



ESG-Integrated Management System-Introduction

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Abstract

In 2015, the United Nations proposed a 15-year long-term plan for sustainable development. “The 2030 Agenda for Sustainable Development” has made public health and other non-traditional security challenges as a priority for the United Nations, placing survival and development issues in a prominent position in the global macro framework, and paying more attention to promote and protect the right to survival and development, and set 17 Sustainability Development Goals (SDG). Administrator of listed companies should enlarge their visions and think in depth on ESG issues: environmental protection (E), social responsibility (S) and corporate governance (G). The ISO 9000 series has undergone several revisions and promotions, and has now moved from the perspective of sustainable operation and management to the integration of overall development gradually. This sustainable development system architecture is based on the three major aspects of economy, ecology and society to form a Sustainable Development Architecture. It not only hopes to be compatible with the system, but also strikes a balance between professional and industry requirements. In the future, the integration of management systems of enterprises needs to be taken into account, which can be called the “ESG - Integrated Management Systems.” The author try to integrate the complicate management systems of ESG relevant key issues by using “ISO/IEC Directives: 2015, Part 1, Consolidated ISO supplement proposed HLS” Annex SL. This article is the first part: Introduction, next articles will present how to form the vision, goals, strategies and self-assessment methodologies of ESG relevant key issues.

Keywords: Sustainability Development Goals (SDG); ESG; ESG-Integrated management systems; Climate change

Introduction

Although the development of modern quality professional fields, were originated from the requirements of the procurement of US. Department of Defence during the World War II, but some of useful philosophies, systems, technologies, methodologies and tools, were promoted by many quality gurus and organizations to the different organizations widely, such as governments, industries, enterprises, schools, hospitals,...etc., most of them can get the value-added effectiveness. Furthermore, it induces some safety, health, environment, ecology, social accountability issues, and try to let the economic production, ecological environment and people's life to enhance the upward balance. When we discuss the issue of economic and social development of a country, with quality as its topic, it will get less controversy in ideology. The quality of the subject to the “essence of substance” requirements are precise, accurate and reliable; to the “process of business” focus on efficiency, effectiveness and value; to the “conduct oneself”

emphasis on words and deeds should be consistent; to the “quality of life” pursue the balance of production, ecology, and life; to the society “Datong (The Ideal World)” is our dream. The impact of modern network information technology on future quality development, the quality requirements will be more transparent. As the demand chain: product and service will be required more accurate, speedy, reliable, safety, ecological, and environmental. As the supplier chain: the product and service will be required more easily to design, manufacture, change, transport, maintain, recycle and trace; and the business model of the organization must be transparent also. The governments of the 30 Member States of the Organization for Economic Co-operation and Development (OECD) agreed to a revised version of the 2004 “The OECD Principles of Corporate Governance”. The corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and

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enforcement authorities. Markets for corporate control should be allowed to function in an efficient and transparent manner. The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company. Information should be prepared and disclosed in accordance with high quality standards of accounting and financial and non-financial disclosure [1]. The OECD guidelines have been recognized by member states and other countries as the yardstick for measuring good corporate governance. This trend is a universal value, and how to use modern network information technology to strengthen company transparency and information disclosure should be an important topic for the development of future economic production, ecological environment, and people's quality of life. In August 2020, the activities of Taiwan's cultural circle of the industrial economy, coincidentally reported in the news media about the ESG issues of listed companies: environmental protection (E), social responsibility (S) and corporate governance (G) (ESG), which is similar to the above-mentioned discourse. The quality professional field should also follow the trend of the times and keep pace with the times. Here are two relevant events as follows. One is on August 25, 2020, Chairman Huang Tianmu of the FSC in Taiwan announced "Corporate Governance 3.0-Blueprint for Sustainable Development", which includes [2]:

Two Core Visions

- Implement corporate governance and enhance corporate sustainable development.
- Create a sound ESG ecosystem and strengthen the international competitiveness of the capital market.

