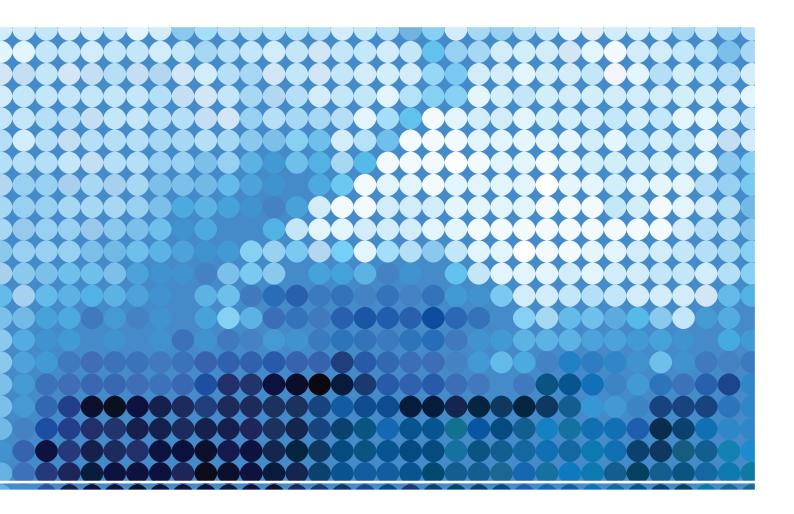DNV·GL

BUSINESS ASSURANCE

THE NEW ISO 9001 & ISO 14001 REQUIREMENTS

4.2 - Understanding the needs and expectations of interested parties

DEAR READER,

The International Standardisation Organisation (ISO) is now finalizing both standards, ISO 9001 and ISO 14001, for the formal FDIS stage. The standards will then be sent on a 2-months ballot period expected from early July.

As ISO is moving to improve how their standards support companies in building sustainable business performance, the big question for certified companies and organizations seems to be how they will meet the new requirements.

This is the second release of our Viewpoint Espresso Survey. While the first focused on requirement 4.1 "Understanding the organisation and its context", this issue investigates clause 4.2 "Determine the interested parties relevant to the specific management system and their relevant requirements". How compliant do companies certified to ISO 9001 and/or ISO 14001 think they are and what actions do they intend to implement in order to satisfy the requirement. We see that 15% of the companies responding find that they are compliant, while those evaluating themselves to be somewhat compliant is 39%.

What is behind these numbers and how are these companies moving to close the gap? Are there significant differences between the two clauses? For a quick insight, turn the page to see what we found out.

FACT BOX

THE VIEWPOINT ESPRESSO
- The Viewpoint Espresso is our way of sharing with you what your peers think and how they are moving on hot topics. Our hopes are that what we share may trigger some curiosity, improved understanding and possibly action on select topics.

- This is an extended initiative of ViewPoint, our customer community. While the main ViewPoint surveys provide in-depth analyses, the ViewPoint Espresso are meant to be more agile, providing a concentrated injection of insight.

THE REQUIREMENT IN FOCUS

4.2 - UNDERSTANDING THE NEEDS AND EXPECTATIONS OF INTERESTED PARTIES
Currently, the ISO DIS 9001:2015 and ISO DIS 14001:2015 in clause 4.2 require that you
determine the interested parties relevant to the specific management system and their relevant
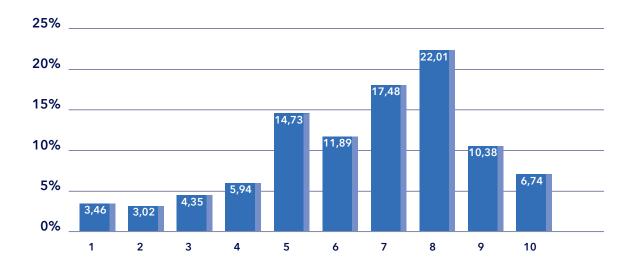requirements (i.e. need or expectation that is stated, generally implied or obligatory).

Note:
*In this document the word Stakeholders and Interested Parties are synonymous, with the
following meaning: "person or organization that can affect, be affected by, or perceive itself to
be affected by a decision or activity."*

ARE COMPANIES ALREADY COMPLIANT WITH 4.2?

