspects:

- Water: EN8-10;
- Total environmental protection: EN30.

The following aspects are suggested in EMAS but are not brought up by GRI:

- Local issues (noise, vibration odour, dust, visual appearance, etc.);
- Risks of environmental accidents and impacts arising, or likely to arise, as consequences of incidents.

GRI does not cover the principle Environmental Restoration, which is covered by the CERES Principles.

Even though all the thirty indicators of GRI have been mentioned in the paper this comparison has mainly focused on the GRI's environmental aspects. The reason for this is because GRI offers an unparalleled level of detail when dealing with the different indicators. Therefore it would not be possible to compare the indicators with the other frameworks.

Even if there are some aspects that the other frameworks cover which GRI does not, GRI not only covers most aspects but deals with them in greatest detail. Thus, GRI must be said to be the most extensive and furthest reaching framework within the environmental sphere. It is worth remembering that GRI managed to reach both widest and deepest despite the fact that environment only is one of the areas that is dealt with in GRI. As seen above EMS, ISO 14001 and Ceres Principles do only deal with the environment.

3.4 General

It is clear that the frameworks that have been viewed in this section are all in principle voluntary.¹⁰³ Furthermore it is apparent how many frameworks do not put up any requirements but mere recommendations. Within the environmental sphere the only frameworks that have been found, which in different ways put up requirements that the organisations should adhere to, are ISO 14001, EMAS, GRI and AA1000. Of these four only the first three have any requirements dealing with the environmental performance. It is of course understandable that many frameworks do not put up requirements since it surely is a more comprehensive process to develop such standards and to supervise them. It could however be expected that more standards would put up more tangible requirements.

¹⁰³ Even though Neef suggests that some parts of EMAS are mandatory in Germany and the Netherlands.

ISO 14001, EMAS and GRI do however also not lay down any level of requirement that the organisations shall adhere to. This means that there is no standard that lay down a level that the organisation must reach in order to be certificated etc. One reason for this is of course that they are voluntary and independent and thus must be attractive for companies. If they are too hard to implement it would not be worth while for the companies to follow them. Therefore it can be asked if the best way to tackle the issue of companies' environmental performance is through voluntary CSR.

Surely there would however be a group of ambitious companies that would always strive to adhere to the most demanding standard if the requirements would be more demanding. Furthermore, a state or an intergovernmental organisation such as the EU might be able to develop a standard that is more demanding and put up specific and measurable requirements on environmental performance. A state or intergovernmental organisation does of course have the advantage of being able to promote such a standard by rewarding companies that adopt it.

Even so it would probably be hard to do. The question is if it is at all possible to create a horizontal standard that has concrete measurements. It is understandable that MNE can adapt to stronger environmental regulations than SME. Therefore different requirements would be needed for depending on the size of the company. The principles of the codes of conducts brought up comprise concrete environmental aspects but they are not measurable. The point with an EMS is that they shall put up measurable aspects that can be audited. Furthermore, the requirements would need to work for different sectors and affect them alike. It is probably then better to develop vertical standards with specific requirements.

One negative feature of a vertical standard is that they are likely to be less well known since they only apply in a certain sector. The consumer recognition is thus likely to be lower and thereby also the incitement for the companies to sign up to it. One possible way to come around this problem would be to have a global horizontal standard which recognize and refer to the requirements of different vertical standards for different sectors. If a company is certified under the vertical standard it would then also be recognised under the horizontal. However there are problems with such a solution. First, there may not be vertical standards for all sectors. Secondly, it does not tackle the problem that it affects various sectors differently since the vertical standards set diverse requirements. Thirdly, such a system is likely to promote the least demanding standard in each sector recognised under the global horizontal standard. This is of course an unfortunate development. Conclusively it is understandable that the horizontal standards do not require specific environmental performance.

Kerstin Sahlin concludes in her inauguration speech in the The Royal Swedish Academy of Letters, History and Antiquities the 9th of January 2007 in Stockholm, that it is hard to know what the etiquette CSR stands for. She even says that this indistinctness might be one of the reasons why

CSR is so popular. It enables people with contradictive interests to form alliances and work together. This might however also be one of the explanations why so many become disappointed over initiatives and results, and explains the tensions and conflicts among those that think they work for the same cause. An example of this is that many of the companies which have signed the Global Compact have not submitted reports as they have undertaken to do.¹⁰⁴ After looking closer at some of the most important CSR frameworks the same conclusion can be reached: it is hard to know what they demand. Therefore it is likely that CSR might not reach the high expectations as a major force to come to terms with the problems of climate change. Furthermore there is a risk that the development of environmental CSR might strengthen the idea that there is no need for authorities to regulate the environmental area as they otherwise would have done. If this is the case CSR might even have a harmful effect on the environment.

¹⁰⁴ Sahlin, Kerstin 'Den goda medborgaren? – Om företagens sociala ansvar' *Kungl. Vitterhets Historie och Antikvitets Akademien Årsbok 2007* (Fälth och Hässlar Värnamo 2007) 119 p.125-129.

Part II

4 Supply Chain Management

The frameworks in this section have codes or guidelines in place which include conditions regulating the relation between the organisation and their suppliers. The reason to include rules and instructions that are directed towards suppliers and entrepreneurs is to ensure that the organisations' strive after an environmental friendly activity is not frustrated by shortcomings among the suppliers or entrepreneurs.¹⁰⁵

Of the frameworks viewed above only three have such clauses: ISO 14001, EMAS and GRI. Out of these three both ISO 14001 and EMAS involve certification which GRI does not. As seen above Global Compact also brings up the relationship with the suppliers under principle 8, which states:

- ensure supply-chain management, and
- work with suppliers to improve environmental performance (supply chain management).

This is however so short and unspecified that it will not be analysed any further.

