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THE SME SUSTAINABILITY ACTION GUIDE





THE
SME
SUSTAINABILITY
ACTION GUIDE



***The SME
Sustainability Action
Guide has been
designed specifically
to provide guidance
to SMEs looking to
embed ESG into their
business strategies
and processes.***

The SME Sustainability Narrative

Sustainability is an important value-add for SMEs and is transitioning from a “nice to have” to a “must-have”. Consumers, investors and regulators are increasingly displaying a preference for sustainable business practices and are consciously assessing businesses based on environmental, social and governance (ESG) criteria.

SMEs are generally more vulnerable to impacts from environmental and social issues but are equally more responsive to business trends and can create a positive impact on sustainable development. However, most sustainability approaches are tailored to Corporates and are disparate to approaches for SMEs. SMEs have a need for practical guidance and pragmatic approaches that consider SME-specific challenges and opportunities.

With this in mind, the UN Global Compact Malaysia & Brunei (UNGCMYB) set out to study Malaysian SMEs' approaches to sustainability and how important the sustainability movement is to them. The research was aimed at identifying:

how sustainability can be adopted by SMEs and translated to business strategy

key opportunities and challenges faced by SME business leaders; and

best practices that can be shared among SMEs.

This SME Sustainability Action Guide is the direct result of these efforts and has been designed specifically to provide guidance to SMEs looking to embed ESG into their business strategies and processes.

The Guide is based on the insights obtained from SME business owners and Chief Executive Officers (CEOs) via interviews.

We would like to thank and express our appreciation to our partners and collaborators for their work and contributions to the SME Sustainability Action Guide:



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Taylor's University as the
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Winning With the SME Sustainability Action Guide

This Action Guide offers SMEs:



Introduction to Sustainability



The Sustainable Development Goals

The 17 SDGs were created to unify the world in taking immediate and effective action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. The goals are designed to be integrated, with the understanding that efforts in one area could affect outcomes in another.

The SDGs provide ambitious goals for the user, whether country or corporation, to map out their ESG plans, thereby promoting social, financial and environmental responsibility. What is important is that sustainable development is carried out transparently and reported in a balanced manner.



Although 193 member states of the United Nations (UN) have adopted the SDGs and committed to its 2030 targets, it is a sad reality that the world is 43 years behind schedule on achieving these goals. The Asia Pacific region is severely lagging and may only realise 10% of its 2030 targets. Achieving the SDGs takes a huge concerted effort from all stakeholders, including governments, businesses (whether private or public), educational institutions and the general public.

Malaysia is party to the 2030 Agenda for Sustainable Development, a UN initiative that birthed the 17 Sustainable Development Goals (SDGs). The SDGs provide a roadmap for the implementation of key sustainability activities, targets and performance measures to enable global alignment towards greater sustainability. Collective action and partnerships are crucial towards making the nation more sustainable, and the Government has been strongly encouraging corporations and SMEs to adopt the SDGs and make positive impacts on their ecosystems.

Sustainability

Sustainability is defined as
“meeting our own needs without compromising the ability of future generations to meet their needs”.



Sustainability means that companies have the responsibility to do business in an ethical way, respecting human and labour rights, and the environment.

Sustainability is the overall performance that companies should pursue, and enable SMEs to contribute towards achieving the SDGs. But the SDGs are not written in business-speak, and it can be hard for companies to relate and understand how they can contribute.

Therefore, a principle-based approach such as the **UNGC 10 Principles** are helpful for businesses to implement sustainability.

The UNGC 10 Principles



United Nations Global Compact

The United Nations Global Compact (UNGC) was established in 2000 and is a voluntary body seeking to commit CEOs across the globe to adopting and implementing sustainability in their company operations in support of the SDGs.

Note:

UNGCMYB is the local chapter of the United Nations Global Compact, and drives the sustainability agenda in Malaysia and Brunei through various partnerships, programmes and tools (such as this Action Guide).

The UNGC introduced a set of Ten Principles as a guide for companies to embed fundamental responsibilities for human rights, labour and the environment, and anti-corruption policies into their business philosophies.

The image on the next page lists the **Ten Principles** and shows how they feed into the achievement of the 17 SDGs.

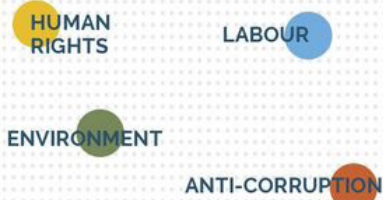
Companies that commit to the Ten Principles are in essence agreeing to create a culture of integrity and responsible policies and business procedures, not just for business longevity, but for a cleaner, more ethical and more equitable world.

The Principles-based approach can guide SMEs in setting policies on matters relating to human rights, labour, environment and governance.

This sets the tone for the company's overarching sustainability strategy, and from there the tone can be cascaded to all employees via training and awareness programmes with the goal of getting employee buy-in and inspiring them to take action.

The UNGC 10 Principles

THE TEN PRINCIPLES of the United Nations Global Compact



- 1 Support and respect the protection of internationally proclaimed human rights.
- 2 Not be complicit in human rights abuses.
- 3 Uphold the freedom of association and the effective recognition of the right to collective bargaining.
- 4 Support the elimination of all forms of forced and compulsory labour.
- 5 Support the effective abolition of child labour.
- 6 Support the elimination of discrimination in respect of employment and occupation.
- 7 Support a precautionary approach to environmental challenges.
- 8 Undertake initiatives to promote greater environmental responsibility.
- 9 Encourage the development and diffusion of environmentally friendly technologies.
- 10 Work against corruption in all its forms, including extortion and bribery.

The value of sharing principles

Source: UNGC



ESG

ESG is a term often used in the business world. ESG comprises the 3 pillars of sustainability, standing for **environment, social and governance (ESG)**. These are the dimensions where companies must **minimise negative impact** at the very least, and are as well expected to **maximise positive impact**.



Environment



Social



Governance

ESG covers non-financial parameters, such as carbon emissions, waste management, and inclusivity, and provides data points for SMEs to set targets and collect data. It is vital to collect credible ESG data to meet sustainability objectives. ESG targets are part of a broader sustainability strategy to effectively improve the competitiveness and resilience of SMEs.

Be Informed

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An Engine for Sustainable Growth

SMEs are major players in the Malaysian economy, contributing 37.4% to the country's Gross Domestic Product (GDP) and providing jobs for 47.8% of the workforce in 2021. Collectively, they're an economic force to be reckoned with and SMEs can make significant contributions towards the Sustainable Development Goals.

