

ESG

QUICK GUIDE FOR MSMEs

ESG Quick Guide for MSMEs
First Publication December 2023

Second Print (November 2024)

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Published by:

SME Corporation Malaysia

Level 6, Block B, Platinum Sentral

Jalan Stesen Sentral 2

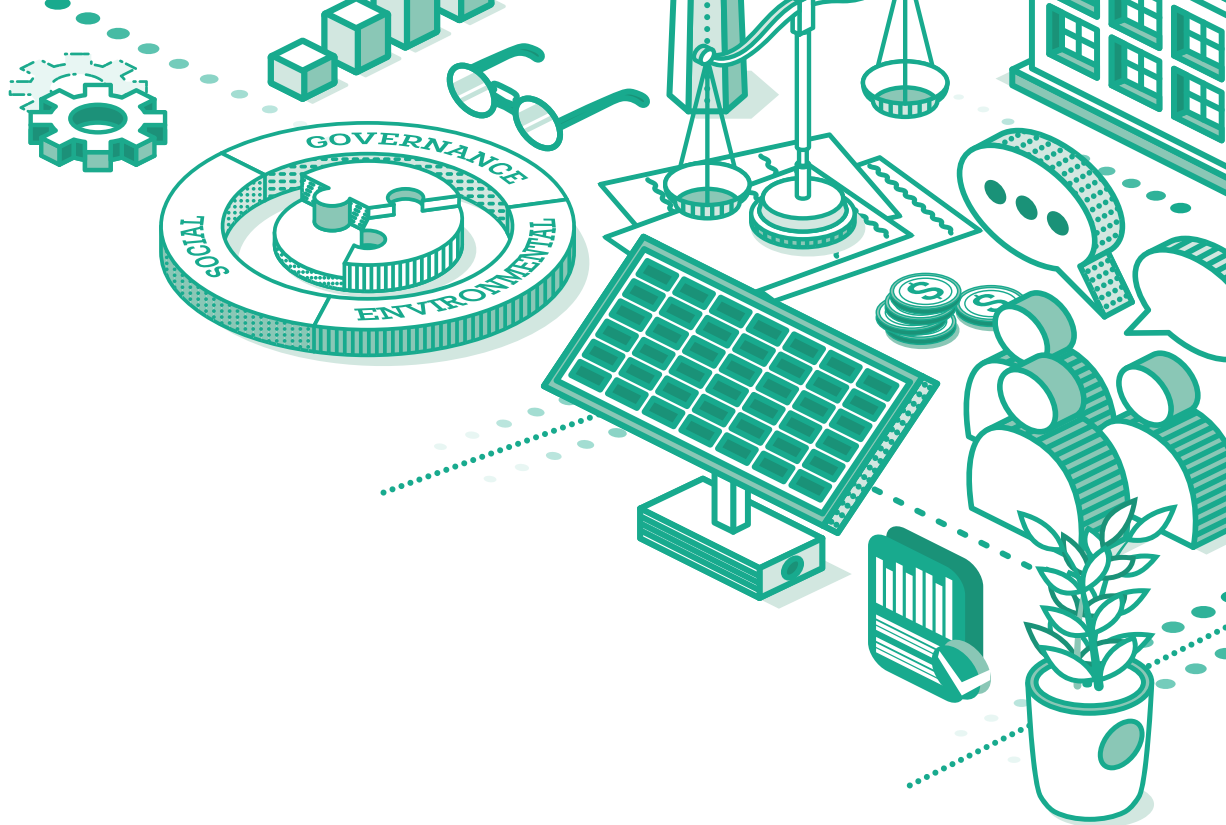
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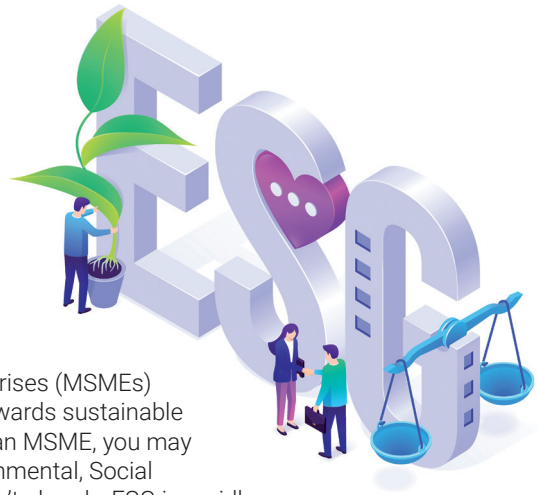
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1. Introduction: Simplifying ESG for MSMEs



In Malaysia, micro, small and medium enterprises (MSMEs) stand at the forefront of a significant shift towards sustainable and ethical business practices. As a Malaysian MSME, you may soon encounter questions about your Environmental, Social and Governance (ESG) metrics — if you haven't already. ESG is rapidly becoming a vital benchmark for businesses globally, influencing not just investor decisions but also shaping customer preferences and public perception.

1.1 What is ESG?

ESG represents a holistic approach to assessing a company's commitment to sustainable practices, social responsibility and ethical governance. More than just a rebranding of Corporate Social Responsibility (CSR), ESG demands greater transparency and encompasses financial risks associated with sustainability efforts.



Environmental

Conservation and Stewardship:

A focus on how your business minimises its environmental footprint through waste reduction, energy efficiency and sustainable resource use.

Climate Commitment:

Your initiatives to combat climate change, such as reducing greenhouse gas emissions or supporting reforestation projects.



Social

Community and Workforce:

How you foster a fair, diverse and inclusive workplace and your contributions to community development.

Consumer Relations:

Your commitment to customer welfare, privacy and trust.



Governance

Integrity and Compliance:

The structures in place to ensure your business operates transparently, complies with regulations and aligns with ethical codes.

Strategic Oversight:

How leadership and board decisions reflect your ESG commitments.

1.2 Why ESG Matters for Malaysian MSMEs

Adopting ESG is not just a strategic move for Malaysian MSMEs; it is becoming an operational necessity. Here is why:

- **Regulatory Momentum**

With Bursa Malaysia mandating ESG disclosures for Public Listed Companies (PLCs), a ripple effect is influencing the entire business ecosystem. MSMEs, often part of the PLCs' supply chains, are increasingly expected to align with these standards, preparing for a future where ESG compliance may become a universal business requirement.

- **Global Standards and Market Access**

International trade and market access are pivoting towards sustainability. Initiatives like the EU's Carbon Border Adjustment Mechanism (CBAM) mean that environmental credentials will have a direct impact on market entry and competitiveness. MSMEs with robust ESG practices will be better positioned to navigate these global shifts and capitalise on new opportunities.

- **Investment Attraction and Operational Efficiency**

Beyond compliance, strong ESG practices are a magnet for investment, attracting financiers who prioritise sustainability and governance in their portfolios. Additionally, ESG-focused operations tend to lead to resource efficiency, energy savings and waste reduction, driving down costs and improving resilience.

- **Brand Reputation and Consumer Loyalty**

In a market where consumers are increasingly conscious of their choices, ESG alignment can significantly bolster your brand's reputation, earning customer trust and loyalty. It is not just about meeting expectations but exceeding them, by demonstrating a commitment to broader societal and environmental goals.

- **Innovation and Talent Acquisition**

ESG is a catalyst for innovation, pushing MSMEs to explore new, sustainable ways of doing business. It also plays a critical role in attracting and retaining talent, particularly as the workforce becomes more discerning, seeking out employers with strong sustainability credentials and ethical practices.

1.3 ESG as an Essential Strategy

For Malaysian MSMEs, ESG is more than a growth strategy; it is a vital framework for future-proofing their businesses. As regulatory requirements tighten and global markets demand greater sustainability, ESG offers a path to not only comply but to excel. Embracing ESG is an investment in the future — one that position MSMEs for enduring success in a world where sustainability is not just valued but expected.



2. The Impact of ESG on Malaysian MSMEs

For MSMEs in Malaysia, ESG factors are becoming vital considerations, influencing everything from investment decisions to day-to-day operations. While ESG reporting has traditionally been the domain of large, public-owned companies to attract investors, its principles are increasingly relevant to MSMEs as well.