Although the clauses in ISO 14001, EMAS and GRI deal with the suppliers the clauses are in all these frameworks directed towards the organisation which adopt the framework.

4.1 ISO 14001

The starting point in analysing ISO 14001's regulation of suppliers is that it only includes those environmental aspects that an organisation can control and be expected to exercise an influence over.¹⁰⁶ The question is then to what extent the organisation can influence suppliers. This will be dealt with further below.

Of the clauses in ISO 14001 regarding the supply chain, there are two clauses which deal with external communication, clause 4.2 and 4.4.3. Clause 4.2 f states that: *“Top management shall define the organisation's environmental policy and ensure that, within the defined scope of its environmental management system, it is communicated to all persons*

¹⁰⁵ Ammenberg, Jonas *Miljömanagement* (Studentlitteratur Lund 2004) p. 224

¹⁰⁶ ISO 14001:2004, clause 1 in combination with clause 3.16.

working for or on behalf of the organisation.”¹⁰⁷ In ISO 14001:1996 it says employees instead of persons working for the organisation. This new wider scope is therefore likely to include suppliers. It should however be remembered that the environmental policy is a rather short statement¹⁰⁸ so communicating it does not in itself ensure that any obligations are put upon the suppliers.

Clause 4.4.3 is more specific than 4.2. It states that: *“The organisation shall decide whether to communicate externally about its significant environmental aspects, and shall document its decision.”*¹⁰⁹ This is developed upon in ISO 14004:2004 clause 4.4.3.2: *“... [The organisation should] consider whether to communicate externally to its interested parties about its environmental aspects including those that relate to its supply and product chains...”*¹¹⁰ The fact that the company can choose to communicate it means that the company may well decide not to communicate it. This means that the suppliers are not necessarily aware of the policy of the company. If that is the case it is obviously harder to put up requirements that the suppliers are to follow.

There are two more clauses that deal with control of suppliers more directly. These are 4.3.1 and 4.4.6. The wording of requirement 4.3.1 is:

*“The organisation shall establish, implement, and maintain a procedure(s) to identify the environmental aspects of its activities, products and services within the defined scope of the environmental management system that it can control and those that it can influence taking into account planned or new developments, or new or modified activities, products and services...”*¹¹¹

ISO 14004:2004 which contains guidelines for the adoption of ISO 14001 states under point 4.3.1.3 as an explanation to clause 4.3.1 in ISO 14001:

*“In addition to those environmental aspects an organisation can control directly, it should also **consider** aspects that it can influence, e.g. those related to products and services used by the organisation and those related to products and services it provides. When evaluating its ability to influence the environmental aspects associated with an activity, product or service, an organisation should give consideration to legal or contractual authority, its policies, local or regional issues and its obligations and responsibilities to interested parties. The organisation should also **consider** the implications on its own environmental performance, for example by the purchase of*

¹⁰⁷ ISO 14001:2004, clause 4.2f.

¹⁰⁸ Kanholm states that a typical policy should be a couple of paragraphs long.

¹⁰⁹ ISO 14001:2004, clause 4.4.3.

¹¹⁰ ISO 14004:2004, clause 4.4.3.2.

¹¹¹ ISO 14001:2004, clause 4.3.1.

products containing hazardous materials. Examples of situations in which these considerations can apply include activities carried out by contractors or subcontractors, design of products and services, materials, goods or services supplied and used, and the transport, use, reuse, or recycling of products placed on the market.”¹¹²(emphasis added)

Whitelaw states that the identification and assessment of significant indirect impacts is more difficult than the identification of direct impacts. Although subjectivity is bound to be associated with the evaluation of the direct impacts, there is even more scope for subjectivity when evaluating indirect impacts.¹¹³ There is a real danger that organisations may interpret their ability to control environmental aspects very narrowly, i.e., exclusively in areas where they have direct and unrestricted decision-making powers. In theory, an organisation could claim that it cannot control its products, because they are designed by its consumer; that it cannot control its production technology, because it is dictated by the nature of the product; and that it cannot control or even influence its own suppliers and subcontracts, because they are either specified by the consumer or cannot be readily substituted. Kanholm states that while such limitations may indeed be legitimate in particular cases, organisations should demonstrate a proactive approach in seeking to control or influence the indirect aspects. The process of evaluating the degree of control and influence that the organisation has over an environmental aspect should be deliberate and systematic. There should be some defined criteria and a process of systematically applying these criteria against each aspect.¹¹⁴

The use of the word *consider* implies that there is no obligation placed on the company. It only needs to take in to consideration those activities carried out by the subcontractors. Kanholm confirms that the standard does not explicitly require a procedure or process for identifying environmental aspects. He nonetheless argues that such a procedure would be very helpful in convincing auditors that decisions to exclude certain aspects, because of inability to control or influence them, are not arbitrary. The procedure for identifying environmental aspects ought to have a section explaining how the degree of control and influence that the organisation has over its aspects is evaluated. It may also outline the criteria to be used in the evaluation.¹¹⁵

Kanholm states that auditors will often use the issue of control and influence over aspects as a test of the true intentions of the audited organisations. When a company automatically assumes that anything outside its in-house operations is beyond its control and influence, auditors take it as a warning that there may be a problem with management commitment to the environmental management system. Assessing whether the “...aspects of its

¹¹² ISO 14004:2004, clause 4.3.1.3.

¹¹³ Whitelaw, Ken 2004 p. 58.

¹¹⁴ Kanholm, Jack *ISO requirements – 6I Requirements Checklist and Compliance Guide* (AQA Co. Pasadena, CA 1998) p. 40-41.