On the flipside, the effects of the Covid-19 pandemic on the SME sector have demonstrated the vulnerability of SMEs to economic shocks resulting from ESG issues. In 2021, MSME growth rate was a meagre 1% in comparison with the 4.4% GDP growth for non-MSME during the same period.

With global ESG assets expected to exceed \$41 trillion and projected to hit \$50 trillion by 2025, it is in the country's best interests to empower SMEs to become more ESG focused and attract investment.

Incorporating Sustainability into business strategies could improve the adaptability of SMEs, alleviate the pain of unfavourable situations, and more importantly, inspire innovation to take SMEs to greater heights.



Sustainability and Malaysia

In recent years, Malaysia has experienced its share of adverse impacts of climate change. Rampant deforestation has caused landslides and rising sea levels threaten our agriculture sector and may result in catastrophic floods that cause further devastation. The economic impacts from extreme weather events can be overwhelming - the December 2021 floods in Malaysia resulted in an economic loss of between RM5.3 billion to RM6.5 billion*. Rising temperatures and extreme weather changes also have an impact on productivity, as jobs are at risk due to unbearable working conditions. **By adopting sustainability, businesses are in a better position to identify risks earlier on and design a plan of action.**

More attention is being paid to human and labour rights, especially the wellbeing of migrant workers who formed 9.9% of the total workforce as of end 2020. Issues that have been brought to the fore are worker living conditions and hygiene, and incidences of modern day slavery that violate human rights. On the global front, the European Union (EU) passed a legislative proposal in September 2022 to prohibit products made using forced labour. National efforts in addressing issues relating to modern day slavery and forced labour include the development of national action plans on business and human rights.

**Malaysian Insurance Highlights 2021 report*


Regulators, investors and consumers alike have begun to take notice of companies' treatment of their employees, and favour businesses that provide a safe and inclusive space for all regardless of race, gender, or physical abilities.

Large corporations are also looking into regulating their supply chain partners' (mostly SMEs) carbon footprint and greenhouse gas (GHG) emissions in order to achieve their own climate action targets. In addition, responsible sourcing and social audits are increasingly performed along the supply chain to ensure companies downstream of the supply chain are up to standards, and not posing risks to their corporate buyers. Social violations will result in financial and reputational damage.

The Malaysian investor landscape is also evolving, including Government-linked Investment Companies that have launched sustainable investment policies and are integrating ESG considerations in their decision-making.

Such strategies affect corporates and in turn SMEs in their supply chains, and require an integrative approach in assessing companies' risk profiles based on their governance practices, climate action, social responsibility as well as financial viability.

Push Factors for Malaysian SMEs to Pursue Sustainability




Consumers

Shifting values - **82%** of Asia-Pacific consumers value sustainability;

28% are willing to pay a premium for more sustainable goods and services
(EY Future Consumer Index, 2021)

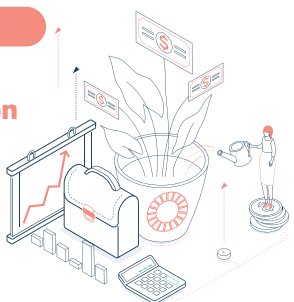
81% of Malaysians are worried about climate change
(Edelman Trust Barometer, 2022)



Corporates

Low carbon sourcing

Due diligence on labour rights




Investors

Investor demand:
Malaysia's oversubscribed **US\$1.3 billion** sustainability sukuk issuance by 6.4 times in April 2021

Government-linked Investment Companies (EPF, Khazanah, PNB, KWAP) have announced the adoption of the Principles for Responsible Investment


All GLICs have adopted the Principles on Good Governance



Malaysian Regulations

12th Malaysia Plan national commitment to achieve carbon neutrality by 2050 > entails rollout of the Low Carbon Mobility Blueprint, mandatory adoption of National Green Standards, and Government Green Procurement

Malaysia's National Action Plan to eliminate Forced Labour, 2021-2025




Foreign Regulations

US Customs and Border Protection's sanctions on unsustainable labour practices

EU's Carbon Border Adjustment Mechanism (CBAM)

EU ban on Forced labour products



Financing

Growth in sustainable financing for SMEs:
Bank Negara Malaysia's **RM1 billion** Low Carbon Transition Facility

SME Bank unveiled a **RM3 billion** Sukuk Wakalah Programmes to finance projects that directly support the SDGs

Why Should SMEs Pursue Sustainability?

Consumer Behaviour



There are many reasons why SMEs should embrace sustainability but the most compelling of all is the change in consumer behaviour. Gen Z was the first to champion sustainable buying and has since influenced the buying trends of older generations. A World Economy Forum survey reports that consumers of all generations are more willing to spend on sustainable products compared to 2 years ago. Therefore, it is just good business sense to adopt ESG.

The Edelman Trust Barometer Report 2022 which surveyed over 1,500 respondents found that 81% of Malaysians consider climate change a cause for concern and feel that institutions are not responding adequately to tackle climate and societal (economic inequality, systemic injustice) issues.

Attracting Talents



The younger generations in the workforce are more aware of the effects of climate change on the environment and are more inclined to work with ESG compliant companies. In a study conducted by Deloitte across 45 countries, 49% of people aged 18-25 and 44% of people aged 26-38 chose to work for ethical and environmentally conscious companies. With the direction the employment market is taking, sustainable companies would find it easier to attract highly skilled and motivated talent.

Supply Chain Due Diligence



Multinationals around the world are demanding that their value chains adopt sustainability, whether by their own initiative or by a government / regulator push. Being ESG-ready is a huge plus for any SME in bidding for contracts, and improves the company's competitiveness in not just the local market, but internationally. In the local setting, more large Malaysian corporations are ramping up their sustainability reporting efforts and enforcing requirements on their value chain partners to adopt sustainable practices, engage in sustainable procurement and keep track of sustainability-related data.

Access to Finance



Adopting ESG practices means reducing the risk perceived by bankers and financiers, allowing SMEs access to cheaper funding. Non-compliance with ESG criteria results in SMEs experiencing difficulty in accessing financing or being sidelined by investors.

