TOOLKIT:
Themes and Indicators
DISCLAIMER:

This Toolkit: Themes and Indicators ("Toolkit") is issued by Bursa Malaysia Securities Berhad to, among others, assist listed issuers in preparing the Sustainability Statement as required under the Listing Requirements of Bursa Malaysia Securities Berhad [paragraph 9.45(2) and paragraph (29), Part A of Appendix 9C of the Main Market Listing Requirements (supplemented by Practice Note 9) and paragraph (30) of Appendix 9C of the ACE Market Listing Requirements (supplemented by Guidance Note 11)].

While this Toolkit is intended to provide the relevant information and guidance for listed issuers to prepare their Sustainability Statement, it may not be exhaustive in its coverage. Listed issuers must exercise discernment and diligence when using this Toolkit.

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1. Purpose

Paragraph 6.2 (c), Practice Note 9 of the Main Market Listing Requirements requires disclosure on:

- material sustainability matters and -
  - (i) how they are identified;
  - (ii) why they are important to the listed issuer; and
  - (iii) how they are managed including details on:
    - (aa) policies to manage these sustainability matters;
    - (bb) measures or actions taken to deal with these sustainability matters; and
    - (cc) indicators relevant to these sustainability matters which demonstrate how the listed issuer has performed in managing these sustainability matters.

The purpose of this Toolkit is to assist listed issuers in understanding and determining the most appropriate method to collect, manage and report on indicators and performance related to their economic, environmental and social (“EES”) risks and opportunities (“sustainability matters”) that are material.

This Toolkit should be read in conjunction with Bursa Malaysia’s Sustainability Reporting Guide (“the Guide”), including the definitions provided in the Guide.

Throughout this Toolkit, the term “sustainability matters” is defined as:

- risks and opportunities arising from the EES impacts (i.e. impacts that relate to sustainability themes such as climate change, diversity, human rights, etc.) of an organisation’s operations and activities

This Toolkit assumes that the material sustainability matters have already been identified. Further guidance on identifying material sustainability matters is available in the Toolkit: Materiality Assessment.

2. Content of this Toolkit

This Toolkit covers the following:

- How to collect and report sustainability data and information;
- Best practices in relation to sustainability data collection and disclosure; and
- Example disclosures on themes and indicators.
3. Introduction

A materiality assessment enables an organisation to determine which sustainability matters are material to its business and stakeholders. Once material sustainability matters are identified, the next step is for the organisation to develop its position and response with respect to each material sustainability matter. The response could be in the form of, among others, developing policies and procedures, implementing initiatives, measures and action plans. Furthermore, setting goals, targets and indicators in line with the strategic objectives of the organisation is an effective way to measure progress, effectiveness or efficiency of the policies, measures or actions taken to manage its material sustainability matters. When these outcomes are reported by the organisation, it becomes a means of communication to its internal and external stakeholders on how it is addressing their concerns. Stakeholders are interested to know how effective the organisation’s response is and may want to compare the outputs or outcomes of its response, whenever possible, across time and to other organisations.

In fact, businesses are familiar with applying goals, targets and indicators to measure their financial performance and operational efficiencies. Similarly, this practice can be applied to sustainability. Key performance indicators (“KPIs”) allow an organisation to track the progress, outputs or sometimes outcomes of its measures and action plans put in place to address its material sustainability matters. Furthermore, setting KPIs is a starting point for the organisation to set targets when implementing its business strategies.

Indicators can be divided into economic, environmental and social (“EES”) indicators. Some examples of these are:

- **Economic indicators**: income generated for local suppliers, procurement practices;
- **Social indicators**: number of forced or compulsory labour incidents, accident and injury rates;
- **Environmental indicators**: greenhouse gas emissions, waste output, water usage.

An organisation should consider the methods proposed below to identify, manage and report on its material sustainability matters. Management of all sustainability matters will drive an organisation to run at a higher efficiency and pre-empt any emerging material sustainability matters that would affect how the organisation runs its business.

4. Why are KPIs important?

Globally, there is a paradigm shift in what constitutes true value in business. Financial figures are now coupled with EES statistics to allow stakeholders to have a more holistic view of an organisation’s performance. Measuring and reporting on sustainability performance is a good way of keeping the organisation accountable and indicates that sustainability is in fact a priority to its business and not just in name.
The amount of data collected and the extent of sustainability efforts will allow an organisation to make a strong business and moral case for its efforts in the eyes of its stakeholders, especially investors. This rings truer today compared to 20 years ago as investors are increasingly demanding information from organisations related to their EES performance. Performance data and information shown by indicators have the potential to influence their investment decisions as their main role is to reduce pre-decision uncertainties such as an organisation’s ability to weather foreseeable climate change impacts (e.g. water scarcity) on its business operations. Sustainability indicators also serve as a useful management tool for an organisation as it provides early warning of an emerging sustainability risk, allows for benchmarking with competitors and identifying areas for improvement as well as indicating whether its business is ultimately creating long-term value to its stakeholders and society at large. Therefore, it is crucial that an organisation ensures the accuracy, completeness and relevance of the data being reported.

On occasion, an indicator will be related to qualitative information rather than a quantitative measure. This is generally the case for social indicators. For instance, environmental indicators such as carbon footprint and waste generation are readily computable and straightforward, however measuring the organisation’s social impact on the local community may be harder to quantify such as expertise developed in the community through initiatives carried out by the organisation. This social impact may, however, be indirectly reflected in other areas such as increased income, improved quality of life or reduced ill-health. Despite these challenges, measuring this kind of information often proves to be valuable as it can trigger change in an organisation’s approach to tackling a sustainability matter. For example, if an organisation deduces from its measurement that the expertise provided did not meet the full needs of the community to support their business operations, the organisation may opt to provide a more diverse type of skills training to the community. However, without measuring the right information, this issue may escape the attention of management.

Ultimately, the practice of measuring and reporting sustainability indicators not only informs organisations and stakeholders about the impacts their operations have on the environment and society but also highlights the prevailing risks, potential opportunities and possibilities for enhancing their business performance.
The key steps for measuring and reporting sustainability indicators are:

Choose relevant indicators

Determine a baseline

Set goals and targets

Measure progress

Report

Figure 1: The key steps for measuring and reporting sustainability indicators

4.1 What to Measure

Choosing relevant indicators

For each sustainability matter that requires a response, an organisation may consider customising indicators in line with its strategic objectives or it may opt to use “off-the-shelf” generic indicators depending on its readiness. For instance, international guidelines (e.g. GRI Sustainability Reporting Guidelines) provide a recognised framework for organisations to select indicators and measure their sustainability performance.

In 2014, Corporate Knights published the third edition of their analysis of sustainability disclosure trends on companies listed in the world’s stock exchanges. The review was done over what they termed as “first-generation indicators” containing seven specific sustainability indicators that are broadly relevant for organisations in all industries. The table below highlights the indicator and the basis for reporting.
<table>
<thead>
<tr>
<th>First-generation indicator</th>
<th>Reporting rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee turnover</td>
<td>Low employee turnover is often correlated with effective human capital management and talent retention, which are well established returns drivers in many sectors.</td>
</tr>
<tr>
<td>Energy</td>
<td>Energy use can be used as a gauge of how the organisation is managing its firm-wide resource use efficiency and among others, energy forms a large bulk of the costs borne by companies in many industries.</td>
</tr>
<tr>
<td>Greenhouse gas emissions (“GHG”)</td>
<td>The prospect of carbon regulation is leading organisations to start putting a price on their GHG emissions. Organisations use carbon price as a planning tool to help identify opportunities (e.g. cost reduction) and risks (e.g. potential regulatory requirements).</td>
</tr>
<tr>
<td>Injury rate</td>
<td>Workplace health and safety can be a useful proxy for management quality.</td>
</tr>
<tr>
<td>Payroll</td>
<td>Pay equity is an increasingly visible sustainability theme, with more laws and requirements in relation to workforce wages and CEO pay disclosure. There is also more of a spotlight on excessive CEO compensation. Payroll also provides insight to how well a company is positioned to retain and attract the best talent.</td>
</tr>
<tr>
<td>Waste</td>
<td>Waste generated per unit of revenue can be an insightful measure of operational efficiency.</td>
</tr>
<tr>
<td>Water</td>
<td>Water is an increasingly scarce global resource, and a firm’s water use practices can reflect management foresight.</td>
</tr>
</tbody>
</table>

(Source: Adapted from Corporate Knights Measuring Sustainability Disclosure: Ranking the World’s Stock Exchanges, 2014)
However, reporting on generic indicators may not always be the best course of action for an organisation. It is important for the organisation to consider its specific circumstances such as business model and strategic objectives before deciding on the most appropriate indicators. For example, a manufacturer producing and selling low-cost goods in high volume might want to focus on its production line speed, while another manufacturer producing high cost components in smaller quantities might focus instead on reducing production line errors that result in defective units. This illustrates two manufacturers that are setting different types of indicators, aligned with their desire to ensure cost efficiency.