2.1 Why ESG Matters for MSMEs

Clients and consumers are starting to look beyond the financials, keen to understand the broader impact of their business relationships. For an MSME, this means that your approach to managing emissions, energy, water, waste and material sourcing—elements of the **Environmental** aspect of ESG — is now under the microscope.

In the **Social** aspect, practices regarding human rights, employee management, workplace diversity, safety and health, and community engagement are becoming differentiators in the market. How you handle these areas can shape your brand and define your relationship with both the community and your workforce.

On the **Governance** side, structures and policies around risk management, anti-corruption measures and customer privacy are critical for building trust and ensuring compliance with increasing regulatory scrutiny.

2.2 The Trickle-down Effect on MSMEs

MSMEs are increasingly recognising the importance of ESG practices, especially as they collaborate with larger PLCs that are leading the charge in sustainability. For instance, PLCs like Petronas and Sunway Berhad, known for their robust ESG frameworks, expect their network of suppliers and partners, many of which are MSMEs, to uphold similar standards.

As these industry giants integrate ESG into their core operations, they influence the entire supply chain, creating a powerful domino effect. For an MSME, this could mean that adopting sustainable practices is not just good for the planet but it is also a strategic business move to maintain strong relationships with big players and stay competitive in the market. Whether it is reducing carbon emissions or ensuring fair labour standards, aligning with these practices opens doors to new opportunities and secures a place within the value chain of ESG-committed PLCs.

CONSIDER THIS SCENARIO



A large corporation embarks on a project that has environmental and social impacts. If an MSME is involved in this project, the corporation will expect the MSME to account for — and mitigate — its share of the overall impact. This is not just about corporate responsibility; it is about shared values and joint stewardship of resources.



2.3 Implementing ESG in MSMEs

For ESG initiatives to be effective, they must be more than a one-department show. It requires commitment from the highest levels of leadership and active participation across the organisation:

- **Leadership Buy-in:** Executives must endorse and actively support ESG initiatives.
- **Cross-departmental Collaboration:** ESG touches all areas of a business, from operations and human resources to IT and finance.
- **Comprehensive Strategy:** ESG is an overarching strategy that integrates into every aspect of business decision-making and practice.
- **Cultural Shift:** Adopting ESG is about changing the company culture to prioritise sustainable and ethical practices in every business activity.

As ESG becomes more embedded in business practices globally, MSMEs that proactively adopt these measures will not only future proof their operations against regulatory changes but also set themselves apart in a competitive marketplace. It is about understanding the total impact of your business and taking responsibility for that impact — environmentally, socially and in governance.

3. Step by Step Guide on Integrating ESG into Your Business



In the landscape of ESG reporting, it is crucial for MSMEs to navigate with a clear and structured approach. Each sustainability indicator your business addresses must be backed by a strong framework, ensuring that your reporting is not only comprehensive but also meaningful. This framework is built on four key components that collectively bring depth and transparency to your ESG disclosures – goal setting, strategy, reporting and monitoring. These components are essential for communicating your sustainability journey, demonstrating progress and conveying your commitment to stakeholders. To distinguish trend-setter apart from novices, we will also introduce the concept of reporting levels, enabling MSMEs to evolve from foundational reporting practices to more advanced disclosures.

Tier 1: Starting up	Tier 2: Improving	Tier 3: Trend-setting
Focused on immediate and direct control, entry-level reporting is designed for MSMEs new to ESG. It covers basic disclosures like direct energy consumption, waste management practices and internal governance structures.	This level guides MSMEs on documenting and reporting improvement plans and actions. It may include aspects like carbon footprint reduction programmes, employee welfare initiatives and enhanced governance practices.	Aimed at MSMEs ready to take a leadership role in ESG, high-level reporting encompasses disclosures that show the company's influence on its supply chain, industry and broader community. This includes extended sustainability projects, advocacy and contributions to public policy discussions on sustainability.

Once MSMEs have decided on their reporting Tiers, they can immediately start with Step 1.

Step 1: Setting the relevancy of ESG to your business

This template is designed to help you determine the importance of ESG for your business through pragmatic considerations. It is common to follow industry trends or mimic competitors, but a deeper self-inquiry into the 'why' behind our actions often reveals more compelling reasons that not only motivate us but also encourage collective commitment from our team. Identify the aspects of ESG most pertinent to your company from the provided suggestions. The narrative that is matched will become your unique ESG story, you can adapt and refine to reflect your business's values and strategic direction.

Template 1: ESG Relevancy

Aspect of relevance	Tick if relevant	Suggestions for company's ESG narrative
Requirement of buyers	<input type="radio"/>	We are adopting ESG practices in response to the evolving demands of our buyers. As they increasingly prioritise sustainability, our alignment ensures we meet their criteria, facilitating smoother transactions and fostering long-term partnerships.
To stay competitive in the market	<input type="radio"/>	Staying competitive means staying ahead and ESG is the new frontier of business excellence. By embedding ESG into our operations, we position ourselves as forward-thinking and innovative ready to lead in a market that values sustainability.
Can reduce operation cost	<input type="radio"/>	Though ESG initiatives focused on efficiency and resource management, we aim to reduce our operational costs. Sustainable practices, such as energy conservation and waste reduction, not only benefit the environment but also our bottom line.
Legal & regulatory requirement	<input type="radio"/>	Legal and regulatory landscapes are rapidly evolving to incorporate ESG standards. We are proactively adopting ESG to ensure compliance, thus avoiding potential penalties and disruptions, and demonstrating our commitment to lawful operations.
To attract or retain employees	<input type="radio"/>	In an effort to attract and retain the best talent, we are committed to ESG principles that resonate with the values of a modern workforce. This enhances our appeal as a progressive employer and fosters a culture of purpose and engagement.
Able to benefit from tax incentives	<input type="radio"/>	By adopting ESG practices, we can leverage government tax incentives designed to encourage sustainable development. This not only assists in financing our ESG initiatives but also reflects our role in contributing to national sustainability goals.
Generate higher profits	<input type="radio"/>	Our ESG commitment is a strategic choice to generate higher profits. Businesses with strong sustainability records often enjoy increased profitability through operational efficiencies, enhanced brand loyalty and access to capital.
Improve brand image or business reputation	<input type="radio"/>	ESG is integral to enhancing our brand image and business reputation. In a world where consumers and stakeholders increasingly make value-based decisions, a robust ESG profile distinguishes us as a responsible and trustworthy brand.
Can expand my market	<input type="radio"/>	Adopting ESG opens doors to new markets and customer segments that prioritise sustainability. It allows us to innovate and diversify our offerings, catering to a broader audience and expanding our market reach.
I really want to do good while earning profit	<input type="radio"/>	At the core of our business philosophy is the belief that profit and purpose are not mutually exclusive. Adopting ESG reflects our commitment to doing good for society and the planet, while simultaneously achieving our financial objectives.

TIPS

ESG is for you, unless all the aspects above are not relevant to your business

Step 2: Materiality matrix

Building an effective materiality matrix is crucial for businesses to prioritise and focus their sustainability efforts. To assist MSMEs in this complex task, we present a user-friendly materiality matrix template based on 13 basic indicators for MSMEs to adopt.

ENVIRONMENTAL

- 1 Emission Management
- 2 Energy Management
- 3 Water Management
- 4 Waste Management

SOCIAL

- 5 Labour Practices & Standards
- 6 Safety & Health
- 7 Employee Benefits
- 8 Corporate Social Responsibility

GOVERNANCE

- 9 Culture & Commitments
- 10 Integrity & Anti-corruption
- 11 Risk Governance & Internal Controls
- 12 Decision Making & Strategic Oversight
- 13 Disclosure, Transparency & Data Protection



Low hanging fruit



Longer term

Template 2: Materiality Matrix

ESG Indicators	A	B	C
	Significance to Stakeholders (1-10)	Impact to Business (1-10)	Total Score
Emission Management	8	7	15
Energy Management			
Water Management			
Waste Management			
Labour Practices & Standards			
Safety & Health			
Employee Benefits			
Corporate Social Responsibility			
Culture & Commitments			
Integrity & Anti-corruption			
Risk Governance & Internal Controls			
Decision Making & Strategic Oversight			
Disclosure, Transparency & Data Protection			

Score:

Low (1-3): These issues might not affect your business much right now, so just keep an eye on them for any future changes.

