Sustainable, Socially Responsible and Ethical PLCs

Guidebook 2

PLC Transformation Programme (PLCT)

Towards a more responsible and high performing Corporate Malaysia

BURSA MALAYSIA

A quick tour of Guidebook 2

Creating Sustainable, Socially Responsible and Ethical PLCs

Sustainability, covering Environmental, Social and Governance (ESG) has risen to become a top corporate agenda in recent years. Value can be created or eroded from ESG opportunities and risks. However, the extent of the impacts depend on how agile and adaptable a company is in capitalising on these opportunities and mitigating these risks.

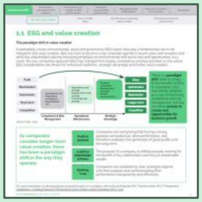
Guidebook 2 provides PLCs with practical guiding steps on the key components of a well-defined ESG response and how they can define their strategy, initiatives, and metrics for improved impact. Key enablers of ESG strategy and drivers for ESG practices, as well as disclosures, are highlighted to support PLCs to enhance their ESG response.

There are dedicated chapters in the guidebook for the Environmental, Social and Governance dimensions, highlighting key focus topics and issues in each dimension. These include ‘how-to’ guidance on key topics of interest relevant to this market, where PLC responses can be further enhanced.

The guidebook also provides insights to the relevance of ESG for corporate functions to enable PLCs to better understand how ESG strategy should be cascaded throughout the company for proper implementation of ESG commitments.

The chart on the right and following pages provide an overview and quick tour of Guidebook 2.

A quick tour of Guidebook 2



Introduction to ESG

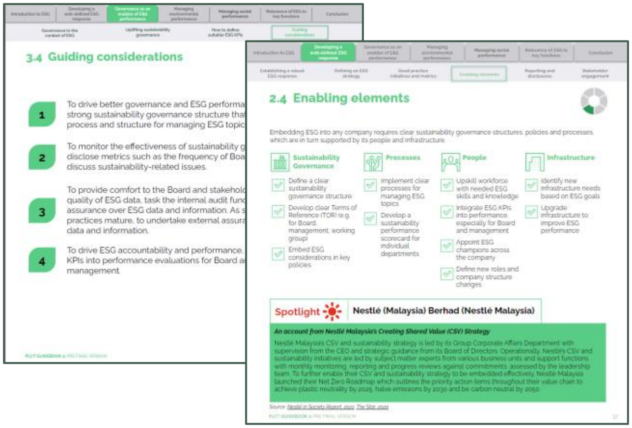
Developing a well-defined ESG Response

Guidance on Governance, Environment and Social topics

Relevance of ESG to key functions

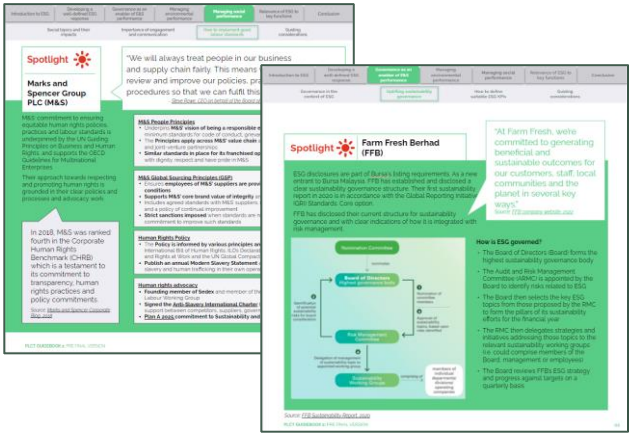
Practical guidance to enhance the ESG response of PLCs

Throughout the guidebook, specific supplemental content and resources have been included to provide practical guidance and support to enable PLCs to enhance their ESG response.

