



Advice & Counsel

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ISO SHMISO

Dear Advice and Counsel,
I'm getting all these brochures from outfits that want to prepare my company for "ISO 14000" certification. We haven't even started to think about ISO 9000, and here comes 14000! Can you provide an "executive summary" so I can talk to my boss like I know all about it?

Signed, ISO Shmiso

Dear Mr. Shmiso,

Thanks to Tom Ameen of Gould, Inc. Foil Division (Cleveland, OH), and its legal department, I have been fortunate to obtain the following summary of ISO 14000:

ISO 14000:

- A. It is intended to create basic, uniform measures that can assist an organization in achieving its environmental objectives through the use of effective management tools and systems that also recognize and safeguard against potential negative impacts on trade and commerce.
- B. In the past, companies have conducted environmental "audits" or "reviews," basically to ensure compliance with legal requirements.
- C. On their own, these audits or reviews did not assure company management that appropriate systems were in place to deliver effective environmental performance consistently, day in and day out.
- D. ISO 14000 is to be integrated with other management systems/tools.
- E. It does **not** establish absolute requirements for environmental performance beyond what a company commits to do.
 - (1) Complementary method for achieving environmental protection.
 - (2) To be used along with external laws and regulations.

F. VOLUNTARY insofar as there are no legal requirements that compel a company to adopt the standards.

(1) It allows the company to select the appropriate protective measures, given the circumstances confronting the organization. (2) It is up to the company to specify what production process will be used, and what environmental impact will be tolerated.

G. It mandates that a company continually look for ways of improving its environmental performance.

History

- A. Organization de Standards International (ISO):
 - (1) Formed in Amsterdam in 1947.
 - (2) Currently, there are 110 member nations.
 - (3) The U.S. is represented by American National Standards Institution (ANSI).
- B. ISO sets standards for a wide range of industries, products and management operation (*except* those industries related to electrical and electrical engineering).
- C. In 1992, the British Standards Institution developed a national environmental management system standard for United Kingdom companies—BS 7750.
 - (1) The European Community issued a regulation in 1994 for all of its member countries, introducing a standard for such systems as part of its Eco-Management and Audit Scheme (EMAS).
 - (2) Both provide a formal process for certification of companies that elect to adhere to the standards' specifications.
- D. ISO has now drafted its own standard—ISO 14000—to prevent individual countries or organizations from developing competing national and international stan-

dards for environmental management, which might create confusion, or even unintended non-tariff trade barriers.

(1) Currently, the ISO standards exist only in draft form.

(2) Standard-setting organizations in the various ISO member countries are in the process of voting on the proposed draft, which is expected to be approved sometime in 1996.

ISO 14000 Components

- A. The five main standards that comprise the ISO 14000 series can essentially be placed in two main categories:
 - (1) Organization evaluation standards:
 - a. Environmental management systems
 - b. Environmental performance evaluations
 - c. Environmental audits
 - (2) Product evaluation standards:
 - a. Environmental labeling
 - b. Life cycle assessment
- B. To date, only the environmental management system and audit standards have been meaningfully developed.
- C. Five areas that ISO will address:
 - (1) Environmental Management Systems (EMS):
 - a. Three components to an EMS:
 - 1. Written program.
 - 2. Education and training.
 - 3. Knowledge of local and federal environmental regulations.
 - b. The written program consists of procedures to produce the highest quality product with the lowest possible environmental impact. All employees must be familiar with the EMS, and it must incorporate local as well as federal regulations.
 - c. 14001: "Specifications" document that contains the

standard against which a company's EMS will be judged (for certification).

d. 14001-5 core elements for managing a company's processes and activities:

i. **Policy**—Requires a company to establish an organizational environmental policy that is endorsed by the company's top management.

ii. **Planning**—This section provides the various elements that must be considered in planning for an organizational EMS, including legal and other environmental requirements, objectives and targets, and any established environmental management programs.

iii. **Implementation and Operation**—Sets forth the requirements for establishing and maintaining an organizational EMS, including training, awareness and competence, communication, document control, operational control, and emergency preparedness and response.

iv. **Checking and Corrective Action**—This section sets forth what a company must do to ensure its continued adherence to its EMS, such as monitoring, corrective and preventive action, and audits.

v. **Management Review**—This section charges top management to review the EMS to ensure its continued suitability, adequacy and effectiveness.