An organisation may also look to report indicators that are generally adopted by other organisations in its sector. Numerous industry bodies assist organisations by publishing guidance papers on benchmarking comparable indicators with other players in the sector. Refer to the section on benchmarking below for further guidance on this.

Once an organisation has determined what to measure, it is important to obtain stakeholder consensus. This is regardless of whether the organisation is using an established framework such as GRI.
The box below relates to the progress made by the consumer goods sector in managing its material sustainability matters, particularly, identifying the most common material sustainability matters and the tools available for organisations to utilise as they begin managing these material sustainability matters.

**Sector Focus: Consumer Goods**

The Consumer Goods Forum (“CGF”) brings together its members of consumer goods manufacturers and retailers to work towards tackling some of the industry’s most pressing issues on a global scale, namely:

- Climate change;
- Food waste;
- Compliance with good working and environmental practices;
- Food safety;
- Health and wellness;
- End-to-end value chain and standards.

As a first step, CGF’s members can consider focusing on sourcing, materials usage and energy intensity, which can reduce operating costs.

The CGF has also been working to create a harmonised measurement system to enable all its members to essentially speak the same language when disclosing their impacts. Development is currently focused on carbon emissions and other greenhouse gases (“GHG”) not only for direct business activities, but also for the lifecycle of the products and services sold.

The CGF recommends the following sites for reference to carbon measurement methods:

1. **GHG Protocol**
   - The GHG Protocol provides accounting and reporting standards, sector guidance, calculation tools, and trainings for businesses and governments. It establishes a comprehensive, global, standardized framework for measuring and managing GHG emissions from private and public sector operations, value chains, products, cities, and policies.

2. **Carbon Disclosure Project**
   - The Carbon Disclosure Project provides insight into the type of information investors analyse when considering climate change, water and supply chain issues of organisations.

3. **United Nations Environment Programme – Lifecycle Management**
   - This brief gives examples of how global businesses are using lifecycle management to reduce, for instance, their products’ carbon, material and water footprints, as well as improve the social and economic performance of their offerings in order to ensure a more sustainable value chain.

4. **The Sustainability Consortium**
   - The Sustainability Consortium convenes a group of diverse stakeholders to work collaboratively to build science-based decision tools that address sustainability issues that are materially important throughout a product’s supply chain and lifecycle.

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1 [http://www.theconsumergoodsforum.com/]
4.2 How to measure

Determining a baseline

A baseline is a fixed reference point against which all collected data can be compared. An accurate baseline allows an organisation to determine its current position in managing sustainability matters and record improvement in performance to date.

Organisations generally set a base year against which all their data will be benchmarked to determine if their performance in a specific area has improved. The graphic below illustrates a performance measurement done by Capitaland, a Singaporean construction company. They measured their energy intensity data against a base year figure, highlighting that they have achieved an overall energy intensity reduction of 13.6% since 2008.

“The reduction in energy intensity or energy usage per m$^2$ (with 2008 as the base year) is computed at the property and strategic business unit level. The reduction targets are Key Performance Indicators (KPIs) for the property managers and the strategic business unit CEOs.”

Figure 2: Reduction of Energy Intensity (2008 as base year)

(Source: Capitaland Sustainability Report 2014)

To develop a baseline, an organisation may begin with collecting historical information related to the sustainability matters and indicators it has identified, from relevant departments and personnel. Collaboration between different departments and personnel would allow the organisation to understand the nature of the work across its business and find the best method to measure, analyse and report that information. This also allows the organisation to get a sense of how well it may be achieving its strategic objectives, from the perspective of its material sustainability matters.
To set a baseline (e.g. amount of waste produced), the following steps may be considered:

1. **Establish the baseline year**
   - Choosing a base year depends on how far back the organisation is willing to go in order to obtain a robust baseline, e.g. the organisation chooses 2010 as the base year because it is able to gather full set data for a majority of its material sustainability matters in that year.

2. **Identify data sources**
   - e.g. in order to measure the amount of waste produced, the organisation checks its waste collection records and waste sold/disposed records.

3. **Find and evaluate other data sources to assess the quality of existing data source**
   - e.g. the organisation compares the amount of waste produced against the amount of waste recycled and disposed to ensure that both the data tally.

4. **Calculate base year data**
   - e.g. the organisation calculates and determines the amount of waste it produced during the base year.

In order to maintain consistency, base year data needs to be recalculated when there is a change in the organisation, for example, divestments or outsourcing of operations. In the case of divestment, the organisation would need to recalculate its base year information to exclude data from the divested entity whilst an acquisition will require the organisation to include data from the newly-acquired entity.

**Example disclosure: Baseline calculation**

Amec Foster Wheeler, a British multinational consultancy, engineering and project management organisation recalculated their baseline year data for GHG emissions as follows:

“Since 2008, the size and structure of the company has evolved and we have improved our ability to account more fully for carbon emissions, emphasising the need to review our carbon process and recalculate our 2008 baseline data.”

“The data for 2008 was thoroughly scrutinised on a number of fronts including:

- Identifying any missing data for 2008 through checking against our current emissions inventory;
- Checking on the validity of the data (e.g. looking for anomalies);
- Changes through acquisition and divestment;
- Reviewing any other material changes, including emission factors.”

**Figure 3: Recalculated Base Year Data for Emissions**

(Source: Amec Foster Wheeler Carbon Management 2013)
Baseline data can be collected by way of a self-audit or by bringing in external expertise (e.g. energy audits to identify emission sources and energy saving methods). Beginners may need assistance in setting up systems to measure and track sustainability-related information. Professional advisers may assist in this aspect. On the other hand, there may also already be internal systems in place for collecting the data in question. An organisation may only need to assess data quality and ensure information is reported in a timely manner.

**Normalisation of data**

When measuring performance data, try to record it as a ratio. This enables comparisons across different operations within the Group, different organisations within the same industry as well as comparisons over time.

Impacts you are reporting (e.g. energy consumption or emissions) can be divided by a suitable activity metric (e.g. units produced or full time equivalent staff) or a financial metric (e.g. per million turnover in MYR). The resulting value is known as an intensity ratio.

Companies in a different industry generally use differing methods of measuring such performance data. Manufacturing companies generally use units produced as a measure however those with retail operations or office space may normalise against floor space. The CapitaLand example above demonstrates the construction company normalising against floor space (per m²) for its property business unit in order to make the data comparable across industry.

Activity ratio is suitable to compare across organisations with similar products while a financial ratio allows comparison across different products. For example, a financial ratio can be applied to compare a conglomerate’s plantation business performance against its property development operations.

**Comparing against sector benchmarks**

Novice reporters will need to set targets based on their resources and capabilities. As an organisation matures in data management and reporting methods, it may look to the best performers in its sector to benchmark and analyse its progress against their performance.

However, benchmarking performance within the sector is often challenging due to variations in data scope and methodologies. In order to achieve some level of harmonisation across sectors, an organisation may consider referring to guidance provided by relevant industry bodies, such as International Council on Mining and Metals (“ICMM”) and IPIECA (formerly known as International Petroleum Industry Environmental Conservation Association), which advise industry players on managing sector-specific sustainability matters associated with their activities.