In order to respond to the rapid changes in the capital market environment and accelerate the progress of Taiwan's corporate governance towards internationalization, the FSC will uphold the spirit of excellence and plan this version of the blueprint "Corporate Governance 3.0-Sustainable Development Blueprint" for the next three years. To promote the guidelines of corporate governance policies, in order to achieve the core vision, five major driving axes are proposed as follows.

Five major driving axes

- Strengthen the functions of the board of directors and enhance the sustainable value of the company.
- Improve information transparency and promote sustainable operation.
- Strengthen communication with stakeholders and create a good channel for interaction.
- In line with international standards, guide due diligence.

- Deepen the company's sustainable governance culture and provide diversified products.

ESG information needs to be further strengthened: As international investors and the industry chain are increasingly paying attention to ESG-related issues, it is necessary to expand the scope of the Corporate Social Responsibility (CSR) report prepared by listed companies, and continue to improve the disclosure of ESG information, and remind companies to pay attention to issues related to environmental (E), social (S) and governance (G) related stakes. In addition, considering the increasing international emphasis on climate-related financial disclosure regulations (Task Force on Climate-related Financial Disclosures, TCFD), listed companies will be further required to disclose relevant information, so that benevolent investors can learn about the impact of climate that companies face up to and effectively assess their possible risks. In addition, the CSR report prepared in accordance with GRI Standards (Global Reporting Initiative Standards), because its target audience is for all interested parties, and the disclosure is non-financial information related to ESG issues, but for company investors, pay more attention to the ESG-related information that may affect the company's finances and even the stock price in the future. It should be possible to disclose in the CSR report ESG-related information that has the company's financial significance and the usefulness of investors' investment decisions. The other is on August 29, 2020, the "Zhong Dao Leadership & Culture and Corporate Excellence Management Seminar" was organized by the Zhong Dao Association of Leadership & Culture (ZDALC) and the Chinese Society for Quality (CSQ), Dr. Chen Shu, Chairman of ZDALC, delivered a keynote speech on the topic of "Deepening Corporate Governance and Social Responsibility in Corporate Culture", shown as Figure 1. The following is partial content of his speech [3] (Figure 1).



Figure 1: Chen Shu, Chairman of ZDALC.

People's mind, thinking, words and deeds must follow the Zhong Dao; "Dao" is a set of concepts in the individual, and the way that brings people together becomes "culture". So, in short, if everyone has the "Zhong Dao" in their hearts, what they achieve together is



to have in the organizational culture of the Zhong Dao, if the leader has a “Zhong Dao” in his heart, then the direction he will lead is to move forward on the road of long-term governance and stability. “People today cannot see the ancient moon, but today moon once shone the ancients.” Chen Shu said, the sun and the moon are like the unchanging ways of constant ancient, the chaos of people's minds is the ignorance of the sun and the moon and this will naturally lead to chaos in the world. On the contrary, if you clarify the mind and distinguish the truth, the Daoism will naturally connect the whole world. Under the impact of the epidemic of COVID-19, the performance of the global economy is not good, but it must be thinking deeply that the earth should be avoided not be beautiful anymore. Chen Shu believes that human beings are greedy for comfort and are harming other species and ruining the living environment. Nature is one with human beings and everything, not hurting others is not hurting oneself, and all the core comes from the human heart, with the “Zhong Dao” as the main principle, not to be partial, but also to find the best choice for various causes and circumstances.

Chen Shu pointed out that using scientific leadership and management to shape the “Zhong Dao” culture, in the upper level, it is necessary to construct a vision that is both competitive and attractive, to carry the mission of peace for all generations, to foresight, perseverance, and to sincere cooperation and in high-quality competition; in the foundation level, it is the innovation of technological capabilities, the cultivation of talents and the pursuit of excellence; in the individuals level, it is the ethics between individuals and families and organizations. The core concept is the key to concentricity, like the trunk of a big tree, and its branches and leaves are like open sunshine and air, competition and cooperation are like the soil, integrity is like the root of a big tree, and excellence and innovation are like flowers and fruits. Dr. Chen Shu emphasized that the “Zhong Dao” is a combination of scientific phenomena and philosophical thoughts and ontological nature; it is a fusion of technical and mental methods. If you can experience and apply them, you can grasp the key to success for both individuals and enterprises.

