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INSIDE

Perspectives 4

- How CEOs Communicate Corporate Citizenship to Investors

Corporate Reporting 5

- Canadian Company Reports Show Improvement
- Swiss Company Reports Evaluated

Corporate Initiatives 8

- Energy Productivity Pays
- Cisco Backs New “Virtual” Health Academy
- Energy Productivity Pays
- Japanese Firms Inundated with CSR Questionnaires
- Corporate Contributions to Rise

Product Stewardship and Takeback 10

- New EU Battery Recycling Rules Proposed
- E-Waste Takeback Pilot Announced
- “Green” Car Benefits Outweigh Recycling, Says Study
- Taiwan Aims to Recycle CDs
- UK Sets New Waste Recovery and Recycling Targets

ISO 14000 Update 13

- Software Provides Screening-Level LCAs
- SCC Adopts Code of Conduct
- Collaboration Promotes “Green Suppliers”
- ISO 9000 Certifications Expire
- Performance-Based EMS Training Offered

Regulatory and Policy Trends . . 15

- OECD to Revise Corporate Governance Principles
- Trust Is Up and Down

Focus Report

Implementing a Sustainable Supply Chain

“If you don’t find out about your own supply chain, someone else might do it for you.” So says Stephen Tindall, Chair of the **New Zealand Business Council for Sustainable Development (NZBCSD)**. As Tindall points out, companies such as **Nike** and **Nestlé** have learned this lesson the hard way.

Many companies are setting high sustainability goals for their employees and facilities. Increasingly, companies are also expected to know that their suppliers are meeting the same high environmental and social expectations. In this effort, the greatest benefits are derived from extending the focus as far as possible upstream to the raw materials, downstream to the consumer, and then back to the company again as the product and wastes are recycled.

While some supply chains are fairly easy to identify and examine, others can be quite complex. The NZBCSD has released “Business Guide to a Sustainable Supply Chain,” which provides numerous tools to help companies address issues related to sustainable supply chains, as summarized below.

The Importance of a Sustainable Supply Chain

Effective sustainable development must extend from an individual company both up and down the supply chain. More companies are addressing this issue, spurred on by the media, non-governmental organizations (NGOs), customer and consumer demand, and regulatory requirements.

The NZBCSD guide defines a sustainable supply chain as “management of raw materials and services from suppliers to manufacturer/service provider to customer and back with improvement of the social and environmental impacts explicitly considered.” The focus of such efforts should be on:

- Improving the performance of the company’s own operations,
- Ensuring that the goods and services provided by suppliers are sustainable and working with suppliers to increase efficiency and competitiveness, and

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- Working effectively with customers and sales channels to design sustainable products and services.

Examining a supply chain considers the interactions between a business and its customers and suppliers. As such, the NZBCSD guide focuses on the following topics:

- Procurement—Monitoring the goods and services obtained from external suppliers.
- Internal operations—Identifying the impact of conversion and logistics operations from raw materials through to the consumer and back to the company.
- Product development and stewardship—Working effectively with customers and sales channels to develop sustainable products.

The NZBCSD guide notes that, in recent years, the emphasis has shifted from the “green consumer” to the “responsible retailer.” As such, the brand owner has assumed responsibility for ensuring that consumers can buy products and services with confidence in their source and manufacturer. Similarly, the relationship between manufacturers and retailers has shifted so that retailers are driving the agenda—successful manufacturers meet customer demands for options, styles, or features, and delivery orders quickly.

One way that companies can differentiate themselves, reduce costs, and improve service is to examine the environmental, social, and economic factors relating to their supply chain. Benefits can also be derived from protecting reputation and brand, managing risk, increasing efficiency, and widening appeal to customers.

Implementing a Sustainable Supply Chain

The NZBCSD guide describes five steps that companies can take to implement a sustainable supply chain. However, the guide emphasizes that sustainable

development is driven from the top of an organization, and will not be implemented without strong support from senior management.

Step 1: Review Internal Processes

Companies must identify, understand, and manage sustainability issues within their own organization before they can start working with other organizations in the supply chain. Therefore, creating a sustainable supply chain can be the logical next step for companies that have produced a sustainable development report.

To help with this task, the NZBCSD guide provides a detailed check list of risks that may be associated with a company’s internal operations and the supply chain. A company can use the check list to rank the risks from 1–5. Once the greatest risks are identified, the company can focus its efforts in these areas.

Step 2: Identify the Supply Chain

A company must next identify at which point it fits within other supply chains. In this effort, a company develops an understanding of how the supply chain affects the risks identified in step 1. This effort should consider suppliers back to the raw materials, which can be difficult for companies with particularly complex supply chains.

Some large companies have appointed a supply chain manager who has overall responsibility for purchasing and forward and reverse logistics. Additionally, some companies have appointed supply chain directors to ensure board level commitment to creating a sustainable supply chain.

The NZBCSD guide provides a matrix at www.nzbcscd.org.nz/supplychain to help companies

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identify potential issues affecting a supply chain and where they might occur in the process. The matrix lists issues to consider relating to suppliers (1st, 2nd, and 3rd tier, etc.), retailers, and consumers/users. This matrix can help users develop a map to identify priorities and implement change.

Step 3: Incorporate Sustainable Development in the Business Strategy

The NZBCSD guide recommends that companies make sustainable development a key performance indicator (KPI) in all levels of the organization, from the board to junior management. KPIs can be used to measure and monitor performance, both quantitative and qualitative. Examples include cost reduction from improved waste management, deliveries in full and on time, staff satisfaction rating, and energy savings.

Step 4: Adopt Company-Specific Measurement Tools

In many instances, managers lack appropriate decision-making tools to help them assess the risks and benefits associated with managing suppliers. Implementing a sustainable supply chain requires the development of company-specific written policies and communication materials, prequalification of suppliers, purchasing guidelines, and supplier partnerships.