Beginners may also look at the publicly declared goals and targets of their competitors for the current and future years for reference. In addition, an organisation could also perform a gap analysis to determine how it is performing thus far in managing its material
sustainability matters compared to its peers. Following that, it may start putting measures and action plans in place to improve management, capture and report the results.

**Sustainability Accounting Standards Board (“SASB”)**

SASB provides its corporate users with sector-specific sustainability reporting standards. The standards allow for measuring, managing and disclosing sustainability impacts according to sector-specific performance indicators. It also enables comparison within industry (benchmarking). There are currently 11 sectors that are included: healthcare; financials; infrastructure; non-renewable resources; services; resource transformation; consumption; renewable resources and alternative energy; technology and communication and transportation.

### 4.3 Setting goals and targets

Setting goals and targets can drive behavioural change within an organisation to achieve them. Goals and targets provide a compass to steer organisations towards the desired direction.

Goals can be viewed as statements (quantitative or qualitative) of what an organisation wants to achieve and by when. Targets (quantitative) are part of the process of achieving goals and can be defined as smaller steps taken. Targets should be aligned with the purpose and deadline of the organisation’s goals.

**Characteristics of Good Sustainability Goals and Targets**

- Sustainability goals and targets are an integral part of an organisation’s business strategy and the right sustainability strategy will enhance the efficiency of the organisation’s existing operation.
- Targets should encompass the life cycle of an organisation’s operations, including research & development, design, manufacturing, product distribution, packaging, as well as support functions such as supply chain, office efficiency, manufacturing plant operations and human resources. The goal should enhance the way the organisation operates across the entire business.

**How to set goals**

The quality, quantity, scope and aggressiveness of sustainability goals across sustainability reports tend to vary widely, from those which are clearly measurable (and therefore manageable) to those which are broad aspirational-type statements which offer no indication of how progress will be identified. Quantitative goals and targets are, therefore, more credible compared to non-quantitative ones since they can be measured, tracked and compared with other organisations by stakeholders. Goals that have been set for the organisation’s material sustainability matters should also align with the organisation’s strategic objectives.
Furthermore, not all goals and targets are created equal. Public goals and targets create more impact than internal goals and targets as it garners stakeholders’ attention, and increases an organisation’s credibility with its stakeholders. There is recognition that all goals and targets may not be achieved but transparency is paramount to gain the trust of stakeholders.

Finding the Balance in Goal Setting

Goal-setting often backfires when the characteristics of good goal-setting are not considered. (See target setting section below for further information)

Setting a goal that is too ambitious may cause those tasked with achieving it to cut corners, make costly mistakes or resort to unethical behaviour to meet their deadlines.

Conversely, when goals are too conservative or “soft”, they will not generate the enthusiasm or drive needed to motivate employees.

Setting targets as milestones will help an organisation recognise some of the signals of a weak goal. For example, achieving the goal much earlier than expected may indicate that goals set could have been more aggressive. The organisation may then opt to revise its goals to keep the momentum going for the rest of the timeframe.

How to set targets

Targets relate to the indicators an organisation has chosen to measure, monitor and report on (as explained earlier) and will provide more details in relation to what it wants to achieve, how it wants to achieve it, and by when. Start by ensuring that the targets set are SMART, which are:

**Specific** - the target must address issues specific to the organisation. Relevance is key to ensure the buy-in from all levels of the organisation. Employees who are in the dark about why they are collecting, measuring and reporting are less engaged and more likely to be indifferent towards the results. The organisation should consider the following:

- Are all the involved parties aware of their roles?
- Have all aspects of this target been clearly defined (What, Why, When, Who and How)?
**Measurable** - an attribute that applies across the board to any objective, goal, target and indicator. This requires the organisation to set targets that are quantifiable.

**Achievable** - targets are achievable only if the organisation has the means to accomplish it. This includes the appropriate knowledge, skills, and abilities. The target should stretch slightly to make the relevant departments/personnel feel challenged, but defined well enough so that they are able achieve them. The organisation should consider the following:

- Has someone else achieved this target or something similar before?
- Do the departments/personnel have access to the resources required for this target?
- Has the organisation assessed all the limitations/hurdles to achieve this target?

**Realistic** - setting realistic objectives means being fair to the parties who will have to meet them. Challenging targets are not discouraged, but the target must take into account the available resources, capital and circumstances at hand. A target that is not realistic may not be achievable. The organisation should consider the following:

- Who (e.g. departments, personnel) will be in charge of meeting this?
- Do they have the capacity to do this efficiently and effectively?
- Has this target been prioritised appropriately? (if it is not a priority, it is achievable but not realistic)

**Time-bound** - a clear sense of the timeframe serves as a better driver for employees and increases their accountability for achieving the set target. Timeframes for the targets should coincide with measurement, for example “reduce resource usage by 10% based on 2014 production rates while maintaining the 2014 quality rejection rate in the next eighteen months” is much better practice compared to open-ended targets such as “reduce our resource usage by 10% without compromising quality”.

Once the organisation has drafted its own set of targets, it should:

- Engage with its internal and external stakeholders - understand the processes taking place and what improvements may be needed to address material sustainability matters, as well as measurement and collection of information. This is to determine what the

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**Sector Focus: Telecommunications and Information Technology**

In terms of sustainability metrics, International Telecommunication Union, a United Nations specialised agency has developed a toolkit on environmental sustainability requirements for the telecommunication sector. This toolkit provides organisations with “a checklist of sustainability requirements; guiding them in efforts to improve their eco-efficiency, and ensuring fair and transparent sustainability reporting.”

Aspects of the industry addressed in the toolkit include: sustainable buildings, sustainable ICT, sustainable products and services, end of life management for ICT equipment, general specifications and an assessment framework for environmental impacts of the ICT sector.
status quo is and take into account what will be required to pursue the desired goals and targets.

- Develop implementation strategies including, among others, policies, measures and actions to support the achievement of the targets it has set. These strategies are ideally developed alongside the targets.

- Internal sign-off - Once the targets have been agreed by all the relevant stakeholders i.e. those requesting the information and those who will be required to collect the information (internal and external), escalate them to the senior management and/or the Board for agreement and approval. The Board’s awareness of these goals will better ensure the implementation strategies and measurement and collection of information on the organisation’s progress towards its goals and targets will be performed. The CEO or CFO may be the main driver of the organisation’s sustainability goals and targets. This may be taken on by the CEO him/herself or be delegated (e.g. to a Chief Sustainability Officer) and be monitored by the CEO. For further guidance on establishing the internal or governance structure based on the needs of the organisation, please refer to the Toolkit: Governance.

**Measuring progress**

After setting the goals and targets, an organisation will need to implement a process to monitor and report the progress of these targets on a regular basis. Reporting on progress on a weekly, monthly or quarterly schedule (as the organisation sees fit) allows the organisation to closely track its performance and determine if any change is required to ensure its targets are still achievable. The organisation may also consider customised information management systems to capture the sustainability information, but often, others have found that simple Excel spreadsheets work equally well and are more cost-friendly to track sustainability data required for reporting.

![Figure 4: Example of progress tracking: measurement of an organisation’s electricity consumption](image)
The chart above depicts the tracking of a facility’s energy consumption on a monthly basis. This information can be gathered based on meter readings and/or electricity bills. This data can be captured in an Excel spreadsheet and presented in the manner above to facilitate discussion. Such information can be presented during management meetings to inform all process owners about the organisation’s performance so far. Where targets are not met, management will be able to brainstorm and gear the organisation towards improvement. For example, in the chart above, the organisation exceeded the threshold of 480 kWh per Full Time Equivalent in March and April. Management should investigate the cause of the spike in electricity consumption and put in place measures to reduce it to below the threshold.

4.4 Best practice reporting

The diagram below depicts RobecoSAM’s framework for assessing companies’ organisations’ sustainability reporting.