**ON A SCALE 1 TO 10, WHERE 1 IS "NOT COMPLIANT AT ALL" AND 10 IS "FULLY
COMPLIANT", TO WHAT EXTENT DO YOU CONSIDER YOUR ORGANISATION
ALREADY COMPLIANT WITH SUCH A REQUIREMENT?**

Rating	1	2	3	4	5	6	7	8	9	10
%	3,46	3,02	4,35	5,94	14,73	11,89	17,48	22,01	10,38	6,74

WHAT ARE THEY SAYING?
- The distribution among the categories is quite similar for ISO 14001 and ISO 9001.
- 17 % of the respondents report that they are fully compliant with the requirement to
  understand the needs and expectations of interested parties, i.e. stakeholders (respondents
  with rating 9 and 10). Similar to what we saw for clause 4.1 (Understand the organization
  and its context), companies certified to ISO 14001 show higher scores (20%) compared to

companies certified to ISO 9001 (16%).
- Companies that consider themselves somewhat compliant (respondents with rating 7 and 8) with the new requirement total 39%.
- 17% consider themselves far from compliant (those rating 1 to 4). Again we see the same trend where ISO 14001 certified companies (14 %) rank higher than the ISO 9001 companies where 18% responded that they considered themselves far from compliant.

WHAT DO WE THINK?

Clause 4.2." in the High Level Structure (HLS) is intended to drive an increased understanding of the needs and expectations of interested parties, both internal and external. Companies today are dealing with an increasing number of stakeholders that make demands on how they operate. Failure to identify and understand their needs and expectations could negatively impact business goals and consequently success.

What we see from the survey is that a limited percentage of companies feel they start from scratch related to these requirements. This is not so surprising based on the nature of the subject. Many are already starting to capture a broader understanding of the needs and expectations of their stakeholders. However, results also indicate that for many a more structured approach will be required.
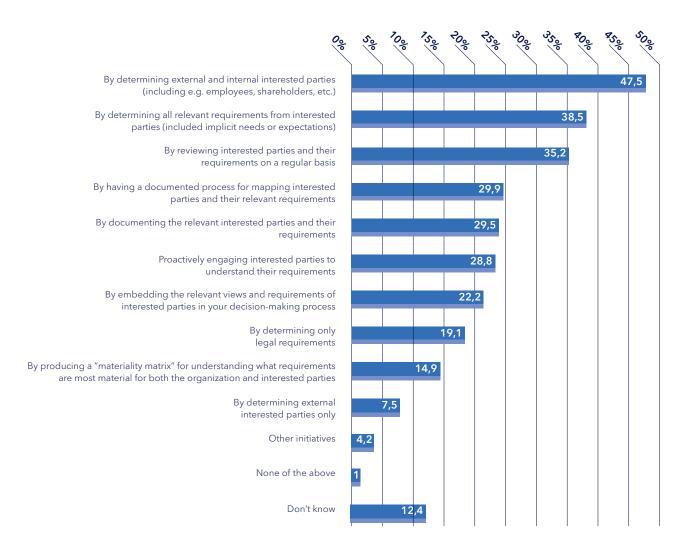
Companies certified to ISO 14001 seem to be more familiar with the concept of stakeholders (interested parties). After all "interested parties" is not a new concept in ISO 14001 as it is also used in the current edition, although used in a different setting. Companies certified to ISO 9001 indicate a lesser degree of compliance. An explanation can be that "interested party" is conceptually new in ISO 9001. Additionally, many users have traditionally mainly been focused towards needs and expectations of customers and to compliance with laws and regulations related to products and services.

When comparing results of our two Espresso Surveys, we find the percentage of companies who consider themselves compliant with clause 4.1 (The need to understand the organization and its context) is comparable to the percentage of companies considering themselves to be compliant with clause 4.2. Moreover, we see the recurring trend that companies with a certified environmental management system seem better prepared for the new requirements of both clauses.

HOW WILL COMPANIES MEET 4.2 IN THE FUTURE?