Moderate (4-7): These are important issues that could have some effect on how you run your business or what your stakeholders care about soon.

High (8-10): These issues are very important right now. They have a big effect on your business and are likely to influence how stakeholders see you.

Purpose of the Template

The materiality matrix template assists MSMEs in pinpointing and prioritising ESG topics (based on the ESG indicators) by significance to stakeholders and business impact, guiding strategic focus and reporting efforts.

Instructions for the Materiality Matrix Template

1. **Identify ESG Topics:** Compile a comprehensive list of ESG topics relevant to your industry and business operations.
2. **Scoring Discussion:** Score each ESG topic's significance to stakeholders and potential business impact on a scale of 1 to 10.
3. **Plot on the Matrix:** Based on the scores, plot each ESG topic on the matrix, which has two axes, namely Significance to Stakeholders (column A) and Business Impact (column B).
4. **Document the Process:** Record the scoring rationale, discussions and any specific insights that emerge during the process for future reference.
5. **Periodic Re-evaluation:** Commit to revisiting the matrix regularly or when significant business changes occur, to ensure it remains reflective of the current ESG landscape.

Tier-specific Stakeholder Engagement

1. **Tier 1 (Initial Internal Assessment):** Begin with internal discussions among your team to establish preliminary scores. Internally answer column A and column B.
2. **Tier 2 (Internal Stakeholder Expansion):** Include a wider range of employees and management in the scoring process for more diverse perspectives. Internally answer column A and column B, but column B should include respondents from employees and management.
3. **Tier 3 (Comprehensive Assessment with External Stakeholders):** Solicit input from clients, vendors, community members and other relevant external stakeholders to finalise the scores, ensuring a holistic view. Column A includes respondents from external stakeholders and column B includes respondents from internal stakeholders.

Guidance on Using the Template

Using the Materiality Matrix Template is straightforward and the following steps can further smoothen the process:

1. **Identify ESG Topics:** Begin by listing down all potential ESG topics relevant to your business. This could be based on industry norms, stakeholder feedback or internal assessments.
2. **Engage Stakeholders:** Before plotting the topics on the matrix, engage with your stakeholders. Understand which topics matter the most to them.
3. **Rank by Business Impact:** Evaluate each ESG topic based on its potential impact on your business. Consider both opportunities and risks associated with each topic.
4. **Plot on the Matrix:** The matrix has two axes namely Significance to Stakeholders and Business Impact. Plot each ESG topic based on its relevance to these two parameters.
5. **Reevaluate Periodically:** As business dynamics and stakeholder expectations evolve, revisit the matrix periodically to ensure its continued relevance.

TIPS

- Topics should be ranked based on their total score, helping in prioritising them.
- Businesses can customise the matrix by adding more rows or adapting the ranking system to better fit their specific contexts.

Step 3: ESG goal setting

This step guides MSMEs in forming their ESG ambitions into clear, actionable goals. With this tool, you can efficiently translate ESG aspirations into real-world impact. SMART goals are a foundational element in effective business planning, ensuring that objectives are clear and reachable within a specified time frame. When it comes to ESG reporting, SMART goals enable MSMEs to articulate their sustainability objectives in a way that is both transparent and accountable.

Template 3: ESG Goal Setting

Objective	Framework Alignment	SMART Goal	Responsible Person/Team	Resources Needed	Review Period	Notes/ Comments
e.g. Reduce carbon footprint	SDG 13: Climate Action	Reduce office energy consumption by 25% in 2 years	Facilities Manager	Budget for energy-efficient appliances, training sessions	Bi-annually	Initial focus on upgrading lighting systems

How to use the template

1. **Objective Definition:** Start by defining the overarching ESG objective. This could be related to environmental conservation, social responsibility or governance enhancement.
2. **Alignment with Frameworks:** Identify which global (e.g. Sustainable Development Goals, SDG) or national (e.g. Malaysia's Nationally Determined Contribution, NDC) frameworks your objective aligns with. This aids in positioning and benchmarking.
 - **SMART Goal Setting:** For each objective, define a specific SMART goal to ensure clarity and measurability.
 - **Specific:** Clearly define what you aim to achieve. Instead of "reduce emissions", consider "reduce emissions by 20%".
 - **Measurable:** Ensure there is a metric in place. For example, measure the decrease in kilowatt-hours when aiming to reduce energy consumption.
 - **Achievable:** Your goals should be ambitious yet grounded. This balance ensures motivation remains high and the goals are attainable.
 - **Relevant:** Make sure the goal aligns with both your business's needs and broader ESG concerns. A manufacturing firm might prioritise waste reduction over, say, social community events.
 - **Time-bound:** Attach a deadline. "Reduce emissions by 20% in 3 years" gives a clear timeline, aiding in planning and urgency.
3. **Resources & Responsibilities:** Define who within your firm is responsible for this goal and what resources they might require. This could range from dedicated budgets to specific training.
4. **Review Periods:** Determine when you will review progress towards each goal, be it quarterly, bi-annually or annually.
5. **Notes / Comments:** Use this space to jot down any specific challenges, opportunities or additional details related to each goal.

Note: The purpose of this guide is not to set these goals for MSMEs but to provide a framework for how to disclose them effectively – so the above are just examples, but you can adopt them if you like too. The elements of a goal that need to be disclosed should give stakeholders a clear picture of the business's ESG trajectory and its commitment to continuous improvement.

With an understanding of SMART goals, let's explore how they can be applied across different reporting levels:

- **Tier 1:** Goals here should be straightforward and focused on immediate impacts. For example, an entry-level goal might be to "Reduce water usage in the manufacturing process by 15% within the next 12 months through the installation of water-efficient equipment."
- **Tier 2:** At this stage, goals should demonstrate a commitment to improvement and broader impacts. A mid-level goal might involve "Increasing supplier adherence to the company's new sustainability standards by 50% in two years."
- **Tier 3:** Goals at this level reflect an MSME's influence on broader ESG issues and its leadership within the industry. A high-level goal could be "Achieving carbon neutrality by 2030 by investing in renewable energy and offsetting remaining emissions."



Use the Tables in Steps 4 - 6. Remember, the key is to start with clear intentions, use the template as a guide and remain flexible to adapt as your ESG journey evolves.

Step 4: Showcasing integration of E indicators in your business

Indicators	Description (what is it about)	SMART Goals (what you aspire to achieve)	Strategy (what are your plans)	Progress (how you are doing so far)
Emission Management	Greenhouse gas (GHG) emissions by your organisation	Tier 1: Disclose current emissions levels.	Tier 1: State the absence of an active mitigation strategy.	Tier 1: Report on current emission levels. • Calculation of emission (MGTC - SME Carbon Footprint Calculator, and others) • Calculation of emission from vehicle, electricity usage and others
		Tier 2: Disclose current emissions levels and targeted reductions.	Tier 2: Outline plans for mitigation within the company.	Tier 2: Document initiatives and progress. Example of initiatives: • Save electricity / petrol / diesel • Subscribe to Green Electricity Tariff (GET) • Use energy efficiency devices, LEDs • Install solar panels • Switch to electric / hybrid vehicles • Use renewable energy
		Tier 3: Disclose current emissions levels and ambitious industry-leading targets, including supply chain impact.	Tier 3: Detail comprehensive strategies extending to the supply chain.	Tier 3: Share detailed progress, including industry benchmarks.
Energy Management	Total energy consumption within the organisation	Tier 1: Disclose current energy consumption.	Tier 1: Describe current status without active reduction strategies.	Tier 1: Report on current energy consumption trends.
		Tier 2: Disclose targeted energy efficiency improvements.	Tier 2: Outline specific actions to improve energy efficiency.	Tier 2: Document efforts and outcomes related to energy efficiency.
		Tier 3: Disclose plans for significant energy transition initiatives.	Tier 3: Provide details on transition strategies, including external partnerships.	Tier 3: Share comprehensive progress, including benchmarks and external collaborations.
Water Management	Total volume of water used	% of reduced water consumption by the business.	Records on monitoring water use.	• Installing rainwater harvesting for irrigation. • Utilise alternative water source for irrigation purposes. • Adopt efficient water usage techniques.
Waste Management	Total waste generated	• % of waste recycled achieved by business. • % of waste reduction achieved by business.	Records of waste generated and recycled in the business.	• Re-use, recycle and repurpose wastes into another product. • Implementation of proper storage and transportation facilities to prevent product spoilage.