Benefits of a Sustainable Business: A Snapshot

Improved Cost Effectiveness

> Efficient use of resources and recycling of materials go a long way in managing costs



Increased Employee Motivation & Loyalty

> An alignment in the employee's and employer's sustainable visions creates emotional bonds and builds loyalty



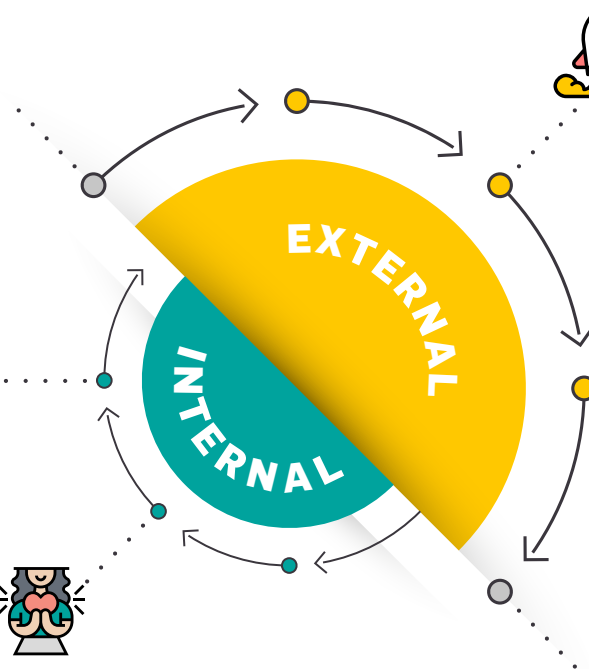
Boosts Competitiveness & Resilience

> Markets are more keen to do business with ESG compliant companies



Reputation & Positioning

> ESG compliance opens up new market segments and attracts new customers



Incentivising Sustainable SMEs

In the 12th Malaysia Plan, Prime Minister Dato' Seri Ismail Sabri announced Malaysia's aspirations of becoming a carbon neutral and net-zero emission nation by as early as 2050. This means that companies of all sizes should transition to low-carbon production to be aligned with national targets. In addition, the green economy opens up plenty of new business opportunities. In efforts to pursue green growth, the Government Green Procurement initiative was introduced to ensure that public procurement of products and services was conducted with the environment in mind and that negative impacts are minimised. The implementation of GGP at 12 ministries and their agencies since 2016 has amounted to RM482 million in procurement value and has resulted in a cumulative reduction of CO2 emissions by 100,431 tonnes.

To further grow the green economy, SMEs can also apply for Green Technology Tax Incentives which were introduced in 2014. Under this programme administered by the Malaysian Investment Development Authority, **Green Investment Tax Allowances (GITA) are made available for companies exploring the acquisition of green technology assets, whereas companies providing green technology services are eligible to apply for Green Income Tax Exemptions (GITE).**

Financing is essential to help SMEs transition to sustainability. **The low carbon transition facility (LCTF) is a financing facility to encourage and support SMEs to adopt sustainable practices for business resilience** and has a RM1 billion allocation from Bank Negara Malaysia (BNM).

In addition to financing, capacity building is an important aspect. **SME Corp is providing financial assistance to SMEs to undergo a sustainability training and development programme under ACCESS.** Participants can apply for a RM7,000 grant which helps to spur sustainability capacity building among SMEs.

The pursuit of sustainability goes hand in hand with innovation. The practice of assessing sustainability risks and opportunities opens up many avenues for a company to improve itself and keep up with changing trends.

ESG is the way to go towards
future-proofing your business
and the time to start is now!



Why Are SMEs Still Lagging in Adopting ESG Practices?

With the abundance of readily-available frameworks to support the adoption of sustainability and the continuous push by the Malaysian government and corporate sectors towards sustainability, why then has the response from the SME sector been relatively slow? Some of the reasons for this are as follows:



Take Action

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How to start?

A journey of a thousand miles begins with a single step. More and more SMEs are recognising the vast benefits and potential opportunities of adopting sustainability practices. Even small steps at incorporating sustainability into the business have yielded results in improving an SME's cost efficiency, competitiveness and profit-making potential.

But where can SMEs start? The following section describes the SME framework; a 6-step approach to implementing sustainability.



The 6-step SME Framework

01



LEARN

Get familiar with the overarching concept and intent of sustainability, and understand how sustainability matters to your organisation and industry. Attending training, reading up sustainability-related resource materials and leveraging on industry peer networks are great ways to start learning how your organisation can benefit from adopting sustainability.



RESOURCES

i) ACCESS eLearning:

a sustainability eLearning course specially developed for SMEs
<https://www.ungcmyb.org/access-elearning>

ii) SME eLearning course by UNGC Academy:

Future-proofing your small and medium-sized enterprise
<https://academy.unglobalcompact.org/learn/course/external/view/elearning/3898/future-proofing-your-small-and-medium-sized-enterprise>

02



ASSESS

Assess your current sustainability performance and know where your business stands and how far you have to go. SMEs can begin their journey by assessing the sustainability aspects of their business practices and measuring their performance against ESG criteria.



RESOURCES

i) accessdigital.my:

a digital tool to assess your sustainability performance and compare your score to peers
<https://accessdigital.my/>


03



ENGAGE


Stakeholder engagement is an essential part of the sustainability assessment process. SMEs need to know who their stakeholders are and talk with them to find out what matters to them. Some common examples of stakeholders are customers, suppliers, employees and investors, but it is important to find out who else is affected (*either positively or negatively*) by your business. Find out what their concerns are and ascertain how critical those concerns are to your business.

The 6-step SME Framework

04 


MAKE A SUSTAINABILITY COMMITMENT

Make a formal and public statement to express your company's position and alignment with international frameworks on sustainability, labour and human rights, and more (e.g. *UNGC 10 Principles*). This statement communicates to internal and external stakeholders that your company is committed to positive action.

05 

SET TARGETS & MEASURE PROGRESS

Define realistic targets to measure progress on the issues that matter to your business and stakeholders. These targets should be specific, measurable and comparable to a period of time from the past. Ensuring targets are time-bound and measurable are key in your journey towards achieving them. Collect relevant and meaningful ESG data and monitor your progress. Credible data is important to substantiate sustainability claims and helps to identify (and perhaps quantify) any issues that may occur.

06 

REPORT

Report and communicate your targets and achievements to your stakeholders. Establish effective communication channels for internal circulation of information and for the public release of sustainability-related information. Transparent and regular disclosures are integral to building stakeholder trust in your business. SMEs can use the SDGs as a basis for sustainable development reporting. It provides a mechanism to improve the linkages between SMEs and sustainability. This can be an important value-add for a number of stakeholders, especially corporate buyers and financiers.

Climate Action

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Climate Action

Urgent climate action is needed to achieve net-zero targets, and businesses must set their carbon reduction targets to keep in line with a 1.5°C pathway. As the world transitions to low-carbon production and consumption, SMEs that have a climate strategy that includes carbon reduction targets and reporting against those targets, are able to compete now and in the future.

On the other hand, SMEs are often most vulnerable to climate-related risks. Physical climate risks and damages can result in high financial losses. Climate governance is an important business process as SMEs navigate these risks.