HOW DO YOU PLAN TO MEET THIS REQUIREMENT IN THE FUTURE? MARK THE APPROACH THAT YOUR ORGANISATION MOST LIKELY WILL BE IMPLEMENTING

Approach	%
By determining external and internal interested parties (including e.g. employees, shareholders, etc.)	47,5
By determining all relevant requirements from interested parties (included implicit needs or expectations)	38,5
By reviewing interested parties and their requirements on a regular basis	35,2
By having a documented process for mapping interested parties and their relevant requirements	29,9
By documenting the relevant interested parties and their requirements	29,5
Proactively engaging interested parties to understand their requirements	28,8
By embedding the relevant views and requirements of interested parties in your decision-making process	22,2
By determining only legal requirements	19,1
By producing a "materiality matrix" for understanding what requirements are most material for both the organization and interested parties	14,9
By determining external interested parties only	7,5
Other initiatives	4,2
None of the above	1
Don't know	12,4

WHAT ARE THEY SAYING?
- The top 3 initiatives that companies say they will implement address mapping of stakeholders and understanding demands:
  1. Determining internal and external interested parties (47%)
  2. Determining all relevant requirements (38%)
  3. Review on regular basis (35%)

- We see no significant difference here when comparing companies certified to ISO 14001 versus ISO 9001. The preferred approaches remain the same.
- The next tier of actions, those selected 4th, 5th and 6th, address documentation and engagement:
    1. Documented process for mapping stakeholders and their requirements (30%)
    2. Documented outcome from the above process (results documented somewhere) (30%)
    3. Proactively engaging interested parties (29%)
- The use of a Materiality Matrix, which is a quite complex process, is low on the list, with only 15% of the companies indicating they will implement this.
- A total of 12% responded that they "Don't Know" which actions they will undertake. Here there is a significant difference between the ISO 9001 and ISO 14001 certified companies. 14% of the ISO 9001 certified companies said they "Don't Know" versus 8% of the ISO 14001 certified companies.
- 19% responded "By determining only legal requirements".

WHAT DO WE THINK?

The top 3 ranking for clause 4.2 demonstrate that many companies have the correct understanding of the intention of the requirement, i.e.
- Mapping both internal and external stakeholders.
- Don't limit the mapping to legal/regulatory stakeholders, but consider all relevant interested parties (including implicit need and expectations).
- Account for the dynamics of their business environment by doing a regular review, not a one-off mapping.

The second cluster of actions chosen demonstrate a good generic understanding among the respondents as to how to satisfy the requirement, i.e. by documenting the process, the outcome and proactively engage with the interested parties.

It could be expected that the use of a materiality matrix is intended to be adopted by only a few companies (15%). Although a more advanced approach, this can be a useful tool in order to map the economic, societal and environmental issues most significant for stakeholders and thus get a better understanding of what may have a greater impact on the company's operations and performance.

The significant difference between the companies certified to 9001 versus those certified to ISO 14001 who answered "Don't Know" can be explained by the fact that the companies certified for 14001 have more experience with stakeholders like neighbors, inspection bodies, pressure groups and statutory and regulatory bodies.

19% chose the option "by determining only legal requirements" which is higher than expected. However, in general, this will be considered a too limited focus compared to the intent of clause 4.2.
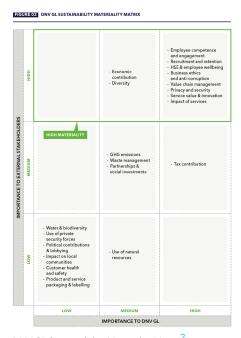
FACT BOX

STAKEHOLDER ENGAGEMENT

Stakeholders or interested parties as they are referred to in the High Level Structure are generally considered to be those individuals or groups who can affect or be affected by an organization and its activities. The development of meaningful relations with your stakeholders can bring about many advantages, particularly in the area of risk management, innovation and market development. Investigating and understanding your stakeholders' views can lead to minimized reputation issues, a greater understanding of market dynamics and an enhanced organizational problem-solving capacity. Studies show that when stakeholder cooperation is successfully pursued, a company's net present value could be improved by 50 % on average[1].

Stakeholder engagement is meant to be mainly interactive and relevant parties shall be given the opportunity to participate in a two-way communication process. Stakeholder engagement can either begin as a response to a stakeholder's concern or be pro-actively initiated by your organization. It can be either informal or established through formal consultations and can take place in a wide variety of ways –conferences, advisory committees, round-table discussions, public hearings and on-line questionnaires.