Step 5: Showcasing integration of S indicators in your business

Indicators	Description (what is it about)	SMART Goals (what you aspire to achieve)	Strategy (what are your plans)	Progress (how you are doing so far)
Labour Practices & Standards	Minimum standards of employee's rights	<ul style="list-style-type: none"> • % of compliance to minimum standards of employee's rights. • % of female employees. • No. of people hired from groups with difficulty in finding employment, e.g. youth, people with reduced work ability. 	<ul style="list-style-type: none"> • Written policy on minimum labour practices and standards of firm. • Salary statement by gender (gender pay ratio). • Award / recognition on good labour practices. 	<ul style="list-style-type: none"> • Pay the set minimum wage for all employees. • Have minimum age of 18 years old for all full-time employees. • Set policy which sets out clear commitments and targets to support gender equality, racial diversity & equal opportunity and remuneration.
Safety & Health	Occupational safety & health (OSH)	% of reduced workplace incidents, accidents and near misses.	<ul style="list-style-type: none"> • Written policy on OSH of the firm. • Records workplace incidents, accidents and near misses. 	<ul style="list-style-type: none"> • Set OSH policy. • Implement OSH management system.
	Employees protection	% of employees protected in case of mishaps.	Insurance policy documents.	<ul style="list-style-type: none"> • Insurance policies in place for employees and industrial injury claim (e.g. SOCSO). • Employment insurance.
Employee Benefits	Employees security	% of employees' retention.	Employee turnover.	<ul style="list-style-type: none"> • Formal contracts of employment. • Formal and functional grievance mechanism for employees.
	Talent development	<ul style="list-style-type: none"> • % of employees trained . • % uptake of employee well-being programmes. 	<ul style="list-style-type: none"> • List of trainings conducted. • Salary increase information. • Facilities established for employees. 	<ul style="list-style-type: none"> • Undertake employee benefits programmes such as training, childcare, cafeteria, etc. • Access to preventive care for employees (well-being programmes, such as mental health, counselling, nutrition and fitness).
Corporate Social Responsibility	Community development programmes	<ul style="list-style-type: none"> • % of profits contributed to community development. • % of the workforce participating in volunteer programmes. 	<ul style="list-style-type: none"> • Listing of community programmes participated / CSR activities. • Changes in livelihoods due to company-supported community. • Award / recognition on community programmes. 	Provides sponsorships / donations or have formal community development programmes.

Step 6: Showcasing integration of G indicators in your business

Indicators	Description (what is it about)	SMART Goals (what you aspire to achieve)	Strategy (what are your plans)	Progress (how you are doing so far)
Culture & Commitment	Firm's vision and culture	Operate a legal & valid business.	<ul style="list-style-type: none"> • Business registration & relevant licenses. • Written vision, mission & core value of firm. • Publish statement relating to sustainability / ESG practices in website, business Standard Operating Procedure (SOP), reports, etc. 	<ul style="list-style-type: none"> • Register business and comply with relevant laws & regulation under SSM / respective authorities / district offices. • Develop vision, mission and core values of firms. • Include ESG goals in core values of firm.
	Organisation structure	Have defined organisation structure.	<ul style="list-style-type: none"> • Display organisational chart in website, office. • Publish employee handbook. 	<ul style="list-style-type: none"> • Develop proper organisation structure with key management team, roles, responsibilities, reporting lines and authorities. • Develop employee's handbook.
	Commitment to good governance	Have a defined good governance policy.	<ul style="list-style-type: none"> • Records of meeting minutes. • Records of SOP documents. 	<ul style="list-style-type: none"> • Develop SOP / policy documents to operate business (e.g: business code of conduct, ISO certifications). • Disseminate SOP, policy documents minutes via email / memo etc.
Integrity & Anti-corruption	Guidelines to prevent misconduct / corruption	<ul style="list-style-type: none"> • Have code of ethics / business-conduct policy. • Obtain certification related to anti bribery. • Zero corruption. 	<ul style="list-style-type: none"> • Statement / memo on code of conduct / anti-corruption activities. • ISO 37001 / MS ISO 37001 on Anti-Bribery Management System. • Whistle Blowing Policy. • Publish code of ethics / business-conduct policy. • Display statement on anti-corruption activities. • Awards and recognition on business conduct. 	<ul style="list-style-type: none"> • Develop code of ethics / business-conduct policy. • Develop no gift policy. • Develop policy on other corruption-related activities that may affect business operation e.g. hospitality; dealings with partners, suppliers & public officials; political contributions; sponsorships & charitable donations. • Adoption of the Corporate Integrity System Malaysia (CISM). • Obtain ISO 37001 / MS ISO 37001.
Risk Governance & Internal Controls	<ul style="list-style-type: none"> • Internal controls - focus on risks to firm's operation and how to control it • Audit - examine issues related to company business practices & risks and financial records 	Review firm's internal control and risk management.	<ul style="list-style-type: none"> • Profit & loss statement. • Tax statement. • Management account Audited financial account. • Annual report. 	<ul style="list-style-type: none"> • Create official firm's bank account (separate from founder's). • List down risks / challenges that could impact the business. • Do filing on tax payments. • Establish in-house internal audit or hire external auditor.

Indicators	Description (what is it about)	SMART Goals (what you aspire to achieve)	Strategy (what are your plans)	Progress (how you are doing so far)
Decision Making & Strategic Oversight	Board of Directors (BOD) & Management	<ul style="list-style-type: none"> • Have a structured management structure with key roles defined. • Set up formal BOD structure and charters • Provides oversight of firm's overall sustainability strategy and direction. 	<ul style="list-style-type: none"> • List of Management Team / key decision makers and their roles & functions. • Documents on roles, composition of BOD & compensation criteria. • Display structure of BOD and Key Management Team in website / printed materials. • Record minutes of BOD / Management meetings. 	<ul style="list-style-type: none"> • Establish a management team. • Establish a sustainability team. • Establish BOD and their roles in sustainability. • Conduct Board / Management meeting, AGM, corporate events.
	Business Continuity Plan (BCP)	<ul style="list-style-type: none"> • Have a succession plan. • Business survivability in mishaps. 	Document of Business Continuity Plan (BCP).	<ul style="list-style-type: none"> • Adopt Business Impact Analysis (BIA) framework. • Buy insurance to protect business from mishaps and natural disaster. • Develop people within the firm to fill key positions in the future or to replace key persons in the event of sudden absence.
Disclosure, Transparency & Data Protection	Financial & non-financial disclosures	<ul style="list-style-type: none"> • Increase accessibility for funding. • Increase market / sales / profits. 	<ul style="list-style-type: none"> • Records of basic bookkeeping / accounting standard. • Financial statement. • Annual report. • Awards & recognition. • Publish achievement in website / social media. 	<ul style="list-style-type: none"> • Develop basic bookkeeping / accounting standard. • Produce financial statement (monthly, quarterly, yearly). • Publish an annual report. • Disclose non-financial company information, including past performance & potential opportunities and information on the company's governance practices. • Disclose financial statements and reporting.
	Data privacy and protection	Reduce / zero data breaches	<ul style="list-style-type: none"> • Clear policy on data usage / sharing. • Document on cybersecurity policy. • List of training conducted in data privacy & security. 	<ul style="list-style-type: none"> • Restrict network access. • Enforce password management guidelines. • Maintain regular back ups. • Embark into cloud initiatives to reduce physical servers. • Use consent and privacy of individuals in data collection and usage. • Adopt privacy by default. • Establish cybersecurity measures to protect data. • Cyber-attack drills. • Training & communication in data privacy & security.