¹¹⁵ Kanholm, Jack 1998 p. 40-41.

activities, products and services ... that it can control and those that it can influence ...” have been correctly identified will, to a significant degree, depend on the judgement of the auditor. The language in the standard is too indefinite to provide any objective criteria for the assessment. Organisations that want to win the argument over whether an influence can be expected or not should develop procedures and criteria and establish records of how they evaluate their ability to control and influence their environmental aspects.¹¹⁶ Hence, companies are able to interpret their influence quite narrowly as long as they can motivate that interpretation convincingly.

The other requirement in ISO 14001 that deals with control of suppliers, requirement 4.4.6 states that: *“The organisation shall identify and plan those operations that are associated with the identified significant aspects ...by...communicating applicable procedures and requirements to suppliers, including contractors.”*¹¹⁷

In ISO 14004:2004 this is developed upon in clause 4.4.6.1:

*“An organisation should also consider how contractors or suppliers might affect its ability to manage environmental aspects, achieve objectives and targets, and otherwise comply with applicable legal requirements and other requirements to which the organisation subscribes. An organisation should establish operational controls that are needed, such as documented procedures, contracts or supplier agreements, and communicate them to its contractors and suppliers as appropriate.”*¹¹⁸

The intent of the requirement is limited to controlling purchased products and services rather than influencing environmental aspects of suppliers operations. This is one aspect that can be brought up under clause 4.3.1 but it is dealt with in further detail here. Hence, clause 4.4.6 is much more specific than clause 4.3.1. It is nonetheless an important requirement since the system ultimately must ensure that the products and services used by an organisation do not compromise its environmental policy.¹¹⁹

The environmental procedures and requirements contemplated in this clause may according to Kanholm be requirements for warranties declaring absence or limited concentrations of certain substances in products, requirements for special product packaging and/or labelling, procedures for delivering and unloading special categories of products, procedures for subcontracted cleaning and maintenance, and so forth. Contractors performing services on the premises may also be required to demonstrate adequate personnel qualification and training, satisfy licensing requirements, familiarise themselves with emergency procedures, and

¹¹⁶ Kanholm, Jack 1998 p. 40-41.

¹¹⁷ ISO 14001:2004, clause 4.4.6.

¹¹⁸ ISO 14004:2004 clause 4.4.6.1.

¹¹⁹ Kanholm, Jack 1998 p. 97-99.

otherwise conform with relevant requirements of the environmental management system.¹²⁰ This does not necessarily mean that the requirement to conform to the EMS is limited to contractors who perform services on the premises of the organisation.

Although it is not explicitly required, Kanholm states that there should be an operational procedure instructing purchasing, and other functions responsible for specifying and purchasing products and services, on how to qualify products and suppliers so that the product characteristics and the supplier operations are compatible with the organisations' environmental policy. The procedures should define a system for gathering and evaluating information about supplier's environmental management, performance and compliance, and it may outline some general criteria for qualifying and/or rating suppliers. There should also be a documented system for defining, reviewing and verifying requirements with regard to environmental aspects of purchasing products and services, including packaging, labelling, handling and disposal instructions and so forth.¹²¹

There should be some evidence that the organisation is concerned with general environmental performance of its suppliers. Evaluating conformance, auditors will verify that relevant environmental requirements are specified for purchased products and services, and are communicated to suppliers. Typical areas of concern are chemical substances and their packaging and labelling and the services related to protection of the environment (for example: cleaning, maintenance or construction). Auditors will also be interested in a broader system for purchasing control. They will ask about supplier's evaluation and rating, and will want to hear what is being done to encourage suppliers to improve their environmental management and performance. Finally, auditors will verify that there is at least a good faith effort made to extend the control of significant aspects to suppliers. For example, if an organisation has an objective to reduce the use of packaging material, auditors would expect that suppliers are also encouraged to review their own packaging specifications as well.¹²²

Kanholm thinks it is a weak and ambiguous requirement that may be difficult to audit and enforce. The weakness of the requirement is that, while every organisation should be expected to identify some aspects in this category, there will be many legitimate cases where none of them will be classified as significant. In such cases, this requirement is technically unenforceable. There is no intent in this requirement to extend the environmental management system to suppliers. An organisation implementing ISO 14001 does not have to request its suppliers to improve their environmental performance, or even comply with applicable environmental laws. Companies should encourage suppliers to implement

¹²⁰ Kanholm, Jack 1998 p. 97-99.

¹²¹ Kanholm, Jack 1998 p. 97-99.

¹²² Kanholm, Jack 1998 p. 97-99.

their own environmental management system, but there is no mandate that they do.¹²³

As seen above under section 2.3.1.2 there is an additional requirement on suppliers in the informative Annex A, clause A.3.1, which states:

“In addition to those environmental aspects an organisation can control directly, an organisation should also consider aspects that it can influence, e.g. those related to goods and services used by the organisation and those related to products and services that it provides. Some guidance to evaluate control and influence is provided below. However, in all circumstances it is the organisation that determines the degree of control and also the aspects it can influence. Consideration should be given to aspects related to the organisations activities, products and services, such as:

- *Environmental performance and practices of contractors and suppliers”¹²⁴*

Once again it is emphasised that it is only a suggestion. The standard nevertheless encourages the organisations to consider the environmental performance of the suppliers. This is however very vague and unspecified. In conclusion it must be said that a company trying to circumvent the requirements to impose restrictions on suppliers would be able to do so.

4.2 EMAS

In EMAS the suppliers are not regulated in the actual regulation but in its Annexes. Since Annex I contain the same text as clause 4 in ISO 14001:2004 the equivalent requirements of ISOs’ clauses 4.2 and 4.4.3 are found in EMAS clauses I-A.2. and I-A.4.3. Likewise is the equivalent of ISO clauses 4.3.1. and 4.4.6 are EMAS clauses I-A.3.1 and I-A.4.6. Therefore they will not be dealt with further in this section.

