UN GLOBAL COMPACT
Network
Malaysia & Brunei

# MALAYSIA BUSINESSES SUSTAINABILITY PULSE REPORT 2022

## FULL REPORT

REPORT OF THE MALAYSIA PRIVATE SECTOR
JULY 2022

Partners:

Supporting Partners:

Knowledge Partner:


“What gets measured
gets managed”

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# Foreword

Since 2020, the world has been in a constant state of cascading crises that compound each other, affecting lives and livelihoods. As the world continues to face increasing social and environmental challenges, governments and organisations are recognising the need to embrace sustainable practices and the adoption is as much about future resilience as it is about being a good 'corporate citizen'. Private sector data, which is deemed as one of the crucial enablers for governments to meet their sustainability aspirations, is needed most, at this point in time. The *Malaysia Businesses Sustainability Pulse Report 2022* is a multi-partner collaborative initiative to further close the gap in available private sector sustainability data.

We conducted a 6-months multi-stakeholder research project with our *partners (Bursa Malaysia, MATRADE, and MDEC); supporting partners (Axiata, HSBC Amanah, Sarawak Energy, Tata Consultancy Services Asia Pacific), and knowledge partner (Nottingham University Business School)* to uncover interesting insights on the 'Pulse' of Malaysian companies on how they are thinking about, organising around and reporting on sustainability.

Through this report, we hope to help you build a better understanding of the landscape and drivers in sustainability practices and strategy among Malaysia's private sector - thus providing a benchmark to guide decision-makers in paving their way on their sustainability journey and to craft more effective policies. We hope you find this report insightful and welcome opportunities to engage with you further.

**Faroze Nadar**
*Executive Director*
UN Global Compact Network Malaysia & Brunei

MALAYSIA BUSINESSES
SUSTAINABILITY PULSE REPORT 2022

SECTION 1

# INTRODUCTION & HIGHLIGHTS

# Section 1: Introduction and Highlights

## 1.1 Introduction

In Malaysia, sustainability at the country level and within the private sector is accelerating its shift towards strategic agendas. At the country level, the National Sustainable Development Goals (SDG) Council, chaired by the Malaysian Prime Minister, sets the national agenda and milestones; and prepares reports for the United Nations (UN). To align with the resource requirements for the implementation of the SDGs, the Malaysian government has also mapped out the SDGs with the Eleventh Malaysia Plan (11MP), from 2016 to 2020; the Twelfth Malaysia Plan (12MP), from 2021 to 2025; as well as the Thirteenth Malaysia Plan (13MP), from 2026 to 2030 (Economic Planning Unit, 2021)[1]. Within the private sector, organisations are gearing up to take action on various strategies that promote and advance their sustainability and environmental, social, and governance (ESG) ambitions.

Recently, Datuk Seri Mustapa Mohamed, the Minister in the Malaysian Prime Minister's Department for Economic Affairs, announced that the 12MP aims to shift Malaysia's traditional, linear economy model to a more sustainable, circular economy model – to enable the country to move towards long-term socioeconomic and climate resilience by removing harmful, unsustainable production and consumption behaviours towards the environment (Wong, 2022)[2]. In addition, under the recently issued pre-budget statement for Budget 2023, Tengku Zafrul, the country's Minister of Finance, has announced the establishment of the Malaysia SDGs Trust Fund (MySDG Fund) by the Ministry of Finance and the UN to promote the implementation of ESG-focused development projects and programmes (Ministry of Finance Malaysia, 2022)[3].

The importance of ESG was also recognised by the Malaysian government via the launch of the FTSE4Good Bursa Malaysia (F4GBM) Index by the Securities Commission Malaysia to profile public-listed companies (PLCs) that work towards improving their ESG practices and disclosures (Securities Commission Malaysia, 2017)[4]. Bursa Malaysia took the lead in ASEAN by the introduction of a globally benchmarked ESG Index and the F4GBM Index as early as 2014. It is noted that the number of index constituents of the F4GBM Index has more than tripled. According to a study by the ASEAN CSR Network and NUS Business School[5] (in December 2020), about 65% of the top 100 PLCs in Malaysia adopted the Global Reporting Initiative (GRI) framework and about 60% of them disclosed performance data on emissions. Moreover, Bursa Malaysia's three-year Sustainability Roadmap and the Security Commissions' strategic priority to

[1] Economic Planning Unit. (2021, July 12). Sustainable Development Goals | Official Portal of Economic Planning Unit. Economic Planning Unit.Retrieved July 12, 2022, from https://www.epu.gov.my/en/sustainable-development-goals

[2] Wong, L. (2022, June 7). 12MP aims to shift Malaysia to sustainable circular economy, says Mustapa. The Edge Markets. Retrieved June 12, 2022, from https://www.theedgemarkets.com/article/12mp-aims-shift-malaysia-sustainable-circular-economy-says-mustapa

[3] Ministry of Finance Malaysia. (2022, June 8). *MOF mulls tabling Fiscal Responsibility Bill at next Parliament session, says Tengku Zafrul*. Kementerian Kewangan Malaysia. Retrieved July 12, 2022, from https://www.mof.gov.my/portal/en/news/press-citations/mof-mulls-tabling-fiscal-responsibility-bill-at-next-parliament-session-says-tengku-zafrul

[4] Securities Commission Malaysia. (2017, July 14). Responsible Investment Forum: Malaysia Pushes SRI Development - Media Releases. Securities Commission Malaysia. Retrieved July 4, 2022, from https://www.sc.com.my/resources/media/media-release/responsible-investment-forum-malaysia-pushes-sri-development

[5] NUS Business School Centre for Governance and Sustainability. (2022). CORPORATE SUSTAINABILITY REPORTING IN ASEAN COUNTRIES. Retrieved July 20, 2022, from https://bschool.nus.edu.sg/cgs/wp-content/uploads/sites/7/2021/07/ACN-CGS-Corporate-Sustainability-Reporting-in-ASEAN-Countries-Report-2020.pdf

mobilise capital towards responsible and sustainable businesses (under the Capital Market Masterplan 3) also set the direction for private sector organisations in Malaysia to incorporate ESG practices into their business agendas.

It is widely acknowledged that the private sector plays a crucial role to enable the achievement of the Malaysian SDGs. Private sector organisations are encouraged to play a key developmental role in sustainability initiatives, namely through collaborative efforts to improve the awareness and implementation of sustainable business practices. A recent publication by PwC Malaysia and Capital Markets Malaysia (CMM) indicates that Malaysian PLCs fared comparatively well in ESG factors among their ASEAN peers based on leading ESG indicators. These businesses are also relatively advanced in embracing global standards, with nine PLCs currently committed to emissions reduction targets by the Science Based Targets Initiative (SBTi)[6]. However, albeit such encouraging findings regarding the adoption trends of sustainability and ESG practices within the Malaysian private sector, the report also states that there are challenges in measuring and comparing ESG efforts across various organisations[7].

Given this context, the initiative titled the *'Malaysia Businesses Sustainability Pulse Study 2022 (SPS 2022)',* is a timely project. The SPS project, led by **UN Global Compact Network Malaysia & Brunei (UNGCMYB)** in collaboration with knowledge partner – **Nottingham University Business School (NUBS)**; partners – **Bursa Malaysia**, **MATRADE**, and **MDEC**; and supporting partners – **Axiata**, **HSBC Amanah**, **Sarawak Energy**, and **Tata Consultancy Services Malaysia**, aims at gaining better collective insight into the private sector approach towards sustainability. Namely, this project aims to investigate the extent of sustainability and ESG-related practices within the private sector, as well as also how these private sector organisations are measuring and managing sustainability – as the management guru, Peter Drucker, says, 'what gets measured gets managed'.

The SPS report is outlined as follows. In the next sub-section (Section 1.2), an overview and approach of the study are provided. This is followed by Section 2 which presents the insights and findings from the study. Section 3 concludes with a summary and recommendations for practitioners and policymakers.

[6] PWC Malaysia and Capital Markets Malaysia. (2022). Positioning Corporate Malaysia for a sustainable future. Retrieved July 20, 2022, from https://www.capitalmarketsmalaysia.com/wp-content/uploads/2022/04/PwC-CMM-Positioning-Corporate-Malaysia-for-a-sustainable-future_Apr-22.pdf

[7] Adilla, F. (2022, April 6). Malaysia's listed firms fare well in ESG: PwC-CMM research. News Straits Times. Retrieved July 20, 2022, from https://www.nst.com.my/business/2022/04/786476/malaysias-listed-firms-fare-well-esg-pwc-cmm-research

# 1.2 The Sustainability Pulse Survey: Overview and Approach

The Sustainability Pulse Survey (SPS) project aims to gain an understanding of how the Malaysian private sector is viewing and approaching sustainability issues, including the United Nations Sustainable Development Goals (SDGs). The SPS survey is targeted at business leaders in small entrepreneurial businesses, medium-sized enterprises, and corporates (large, listed business organisations). The research project has the following aims:

- Identify the different sustainability and ESG practices being undertaken by various private sector organisations
- Identify the measures of sustainability and their impact on sustainability management in the private sector
- Highlight areas of good practice and actions for sustainability (SDGs) by private sector organisations
- Identify areas where more efforts and support from regulators are needed in the private sector

## 1.2.1 Design and Methodology

Data for the study was collected using an online survey platform and a specifically designed questionnaire. The questions are based on variables drawn from practice literature and other research on sustainability practices within the private sector.

The questionnaire is divided into five sections to collect data on the following aspects of sustainability:

- Section 1: Drivers of Corporate Sustainability
- Section 2: Readiness to Adopt Environmental, Social, and Governance (ESG) Practices
- Section 3: Organisational Leadership, Culture, and Sustainability-Related Competencies
- Section 4: Measurement of Sustainability Practices
- Section 5: Items to capture some demographics of respondents

The study adopts a stratified sampling approach to include an equitable representation of corporates (large, listed business organisations) and small- and medium-sized enterprises (SMEs). Start-ups have not been considered as part of the sample set. The targeted sample was to obtain 250 responses consisting of:

- 100 corporates
- 50 medium-sized organisations
- 100 SMEs

The questionnaire was sent out to potential respondents with the support of Bursa Malaysia (for corporates) and MATRADE and MDEC (for SMEs). There was a total of 261 usable questionnaires (out of the 300 responses received).

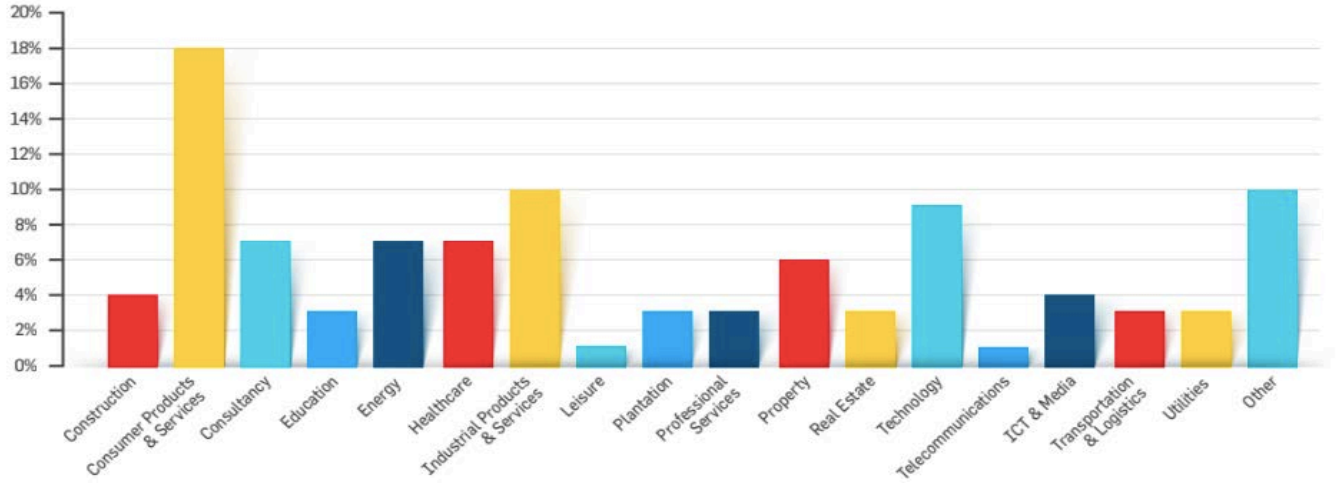
- Within corporates, the head of the sustainability division (or the person designated by the CEO) was requested to answer the questionnaire.
- Within SMEs, the SME owner (or the person designated by the SME owner) was requested to answer the questionnaire.

Table 1 provides the breakdown of the different types of organisations that responded with fully usable questionnaires. It can be seen that there is a balance of responses between both corporates (public listed companies, multinationals, government-linked companies, and cooperatives) and small and medium enterprises (SMEs) including micro-enterprises (MSMEs). It would, however, have been ideal to receive more responses from MSMEs. There are also some respondents from other types of private sector organisations including academic institutions and business associations. Figure 1 depicts the breakdown of respondents in terms of the sectors they represent in the 261-sample received.

**Table 1: Profile of Respondents**

| Type of Organisation | % | Number |
|---|---|---|
| Public Listed Companies (PLCs) | 34% | 88 |
| Multinational Corporations (MNCs) | 8% | 21 |
| Government-Linked Companies (GLCs) | 5% | 14 |
| Small and Medium Enterprises (SMEs) | 39% | 102 |
| Micro Enterprises (MSMEs) | 7% | 19 |
| Cooperatives | 1% | 2 |
| Academic Institutions | 1% | 3 |
| Others (including Business Associations) | 5% | 12 |
| **Total** | **100%** | **261** |

**Figure 1: Sectoral Representation of Respondents**



Overall, the sample has a balance of representation from the different strata of the population which thus makes relevant the inferences drawn from the analysis. The data was analysed using descriptive statistics to make inferences on the state of sustainability (i.e., to get the pulse of sustainability practices and how sustainability is measured in the Malaysian private sector).

For the different indicators, they were either measured with a discreet 'yes/no/not relevant' scale or with a Likert type 5-point scale. For indicators with a discreet scale, frequencies were presented; while for indicators with a 5-point scale, means were calculated (where '1' is 'strongly disagree' indicating the lowest score and '5' is 'strongly agree' indicating the highest score).

In addition to the overall results, some demographics-based analysis[8] was done to gauge the 'sustainability pulse' of different types of companies (i.e., corporates versus SMEs). There are 125 respondents (48%) respondents from corporates (public listed companies, multinationals, government-linked companies, and cooperatives) and 121 respondents (46%) from SMEs (including MSMEs). Further analyses were conducted based on those who responded as listed in Bursa Malaysia's Main Market and those who responded as listed in ACE/LEAP Markets[9]. The corporates listed in Main Market are reported together as one group and corporates listed in ACE/LEAP as the second group – given their nature, being a smaller-sized entity, and focus on a specialised area. Finally, SMEs are further analysed based on manufacturing (41 respondents) versus services (73 respondents) sectors to identify if there are any differences in their sustainability practices.

### 1.2.2 Report Structure

Section 1 (above) presents an overview and approach of the SPS study. This is followed by Section 2 which provides the comprehensive findings based on the following subsections:

- Section 2.1: Drivers of Corporate Sustainability
- Section 2.2: Readiness to Adopt Environmental, Social, and Governance (ESG) Practices
- Section 2.3: Organisational Leadership, Culture, and Sustainability-Related Competencies
- Section 2.4: Measurement of Sustainability Practices

Under each subsection, we present results based on overall responses (for n = 261). This is followed by three sets of demographic analysis as outlined below:

- Between corporates and small and medium enterprises (SMEs)
- Within the group of corporates, between those listed in Bursa's Main Market and ACE/LEAP Markets
- Within the group of SMEs, between those in the manufacturing and services sectors

Finally, Section 3 concludes with a summary and recommendations for practitioners and policymakers.

The adage – *'a picture is worth a thousand words'* – is relevant for this report where complex and multiple dimensions of sustainability are being conveyed through a series of tables and figures (rather than merely long verbal descriptions) – which is believed to help convey the pulse of sustainability within the Malaysian private sector more effectively.

[8] It should be noted that for the different demographic analyses, the sample sizes may vary depending on whether respondents have answered some of the given questions.
[9] Fortune.my. (2018, August 26). The Difference Between the MAIN, ACE and LEAP Markets in Bursa Malaysia. Retrieved July 20, 2022, from https://www.fortune.my/the-difference-between-the-main-ace-and-leap-markets-in-bursa-malaysia.htm

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SECTION 2

# INSIGHTS FROM THE SUSTAINABILITY PULSE SURVEY

# Section 2: Insights from the Sustainability Pulse Survey

## 2.1 Drivers of Corporate Sustainability

### 2.1.1 Key Stakeholders Driving Sustainability

The SPS study intended to identify respondents' views about which stakeholders' expectations they consider more important when developing their sustainability-related practices.

From Figure 2, it is depicted that the government, along with customers and strong policy/regulations, play key roles within the private sector in the adoption of sustainability-related practices. Overall, almost 50% of the organisations who responded indicated that the government and customers are strong drivers of sustainability, followed by investors/shareholders and then employees. On the other hand, only ≈ 25% of the respondents indicated that lenders and suppliers are important drivers of sustainability. These findings (which are similar among both corporates and SMEs as well) are particularly important for businesses and policymakers to further their sustainability-related practices.

**Figure 2: Key Stakeholders Driving Sustainability-Related Practices**

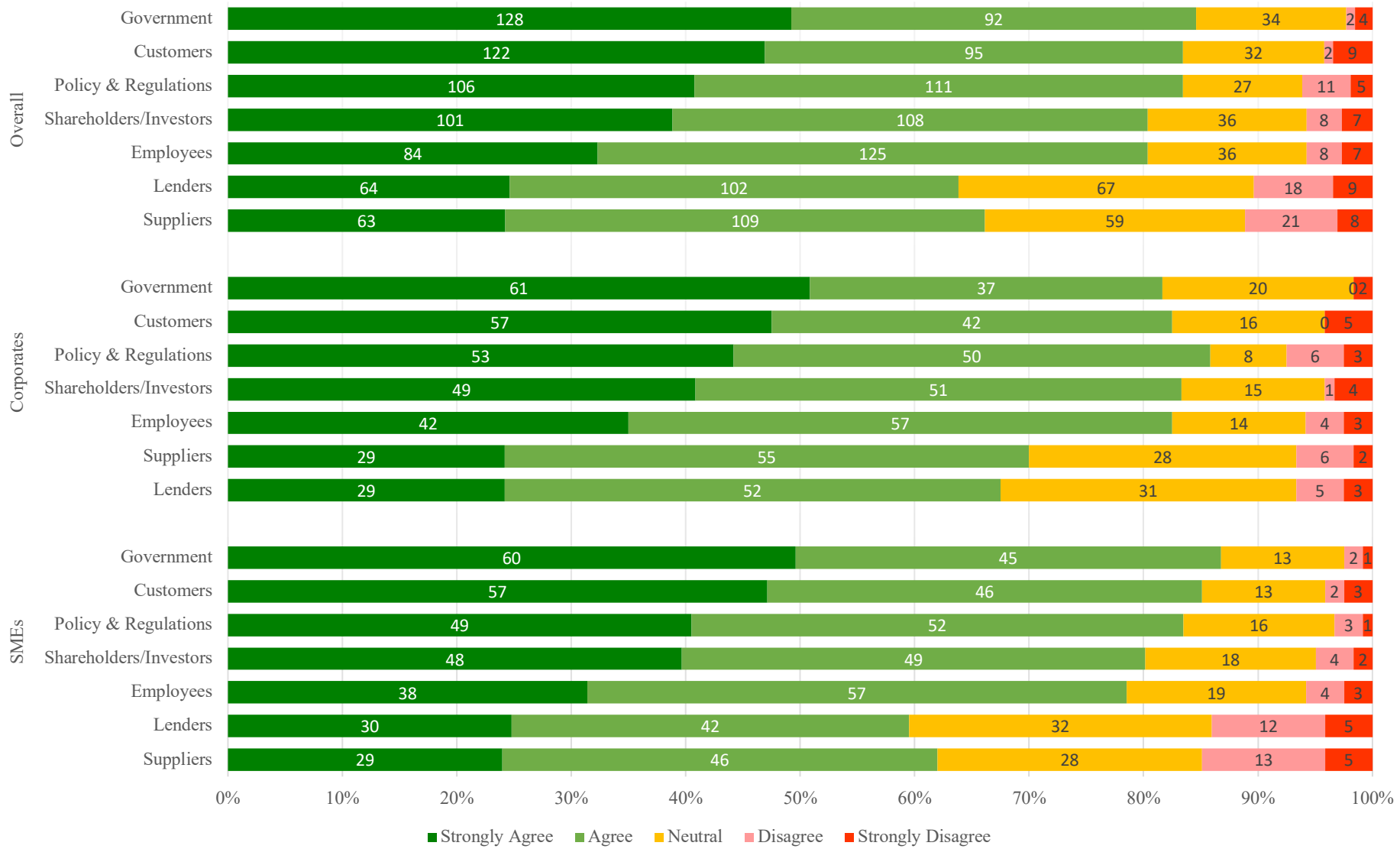


Table 2 and Figure 3 below present a comparison between corporates and SMEs in their consideration of stakeholders' expectations and demands during the development of sustainability-related practices.

Based on the means, corporates and SMEs do not seem to be very different in terms of which stakeholder considerations are important in driving sustainability-related practices. In comparison, for SMEs, the government and the market (customers) play a slightly more important role in their sustainability-related practices; whereas, for corporates, lenders and suppliers are considered relatively more important.

While it may be worrying that government may have to take on such responsibility for driving sustainability-related practices, it seems that organisations are also considering customers and investors/shareholders as key stakeholders and are concerned about meeting their expectations – which is a good sign to see non-regulatory or market institutions coming into play to drive sustainability within the Malaysian private sector.

**Table 2: Key Stakeholders Driving Sustainability-Related Practices – Corporates vs SMEs (Mean Scores)**

| | Customers | Employees | Government | Lenders | Policy and Regulations | Shareholders/Investors | Suppliers |
|---|---|---|---|---|---|---|---|
| Corporates | 4.22 | 4.09 | 4.29 | 3.83 | 4.20 | 4.17 | 3.86 |
| SMEs | 4.27 | 4.02 | 4.33 | 3.67 | 4.20 | 4.13 | 3.68 |

**Figure 3: Key Stakeholders Driving Sustainability-Related Practices – Corporates vs SMEs (Mean Scores)**

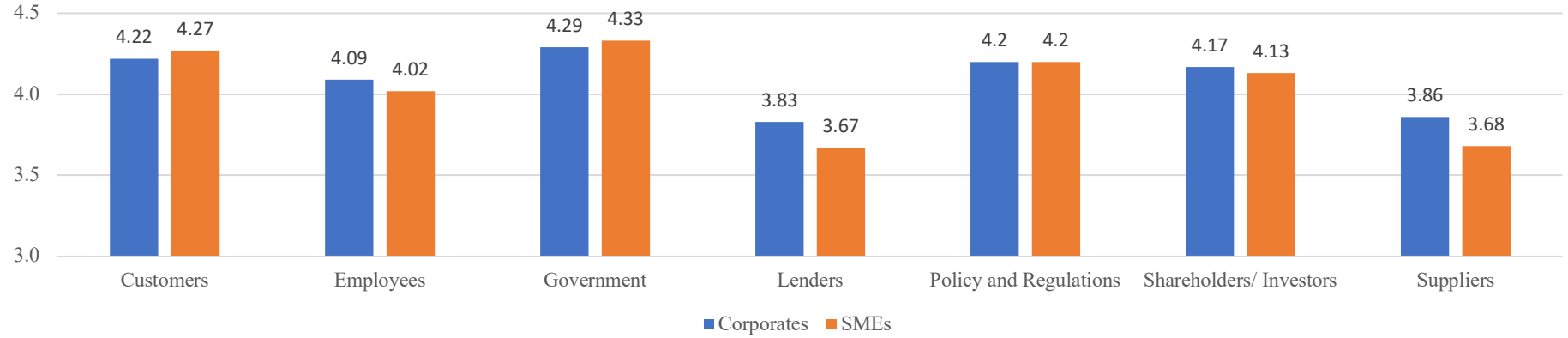


Table 3 and Figure 4 below provide findings about which stakeholders are driving sustainability-related practices within those who responded as listed in: (i) Bursa's Main Market and (ii) ACE/LEAP Markets.

Based on the mean scores, it can be seen that the government, along with customers and strong policy/regulations are the key (top three) drivers of sustainability-related practices for both groups of corporates; whereas, lenders and suppliers are relatively lower ranked as drivers. It is worth noting that corporates listed in the Main Market, compared to those listed in the ACE/LEAP markets, indicated that employees and investors/shareholders are relatively more important drivers of sustainability-related practices. This leads to the question of whether investors/shareholders in the ACE/LEAP markets are less concerned about sustainability.

**Table 3: Key Stakeholders Driving Sustainability-Related Practices – in Main vs ACE/LEAP Markets (Mean Scores)**

| | Customers | Employees | Government | Lenders | Policy and Regulations | Shareholders/Investors | Suppliers |
|---|---|---|---|---|---|---|---|
| **Main Market** | 4.29 | 4.14 | 4.33 | 3.76 | 4.25 | 4.21 | 3.78 |
| **ACE/LEAP Markets** | 4.09 | 3.81 | 4.24 | 3.72 | 3.96 | 3.87 | 3.72 |

**Figure 4: Key Stakeholders Driving Sustainability-Related Practices – in Main vs ACE/LEAP Markets (Mean Scores)**

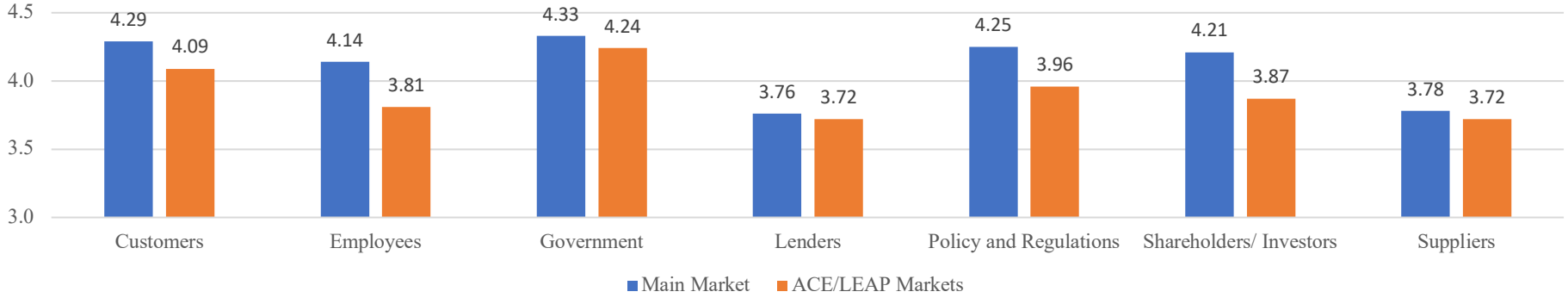


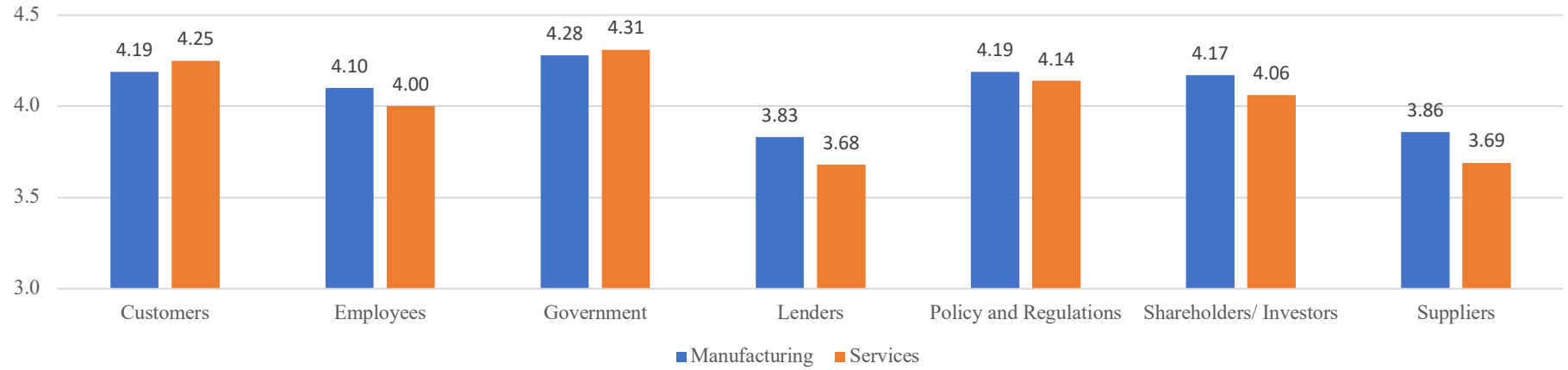
Table 4 and Figure 5 below provide findings about which stakeholders are driving sustainability-related practices within SMEs in the: (i) manufacturing and (ii) services sectors.

Based on the mean scores, SMEs in both manufacturing and services indicate similar key (top three) drivers of sustainability – that is, the government, customers, and strong policy/regulations. While lenders and suppliers were overall least important in driving sustainability, SMEs in manufacturing indicated both stakeholders as relatively more important in comparison to SMEs in services.