The NZBCSD guide also provides detailed information on developing a code of conduct for suppliers, and for evaluating suppliers against established criteria. Additionally, many organizations now

include clauses relating to conduct in the terms and conditions of supply.

Step 5: Get All Stakeholders Involved

For sustainable development to succeed, companies must develop initiatives that will include everyone involved, both internally and externally. While such efforts must be driven from the top, they will only succeed if everyone concerned is involved.

Getting Started

The NZBCSD guide offers the following tips for implementing sustainable supply chains:

1. Decide what the supply chain means for the organizations.
2. Select a pilot project that will provide early success and win the “hearts and minds” of employees.
3. Identify available resources, both internal and external.
4. Establish a time frame for the initial project.
5. Use the Model for Decision Making in the report to guide the progress of the project.

The “Business Guide to a Sustainable Supply Chain” is available via the Internet at www.nzbcscd.org.nz/supplychain. An interactive version is also available.

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Perspectives

How CEOs Communicate Corporate Citizenship to Investors

During 2003, some of the world’s major institutional investors undertook initiatives related to improved corporate governance and ethics, as well as the broader issues of corporate citizenship. Concurrently, the socially responsible investment (SRI) movement continued to grow in terms of size, sophistication, geographic scope, and influence.

However, many in the investor community—pension fund trustees, fund managers, buy- and sell-side analysts, researchers, and financial consultants—remain focused on short-term results and limited financial performance indicators.

How then are CEOs and other company officials communicating the importance of their corporate citizenship activities to institutional investors, and do investors care? What are the challenges and what are some of the best practices and recommendations for others?

These questions are explored in a new report from the **World Economic Forum** entitled “Values and Value: Communicating the Strategic Importance of Corporate Citizenship to Investors.” The report summarizes the responses of CEOs, CFOs, and investor relations officers from companies included in the

World Economic Forum's Global Corporate Citizenship Initiative. While this is a self-selected group, the respondents offer perspectives from 14 industry sectors with headquarters in 14 different countries.

The report identifies specific obstacles that must be overcome for mainstream investors to show more interest in how corporations address the risks and opportunities related to corporate citizenship. Additionally, the report provides four "rules" for communicating the importance of corporate citizenship to investors.

Obstacles to Overcome

The survey respondents noted that interest in corporate citizenship issues is growing in terms of the SRI community and among mainstream fund managers and financial analysts. Additionally, over 70% of the companies surveyed expect to see increased interest in corporate citizenship issues by mainstream investors. However, unless there is a social, environmental, ethical, or corporate crisis, these issues are "only flickering dimly and sporadically on most institutional investors' radar screens."

The surveyed CEOs identified the following obstacles preventing mainstream investors from showing more interest in how corporations address the risks and opportunities related to corporate citizenship:

- *Defining corporate citizenship*—The CEO survey responses confirmed that there is no single, commonly agreed definition to describe a company's overall role in society, let alone commonly agreed measurement and reporting indicators on this role. Corporate social responsibility (CSR) was the most commonly used term, but only by a small margin. Companies also used such terms as sustainability, corporate citizenship, and corporate responsibility. The survey results also highlighted the fact that the same term can have different meanings to different companies. The lack of a common definition makes it difficult to compare and benchmark companies, even within the same industry sector.
- *Making and measuring the business case*—The most frequently cited obstacle is the lack of a rigorous, credible business case for corporate citizenship, backed up by performance indicators and metrics that can be empirically quantified and benchmarked. While progress has been made, most companies and investors still find it challenging to measure and quantify the actual impact of corporate

citizenship efforts on company value and performance.

- *Ensuring sufficient information*—Most companies report that they have not integrated sustainability and corporate citizenship issues and metrics into their investor relations materials.
- *Developing relevant skills and competence*—Companies need to develop or hire individuals with enhanced skills in both the financial and corporate citizenship fields. Such individuals must have a good grasp of both financial and non-financial issues, tangible and intangible assets, and analytical and anecdotal methodologies relating to a company's current performance and future prospects.
- *Short-term vs. long-term time horizons*—Investors typically focus on short-term results (i.e., quarterly or annual results), while the benefits of corporate citizenship can take much longer to develop. Investor pressure for short-term performance can make it difficult for managers to focus time, energy, and resources on long-term CSR initiatives.

The CEO survey report concludes that, while investor awareness of corporate citizenship issues has increased, institutional investors are at an early stage in terms of integrating these issues into their research and investment decisions.

Four "Rules" for Communicating CSR to Investors

The CEO survey results indicated that, when communicating to investors, much of the focus should be on articulating a business case for corporate citizenship. However, the CEO respondents indicated that the business case is only one part of a four-part message that CEOs, CFOs, and other executives should communicate to effectively discuss corporate citizenship issues.

1. *Clearly frame corporate purpose, principles, and values.* The survey respondents argued that corporate citizenship needs to encompass more than simply "making a business case" that links directly to the bottom line. "It should also be a statement about what the company stands for and would stand by, even if this sometimes incurs costs, results in a lost business opportunity, or requires addressing tough global issues of relevance to business and society, but beyond the immediate competence of the individual company."
2. *Emphasize the social contribution made by the core*

business. Business leaders are sometimes defensive about the company's core role in society. CEOs and other corporate leaders should clearly discuss the social contributions made by the delivery of goods and services, as well as other economic multipliers (e.g., employment and income generation, taxes, technology transfer, training, supply chain management, innovation, and wealth creation).

