3.1 Environmental Management System

Introduction

Environmental responsibility, also known as environmental sustainability, is the expectation for companies to operate in compliance with legal requirements as well as in a way that protects the environment. This is done by limiting any negative impacts on the environment and on local communities.

There are many ways a business can impact the environment, these include:

- Water stress
- Water pollution
- Atmospheric pollution
- Noise and light pollution
- Land use change and deforestation
- Soil contamination
- Loss of Biodiversity
- Energy use
- Waste
- Use of raw materials and natural resource depletion

Examples of these impacts include: using high amounts of water in areas of water shortage, spilling or dumping chemicals, sewage or oil into water, keeping a noisy facility in operation through the night, carbon emissions from transport and manufacturing, clearing forests for land use, sending waste to landfill instead of recycling, or contaminating local land and rivers with pesticides.

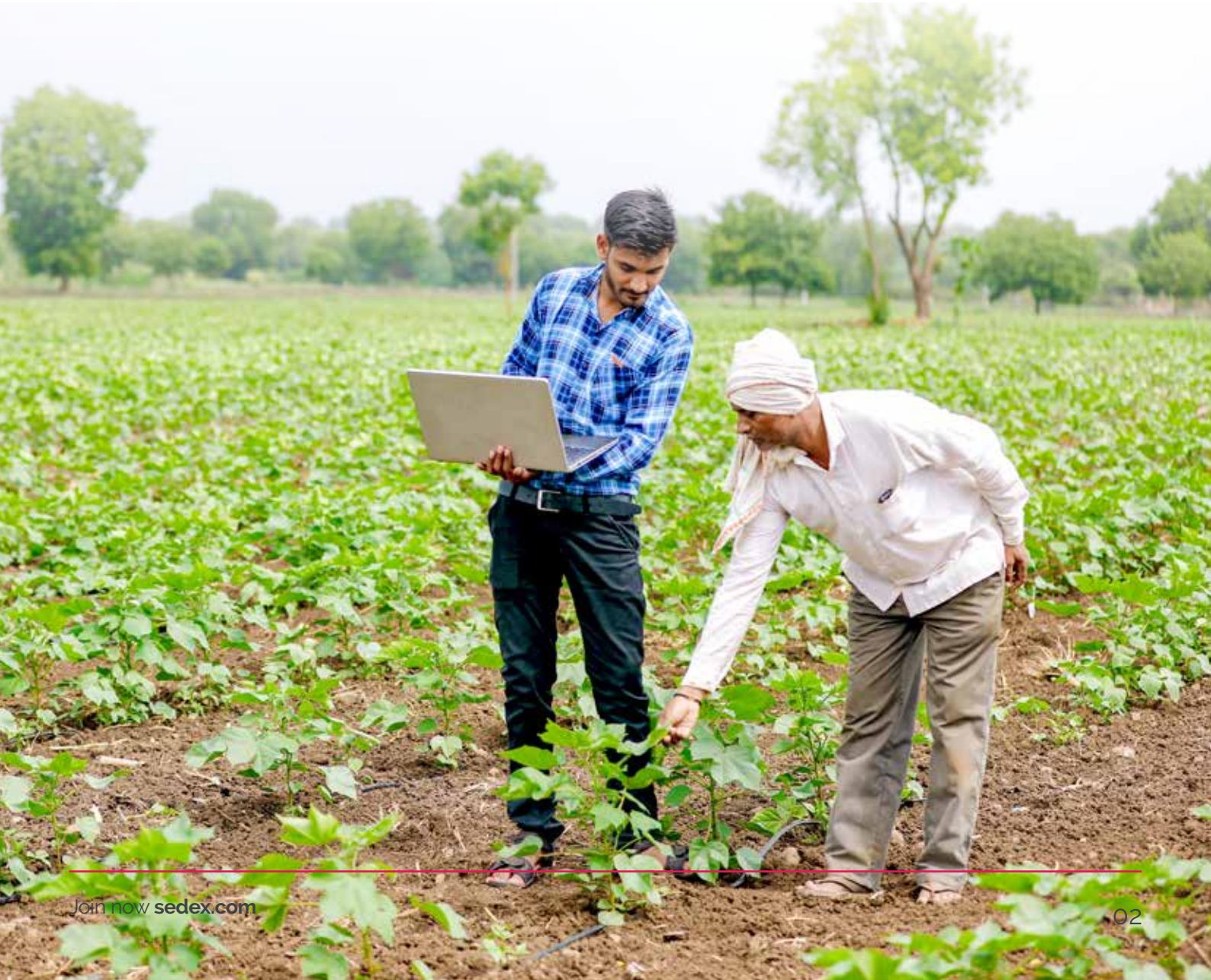
There are many ways for companies to manage their environmental impact. For example: Storing waste materials safely, making sure they are collected by a licensed waste contractor and treated or disposed of legally. You could also manage solid wastes for recycling, recovery and re-use by separating paper, plastic, metals and glass. Another example is making sure your business activities don't cause any harm to the local community. For example, harm could be caused by deforestation or from chemicals entering local land or from producing smoke, noise, gases, fumes, or other outputs that could affect someone's health or the environment.

Making sure your company has a good management system in place will help you to meet your customers' needs. Research has also shown that improving environmental standards is good for your business, saving money in utility and resource costs and enhancing your company's reputation with your customers and the community.

The purpose of this guidance is to help you put in place a management system to avoid common violations of these standards and to address problems if they arise. Management systems do not need to be complex to be efficient and beneficial.

Throughout this chapter you will see boxes with the below symbols. These boxes contain useful tips and tools which will help you implement the guidance in your own business.

	Tips – Practical guidance points on how to implement management systems
	Good practice – Examples of how to embed mature management systems in your day to day practices



Environmental Management System

What *does it mean?*

A management system is the way a company runs its day-to-day operations, makes decisions and helps avoid recurrence of common problems. Every company, from multinational corporations to small holder farms, has one in some form or another.

You may currently have an informal system, with your staff and workers relying mostly on verbal direction and not much in the way of documentation or formal checking to see if things are working properly.

If you operate a more advanced system, you probably have written policies and procedures in place, your employees are trained so they fully understand what to do and how to do it, and there's a process to check that your policies and procedures are being followed.

A more formal environmental management system will support you in meeting legal and customer environmental compliance or sustainability standards, throughout your operations. Your system will help make sure that potential environmental impacts are identified, evaluated and controlled, responsible practices are followed, that workers are thoroughly trained on the impacts of their jobs and are encouraged to report environmental hazards and incidents, like leaks and spills. Your system will also make sure the right 'control' equipment is used for storage and removing contaminants from discharged air and water

The biggest distinction between having a simple or an advanced management system is how good a job you do at avoiding a problem rather than trying to fix problems after they happen. For example: a basic system reacts when a chemical is accidently spilled, potentially contaminating the soil and groundwater; an advanced system spots the risk of this happening ahead of time so you can take steps to prevent it, such as having secondary containment in place to capture spills or installing automatic leak detection sensors.

Sedex has created a Management Controls Report for companies that complete a Self-Assessment Questionnaire. It calculates a score based on SAQ answers on how you manage labour, health and safety, environment, business ethics and supplier management in your business.

Throughout the guidance any section marked with a star will help provide guidance on how to improve your score. Once you have implemented the guidance, update your SAQ and see if/how your score improves.

To find out more about the Sedex SAQ please click here

Key Elements of a Management System

What *steps do I need to take?*

The path to an advanced management system starts with adopting the following basic system elements, which are described in more detail further down:

Policies describe your commitments and goals, for example, to ensure that the company's operations do not cause or contribute to negative environmental impacts, such as air or water pollution.

