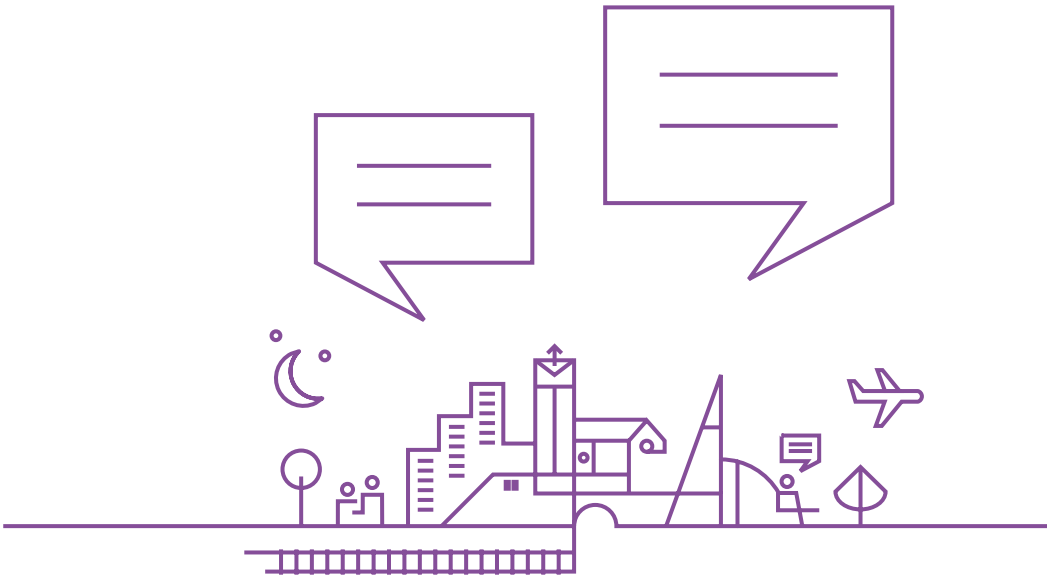
IEMA Transforming the world to sustainability

The case for applying ISO 14001 in the fast-moving landscape of corporate sustainability

May 2024



Introduction

As organisations set challenging long-term net zero and wider environmental goals that encompass performance of their products and services, supply chains, as well as operational activities, a comprehensive framework for delivery is critical.

ISO 14001 is a tool to help organisations set their long-term ambitions on the environment and translate them into action. It is 'ready-made' for sustainability professionals to implement the standard's requirements to meet the growing number of external environmental demands from a wide range of stakeholders. This short paper shines a light on how ISO 14001 can be implemented in a way that brings organisational coherence to managing an array of risks and opportunities with a focus on delivering performance improvement, as well as accountability, for the environmental outcomes that are achieved. It's aimed at users of ISO 14001 looking to ensure that their environmental management system (EMS) is used to maximum effect in their organisation, and will help to reinforce its importance to senior leadership.

Background

The international EMS standard ISO 14001 was first published in 1996. It was revised in 2004, went through a substantial revision with the publication of the latest version, ISO 14001:2015, and is currently going through an amendment process. Each new edition brought with it enhanced requirements placed on organisations using the standard, reflecting the growing importance of businesses being proactive in how they manage their interface with the environment, improve environmental and organisational performance, and enhance transparency and accountability.

In 2007, Cordingley and Gibson wrote a piece in 'The Environmentalist'1 entitled 'ISO 14001 – realising its full value'. Many of the questions which were posed in that article are still valid today, although the context is very different as the environment and wider aspects of sustainability have a higher profile in organisations and wider society.

1 The Environmentalist, Nov 2007, Issue 52 pp 24 and 25.

User perspectives

ISO 14001 is widely used around the world, with over 530,000 accredited certificates in more than 180 countries; many more organisations apply the standard's requirements without seeking accredited certification. User insights into how the standard is being applied is important, particularly when considering whether the standard is 'fit for purpose' or should be revised. Moreover, it provides insight into where others can gain additional value from applying the standard.

The most recent survey was conducted in 2021, with respondents from 91 countries giving their perspectives on the nature and extent of value that organisations gain from ISO 14001 with regard to *environmental management and business management*, and how ISO 14001 and related standards can be improved to address the needs and expectations of current and potential users.

Factors influencing adoption of ISO 14001

Factors that influenced[2] organisations to adopt ISO 14001 include:

- customer requirement (94%)
- commitment to environmental protection and conservation (97%)
- reduction of risk related to adverse environmental impacts (96%)
- opportunities for integration with other management standards (87%)
- public image (95%)
- cost savings/financial benefit (81%)
- government/regulatory agency requirement (79%).