Figure 5: RobecoSAM’s 2 framework for assessing organisations’ sustainability reporting

Figure 5 above provides insights into the aspects of sustainability reporting that are evaluated by global stakeholders (e.g. investors, academics, sustainability experts). From the above, it can surmised that reporting of indicators (or KPIs used by RobecoSAM in Figure 5) and targets play an increasingly important role as stakeholders, like investors, seek to

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2 RobecoSAM works with S&P Dow Jones Indices to produce the Dow Jones Sustainability Index. SAM annually assesses around 2,000 of the world’s largest organisations in over 58 market sectors and determines their respective sustainability rating. The assessment examines companies based on environmental social and corporate governance factors (ESG factors). The data collected is entered into their valuation model to determine an organisation’s global impact. The group of Dow Jones Sustainability Indices are based on the results of the corporate sustainability assessment.
move beyond just integrating qualitative sustainability information into their investment analysis and start to make quantitative comparisons between industry peers. In view of this, it is essential that organisations consider best reporting practices that would facilitate effective communication of performance to stakeholders.

Prior to reporting, organisations must set clear data definitions, conduct diligent reviews and provide training to ensure that the data being collected is reliable. Anomalies and variations in the data should be examined to identify any error.

External assurance is an option for giving additional credibility to the quality of an organisation’s data. However, bearing in mind the cost of external verification the organisation may opt to implement internal quality assurance processes. A robust internal system should give senior management comfort over the integrity of the data.

In accordance with paragraph 6.1, Practice Note 9 of the Main LR states that all listed issuers should ensure information in their Sustainability Statement must be comparable and a prerequisite for meaningful comparisons is a consistent data set over time. Disclosure of baselines for first time reporters are encouraged and for reporters beyond two years, data from previous years should also be included for comparison. Furthermore, information should allow for comparability across industry as well (refer to “Normalisation of data” on page 14).

Reporting of KPIs should also be balanced (i.e. publishing what the organisation did well alongside areas that need to be improved).

Below is an excerpt from Alaska Air Group’s 2013 Sustainability Report³ in relation to challenges faced in measuring and reporting its energy consumption:

### Case Study: Challenges in measuring and reporting

“It is difficult to regulate or measure progress in shared buildings since our energy consumption is not always metered independently of the rest of the airport. Without a way to see the impacts of our consumption, it can be challenging to modify operational habits to improve conservation.

In buildings we do control, accuracy is important; we continually look for better ways to monitor and track our energy usage. An error was recently discovered in the square footage data used to calculate our energy consumption and performance. Although our methodology, scope and boundary remain unchanged, this resulted in a change in our energy data due to square footage updates. This error also impacted our ability to accurately measure our progress toward our previously stated energy conservation goal. While we have corrected these data errors, we’re re-evaluating our previous goal and will develop more consistent systems for capturing, analysing, improving, and reporting our facility energy use. Our revised numeric goal will be published in our next report.”

³ [http://www.alaskaair.com/content/~/media/Files/PDF/CSR/Sustainability-Report_2013.pdf](http://www.alaskaair.com/content/~/media/Files/PDF/CSR/Sustainability-Report_2013.pdf)
The statement above is an example of balanced reporting where the organisation acknowledged that they faced difficulties in ensuring the accuracy of the data and also the occurrence of an error in their data collection. This provides context for the reader of the statement to allow them to better evaluate the performance data.

**Scope of themes**

Paragraph 6.2 (b), Practice Note 9 of the Main LR requires listed issuers to disclose the scope of their Sustainability Statement and basis for the scope. This requirement aims to provide the reader with context on the information that is being presented to them. In addition to scoping the Statement, scope of the themes also contributes to an understanding of the context. For example, scoping of a theme such as emissions to just include Scope 2 emissions which only takes into account indirect GHG emissions from consumption of purchased electricity, heat or steam would provide the reader context on the size of the emissions, relative to the business operations. This can be considered a proxy for efficient use of energy.

Specifics on the boundaries of an organisation’s reporting increases the quality of its disclosure as they allow stakeholders, particularly investors to know what is included or excluded in the disclosures and provide a platform for discussions with the organisation to understand reasons for the scope. This will then allow the stakeholders to form initial conclusions on the organisation’s risks and value implications (e.g. company XYZ has omitted their coal operations in country x, and an investor will factor in lack of info on x in their assessment of company XYZ’s performance and risk profile).

To take this further, if a multi-national plantation organisation only included its head office operations, its disclosure in terms of information and data would be very different compared to the disclosure of its peer which included information and data of all its plantations or sites. The latter’s disclosure would enable its stakeholders to get a more holistic view of the organisation’s focus and the extent of information and data provided in the report.

**Disclosing exclusions**

In detailing scope, an organisation is encouraged to communicate what is being excluded from the report for each theme.

This allows an organisation to take a gradual approach to increasing its disclosures, acknowledging that time may be required for training and awareness, and refining existing systems and processes for the collection of information.
It further supports transparency of risks and opportunities to the users of the organisation’s sustainability-related disclosures. Knowing ‘what is in and what is out’ allows users to make decisions based on this understanding. It is a best practice that scoping should not be used to exclude activities, products or facilities that have or can have significant sustainability impacts or to evade its legal compliance. Figure 6 below depicts disclosure of freshwater-use intensity by Alcoa, a large international mining company. They disclosed the scope of their freshwater use in terms of included and excluded facilities and processes.

Figure 6: Disclosing exclusions: Alcoa’s freshwater-use intensity

(Source: Alcoa Sustainability Highlights 2013)
Trends in Sustainability Reporting

GRI published a paper titled “Sustainability and Reporting Trends in 2025: Preparing for the Future”. In this publication, they highlighted two key points in relation to reporting trends of sustainability data:

- **New indicators will emerge**, revealing the correlations between impacts, displaying internal and external business integration, providing valuation of impacts (externalities) and determining the level of trust stakeholders have in an organisation. Decision makers will be better informed about the specific impacts of business activities when building a sustainable economy.

- **Sustainability data will be digital**. This format will prevail for presenting financial and sustainability performance information. Reports and disclosures will be released more frequently than today’s annual communications. The reliability of the data will be essential to build trust with stakeholders.

This highlights the importance for organisations to understand that achievement in sustainability performance is a moving target. Treating measuring and reporting as a continuous improvement process will reap benefits for you from a spectrum of tangible and intangible aspects.

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5. Sustainability Reporting Themes - Examples

This section aims to give further elaboration on the EES themes set out in the Appendix A of the Guide in terms of the rationale for why it may be a material sustainability matter for listed issuers to consider, manage and disclose, and a selection of sub-themes that listed issuers can consider including as part of their management and reporting, as set out in the Table below. The list of themes and indicators provided in the Guide is not exhaustive but may serve as a reference point for new as well as maturing reporters.