Resources refers to the staffing, roles, responsibilities, knowledge and skills needed for carrying out your procedures in a way that meets the intent of your policies. For example, facilities teams need enough trained staff to perform preventive maintenance on emissions control equipment, why inspections are needed to maintain the efficiency of these controls, and how to keep good maintenance records to verify that preventive maintenance procedures were followed properly.

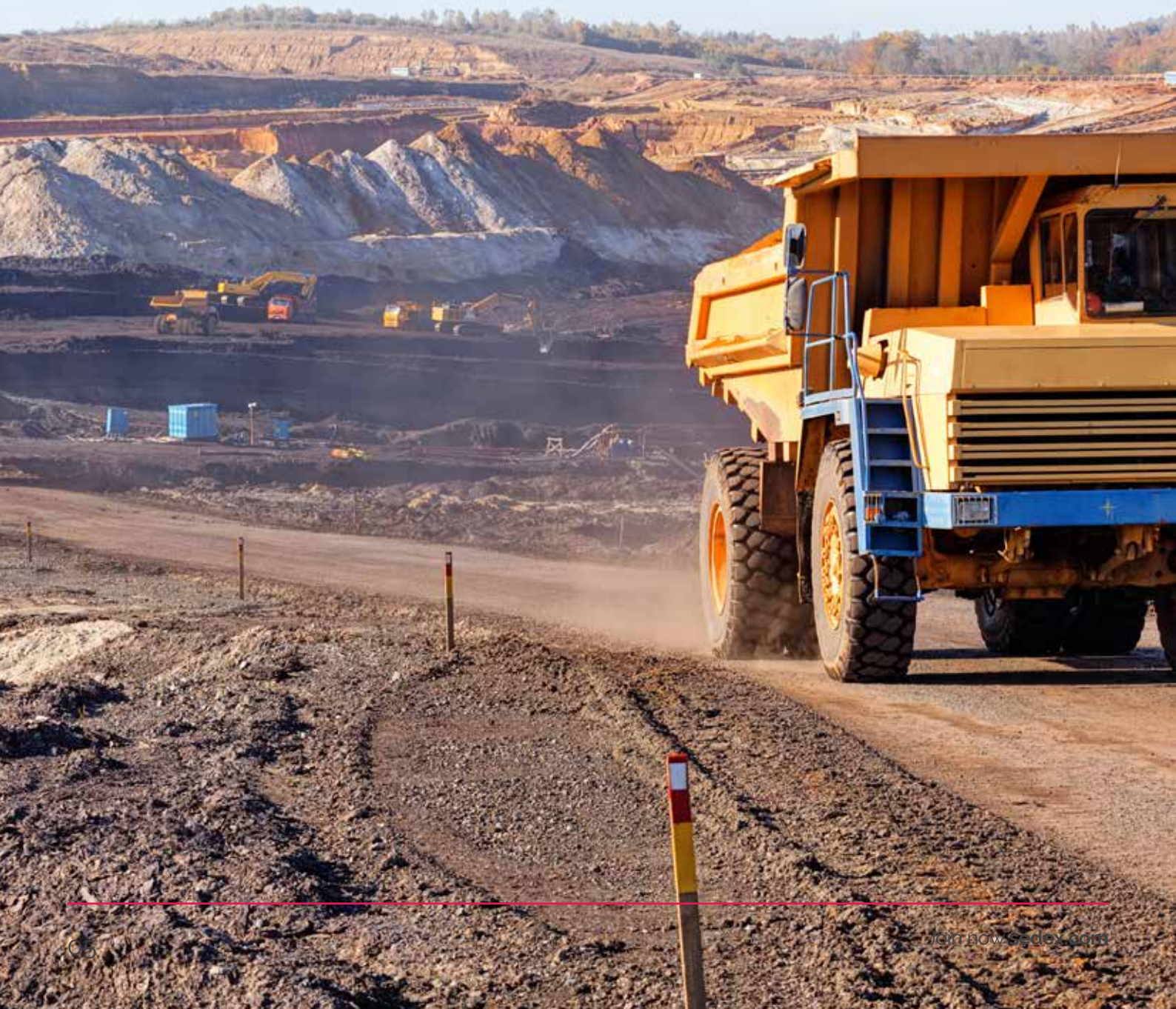
Procedures are the step-by-step instructions that together make up a **process** for you to achieve your policies. Your process will help you to evaluate and control significant environmental aspects. This might include identifying and evaluating what is released into the air, your use of water, use of energy, waste disposal, land use and chemical use, raw material extraction or impacts on biodiversity. You can then rank in order of significance either by impact on the environment or by your business priorities. Once you have evaluated this, you would then put in place procedures (otherwise known as **risk controls** or management controls) to minimize impact on the environment. Examples include preventive maintenance on your emissions control systems, reducing use of chemical fertilisers and pesticides, routinely monitoring what gets released into to the air and water, and transporting hazardous materials in sealed containers with spill containment.

Documentation refers to the written documents and records needed to make sure that your procedures are followed consistently and demonstrate your compliance with legal and customer requirements. This may mean making sure that procedures for potentially dangerous tasks – such as transporting, treating and disposing of hazardous waste – are written down so that everyone doing the job does it the right way.

Monitoring is how you check whether your procedures are being followed and working well and whether you're compliant with the law and your customers' standards. This could involve regular monitoring of environmental air and water emissions, tracking the facility's consumption of water and electricity, or performing routine inspections of hazardous material storage areas.

Communication and Training builds staff awareness and ability through information and instruction. At a minimum all your employees should know about your policies and procedures, what the law says, and how to perform their jobs to prevent environmental impacts. For examples, workers whose jobs can impact the environment (such as waste handlers and chemical process operators) should know the specific procedures to avoid any accidental releases that harm the environment.

Improvement means addressing compliance issues by finding and removing the root cause why this happened. For example, if you identify that chemicals are being disposed of unsafely, you may find that the reason is that workers do not know that they need to follow special chemical disposal procedures. This will require training and/or retraining your employees who work with chemicals. It may also mean making sure Safety Data Sheets describing how to dispose of waste chemicals are kept in the work area, as well as clearly marking all drains with signs that say "Caution, Do Not Pour Chemicals Down the Drain."



Requirements

What *do you need to do and* ***how*** *do you do it?*

The next two sections will show you how you can improve your "Policies and Resources" score.

Policies

You should, at a minimum, have a system to comply with all applicable environmental laws and standards, and customer requirements.

Adopting a systems approach to environmental management in will help you address this in your business and with your suppliers.

Your policies state your company's values; what does the company stand for – what is acceptable and not acceptable to the business. At a minimum, they need to state your commitment to complying with the law, international standards, and your customers' requirements and should be signed by the most senior manager of your company. Possible environmental policy topics include:

- Compliance with all applicable environmental legislation and customer sustainability requirements
- Reducing the carbon footprint of your business activities together with other climate change reduction efforts
- Reducing or eliminating chemical use and avoiding pollution of local rivers and land
- Preventing pollution and reducing consumption of resources by promoting waste minimisation, re-use, recovery and recycling
- Building energy efficiency technologies into your facilities and pursuing efficient energy use in all areas of the business
- Adopting purchasing criteria that considers the environmental impact of products and services
- Ensure employees are aware of the environmental impacts of their work activities and providing them with the knowledge and skills to minimise those impacts.
- Continual improvement by regularly reviewing your Environmental Management System's objectives, policies and procedures.

These commitment statements set the objectives for the rest of your system to achieve, and let your customers, suppliers, your own employees and the public know what you stand for.