Step 7: Reporting ESG progress

An effective ESG monitoring system not only assesses progress but also communicates it clearly to stakeholders. Below are the essential elements to be disclosed for effective monitoring and reporting progress of each ESG parameter.

Key Elements of a Monitoring Table:

- **Baseline and Duration:** Define the starting point (baseline) from which progress will be measured and the period over which the monitoring will take place. Usually, the period is the current year.
- **Defining Success:** Establish what success looks like for each ESG parameter, including quantitative targets and qualitative outcomes. This should reflect your SMART goals or its detailed breakdown (if applicable).
- **Reporting Frequency:** Determine how often you will report on each parameter to stakeholders.
- **Detailing Challenges (optional):** Transparently describe any obstacles encountered, demonstrating accountability and the steps taken to address them.

TIPS

If you do not yet have a baseline, the current year can serve as baseline too!

The instructions provided in the tables below will guide MSMEs to communicate their ESG monitoring activities in a structured, clear and meaningful way. It helps businesses to illustrate not just the actions they are taking but also the effectiveness of those actions over time. This transparency is crucial in building trust with stakeholders and cementing the firm's reputation as a sustainable and responsible business.

ENVIRONMENTAL	
Indicators	Instructions
Emission Management	<ol style="list-style-type: none"> 1. Gather required data on emissions (direct and indirect) i.e. utility bills, fuel receipt, transport logs or purchase records. 2. Understand emission factors / coefficients that convert activity data (e.g. litres of fuel, kWh of electricity) into carbon dioxide equivalents. <ul style="list-style-type: none"> • Natural Gas (100% mineral blend): 58.6166 kgCO₂e/MMBTU (UK DEFRA 2023) • Petrol: 2.35 kgCO₂e/litre (UK DEFRA 2023) • Diesel (100% mineral diesel): 2.66 kgCO₂e/litre (UK DEFRA 2023) • Diesel (average biofuel blend): 2.51 kgCO₂e/litre (UK DEFRA 2023) • Electricity (Grid Emission Factor, 2021 by Energy Commission): <ul style="list-style-type: none"> - Peninsular Malaysia: 0.758 kgCO₂e/kWh - Sabah: 0.425 kgCO₂e/kWh - Sarawak: 0.198 kgCO₂e/kWh 3. Multiply activity data by the respective emission factors to calculate the emissions for each category. 4. Document all assumptions, references and sources of emission factors. 5. Decide a timeframe for reporting - monthly, quarterly or annually. 6. Analyse the results, look for areas of high emissions, consider strategies for reduction. 7. Regularly review and update the template to reflect changes in operation. 8. Engage with stakeholders to get feedback on the reporting process and make necessary adjustments to the template. 9. Ensure the filled templates are stored safely (physical & digital format). 10. Communicate the emissions profile and reduction strategies to stakeholders in reports, company updates or stakeholder meetings.

ENVIRONMENTAL

Indicators

Instructions

Emission Management

Template 4: Reporting Emissions

Date/ Period	Emissions Source	Activity Data	Emission Factor (kgCO ₂ e/unit)	Total Emissions (kgCO ₂ e)	Reduction Actions Taken	Notes/ Assumptions
e.g. Jan 2023	Electricity	10,000 kWh	0.758 kgCO ₂ e/ kWh	7,580 kgCO ₂ e	Installed LED lights	Based on local utility data
e.g. Jan 2023	Fuel (Diesel)	1,000 litres	2.51 kgCO ₂ e/ litre	2,510 kgCO ₂ e	Switched to biofuel for 20% usage	Sourced from national emissions database
.....

- **Date / Period:** The timeframe for which you are reporting the emissions (monthly / quarterly / annually).
- **Emissions Source:** The source of emissions, e.g., electricity, fuels, waste disposal, etc.
- **Activity Data:** Quantitative data related to the source, e.g. kWh of electricity consumed, litres of fuel used, etc.
- **Emission Factor:** The amount of CO₂e produced per unit of activity. This factor can vary based on region and source.
- **Total Emissions:** Calculated by multiplying the activity data with the emission factor.
- **Reduction Actions Taken:** Any initiatives or changes implemented to reduce emissions from that particular source during the period.
- **Notes / Assumptions:** Any assumptions made during calculations, references for emission factors or other relevant notes.

ENVIRONMENTAL

Indicators	Instructions																																						
Energy Management	<ol style="list-style-type: none"> 1. Fill in company's basic details, the period of the log and the person responsible for maintaining it. 2. Identify all sources of energy used in the business such as electricity, natural gas and solar energy. 3. Record daily consumption for each energy source identified. 4. Log the cost associated with each energy type daily. 5. Document any energy-saving efforts being implemented (e.g. replace bulbs with LEDs, adjust thermostats) and estimate amount of energy saved. 6. Analyse the data monthly, compare consumption and costs to gauge the effectiveness of the energy-saving efforts, identify any spikes. 7. Put remarks on observations about the data, reasons for any anomalies or potential future energy-saving strategies. 8. Review total energy consumption and savings monthly in setting goals for the next period and plan any new energy-saving measures. 9. Create backups of the log and store them safely. 10. Consider sharing the log's insights with employees and stakeholders. <p>Template 5: Reporting Energy Usage</p> <p>Company Name : _____</p> <p>Address : _____</p> <p>Year : _____</p> <p>Person Responsible : _____</p> <table border="1"> <thead> <tr> <th>Month</th><th>Energy Source</th><th>Monthly Consumption (Units)</th><th>Monthly Energy Costs (Currency)</th><th>Energy Saving Measures Implemented During Month</th><th>Estimated / Measured Savings (Units)</th><th>Comments / Notes</th></tr> </thead> <tbody> <tr> <td rowspan="5">January February</td><td>Electricity</td><td>_____ kWh</td><td>_____ RM</td><td>LED Bulb Installation</td><td>_____ kWh</td><td></td></tr> <tr> <td>Natural Gas</td><td>_____ m³</td><td>_____ RM</td><td>Thermostat Adjustment</td><td>_____ m³</td><td></td></tr> <tr> <td>Solar</td><td>_____ kWh</td><td>_____ RM</td><td>N/A</td><td>_____ m³</td><td></td></tr> <tr> <td>...</td><td>...</td><td>...</td><td>...</td><td>...</td><td></td></tr> <tr> <td>...</td><td>...</td><td>...</td><td>...</td><td>...</td><td></td></tr> </tbody> </table> <p>Yearly Analysis</p> <p>Total Energy Consumption for the Year:</p> <p>Electricity : kWh</p> <p>Natural Gas : m³</p> <p>Solar Energy : kWh</p> <p>Total Costs:</p> <p>Electricity : RM</p> <p>Natural Gas : RM</p> <p>Solar Energy : RM</p> <p>Total Estimated/Measured Savings:</p> <p>Electricity : kWh</p> <p>Natural Gas : m³</p> <p>Solar Energy : kWh</p> <p>Observations and Future Strategies:</p> <p>_____</p> <p>_____</p> <p>_____</p>	Month	Energy Source	Monthly Consumption (Units)	Monthly Energy Costs (Currency)	Energy Saving Measures Implemented During Month	Estimated / Measured Savings (Units)	Comments / Notes	January February	Electricity	_____ kWh	_____ RM	LED Bulb Installation	_____ kWh		Natural Gas	_____ m ³	_____ RM	Thermostat Adjustment	_____ m ³		Solar	_____ kWh	_____ RM	N/A	_____ m ³		
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ENVIRONMENTAL

Indicators	Instructions
Water Management	<ol style="list-style-type: none"> 1. Establish a baseline by recording water consumption over a defined period e.g. monthly or quarterly. 2. Identify processes or areas within your operations that are particularly water-intensive. 3. Implement targeted water-saving measures e.g. fixing leaks, install water-efficient fixtures, recycle water. 4. Monitor water consumption regularly, pay attention to any deviations from the baseline or expected consumption patterns. 5. Evaluate the effectiveness of the implemented water-saving measures. 6. Report on your water conservation efforts. 7. Continuously monitor, evaluate and improve the water management practices.
Waste Management	<ol style="list-style-type: none"> 1. Record company's name, date for each entry and location within the premise where waste is generated or managed. 2. Categorise the waste (e.g. organic, recyclable, hazardous), identify the process or activity that generated the waste, record waste amount generated in the appropriate unit of measure. 3. Specify how the waste was disposed of (e.g. landfill, incineration), write the name / location of the disposal facility, record any costs associated with the disposal of the waste. 4. Indicate if the waste was recycled / reused, describe the process used to recycle / reuse the waste, specify the amount of waste that was recycled / reused, estimate any cost savings / revenue generated from waste recycling / reusing. 5. Set specific targets for future waste reduction and outline steps to be taken to achieve waste reduction goals. 6. Schedule a date for next review of waste management practices, take note of any observations/ challenges / successes achieved during the reporting period, include a signature to verify the accuracy of the information provided. 7. Ensure all entries are documented and stored securely and backed up with relevant documentation i.e. disposal receipts, photograph or other proof of disposal / recycling.

