

# Voluntary Environmental Programs

*Voluntary environmental programs have played an important role in shaping social and environmental norms and commitments to sustainable practices within different industries. Although the nature of these programs varies across industries, some commonalities exist in terms of institutional structure and procedural elements. Whether or not transparent monitoring and sanctioning mechanisms have been established is a determining factor for the success of such programs.*

## Overview

The production of goods and services can result in negative environmental and social impacts. When markets fail to assign costs to those who produce them, and if impacts are persistent, these externalities attract the attention of regulators and consumers who seek to internalize them. Government regulations are frequently considered the primary mechanism to induce companies to internalize these costs<sup>1</sup>, but the success of such regulations depends on three conditions: the governments must be considered to be acting in the interests of the public; they must be able to accurately assess the costs of externalities; and states must be able to enforce their regulations<sup>2</sup>. In addition, many industries have operations spanning diverse jurisdictions, which creates a challenge for

achieving uniformly high standards of socially and environmentally responsible action in all country contexts.

Voluntary environmental programs (VEPs) are one tool for addressing the issues that arise when organizations have significant impacts that are not addressed through consistent regulation and aim to enhance environmental and social outcomes<sup>1</sup>. In principle, VEPs go beyond what is required by governmental regulations with regard to accounting for externalities<sup>3</sup>. They bring together firms seeking to distinguish themselves through their proactive efforts. The most effective VEPs are designed with mutually agreed monitoring and sanctioning mechanisms to ensure that no member is free-riding on the efforts of others<sup>2</sup>.

	Sanctioning mechanisms		
	WEAK (little or no sanctioning)	MEDIUM (reprimand/expulsion without public disclosure)	STRONG (public disclosure of reprimand/expulsion)
Lenient membership standards	Risk of free-riding: <b>HIGH</b> Branding benefits: <b>LOW</b> Cost: <b>LOW</b>	Risk of free-riding: <b>MODERATE</b> Branding benefits: <b>LOW - MODERATE</b> Cost: <b>LOW - MODERATE</b>	Risk of free-riding: <b>MODERATE</b> Branding benefits: <b>LOW - MODERATE</b> Cost: <b>LOW - MODERATE</b>
Stringent membership standards	Risk of free-riding: <b>HIGH</b> Branding benefits: <b>LOW</b> Cost: <b>MODERATE - HIGH</b>	Risk of free-riding: <b>MODERATE</b> Branding benefits: <b>MODERATE</b> Cost: <b>MODERATE - HIGH</b>	Risk of free-riding: <b>LOW</b> Branding benefits: <b>HIGH</b> Cost: <b>HIGH</b>

Combining different sanctioning mechanisms and membership standards leads to a range of outcomes. Adapted from Prakash and Potoski (2007) [3].

VEPs are diverse; they are numerous, and they can succeed and fail just like any other institution<sup>2</sup>.

## Emergence of VEPs

VEPs have emerged across diverse industries and have taken a variety of institutional forms. Examples within the seafood industry include the Global Aquaculture Alliance (GAA), the International Seafood Sustainability Foundation (ISSF), and the Coalition of Legal Toothfish Operators (COLTO). The starting point for VEPs is diverse. The Marine Stewardship Council (MSC), for instance, emerged in 1997 following a series of workshops between the world's largest conservation organization (WWF) and a major transnational corporation (Unilever)<sup>4</sup>. The Global Salmon Initiative (GSI), on the other hand, was launched by a group of concerned CEOs in 2013, and now covers over 50% of farmed salmon around the world<sup>5</sup>.

## Common institutional and procedural features

Although VEPs differ across industries, and experience has shown that what works in one industry will not necessarily work in another<sup>2</sup>, a number of commonalities are evident. For instance, the founding documents of VEPs generally include either an executive board or a board of directors tasked with leadership

decisions. Some type of assembly or council is generally present in order to collect input from the VEP's different stakeholder groups. These operations are frequently informed by expert bodies and technical advisory committees, while a secretariat including a director and support staff oversees daily operations<sup>6</sup>.

## Variation across VEPs

Many VEPs fall within two categories with somewhat different approaches to collective action: stewardship councils and roundtables. The term 'stewardship' is a signal that the industry is taking collective responsibility for a resource or process. By contrast, roundtables are generally more focused on inclusivity, and seek to attract a diverse range of stakeholders from across industry, civil society and governments<sup>6</sup>. Such decisions influence the membership size and structure of VEPs. They are also governed by varying approaches to financing centralized secretariats (frequently from membership fees) and procedures for expanding membership.

## Effects of VEPs

VEPs create (to varying degrees depending on the particular program) three types of effect:



### Aquaculture Stewardship Council

**Established:** 2010

**Mission:** To transform aquaculture towards environmental sustainability and social responsibility using efficient market mechanisms that create value across the chain. [www.asc-aqua.org](http://www.asc-aqua.org)



### International Seafood Sustainability Foundation

**Established:** 2009

**Mission:** To undertake and facilitate science-based initiatives for the longterm conservation and sustainable use of global tuna stocks, reducing bycatch and promoting tuna ecosystem health. [www.iss-foundation.org](http://www.iss-foundation.org)



### Coalition of Legal Toothfish Operators

**Established:** 2003

**Mission:** To promote sustainable toothfish fishing and fisheries; facilitate its Members working together and with others, including through continued provision of high quality scientific data to CCAMLR and other bodies; and to provide effective representation for its Members. [www.colto.org](http://www.colto.org)