As seen above in section 2.3.1.3 there is one part in EMAS outside Annex I that deals with suppliers. This is clause 6.3 – Indirect Environmental Aspects – in Annex VI – Environmental aspects. Clause 6.3 states:

“As a result of the activities, products and services of an organisation there may be significant environmental aspects over which it may not have full management control. These may include, but are not limited to:

(g) the environmental performance and practices of contractors, subcontractors and suppliers.

¹²³ Kanholm, Jack 1998 p. 97-99.

¹²⁴ ISO 14001:2004 A.3.1.

Organisations must be able to demonstrate that the significant environmental aspects associated with their procurement procedures have been identified and that significant impacts associated with these aspects are addressed within the management system. The organisation should endeavour to ensure that the suppliers and those acting on the organisation's behalf comply with the organisation's environmental policy within the remit of the activities carried out for the contract.

In the case of these indirect environmental aspects, an organisation shall consider how much influence it can have over these aspects, and what measures can be taken to reduce the impact.”¹²⁵

4.3 Global Reporting Initiative

As has been said above the aim of GRI is to put focus on a company's whereabouts through their reports. This is also stated in the guidelines: *“Sustainability reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organisational performance towards the goal of sustainable development.”¹²⁶*

In the Guidelines clause RG 4.14 deals with the aspect of stakeholder engagement. There it is stated that suppliers are seen as a stakeholder. Under RG 4.17 it says that general stakeholder engagement include: *“Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.”¹²⁷* Just as with ISO 14001 and EMAS the aim of stakeholder engagement is mainly to include stakeholders in the process and to take their opinions into consideration and not aimed at putting up requirements on suppliers.

The guideline has a section called materiality which states that: *“The information in a report should cover topics and Indicators that reflect the organisation's significant economic, environmental and social impacts, or that would substantively influence the assessments and decisions of stakeholders.”¹²⁸* The explanation to this statement then goes on to say that: *“A combination of material and external factors should be used to determine whether information is material including factors such as ... the organisation's influence on upstream (e.g., supply chain) ... entities.”¹²⁹* Hence, the organisations influence over the suppliers is seen to be material in the Guidelines.

Under Reporting Guidance for Boundary Setting it is outlined which entities that should be included in the report:

¹²⁵ EC Regulation 761/2001, Annex VI, Clause 6.3.

¹²⁶ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, RG p.3.

¹²⁷ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, RG p. 24.

¹²⁸ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, RG p. 8.

¹²⁹ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, RG p. 8.

“A sustainability report should include in its boundary all entities that generate significant sustainability impacts (actual and potential) and/or all entities over which the reporting organisation exercises control of significant influence with regard to financial and operational policies and practices.

...

At a minimum, the reporting organisation should include the following entities in its report using these approaches:

- *Entities over which the organisation exercises control should be covered by Indicators of Operational Performance; and*
- *Entities over which the organisation exercises significant influence should be covered by Disclosures on Management Approach.*
- *The boundaries for narrative disclosures should include entities over which the organisation does not exercise control/significant influence, but which are associated with key challenges for the organisation because their impacts are significant.”¹³⁰*

It might be understandable that the demand for reporting is lower when the influence is lower. In the case of suppliers it is of course unclear where the level of influence lies depending on the size of the company and of the supplier. Sometimes it may lie in the sphere of significant influence but more often it is likely to lie in the sphere of influence. Then the company only needs to use a Narrative reporting on Issues and Dilemmas. Thus it does not need to include anything of how they are trying to tackle the problems or how they are working with the suppliers.

Under Environmental Standard Disclosures one of the aspects that shall be included is Monitoring and Follow-up:

“Procedures related to monitoring and corrective and preventive actions, including those related to the supply chain.

List of certifications for environmental-related performance or certifications systems, or other approaches to auditing/verification for the reporting organisation or its supply chain.”¹³¹

The supply chain is not mentioned under the other environmental subtitles. This gives the idea that the main focus on the supply-chain is within the area of monitoring and follow-up. However, within this area it does seem to be of some importance.

¹³⁰ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, RG p. 18-19.

¹³¹ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, RG p. 27.

4.3.1 Clauses

Both the core clauses and additional clauses have been included when examining their content in regard to suppliers. However, only those clauses have been included where it is expressly stated or must be interpreted that the activities of the supplier shall be reported. Hence clauses are not included if companies can choose to report supplier activities if they so wish. There are four aspects that deal with suppliers: Materials, Energy, Biodiversity and Emissions, Effluents, and Waste.

4.3.1.1 Materials

EN1 and EN2 deal with Materials. EN1.2.1 state: *“Identify total materials used, including materials purchased from external suppliers and those obtained from internal sources (captive production and extraction activities).”*¹³² It is stated under EN1.2.2 and EN1.2.3 that non-renewable and direct materials¹³³ used shall be identified and reported.¹³⁴ Hence, if the indicator is read as a whole it gives a hint that the company shall, when reporting on its materials, include all the materials used by its suppliers.

4.3.1.2 Energy

EN 3-7 deals with Energy but only EN3 and EN4 are core or mandatory indicators while the other are voluntary. EN4 deals with the indirect energy consumption by primary source. Under EN4.1 – Relevance – it is stated that: *“This Indicator measures the energy required to produce and deliver purchased electricity and any other intermediate energy products (such as district heat) that involve significant energy consumption upstream from the organisation reporting boundary.”*¹³⁵ Under EN4.2 – Compilation – it is stated:

- 2.1 *“Identify the amount of intermediate energy purchased and consumed from sources external to the reporting organisation...”*
- 2.2 *Identify the amount of primary fuels consumed to produce intermediate energy based on the total amount of energy purchased from external suppliers...*
- 2.3 *[Report] the total amount of indirect energy used by indirect non-renewable sources and indirect renewable sources in terms of intermediate energy; and the corresponding primary energy consumed in its production.”*¹³⁶

EN7.2 – Compilation – states that:

¹³² Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, EN p. 5.