Example Policy Introduction

"The Company commits to meet all environmental rules and regulations applicable to our industry and will strive to protect our environment through sound management practices and decision making.

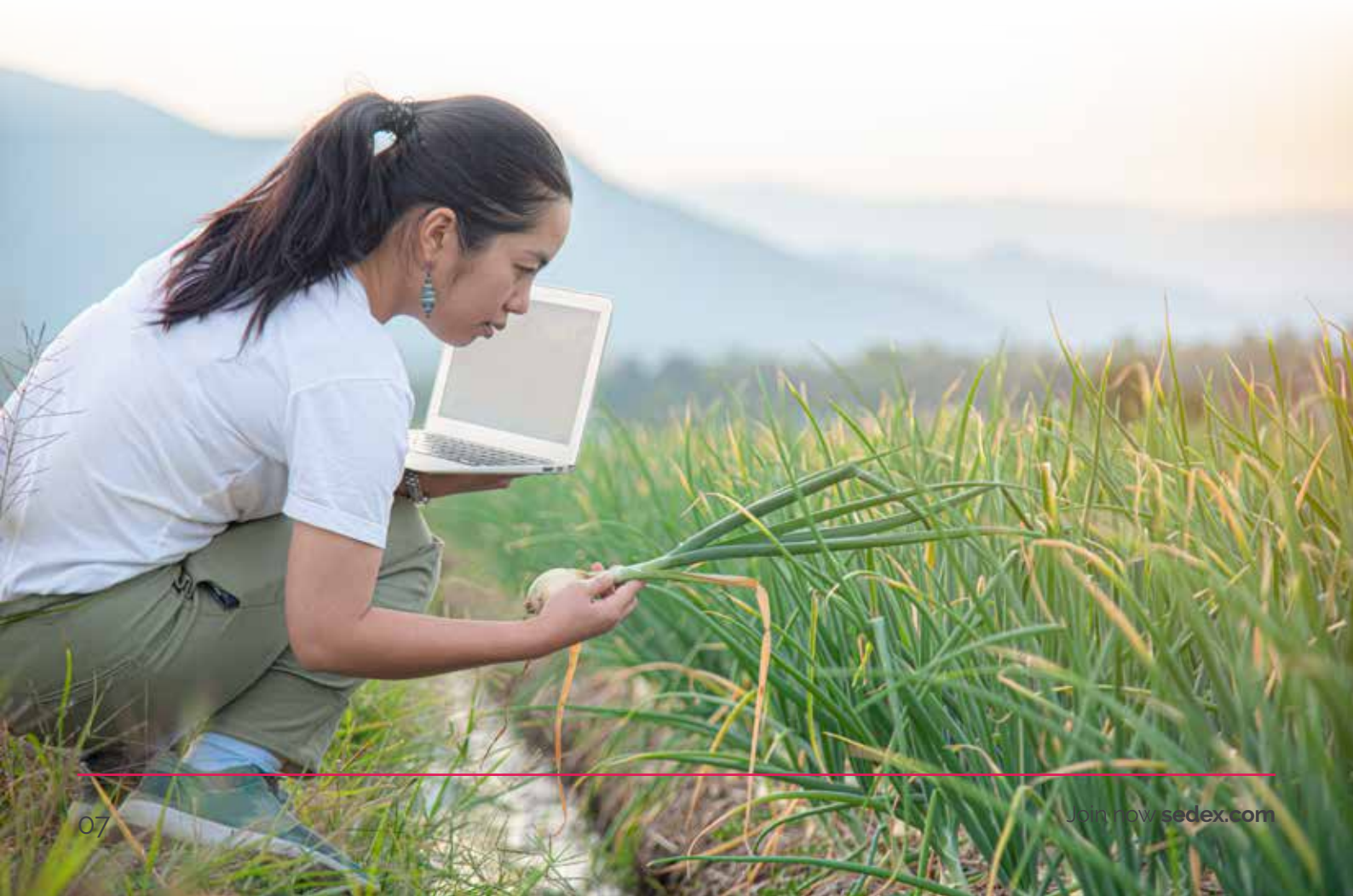
We will prevent pollution by minimizing our use of electricity and other sources of energy and resources, eliminating waste to landfill, and continually increasing the percentage of waste materials reused or recycled.

We will establish and evaluate achievable improvement objectives to ensure continual improvement of our environmental performance…"

Help your Management Systems succeed

It is important to ensure that senior management are engaged and support these policies. A lack of commitment from senior management within your business, or management belief that the social compliance objectives will conflict with business objectives and will make it challenging to implement policies within the business.

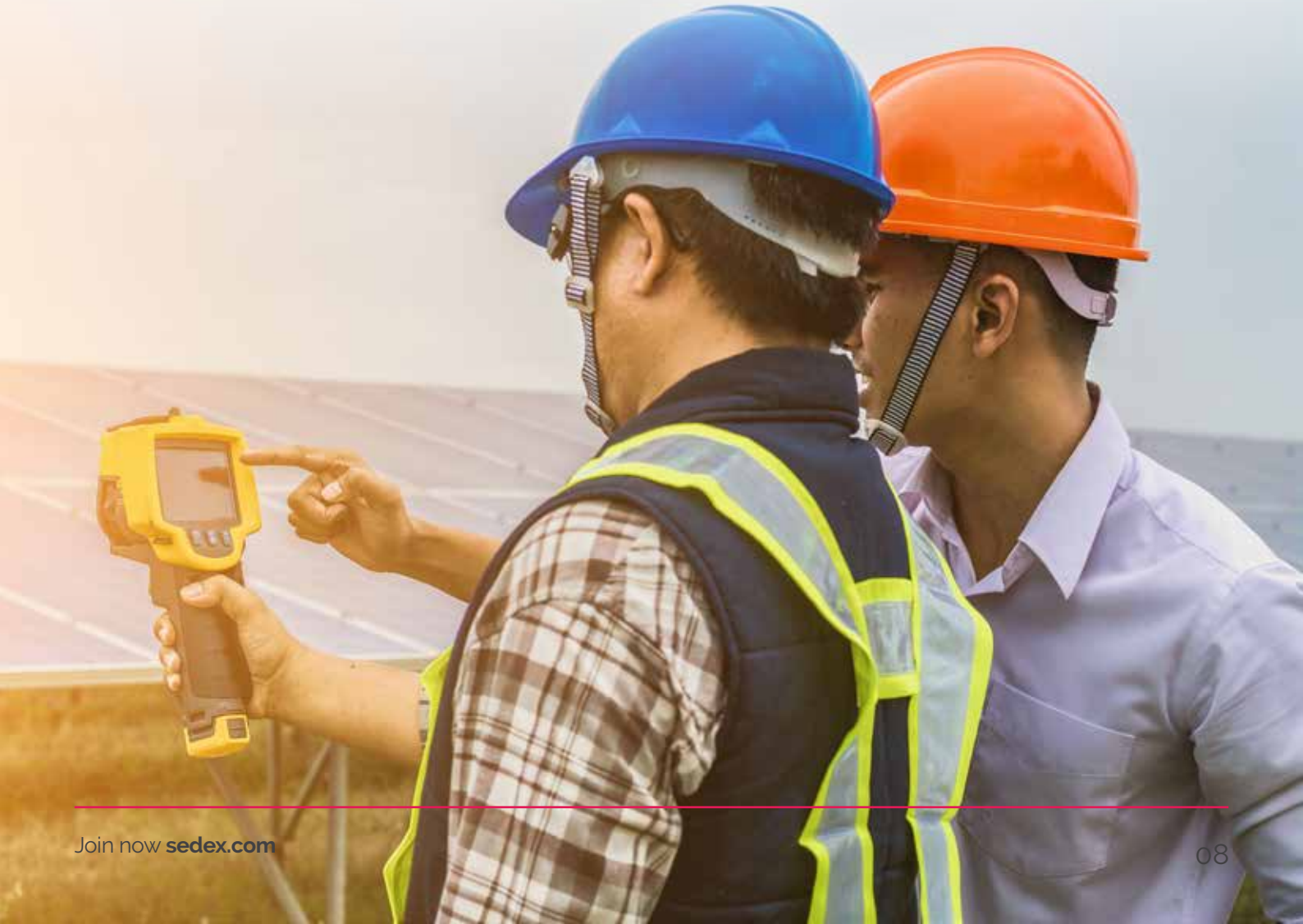
Also consider people and organisations that the company does not have a direct relationship with. This could include your suppliers or workers hired through labour providers. Suppliers may need to be briefed and supported to adopt your environmental policies, whereas indirectly hired workers may need thorough training on health and safety to do their jobs in a way that minimises environmental impact.



