

#beSUSTAINABLE

SUSTAINABILITY REPORTING GUIDE

2nd Edition



Created for you by:



DISCLAIMER:

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

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

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TABLE OF CONTENTS

| | |
|--|----|
| EXECUTIVE SUMMARY | 3 |
| 1. ABOUT THIS GUIDE | 5 |
| 2. WHY IS SUSTAINABILITY IMPORTANT?..... | 6 |
| 3. HOW TO EMBED SUSTAINABILITY IN ORGANISATIONS | 20 |
| 4. ASSURANCE | 34 |
| 5. WHAT TO DISCLOSE UNDER THE LISTING REQUIREMENTS | 36 |
| APPENDIX A: SELECTING YOUR THEMES AND INDICATORS | 57 |
| APPENDIX B: SAMPLE OF CONTENT INDEX | 91 |
| BIBLIOGRAPHY | 92 |
| GLOSSARY OF TERMS AND ACRONYMS..... | 97 |

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EXECUTIVE SUMMARY

There continues to be an increased focus on the way businesses are run, with greater attention given to how businesses impact the economy, environment and society. The UN Sustainable Development Goals (“SDGs”), the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) and other initiatives since the first version of this Guide in 2015 have all contributed to the need for business to adopt a holistic approach to business management, taking into consideration the economic, environmental and social (“EES”) risks and opportunities alongside financial implications. These are being seen as measures to generate long term benefits in terms of business continuity and value creation.

In light of this shift in focus, this Sustainability Reporting Guide (“**this Guide**”) seeks to provide guidance on how to embed sustainability in your organisation and help you identify, evaluate and manage your material EES risks and opportunities. It also highlights the business case for sustainability, providing case studies to illustrate how sustainability may add value to your organisation, and also example disclosures to aid you in your preparation of the **Sustainability Statement**¹ in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Malaysia**”).

This Guide has been updated based on feedback from a user survey on participants of Bursa Malaysia’s sustainability reporting related workshops, internal feedback from within Bursa Malaysia, and other local and global developments in the areas of sustainability and sustainability reporting. This second edition 2018 of the Guide replaces the first 2015 edition. This edition includes more current case studies, reference to the SDGs and the TCFD recommendations, some guidance on integrated reporting and a new chapter on assurance to provide guidance on how it may be conducted.

Chapter 1: About this Guide introduces the purpose and objectives of this Guide. Users of this Guide are also indicated, along with disclosure considerations (i.e. reporting frameworks, resources and experience, among others) for listed issuers.

Chapter 2: Why is Sustainability Important? defines the concept and context of sustainability and explores the importance of sustainability management and reporting to businesses and stakeholders. This Chapter looks at the benefits of integrating sustainability in business such as enhancing risk management, securing capital, promoting innovation and improving productivity. Case studies highlight the lessons learnt by organisations in relation to each benefit.

Chapter 3: How to Embed Sustainability in Organisations discusses how your organisation can embed sustainability considerations in your business strategy and leverage sustainability to reduce risks and take advantage of business opportunities. This Chapter explores the need for strong support from the Board and senior management and includes a high-level discussion

¹ As defined in paragraph (29), Part A of Appendix 9C of the Main Market Listing Requirements and paragraph (30) of Appendix 9C of the ACE Market Listing Requirements.

in relation to materiality, a crucial step in identifying and prioritising sustainability matters that are material. Management and reporting of these material sustainability matters are also examined in this chapter.

Chapter 4: Assurance provides guidance for organisations who wish to seek assurance for their reports to give a greater level of confidence to report users. It discusses the assurance process, levels of assurance, scope of assurance and assurer competence.

Chapter 5: What to Disclose under the Listing Requirements looks at the disclosure obligations under the Listing Requirements of Bursa Malaysia (“Listing Requirements” or “LR”) and Practice Note 9/Guidance Note 11 and provides you with guidance on how to fulfil the requirements and best practice in preparing the Sustainability Statement. Example disclosures for each requirement and best practice are also provided for your reference and understanding.

Appendix A - Selecting Your Themes and Indicators presents a list of sustainability-related themes and indicators for you to consider when identifying, managing and disclosing your organisation’s sustainability risks and opportunities. This list has been compiled taking into account leading international guidelines, sector considerations, as well as trends evident in the Malaysian market. The list is by no means exhaustive but is intended to assist you in identifying and disclosing material sustainability matters.

Appendix B - Sample of Content Index provides a table for you to indicate where your sustainability information can be found in your annual report or website. A content index would facilitate your stakeholders navigating complex sustainability information in the public domain within the shortest period of time.

Embedding sustainability in the organisation is something that should be given consideration in tandem with developing your organisation’s business strategy and management processes. We hope this Guide will act as a useful reference in your organisation’s sustainability journey.

Note:

The terms EES (economic, environmental and social) and ESG (environmental, social and governance) are not clearly differentiated and often used interchangeably. We acknowledge that governance is an important part of sustainability. For the purposes of this Guide, our focus is largely on EES only because the “G” - governance element has already been extensively covered under the existing disclosure requirements in the Listing Requirements and the Malaysian Code on Corporate Governance.

1. ABOUT THIS GUIDE

1.1 Purpose

This Guide details the business case for embedding sustainability in your organisation and provides guidance on how this can be done. It also provides specific guidance on the information that should be disclosed when making a Sustainability Statement in your annual report in accordance with the Listing Requirements.

1.2 Objectives

This Guide seeks to help you to:

- appreciate how sustainability can facilitate, support and drive corporate and societal value;
- improve your awareness of the risks and opportunities connected to sustainability considerations;
- identify, evaluate and manage your material sustainability risks and opportunities so that you can focus on what is important to you and your stakeholders, in creating long term value to stakeholders and society at large; and
- improve the quality and depth of sustainability information disclosed to better serve the needs and expectations of users of sustainability information.

1.3 Users of this Guide

This Guide is intended for all issuers listed on Bursa Malaysia's Main and ACE Markets. Listed issuers are strongly encouraged to refer to this Guide in the implementation of sustainability practices, as well as reporting.

This Guide has been developed in recognition of the fact that organisations may be at varying levels in understanding, and in their disclosures of sustainability information. We recognise that moving to best practice sustainability performance and disclosure is a journey and that preparing the Sustainability Statement can be challenging especially for early reporters or smaller listed issuers. Therefore, you are encouraged to apply this Guide bearing in mind your own circumstances and in the context of your business operations (i.e. resources, experience, expertise, and understanding). You may also choose to move beyond this Guide and adopt a reporting approach in accordance with international sustainability reporting frameworks or guidelines such as the GRI Standards.

Further guidance on considerations for embedding sustainability in your organisation, best practice approaches, case studies, example disclosures and matrices, are provided in Bursa Malaysia's Sustainability Toolkits ("Toolkits") and BURSASUSTAIN; an online one-stop knowledge portal to promote and support development in the areas of corporate governance and sustainability for listed companies, investors and other stakeholders.

2. WHY IS SUSTAINABILITY IMPORTANT?

2.1 Introduction

In 2006, Bursa Malaysia introduced a requirement for Main and ACE Market listed issuers to disclose their corporate social responsibility (“CSR”) activities or practices in annual reports. This requirement was perceived to focus more on the social aspects of the business - its people and the community - and had limited impact on value creation. Organisations tended to focus on philanthropic activities, and not necessarily address sustainability-related concerns connected to their business operations.

Globally, many leading organisations have moved beyond CSR. Within a period of 50 years, organisations’ understanding of sustainability has evolved from no knowledge, to the development of new management models which integrate sustainability. In fact, stakeholders are increasingly interested in understanding the approaches of organisations in managing their economic, environment and social risks and opportunities. Increasing impacts from sustainability-related risks (e.g. climate change, scarcity of resources, changing social expectations and new legislative requirements in sustainability-related areas) are driving organisations to embed sustainability considerations in response to these risks and their challenges. Further, early movers are likely to gain a competitive advantage through developing innovative solutions as they respond to these risks - an area which is addressed in more detail in this Guide. Therefore, a holistic approach to business management, incorporating EES and governance considerations alongside financial ones, will serve as a sound business model that supports business continuity and competitiveness over the long term.

2.2 What is Sustainability?

It is recognised that there is no single universally accepted definition of sustainability. Sustainability should be seen as a journey which an organisation undertakes. The achievement of sustainability may not occur for many years depending on the goals set by the organisation. On that journey, an organisation may move through several steps such as giving, philanthropy, CSR and sustainable development before achieving sustainability. Organisations that embrace sustainability naturally contribute to the wider societal goal of sustainable development and, more specifically, achievement of the SDGs. Of these steps, some are clearly defined such as CSR and sustainable development. The most widely used definition for sustainable development globally is that developed by the Brundtland Report of the World Commission on Environment and Development:²

"Development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

² Brundtland, G. ‘Our Common Future’, Report of the World Commission on Environment and Development, 1987.

The term ESG (environmental, social and governance) is also used extensively, particularly by the investment community, and describes the environmental, social and governance matters that investors are considering in the context of corporate behaviour³. In this Guide, however, sustainability is viewed in the context of EES⁴, as good governance is regarded as one of the underlying foundations that underpin the focus on performance along the aforementioned dimensions. Further, there are already specific and comprehensive disclosure requirements for corporate governance in the Listing Requirements, as well as the Malaysian Code on Corporate Governance 2017 and the Corporate Governance Guide.

The terms economic, environmental and social can be explained as follows:

| Economic | Environmental | Social |
|---|--|--|
| <p>An organisation’s impacts on the economic conditions of its stakeholders and on economic systems at local, national, and global levels. It does not focus on the financial condition of the organisation.</p> <p><i>Note: These may include the organisation's procurement practices, or community investment.</i></p> | <p>An organisation's impact on living and non-living natural systems, including land, air, water and ecosystems.</p> <p><i>Note: These may include the organisation's usage of energy and water, discharge of emissions, or loss of biodiversity, etc.</i></p> | <p>The impacts an organisation has on the social systems within which it operates.</p> <p><i>Note: These may include the organisation's relationships with communities, employees, consumers, etc.</i></p> |

(Source: Adapted from the GRI Standards)

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³ Translating environmental, social and governance factors into sustainable business value: Key insights for companies and investors, United Nations Environment Program Finance Initiatives and World Business Council for Sustainable Development, 2010.

⁴ These terms (i.e. economic, environmental and social) are aligned with those adopted in the GRI Standards.

2.3 Why integrating sustainability in your business and sustainability reporting are important

“Take a closer look, and you will find increasing opportunities to leverage sustainability thinking for value creation – especially when dealing with pressures to reduce short-term business costs and strengthen your organisation’s foundation for long term growth”.

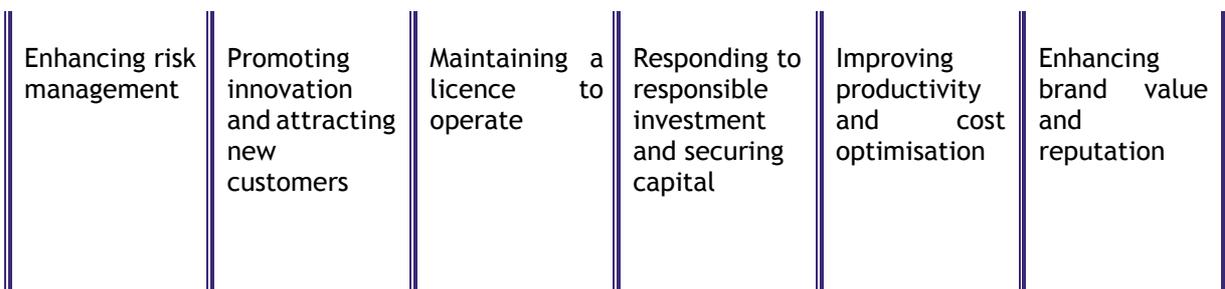
(Source: Sustainability and the CFO: Challenges, Opportunities and Next Practices, Corporate EcoForum and World Environment Centre, 2015)

Stakeholders (who may include investors, customers, employees, suppliers, NGOs, local communities, etc.) are now more aware of the impact that businesses have on the economy, environment and society. This impact may be positive or negative. For example, agricultural activities may create a positive economic or social impact (e.g. providing job opportunities; improving quality of life of local communities) but may also create a negative impact on the environment in the form of local or regional air pollution (e.g. haze generated

from open burning). This negative impact may become a reputational risk to the organisation which allowed it to occur and may subsequently affect its ability to obtain funding. Sustainability-related issues, therefore, can significantly affect an organisation’s risk profile, potential liabilities and its value. Hence, there is a need for the business community to respond appropriately. Business leaders have also begun to recognise the benefits of integrating sustainability-related considerations into all aspects of their respective businesses.

In the United Nations Global Compact - Accenture CEO Study, 97% of CEOs stated that they consider sustainability as important to the future success of their business and 89% report that sustainability commitments are already translating into real impact in their industry⁵.

Organisations are realising key benefits from integrating sustainability in business including:⁶



⁵ The United Nations Global Compact - Accenture, ‘CEO Study on Sustainability, 2016 - Transforming Partnerships for the SDGs’, 2016.

⁶ United Nations Environment Programme, ‘The Business Case for the Green Economy, Sustainable Return on Investment’, 2012.

2.3.1 Enhancing risk management

EES issues are starting to feature more prominently in the management of risks.⁷ You should consider integrating EES risks into your organisation's risk framework. Sustainability reporting may serve as a catalyst to prompt organisations to assess the significant EES risks that are likely to be material and impact their businesses. Managing EES risks can help in:

- **reducing exposures to sustainability-related risks** - Businesses are increasingly exposed to environmental conditions and social changes, including population growth; extreme weather events such as flooding, high rainfall levels; climate change, ecosystem decline, etc. Failure to manage sustainability-related risks (e.g. floods arising from extreme weather or strikes arising from unsafe working conditions) may result in an organisation incurring losses or costs (e.g. disruptions to production). Therefore, if an organisation proactively identifies and manages sustainability-related risks, it can be better placed to avoid and reduce cost impacts resulting from these risks. Businesses are increasingly recognising that non-financial risks may have financial impact, directly or indirectly. For example, financial institutions are particularly vulnerable as they could be exposed to credit risks as a result of EES issues as mentioned above, or the valuation of fossil fuels faced by their clients which may be unpredictable and could become stranded assets (i.e. assets that have suffered from unanticipated or premature write-downs, devaluations or conversion to liabilities).
- **staying ahead of emerging sustainability risks and disclosure regulations** - For example, when a new requirement emerges for greenhouse gas ("GHG") emissions information, an organisation which has already considered GHG emissions as material would have already factored this into its risk considerations and will be ready to respond.
- **reducing the cost of capital through a lower risk profile** - There is a tendency for investors to favour organisations which demonstrate good EES risk management. This in turn can enhance corporate value and diminish risk, resulting in a lower cost of capital. This is because investors add risk premiums to the cost of capital for firms with questionable environmental and social practices.

⁷ United Nations Environment Programme, 'The Business Case for the Green Economy, Sustainable Return on Investment', 2012.

Case Study⁸

In 2011, Thailand suffered severe flooding, the worst in half a century. This resulted in a disruption to the supply of parts to automobile makers Toyota, Honda and Nissan - Southeast Asia being a manufacturing hub for these organisations. Honda was forced to halt production at its Thai plant, their second largest production base outside Japan. Exports to Australia and Europe, among others were also affected. Financial analysts estimated that the loss in production was more than US\$500 million a month for these three companies.

In late 2017, Penang too suffered one of the worst floods in its history. Almost 17 hours of non-stop rain paralysed the state as roads were inundated, trees uprooted and properties damaged. The floods claimed seven lives and over 3,700 people had to be evacuated. It was estimated that 1,000 SMEs out of the 10,000 in Penang were affected and suffered damages of up to RM300 million. It should be noted that the occurrence of flash floods during heavy rainfall has been a recurring event in the state in recent years, and less than two months prior to the big flood, Penang was hit by several flash floods.

When Hurricane Sandy hit New York in 2012, Verizon, a telecommunications company with central offices located in Manhattan, Queens and Long Island experienced flooding as a result of a storm surge, which led to power failures and rendered the back-up power systems at these sites inoperable. In terms of financial impact, Verizon estimated that Hurricane Sandy cost the company about US\$1 billion. Since then, Verizon has implemented resilience-building measures, first of all replacing its entire copper wire network in Lower Manhattan with fiber-optic cables, which transmit data by a series of light pulses and are waterproof. Its vital underground fuel pump, which is meant to deliver diesel fuel to back-up generators, which stopped working due to flooding during the storm, is now protected in a watertight room with a submarine door.

These examples highlight the potential losses and impacts (particularly financial) of not dealing adequately with the sustainability-related risks in business operations and how it is important to manage such risks to prevent future losses.

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⁸ <http://www.bloomberg.com/news/articles/2011-10-20/worst-thai-floods-in-50-years-hit-apple-toyota-supply-chains>; <https://www.thestar.com.my/business/business-news/2017/11/10/1000-companies-lose-rm300mil-to-penang-floods/>; Climate Risks Study for Telecommunications and Data Center Services, Riverside Technology Inc. and Acclimatise, 2014.

2.3.2 Promoting innovation and attracting new customers

As sustainability considerations increase, an organisation that recognises the opportunities and has the capacity to innovate will drive growth through new products, services and customers. The introduction of sustainability-driven products and services can carve out a niche market for the organisation. Dell's circular economy initiative is one of the leading examples of driving business growth through innovative products and services.

Case Study⁹

In 2012, Dell made a commitment to 21 ambitious sustainability goals that it seeks to achieve by the year 2020. The goals of this '2020 Legacy of Good Plan' cover the company's entire value chain and are divided into 3 main areas of action: environment, communities and people. One of the environment specific goals is to use 50 million pounds of recycled materials by 2020, of which plastics are an important component. In 2014, Dell became the industry's pioneer to recycle excess carbon fiber and scrap raw materials into new products. Since then Dell has pioneered other circular economy initiatives such as using packaging material developed from ocean plastics and using recycled gold from electronic waste into new computer motherboards. As of early 2017, Dell has exceeded its goal of using 50 million pounds of recycled materials and has now set its sights on using 100 million pounds of recycled plastic and other sustainable materials.

2.3.3 Maintaining a licence to operate

A "licence to operate" (also known as "social licence to operate") refers to implicit community-approval of an organisation's business operations. It does not refer to a legal or regulatory licence to operate. Put simply, the goal here is to achieve organisational legitimacy in the eyes of society (or, more specifically, across a broad spectrum of key societal stakeholder groups/constituents).