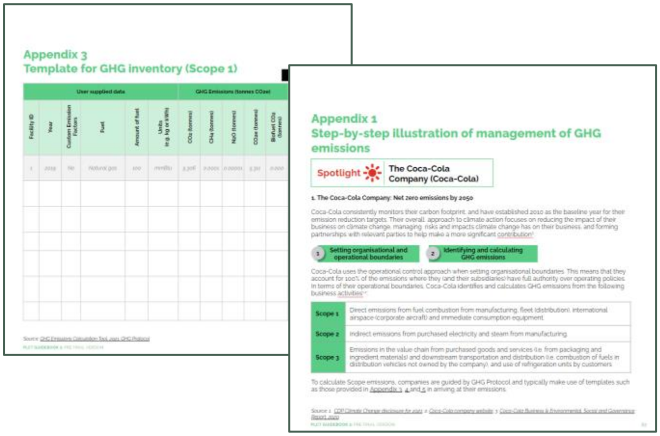


- Guiding considerations and checklists that provide PLCs indicative areas to enhance their ESG response

- How-to sections that delve deeper into specific ESG topics and provide practical guidance to implement good practices



- Case studies, weblinks and references showcasing ESG good practices and initiatives from local and global companies

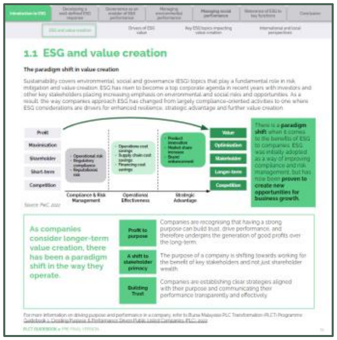


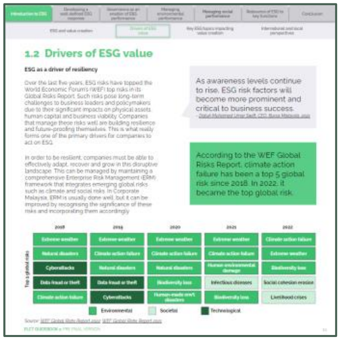
- Templates for Scope 1 and Scope 2 GHG inventory and illustrations of how companies compute and report their GHG data

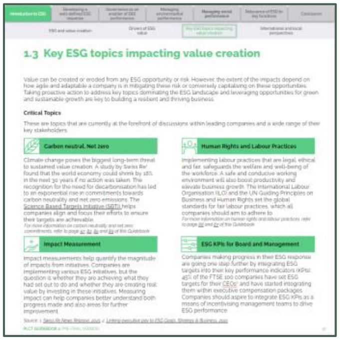
Chapter 1: Introduction to ESG

This chapter provides context on the rise of ESG risks and opportunities and the need for companies to prioritise ESG in order to create and maintain long-term value.

1.1	**ESG and value creation**	• Provides key insights into how ESG has become top priority for companies and how it is shifting from compliance-oriented activities to driving resilience, strategic advantage and further value creation
1.2	**Drivers of ESG value**	• Highlights the ESG risks that have topped the World Economic Forum's (WEF) top risks over the last five years and the need for companies to address these risks • Describes how ESG performance enhances a company's market value and investor sentiment on the value of ESG
1.3	**Key ESG topics impacting value creation**	• Outlines critical and emerging topics in the current ESG landscape (carbon neutral, net zero, labour practices, impact measurement, ESG KPIs, circular economy, Task Force on Nature-related Financial Disclosures (TNFD) and Just Transition) • Outlines key opportunities for green and sustainable growth in emerging industries (e.g. renewable energy, social enterprises)
1.4	**International and local perspectives**	• Highlights three key themes that are currently at the forefront of the corporate ESG landscape - stronger ESG governance, human rights and labour standards and the shift towards net zero commitments