What is ESG?

ESG stands for Environmental Social and Governance, and refers to the three key factors when measuring the sustainability and ethical impact of an investment in a business or company. Most socially responsible investors check companies out using ESG criteria to screen investments. It is a generic term used in capital markets and commonly used by investors to evaluate the behaviour of companies, as well as determining their future financial performance. The Environmental Social and Governance factors are a subset of non-financial performance indicators which include ethical, sustainable and corporate government issues such as making sure there are systems in place to ensure accountability and

managing the corporation's carbon footprint. The number of investment funds that incorporate ESG factors has been growing rapidly since the beginning of this decade, and is expected to continue rising significantly over the decade to come [4].

Three pillars of ESG

ESG's three central pillars are:

Environmental criteria, which examines how a business performs as a steward of our natural environment, focusing on:

- waste and pollution
- resource depletion
- greenhouse gas emission
- Deforestation
- Climate change

Social criteria, which looks at how the company treats people, and concentrates on:

- Employee relations & diversity
- Working conditions, including child labour and slavery
- Local communities; seeks explicitly to fund projects or institutions that will serve poor and underserved communities globally
- Health and safety
- Conflict

Governance criteria, which examines how a corporation polices itself – how the company is governed, and focuses on:

- Tax strategy
- Executive remuneration
- Donations and political lobbying
- Corruption and bribery
- Board diversity and structure

Transforming our world: the 2030 Agenda for sustainable development

In 2015, the United Nations proposed a 15-year long-term plan for sustainable development. “The 2030 Agenda for Sustainable Development” has made public health and other non-traditional security challenges as a priority for the United Nations, placing survival and development issues in a prominent position in the global macro framework, and paying more attention to promote and protect the right to survival and development, and set 17 Sustainability Development Goals (SDG), as shown in Figure 2 below. Administrator of listed companies should enlarge their visions and think in depth on ESG issues: environmental protection (E), social responsibility (S) and corporate governance (G) (Figure 2).

MSCI ESG ratings

From natural resource scarcity to changing governance standards, from global workforce management to the evolving regulatory

landscape, ESG factors can impact the long-term risk and return profile of institutional portfolios. MSCI ESG Ratings are designed to help investors to understand ESG risks and opportunities and

integrate these factors into their portfolio construction and management process. These key topics include the 3 pillars of ESG, 10 themes, and 37 key issues. As shown in Table 1 (Table 1).



Figure 2: 17 Sustainability development goals (SDG)

Table 1: MSCI ESG key issues.

3 Pillars	10 Themes	37 Key Issues
Environmental	Climate Change	Carbon Emissions
		Product Carbon Footprint
		Financing Environmental Impact
		Climate Change Vulnerability
	Natural Capital	Water Stress
		Biodiversity & Land Use
		Raw Material Sourcing
	Pollution & Waste	Toxic Emissions & Waste
		Packaging Material & Waste
		Electronic Waste
	Environmental Opportunities	Clean Tech
		Green Building
		Renewable Energy
Social	Human Capital	Labor Management
		Health & Safety
		Human Capital Development
		Supply Chain Labor Standards
	Product Liability	Product Safety & Quality
		Chemical Safety
		Financial Product Safety
		Privacy & Data Security
		Responsible Investment
		Insuring Health & Demographic Risk
	Stakeholder Opposition	Controversial Sourcing
		Access to Health Care
	Social Opportunities	Opportunities in Nutrition & Health
		Access to Health Care
Opportunities in Nutrition & Health		
Opportunities in Nutrition & Health		

Governance	Corporate Governance	Board
		Pay
		Ownership
		Accounting
	Corporate Behaviour	Business Ethics
		Anti-Competitive Practices
		Tax Transparency
		Corruption & Instability
		Financial System Instability

ESG - Integrated management systems

The ISO 9000 series has undergone several revisions and promotions, and has now moved from the perspective of sustainable operation and management to the integration of overall development gradually. This sustainable development system architecture is based on the three major aspects of economy, ecology and society to form a Sustainable Development Architecture. It not only hopes to be compatible with the system, but also strikes a balance between professional and industry requirements. In the future, the integration of management systems of enterprises needs to be taken into account, which can be called the “ESG - Integrated Management Systems.” Its architecture is shown (Figure 3).