Resources

You will need to assign roles and responsibilities to your staff and employees, and time to carry them out, to make sure that the people responsible for implementing processes, policies and procedures understand and consistently follow them

- ✔ Assign a senior manager with defined responsibility and accountability for meeting the objective of your various policies and overseeing how the system is working. *For example, you may have a policy on reducing carbon emissions from business travel. The Environmental manager has the job to implement the policy to make sure it is successful.*
- ✔ Make sure your managers, supervisors, and employees have clearly defined roles and responsibilities. *For example, responsibility for making sure employees are aware of the company's significant environmental objectives and aspects elements of an activity that can have an impact and understand their responsibility for participating in such programs as energy conservation and paper recycling.*
- ✔ Ensure the people involved in achieving a policy, have the training needed to do their jobs well. *For example, key managers may be responsible for implementing certain elements of the environmental policy e.g. your HR team may be responsible for reducing employee carbon footprint while production teams may be responsible for reducing chemical use. It is important that each person responsible understands the importance of environmental management and how to do it.*



Processes and Procedures

The next two sections will show you how you can improve your "Processes" score through introducing procedures and ensuring things are documented.

Your **processes and procedures** are the "who-what-how" instructions that need to be followed to in your day to day operations to meet both your business objectives and your policies. Some procedures will function as **'risk controls'** which are designed to address a specific identified risk. Processes and procedures should be designed to bring your policy into day-to-day practice and make sure your policy happens in reality. They help your policy achieve its intention. For example, to make sure your policy to minimize environmental harm is met, you will need to have procedures control the risk of groundwater contamination as part of your spill control process. This could be to investigate any leak and spill incidents and find out what caused them in the first place – the root cause - to keep them from happening again.

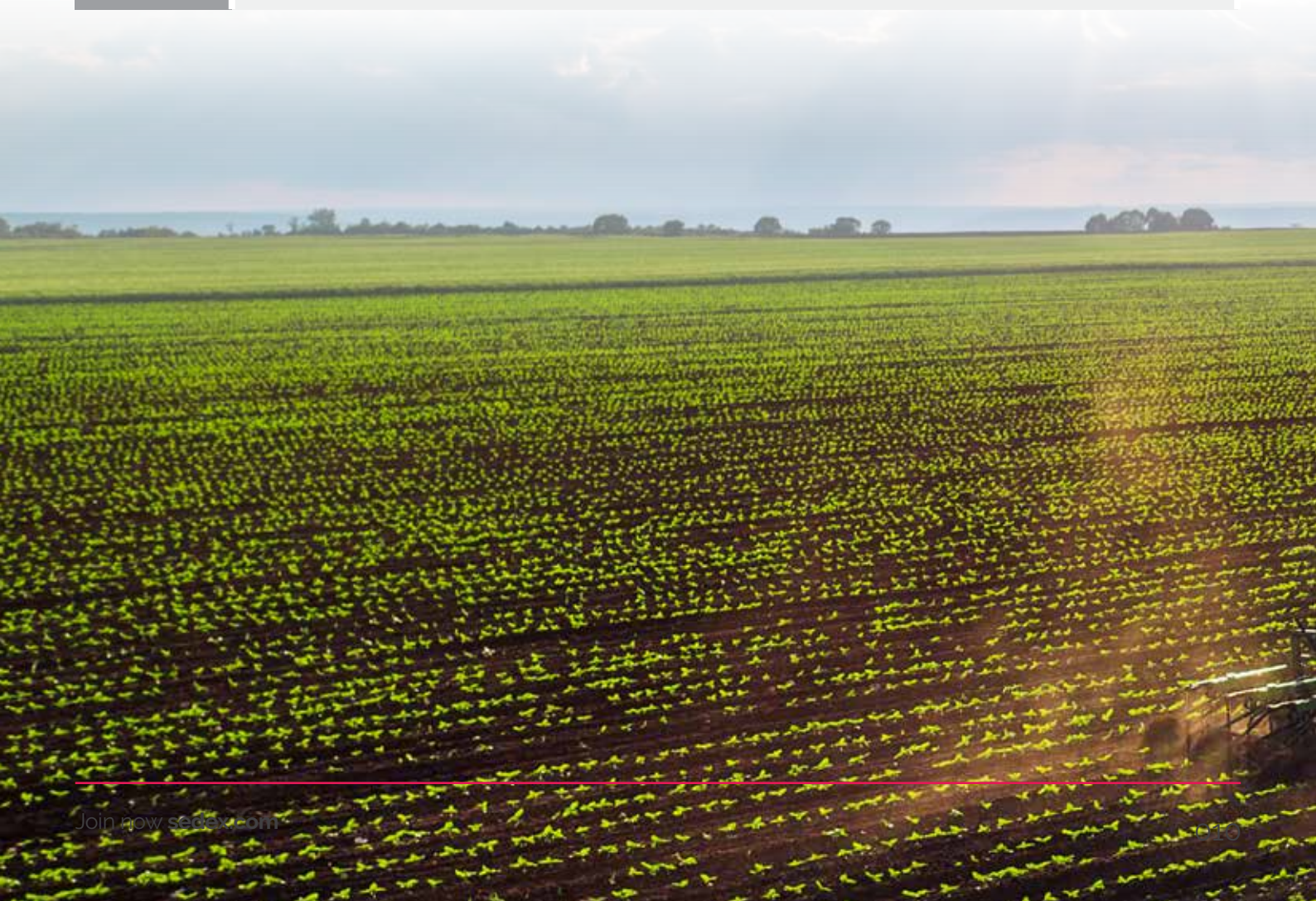
Examples of the health and safety procedures you should have include:

- ✔ A way to stay up to date on environmental laws, regulations and your customer's sustainability requirements.
- ✔ A way to identify compliance risks, ideally before something goes wrong, so that you can put controls in place. For example, a procedure to make sure the environmental emissions of new equipment are identified and controlled before being purchased and/or put into service. If you don't have a way to do this, your operation could be causing or contributing to local air pollution and you could lose production while waiting for the proper environmental permits to be obtained and emission controls to be installed.
- ✔ Procedures to comply with all applicable environmental laws, regulations and customer requirements. For example, you will need ways to make sure you engage only properly licensed and trained contractors to transport and dispose of hazardous waste, including providing legally required records.
- ✔ A way to receive, investigate and address complaints or concerns from your workers about environmental hazards, including a way for them to file a report anonymously.
- ✔ Choosing your suppliers and on-site service providers based on whether they can meet legal standards, customer requirements and your own policies. This should be considered for service providers such as your logistics companies, as well as goods providers and your labour providers.