There are clearly many reasons that will influence an organisation's decision to implement the requirements of ISO 14001, and no doubt these will change over time. As increasing demands are placed by customers in relation to disclosing environmental information (e.g. carbon footprint data), and shareholders and the finance sector require more detailed insight into how climate and nature risks are being managed, it is perhaps not surprising that direct financial benefits/ cost savings, while important, are less of a driver.

Value from applying ISO 14001

Some of the key areas of *environmental management value*[3] cited from applying ISO 14001 in practice include:

- ability to meet legal requirements (89%)
- improvement of the organisation's environmental performance (89%)
- management commitment to environmental management (89%)
- employee engagement in environmental management (85%)
- linkage with high-level decision-making (80%)
- stakeholder satisfaction (80%)
- communication with stakeholders (79%)
- improvement in supplier environmental performance (67%).

From a *business management* perspective, areas of value included:

- meeting stakeholder requirements (85%)
- improving public image (84%)
- integrating with the business management system(s) (82%)
- achieving strategic objectives (85%)
- use in strategic management practices in the organisation (77%)
- providing a competitive advantage (78%)
- international recognition (67%)
- providing a financial benefit (57%).

The wide range of environmental and business benefits that organisations gain from implementing the standard are important. At a time when there are many different climate and sustainability initiatives that organisations are being required to implement, a management framework that helps to deliver these, as well as generate other benefits, is clearly useful.

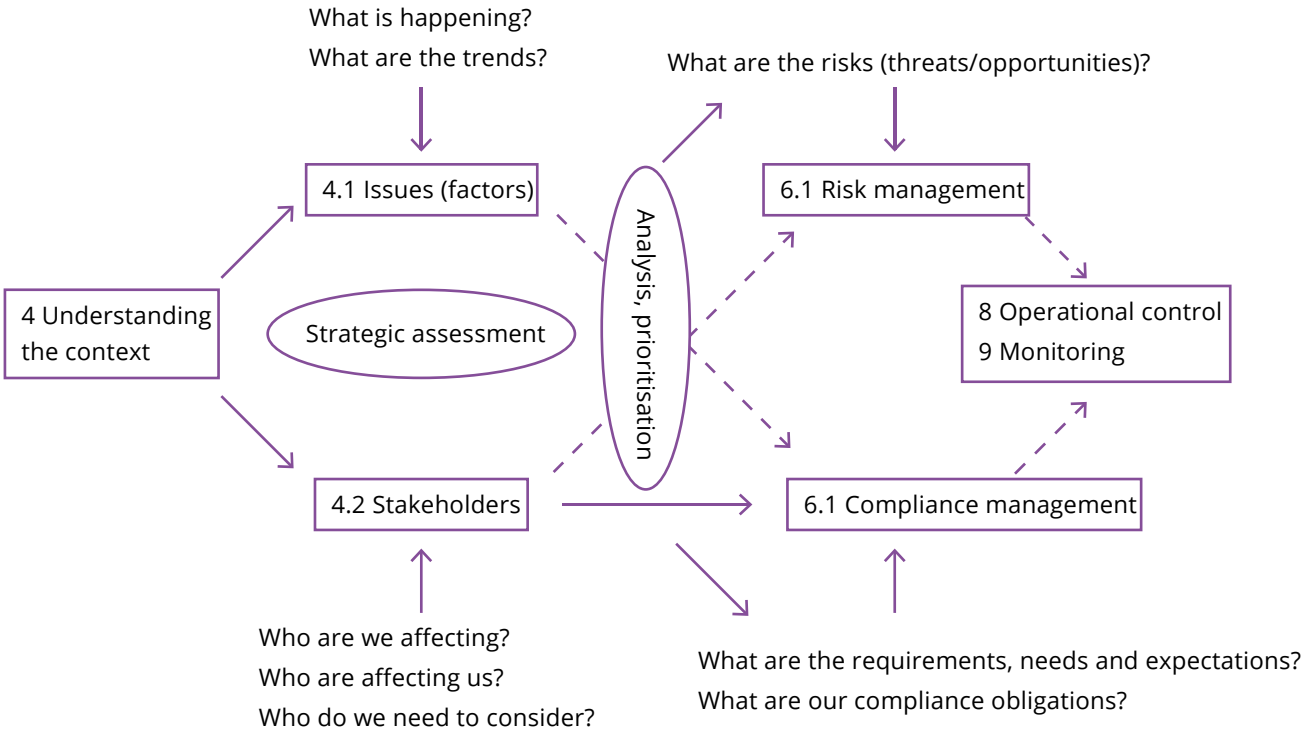
2 Influencing factors were rated as not important, somewhat important, very important and most important. Percentages quoted in the bullet list relate to those giving responses as most, very, and somewhat important.