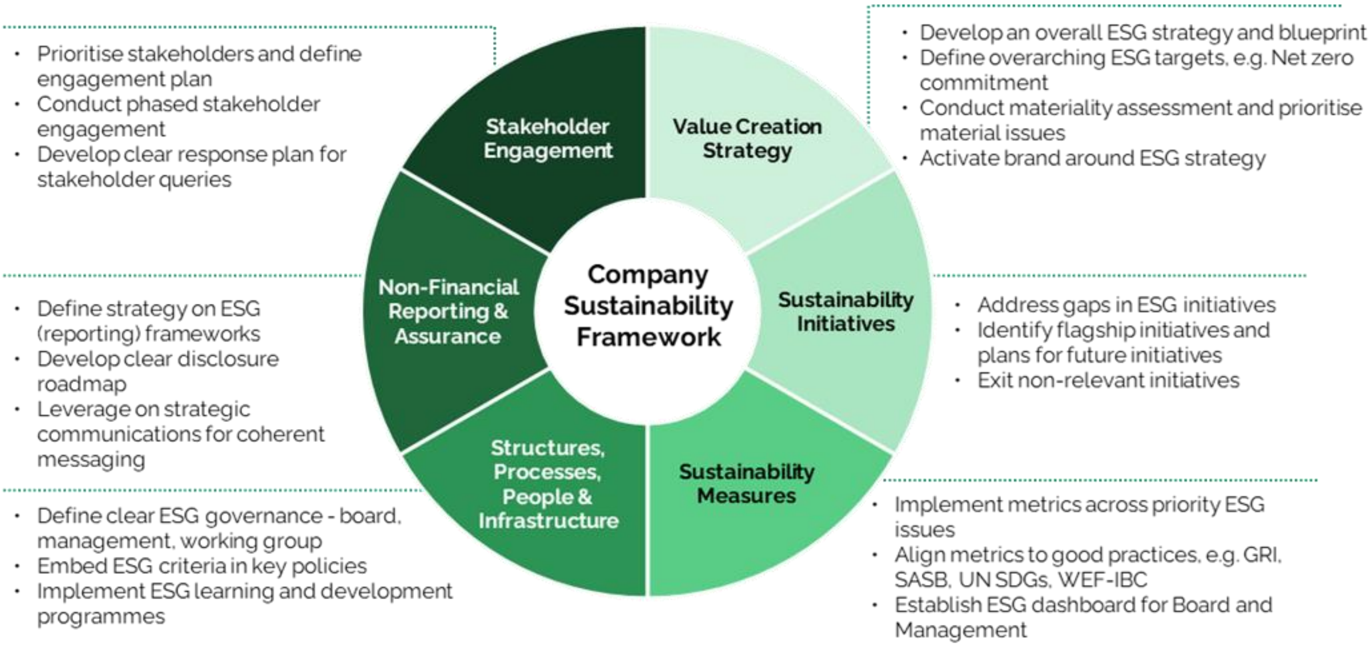


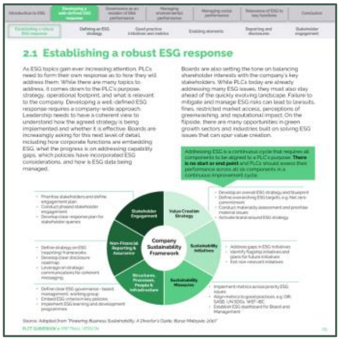


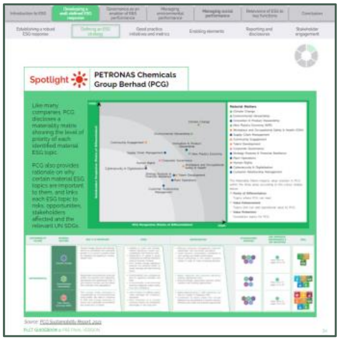


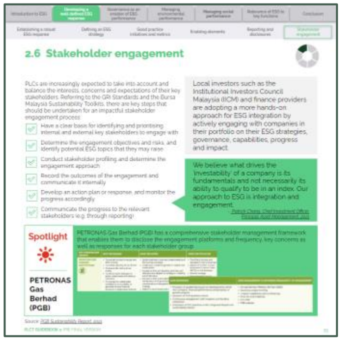
Chapter 2: Developing a well-defined ESG response

Guidebook 2 presents an ESG framework that is clear and easy-to-understand for PLCs to embark on, or enhance, their ESG response. This chapter delves into all six components of the framework and provides structured guidance on how to successfully manage each component.