<table>
<thead>
<tr>
<th>Themes</th>
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<tbody>
<tr>
<td>Economic</td>
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<tr>
<td>Procurement practices</td>
<td>Businesses bear on a local economy beyond just providing direct jobs and payment of wages and taxes. An organisation should consider the potential impacts or unintended consequences of its procurement decisions on other organisations and the local community, and take care to avoid or minimize any negative impacts. It can also add value to local communities by purchasing the majority of its needs from local sources providing this does not deprive the community of the ability to meet its own needs. An organisation that supports its local suppliers through purchases of local products and services not only contributes to local economic growth but also will be seen and accepted as a responsible business entity by the community at the organisation’s significant location of operation. Significant locations of operation refer to locations where a market scale (i.e. in terms of revenues, costs, number of employees) represent a significant share of the organisation’s global total and are sufficiently important for the decision-making by the organisation or its stakeholders. The business case for sustainable procurement practices looks at using procurement strategically to have a positive impact on regional economic growth and development. It is driven by businesses that make conscious choices to purchase a certain type of goods or service in support of creating a favourable social outcome. It may also boost the company’s reputation by engaging in sustainable sourcing. Research has shown that 85 percent of sustainable development issues that attract media attention are related to suppliers. Additional drivers include dealing with the risk of supply chain disruptions by sourcing locally; reducing emissions related to product/supply chain transport and reduced cost in purchasing and compliance. Opportunities arise from potential additional revenues through eco-innovation and the possibility of charging a price premium due to its sustainable status.</td>
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<td>Community investment</td>
<td>Investment in the community can have a real and immediate impact on the social goods of a region. This form of investment may look beyond financial resources and considers how to make best use of the organisation’s resources, expertise and relationships to benefit local communities. A key consideration for organisations investing in this form of commercial philanthropy is to look at their internal management structures. To be successful, community investment projects must be aligned to the aims of the organisation’s business. Best practice would be to align the strategic issues of the organisation with the development priorities of local communities to create “shared value”. Furthermore, strategic community investment plays a role in securing a social license to operate for organisations. In fact, effective community investment programs can help organisations gain not only a social license to operate but also access to resources, reduce</td>
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<tr>
<td>Economic</td>
<td>project and reputational risks, boost productivity, meet government requirements or global standards, and/or successfully compete for the next venture. One of the challenges of investing in social projects is calculating impacts. The advantage of shared value projects is that mechanisms are built in from the start, to measure benefits such as, annual emissions reductions or number of children earning an education due to the organisation’s efforts to build a school. These can be adapted to generate regular reporting of wider environmental and social benefits for little extra cost.</td>
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<tr>
<td>Indirect</td>
<td>Indirect economic impacts are additional consequences of the direct impact of financial transactions and the flow of money between an organisation and its stakeholders. It is a deeper reflection of the organisation’s economic influence as it drives the circulation of money within the economy. Direct economic impacts are often measured as the value of transactions between the organisation and its stakeholders, while indirect economic impacts are the results - sometimes non-monetary - of the transaction. This may also serve as an indicator for possible emerging risks in terms of the organisation’s reputation or may point towards opportunities for operations to expand. An example of indirect economic impacts would be suppliers for a certain organisation purchasing goods and services and hiring workers to meet the demands of the organisation. Another example would be the development of infrastructure by the organisation that would enhance the lives of the local people e.g. by building a bridge or a road.</td>
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| Emissions     | All industrial processes create emissions to air. These emissions may or may not be visible and take the form of gases or particles (i.e. microscopic solids or liquids suspended in the air). They may create direct and immediate impacts such as pollution (e.g. haze or reduced visibility) or react with what is already present in the atmosphere and create more indirect and long term impacts such as acid rain. The most common emissions are carbon monoxide (CO), carbon dioxide (CO₂), sulphur oxides (SO₂) and nitrogen oxides (NO₂). Particulates (PM) can become lodged in the respiratory tract and/or the lungs and are known to cause harm to human health. Emissions to air are regulated in Malaysia by the Environmental Quality Act (Clean Air) Regulations 2014 and organisations that discharge particulates, gases and other substances as a result of combustion of fuel or use electricity as a heat sources must meet certain discharge standards specified in the regulations. License conditions may require regular reporting of the discharges and non-compliance with the requirements may incur penalties. Emissions to air may also include gases which contribute to global warming and in turn climate change. These emissions are usually described as greenhouse gases (GHG) and include carbon dioxide (CO₂), methane (CH₄), nitrous oxide, hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF₆), etc. These gases do not contribute equally to global warming, e.g. methane has a global warming potential (i.e. absorb higher energy) of between 28-36 times more than carbon dioxide. These emissions are generally normalised and related to a CO₂ kg or tonne equivalent (CO₂e). This may be done through the use of data conversion factors. GHG emissions associated with an
Themes | Definition
--- | ---
Environmental | organisation’s operations and its supply chain, can be divided into three categories known as:
  - Scope 1 (direct GHG emissions) - direct emissions resulting from the burning of fossil fuels through boilers, furnaces, company vehicles and other sources that are owned or controlled by the organisation;
  - Scope 2 (electricity indirect GHG emissions) - accounts for GHG emissions generated from purchased electricity or other brought in sources;
  - Scope 3 (other indirect GHG emissions) - other indirect GHG emissions generated from sources not owned or controlled by the organisation.

It is becoming a common practice for organisations to report their GHG emissions. For some industries, disclosure on GHG emissions can be a particular focus for stakeholders. For example, there may be a strong interest in the emissions associated with oil and gas extraction and processing, manufacturing, or with plantations (in conjunction with biodiversity). Therefore, it may be relevant to report on the GHG emissions of the organisation or product’s supply chain, particularly if it is involved in emissions-intensive industries/products.

To manage global GHG emissions, countries and regions have been introducing carbon markets and regulations which add costs to organisations’ GHG emissions. In some countries, this is a regulated requirement but not yet in Malaysia. This means that understanding GHG emissions allows an organisation to better manage its emissions levels and potentially make processes more efficient where possible. This can save money in the long run, as well as reduce the emissions intensity of the organisation and/or its products, which can be a positive selling point. Not managing emissions levels can expose an organisation to financial risks through current or future carbon pricing as well as investors incorporating emissions intensity into its decision-making process. Organisations such as the CDP and the Asset Owners Disclosure Project are pushing global investors to disclose the GHG emissions intensity associated with their investment portfolios.

Waste and effluent | An organisation’s activities, products and services may lead to the generation of waste that, if improperly managed, can cause contamination of air, water and land. In addition, the generation of excessive waste also causes the unnecessary depletion of natural resources.

Waste can be divided into liquid or solid and may in turn be subdivided into hazardous and non-hazardous waste. Hazardous waste is defined under the Environmental Quality (Scheduled Wastes) Regulations 2005. Non-hazardous waste can include domestic (putrescible) waste and other non-hazardous waste. Hazardous waste can only be disposed of through a contractor licensed by Department of Environment. Electronic waste is also covered under this regulation.

Responsible waste management seeks avoidance of waste. It follows the waste reduction hierarchy, that is: source reduction, reuse, recycle and reprocess, waste treatment and waste disposal. It is increasingly acknowledged that the sustainable management of waste produced through the operation of a business provides a net opportunity rather than a cost. In addition to this, customers are placing greater expectations on product providers. One of these expectations is the environmentally responsible management of waste arising from business operations, or ‘Extended Producer Responsibility (“EPR”).’ This model shifts the responsibility for waste management onto the industry providing the product or service rather than the consumer.
### Environmental

One of the biggest potential benefits of the EPR model to industry is the reliable access to cheap, recycled raw materials. This reduces operational costs, ensures capacity to deliver the environmentally sustainable products that modern consumers demand, while also projecting a corporate image of social responsibility. The collaboration with a broad range of stakeholders that the EPR waste management model demands is also highly beneficial to the organisation implementing the model for two reasons. Firstly, it extends the organisation’s effective network, and secondly, engagement with stakeholders. Engaging with not-for-profits, industry partners and policy makers to implement the model is a very effective way of enhancing corporate reputation while also ensuring supply chain sustainability.

In order to properly manage waste associated with an organisation’s operations and supply chain, it is important for an organisation to document the volume of waste produced, the category of waste (including classification of hazardous materials or wastes that are of particular public interest) and the proportion of waste recycled or managed in a sustainable way. This reporting can encourage businesses to find cost saving opportunities by reducing the production of waste, which improves business efficiency and can be a positive way of distinguishing an organisation from its competitors.

### Water

Water is an essential commodity for industry to operate however water scarcity is becoming an increasing problem. This may be caused by climate change, water not falling over catchments areas, excessive abstraction of water from rivers and underground aquifers as well as overuse. An organisation, therefore, should conserve, reduce its water use, reuse water in its own operations and stimulate water conservation within its sphere of influence.

The more efficient use of water is becoming essential if industry is to reduce its operating costs and maintain an adequate supply of water into the future. Instead of using high quality potable (drinking) water for industrial processes which increases costs and reduces the water available for human consumption, industries are reusing and recycling water for their processes. Total water use can also indicate the level of risk posed by disruptions to water supplies or increases in the cost of water. In regions where water sources are highly restricted, an organisation’s water consumption patterns can also influence its relations with other stakeholders.

Reporting the total volume of water withdrawn by source, therefore, contributes to an understanding of the overall scale of potential impacts and risks associated with an organisation’s water use. The total volume withdrawn provides an indication of the organisation’s relative size and importance as a user of water, and provides a baseline figure for other calculations relating to efficiency and use.