Examples of Environmental Aspects and Impacts

When implementing management systems to improve environmental procedures, using a cause and effect analysis, also known as an aspect and impact analysis, model can help. Following the below model, you can risk assess how different activities can affect and possibly alter the environment.

Activity	Aspect	Environmental Impact
Fuel Storage	Leak or spill	• Soil Contamination • Groundwater contamination
Building heating	Boiler air emissions	• Air pollution
Office printing	• Paper use • Electricity consumption	• Resource depletion • Air pollution
Vehicle washing	• Water use • Water discharge	• Resource depletion • Soil contamination



Documentation

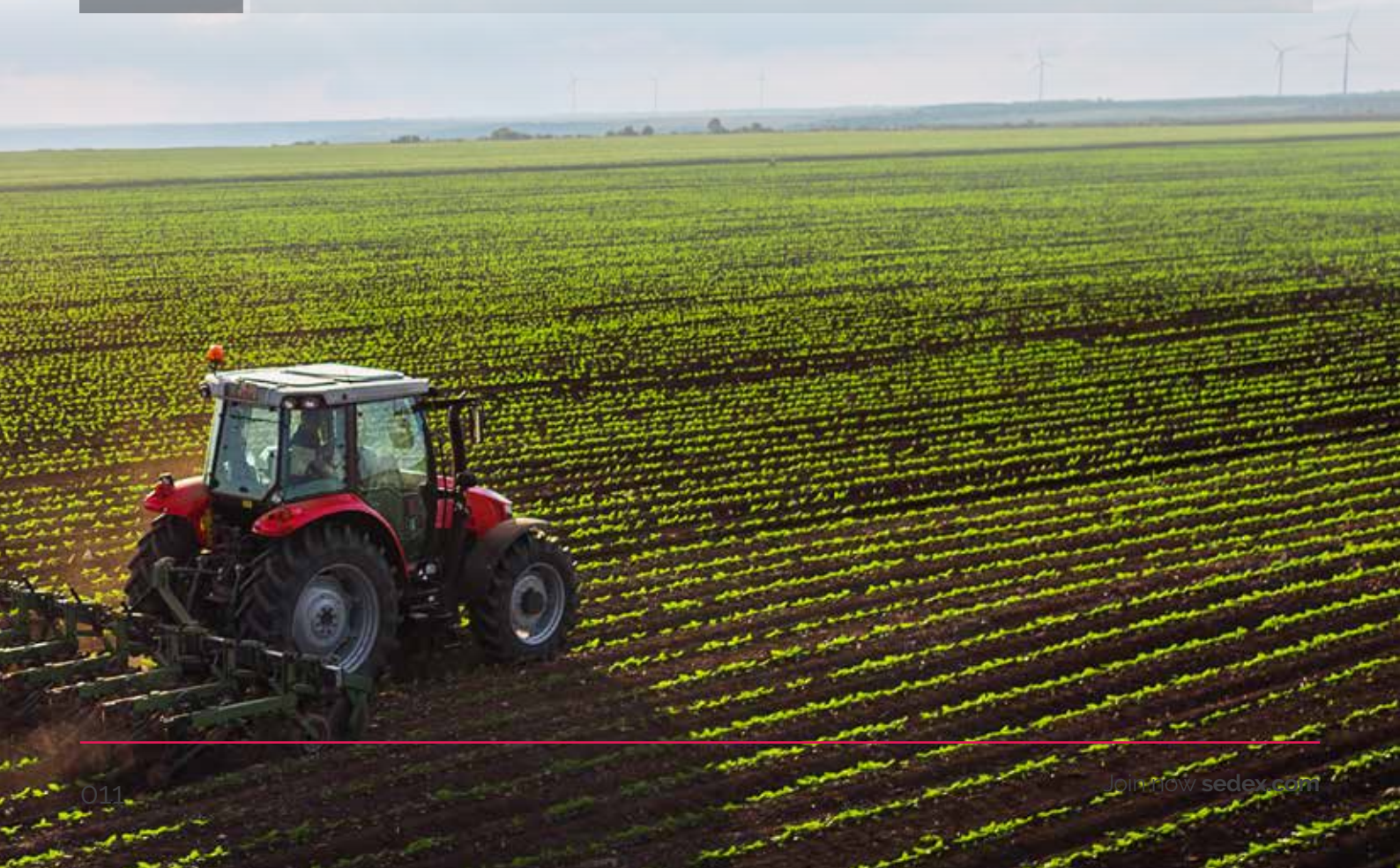
To carry out your policies, processes and procedures consistently, regardless of staff changes, documentation (written instructions) is important. You should also keep formal records *(of environmental incidents, environmental control equipment inspections, how you solved an environmental complaint from a community member, or provided specialized environmental training, for example)* that show what you have done to conform with applicable legal requirements, international standards and customer requirements. This includes:

- ✔ An up-to-date register of all applicable laws, regulations and customer codes of conduct.
- ✔ Formal records such as preventive maintenance logs, incident investigations, air and water emissions monitoring results, etc.
- ✔ Copies of internal and third-party audit reports, and compliance inspection reports by regulatory agencies.
- ✔ Corrective action plans and records that show improvement actions were taken and solve the problem

Documenting procedures

Document your procedures whenever possible to make sure they are followed consistently.

Documentation doesn't have to be complicated; it can be a simple checklist for employees to follow. Documented procedures reduce confusion about who is supposed to do what, how is the task supposed to be done and what are the best practises to follow, saving time and helping employees be more efficient. In this way, procedures can also act as a form of training for new workers.



Monitoring

The next section will show you how you can improve your "Monitoring and Data Capture" score

Ongoing monitoring is how you know if your policies, processes and procedures are being followed and having the intended effect or need adjusting. *For example, a mechanism for workers and the public to report environmental concerns and incidents that lets you know if your operation might be causing environmental damage or if there are improvement ideas that should be acted upon*

Monitoring includes:

- ✔ Internal or 3rd party audits.
- ✔ Setting and measuring progress on Key Performance Indicators (KPIs). *Examples of KPIs include the number of times emissions exceeded limits per month, number of workers trained on the environmental compliance impact of their job activities, percentage of regulatory non-compliances corrected on time, and the percentage of reported environmental concerns resolved to the satisfaction of the community.*
- ✔ Regular worker surveys to measure their understanding of the potential environmental impacts of their jobs and to provide feedback on any previously unidentified environmental compliance issues

Monitoring Hazardous Waste Transport Vendors

Vendors used to transport hazardous waste to treatment and disposal sites are often a source of compliance issues if their performance is not monitored regularly.