SOCIAL

Indicators	Instructions
Labour Practices & Standards	<ol style="list-style-type: none"> 1. Focus and review on different aspects of labour standards i.e. wages, working hours, safety & health and employee rights. 2. Rate your organisation's current practices on a scale provided, typically ranging from 'Strongly Disagree' to 'Strongly Agree' or 'Not Implemented' to 'Fully Implemented'. Be honest and objective in your assessment. 3. Where possible, provide brief examples or evidence to support your ratings. This could include specific policies, programmes, or initiatives that your organisation has in place. 4. Based on your ratings, identify areas where your organisation excels and areas that require improvement. Pay particular attention to any statements that received low ratings, as these are immediate areas of concern. 5. For areas identified as needing improvement, develop a concrete and time-bound action plan. Assign responsibilities and resources to ensure these improvements are implemented.
Occupational Safety & Health (OSH)	<ol style="list-style-type: none"> 1. Preparation: Familiar with OSH regulations and the workplace's policies. Gather previous audit reports and incident records. 2. Team Formation: Create a diverse audit team with OSH experts and those who know the workplace well. 3. Document Review: Check OSH documents for inconsistencies and missing information. 4. Site Inspection: Inspect the workplace using a checklist to cover all areas. 5. Employee Interviews: Talk to employees about safety concerns, awareness and understanding of OSH policies. 6. Data Analysis: Analyse collected data from documents, inspections and interviews to identify issues. 7. Report Generation: Create a detailed report highlighting concerns, recommendations and responsible parties. 8. Action Plan: Develop action plan based on findings, with timelines and resource allocation. 9. Follow-Up: Schedule follow-up audits to assess actions' effectiveness and adjust the plan if needed. 10. Documentation: Keep records of findings, recommendations and actions taken for reference and compliance checks.

SOCIAL	
Indicators	Instructions
Employee Benefits	<ol style="list-style-type: none"> 1. Set a dedicated meeting time for employee reviews, ensuring both the employee and the reviewer have enough preparation time. Reviews can occur annually, but more frequent check-ins are valuable. 2. Preparation: <ul style="list-style-type: none"> • Reviewer: Evaluate the employee's performance based on their job description, past reviews and goals. Collect specific examples of success and areas for improvement. • Employee: Encourage self-assessment, reflecting on achievements, challenges and any feedback they would like to share. 3. Conducting the Review: <ul style="list-style-type: none"> • Structured Conversation: Use the Employee Feedback and Review Form for a structured discussion, covering each section and offering clear, specific feedback. • Two-Way Dialogue: Make it a two-way conversation, allowing employees to express thoughts, concerns and aspirations. • Setting Goals: Collaboratively set clear, achievable goals for the next review period. Document key points, goals and action items for future reference. 4. Using Feedback for Improvement: <ul style="list-style-type: none"> • Action Planning: Develop an action plan based on feedback to address improvement areas and achieve set goals. • Professional Development: Identify training opportunities for employee growth. • Follow-Up: Schedule check-ins to monitor progress and adjust goals and action plans as needed. • Enhancing Work Environment: Gather anonymous feedback from reviews to identify trends and areas for organisational improvement. • Recognition and Reward: Celebrate employee achievements, fostering a positive company culture.
Corporate Social Responsibility	<ol style="list-style-type: none"> 1. Provide a detailed description of the community engagement activity, including its objectives, target audience and the community need it addresses. 2. Record the date and duration of the activity. 3. Outline the human, financial and material resources that were allocated to the activity. Include information on any partnerships or collaborations with local organisations. 4. Document the level of participation from both the organisation and the community. Include the number of employees involved and the extent of community participation. 5. Reflect on any challenges encountered during the activity and the lessons learned. Highlight any adjustments made to overcome obstacles and improve future initiatives. 6. Describe the tangible and intangible outcomes of the activity. Highlight any immediate or long-term impacts on the community and the business.

GOVERNANCE	
Indicators	Instructions
Culture & Commitments	<ol style="list-style-type: none"> 1. Policy Documentation: <ul style="list-style-type: none"> • Record the details of each policy i.e. purpose, scope and procedures. Maintain all policy documents in a centralised, secure location, accessible to relevant parties. • Review and update policy documents regularly to reflect changes in the business environment or regulatory landscape. Keep a version history of policy changes to track the evolution of company commitments. • Make policies easily accessible to all employees and relevant external stakeholders. Use clear and concise language for universal understanding within the organisation. 2. Policy Review and Updates: <ul style="list-style-type: none"> • Establish a timeline for periodic policy reviews, often annually or biennially. Engage relevant stakeholders in the review process to gather feedback and insights for updates. • Analyse feedback to identify common themes and areas for improvement. Apply changes to policies based on review findings and communicate updates to all stakeholders. 3. Documentation and Transparency: <ul style="list-style-type: none"> • Maintain thorough records of policy documents, including historical versions to track changes over time. Document the rationale behind policy changes, the decision-making process and the expected impact of these changes. • Ensure updated policies are readily available to all stakeholders, reinforcing the commitment to openness & transparency. Communicate policy changes in a way that's easy for all stakeholders to understand, avoiding jargon or legalistic language.

GOVERNANCE

Indicators	Instructions
Integrity & Anti-Corruption	<ol style="list-style-type: none"> Corruption Incident Reporting: <ul style="list-style-type: none"> Document each corruption incident, including its nature, involved individuals, and context. Summarise the actions taken in response to the incident, such as investigations, disciplinary measures and systemic changes to prevent recurrence. Communicate and disclose the outcomes of incidents, emphasising the company's commitment to resolution and ethical standards. Share the lessons learned from each incident and how they've informed improvements in anti-corruption strategies. Training Programme Reporting: <ul style="list-style-type: none"> Describe the content covered in anti-corruption training and the frequency of these sessions. Report participation rates, highlighting efforts to achieve full coverage. Share assessment outcomes to evaluate the effectiveness of the training programmes. Outline initiatives for continuous training, including new hires and refresher courses for existing staff. Documentation and Transparency: <ul style="list-style-type: none"> Maintain comprehensive records / documentation of anti-corruption policies, training materials, incident reports, and risk assessments. Ensure easy accessibility of anti-corruption policies to employees, stakeholders and the public. Communicate regularly (transparency) with stakeholders about ongoing anti-corruption efforts, including policy changes or training programs. Emphasise openness in reporting, sharing successes, challenges and areas for improvement in anti-corruption efforts. Create clear audit trails for all anti-corruption-related activities, supporting accountability and investigations. Actively engage with stakeholders, fostering a collaborative approach to ethics and compliance discussions about anti-corruption measures among employees, customers, and partners.
Risk Governance & Internal Controls	<ol style="list-style-type: none"> Risk Mitigation Reporting: <ul style="list-style-type: none"> Operational Risks: Outline the specific strategies and controls implemented to mitigate operational risks, including regulatory compliance and business continuity. Sustainability Risks: Describe initiatives taken to manage sustainability risks, such as those related to climate change. Effectiveness of Mitigation Measures: <ul style="list-style-type: none"> Provide details on how the effectiveness of these measures is evaluated, including any metrics or key performance indicators used. Discuss how the company adapts its risk mitigation strategies based on lessons learned from past experiences. Financial Audit Disclosures: <ul style="list-style-type: none"> Describe the preparatory steps taken by the organisations to ready itself for the financial audit, such as compiling financial statements and supporting documents. Provide an overview of how the organisations selects and engages with auditors, emphasising independence and expertise. Disclosure of Audit Outcomes: <ul style="list-style-type: none"> Report and disclose timely the outcomes of financial audits promptly after their conclusion, adhering to regulatory timelines and stakeholder communication protocols. Offer accessible summaries of the financial audit for stakeholders, highlighting key findings and any significant financial adjustments. Importance of Comprehensive Documentation: <ul style="list-style-type: none"> Maintain detailed records of all risk assessments, including methodologies used, risks identified and the rationale behind risk prioritisation. Document all risk management strategies, including actions taken, responsible parties and timelines for implementation. Transparency in Reporting Practices: <ul style="list-style-type: none"> Make sure that information about risk management is accessible to all relevant stakeholders, enhancing transparency and trust. Communicate outcomes of risk management initiatives in clear, straightforward language to ensure all stakeholders understand their significance. Building Accountability and Trust: <ul style="list-style-type: none"> Provide updates on risk management activities, reflecting a commitment to ongoing improvement and responsiveness to changing conditions. Engage with stakeholders to gather feedback on risk management practices, demonstrate openness to external insights and adapt changes.