**Table 4: Key Stakeholders Driving Sustainability-Related Practices – SMEs in Manufacturing vs Services (Mean Scores)**

| | Customers | Employees | Government | Lenders | Policy and Regulations | Shareholders/ Investors | Suppliers |
|---|---|---|---|---|---|---|---|
| **Manufacturing** | 4.19 | 4.10 | 4.28 | 3.83 | 4.19 | 4.17 | 3.86 |
| **Services** | 4.25 | 4.00 | 4.31 | 3.68 | 4.14 | 4.06 | 3.69 |

**Figure 5: Key Stakeholders Driving Sustainability-Related Practices – SMEs in Manufacturing vs Services (Mean Scores)**



### 2.1.2 Current Sustainability Practices and Disclosures Influenced by Reporting Requirements

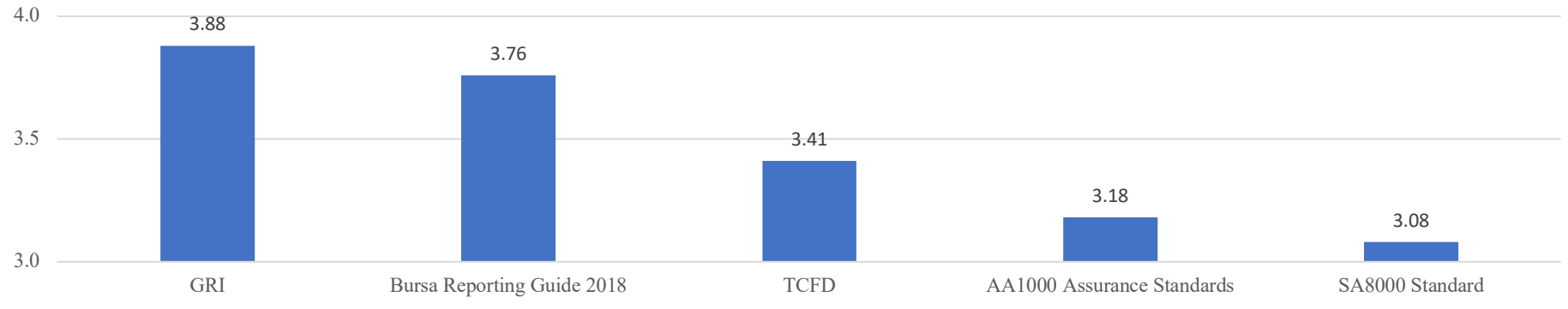
There are a number of local and international (voluntary) guidelines and frameworks to help organisations report their sustainability performance and practices. These guidelines provide tools and structure that can help organisations get started, improve, and expand sustainability reporting. Respondents were asked to rate which of the following reporting requirements influence their sustainability practices and disclosure reports.

Overall, the SPS survey found that Bursa Malaysia's Reporting Guide 2018 and the Global Reporting Initiatives (GRI) feature relatively stronger reporting guidelines; while the Taskforce on Climate-Related Financial Disclosures (TCFD), stakeholder-related standards (AA1000 Assurance Standards), and decent work-related standards (SA8000 Standard) were relatively less supported (Table 5 and Figure 6).

**Table 5: Current Sustainability Practices and Disclosures Influenced by Reporting Requirements**

| | GRI | Bursa Reporting Guide 2018 | TCFD | AA1000 Assurance Standards | SA8000 Standard |
|---|---|---|---|---|---|
| **Mean** | 3.88 | 3.76 | 3.41 | 3.18 | 3.08 |
| **N** | 202 | 187 | 165 | 144 | 132 |

**Figure 6: Current Sustainability Practices and Disclosures Influenced by Reporting Requirements (Mean Scores)**



Surprisingly, SMEs, in comparison to corporates, seem to think that the reporting guidelines across the board are relatively more influential in their sustainability practices and disclosures. This could be due to these SMEs exporting to markets that are demanding such sustainability disclosures, or being suppliers to large multinational corporations who may be informing them of the importance of sustainability issues (Table 6 and Figure 7).

**Table 6: Current Sustainability Practices and Disclosures Influenced by Reporting Requirements – Corporates vs SMEs (Mean Scores)**

| | GRI | Bursa Reporting Guide 2018 | TCFD | AA1000 Assurance Standards | SA8000 Standard |
|---|---|---|---|---|---|
| **Corporates** | 3.28 | 3.08 | 2.98 | 2.92 | 2.89 |
| **SMEs** | 4.76 | 5.00 | 4.56 | 4.50 | 5.00 |

**Figure 7: Current Sustainability Practices and Disclosures Influenced by Reporting Requirements – Corporates vs SMEs (Mean Scores)**

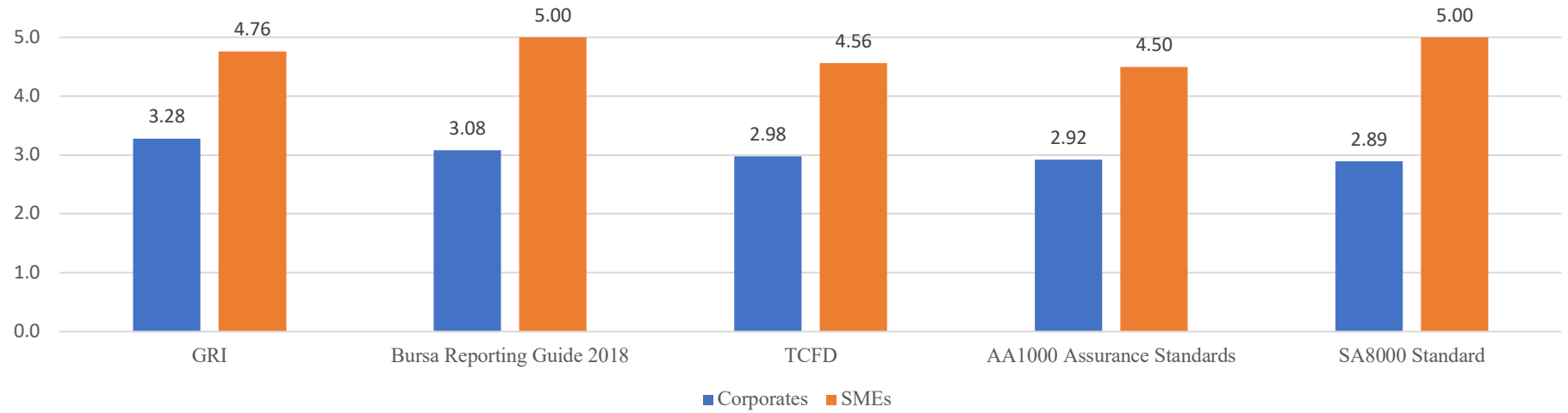


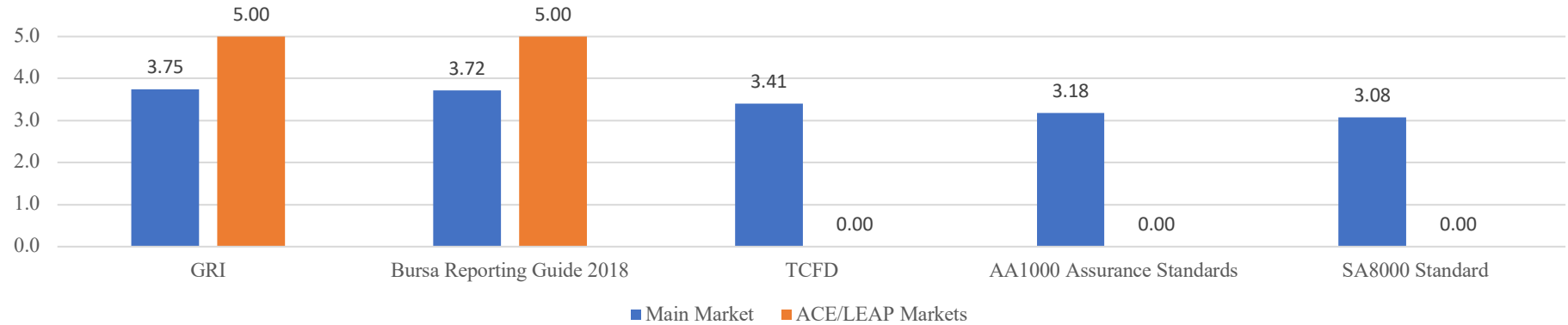
Table 7 and Figure 8 below present the results of which reporting requirements seem to influence current sustainability practices and disclosures between corporates listed in the Main Market and ACE/LEAP Markets (based on mean scores).

**Table 7: Current Sustainability Practices and Disclosures Influenced by Reporting Requirements – in Main vs ACE/LEAP Markets (Mean Scores)**

| | GRI | Bursa Reporting Guide 2018 | TCFD | AA1000 Assurance Standards | SA8000 Standard |
|---|---|---|---|---|---|
| **Main Market** | 3.75 | 3.72 | 3.41 | 3.18 | 3.08 |
| **ACE/LEAP Markets** | 5.00 | 5.00 | - | - | - |

*(Corporates who indicated that reporting requirements were irrelevant in influencing their sustainability practices and disclosures were excluded).*

**Figure 8: Current Sustainability Practices and Disclosures Influenced by Reporting Requirements – in Main vs ACE/LEAP Markets (Mean Scores)**

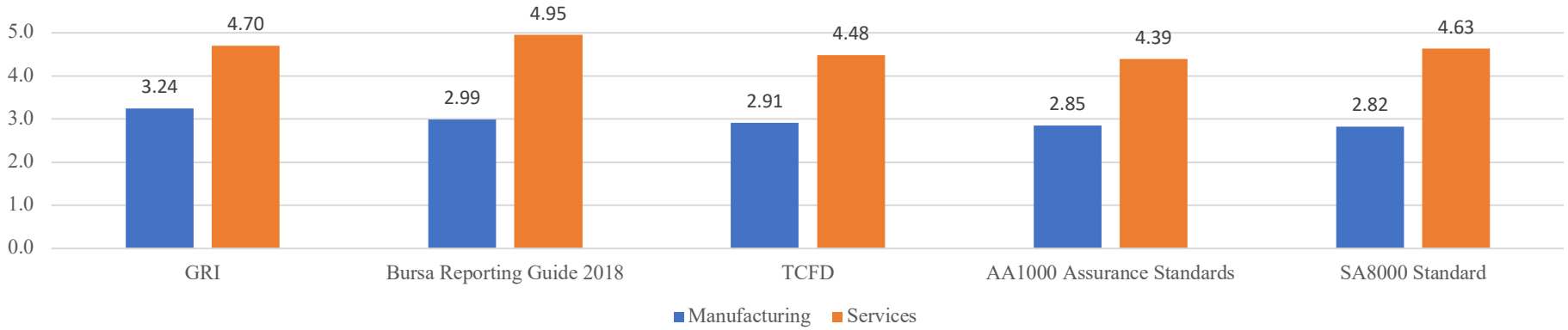



The smaller and sector-focused corporates listed in the ACE/LEAP Markets (compared to those listed in the Main Market) considered the Bursa Reporting Guide 2018 and GRI as strong influences on their sustainability practices and disclosures. On the other hand, the larger corporates (with more diverse businesses) listed in the Main Market considered all the reporting guidelines important for their sustainability practices and disclosures. It is important to note that corporates in the ACE/LEAP markets seem to indicate that climate- (TCFD), stakeholders- (AA100 Assurance Standards), and human/labour rights- (SA8000 Standard) related guidelines are still not being considered yet.

Table 8 and Figure 9 below present a comparison of the importance of different reporting requirements for SMEs in the manufacturing and services sectors in influencing their current sustainability practices and disclosures.

| Table 8: Current Sustainability Practices and Disclosures Influenced by Reporting Requirements – SMEs in Manufacturing vs Services (Mean Scores) | | | | | |
|---|---|---|---|---|---|
| | **GRI** | **Bursa Reporting Guide 2018** | **TCFD** | **AA1000 Assurance Standards** | **SA8000 Standard** |
| **Manufacturing** | 3.24 | 2.99 | 2.91 | 2.85 | 2.82 |
| **Services** | 4.70 | 4.95 | 4.48 | 4.39 | 4.63 |

**Figure 9: Current Sustainability Practices and Disclosures Influenced by Reporting Requirements – SMEs in Manufacturing vs Services (Mean Scores)**




Interestingly, SMEs in manufacturing consider only the GRI reporting standards as a relatively important determinant, while the other four types of guidelines were not considered very strong (mean scores below 3) in influencing their current sustainability practices and disclosures. Conversely, SMEs in the services sector indicated that all five types of reporting requirements have a strong influence on their sustainability practices and disclosures (mean scores above 4).

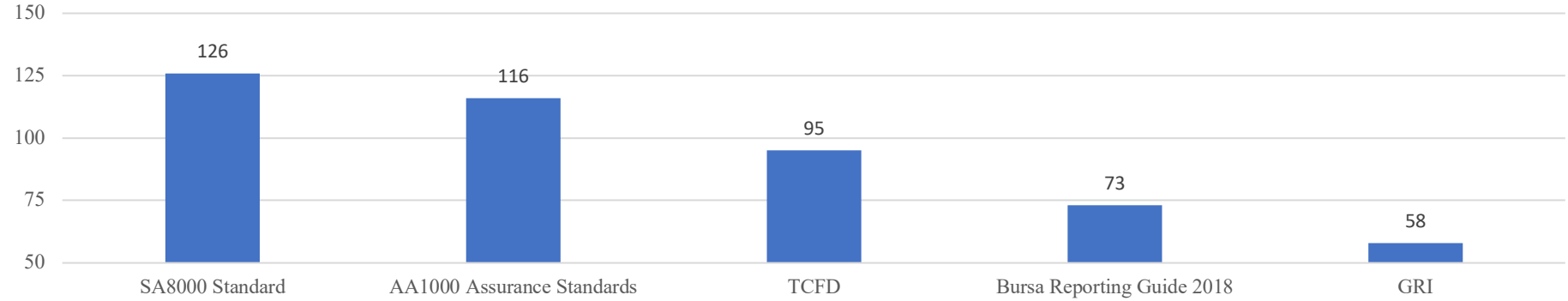
As shown in Table 9 and Figure 10, there is a large number of business organisations that consider climate-related standards (TCFD), stakeholder-related standards (AA1000), and decent work-related standards (SA8000) as 'not relevant'.

This is a matter of concern given the importance of different stakeholder requirements. The consideration of sustainability-related issues like decent work into business strategy not only helps to meet the requirements of regulators or lenders, but also serves as a good practice that international buyers may look at.

**Table 9: Organisations Indicating Reporting Requirements as 'Not Relevant' in Influencing Sustainability Practices and Disclosures**

| Reporting Requirements | SA8000 Standard | AA1000 Assurance Standards | TCFD | Bursa Reporting Guide 2018 | GRI |
|---|---|---|---|---|---|
| **Number of Organisations** | 126 | 116 | 95 | 73 | 58 |

**Figure 10: Organisations Indicating Reporting Requirements as 'Not Relevant' in Influencing Sustainability Practices and Disclosures**

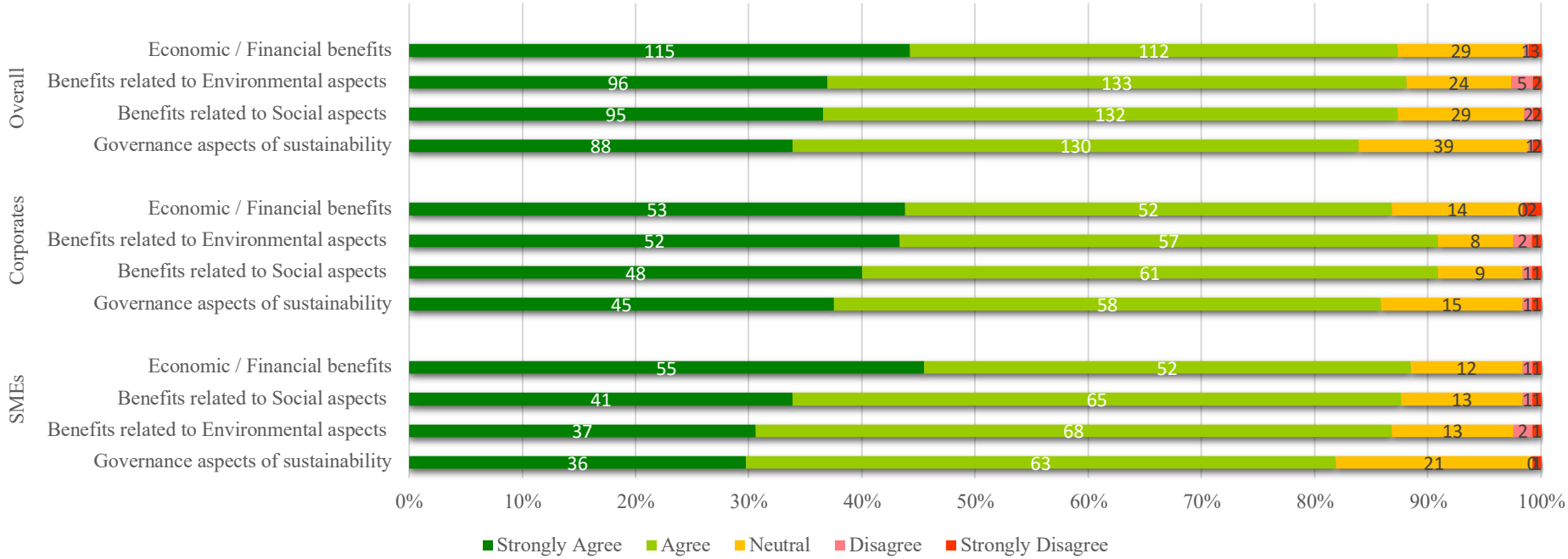


### 2.1.3 Primary Focus of Benefits from Sustainability Practices

The term 'sustainable business' refers to the impacts that a business has on the environment and society and vice-versa. Similar expressions include corporate social responsibility (CSR), corporate citizenship, or shared value. Sustainability covers economic aspects (i.e., jobs and taxes), environmental impacts (i.e., climate change and waste), social impacts (i.e., human and labour rights), and governance considerations. The following section presents the responses from business organisations within the Malaysian private sector regarding the focus of their sustainability practices.

As shown in Figure 11, overall, ≈ 80% of the respondents agree that the realisation of 'economic/financial benefits' is the focus of their sustainability practices. ≈ 85% of the respondents agree that the realisation of 'environmental- and social-related benefits' is the focus of their sustainability practices. Conversely, the realisation of 'governance-related benefits' is seen as relatively less important. The findings are similar among both corporates and SMEs.

**Figure 11: Primary Focus of Benefits from Sustainability Practices**



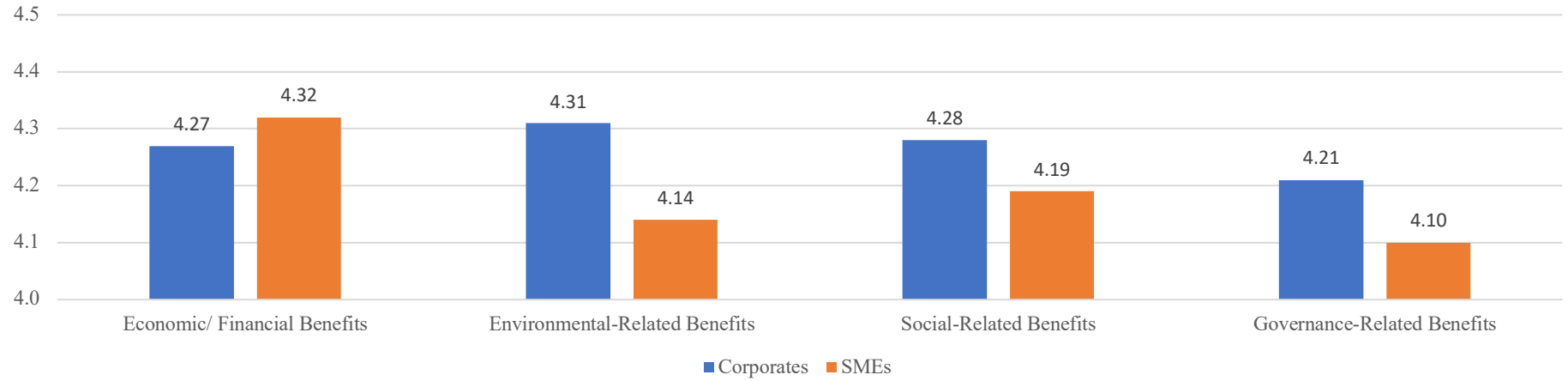
It is a matter of concern that ≈ 15% of corporates do not seem to think there are benefits to be realised from sustainability practices despite the significant institutional push from the government and other stakeholders. Overall, corporates are seen to prioritise economic benefits (based on a mean score of 4.27) over governance-related benefits (Table 10). This contrasts with the findings from Section 2.2 regarding ESG initiatives – where readiness related to governance-related initiatives is strongly emphasised (compared to environmental and social-related initiatives). This could indicate that governance is more of a 'risk' or 'compliance' issue rather than a 'benefit' in terms of any tangible or financial outcomes.

Table 10 and Figure 12 below present the differences between corporates and SMEs in terms of their primary focus on the benefits from sustainability practices.

**Table 10: Primary Focus of Benefits from Sustainability Practices – Corporates vs SMEs (Mean Scores)**

| | Economic/ Financial Benefits | Environmental-Related Benefits | Social-Related Benefits | Governance-Related Benefits |
|---|---|---|---|---|
| **Corporates** | 4.27 | 4.31 | 4.28 | 4.21 |
| **SMEs** | 4.32 | 4.14 | 4.19 | 4.10 |

**Figure 12: Primary Focus of Benefits from Sustainability Practices – Corporates vs SMEs (Mean Scores)**




Overall, corporates and SMEs have relatively similar responses regarding both economic/financial and ESG-related benefits (based on mean scores of 4 and above). In comparison, SMEs seem to consider economic/financial benefits as a more primary focus than corporates; whereas corporates seem to indicate that ESG-related benefits are more important than SMEs.

Table 11 and Figure 13 below present the primary focus of benefits from sustainability practices for corporates listed in Bursa's Main Market and ACE/LEAP Markets. Based on the mean scores, corporates listed in all the markets view strongly there will be economic/financial and ESG-related benefits from sustainability practices (based on mean scores of 4 and above) – but governance-related benefits are ranked relatively lower.

Corporates listed in the ACE/LEAP Markets view economic/financial benefits as relatively more important than ESG-related benefits – this is in tandem with other findings in this report.

**Table 11: Primary Focus of Benefits from Sustainability Practices – in Main vs ACE/LEAP Markets (Mean Scores)**

| | Economic/Financial Benefits | Environmental-Related Benefits | Social-Related Benefits | Governance-Related Benefits |
|---|---|---|---|---|
| **Main Market** | 4.29 | 4.27 | 4.28 | 4.20 |
| **ACE/LEAP Markets** | 4.29 | 4.10 | 4.06 | 4.06 |

**Figure 13: Primary Focus of Benefits from Sustainability Practices – in Main vs ACE/LEAP Markets (Mean Scores)**

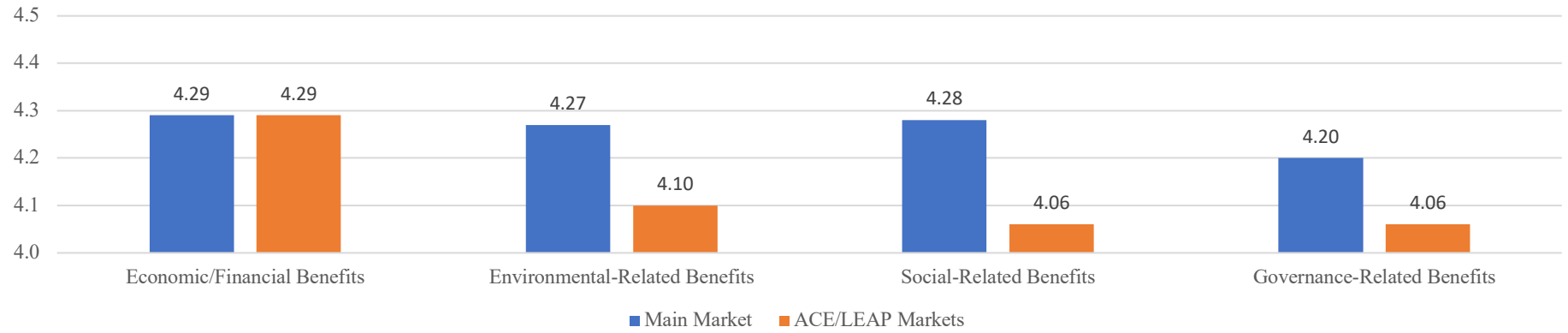


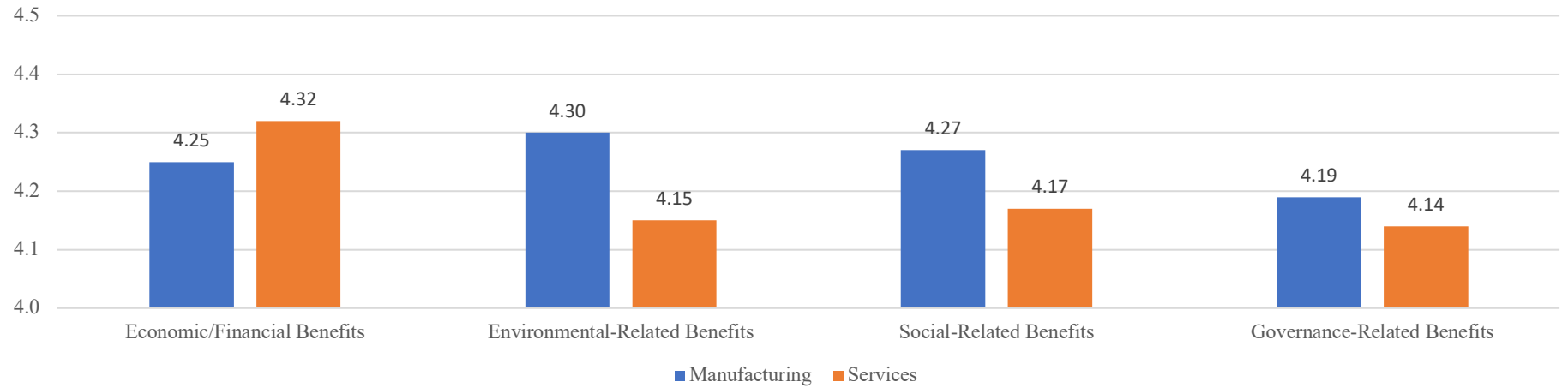
Table 12 and Figure 14 below present the primary focus of benefits from sustainability practices for SMEs in the manufacturing and services sectors. SMEs in both sectors seem to consider strongly the economic/financial and ESG-related benefits of sustainability practices (based on mean scores of 4 and above).

SMEs in services, in comparison to those in manufacturing, seem to prioritise economic/financial benefits over ESG-related benefits. On the other hand, SMEs in manufacturing seem to place a greater emphasis on environmental-related benefits over social/socioeconomic and governance-related benefits.

**Table 12: Primary Focus of Benefits from Sustainability Practices – SMEs in Manufacturing vs Services (Mean Scores)**

| | Economic/Financial Benefits | Environmental-Related Benefits | Social-Related Benefits | Governance-Related Benefits |
|---|---|---|---|---|
| **Manufacturing** | 4.25 | 4.30 | 4.27 | 4.19 |
| **Services** | 4.32 | 4.15 | 4.17 | 4.14 |

**Figure 14: Primary Focus of Benefits from Sustainability Practices – SMEs in Manufacturing vs Services (Mean Scores)**



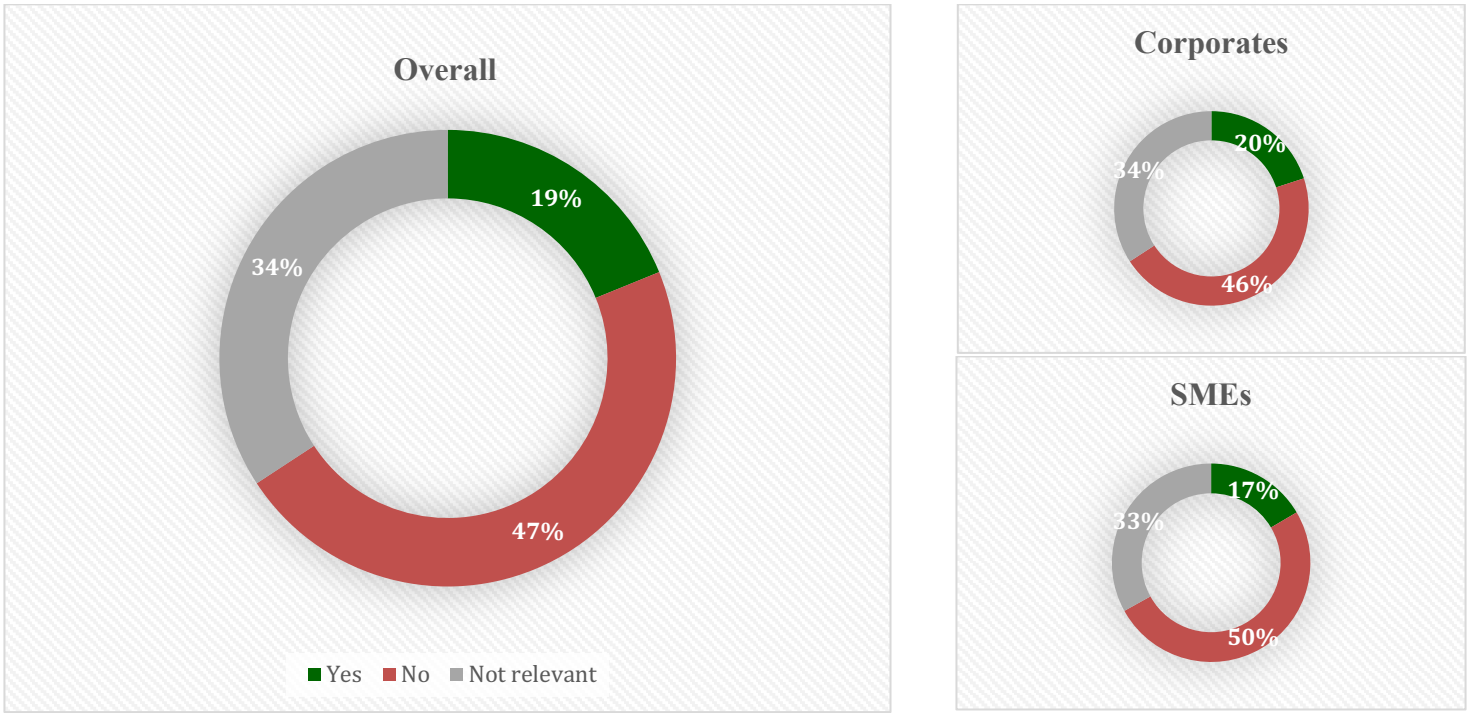
### 2.1.4 Commitment to the Sustainable Development Goals (SDGs)

Given the strong commitment by the Malaysian government to the SDGs by the United Nations, the SPS study polled to see the explicit commitments by the Malaysian private sector to the SDGs.

As shown in Figure 15, less than 20% of the Malaysian private sector indicated that they have a commitment to the SDGs. This result is similar among both corporates and SMEs.

Overall, 47% of the Malaysian private sector indicated that they have no commitment to the SDGs, while 34% indicated it is not relevant to their business. This is a matter of concern as this signifies that private sector organisations do not seem to be clear about how to address the SDGs. This could be due to the business community placing more emphasis on the term 'ESG' and focus on ESG-related approaches – leading to 'ESG' taking precedence over the 'SDGs'.

