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The Transparency Connection

Assessing Conformance to Codes of Practice

by Jane E. Obbagy

In this era of managing under a microscope and stakeholder demands for ethical practices, there has been a dramatic increase in the number of organizations that have codified internal doctrine or adopted global guidelines that help define the corporate accountability posture. Otherwise known as codes of practice, these guiding principles have been developed by governmental entities, industry associations, and companies as nonregulatory measures to address issues that may have a profound impact on the environment, social relations, economies, and business interactions. Codes of practice have become clear symbols of transparency. But, given the breadth and broad scope of such codes, can they be assessed and documented for conformance in a manner that is objective and meets the needs of stakeholders?

Excerpts from Codes of Practice

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.
—Ceres Principles

Businesses should aim to uphold employees' freedom of association and the right to collective bargaining.
—Global Compact

We will contribute to conservation of biodiversity and effective approaches to land use planning.
—International Council on Mining and Minerals

We seek to engage in productive relationships with the media.
—Company Code of Practice

We are committed to high standards of corporate governance, accountability, and responsibility.
—Company Code of Practice

We encourage governments and both private and state-owned companies to disclose their revenue flows and payments; and work with participating governments to achieve high standards of transparent public revenue management, including the processes for awarding contracts and concessions.
—Extractive Industries Transparency Initiative

Our goal is to make health, safety and environmental protection an integral part of designing, manufacturing, marketing, distributing, using, recycling and disposing of our products.
—Responsible Care®

Businesses should support a precautionary approach to environmental challenges.
—Global Compact

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This article outlines an assessment framework that vice presidents of corporate social responsibility and EHS managers can use to evaluate organizational conformance with codes of practices and explores how self evaluation is an integral component of company transparency.

Codes of Practice

Codes of practice are designed to articulate the norms and values that guide organizational behavior and tend to be broad statements of conviction. At the core of these practices is a commitment to improve performance.

However, unlike regulations that provide clear performance standards, codes of practice focus on less tangible management issues such as demonstrating accountability for business actions.

Examples of codes of practice that companies have adopted are listed in the sidebar. These excerpts are representative but not inclusive of the broad range of guidelines that exists today. As these examples illustrate, codes of practice cut across organizational and functional lines, addressing company profiles, products and markets, and

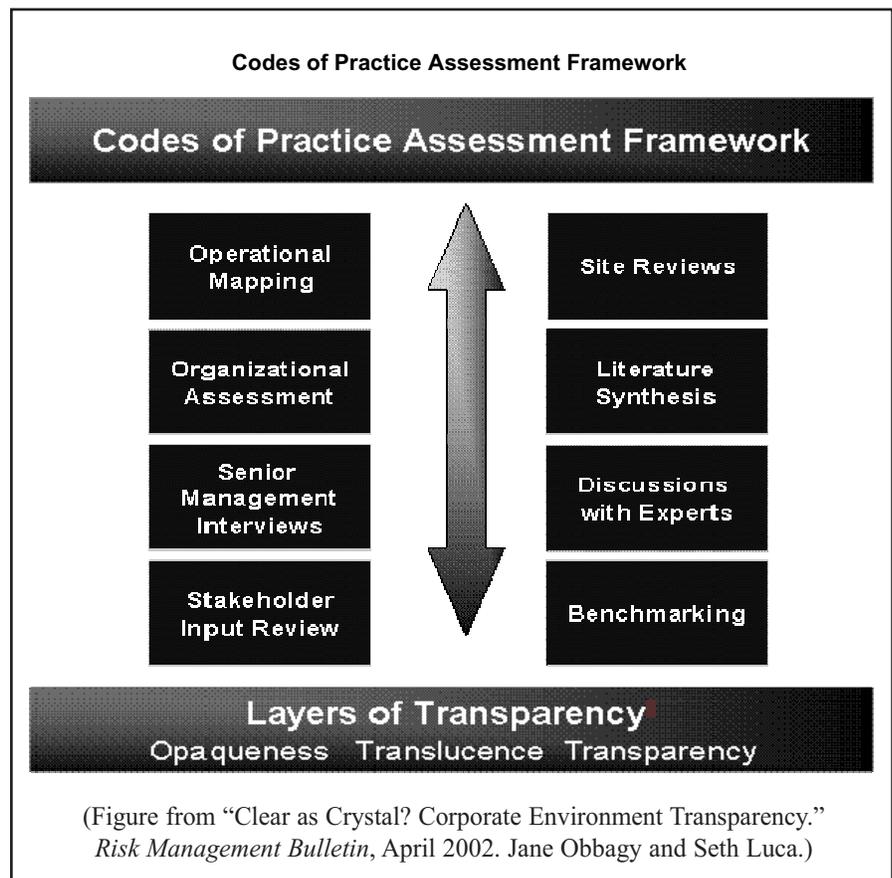
product and service life cycles. Woven throughout these documents are statements addressing honesty, integrity, and fairness in relationships with suppliers/contractors, governments, and neighbors, and commitments to improve environmental and social performance.