### Energy

Energy in the form of electricity, heat, etc. can be generated from non-renewable sources such as fossil fuels or from renewable sources such as nuclear, sun, wind and water. Energy from non-renewable sources generates GHG emissions whereas that generated by renewable sources may generate no or minimal GHG emissions.

Measuring and monitoring energy use can be an important way to identify savings which lead to reductions in energy use and associated costs. Using energy efficiently is an important way to achieve cost savings, particularly in energy-intensive industries such as manufacturing.

Saving energy may start with a recording process or an energy audit. Recordings of energy consumption may be made over time and may prove useful in identifying an organisation’s peak usage and where and why. An energy audit will identify areas where energy
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<tr>
<td>Environmental</td>
<td>Consumption can be reduced or where alternative sources such as solar energy can be used. The audit may also take into account situations where the organisation does not control its energy consumption such as in a hotel where the hotel guest decides how long they will keep the light on in their room. In these circumstances, the energy intensity (energy used per operating hour) becomes critical and should be minimised. While technology such as using LED lighting, noise or thermal activated lights, time switches or partial lighting, variable speed drives on lifts and escalators, smart meters and other technologies may be very useful, they can also be expensive. Small to medium enterprises may adopt more simpler means in the first instance by developing an energy saving plan that may include a mix of technological measures such as ensuring heating and ventilating systems are switched on only when needed, increasing office minimum working temperatures, reducing hot water temperatures to less than 40°C and behavioural measures such as educating employees on the importance of energy saving and implementing “last out - lights off” programmes, etc.</td>
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<tr>
<td>Biodiversity</td>
<td>Biological diversity or also known as biodiversity refers to the variety of life on Earth, covering a wide variety of ecosystems and living organisms such as animals, plants, their habitats and their genetic pool. The business case for biodiversity does not just focus on the economic benefits derived from biodiversity but other social and cultural benefits of biodiversity too. Malaysia, in particular is ranked no. 12 on the National Biodiversity Index. Approximately 10% of forested area is protected and the rest of the land is used for agricultural crops, rubber plantations, oil palm plantations, urban development, among others. Biodiversity is a natural capital that can be harnessed for economic purposes such as eco-tourism as well as provide social and environmental benefits such as slowing down climate change impacts and represent a legacy to be preserved for future generations. Locally, the plantation sector, which is a large and ever-growing sector in Malaysia may create a significant impact on biodiversity due to deforestation. Studies have shown that plantations support much fewer species than do forests. Contribution to deforestation may be occurring in the following ways: i. as the primary motive for clearance of intact forests; ii. by replacing forests previously degraded by logging or fire; iii. as part of a combined economic enterprise, such as with timber, plywood or paper pulp profits used to offset the costs of plantation establishment; or iv. indirectly, through generating improved road access to previously inaccessible forest or displacing other crops into forests. It is crucial for organisations which have a high impact on biodiversity to actively research and implement methods to reduce their biodiversity footprint. An example of this would be to divert oil palm expansion into areas of low conservation importance to reduce ecological damage. In terms of reporting on biodiversity, an organisation may consider the identification and assessment of its risk associated with biodiversity by reporting on the potential impact on land, fresh water and marine environment that lies within, contains, or is adjacent to areas with high biodiversity value. Organisations should also monitor its activities taking place in both protected areas and areas of high biodiversity value outside protected areas to reduce its impacts and to avoid mismanagement. In addition, organisations that proactively managing their impacts on biodiversity may prevent any damage their ecosystems.</td>
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<tr>
<td>Environmental</td>
<td>reputation, avoid possible delays in obtaining planning permission, and mitigate the risk of losing their social license to operate.</td>
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<td>Materials</td>
<td>This theme discusses an organisation’s practices and commitments to responsible sourcing and management of materials, and how these were given consideration in the fabrication of a product. According to the Global Agenda Outlook 2013 survey by the World Economic Forum5, resource scarcity appears in the list of the top 15 most urgent issues to address. This highlights the risk posed to organisations which require materials as inputs in the production of goods. As a result, affected organisations may need to begin looking at their sources and better understand and support what it takes to respond to scarcity (real or perceived) and promote responsible, stable sources. Apart from the sourcing of materials, organisations can also start by looking at its composition of materials used in the production of goods (and packaging) such as its consumption rates. Material consumption is a reflection of the efficiency of the organisation and is hence, directly related to overall costs of operation. Tracking this consumption internally, either by product or product category, facilitates the monitoring of cost of material flows.</td>
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<td>Land remediation, contamination or degradation</td>
<td>Land contamination may adversely affect or render land unproductive. Contamination may occur as a result of the current or prior activity of an organisation or its previous occupier. Contamination may be of natural origin, in various states (solid, liquid or gas), and may affect soil quality (degradation) and its surrounding ecological and environmental receptors. Chemical spills, industrial activity or use of certain types of fertilisers and pesticides are, among others, activities that can result in land contamination. This may entail costs to organisations that contaminate the land in the form of environmental fines and remediation. Land remediation, on the other hand, refers to the efforts taken to remove or reduce pollutants or contaminants in the soil. This theme requires disclosure on an organisation’s management of soil quality and initiatives assumed in the remediation of contaminated land. Land degradation reduces the land’s ability to provide for the ecosystem it exists in. Human activities contributing to land degradation include unsustainable agricultural land use, poor soil and water management practices, deforestation, removal of natural vegetation, frequent use of heavy machinery, overgrazing, improper crop rotation and poor irrigation practices. Natural disasters, including drought, floods and landslides are also partly responsible. Reclamation and rehabilitation of degraded land is costly and furthermore, severe degradation may cause the land to lose it ecosystem functionality altogether. This in turn affects the biodiversity of the area. Due to the interconnectivity of the ecosystem, land contamination and degradation can have cascading effects, ultimately affecting food security, water security and carbon emissions. Assessment, risk management and/or remediation activities to make the land suitable for existing or proposed uses are essential to be performed and disclosed by organisations in order to gain their credibility in the eyes of consumers and to comply with relevant laws and regulations.</td>
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<td>Supply Chain (Environmental)</td>
<td>Please refer to page 36 of this Toolkit.</td>
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<td>Product and Services Responsibility (Environmental)</td>
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<td>Compliance (Environmental)</td>
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<tr>
<td>Social</td>
<td>Diversity includes the consideration of gender, ethnicity, age as well as providing equal employment opportunities to these groups at the workforce and management level. Workforce diversity is particularly a key concern in the Malaysian market due to the multicultural nature of the population. Equitable policies related to hiring practices should ensure a gender and ethnicity balance and the absence of age-discrimination specifically against older members of the workforce. In addition, reporting on the percentage of woman employed in senior management and at board level is an effective way of encouraging higher female involvement in the workforce. Monitoring and reporting on gender, ethnicity and the age distribution of an organisation’s staff and gender representation at higher levels of company leadership is a clear demonstration of the organisation’s commitment to diversity and inclusiveness. There are several economic implications for consideration and disclosure of positive diversity within a company. Firstly, it can help with recruitment, by attracting and retaining talented employees. People are attracted to organisations with a good reputation for opportunities, and it provides organisations with a wider group of potential employees from which to draw. Secondly, it may attract investment from the rising number of socially aware investors and therefore increase the number of shareholders. Finally, it will enhance the corporate reputation of the organisation, which has been demonstrated to increase an organisation’s customer base, especially as modern customers become more socially aware and informed. Robust diversity and inclusion policies and practices will enable organisations to draw on the emergent cosmopolitan workforce of Malaysia and drive economic growth. Employers who actively encourage workforce diversity also benefit from business growth due to increased innovation, access to a wider talent pool, building new skill sets, higher staff motivation and capitalisation on new markets.</td>
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<td>Human Rights</td>
<td>In accordance with the United Nations Universal Declaration on Human Rights, this is defined as to include the right to:</td>
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<td>- not be discriminated against;</td>
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<td>- not be enslaved;</td>
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<td>- be treated with dignity;</td>
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<td>- to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay; and</td>
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<td>- have freedom of opinion and expression.</td>
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## Social

Human rights are the basic rights to which all human beings are entitled. In situations where human rights are not protected, organisations should take steps to respect human rights and avoid taking advantage of these situations and where the law or its implementation does not provide for adequate protection of human rights, adhere to the principle of respect for international norms of behaviour.