**Figure 15: Commitment to the SDGs**



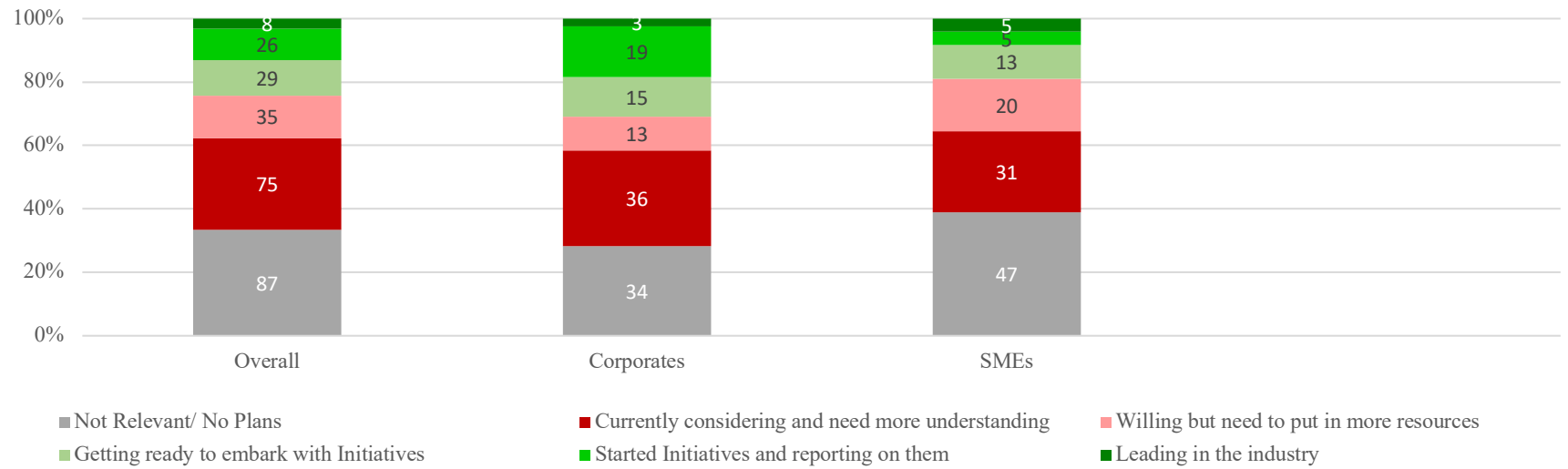
### 2.1.5 Sustainable Finance and Trade

**Sustainable Finance:**

The SPS study seeks to identify if private sector organisations use debt instruments (i.e., green bonds, corporate green loans, sustainability-linked loans, and social bonds) and ensure that a proportion of proceeds are being directed towards sustainable outcomes. Figure 16 below presents the following findings and frequency scores regarding the views of Malaysian private sector organisations towards sustainable finance:

- Overall, ≈ 33% of respondents indicated that sustainable finance is irrelevant to their businesses, or they have no plans for them. On the other hand, ≈ 20% are getting ready or have already started to embark with initiatives, while ≈ 40% are still considering or willing to invest in sustainable finance.
- 8 companies claim to be leading in the industry in sustainable finance, of which 5 of them are SMEs – this would make for good case studies.
- There is a considerable number of both corporates (≈ 30% of corporates) and SMEs (≈ 40% of SMEs) who indicated that sustainable finance is irrelevant to their businesses, or they have no plans for them. This is a matter of concern given the direction that the finance and investment community is taking in terms of sustainable finance – including the growth in corporate green, social, and sustainability (GSS) bonds (as reported by the CMM and PWC Study in April 2022).[10]

**Figure 16: The Use of Debt Instruments and Ensuring That Proceeds Are Being Used for Sustainable Outcomes**



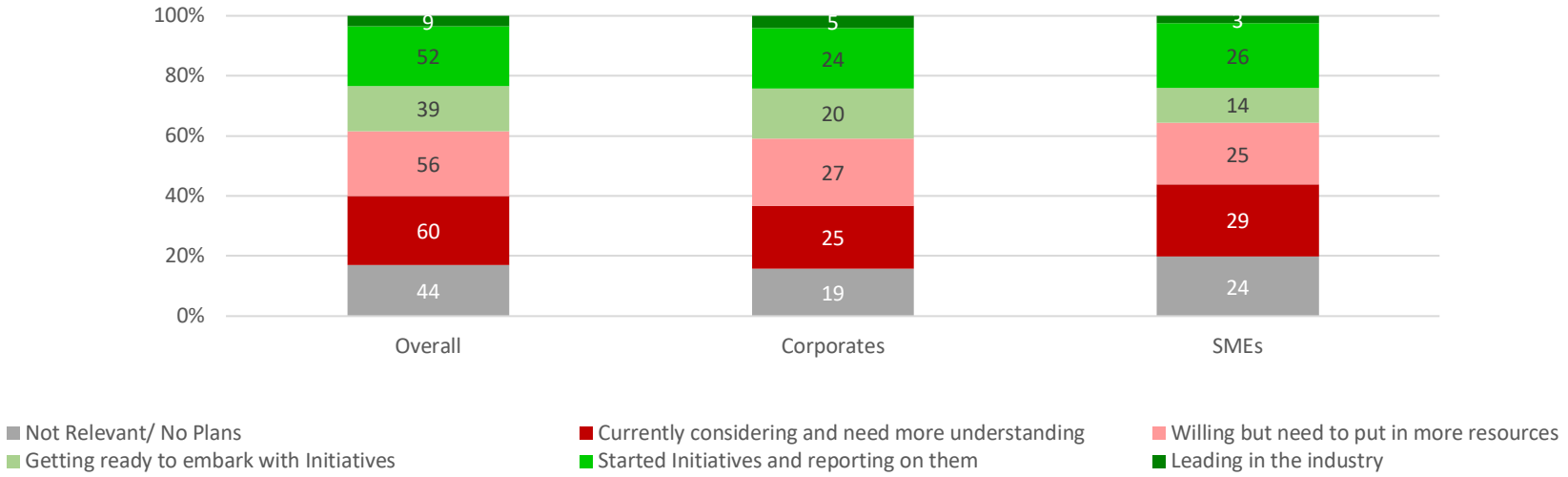

[10] PWC Malaysia and Capital Markets Malaysia. (2022). Positioning Corporate Malaysia for a sustainable future. Retrieved July 20, 2022, from https://www.capitalmarketsmalaysia.com/wp-conte nt/uploads/2022/04/PwC-CMM-Positioning-Corporate-Malaysia-for-a-sustainable-future_Apr-22.pdf

## Sustainable Trade:

Given the importance of both regional and international trade in Malaysia, the study examines the views of private sector organisations towards sustainable trade – encompassing the concern for environmental resources including the reuse/preservation of raw materials (i.e., carbon sourcing and fair trade), climate change, and decent working conditions. Figure 17 below presents the following findings:

- Overall, ≈ 45% of companies are considering and willing to consider sustainable trade – but require more understanding and resources. A considerable 35% are getting ready or have already started to embark on sustainable trade. These are encouraging findings.
- Overall, ≈ 17% of companies view sustainable trade as irrelevant or have no plans for it. This is a matter of concern given the institutional drive for sustainability in Malaysia and the increasing demand for sustainable trade from developed markets (particularly in the EU and the US).

**Figure 17: Consideration of Environmental Resources, Climate Change, and Decent Working Conditions in Trade**



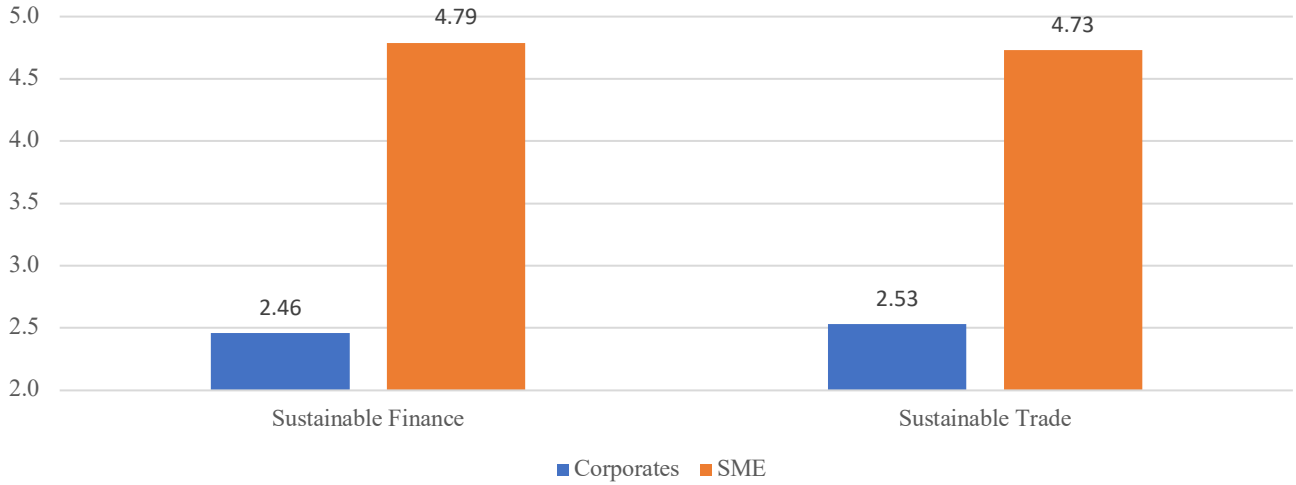
Overall, there are very few companies claiming to be 'leading the industry' in sustainable trade. Conversely, a large number of companies indicated that they are still considering or embarking on sustainable trade. Thus, there is a need to direct more resources towards and enhance the understanding of sustainable trade. Furthermore, given the increasing pressure from global investors on human and labour rights issues (i.e., minimum wage policies), the results indicate a need for private sector organisations to be supported on this matter.

Table 13 below shows how corporates and SMEs view sustainable finance and trade. SMEs, in comparison to corporates, seem to indicate that they are relatively more inclined to consider sustainable trade practices. This again could be due to these SMEs being more involved in exports and, hence, are being driven externally to adopt sustainable trade practices.

**Table 13: Sustainable Trade and Finance – Corporates vs SMEs (Mean Scores)**

| | Sustainable Finance | Sustainable Trade |
|---|---|---|
| **Corporates** | 2.46 | 2.53 |
| **SME** | 4.79 | 4.73 |

**Figure 18: Sustainable Trade and Finance – Corporates vs SMEs (Mean Scores)**




A rather surprising result is that SMEs indicated that they consider both sustainable finance and sustainable trade as more important compared to corporates.

## 2.2 Readiness to Adopt ESG Practices

It is now common to examine sustainability in business organisations as their environmental, social/economic development, and governance (ESG) practices. Given the emergence of strong institutional drivers in Malaysia over the past decade, this section presents and analyses the findings regarding the emphasis on various sustainability and ESG practices within the Malaysian private sector – to gauge the readiness of business organisations toward ESG practices.

In general, the SPS survey shows that while social/economic development and governance practices are strong, environmental practices are relatively less emphasised. It is also noted that both corporates and SMEs demonstrated relatively similar levels of readiness and initiatives towards ESG practices.

### 2.2.1 Readiness to Adopt Environmental-Related Practices

Overall, corporates are more ready to adopt environmental practices related to the 'economic impact of pollution and the restoration of natural resources' and 'investment in technology for efficient resource consumption', but are relatively less ready for 'climate action'.

From Figure 19, it can be seen that there are at least 10 companies (predominantly corporates) who indicated that they are leading in the industry in the following environmental-related practices:

- The adoption of carbon reduction initiatives to meet 'net-zero' targets
- The economic impact of pollution and the restoration of natural resources
- Investment in technology for efficient resource consumption

However, it is a matter of concern that more than 40% of SMEs indicated the following environmental-related practices as not relevant or are still considering but need more understanding on them:

- The adoption of carbon reduction initiatives to meet 'net-zero' targets
- Investment in climate management initiatives
- The economic impact of pollution and the restoration of natural resources

**Figure 19: Readiness to Adopt Environmental-Related Practices**

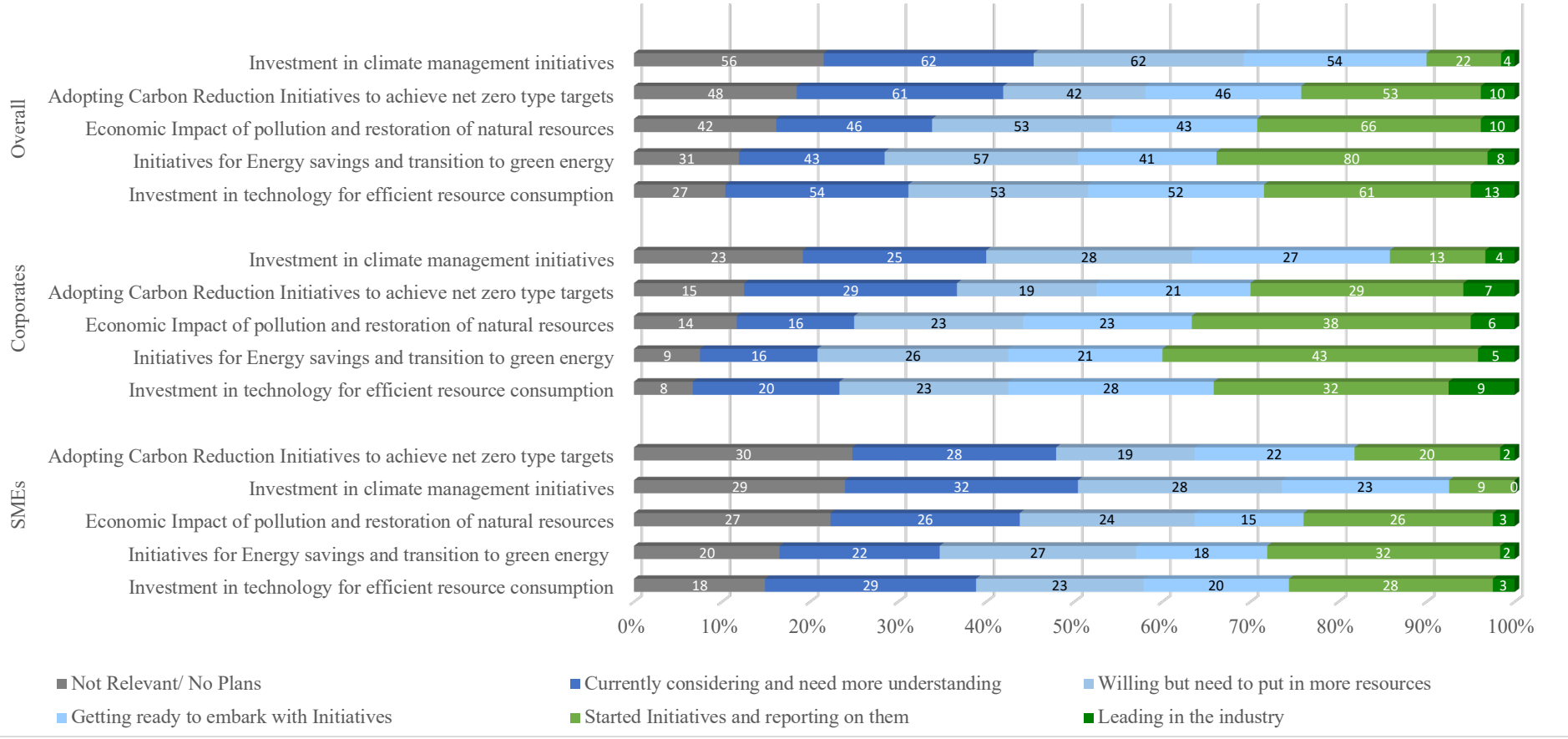


Table 14 and Figure 20 below present a comparison between the readiness of corporates listed in Bursa's Main Market and ACE/LEAP Markets for the adoption of environmental-related practices (based on means scores).

| Table 14: Readiness to Adopt Environmental-Related Practices – in Main vs ACE/LEAP Markets (Mean Scores) | | | | | |
|---|---|---|---|---|---|
| | **Economic Impact of Pollution and the Restoration of Natural Resources** | **Energy Saving Initiatives and Transition into Green Energy** | **Carbon Reduction Initiatives to Meet 'Net-Zero' Targets** | **Investment in Technology for Efficient Resource Consumption** | **Investment in Climate Management Initiatives** |
| **Main Market** | 3.41 | 3.43 | 3.27 | 3.23 | 2.99 |
| **ACE/LEAP Markets** | 4.49 | 5.00 | 4.62 | 4.52 | 4.71 |

**Figure 20: Readiness to Adopt Environmental-Related Practices – in Main vs ACE/LEAP Markets (Mean Scores)**

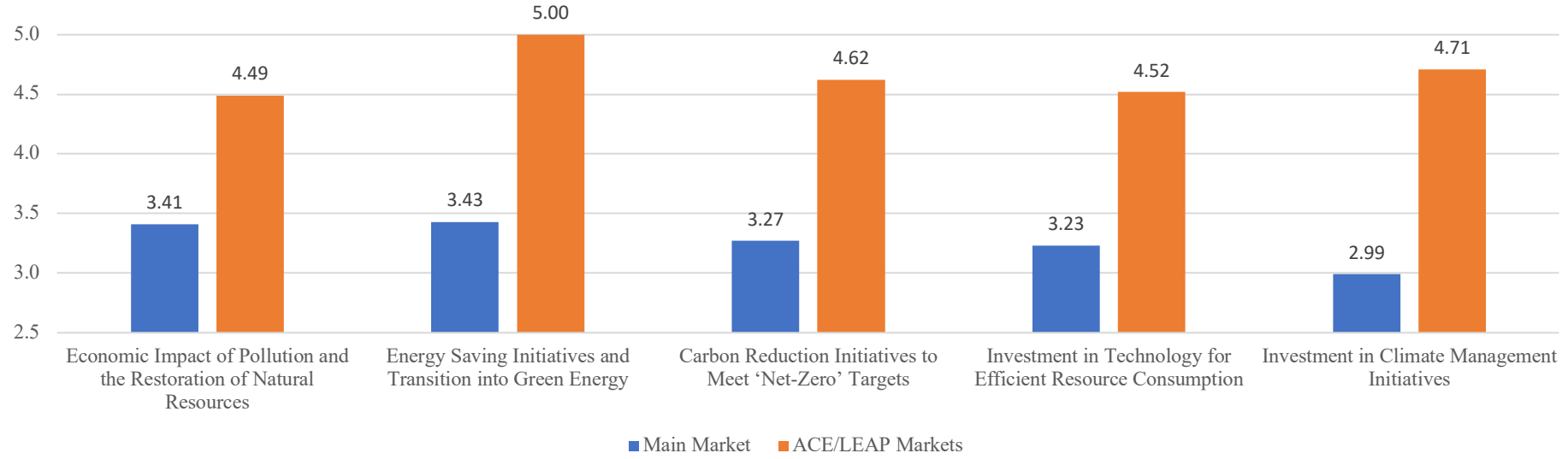
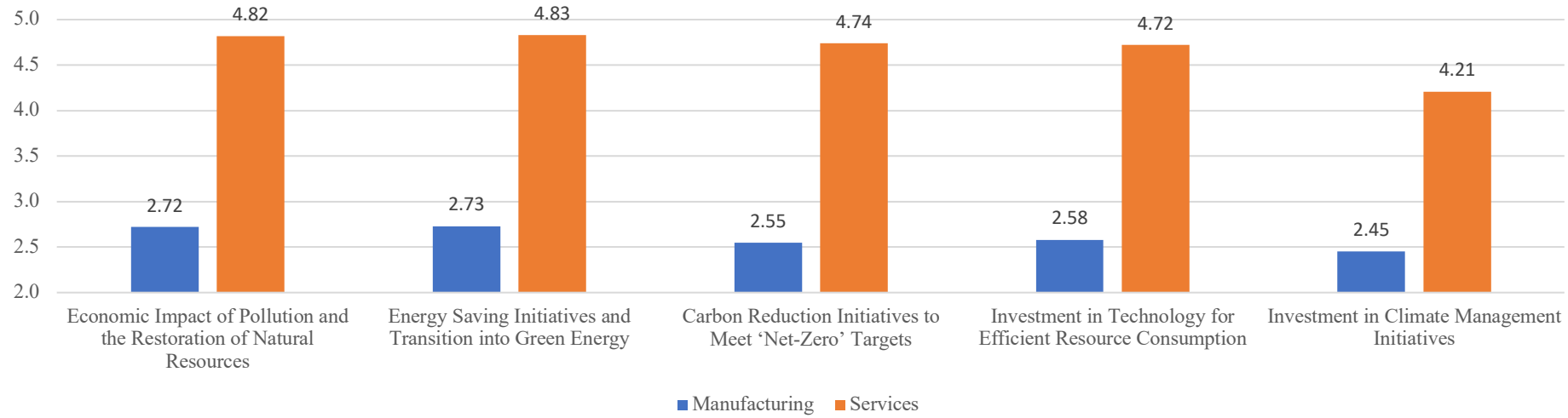


Table 15 and Figure 21 below depict that SMEs in services, compared to those in manufacturing, display greater readiness to adopt all aspects of environmental-related practices (based on mean scores). This is an interesting finding for further research to examine why SMEs in services display greater readiness towards environmental issues and to identify possible areas of learning for SMEs in manufacturing.

**Table 15: Readiness to Adopt Environmental-Related Practices – SMEs in Manufacturing vs Services (Mean Scores)**

| | Economic Impact of Pollution and the Restoration of Natural Resources | Energy Saving Initiatives and Transition into Green Energy | Carbon Reduction Initiatives to Meet 'Net-Zero' Targets | Investment in Technology for Efficient Resource Consumption | Investment in Climate Management Initiatives |
|---|---|---|---|---|---|
| **Manufacturing** | 2.72 | 2.73 | 2.55 | 2.58 | 2.45 |
| **Services** | 4.82 | 4.83 | 4.74 | 4.72 | 4.21 |

**Figure 21: Readiness to Adopt Environmental-Related Practices – SMEs in Manufacturing vs Services (Mean Scores)**



### 2.2.2 Readiness to Adopt Social and Economic Development-Related Practices

The private sector plays a crucial role in the social and economic development in Malaysia. Institutional drivers include the Malaysian development plans (i.e., the 12th and 13th Malaysian Plans) that map out Malaysia's socio-economic development over a period of five years. Moreover, there is also a strong emphasis on support for the B40 group (the bottom 40% of the population in terms of income) among others, including the provision of products and services at lower prices. In the private sector, there is the cultural practice of philanthropy by businesses to give back to society through foundations[11]. Business organisations are also expected to report on their ESG (including social and economic development) practices by various sustainability reporting/disclosures standards.

This section examines the readiness of the Malaysian private sector for the adoption of various social and economic development-related practices and policies.

As shown in Figure 22, it is encouraging that more than 10% of the overall respondents indicated they are leading in the industry on the following aspects of social and economic development-related practices:

- Community development
- Diversity and inclusivity
- Employee discrimination

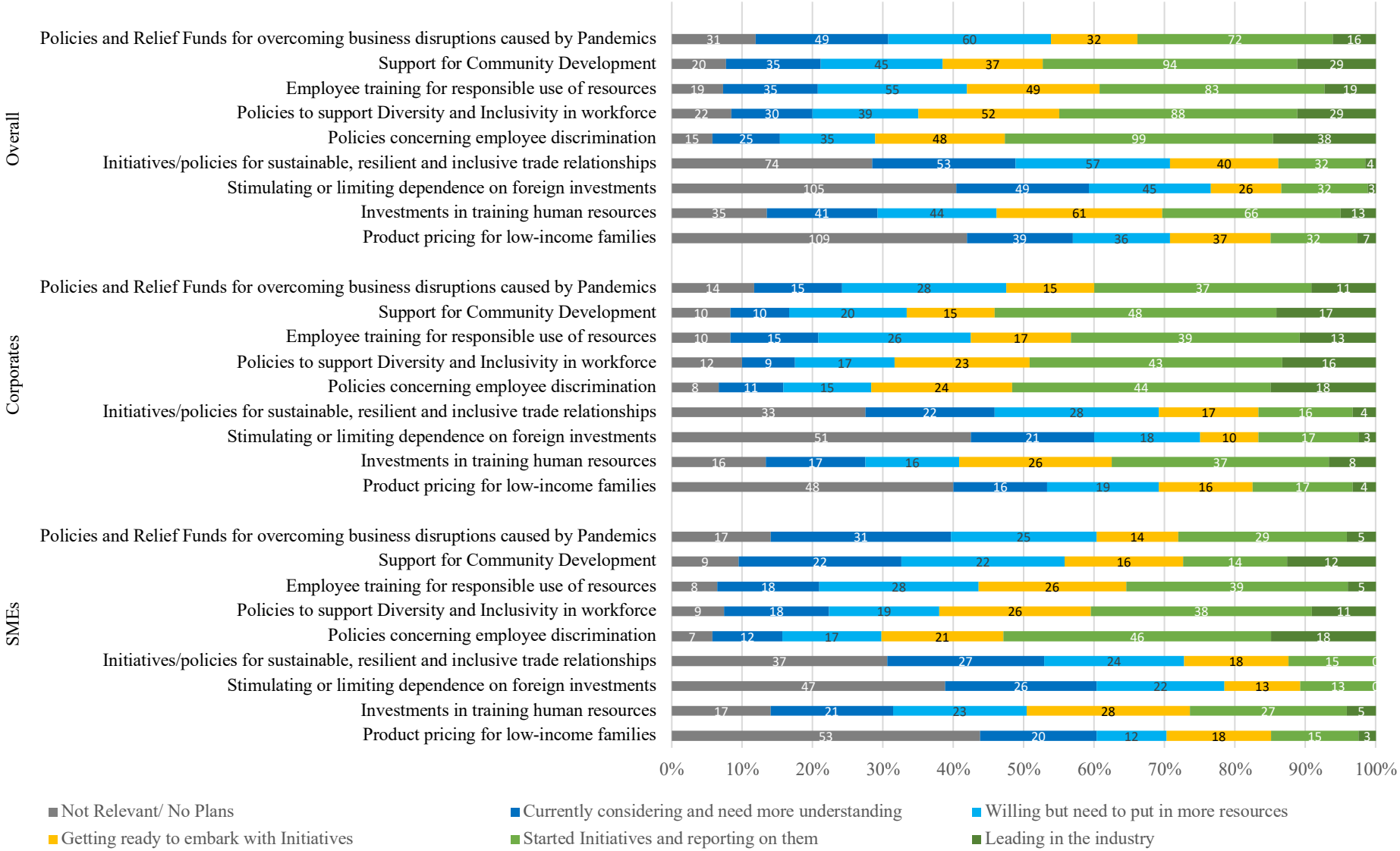
Moreover, these private sector organisations also demonstrated a relatively good level of readiness for the above three social and economic development-related practices – with the following demographics of overall respondents that indicated they have already started initiatives and are reporting on such practices:

- Community development – 94/261 (36%)
- Diversity and inclusivity – 88/261 (34%)
- Employee discrimination – 99/261 (38%)

Overall, corporates and SMEs displayed comparatively similar levels of readiness for social and economic development practices – with corporates performing better in terms of having already started initiatives and reporting on support for 'community development' as compared to SMEs.

[11] Cogswell, Elizabeth Agee (2002). 'Private Philanthropy in Multiethnic Malaysia', Macalester International: Vol. 12, Article 13. Retrieved July 12, 2022, from http://digitalcommons.macalester.edu/macintl/vol12/iss1/13

**Figure 22: Readiness to Adopt Social and Economic Development-Related Practices**



From Figure 22 above, it is encouraging that the majority of corporates indicated some extent of consideration/willingness and readiness to adopt policies and relief funds for 'overcoming business disruptions'. However, there are still 31/261 companies (14 corporates and 17 SMEs) who think that it is irrelevant.

Another matter of concern is that there are a significant number of overall respondents who view the following aspects of social and economic development-related practices as irrelevant – these findings are also similar among corporates and SMEs:

- Sustainable, resilient, and inclusive trade relationships – 74/261 (28%)
- Limiting dependence on foreign investments – 105/261 (40%)
- Product-pricing for low-income families – 109/261 (42%)

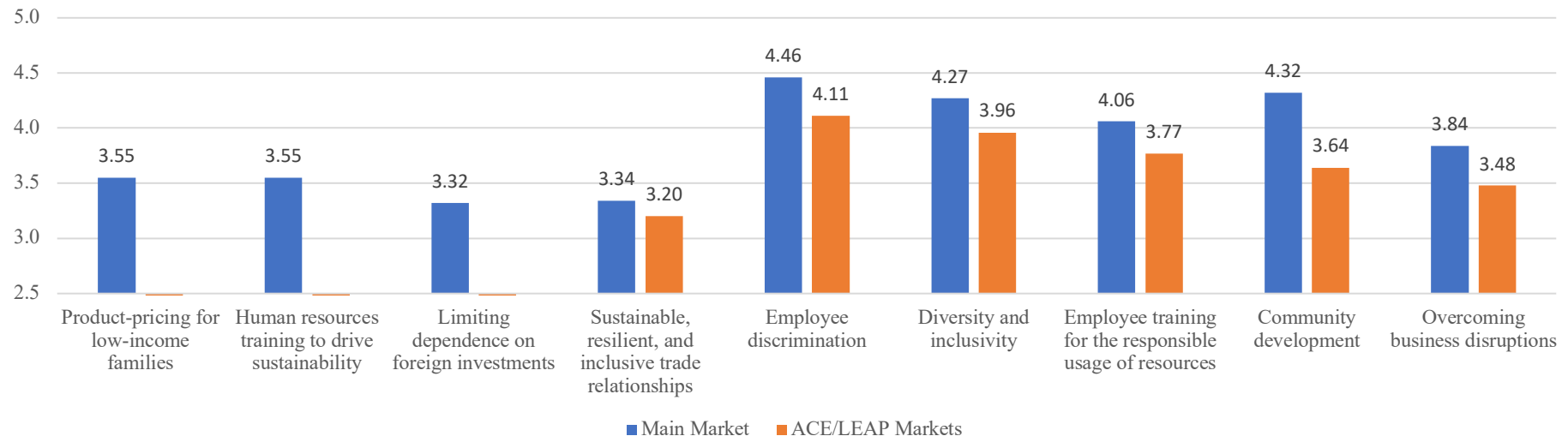
This indicates there is a need for the private sector to start viewing aspects of social and economic development-related practices as opportunities and to consider investing in innovations related to sustainability as part of their business strategy. There is also a need for such investments to support the priorities and attain the socio-economic aspirations of the Malaysian government as articulated in the 12th Malaysia plan – as 'a prosperous, inclusive, and sustainable Malaysia'.