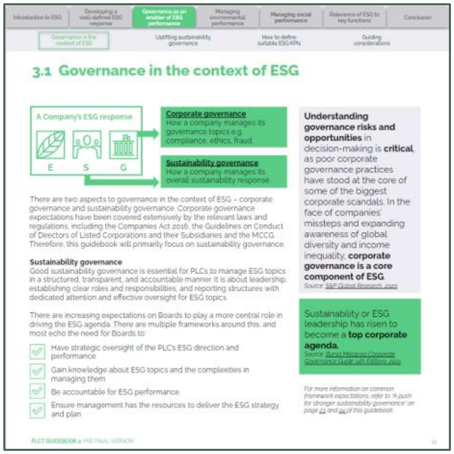


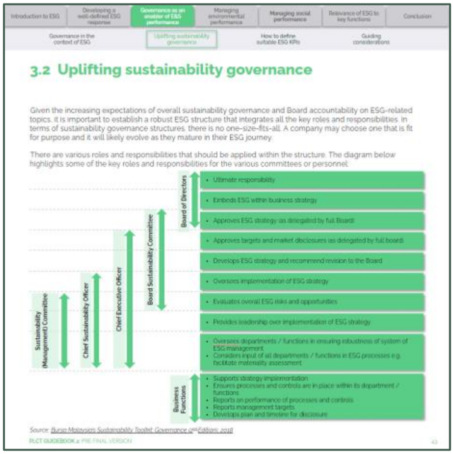
Source: Adapted from "Powering Business Sustainability, A Director's Guide, Bursa Malaysia, 2010"

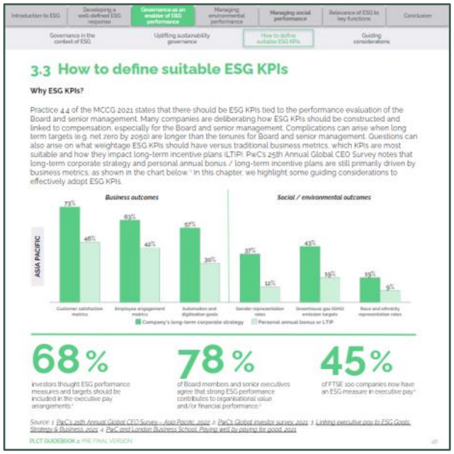
Chapter 3: Governance as an enabler

This chapter provides practical guidance on enhancing sustainability governance, particularly in the area of defining ESG KPIs to be linked with Board and senior management.

3.1	Governance in the context of ESG	• Provides insights on how governance plays a part in ESG: 1. Corporate governance: How a company manages its governance topics, e.g. compliance, ethics, fraud 2. Sustainability governance: How a company manages its overall sustainability response • Highlights the increasing expectations of the Board in driving ESG
3.2	Uplifting sustainability governance	• Outlines recommended roles and responsibilities that should be applied within a company's sustainability governance structure • This includes the role of the Board, Board Sustainability Committee, Chief Executive Officer, Chief Sustainability Officer, Sustainability (Management) Committee and Business Functions
3.3	How to define suitable ESG KPIs	• Provides an overview of why ESG KPIs should be considered for Board and senior management performance evaluation, and highlights the key practical steps a company can take


3.1 Governance in the context of ESG


3.2 Uplifting sustainability governance


3.3 How to define suitable ESG KPIs

Why ESG KPIs?

68%

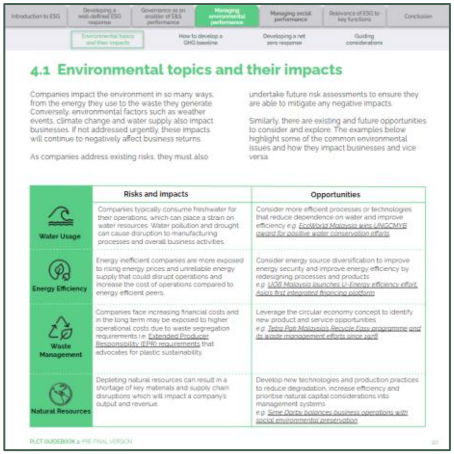
78%

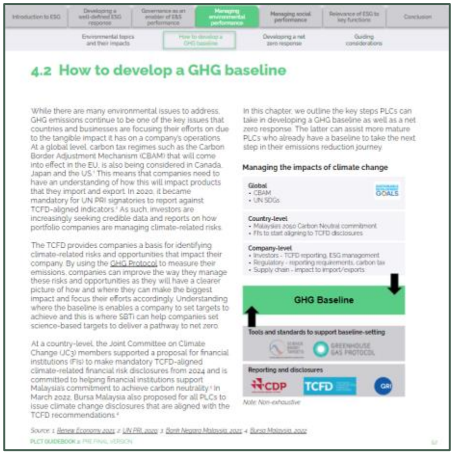
45%

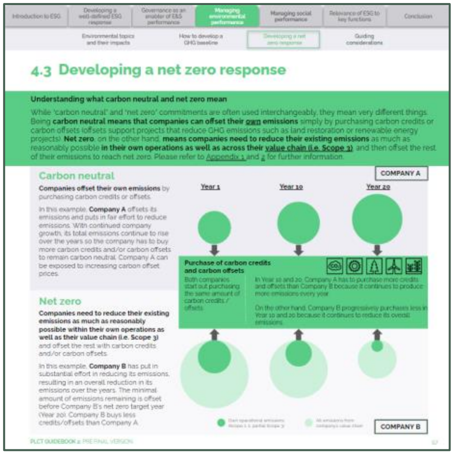
Chapter 4: Managing environmental performance

This chapter provides insights into the opportunities and risks of common environmental topics, followed by the key steps in developing a GHG baseline and guidelines on developing a net zero response.