You should evaluate the following items at least yearly:

- Current hazardous waste transport license(s)
- Valid licenses to transport dangerous goods for all company drivers
- Regular training for drivers on transporting hazardous waste and completing hazardous waste manifests
- Preventive maintenance schedule and records for all waste hauling vehicles
- Storage of manifests for the required time period (two to five years)
- Approval and licensing of disposal and treatment facilities used by the vendor (own or third-party) to receive and/or treat hazardous waste
- Vendor self-inspections and audits of its compliance with applicable regulations
- Verification that noncompliances are corrected in the required timeframe

Communication and Training

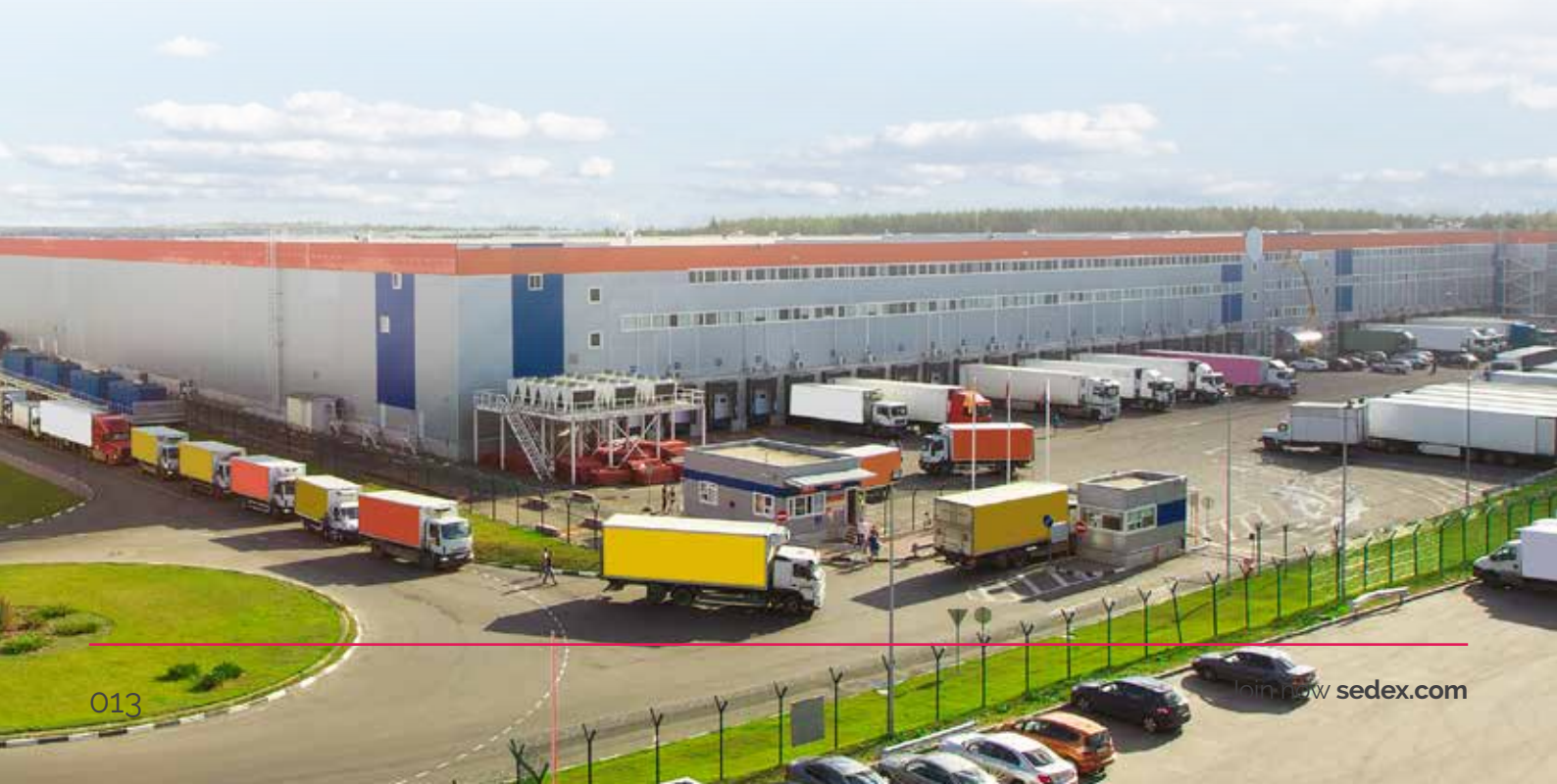
To make sure your policies, processes and procedures are implemented effectively, it is important that you:

- ✔ Give basic training to all your managers, supervisors and workers on your environmental policies and related procedures.
- ✔ Provide in-depth skills training for the staff responsible for implementing specific procedures. *For example, workers whose jobs can directly impact the environment, such as shutting off vehicles' engines when loading or unloading and reporting any maintenance issues that could result in increased fuel consumption or excessive emissions.*
- ✔ Post your environmental policies and local laws and regulations where workers can read them easily and in a language they understand. *For workers who have difficulty reading, pictures and verbal explanations can help. Examples are posters that make it clear what practices are prohibited, such as leaving lights on when there is no one in the office or storing chemicals in unsafe locations. Ensure training is also clearly accessible to workers that are not on your company premises.*

Everyone in your workplace needs to know the rules and their responsibilities.

This includes contractors and service providers. You should communicate your labour and legal requirements to your service providers in contract terms and conditions and periodic business reviews.

To make sure all workers receive training, you can include essential training as part of the company induction i.e. the training received when a new person joins the company. Consider if refresher training is needed too, perhaps every year to ensure everyone remembers and is clear on what to do.



Improvement

To address any issues, you find and continually improve your compliance with environmental standards, it's essential that you understand the root cause of the issue first. By tackling the cause of the issue, rather than the symptom, you can better adjust your management system (the elements and actions listed above) to keep the problem from happening again.

For example, if you find that the concentration of contaminants in your wastewater discharge is higher at night than during the day, you will need to look into such questions as:

Are there any different operations performed at night that are not done during the day, such as cleaning production equipment or floors that could introduce additional contaminants to wastewater? Is there anything different about the production process itself between day and night shift? Have night shift employees received the same environmental and operator training as day shift workers? Is this a facility-wide issue or it is limited to an isolated department or location in the facility?

You can use the 5 Why exercise to help you identify the root cause. See diagram below.

Use the 5 Whys to help with Root Cause Analysis

Problem

Drums of hazardous waste are not properly labelled

WHY? The waste handlers could not find any labels

WHY? The employee who used the last label did not place an order for more labels

WHY? The employee did not know that the labels were required for all waste containers

WHY? He was not trained on the hazardous waste management procedure

WHY? There is no formal system for tracking employee training

Solution

1. Re-train all hazardous waste handlers on procedures.
2. Establish a formal tracking system for employee training
3. Modify the labelling procedure to require re-ordering labels when less than a one week supply remains.
4. Routinely monitor that the procedures are effectively followed

The basic rules for responding to any issue are:

- ✔ Implementing both corrective and preventive action to address each identified root cause, so that the problem does not recur and the solution itself does not create other problems. For example, you may provide environmental training and/or re-training for night shift employees **(corrective action)** and review night production quotas and equipment maintenance routines to eliminate going over the capacity of your control equipment or not properly maintaining equipment as causes of emission problems **(preventative actions)**.
- ✔ Assigning task owners, milestones, and completion dates for any improvement actions.
- ✔ Making sure that your employees know how to follow any new or revised procedures you have developed to address a risk through initial and refresher training, as needed.
- ✔ Monitoring whether the adjustment in your procedures and supporting training have been made, and whether they are producing the desired result.

Root Cause Analysis

A supplier operates a thermal oxidizer to decompose hazardous process gases. A company operates a thermal oxidizer to decompose hazardous process gases. Emissions are continuously monitored to measure compliance with environmental permit conditions. However, a recent government inspection found that emissions exceeded permit limits.

To find the root cause of the problem, the supplier should:To find the root cause of the problem, the company should:

- Evaluate inspection and maintenance records to verify that it was properly maintained.
- Review data from the monitoring device to identify exceedances.
- Then answer these questions:
  - Was preventive maintenance performed as required?
  - Did monitoring records show emission levels above permit limits?
  - Was the monitoring system properly calibrated?
  - Were operations and maintenance staff properly trained?
  - Was the production process operating within the capacity limits of the thermal oxidizing system?