Table 16 and Figure 23 present a comparison between the readiness of corporates listed in the Main Market and ACE/LEAP Markets to adopt social and economic development-related practices. Based on the mean scores, readiness is the highest for policies concerning 'employee discrimination' for both groups of corporates.

**Table 16: Readiness to Adopt Social and Economic Development-Related Practices – in Main vs ACE/LEAP Markets (Mean Scores)**

| | Product-pricing for low-income families | Human resources training to drive sustainability | Limiting dependence on foreign investments | Sustainable, resilient, and inclusive trade relationships | Employee discrimination | Diversity and inclusivity | Employee training for the responsible usage of resources | Community development | Overcoming business disruptions |
|---|---|---|---|---|---|---|---|---|---|
| **Main Market** | 3.55 | 3.55 | 3.32 | 3.34 | 4.46 | 4.27 | 4.06 | 4.32 | 3.84 |
| **ACE/LEAP Markets** | – | – | – | 3.20 | 4.11 | 3.96 | 3.77 | 3.64 | 3.48 |

**Figure 23: Readiness to Adopt Social and Economic Development-Related Practices – in Main vs ACE/LEAP Markets (Mean Scores)**




Corporates listed in the Main Market, in comparison to those in the ACE/LEAP Markets, indicated a relatively higher level of readiness for all various aspects of social and economic development-related practices.

Among corporates listed in the Main Market, there is a higher level of readiness for policies concerning 'employee discrimination', 'diversity/inclusivity', and 'community development'; and a lower level of readiness for policies concerning 'product-pricing for low-income families', 'training human resources to drive sustainability', and 'limiting dependence on foreign investments'.

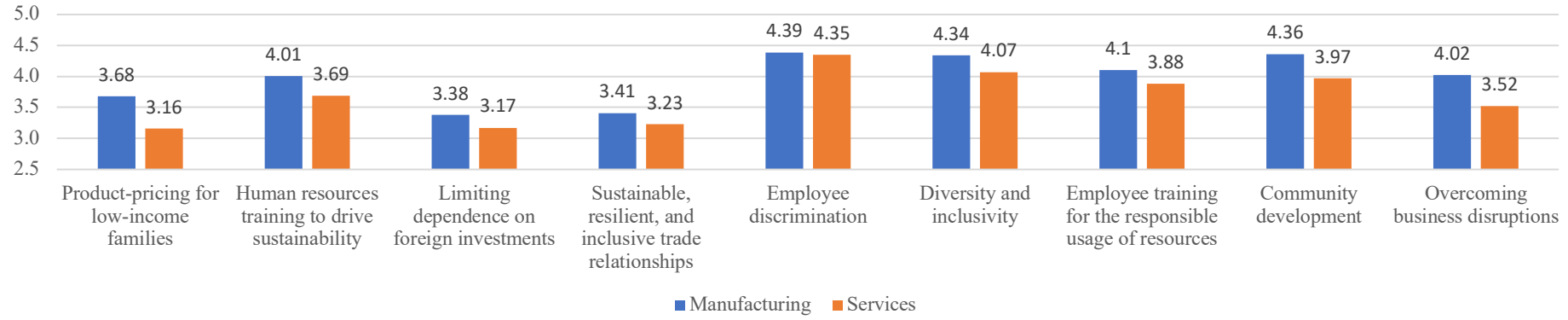
Among corporates listed in the ACE/LEAP Markets, there is a higher level of readiness for policies concerning 'employee discrimination' and 'diversity/inclusivity'; whereas there are no responses for policies concerning 'product-pricing for low-income families', 'training human resources to drive sustainability', and 'limiting dependence on foreign investments'.

Table 17 and Figure 24 presents the levels of readiness level of SMEs in the manufacturing and services sectors for the adoption of various social and economic development-related practices (based on mean scores).

**Table 17: Readiness to Adopt Social and Economic Development-Related Practices – SMEs in Manufacturing vs Services (Mean Scores)**

| | Product-pricing for low-income families | Human resources training to drive sustainability | Limiting dependence on foreign investments | Sustainable, resilient, and inclusive trade relationships | Employee discrimination | Diversity and inclusivity | Employee training for the responsible usage of resources | Community development | Overcoming business disruptions |
|---|---|---|---|---|---|---|---|---|---|
| **Manufacturing** | 3.68 | 4.01 | 3.38 | 3.41 | 4.39 | 4.34 | 4.1 | 4.36 | 4.02 |
| **Services** | 3.16 | 3.69 | 3.17 | 3.23 | 4.35 | 4.07 | 3.88 | 3.97 | 3.52 |

**Figure 24: Readiness to Adopt Social and Economic Development-Related Practices – SMEs in Manufacturing vs Services (Mean Scores)**




Overall, SMEs in manufacturing and services seem to display relatively similar levels of readiness for the adoption of social and economic development-related practices.

Among SMEs in both manufacturing and services, there is a higher level of readiness for policies concerning 'employee discrimination', 'diversity/inclusivity', and 'community development'. This is followed by 'training human resources to drive sustainability', 'employee training for the responsible usage of resources', and 'overcoming business disruptions'.

It is interesting to note that SMEs in services, compared to those in manufacturing, ranked relatively higher in terms of their readiness towards environmental-related practices, but ranked relatively lower in terms of social and economic development-related practices.

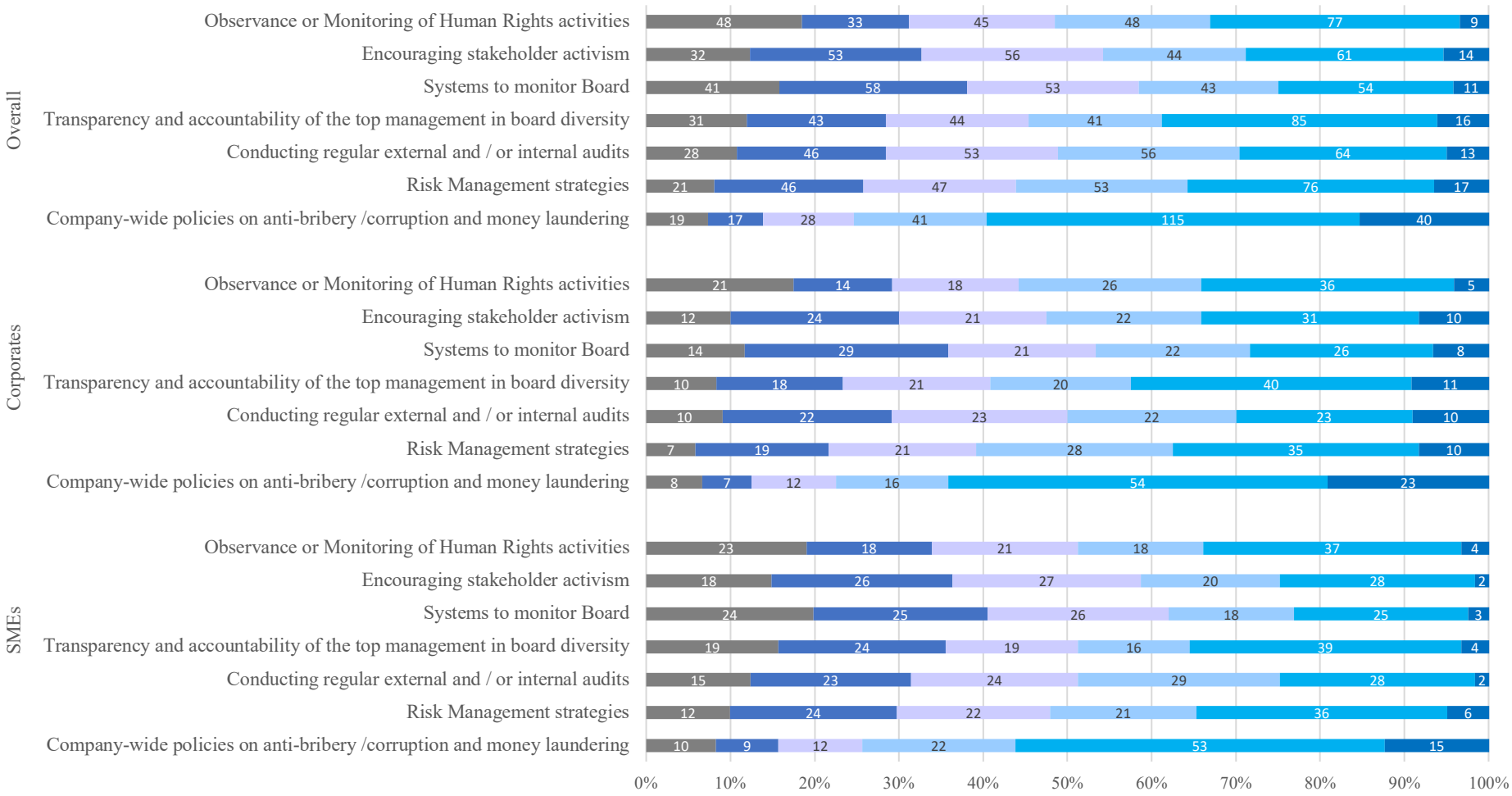
### 2.2.3 Readiness to Adopt Governance-Related Practices

As shown in Figure 25, Malaysian private sector organisations displayed higher levels of readiness for the adoption of 'anti-corruption' practices and policies. 15% (40/261) of companies indicated they are leading the industry while ≈ 45% (115/261) have already started initiatives and are reporting on them.

≈ 55% (146/261) of companies are at least getting ready with 'risk management strategies' as part of their sustainability practices. However, ≈ 25% (67/261) of them still think that 'risk management strategies' is irrelevant to them or are still considering and need more understanding of its impacts on sustainability performance.

It is a matter of concern that a considerable 31% (81/261) or ≈ 1/3 of companies indicated that the observance and monitoring of 'human rights' is irrelevant or are still considering and need more understanding of it. This is alarming given that human rights issues are being increasingly covered by the media both locally and internationally, while investors and lenders are also looking for such disclosures.

## Figure 25: Readiness to Adopt Governance-Related Practices



As shown in Table 18 and Figure 26, corporates listed in both Bursa's Main Market and ACE/LEAP Markets displayed the highest level of readiness for the adoption of 'anti-corruption' practices and policies (based on mean scores).

It is encouraging to note that corporates in the ACE/LEAP Markets, compared to those in the Main Market, are relatively more ready to adopt policies concerning the enhancement of the 'top management's accountability and transparency', the use of 'board performance systems to improve organisational sustainability', and the observance and monitoring of 'human rights'. On the other hand, corporates in the Main Market, compared to those in the ACE/LEAP Markets, appear relatively more ready in terms of other governance-related practices.

**Table 18: Readiness to Adopt Governance-Related Practices – in Main vs ACE/LEAP Markets (Mean Scores)**

| | Anti-corruption | Risk management strategies | Regular internal and external audits | Top management's accountability/ transparency | Board performance systems to improve organisational sustainability | Encouraging stakeholder activism | Human rights |
|---|---|---|---|---|---|---|---|
| **Main Market** | 4.69 | 3.94 | 3.79 | 3.93 | 3.56 | 3.71 | 3.91 |
| **ACE/LEAP Markets** | 4.15 | 3.67 | 3.67 | 3.98 | 3.63 | 3.57 | 4.00 |

**Figure 26: Readiness to Adopt Governance-Related Practices – in Main vs ACE/LEAP Markets (Mean Scores)**

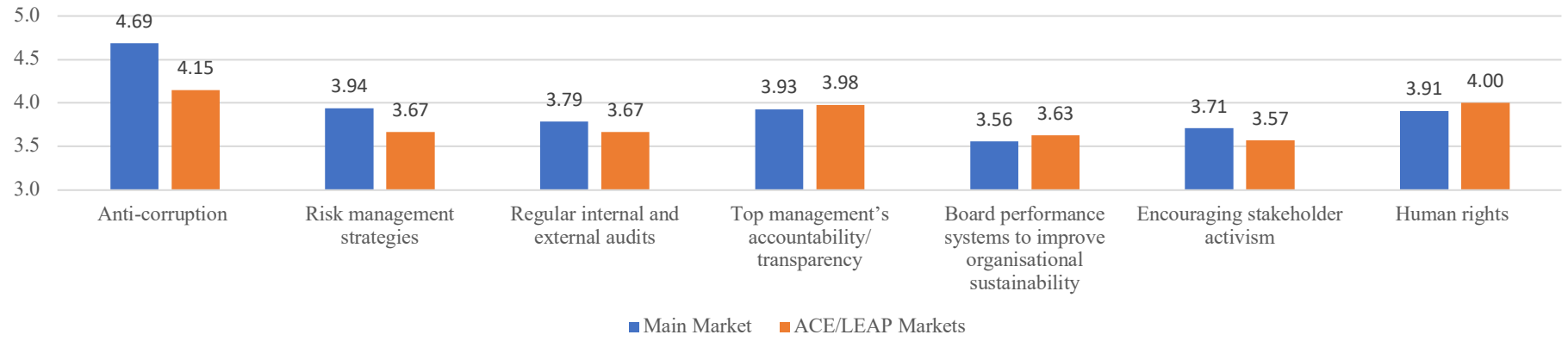
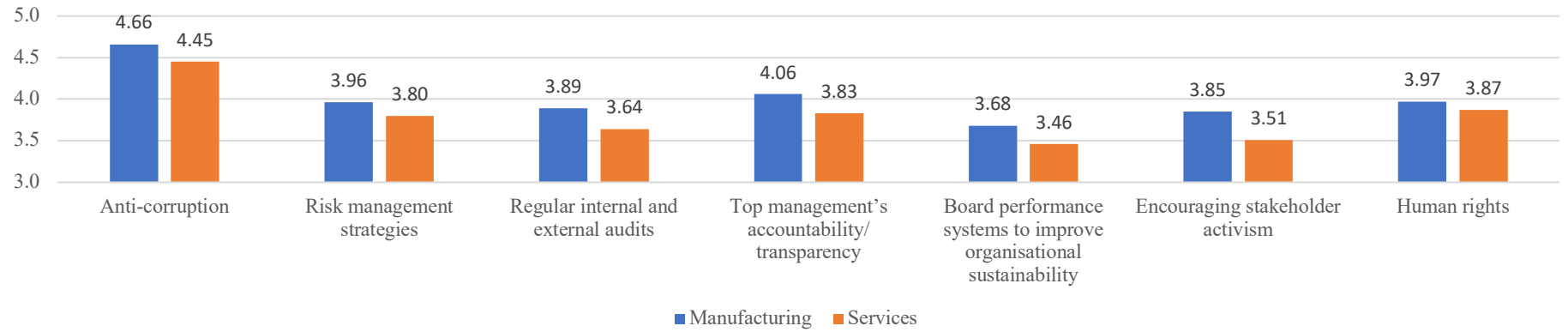


Table 19 and Figure 27 suggest that SMEs in manufacturing, compared to those in services, displayed a higher level of readiness across all aspects of governance-related practices (based on mean scores). Given that 90% of SMEs are from the services sector, it is worth examining how SMEs in manufacturing attain more readiness for governance-related practices and identifying potential areas of transferable learning for SMEs in services.

**Table 19: Readiness to Adopt Governance-Related Practices – SMEs in Manufacturing vs Services (Mean Scores)**

| | Anti-corruption | Risk management strategies | Regular internal and external audits | Top management's accountability/ transparency | Board performance systems to improve organisational sustainability | Encouraging stakeholder activism | Human rights |
|---|---|---|---|---|---|---|---|
| **Manufacturing** | 4.66 | 3.96 | 3.89 | 4.06 | 3.68 | 3.85 | 3.97 |
| **Services** | 4.45 | 3.80 | 3.64 | 3.83 | 3.46 | 3.51 | 3.87 |

**Figure 27: Readiness to Adopt Governance-Related Practices – SMEs in Manufacturing vs Services (Mean Scores)**



# 2.3 Organisational Leadership, Culture, and Sustainability-Related Competencies

## 2.3.1 Leadership for Sustainability

How organisations set up, manage, and oversee their sustainability strategy is crucial given that this is a relatively new agenda for many businesses. An article published in the Harvard Business Review discusses that appointing a Chief Sustainability or ESG Officer signals to stakeholders that the company is taking sustainability and ESG issues seriously. The author argues that in addition to sending a positive signal, a C-suite level Sustainability Officer in charge of ESG-related matters could also help in sending more pertinent ESG information to different stakeholders[12].

This section presents some of the findings related to how business organisations within the Malaysian private sector is viewing leadership for sustainability.

**Leadership for Sustainability**

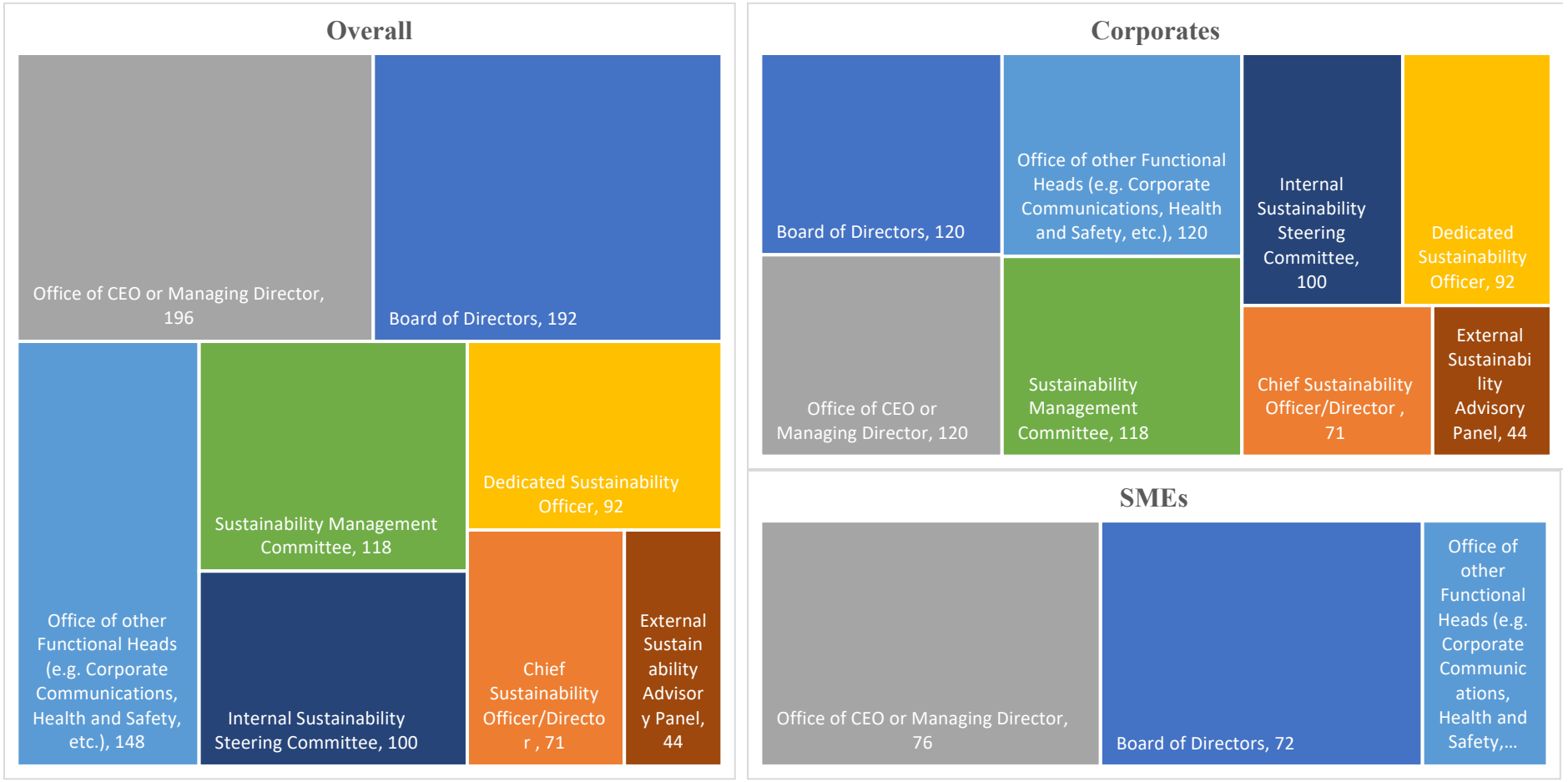
As different organisations can have different ways to manage sustainability initiatives, respondents were allowed to select multiple choices from the options provided. The SPS survey reveals that 75% of companies have 'Offices of CEOs/Managing Directors' leading sustainability, and a similar number have their 'Board of Directors' committed to sustainability (Figure 28). Only 35% of companies have a 'Dedicated Sustainability Officer'.

An interesting finding is that there is a significant number of 'Other Functional Heads' (148/261 or 57% of total companies) who are helping to manage the sustainability agenda. This could signify that sustainability is organised as a 'whole of organisation' approach.

[12] Langan, R., and Menz, M. (2022, February 17). Does Your Company Need a Chief ESG Officer?. Harvard Business Review. Retrieved June 20, 2022, from https://hbr.org/2022/02/does-your-company-need-a-chief-esg-officer#:~:text=A%20chief%20ESG%20officer%20should,is%20so%20multifaceted%20and%20complex

**Figure 28: Leadership for Sustainability**

(Note: Survey respondents were asked to select multiple answer choices that are applicable to their companies.)




Please also note that:

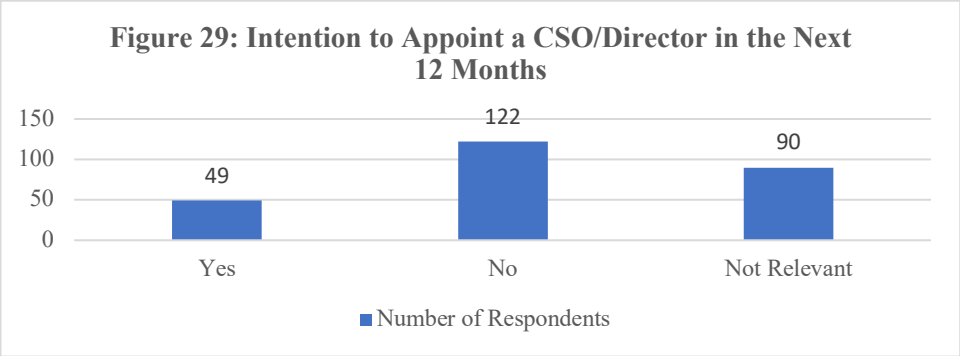
- Orange box – represents 'Chief Sustainability Officer/Director'
- Yellow box – represents 'Dedicated Sustainability Officer' (non-C Suite)

**Intention to Appoint a Chief Sustainability Officer (CSO) Or Director**

Table 20 and Figure 29 below present the findings regarding the intention of business organisations to appoint a CSO or Director in the next 12 months.

**Table 20: Intention to Appoint a CSO/ Director in the Next 12 Months**

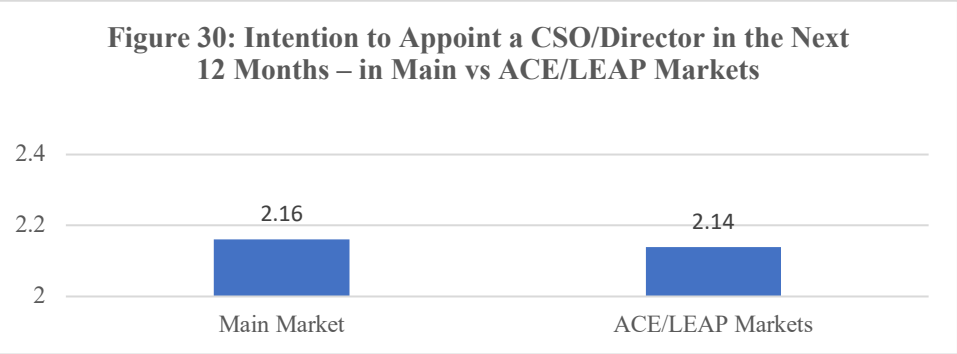
| | Number of Respondents | % |
|---|---|---|
| **Yes** | 49 | 18.8 |
| **No** | 122 | 46.8 |
| **Not Relevant** | 90 | 34.4 |
| **Total** | 261 | 100.0 |




The study also seeks to examine if there is a difference between corporates listed in Bursa's Main Market and ACE/LEAP Markets in their intention to appoint a CSO or Director in the next 12 months. Based on the means in Table 21 and Figure 30, corporates in the Main Market seem slightly more inclined in this matter.

**Table 21: Intention to Appoint a CSO/ Director in the Next 12 Months – in Main vs ACE/LEAP Markets**

| | Mean |
|---|---|
| **Main Market** | 2.16 |
| **ACE/LEAP Markets** | 2.14 |



A recent article by Gartner[13] states that 'there is no one right model for an ESG program', and that the responsibility of oversight often rests with more than one board entity. The article presents findings from the '2021 Gartner ESG Benchmarking Panel Survey', where the majority of executives who responded indicated that the following entities are the most common in providing oversight on sustainability matters: the board of directors (52%), executive committee (40%), and ESG-specific committees.

Given this, the above findings from the SPS study are encouraging as they suggest that Malaysian private sector organisations seem to be in line with such approaches to manage sustainability.

**Can Organisation Culture Impact the Adoption of Sustainability Practices?**

Organisation culture is argued to be a strong influence on the behaviour of managers and employees, including how they perceive and address the firm's internal and external challenges and their attitudes towards change[14]. Thus, organisation culture plays a crucial role to bring about change in terms of sustainability in business organisations. The SPS study asked respondents to indicate with respect to the four types of organisational cultures (as developed by Cameron and Quinn[15]) that is, (i) hierarchy, (ii) clan, (iii) adhocracy, and (iv) market – to examine whether they have any links to sustainability practices.

Figure 31 below presents the correlation between the various types of organisational cultures and ESG practices. It can be inferred that in the Malaysian private sector, business organisations with a formal 'hierarchical' organisation culture (relatively conservative and risk-averse) seem to display a higher correlation with environmental and governance-related sustainability practices.

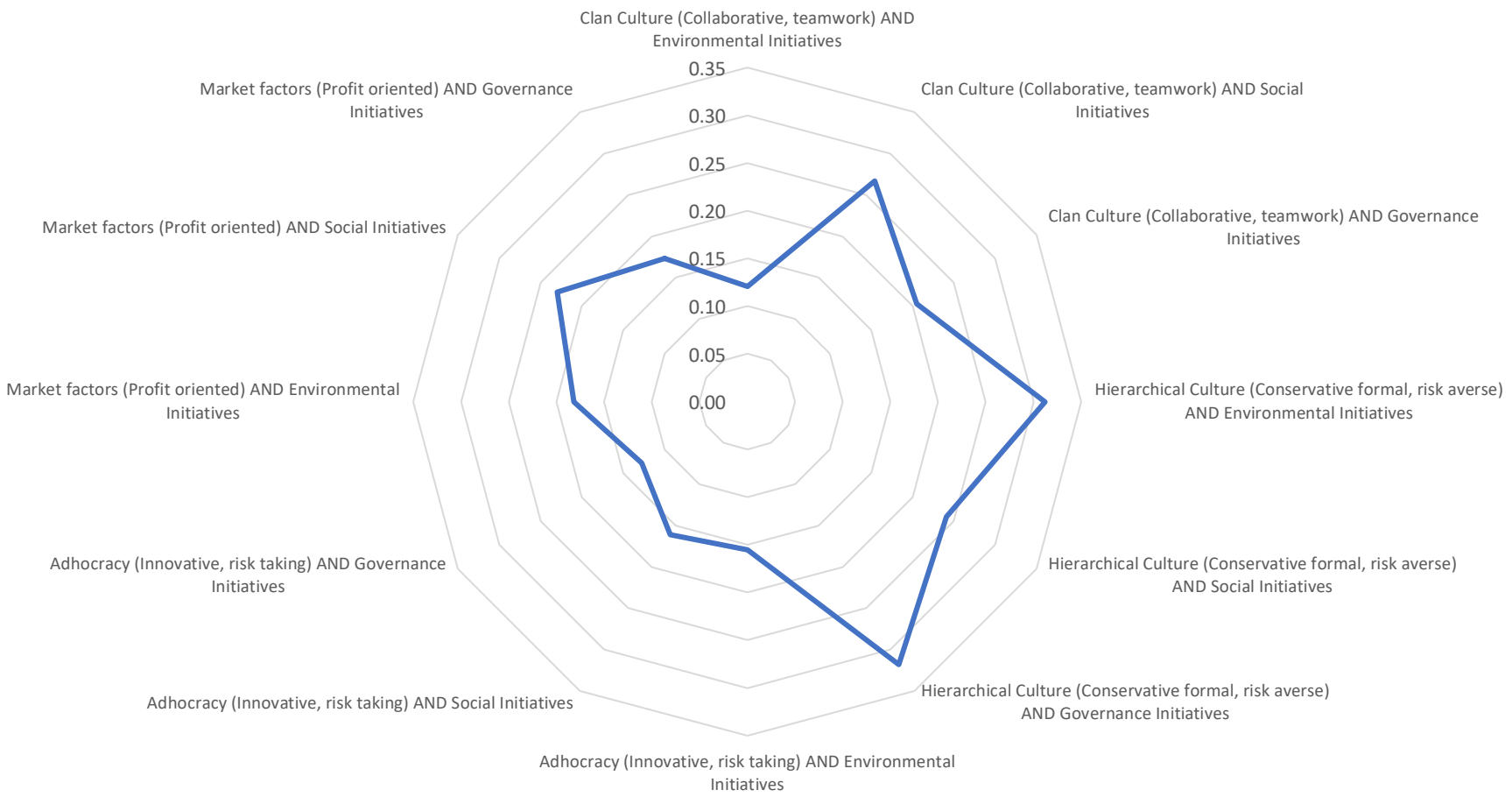
This is in line with findings that the government and regulations serve as important drivers of sustainability. In view of this, there is a need to look deeper into the issue of whether Malaysian companies are viewing sustainability only as a means of risk management – when they should also be leveraging it as part of their innovation agenda leading to competitive advantage.

[13] Gartner. (2022, April 25). Does Your Organization Need a Chief Sustainability Officer. Retrieved June 20, 2022, from https://www.gartner.com/en/articles/does-your-organization-need-a-chief-sustainability-officer

[14] Fietz, B., Günther, E. (2021). Changing Organizational Culture to Establish Sustainability. *Controlling and Management Review* **65,** 32–40.