¹³³ Materials used in the final product.

¹³⁴ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, EN p. 5.

¹³⁵ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, EN p. 9.

¹³⁶ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, EN p. 9.

- 2.1 *“For this Indicator, exclude indirect energy use associated with the purchase of intermediate energy sources as reported in EN 4.*
- 2.2 *Identify relevant upstream/downstream indirect energy use in the following four areas:*
- *Use of energy intensive-material;*
 - *Subcontracted production;*
 - *Business-related travel; and*
 - *Employee commuting.”*
- 2.3 *Report initiatives to reduce indirect energy.*
- 2.4 *Report quantitatively the extent to which indirect energy use has been reduced during the reporting period for the four areas listed in 2.2.*
- 2.5 *Indicate underlying assumptions and methodologies used to calculate other indirect energy use and indicate the source of information.”*¹³⁷

It is noteworthy that this indicator, which really would disclose what initiatives has been taken to improve the suppliers’ processes, is only voluntary and not mandatory.

4.3.1.3 Biodiversity

Biodiversity aspects EN11-EN12 are core indicators while EN13-EN15 are additional. The suppliers are brought up under EN12. Under EN12.2, Compliance, it is stated:

- 2.1 *“Identify significant impacts on biodiversity associated with activities, products, and services the reporting organisation, including both direct and impacts as well as indirect impacts (e.g., in the supply chain).*
- 2.2 *Report the nature of significant direct and indirect impacts on biodiversity with reference to one or more of the following:*
- *Construction or use of manufacturing plants, mines, and transport infrastructure;*
 - *Pollution (introduction of substances that do not naturally occur in the habitat from point and non-point sources)*
 - *Introduction of invasive species, pests, and pathogens;*
 - *Reduction of species;*
 - *Habitat conversion; and*
 - *Changes in ecological processes outside the natural range of variation (e.g., salinity or changes in groundwater level).*
- 2.3 *Report significant direct and indirect positive and negative impacts with reference to the following:*

¹³⁷ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, EN p. 13.

- *Species affected;*
- *Extent of areas impacted (this may not be limited to areas that are formally protected and should include consideration of impacts on buffer zones as well as formally designated areas of special importance or sensitivity);*
- *Duration of impacts; and*
- *Reversibility or irreversibility of the impacts.”*¹³⁸

Unlike EN7 this aspect is mandatory. Therefore it is striking that under 2.2 the company only has to report one of the aspects.

4.3.1.4 Emissions, Effluents, and Waste

EN16-EN25 deals with Emissions, Effluents, and Waste. EN18, EN24-EN25 are core indicators while EN16-17, 19-23 are additional. Under EN16.2, Compilation, it is stated:

2.3 “Identify indirect emissions of greenhouse gases resulting from the generation of purchased electricity, heat or steam (this corresponds with energy consumption reported under EN 4). Other indirect emissions (e.g., from organisational travel) are not included since they are accounted for in EN 17).

*2.4 Report total greenhouse gas emission as the sum of direct and indirect emissions...in tonnes of CO₂ equivalent.”*¹³⁹

Under EN17.2, Compilation, it is stated:

2.1 “Identify the greenhouse gas emissions resulting from indirect energy use. Exclude indirect emissions from imported electricity, heat or steam, as they are covered by EN 16.

*2.2 Additionally, identify which of the reporting organisation’s activities cause indirect emissions and assess their amounts (e.g., employee commuting business travel, etc.)”*¹⁴⁰

Although it is not explicitly stated under EN17.2, it is likely to include emissions from suppliers since under EN17.4, Documentation, it is stated: *“Information can be obtained from external suppliers of products and services.”*¹⁴¹

EN18.2.1 state: *“Identify emissions reductions from all sources owned or controlled by the reporting organisation as reported under EN16 and resulting from indirect energy use and activities of the reporting organisation as reported under EN17. Distinguish between mandatory and voluntary emissions reductions.”*

¹³⁸ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, EN p. 18.

¹³⁹ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, EN p. 22.

¹⁴⁰ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, EN p. 22.

¹⁴¹ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, EN p. 24.

Here it is interesting to note that the core aspect refers to the additional aspects. Thereby the company is almost forced to report aspect EN16 and EN17 as well.

4.3.2 Transparency in the Supply Chain

It is worth mentioning in this section that GRI has launched a project named “Transparency in the Supply Chain”. The aim is to promote sustainability and transparency within the supply chain. MNE, the buyers, and SME, the suppliers, will work together with international and regional experts to explore how reporting can be improved. The participating MNE are experienced in sustainability reporting and will mentor their suppliers in India, Turkey, Thailand, China, Chile and South Africa. The suppliers are supported by training and resources to start up a reporting process using the Reporting Framework and the guidance of the SME Handbook, “The GRI Sustainability reporting cycle: A handbook for small and not-so-small organizations”.¹⁴² This will however not be dealt with in further depth as it lies outside the scope of this paper.

¹⁴² Global Reporting Initiative, <http://www.globalreporting.org/CurrentPriorities/SupplyChain/ProjectInShort.htm>, visited November 26th 2007.

5 Analysis

5.1 ISO 14001 and EMAS

As stated several times already ISO 14001 and EMAS are very much alike. ISO 14001 only has one clause concerning suppliers that EMAS does not have, A.3.1, which states that: “...an organisation... ...should also consider aspects that it can influence... ...such as:

- *Environmental performance and practices of contractors and suppliers*”¹⁴³

This is, as mentioned, a very vague and ambiguous statement.

