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Environmental management — Guidelines for environmental due diligence assessment

Management environnemental — Lignes directrices relatives à l'évaluation du devoir de vigilance environnementale

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Foreword

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

The procedures used to develop this document and those intended for its further maintenance are described in the ISO/IEC Directives, Part 1. In particular, the different approval criteria needed for the different types of ISO documents should be noted. This document was drafted in accordance with the editorial rules of the ISO/IEC Directives, Part 2 (see www.iso.org/directives).

Attention is drawn to the possibility that some of the elements of this document may be the subject of patent rights. ISO shall not be held responsible for identifying any or all such patent rights. Details of any patent rights identified during the development of the document will be in the Introduction and/or on the ISO list of patent declarations received (see www.iso.org/patents).

Any trade name used in this document is information given for the convenience of users and does not constitute an endorsement.

For an explanation of the voluntary nature of standards, the meaning of ISO specific terms and expressions related to conformity assessment, as well as information about ISO's adherence to the World Trade Organization (WTO) principles in the Technical Barriers to Trade (TBT), see www.iso.org/iso/foreword.html.

This document was prepared by Technical Committee ISO/TC 207, *Environmental management*, Subcommittee SC 2, *Environmental auditing and related environmental investigations,* in collaboration with the European Committee for Standardization (CEN) Technical Committee CEN/SS S26, *Environmental management,* in accordance with the Agreement on technical cooperation between ISO and CEN (Vienna Agreement).

This second edition cancels and replaces the first edition (ISO 14015:2001), which has been technically revised. The main changes are as follows:

— the title and scope have been expanded for broader application;

— the document has been updated to reflect other affiliated standards;

— the use of the document to include self-assessments/internal to the organization as well as external assessments, with or without the need to employ third parties has been clarified;

— the guidance on roles and responsibilities has been expanded.

Any feedback or questions on this document should be directed to the user's national standards body. A complete listing of these bodies can be found at www.iso.org/members.html

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Introduction

0.1 Background

Organizations are increasingly interested in understanding the environmental issues associated with their projects, assets and activities or those potentially to be acquired of other organizations. These issues and their associated business consequences can be appraised by means of an environmental due diligence (EDD) assessment. Such an assessment may be carried out during operations or at the time of acquisition or divestiture of assets and may be conducted as part of a broader due diligence assessment process.

0.2 Application of this document

This document gives guidance on how to conduct an EDD assessment. It provides the basis for harmonization of the terminology used and for a structured, consistent, transparent and objective approach to conducting such environmental assessments. It can be used by all organizations, including small and medium-sized enterprises, operating anywhere in the world. This document is flexible in its application and may be used for self-assessments/internal to the organization as well as external assessments, with or without the need to employ third parties. The users of this document are expected to be organizations, past, present and possible future users of particular assets, and organizations with a financial or other interest in the asset (e.g. banks, insurance companies, investors, asset owners, transaction service providers, regulatory enforcement bodies, other interested parties). The boundaries of an asset may be physical and/or organizational/intangible. This document is likely to be used in connection with the transfer of responsibilities and obligations.

This document covers the roles and responsibilities of the parties to the assessment (the client, the assessor and the representative of the assessee), and the stages of the assessment process (planning, information gathering, verification and/or validation, evaluation, and reporting). The process for conducting an EDD assessment is shown in Figure 1.

This document is likely to be used in connection with the transfer of responsibilities and obligations as well as to support the fulfilling of legal obligations, implementation and supervision. An EDD assessment can help organizations in developing, or better understanding performance against, environmental, social and governance (ESG) criteria.

0.3 Undertaking an EDD assessment

The information used during an EDD assessment may be derived from sources that include, but are not limited to, environmental management system (EMS) audits, regulatory compliance audits, environmental impact assessments, environmental performance evaluations, site investigations or site assessments. Additional information sources include historical documented information, corporate environmental or sustainability reports, organizational, projects or product footprinting. Applicable criteria and methods for the generation of supporting information may include international, national or local standards, such as those used for broader due diligence assessments. Through the process of evaluating both existing and newly acquired information, an EDD assessment seeks to draw conclusions relating to business consequences associated with environmental aspects, issues and conditions, including:

— liabilities from historic operational legacies, such as contamination;

— liabilities from current activities, e.g. causing pollution or failing to meet regulatory standards;

— potential adverse effects on the assessee from environmental conditions;

— failure to invest adequately to address known current or future risks, e.g. in relation to climate change mitigation or adaptation;

— inadequate processes to identify and determine the consequences of potential future risks or opportunities;

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— risks from ineffective supply chain management and oversight.