[15] Cameron, K. S. and Quinn, R. E. (2011): Diagnosing and Changing Organizational Culture: Based on the Competing Values Framework, 3rd edition, San Francisco. The four types of organisation cultures are also briefly explained at: https://www.quinnassociation.com/en/culture_typology.

**Figure 31: Correlation between Organisation Culture and ESG - Overall**

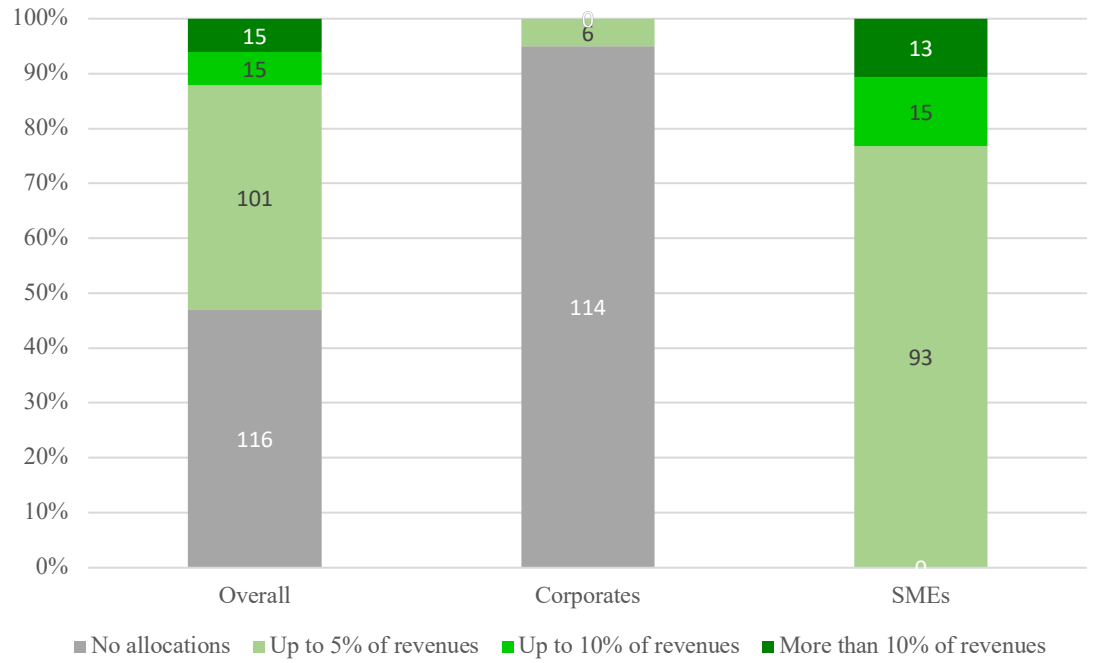


### 2.3.2 Sustainability Budgets

It is crucial that business organisations allocate resources and adopt budgetary frameworks for sustainability practices and policies – in which explicitly expressed prioritisations are needed to become an integral part of the organisation's agenda. In view of this, the SPS study examined how Malaysian private sector organisations are resourcing sustainability in terms of the budget allocations given for the development of sustainability-related capabilities (including human resources' competencies in sustainability and ESG-related matters).

Figure 32 below presents the findings regarding budget allocations for sustainability-related capabilities – as a percentage of revenues. Overall, an alarming 45% of respondents (mostly corporates) do not have any budget allocations for sustainability. Conversely, ≈ 40% (mostly SMEs) have up to 5% of revenues set aside.

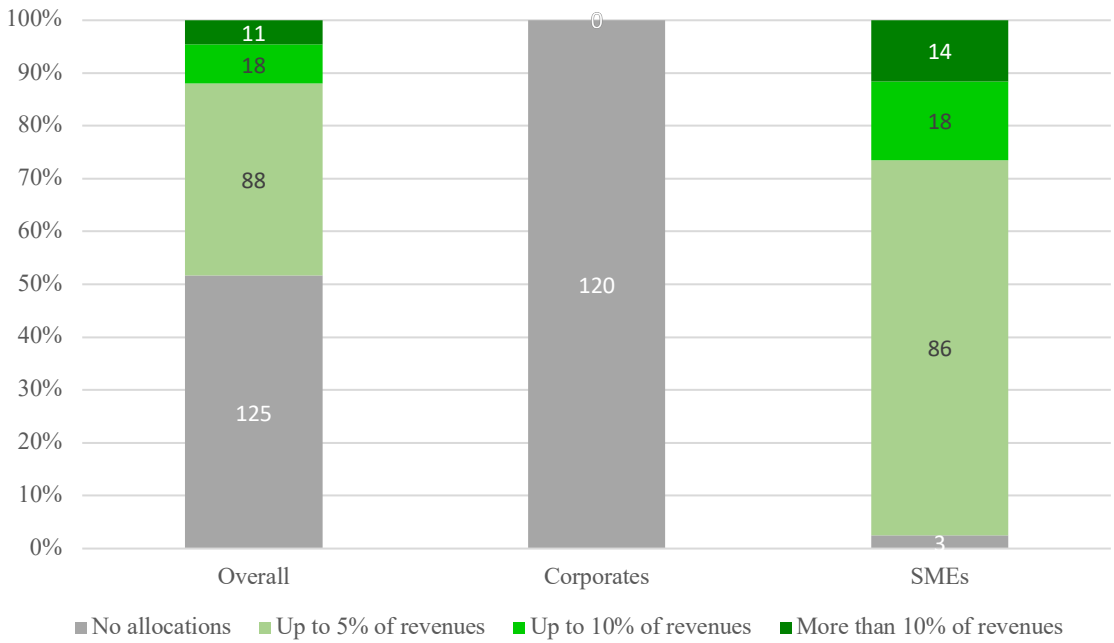
**Figure 32: Budget Allocations for Sustainability**



**Investment in the Development of Sustainability Competencies**

Figure 33 below presents the levels of investment for the development of sustainability-related competencies (including human resources' competencies in sustainability and ESG-related matters) – as a percentage of revenues, over the past three years. It is a matter of concern that almost 50% of the companies responded with no allocations for the development of such competencies. Once again, there are more SMEs than corporates who claimed to have a higher investment (at least 5% of revenues) in sustainability-related competencies – which could be due to the term 'sustainability' being broad basing.

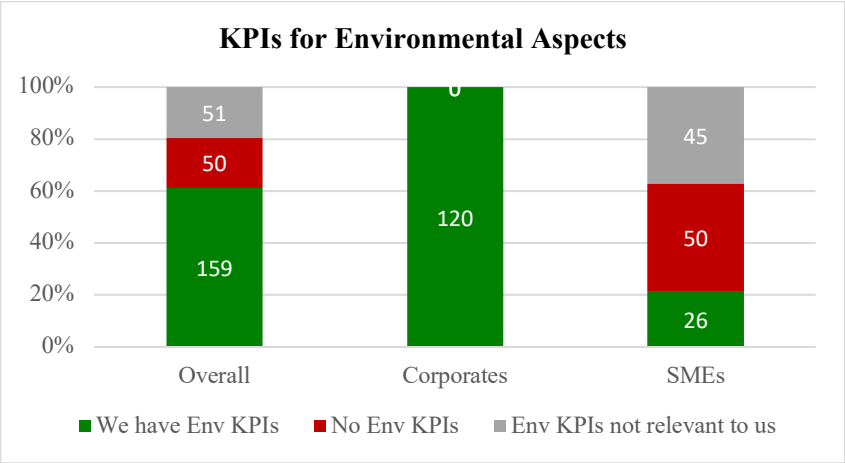
**Figure 33: Investment in the Development of Sustainability Competencies**

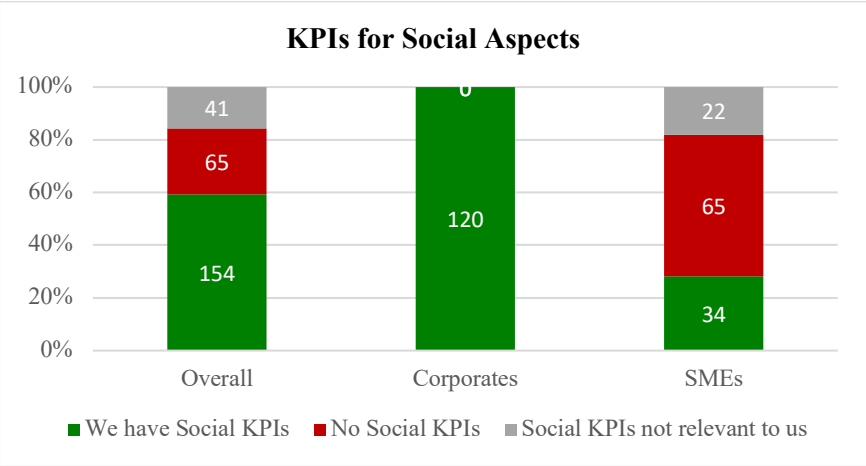


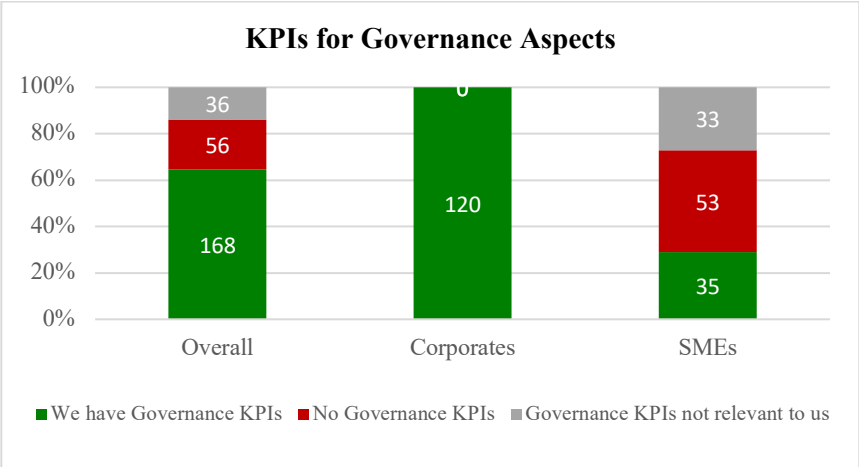
**Key Performance Indicators (KPIs) for ESG and Digital Technologies for Sustainability**

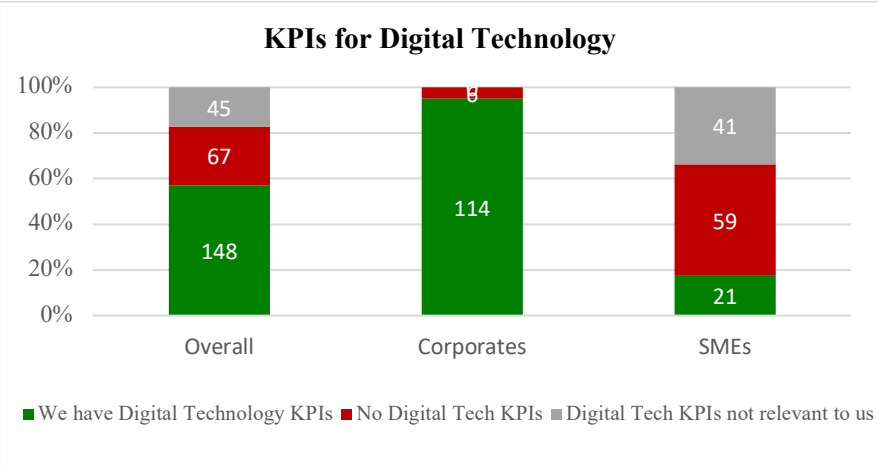
Figure 34 below presents that overall, ≈ 60% of companies (mainly corporates) indicated that they have set KPIs for all ESG aspects and digital technologies for sustainability. On the other hand, less than 30% of SMEs indicated they have set KPIs across the various ESG aspects and digital technologies for sustainability.

**Figure 34: KPIs for ESG and use of Digital Technologies for Sustainability**






### 2.3.3 Malaysian Corporate Practitioners' Sustainability Competencies

To understand the competency levels of Malaysian corporate sustainability practitioners, this section refers to the Corporate Sustainability Practitioners (CSP) Competency Framework and digital self-assessment tool results.

The findings below are based on a total number of 135 Malaysian corporate sustainability practitioners who assessed themselves using the tool. This includes 36 Chief Sustainability Officers (CSO), 54 Sustainability Managers (SM), and 45 Sustainability Executives (SE) across various public listed companies.

**About the Corporate Sustainability Practitioner (CSP) Competency Framework and Tool**

The CSP Competency Framework is a collaboration between Bursa Malaysia and the UN Global Compact Network Malaysia & Brunei (UNGCMYB). The framework serves as an aspirational guide for corporate sustainability practitioners (of different position levels – CSO, SM, & SE) on the competencies, knowledge and skills required to drive sustainability strategies and outcomes. The key levels of the CSP Competency framework include 'competencies' (a practitioner's job roles) and 'sub-competencies' (the specific functions of a practitioner in delivering their roles).

In tandem, a digital self-assessment tool is developed to evaluate an individual's role-specific competency levels (in corporate sustainability) against a set benchmark and to address capacity-building needs.

For more information, visit: https://bursasustain.bursamalaysia.com/competency-framework.

## What Are The Competencies?

| | Chief Sustainability Officer | Sustainability Manager | Sustainability Executive |
|---|---|---|---|
| Job Purpose | Inspire and Lead | Engineer and Manage | Execute and Coordinate |
| Number of Competencies & Sub-Competencies | 7 & 46 | 7 & 41 | 7 & 38 |
| Competencies | 1. Envision, Drive and Enhance Sustainability Value For All Stakeholders<br>2. Govern and Deliver Sustainability Department Performance<br>3. Inspire and Drive the Organisation Sustainability Culture<br>4. Secure and Optimise Resources for the Organisation<br>5. Establish Networking and Partnerships at Organisation Level | 1. Plan, Implement and Deliver Sustainability Programmes for all Stakeholders<br>2. Manage and Support Sustainability Department Performance<br>3. Manage and Strengthen the Organisation Sustainability Culture<br>4. Secure and Manage Resources for the Organisation<br>5. Support Organisation Level Networking and Partnerships | 1. Execute Sustainability Programmes For All Stakeholders<br>2. Execute and Report Sustainability Department Performance<br>3. Advocate the Organisation Sustainability Culture<br>4. Contribute As A Critical Resource<br>5. Support Networking and Partnerships |
| | 6. Earn Organisation and Stakeholder Trust Through Personal Mastery<br>7. Possess Knowledge and Comprehension of Corporate Sustainability Fundamentals | | |

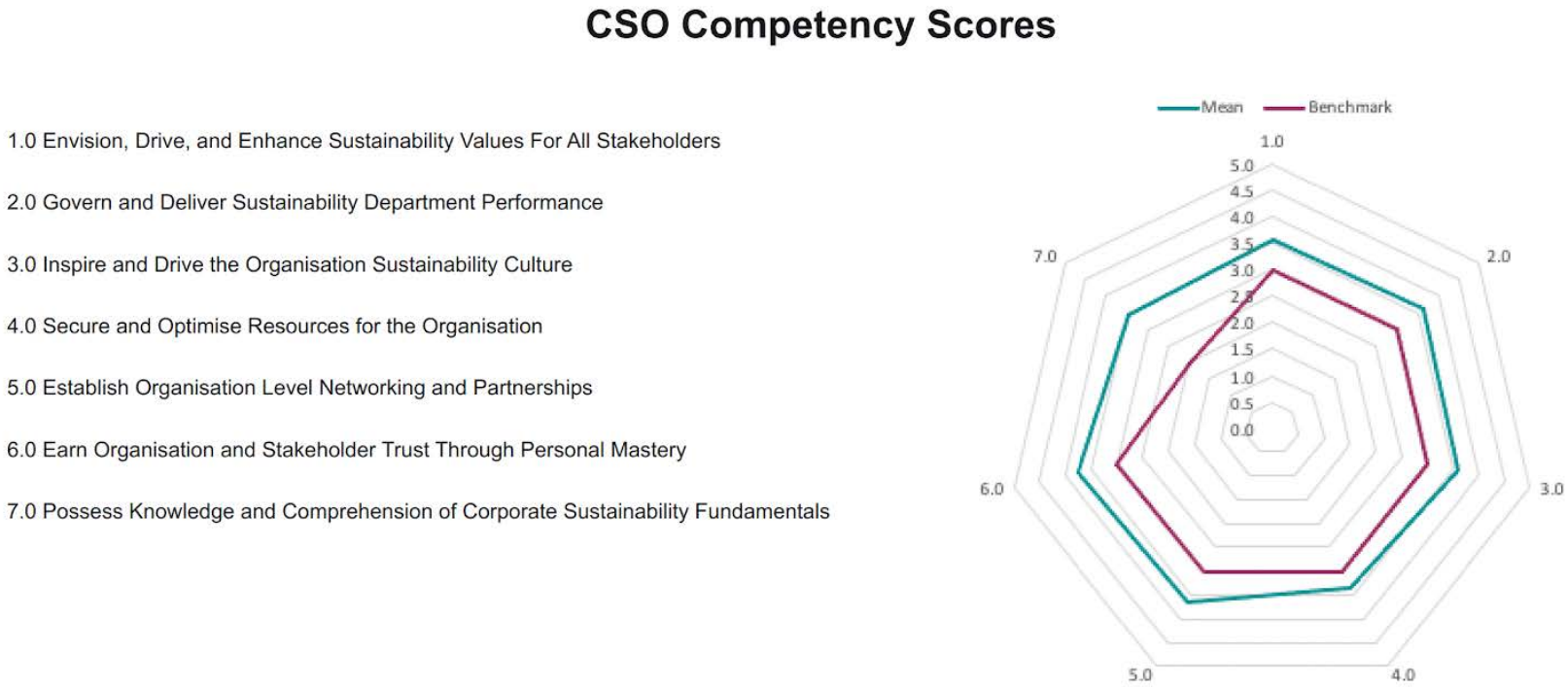
Image from: https://bursasustain.bursamalaysia.com/competency-framework

**Chief Sustainability Officers (CSOs)**

The main job purpose of a CSO is to be a change agent to nurture a responsible business and sustainability culture by ***inspiring and leading*** the organisation to achieve its sustainability goals and targets. CSOs, on average, scored the highest in '6.0 personal mastery to earn organisation and stakeholder trust' (3.74), while scoring the lowest in '4.0 securing and optimising resources' (3.37) and '7.0 knowledge and comprehension' (3.47) (Figure 35).

Overall, CSOs attained a mean score of 3.57, with their mean scores across all seven competency indicators exceeding the given benchmark.

**Figure 35:**

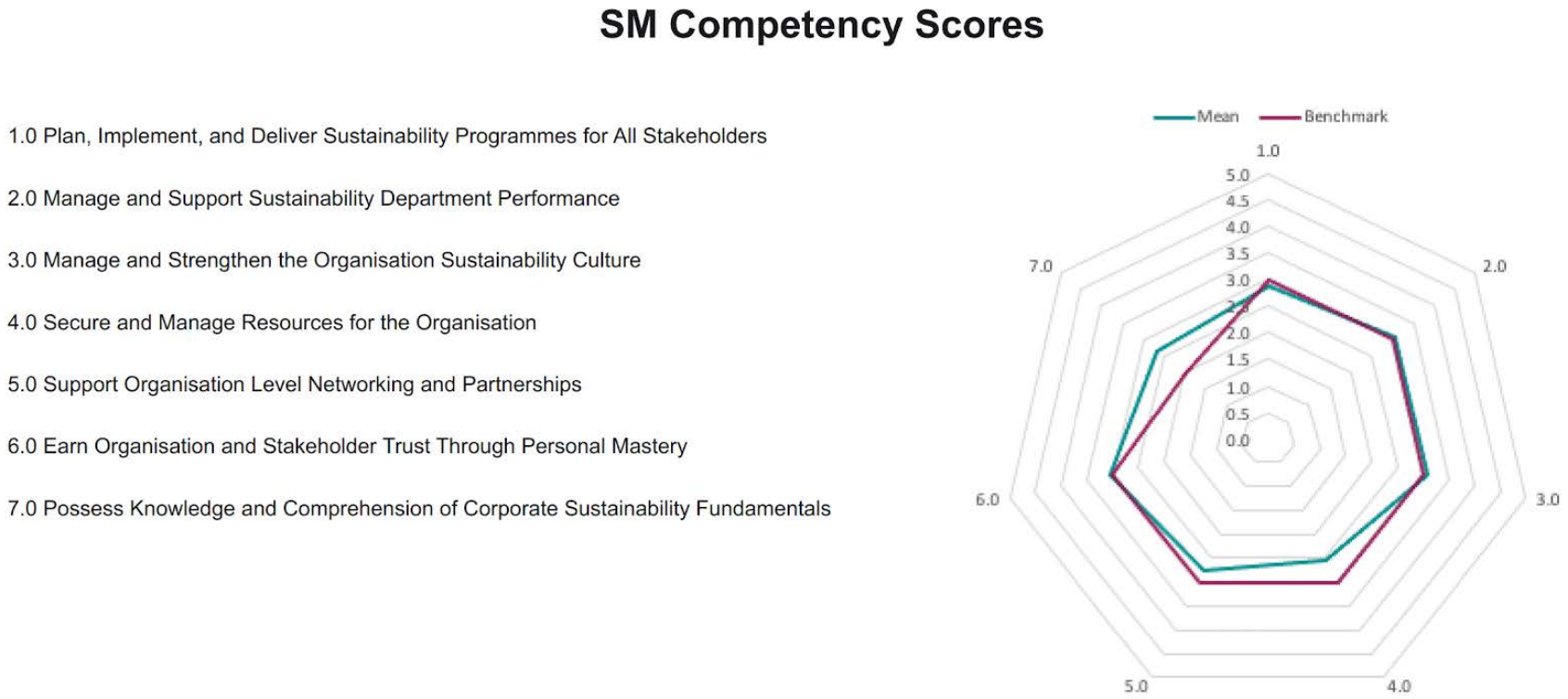


**Sustainability Managers (SMs)**

The main job purpose of an SM is to be a change agent to nurture a responsible business and sustainability culture by ***engineering and managing*** the organisation's sustainability blueprint and transformation agenda. SMs, on average, scored below the benchmark in three indicators – namely, '1.0 planning and implementing programmes' (2.86), '4.0 securing and managing resources' (2.54), and '5.0 supporting networking/partnerships' (2.75) (Figure 36).

Overall, SMs attained a mean score of 2.82, in which their mean scores across the seven competency indicators only slightly exceeded the given benchmark.

**Figure 36:**

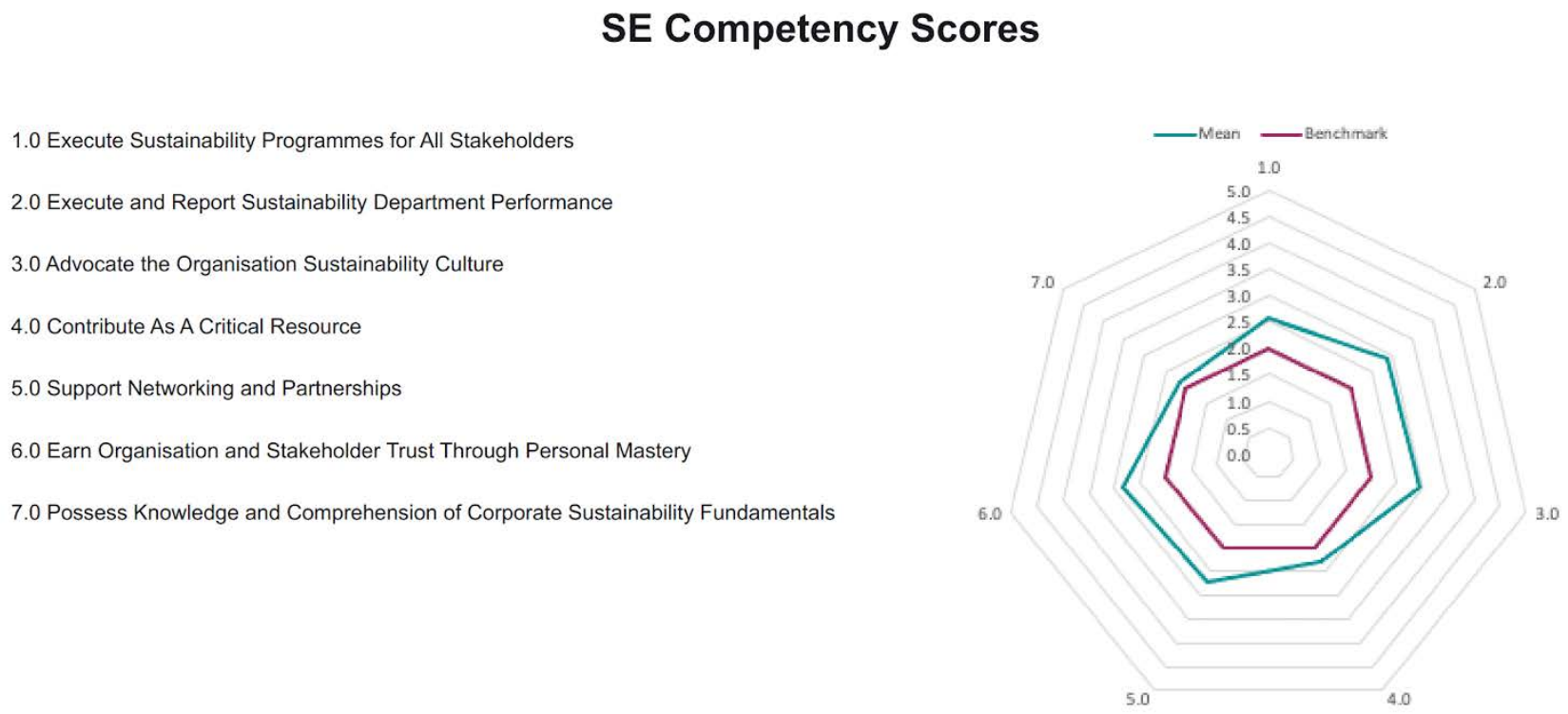


**Sustainability Executives (SEs)**

The main job purpose of a SE is to be a change agent to help nurture a responsible business and sustainability culture by ***executing and coordinating*** the organisation's sustainability plans. SEs, on average, scored the highest in '2.0 executing and reporting performance' (2.90) and '3.0 advocating culture' (2.93), while scoring the lowest (slightly above the benchmark) in '7.0 knowledge and comprehension' (2.16) (Figure 37).

Overall, SEs attained a mean score of 2.52, in which their mean scores across all seven competency indicators exceeded the given benchmark.

**Figure 37:**



**A Cross Comparison for CSOs, SMs, and SEs**

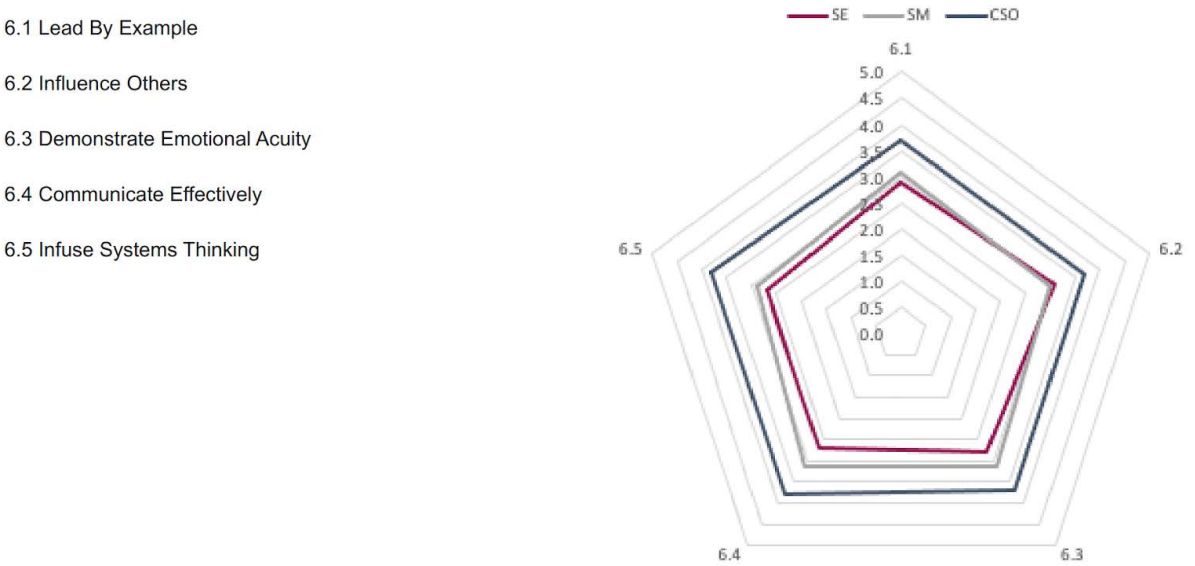
The following section presents a comparison of the CSP framework results for competency levels 6 (earn organisation and stakeholder trust through personal mastery) and 7 (possess knowledge and comprehension of corporate sustainability fundamentals) across CSOs, SMs, and SEs.

**Earn Organisation and Stakeholder Trust Through Personal Mastery**

This competency requires the CSP to act as a role model in championing sustainability values and demonstrating leadership by consciously managing personal actions to become an effective agent of change. The sub-competencies include 'leading by example', 'influencing others', 'demonstrating emotional acuity', 'communicating effectively', and 'infusing systems thinking'.

The survey results showed that CSOs, on average, ranked the highest with an overall mean competency score of 3.74, followed by SMs (3.04) and SEs (2.84) (Figure 38).

**Figure 38:**



**Possess Knowledge and Comprehension of Corporate Sustainability Fundamentals**

This competency requires the CSP to demonstrate knowledge of relevant principles, frameworks, standards, practices, protocols, and subject matters that are relevant to the sustainability sphere.

Similarly, the survey results showed that CSOs, on average, ranked the highest with an overall mean competency score of 3.47, followed by SMs (2.67) and SEs (2.16) (Figure 39).