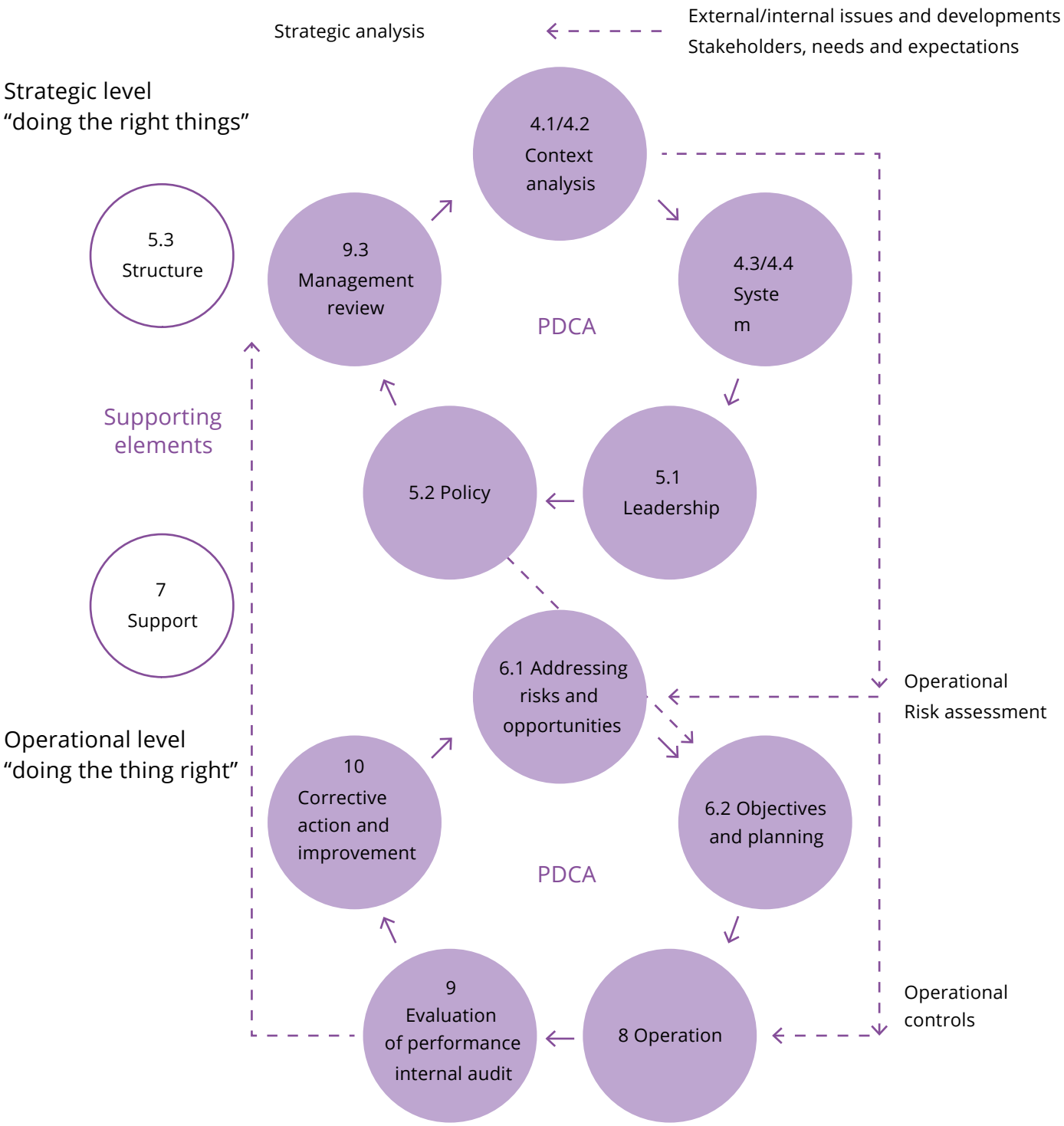
3 Respondents were asked to rate each on very-high, high, moderate, low, very-low value. Percentages quoted in the bullet lists include those giving very-high, high, and moderate value responses.

Leadership

Ensuring that leadership is fully engaged in driving environmental performance improvement has long been key to the success of an EMS. Over time, the language in the standard has evolved and broadened, from 'top management' having functional roles, such as setting policy and reviewing performance, to one that also focuses on demonstrating 'leadership' and taking 'accountability'.