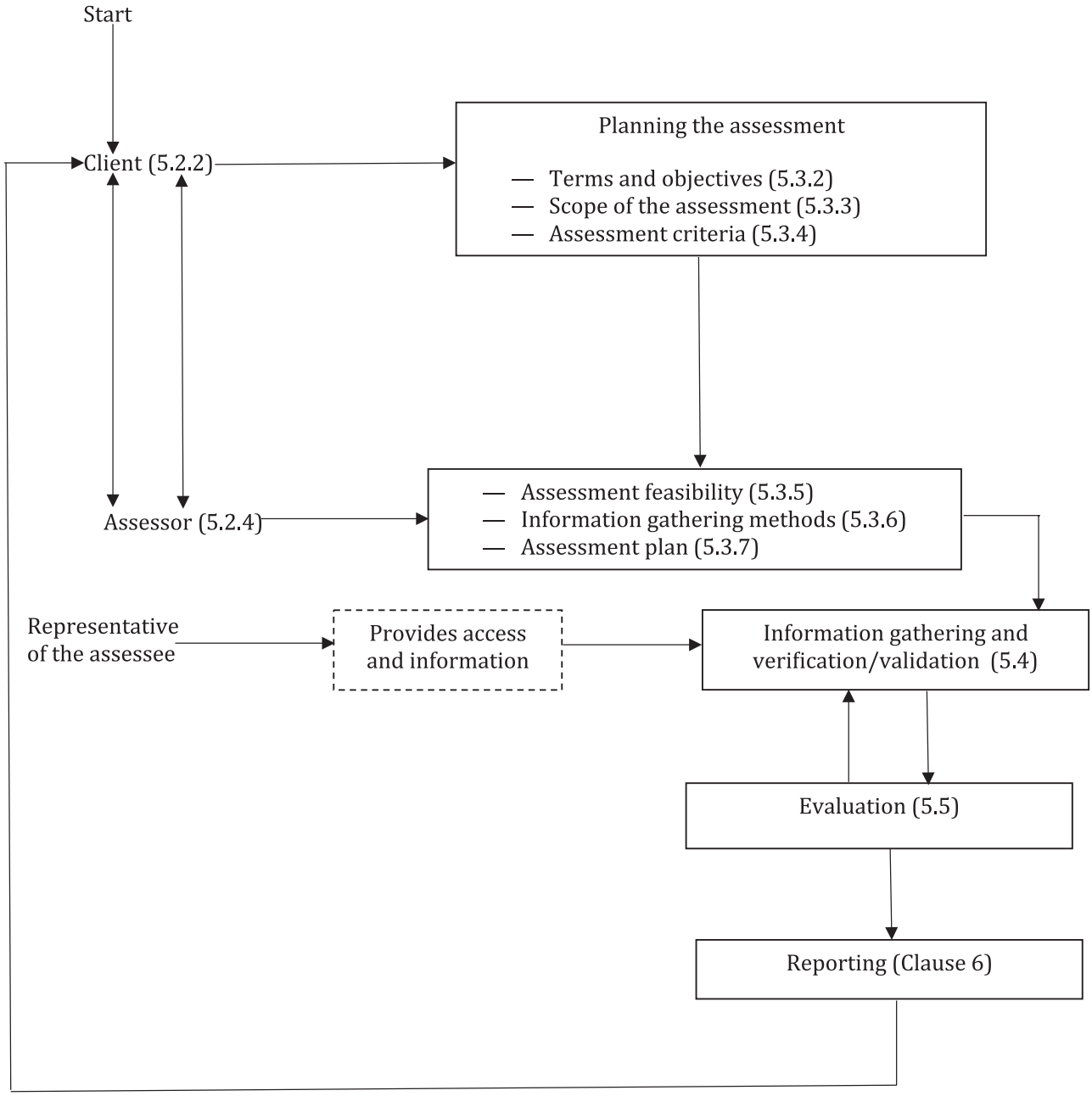
These conclusions and associated business consequences may be considered in the context of other information and/or conclusions drawn from other elements of a broader due diligence assessment process.

Conclusions in an EDD assessment should be based on objective information. In the absence of verified and/or validated information, an EDD assessor can be required to exercise professional judgement in evaluating the available environmental information and drawing conclusions.

The principles and guidance in this document can be used by organizations wishing to improve their knowledge of their own environmental issues and better understand the adequacy of their strategies and arrangements for managing environmental aspects, risks and opportunities.

Figure 1 describes the process of conducting an EDD assessment.

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NOTE The numbers between brackets refer to clauses and subclauses in this document. The dashed lines indicate that the assessee is not necessarily involved in an EDD assessment as described in this document.

Figure 1 — Process for conducting an environmental due diligence assessment

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Environmental management — Guidelines for environmental due diligence assessment

1 Scope

This document gives guidance on how to conduct an environmental due diligence (EDD) assessment through a systematic process of identifying environmental aspects, issues and conditions as well as determining, if appropriate, their business consequences.