Assessment Framework

Assessing conformance with codes of practice is a clear demonstration of a company's commitment to its vision or policy statements addressing assurance and external communications. However, there is currently no internationally recognized and adopted approach that company principals and managers can use to assess conformance with codes of practice similar, for example, to auditing environmental management systems under ISO 14000. Moreover, given the breadth and depth of codes of practices, assessing the level of adherence or conformance through the application of typical audit techniques such as interviewing, observing, and reviewing documents at the site or organizational level may not enable a company to engage in objective and in-depth self evaluation. A more comprehensive assessment framework is needed, among other things, to:

- Facilitate the gathering of data in an integrated manner to explore whether there is an appropriate balance between what corporate is doing to implement codes of practice and how they are in fact being implemented throughout the organization,
- Evaluate information sharing across the organization, and
- Highlight potential hidden accomplishments or issues that will drive strategy and reputation and satisfy public expectations.

Building and expanding on a variety of approaches undertaken to assess



environmental, health, and safety management systems, Figure 1 depicts an assessment approach that can be used to review adherence to codes of practice. This simple but powerful construct provides a compendium of activities for objectively undertaking an assessment.

Underlying this framework is the notion that the defensibility or level of transparency associated with the assessment exercise is contingent on the selection of self evaluation activities. In other words, as the breadth and depth of assessment activities increases, the level of assurance and transparency associated with the assessment process improves. Improvement or increased confidence in the assessment process is a function of the availability of data, complete-

ness of information gathering, and rigor of the review and analysis, including the degree to which input is obtained from appropriate external sources, leading to an enhanced ability to communicate progress in a meaningful way.

Assessment Process

The framework begins with operational mapping, or detailing the efforts used to provide key personnel as well as staff with information about the codes of practice and implementation steps. The process map provides a visual guide to evaluating the thoroughness of internal information and learning exchanges. This visual map is further articulated by reviewing the structure and resources deployed across the organization to provide the capability and infrastructure to

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implement the strategy and underlying programs, including roles and responsibilities related to implementation of each code of practice.

To provide context to the evaluation, the next steps include interviews with senior management and stakeholders. The objectives of these interviews are to understand the business rationale and justification for organizational activities, the linkages between senior management directives and adherence to the codes of practice, and how management processes are functioning, including key performance indicators, to meet the needs of stakeholders such as communities, government regulators, organized citizen groups, and the public at large.

As part of the assessment process, it is recommended that site reviews be conducted to understand the efforts being made by the organization at its operating sites to implement codes of practice, improve adherence, and determine if there are internal or external implementation barriers.

Once the various data have been collected, the assessment process moves toward the analysis and evaluation phase. This includes a number of activities:

- Conducting a detailed search for information that has been reported internally and externally to determine if there have been missed opportunities in communicating progress or if key issues that underlie the complexity of successful implementation of the codes of practice have been overlooked,
- Obtaining input from experts to evaluate how current performance stacks up against recognized industry achievements and to determine the particular strengths and weaknesses of current activities, *and*
- Comparing current performance relative to peer organizations to

gather up-to-date knowledge of industry practices and communicate the level of conformance in context.

Transparency Connection

From an historical perspective, organizations have moved through increasing levels of transparency. Starting from opaqueness, organizations disclosed information to the public as required by law. As momentum picked up, organizations became more translucent, providing greater detail of company workings but perhaps minimizing discussion on issues that could not be easily verified or might have a significant impact on reputation.

Today, companies are actively experimenting with true transparency (reporting strengths as well as unpopular activities) because they know how to manage business drivers that influence reputation and access to markets. They are structuring activities to communicate more explicitly with those asking questions about accountability, real improvements in performance, and the level of leadership being exercised to manage environmental and social risks at home and abroad. Organizations engaging in the broad continuum of self-evaluation activities highlighted in Figure 1 are clearly opting to be transparent in the context of the unique cultural, organizational, and internal political issues that underlie their positions as thriving organizations.

Assessment Framework Results

Managing environmental and social issues as essential components of company strategy has been, and most likely will continue to be, a key determinant of business success. Internationally and within many industrial sectors, companies are making earnest attempts to provide assessments of performance relative to codes of practice. As companies

engage in this bold move toward self evaluation, they are becoming experts in measuring performance and are recognizing that a companywide approach, not one that focuses on separate issues, is the best avenue to managing the complexity of issues associated with codes of practice.

Companies are also going up a steep learning curve regarding the communication of potentially sensitive information and assessment of public response to the nature and content of results. For example, the general dogma is that stakeholders want a frank analysis of strengths and weaknesses of company practices and how these results compare to industry leaders. If practices are not consistent across the organization or even lagging in key areas of the world, will stakeholders applaud the honesty embedded in the communication or complain about the lapses? Although this question suggests clear risks, those companies willing to be transparent are actively managing the process and moving toward real improvement in performance and stakeholder relations.

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