Organisations are increasingly recognising the link between ongoing business success and their 'licence to operate', especially in the natural resources sector (e.g. mining) where the concept has been central for some years. A "licence to operate" can help organisations realise opportunities (e.g. the local community co-managing a project with the organisation) and manage risks to their business (e.g. boycotts or legal challenges). Communities and various stakeholders are likely to be more supportive of organisations that engage and openly communicate their management of EES matters.

⁹ <https://www.ellenmacarthurfoundation.org/assets/downloads/ce100/Scaling-Recycled-Plastics-across-Industries.pdf> ; https://www.sustainablebrands.com/news_and_views/walking_talk/sustainable_brands/dell_exceeds_2020_goal_using_50_million_pounds_recycl

Case Study¹⁰

Land rights and land tenure issues have a particularly complex history in Bolivia. Rich in gas reserves, the landlocked country in western-central South America has undergone various stages of political turmoil due to conflict over who controls these natural resources and associated landholdings. Since 2003, French oil and gas company Total, has explored natural gas projects in Bolivia's eastern lowlands, where several Guaraní indigenous territories are located. The company's Incahuasi project, the development of which began in 2012, faced challenges in its relationship with Guaraní communities when, during excavation activities in preparation for the construction of a gas plant, archeological findings including artifacts and burial remains were uncovered. In response to these developments and corresponding tensions with local indigenous leaders, the company engaged a conflict transformation specialist, a historian specialising in Bolivian indigenous groups, and the Office of the High Commissioner for Human Rights in Bolivia to carry out cross-functional human rights workshops and awareness-raising among Total's staff. At the request of the Guaraní communities, Total changed the architecture of its construction project and agreed to rebury the remains in the same place where they were found and ensure communities retained access to the sacred place.

Not taking into consideration local demands could have led to hostility from the community and costly disruptions in Total's operations. Gaining acceptance and building trust with local communities provides a "social license to operate", which is key to sustain operations.

2.3.4 Responding to responsible investment and securing capital

Traditionally, investors have looked at an organisation's financial performance to drive their investment decisions. However, it is fast becoming the norm for investors to evaluate ESG factors alongside financial data when determining their investments. This change is attributed to several factors including increasing pressure from various stakeholder groups i.e. regulators, NGOs, and the public for more sound investment practices; developments in legislation and international frameworks to account for sustainability issues; the rise of new financial risks such as those related to climate change and a shifting interpretation of fiduciary duty and the SDGs. Responsible investment (known interchangeably as socially responsible investment (SRI) or sustainable investment) is an approach to investing that aims to incorporate ESG factors into investment decisions, to better manage risk and generate sustainable, long-term returns.¹¹ As of April 2018, the United Nations' Principles for Responsible Investment (UNPRI) - a set of investment principles for incorporating ESG issues into investment practices - has 1,905 signatories, with total assets under management of US\$89.6 trillion.¹² From 2014 to 2016, the global sustainable investment market increased by 25% to US\$22.9 trillion.¹³ In Asia specifically, responsible investment grew by 16% over this period.

¹⁰ Quantification Matters How to Mobilize Finance for Social Impact, WBCSD, 2016; The Human Rights Opportunity: 15 real-life cases of how business is contributing to the Sustainable Development Goals by putting people first, WBCSD, 2018

¹¹ <https://www.unpri.org/pri/what-is-responsible-investment>

¹² UN PRI Annual Report 2018

¹³ Global Sustainable Investment Alliance, '2016 Global Sustainable Investment Review', 2017.

Malaysia too is evolving into a responsible investment hub; as at 14 May 2018, five green sukuk totaling RM2.407 billion were issued under the Securities Commission Malaysia's Sustainable and Responsible Investment (SRI) Sukuk Framework.¹⁴ Local investors are increasingly considering sustainability factors in their investment decision-making processes. The growth in responsible investment sees an increasing demand for quality ESG / sustainability related disclosures to allow investors to make better informed investment decisions. Recognising the gap, mainstream research providers such as Bloomberg, MSCI, and Thomson Reuters have begun to offer sustainability-performance analysis to the market, in particular institutional investors. Given the increasing focus by investors, improving sustainability performance and disclosures may provide organisations with increased access to capital, locally and globally. The increasing investor focus also led to FTSE Russell and Bursa Malaysia introducing an ESG Index for the Malaysian market called the FTSE4Good Bursa Malaysia Index which is part of the globally benchmarked FTSE4Good Index Series. The main objectives of the FTSE4Good Bursa Malaysia Index are to provide support to investors in making ESG investments in listed issuers; increase the profile and exposure for organisations with leading ESG practices; encourage best practice disclosures and draw capital allocation and investment interest for those investors focused on ESG risks.

Additionally, more guidance is being issued to encourage consideration of sustainability in business and investments such as the Recommendations of the TCFD and the SDGs. These developments suggest that sustainability and sustainability reporting will no longer be an option for businesses. Many will now have to take ownership of their sustainability policies and strategy or face downgrades due to poor sustainability performance or lack of transparency.¹⁵

Case Study¹⁶

Organisations may miss out on securing investment if they are unable to meet specific sustainability criteria set by investors. For example, in 2015, Norway's Government Pension Fund made a decision to divest from any organisation where 30% of revenue is derived from mining or burning of coal. Similarly, as of October 2018 around 20 major banks have stopped direct financing of new coal mines and plants worldwide because these may be seen as stranded assets.

This is reflective of the increasing focus and influence of sustainability in investment decisions by global institutional investors.

¹⁴ <http://www.thesundaily.my/news/2018/07/24/ram-malaysia-evolving-sustainable-responsible-investment-hub>

¹⁵ <https://accuvio.com/2018/01/08/esg-reporting-vs-investor-demands-gap-intensifies-in-2018/>

¹⁶ <http://www.theguardian.com/environment/2015/may/28/norway-fund-could-trigger-wave-of-large-fossil-fuel-divestments-say-experts>, and https://www.banktrack.org/page/list_of_banks_that_ended_direct_finance_for_new_coal_minesplants

Recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”)

The Financial Stability Board, an international body monitoring the global financial system, established the TCFD in 2015 to develop a set of recommendations that support climate-related disclosures by financial and non-financial companies. The recommendations act as a guide for businesses to effectively disclose the implications of climate change on its operations and how it is being managed in order to help investors and other stakeholders better understand an organisation’s climate-related risks and opportunities and thus make better informed investment decisions.

Since its publication in 2017, demand for climate-related disclosures from investors has increased. At the Global Climate Action Summit in September 2018, 296 investors from 29 countries with nearly US\$31 trillion in assets called on the businesses in their portfolios to strengthen climate-related financial disclosures.¹⁷ In 2017, a U.K. based NGO and a US SRI specialist organised a campaign to implement TCFD recommendations at 60 of the world’s largest banks.¹⁸

Regulators are also pushing for more climate-related disclosures as can be seen with the Climate Risk Disclosure Act enacted in 2018 in the US which require its national securities exchange to issue rules for all public companies to disclose their climate risk¹⁹; and in the UK where the Environmental Audit Committee (EAC) has hinted at the possibility of making the TCFD recommendations a mandatory requirement for large asset owners by 2022.²⁰

Applicable to all organisations across sectors and jurisdictions, the TCFD recommendations are structured around four thematic areas that represent core elements of how organisations operate:

- **Governance:** The organisation’s governance around climate-related risks and opportunities.
- **Strategy:** The actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning.
- **Risk Management:** The processes used by the organisation to identify, assess and manage climate-related risks.
- **Metrics and Targets:** The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

The four recommendations are then supported by specific disclosures organisations should include in financial filings or other reports to provide decision-useful information to investors and others.

In addition to guidance for all sectors, the TCFD has developed supplemental guidance for disclosure preparers in the financial and non-financial industries potentially most affected by climate change, to assist them in implementing the recommended disclosures. Climate change is all pervasive and applies to all organisations in some form or other and thus is a risk to their business operations.

¹⁷ <https://www.ceres.org/news-center/press-releases/nearly-400-investors-32-trillion-assets-step-action-climate-change>

¹⁸ <https://www.greenbiz.com/article/why-voluntary-climate-risk-disclosure-going-mainstream>

¹⁹ <https://www.ciel.org/news/climate-risk-disclosure-act-introduced-to-us-senate/> <https://www.ciel.org/news/climate-risk-disclosure-act-introduced-to-us-senate/>

²⁰ <https://www.parliament.uk/business/committees/committees-a-z/commons-select/environmental-audit-committee/news-parliament-2017/greening-finance-report-published-17-19/>

Bursa Malaysia, as an official supporter of the TCFD recommendations, strongly encourages listed issuers to address the TCFD recommendations in their annual reports.

Climate change is one of the most misunderstood risks that organisations face today. This is because, many incorrectly perceive the implications to be long-term and, therefore, not necessarily relevant to decisions made today. On the other hand, some organisations, due to the distinctive natures of their business models (e.g. IT services providers and software developers), often presume that the impact of climate change to their operations is minimal. However, according to the World Business Council for Sustainable Development, every area of industry will likely be impacted by climate change both in the short and also long-term, either directly such as disruption to an organisation's own supply chain or indirectly such as exposure to fluctuating energy/commodity prices.²¹ They contend that, in the new climate reality, businesses that can innovate and capitalize on the impending low-carbon transition will be the ones that secure a sustainable future. Organisations can benefit by being proactive in terms of recognising and even anticipating climate change-related risks which includes changing government policies, product-preference shifts and price volatility.²² Besides lowering exposure to climate risks, organisations are able to reduce cost of capital, attract more institutional investors and are also more likely to develop innovative products/services to seek opportunities to improve their performance.

These form the underlying rationale as to why, notwithstanding the unique mix of material factors determined by each listed issuer, Bursa Malaysia strongly encourages all listed issuers to disclose direct and indirect climate change-related impacts. It is envisaged that, in the future, potential impacts arising from climate change will become routine considerations when making business and investment decisions.

Further guidance on the TCFD Recommendations is available at <https://www.fsb-tcfid.org/>

2.3.5 Improving productivity and cost optimisation

When sustainability efforts, such as employee engagement programs or health and safety programs, go beyond basic compliance with labour standards (for example, incorporating other benefits), an organisation can expect to improve its attractiveness to recruit and retain top talent and enhance employee and supplier productivity. This can lead to longer-term benefits such as customer attraction, improved reputation, stronger operating margins, and optimised capital expenditure.²³ If sustainability efforts fail, such as in relation to health and safety, the impacts may include interruption in production, investigations by relevant government agencies, fines and negative publicity. Further, considering sustainability risks and opportunities may lead to cost efficiencies as illustrated in the case study below.

²¹ Insights from the President: The Role of Business in Climate Change, WBCSD, 2016.

²² How Companies Can Adapt to Climate Change, McKinsey, 2015.

²³ United Nations Environment Programme, 'The Business Case for the Green Economy, Sustainable Return on Investment', 2012.

Case Study²⁴

Rice farming is known to be water intensive and a significant contributor of methane, the second major greenhouse gas after carbon dioxide. A large part of methane comes from decaying organic materials submerged in flooded paddy fields, which then escape into the atmosphere during farming.

Nestlé Malaysia formed the Nestlé Paddy Club in 2012 to provide additional income to rice farmers in Kedah and improve environmental practices in rice farming. Participating farmers were taught new ways of rice farming that use an innovative method called SARI (Semi-Aerobic Rice Intensification). SARI differs from conventional farming techniques, in that it does not require paddy stalks to be immersed in water. The soil is kept moist but not inundated, significantly reducing the need for irrigation water by 30 to 40%. The amount of greenhouse gases emitted are also reduced, as the SARI method encourages farmers to use environmentally friendly microbial supplements provided by Nestlé. An added advantage of using organic microbes is the potential to provide farmers with more income, as the microbes have been proven to increase average annual yield by 20%.

These efforts have helped Nestlé Malaysia to secure a more sustainable and stable-priced rice supply, reduce reliance on imports and thus lower its operational costs.

2.3.6 Enhancing brand value and reputation

It is widely accepted that brand and reputation can create value by generating demand and securing future earnings for organisations. Issues such as sourcing of raw materials; energy and water usage; and human rights are increasingly impacting organisational brand and reputation.²⁵ Therefore, organisations will need to identify associated risks and opportunities and assess their impacts.²⁶

Stakeholders respond positively to organisations that conduct themselves in a sustainable and ethical manner. This can lead to increased confidence and trust among stakeholders, enhanced brand value and reputation, as well as improved customer loyalty.

Case Study²⁷

In 2011, Patagonia, a US-based ethical outdoor clothing company, launched its Common Threads Initiative, a campaign to encourage consumers to reduce, repair, reuse and recycle. As part of the campaign, the company took out a full-page, Black Friday advertisement in the New York Times radically titled “Don’t Buy This Jacket”. The advertisement highlighted the environmental costs of one of the company’s best-selling fleece sweaters and asked consumers to reconsider before buying the product or opt for a used Patagonia product. The campaign seemed like a counterintuitive strategy for a company that relies on profits to exist, but it struck a chord with customers - profits jumped 30% to US\$543 million in 2012, followed by another six percent growth in 2013. 5 years on and the company has hit US\$800 million in 2017.

This example demonstrates how a strategic decision to be transparent about the environmental costs of a product helps to strengthen brand and reputation.

2.4 The United Nations Sustainable Development Goals (SDGs)

In September 2015, all 193 United Nations member states adopted “Agenda 2030” - a plan to solve the world’s most pressing environmental, social and economic problems over the next 15 years. It consists 17 goals and 169 targets that cover a broad set of challenges such as economic inclusion, geopolitical instability, depleting natural resources, environmental degradation and climate change.



Malaysia is committed to “Agenda 2030” through its SDG Roadmap. A number of SDG targets are being addressed through integration of the targets into the 11th Malaysia Plan (11MP) for the 1st Phase implementation (2016 - 2020). Malaysia has also committed to continuing its efforts to address the remaining targets beyond 2020 through subsequent Malaysia Plans.²⁸ Although the SDGs were designed to be adopted by

governments, support and co-operation from society, and in particular, businesses, are needed to achieve them. SDGs should then be seen as a roadmap for businesses to assess and manage their EES risks, while contributing to improve their own reputation, image and strategic position in the market. Research shows that achieving the SDGs in only four economic systems could open 60 market “hot spots” worth an estimated US\$12 trillion by 2030 in business savings and revenue. These hot spots have the potential to grow 2-3 times faster than average GDP over the next 10-15 years. Conservative analysis shows potential for an additional US\$8 trillion of value creation across the wider economy if companies embed SDGs in their strategies.²⁹

| Food and Agriculture | Cities | Energy and Materials | Health and Well-Being |
|------------------------------------|-------------------------------------|---|----------------------------------|
| Reducing food waste in value chain | Affordable housing | Circular models - automotive | Risk pooling |
| Forest ecosystem services | Energy efficiency - buildings | Expansion of renewables | Remote patient monitoring |
| Low-income food markets | Electric and hybrid vehicles | Circular models - appliances | Telehealth |
| Reducing consumer food waste | Public transport in urban areas | Circular models - electronics | Advanced genomics |
| Product reformulation | Car sharing | Energy efficiency - non-energy intensive industries | Activity services |
| Technology in large-scale farms | Road safety equipment | Energy storage systems | Detection of counterfeit drugs |
| Dietary switch | Autonomous vehicles | Resource recovery | Tobacco control |
| Sustainable aquaculture | ICE vehicle fuel efficiency | End-use steel efficiency | Weight management programs |
| Technology in smallholder farms | Building resilient cities | Energy efficiency - energy intensive industries | Better disease management |
| Micro-irrigation | Municipal water leakage | Carbon capture and storage | Electronic medical records |
| Restoring degraded land | Cultural tourism | Energy access | Better maternal and child health |
| Reducing packaging waste | Smart metering | Green chemicals | Healthcare training |
| Cattle intensification | Water and sanitation infrastructure | Additive manufacturing | Low-cost surgery |
| Urban agriculture | Office sharing | Local content in extractives | |
| | Timber buildings | Shared infrastructure | |
| | Durable and modular buildings | Mine rehabilitation | |
| | | Grid interconnection | |

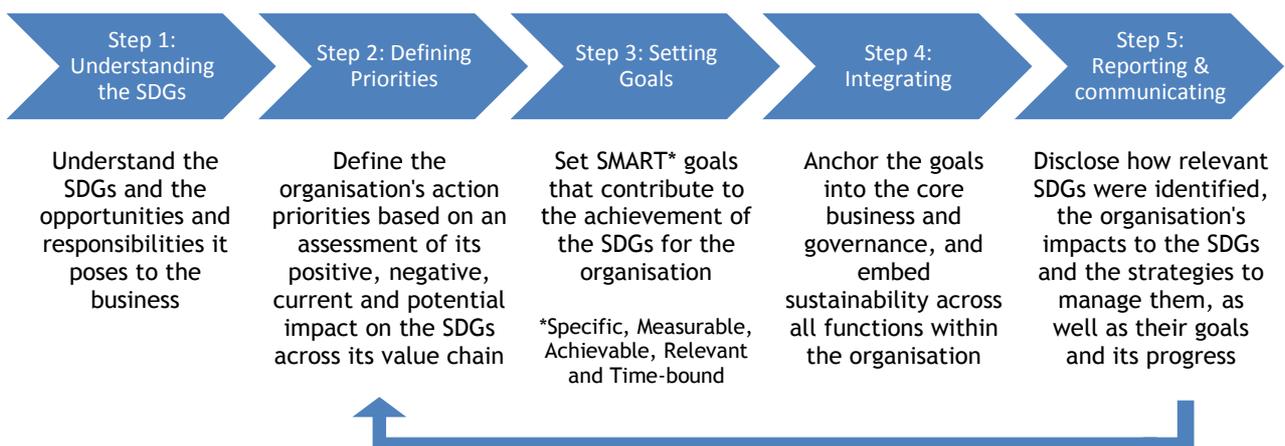
Figure 1: Market hotspots across four economic systems (Source: ‘Better Business, Better World’, Business & Sustainable Development Commission (BSDC), 2017.)

Why should businesses care? ³⁰

- Costs of inaction: Environmental and social burdens represent a mounting business cost and ultimately are turning the world into a less viable place in which to conduct business.
- Regulatory risk: The SDGs reflect future policy direction at the international, national and regional levels. A failure to integrate them strategically represents long-term regulatory risk.
- Market disruption: Forward-thinking businesses are forging ahead with disruptive new business models which threaten to radically reshape markets.
- Reduced license to operate: Businesses that fail to align their strategy with the SDGs will most likely face a lower level of approval and trust from governments and other stakeholders, creating competitive disadvantage and reducing their license to operate.

With the SDGs gaining traction across the world, businesses are expected to demonstrate to governments, investors and other stakeholders, their contributions to the SDGs by adopting relevant goals and targets and embedding them into their business strategy and processes. This may include disclosing how an organisation has prioritised the SDG targets, their own set objectives and targets to achieve them, the relevant indicators and the current progress.