This document does not provide guidance on how to conduct other types of environmental assessment, such as:

a) environmental audits;

b) environmental impact assessments;

c) environmental performance, efficiency, or reliability assessment;

d) intrusive environmental investigations and remediation.

2 Normative references

There are no normative references in this document.

3 Terms and definitions

For the purposes of this document, the following terms and definitions apply.

ISO and IEC maintain terminology databases for use in standardization at the following addresses:

— ISO Online browsing platform: available at https://www.iso.org/obp

— IEC Electropedia: available at https://www.electropedia.org/

3.1
assessee
asset (3.4) being assessed

3.2
assessor
person, possessing sufficient competence, designated to conduct or participate in a given *environmental due diligence assessment* (3.11)

Note 1 to entry: An assessor may be internal or external to the *assessee* (3.1). More than one assessor may be required to ensure adequate coverage of all relevant matters, e.g. when there is a need for specific expertise.

3.3
assessment provider
organization (3.16) undertaking *environmental due diligence (EDD) assessments* (3.11) on behalf of *clients* (3.6)

Note 1 to entry: An *assessor* (3.2) is an individual participating in EDD assessments.

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3.4
asset
organization (3.16), item or thing that has potential or actual value

Note 1 to entry: The boundaries of an asset may be physical and or organizational/intangible.

Note 2 to entry: Physical assets usually refer to equipment, inventory and properties owned by the organization. Physical assets are the opposite of intangible assets, which are non-physical assets such as leases, brands, digital assets, use rights, licences, intellectual property rights, reputation or agreements.

3.5
business consequence
actual or potential outcome or impact of the identified and evaluated *environmental issues* (3.13)

Note 1 to entry: The outcome or impact can be financial or other, tangible or intangible, positive or negative, qualitative or quantitative, internal or external, and expected or unintended.

Note 2 to entry: The range of issues to be considered is part of establishing the scope of an assessment.

3.6
client
organization (3.16) or person commissioning the *environmental due diligence assessment* (3.11)

Note 1 to entry: The client may be an asset owner, the *assessee* (3.1), a potential purchase or investor, or any interested party.

3.7
consequence
outcome or impact of an event

Note 1 to entry: An event may be a short-term or ongoing occurrence.

Note 2 to entry: Consequences may be positive or negative.

[SOURCE: ISO Guide 73:2009, 3.6.1.3, modified — "or impact" has been added and "affecting objectives" has been deleted from the definition, and the notes to entry have been replaced.]

3.8
due diligence
comprehensive, proactive process to identify the actual and potential *consequences* (3.7) of an *organization's* (3.16) decisions and activities

[SOURCE: ISO 26000:2010, 2.4, modified — "consequences" has replaced "negative social, environmental and economic impacts" and "over the entire life cycle of a project or organizational activity, with the aim of avoiding and mitigating negative impacts" has been deleted.]

3.9
environment
surroundings in which an *organization* (3.16) operates, including air, water, land, natural resources, flora, fauna, humans and their interrelationships

Note 1 to entry: Surroundings can extend from within an organization to the local, regional and global system.

Note 2 to entry: Surroundings can be described in terms of biodiversity, ecosystems, climate or other characteristics.

[SOURCE: ISO 14050:2020, 3.2.2, modified — Notes 1 and 2 to entry have been added.]

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3.10
environmental aspect
element of an *organization's* (3.16) activities or products or services that interacts or can interact with the *environment* (3.9)

Note 1 to entry: An environmental aspect can relate to past, present and future activities, products and services.

[SOURCE: ISO 14050:2020, 3.2.20, modified — "or services" and Note 1 to entry have been added.]

3.11
environmental due diligence assessment
EDD assessment
comprehensive, proactive process to identify the actual and potential *consequences* (3.7), *risks and opportunities* (3.19) for an agreed scope related to an *asset* (3.4) or assets and as appropriate an *organization's* (3.16) decisions and activities

Note 1 to entry: The determination of *business consequences* (3.5) is optional, at the discretion of the *client* (3.6).

3.12
environmental impact
change to the *environment* (3.9), whether adverse or beneficial, including possible *consequences* (3.7), wholly or partially resulting from an *organization's* (3.16) *environmental aspects* (3.10)

[SOURCE: ISO 14050:2020, 3.2.22]

3.13
environmental issue
issue for which verified and/or validated information on *environmental aspects* (3.10) deviates from selected criteria and can result in liabilities or benefits, effects on the *assessee's* (3.1) or the *client's* (3.6) public image, or other costs

3.14
environmental management system
EMS
part of the management system used to manage *environmental aspects* (3.10), fulfil compliance obligations, and address *risks and opportunities* (3.19)

[SOURCE: ISO 14050:2020, 3.3.1]

3.15
materiality
significance to intended users

Note 1 to entry: Materiality is the concept that misstatements, individually or aggregated, can influence the reliability of statements made, or decisions made by the intended user.