Organisations have a responsibility to respect all human rights. To respect human rights means, in the first place, to not infringe the rights of others. This responsibility entails taking positive steps to ensure that the organisation avoids passively accepting or actively participating in the infringement of rights.

Numerous opportunities present themselves to organisations that proactively manage their human rights issues, including among others, non-discrimination, freedom of association, child labour, forced or compulsory labour. The key to this is instilling the understanding that it is not only a moral imperative but also may affect the bottom line e.g. cost of managing reputational and legal issues and the possible impact to customers. From a perception aspect, it allows organisations to be seen as part of the solution in tackling issues such as child labour and forced labour by ensuring their supply chain does not support these two dilemmas whilst from an operational perspective, it is about securing the social license to operate. The International Finance Corporation highlights the source of pressures faced by organisations to address these issues head on. This includes pressure from investors, governments, non-governmental organisations, society, customers and insurers.

An organisation’s opportunities to support human rights will often be greatest among its own operations and employees. However, organisations also have the opportunity to work with its suppliers, peers or other organisations, and the broader society. In some cases, organisations may also, if possible, wish to increase their influence through collaboration with other organisations and individuals. Assessment of the opportunities for action and for greater influence will depend on the particular circumstances, some specific to the organisation and some specific to the context in which it operates.

However, organisations should always consider the potential for negative or unintended consequences when seeking to influence other organisations. Organisations should consider facilitating human rights education to promote awareness of human rights among rights holders and those with the potential to have an impact on them.

## Occupational Safety and Health

Occupational safety and health ("OS&H") is a key concern in the Malaysian market particularly due to the strong emphasis on construction, agriculture and manufacturing sectors in developing the local economy.

A high rate of industrial accidents and industry-related health issues may tarnish a company’s public image, regardless of the size of the organisation. For organisations with socially aware investors, this may result in loss of shareholders confidence and may act as a deterrent to new investments. A history of recurring accidents may also bring about increased scrutiny from regulators, employee-based organisations such as unions and non-governmental organisations.

The economic implications resulting from inadequate management of OS&H issues may include increased labour costs attributed to hiring new personnel, providing training or re-training employees, loss of productivity, efficiency costs as well any compliance costs that the organisation would have to bear (e.g. stop work order by regulators resulting in lost production hours, penalties imposed on the organisation or increase in insurance premiums) and medical, compensation or rehabilitation costs. Small and medium enterprises are more vulnerable to the effects of poor OS&H management as a smaller
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<tr>
<td>Social</td>
<td>A work force is more likely to be affected by a loss of personnel due to injury or ill health. Disruptions like this translate into lost revenue for businesses. Meanwhile, creating a safe and healthy working environment will boost employee morale and in some cases bring about productivity gains whilst reducing staff turnover. The economic dimension of these benefits can be quantified by costing accidents, including recovery costs. Identifying the number of workplace injuries per hour worked, per day, per project or per annum or the rate of work days lost to injury or ill health provides the organisation with historical (reactive) information on its OS&amp;H performance. Guidance on the OS&amp;H indicators and their meaning is provided by Department of Occupational Safety and Health (“DOSH”). Lagging (reactive) indicators, however, does not provide information on why the organisations performance is at this level. It may be attributed to the use of best practice work methods, or inadequate or ineffective management, or the fact that the organisation has a nucleus of long term employees who are familiar with the work or just luck. The use of leading (proactive) indicators provides organisations with information on the effectiveness of the methods they have chosen to use to manage their OS&amp;H performance. For example, if an organisation provides training for all its employees on OS&amp;H awareness or hazards (things which have the potential to cause harm to an employee), it would be expected that the injury rate would fall if the training were effective. The use of both leading and lagging OS&amp;H indicators provides organisations with a better understanding of where to place their resources in order to maintain or improve the level of OS&amp;H performance they seek to achieve.</td>
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| Anti-competitive behaviour | Anti-competitive behaviour concerns the ethical business practices without affecting consumer choice, pricing, and market efficiency. Anti-competitive behaviour creates disadvantages to competing firms and consumers, generates significant social costs and has a negative effect on the economy as a whole. This includes actions of an organisation or its employees that may result in collusion with potential competitors to fix prices; coordinate bids; create market or output restrictions; impose geographic quotas; or allocate customers, suppliers, geographic areas, and product lines, with the purpose of limiting the effects of market competition. Organisations may be served with heavy fines and their reputation may take a hit when news of this kind of behaviour breaks out. In order to ensure that anti-competitive behaviour is not being encouraged, ensure that the following topics are not discussed during meetings or discussions with other parties that the organisation is seeking to engage with:   
|                           | • Current or future prices charged by an organisation;  
|                           | • Current or future costs of products or services to another organisation;  
|                           | • Price-related data or practices of individual organisations. This may include discounts, advertising terms, marketing practices, bids or bid practices, sales practices, warranty terms, profitability or any other profit-related information;  
|                           | • Individual organisation’s production plans, costs, timelines, levels or quantities of production;  
<p>|                           | • Endorsements of any particular organisation, products or services;  |</p>
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<th>Themes</th>
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| **Social** | • Allocation of markets, territories or customers between or among the organisations; and  
• Refusal to deal with any competitor, supplier, or customer. |

**Anti-corruption**

In accordance with Transparency International Malaysia, corruption is defined as the abuse of entrusted power for private gain. This theme discusses activities that promote transparency and guard against various forms of corruption (e.g. soliciting, offering or accepting a bribe in money or in kind of or by public officials, conflict of interest, fraud, money laundering, embezzlement, concealment and obstruction of justice and trading in influence).

Corruption undermines an organisation’s effectiveness and ethical reputation, and can make it liable to criminal prosecution, as well as civil and administrative sanctions. Corruption can result in the violation of human rights, the erosion of political processes, impoverishment of societies and damage to the environment. It can also distort competition, distribution of wealth and economic growth.

Corruption carries large economic costs to the business community. It deters private investment due to the high exposure to risk, slows the development of infrastructure that businesses rely on, and generates social unrest. In the worst case scenario, corruption will detract from the rule of law, democratic procedure and the authority of public office.

One of the greatest risks of corruption to an individual organisation is the reputational damage. Organisations engaging in corrupt practices risk being named-and-shamed by the World Banks’ Corrupt Company Blacklist which carries the additional punishment of being barred from doing business with the world banks. With increasing access to information, consumers will react swiftly to evidence of corruption as they are willing to pay more for products and services provided by corruption-free organisations.

The business damage caused by corruption is more immediate than just loss of reputation. It’s estimated that the cost of international projects for businesses is increased by between ten and twenty five per cent due to corruption. A culture of corruption enables trade cartels to emerge which drives up the cost of goods and services within the supply chain and deters healthy competition that stimulates economic growth. Furthermore, ethical organisations will lose contracts to those that are willing to pay bribes.

Organisations can address anti-corruption by a series of measures including developing a policy that clearly states the organisations intent with respect to corruption. A corruption policy not only benefits the organisation by reducing losses and maintaining its integrity and reputation but also employees who no longer have to be concerned about their failure to secure contracts at any cost. This in turn may require a risk assessment process to identify business functions or activities where corruption could occur, its likelihood and consequences. These may include functions such as sales and marketing, procurement, business development, facility maintenance, etc. Once these functions have been assessed and prioritised, the organisation can put in place controls to eliminate or reduce the risk of corruption. These could include integrity testing, ensuring all contracts are not handled by a single individual, requiring employees to declare their assets, etc.
### Themes | Description
---|---
**Social** | The labour practices of an organisation encompass all policies and practices relating to work performed within, by, or on behalf of the organisation, including subcontracted work. Labour practices include the recruitment and promotion of employees; disciplinary and grievance procedures; the transfer and relocation of employees; termination of employment; training and skills development; occupational health and safety; and any policy or practice affecting conditions of work, in particular working time and remuneration.