3. *Present a credible and measurable business case for corporate citizenship.* Each member of the board and executive team must be able to define, explain, and ultimately measure the ethical, social, and environmental risks and opportunities faced by its company and industry sector, including both tangibles and intangibles.
4. *Ensure consistency and coherence of message.* Inconsistent messages and incoherent policies from business can be some of the greatest causes of distrust among investors and stakeholders. The infor-

mation and analysis provided in social and environmental reports should be consistent with information in a company's annual report. Stakeholder communications should also be consistent. For example, companies may invest in research and philanthropic programs to address key social and environmental issues, while at the same time adopting a less enlightened and sometimes obstructionist public lobbying position through their government relations department or trade associations.

The results of the CEO survey are available from the World Economic Forum via e-mail by contacting Public_Affairs@weforum.org.

CONTACT: Caroline Bergrem, 91-93 route de la Capite, 1223 Cologny/Geneva, Switzerland. Tel: +41 (0)22 869 1212; fax: +41 (0)22 786 2744; e-mail: corporate.citizenship@weforum.org; Web site: www.weforum.org/corporatecitizenship.

Corporate Reporting

Canadian Company Reports Show Improvement

A study by the consultancy **Stratos Inc.** concluded that the corporate sustainability reports issued by Canadian companies in 2001 and 2002 are significantly improved over the quality of the sustainability reports studied in 2001.

The results of the study are presented in the report "Building Confidence: Corporate Sustainability Reporting in Canada." The goals of the study were to:

- Provide a detailed description and assessment of Canadian sustainability reporting practices and then compare them against international norms and best practices;
- Highlight the efforts of Canadian corporate environmental and sustainability reporters; and
- Identify opportunities to improve reporting practices and extend the use and effectiveness of these reports.

The survey did not assess corporate performance; rather, it assessed how companies report on their sustainability practices. It is hoped that the study will stimulate an increase in the quantity and quality of corporate sustainability reporting in Canada.

Canadian Reporting Results

Stratos identified 100 companies that published sustainability or integrated annual reports covering

Canadian operations for the years 2001 or 2002. This represents a sizable increase over the 57 reports identified for the 2001 study.

The reporting companies were primarily publicly traded companies, but the survey also included privately held and Crown corporations. The Stratos report states that 60% of the companies on the TSX Composite Index of 220 companies now report some sustainability performance information and that 22% published sustainability or integrated annual reports for 2001 or 2002. In contrast, only 10% of the TSE 300 (which was replaced by the TSX Composite Index on May 1, 2002) produced such reports for the 2000 reporting year.

The top 11 reporters identified in the Stratos survey are listed in Table 1. Overall, the quality of the reports in the 2001–2002 reporting years showed significant improvement over the previous year. The top six reports all scored higher than **Suncor's** leading score in the 2001 survey. The overall average score also increased from 36% to 47%. Additionally, repeat reports are achieving increased performance, with an average increase of 13%.

Canadian reporters are increasingly recognizing the business value that can be derived from improving and

Table 1. Top Canadian Reporters for 2001–2002

Suncor
VanCity
Hydro-Québec
Petro-Canada
Enbridge
Weyerhaeuser
PotashCorp
Dofasco
Syncrude
BC Hydro
OPG
Source: Stratos Inc.

demonstrating sustainability performance. As a result, reporters are beginning to include qualitative discussions on the links between sustainability and shareholder value. However, few companies are reporting metrics that measure the financial contribution of sustainability performance—other than cost savings achieved from activities related to eco-efficiency.

Determining what information to include in a sustainability report (i.e., materiality) remains a significant challenge for reporters. Stratos recommends that companies account for two basic considerations when determining the scope of their sustainability report: (1) the broadening understanding of financial materiality; and (2) the relevance to those stakeholders who have an interest in, or are affected by, the company, and whose views could affect the company.

Few Canadian reporters discuss specific issues raised by stakeholders and how the company considers these issues within its activities and decision-making processes. As a result, it appears that these reporters regard stakeholder engagement as an end in itself, rather than a means of obtaining input from stakeholders that could prove valuable to the company.

The credibility of reported information can be enhanced with data and by third-party verification. While some Canadian reporters included useful supportive information on certain aspects of their performance, very few provided it consistently across all dimensions of performance. Similarly, reporters used various verification or assurance approaches. Stratos recommends that companies engage key stakeholder groups to determine “trust barriers,” and what kind of information can help reduce such barriers.

The 2002 Stratos survey noted improved linkages between sustainability and annual reports. More compa-

nies included information on sustainability performance and management in their annual reports. Additionally, a small but growing number of companies are moving toward fully integrated annual reports, which are based on the premise that corporate sustainability and ongoing financial success are linked. Both trends are seen as improvements over the 2001 survey.

The survey results are available via the Internet at www.stratos-sts.com./pages/publica012.htm.

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Swiss Company Reports Evaluated

The results of the first study of the quantity and quality of integrated sustainability reporting by Swiss companies was completed by the **Institute for Sustainable Management** at the **University of Applied Sciences Northwestern Switzerland**. Integrated reporting allows companies to include environmental and social information within their annual reports, rather than producing separate reports focusing on environmental and social performance. The study results are presented in the paper entitled “Sustainability Reporting: Swiss Companies Under Investigation,” by Claus-Heinrich Daub, and are summarized below.

Swiss companies were defined as being any company that maintains a head office or one of its head offices in Switzerland. The study was also restricted to the 100 largest Swiss companies. Additionally, Baer AG and the Basellandschaftliche Kantonalbank were included in the survey because they issued “genuine” sustainability reports between 2000 and 2002, even though they were not among the 100 largest Swiss companies.

Additional research determined that the study should include all company reports and other sources (e.g., information on company Web sites) that relate to the company’s economic, environmental, or social performance. In this way, all information available could be evaluated. In all, 76 companies provided the researchers with one or more reports and the project team evaluated a total of 122 sources.