The ‘SDG Compass - A Guide for Business Action to Advance the SDGs’ outlines a five-step process for organisations to align their strategies, as well as measure and manage their contribution to the realisation of the SDGs:



²⁴ https://www.nestle.com.my/media/pressreleases/allpressreleases/nestle_collaborates_with_ncia_and_ppk; Nestlé in Society Report 2016, Nestlé Malaysia, 2016.

²⁵ KPMG and ACCA, 'Business briefing series - 20 issues on building a sustainable business', 2011.

²⁶ <http://www.environmentalleader.com/2008/09/28/sustainability-and-its-impact-on-brand-value/>

²⁷ <https://rctom.hbs.org/submission/patagonia-dont-buy-this-jacket/>; <https://www.investopedia.com/articles/personal-finance/070715/success-patagonias-marketing-strategy.asp>

²⁸ <https://sustainabledevelopment.un.org/memberstates/malaysia>

The following is an example disclosure on SDG related initiatives taken from Sustainability Report 2018 of Mitsui & Co., a general trading company based in Japan:

| Activities for FY 2017 to Contribute to SDGs | | |
|---|---|--|
| Business Area ● Metals ● Machinery & Infrastructure ● Chemicals ● Energy ● Lifestyle ● Innovation & Corporate Development ● Corporate & Others | | |
| Theme: Environmental Management | | |
| Related SDGs (Target Numbers) | Initiatives by Mitsui & Co. | Activities for FY 2017 |
|  Ensure sustainable consumption and production patterns (12.2,12.8)  Take urgent action to combat climate change and its impacts (13.3)  Conserve and sustainably use the oceans, seas and marine resources for sustainable development (14.7) | <p>We promote sustainable procurement by actively obtaining certifications, including FSC® certification for forests and ASC certification for fisheries. In addition, we promote environmentally conscious business activities, and hold seminars on a regular basis for raising the environmental awareness of our officers and employees, as well as training relating to environmental laws and regulations.</p> | <ul style="list-style-type: none"> ● Achievement of ASC certification for two salmon farming sites through investment and participation in Salmones Multiexport S.A. (Chile). (12.2, 14.7) ● Maintenance of FSC® and SGEC certifications for 74 forests owned by Mitsui across Japan (approx. 44,000 ha) and continuation of responsible management and handling of forest resources. (12.2) ● Achievement of “Good Point” assessment in independent ISO14001 inspection of environment management in the Head Office for the optimization of air conditioning operation in conjunction with the introduction of a staggered work hour system as part of Mitsui’s Work Style Innovation. (12.8) ● Continuation of the efficient and effective integrated operation of business activities and environmental management in accordance with ISO 14001:2015. (13.3) ● Implementation of climate change risk control methods, such as carbon pricing impact estimation, during deliberation on proposed projects. (13.3) ● Implementation of environmental law seminars (2 seminars, approx. 130 attendees), environmental seminars relating to industrial waste (2 seminars, approx. 100 attendees), and a Mitsui Environment Month lecture (approx. 540 attendees) for officers and employees of Mitsui and its affiliated companies. (13.3) |
| Theme: Initiatives toward Environmental Value Creation | | |
| Related SDGs (Target Numbers) | Initiatives by Mitsui & Co. | Activities for FY 2017 |
|  Ensure access to affordable, reliable, sustainable and modern energy for all (7.2, 7.3, 7.a)  Make cities and human settlements inclusive, safe, resilient and sustainable (11.6)  Ensure sustainable consumption and production patterns (12.2, 12.4, 12.5) | <p>We develop environment-related business, having incorporated our contribution to providing industrial solutions to environmental issues in the Environmental Policy Action Guidelines. In the renewable energy field, we promote and strengthen related business and aim at increasing the proportion of renewable energy (including hydroelectric power) in the equity portion of our total power generating capacity to 30% by 2030. We are also promoting a wide range of initiatives for increasing the popularity of smart cities, modal shift, EV and other new energy efficient vehicles.</p> | <ul style="list-style-type: none"> ● Global supply of automotive parts with excellent environmental performance through investment and participation in Gestamp Automoción, S.A. (Spain) (7.3) ● Making investments to explore new applications for copper and to improve the efficiency of mine operations through a venture fund which was jointly established among Corporacion Nacional del Cobre de Chile (CODELCO) and Corporacion de Fomento de la Produccion (CORFO), etc. We have made investments in technology for improving fish farming efficiency that features copper-made fish farming cage, as well as recycling technology for waste tire from mine sites. (12.2, 12.4, 12.5) ● Operation of renewable energy IPP business (in 8 countries; Mitsui’s share: 1.5 GW) (7.2) ● Expansion of distributed solar power generation capacity and promotion of next-generation energy management services featuring storage batteries (U.S. and other countries). (7.2) ● Promotion of energy-efficient smart city project (Malaysia). (7.3, 11.6) ● Sale/ownership and operation of eco-ships that are highly energy-efficient. (7.3) ● Contribution to the reduction of CO₂ emissions through investment and participation in EV battery pack manufacturing business (France) and EV bus manufacturing business (Portugal). (7.3, 12.4) ● Assistance in the development of fuel cost-efficient aircraft and engines. (7.a) |

For further guidance on the SDGs, please refer to the *SDG Compass*³¹ and the Action Platform - *Reporting on the SDGs*³².

²⁹ Better Business, Better World, Business & Sustainable Development Commission (BSDC), 2017.

³⁰ Better Business, Better World, BSDC, 2017; CEO Guide to the Sustainable Development Goals, World Business Council for Sustainable Development (WBCSD), 2017.

³¹ *SDG Compass*, GRI, UN Global Compact and WBCSD, 2015.

³² *Business Reporting on the SDGs*, GRI, UN Global Compact, 2018.

3. HOW TO EMBED SUSTAINABILITY IN ORGANISATIONS

3.1 Introduction

Organisations can benefit most when they successfully embed sustainability rather than considering it separately, on a standalone basis. The following provides some key considerations for an organisation seeking to embed sustainability in its business strategy and leveraging sustainability to reduce risks and take advantage of business opportunities:



Figure 2: Key considerations for embedding sustainability

3.2 Tone from the top

How sustainability is positioned and governed within an organisation (“**sustainability governance**”) is key to its successful alignment with corporate strategy. Organisations with strong corporate governance culture will be better positioned to manage sustainability risks and opportunities.

There is no standard ‘one size fits all’ approach to sustainability governance. An organisation’s culture, needs, sector, size, sustainability-related risks and opportunities, and maturity in responding to sustainability matters, will influence how sustainability governance is considered. Given this, you are encouraged to adopt an approach that is fit for purpose.

In order to embed sustainability effectively, accountability should be at the highest level, i.e. the Board. Board-level commitment is crucial as it is the Board that sets the strategic direction of the organisation. Such commitment is also important towards ensuring that sustainability is embedded across the organisation and adequate resources, systems and processes are in place for managing sustainability issues. This includes incorporating sustainability considerations into the organisation’s existing risk management framework.

“Over the long run, the best solution is to integrate sustainability into all board activities so that it becomes “mainstream”. This mirrors the indispensable effort by many company leaders over the past decade to integrate sustainability into business strategy and operations. Ideally, dedicated board committees would be /seen as redundant in a decade’s time but they might be needed now to catalyse the transition”.

(Source: Cramer, A., BSR, 2011. “Giving Sustainability a Seat in the Boardroom”, GreenBiz April 20, 2011)

A move towards embedding sustainability in your organisation is only possible with a supportive culture and strong leadership. It is the leaders within an organisation i.e. Board members and the Chief Executive Officer, who need to provide strong stewardship towards incorporating sustainability into an organisation’s business strategies, and applying a sustainability lens to business decisions, pushing the focus beyond compliance. The United Nations Environment Programme Finance Initiative (“UNEP FI”) explains that the journey of embedding sustainability at the Board level usually goes through three phases as set out in Figure 3 below:³³



Figure 3: Phases of embedding sustainability at the Board level

The desired-state is where sustainability is considered as ‘business-as-usual’, integrated within business strategy, and governed by the Board. Organisations in this phase seek to integrate responsibility for the achievement of sustainability goals throughout the organisation.

A Sustainability Statement that reflects its commitment to take into account material sustainability matters in a comprehensive and strategic manner must be presented by the organisation in its annual disclosures to stakeholders. This is set by the tone from the top. The Statement must be presented within the organisation’s annual report or, alternatively, in the form of a standalone sustainability report published in tandem with its annual report. The annual report may also link sustainability costing within the financial statement.

Some organisations may wish to adopt an integrated approach to reporting. The Integrated Reporting <IR> Framework revolves around the concept of the ‘six capitals’ i.e. financial,

³³ Adapted from UNEP FI Asset Management Working Group Support, ‘Integrated Governance, A New Model of Governance for Sustainability’, June 2014.

manufactured, human, social and relationship, intellectual, and natural. Structuring an annual report around these capitals is distinctly different from the focus on the materiality concept adopted in this Guide and related Toolkits. It should be noted that the <IR> Framework is predicated on value creation directly whereas the approach adopted in this Guide and accompanying Toolkits will lead to value creation when fully implemented. For organisations who produce integrated reports, they need to ensure that such reports still addresses the materiality concept adopted by Bursa Malaysia.

Integrated thinking and Integrated reporting

The concept of integrating sustainability into the business strategy is also supported by the International Integrated Reporting <IR> Framework developed by the International Integrated Reporting Council (“IIRC”). The <IR> framework adopts ‘integrated thinking’ which is “the active consideration by an organisation of the relationships between its various operating and functional units and the capitals that the organisation uses or affects”. Integrated thinking leads to integrated decision-making and actions that consider the creation of value over the short, medium and long-term. The more that integrated thinking is embedded into an organisation’s activities, the more naturally the connectivity of information flow into management reporting, analysis and decision-making. This promotes a more cohesive and efficient approach to corporate reporting and aims to improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital.

***Integrated report:** An approach to explain to stakeholders how an organisation creates value over time.*

(Source: Adapted from IIRC’s ‘International Integrated Reporting <IR> Framework’, 2013)

More details on how to address sustainability governance including further information of different governance structures and roles and responsibilities can be found in the **Toolkit: Governance**.

Case Study³⁴

At Aviva plc, a British insurance company, its Governance Committee oversees the company’s responsible and sustainable business strategy and the policies that underpin it. The Governance Committee is responsible for reviewing progress against corporate responsibility, environment and climate change, in addition to reviewing related risk exposures. The Board Risk Committee works with the Governance Committee to ensure that these risks are properly considered. The Board Risk Committee has identified climate change as an emerging risk, ensuring that the issue is regularly reviewed and the potential long-term impacts evaluated for the business.

3.3 Identifying and prioritizing material sustainability matters

The extent of EES risks and opportunities (“sustainability matters”³⁵) for organisations can be wide ranging.

For the purpose of this Guide, sustainability matters are considered material if they:

- (i) reflect your organisation’s significant EES impacts; or
- (ii) substantively influence the assessment and decisions of your stakeholders.³⁶

This definition enables the consideration of sustainability matters from both internal and external perspectives, i.e. from the organisation’s point of view and that of stakeholders. Applying materiality will help you identify what is most important to act on and to report. In this respect, the materiality assessment could provide information that may positively or negatively influence your ability to deliver on your vision and strategy.

What are Sustainability Matters?

For the purpose of this Guide, sustainability matters are the risks and opportunities arising from the EES impacts (i.e. impacts that relate to sustainability themes such as resource depletion, pollution, energy, diversity, human rights, etc.) of an organisation’s operations and activities.

A list of sustainability themes is provided in **Appendix A** to this Guide.

What is Materiality?

For the purpose of this Guide, materiality is the principle of identifying and assessing a wide range of sustainability matters, and refining them to what are most important to your organisation and your stakeholders.

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³⁴ Systems Rule: How Board Governance Can Drive Sustainability Performance, CERES, 2018; Aviva plc Annual Report and Accounts, Aviva, 2016.

³⁵ Refer to paragraph 6.2 (a) of Practice Note 9, Main Market Listing Requirements.

³⁶ This definition is also contained in paragraph 6.3 of Practice Note 9, Main Market Listing Requirements and is adapted from the GRI Standards.

Example: Consideration of sustainability matters in the context of human rights

As an illustration, when determining whether human rights is material, an organisation should consider the human rights impacts of their business activities. Human rights impacts may arise from the use of child labour, unfair treatment of workers, restrictions on the right to change employers or under-payments of wages, etc.

In recent years the world has seen a growth in modern slavery. The International Labour Organisation estimates that in 2016 there were 40.3 million men, women and children trapped in modern slavery.³⁷ These are persons forced to either work through coercion or threat, owned or controlled by an ‘employer’ through mental or physical abuse, treated as a commodity, or have their freedom of movement restricted. Forms of modern slavery include forced labour, debt bondage, human trafficking and child slavery. The majority are victims of exploitation in private sector activities, such as manufacturing, construction and agriculture. It was estimated that these crimes generate up to US\$150 billion a year in profits for the exploiters.³⁸

The UK Modern Slavery Act 2015, the first of its kind, requires all companies with a turnover of more than £36 million operating in the UK to annually publish a slavery and human trafficking statement outlining the steps they have taken to identify and eradicate modern slavery from both their business and supply chain. Since its enactment, similar initiatives at the international level have emerged as can be seen in the EU and Australia.

Hence, if human rights issues are not considered and managed well, it may pose risks to the business in the form of legal or reputational risks and operational disruptions such as immigration raids, low levels of productivity, and safety and health related incidents.

There could be instances where a material sustainability matter need not be highly significant to both the organisation and its stakeholders. This occurs when the organisation is able to foresee significant emerging sustainability risks but the stakeholders do not, and vice versa. In such a case, the organisation would still be required to manage such matter and disclose accordingly.

3.3.1 Materiality assessment

Material sustainability matters for each organisation are likely to differ, depending on the context of its operations and activities, even if the organisations are in the same sector. Factors contributing to the determination of material sustainability matters may include the business model and strategy, products and services, types of stakeholders, size of the organisation, geographical presence, and the organisation’s risk appetite, etc. Therefore, you should apply materiality based on your own set of circumstances.

When applying materiality, you may consider formulating criteria to determine what is significant or substantive. The criteria that you could consider adopting to determine if EES impacts are significant, or if the matter substantively influences stakeholders’ assessments

³⁷ https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_574717/lang--en/index.htm

³⁸ <https://www.ilo.org/global/topics/forced-labour/publications/profits-of-forced-labour-2014/lang--en/index.htm>

and decisions may include, among others, the severity and likelihood of the impacts over time on financial performance, actual or perceived value of the organisation, availability of products/services or reputation.

Further guidance on defining significant and substantive criteria is provided in the **Toolkit: Materiality Assessment**.

3.3.2 Applying materiality across organisational value chain

In applying materiality, you are encouraged to closely consider all parts of your organisation's value chain. This simply means considering more broadly the impacts of your products and services beyond your operations. For example,

- once your product has left the production line, does it contribute to negative impacts (e.g. excessive consumption of electricity due to inefficiency) during the course of its usage?
- can opportunities be created through the management of such a risk (i.e. product redesign using less packaging, which in turn could drive cost efficiencies)?

Sometimes the smallest part (either financially or physical operations) of your business can pose the most significant EES risk. Therefore, you should also consider the nature of your operations (e.g. use of hazardous chemicals) and its location (e.g. remote locations or countries with poor sustainability-related legislation and inadequate enforcement), in addition to its size in applying materiality.

3.3.3 5 steps to be considered in applying materiality

There is a lot of information available on how to apply materiality in the sustainability context, including approaches provided by the GRI, AccountAbility, Sustainability Accounting Standards Board (“SASB”) and the IIRC.

Although each defines materiality differently and focuses its requirements on different users (e.g. GRI - for all stakeholders; IIRC and SASB - for investors), the key steps and considerations of materiality are generally the same. The approach set out in Figure 3 below has been simplified to allow ease of use and applicability for all types of organisations at different stages of considering sustainability.

There is flexibility in how far you seek to develop the materiality process, depending on your organisation size, capacity and level of understanding. However, you should move towards a comprehensive materiality assessment over time. Options and more details for flexibility are provided as part of the materiality process outlined in the **Toolkit: Materiality Assessment**.

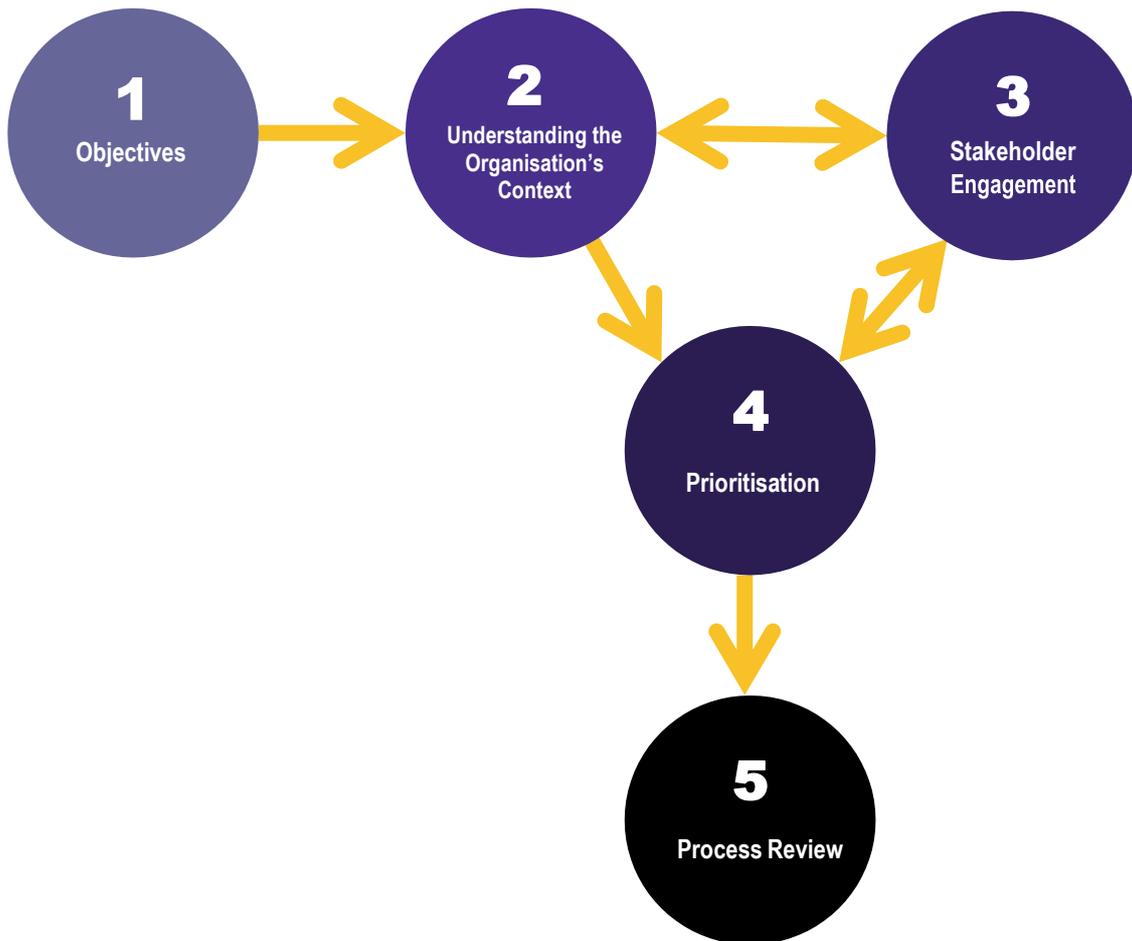


Figure 4: The Materiality Assessment Process - Phases 1 to 5

PHASE 1: OBJECTIVES

As a start, you should consider the objectives of the materiality assessment. The objectives may include, among others, identification of material sustainability matters to enable internal and external stakeholders to make better informed decisions (e.g. revisions of business strategies by the Board or investment decisions by shareholders) or facilitating more effective engagements with stakeholders. In setting the objectives, the organisation should consider and understand the intended audience of the materiality assessment. Understanding the objectives enables the organisation to structure its materiality process more strategically.

