MANAGING THE ENVIRONMENT ACROSS BORDERS

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Preface

Transnational corporations (TNCs) have a special responsibility with regard to sustainable development. They operate in pollution-sensitive industries

. They also possess the technologies and managerial and organizational techniques necessary to minimize the environmental impact of their activities. Thus, responsible environmental management can yield substantial benefits in developing countries.

Responsible environmental management includes corporate decisions on company-wide environmental standards, the transfer of clean technology between headquarters and affiliates, environmental training programs for employees in developing countries, environmental outreach activities along the supply chain and marketing of products with environmental significance.

More than 30 provisions of Agenda 21 refer to corporate environmental management, including the following:

- TNCs should recognize environmental management as among the highest corporate priorities and as a key to sustainable development.
- TNCs should be encouraged to establish worldwide corporate policies on sustainable development.
- TNCs should introduce policies and commitments to adopt standards of operation at least as stringent as those in the country of origin.
- TNCs should establish environmental management systems, including environmental auditing of production or distribution sites.

- TNCs should share their environmental management experiences with local authorities, national governments and international organizations.

Now, 10 years after the Rio Conference, it is appropriate to examine how TNCs are addressing the environmental management challenges of their activities in developing countries. Between 1998 and 2000, a team of researchers from the Copenhagen Business School, in collaboration with UNCTAD, examined the environmental practices of more than 160 affiliates of European companies with operations in China, India and Malaysia. This booklet highlights the key research findings, of this project. The findings of the project is also published in its entirety as a book[1] .

It is hoped that this work will contribute to an understanding of the corporate response to the challenges posed in Rio.

1 See, Michael W, Hansen (ed), (2002) ***Managing The Environment Across Borders:*** A Study of TNC Affiliates' Environmental Practices In China, Malaysia and India. Copenhagen: Samfundslitteratur, ISBN 87-593-0985-7

CHAPTER I

ENVIRONMENTAL MANAGEMENT ACROSS BORDERS

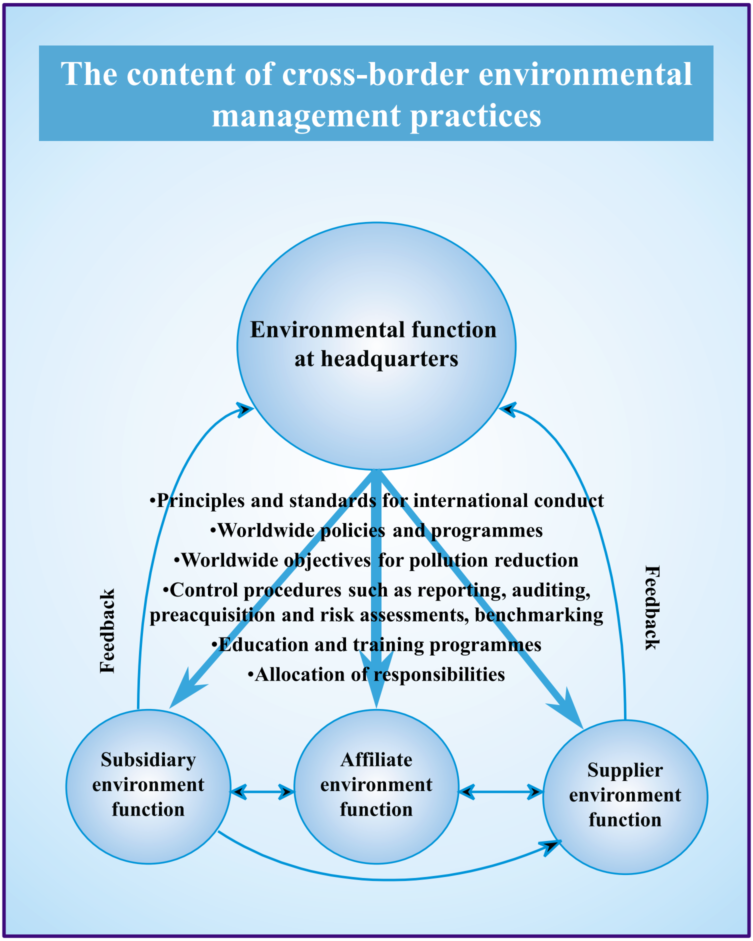
A. What Is Environmental Management?

Environmental management is broadly understood as being the objectives, standards, procedures and practices that a company establishes to manage environmental challenges.

Typically, an environmental management system consists of various objectives and standards related to environmental performance, procedures for control and enforcement, and a formal allocation of responsibilities among employees and functions. A company will sometimes prefer to have its environmental management system certified by an external party. Usually, such certification will take place according to one of the international environmental management standards (e.g. the BS 7750, the EMAS or the ISO 14000 series).

As firms internationalize through both equity and non-equity means, it becomes increasingly meaningless to confine the environmental management dimension to national boundaries. Thus, ***cross-border environmental management*** refers to that part of the environmental management system which deals with foreign operations. Such practices are the environmental bridge between headquarters and foreign affiliates.

TNCs with extensive cross-border environmental management procedures seem to be no less profitable or competitive than companies without such procedures. The top


The content of cross-border environmental management practices
Environmental function at headquarters
•Principles and standards for international conduct
•Worldwide policies and programmes
•Worldwide objectives for pollution reduction
•Control procedures such as reporting, auditing, preacquisition and risk assessments, benchmarking
•Education and training programmes
•Allocation of responsibilities
Feedback
Feedback
Subsidiary environment function
Affiliate environment function
Supplier environment function