Table 2. Top 10 Swiss Reporters

Rating	Rank	Reporting Company	Points
AAA	—		—
AA	—		—
A	1	ABB	111
BBB	2	Novartis	103
	3	Migros	98
		SBB	98
	5	Swisscom	96
	6	Holcim	95
	7	Bâloise Holding	93
	8	BL Kantonalbank	91
BB	9	Zürcher Kantonalbank	87
		coop	87

Source: Prof. Dr. Claus-Heinrich Daub.

The researchers developed 33 individual criteria to evaluate the corporate submissions. The criteria were divided into four main categories:

- Category A = Context and alignment;
 - Category B = Policies, management systems, and stakeholder relations;
 - Category C = Performance information; and
 - Category D = Transparency and overall appearance.
- A total of 147 points were available.

Swiss Reporting Results

In the study, 60% of the sources investigated were classic annual reports. The submissions also included 12 environment reports, 7 sustainability reports, and 6 social reports. It is noteworthy that all of the companies that published a separate environment, sustainability, or social report also published a classic annual report (except Baer AG). Therefore, the author concludes that “. . . companies are more or less keeping to the customary forms of annual performance disclosure and indicate that there is still some way to go on the path towards the integration of economic, environmental, and social statements in a company’s overall reporting.”

The researchers also determined that just 16% of reporting companies systematically considered all three dimensions of sustainability (i.e., economic, environmental, and social). Further, 28% considered at least two of the three sustainability dimensions on five or more pages, and 56% restricted themselves to eco-

nomics performance or only touched on environmental and/or social issues on less than five pages.

The researchers ranked the Swiss reporters using a system ranging from triple A (AAA) to D, which is similar to the system used by financial service providers. Table 2 presents the top 10 Swiss reporters identified in the study.

ABB obtained the top score of 111 points—more than 75% of the maximum possible points available, which places the company in the A ranking. **Novartis**, **Migros**, and **SBB** followed. The author notes that Migros and SBB, both national Swiss companies, competed favorably with some of the big multinationals, who scored much lower (e.g., **Nestlé**, **UBS**, and **Roche** in 14th, 15th, and 16th places, respectively).

The author concludes that many Swiss companies have a long way to go to meet the demand to disclose sustainability information. “On the average and across all sectors, all companies achieve exactly one-third (33.33%) of the total possible performance. In the most important reporting category under investigation, that of ‘performance information,’ i.e., the ‘hard facts,’ the figure is just 29%.”

The full paper is available from the author via the contact information below.

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Corporate Initiatives

Energy Productivity Pays

Holcim, the Swiss-based global cement producer, has established a new foundation to support initiatives and projects that “identify future-proof construction-related solutions to today’s pressing technological, ecological, and socio-economic challenges.”

The first move for the **Holcim Foundation for Sustainable Construction** will be to launch a global competition to “sensitize architects, engineers, and developers to the concept of sustainable construction and reward them for outstanding achievements in this area.” Total prize money will be US \$2 million.

The competition will be held in two stages—at the regional level in 2005, with five regional winners “of model standard” representing milestones in the development of sustainable construction, then going through to the global final in 2006.

According to the company, the aim is to “anchor the principle of sustainability more firmly in society’s mindset, intensify the exchange of expertise and innovation, and multiply best practices, with the focus on ideas, concepts, and solutions revolving round the issue of basic needs.”

The Foundation will run the competition in cooperation with the Swiss Federal Institute of Technology, the Massachusetts Institute of Technology, the Tongji University in Japan, the University of Sao Paulo, and the University of Witwatersrand in Johannesburg.

Holcim CEO Markus Akermann said the Foundation would “lift the company’s commitment to sustainable development to a new plane by providing a global platform for sustainable construction to impact beyond the boundaries of the building materials industry.

“Housing and infrastructure are key cornerstones of a society’s development, and the basis of progress and prosperity. One of our aims is to help step up processes geared to achieving a broad raft of sustainable effective forms and construction methods.”

With interests in more than 70 countries, the Holcim Group is one of the leading suppliers of cement, aggregates (gravel and sand), concrete, and construction-related services.

CONTACT: Holcim Group, Hagenholzstrasse 85, CH-8050 Zurich, Switzerland. Tel: +41 58 858 87 10; fax: +41 58 858 87 19; Web site: www.holcim.com.

Cisco Backs New “Virtual” Health Academy

Cisco Systems, Inc. is collaborating with the **World Health Organization** (WHO) in a groundbreaking new “virtual” Health Academy designed to improve health in poorer countries through the use of Internet technology.

The company is providing the computing platform, technical expertise, and support for the initiative, which WHO says will create a “virtual school of public health, demystify medical practices, make the knowledge of health specialists available to everyone, and promote good health in a language everyone can understand.”

Cisco’s Chairman of the Board, John Morgridge, said: “We are proud to collaborate with WHO in this pioneering effort to extend health education to the world. Using Internet technology to advance learning has a global reach and is a timely and stimulating way to deliver important curriculum. The Health Academy is about global corporate citizenship and the power of collaboration between private and non-profit organizations to drive educational initiatives forward.”

Dr. Lee Jong-Wook, WHO’s Director-General, added: “The academy will provide unprecedented opportunities for effective health promotion. It will be a means to influence attitudes and behavior toward a healthier lifestyle.”

The initiative has been launched with two pilot studies for 12- to 18-year-old students at 41 schools in Egypt and Jordan, involving 48 hours of English and Arabic Net-based e-learning courses in four subjects: safe blood, smoking, substance abuse, and road safety—provided by WHO.

Later this year, WHO and Cisco Systems intend to adapt the scheme to the needs of other regions and countries. WHO says the equipment and courses can also be used in the evenings by parents and the public under the guidance of mentors, as well as extended to community Internet centers.