PHASE 2: UNDERSTANDING THE ORGANISATION'S CONTEXT

You should understand the context within which your organisation operates to gain a broad knowledge of your sustainability issues.³⁹ This would include external and internal issues that can affect your organisation's ability to achieve its intended outcomes related to sustainability. Such issues could be identified from a combination of internal and external sources, including (but not limited to):

- **internal sources:** Board or Board committee reports; risk management assessments and risk registers; and minutes of management meetings; and
- **external sources:** regulations; standards (e.g. Roundtable on Sustainable Palm Oil ("RSPO")); the underlying criteria for indices (e.g. FTSE4Good Bursa Malaysia Index); NGO reports; stakeholder feedback and complaints; media review (including social media) and external peer review.

Appendix A to this Guide provides a potential list of sustainability themes for consideration in identifying and developing your list of sustainability issues. These themes are aligned with international reporting frameworks such as the GRI Standards, as well as sustainability indices such as the FTSE4Good Bursa Malaysia Index. You may consider the themes provided and identify whether they are applicable to your sector, and more specifically, to your organisation.

After understanding your organisation's context, you should then determine the scope within which materiality would apply, by considering the following:

- **physical locations of the organisation (geographical boundary)** - whether your assessment will provide a global view or examine specific geographical regions or both;
- **entities within the organisation (organisational boundary)** - whether you want to cover the overall group level or specific key business operations; and
- **operations within or outside the organisation (including the entire value chain)** - whether you want to cover the entire value chain or specific operations (e.g. upstream or downstream) which may include operations within or outside the organisation.

Organisations that develop group reports should include within that report those parts of the organisation that create the most significant EES impacts. These may include parts of the organisation operating outside the nominal scope of the report. For example an organisation that has operations in a country where child labour is common cannot exclude this from its report scope as this may provide the greatest risk to its business strategy.

Further guidance on what should be included in the Sustainability Statement is provided in section 5.3 of this Guide.

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PHASE 3: STAKEHOLDER ENGAGEMENT

Stakeholders play an important role in relation to your business, either as advocates, sponsors, partners or agents of change. Engagement with your stakeholders will help you better understand how your activities impact on the economy, environment and society. It provides you with the opportunity to identify sustainability risks and opportunities that may not otherwise be considered

by your organisation. The stakeholder engagement process entails you first identifying and assessing who your relevant stakeholders are, and then understanding their needs and expectations in relation to your sustainability performance. Understanding the organisations's context such as the location where it operates, the type of activities it conducts and the complexity of its value chain may assist in identifying and assessing the organisation's stakeholders.

Depending on the context of your organisation, you may have a diverse range of stakeholders with different levels of influence or interest in your organisation. Engaging with all of your stakeholders with the same level of intensity may be impractical. Therefore, identifying relevant stakeholders is important. The relevant stakeholders are those with the highest level of influence or interest, and who may be the target audience of your sustainability performance and disclosures. However, you must also consider stakeholders who may not bear the greater influence on or have very strong interests in your organisation as they may also be impacted by your operations. An example of the types of stakeholders an organisation may have is set out in Figure 4 above.

Stakeholders will have different information needs and expectations, which can help determine your material sustainability matters (from the initial list of sustainability issues) and disclosures. It is also important to tailor the messages and methods of communication for different stakeholders in order to allow for effective engagement and meaningful dialogue. In this regard, please refer to the **Toolkit: Stakeholder Engagement** for detailed guidance on how to engage with your stakeholders.

Engaging with stakeholders can also provide a way for you to prioritise the sustainability matters. Guidance on prioritisation is provided in Phase 4 below.

A stakeholder is essentially an individual or a group that has an effect on, or is affected by the organisation and its activities.



Figure 4: Types of stakeholders for an organisation

The following example illustrates how the different needs and expectations from different stakeholder groups can be captured. This example shows the different engagement methods used, outcomes of the engagements, the identified material sustainability matters and indication where the matters are further elaborated in the report:

| Stakeholder Group | Specific stakeholders addressed | Type of engagement | Frequency | Areas of interest | Outcomes | Addressed by specific Material Sustainability Matters | Reference Page |
|--------------------------|---|--|----------------------|---|---|--|----------------|
| Shareholders & Investors | Shareholders both in Malaysia and in Denmark | <ul style="list-style-type: none"> Engagement survey Annual General Meetings Analysts briefings | At least once a year | Pollution, carbon footprint, preservation of the ecosystem, sustainable agricultural practices, consistent profitability and dividends from the company, maximisation of shareholder value, employee welfare and equal rights. | Good relationship with shareholders and positive reputation amongst investors, constructive feedback | <ul style="list-style-type: none"> Biodiversity & Conservation Sustainable Agricultural Practices Human and Workers' Rights Social Care and Workers' Welfare Equal Treatment | 84 |
| | | | Once a year | | | | 113 |
| | | | Twice a year | | | | 66 |
| | | | | | | | 72 |
| | | | | | | | 64 |
| Customers | Major consumer goods manufacturers, Refineries, and end consumers | <ul style="list-style-type: none"> Engagement survey One-to-one meetings Visits to Estates, Mills and our Refinery | At least once a year | No deforestation, and open burning, Reduction of carbon footprint, Price competitiveness, product quality and food safety, employee welfare, development and improvement of sustainable supply chain of products | Better awareness of UP Group's commitment to sustainability, and better understanding of our policies, culture and values | <ul style="list-style-type: none"> Biodiversity & Conservation GHG Emissions, Discharges & Waste Management Product Quality Sustainable Supply Chain of Products Certifications for Food Safety, Sustainability and Others | 84 |
| | | | Periodic | | | | 104 |
| | | | Periodic | | | | 141 |
| | | | | | | | 144 |
| Employees | Executives, staffs and workers | <ul style="list-style-type: none"> Annual employee survey, Operations and Environment Management Committee meeting Gender committee meetings Guest Workers Welfare Committee Occupational Safety & Health Committee Internal trainings | Once a year | Pollution, Chemical and pesticide usage, environmental care, commensurate remuneration, employee social and welfare care, equal rights, safe and sustainable agricultural practices, health and safety at work, employment opportunities for locals, CSR and sustainable programs | Improved understanding of company policies and efforts taken to date, Inclusiveness in the management decision making | <ul style="list-style-type: none"> Sustainable Agricultural Practices GHG Emissions, Discharges & Waste Management Biodiversity & Conservation Human and Workers' Rights Social Care and Workers' Welfare Occupational Safety & Health Equal Treatment Community Welfare | 113 |
| | | | Once a year | | | | 104 |
| | | | Four times a year | | | | 84 |
| | | | Six times a year | | | | 66 |
| | | | Four times a year | | | | 72 |
| | | | Periodic | | | | 79 |
| | | | | | | | 64 |
| | | | | | | | 124 |
| | | | | | | | |
| | | | | | | | |

(Source: United Plantations Berhad, Annual Report 2016)

³⁹ Sustainability issues may include sustainability risks and opportunities. Examples of sustainability issues may include corruption, resource scarcity, safety and health, etc.

PHASE 4: PRIORITISATION

Material sustainability matters refer to those that reflect the organisation's significant EES impacts or substantively influence the assessments and decisions of stakeholders. You will now need to confirm the relevant EES impacts from your organisation's activities, products and services in order to prioritise sustainability issues and determine the material sustainability matters.

The two tests often used to determine materiality are **significance of EES impacts** and **importance to stakeholders**. Prioritising your sustainability matters can help you to focus effort and allocate your resources to areas that matter most.

The end result of the prioritisation process should be a compilation of your material sustainability matters. Here is where organisations focus their efforts in ensuring the appropriate management, monitoring and disclosure of the matters. Not all material sustainability matters are of equal importance. Thus, in disclosing the matters, the emphasis should reflect the relative priority of these material sustainability matters. This means that more material sustainability matters should be given more prominence in the disclosure.

For further guidance on prioritisation, please refer to the **Toolkit: Materiality Assessment**.

PHASE 5: PROCESS REVIEW

It is important that the process and outcome of your materiality assessment are reviewed and approved by the senior management. The outcome should also be approved by the Board as the Board is ultimately responsible for the information disclosed. Together, this ensures the integrity and credibility of your materiality assessment. Approval at the senior levels of the organisation will secure buy-in across the organisation and ensure an adequate response to your material sustainability matters (by ensuring allocation of resources and accountability for the management of these matters).

Once your material sustainability matters have been determined, you should reconsider them at least annually. Although a full and detailed materiality assessment may not be required year-on-year, at a minimum, you should review your material sustainability matters and disclose to the market the review process and any changes to the material sustainability matters. This ensures that the sustainability matters being managed and reported remain material to the business and are aligned to stakeholder needs.

3.4 Managing material sustainability matters

Once material sustainability matters are reviewed and approved, the next step is for you to develop your position and response with respect to each material sustainability matter.

The response could be in the form of:

- developing policies and procedures;
- adopting management system standards such as ISO 14001 (Environmental management), ISO 45001 (Occupational Health and Safety), RSPO, Malaysian Sustainable Palm Oil etc.;
- implementing various initiatives, measures or action plans;
- setting indicators, goals and targets and a timeframe and, where possible, setting longer term goals (e.g. five-year goals), in line with the strategic objectives of your organisation; and
- implementing new, or changing existing systems, to capture, report, analyse, and manage data requirements associated with each material sustainability matter.

Information, or where applicable data, for each indicator (identified for each material sustainability matter) needs to be collected and tracked against a set target. High quality, comparable and consistent information that is material and relevant is important for stakeholders (e.g. investors and market analysts) to understand an organisation's sustainability performance, as well as how this is linked to the organisation's overall business strategy and financial performance. This provides a better understanding of their investment risks or informs investment strategies associated with the organisation. Please refer to **Appendix A** to this Guide for a list of indicators that can be used. For guidance on determining the indicators, please refer to the **Toolkit: Themes and Indicators**.

Management of material sustainability matters must be fit for purpose and where possible, aligned to existing management approaches and processes, and international standards where applicable. For example, matters that affect the entire operations may be guided by group-wide policies and strategies. Management of the material sustainability matters are also often guided by relevant local legislation (e.g. Environmental Quality Act 1974 and Employment Act 1955) and international standards (e.g. International Standards Organisation's Management Standards or industry bodies' guidance such as IPIECA's Water Management Framework).

Best practice suggests that the management of material sustainability matters, i.e. policies, measures, indicators and targets, should be approved by the Board, or delegated to a Board committee (if applicable).

3.5 Communicating and providing credibility to your sustainability performance and disclosures

Once you have an understanding of what is material and how this is to be managed, you should now consider how best to communicate this to your stakeholders. In communicating your sustainability performance to the market, you are required to comply with the sustainability disclosure obligations as prescribed in the Listing Requirements. Guidance on these obligations is provided in Chapter 4 of this Guide.

It would be useful to investors and stakeholders alike if you provide a content index to your sustainability-related disclosure which could also include relevant information in your CG Overview Statement⁴⁰, CG Report⁴¹ or Statement of Risk Management and Internal Control. This content index essentially refers to a table of contents indicating precisely where the sustainability information can be found and should optimally feature the pages of the report (or webpages, where applicable) where the information is located. A content index would facilitate your stakeholders navigating complex sustainability information in the public domain within the shortest period of time. A sample of the content index template is provided in the **Appendix B** to this Guide.

Accuracy and reliability of sustainability information are important for informed business decision-making. Organisations should familiarise themselves with their stakeholders' (especially investors) preference for the types of assurance (internal or external) they need. Sustainability-related information (like financial information) informs both internal and external decision-making in relation to performance. Therefore, the Board and senior management should ensure credibility of the information before relying on or communicating the information - either internally or externally. One of the methods to instill confidence in the accuracy and reliability of sustainability-related information is via the provision of assurance.

Essentially assurance options can be characterised as internal or external assurance. External assurance enables an independent opinion to be provided in relation to the sustainability disclosures, while internal assurance generally relies on the accountability of the governance body of the organisation. For example, the Board may provide assurance in its Sustainability Statement on the robustness of its management system for sustainability matters.

⁴⁰ This refers to the disclosure required under paragraph 15.25(1) of the Listing Requirements on an overview of the application of the Principles set out in the Malaysian Code on Corporate Governance 2017.

⁴¹ This refers to disclosure required under paragraph 15.25(2) of the Listing Requirements on the application of each Practice set out in the Malaysian Code on Corporate Governance 2017 during the financial year in a prescribed format which is announced together with the announcement of the annual report.

4. ASSURANCE

Assurance, whether done internally or externally, provides a method whereby the organisation can demonstrate the credibility of its sustainability disclosures. Options for assurance are varied and provide flexibility to an organisation depending on its size, risks and cost constraints. Assurance can be provided across different types of sustainability disclosures including:

- data and/or its associated collection process;
- narratives;
- management processes; and
- disclosures developed in accordance with standards and frameworks such as the GRI Standards.

However, in undertaking such an activity, the organisation needs to set a number of criteria as follows:

- Scope of the assurance assignment
- Standard to which it is being performed
- Competence of the assurance team
- Method of presentation

4.1 Scope of the assurance assignment

In setting the scope of the assignment, the organisation should have a clear understanding of its purpose and the level of assurance to be achieved. Is it necessary to verify data, determine the adequacy of a process or both, or enhance performance improvement? For example, if it is to verify data for some form of accounting process then the level of assurance required may be greater than if it is simply for performance improvement. The organisation should ensure that the purpose of the assurance engagement is clearly stated and that the assurance provider completes the assignment as stated. The organisation should carefully consider the need to assure its materiality process. If the materiality process is flawed, the organisation may be monitoring and measuring unnecessary performance indicators and placing its resources in areas which do not warrant such efforts. Progressive organisations may seek the assurance provider to suggest areas of improvement for future reports.

4.2 Standard to which the assurance is being performed

In order to be effective, the assurance process should be conducted against a recognised standard. By using such standards, the organisation can audit the assurance process and demonstrate in the public domain the credibility of the assurance which has been performed. Recognised standards include those set by the accounting profession, the International Standards Organisation, GRI and AccountAbility.

4.3 Competence of the assurance team

The organisation should identify the competence required of the assurance team. This may include both accounting and engineering or other technical knowledge depending on the scope of the assurance assignment. For example, if the assignment involves the reporting of GHG data it may be necessary to determine the accuracy of the equipment collecting the monitoring and measuring information. This will require technical expertise in terms of assessing the calibration of the collection equipment and its link with the recorded information. A single profession may not have the competence to undertake this work in isolation.

4.4 Method of presentation

The assurance provider should ensure that the assurance statement clearly reflects the scope of the assignment, the level of assurance attained, the standard to which the assurance was provided, the team competence and any deficiencies found in the report. Where the organisation seeks suggestions from the assurance provider regarding performance improvement for future reports these should be supplied in a positive tone. The assurance statement should be signed by the assurance team leader.

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5. WHAT TO DISCLOSE UNDER THE LISTING REQUIREMENTS

5.1 Objectives

The obligations under the Listing Requirements relating to sustainability are aimed at achieving the following objectives:

- (a) improving the quality of sustainability-related practices and reporting of our listed issuers;
- (b) aiding listed issuers to meet sustainability expectations of their stakeholders;
- (c) attracting funds with a sustainability focus into the Malaysian capital market; and
- (d) facilitating more listed issuers to qualify for FTSE4Good Bursa Malaysia Index and other international sustainability indices.