While there are increasing demands being placed on companies in relation to reporting and disclosure of performance, including on climate- and nature-related financial disclosures (TCFD, TNFD) and wider sustainability factors (ISSB, IAASB 5000), it isn't always the case that leaders see their EMS as supporting both the strategic analysis and assessment, and prioritising into more focused action, even though that's the basis on which ISO's management system standards are developed (see below). A key feature of ISO 14001 requires organisations to understand their internal and external context, as well as the needs and expectations of stakeholders, and to ensure that the EMS addresses these in a planned and evidenced way.




Strategic analysis
External/internal issues and developments
Stakeholders, needs and expectations
Strategic level
"doing the right things"
4.1/4.2
Context
analysis
4.3/4.4
Syste
m
5.1
Leadership
5.2 Policy
9.3
Management
review
5.3
Structure
PDCA
Supporting
elements
7
Support
Operational level
"doing the thing right"
6.1 Addressing
risks and
opportunities
Operational
Risk assessment
6.2 Objectives
and planning
8 Operation
9
Evaluation
of performance
internal audit
10
Corrective
action and
improvement
PDCA
Operational
controls

Taking a life-cycle perspective

One of the most challenging aspects for users of ISO 14001 is the identification of indirect environmental aspects taking a life-cycle approach, determining those that are significant, and then putting in place appropriate controls. In the ISO 14001 User Survey, just over half of respondents found this to be the most challenging to understand/implement.

The need for organisations to address their indirect aspects and impacts is being driven by a number of factors. The recognition from the financial system on the need to better understand climate-related risk is being translated into disclosure requirements (e.g. TCFD, EU's Corporate Sustainability Reporting Directive, ISSB, IAASB 5000, Net Zero Transition Plans, SBTi) for organisations. Crucially, disclosures are requiring organisations to account for their 'Scope 3' GHG emissions and reaching far into the supply chain for data and information. Although there can be a disconnect in organisations between the collection of data and information to meet disclosure requirements and the ISO 14001 requirements for determining indirect effects and establishing controls, there's a strong basis for using ISO 14001 as the platform for delivering both the *information* that disclosures require, but importantly the actions that will support *performance improvement* across the value chain:

a) disclosure requirements, whether regulatory or voluntary, are 'compliance obligations' within an ISO 14001 EMS;

b) disclosure requirements must be considered when setting objectives and developing plans to achieve them;

c) requirements in relation to procurement processes need to be established – including factors relating to Scope 3 GHG emissions;

d) environmental information that is communicated externally, including disclosures relating to disclosure requirements, must be consistent with information generated within the EMS and must be reliable.

It should be noted that there is no requirement that organisations impose the implementation of ISO 14001 on their supply chain; the expectation is that organisations will set requirements that are specific to the aspects/impacts. For example, the sourcing of timber might set a procurement requirement for the purchase of FSC certified timber, rather than simply requiring a timber supplier to have a management system in place that meets the requirements of ISO 14001.

In addition to supply chain obligations, organisations are also required to consider the design and development process for a product/service, considering each life-cycle stage. This might include the sourcing of materials, but also the potential environmental impacts from the use of a product/service, and 'end of life' implications.

A perspective from Asia

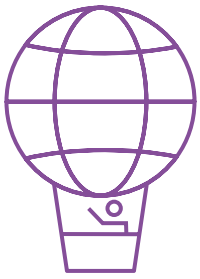
From Kuala Lumpur, Amarjit Kaur (FIEMA) provides an insight into this perspective, and how ISO 14001:2015 has helped to drive improvement across the country's businesses, particularly SMEs. In a country where the regulatory landscape is limited and there are challenges around enforcement, having a management system which is certified by an external body, and has international recognition, has helped to move companies to a different place.

In 2000, an environmental award was initiated, developed by the Government office, called the Hibiscus award. It helps SMEs to implement an EMS which looks remarkably similar to ISO 14001:2015, with greater acknowledgement for those which go for external certification.

Those businesses which have gained ISO 14001:2015 have seen an increase in the number of invitations to tender, with an associated increase in the number which have won, not only in Kuala Lumpur but further afield in Australia, with tenders of increasing value, meaning that the businesses have greater stability.

Since 2015, the Kuala Lumpur Bursa Malaysia has had a requirement that public listed companies should produce a sustainability statement based on the Bursa Sustainability Reporting Guidelines, which references reporting standards such as those from the Global Reporting Initiative (GRI), ISSB and TCFD. Public listed Bursa Malaysia, in collaboration with a rating agency, has made available the ESG scores of Malaysian public listed companies. With one of the questions in this process being 'Do you have ISO 14001 and is it certified?', many organisations are seeing value in their management system driving up the scores, which they can achieve with greater credibility. This is reflected in their rating on the Bursa.