Case study

Balfour Beatty

Sustainability is an integral part of Balfour Beatty's approach to operational activities and delivery of solutions to customers. Buildings and construction together account for 36% of global energy use and 39% of energy related carbon-dioxide emissions. The construction, renovation and demolition of buildings account for about 40 per cent of solid waste streams in "developed" countries.

Balfour Beatty therefore requires a system for continually reviewing and reducing the impact it has on the environment. Furthermore, Balfour Beatty also needs to ensure that it is compliant with latest environmental legislation and customer requirements. As such a robust system must be in place to identify environmental risks and opportunities.

Balfour Beatty has a group level sustainability framework that sets out the business' approach to targeting performance improvement. The UK-wide Business Management System is externally certified to ISO 14001. This enables the identification of environmental hazards to eliminate and mitigate risk.

The business is also assessed against the sustainable procurement standard ISO 20400:2017. Both are audited by third parties and management reviews are conducted to review the findings.

Employees
complete an e-learning course on sustainability and operational staff and subcontractors receive specific training and toolbox talks on how specific environmental topics relate to their roles. A Gated Lifecycle process provides a systematic approach to identification, management and monitoring of environmental risk.

Each business unit has environmental specialists and many large projects have their own dedicated environment resource. Environmental performance data is collected from projects and offices using an internally developed sustainability reporting portal. Operational business league tables and dashboards are generated to highlight performance against company targets.

The supplier prequalification procedures require suppliers to provide information about how they manage environmental risk within their operational activities. Smaller organisations may wish to adopt a phased approach to implementing an environmental management system such as using BS 8555, allowing them to work towards ISO 14001 over time.

The environmental management system has had many benefits across Balfour Beatty. Some highlights include:

- Since 2010 the business has reduced Scope 1 and 2 carbon emissions per million £ by over 40% (2018).
- A focus on fuel efficiency in fleet, site cabins, grid connections and properties resulted savings of £0.5m year-on-year.
- 97% of waste was diverted from landfill in 2018 in the UK.

***Balfour Beatty** is an international infrastructure group that provides construction and support services for large infrastructure projects. Their main geographies are in the UK, US and Hongkong and they have 26,000 employees worldwide.*

Frequently Asked Questions

Do I need a separate management system for environmental management and sustainability?

No. The most efficient way to apply a management system approach to meeting environmental standards is to use your current business management system, which can be easily adapted to help your company meet environmental and other social responsibility standards. You should evaluate your current processes for production, maintenance, and training to make sure you have the right controls in place. For example, every company needs to perform routine maintenance on emissions control equipment. To make sure emission controls are working properly and environmental permit limits are not exceeded, you should make you're your maintenance procedures include the proper functioning of all control and monitoring devices.

Of course, once you have put the necessary controls in place you will need to do regular checking (monitoring) to be sure they are effective.

Won't a management system require a lot of documentation and other complexity?

This is a very common concern, but an environmental management system does not need to be any more formal or complex than the system you use to manage your business. For example, a procedure can be as simple as a short list of what is to be done, by whom, and how often.

As for records, you only need to maintain items that are needed to verify that you are meeting standards, such as inspection and maintenance records, training records, audit reports, and permits.

My company has a certified Quality Management System. Can we use this system for environment?

Yes. In fact, any company that has a formal management system, like ISO 9001, can also use it to manage compliance to health & safety standards rather than creating a separate environmental management system. The risk assessment, regulatory tracking, training, communication, auditing, **corrective action**, and other elements of these systems can be very easily adapted for environmental management.

What if we don't already have a formal management system. Are there any standards we can follow?

Yes, ISO14001 is the one management system standard in particular that was developed specifically for environment and other sustainability issues.

- **ISO14001 - Environmental Management:** ISO 14001 is an internationally agreed standard that sets out the requirements for an environmental management system. It helps organizations improve their environmental performance through more efficient use of resources and reduction of waste, gaining a competitive advantage and the trust of stakeholders. Complying with the requirements of this standard will enable a company to:
  - Demonstrate compliance with current and future statutory and regulatory requirements
  - Increase leadership involvement and engagement of employees
  - Improve company reputation and the confidence of stakeholders through strategic communication
  - Achieve strategic business aims by incorporating environmental issues into business management
  - Provide a competitive and financial advantage through improved efficiencies and reduced costs
  - Encourage better environmental performance of suppliers by integrating them into the organization's business systems.
- **ISO 45001 – Occupational Health & Safety:** A management system standard to which a company can be certified that standard that will help the organization improve employee safety, reduce workplace risks and create and maintain better, safer working conditions.

What is Plan-Do-Check-Act?

Plan-Do-Check-Act is a way of describing a management system to show how risks are controlled and processes and performance are continually improved. It is the framework on which all of the ISO management system standards are based, including ISO 9000, ISO 14001 and ISO 45001.

- **Plan** means to identify requirements (laws and standards), evaluating risks that may prevent you from meeting those standards, and establishing objectives and processes needed to meet standards and achieve objectives.
- **Do** means assigning responsibilities, implementing your policies and procedures, and training and communicating.
- **Check** is making sure that you are achieving your objectives and meeting standards. This involves measuring performance using KPIs, performing audits, surveying workers, and other ways to evaluate how you are doing.
- **Act** taking corrective and preventive actions when your results are different from your goals, such as when audits find non-compliances. This step also includes a regular review by senior management of the suitability and effectiveness of your overall system. Outcomes and decisions from that review are used to **Plan** system improvements.

You may notice that the above guidance also follows a Plan Do Check Act approach.