The new management system standards such as ISO 9001:2015 quality management system, ISO 14001:2015 environmental management system, ISO 27001 information security management system, ISO 22000:2018 food safety management system, etc. have all changed to adopt the “High Level Structure (HLS)”. HLS emphasizes and highlights the requirements based on “Risk thinking”, which means that risk-based thinking is indispensable to achieve an effective management system. ISO/IEC Directives, Part 1, Consolidated ISO supplement proposed HLS in its Annex SL in 2015, which is expected to be a framework for the integration of management system standards. The HLS of Annex SL is shown (Figure 4).



Figure 3: ESG - integrated management systems.

According to the “Taipei Exchange Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TPEX Listed Companies” TPEX listed company that meets the requirements of Article 2 herein shall each year prepare a corporate

social responsibility report for the preceding year by referring to the Global Reporting Initiative (GRI) Standards and Sector Disclosures issued by the GRI, and other applicable rules according to its sector features.

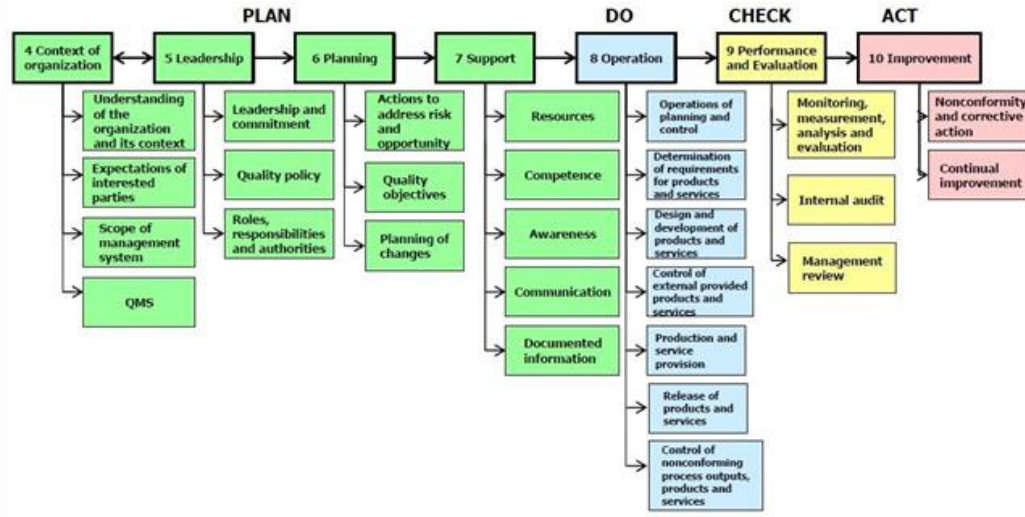


Figure 4: Management system standard (High Level Structure) [5].

Table 2: ESG- Integrated management system (Environmental).

ESG-Integrated management system (Environmental)		
GRI Standard & CSR Report	Sustainable Development Goal (SDG)	MSCI ESG Key Issues
GRI 301 : Materials GRI 302 : Energy GRI 303 : Water and Effluents GRI 304 : Biodiversity GRI 305 : Emissions GRI 306 : Effluents and Waste GRI 307 : Environmental Compliance GRI 308 : Supplier Environmental Assessment	2. Zero Hunger 6. Clean Water and Sanitation 7. Affordable and Clean Energy 11. Sustainable Cities and Communities 13. Climate Action 14. Life below Water 15. Life on Land	Carbon Emissions Product Carbon Footprint Financing Environmental Impact Climate Change Vulnerability Water Stress Biodiversity & Land Use Raw Material Sourcing Toxic Emissions & Waste Packaging Material & Waste Electronic Waste Clean Technology Green Building Renewable Energy

ISO 14001:2015 Environmental management systems - Requirements with guidance for use;