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Energy Productivity Pays

Alcoa, Owens Corning, General Motors, Kodak, and United Technologies Corporation all report real business results from their energy productivity management programs. In “Aggressive Energy Productivity Management Pays Big Dividends,” **The Conference Board** provides information on the results of these companies’ efforts, along with tips applicable to other businesses.

All companies depend on energy; however, the relative importance varies dramatically. In general, price continues to be the paramount business energy decision-making factor. By increasing energy efficiency, companies can reduce the impact of price or supply volatility on their operations. Additionally, a thorough understanding of energy use allows a company to deal with risks related to energy use and emissions (e.g., carbon dioxide emissions) and, at the same time, potentially realize cost savings.

Energy productivity is defined as “achieving maximum ‘value’ per energy dollar through selecting the most appropriate energy type, negotiating the best supply reliability and price, and reducing the total cost by maximizing the efficiency of energy use throughout a company’s operations.”

Designing Energy Management Programs

Energy management programs must be individually designed for specific companies. While some themes carry through all programs (e.g., economic benefit is generally the primary driver for aggressive energy productivity management), each company must implement a program to fit its needs.

As is the case with most management processes, implementing an energy management program typically involves two phases: (1) the initial “program” phase, when attention is focused on specific goals, objectives, and activities to highlight their importance and demonstrate value; and (2) the “integrated” phase, wherein the initiative’s activities are part of routine operations.

While energy productivity is not new, these companies’ centralized, systematic, and strategic approach to identifying and capturing opportunities represents a new twist. Implementing an energy productivity management program requires both a vision that a real business opportunity exists and a champion(s) to “sell” the concept for the company. “Early wins” can often

be used to illustrate potentially larger gains, and can sometimes encourage a company to transition to a systematic approach.

The subject companies all use comprehensive energy assessments to identify energy productivity opportunities. These assessments also help set appropriate goals. Corporate or third-parties often help local operations with the identification of such opportunities and with quantifying results. “The true value of the centralized strategic approach is the ability to aggregate the value of multiple small savings, many of which individually may not appear to merit attention. Such aggregation is what frequently provides the leverage to move a process forward as a management priority.”

While company-specific programs vary, most energy productivity programs include the following components:

- Investing in energy efficient equipment and facilities,
- Addressing employee practices—a “behavioral” focus,
- “Buying better,” and
- Exploring fundamental changes in energy intensive processes.

Energy Productivity Results

The results achieved from energy productivity management programs will vary, depending on the intensity of energy use in a company’s operations. The subject reporting companies report the following results:

- Alcoa—Annual energy efficiency savings of US \$66 million have been identified, 10% of which have been realized in the first two years of the program. Evaluations continue.
- Owens Corning—From 1999–2003, realized a world-wide annual savings of approximately US \$30 million on a total energy spend of about US \$250 million, while energy prices rose significantly and production increased by 18%.
- General Motors—11 facilities have realized annual savings of US \$3.6 million by installing computerized energy management systems.
- Kodak—From 1999–2003, achieved a 29% savings in energy use on a US \$200 million annual corporate energy budget while production increased by 38%.
- United Technologies Corporation—Although a much smaller user, achieved \$3 million per year in savings.

The report is available via the Internet at www.conference-board.org/publications/execaction.cfm.

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Japanese Firms Inundated with CSR Questionnaires

As a result of increased emphasis on corporate social responsibility (CSR) in the west, Japanese companies are receiving hundreds of questionnaires per month, reports The Asahi Shimbun news service. In addition to financial inquiries, the questionnaires request information on companies' environmental protection policies and how they treat employees.

Electronic parts manufacturer **TDK Corp.** reports that it receives up to 800 inquiries per month from appliance makers that it does business with, up from only 10 per month two years ago. Similarly, **Alps Electric Co.** receives 200 inquiries per month covering about 2,000 parts.

As manufacturing companies work to establish sustainable supply chains, they must ask parts suppliers to fill out questionnaires detailing what chemicals and other components are included in their products. In turn, many parts suppliers have to ask their suppliers what is included in parts.

Japanese firms are also receiving questionnaires from socially responsible investing firms, which can be 10–20 pages long and include as many as 80 questions. “Mizue Tsukushi, president of **Good Bankers, Co.**, a consulting firm for socially responsible invest-

ing, said Japanese companies should prepare themselves for even more questionnaires in the future, . . . as western investors foresee Japan becoming a major market for socially responsible investing in the near future.”

CONTACT: The Asahi Shimbun, see www.asahi.com/English/business/TKY200401060090.html.

Corporate Contributions to Rise

The Conference Board's annual survey of corporate giving reports that total US contributions to worthy causes has remained strong, and projects a median 5% increase in US cash contributions budgets in 2003, and a 1% increase in US non-cash budgets. The survey results are presented in “Corporate Contributions in 2002,” Report R-1343-03-RR.

The 205 largest US companies and US corporate foundations surveyed contributed US \$4.45 billion in 2002. This represents one-third of the overall US \$12.19 billion in corporate charitable giving in the US in 2002. Giving for health and human services programs regained its position as the top priority for corporate contributions.

Says Sophia Muirhead, Senior Research Associate at The Conference Board, “The largest US corporations continue to add to their contribution budgets, despite less than ideal economic conditions. The situation will continue throughout next year as well.”

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Product Stewardship and Takeback

New EU Battery Recycling Rules Proposed

Admitting that existing legislation was failing miserably to tackle the growing problem of waste batteries, the **European Commission** has put forward sweeping new proposals that will require the collection and recycling of all batteries sold in the EU market.