GOVERNANCE

Indicators	Instructions
Decision Making & Strategic Oversight	<ol style="list-style-type: none"> 1. Board Composition and Diversity: <ul style="list-style-type: none"> • Describe efforts to broaden the diversity of the board, detailing recruitment strategies and any specific diversity goals that have been set. • Board Structure Adjustments: Outline any changes made to the board structure to enhance governance, such as increasing the number of independent directors or introducing new roles that address emerging business challenges. • Report metrics that show progress in achieving diversity targets, such as the percentage increase in representation of underrepresented groups. • Report on the impact that increased diversity has had on board performance and decision-making, reflecting on the value added by a broader range of experiences and viewpoints. 2. Board Committee Structures: <ul style="list-style-type: none"> • Provide a clear description of each board committee, its purpose and its role in the broader governance framework. • Explain any recent changes to committee structures, such as the creation of new committees or the reformation of existing ones to better address current strategic issues. 3. Reporting Committee Actions and Impact: <ul style="list-style-type: none"> • Describe how committees have been involved in implementing strategic initiatives, underlining their influence on the company's direction. • Discuss the effectiveness of committees in fulfilling their roles and achieving their objectives, providing specific examples. • Highlight how committees have adapted to meet changing business needs or regulatory environments. 4. Documentation and Transparency: <ul style="list-style-type: none"> • Keep detailed records of any modifications to the governance structure, including the rationale behind changes and the expected outcomes. • Implement a process for regular board evaluations, documenting outcomes and identifying areas for improvement. • Ensure that all documentation related to governance is clear, accurate and readily available for stakeholder review. • Maintain and present records of compliance with relevant governance standards, showcasing the organisations' commitment to best practices.

GOVERNANCE

Indicators	Instructions
Disclosure & Transparency & Data Protection	<ol style="list-style-type: none"> 1. Privacy Breach Reporting: <ul style="list-style-type: none"> • Document specifics of each privacy breach, including the date, nature of the breach and types of data involved. • Record the number of individuals affected by the breach, providing clarity on the breach's impact. • Outline the immediate and subsequent actions taken to address the breach and prevent future occurrences. • Evaluate and report the outcomes of the breach resolution efforts, including any restorative measures taken. • Communicate clearly with customers about the breach and the company's efforts to protect their data going forward. • Include privacy breach information in regular reports to stakeholders, ensuring they are aware of the company's proactive approach to managing and resolving such incidents. 2. Training Programme Reporting: <ul style="list-style-type: none"> • Provide an overview of the data protection and privacy training programmes, including objectives, content and delivery methods. • Report on the extent of training programme coverage, indicating the percentage of employees who have participated in privacy and data protection training. • Assess the effectiveness of the training programs in enhancing employees' privacy awareness and compliance with data protection policies. • Illustrate how the training has contributed to preventing privacy breaches, using any relevant metrics or feedback. • Highlight initiatives for continuous education i.e. regular updates to training material to reflect the latest privacy laws and threats. • Ensure that training is accessible to all employees, including those working remotely or in different locations. 3. Documentation and Transparency: <ul style="list-style-type: none"> • Maintain comprehensive records / documents of all customer privacy policies, including versions and revisions, to provide a clear audit trail. • Document all privacy breach incidents in detail, including the breach's nature, affected data and corrective actions taken. • Ensure that privacy policies are easily accessible to both employees and customers, fostering a culture of openness. • Adopt a policy of open communication regarding privacy breaches, informing affected parties and stakeholders in a timely and clear manner. • Implement internal controls to hold relevant parties accountable for maintaining documentation and executing transparency protocols. • Engage with stakeholders through regular reports and updates on privacy matters, reinforcing the company's commitment to data protection.



Step 8: Telling others your ESG measures

Effectively telling others what you are doing or communicating your ESG strategy is critical for transparency and stakeholder engagement. Tables in Steps 4 - 6 facilitates a clear strategy disclosure for each ESG parameter – wherever applicable, these may align to climate change mitigation strategies. If necessary, disclose multiple strategies for a single parameter, highlighting their distinct actions and goals. Use straightforward language to ensure all stakeholders, regardless of their ESG knowledge, can understand your commitments. By following this step-by-step guide, you can communicate your ESG strategy effectively, ensuring that efforts are transparent and aligned with global ESG best practices.



Template 6: Sustainability Report and Action Plan

Name of Firm: ABC Sdn. Bhd.

Date of Report: 12 January 2024

1. Introduction

We are ABC Sdn. Bhd., a leading manufacturer of organic food products in Malaysia. Our vision is to provide healthy, delicious and affordable food for everyone. Our mission is to produce high-quality food using natural ingredients and sustainable practices. Our values are integrity, innovation and excellence. We offer a range of products, such as cereals, snacks, beverages and sauces, that cater to different tastes and preferences. We serve both local and international markets, with customers throughout Southeast Asia. We are governed by a board of directors that oversees our strategic direction and performance. We have a management team that implements our policies and operations. We have 20 employees who work in various functions, such as production, marketing, sales, finance and human resources.

We are committed to sustainability as a strategic priority for our business. We believe that sustainability is not only good for the environment and society, but also good for our business. By integrating sustainability into our core activities, we can create value for our stakeholders and contribute to the Sustainable Development Goals (SDGs) and national development agenda. We aim to achieve this by:

- reducing our environmental impact by using renewable energy, water conservation, waste management and organic farming;
- enhancing our economic performance by increasing our productivity, efficiency, innovation and profitability; and
- improving our social impact by ensuring fair labour practices, employee welfare, customer satisfaction, community engagement and ethical conduct.

This is our first sustainability report that covers the period from 1 January 2023 to 31 December 2023. In this report, we will disclose our ESG performance and impact based on the material topics we have identified in step 3. We will also share our future plans and goals for improving our sustainability performance and addressing the challenges and opportunities ahead.

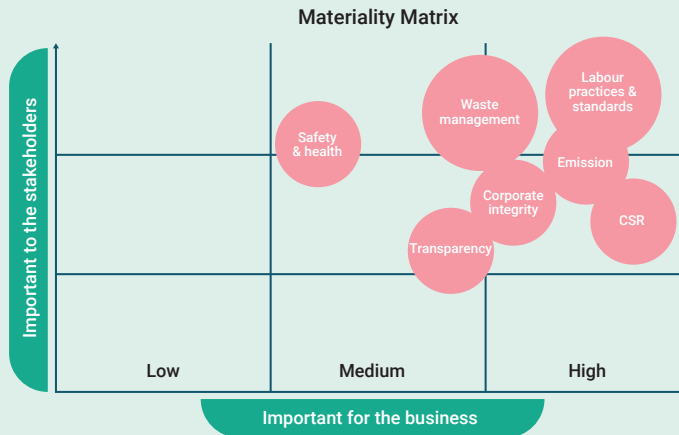
2. Materiality Matrix

We identified and prioritised our material ESG indicators by conducting a materiality assessment involving the following steps:

- Reviewing the internal and external factors that affect our business and sustainability, such as our vision, mission, values, goals, risks, opportunities, stakeholder expectations, industry trends and best practices.
- Engaging with our key stakeholders, such as our employees, customers, suppliers, investors, regulators and community members, to understand their views and concerns on our ESG performance and impact. We used various methods, such as surveys and interviews to collect their feedback.

