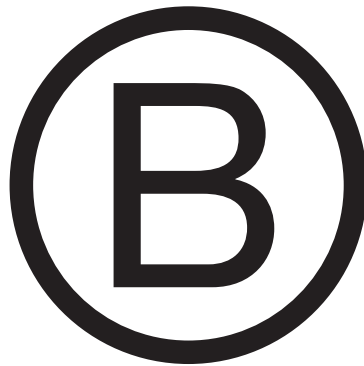


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**B Resource Guide:**

*Conducting Environmental Audits and Reviews*



# B Resource Guide:

## *B Resources – Environmental Audit*

### What’s in this Guide:

- I. Definition: What is an Environmental Audit?
- II. Why Conduct an Environmental Audit
- III. Examples of Environmental Audits
- IV. Outsourcing Your Environmental Audit
- V. Helpful Websites & Resources

### I. Definition: What is an Environmental Audit?

An environmental audit is a tool that a company can use to identify the full extent of its environmental impacts, determine whether or not the company is in compliance with applicable laws, regulations, and the expectations of its stakeholders, and gain an understanding on how it can sustain or improve its environmental performance going forward. <sup>1</sup>

### Audit Process <sup>2</sup>:

Pre-Audit	Audit	Post-Audit
<ul style="list-style-type: none"><li>• Gain high level support</li><li>• Determine the scope of the audit</li><li>• Identify metrics and benchmarks</li><li>• Establish a “no blame” policy</li><li>• Select and authorize an audit team. If members of the team are to be comprised of consultants, choose and hire outside firm</li><li>• Obtain relevant data</li></ul>	<ul style="list-style-type: none"><li>• Review relevant company policies and procedures</li><li>• Observe conditions during normal business hours</li><li>• Perform appropriate tests</li><li>• Interview employees</li></ul>	<ul style="list-style-type: none"><li>• Summarize and document findings</li><li>• Make an action plan based on results for going forward</li><li>• Inform relevant internal and external stakeholders of the results</li><li>• Make plans for repeating the audit process in the future</li></ul>

There are three major types of audits:

1. **Liability:** Determines whether or not your company is in compliance with applicable laws and regulations,
2. **Management:** Determines whether or not your company is meeting its stated goals, and
3. **Activity Specific:** Looks at the performance of your company in a specific issue area like carbon emissions or waste reduction <sup>3</sup>

The audit that your company decides to conduct may include elements of all three types of audits. Environmental audits can be modified according to the size and complexity of a business. For example, a small business may simply concentrate on paper usage, water, and energy consumed, whereas a large organization may have a broader



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range of inputs and outputs to be measured. Common elements areas on analysis in an environmental analysis commonly include <sup>4</sup>:

- Materials Usage
- Impact on Biodiversity
- Energy Usage
- Water Usage
- Emissions, Effluents, and Waste
- Products & Services
- Compliance
- Transport
- Total environmental protection expenditures and investments by type

For more details on commonly reported on areas from environmental audits, please visit the Sustainability Reporting Guidelines from the Global Reporting Initiative at:

[http://www.globalreporting.org/NR/rdonlyres/F9BECDB8-95BE-4636-9F63-F8D9121900D4/o/G3\\_IP\\_Environment.pdf](http://www.globalreporting.org/NR/rdonlyres/F9BECDB8-95BE-4636-9F63-F8D9121900D4/o/G3_IP_Environment.pdf)



For determining which activities to integrate into everyday business operations to meet your company’s environmental performance objectives, consult the “Office Waste Reduction” Guide and “Carbon Tracking and Offset” Guide posted on the B Corporation “Best Practices” site.

## II. Why Conduct an Environmental Audit?

The major benefits of conducting an environmental audit include mitigating your company’s legal and reputation risks, reducing operational inefficiencies, improving the environmental performance of your company, and achieving certification requirements.

**Risk Mitigation:** Environmental audits can act as an effective risk management tool for assessing compliance with environmental legislation, and thereby assisting your company in avoiding the risk of prosecution and fines arising from potential environmental breaches. This is particularly true for those involved in hazardous polluting industries. Additionally, as a sustainable company, your stakeholders may have heightened expectations for your company’s environmental performance. Conducting an environmental audit will help reassure your stakeholders that your company is living up to its environmental principles.

For federal environmental compliance information, see US EPA Audit Protocols:

- <http://www.epa.gov/compliance/incentives/auditing/protocol.html>
- <http://cfpub.epa.gov/compliance/resources/policies/incentives/auditing/>
- <http://www.epa.gov/compliance/incentives/smallbusiness/>



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**Reduction in Operational Inefficiencies:** Environmental reporting can highlight areas of inefficiency in processes, for example, where the amount of resources used are out of proportion to the amount of items or services produced and sold. By identifying operational inefficiencies your company may be able to reduce your costs and/or improve your company's environmental performance.

**Achieving Certification Requirements:** Conducting an environmental audit can be an important step toward gaining a company wide certifications like ISO 14001 or Cradle to Cradle or product specific certification from organizations like: Energy Star, LEED, the Forest Stewardship Council, Scientific Certification Services, Green Seal, or the Chlorine Free Products Association

# patagonia

Instead of glossing over problems in its manufacturing process, Patagonia shares both positive and negative information about its supply chain from its environmental audit in hopes that its customers will help it create solutions.