5.2 Disclosure obligations

The Listing Requirements require you to make sustainability-related disclosures in your annual report. The table below sets out an overview of the sustainability-related disclosure obligations prescribed in the Listing Requirements, how they apply to you, and when they take effect.

| What is required? | Who must comply? | When to comply? |
|--|---|--|
| MAIN MARKET LISTED ISSUERS | | |
| <p>Paragraph 9.45(2), Main Market LR In addition, the management company must also ensure that the annual report of the real estate investment trust contains a narrative statement of its management of material economic, environmental and social risks and opportunities, and is prepared in the manner prescribed under Part III of Practice Note 9 of these Requirements.</p> | <p>Main Market listed issuers with market capitalisation (excluding treasury shares) of RM2 billion and above -</p> <ul style="list-style-type: none"> • as at 31 December 2015; or • as at the date of its listing in 2016 | <p>Annual reports issued for financial years ending (“FYE”) on or after <u>31 December 2016</u></p> |
| <p>Paragraph 29, Part A of Appendix 9C, Main Market LR A narrative statement of the listed issuer’s management of material economic, environmental and social risks and opportunities (“Sustainability Statement”), in the manner as prescribed by the Exchange.</p> | <p>All the other Main Market listed issuers</p> | <p>Annual reports issued for FYE on or after <u>31 December 2017</u></p> |

| What is required? | Who must comply? | When to comply? |
|--|---|---|
| MAIN MARKET LISTED ISSUERS | | |
| <p>Paragraph 6.1, Practice Note 9, Main Market LR</p> <p>All listed issuers should ensure that the Sustainability Statement contains information that is balanced, comparable and meaningful by referring to the Sustainability Reporting Guide issued by the Exchange. In identifying the material economic, environmental and social risks and opportunities, the listed issuer should consider the themes set out in the Sustainability Reporting Guide.</p> | | |
| <p>Paragraph 6.2, Practice Note 9, Main Market LR</p> <p>In making the Sustainability Statement, a listed issuer must include disclosures on the following:</p> <p>(a) the governance structure in place to manage the economic, environmental and social risks and opportunities (“sustainability matters”);</p> <p>(b) the scope of the Sustainability Statement and basis for the scope;</p> | <p>(a) Main Market listed issuers with market capitalisation (excluding treasury shares) of RM2 billion and above as at -</p> <p>(i) 31 December 2015 or 31 December of any subsequent calendar year; or</p> <p>(ii) the date of its listing after 31 December 2015.</p> | <p>Annual reports issued for FYE on or after <u>31 December 2016</u></p> |
| <p>(c) material sustainability matters and -</p> <p>(i) how they are identified;</p> <p>(ii) why they are important to the listed issuer; and</p> <p>(iii) how they are managed including details on -</p> <p>(aa) policies to manage these sustainability matters;</p> <p>(bb) measures or actions taken to deal with these</p> | <p>(b) Main Market listed issuers with market capitalisation (excluding treasury shares) of RM1 billion and above, but below RM2 billion as at -</p> <p>(i) 31 December 2015 or 31 December of any subsequent calendar year; or</p> <p>(ii) the date of its listing after 31 December 2015.</p> | <p>Annual reports issued for FYE on or after <u>31 December 2017</u></p> |

| What is required? | Who must comply? | When to comply? |
|---|---|---|
| MAIN MARKET LISTED ISSUERS | | |
| <p>sustainability matters; and</p> <p>(cc) indicators relevant to these sustainability matters which demonstrate how the listed issuer has performed in managing these sustainability matters.</p> <p>Paragraph 6.3, Practice Note 9, Main Market LR</p> <p>For purposes of paragraph 6.2(c) above, sustainability matters are considered material if they -</p> <p>(a) reflect the listed issuer’s significant economic, environmental and social impacts; or</p> <p>(b) substantively influence the assessments and decisions of stakeholders.</p> | <p>(c) Main Market listed issuers other than those stated above in items (a) and (b) above.</p> | <p>Annual reports issued for FYE on or after <u>31 December 2018</u></p> |

| What is required? | Who must comply? | When to comply? |
|--|--|---|
| ACE MARKET LISTED CORPORATIONS | | |
| <p>Paragraph 30, Appendix 9C, ACE Market LR</p> <p>A narrative statement of the listed corporation’s management of material economic, environmental and social risks and opportunities (“Sustainability Statement”).</p> <p>Paragraph 6.1, Guidance Note 11, ACE Market LR</p> <p>All listed corporations should ensure that the Sustainability Statement contains information that is balanced, comparable and meaningful by referring to the Sustainability Reporting Guide issued by the Exchange. In identifying the material economic, environmental and social risks and opportunities, the listed corporation should consider the themes set out in the Sustainability Reporting Guide.</p> | <p><u>ALL</u> ACE Market listed corporations</p> | <p>Annual reports issued for FYE on or after <u>31 December 2018</u></p> |

5.3 Contents of the Sustainability Statement

Paragraph 6.1, Practice Note 9 & Paragraph 6.1, Guidance Note 11

All listed issuers should ensure that the Sustainability Statement contains information that is **balanced, comparable and meaningful** by referring to the Sustainability Reporting Guide issued by the Exchange. In identifying the material sustainability matters, the listed issuer should consider the themes set out in the Sustainability Reporting Guide.

► What is a “balanced” statement?

The principle of “balance” as per the GRI Standards, states that the sustainability report should reflect both the positive and negative aspects of the organisation’s sustainability performance to enable a reasonable assessment of the overall performance. Therefore, a Sustainability Statement should reflect the following qualities:

- **Unbiased;** and
- **Avoids omissions or selective reporting** (i.e. reporting only the positive aspects and not the negative aspects such as fines and contentious issues).

This enables stakeholders to form an objective opinion.

► Application of disclosure provisions - Examples

Example disclosure 1:

An example of a balanced statement, as provided by United Plantations Berhad, an oil palm plantation company, in relation to fatalities, is set out below:

“Our aim is to avoid all incidents that put our employees at risk and to achieve zero fatalities. However, we still have some way to go. We are sad to report one workplace death in 2015 and one in 2016. Every fatality is followed by a thorough review of the cause and action undertaken to eliminate the factors involved. The deaths in 2015 and 2016 were caused by non-compliance with safety procedures. All reviews have been reinforced with continued efforts in the training and retraining on the use of appropriate protective equipment in order to minimise risks.

(Source: United Plantations Berhad, Annual Report 2016)

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Example disclosure 2:

An example of a balanced statement in relation to carbon emission, as provided by Axiata Group Berhad, a telecommunications company, is set out below:

“In 2017, our GHG emission was over 6 million tonnes CO₂e. Our largest emission is from our Indonesian operations which accounts for over 90% of total emissions. We have seen a significant increase in our annual emissions due to expansion of our network and increase in data traffic through our servers. In 2018, we will review our GHG accounting disclosure that are aligned to industry’s best practices.”

(Source: Axiata Group Berhad, Sustainability & National Contribution Report 2017)

Example disclosure 3:

Another example of a balanced statement in relation to diversity at the workplace as provided by Impahla Clothing (South Africa), a clothing manufacturer, is set out below:

“Sadly, the company experienced an incident in the year under review whereby an employee was insulted by one of our executive directors, Lena Jansen. Due process was followed by the company in dealing with this incident, the result of which was the dismissal of Lena Jansen as an employee and executive director, though she still retains her status as shareholder with 6.75% shareholding in the company (as at the time of publication).”

(Source: Impahla Integrated Annual Report 2015)

► What is a “comparable” and “meaningful” statement?

The Sustainability Statement should contain **adequate information** to enable your stakeholders to have a clear understanding of the EES risks and opportunities which are material to your business and stakeholders. It should also include measures taken to mitigate the risks and take advantage of the opportunities.

The Sustainability Statement should include the **actions taken** (and not just policies) and provide **performance data**, where possible, in relation to material sustainability matters.

Information disclosed in the Sustainability Statement should be **clear and easily understood**, avoiding jargon, where possible. Further, the information should enable comparability, where possible, **across time and possibly to other organisations**. This includes selecting, compiling and reporting information in a consistent manner. Comparability is particularly important for evaluating performance, including performance of the organisation over time as well as across the sector.

With increasing focus by investors on sustainability performance and how that is **translated into value**, you may want to quantify key impacts (positive or negative) of sustainability initiatives, for example, tracking cost savings resulting from energy reduction efforts, identifying new revenue streams arising from innovative products, measuring brand value, etc.

► Application of disclosure provisions - Examples

Example disclosure 1:

The following example illustrates a statement that explains EES risks and opportunities, and measures or actions taken to deal with them, as well as performance data.

“A secure water supply is critical to the ongoing availability of fresh food in Australia. With around 97 percent of the fresh fruit and vegetables sold in our supermarkets sourced domestically, the continued sustainability of our business is directly tied to the livelihood of local growers and farmers. Therefore, we have an obligation not to waste water.

The impact of Australia’s drought on the supply of fresh food has been severe in recent years and this situation is likely to continue well into the future. In the past 12 months, we have seen rising prices for dairy and grain-based products due to drought and water shortages, and the supply of many fruits and vegetables has also been affected.

In January 2007, we held a National Drought Action Day to raise money for Australian farming families affected by drought. With the support of customers and staff we raised \$4.7 million in donations to the Country Women’s Association. Two thirds was distributed to families needing assistance with basic household expenses and the remaining \$1.56 million will help to fund sustainable farming programs through Landcare, including:

- *Six major regional projects in South East Queensland, Liverpool Plains (NSW), Murrumbidgee (NSW), Northern agricultural catchments (Western Australia), South Australia and Tasmania.*
- *25 smaller projects clustered around the major regional projects listed above.*
- *20 farmer innovation projects awarded through a grants application process.”*

(Source: Woolworths Limited (Australia) Sustainability Strategy 2007-2015)

EES risks and opportunities which are material to the business and its stakeholders

Measures or actions taken to deal with the material sustainability matters

Example disclosure 2:

The following example, which contains both quantitative and qualitative information, illustrates a comparable and meaningful statement that would be useful to stakeholders in making their assessment of the organisation’s sustainability performance. The narrative explains the management approach (i.e. a safety intervention package) taken by the organisation in relation to its material sustainability matter (i.e. safety and health), while the quantitative data (i.e. loss time injuries) allows stakeholders to track and compare the data over time, and where possible with other similar organisations.

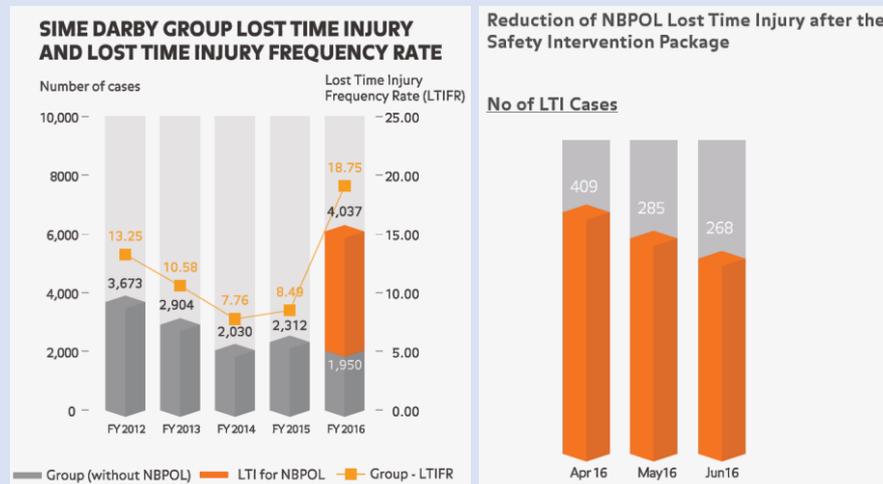
“For the year under review, the Group recorded a Lost Time Injury Frequency Rate (LTIFR) of 18.75. This indicator reflects the number of incidents occurring for every 1 million working hours. This high rate is due to integration of newly acquired operating units in New Britain Palm Oil Limited (NBPOL) which contributed to 4,037 additional Lost Time Injury (LTI) cases this year. The LTIFR for the Group without the inclusion of NBPOL was 7.18 which would have been a reduction of 15.43% from the previous year...”*

“...The Group piloted a NBPOL Safety Intervention Package at West New Britain in April 2016 which focused on addressing the site-specific risks which were identified. Key improvements introduced were:

- *protective equipment such as safety boots and gloves to mitigate sharp thorn pricks and tools cuts.*
- *equipment and training to enable them to render immediate first aid treatment to prevent further complications from injuries.*
- *work programme policy to provide opportunities for employees to return to work quickly via alternative work options.*
- *audits, validation and reviews of health delivery processes within West New Britain to ensure compliance of occupational safety and health policies and procedures.*

With the implementation of the pilot NBPOL Safety Intervention Package in West New Britain, the business unit recorded encouraging improvement in the subsequent two months. The Group plans to further expand the rollout of the NBPOL Safety Intervention Package to other business units within NBPOL.”

A narrative to introduce the purpose of management approach



Year-on-year performance data narrative to highlight area for improvement

(Source: Sime Darby Berhad, Annual Report 2016)

Paragraph 6.2 (a), Practice Note 9

In making the Sustainability Statement, a listed issuer must include disclosures on the **governance structure** in place to manage the economic, environmental and social risks and opportunities (“sustainability matters”).

► What is “governance structure”?

“Governance structure” refers to the structures an organisation has in place to ensure accountability, oversight and review in the identification and management of sustainability matters i.e. who is responsible for the organisation’s sustainability performance and disclosures.

Note:

Refer to Chapter 3, pages 20 to 22 for more details on governance structure.

► Recommended disclosures

You are encouraged to include the following information when disclosing your governance structure in the Sustainability Statement:

- (a) The role of the highest governance body (e.g. Board or sub-committees, etc.) in setting your purpose, values and strategies⁴² which incorporates sustainability considerations.
- (b) The role of the highest governance body or person (e.g. sustainability committee chaired by CEO) responsible for identifying, evaluating, monitoring and managing EES risks and opportunities.

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⁴² Guidance 1.1 of the Malaysian Code on Corporate Governance 2017 states that the Board should ensure that the strategic plan of the company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability.

► Application of disclosure provisions - Examples

Example disclosure 1:

“With the aim to fortify sustainability governance across the Group, sustainability elements have been incorporated into the MISC Board Charter to ensure that the management of matters relating to sustainability begins at the highest level within the Group. This is supported by a multi-pronged approach through the Management Committee (MC), the MISC Group Health, Safety & Environment (HSE) Council and the Sustainability Working Committees (SWCs). Working committees have been set up for each of the six sustainability pillars (Customers, Shareholders, Governance & Business Ethics, Employees, Environment and Community), with specific focus on ensuring the successful delivery and implementation of the respective strategies and initiatives for each pillar...”

“...The MISC MC is the highest decision-making authority in the Sustainability Governance Framework and is led by our President/Group CEO, Mr. Yee Yang Chien. The MC also comprises all Vice Presidents (VPs) and Senior General Managers (SGMs) of the respective BUs and SUs, as well as the CEOs of selected subsidiaries. The MISC Group HSE Council was formed to provide greater stewardship towards HSE excellence. The Council is chaired by the President/Group CEO and oversees HSE related matters within the Group.”

(Source: MISC Berhad, Sustainability Report 2016)

Example disclosure 2:

“Sustainability governance is managed under the Chief Executive Officer’s department. The Head of Communications and Sustainability oversees the daily operations of the team to meet the non-financial Key Performance Indicators (KPIs) established jointly with Telenor Group Sustainability. Sustainability KPIs are reported quarterly to the Ethics & Sustainability Forum. Chaired by the Chief Executive Officer, the forum includes the Chief Human Resource Officer, Chief Technology Officer, and Chief Corporate Affairs Officer. Ethics and Sustainability is a standing quarterly agenda for the Digi Board of Directors and Nonfinancial Reporting (NFR) data including people, social, and environmental data is collected quarterly and signed off by the Chief Financial Officer. We conduct a human rights risk assessment to identify areas where there are risks of complicity to human rights abuse once every two years. The assessment identifies areas where we promote and protect human rights in our processes, services and programmes. Findings of the assessment are addressed to the Management Team.”

(Source: DiGi.Com Berhad, Sustainability Report 2017)

Note:

As indicated on page 56, you may disclose the governance structure pertaining to sustainability in other section of the annual report, such as the CG Overview Statement or CG Report as part of the Board’s roles and responsibilities.

Paragraph 6.2 (b), Practice Note 9

In making the Sustainability Statement, a listed issuer must include disclosures on the **scope** of the Sustainability Statement and **basis for the scope**.

► What is “scope”?

“Scope” refers to the parameters or boundaries of the information being included in the Sustainability Statement. You could scope your disclosure based on:

- physical locations of the organisation (geographical boundary);
- entities within the organisation (organisational boundary); and
- operations within the entire value chain.

► Recommended disclosures

You should include the following information when disclosing the scope of the Sustainability Statement and basis of the scope:

- (a) the boundaries applied and the entities which fall within the boundaries, for example subsidiaries, associated companies, joint ventures; and
- (b) the reasons for selecting these boundaries.

► Reporting best practices for scope

1. As noted in Chapter 3, best practice suggests that an organisation’s scope cover all its operations. Scoping should not be used to exclude reporting of activities, products or facilities that have, or can have, significant sustainability impacts or negative sustainability performance.
2. Where exclusions apply, for example, due to recent acquisitions or joint venture arrangements where the other party is required to report, the disclosure should include clear details of the exclusion in addition to the basis for the scope.
3. To be comparable, you are encouraged to report information consistently and present it in a manner that allows your stakeholders to analyse changes in performance year-on-year. This includes providing clear explanations on whether there is any change in scope from previous year disclosures.

You are encouraged to also strive to expand the scope over time.

► Application of disclosure provisions - Example

Example disclosure:

“The data this year covers 24 countries: Albania, Czech Republic, Egypt, Germany, Ghana, Greece, Hungary, India, Ireland, Italy, Malta, the Netherlands, New Zealand, Portugal, Qatar, Romania, Spain, Turkey...and Tanzania.

Our sustainability reporting covers the *mobile and fixed networks* in the 24 local countries listed above and does not include our joint ventures, our associate Safaricom (Kenya) or partner networks.

Data for operations formerly owned by Cable and Wireless Worldwide and TelstraClear are included in the 2013/14 environmental footprint, but not for previous years. *Data for any acquisitions made during 2014 is not included in the environmental footprint as our policy is to publicly report performance data from newly acquired businesses at the end of their first full year as a controlled subsidiary.*”

(Source: Adapted from Vodafone Group Plc Sustainability Report 2013/14)

-  Geographical boundary
-  Operations within the value chain
-  Organisational Boundary
-  Expanded scope
-  Basis of Exclusion

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Paragraph 6.2 (c), Practice Note 9

In making the Sustainability Statement, a listed issuer must include disclosures on **material sustainability matters** and -

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

► What are material sustainability matters?

As previously defined, sustainability matters are risks and opportunities arising from EES impacts (i.e. impacts that relate to sustainability themes such as energy, diversity, human rights, etc.) of an organisation's operations and activities.

Paragraph 6.3, Practice Note 9 provides the following definition for determining material sustainability matters:

“For purposes of paragraph 6.2 (c) above, sustainability matters are considered material if they:

- (a) reflect the listed issuer's significant economic, environmental and social impacts; or*
- (b) substantively influence the assessments and decisions of stakeholders.”*

This requirement under paragraph 6.2 (c) refers to the disclosure of the sustainability matters which have been determined to be material (in the course of the prioritisation phase under the materiality assessment process⁴³ and as approved by the Board), and why they are considered material to the organisation and how the organisation manages them. The disclosure should emphasise information on the more material sustainability matters. The less material sustainability matters may be given less prominence.

Note:

Refer to Chapter 3, pages 26 - 31 for more details on the materiality assessment process.

⁴³ For the prioritisation process, please refer to Chapter 3, Phase 4: Prioritisation, of this Guide.

► Reporting best practices for identification and management of material sustainability matters

1. Disclosures relating to how your material sustainability matters are identified should include details of any stakeholder engagement undertaken.
2. Disclosures should also detail the various resources (e.g. internal and external resources such as media review, board reports, risk register, etc.) that were utilised in the identification process to inform readers of the completeness of your review.
3. Disclosures of material sustainability matters should include a description of how these matters are leading to (or have led to) a change in your business strategy and financial performance.
4. Measures and actions taken to deal with material sustainability matters should be tied back to addressing the risks or leveraging the opportunities identified by the organisation.