BENEFITS



01









LEARN

RESOURCE TITLE	LINK
 Setting science-based targets (E-Learning Course)	 https://academy.unglobalcompact.org/opencourses/learn/course/external/view/elearning/177/setting-science-based-targets
 The Net-Zero Standard (E-Learning Course)	 https://academy.unglobalcompact.org/opencourses/learn/course/external/view/elearning/3934/the-net-zero-standard
 WWF Emission Possible Guide	 https://www.wwf.org.uk/emission-possible

02



ASSESS

ACTION	RESOURCE TITLE	LINK
Make a climate risk assessment.	 Climate Change Risk Management Tool For Small Businesses	 https://www.qld.gov.au/__data/assets/pdf_file/0026/132398/ccrmt-businesses-full.pdf
Measure carbon emissions, by using a carbon calculator	 Business Carbon Calculator	 https://smeclimatehub.org/start-measuring/
Environmental management system for Green offices	 WWF	 https://www.climatecalculator.net/

03



ENGAGE

STAKEHOLDER APPROACH	HOW
Involve management and get support	Know climate facts and provide Management with an overview of how climate-related risks can impact your business.
Educate your employees	Explain why you are taking climate action. Engage and address questions. Consider including climate-related KPIs for each department, or incentivise employees to use public transport.
Inform suppliers	Explain to your suppliers that you are looking for low-carbon sourcing as part of your climate strategy. Give them a reasonable transition period to align with your targets.
Report to investors / financiers	Disclose your climate action plans, and any targets set/achieved.
Engage your corporate buyers	Understand their carbon reduction targets plans and align yours. If they don't have a climate action plan, inform them of your efforts and emphasise on the competitiveness of your business.
Inform your customers	Communicate your climate action plan to customers to tap into environmentally conscious consumers.

04



MAKE A SUSTAINABILITY COMMITMENT

Acknowledge that climate change is a real threat to the planet and state your commitment to doing your part in the fight against climate change. Express support for national and / or industry-wide climate action aspirations and initiatives, and outline actions that the SME intends to take.

RESOURCE TITLE	LINK
The Science Based Targets initiative (SBTi)	https://sciencebasedtargets.org/
SME Climate Commitment	https://smeclimatehub.org/sme-climate-commitment/?utm_source=SME%20Climate%20Commitment&utm_medium=tool-highlights&utm_campaign=SMECH
BMCC Climate Action Pledge	https://climateactionweek.bmcc.org.my/#pledge
MDEC climate pledge for tech companies	https://docs.google.com/forms/d/1kgLLEtCUcGq9mCSgCfZq3CpFdidqE-MLepPLOJXdEIg/viewform?edit_requested=true%E2%80%8B

05



**SET TARGETS &
MEASURE
PROGRESS**

- ▶ Set emission reduction target from direct operations emissions.
- ▶ Set long and mid-term targets. Take steps to reduce emissions under the company's direct control, such as employee transport and office electricity.
- ▶ Reduce value chain emissions. Engage with suppliers to align GHG emission reduction targets, adopt low-carbon sourcing.
- ▶ Increase renewable energy usage and set a target for renewable energy usage.
- ▶ Measure and monitor progress. Monitoring based on a set timeline will help to identify processes or events that affect emission rates or conservation of resources and your carbon footprint.

06



REPORT

- ▶ Formalise your SME's climate action plans. Identify the internal and external stakeholders that need access to this information.
- ▶ List your targets, and the corresponding achievements. Have you reached them? If not, what is the reason for not achieving them, and how do you plan to achieve them in future? Provide a narrative.
- ▶ Record relevant data such as electricity and petrol/gas consumption trends (*using utility bills for guidance*) to demonstrate your progress over time.
- ▶ Align your climate strategy with [SDG 13: Climate Action](#), and report your achievements against these objectives and targets.

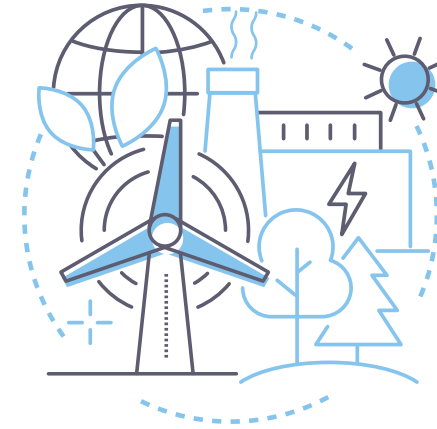


Energy Management

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Energy Management

Managing energy consumption translates to reduced emissions and operational costs. Implementing measures to manage energy consumption can help the organisation to identify consumption patterns and potential energy-saving opportunities.



BENEFITS

Optimising resource use

- manufacturing processes, for example, can be streamlined to use resources more efficiently, resulting in process innovation



Cost reduction

- efficiency in energy consumption results in lower utility costs, and thereby greater profitability



Positive effects on the environment

- a reduction in energy use will minimise carbon emissions, protecting the ozone layer









01



LEARN


Learn about energy efficiency

RESOURCE TITLE	LINK
 A Global Compact for Sustainable Energy: A Framework for Business Action	 https://www.unglobalcompact.org/library/140
 Sustainable Energy for All: The Business Opportunity	 https://www.unglobalcompact.org/library/138
 Energy Savings at Work	 https://www.tnb.com.my/commercial-industrial/energy-savings-at-work




02



ASSESS

ACTION	RESOURCE TITLE	LINK
Analyse energy usage and identify how and where the bulk of energy is consumed	 SME Energy Benchmark Tool	 https://www.carbontrust.com/resources/energy-benchmark-tool
Evaluate the energy consumption of equipment	 Energy Consumption Tool	 http://www.click.org.my/?pgid=lcotool
Practice energy efficiency by installing energy-saving technologies and features (e.g. timers and automatic controls)	 Solar Energy Savings Calculator	 https://services.seda.gov.my/nemcalculator/#/

03
ENGAGE

STAKEHOLDER APPROACH	HOW
 Involve management and get support	Present the long-term cost-savings to justify moving to energy-efficient equipment. Propose energy audits and use standards as a competitive element.
 Educate your employees	Educate employees on how they can help save energy in their day-to-day operations (e.g. switching off lights or appliances when not in use).
 Inform suppliers	Inform them of your Energy Efficiency practices, and advise them on how they can benefit from cost-savings in the long-term.

04
MAKE A SUSTAINABILITY COMMITMENT

State your commitment to managing energy consumption or outline the company's intentions to move towards the use of renewable energy and minimising the use of fossil fuels.

05
SET TARGETS & MEASURE PROGRESS

- ▶ Increase % of using renewable energy sources, such as solar power
- ▶ Set the baseline and reduce energy consumption
- ▶ An Energy Audit by a certified professional will help identify equipment that isn't performing as efficiently as it was designed to, or where upgrading to newer, more efficient technology can result in energy-savings.
- ▶ Obtain a standard such as [ISO 50001](#): Energy management systems.