FIGURE 02 DNV GL SUSTAINABILITY MATERIALITY MATRIX

DNV GL Sustainability Materiality Matrix[2]

MATERIALITY MATRIX

Some organizations use a Materiality Matrix to identify and map the economic, societal and environmental issues most significant for their stakeholders and concurrently are most likely to have a greater impact on the company's operations and performance.

By developing a Materiality Matrix the organization becomes capable of readily identifying those activities most valuable to invest in to improve and build sustainable business performance.

While the Materiality Matrix will not ensure compliance with the new ISO standard requirements, it is a valuable tool to understand your risk picture and to bring together an organization and its stakeholders to discuss about the company's objectives and the expectations of its internal/external interested parties.

[1] SustaiNet, "The economic benefits of stakeholder engagement,"
http://sustainet.com/economic-benefits-of-stakeholder-engagement/ (2014)
[2] DNV GL Annual Report, pg. 52, (2013)

FINAL THOUGHTS

Clause 4.2 addresses the relationships a company has with interested parties (stakeholders). The number of relevant stakeholders will vary based on factors such as business sector and market in which they operate, geographical location, culture and size. Thus there cannot be a generic, all-inclusive list of stakeholders common for all organization. The stakeholders and their needs and expectations will change over time, as will the relationship. Moreover, new business strategies and changes in the business environment will often mean a new set of stakeholders. Determination of relevant interested parties may involve cross-functional resources, and it needs to be a recurring activity covering both internal and external stakeholders to re-confirm status and the demands they imply.

The term "requirement" used in the clause covers both obligatory requirements (i.e. legal requirements), and also include needs and expectations of other non-regulatory stakeholders that the organization decides to adopt.

It is not explicitly required to have a documented procedure or keep documented information. However in order to be able to re-evaluate and update the determination and conduct a proper management review, it is recommended that stakeholder categories and their corresponding requirements are documented.

Relevant requirements from interested parties are part of input to the risk and opportunity evaluation in 6.1. and changes shall also be considered for the Management Review (9.3) (this to valid only for ISO 14001).

Another difference between the two standards is that 4.2 of ISO 9001 states that the interested parties needed be determined are those that "affect or potentially affect the ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements". This is the minimum to consider, but many companies will surely "extend the perimeter" to also consider a broader set of stakeholders, to the best for their business. Such extension will be at the organization's discretion.

Examples of relevant interested parties (stakeholders) and potential corresponding needs and expectations (source: ISO 9004:2009 4.4." Interested parties, needs and expectations"):

a) Direct customers and end users: Needs and expectations may include e.g. product quality, price, delivery performance, environmental related requirements (e.g. related to logistics, restricted chemicals/ingredients).

b) Suppliers, distributors, retailers and partners: Needs and expectations may be related to e.g. mutual benefits and continuity.

c) Owners/shareholders/investors: Needs and expectations may include e.g. sustained profitability and performance, transparency, policies and standards (e.g. related to product quality, environment, safety, business ethics).

d) Employees and labor unions: Needs and expectations may be related to e.g. good work

environment, job security and recognition and reward, environmental practices.

e) Society at large, local community, non-governmental organizations: Needs and expectations may be related to e.g. social and ethical behavior and, environmental behavior and protection

f) Regulators: Needs and expectations may be related to e.g. compliance with statutory and regulatory requirements (e.g. fulfilment of product related requirements, environmental permits and regulations).

SURVEY METHODOLOGY

1254 qualified quality and environmental management system experts completed the online survey between February 27 April to May 3, 2015.

Respondents were drawn from ISO 9001 and/or ISO 14001 companies certified by DNV GL. Experts surveyed span around 40 countries and all industrial sectors
- 2,1% Primary
- 63,8% Secondary
- 34,1% Tertiary

DEMOGRAPHIES & RESPONDENTS

IN TOTAL

1254

ASIA	434
EUROPE	599
AMERICA	209
OTHERS	12

TOR GUNNAR TOLLEFSEN
Global Service Manager – Management Systems
Tor Gunnar Tollefsen is national expert delegate to
ISO committee TC 207/SC1 WG5, which is responsible for
the ISO 14001 revision.

BASTIAAN POLDERMANS
Global Service Responsible – ISO 9001
Bastiaan Poldermans is member of ISO committee
TC 176/SC2 WG24, which is responsible for the ISO 9001 revision.

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