Value of Environmental Management Systems and Equator Principles (Newsletter)[*]

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Environmental management systems (EMS) are policies directing how the company complies with statutory and regulatory environmental constraints on its operations. The Equator Principles (EP) are a financial industry benchmark for determining, assessing, and managing social and environmental risk in project financing. Implementing the former adds value to the company and increases investor confidence that the latter are reducing social and economic risks.

There are no federal or state requirements for the format or content of an EMS, but there is an international standard (ISO 14001) which can be used. ISO standard compliance certification is not required; in fact, such certification does not guarantee that the standard is being applied in practice. Regardless of certification, implementing the Plan-Do-Check-Act (PDCA) cycle of the standard greatly benefits environmental managers and staff. The Check and Act elements revise the Plan and Do components to strengthen the EMS.

There is an important distinction between ISO 1401, which describes the requirements for an organization's environmental management system and can be used for self-declaration of an organization's environmental management system, and a non-certifiable guideline intended to provide generic assistance to an organization for establishing, implementing or improving an environmental management system. Environmental management encompasses a full range of issues, including those with strategic and competitive implications. Demonstration of successful implementation of this International Standard can be used by an organization to assure interested parties that an appropriate environmental management system is in place.

For environmental managers and staff within the organization, continual improvement that strengthens the EMS provides them with the capability to do more with less, move away from crisis management mode, increase staff job satisfaction, anticipate and avoid problems rather than react to them as unexpected crises, make better-informed decisions using appropriate data analysis and interpretation and reduce expenses. The last benefit is because environmental departments are profit centers, not cost centers. Avoiding fines,

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penalties, and remedial actions through critical evaluation of laboratory and instrumentation results and correct statistical analyses contribute to the organization's bottom line.

An example of an EMS enhancement is having staff (including summer interns) trained in permit application preparation, review of the draft permit before acceptance, review of analytical laboratory results for anomalies or obvious errors, and preparation of informative reports to regulators. Being responsible for a permit from the beginning (or assuming responsibility for an existing permit) enhances professionalism and job satisfaction while eliminating or minimizing missed deadlines and unexpected permit violations that are more time consuming and expensive to correct than they are to avoid.

At the senior executive level, a strengthened EMS facilitates attracting investment and finance because the EMS's PDCA cycle demonstrate adherence to the Equator Principles. Those financial institutions that have adopted the EP require applicants for funding to comply with nine principles, including fully identifying and addressing applicable social and environmental standards (expressed by compliance with regulatory permits) and the robustness of the company's action plan and environmental management system.

Strengthening the company's environmental management system immediately benefits environmental managers and staff while senior executives can facilitate their quest for investment, and increase shareholder value, by demonstrating the company's compliance with the equator principles.

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