► Application of disclosure provisions - Examples

The following provides example disclosures for each element of the requirements under paragraph 6.2 (c), Practice Note 9. The example disclosures are based on the following three scenarios:

Scenario 1

Company XYZ is a manufacturing company. After undertaking a materiality assessment process, it has identified several material sustainability matters, one of which is risks relating to occupational safety and health.

Scenario 2

Company K is involved in manufacturing and agriculture. It has undertaken its materiality assessment process and identified several material sustainability matters, one of which is opportunities relating to energy consumption.

Scenario 3

Company Z is a bank. After undertaking a materiality assessment process, it has identified several material sustainability matters, one of which is responsible lending to business and retail customers.

I. How material sustainability matters are identified and why they are important to the listed issuer

Materiality assessment is an integral part of sustainability reporting. It provides a basis for an organisation to determine which information should be included or excluded from its sustainability disclosure in order to enable effective communication with stakeholders. Comprehensive disclosure of the materiality assessment process demonstrates an organisation's understanding of its sustainability matters and is an important yardstick for stakeholders, particularly investors to assess the quality of the organisation's management of material sustainability matters.

Example disclosure based on Scenario 1:

"We engaged with internal and external stakeholders through a series of workshops and we identified occupational safety and health as a key risk area to our business and stakeholders.

We believe that a lack of good safety and health practices may lead to incidents that would affect the health and safety of our employees, operational efficiency and reputation and in the long run, impact our profitability. Managing our employees' safety and health is particularly important given our 5-year plan for expanding into the developed markets of Australia and Europe where there is stricter compliance with, and observance of, safety and health-related legislation requirements and especially when a majority of our operations involve the usage of heavy machineries."

Example disclosure based on Scenario 2:

"We have applied AccountAbility's 5-Part Materiality Test and the 4 GRI Standards' Materiality principle to carry out a detailed materiality assessment of the sustainability matters for our business and stakeholders. We update the full list of sustainability matters and revise our prioritisation annually based on our corporate strategy and external developments.

Sources used for this process include:

- *issues identified by internal stakeholders;*
- *employee and stakeholder surveys;*
- *reviews of key sustainability concerns across our customers, non-governmental organisations (NGOs) and competitors; and*
- *a literature review to identify the key sustainability megatrends likely to affect our business.*

Through our materiality assessment, we identified 'energy consumption' as a key sustainability opportunity. We recognise that our processes are energy intensive, contributing to increased costs which are being passed on to our customers. We deploy a technology in our manufacturing process, which gives an edge to our products by enhanced quality and longer lifespan compared to our competitors. This technology, however, requires a higher input of heat energy as compared to other technologies adopted by our competitors. Therefore, it is important for us to manage a balance between ensuring the quality of our products and minimising energy consumption."

Example disclosure based on Scenario 3:

“Through our annual materiality assessment, we engage with a range of internal and external stakeholders to build a clear picture of issues that have the most potential to impact our value creation. These issues may change over time, reflecting developments in our external operating environment and the changing expectations of stakeholders. This year, stakeholders ranked responsible business lending as the issue (risks or opportunities) with the most potential to impact our business and ability to create value in the short, medium and long-term. Stakeholders spoke of the importance of engaging with our business customers to ensure the social and environmental impacts (including those related to human rights and climate change) of their operations are minimised. Our business customers also reminded us that policy changes can restrict the availability of capital, in turn potentially impacting their competitiveness and the strength of the economy, while NGOs emphasised the importance of reducing the emissions intensity of our business lending portfolio.”

II. How material sustainability matters are managed including details on policies to manage these sustainability matters

Policies are used to drive and delegate responsibility throughout the organisation and represent the organisation’s commitment to management of the sustainability matters identified. In describing the management approach, you must discuss policies that are implemented to manage each material sustainability matter (where appropriate). An example of a policy is a Code of Conduct to address risks pertaining to unethical business conduct. The following are example disclosures demonstrating how you may discuss the policies in place in your organisation:

Example disclosure based on Scenario 1:

“We have in place an occupational safety and health policy that highlights our commitment to:

- prevent injury and ill health to our employees;*
- ensure compliance to laws and regulations in relation to occupational safety and health;*
- require contractors to meet our occupational safety and health standards across all operations;*
- set targets and measures to drive occupational safety and health performance across the organisation; and*
- promote a culture where all employees share the commitment to prevent harm to the safety and health of our employees, contractors and general public.”*

Example disclosure based on Scenario 2:

“Our environmental policy guides our actions in minimising our impacts to the environment and ensuring our environmental obligations are upheld in areas where we have influence and control. Our actions are reflective of our organisation’s sustainability values - in particular, to ensure we are environmentally responsible.

Our environmental policy requires us to:

- *document the type and extent of actual and reasonably foreseeable environmental impacts associated with our activities/ operations in areas where we have influence;*
- *identify and implement (as practicable) projects that prevent and/or minimise GHG emissions associated with our activities; and*
- *implement sustainable agriculture practices that enable stakeholders in our value chain to increase production and minimise their impacts on the surrounding area.*

Our standards are designed to be complemented, as appropriate, by additional guidelines and practical tools at the local or regional level, while complying with national laws and regulations.”

Example disclosure based on Scenario 3:

“We identify and manage the risks associated with our business lending through the application of our new Responsible Lending Policy. This policy incorporates social and environmental considerations into lending decisions for all customer sectors. Relationship managers are required to respond to a broad range of social and environmental questions before the bank enters into a relationship with any customer. Our credit policy requires customer relationships to be reviewed regularly, which includes considering any social and environmental issues. All customers from all sectors shall undergo screening using our social and environmental risk screening tool, and are expected to implement appropriate stakeholder engagement strategies and plans. We have also strengthened due diligence for our customers from sensitive sectors i.e. fossil fuels. This policy also incorporates our Group’s Human Rights Standards and our zero tolerance for improper land acquisition and involuntary resettlement.”

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III. How material sustainability matters are managed including details on measures or actions taken to deal with these sustainability matters

The measures or actions taken to deal with the material sustainability matters are in essence a narrative of the organisation's response to the material sustainability matters identified through the materiality assessment process.

In developing measures or action plans to address material sustainability matters, you should consider how your material sustainability matters affect the organisation's value, business strategy and financial performance, and devise a plan which aims to mitigate the risks and realise the opportunities.

Example disclosures may include:

Example disclosure based on Scenario 1:

"We have launched health and safety programs and implemented the following measures:

- *health and safety audits are carried out at all operating sites and subsidiaries by local teams;*
- *unsafe Practices Flag is a measure implemented across the organisation to encourage a culture of self-regulation and accident prevention. Employees can produce information cards when they see an unsafe act. These cards are collated and analysed for improvement in safety practices;*
- *annual safety training is undertaken to address issues such as chemical management, fire prevention and ergonomic-related issues;*
- *promote a culture where all employees share the commitment to prevent harm to the health and safety of our employees, contractors and general public."*

Example disclosure based on Scenario 2:

"We can see some strong opportunities for our organisation to manage our energy costs. Our biogas recapturing program from our treatment plant has been used to offset the use and purchase of natural gas; we currently use the biogas in our boilers to produce the heat that powers some of our production processes.

This has provided a great opportunity for us to reduce our energy costs and at the same time has allowed us to reduce our dependence on fossil fuels and therefore our impact on the environment. This move has also contributed to the plant's energy security and demonstrates our commitment to environmental responsibility.

We have put in place measures to track the performance of our biogas recapturing systems to ensure optimal recovery rates. Furthermore, we have initiated a research and development program to identify other uses for the recaptured gas. One of the things we are considering is using it to fuel our fleet of trucks. However, we anticipate that this area still requires much research prior to realisation."

Example disclosure based on Scenario 3:

“We monitor the social and environmental risks of our corporate and institutional customers (business customers) through our monthly ‘Reputation Risk Radar’. Notable publicly-reported incidents and allegations are referred to our regular risk management meetings that consider social, environmental, governance and credit risks. Meetings are attended by our risk officers and banking relationship managers. We also rely on regular dialogue between relationship managers and their customers to alert us to issues. Where customer practices may not be consistent with our policies, we work with the customer to understand the circumstances and, where necessary, identify specific and time-bound improvement plans. If prospective or existing customers do not meet our standards and they are not willing to adapt their practices in an appropriate timeframe, we may decline financing or exit the relationship.”

IV. How material sustainability matters are managed including details on indicators relevant to these sustainability matters which demonstrate how the listed issuer has performed in managing these sustainability matters

Indicators should be identified for each material sustainability matter and disclosed accordingly. Indicators should also be normalised and if possible, disclosed against a baseline so that stakeholders can assess performance.

Please refer to **Appendix A** to this Guide for a non-exhaustive list of indicators that may be used for reporting.

Appendix A to this Guide has been included to provide a base from which you can start to consider and select relevant indicators. Most of the indicators are aligned to the GRI Standards and FTSE4Good Bursa Malaysia Index. Although you may choose to develop your own indicators, as stated earlier, indicators must be selected for each material sustainability matter identified, where possible, and should be reported consistently and be comparable year-on-year.

Indicators are only considered meaningful if they enable an organisation to measure progress, effectiveness or efficiency of the policies, measures or actions taken to manage its material sustainability matters. Well-selected indicators inform users how the organisation is managing its risks and opportunities including how the organisation is enhancing its value and moving towards achieving its business objectives.

An important element of reporting, particularly for indicators, is being clear on what is being included in the data. For example, when reporting human resources data, consider whether contractors should be included, and if so make this clear in your disclosures.

Disclosure of indicators should always be complemented by a narrative explaining the implications of each indicator.

Example disclosure based on Scenario 1:

| <i>Indicator</i> | <i>Baseline data (2016)</i> | <i>Performance in 2017</i> | <i>Annual Target</i> |
|------------------------------------|-----------------------------|----------------------------|----------------------|
| <i>Number of fatalities</i> | 0 | 1 | Zero fatalities |
| <i>Lost-time Injury Frequency*</i> | 0.86 | 0.70 | 0.65 |

* the lower the rate the better the performance

“It is with regret that we experienced a fatality this year, due to a boiler explosion accident which was indirectly caused by a failure of the automated control system, which was unprecedented in our operations. This unfortunate incident is currently under internal investigation. As a result of the fatality, we were unable to meet our lost-time Injury frequency target of 0.65. We acknowledge that we have to put in more effort to achieve our zero fatality target. In this regard, we will be conducting a review on safety and health controls at all worksites and consulting with industry leaders and practitioners to identify best practices to reduce safety and health risks.

This year, Lost-time Injury Frequency was recorded at 0.70 which is an 18 percent reduction, indicating marked improvement in performance compared to the baseline data. This improvement was achieved as a result of the safety and health programs implemented since 2015, as disclosed above.

Moving forward, in order to accomplish the desired targets, regular compliance inspections accompanied by enhancement of safety and health management system will be carried out.”

Example disclosure based on Scenario 2:

“We have set a target of reducing our reliance on the power sourced by the grid by up to 40% by 2020. We have been tracking our progress year-on-year and are proud to report that we are on track to meet our target.

This improvement is largely due to our biogas recapturing program, which contributes more than 60% of the reduction, and we are continuously reviewing our processes to further enhance the efficiency of the technology adopted.”

| <i>Year</i> | <i>2015</i> | <i>2016</i> | <i>2017</i> |
|-----------------------------|-------------|-------------|-------------|
| <i>Reduced reliance (%)</i> | 19.5 | 25 | 28 |

Example disclosure based on Scenario 3:

“We have focused on our business customers, given the impacts of their operations on overall carbon emissions. Our largest exposure remains commercial services (including, for example, buildings, food and beverage services, media and telecommunication services). Agriculture, forestry and fishing is the sector to which we have the second highest exposure. Agriculture makes a significant contribution to the national economy and we are supporting customers in rural businesses to address climate change and environmental issues such as waterway rehabilitation and water efficiency. Electricity, water and gas supply maintains an emissions intensive profile. The mining sector increased its Scope 1 emissions due to growth in the nation’s Liquefied Natural Gas production and the associated fugitive emissions.”

| <i>Exposure at default as % of Group total lending</i> | <i>Year</i> | | |
|--|--------------|--------------|--------------|
| | <i>2015</i> | <i>2016</i> | <i>2017</i> |
| <i>Consumer lending</i> | <i>57.6%</i> | <i>58.2%</i> | <i>58.1%</i> |
| <i>Agriculture, forestry, fishing</i> | <i>20.9%</i> | <i>21.3%</i> | <i>21.2%</i> |
| <i>Electricity, gas and water supply</i> | <i>10.7%</i> | <i>10.9%</i> | <i>9.3%</i> |
| <i>Mining</i> | <i>10.8%</i> | <i>9.7%</i> | <i>11.4%</i> |

Note:

Refer to Chapter 3, page 32 for more details on managing material sustainability matters.

5.4 Link to other disclosures required under the Listing Requirements

Under the Listing Requirements, listed issuers are required to make a CG Overview Statement, CG Report and a Statement of Risk Management and Internal Control⁴⁴. If you have incorporated the relevant sustainability disclosures in your CG Overview Statement or CG Report (e.g. the governance structure disclosure required under paragraph 6.2 (a) of Practice Note 9), or Statement of Risk Management and Internal Control (e.g. the management of material sustainability matters required under paragraph 6.2 (c) of Practice Note 9), you should state clearly in your Sustainability Statement, where such disclosures can be found.

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⁴⁴ As required under paragraph 15.26(b) of the Listing Requirements.

APPENDIX A: SELECTING YOUR THEMES AND INDICATORS

Paragraph 6.2 (c) of Practice Note 9 requires listed issuers to disclose material sustainability matters, how they are identified, why they are important and how they are managed. This section provides a range of themes and indicators to assist you in disclosing the material sustainability matters.

These are broad-ranging themes that stakeholders would often expect to see in sustainability disclosures. Some of these themes have been adapted from the GRI Standards and FTSE4Good. The list of commonly-used themes and indicators, although detailed, is not exhaustive. Organisations are strongly encouraged to consider the themes and indicators included in the SDGs when disclosing their material sustainability matters and setting targets. International guidelines e.g. the GRI Standards, United Nations Guiding Principles Reporting Framework (in relation to human rights) etc. may also be referred to for more themes and indicators (including measurement metrics and units) that may be relevant to your organisation. In addition, specific indicators have also been included to cater for a range of specific sectors (i.e. major sectors) in Malaysia (a list of which is set out below for guidance). The applicability of the themes and indicators to the relevant sectors has been stated in the fourth column of the Table of Themes and Indicators. Nevertheless, you should assess if these indicators are actually relevant to your organisation.

| Sector | Includes: |
|-------------------------------------|---|
| Construction and real estate | Organisations that engage in the construction of any form of structure including buildings, roads and rails. Also includes organisations that invest directly or indirectly in real estate through management or ownership. |
| Consumer goods | Organisations that manufacture materials or components into new products and/or market and distribute them for consumer use (e.g. food & beverage, breweries, tobacco, textiles and related products, furniture and fittings, household, healthcare) |
| Financial services | Organisations that provide services and activities including obtaining and redistributing funds, in the form of deposits by Central Banks and other monetary institutions, insurance and other activities auxiliary to financial intermediation. |
| Manufacturing | Includes the following manufacturing industries: <ul style="list-style-type: none"> ▪ Automotive; ▪ Biotechnology; ▪ Building materials; ▪ Chemical and chemical products; ▪ Computer hardware/software; ▪ Electrical & electronics; ▪ Engineering support; ▪ Iron and steel industries; ▪ Machinery and equipment; ▪ Medical equipment; ▪ Metal (basic and fabricated); ▪ Paper and paper products; ▪ Rubber products; ▪ Shipbuilding and repair; ▪ Textiles (for industrial use); ▪ Wood and wood products. |
| Plantations | Organisations that engage in the cultivation, planting and/or replanting of crops. |
| Oil & gas | Organisations that engage in exploration and production, midstream activities, refining and marketing of oil and gas. |
| Technology | Organisations that provide information technology solutions and services. |

| Sector | Includes: |
|--------------------|---|
| Telecommunications | Organisations that engage in the establishment, maintenance and provision of telecommunications and related services |
| Utilities | Organisations that engage in the provision or usage of public utility services such as: <ul style="list-style-type: none"> ▪ Electricity: generation, transmission, distribution and sales of electricity ▪ Gas: sale and distribution of natural gas ▪ Water and sewerage: water treatment, supply and distribution and waste management. |

The inclusion of the sectors above serves the purpose of informing listed issuers of potential material sustainability matters that are common to their sector. This does not discount the possibility of the same sustainability matters occurring in other sectors.