### The Marine Ingredients Organization

**Established:** 2001

**Vision statement:** be a respected, constructive and proactive partner representing members to raise standards of responsibility and nutrition in the global marine ingredients industry. [www.iffonet](http://www.iffonet)



### Global Aquaculture Alliance

**Established:** 1997

**Mission:** To promote responsible aquaculture practices through education, advocacy and demonstration. [www.aquaculturealliance.org](http://www.aquaculturealliance.org)



### Marine Stewardship Council

**Established:** 1996

**Mission:** To use our ecolabel and fishery certification program to contribute to the health of the world's oceans by recognising and rewarding sustainable fishing practices, influencing the choices people make when buying seafood and working with our partners to transform the seafood market to a sustainable basis. [www.msc.org](http://www.msc.org)



### Global Salmon Initiative

**Established:** 2012

**Mission:** To provide a healthy and sustainable source of protein to feed a growing population, while minimizing their environmental footprint, and continuing to improve their social contribution. [www.globalsalmoninitiative.org](http://www.globalsalmoninitiative.org)

First, they develop expectations around what constitutes currently appropriate standards of behavior (and provision of information around adherence to those standards) and also what may become 'normal' or 'responsible' behavior in the future. This is a process of standardization of expectations and behavior and is evident, for example, in the United Nations Global Compact<sup>7</sup>.

Second, VEPs create forums for collaboration and mutual learning between program participants and their business partners. These processes will have the effect of solidifying expectations of what is appropriate behavior as well as fostering knowledge of how to meet these standards<sup>3</sup>.

Third, VEPs may create regulatory effects with respect to their members if monitoring and sanctioning elements are part of the program. This regulative effect may also be evident to non-members, through providing information about what is possible to achieve in a particular domain (for example, what constitutes sustainable practice).

### **Corporate engagement with VEPs**

Participating companies can enjoy a variety of benefits from VEPs. In the first instance, meeting and focusing on complex issues of common concern is likely to increase the capacity of VEP members to act in an informed manner. In addition, while individual companies may struggle to publicly communicate progress they have made towards achieving more environmentally or socially responsible operations, VEPs often have broader name recognition, and membership in a VEP can increase a company's standing accordingly<sup>1</sup>. Likewise, many VEPs operate certification or benchmarking schemes, which confer similar benefits on recognized companies or products. The risk inherent to VEPs is that because such benefits are accrued by all member companies, there is a risk that one or more companies will free-ride on the positive behavior of other companies, causing the reputation of the VEP to decline over time<sup>8</sup>. Moreover, the public nature of VEPs means that expectations may develop among stakeholders that the issues they focus on will be addressed, with risks associated with non-performance against these expectations.

### **Monitoring and sanctioning mechanisms**

To avoid the free-riding risk described above, effective VEPs have developed monitoring mechanisms to track member actions, and sanctioning mechanisms in the event of non-compliance<sup>1</sup>. Establishing appropriate mechanisms requires members to determine a mutually acceptable balancing of costs and benefits. VEPs with high standards for membership and accompanying monitoring mechanisms, such as external third-party audits, will entail high costs for members<sup>2</sup>. If such

stringent standards are coupled with weak sanctioning mechanisms, there is a high risk of both free-riding and non-performance. Likewise, while a VEP characterized by weak standards and an absence of monitoring may be low cost for companies, it may also provide few benefits<sup>2</sup>.

A number of cautionary examples have been described<sup>9</sup>. For instance, Responsible Care<sup>10</sup>, a VEP initiated by the chemical industry in 1985, was found to lack specific sanctioning mechanisms for malfeasance<sup>11</sup> while membership in the VEP had no impact on pollution reduction. Likewise, membership in the Sustainable Slopes Program was unrelated to environmental behavior by participating ski resorts<sup>12</sup>. Such examples underscore the need for VEPs to clearly define audit, disclosure, and sanctioning procedures<sup>3</sup>. Even if such mechanisms are missing from a VEP, however, this is not always a recipe for poor results – the United Nations Global Compact<sup>13</sup>, for instance, has placed little emphasis on these mechanisms, yet enjoys a positive reputation and a broad membership<sup>3</sup>.

From a practical perspective, some VEPs have taken innovative approaches to reducing monitoring costs. The International Council on Mining and Metals (ICMM) and Extractive Industries Transparency Initiative (EITI), for instance, are both focused on improving the same industry – ICMM engages at the company level, while EITI certifies countries where there is good governance within the extractive sector. Sharing of data between the two independent initiatives has helped to provide a fuller picture of operations and best practices. Exploring such synergistic opportunities has the potential to reduce costs and duplication of effort, while maximizing impact.

### **Leadership within the seafood industry**

Corporate leaders within the seafood industry have demonstrated considerable interest in VEPs, as reflected in the growing number of prominent VEPs spanning the capture fisheries, aquaculture and feeds sectors. These VEPs constitute an important base upon which the member companies of the Seafood Business for Ocean Stewardship (SeaBOS) initiative can build. The membership of SeaBOS spans all important segments of global seafood production, and the initiative's CEO-level participation ensures that leadership on expanding standards and practices associated with sustainability has the greatest chance of resulting in positive corporate change. Developing the initiative will also depend on careful consideration of appropriate disclosure, auditing and sanctioning mechanisms for the membership. Exploring and further developing synergies, and building on the experiences of other VEPs can position the seafood industry as a global leader in sustainability.

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