06
REPORT

- ▶ Measure and report energy consumption.
- ▶ Consistent reporting and monitoring will identify consumption trends, and any abnormalities (e.g. spikes) could point out malfunctioning equipment.
- ▶ GRI reporting guidelines: [GRI 302: ENERGY 2016](#)
- ▶ Align your climate strategy with [SDG 13: Climate Action](#), and report your achievements to the objectives and targets.

Water

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Water

Water scarcity is a long-term crisis in the making. Particularly due to growth in the manufacturing and agricultural sectors, the demand for water is increasing despite its decreasing supply. If water becomes scarce, food security then becomes a challenge that affects all living creatures. The entire business sector, including SMEs, needs to make a concerted effort to determine how to conserve our water sources before they are completely depleted.



BENEFITS

Reducing operational costs

- being responsible with water usage can bring down costs of utilities and maximise profits



Becoming resilient to extreme water events

- early assessment will enable SMEs to come up with a plan of action in case of droughts, or even disruptions due to flooding









Demonstrating social responsibility

- conserving water sources shows a respect for life, which enhances the reputation of the company among investors and the community at large







01
LEARN






Learn about efficient water management, and what are the risk mitigation measures for water conservation.

RESOURCE TITLE	LINK
 Air Selangor Water Handbook	 https://www.airselangor.com/wp-content/uploads/2021/08/Air-Selangor-Water-Handbook-2.pdf
 The Value of Water for Business	 https://unglobalcompact.org/academy/the-value-of-water-for-business
 Water Stewardship 101: The Basics (E-Learning Course)	 https://university.ceowatermandate.org/university/101-the-basics/

02
ASSESS

ACTION	RESOURCE TITLE	LINK
Risk assessment, SMEs dependence on water	 WWF Water Risk Filter	 https://waterriskfilter.org/
Calculate your water footprint	 Water Footprint Calculator for SMEs	 https://www.waterfootprintassessmenttool.org/sme-calculator/en/

03
ENGAGE

STAKEHOLDER APPROACH	HOW
 Involve management and get support	Present the cost-savings in the long run to justify moving to water-efficient equipment, or to use innovative methods such as rainwater harvesting.
 Educate your employees	Educate employees on how they can help save water in their day-to-day operations (e.g. switching off taps).
 Inform suppliers	Explain to your suppliers that you adopt a water-saving strategy, and are looking for low-water consumption. Explore if your suppliers' targets can align.
 Communicate with consumers/buyers	Communicate your water strategies to customers/buyers, and how your business does its part in sustainability.
 Report to investors / financiers	Disclose your water action plan, and any targets set / achieved.

04



MAKE A SUSTAINABILITY COMMITMENT

- ▶ Make a clear commitment statement on reducing the amount of water consumed, managing the efficient use of water in operations and preserving water sources (*especially in water-sensitive areas*).
- ▶ Make the pledge: the [CEO Mandate Water commitment](#).

05



SET TARGETS & MEASURE PROGRESS

- ▶ Set the baseline and set water reduction target
- ▶ Water footprint accounting: data on water consumption is collected and analysed to identify usage trends in operations and potentially, areas for reduction in consumption
- ▶ ISO standard on [Environmental management - Water footprint](#)

06



REPORT

- ▶ Report water consumption.
- ▶ Consistent reporting and monitoring will identify consumption trends, and any abnormalities (e.g. spikes) could point out malfunctioning equipment.
- ▶ Formalise your strategies and provide a narrative for the purpose of your water management plan.
- ▶ Opportunity to link your strategy to [SDG 6: Clean Water and Sanitation](#)
- ▶ GRI reporting guidelines: [GRI 303: Water and Effluents 2018](#).

Waste

THE
SME
SUSTAINABILITY
ACTION GUIDE

Waste

The processes involved in managing waste (from generation to disposal) can put a strain on the environment and accelerate climate change. SMEs would do well to embrace the concept of Circular Economy which seeks to eliminate waste in the product life cycle through restoration and regeneration. With materials being used in a constant flow, there would be less energy consumed, less emissions of harmful gases, and little to no waste generated. All this could translate into cost savings for SMEs.



BENEFITS

Reduced input and waste disposal costs

- reengineering the way materials are processed or reused can reduce the amount of waste generated through operations, and reduce the cost of waste treatment and disposal



Improved environmental performance

- eliminating waste means less pollution, and also that precious limited resources are not overconsumed



Enhanced business reputation





- the company stands to gain recognition for its environmental consciousness, building a good reputation that will attract good employees, customers and investors



01




LEARN

RESOURCE TITLE	LINK
 Zero Waste Office Handbook	 https://zerowastemalaysia.org/education/zero-waste-office-handbook/
 Lifting the Lid on Waste Guide	 https://www.bitc.org.uk/wp-content/uploads/2020/03/BITC-Report-Environment-LiftingtheLidonWasteGuideV4-March2020.pdf

02








ASSESS

ACTION	RESOURCE TITLE	LINK
Understand your business processes and where the majority of waste is generated		
Get to know the types and volumes of waste generated	 Waste Calculator	 https://www.zerowastedesign.org/waste-calculator/
3R: From the types of waste identified, assess which items can be either reused, reduced or recycled. This kind of assessment can result in process or product innovations.	 3R Guidebook for Offices	 https://www.nea.gov.sg/docs/default-source/resource/participate/3r-guidebook-for-offices.pdf

03



ENGAGE

STAKEHOLDER APPROACH	HOW
 Involve management and get support	Demonstrate the amount of waste that is generated, and propose lean management approaches to reduce waste and costs. Present recycling opportunities to generate economic value. Support your proposals with relevant data.
 Educate your employees	Educate employees on how they can help reduce waste in their day-to-day operations and the importance of recycling (e.g. place recycling bins in the office).
 Inform suppliers	Explain to your suppliers that you adopt a zero-waste strategy. Request suppliers to use recyclable materials.
 Communicate with consumers/buyers	Communicate your zero-waste strategies to customers/buyers. Explore opportunities to implement a recycling program with your buyers.
 Potential partners	Identify suitable recycling collection contractors.

04



**MAKE A
SUSTAINABILITY
COMMITMENT**

Communicate the company's commitment to responsible waste management practices. Committing to the long-term management of waste, legal dumping practices, and incorporating the principle of the 3Rs - Reduce, Reuse, Recycle - throughout the organisation sends the right message to stakeholders.

05



**SET TARGETS &
MEASURE
PROGRESS**

▶ Set a waste reduction target, or scale ambitions with SDG benchmark "Zero-waste to landfill".