EMAS also has one clause concerning suppliers which ISO 14001 does not. It is clause 6.3 which states that:

“...significant environmental aspects over which it may not have full management control. These may include, but are not limited to:

(g) *the environmental performance and practices of contractors, subcontractors and suppliers.*

*Organisations must be able to demonstrate that the significant environmental aspects... ...associated with their procurement procedures have been identified and that significant impacts associated with these aspects are addressed within the management system. The organisation should **endeavour** to ensure that the suppliers and those acting on the organisation’s behalf comply with the organisation’s environmental policy within the remit of the activities carried out for the contract.*”¹⁴⁴

EMAS requirements address the same issue as ISO 14001 but it is much more specific and demanding. ISO 14001 only states that the organisation shall consider aspects it can influence. EMAS first states that it must identify the significant environmental aspects in the procurement procedures and that its significant impacts are addressed. This is a quite demanding statement. It then goes on to state that the organisation shall endeavour to ensure that the suppliers comply with the organisations environmental policy. Although this is not absolute it is still rather demanding and compared with ISO 14001 it is a very challenging requirement.

¹⁴³ ISO 14001:2004 A.3.1.

¹⁴⁴ EC Regulation 761/2001, Annex VI, Clause 6.3.

5.2 ISO 14001, EMAS and Global Reporting Initiative

The requirements in ISO 14001 and EMAS will now be compared with the requirements of GRI. Since ISO 14001 and EMAS do not contain any material requirements apart from preventing pollution, their requirements on control of suppliers are very general. ISO 14001 and EMAS have, as shown above, three main requirements in common regarding suppliers:

- To have procedure(s) to identify the environmental aspects of its activities that it can influence.¹⁴⁵
- To decide whether to communicate externally about its significant environmental aspects.¹⁴⁶
- To communicate applicable procedures and requirements to suppliers, including contractors.¹⁴⁷

On top of this, they both have a requirement (in which EMAS is more demanding than ISO 14001) to consider aspects that it can influence such as the environmental performance and practices of contractors and suppliers.¹⁴⁸

GRI does not have any requirements that put up demands on the suppliers. There are however, as seen above, a number of indicators where the organisation has to report the whereabouts of the suppliers. These requirements are much more material and to the point. Only in the beginning there are general statements that deal with suppliers. The first of these statements is that: *A combination of material and external factors should be used to determine whether information is material including factors such as ... the organisation's influence on upstream (e.g., supply chain) ... entities.*¹⁴⁹ This shows that organisations influence over the suppliers is seen to be material in the Guidelines.

The second statement in the introduction dealing with boundary setting is highly interesting since it embodies the approach which is to be included in the report. In short, it states that the less influence the organisation has over a procedure the less thoroughly it must be dealt with in the report.¹⁵⁰ GRI then goes on to state that the organisation shall disclose the procedures related to monitoring and corrective and preventive actions, including those related to the supply chain.¹⁵¹

¹⁴⁵ ISO 14001:2004, clause 4.3.1 and EC Regulation 196/2006, Annex I, A.3.1.

¹⁴⁶ ISO 14001:2004, clause 4.4.3 and EC Regulation 196/2006, Annex I, A.4.3.

¹⁴⁷ ISO 14001:2004, clause 4.4.6 and EC Regulation 196/2006, Annex I, A.4.6.

¹⁴⁸ ISO 14001:2004, clause A.3.1 and EC Regulation 761/2001, Annex VI, clause 6.3.

¹⁴⁹ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, RG p. 8.

¹⁵⁰ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, RG p. 18-19.

¹⁵¹ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, RG p. 27.

GRI's general requirements are well in line with the first requirement of ISO 14001 and EMAS – to identify the environmental aspects of the activities that it can influence. GRI's requirements probably go even further than ISO 14001 and EMAS since it was concluded above that organisations probably can have a narrow interpretation on what environmental aspects of its activities that it can influence.

The second requirement in ISO 14001 and EMAS – to communicate the environmental aspects externally – is also met by GRI since the whole point of GRI is to report the environmental performance. There is however nothing in GRI which suggests that this report shall be communicated to the suppliers.

The third requirement in ISO 14001 and EMAS – to communicate applicable procedures and requirements to the suppliers – is the most extensive requirement that the EMSes have in common and must therefore be dealt with in greater detail. The intent of the requirement is limited to controlling purchased products and services rather than influencing environmental aspects of suppliers operations. A number of aspects could fall under this clause and they have been mentioned above but it is up to the organisation in question to choose which aspects they choose to include. It can generally be said that although it is not explicitly required, product characteristics and supplier operations should be compatible with the organisations environmental policy. Auditors will also be interested in a broader system for purchasing control. However, according to Kanholm it can not be interpreted as a requirement that suppliers shall implement the organisations own environmental management system. He goes on to say that due to its vagueness it is unenforceable. However, if the organisation does try to implement this clause in accordance with the said aim it could have a large impact.

GRI does not contain any similar general requirement. The reason for this is mainly the nature of the different frameworks. GRI is not a framework that requires the organisation to undertake any procedures other than reporting its whereabouts. The closest equivalent in GRI is therefore the material requirements in the clauses which will be dealt with below.

As concluded above ISO 14001 and EMAS differ in their formulation of the fourth requirement – to consider aspects that it can influence such as the environmental performance and practices of contractors and suppliers. Since EMAS is more demanding, only the formulation of EMAS will be dealt with here. It states that the organisation must identify the significant environmental aspects in the procurement procedures and that its significant impacts are addressed; and that the organisation shall endeavour to ensure that the suppliers comply with the organisations environmental policy. This requirement embodies the same spirit as the third requirement - to communicate applicable procedures and requirements to the suppliers. Hence, GRI does not contain an equivalent formulation to this formulation either.