- Evaluating the significance of each ESG indicators based on two criteria: the degree of impact on our business success and stakeholder satisfaction; and the degree of influence on our ESG performance and improvement. We used a scoring system to rank each topic from low to high.

The following graph shows our materiality matrix:

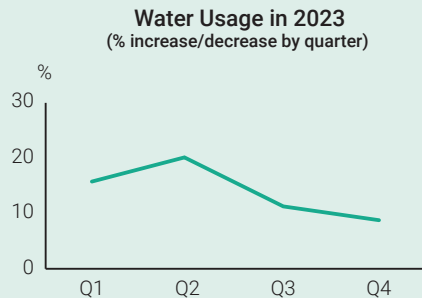


3. Current Status

Environmental

Water Management

Our company is committed to reducing our water consumption and ensuring that our water sources are sustainable and ethical. We measure our water consumption in terms of cubic meters per unit of production and we report our progress annually. In 2023, we achieved a 10% reduction in our water consumption compared to 2022, from 5.0 m³/unit to 4.5 m³/unit. This was achieved through various initiatives, such as installing water-efficient equipment, implementing water recycling and reuse systems, and raising awareness among our employees and customers on water conservation. We also disclose the sources of our water supply and the potential risks and impacts associated with them.

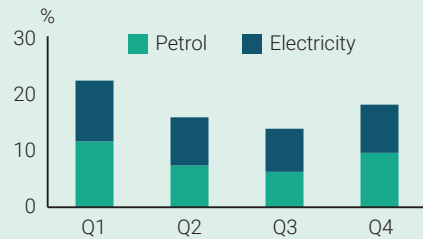


According to the Malaysia Water Industry Status & Outlook Report 2020-2021, Malaysia receives abundant rainfall averaging 3,000 mm annually that contributes to an estimated annual water resource of some 900 billion cubic meters. About 97% of our raw water supply for agricultural, domestic and industrial needs are derived from surface water sources primarily rivers. However, Malaysia also faces some challenges in managing its water resources, such as pollution, climate change, urbanisation, and population growth. Therefore, we are mindful of the environmental and social implications of our water use and we strive to minimise our negative impacts on the ecosystems and communities that depend on them.

Energy Management

We are committed to reduce our energy consumption and greenhouse gas emissions, and to increase our use of renewable energy sources. In 2023, we implemented several energy efficiency measures, such as installing LED lights, upgrading our equipment and conducting regular audits. As a result, we reduced our electricity consumption by 15%, carbon footprint by 12% and carbon emissions intensity by 1% compared to 2022. We also installed solar panels on our rooftop, which generated 10% of our total electricity needs in 2023. We plan to expand our solar capacity and explore other renewable energy options in the future.

Energy Usage in 2023
(% increase/decrease by quarter)



Summary of Selected Sustainable Metrics

Sustainable metrics	Q1			12 months rolling	Full year		Baseline	
	2023	2022	▲	Jan '23 - Dec '23	2022	▲	2017	▲
Total carbon emissions intensity, tonnes CO ₂ e / tonne ²	9.0	9.1	-1%	8.9	8.9	0%	11.4	-21.9%
Sourced recycled aluminium, ktonnes	48	42	14.3%	174	169	3%	47	270%
Sourced recycled aluminium, %	37.6	31.0	6.6 ppt	34.4	32.7	1.7 ppt	11.5	22.9 ppt

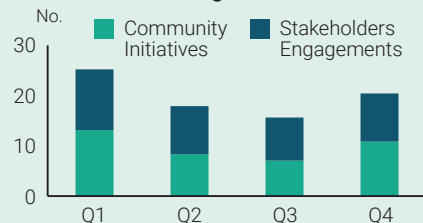
ppt refers to percentage points

Social

Community / Society

We are dedicated to contributing to the social and economic development of the communities where we operate. In 2023, we supported various community initiatives, such as donating to local schools and charities, sponsoring cultural and sports events, and volunteering for environmental and social causes. We also engaged with our stakeholders, such as customers, suppliers, employees and regulators, through surveys, feedback sessions and dialogues. We received positive feedback on our products, services, and performance, and identified areas for improvement and collaboration.

Community Outreach Programmes



Safety and Health

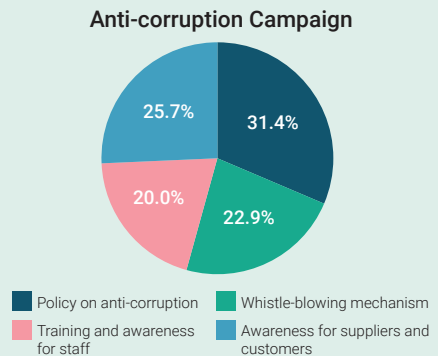
We are responsible for ensuring the safety and health of our employees, customers and partners. In 2023, we improved our safety and health policies, procedures and practices, such as providing training, equipment and incentives for our staff, conducting regular inspections and audits, and reporting and investigating any incidents or accidents. We achieved a 20% reduction in the number of injuries and illnesses among our employees compared to 2022. We also complied with all relevant safety and health regulations and standards in our industry.



Governance

Anti-corruption

We are committed to conducting our business with integrity, transparency and accountability. In 2023, we adopted a zero-tolerance policy on corruption, bribery, fraud and other unethical practices. We established a code of conduct, a whistle-blowing mechanism and an anti-corruption committee to prevent, detect and address any cases of misconduct. We also provided training and awareness programmes for our staff, suppliers and customers on the importance of ethical behaviour. We did not face any legal actions or sanctions related to corruption or bribery in 2023.



4. Future Plans

Environmental

Energy management

We aim to further reduce our energy consumption and greenhouse gas emissions, and to increase our use of renewable energy sources. In 2024, we plan to implement more energy efficiency measures, such as replacing our old appliances, installing smart meters and optimising our processes. We also plan to invest in more renewable energy projects, such as wind farms, biomass plants and hydroelectric dams. We hope to achieve a 25% reduction in our electricity consumption and a 20% reduction in our carbon footprint by 2025.

Social

Community / Society

We aim to further contribute to the social and economic development of the communities where we operate. In 2024, we plan to support more community initiatives, such as providing scholarships and internships for local students, creating jobs and opportunities for local people and partnering with local NGOs and social enterprises. We also plan to enhance our stakeholders engagement, such as conducting more surveys, feedback sessions, and dialogues, and publishing more reports and newsletters. We hope to achieve a 90% satisfaction rate among our stakeholders by 2025.

Governance

Anti-corruption

We aim to further conduct our business with integrity, transparency and accountability. In 2024, we plan to adopt more anti-corruption measures, such as reviewing and updating our code of conduct, whistle-blowing mechanism and anti-corruption committee, providing more training and awareness programs for our staff, suppliers and customers on the importance of ethical behavior, and conducting more audits and assessments on our compliance and performance. We also plan to avoid any legal actions or sanctions related to corruption or bribery by 2025.

Action Plan for your Sustainability Goals

Goal	Measures	Targets/KPI	Action we're doing now	Action for within the next year	Action for within the next 3 years
Reduce office energy consumption by 25% in 2 years	Electricity usage by kWh	Reduce to below 1,800 kWh per month	None	<ul style="list-style-type: none"> Switch off air-conditioner while not in use Switch to LED lights 	Convert to full solar panel usage

Note: This template is versatile, allowing you to add or modify columns based on your company's unique requirements

Put your
Sustainability
Strategy into Action!