If adopted by EU ministers and the European Parliament, the new rules will require member states to establish national collection systems to allow consumers to return portable batteries free of charge. The proposed collection target, against which the efficiency of those systems will be judged, will be 160 grams per

person per year—equivalent to five portable batteries per person.

Because portable nickel-cadmium (Ni-Cad) batteries are of special concern, the Commission is proposing an additional collection target over and above the general 160 grams—80% of all portable Ni-Cad batteries generated annually in each country, covering those collected plus the amount found in the municipal solid waste stream.

The proposal sets high recycling targets (100% for automotive and industrial batteries, at least 90% for portable batteries), on the basis that, “as a principle, after collection all batteries should be sent to recycling facilities in order to close the materials loop.”

In addition, the Commission proposes minimum recycling efficiencies, focused on the output of the recycling process. The process for lead-acid batteries should recover all of the lead and 65% of the average battery weight; the process for Ni-Cad batteries should recover all of the nickel cadmium and at least 75% of the average weight.

Under the proposal, the landfilling and incineration of all automotive and industry batteries will be banned—but the Commission is ruling out a ban on portable batteries because of their size and wide range of users.

The Commission says that producers should be responsible for the costs of collecting, treating, and recycling all types of batteries—although they could share the collection costs for spent portable batteries with national, regional, or local authorities. For spent industrial and automotive batteries, producers could conclude agreements on financing with their users. They should be allowed to use a “visible fee” on new battery sales for a maximum of four years after implementation.

Environment Commissioner Margot Wallström said: “The proposal will encourage environmentally friendly behavior from all the actors involved in the battery life cycle. Most importantly, consumers will have to contribute by bringing back their spent batteries to collection points.”

She described the proposal—the result of extensive consultation with nearly 150 industry, retail, and consumer organizations and non-governmental organizations (NGOs)—as “concrete and well-balanced,” and said it would lead to the recovery of thousands of tonnes of metals, including valuable materials such as nickel, cobalt, and silver.

About 800,000 tonnes of automotive batteries, 190,000 tonnes of industrial batteries, and 160,000

tonnes of portable batteries are placed on the EU market annually. Existing legislation applies only to batteries containing certain quantities of cadmium, mercury, and lead, and covers only 7% of all portable batteries on the market. The Commission says its “limited scope had led to inefficiencies in national battery collection and recycling schemes,” while “consumers have been confused by what to collect and what not to collect, and have tended not to participate in national collection schemes.”

CollectNiCad, the organization representing battery and equipment manufacturers, welcomed the proposal for “creating a level playing field for the proactive parts of industry committed to collection and recycling.” It urged legislators to “make this a priority over the coming months.”

CONTACT: European Commission, DG Environment, B-1049 Brussels, Belgium. Web site: www.europa.eu.int. CollectNiCad, rte des Acacias 54 bis, CH-1227 Carouge, Geneva, Switzerland. Tel: +41 22 342 27 64; fax: +41 22 342 20 79; Web site: www.collectnicad.org.

E-Waste Takeback Pilot Announced

The US **Environmental Protection Agency** (EPA) has announced a new partnership with **Staples** and the **Product Stewardship Institute** to test a pilot “take-back program” as a new approach for recycling used electronics. The new partnership is part of EPA’s “Plug-In To eCycling” campaign.

Under the new partnership, electronics manufacturers **Apple, Brother, Dell, Epson, Intel, Lexmark, Panasonic, Sharp,** and **Sony** will pay for the recycling of their name brand products that consumers take back to Staples. The states of Massachusetts, Connecticut, Maine, and New Hampshire will participate in the first pilot project in 26 retail stores. EPA hopes to partner with manufacturers and retailers in the Pacific Northwest and Minnesota in the coming year.

For more information, see www.plugintoecycling.org.

“Green” Car Benefits Outweigh Recycling, Says Study

A family would contribute more to the environment by choosing a more fuel-efficient car than by recycling its glass bottles, according to a new

study from the UK **Industry Council for Packaging and the Environment** (INCPEN), which represents 60 major companies.

The study found that the average household would save 1,200 kg of oil per year if it selected a family car getting 40 mpg instead of a 4-wheel drive (20 mph)—compared with saving only 3 kg of oil per year if it recycled all its glass bottles.

Jane Bickerstaffe, INCPEN's Director, said: "Some 46% of the British public take part in recycling schemes, but only 11% see the advantages of cutting down on car journeys and 8% the benefits of using less electricity, even though these have a much bigger effect on the environment.

"The study does not mean that the packaging industry is going to become complacent in its use of materials and energy. We have to respond to the public demand for convenience but using far fewer resources. However, it does show where the public focus should be."

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Taiwan Aims to Recycle CDs

The **Taiwan Environmental Protection Association** (EPA) is preparing new regulations to encourage and enforce the recycling of discarded compact discs (CDs). The country is the world's largest manufacturer of CDs—producing about 5.5 billion per year, 4.7 billion for export.

The Taiwan EPA's move follows criticism from national politicians that most of the 800 million CDs sold annually in the domestic market end up in landfills or incinerators, even though they contain plastics and diverse metals (e.g., aluminum, gold, silver, and titanium), which could produce dangerous dioxins.

Taiwan EPA Administrator Chang Juu-en said: "We will have regulations in place to ensure that this product is efficiently recycled from the middle of this year." However, officials have admitted they have no clear picture of the number of unwanted CDs that will need to be recycled.

A study by the **Industrial Technology Research Institute** estimated that CDs have a four-year lifespan

and a 2% damage rate, and that about 60 million CDs weighing 990 tons are thrown away every year. This excludes discs with defects discarded by the manufacturing sector, which apparently account for 10% of total production.

Only one Taiwanese company currently recycles CDs and produces 400 tonnes of plastic materials a month from them. Two other firms have applied for similar licenses.