<http://www.patagonia.com/web/us/footprint/index.jsp>

### III. Examples of Environmental Audits

#### Case Study:

#### Seventh Generation

([www.seventhgeneration.com](http://www.seventhgeneration.com))

B-Corp member Seventh Generation has been preparing a CSR report with information from its environmental audit since 2003. Seventh Generation makes and sells non-toxic and environmentally safe household cleaning supplies and other household products.

Seventh Generation works with Pure Strategies to complete its annual environmental audit process. Seventh Generation chose Pure Strategies because of the founder's business and engineering expertise and because Pure Strategies had successfully completed work for other leading sustainability companies like Stonyfield.

The audit process is led by Seventh Generation's Director of Corporate Consciousness, Gregor Barnum, and Pure Strategies and usually takes three months from start to finish. Seventh Generation uses sustainability reporting guidelines from GRI to determine the criteria it includes in its report. Pure Strategies collects the necessary data from the report from Seventh Generation staff and then staff from Pure Strategies and Seventh Generation work together to shape the resulting report. Seventh Generation is in the process of installing a new Environmental Resource Planning (ERP) system that will make the data collection process more efficient and will allow them to store more and more accurate data. Prior to releasing the report to the public, Seventh Generation shares the report with its stakeholders at least twice.



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### Case Study: (cont.)

#### Seventh Generation

([www.seventhgeneration.com](http://www.seventhgeneration.com))

Gregor Barnum offered the following advice to companies in preparing their own environmental audits.

1. When your company is growing quickly, make sure to take this growth into account in your report
2. An environmental audit is an important step for companies in terms of benchmarking their performance.

To truly gain the most value out of the environmental audit process, it is important for companies to push toward systems thinking. It is not enough to just collect the data, you must also think through how this data can be used to improve the environmental performance of your company.

To view Seventh Generation's complete 2006 Corporate Responsibility Report visit:

<http://www.seventhgeneration.com/about/corporate-responsibility>

### IV. Outsourcing Your Environmental Audit

For environmental strategy consulting for your business, you may wish to hire a sustainability expert or nonprofit that can assess your company holistically or hire a company that can work on one part (like a life cycle assessment) of your environmental report. Rates vary, but some consultants base their rates on the amount of money saved through the application of environmental conservation measures. Grants may also be available through state or federal resources to help you pay.

Make sure that any company/organization that you decide to work with has:

1. Experience in working with companies like yours (ideally the firm you choose will have experience in your industry and/or with other sustainable firms).
2. A good reputation. Make sure to talk to other people in your industry about who they have used.

Your options for consulting firms/organizations include:

- Local, state, and federal agencies. Check with your state department of the environment, energy office, and pollution prevention unit for opportunities. For example in North Carolina the state pollution prevention unit offers businesses no-cost waste and energy reduction assessments and technical assistance.
- Traditional consulting firms like Deloitte, BCG, and McKinsey, which include sustainability consulting as a part of their services
- Consulting firms and non-profits focused on sustainability issues.

#### Why Hire An Outside Firm For Your Environmental Audit?

- An outside firm may provide specialized knowledge that your company does not possess internally
- Hiring an outside firm will add credibility to your results in the eyes of your external stakeholders



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### **V. Helpful Websites & Resources**

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The Small Business Source Book on Environmental Auditing –  
EPA [http://www.epa.gov/sbo/pdfs/auditbook\\_500.pdf](http://www.epa.gov/sbo/pdfs/auditbook_500.pdf)

Sustainability Reporting Guidelines – GRI  
[http://www.globalreporting.org/NR/rdonlyres/F9BECDB8-95BE-4636-9F63-F8D9121900D4/0/G3\\_IP\\_Environment.pdf](http://www.globalreporting.org/NR/rdonlyres/F9BECDB8-95BE-4636-9F63-F8D9121900D4/0/G3_IP_Environment.pdf)

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1 Adapted from Green Biz - [http://www.greenbiz.com/toolbox/essentials\\_third.cfm?LinkAdvID=38195](http://www.greenbiz.com/toolbox/essentials_third.cfm?LinkAdvID=38195)

2 [http://www.perkinscoie.com/news/pubs\\_Detail.aspx?publication=d687d5b9-50a1-4b01-8bb17ebb82771a87&RSS=true](http://www.perkinscoie.com/news/pubs_Detail.aspx?publication=d687d5b9-50a1-4b01-8bb17ebb82771a87&RSS=true)

3 B. Mattsson and P. Olsson 2001. 'Environmental audits and life cycle assessment'. in Dillon, M.; Griffith eds

4 [http://www.globalreporting.org/NR/rdonlyres/F9BECDB8-95BE-4636-9F63-F8D9121900D4/0/G3\\_IP\\_Environment.pdf](http://www.globalreporting.org/NR/rdonlyres/F9BECDB8-95BE-4636-9F63-F8D9121900D4/0/G3_IP_Environment.pdf)