



## ESG Integration: An Overview of ISO 9001:2015

There are two emerging trends that have been pushing for the reporting of environmental, social and governance (ESG) information for investors:

- a) Stock exchanges requiring companies to report on ESG issues, which will affect any investment with an initial public offering (IPO) ;
- b) Government regulations mandating that certain companies, both public and private, report this type of non-financial information.

ESG refers to the three main subject areas of sustainable development for measuring the risks and opportunities on business performance. Each of these factors covers issues including but not limited to:

- 1) Environmental factors include gas emissions, pollution, natural resource consumption, waste management and associated opportunities to reduce environmental impact.
- 2) Social factors including a wide range of issues related to stakeholders, such as health and safety for employees, human rights, community development, and labour standards.
- 3) Governance is the system of internal policies, procedures and controls that makes up the management structure of a company. Factors include director remuneration, regulatory compliance, conflicts of interest, risk management and transparency.
- 4) Product responsibility is the subject area concerning customers, including quality, health and safety, and environmental responsibilities for products and services, as well as ethical marketing.

ESG integration refers to the incorporation of ESG subject areas, aspects and key performance indicators into the corporate strategy and processes of the organization. This requires the integration of different management systems (ISO 9001, ISO 14001, OHSAS 18001 and other standards) into a single responsible management system.



# RMSA

The ISO 9001:2015 is designed to make the standard more generic for the ESG integration, which can be explained by the following clauses:

- 1) The high-level structure is to ensure all management standards can share same common system processes.
- 2) “Interested parties, needs and expectation” (Clause 4.2) has been addressed, which is considered to be one of the most modern corporate governance principles.
- 3) ESG risks and opportunities can be made reference to many places in the ISO 9001:2015 standard, from risk assessment in Section 4.4 “Quality management system and processes”, leadership issues in Section 5.1.1 and “Actions to address risks and opportunities” (Clause 6.1.2), to risk-based approaches in “Operational planning and control (Clause 8.1) and Management review (Clause 9.3).
- 4) The term “documented information” replaces the previous terms “documents” and “records”. This provides users with more flexibility to include the ESG information.
- 5) The scope of the management review is extended by the addition of the aspects “strategic direction of the organization”, consideration of the “relevant interested parties” and “assessment of risks and opportunities” at the strategic level. This can be also applicable to ESG integration.
- 6) “Planning of changes” (Clause 6.3) includes the consideration of change to the management system, which sets the requirements to ensure that the sustainable management system can be carried out in a planned manner.
- 7) The ISO 9001:2015 brings a clear emphasis on the importance of both internal and external communication (Clause 7.4), which is suitable for ESG disclosure and reporting to the investors and regulators.