**Figure 39:**

7.1 Sustainable Development

7.2 Climate-Related Standards and Approaches

7.3 Labour, Human Rights, and Gender Equality

7.4 Sustainability Reporting

7.5 Sustainable Finance

7.6 Applicable Sustainable Taxonomies

7.7 Applicable ESG Indices

7.8 Business Acumen

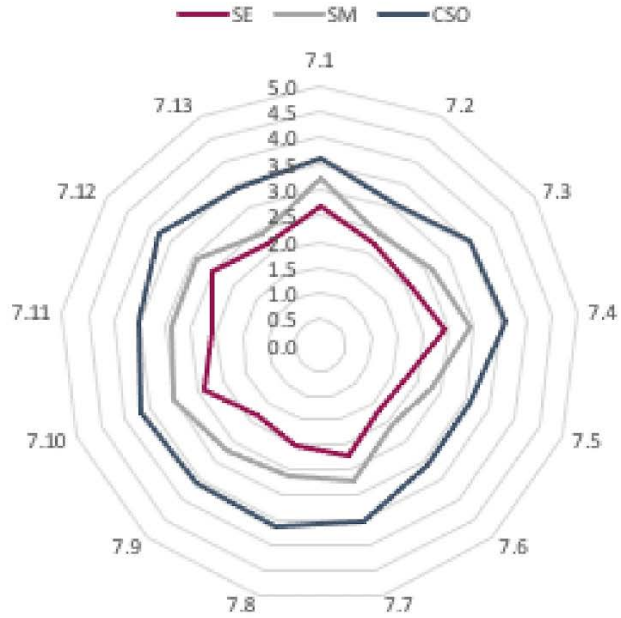
7.9 Stakeholder Management

7.10 Innovative Thinking

7.11 Anti-Corruption

7.12 Sustainability Risk Management

7.13 Sector-Specific Standards



### 2.3.4 Digital Technologies for Managing Sustainability

The adoption of digital technologies, as part of the business strategy, and sustainability is both becoming increasingly important and intertwined[16]. In a survey by Bain & Company and the World Economic Forum (WEF), 40% of the total respondents (consisting of 400 executives from various industries and regions) indicated that the adoption of digital technologies has a positive impact on their sustainability goals. Digital technologies enable trusted and standardised collection of ESG data and reporting. Moreover, digital technologies are not only useful to measure and track sustainability progress, but also help in optimising the use of resources to meet sustainability goals.

Given this, the SPS survey examines the adoption of digital technologies in the following two categories:

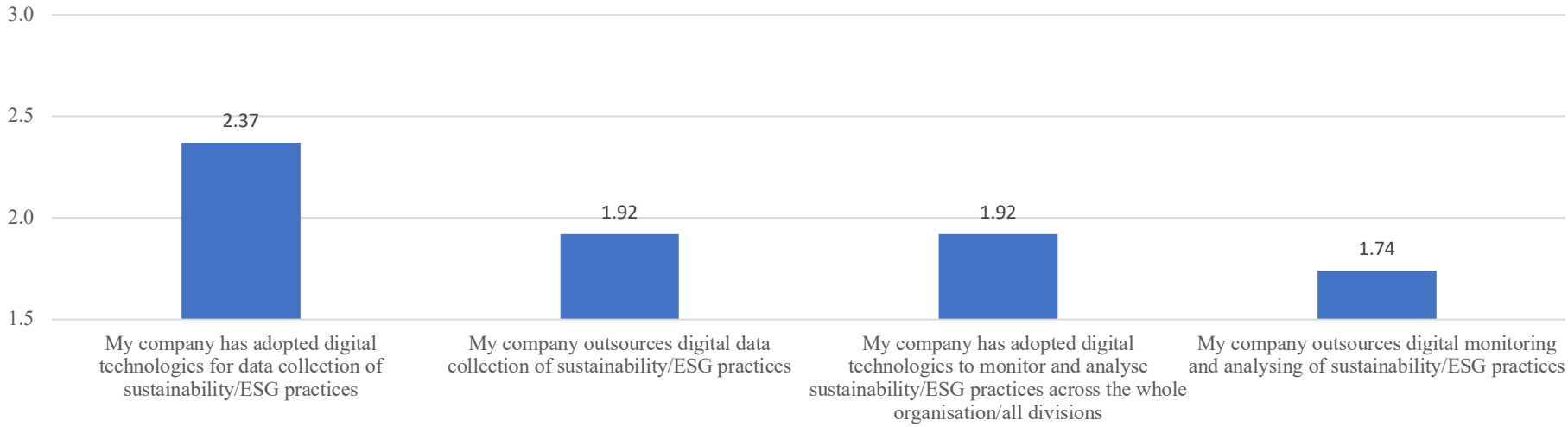
- The adoption or outsourcing of digital technologies for data collection of sustainability/ESG practices (i.e., ERP systems and Internet of Things/Sensors)
- The adoption or outsourcing of digital technologies to monitor and analyse sustainability/ESG practices across the whole organisation/all divisions (i.e., analytics and Artificial Intelligence)

[16] Anderson, J. and Caimi, G. (2022, January 19). 3 ways digital technology can be a sustainability game-changer. World Economic Forum. Retrieved July 12, 2022, from https://www.weforum.org/agenda/2022/01/digital-technology-sustainability-strategy/

Table 22 below presents the overall findings regarding to the adoption of digital technologies to manage sustainability. This was measured using a 5-point scale, where a higher mean indicates a higher usage of such digital technologies.

| Table 22: Digital Technologies for Managing Sustainability | Mean |
|---|---|
| My company has adopted digital technologies for data collection of sustainability/ESG practices | 2.37 |
| My company outsources digital data collection of sustainability/ESG practices | 1.92 |
| My company has adopted digital technologies to monitor and analyse sustainability/ESG practices across the whole organisation/all divisions | 1.92 |
| My company outsources digital monitoring and analysing of sustainability/ESG practices | 1.74 |

**Figure 40: Digital Technologies for Managing Sustainability**



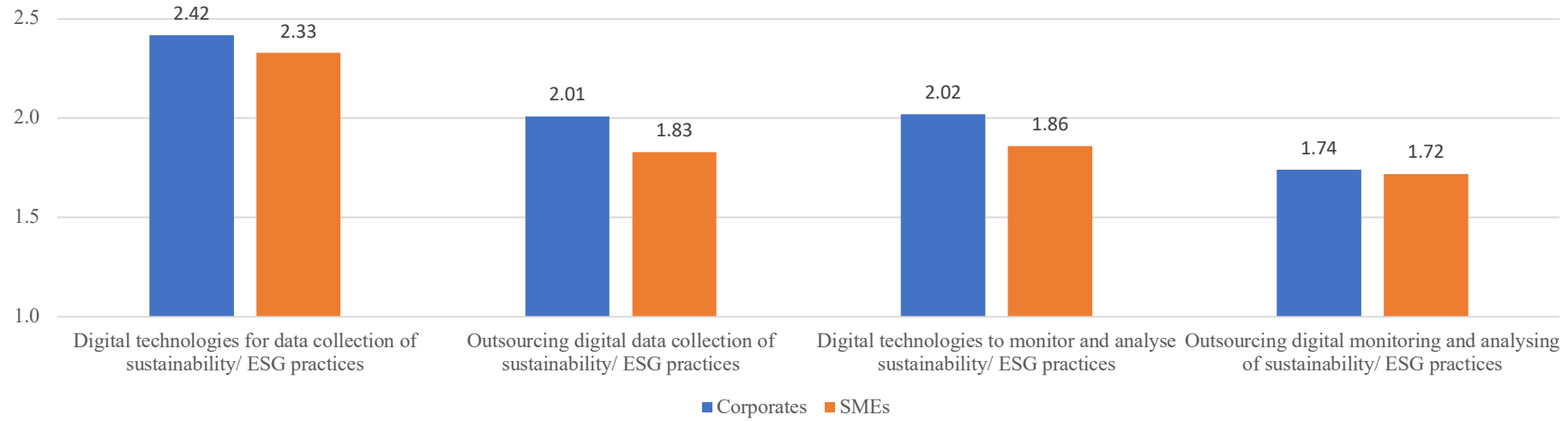
The following tables and figures present a comparison of the adoption of digital technologies to support sustainability between:

- Corporates and SMEs (Table 23 and Figure 41)
- Corporates listed in Bursa's Main Market and ACE/LEAP Markets (Table 24 and Figure 42)
- SMEs in manufacturing and services (Table 25 and Figure 43)

**Table 23: Digital Technologies for Managing Sustainability – Corporates vs SMEs (Mean Scores)**

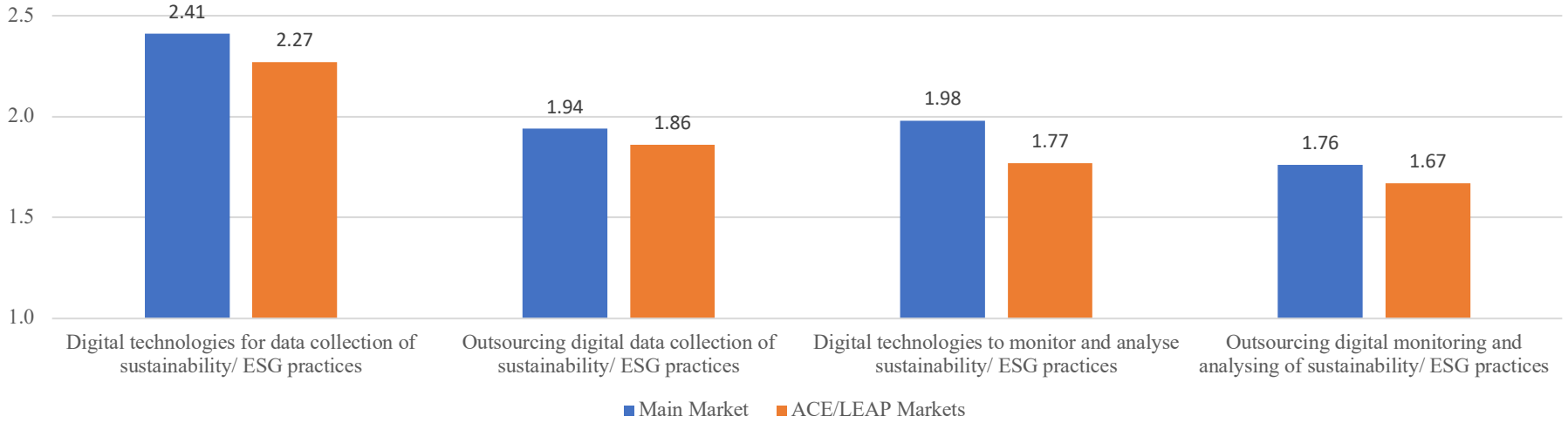
| | Digital technologies for data collection of sustainability/ ESG practices | Outsourcing digital data collection of sustainability/ ESG practices | Digital technologies to monitor and analyse sustainability/ ESG practices | Outsourcing digital monitoring and analysing of sustainability/ ESG practices |
|---|---|---|---|---|
| **Corporates** | 2.42 | 2.01 | 2.02 | 1.74 |
| **SMEs** | 2.33 | 1.83 | 1.86 | 1.72 |

**Figure 41: Digital Technologies for Managing Sustainability – Corporates vs SMEs (Mean Scores)**



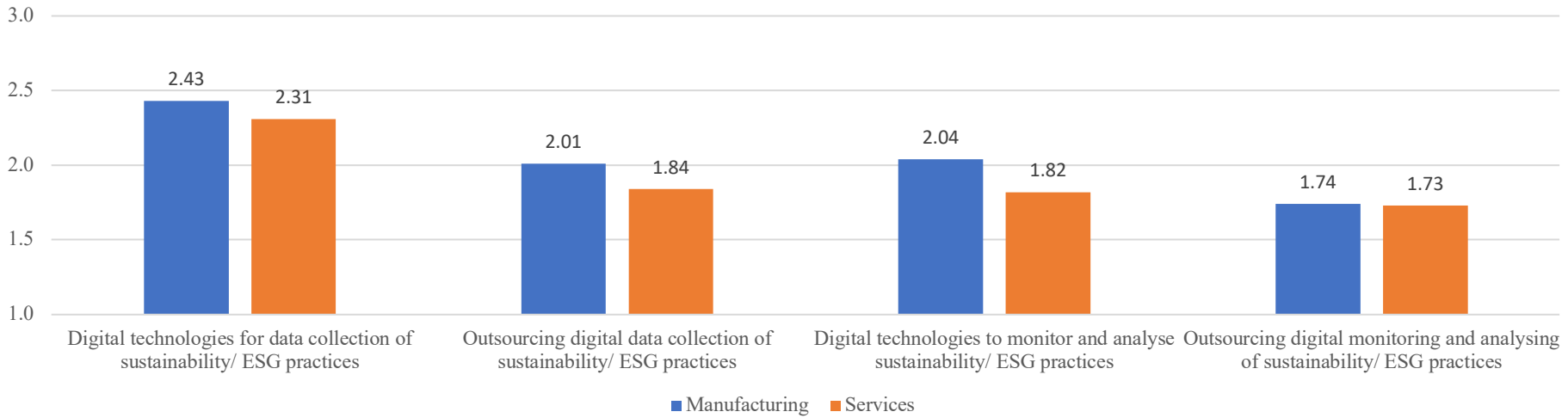
| Table 24: Digital Technologies for Managing Sustainability – in Main vs ACE/LEAP Markets (Mean Scores) | | | | |
|---|---|---|---|---|
| | **Digital technologies for data collection of sustainability/ ESG practices** | **Outsourcing digital data collection of sustainability/ ESG practices** | **Digital technologies to monitor and analyse sustainability/ ESG practices** | **Outsourcing digital monitoring and analysing of sustainability/ ESG practices** |
| **Main Market** | 2.41 | 1.94 | 1.98 | 1.76 |
| **ACE/LEAP Markets** | 2.27 | 1.86 | 1.77 | 1.67 |

**Figure 42: Digital Technologies for Managing Sustainability – in Main vs ACE/LEAP Markets (Mean Scores)**



| Table 25: Digital Technologies for Managing Sustainability – SMEs in Manufacturing vs Services (Mean Scores) | | | | |
|---|---|---|---|---|
| | **Digital technologies for data collection of sustainability/ ESG practices** | **Outsourcing digital data collection of sustainability/ ESG practices** | **Digital technologies to monitor and analyse sustainability/ ESG practices** | **Outsourcing digital monitoring and analysing of sustainability/ ESG practices** |
| **Manufacturing** | 2.43 | 2.01 | 2.04 | 1.74 |
| **Services** | 2.31 | 1.84 | 1.82 | 1.73 |

**Figure 43: Digital Technologies for Managing Sustainability – SMEs in Manufacturing vs Services (Mean Scores)**




Overall, the adoption of digital technologies for managing sustainability is relatively low (based on the means scores of less than 2.50, out of 5) across all sets of demographics analysed including: (i) corporates and SMEs, (ii) corporates listed in the Main Market and ACE/LEAP Markets, and (iii) SMEs in the manufacturing and services sectors.

### 2.3.4 External Collaborations for Sustainability

As businesses are increasingly expected to take responsibility for environmental-, social/economic-, and governance- (ESG) related matters, there has also been increasing corporate engagement with external stakeholders – given that they may not be unable to directly control many of such ESG issues that are systemic in nature; and 'business leaders now recognise the importance of not just connections but deeper collaboration with others to drive progress on common objectives'.[17]

In view of this, the SPS study examines how the Malaysian private sector is collaborating with different stakeholders. Tables 26.1-26.5 and Figures 44.1-44.5 below present the frequency of collaborations between private sector organisations with (i) the parent company or headquarters, (ii) customer companies (including international buyers), (iii) supplier companies, (iv) non-governmental organisations (NGOs), and (v) academic/research institutions.

**Table 26.1: Collaboration with Parent Company or Headquarters**

| | Frequency | % |
|---|---|---|
| **Yes** | 120 | 46.0 |
| **No** | 29 | 11.1 |
| **Not Relevant** | 112 | 42.9 |
| **Total** | 261 | 100.0 |

**Figure 44.1: Collaboration with Parent Company or Headquarters**

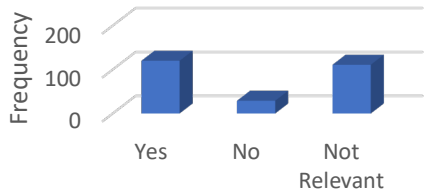
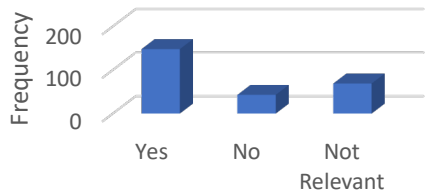



**Table 26.2: Collaboration with Customer Companies**

| | Frequency | % |
|---|---|---|
| **Yes** | 148 | 56.7 |
| **No** | 43 | 16.5 |
| **Not Relevant** | 70 | 26.8 |
| **Total** | 261 | 100.0 |

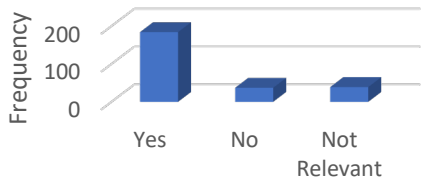
**Figure 44.2: Collaboration with Customer Companies**




[17] Volkman, S. and O' Neill, R. (n.d.). The Imperative of Collaboration. The SustainAbility Institute by ERM. Retrieved July 20, 2022, from https://www.sustainability.com/thinking/the-imperative-of-collaboration/.

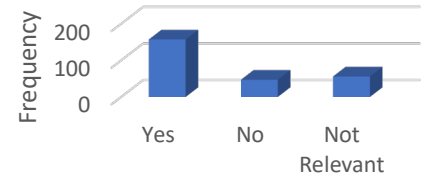
| Table 26.3: Collaboration with Supplier Companies | | |
|---|---|---|
| | **Frequency** | **%** |
| **Yes** | 184 | 70.5 |
| **No** | 37 | 14.2 |
| **Not Relevant** | 40 | 15.3 |
| **Total** | 261 | 100.0 |

**Figure 44.3: Collaboration with Supplier Companies**



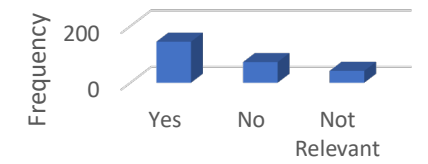

| Table 26.4: Collaboration with NGOs | | |
|---|---|---|
| | **Frequency** | **%** |
| **Yes** | 157 | 60.2 |
| **No** | 47 | 18.0 |
| **Not Relevant** | 57 | 21.8 |
| **Total** | 261 | 100.0 |

**Figure 44.4: Collaboration with NGOs**




| Table 26.5: Collaboration with Academic/Research Institutes | | |
|---|---|---|
| | **Frequency** | **%** |
| **Yes** | 145 | 55.6 |
| **No** | 73 | 28.0 |
| **Not Relevant** | 43 | 16.4 |
| **Total** | 261 | 100.0 |

**Figure 44.5: Collaboration with Academic/Research Institutes**




Overall, ≈ 70% of respondents indicated that they have collaborations with supplier companies, while ≈ 60% of the respondents indicated that they have collaborations with customer companies (including international buyers), NGOs, and academic/research institutions. On the other hand, 43% of respondents indicated that they have either no collaborations with customer companies or such collaborations are irrelevant. This is a matter of concern, given the implications for innovation. Based on these results, the higher collaboration with suppliers could signify that supply chains are more compliant on ESG matters and less focused on innovation.

# 2.4 Measurement of Sustainability Practices

## 2.4.1 Objectives of Sustainability Measures

A sustainability accounting framework may serve a range of objectives, including to measure organisational performance in terms of sustainability. Simultaneously, organisational sustainability performance information could serve the objective of accountability. With broad guidelines (i.e., related to mechanisms such as the GRI Standards) to develop a stakeholder-focused sustainability reporting framework, businesses will be able to reveal their accountability for environmental, social, and governance (ESG) impacts to a broad set of external stakeholders. Additionally, organisational sustainability performance information could also serve the decision-useful objective for internal management purposes. With an array of performance indicators being compared to relevant sustainability targets, the internal management of an organisation would be in a stronger position towards achieving its sustainability objectives.

**Overall Findings**

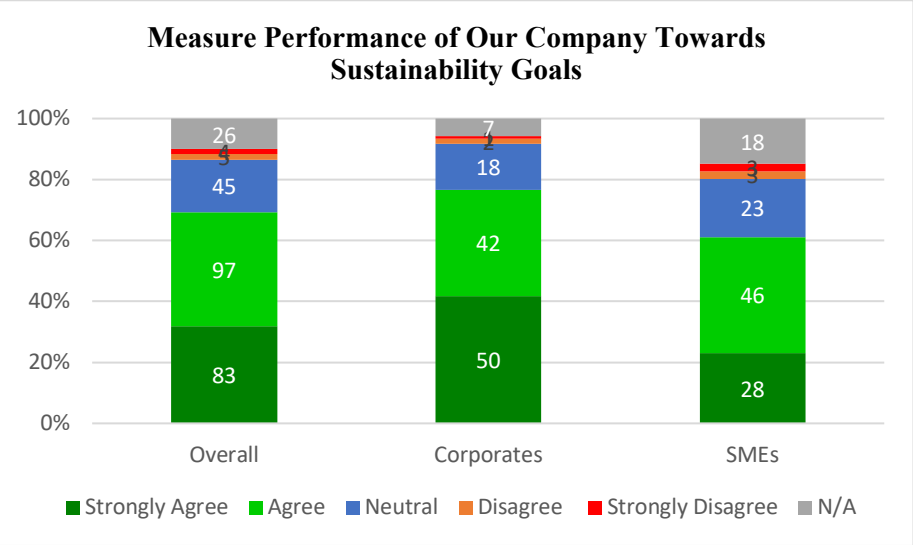
The SPS study explores whether Malaysian private sector companies are aligning their performance measurement systems with their sustainability strategies. An aligned performance measurement system helps the company to quantify its sustainability performance, and to reveal and internalise the causes of its current performance levels. This, in turn, enables a company to reflect on its current performance and reposition itself to excel in its sustainability journey.

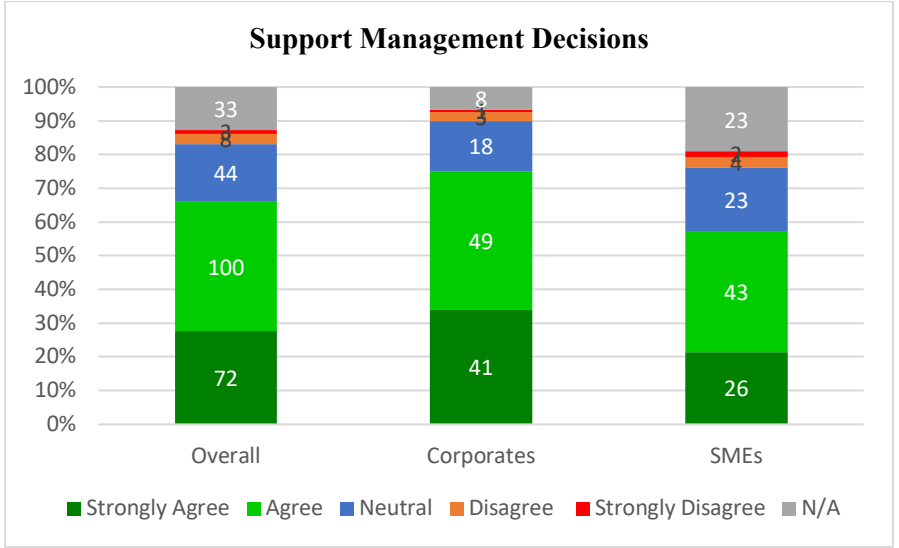
Figure 45 presents the following findings in terms of companies' primary objective of capturing sustainability/ESG information:

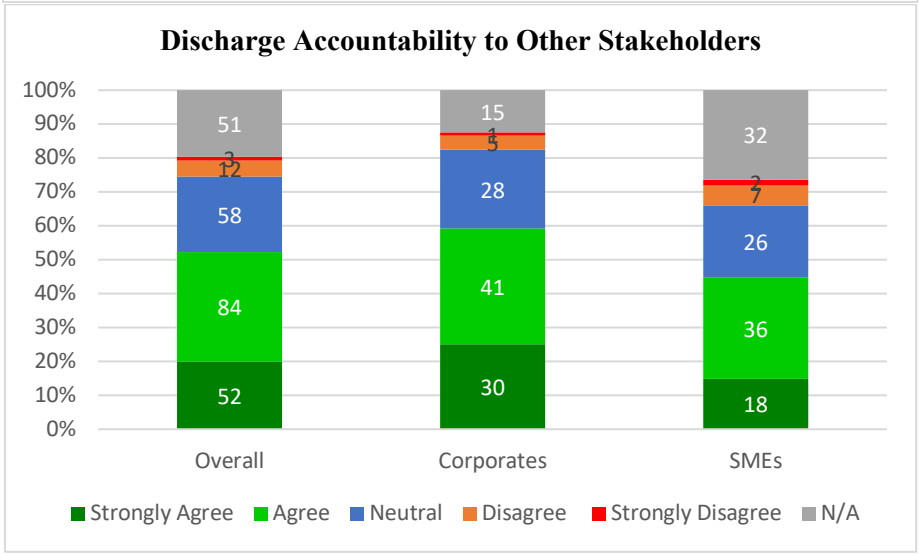
- Companies seem to recognise the value of incorporating sustainability information into their performance measurement systems, where such evidence is stronger among corporates than SMEs. ≈ 70% of companies capture sustainability information to pursue SDGs, and ≈ 65% of companies do this to support internal management decisions.
- ≈ 50% of companies capture sustainability information to reveal their accountability to other stakeholders. There is a need for further research to exploit the linkage between such performance measurement systems and stakeholder management – which would help companies to meet stakeholder expectations and relationship management.
- ≈ 55% of companies capture sustainability information to meet regulatory requirements. This suggests that some companies are already managing sustainability beyond the minimum requirements.

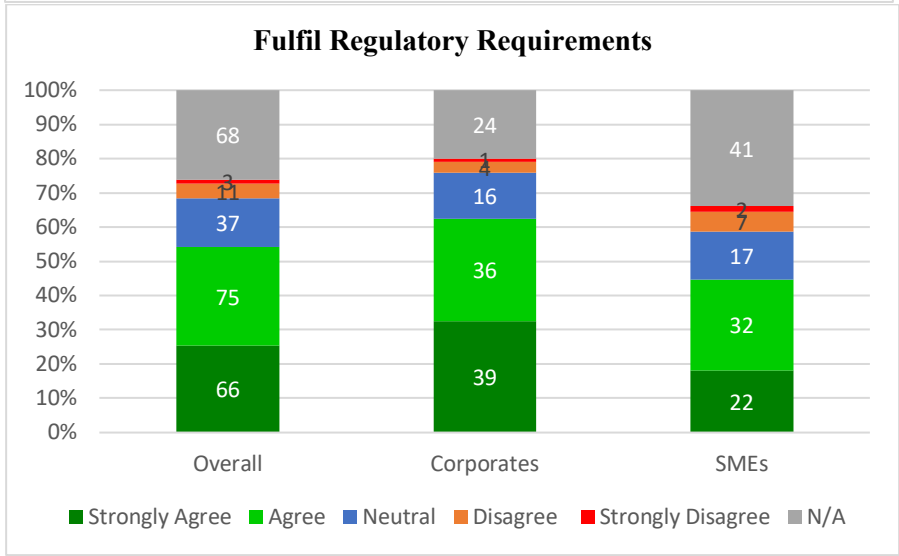
≈ 20% of SMEs have expressed some commitments (albeit lower than corporates) to using sustainability information to serve all the four objectives. This is encouraging given that SMEs make up a considerable 98.5% of all business organisations in Malaysia.

**Figure 45: Primary Objective of Capturing Sustainability/ESG Information**



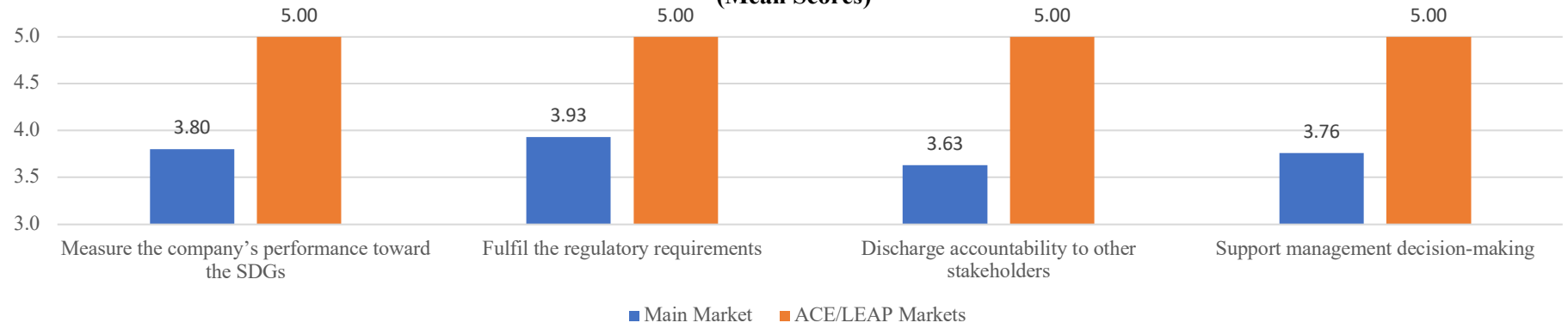
***Corporates: Main Market vs ACE/LEAP Markets***

As shown in Table 27 and Figure 46, corporates in the ACE/LEAP Markets (with mean scores of 5, out of 5) expressed a relatively stronger commitment to the use of sustainability information to serve all four objectives in comparison to their counterparts in the Main Market (with mean scores of 3.63-3.93, out of 5).