The third requirement of ISO 14001 and EMAS, according to Kanholm, also refers to compatible supplier operations and purchasing control. It is very vague what this can include. GRI is much more specific in the material requirements. As stated above the other requirements of GRI referring to suppliers are in short:

- EN4 requires the organisation to: Report the energy required to produce and deliver purchased electricity and any other intermediate energy products.¹⁵²
- EN7 states: Identify relevant upstream/downstream indirect energy use in the following four areas:
 - Use of energy intensive-material;
 - Subcontracted production;
 - Business-related travel; and
 - Employee commuting.And report initiatives to reduce indirect energy.¹⁵³
- EN12 obliges the organisation to: Identify significant impacts on biodiversity associated with activities, products, and services of the reporting organisation, including in the supply chain.¹⁵⁴
- Under EN16 the organisation is expected to: Identify indirect emissions of greenhouse gases resulting from the generation of purchased electricity.¹⁵⁵
- EN17 states: Identify the greenhouse gas emissions resulting from indirect energy use, which activities cause that indirect emissions and assess their amounts.¹⁵⁶
- EN18 requires the organisation to: Identify emissions reductions from all sources reported under EN 16 and EN 17. Distinguish between mandatory and voluntary emissions reductions.¹⁵⁷

It is possible that ISO 14001 and EMAS due to their vagueness can be interpreted to include additional environmental aspects. However it is more likely that they are interpreted to include less environmental aspects than those brought up under GRI.

In this section it is even more obvious that the GRI is the framework that gives the most specific and far reaching requirements on what the companies are to undertake. On the other hand, it is also clear that the comparison is made difficult because of the different nature of the frameworks and thereby the differences in the obligations placed on the organisations. Therefore it can be said that the frameworks are good compliments to each other.

¹⁵² Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, EN p. 9.

¹⁵³ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, EN p. 13.

¹⁵⁴ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, EN p. 18.

¹⁵⁵ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, EN p. 22.

¹⁵⁶ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, EN p. 24.

¹⁵⁷ Global Reporting Initiative, *Sustainability Reporting Guideline*, version 3.0, EN p. 25.

5.3 General

Measurable requirements are important not only for managing the supply chain, but also for company reporting. Nevertheless, as has been seen, even detailed standards or codes often contain elastic phrases, which will need to be strengthened by developing specific performance criteria. The specific indicators of performance and the means of verifying that performance are usually left to the individual company and its supplier community to work out.¹⁵⁸ The mere fact that it is so hard to find information about supply chain management in these standards also strengthens the idea that the clauses are unclear and that it is therefore hard to write about them.

One reason why they are so unclear might be that the standards contain an obvious conflict of interest. On the one hand they must meet the companies' need of having targets that are easily achieved. On the other hand they should have demanding requirements which would make a real impact in protecting the environment.

Maybe strong clauses are not needed at all. The frameworks are after all in principle voluntarily. This hopefully means that the companies that adopt them have intent of having an environmental friendly business. Therefore they would probably also include demands on suppliers. It is thus unlikely that they would deliberately outsource all the activity that does not meet the requirements.

Nevertheless, it would be useful to have clearer requirements. One of the reasons that the companies adopt the frameworks is of course that they then do not have to develop such systems by themselves. However, when it comes to supply-chain management the companies are almost left to do so. Also there is the second reason for having clauses regulating the supplier, mentioned in the introduction – MNE do not put much pressure on SME to develop environmental friendly standards if the frameworks do not require them to. If the requirements are as unclear as they are there is a real risk that MNE will not put much pressure on SME.

It is clear that within the sphere of CSR and supply chain management, the labour standards are much more advanced. During the research of this paper many standards have been discovered which solely focus on labour standards. Examples of such standards are the Gradient Index, Ethical Corp., Ethical Trading Initiative and SA 8000. Within these standards it is also more common to bring up labour standards among suppliers.

One reason for this can be that the labour issues have been a pressing issue for a longer time. There have also been more scandals about bad labour standards, Wal-Mart and Nike are two well known examples. Such scandals have not yet been seen on the environmental side. As the interest for the environment grows it will be interesting to see if there will be more

¹⁵⁸ Neef, Dale 2004 p. 162.

standards on the environmental side and if they to a larger extent put up requirements for control of suppliers.

Another suggestion for this might be that the International Labour Organisation (ILO), which promotes labour standards, is stronger and more influential than UNEP which promotes environmental standards. There is a natural explanation for this. ILO is associated with the labour unions around the world. Together they have countless members and an enormous force when they speak out against companies. The members might also have a strong commitment to their membership since the union looks after a central interest of the member, to influence the conditions in the workplaces where most people spend a large part of their lives. Furthermore employees are a vital aspect for all companies' survival and it is therefore more natural for a company to have labour issues at the heart of their concerns. ILO can then use this enormous influence to promote labour standards also in less economically developed countries that do not have as strong labour laws.

Although many people are concerned with environmental issues, environmental NGO's and interests groups do not have as many members. Also, the members might not have the same commitment in their membership since they are mainly members for ideological reasons and not to ensure a personal interest. Furthermore environmental issues are not at the heart of the companies' operations. There is not a direct link between the company and the environment as it is between the company and the employees. Hence, the environment does not have a voice which speaks up against the companies as strong as the labour groups do.

Part III

6 Summary and Conclusions

Climate change is a threat facing the whole planet which could bring disastrous consequences. In the globalised world, states have less possibility to fight this threat alone; it is also necessary that companies accept this challenge. This idea is supported by Kofi Annan and Nicolas Stern among other people. One of the ways in which this is done is through CSR.

There are a number of frameworks that provide the companies with guidelines on how to develop their CSR policies. These frameworks can be divided into three groups: codes of conduct, environmental standards and reporting frameworks.

The codes of conducts generally do not put up binding rules that the companies shall adhere to. Thus they can be seen as a first step for companies willing to take a greater environmental responsibility. Although there are many interesting codes – not least the Bellagio Principles and the ICCs Business Charter for Sustainable Development – only three have been chosen to be brought up here. These are CSR Europe, Global Compact and CERES Principles. Although the codes offer different clauses the CERES Principles reach the furthest and places the most ambitious requirements on the companies. The fact that it also has tools in place to ensure compliance makes it go further than most aspirational codes.

