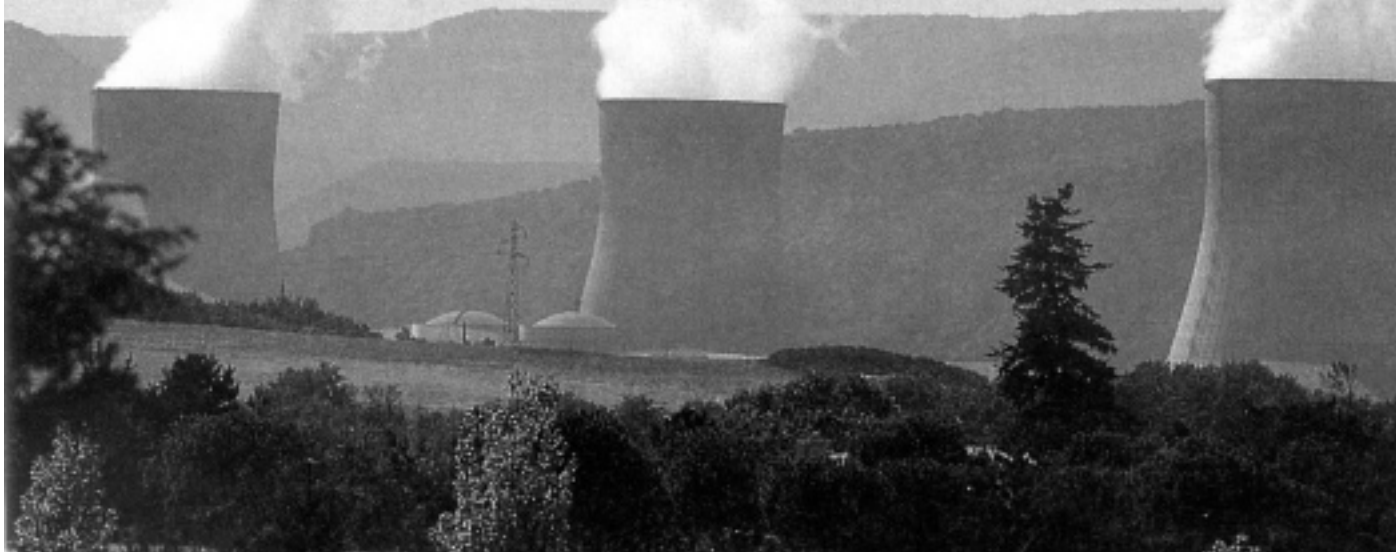


## Environment: Assessment of sites and organizations



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Over the past years we have seen that organizations pay more and more attention to the business consequences of environmental aspects related to their activities, products and services. These business consequences may be related to costs incurred in eliminating or reducing sources of environmental pollution in order to comply with legal requirements, to maintain business relationships or to enhance the general corporate image. Systematic management of the environmental aspects becomes part of the normal conduct of business of an organization. The ISO 14000 series of standards has been developed to provide organizations all over the world with a toolbox to control and improve their environmental aspects in a systematic way. Recently a new draft standard in this series has been published, ISO/DIS 14015, that gives guidance on how to conduct environmental assessments of sites and organizations. This article provides information on the background and contents of ISO/DIS 14015.

### The basics of an EASO

Environmental assessment of sites and organizations (EASO) is an assessment that may be done during operations or at the time of acquisition or divestiture of assets or may be conducted as part of a broader business assessment often referred to as 'due diligence'. EASO is therefore also frequently referred to as an 'environmental due diligence assessment'. Increasingly, such assessments are also being conducted in connection with the granting of credit facilities, prior to effecting an insurance contract and within the scope of an appraisal (property valuation). The basic aim of an EASO is establishing the relationship between the environmental



Figure 1 – Basic aim of an EASO

aspects of an enterprise or location, the environmental issues (risks/opportunities) and the ensuing business consequences (financial or other) as part of the preparations for a proposed business transaction. This is shown in Figure 1.

### The emerging need for an International Standard

Two developments have increased both the number and the importance of EASO:

- the increasing number of international takeovers and mergers in which the environmental aspects plays a significant part in establishing the related business risks; and
- more stringent environmental legislation and regulations worldwide.

These developments as such do not automatically justify the development of an International Standard. Therefore ISO/TC 207/SC 2 first charged one of its working groups to provide a sound justification, including the need and feasibility of developing an International Standard in this field.

The report provided by the working group identified various needs for a standard, such as:

- the need for a clearly defined and consistent conduct of EASO, as these activities are increasingly contracted out by companies, banks and insurance organizations;

- readily available guidance is valuable as the time available to plan and conduct EASO is mostly short and driven by the need to establish a transaction;
- a standard may decrease the risk of overlooking important liabilities and may increase practitioner accountability.