**Table 27: Primary Objective of Capturing Sustainability/ESG Information – in Main vs ACE/LEAP Markets (Mean Scores)**

| | Measure the company's performance toward the SDGs | Fulfil the regulatory requirements | Discharge accountability to other stakeholders | Support management decision-making |
|---|---|---|---|---|
| **Main Market** | 3.80 | 3.93 | 3.63 | 3.76 |
| **ACE/LEAP Markets** | 5.00 | 5.00 | 5.00 | 5.00 |

**Figure 46: Primary Objective of Capturing Sustainability/ESG Information – in Main vs ACE/LEAP Markets (Mean Scores)**



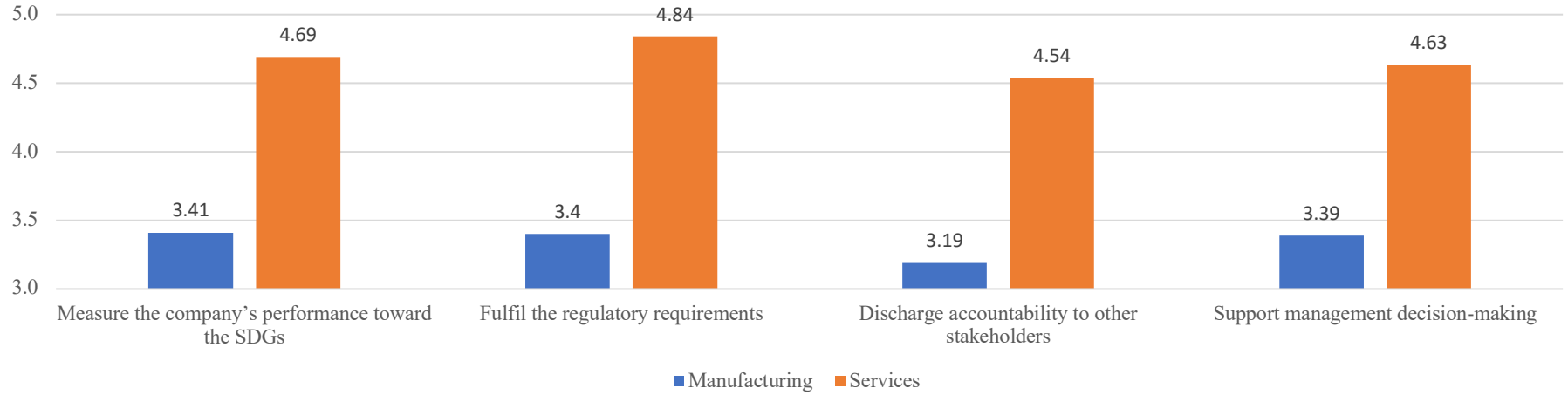
***SMEs: Manufacturing vs Services***

As shown in Table 28 and Figure 47, SMEs in services (with mean scores of 4.54-4.84, out of 5) expressed a relatively stronger commitment to the use of sustainability information to serve all four objectives in comparison to their counterparts in manufacturing (with mean scores of 3.19-3.41, out of 5).

**Table 28: Primary Objective of Capturing Sustainability/ESG Information – SMEs in Manufacturing vs Services (Mean Scores)**

| | Measure the company's performance toward the SDGs | Fulfil the regulatory requirements | Discharge accountability to other stakeholders | Support management decision-making |
|---|---|---|---|---|
| **Manufacturing** | 3.41 | 3.40 | 3.19 | 3.39 |
| **Services** | 4.69 | 4.84 | 4.54 | 4.63 |

**Figure 47: Primary Objective of Capturing Sustainability/ESG Information – SMEs in Manufacturing vs Services (Mean Scores)**



### 2.4.2 Basis of Sustainability Measures

The alignment between a company's performance measurement system and sustainability strategy provides a useful indication of its readiness to pursue sustainability. The extent to which a company quantifies and internalises its measures of sustainability performance renders various degrees of facilitation in its sustainability journey. In particular, financial measures provide an objective determination of a business' sustainability performance. On the other hand, non-financial measures provide insights into the lead factors of a business' sustainability performance – thereby, increasing the informativeness of financial measures and providing better value for the monitoring of sustainability strategy.

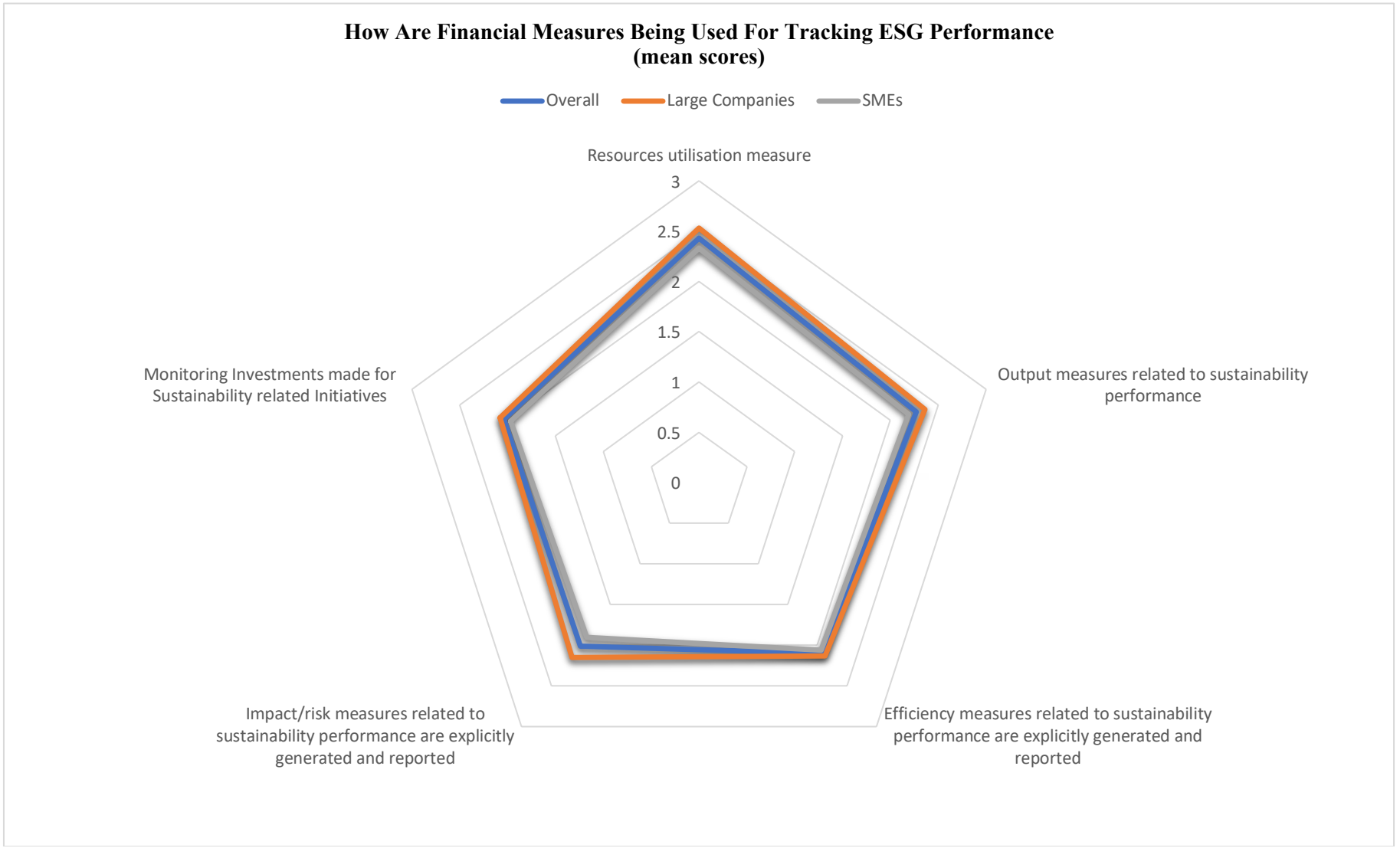
***Overall Findings***

Figure 48 below presents the following findings in terms of the use of measures for sustainability/ESG performance:

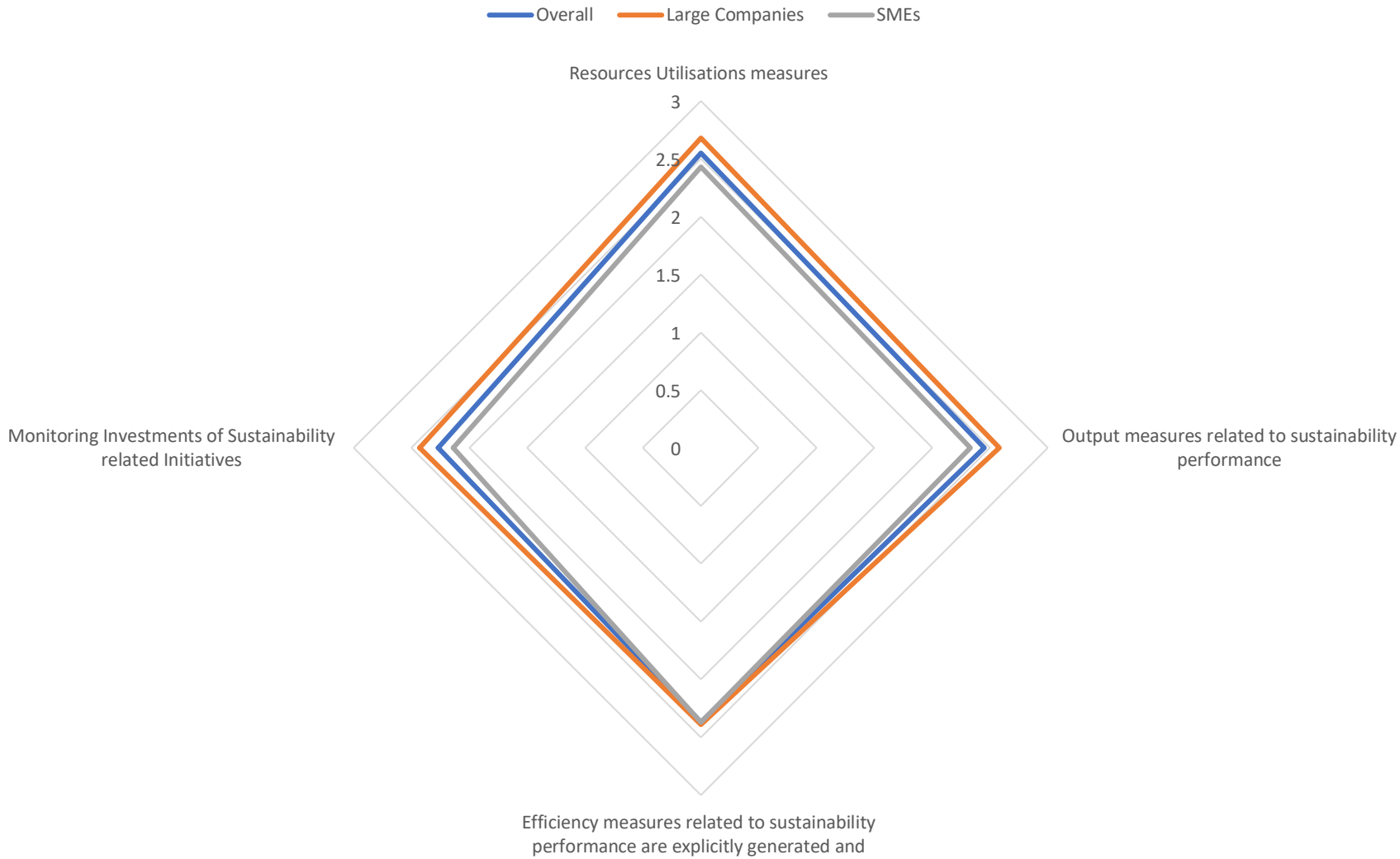
- Corporates, in comparison to SMEs, displayed a higher level of readiness towards the adoption of measures (both financial and non-financial) to manage various aspects of sustainability performance. This includes the use of *'resources utilisation measures for sustainability practices'* with a mean score of 2.43 out of 5 (i.e., cost savings arising from the use of green technologies or solar power; in units of energy to electricity/water/other utilities); and *'output measures related to sustainability performance'* with a mean score of 2.27 out of 5 (i.e., profits generated from the use of green technologies or solar power; higher yields or production per unit of electricity/water/other utilities used).

- However, there is still room to catch up on the adoption of performance measures in other facets of sustainability performance, namely measures of *'efficiency'* (i.e., of activities and resource allocations), *'impacts/risks'* (i.e., transition risks), and *'monitoring investments'* (i.e., cost-benefit analysis and life cycle costing) of sustainability-related initiatives/performance. This would, in turn, enhance the organisation's capacity to manage its sustainability agenda more comprehensively.

**Figure 48: Use of Measures for ESG Performance**



**How Are Non-Financial Measures Being Used For Tracking ESG Performance (mean scores)**



**The Use of Integrated Performance Indicators for ESG Performance (i.e., Eco-Efficiency Indicators)**

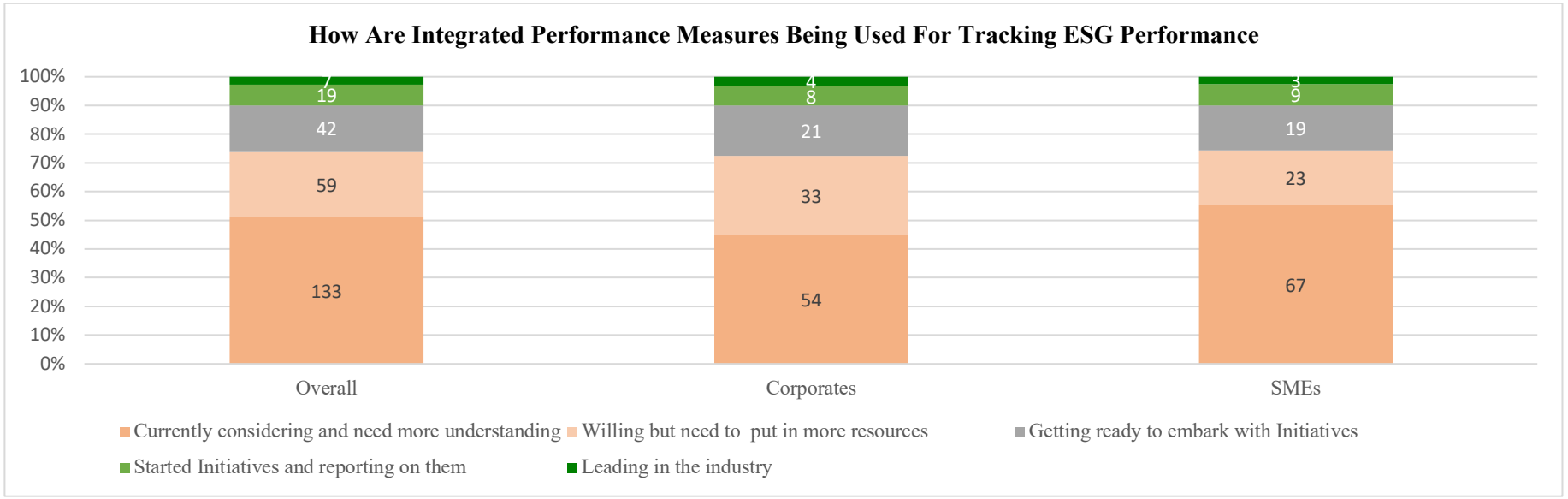
The SPS study explored the extent to which companies use integrated performance indicators – that attempt to explicitly measure two or more dimensions of sustainability – to measure and manage sustainability. Figure 49 presents the following findings:

- ≈ 50% of companies are currently considering, but need more understanding, to adopt integrated performance indicators to manage sustainability.
- Almost 25% of companies are willing to incorporate integrated performance indicators but need more resources to move forward.

However, only 7 of the 261 companies (2.7%) are currently leading in this regard within their respective industries – suggesting that such comprehensive measures for sustainability performance have not been tapped into by companies. Instead, the majority of companies are still considering, but need more understanding, to use integrated performance indicators to measure multiple dimensions of sustainability.

Collectively, the study shows that there is a low alignment between performance measurement systems and sustainability strategies in business organisations. Such a 'measurement gap' indicates that there is a lack of readiness within these business organisations to pursue or advance their sustainability journey.

**Figure 49: Use of Integrated Performance Indicators for ESG Performance**



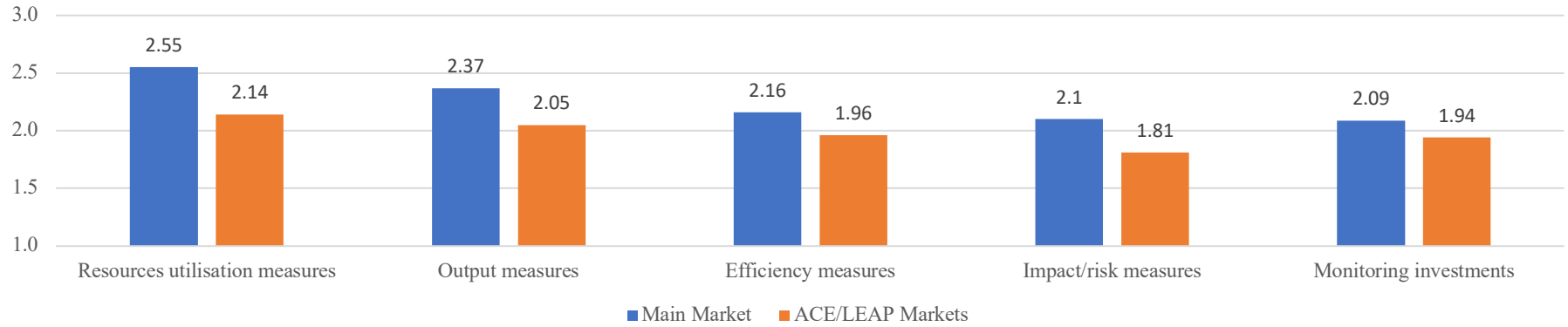
***Corporates: Main Market vs ACE/LEAP Markets***

As shown in Table 29 and Figure 50 below, corporates listed in the Main Market have expressed a higher level of willingness towards the use of financial measures across all five aspects of sustainability initiatives compared to those in the ACE/LEAP Markets. This willingness is strongest in 'resources utilisation' (with a mean score of 2.55, out of 5) and weakest in 'monitoring investments' (2.09) of sustainability initiatives. Within corporates listed in the ACE/LEAP Markets, such willingness is strongest to support 'resources utilisation' (2.14) and weakest in capturing the 'impacts and risks' of sustainability initiatives (1.81).

**Table 29: Use of Financial Measures for Sustainability/ESG Performance – Main vs ACE/LEAP Markets (Mean Scores)**

| | Resources utilisation measures | Output measures | Efficiency measures | Impact/risk measures | Monitoring investments |
|---|---|---|---|---|---|
| **Main Market** | 2.55 | 2.37 | 2.16 | 2.10 | 2.09 |
| **ACE/LEAP Markets** | 2.14 | 2.05 | 1.96 | 1.81 | 1.94 |

**Figure 50: Use of Financial Measures for Sustainability/ESG Performance – Main vs ACE/LEAP Markets (Mean Scores)**

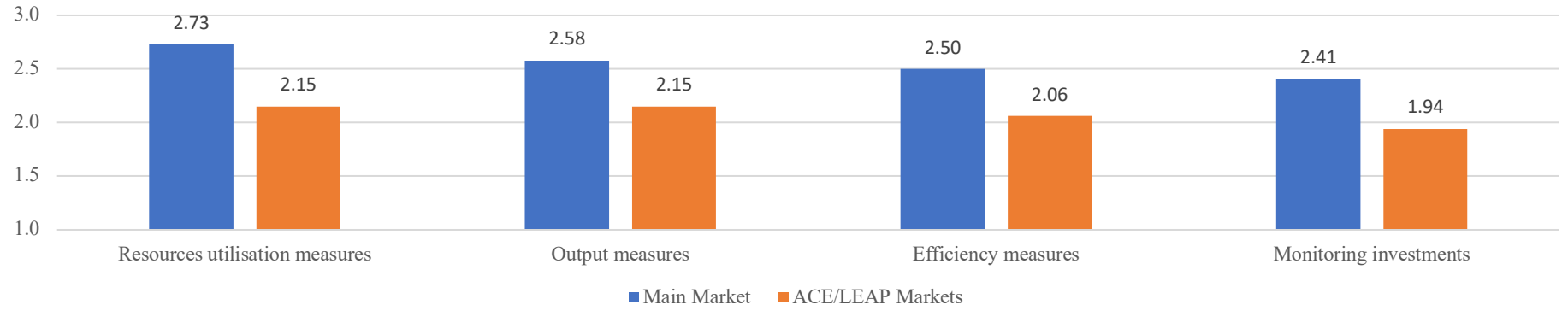


As shown in Table 30 and Figure 51 below, corporates listed in the Main Market have expressed a higher level of willingness towards the use of non-financial measures across all four aspects of sustainability initiatives compared to those in the ACE/LEAP Markets. This willingness is strongest in 'resources utilisation' (2.73) and weakest in 'monitoring investments' (2.41). Similarly, within corporates listed in the ACE/LEAP Markets, such willingness is strongest to support 'resources utilisation' and 'output measures' (both 2.15) and weakest in 'monitoring investments' (1.94).

**Table 30: Use of Non-Financial Measures for Sustainability/ESG Performance – in Main vs ACE/LEAP Markets (Mean Scores)**

| | Resources utilisation measures | Output measures | Efficiency measures | Monitoring investments |
|---|---|---|---|---|
| **Main Market** | 2.73 | 2.58 | 2.50 | 2.41 |
| **ACE/LEAP Markets** | 2.15 | 2.15 | 2.06 | 1.94 |

**Figure 51: Use of Non-Financial Measures for Sustainability/ESG Performance – in Main vs ACE/LEAP Markets (Mean Scores)**

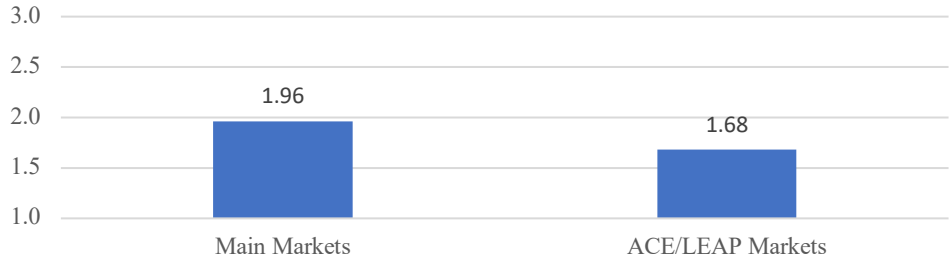


As shown in Table 31 and Figure 52 below, corporates listed in the Main Market have expressed a higher level of willingness toward the use of integrated performance indicators to measure various dimensions of sustainability (with a mean score of 1.96, out of 5) in comparison to those in the ACE/LEAP Markets (1.68). It can be inferred that overall, the majority of corporates (regardless of their listing markets) still have much room to improve on their readiness scores.

**Table 31: Use of Integrated Performance Indicators for Sustainability/ESG Performance – in Main vs ACE/LEAP Markets (Mean Scores)**

| | Mean |
|---|---|
| **Main Markets** | 1.96 |
| **ACE/LEAP Markets** | 1.68 |

**Figure 52: Use of Integrated Performance Indicators for Sustainability/ESG Performance – in Main vs ACE/LEAP Markets (Mean Scores)**



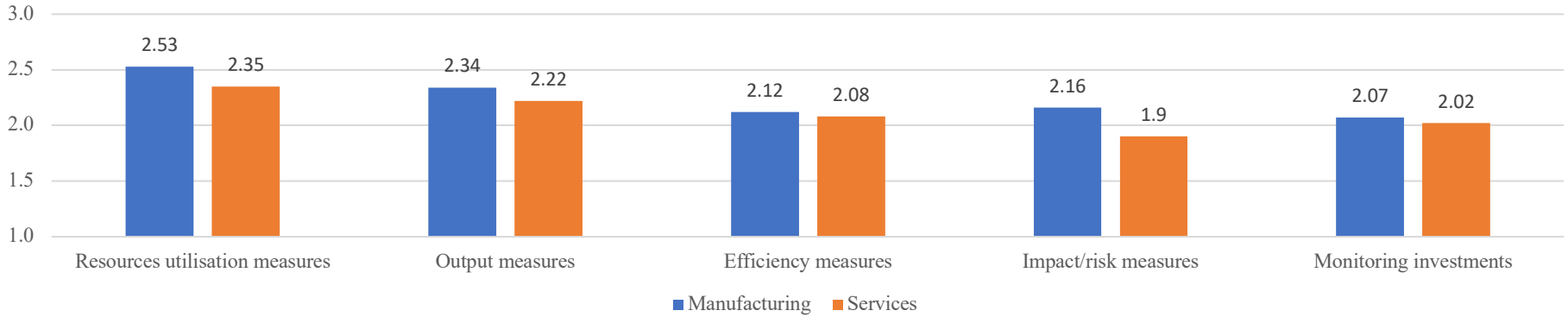
***SMEs: Manufacturing vs Services Sectors***

In terms of the use of financial measures to manage sustainability/ESG, SMEs in manufacturing have expressed a higher level of willingness across all five aspects of sustainability initiatives compared to those in services (as shown in Table 32 and Figure 53). This willingness is strongest in 'resources utilisation' (with a mean score of 2.53, out of 5) and weakest in 'monitoring investments' (2.07). Within SMEs in services, such willingness is strongest to support 'resources utilisation' (2.35) and weakest in capturing the 'impacts and risks' of sustainability initiatives (1.90).

**Table 32: Use of Financial Measures for Sustainability/ESG Performance – SMEs in Manufacturing vs Services (Mean Scores)**

| | Resources utilisation measures | Output measures | Efficiency measures | Impact/risk measures | Monitoring investments |
|---|---|---|---|---|---|
| **Manufacturing** | 2.53 | 2.34 | 2.12 | 2.16 | 2.07 |
| **Services** | 2.35 | 2.22 | 2.08 | 1.90 | 2.02 |

**Figure 53: Use of Financial Measures for Sustainability/ESG Performance – SMEs in Manufacturing vs Services (Mean Scores)**

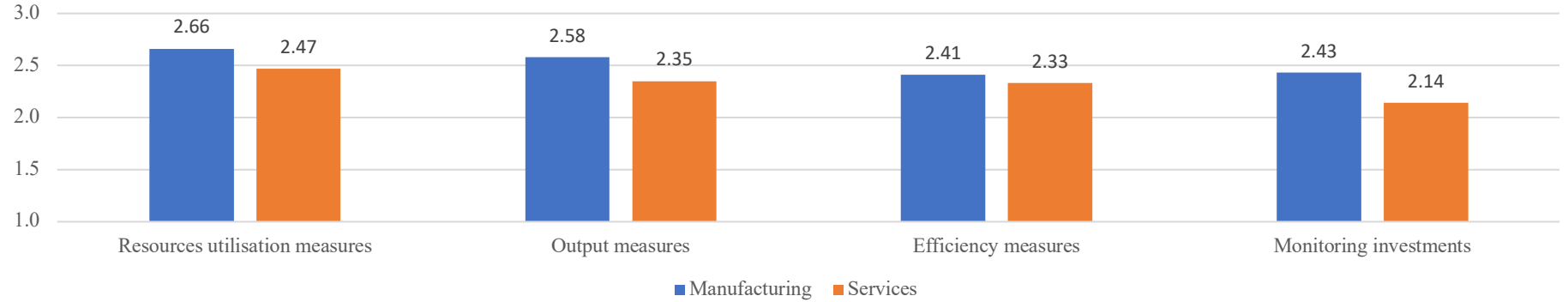


In terms of the use of non-financial measures to manage sustainability/ESG, SMEs in manufacturing have expressed a higher level of willingness across all four aspects of sustainability initiatives in comparison to those in services (as shown in Table 33 and Figure 54). This willingness is strongest to support 'resources utilisation' (with a mean score of 2.66, out of 5) but weakest for 'efficiency' (2.41). Within SMEs in services, such willingness is strongest to support 'resources utilisation' (2.47) but weakest for 'monitoring investments' (2.14).

**Table 33: Use of Non-Financial Measures for Sustainability/ESG Performance – SMEs in Manufacturing vs Services (Mean Scores)**

| | Resources utilisation measures | Output measures | Efficiency measures | Monitoring investments |
|---|---|---|---|---|
| **Manufacturing** | 2.66 | 2.58 | 2.41 | 2.43 |
| **Services** | 2.47 | 2.35 | 2.33 | 2.14 |

**Figure 54: Use of Non-Financial Measures for Sustainability/ESG Performance – SMEs in Manufacturing vs Services (Mean Scores)**

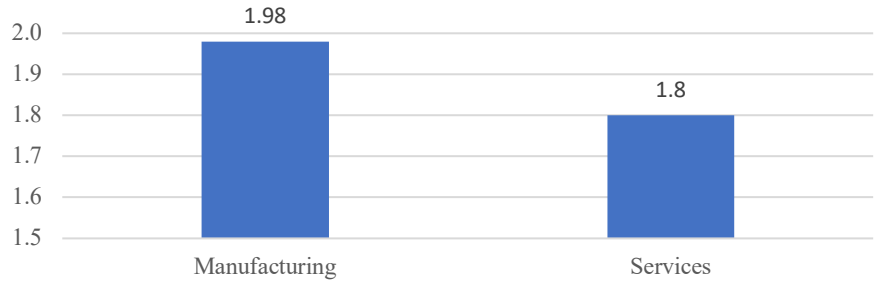


SMEs in manufacturing have expressed a higher level of willingness toward the adoption of integrated performance indicators to measure various dimensions of sustainability (with a mean score of 1.98, out of 5) in comparison to those in services (1.80) (as shown in Table 34 and Figure 55). It can be inferred that overall, the majority of SMEs (regardless of their industry sectors) are still at the stage of considering and requiring more understanding on this aspect.

**Table 34: Use of Integrated Performance Indicators for Sustainability/ESG Performance – SMEs in Manufacturing vs Services (Mean Scores)**

| | Mean |
|---|---|
| **Manufacturing** | 1.98 |
| **Services** | 1.80 |

**Figure 55: Use of Integrated Performance Indicators for Sustainability/ESG Performance – SMEs in Manufacturing vs Services (Mean Scores)**



### 2.4.3 Performance Measurement Systems for Sustainability

The SPS study aimed to examine the expectations of Malaysian private sector organisations on the properties of measurement frameworks/systems developed to manage sustainability/ESG performance. A typical performance measurement framework/system includes properties such as measurement scope, reflective indications, information verifiability, and impacts on the business.

***Overall Findings***

The study finds that the main expectations of corporates and SMEs in regard to sustainability-based performance measurement systems include (Figure 56):

- Good sustainability performance serves as an indicator of the company's intellectual capital, namely, to *'reflect personnel's expertise and talents'* (with a mean of 3.53, out of 5).
- An improvement in sustainability performance leads to *'an improvement in the company's long-term value'* (3.68).

