



Certification: Respectability that provides investors with peace of mind

By Mike Scott

Published: June 3 2010 16:59 | Last updated: June 3 2010 16:59

It is possible to get some kind of environmental certification for everything from building a dam to buying a pack of crisps. What has driven this proliferation of green certification and what are the benefits?

While most areas of the economy have environmental leaders that take action individually, certification can drive changes across sectors, says Chris Stubbs, director at WSP Environmental.

Certification schemes range from the specific – the Voluntary Carbon Standard for carbon offsets, for example, or the Leed and Breeam certification schemes for buildings in the US and the UK respectively – to the almost universal such as the ISO 14001 standard that can be applied to any sector of the economy.

Certification to ISO 14001 allows you to achieve a range of benefits, according to the British Standards Institute.

The standard provides a “solid framework around which to build an environmental management system,” says Jay Dietrich, corporate environmental affairs manager at IBM. “It is consistent across the whole organisation worldwide, which leads to a global set of standards and expectations.”

Certification can be important when it delivers value in return for the efforts you have to put in, he adds. “When a scheme addresses a need and has broad coverage it can be useful. Country - or region-specific certification can be troubling, however, because you can very quickly become snowed under.”

This universal approach allows organisations to compare themselves with other companies and other sectors, says Cindy Cahill, a partner in the sustainability practice at Deloitte.

It also allows investors to weigh up the merits of sectors when it comes to sustainability. Standards such as FTSE4Good and the Dow Jones Sustainability Index allow investors to see which companies perform well on sustainability issues, and may face lower risks.

Signing up to certification schemes can also have more immediate and concrete benefits. In the UK, the Carbon Trust Standard – which encourages good practice in carbon measurement, management and reduction – allows businesses to gain credit for early action under the recently introduced Carbon Reduction Commitment.

Harry Morrison, general manager of the standard, says: “We recognised there is huge business interest and concern about climate change and a desire to do something about it. But there was a limited level of expertise on the issue.

“It was difficult for companies to take action and for customers to differentiate between organisations that were talking a good game and those that were really making a difference.”

However, there is a danger of certification being used as a form of greenwash, warns Ms Cahill, unless there is a proper auditing process attached to the standard.

“The Equator Principles, for example, [which govern project finance lending by banks] are pretty woolly,” she says. “A set of principles is more or less worthless unless it is backed up by some kind of auditing.

“Consistent and robust measurement standards with very little room for manoeuvre are vital.”

Having an independent third party, such as the Carbon Trust, assessing performance gives credibility to companies, agrees Mr Morrison.

“Standards play an important role in the early stages of a market that is dealing with a complex problem and where regulation has not yet caught up with the challenge,” he adds. “They are a good way of moving the market without the government having to intervene.”

As legislation catches up with the market, regulation will set minimum standards, but certification will retain a role in allowing industry leaders to go beyond minimum requirements, suggests Ms Cahill.

Many companies, having taken steps to put their house in order, are focusing on their supply chains. Achieving certification standards such as ISO 14001 will be a prerequisite for suppliers to retain the business of companies such as **Marks and Spencer** or **Volvo**.

The most effective standards do not just promote consistency, says Mr Morrison. They also incorporate an element of continuous improvement. “The Carbon Trust Standard is about raising the bar and rewarding those organisations that are making progress.”

This is a useful approach, says Mr Dietrich. “Creating change requires patience and persistence. Even if you have a clear goal in mind, it is better to make incremental changes rather than trying to take giant leaps.”

Certification helps consumers to make more sustainable choices, too.

Good Energy, a UK renewable energy provider, was one of the first companies to sign up to the Green Energy Supply Certification Scheme.

“Our customers want to know they are buying 100 per cent renewable energy,” says Juliet Davenport, chief executive.

“Consumers want to be green, but don’t want to look stupid if it turns out that the energy they are buying is not as green as they thought. This accreditation scheme gives them peace of mind.”

Copyright The Financial Times Limited 2010. You may share using our article tools. Please don't cut articles from FT.com and redistribute by email or post to the web.

[Print article](#) [Email article](#) [Clip this article](#) [Order reprints](#)

[Twitter](#)

[Digg](#)

[LinkedIn](#)

[Yahoo! Buzz](#)

[Delicious](#)

[reddit](#)

[BX](#)

[Facebook](#)

[stumbleupon](#)

[Viadeo](#)

MORE IN THIS SECTION

Scramble for funds in a harsh climate

Emerging markets: Developing nations count up the opportunities

Renewables: Non-fossil options vie for funders' attention

Energy: Scientific breakthrough is just the start

Intellectual property: Protecting ideas is crucial for eco-technology to succeed

Government help: States aim to cut carbon footprints and increase jobs

University spin-outs: Stronger links would benefit gown and town

Private equity: Specialist funds are keen to invest in clean technology

Consumers: Green issues are still a concern for food buyers

Retailers: Frosty welcome for HFC gases in supermarkets

Climate change: Winners and losers within sectors start to emerge

[FT Home](#)

[Advertise with the FT](#) [Media centre](#) [FT Newspaper subscriptions](#) [FT Conferences](#) [FT Syndication](#) [Corporate](#)

[Partner sites: Chinese FT.com](#) [The Mergermarket Group](#) [Investors Chronicle](#) [Exec-Appointments.com](#) [Money Media](#) [The Ba](#)

© Copyright The Financial Times Ltd 2010. "FT" and "Financial Times" are trademarks of The Financial Times