Environmental standards are a comprehensive group and include a range of different kinds of frameworks. The first distinction has to be made between performance standards and process standards. Performance standards effectively allow companies to monitor, assess and report their environmental performance effectively. There are three key themes at the heart of these performance standards: transparency, comparability and quality improvement. They are usually focused either horizontally on broad areas, or focused more vertically on certain industries. Process standards do not tell an organisation what level of performance it needs to achieve. Instead it focuses on helping companies to have processes in place to monitor and report on their social and environmental performance.

The process standard brought up in this paper is AA 1000. However, the focus concerning the standards in this paper is the horizontal performance standards. The two examples of such standards that are brought up here are ISO 14001 and EMAS. In these standards the emphasis is laid on the

procedure. The three main requirements are that the organisation shall comply with applicable laws, that the organisations management shall continually evaluate and improve the EMS and prevent pollution. Apart from this, there is only advice on what environmental aspects a company may bring up.

These suggested environmental aspects are to a large extent comparable with those of CERES Principles. The reason that these aspects only are suggested is that horizontal process standards are not measurable and the point with an EMS is that they shall put up measurable aspects that can be audited.

The reporting framework brought up in the paper is GRI. GRI also focuses on the procedure and just like EMAS and ISO 14001 it does not state any certain level that the companies must reach. However, there is extensive focus on the content of the reporting in GRI. Unlike ISO and EMAS, GRI is firm with which aspects the organisation shall include. It offers an unparalleled level of detail when dealing with the different environmental indicators and not only to covers most aspects but to deals with them in the greatest detail. Thus, GRI is the most extensive and furthest reaching framework within the environmental sphere. However, it does not lay down any measurable environmental requirement which the companies must reach. This means that none of the frameworks dealt with in this paper lay down a level which the organisation must reach in order to be certificated etc.

One reason for this is that it would be hard to create measurable environmental requirements in regard to specific environmental aspects that are suitable for all kinds of companies. However, this explanation is not valid when it comes to environmental supply chain management since it is an area where it is possible to lay down measurable requirements regardless of what type of company it is. Thereby it gives a good idea of what ambition is set by the framework.

GRI is the framework that gives the most specific and far reaching requirements on what the companies are to undertake in regard to its suppliers. However, by the nature of GRI it does not place any environmental obligations on the company other than to report its whereabouts in accordance with the GRI Guidelines.

The requirements of ISO 14001 and EMAS dealing with environmental supply chain contain elastic phrases, which will need to be strengthened by developing specific performance criteria. The specific indicators of performance and the means of verifying that performance are usually left to the individual company and its supplier community to work out. It would be possible to have a requirement in the standards stating that the suppliers are to implement the same environmental standards as the organisation in question. One objection to this is that it is easier for a MNE to lay down requirements on supplier performance than it is for a SME. Although there

is some truth to this statement there will always be differences in how requirements affect different companies and a standard cannot affect all companies in the same way. The outcome would probably be more satisfying if MNE adopted a more demanding standard which in turn demanded SME to do the same than if both MNE and SME adopted less demanding standards as now is the case.

Thus, it is clear that the frameworks do not strive to be as demanding as they could be. One reason that they are so unclear might be that the standards must meet the companies' need of having targets that are easily achieved in order to be accepted by the business community. The frameworks are subject to market powers. If the consumers demand that the companies adopt stricter standards, more demanding standards will be developed. Environmental issues are however yet not prioritised highly enough for more demanding standards to be developed.

Therefore, environmental CSR might not reach the high expectations as a major force to come to terms with the problems of climate change which many people have on it. Furthermore there is the risk that the development of soft law regulation, which CSR is, hinders the development of more demanding hard law on the environmental sphere.

Finally a few words about further research, as has been said several times already this is a new area and not much has been published about it. The attempt of this paper is not to give a detailed and complete picture of the situation. Much more research can be put into the subject.

The first part of the essay is only aiming at giving an overview of the most important initiatives that exist. This can be expressed in much greater detail. First of all, it would also be interesting to view more standards. The Bellagio Principles and the ICCs Business Charter for Sustainable Development that have been mentioned are two such examples. This paper has focused on the horizontal frameworks. It would however also be interesting to compare different vertical standards for different sectors. The analysis of the first part is also quite superficial in that it only examines which clauses that the frameworks have and barely analyses the actual content of the clauses.

This paper has, although in short handling a lot of frameworks, only dealt with ISO 14001, EMAS and GRI in depth. ISO 14001 and to some extent also EMAS are the standards that have been most widely written about. The reason for this is of course that they are the only standards that contain audited requirements for companies. However, it would be interesting to deal with the codes of conduct in further depth since so little has been written about them.

In the second part there is also room for further research. It is probably hard to find more standards worth analysing. However, the analysis could include an empirical part as well. First of all, this could include interviews with

auditors that could provide detailed information about how the clauses are applied in practice. To some extent Kanholms book has filled that need in analysing ISO 14001. An equivalent has however not been found for GRI. An empirical study could also include interviews with companies that have different frameworks and see how their approaches differ.

It would also be interesting to evaluate what requirements environmental standards put on supply chain control compared to standards on other CSR areas such as human rights and labour rights.

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Voluntary standards

Global Reporting Initiative Sustainability Reporting Guideline, version
3.0

International Standard
Organisation ISO 14001:1996

International Standard
Organisation ISO 14001:2004

International Standard Organisation	ISO 14004:1996
International Standard Organisation	ISO 14004:2004
International Union for the Conservation of Nature and Natural Resources	IUCN Red List of Threatened Species
United Nations Environmental Program	International Declaration on Cleaner Production