▶ Set a target for recycling.

▶ Obtain environmental standards such as [ISO 14001:2015](#)

▶ Consistent monitoring will identify material consumption trends, and any abnormalities (e.g. spikes) could point out malfunctioning equipment.

06



REPORT

▶ Report your achievements for the set waste reduction targets.

▶ Formalise your strategies and provide a narrative for the purpose of your waste management plan.

▶ GRI reporting guidelines: [GRI 306: Waste 2020](#)

▶ Opportunity to link your strategy and report your achievements to [SDG 12: Responsible Consumption and Production](#)

Human Rights

THE
SME
SUSTAINABILITY
ACTION GUIDE

Human Rights

Businesses have a social responsibility to protect human rights in all areas of the value chain. When workers' lives are put at risk of exploitation, unsafe working conditions and other forms of violation in the course of a company's operations, the company's reputation and going concern will also be at risk. SMEs as employers of nearly 50% of the employment market must be vigilant to weed out human rights violations and step in quickly with remedial action.



BENEFITS

Improved reputation with investors and business partners

- with the business world looking more towards ethical products and services, responsible SMEs would be looked upon more favourably and this may improve access to funding



Employer attractiveness and employee loyalty

- a safe workforce is a happy workforce, and a happy workforce will attract even more talent








Increased customer loyalty


- having a reputation for the ethical treatment of workers bodes well for SMEs with the growing consumer interest in sustainable products and services







01
LEARN

RESOURCE TITLE	LINK
 Business and Human Rights: How companies can operationalise the UN Guiding Principles (E-Learning Course)	 https://academy.unglobalcompact.org/opencourses/learn/public/learning_plan/view/115/business-and-human-rights-how-companies-can-operationalize-the-un-guiding-principles
 Business & Human Rights Navigator	 https://bhr-navigator.unglobalcompact.org/issues/
 Fair Recruitment: What Malaysian Employers Should Take Note Of	 https://bursasustain.bursamalaysia.com/droplet-details/sustainability/fair-recruitment-what-malaysian-employers-should-take-note-of

02
ASSESS

ACTION	RESOURCES/TOOLS LINK
Ensure all (migrant) workers are being paid fairly, no debt bondage.	 https://kompass.wirtschaft-entwicklung.de/file_admin/user_upload/Praxishilfen/TK_01_Business_Human_Rights_Introduction.pdf
Ascertain workers' decent living conditions and treatment.	
Human rights due diligence in contracting /outsourcing partners - assess the practices of supply chain partners.	

03
ENGAGE

STAKEHOLDER APPROACH	HOW
 Involve management and get support	Management to set the tone from the top against any infringement of human rights.
 Educate your employees	Create awareness among employees on human rights and the importance of respecting them.
 Inform suppliers	Express zero-tolerance stance on human rights abuses. Monitor supplier practices to ensure there are no violations of human rights.
 Communicate with consumers/buyers	Communicate that the company is socially responsible and is serious about protecting human rights.

04



**MAKE A
SUSTAINABILITY
COMMITMENT**

Make a Human Rights commitment, which is a solid statement that the company respects and protects human rights in all layers of the organisation, as well as in the communities surrounding its areas of operation.

05



**SET TARGETS &
MEASURE
PROGRESS**

- ▶ Target of zero incidences of child labour, in the entire value chain.
- ▶ Target of zero incidences of forced labour, in the entire value chain.
- ▶ Set up remedy and grievance mechanisms, to collect feedback and report incidences and ensure mechanisms are available and accessible to all to report against your targets.

06



REPORT

- ▶ Publish your Human Rights policy or commitment to demonstrate the SME's commitment to protecting human rights publicly, and inform value chain partners of your zero-tolerance stand for human rights violations.
- ▶ Refer to the UN Guiding Principles Reporting Framework
<https://www.ungpreporting.org/framework-guidance/download-the-reporting-framework/>

Living Wages

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ACTION GUIDE

Living Wages

Living wages are an important part of empowering the community and eradicating poverty and inequality. Paying employees a living wage would increase their spending power, thereby stimulating the country's economy. Apart from that, it is just good ethics to pay an employee what they are worth. SMEs employ the largest share of employees and are thus responsible for making sure a large portion of the population make a decent and sustainable living.



BENEFITS

Employee satisfaction

- well-paid talent will be more productive and more inclined to stay on with the company, improving talent retention and loyalty



Enhanced reputational value

- better business visibility with investors and business partners, potentially opening doors for funding or business opportunities



Better operating environment

- the SME will have a stronger social licence to operate and will enjoy community support



01
LEARN

RESOURCE TITLE	LINK
IDH Roadmap on Living Wages	https://www.idhsustainabletrade.com/living-wage-platform/what-is-a-living-wage/
Ensuring a Living Wage is an Essential Aspect of Decent Work	https://www.unglobalcompact.org/what-is-gc/our-work/livingwages
How to Ensure a Living Wage for All Employees	https://unglobalcompact.org/academy/how-to-ensure-a-living-wage-for-all-employees
The Living Wage: Beyond Making Ends Meet	https://www.bnm.gov.my/documents/20124/826852/AR+BA4+-+The+Living+Wage+Beyond+Making+Ends+Meet.pdf

02
ASSESS

ACTION	RESOURCE TITLE	LINK
Define a living wage for all relevant locations	Living Wage Map	https://wageindicator.org/salary/wages-in-context
Gather data on actual wages paid in order to measure living wage gaps		
Adjustments to wage levels to align with the living wage benchmark		
Conduct ongoing monitoring & update wage levels		

03
ENGAGE

STAKEHOLDER APPROACH	HOW
Involve management and get support	Management to initiate a review of salaries and wages, and benchmarking against industry peers.
Inform employees	Explain that your company has a framework for fair compensation and all employees are compensated fairly.
Inform suppliers	Engage suppliers and educate them on the importance of paying living wages.
Communicate with consumers/buyers	Communicate that the company is advocating for fair and decent incomes.

04



**MAKE A
SUSTAINABILITY
COMMITMENT**

Commit to paying living wages and create a framework for fair compensation. This allows employees to cover their basic needs and that also allows them to attain financial freedom.