However, most corporates and SMEs have only moderate expectations (3.0-3.5) on what performance measurement systems can offer to manage sustainability/ESG. This suggests that such performance measurement systems are only moderately aligned with sustainability strategies. This could be due to the following factors:

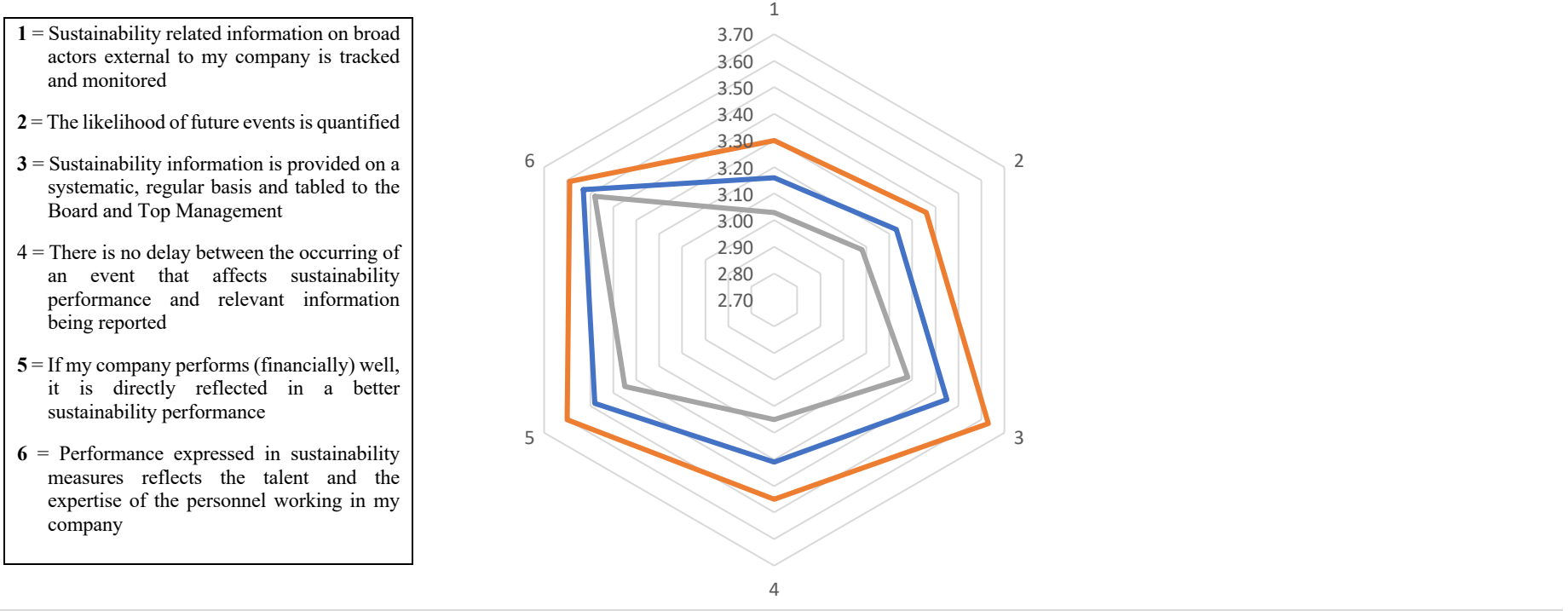
- A weak commitment to the SDGs (as previously presented in Figure 15).
- Corporates may perceive performance measurement systems for sustainability/ESG as sophisticated (relative to conventional financial performance measures) – hence, have doubts regarding the 'usefulness' of information made available to the management.

The study also finds that there are moderate expectations for sustainability-based performance measurement systems in terms of their verifiability and impacts (2.94-3.68). There are relatively low expectations for such performance measurement systems to determine *'personnel's annual bonuses'* (2.94). Despite that, there are agreements that an improvement in sustainability performance measures is important to meet their long-term goals – as depicted by the relatively high expectations for an improvement in such measures to lead to *'an improvement in the company's long-term value'* (3.68).

Corporates have generally expressed higher expectations for sustainability-based performance measurement systems across the various aspects of scope and reflective indications (means of 3.30-3.63, out of 5) in comparison to SMEs (3.03-3.48). This expectation is highest to *'provide sustainability-related information on a regular, systematic basis and tabled to the Board and Top Management'* (3.63), and lowest to *'track and monitor external factors for sustainability-related information'* (3.30). Among SMEs, such expectation is highest to *'reflect personnel's expertise and talents'* (3.48), and lowest to *'track and monitor external factors for sustainability-related information'* (3.03).

**Figure 56: Sustainability Performance Measurement Systems* – Expectations**

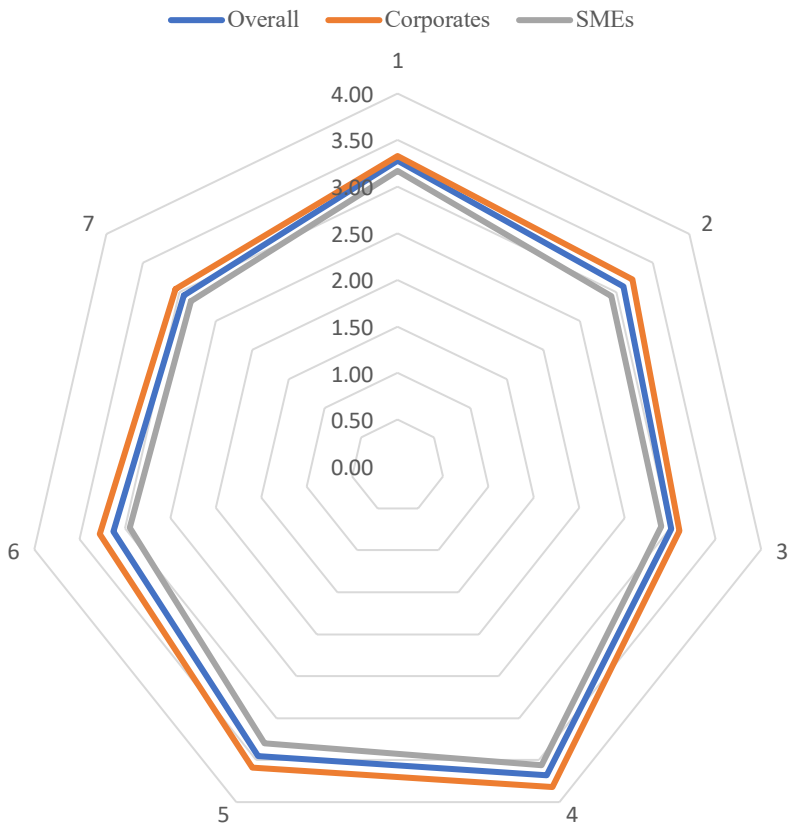
**i) Expected Scope and Reflective Indications**




Scale: '1' = Strongly disagree, '5' = Strongly agree

** A measurement system or framework is defined by attributes such as the (i) scope and reflective indications and (ii) verifiability and impacts on sustainability*

**(ii) Expected Verifiability and Impacts**




**1** = The information about sustainability performance is collected or estimated with objective measurement methods

**2** = The sustainability performance of my company unit is periodically evaluated by an independent function

**3** = The sustainability performance of my company unit is periodically evaluated by an external independent authority

**4** = An improvement in sustainability performance measures leads to an improvement in the long-term value of my company

**5** = The occurrence of a sustainability related accidents causes immediate negative consequences on the financial performance of my company

**6** = Sustainability performance measures are used when evaluating the performance of my company in comparison with the performance of other company

**7** = Sustainability performance measures are used when determining annual bonus of personnel in my company

Scale: '1' = Strongly disagree, '5' = Strongly agree

On the other hand, corporates have also generally expressed higher expectations for sustainability-based performance measurement systems across the various aspects of verifiability and impacts (means of 3.05-3.82, out of 5) in comparison to SMEs (2.84-3.56). This expectation is highest for an improvement in sustainability performance measures to lead to *'an improvement in the company's long-term value'* (3.82), and lowest for the *'determination of personnel's annual bonuses'* (3.05). Similarly, among SMEs, such expectation is highest for an improvement in sustainability performance measures to lead to *'an improvement in the company's long-term value'* (3.56), and lowest for the *'determination of personnel's annual bonuses'* (2.84).

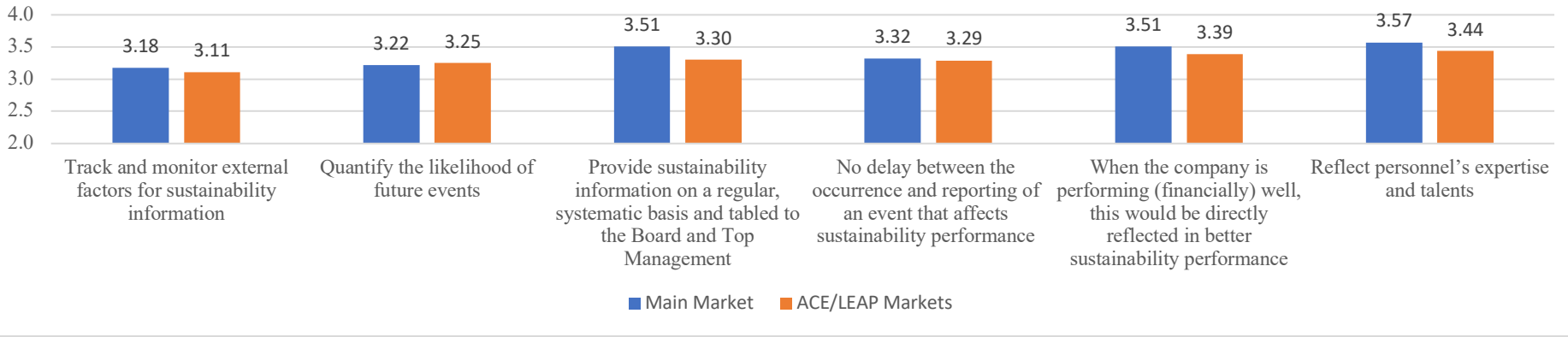
***Corporates: Main Market vs ACE/LEAP Markets***

In general, corporates in the Main Market, have expressed higher expectations for sustainability-based performance measurement systems across the various aspects of scope and reflective indications (means of 3.18-3.57, out of 5) in comparison to those in ACE/LEAP Markets (3.11-3.44) – Table 35 and Figure 57. This expectation is highest to *'reflect personnel's expertise and talents'* (3.57), and lowest to *'track and monitor external factors for sustainability-related information'* (3.18). Similarly, among corporates in ACE/LEAP Markets, such expectation is highest to *'reflect personnel's expertise and talents'* (3.44), and lowest to *'track and monitor external factors for sustainability-related information'* (3.11). It is also worth noting that corporates in ACE/LEAP Markets have expressed higher expectations for sustainability-based performance measurement systems to *'quantify the likelihood of future events'* (3.25) in comparison to those in the Main Market (3.22).

**Table 35: Sustainability Performance Measurement Systems (Expected Scope and Reflective Indications) – in Main vs ACE/LEAP Markets (Mean Scores)**

| | Track and monitor external factors for sustainability information | Quantify the likelihood of future events | Provide sustainability information on a regular, systematic basis and tabled to the Board and Top Management | No delay between the occurrence and reporting of an event that affects sustainability performance | When the company is performing (financially) well, this would be directly reflected in better sustainability performance | Reflect personnel's expertise and talents |
|---|---|---|---|---|---|---|
| **Main Market** | 3.18 | 3.22 | 3.51 | 3.32 | 3.51 | 3.57 |
| **ACE/LEAP Markets** | 3.11 | 3.25 | 3.30 | 3.29 | 3.39 | 3.44 |

**Figure 57: Sustainability Performance Measurement Systems (Expected Scope and Reflective Indications) – in Main vs ACE/LEAP Markets (Mean Scores)**

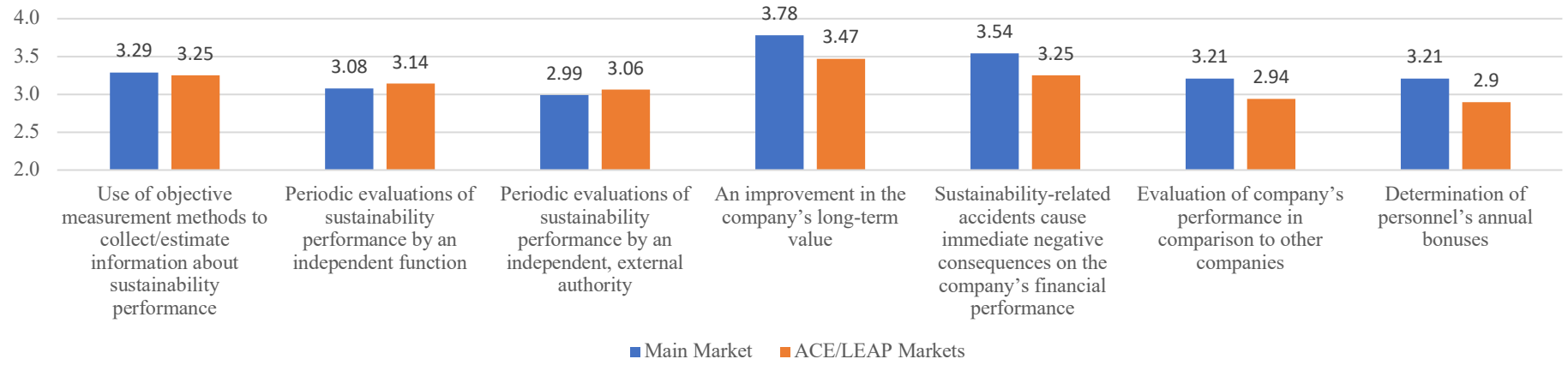


As shown in Table 36 and Figure 58 below, corporates in the Main Market, have generally expressed higher expectations for sustainability-based performance measurement systems (means of 2.99-3.78, out of 5) in comparison to those in ACE/LEAP Markets (2.90-3.47) across the various aspects of verifiability and impacts. This expectation is highest for an improvement in sustainability performance measures to lead to *'an improvement in the company's long-term value'* (3.78), and lowest for *'periodic evaluations by an external independent authority'* (2.99). Among corporates in ACE/LEAP Markets, such expectation is highest for an improvement in sustainability performance measures to lead to *'an improvement in the company's long-term value'* (3.47), and lowest for the *'determination of personnel's annual bonuses'* (2.90). It is also worth noting that corporates listed in ACE/LEAP Markets have expressed higher expectations for periodic evaluations by both an *'independent function'* (3.14) and *'external independent authority'* (3.06) in comparison to those in the Main Market (3.08 and 2.99).

**Table 36: Sustainability Performance Measurement Systems (Expected Verifiability and Impacts) – in Main vs ACE/LEAP Markets (Mean Scores)**

| | Use of objective measurement methods to collect/estimate information about sustainability performance | Periodic evaluations of sustainability performance by an independent function | Periodic evaluations of sustainability performance by an independent, external authority | An improvement in the company's long-term value | Sustainability-related accidents cause immediate negative consequences on the company's financial performance | Evaluation of company's performance in comparison to other companies | Determination of personnel's annual bonuses |
|---|---|---|---|---|---|---|---|
| **Main Market** | 3.29 | 3.08 | 2.99 | 3.78 | 3.54 | 3.21 | 3.21 |
| **ACE/LEAP Markets** | 3.25 | 3.14 | 3.06 | 3.47 | 3.25 | 2.94 | 2.90 |

**Figure 58: Sustainability Performance Measurement Systems (Expected Verifiability and Impacts) – in Main vs ACE/LEAP Markets (Mean Scores)**



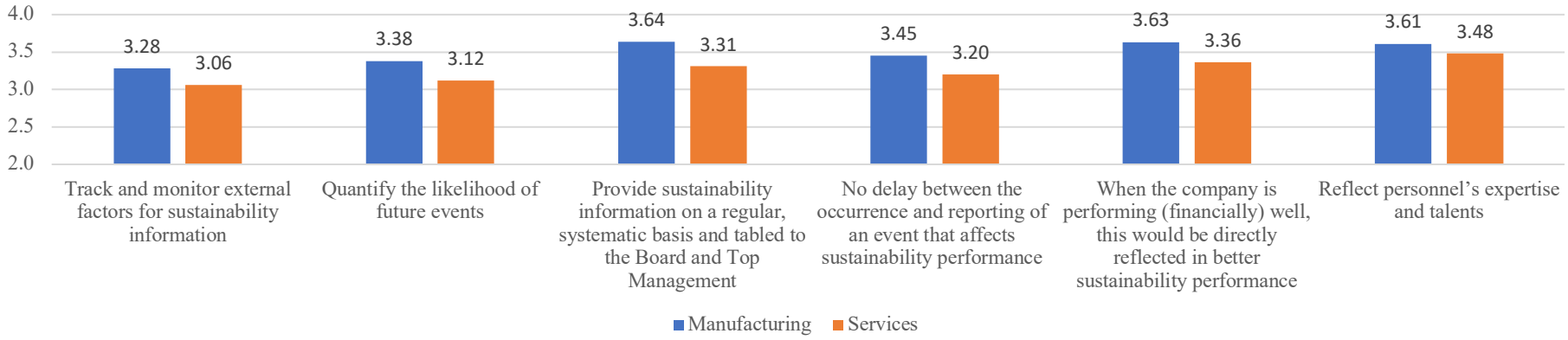
***SMEs: Manufacturing vs Services***

In general, SMEs in manufacturing have expressed higher expectations for sustainability-based performance measurement systems across the various aspects of scope and reflective indications (means of 3.28-3.64, out of 5) in comparison to those in services (3.06-3.48) – Table 37 and Figure 59. This expectation is highest to *'provide sustainability-related information on a regular, systematic basis and tabled to the Board and Top Management'* (3.64), and lowest to *'track and monitor external factors for sustainability-related information'* (3.28). Among SMEs in services, such expectation is highest to *'reflect personnel's expertise and talents'* (3.48), and lowest to *'track and monitor external factors for sustainability-related information'* (3.06).

**Table 37: Sustainability Performance Measurement Systems (Expected Scope and Reflective Indications) – SMEs in Manufacturing vs Services (Mean Scores)**

| | Track and monitor external factors for sustainability information | Quantify the likelihood of future events | Provide sustainability information on a regular, systematic basis and tabled to the Board and Top Management | No delay between the occurrence and reporting of an event that affects sustainability performance | When the company is performing (financially) well, this would be directly reflected in better sustainability performance | Reflect personnel's expertise and talents |
|---|---|---|---|---|---|---|
| **Manufacturing** | 3.28 | 3.38 | 3.64 | 3.45 | 3.63 | 3.61 |
| **Services** | 3.06 | 3.12 | 3.31 | 3.20 | 3.36 | 3.48 |

**Figure 59: Sustainability Performance Measurement Systems (Expected Scope and Reflective Indications) – SMEs in Manufacturing vs Services (Mean Scores)**

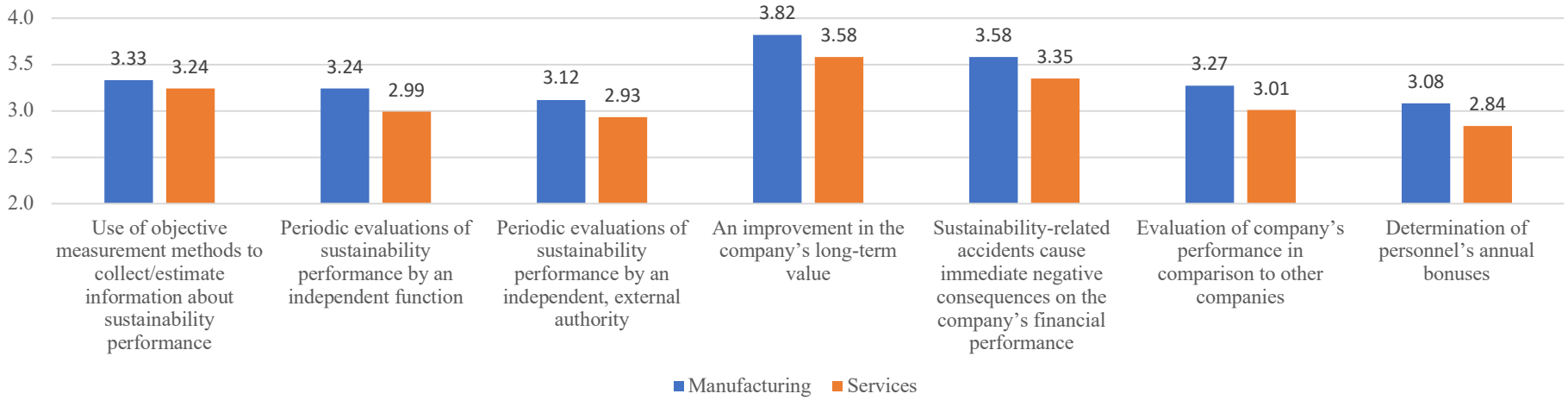


As shown in Table 38 and Figure 60 below, SMEs in manufacturing, have generally expressed higher expectations for sustainability-based performance measurement systems (means of 3.08-3.82, out of 5) in comparison to those in services (2.84-3.58) across the various aspects of verifiability and impacts. This expectation is highest for an improvement in sustainability performance measures to lead to *'an improvement in the company's long-term value'* (3.82), and lowest for the *'determination of personnel's annual bonuses'* (3.08). Similarly, among SMEs in services, such expectation is highest for an improvement in sustainability performance measures to lead to *'an improvement in the company's long-term value'* (3.58), and lowest for the *'determination of personnel's annual bonuses'* (2.84).

**Table 38: Sustainability Performance Measurement Systems (Expected Verifiability and Impacts) – SMEs in Manufacturing vs Services (Mean Scores)**

| | Use of objective measurement methods to collect/estimate information about sustainability performance | Periodic evaluations of sustainability performance by an independent function | Periodic evaluations of sustainability performance by an independent, external authority | An improvement in the company's long-term value | Sustainability-related accidents cause immediate negative consequences on the company's financial performance | Evaluation of company's performance in comparison to other companies | Determination of personnel's annual bonuses |
|---|---|---|---|---|---|---|---|
| **Manufacturing** | 3.33 | 3.24 | 3.12 | 3.82 | 3.58 | 3.27 | 3.08 |
| **Services** | 3.24 | 2.99 | 2.93 | 3.58 | 3.35 | 3.01 | 2.84 |

**Figure 60: Sustainability Performance Measurement Systems (Expected Verifiability and Impacts) – SMEs in Manufacturing vs Services (Mean Scores)**



MALAYSIA BUSINESSES
SUSTAINABILITY
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2022

SECTION 3

# SUMMARY & RECOMMENDATIONS

# Section 3: Summary and Recommendations

## 3.1 Summary: The Sustainability Pulse of the Malaysian Private Sector

1

### *What Drives Sustainability Practices and Disclosures?*

*The SPS study was keen to know what or who drives and influences corporate sustainability within the Malaysian private sector. Given this, the survey shows that* ***the government and the market (customers)*** *are the main significant drivers, followed by* ***strong policy/regulations*** *and* ***investors/shareholders*** *Thus, these are the powerful voices to be noted and leveraged by policymakers to further drive the sustainability agenda.*

*The survey also asked about which reporting guidelines have strongly influenced sustainability reporting and disclosures – the* ***GRI*** *and* ***the Bursa Reporting Guidelines*** *came up as relatively strong influencers, followed by the TCFD.*

***While there are strong external drivers for sustainability, the realisation of economic/financial benefits is also a strong focus for sustainability practices within the Malaysian private sector.***

# 2 Pursuing Sustainability Finance and Trade

*The SPS study sought to gauge the use of debt instruments (i.e., green bonds, corporate green loans, sustainability-linked loans, and social bonds) within the Malaysian private sector and whether proceeds are being directed towards sustainable outcomes.*

- *≈ 33% of respondents indicated that they had no plans or felt that it is not relevant.*
- ***≈ 40% are willing/considering** and are seeking to understand what it entails.*
- *≈ 20% provided more encouraging responses that they are getting ready or have already started with initiatives.*

*As Malaysia is a trading nation, the SPS study also sought to examine the views of private sector organisations towards sustainable trade – encompassing environmental resources, including the reuse/ preservation of raw materials, climate change and decent working conditions.*

- *≈ 17% of respondents indicated that they had no plans or felt that it is not relevant – which is a matter of concern. But **≈ 45% are willing/considering** to put in resources (but require more understanding), and 35% are getting ready are have already started with initiatives.*

***Overall, a considerable proportion of the Malaysian private sector is willing or considering to embark on sustainable finance and trade – and looking to learn more in both aspects.***

3

# Readiness to Adopt ESG Practices

*Overall, the Malaysian private sector is more ready to adopt social/economic development- and governance-related sustainability practices, but relatively less ready to adopt environmental-related practices.*

*E: Companies are more ready to adopt environmental practices related to the 'economic impact of pollution and the restoration of natural resources' and 'investment in technology for efficient resource consumption', but are relatively less ready for 'climate action'.*

*S: Polices concerning 'employee discrimination', 'diversity and inclusivity', 'community development', and 'employee training for the responsible usage of resources' are strongly supported.*

*G: Companies have displayed higher levels of readiness for the adoption of 'anti-corruption' practices and policies.*

***It has been observed that corporates and SMEs have expressed similar levels of readiness or initiatives towards ESG practices.***

# 4 Who Leads and Manages Sustainability?

*As different organisations can have different ways to manage sustainability initiatives, there are various views about coordinating ESG efforts both (between the ESG pillars and functions) and vertically (across hierarchical levels up to the CEO) – including the need for a dedicated Sustainability Director/Officer to drive and manage sustainability successfully.*

- *The survey finds that while a significant 75% of companies indicated that they have their Boards of Directors committed to sustainability, only 35% have a dedicated Sustainability Director/Officer.*
- *When asked if there is an intention to appoint a Chief Sustainability Officer/Director in the next 12 months – 19% of respondents said 'yes' while 47% indicated 'no'.*

# 5 'What Gets Measured Gets Managed'?

*Sustainability accounting frameworks may serve a range of objectives, namely, to measure organisational performance toward the objective of sustainability, to fulfil regulatory requirements, to serve the accountability objective, and decision-useful objective for internal management purposes. The alignment between performance measurement systems and sustainability strategies provides a useful indication of a company's readiness to pursue sustainability. The extent to which a company quantifies and internalises its sustainability performance measures render varied degrees of facilitation in the sustainability journey of the company. A sustainability performance measurement framework typically entails properties such as measurement scope, reflective indications, information verifiability, and impacts on business. The survey finds that:*

- *Businesses capture sustainability information with the primary objectives to measure performance towards sustainability goals and support management decisions.*
- *There is an overall low alignment between performance measurement systems and sustainability strategies. This measurement gap suggests a lack of readiness for sustainability.*
- *In general, the Malaysian private sector currently has only moderate expectations for sustainability measurement systems. The main expectations of sustainability performance are to reflect personnel's expertise and talent, and that an improvement in sustainability performance will lead to an improvement in the company's long-term value.*

## 3.2 Recommendations

Based on the findings from the *SPS 2022*, below are the recommendations that this report has derived, to accelerate Malaysia's aspirations toward becoming a global sustainability hub.

| Focus Areas | Suggestions |
|---|---|
| Drivers of Corporate Sustainability | • Regulators/policymakers and customers are viewed as the main influencing stakeholder groups in driving corporate sustainability. Hence, from the perspective of companies, there is a need to be constantly updated on the market demand and consumer behaviour towards sustainability products and pricing.<br>• Lenders appear to be less influential as a driver of corporate sustainability, and ≈ 1/3 of companies have indicated that sustainable finance is 'not relevant' to them. However, there are also many companies (> 40%) who have shown positive interest to learn more about green financing (and sustainable trade). Thus, this calls for a need for Malaysian financial institutions to focus on better informing the business community (i.e., corporates and SMEs borrowers) on the available green financing options in the market. In this regard, priority should be given to the uptake of sustainable financing rather than the launch of new types of sustainable financing products. |
| Readiness to Adopt ESG Practices | • The study reveals varying levels of readiness among companies to adopt ESG practices. Overall, many companies indicated that they are considering, but need more understanding, regarding the various ESG practices. This calls for a need to bridge the knowledge gap through awareness building and competency development programmes.<br>• With Malaysia being a trading nation coupled with the rising demand for corporate sustainability, the seemingly low number of respondents that have already embarked on sustainable trade highlights an urgent need for incentives and policies to stimulate the adoption of concrete sustainability practices to ensure that businesses maintain a competitive advantage. |
| Organisational Leadership, Culture, and Competencies | • While sustainability practices in Malaysian companies are primarily led at the Executive level, > 50% of the respondents mentioned that it is being led at various functional levels. This may indicate the lack of an integrated, strategic approach toward corporate sustainability – thus, calling for decision-makers to look into restructuring their organisation to deliver their strategic corporate sustainability commitments successfully.<br>• From a cultural perspective, the study indicated that Malaysian companies are currently viewing sustainability from a 'risk', rather than 'opportunity', angle. An ability to shift this mental model would position Malaysian businesses to better tap into the economic benefits of the fast-growing sustainable economy. |

| | |
|---|---|
| Measurement of Sustainability Practices | • While business strategy should determine how a performance measurement system is used, the study showed varying levels for the measurement of sustainability practices. Hence, companies are encouraged to develop a stronger alignment between their performance measurement systems and sustainability strategy. More effort is required to increase the quantification and informativeness for measures of sustainability/ESG performance.<br>• In addition, companies need to review their current priorities to ensure that adequate resources are allocated for collecting information and monitoring performance related to sustainability practices. |

## *Closing Remarks*

*In retrospect of a sustainability-centred roundtable organised by the UN Global Compact Malaysia & Brunei (UNGCMYB) and Economic Planning Unit (EPU) under the Malaysian Government, it has been discussed that there is an increasing demand by key stakeholders for business organisations to disclose information on their environment, social/economic development, and governance (ESG) practices, including:*

- *Potential customers who are seeking business organisations to disclose their ESG reports.*
- *Investors who are seeking business organisations to disclose their ESG reports. Namely, international investors are pushing for ESG policies to equalise cost structures (i.e., EU carbon-related pricing) – which developing countries like Malaysia may lack in competitive advantage.*

*Such demand may, thus, leave a significant impact on large business organisations, with knock-on impacts on SMEs (including both independent exporters and suppliers). This will require the Malaysian private sector to integrate sustainability/ESG practices into their business strategy, and to develop proper data collection systems to track and monitor sustainability – in order to inform stakeholders and enhance business performance.*

*In view of this, this SPS report aims to serve as a nuanced guide for the private sector, civic society, as well as policy/regulatory actors to work together to transition Malaysia from a 'cost only' to a more 'sustainable' position in global trade and, in turn, contribute to a better world.*

# IS THIS WORLD BETTER OFF BECAUSE YOUR BUSINESS IS IN IT?

Source: https://netpositive.world/


MALAYSIA BUSINESSES
SUSTAINABILITY
PULSE REPORT
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