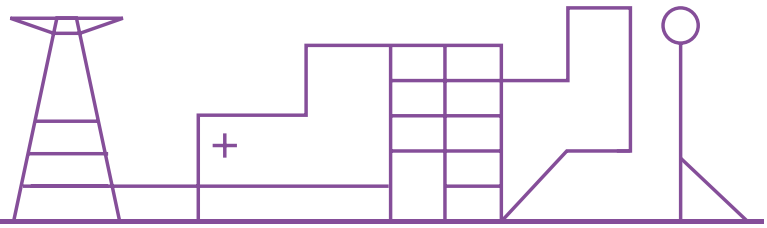
Banks in Kuala Lumpur are more aware of their own vulnerability when lending, with a need for borrowers to reduce environmental harm, and to be seen to be doing so. Those which have ISO 14001:2015 are finding access to money to support their activities easier to come by.



Examples of successful use of ISO 14001

ISO 14001:2015 and its predecessors are often associated directly with aspects and impacts, the part of the system which evaluates the risks an organisation has and how they should be managed. It is at the heart of the standard and requires that organisations look not only at risks which the organisation has (whether to the environment, or from it) but opportunities which may be present. The oil and gas industry in Kuala Lumpur is extensive. One of the risks which is common is the need to dispose of the NORM (Naturally Occurring Radioactive Material) which is abstracted along with the oil and gas. Evaluating this through their management system has enabled one organisation to find a way to dispose of this in an environmentally responsible way, selling it to a third party which sees value in the material. Thus, there is a double win: a reduction in impact, and a cost saving, by selling it rather than having to pay for disposal.

In the UK, Nigel Leehane (FIEMA) has described ISO 14001:2015 as 'the engine room for organisations, providing a solid base able to cope with unexpected trials, and oiling the mechanism of the organisation'. Referring to one of his clients, Jointline, he described the success they have had, which they attribute to having ISO 14001:2015. The company falls into the SME category, with just 120 employees. They have gone through a major change in the way in which they operate, incorporating ISO 14001:2015 into their integrated management system and in just three years have gone on to become market leaders in the line-marking sector judged very much by tender performance. Through their EMS, they have been able to demonstrate to National Highways that they will be able to meet the requirements of net zero by 2040, adding value to both their own business and the security of delivery. This has been achieved through a commitment to electric vehicles, telematics, solar panels, and responsible sourcing positions. As the company continues to pioneer its net zero initiatives, it not only meets immediate operational challenges but also sets the stage for a more sustainable and efficient future. The ongoing refinement of these strategies through rigorous monitoring, data analysis, and collaborative partnerships with suppliers ensures a continuous evolution toward a greener and more efficient operational model. Jointline's commitment to achieving certification to PAS 2080:2023 'Carbon management in buildings and infrastructure', by integrating its requirements into their management system, is a further testament to their ambition for a low-carbon future.



Useful links

- ISO's Environmental management systems committee – includes details of standards in the portfolio
- ISO's EMS committee website – includes information and news on EMS standards
- International Accreditation Forum – is a worldwide association of accreditation bodies and operates multi-lateral recognition agreements for management systems
- UKAS CertCheck – Verify Accredited Management System Certificates – use this to check whether an ISO 14001 certificate is genuine
- UKAS accredited organisations – use this to find a UKAS accredited certification body

This document was compiled by the Environmental Management Network Steering Group with contributions from IEMA members. Many thanks to:

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The use of this paper will be reviewed, and future iterations published if, and when, required.
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IEMA Transforming the world to sustainability

About IEMA

We are the global professional body for over 20,000 individuals and 300 organisations working, studying or interested in the environment and sustainability.

We are the professional organisation at the centre of the sustainability agenda, connecting business and individuals across industries, sectors and borders.

We also help and support public and private sector organisations, governments and regulators to do the right thing when it comes to environment and sustainability-related initiatives, challenges and opportunities. We work to influence public policy on environment and sustainability matters. We do this by drawing on the insights and experience of our members to ensure that what happens in practice influences the development of government policy, legislation, regulations and standards.

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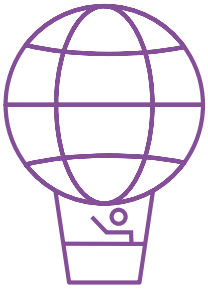

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