CONTACT: Taiwan EPA, 41 Chung-Hwa Road, Taipei, Taiwan. Tel: +886 2 2370 5888; fax: +886 2 2 311 6071; Web site: www.epa.gov.tw.

UK Sets New Waste Recovery and Recycling Targets

The UK government has signaled a further shift from energy recovery to recycling in setting new national targets for the next five years. The minimum amount of recovery to be achieved through recycling will be 94% this year, rising to 95% in 2007.

Environment Minister Elliot Morley said that, to ensure the UK achieves an overall recovery target of 50% in 2004 and 55% in 2008, as required by EU laws, "there has to be an incremental increase in the proportion of recovery to be met through recycling." Remaining energy recovery will have to be achieved through co-incineration energy-from-waste.

The new recovery rates for various materials are as follows:

- Paper—65% in 2004, rising to 70% in 2008.
- Glass—49%, rising to 71%.
- Aluminum—26%, rising to 35.5%.
- Steel—52.5%, rising to 61.5%.
- Plastic—21.5%, rising to 23.5%.
- Wood—18%, rising to 21%.

Mr. Moley said that the targets for aluminum and steel "had been made with a view to achieving a fair balance in respect of the effort likely to be needed to collect and recycle packaging waste from the household waste stream."

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ISO 14000 Update

Software Provides Screening-Level LCAs

It is becoming more common for companies to voluntarily assess how their activities affect the environment and implement improved environmental management strategies. Consequently, many firms are manufacturing “greener” products and using more environment-friendly processes.

In order to identify which products and processes have less potential environmental impacts, life cycle assessments (LCAs) are often performed. These assessments evaluate all aspects of the life of a product or process, from raw materials acquisition to product disposal (or recycling).

The US **Environmental Protection Agency** (EPA) has created new software designed to help companies perform LCAs. The software, called the Tool for the Reduction and Assessment of Chemical and Other Environmental Impacts (TRACI), allows companies to compare the potential environmental impacts of product and process alternatives. The software is described in a publication entitled “Tool for the Reduction and Assessment of Chemical and Other Environmental Impacts (TRACI): User’s Guide and System Documentation,” EPA-600-R-02-052.

Life Cycle Assessment

Life cycle assessment is a method used to assess the potential environmental impacts associated with a product or process. It consists of four components:

- Goal definition and scoping,
- Life cycle analysis,
- Impact assessment, and
- Interpretation.

The TRACI software is designed to facilitate the comparison of product and process alternatives in the impact assessment phase of an LCA. It estimates the potential impact of a product or process on human health, the environment, and natural resources.

Specific impact categories that are evaluated include:

- Acidification,
- Ecotoxicity,
- Eutrophication,
- Fossil fuel use,
- Global warming,
- Human health cancer,
- Human health criteria,

- Human health noncancer,
- Land use,
- Ozone depletion,
- Photochemical smog, and
- Water use.

TRACI Overview

When using the TRACI software, three main steps are involved: (1) adding project description information, (2) adding information on the product and process, and (3) performing the calculations.

Before using the program, a life cycle inventory (one of the LCA steps) must be performed for each life cycle stage that needs to be evaluated. The inventory includes data on the product, process, and chemical releases. In order to ensure that all of the necessary data are collected, EPA has compiled an inventory worksheet.

Limitations of the Software

According to EPA, limitations of the TRACI software include:

- The impact categories are not comprehensive. For instance, biodiversity, odor, noise, and radiation are not currently included.
- The software does not provide estimates of actual risk—it is simply a screening tool.
- TRACI is not designed to determine the potential impact of accidents (e.g., oil spills).
- An uncertainty and variability analysis is not available in the current version.

The user’s guide and the TRACI software is available from http://www.epa.gov/ORD/NRMRL/std/sab/iam_traci.htm.

CONTACT: Jane Bare, U.S. EPA (MS-466), National Risk Management Research Laboratory, Sustainable Technology Division, Systems Analysis Branch, 26 West Martin Luther King Drive, Cincinnati, Ohio 45268, USA. Tel: +1 513 569 7513; e-mail: bare.jane@epa.gov.

SCC Adopts Code of Conduct

The **Standards Council of Canada** (SCC) has implemented the **International Accreditation**

Forum Inc. (IAF) Code of Conduct for Accreditation Body members that was accepted at the 17th Annual Meeting of the IAF in September 2003.

Authored by the SCC, the "IAF Accreditation Body Member Code of Conduct" helps members perform their professional responsibilities and details the basic tenets of ethical and professional conduct. The code also includes provisions to ensure the integrity of the registration process, the competence of all who perform the registration and certification service, and the credibility of each member body.

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Collaboration Promotes "Green Suppliers"

A new US collaboration will work with all levels of the manufacturing supply chain to achieve environmental and economic benefits by improving performance, minimizing waste generation, and removing institutional roadblocks. Dubbed the **Green Suppliers Network (GSN)**, the collaboration was launched by the **US Environmental Protection Agency (EPA)**, the **National Institute of Standards and Technology (NIST)** Manufacturing Extension Partnership Program, and the US manufacturing industry. The collaboration aims to leverage a national network of manufacturing technical assistance resources.

Through the GSN, users can obtain technical reviews, incorporate Lean & Clean manufacturing practices, and collect data on economic and environmental benefits. GSN will also help suppliers identify obstacles to change (e.g., out-dated specifications or regulations) and provide a forum for identifying options.

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ISO 9000 Certifications Expire

Effective 15 December 2003, registration certificates issued to the 1994 editions of **International Organization for Standardization (ISO)** 9001, 9002, and 9003, expired. ISO 9001:2000 has replaced these stan-

dards, and now specify the requirements for quality management system registration.