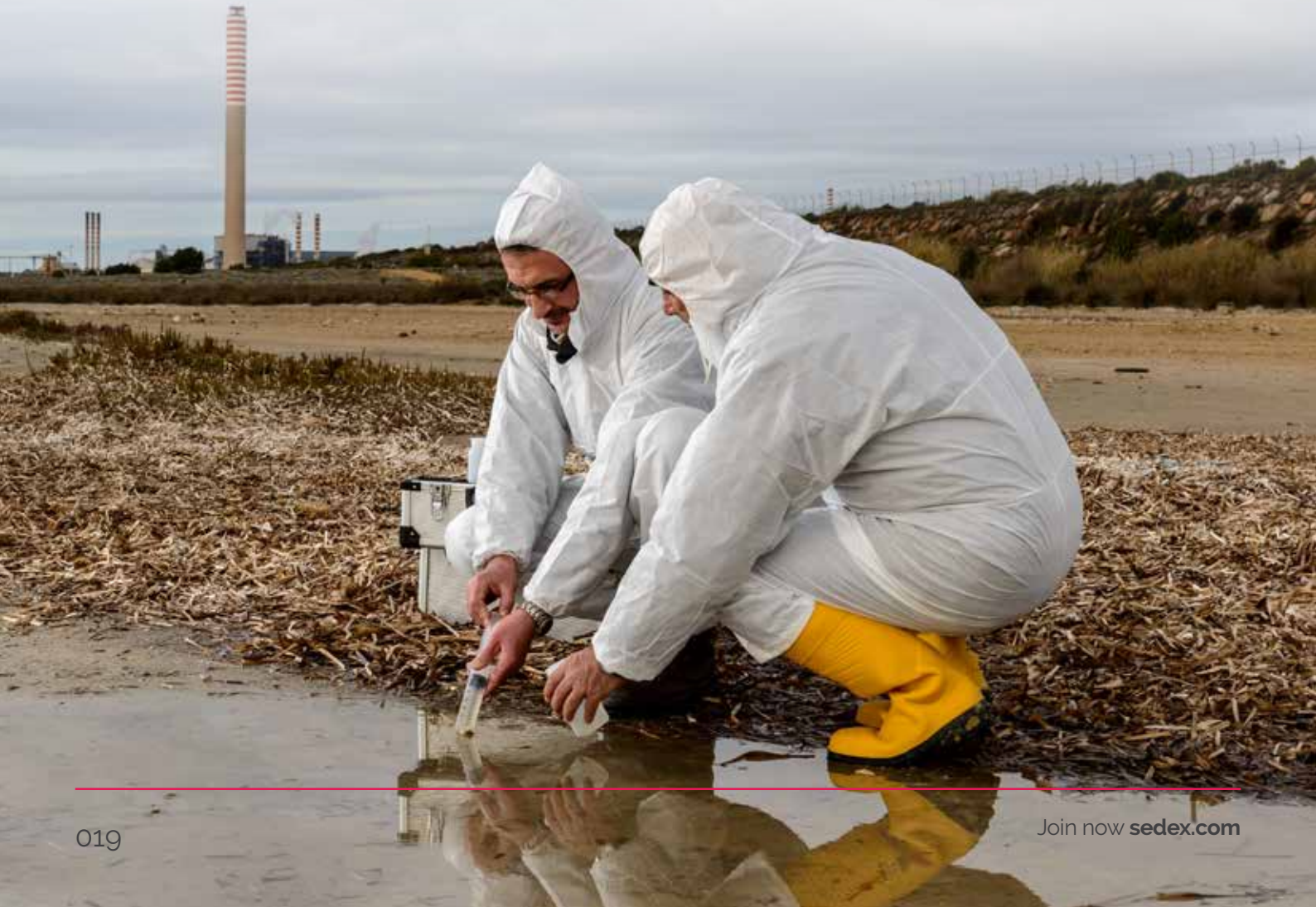
Resources and Guidance

The following sources provide further details on international standards for labour management systems.

- Sedex Members Ethical Trade Audit (SMETA) Best Practice Guidance: **https://cdn.sedexglobal.com/wp-content/uploads/2019/05/SMETA-6.1-Best-Practice-Guidance.pdf**
- UN Framework Principles on Human Rights and the Environment: **https://www.ohchr.org/Documents/Issues/Environment/SREnvironment/FrameworkPrinciplesUserFriendlyVersion.pdf&usg=AOvVaw0PcfxkVYRxWs0ykOlDI10a**
- International Organization for Standardization (ISO): ISO 14001 Environmental Management **https://www.iso.org/iso-14001-environmental-management.html**
- European Union EMAS Registration: **https://europa.eu/youreurope/business/running-business/developing-business/emas-registration/index_en.htm**
- Ethical Trading Initiative (ETI) Blog: OECD Due Diligence Guidance for Responsible Business Conduct: **https://www.ethicaltrade.org/blog/businesses-need-to-act-now-human-rights-or-face-consequences-later-and-oecd-has-set-standard**

Signposts to Training

- Verité: **http://www.verite.org/Training**
- ETI, Essential of Ethical Trade: **http://www.ethicaltrade.org/training/essentials-ethical-trade**



Key Terms

- **Corrective Action:** is the implementation of a systemic change or solution to make an immediate and on-going remedy to a non-compliance.
- **Environmental responsibility** – also known as environmental sustainability – is the expectation for companies to operate in compliance with legal requirements as well as in a way that protects the environment. This is done by limiting any negative impacts on the environment and on local communities.
- A **management system** is how a company gets things done. It is made up of interdependent policies, processes, and procedures organized to enable a company to achieve its business objectives (quality products, on-time delivery, profitability) and meet code of conduct expectations.
- A **policy** is a statement of commitment to what the company hopes to achieve. For example, "our company will not work with suppliers who employ child labour."
- **Preventive Action:** is the implementation of a systemic change or solution designed to prevent the recurrence of the same or similar issues elsewhere in the facility.
- A **process** is a major part of the system, consisting of a set of actions and procedures that together make up a business function. For example, the recruitment, selection and hiring process is designed to hire the right person for the job at the right time.
- **Procedures** (also referred to as "controls") are step-by-step descriptions of how a job or task within a process is done; by whom and when. For example, a procedure to verify the age of a job applicant is part of the recruitment process
- **Risk controls** are procedural steps or improvements made to address the possibility of an unintended outcome. For example, steps to validate the authenticity of a job applicant's proof of age documentation are designed to reduce the risk of hiring an underage worker.
- **Sustainability** is conducting business operations in a way that avoids the depletion of natural resources and maintains an ecological balance.
- **Water stress** is when the demand for water is greater than the amount of water available during a certain time period. Water stress can also be when there is not enough water of sufficient quality. It can be caused by unsustainable use of water for industry or irrigation in agriculture. Water stress causes deterioration of the quality and quantity of freshwater resources and has a negative impact on human and ecological health and the economy.
- **Water pollution** is the contamination of water bodies (e.g. lakes, rivers, oceans, groundwater) as a result of human activities. It is caused by the discharge of harmful substances, such as chemicals, sewage or oil into water, making it toxic to people and the environment.
- **Atmospheric pollution** is the release of harmful gases and chemicals into the air. It is mainly caused by the burning of fossil fuels and can come from transportation, manufacturing sites, power plants and incinerators. Atmospheric pollution causes serious health issues in humans and accelerates climate change.

- **Noise pollution** and **light pollution** are when there is excessive artificial noise or light that interferes with natural ecological cycles and negatively impacts human health. Noise pollution can be caused by activities such as industrial machinery, transport and construction. Light pollution can be caused by leaving bright lights on overnight

- **Land use change** including **deforestation** is conversion of land to a different use, usually for economic activities. Land use can be changed for building houses, expanding agricultural land or transport infrastructure. Examples include conversion of agricultural land to housing or forests to agricultural land.

- **Soil contamination** is when harmful chemicals are released into the soil in quantities that pose a risk to human and ecological health. It can occur through the application of farming pesticides, release of industrial waste from factories and mining activities. Soil contamination can result in human health problems, including disease, and degradation of the environment.

- **Biodiversity loss** is when there is a reduction or loss in the number or variety of species. It can refer to plants, animals or fungi. Loss of biodiversity is driven by habitat loss and land use change, for example converting forest to farmland, over-harvesting or extraction of natural resources, pollution, and climate change.

- **Energy use** is the rising demand for energy, which depletes natural resources and exacerbates climate change. Industry and transportation require significant amounts of energy for their activities.

- **Waste** is when the remaining materials which have been produced after an activity are seen as no longer useful and discarded. Waste can be harmful when it is sent to landfill or burned. In landfill, toxins can leak into the surrounding environment and greenhouse gases are release when it is broken down by micro-organisms. When waste is burned, it produces carbon dioxide and can emit harmful gases.

- **Recycling** is the process of converting waste materials into new objects, which can limit the amount of unused waste that needs to be disposed of in landfill.

- **Natural resource depletion** is the use and consumption of resources faster than they can be replenished. Consequences include biodiversity loss, reduction in food and water availability, and lack of raw materials for economic activities

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The four Management System guidance documents were developed by Sedex with Verité's input.

They are aligned with the Plan-Do-Check-Act continuous improvement approach used by ISO and other international management systems standards. In this guidance, we split management systems into 4 sections; Policy and Resources, Processes and Procedures, Monitoring, and Training and Improvement.

Verité's recommended structure for Management Systems steps is that "Monitoring" follows "Training and Improvement," but these guidance documents list "Monitoring" first in order to align with the management controls report, which members receive on completion of the SAQ.