ISO 14067:2018 Greenhouse gases - Carbon footprint of products - Requirements and guidelines for quantification;

ISO 14064: Greenhouse Gas Accounting and Verification;

ISO 14064-1:2018 Greenhouse gases - Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals;

ISO 14064-2:2019 Greenhouse gases - Part 2: Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emission reductions or removal enhancements

ISO 14064-3:2019 Greenhouse gases - Part 3: Specification with guidance for the verification and validation of greenhouse gas statements;

ISO 50001:2018 Energy management systems - Requirements with guidance for use;

ISO 45001:2018 Occupational health and safety management systems - Requirements with guidance for use

ISO 22301:2019 Security and resilience - Business continuity management systems — Requirements;

ISO 28000:2007 Specification for security management systems for the supply chain;
 ISO 9004:2018 Quality management - Quality of an organization - Guidance to achieve sustained success.

Table 3: ESG- Integrated management system (Social).

ESG-Integrated management system (Social)		
GRI Standard & CSR Report	Sustainable Development Goal (SDG)	MSCI ESG Key Issues
GRI 401 : Employment GRI 402 : Labour/Management Relations GRI 403 : Occupational Health and Safety GRI 404 : Training and Education GRI 405 : Diversity and Equal Opportunity GRI 406 : Non-discrimination GRI 407 : Freedom of Association and Collective Bargain GRI 408 : Child Labour GRI 409 : Forced or Compulsory Labour GRI 410 : Security Practices GRI 411 : Rights of Indigenous Peoples GRI 412 : Human Rights Assessment GRI 413 : Local Communities GRI 414 : Supplier Social Assessment GRI 415 : Public Policy GRI 416 : Customer Health and Safety GRI 417 : Marketing and Libelling GRI 418 : Customer Privacy GRI 419 : compliance with laws and regulations	1. No Poverty 3. Good Health and Well-being 4. Quality Education 5. Gender Equality 8. Decent Work and Economic Growth 10. Reduced Inequalities	labour Management Health & Safety Human Capital Development Supply Chain labour Standards Product Safety & Quality Chemical Safety Financial Product Safety Privacy & Data Security Responsible Investment Insuring Health & Demographic Risk Controversial Sourcing Access to Health Care Opportunities in Nutrition & Health Access to Health Care Opportunities in Nutrition & Health

ISO 45001:2018 Occupational health and safety management systems - Requirements with guidance for use
 ISO 22301:2019 ISO 22301:2019 Security and resilience - Business continuity management systems -Requirements;
 ISO 26000:2010 Guidance on social responsibility
 ISO 27001:2013 Information technology - Security techniques - Information security management systems - Requirements
 ISO 28000:2007 Specification for security management systems for the supply chain
 ISO 22000:2018 Food safety management

Table 4: ESG- Integrated management system (Governance).

ESG-Integrated management system (Governance)		
GRI Standard & CSR Report	Sustainable Development Goal (SDG)	MSCI ESG Key Issues
GRI 101 : Basic GRI 102 : General Disclosures GRI 103 : Management Approach GRI 201 : Economic Performance GRI 202 : Market Presence GRI 203 : Indirect Economic Impacts	9. Industry, Innovation and Infrastructure 12. Responsible Consumption and Production 16. Peace, Justice and Strong Institution 17. Partnerships for the Goals	Board Pay Ownership Accounting Business Ethics Anti-Competitive Practices Tax Transparency Corruption & Instability Financial System Instability



GRI 204 : Procurement Practices		
GRI 205 : Anti-corruption		
GRI 206 : Anti-competitive Behaviour		