05



**SET TARGETS &
MEASURE
PROGRESS**

- ▶ Set a target according to the SDG Ambition benchmark “100% of employees earn a living wage”

https://ungc-communications-assets.s3.amazonaws.com/docs/publications/Achieving_the_Living_Wage_Ambition_Reference_Sheet_and_Implementation_Guidance_EN.pdf

06



REPORT

- ▶ Report that the company conducts periodic benchmarking exercises to account for the effects of inflation and other factors on living wages, and adjust pay scales accordingly
- ▶ Report your achievements and link your strategy to [SDG 1: No Poverty](#)



Diversity, Equality and Inclusivity

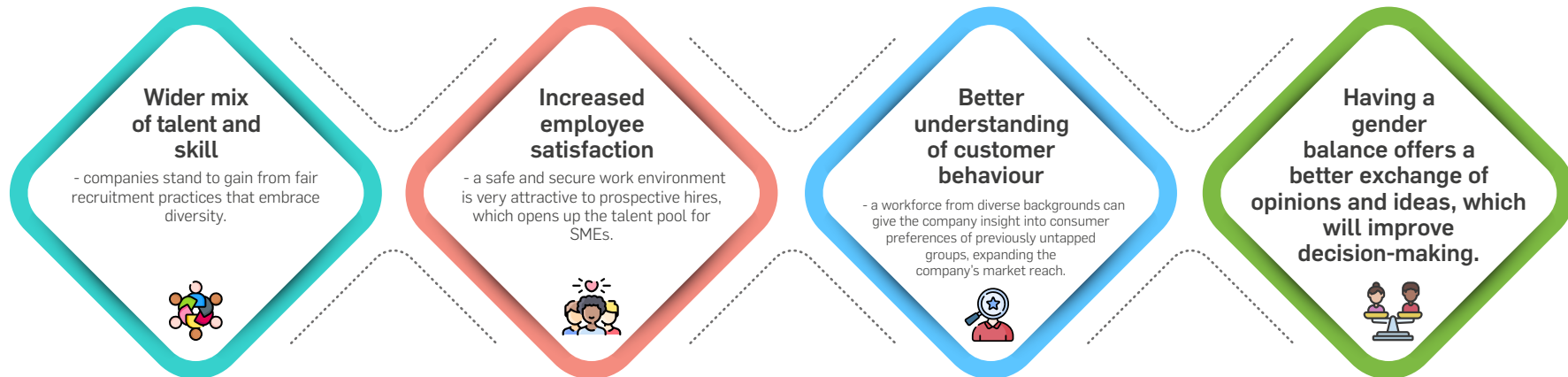
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Diversity, Equality and Inclusivity

The business case for Diversity, Equality and Inclusivity (DEI) is stronger than ever. A diverse pool of talent brings with it a wealth of skills, knowledge and experience that can give SMEs a business boost. Companies must treat all employees, regardless of race, creed, ability or preference, with the utmost respect and must have zero-tolerance policies against bullying and discriminatory behaviour. The greater the diversity, the greater the likelihood of outperformance, therefore SMEs must work to create a safe space for all employees so that they can enjoy the benefits of having a diverse workforce.



BENEFITS



01
LEARN

RESOURCE TITLE	LINK
4 simple things all companies can do to promote diversity and inclusion	https://unglobalcompact.org/take-action/20th-anniversary-campaign/4-simple-things-all-companies-can-do-to-promote-diversity-and-inclusion
Gender equality: How business can accelerate the pace of change (E-Learning Course)	https://academy.unglobalcompact.org/opencourses/learn/course/external/view/elearning/262/gender-equality-how-business-can-accelerate-the-pace-of-change
Gender Diversity and Inclusion for a Fair Business Environment	https://www.undp.org/sites/g/files/zskgke326/files/publications/UNDP-RBAP-Gender-Diversity-and-Inclusion-for-a-Fair-Business-Environment-2021.pdf

02
ASSESS

ACTION	RESOURCE TITLE	LINK
Make a clear and formal commitment	Women's Empowerment Principles	https://www.weps.org/
Training the whole workforce (i.e. employee awareness programs)		
Recruiting without discrimination	A step-by-step guide to preventing discrimination in recruitment	https://humanrights.gov.au/sites/default/files/GPGB_recruitment_guide.pdf
Promote gender balance at all levels of management	WEPs Gender Gap Analysis Tool	https://weps-gapanalysis.org/

03
ENGAGE

STAKEHOLDER APPROACH	HOW
Involve management and get support	Management must make a public statement that they celebrate diversity and practice equality and inclusion in their hiring practices.
Educate your employees	The tone on DEI should be delivered across the entire organisation to ensure that the company's commitment is understood and realised.
Inform suppliers	Educate suppliers to practice equality and inclusivity in their hiring and remuneration policies.
Communicate with consumers/buyers	Communicate that the company supports DEI and practices fair hiring policies.

04



**MAKE A
SUSTAINABILITY
COMMITMENT**

Make a statement that the company is committed to fighting all kinds of inequalities, intolerance and racism. A diversity statement is a public declaration of an organisation's commitment to diversity, equality and inclusion. SMEs can also opt to commit to a Zero Bullying stance.

05



**SET TARGETS &
MEASURE
PROGRESS**

- ▶ Ascertain the gender balance at each level of management, and work on improving gender ratios.
- ▶ Work towards 30% female representation on Board of Directors.
- ▶ Track cases of bullying and discrimination and ensure that fair investigative action is taken.
- ▶ [ISO 30415:2021](#) Human resource management - Undergo a social audit on diversity and inclusion.
- ▶ Align to [SDG 5: Gender Equality](#)

06



REPORT

Communicate that the company celebrates diversity and is an inclusive place of work, and that employees are well respected. Support your narrative with data and achievements on the set targets.



Anti-Corruption Policies

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SUSTAINABILITY
ACTION GUIDE

Anti-Corruption Policies

Corruption stifles SME growth and fair competition. Being smaller cogs in the wheel, corruption poses a big threat to SMEs as they typically lack knowledge and resources to put in place effective anti-corruption policies and measures.









BENEFITS



01



LEARN

RESOURCE TITLE	LINK
 Malaysia Anti-Corruption Commission	 https://www.sprm.gov.my/index.php?page_id=74&language=en
 Section 17A: Employers' Handbook for SMEs	 https://transparency.org.my/filemanager/files/shares/Section%2017A%20Employers%27%20Handbook%20for%20SMEs/Section%2017A%20Handbook%20Final%20for%20MARI_compressed.pdf
 Speak Up Against Corruption: Employees' Handbook for SMEs	 https://www.transparency.org.my/pages/news-and-events/publications/speak-up-against-corruption-employees-handbook-for-smes

02







ASSESS

ACTION	RESOURCES/TOOLS LINK
Develop anti-corruption policies	
Implement employee anti-bribery and anti-corruption programs	
Perform risk assessment	
Set up a whistleblowing & reporting procedure	

03



ENGAGE

STAKEHOLDER APPROACH	HOW
 Involve management and get support	Management must make a strong statement against corruption for the public to appreciate the company's commitment on the issue. A confidential channel must be created for anyone to report misdeeds, and whistleblowers' anonymity must be protected at all times.
 Educate your employees	Provide awareness training for employees and emphasise the company's zero-tolerance stance against corruption and bribery.
 Inform suppliers	Make suppliers aware of zero tolerance policy for corruption and bribery, and monitor them closely for any signs of unethical behaviour.
 Communicate with consumers/buyers	Communicate the company's anti-corruption and anti-bribery policies as well as procedures for whistleblowing and grievance handling.