(2) Environmental Performance Evaluations:

a. Quantifying the impact a business is having on the environment.

b. Determined initially by an inventory of those impacts (*i.e.*, air emissions, wastewater discharge, etc.).

c. From this inventory a baseline can be established, from which the company can identify improvement.

(3) Environmental Auditing:

a. Routine evaluation of a company's environmental controls.

b. Conducted by an independent third-party.

c. Management is provided with the report and then makes the necessary changes.

d. ISO documents:

1. 14010 - "General Principles of Environmental Auditing"

—intended to educate organizations and auditors on the general principles necessary to conduct environmental audits.

2. 14011—"Auditing Procedures - Part I: Auditing of EMS" - establishes the procedures for planning and performing an audit to determine whether or not conformance with a company's EMS is being achieved.

3. 14012—"Qualification Criteria for Environmental Auditors" - addresses qualification for both internal and third-party auditors.

(4) Life Cycle Assessment:

a. All products have a life cycle: they are born (manufactured), they live (operated/used) and die (disposed).

b. Each phase in the product's life cycle is examined and changes are made to make that phase more environmentally friendly.

(5) Environmental Labeling

a. Environmentally friendly products have an advantage in the market-place over their "nonfriendly" competitors.

b. ISO 14000 goal is to define standards for labeling.

Potential Value to a Company From Implementing ISO 14000

A. No other environmental management standard promulgated before has been met with such global enthusiasm, and many experts believe that the international attention given to and support of the ISO 14000 series alone will have a "snowballing" effect in the U.S.

(1) Specifically, it seems clear that if the EMS and auditing standards are adopted as part of the European Union's environmental standards (which appears very likely), compliance with or certification under ISO 14001 will become an economic reality for companies conducting business with or in the E.C., including American companies.

(2) ISO 14001 certification is more likely to be valuable to companies with major export markets, especially in certain European and Asian markets.

(3) Certification could prove necessary to meet competitive pressures introduced either directly by customers or indirectly through the supply chain or a multilateral lending institution.

B. To the extent that ISO-certified entities conduct business in the U.S. as well, they will undoubtedly market their certification domestically, thereby helping to create an American business climate in which ISO certification makes a difference. So even in the absence of a contractual obligation with these companies to become certified, a perceived competitive disadvantage may compel companies whose operations are conducted exclusively within the U.S. to opt for ISO certification.

C. Certification under ISO 14001 may take off in the U.S. simply because many American companies are already in the process of establishing environmental management and audit systems.

D. Companies in a "turn-around" situation after a major environmental upset or embarrassment often look for tangible ways to demonstrate their renewed commitment to sound environmental management. ISO 14001 could be a useful platform for communicating this commitment.

E. In time, there may be increasing pressure from the financial sector in the U.S. to comply with or be certified under ISO 14001.

(1) In light of the possibility of lower liability exposure, insurers may be willing to offer reduced premiums to ISO - certified companies.

(2) Similarly, financial institutions may be more willing to extend such companies credit, and investors may place higher value on their shares.

F. National governments, when they are major customers, can also be important drivers for ISO 14001 certification.

(1) In the U.S., both the Department of Energy and the Department of Defense have expressed a willingness to consider extending preferential buying to otherwise qualified suppliers also having an environmental management system certified to ISO 14001.

Perceived Negatives Of ISO 14000

A. ISO 14000 *by itself* will not guarantee improved environmental performance.

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