Where indicated in the list of themes and indicators, “all sectors” refer to the sectors listed above, and may also encompass other sectors, including the following:

| Sector | Includes: |
|---|---|
| Agriculture (other than plantations), aquaculture, fishing and forestry | Organisations that engage in the following activities: <ul style="list-style-type: none"> ▪ Land farming of animals; ▪ Aqua farming of animals and plants; ▪ Growing, harvesting and logging of timber. |
| Trading/Services | Organisations that engage in distribution of products and provision of services other than financial services, e.g. banking and insurance, including: <ul style="list-style-type: none"> ▪ Advertising and marketing; ▪ Biotechnology; ▪ Cable and satellite; ▪ Education; ▪ Food and beverage; ▪ Healthcare; ▪ Hotel, leisure and entertainment; ▪ Media production and distribution; ▪ Port; ▪ Postal and courier services; ▪ Professional services (e.g. engineering consultancy, real-estate management, employment services). |
| Transportation | Companies that engage in road transportation, rail transportation, airline, shipping and freight and logistics |

Legend:

■ GRI Standards ■ FTSE4Good ■ TCFD Recommendations

Notes:

- (i) The definitions provided for each theme have been drawn from local legislation as well as international reporting guidelines (e.g. the GRI Standards), unless otherwise stated.
- (ii) Global and industry performance frameworks have been considered in developing the list of themes. These include the United Nations Global Compact, International Petroleum Industry Environmental Conservation Association (IPIECA) and RSPO. Finally, trends in reporting of themes by sector (both looking at local and international reporting) have also been incorporated, where appropriate.
- (iii) Further guidance on the themes and indicators drawn from the GRI Standards are available at <https://www.globalreporting.org/standards/>
- (iv) Further guidance on sector specific information is available at_
 - www.globalreporting.org/resourcelibrary/sustainability-topics.pdf
 - <https://www.globalreporting.org/information/sector-guidance/sectorguidanceG4/Pages/default.aspx>
- (v) Further guidance on the TCFD Recommendations is available at
 - <https://www.fsb-tcdf.org/publications/final-recommendations-report/>
- (vi) Further guidance on the SDGs is available at
 - <https://sdgcompass.org/>
 - https://www.unglobalcompact.org/docs/publications/Practical_Guide_SDG_Reporting.pdf
 - https://www.unglobalcompact.org/docs/publications/GRI_UNGC_SDG_Reporting_An_Analysis_of_Goals_and_Targets_2017.pdf
 - https://www.unglobalcompact.org/docs/publications/Addressing-investor-needs-SDGs-reporting_2018.pdf

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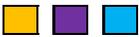
TABLE OF THEMES AND INDICATORS

| Themes | Definition | Indicators | Guidance on applicability | on sector | References (to the Toolkits and external references) |
|--|--|--|---------------------------|-----------|--|
| Economic | | | | | |
| Procurement practices  | Spending on local suppliers at significant location of operations. | Percentage of the procurement budget used for significant locations of operation spent on suppliers local to that operation | All sectors | | Refer to: • Toolkit: Themes and Indicators - Procurement Practices • GRI: 204-1 • SDGs:  |
| Community investment  | Voluntary contributions made by an organisation to enhance socio-economic benefits and create a positive social impact. | Total amount invested in the community where the target beneficiaries are external to the entity (e.g. not-for-profit organisations) | All sectors | | Refer to: • Toolkit: Themes and Indicators - Community Investment • GRI: 201-1 • SDGs:  |
| Indirect economic impact  | Indirect economic impacts are additional consequences of the direct impact of financial transactions and the flow of money between an organisation and its stakeholders. ⁴⁵ | Report the current or expected impacts on communities and local economies - both relevant positive and negative impacts | All sectors | | Refer to: • Toolkit: Themes and Indicators - Indirect Economic Impact • GRI: 203-1 • SDGs:  |
| Climate-related financial risks and opportunities ⁴⁶  | Potential positive and negative impacts of climate change on an organisation. | See below themes referring to the TCFD recommendations. | All sectors | | Refer to: • TCFD Recommendations |

| Themes | Definition | Indicators | Guidance on sector applicability | References (to the Toolkits and external references) |
|--|--|---|----------------------------------|--|
| Economic | | | | |
| Responsible / sustainable lending  | An approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns. | Percentage of loans issued that meet responsible lending criteria such as the UNEP FI Principles for Responsible Banking. | Financial | Refer to: <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Indirect Economic Impact • http://www.unepfi.org/banking/bankingprinciples/ • Implementation Guide for Value Based Intermediation • TCFD Recommendations • SDGs:  |

⁴⁵ For example, the practice of employing workers from local communities by oil and gas operations along the east coast of Peninsula Malaysia may indirectly contribute to the development of community and economy in the area.

⁴⁶ Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g., sea level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations. Efforts to mitigate and adapt to climate change can produce opportunities for organisations, such as through resource efficiency and cost savings, the adoption and utilization of low-emission energy sources, the development of new products and services, and building resilience along the supply chain (Source: TCFD)

| Themes | Definition | Indicators | Guidance on sector applicability | References (to the Toolkits and external references) |
|--|--|---|---|--|
| Environmental | | | | |
| <p>Emissions</p>  | <p>Emissions refer to the discharge of environmentally hazardous substances (e.g. dust, dark smoke, emissions with metallic compounds) into the atmosphere. (This definition is in accordance with the schedules as provided in the Environmental Quality Act (Clean Air) Regulations 2014).</p> <p>Emissions also encompasses discharge of greenhouse gas (e.g. carbon dioxide (CO₂), methane, nitrous oxide, etc.).</p> | <p>Scope 1 emissions in tonnes of CO₂e</p> | <ul style="list-style-type: none"> • Construction and real estate • Consumer goods • Manufacturing • Oil & gas • Plantation • Telecommunications • Utilities | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Emissions • GRI: 305-1 • http://www.ghgprotocol.org/ • Environmental Quality Act (Clean Air) Regulations 2014 • TCFD Recommendations • SDGs:  <ul style="list-style-type: none"> • Palm oil producers could also refer to http://www.rspo.org/certification/palm-ghg-calculator |

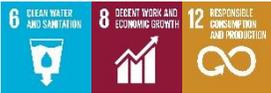
| Themes | Definition | Indicators | Guidance applicability on sector | References (to the Toolkits and external references) |
|----------------------|------------|--|----------------------------------|--|
| Environmental | | | | |
| | | Scope 2 emissions in tonnes of CO ₂ e | All sectors | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Emissions • GRI: 305-2 • http://www.ghgprotocol.org/ • Environmental Quality Act (Clean Air) Regulations 2014 • TCFD Recommendations • SDGs:  <ul style="list-style-type: none"> • Palm oil producers could also refer to http://www.rspo.org/certification/palm-ghg-calculator |
| | | Scope 3 emissions in tonnes of CO ₂ e | All sectors | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Emissions • GRI: 305-3 • https://ghgprotocol.org/scope-3-evaluator • Environmental Quality Act (Clean Air) Regulations 2014 • TCFD Recommendations • SDGs:  <ul style="list-style-type: none"> • Palm oil producers could also refer to http://www.rspo.org/certification/palm-ghg-calculator |

| Themes | Definition | Indicators | Guidance on sector applicability | References (to the Toolkits and external references) |
|----------------------|------------|--|---|---|
| Environmental | | | | |
| | | NO _x emissions in g/Nm ³ per product or operating hour | <ul style="list-style-type: none"> • Construction and real estate • Consumer goods • Manufacturing • Oil & gas • Plantation • Telecommunications • Utilities | Refer to: <ul style="list-style-type: none"> • Toolkit: Themes and Indicators -- Emissions • GRI: 305-7 • http://www.ghgprotocol.org/ • Environmental Quality Act (Clean Air) Regulations 2014 • TCFD Recommendations • SDGs:  |
| | | SO _x emissions in g/Nm ³ per product or operating hour | <ul style="list-style-type: none"> • Construction and real estate • Consumer goods • Manufacturing • Oil & gas • Plantation • Telecommunication • Utilities | Refer to: <ul style="list-style-type: none"> • Toolkit: Themes and Indicators -- Emissions • GRI: 305-7 • http://www.ghgprotocol.org/ • Environmental Quality Act (Clean Air) Regulations 2014 • TCFD Recommendations • SDGs:  |

| | | | | |
|---|---|---|---|--|
| | | <p>Particulate emissions (mg) per operating hour (from measurement)</p> | <ul style="list-style-type: none"> • Construction and real estate • Manufacturing • Oil & gas • Plantation • Utilities | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Emissions • GRI: 305-7 • RSPO, Principle 7.10 • Environmental Quality Act (Clean Air) Regulations 2014 • TCFD Recommendations <p>• SDGs:</p>  |
| <p>Waste and effluent</p>  | <p>Waste is broken down into hazardous and non-hazardous waste, where hazardous waste is governed by local environmental regulations i.e. the Environmental Quality (Scheduled Wastes) Regulations 2005.</p> <p>Non-hazardous waste includes general waste such as paper and plastic.</p> <p>Effluent is defined as any liquid that is disposed as waste or wastewater.</p> | <p>Total volume of effluent generated</p> | <ul style="list-style-type: none"> • Construction and real estate • Consumer goods • Manufacturing • Oil & gas • Plantation • Utilities | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Waste and effluent • GRI: 306-1 • Environmental Quality (Industrial Effluent) Regulations 2009 <p>• SDGs:</p>  |
| | | <p>Total weight or volume of hazardous waste generated and method of disposal</p> | <ul style="list-style-type: none"> • Construction and real estate • Consumer goods • Manufacturing • Oil & gas • Plantation • Telecommunications • Utilities | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Waste and effluent • GRI: 306-2 • Environmental Quality (Scheduled Wastes) Regulations 2005 - Schedule 5 <p>• SDGs:</p>  |

| | | | | |
|--|--|---|---|--|
| | | <p>Total weight or volume of non-hazardous waste generated and method of disposal</p> | <ul style="list-style-type: none"> All sectors | <p>Refer to:</p> <ul style="list-style-type: none"> Toolkit: Themes and Indicators - Waste and effluent GRI: 306-2 SDGs:  |
| | | <p>Total weight or volume of waste sent to landfill for disposal</p> | <ul style="list-style-type: none"> Construction and real estate Consumer goods Manufacturing Oil & gas Plantation Telecommunications Utilities | <p>Refer to:</p> <ul style="list-style-type: none"> Toolkit: Themes and Indicators - Waste and effluent GRI: 306-2 Environmental Quality (Scheduled Wastes) Regulations 2005 - Schedule 5 SDGs:  |
| | | <p>Ratio of waste to production</p> | <ul style="list-style-type: none"> Consumer goods | <p>Refer to:</p> <ul style="list-style-type: none"> Toolkit: Themes and Indicators - Waste and effluent GRI: 306-2 http://www.theconsumergoodsforum.com/ SDGs:  |

| | | | | |
|--|---|----------------------|--|--|
| | <p>Ratio of waste (e.g. empty fruit bunches; kernels) repurposed and disposed</p> | <p>Plantation</p> | | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Waste and effluent • GRI: 306-2 • RSPO, Principle 7.3 • SDGs:  |
| | <p>Amount of drilling waste and strategies for treatment and disposal</p> | <p>Oil & gas</p> | | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Waste and effluent • GRI: 306-2 • GRI Sector Disclosures: Oil and Gas, OG7 (page 47) • SDGs:  |
| | <p>Oil spills</p> | <p>Oil & gas</p> | | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Waste and effluent • GRI: 306-3 • GRI Sector Disclosures: Oil and Gas, OG7 (page 26) • http://www.ipieca.org/resources/good-practice/oil-spill-preparedness-and-response-an-introduction/ • SDGs:  |

| | | | | |
|--|---|---|--|---|
| | | <p>Amount of electronic waste (e-waste) disposed e.g. mobile phones, computers etc.</p> | <ul style="list-style-type: none"> • Technology • Telecommunications | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Waste and effluent • GRI: 306-2 • SDGs:  |
| <p>Water</p>  | <p>Considers consumption and efficiency of water usage for industrial processes and general purposes.</p> | <p>Total volume of water used</p> | <p>All sectors</p> | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Water • GRI: 303-5 • https://www.cdp.net/water • TCFD Recommendations • SDGs:  |
| | | <p>Percentage of water recycled and reused</p> | <p>All sectors</p> | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Water • TCFD Recommendations • GRI: 303-1 • https://www.cdp.net/water • SDGs:  |

| | | | | |
|--|---|--|--------------------|--|
| | | Water usage per product / output | All sectors | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Water • TCFD Recommendations • https://www.cdp.net/water • SDGs:  |
| | | Description of how the organisation interacts with water, and the water-related impacts caused or contributed to, or directly linked to the organisation's operations. | | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Water • TCFD Recommendations • GRI: 303-1 • https://www.cdp.net/water • SDGs:  |
| <p>Energy</p>  | <p>Considers the efficient use and consumption of electricity as well as energy generated from renewable sources.</p> | <p>Total energy consumed (kWh/MWh)</p> | <p>All sectors</p> | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Energy • TCFD Recommendations • GRI: 302-1 • http://www.ghgprotocol.org/ • SDGs:  |

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| | <p>Amount of reduction in energy consumption achieved as a result of conservation and efficiency initiatives</p> | <p>All sectors</p> | | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Energy • TCFD Recommendations • GRI: 302-4 • TCFD Recommendations • SDGs:  |
| | <p>Energy intensity - kWh/MWh per product / output / employee / man-hours / square meter</p> | <p>All sectors</p> | | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Energy • GRI: 302-3 • TCFD Recommendations • SDGs:  <ul style="list-style-type: none"> • Oil & gas sector could also refer to http://www.ipieca.org/our-work/climate-energy/ |

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| | <p>Alternative energy research (e.g. wind, biomass, solar, clean fuels, other climate change- related matters) including investment amount and plans</p> | <p>Oil & gas</p> | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Energy • GRI Sector Disclosures: Oil and Gas, OG2 (page 42) • TCFD Recommendations • http://www.ipieca.org/our-work/climate-energy/ • SDGs:  |
| | <p>Use of renewable energy (kWh/MWh)</p> | <ul style="list-style-type: none"> • Construction and real estate • Consumer goods • Manufacturing • Oil & gas • Plantation • Telecommunications • Utilities | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Energy • GRI: 302-1 • TCFD Recommendations • SDGs:  |
| | <p>Total energy produced (kWh/MWh)</p> | <ul style="list-style-type: none"> • Plantation • Utilities | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Energy • GRI Sector Disclosure: Electric Utilities, EU2 (page 29) • SDGs:  |

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| <p>Biodiversity</p>  | <p>Relates to the identification and assessment of risk associated with biodiversity by reporting on the potential impact on terrestrial, fresh water and marine environment that lies within, contains, or is adjacent to areas with high biodiversity value.</p> | <p>Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored (e.g. terrestrial, fresh water and marine environment for oil & gas sector)</p> | <p>Oil & gas</p> | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Biodiversity • http://www.ipieca.org/our-work/environment/bes-issue-management/ • GRI Sector Disclosures: Oil and Gas, OG 4 (page 44) • SDGs:  |
| | | <p>Areas of High Conservation Value avoided</p> | <ul style="list-style-type: none"> • Plantation • Oil & gas • Utilities | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Biodiversity • http://www.ipieca.org/our-work/environment/bes-issue-management/ • RSPO, Principle 7.12 • SDGs:  |
| | | <p>Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas</p> | <ul style="list-style-type: none"> • Plantation • Oil & gas • Utilities • Construction & Real Estate | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Biodiversity • GRI: 304-2 • http://www.ipieca.org/our-work/environment/bes-issue-management/ • SDGs:  |

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| | | <p>Habitats protected or restored (Qualitative disclosure)</p> | <ul style="list-style-type: none"> • Plantation • Oil & gas • Utilities • Construction & Real Estate | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Biodiversity • GRI: 304-3 • GRI Sector Disclosure: Electric Utilities, EU13 (page 40) • http://www.ipieca.org/our-work/environment/bes-issue-management/ • SDGs:  |
| <p>Supply Chain (Environmental)</p>  | <p>All significant environmental impacts observed or assessed in the supply chain in relation to products and services produced and/or offered.</p> | <p>Assessment of new and existing suppliers to identify environmental impacts (e.g. resource use, waste management, impact on biodiversity, etc.)</p> <hr/> <p>Results of supplier monitoring/auditing</p> <hr/> <p>Actions on supplier's non-compliance to supplier's environmental impacts assessment (e.g. training and communications)</p> | <ul style="list-style-type: none"> • Construction and real estate • Consumer goods • Manufacturing • Oil & gas • Plantation • Telecommunications • Utilities • Construction and real estate • Consumer goods • Manufacturing • Oil & gas • Plantation • Telecommunications • Utilities | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators -: Supply Chain • GRI: 308-1, 308-2 • TCFD Recommendations • http://www.theconsumergoodsforum.com/ • https://www.cdp.net/en/supply-chain • https://www.bsr.org/en/our-insights/report-view/key-performance-indicators-for-responsible-sourcing • SDGs:  |

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| <p>Product and Services Responsibility (Environmental)</p>  | <p>The environmental impact of products and services in the course of their lifecycle, (including product design, development, testing, etc.).</p> | <p>Product stewardship (product’s impact on the environment)</p> | <ul style="list-style-type: none"> • Construction and real estate • Consumer goods • Manufacturing • Oil & gas • Plantation • Telecommunications • Utilities | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Products and Services Responsibility • GRI: 301, 302, 305 • SDGs:  |
| | | <p>Benzene, lead and sulfur content in fuels</p> | <p>Oil & gas</p> | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Products and Services Responsibility • GRI Sector Disclosures: Oil and Gas, QG8 (page 27) • SDGs:  |
| | | <p>Product innovation to reduce impacts (e.g. eco-friendly, less chemicals/toxic substances, etc.)</p> | <ul style="list-style-type: none"> • Construction and real estate • Consumer goods • Manufacturing • Oil & gas • Plantation • Telecommunications • Utilities | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Products and Services Responsibility • GRI: 301, 302, 305 • http://www.theconsumergoodsforum.com/ • https://www.cdp.net/en/supply-chain • TCFD Recommendations • SDGs:  |

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| <p>Materials</p>  | <p>Materials are components used as inputs in the production of goods. This theme encompasses the sourcing and composition of materials used in the production of goods (and packaging). It discusses the practice and commitment to responsible sourcing and management of materials, and how these were given consideration in the fabrication of a product.</p> | <p>Ratio of raw materials sourced from sustainable sources</p> | <ul style="list-style-type: none"> • Consumer goods • Manufacturing • Plantation | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Materials • GRI: 301-1 • RSPO Principles • SDGs:  |
| | | <p>Policies and commitment to certified raw materials sourcing</p> | <ul style="list-style-type: none"> • Consumer goods • Manufacturing • Plantation | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Materials • http://www.theconsumergoodsforum.com/ • https://www.cdp.net/en/supply-chain • https://ic.fsc.org/en/what-is-fsc-certification/requirements-guidance • TCFD Recommendations • SDGs:  |
| | | <p>Materials used by weight or volume</p> | <ul style="list-style-type: none"> • Consumer goods • Manufacturing • Plantation | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Materials • GRI: 301-1 • SDGs:  |

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| | | <p>Percentage of recycled input materials</p> | <ul style="list-style-type: none"> • Consumer goods • Manufacturing • Plantation | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Materials • GRI: 301-2 • SDGs:  |
| <p>Compliance (Environmental)</p>  | <p>Compliance identifies the adherence of an organisation’s activities to relevant laws and guidelines. It outlines an organisation’s degree of observance to laws and guidelines governing its business, as well as efforts undertaken in assessing the anticipated environmental impact of its activities.</p> | <p>Total monetary value of fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations</p> | <ul style="list-style-type: none"> • Construction and real estate • Consumer goods • Manufacturing • Oil & gas • Plantation • Telecommunications • Utilities | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Compliance • GRI: 307-1 • SDGs:  |
| <p>Land remediation, contamination or degradation</p>  | <p>Land contamination may adversely affect or render land unproductive. Contamination may occur as a result of the current or prior activity of the organisation or its previous occupier. Contamination may be of natural origin, in various states (solid, liquid or gas), and may affect soil quality (degradation) and its surrounding ecological and environmental receptors.</p> <p>Land remediation, on the other hand, refers to the efforts taken to remove or reduce pollutants or contaminants in the soil.</p> | <p>Land remediated or in need of remediation for the existing or intended land use, according to applicable legal designations</p> | <ul style="list-style-type: none"> • Construction and real estate • Plantation | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Land remediation, contamination or degradation • TCFD Recommendations • GRI Sector Disclosures: Construction and Real Estate Sector, CRE5 (page 74). • TCFD Recommendations • SDGs:  |