Incorporating fair labour policies and practices into an organisation’s business model has the advantages of maximising workforce utilisation as well as minimising exposure to regulatory liability. Screening suppliers for their labour practices and monitoring and reporting on training hours, employee benefiting from flexible working practices and industrial disputes and resolutions is an important factor in increasing employee productivity.

Organisations with policies and practices that facilitate flexible working arrangements tend to benefit from higher staff-retention rates and greater productivity due to a higher employee satisfaction and a shifting focus from hours served to outputs achieved. Formal flexible-working policies are an effective way of preventing informal flexible working practices that can generate internal workforce resentments due to perceived inequality, which can lead to lower productivity. Flexible working arrangements will also mean that organisations are not constrained by the location of talent, making them a key component in addressing future shortages in skilled workers. Finally, flexible working arrangements where employees can work from home and forego an assigned workplace in a corporate facility enable organisations to make significant cuts to their operational costs arising from a reduction in corporate real estate portfolios.

Similarly, ongoing employee development through training and education is essential for employee retention and avoiding shortages in skilled labour. Given the increasing demand for workforce specialisation and the fluctuating nature of industry standards, it is essential that an organisation’s existing employees are given the opportunity for ongoing development to maintain the relevance of their skill sets to the needs of customers and clients. Finally, opportunities for professional development boosts productivity by contributing to a sense of employee satisfaction.

Equitable labour relations encourage a culture of high employee retention and enable the business to overcome geographical limitations of employee location in order to attract the most highly skilled employees. Organisations that fail to manage their labour relations in a manner that meets the expectations of modern consumers and investors can also suffer damaging losses by drawing the negative attention of influential NGOs leading to a poor corporate reputation and greater investor risk.

**Society** | Society’s main needs relate to access to shelter, food, water and financial security. The Society theme relates to the impacts organisations have on the needs of society and local communities. The social implications of an organisation’s operations must be identified for the purposes of good risk management and potential opportunities. This cuts across all industries, however, industries that have significant influence on the community and their surrounding environment due to the nature of its business e.g. plantations and utilities must be responsible and transparent in their efforts to mitigate the impacts of their operations. For example, in addressing society’s need for financial security, financial inclusion is one of the vehicles that can help people and organisations manage their lives and businesses in ways that contribute to greater food security or
### Themes

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<td>Profitability, better health outcomes or timely investment in new technology, among others. This is one aspect that organisations in the financial sector should bear in mind during the development of business strategy and desired outcomes.</td>
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<td>Impact to society can be measured via social assessments which help organisations estimate the social consequences that are likely to follow from specific policy actions or project development, particularly in the context of appropriate national policy and legislation. Social impact assessments are especially important to be conducted when it impacts society’s access to their primary needs. Common examples are large development and infrastructure projects that displace local communities or block access to food and water sources.</td>
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| Product and Services Responsibility (Social) | Please refer to page 36 of this Toolkit. |
| Supply Chain (Social) | Please refer to page 36 of this Toolkit. |
| Compliance (Social) | Please refer to page 37 of this Toolkit. |

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<td><strong>Product and Service Responsibility (Environmental &amp; Social)</strong></td>
<td>Environmental responsibility for products and services refers to environmental impact of an organisation’s products and services in the course of their lifecycle (including product design, development, testing, etc.) whilst social responsibility for products and services relates to the impact of products and services on the wellbeing of society, including privacy, health and safety. Integrating environmental considerations into product and service design may help organisations identify new business opportunities and stimulate their innovation in technology. This may also help organisations circumvent any possible incompatibility of their products and services with future environmental legislation. Potential sources of information for disclosure on this sustainability matter include product lifecycle assessments (LCA) or documents related to product design, development and testing. Social considerations such as effects on customer’s health, safety and privacy are key considerations for organisations in the process of designing, developing and delivering a new product or service to consumers. Organisations these days are also driven by broader social agendas such as financial literacy. This relates to the public’s knowledge on financial products and services. Because it can facilitate effective product use, financial education is critical to financial inclusion, which is a key enabler to reducing poverty. Properly designed, financial education can be tailored to the customer’s specific context, helping them to understand how financial instruments, formal or informal, can address their daily financial concerns, from simple issues such as daily cash flow to more complex issues such as risk management, thus allowing them to make better financial decisions.</td>
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<td><strong>Supply Chain (Environmental &amp; Social)</strong></td>
<td>A supply chain is a network created by all individuals, organisations, resources, activities and technology involved in the creation, manufacturing, packaging and distribution of a product or service to its end user. Environmental supply chain refers to all significant environmental impacts observed or assessed in the supply chain in relation to products and services produced and/or offered by an organisation. Social supply chain relates to significant and potential social impacts on society in the supply chain. Organisations that take environmental impacts into consideration have been observed to be more resilient and suppliers that are proactively tackling climate change and water issues are seen to be better business suppliers. Organisations may also influence their suppliers to improve their sustainability performance thus improving the quality of the entire supply chain. This in turn may create competitive advantage for suppliers by not only making them more efficient but also more attractive to other customers. Gestamp6, an automotive components manufacturer reported on the benefits they created in the supply chain through their innovation: “As a supplier of components to the automobile sector, our added value lies in our technological capacity to develop new products and innovative solutions that allow us to obtain lighter parts that help our customers reduce their CO\textsubscript{2} emissions, as less weight means less fuel consumption and fewer emissions generated during the vehicle use stage.” The Carbon Disclosure Project works with investors and organisations to improve the sustainability of supply chains by reducing their climate change impacts on the environment and society. Their website may be referred to for further guidance on risks and opportunities associated with supply chains sustainability. It is pertinent that an organisation is also aware of significant actual and potential negative impacts for labour practices in the supply chain as this may enable an organisation to address them. This includes impacts that are either caused or contributed to by the organisation, or that are linked to its activities, products, or services by its relationship.</td>
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Themes | Description
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Environmental & Social | with a supplier. Human rights are also an essential aspect that require scrutiny by organisations. Issues such as child labour, forced labour and no freedom of association are critical issues that are not only detrimental to the organisation in terms of reputation but also negatively impacts the lives of the workers. In addition, good health and safety practices are a reflection of the supplier’s commitment to not only a safe work place but also an efficient one without disruptions due to hazards and accidents.
Organisations are encouraged to perform environmental and social impact assessments on their suppliers to ascertain if there are any risks associated with these suppliers. The assessment can be performed in the form of brief interviews, site visits and questionnaires. Based on the results of the assessment, a re-evaluation should be conducted should the suppliers not meet the minimum requirements and have been advised on improvement opportunities.

Compliance (Environmental & Social) | Compliance identifies the adherence of an organisation's activities to relevant laws and guidelines. It outlines an organisation's degree of observance to laws and guidelines governing its business, as well as efforts undertaken in assessing the anticipated environmental and social impact of its activities.
An organisation's ability to comply with legislation and guidelines are an indicator of the ability of management to ensure that business operations are also conforming to certain performance parameters. The accumulation of fines and penalties may lead to a damaged reputation and prevent the in-flow of business and investments. In some cases, non-compliance can lead to costly obligations or liabilities such as clean-up of pollution or compensation to affected communities.
6. References for additional guidance


3. *Sustainability Accounting Standards Board (SASB)* [weblink]

4. *CDP (formerly known as the Carbon Disclosure Project)* [weblink]

5. *The Consumer Goods Forum* [weblink]

6. *IPIECA (formerly known as the International Petroleum Industry Environmental Conservation Association)* [weblink]

7. *International Council on Mining and Metals (ICMM)* [weblink]


9. *Roundtable on Sustainable Palm Oil (RSPO)* [weblink]


11. *Marine Stewardship Council Certification (MSC)* [weblink]

12. *Forestry Stewardship Council Certification (FSC)* [weblink]

13. *The International Telecommunications Union (ITU)* [weblink]

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