04



**MAKE A
SUSTAINABILITY
COMMITMENT**

- ▶ Publish an anti-corruption statement declaring that the company does not tolerate bribery and corrupt activities by any personnel, from Directors to employees, and that individuals and companies acting on behalf of the company are subject to the same rules.
- ▶ Signing the [Corporate Integrity Pledge \(CIP\)](#) is a voluntary action that every company in Malaysia can undertake to make a unilateral declaration against corruption and uphold the Anti-Corruption Principles by the Malaysian Anti-Corruption Commission (MACC).

05



**SET TARGETS &
MEASURE
PROGRESS**

- ▶ Set a target for zero-incidences of bribery and corruption.
- ▶ Monitor whistleblowing or grievance reports, and ensure reports are handled on a timely basis and investigations are administered fairly.
- ▶ Implement an Anti-Bribery Management System (AMBS) and obtain [ISO 37001](#).
- ▶ Report your achievements, and align your strategy to [SDG 16: Peace, Justice, and Strong Institutions](#)

06



REPORT

Communicate your anti-corruption and anti-bribery statement publicly. Report on the actions and outcomes taken in order to implement the policy. Report the outcome of the anti-bribery & anti-corruption audit.



Case Studies

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SME
SUSTAINABILITY
ACTION GUIDE

Promoting social progress
Hexa Food takes care of its people



Hexa Food Sdn Bhd was founded in 2007 on the premise of being a sustainable company. The company focuses on the social aspect of sustainability, paying extra attention to policies that concern their employees and the community. The company has seen an increase in morale and commitment in the workforce as its people are well taken care of. This positive outcome led the company to expand their practice of providing education programmes for foreign workers, and giving back to the community, i.e. less privileged families like single parent families, and refugees.

“There is no push or demand from anyone, it is just our belief that we must do good. Just do whatever you can do, no need to compare with others. Think about how your actions can benefit many parties, your company, your employees, and the ones who receive it”, said Hexa Food General Manager, Gary Gan.

Good governance
Certifications allow Thumbprints to supply to MNCs



Thumbprints Utd, a 30-year old commercial printing company, advocates and abides by the value of anti-corruption. Honesty and integrity are the core values of the company. Such business practices open up the international market for the company as it complies with the requirements of international corporate buyers. The anti-corruption practice enabled Thumbprint to have a workplace with a safe and honest working environment for its employees.

“If our employees do corruption, what kind of next generation are they raising? When we have an honest work environment and treat our employees right, they will raise the next generation with integrity, and we will have a better world in the future”, said Tam Wah Fiong, Chairman of Thumbprints.

The company was initially unaware of ESG, until a corporate buyer based in the United States began to enforce ESG audits. Mr. Tam recalls, “We failed almost everything at the first audit. But we learned so much throughout this journey, which we were really grateful for.”

Thumbprints is now Sedex-certified, FSC-certified, and ISO-certified, and an anti-bribery advocate. These certifications allow the company to be a key supplier for MNCs, and enable it to compete in the international field.

Reducing Waste Rentwise adopts circular economy business model



Rentwise Sdn Bhd is a social enterprise specialising in remanufacturing, refurbishing and disposal of IT assets. Through its circular economy approaches, Rentwise helps businesses to prolong IT product life spans, which in turn reduces the frequency of IT product replacement and thus reduces costs. Prolonging IT product life spans also helps businesses to have a positive impact on our environment by reducing e-waste. Founded in 2001 with the core value of sustainable computing for a sustainable planet, Rentwise aligns its strategy to the SDGs, prioritising Goal 12 “Sustainable Consumption & Production” and Goal 13 “Climate Action”.

“IT products’ carbon footprint is actually quite massive. For every 15 laptops, it is equivalent to putting a new car on the road. With our current consumption habit of buying new phones and laptops every so often and the ever growing population, this is not sustainable” - Leanne Oi, CEO of Rentwise.

Energy efficiency Adipven obtains Eco-office standard



Adipven is a law firm specialising in intellectual property. They embarked on their sustainability journey in 2019 as a participant in the Eco Office Initiative Project and earned a Certificate of Achievement in 2020. Since then, Adipven has obtained certification for their eco office, where they comply with set criteria, submit reports, and undergo audits on a yearly basis.

With their participation in these initiatives, Adipven has seen a reduction in energy and water consumption, as well as ink and paper usage. This has resulted in not only reducing their bills, but has also helped them identify structural faults in their premises. *“We started measuring our consumptions and product reports as part of the Eco Office Initiative Project. It was actually through these measurements and reports that we found out that one of our offices on another floor had a leakage inside the wall, which would not have been known if it was not for the reports”*, said Managing Director, Ramakrishna Damodharan. *“Whatever costs that we have saved from being environmentally friendly, we have passed it on to our employees. Now we have happy, committed employees with increased productivity and initiative”.*

Environmentally responsible products MTS Fibromat uses recycled materials



Founded with the vision of providing environmental sustainability solutions in 1999, **Fibromat** started its operations with 1 product, the erosion control blanket. The company is a pioneer developing products using recycled plastics and biomass waste, such as palm and coconut fibre. Despite the difficulty in obtaining funding from banks in the first 15 years as sustainability was not looked upon with such urgency in the market as it is now, the SME committed to its values by self-funding. The increasing demand for sustainable products promoted the company’s steady growth. Fibromat’s sustainable approach in using recycled materials in its products allows the company to meet international standards and make it competitive with large-sized EU based companies, thus winning international buyers.

“In 2019, we were the only Malaysian SME showcased to 40 European companies that visited Malaysia for a Circular Economy related event. We hosted the representatives from these 40 European companies in our factory” said Danny Ng Kian Boon, Managing Director & CEO of Fibromat

Conclusion

SMEs are a key driver of the Malaysian economic landscape, and thus are integral to the sustainability movement. While we do have to acknowledge the lingering post-pandemic challenges SMEs are facing, this time could be looked upon as an opportunity to do things differently and future-proof the business, one step at a time.

Sustainability is the best investment an SME can make, to secure its own longevity and for the betterment of future generations.

THE **SME** SUSTAINABILITY ACTION GUIDE



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Malaysia & Brunei

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Cooperation Partner



Knowledge Partner



Supporting Partner

