

ENVIRONMENT AND THE OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES: CORPORATE TOOLS AND APPROACHES

EXECUTIVE SUMMARY

Environment and the OECD Guidelines for Multinational Enterprises

Sound environmental management is an important contribution to sustainable development, and it is increasingly seen as both a business responsibility and a business opportunity. Multinational enterprises have a role to play in both respects. The OECD Guidelines for Multinational Enterprises recommend that managers of enterprises give appropriate attention to environmental issues in their business strategies and day-to-day operations. The Guidelines are recognised as one of the world's foremost corporate voluntary codes of conduct. Their ten chapters cover a broad range of corporate activities, several of which are relevant to companies' environmental performance. One of the chapters deals specifically with environmental issues.

The Environment Chapter of the Guidelines encourages multinational enterprises to raise their environmental performance by improving internal environmental management practices and seeking continuous environmental improvements. These can be achieved through a range of tools and approaches relating to environmental management, such as engaging in public information and stakeholder consultation; assessing environmental impacts through the whole life cycle of processes; acting with precaution; providing for contingency planning; ensuring environmental training and contributing to the development of environmental policy.

Enhancing the environmental performance of enterprises: corporate tools and approaches

Environmental management systems

Environmental management systems (EMS) provide an internal framework to enable enterprises to control their environmental impacts and integrate environmental considerations into business operations. They can help improve enterprises' environmental and business performance, increase market access, and improve communication with stakeholders. Some companies choose to implement an externally certified EMS, such as ISO 14001 or the EU's Eco-Management and Audit Scheme (EMAS). Other options are performance-based EMS or sectoral EMS, such as the chemical industry's Responsible Care programme. Further tools contributing to sound environmental management are environmental management accounting, and cleaner production or eco-efficiency processes. Environmental benchmarking and indicators may assist enterprises in measuring improvements in their environmental performance.

Public information and stakeholder consultation

Collecting and providing information about the activities of enterprises and associated environmental impacts is an integral part of good environmental management and an important vehicle for building public confidence. This is most effective when information is provided in a transparent manner and accompanied by active consultation with stakeholders, promoting a general climate of mutual trust and understanding. One of the fundamental questions facing corporate decision-makers is whether to disseminate information regarding their enterprise's environmental performance as a whole, or about the environmental impact of individual products and activities. So far, no standard for information dissemination has won common acceptance, but a range of tools exist to guide enterprises wishing to

communicate with the public on the environmental aspects of their activities. These include sustainability and environmental reporting, eco-labels, direct communications with stakeholders and partnerships.

Life cycle assessment

Environmental life-cycle assessment is a tool for systematic evaluation of the environmental aspects of a product or service through its entire life-cycle. Life-cycle assessment starts with life-cycle thinking — an understanding that the environmental impacts of the entire life -cycle of products and services need to be addressed. A product's life-cycle starts when raw materials are extracted, followed by manufacturing, transport and use, and ends with waste management including recycling and final disposal. Key elements of corporate strategies that implement this approach are *benchmarks*, which include comparing alternatives both within a company and among competitors; identifying suppliers which act consistently with company strategies; research and development, and training. Some of the best known tools to implement a life-cycle assessment are ISO 14040, UNEP's Life-Cycle Initiative, and Design for Environment.

Precaution

Precaution can be described as anticipating environmental harm by taking measures, as appropriate, to avoid it, or by choosing the least environmentally harmful activity. This notion of precaution is based upon the assumption that in certain cases scientific certainty, to the extent it is obtainable with regard to environmental issues, may be achieved too late to provide effective responses to environmental threats. The basic premise of the Guidelines is that enterprises should act as soon as possible, and in a proactive way, to avoid serious or irreversible environmental damage resulting from their activities. For enterprises, precaution is in part a function of how they operate in an everyday setting, and in part how they implement national regulatory requirements. Risk analysis plays an important role in the decision-making process, particularly in situations of scientific uncertainty, and is an integral part of many companies' business. Risk analysis is a process consisting of three components: risk assessment, risk management and risk communication. A range of tools are available to enterprises to put these in practice, including environmental impact assessment, life-cycle assessment, environmental management systems, environmental audits and corporate reporting.

Emergency prevention, preparedness and response

The three core components of emergency management include *prevention* (minimising the likelihood that an accident will occur), *preparedness and mitigation* (mitigating the consequences of accidents through emergency planning and risk communication), and *response* (limiting adverse consequences to health, environment and property in the event of an accident). As the case for corporate transparency gains ground, corporate environmental, health and safety reports increasingly include information about community involvement in environmental and emergency management. One of the objectives of contingency plans is also to ensure workers' health and safety in emergency situations. Available tools include ISO 14001, which provides general guidance on measures to take in cases of emergency or accidents; the ILO Guidelines on occupational safety and health management systems (ILO-OSH 2001) as well as sector-specific codes and guidelines, such as the OECD Guiding Principles for Chemical Accident Prevention, Preparedness and Response.

Continuous improvements in environmental performance

Multinational enterprises are continually adapting themselves to a changing socio-economic environment. This applies to all corporate activities and related environmental management tools. For example, in a departure from previous "end-of-pipe" approaches to limiting pollution, companies have implemented more efficient preventive environmental techniques, affecting the different stages of their value chains. Improved brand and corporate reputation, risk reduction, improved access to finance, and value creation (i.e. development of "green products" for which a price premium can be obtained) are among the key considerations that motivate businesses in their efforts to improve environmental performance. The OECD Guidelines address four categories of environmental improvements: process-related improvements, product-related improvements, consumer awareness, and research and development.

THE OECD ENVIRONMENT PROGRAMME

A large range of tools and approaches are available to enterprises wishing to improve their performance, including environmental management accounting, life-cycle assessment and product stewardship.

Environmental education and training

Training plays an important role in raising environmental performance of enterprises, by improving staff awareness about conformance with requirements of environmental management systems, their roles and responsibilities, and the environmental impacts of the enterprises' activities. Enterprises provide environmentally-related training to achieve two general objectives: to promote environmental health and safety and to implement environmental management systems. Under environmental and occupational health and safety regulations in most countries, employers must train their staff with the purpose of protecting their health and safety, as well as that of the local community. Training activities that relate to more general environmental management aspects are mostly voluntary and focus on achieving both internal environmental goals and compliance with environmental legislation. Training activities can also be offered to business partners such as suppliers, sub-contractors and contractors, so as to facilitate environmental improvement throughout the supply chain.

Contributing to the development of environmental policy

Partnerships between various stakeholders have become an integral part of the policy-making process and contribute to developing sound public policy from both economic and environmental standpoints. The involvement of all stakeholders in policy discussions reduces the risk that some problems go unanticipated by regulators. By involving the business sector, policy-makers and regulators are better able to design policies to reflect business realities. Conversely, policy changes without consultations with enterprises may lead to unsatisfactory results, insofar as companies may have little scope and incentive to go beyond minimum requirements. Involving enterprises in policy discussions also allows policy-makers to apprise themselves of new technologies, and the feasibility of the changes that may be needed to achieve compliance. Enterprises can contribute to the development of environmental policies in numerous ways, for example, through participation in national and international consultation processes, partnerships with government and local authorities, and co-operative approaches among enterprises.

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