In the Netherlands a survey among various interested parties (such as commerce and industry, the banking sector, insurance companies, the public sector and consultancy) was conducted to establish a basis for the NNI position on the development of ISO 14015. This survey identified the following major problems related to due diligence assessments:

**“Systematic management of the environmental aspects becomes part of the normal conduct of business of an organization.”**

- confusion about the terminology used;
- misunderstandings in conveying the concept to third parties subcontracted to conduct the assessment;
- communication problems in particular in cross-border assessments;
- insufficiently defined boundaries in, and lack of transparency of, the assessment process;
- limited usability of country-specific protocols (e.g. the so-called Phase I Environmental Site Assessment developed in the USA);
- the wish of multinational corporations to be able to mirror their own protocols in International Standards.

Both the justification report and the Netherlands’ survey demonstrated the need for an International Standard, and at its annual meeting in 1997, ISO/TC 207/SC 2 decided to go ahead with this project under the leadership of Robert Power and Alan Knight from Canada.

### Basic principles of ISO 14015

ISO 14015 is based on the following principles:

- the standard provides guidance on the assessment process and does not establish (quantitative) criteria for significant business consequences;
- therefore the standard is flexible in order to be able to accommodate a large variety of situations and clients;
- the client leads in the process; he determines the objectives and scope of the assessment and the criteria to be applied by the assessor;
- the client decides whether the identification of business opportunities is part of the assessment process;
- the scope of this standard does not include the performance of measurements (intrusive investigation).

### Structure and content of ISO 14015

ISO 14015 distinguishes the following phases in the conduct of an EASO:

- planning of the assessment;
- information gathering and validation;
- evaluation of the information;
- reporting of the results.

ISO 14015 provides detailed guidance on the activities to be undertaken in these phases and also clearly defines the roles and responsibilities of the parties involved in an EASO:

- the client, the organization commissioning the EASO;
- the assessee, the organization that is assessed; and
- the assessor, the person (organization) competent and qualified to conduct the EASO.

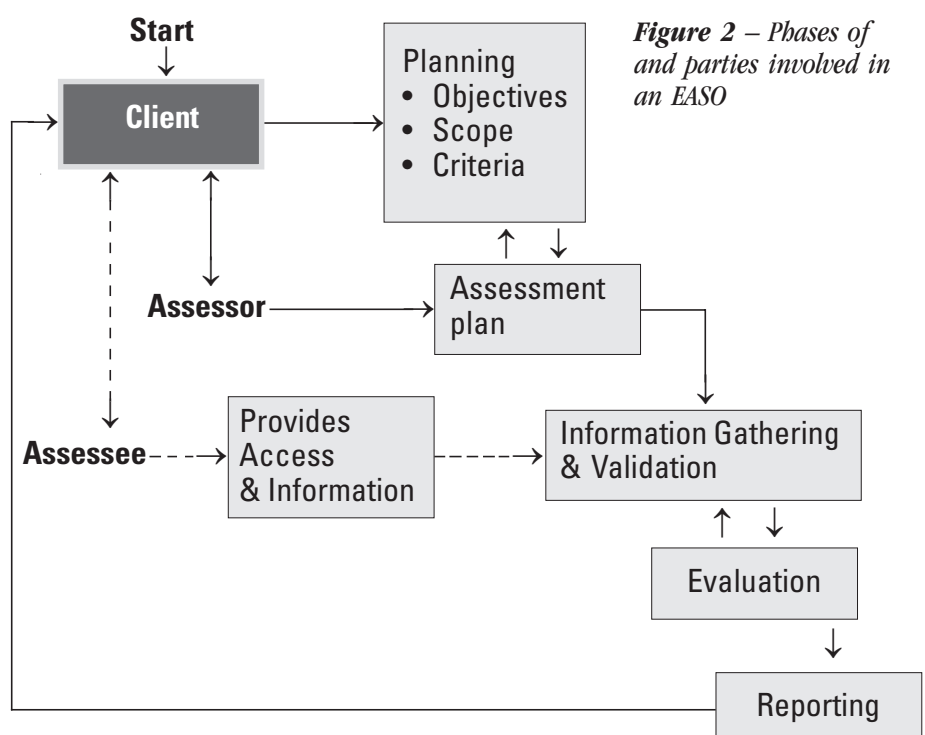
This is shown in a visual form in Figure 2.

### Planning an EASO

Planning the assessment includes:

- determination of the objectives, scope and criteria of the assessment;
- establishment of the assessment plan.