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| | <p>This theme requires disclosure on the management of soil quality and initiatives assumed in the remediation of contaminated land.</p> | <p>Number of operations for the year and how many have conducted environmental impact assessments.</p> | <ul style="list-style-type: none"> • Plantation • Oil & Gas • Construction & Real Estate • Manufacturing • Utilities | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Land remediation, contamination or degradation • GRI: 413-1 • SDGs:  |
| | <p>Disclosure on current practice and soil management strategy</p> | <p>Plantation</p> | <p>Plantation</p> | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Land remediation, contamination or degradation • RSPO, Principles 7.4 and 7.5 • SDGs:  |
| | <p>Number of sites that have been decommissioned and sites that are in the process of being decommissioned</p> | <p>Oil & gas</p> | <p>Oil & gas</p> | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Land remediation, contamination or degradation • GRI Sector Disclosures: Oil and Gas, OG11 (page 51) • TCFD Recommendations • SDGs:  |

| Themes | Definition | Indicators | Guidance on sector applicability | References (to the Toolkits and external references) |
|--|--|---|---|--|
| Social | | | | |
| Diversity  | Diversity, specifically in the workforce, management and the Board is characterized by the gender, age, etc. | The percentage of employees per employee category in each of the following diversity categories: (a) gender; (b) age group; (c) ethnicity; and (d) disability | All sectors | Refer to: • Toolkit: Themes and Indicators - Diversity • GRI: 405-1 • SDGs:  |
| | | The percentage of directors in each of the following diversity categories: (a) gender; (b) age group; (c) ethnicity; and (d) disability | All sectors | Refer to: • Toolkit: Themes and Indicators - Diversity • GRI: 405-1 • SDGs:  |
| | | Ratio of foreign to local hire of low-skilled workers | <ul style="list-style-type: none"> • Construction and real estate • Consumer goods • Manufacturing • Oil & gas • Plantation • Telecommunications • Utilities | Refer to: • Toolkit: Themes and Indicators - Diversity • International Labour Organisation • SDGs:  |

| Themes | Definition | Indicators | Guidance on sector applicability | References (to the Toolkits and external references) |
|---|---|---|----------------------------------|--|
| Social | | | | |
| | | Employment arrangement - local and foreign | All sectors | Refer to: <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Diversity • International Labour Organisation • SDGs:  |
| Human Rights  | In accordance with the United Nations Universal Declaration on Human Rights, this is defined as/to include: <ul style="list-style-type: none"> • the right to not be discriminated against; • not be enslaved; • be treated with dignity; • have the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay; and • the right to freedom of opinion and expression. | Percentage of employees trained in human rights policies or procedures concerning aspects of human rights that are relevant to operations | All sectors | Refer to: <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Human Rights • GRI: 412-2 • SDGs:  |

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| | <p>Percentage of existing and new suppliers assessed for human rights policies and practices.</p> | <p>All sectors</p> | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Human Rights • GRI: 414-2 • SDGs: |
| | <p>Number of discrimination incidents</p> | <p>All sectors</p> | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Human Rights • GRI: 406-1 • SDGs: |
| | <p>Number of child labour incidents</p> | <ul style="list-style-type: none"> • Construction and real estate • Consumer goods • Manufacturing • Plantation • Utilities | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Human Rights • GRI: 408-1 • SDGs: |



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| | | <p>Measures taken to support freedom of association</p> | <ul style="list-style-type: none"> All sectors | <p>Refer to:</p> <ul style="list-style-type: none"> Toolkit: Themes and Indicators - Human Rights GRI: 407-1 SDGs:  |
| | | <p>Number of grievances about human rights issues</p> | <ul style="list-style-type: none"> Construction and real estate Consumer goods Manufacturing Plantation Utilities | <p>Refer to:</p> <ul style="list-style-type: none"> Toolkit: Themes and Indicators - Human Rights GRI: 103-2, Clause 1.8 SDGs:  |
| | | <p>Number of forced or compulsory labour incidents</p> | <ul style="list-style-type: none"> Construction and real estate Consumer goods Manufacturing Plantation Utilities | <p>Refer to:</p> <ul style="list-style-type: none"> Toolkit: Themes and Indicators - Human Rights GRI: 409-1 SDGs:  |

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| | | Percentage of investment agreements that underwent human rights screening | <ul style="list-style-type: none"> Financial services Construction and real estate Oil and gas Utilities | Refer to: <ul style="list-style-type: none"> Toolkit: Themes and Indicators - Human Rights GRI: 412-3 http://www.global-business-initiative.org SDGs:  |
| Occupational Safety and Health  | In accordance with the International Labour Organisation, occupational safety and health refers to the anticipation, recognition, evaluation and control of hazards arising in or from the workplace that could impair the health and well-being of workers. | Percentage of workers undergoing safety and health training per annum | All sectors | Refer to: <ul style="list-style-type: none"> Toolkit: Themes and Indicators - Occupational Safety and Health GRI: 403-5 SDGs:  |
| | | Number of work-related injuries per annum | All sectors | Refer to: <ul style="list-style-type: none"> Toolkit: Themes and Indicators - Occupational Safety and Health GRI: 403-2 Register of Occupational Accidents, Dangerous Occurrence, Occupational poisoning and Occupational Disease - JKKP 8 for annual submission to DOSH SDGs:  |
| | | Rate of work-related injuries per annum | | |
| | | Number of work related fatalities (includes employees and contractors) | | |
| | | Accident frequency rate | | |
| Severity rate | | | | |

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| | | <p>Number and percentage of workers undergoing health surveillance</p> | <p>All sectors</p> | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Occupational Safety and Health • Factories and Machineries Act 1967 • SDGs:   |
| | | <p>Brief description of the Health, Safety and Environment (“HSE”) organisational chart and the HSE Committee (if available) at the work site</p> | <p>All sectors</p> | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Occupational Safety and Health • Refer to OSHA 1994 • SDGs:   |
| <p>Anti-competitive behavior</p>  | <p>Concerning ethical business practices without affecting consumer choice, pricing, and market efficiency.</p> | <p>Number of legal actions pending or completed regarding anti-competitive behavior</p> | <p>All sectors</p> | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Anti-competitive behaviour • GRI: 206-1 • Competition Act 2010 • SDGs:  |

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| <p>Anti-corruption</p>  | <p>In accordance with Transparency International Malaysia, corruption is defined as the abuse of entrusted power for private gain. This theme discusses activities that promote transparency and guard against various forms of corruption (e.g. bribery, extortion, fraud, undue pressure or influence, and collusion / anti-competitive behavior).</p> | <p>Percentage of employees that have received training on anti-corruption by employee category</p> | <p>All sectors</p> | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Anti-corruption • GRI: 205-2 • SDGs:  |
| | | <p>Percentage of operations assessed for risks related to corruption</p> | <p>All sectors</p> | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Anti-corruption • GRI: 205-1 • SDGs:  |
| <p>Labour practices</p>  | <p>The fair treatment of employees with regard to terms and conditions of employment and developments of employee's skills and knowledge.</p> | <p>Average hours of training per annum per employee by employee category</p> | <p>All sectors</p> | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Labour practices • GRI: 404-1 • SDGs:  |
| | | <p>Total number of employee turnover (broken down by employee type) during the reporting period, by:</p> <ul style="list-style-type: none"> (a) age group (b) gender (c) disability | <p>All sectors</p> | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Labour practices • GRI: 401-1 • Employment Act 1955 • SDGs: |

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| | | Rate of employee turnover (broken down by employee type) during the reporting period, by: (a) age group (b) gender (c) disability | All sectors |   |
| | | Employee benefits | All sectors | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Labour Practices • GRI: 401-2 • Employment Act 1955 • SDGs:   |
| Society  | Relates to the impacts organisations have on society and local communities. | Initiatives to improve access of financial services to disadvantaged people | Financial services | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Society • GRI Sector Disclosures: Financial Services, FS14 (page 24) • SDGs:      |

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| | <p>Disclosure of social impact assessment (SIA) performed (if any) and current practices in order to mitigate negative impacts</p> | <p>Plantations</p> | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Society • RSPO, Principles 1.1, 5.1 and 3.4 • SDGs:  |
| | <p>Number of people physically or economically displaced and compensated, broken down by utility project</p> | <p>Utilities</p> | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Society • GRI Sector Disclosure: Electric Utilities, EU22 (page 49) • SDGs:  |
| | <p>Operations where involuntary resettlement took place, the number of households resettled in each, and how their livelihoods were affected in the process</p> | <ul style="list-style-type: none"> • Oil and gas • Plantation | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Society • GRI Sector Disclosures: Oil and Gas, OG12 (page 52) • SDGs:  |

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| Product and Services Responsibility (Social)  | The impact of products and services on the wellbeing of society, including privacy, health and safety. | Number of complaints | All sectors | Refer to: <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Products and Services Responsibility • GRI: 418-1 • SDGs:   |
| | | Customer relationship management (grievance mechanism) | All sectors | Refer to: <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Products and Services Responsibility • GRI: 103-2, Clause 1.8 • SDGs:  |
| | | Transparency in product information and labelling | <ul style="list-style-type: none"> • Consumer goods • Financial services | Refer to: <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Products and Services Responsibility • GRI: 417-1 • GRI Sector Disclosures: Financial Services, G4-DMA - Product Responsibility (Product and Service Labelling) (page 25) • Bank Negara Malaysia's Guidelines on Introduction of New Products • GRI Sector Disclosures: Food Processing, G4-DMA - Product Responsibility (Product and Service Labelling) (page 33) • http://www.theconsumergoodsforum.com/ • SDGs: |

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| | | Number of incidents of cyber attacks | All sectors | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Products and Services Responsibility • Information Security Forum • SDGs:   |
| | | Product adherence to chemical content/ composition specification | <ul style="list-style-type: none"> • Consumer goods • Manufacturing | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Products and Services Responsibility • http://www.theconsumergoodsforum.com/ • SDGs:  |
| | | Health risks from exposure to electromagnetic radiation from use of products and services | Technology | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Products and Services Responsibility • SDGs:    |

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| | | Ingredients used in personal care products | Consumer goods | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Products and Services Responsibility • http://www.theconsumergoodsforum.com/ • SDGs:  |
| | | Financial literacy | Financial services | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Products and Services Responsibility • GRI Sector Disclosures: Financial Services, G4-DMA - Product Responsibility (Product and Service Labelling) (page 26) • SDGs:  |
| <p>Supply Chain (Social)</p>  | <p>Chain</p> <p>Relates to significant and potential social impacts on society in the supply chain.</p> | Assessment of new and existing suppliers to identify existing or potential negative social impacts | All sectors | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: Themes and Indicators - Supply Chain • GRI: 414-1, 414-2 • SDGs:  |
| | | Results of supplier monitoring/auditing | | |
| | | Actions on supplier's non-compliance to social impacts assessment | | |

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| <p>Compliance (Social)</p>  | <p>Compliance identifies the adherence of an organisation's activities to relevant laws and guidelines.</p> <p>It outlines an organisation's degree of observance to laws and guidelines governing its business, as well as efforts undertaken in assessing the anticipated impact of its activities.</p> | <p>Total monetary value of fines and total number of non-monetary sanctions for non-compliance with laws and regulations</p> | <p>All sectors</p> | <p>Refer to:</p> <ul style="list-style-type: none"> • Toolkit: and Indicators - Compliance • GRI: 419-1 • SDGs:  |
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APPENDIX B: SAMPLE OF CONTENT INDEX

This is a sample of a content index which may be used as a reference index to be included in the Sustainability Statement to link to information which is also provided in other parts of the Annual Report or the organisation’s website.

| Key elements | Reference number |
|---|--|
| Governance structure | Board charter at www.xyz.com/boardcharter Page 40 (CGS) |
| Scope and basis for scope | Page 24 |
| Material sustainability matters | Page 25-39 |
| How they are identified | Page 25-26 |
| Sustainability Matter: Responsible lending | Page 27-29 |
| Why they are important | Page 27 |
| How they are managed, including details on | Page 27 Page 50 (ICS) |
| Policies to manage these sustainability matters | Page 28 Page 51 (ICS) |
| Measures or actions taken to deal with these sustainability matters | Page 28-29 |
| Indicators relevant to these sustainability matters which demonstrate how the listed issue has performance in managing these sustainability matters | Page 29 |
| Sustainability Matter: Talent management | Page 30 - 32 |
| Why they are important | Page 30 |
| How they are managed, including details on | Page 30 Page 50 (ICS) |
| Policies to manage these sustainability matters | Page 30-31 Page 51 (ICS) |
| Measures or actions taken to deal with these sustainability matters | Page 31-32 |
| Indicators relevant to these sustainability matters which demonstrate how the listed issue has performance in managing these sustainability matters | Page 32 |
| Sustainability Matter: Anti-corruption | Page 33 - 35 |
| Why they are important | Page 33 |
| How they are managed, including details on | Page 33 Page 50 (ICS) |
| Policies to manage these sustainability matters | Page 34-35 Page 51 (ICS) |
| Measures or actions taken to deal with these sustainability matters | Page 35 |
| Indicators relevant to these sustainability matters which demonstrate how the listed issue has performance in managing these sustainability matters | Page 35 |
| Sustainability Matter: Anti-money laundering and anti-terrorism financing | Page 35-37 |
| Why they are important | Page 35 |
| How they are managed, including details on | Page 36 Page 50 (ICS) |
| Policies to manage these sustainability matters | Page 36 Page 51 (ICS) |
| Measures or actions taken to deal with these sustainability matters | Page 37 |
| Indicators relevant to these sustainability matters which demonstrate how the listed issue has performance in managing these sustainability matters | Page 37 |

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GLOSSARY OF TERMS AND ACRONYMS

| | |
|---------------------------------------|---|
| Board | : Board of Directors |
| Bursa Malaysia | : Bursa Malaysia Securities Berhad |
| CDM | : Clean Development Mechanism |
| CEO | : Chief Executive Officer |
| Corporate Governance Statement | : A narrative statement of an organisation's corporate governance practices contained in its annual report as required under paragraph 15.26 of the Listing Requirements. |
| CSR | : Corporate social responsibility Responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that contributes to sustainable development, including health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behavior; and is integrated throughout the organisation and practised in its relationships. (Source: ISO 26000:2010 - Guidance on social responsibility) |
| DOSH | : Department of Occupational Safety and Health |
| economic | : In relation to sustainability, an organisation's impacts on the economic conditions of its stakeholders and on economic systems at local, national, and global levels. It does not focus on the financial condition of the organisation. <i>Note: These may include the organisation's procurement practices; or community investment.</i> |
| EES | : economic, environmental and social |

GLOSSARY OF TERMS AND ACRONYMS

environmental : In relation to sustainability, an organisation's impact on living and non-living natural systems, including land, air, water and ecosystems.

Note: These may include the organisation's usage of energy and water; discharge of emissions; or loss of biodiversity, etc.

environmental conditions : Related to climate, air quality, water quality, land use, existing contamination, natural resource availability and biodiversity, that can either affect the organisation's purpose, or be affected by its environmental aspects.

(Source: ISO 14001:2015 Environmental management systems -- Requirements with guidance for use)

FYE : financial year ending

GE : General Electric

governance structure : For the purpose of this Guide, the structures an organisation has in place to ensure accountability, oversight and review in the identification and management of sustainability.

GRI : Global Reporting Initiative (GRI). An international independent organisation that helps businesses, governments and other organisations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others.

GRI Standards : Global Reporting Initiative (GRI) Standards

IIRC : International Integrated Reporting Council

IPIECA : International Petroleum Industry Environmental Conservation Association

JKKP : Jabatan Keselamatan dan Kesihatan Perkerjaan

LR or Listing Requirements : Listing Requirements of Bursa Malaysia Securities Berhad

GLOSSARY OF TERMS AND ACRONYMS

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| materiality | : For the purpose of this Guide, the principle of identifying and assessing a wide range of sustainability matters, and refining them to what are most important to the organisation and its stakeholders. |
| NGO | : non-governmental organisation |
| OSHA 1994 | : Occupational Safety & Health Act 1994 |
| philanthropy | : The desire to promote the welfare of others, expressed especially by the generous donation of money to good causes. (Source: https://en.oxforddictionaries.com/definition/philanthropy) |
| RSPO | : Roundtable on Sustainable Palm Oil |
| SASB | : Sustainability Accounting Standards Board |
| SDG | : United Nations Sustainable Development Goals |
| scope | : The parameters or boundaries of the information being included in the Sustainability Statement |
| social | : The impacts an organisation has on the social systems within which it operates. <i>Note: These may include the organisation's relationships with communities, employees, consumers, etc.</i> |
| stakeholder | : An individual or a group that has an effect on, or is affected by the organisation and its activities. Stakeholders should be relevant to the organisation's purpose and have relevant needs and expectations. They may include investors, customers, employees, local communities, civil society (NGOs), government, regulators, suppliers, etc. |
| sustainable development | : Development that meets the needs of the present without compromising the ability of future generations to meet their own needs. |
| sustainability governance | : How sustainability is positioned and governed within an organisation |
| sustainability matters | : For the purpose of this Guide, risks and opportunities arising from the EES impacts (i.e. impacts that relate to sustainability themes such as energy, diversity, human rights, etc.) of an organisation's operations and activities. |

GLOSSARY OF TERMS AND ACRONYMS

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|---------------------------------|---|
| Sustainability Statement | : The Sustainability Statement as required under paragraph (29), Part A of Appendix 9C of the Main Market Listing Requirements and Paragraph (30) of Appendix 9C of the ACE Market Listing Requirements. |
| TCFD | : Task Force on Climate-related Financial Disclosures |
| themes | : For the purpose of this Guide, sustainability topics as set out in Appendix A |
| this Guide | : Bursa Malaysia's Sustainability Reporting Guide |
| Toolkit(s) | : Bursa Malaysia's Sustainability Toolkit(s) |
| UNEP | : United Nations Environment Programme |
| UNEP FI | : United Nations Environment Programme Finance Initiative |
| value chain | : For the purpose of this Guide, the full range of activities which are needed to move a product or service from conception through delivery to end-users and final disposal after use and includes supply chain. |

Any reference to an Act or Regulation in this Guide is to an Act or Regulation under the Laws of Malaysia, unless otherwise indicated. Further, any reference in this Guide to any provisions of the statutes, rules, regulations or rules of stock exchange shall (where the context admits), be construed as a reference to provisions of such statutes, rules, regulations or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments to the statutes, rules, regulations or rules of stock exchange for the time being in force.

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