Since the new ISO standards were published in December 2000, efforts have been underway to migrate organizations to the new standard. However, efforts continue to make sure that all of those affected, including registration bodies, registered organizations, and the bodies relying on such organizations for products or services, are aware of the change and have taken the necessary steps to adapt.

After the transition deadline, organizations that are still registered to the 1994 version are no longer recognized within the accreditation system. Additionally, customers will no longer accept registration certificates based on the old standards.

To regain recognition within the accreditation system, an organization must demonstrate to an accredited registration body that its quality management system meets the requirements of ISO 9001:2000.

Organizations that have not registered to the new standard may still do so after the deadline.

Performance-Based EMS Training Offered

A collaboration of the **Texas Commission on Environmental Quality (TCEQ)**, **Southern Methodist University (SMU)**, **Avery Environmental Services**, and **GreenWare** will provide a performance-based environmental management system (EMS) training course. The course will include detailed training and coaching on how to implement a cost-effective EMS that creates value and meets the requirements of ISO 14001 and the Texas EMS standards.

During the course, participants will develop an understanding of each stage of developing a performance-based EMS, from learning how the EMS drives environmental compliance and risk reduction to cost reduction and mitigating ongoing environmental impacts.

The course will run for 9–12 months, and will include three seminars of three days each, and a fourth optional readiness assessment. Individual consultations with EMS experts will be available between class sessions.

Individuals interested in developing a similar program in a different area of the US should contact Nathan Crawford of GreenWare at +1 800 474 0627, extension 123, or via e-mail at Nathan@greenware.com.

For more information on the course, or to register, go to www.averyenvironmental.com/emscourse.html.

Regulatory and Policy Trends

OECD to Revise Corporate Governance Principles

The **Organization for Economic Co-operation and Development (OECD)** has prepared draft revisions to its Principles of Corporate Governance, which were adopted by OECD governments in 1999. The OECD Principles are non-binding, and provide a reference for national legislation and regulation, as well as guidelines for stock exchanges, investors, corporations, and other parties.

The draft revisions were developed through consultations over the past year involving governments and representatives from business, professional groups, labor groups, and civil societies in both OECD and non-OECD countries.

The current OECD Principles include recommendations on high quality standards of accounting and audit, the independence of board members, and the need for boards to act in the interest of the company and its shareholders. The new draft text sets more demanding standards in the following areas:

- Investors should have both the right to nominate company directors and a more forceful role in electing them.
- Shareholders should be able to express their views about compensation for board members and executives and submit questions to auditors.
- Institutional investors should disclose their overall voting policies and how they manage material conflicts of interest that could affect the way they exercise key ownership functions, such as voting.
- Identifies the need for effective protection of creditor rights and an efficient system for dealing with corporate insolvency.
- Calls on rating agencies, brokers, and other information providers that could influence investor decisions to disclose conflicts of interest and how they are being managed.
- Calls on boards to be more rigorous in disclosing related party transactions and to protect so-called “whistle blowers” by allowing more confidential access to a contact at board level.

The text of the draft revisions is available via the Internet at www.oecd.org/documentprint/0,2744,en_2649_201185_23898906_1_1_1_1,00.html.

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Cedex 16, France. Tel: +33 1 45 24 82 00; Web site: www.oecd.org.

Trust Is Up and Down

According to the fifth annual **Edelman Trust Barometer**, trust in business and government is strengthening in the US and Europe, and is comparatively higher in Brazil and China. The survey contacted 1,200 opinion leaders in Brazil, China, France, Germany, the UK, and the US.

In the US, 51% of opinion leaders now trust US business to “do what is right,” up from 41% in June 2002. In comparison, European opinion leaders’ confidence in business rose to 40%, up from 35% in January 2003. Trust in business is strong in both China (50%) and Brazil (60%).

The Edelman survey noted that US companies are the least trusted in Europe (38%) and French-based companies are the least trusted in the US (34%). As such, European opinion leaders apply a significant “trust discount” for major US brands operating in Europe.

Trust in government also increased in the US (48%) and Europe (31%), and was high in Brazil (54%) and China (67%). The Bush administration is the least trusted government in key global markets.

Trust in non-governmental organizations (NGOs) remains strong. Opinion leaders identified “colleagues,” “friends and family,” and “regular people like yourself,” as well as experts seen as independent—academics, doctors, and representatives of NGOs—as the most trusted spokespersons. In the US and Europe, fewer than 2 in every 10 people said that CEO/CFOs are credible sources of information.

A summary of the survey results is available via the Internet at www.edelman.com/news/Edelman%202004%20Trust%20Barometer%20Findings.doc.

Workers Doubt Employer Communications

American workers are increasingly cynical and suspicious of information they receive from their own

organizations, a new **Towers Perrin** study shows. Of the 1,000 US workers polled for the survey, 51% of the respondents believe their company generally tells employees the truth, while 19% disagree. Additionally, 51% of respondents believe their companies try too hard to “spin” the truth.

The survey also shows that employees believe their companies communicate more honestly with shareholders (60%) and customers (58%) than with workers.

Information from senior corporate leadership is viewed as the least reliable, with 48% agreeing that they receive more credible information from their direct supervisors than the company’s CEO. Additionally, employees are more likely to believe information about their pay (64%) and benefits (59%) than they are to believe information about company direction and business strategies.

Said Mark Schumann, Towers Perrin principal and leader of the firm’s HR Services practice, “These results reveal a worrisome employer-employee dynamic that should be a wake-up call to any senior executive or leader who will need to communicate with employees in 2004. Regardless of the topic, an organization will find it difficult to motivate, engage, and train their most talented employees if their messages are not believed.”

Information on the survey is available via www.towersperrin.com/hrservices/global/default.htm.

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