The establishment of the scope and objectives of any EASO is a key issue and the prime responsibility of the client. Normally the objectives of an EASO include the identification of environmental aspects and issues associated with the site/organization and the resulting business consequences. The scope of an EASO defines the boundaries and focus of the assessment, and this may involve consideration of the



**Figure 2 – Phases of and parties involved in an EASO**

categories of environmental aspects to be considered (e.g. potential impacts on soil, air and water quality), the physical and organizational boundaries of the site/organization to be assessed and the time period covered (e.g. past, present and/or future activities).

Assessment criteria are used to assess the information gathered and may include current and future legal requirements, industry codes of practice, requirements of stakeholders (e.g. financial institutions) and technological options.

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### Gathering of information

The process of gathering data and information includes interviews, document reviews and observations. The support provided by the standard to the process of gathering and validating information is relatively slight. The way in which documents are to be reviewed or how an interview should be conducted or observations made are presumed to be known. However, various useful tables have been included in the standard as an aid to the selection of the type and possible sources of information. For example, documents that may be considered are: maps; historical records; hydrogeological records; monitoring records; accident records; permits; audit reports; complaints. Sources for such

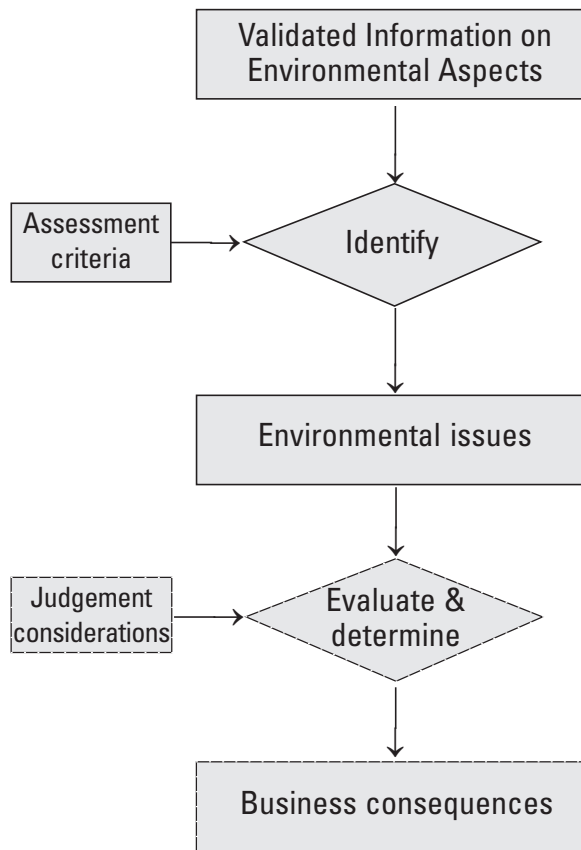


Figure 3 – Evaluation phase of an EASO

Note: the dotted lines indicate that the determination of the business consequences is not always part of the work of the EASO assessor, but may also be done by the client for the assessment.

documents may be external (e.g. governmental agencies, archives, emergency services) or internal (e.g. HSE departments, legal departments or facility management). Observations may include activities (such as waste and waste water management, materials and product handling, process operations) and physical conditions (e.g. storage containers and soil conditions).

The result of the process is information about the environmental aspects of the location and/or organization. This information should be validated before it is further evaluated.

### Evaluation and reporting

Evaluation of the available information includes two steps: defining the issues (problems/opportunities, and determining their consequences. This part of the assessment is the very heart of the standard (see Figure 3 above).

Environmental issues are identified by comparing the validated information on environmental aspects with the assessment criteria established in the planning stage of the project. Environmental issues are those aspects that may result in liabilities, costs and/or effects on the organization’s public image because assessment criteria are not met (e.g. legal requirements are not complied with). The issues identified in turn demand solutions (e.g. mitigating measures or corrective actions). These solutions (often only broadly outlined) subsequently provide the basis for evaluating the business consequences (qualitative/quantitative, financial or other, positive/negative), i.e. the actual or potential impact on the business related to the environmental issues.

Business consequences can for example be costs involved with complying with the current permit requirements or implementing new environmental technology to be able to comply with upcoming legislation or costs involved with mitigating local environmental impacts to enhance the corporate image towards local residents or customers. The identified business consequences can then play a part in any negotiations related to the business transactions, such as the ones mentioned earlier in this article (e.g. take-over, mergers, establishing financial relationships).

The standard contains an example of an EASO report table of contents, and clearly states what information is suggested for inclusion.

### Outlook

ISO 14015 is now published as a Draft International Standard. Its final publication is scheduled for the first quarter of 2001. This standard will facilitate international trade in the broadest sense, namely the take-over and merger of organizations and sites, while maintaining care for the environment. □