ISO 37001:2016 Anti-bribery management systems - Requirements with guidance for use
 ISO 9001:2015 Quality management systems - Requirements
 ISO 9004:2018 Quality management - Quality of an organization - Guidance to achieve sustained success;
 ISO IEC Directives, Part1 Consolidated ISO Supplemental - Procedures specific for ISO (2020) Annex SL (normative) Proposals for management system standards.
 The OECD Principles of Corporate Governance;
 SASB Sustainability Accounting Standards;
 ISO/IEC 20000-1:2018 Information technology - Service management - Part 1: Service management system requirements;
 ISO 27001:2013 Information technology - Security techniques - Information security management systems - Requirements;
 ISO 37001:2016 Anti-bribery management systems - Requirements with guidance for use
 ISO 56002:2019 Innovation management - Innovation management system - Guidance;
 ISO 9001:2015 Quality management systems - Requirements;
 ISO 9004:2018 Quality management - Quality of an organization - Guidance to achieve sustained success;
 ISO IEC Directives, Part1 Consolidated ISO Supplemental - Procedures specific for ISO (2020) Annex SL (normative) Proposals for management system standards.

The company's report shall disclose its identified material economic, environmental, and/or social topics, its management approach, its topic-specific disclosures for each material topic, and the reporting requirements for those disclosures, and shall be in accordance at least with the core option set out in the GRI Standards. The ESG service team can assist Taiwanese listed companies to prepare the previous year's corporate social responsibility report (CSR), and more importantly, assist in the introduction of an ESG integrated management system to comply with SGS international certification and MSCI ESG ratings. The ESG - integrated management system integrate air pollution, water pollution, noise, energy conservation and emission reduction (CO₂), climate change related management systems; integrate HR management, employee safety and health management, green supply chain management, welfare system, public welfare activities, conflict of stakeholders, product design and life cycle management control related management systems; and integrate the board of directors management and supervision, donations and political lobbying, corruption and bribery related management systems. The ESG service team applied ISO/IEC Directives, Part 1, Consolidated ISO supplement in its Annex SL and proposed "High Level Structure (HLS)" to solve the complexity of management system integration, as shown (Table 2,3,4).

Conclusion

As Dr. Chen Shu pointed out that using scientific leadership and

management to shape the "Zhong Dao" culture, in the upper level, it is necessary to construct a vision that is both competitive and attractive, to carry the mission of peace for all generations, to foresight, perseverance, and to sincere cooperation and in high-quality competition; in the foundation level, it is the innovation of technological capabilities, the cultivation of talents and the pursuit of excellence; in the individuals level, it is the ethics between individuals and families and organizations. The core concept is the key to concentricity, like the trunk of a big tree, and its branches and leaves are like open sunshine and air, competition and cooperation are like the soil, integrity is like the root of a big tree, and excellence and innovation are like flowers and fruits. According to this, the introduction of ESG in listed companies is also the same. Leaders must know "seek commonality in differences" and lead different people in the same direction; management must know "seeking differences in commonality" and under the same direction, let everyone do their own efforts. Therefore, the leader of an organization leads the organization to what level of the configuration, depending on the tacit knowledge accumulated by the leaders over the years and the explicit knowledge formed through the transformation of the data → information → knowledge, then wisdom is formed by the conversion of the two kinds of knowledge, and leads the stakeholders with wisdom. Therefore, an organization can establish a vision for the organization's sustainable development in the future; formulate reasonable goals; develop effective strategies;

take feasible action plans; monitor and adjust goals, strategies, and plans (Figure 5).

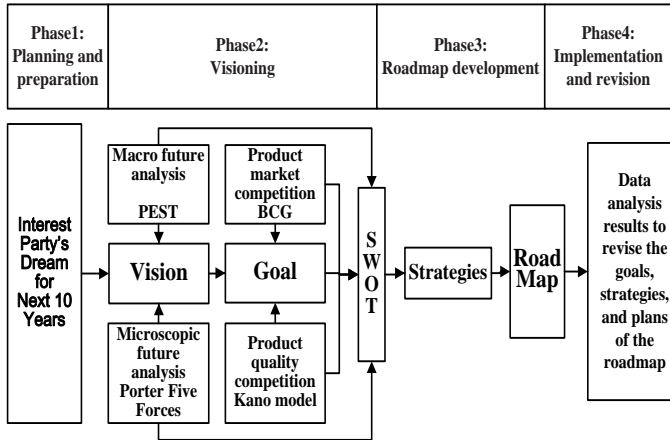


Figure 5: The formation of visions, goals, strategies, and plans.

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