Note 2 to entry: Materiality can be qualitative or quantitative.

Note 3 to entry: Material is the application of materiality.

3.16
organization
person or group of people that has its own functions with responsibilities, authorities and relationships to achieve its objectives

Note 1 to entry: The concept of organization includes, but is not limited to, sole-trader, company, corporation, firm, enterprise, authority, partnership, charity or institution, or part or combination thereof, whether incorporated or not, public or private.

[SOURCE: ISO 14050:2020, 3.1.1, modified — Note 1 to entry has been added.]

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3.17
representative of the assessee
person authorized to represent the *assessee* (3.1)

3.18
risk
effect of uncertainty

Note 1 to entry: An effect is a deviation from the expected — positive and/or negative.

Note 2 to entry: Uncertainty is the state, even partial, of deficiency of information related to, understanding or knowledge of, an event, its *consequence* (3.7), or likelihood.

Note 3 to entry: Risk is often characterized by reference to potential "events" (as defined in ISO Guide 73:2009, 3.5.1.3) and "consequences" (as defined in ISO Guide 73:2009, 3.6.1.3), or a combination of these.

Note 4 to entry: Risk is often expressed in terms of a combination of the consequences of an event (including changes in circumstances) and the associated "likelihood" (as defined in ISO Guide 73:2009, 3.6.1.3) of occurrence.

[SOURCE: ISO 14001:2015, 3.2.10]

3.19
risks and opportunities
potential adverse effects (threats) and potential beneficial effects (opportunities)

[SOURCE: ISO 14001:2015, 3.2.11]

3.20
site
location with defined geographical boundaries and on which activities under the control of an *organization* (3.16) can be carried out

Note 1 to entry: The geographical boundaries may be on land and in water, and include above- and below-surface structures, both natural and artificial.

[SOURCE: ISO 14050:2020, 3.2.18, modified — "defined" and Note 1 to entry added.]

3.21
validation
confirmation, through the provision of objective evidence, that requirements for a specific intended future use or application have been fulfilled

Note 1 to entry: Objective evidence can come from real or simulated sources.

Note 2 to entry: Validation is considered to be a process to evaluate whether a statement about the outcome of future activities is materially correct and conforms with specified requirements.

Note 3 to entry: Validation is applied to statements regarding an intended future use based on projected information (confirmation of plausibility).

[SOURCE: ISO/IEC 17029:2019, 3.2, modified — "of a claim" deleted before "confirmation" in the definition. Note 2 to entry revised. "statements" replaced "claims" in Note 3 to entry. Note 4 to entry deleted.]

3.22
verification
confirmation, through the provision of objective evidence, that specified requirements have been fulfilled

Note 1 to entry: Verification is considered to be a process for evaluating a statement based on historical data and information to determine whether the statement is materially correct and conforms with specified requirements.

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Note 2 to entry: Verification is applied to events that have already occurred or results that have already been obtained (confirmation of truthfulness).

[SOURCE: ISO/IEC 17029:2019, 3.3, modified — "of a claim," deleted in the definition. "statement" replaced "claim" twice in Note 1 to entry. "claims regarding" deleted in Note 2 to entry. Note 3 to entry deleted.]

4 Principles

4.1 General

The principles set out below apply to the EDD assessment (see 4.2) and to assessors (see 4.3).

4.2 Principles of assessment

4.2.1 An evidence-based approach

EDD assessment evidence should be verifiable and /or validated. It will, in general, be based on samples of the information available since EDD assessment activities are conducted during a finite period of time and with finite resources. An appropriate use of sampling should be applied, since this is closely related to the confidence that can be placed in the EDD assessment report.

4.2.2 Risk-based approach

A risk-based approach should be applied to the planning, conducting and reporting of the EDD assessment, to ensure that it is focused on material matters and achieving the objectives of the EDD assessment.

4.2.3 Fair presentation

The EDD assessment report should truthfully and accurately reflect the work that was performed, including any limitations and changes to the planned work, and should be clearly presented.

4.2.4 Confidentiality

Information should not be used inappropriately for personal gain by those involved in the EDD assessment or in a manner detrimental to the legitimate interest of the EDD assessment client or the scope of the assessment. This concept includes the proper handling of sensitive or confidential information.

4.3 Principles for assessors

4.3.1 Integrity and ethical conduct

EDD assessors should:

— be honest, diligent and responsible for their actions;

— exercise discretion in the use and protection of information acquired in the course of their duties, and be sensitive to any influences that can be exerted on their judgement;

— be impartial, i.e. remain fair and unbiased in all their dealings.

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