4.1 Environmental topics and their impact	• Outlines common environmental-related topics and how they impact businesses based on the opportunities and risks that each topic presents • Briefly explains Malaysia's environmental management commitments
4.2 How to develop a GHG baseline	• Outlines the different frameworks and standards for managing climate-related risks (e.g. GHG Protocol, Task Force on Climate-Related Financial Disclosures (TCFD), Paris Agreement) • Overview of what GHGs are and understanding carbon neutral and net zero • Provides insights into the key steps in developing a GHG baseline, and on tracking Scope 3 emissions, in line with the GHG Protocol
4.3 Developing a net zero response	• Provides practical guidelines on how to embed net zero aspirations and actions within and across businesses, referencing "The Building Blocks for Net Zero Transformation", produced by PwC and commissioned by Microsoft in 2020



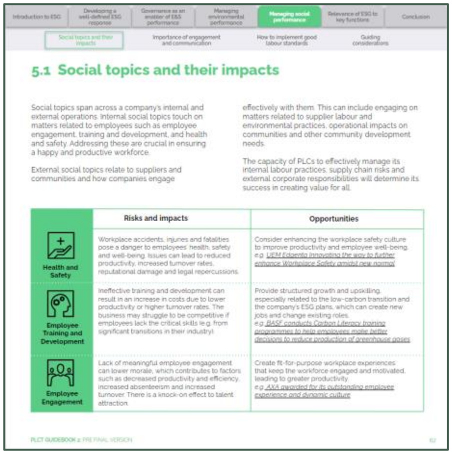


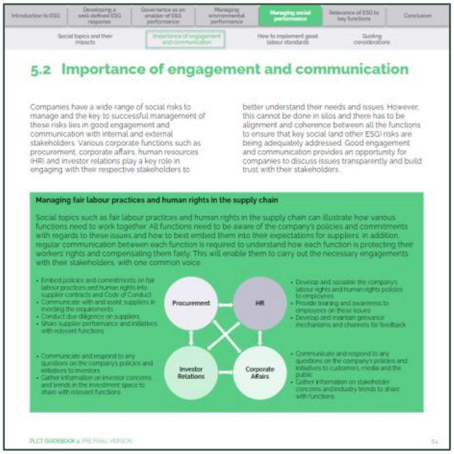


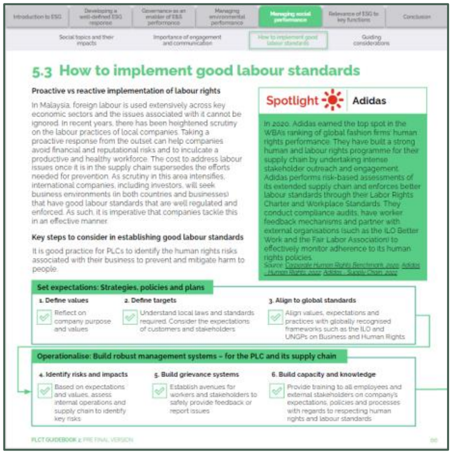
Chapter 5: Managing social performance

This chapter provides insights into the impacts of common social topics and key considerations when companies engage with stakeholders to manage social issues. It also provides guidance on how to implement good labour standards.

5.1 Social topics and their impact	• Outlines common social-related topics and how they impact businesses based on the risks and opportunities that each topic presents
5.2 Importance of engagement and communication	• Provides insights on why good engagement and communication with internal and external stakeholders is critical to manage social risks • Outlines the roles of key corporate functions (e.g. human resources, procurement, investor relations, corporate affairs) in engaging with stakeholders and creating positive social impact
5.3 How to implement good labour standards	• Highlights key steps to consider in establishing good labour standards • Outlines key aspects to consider, with reference to the International Labour Organisation (ILO)'s Indicators of Forced Labour

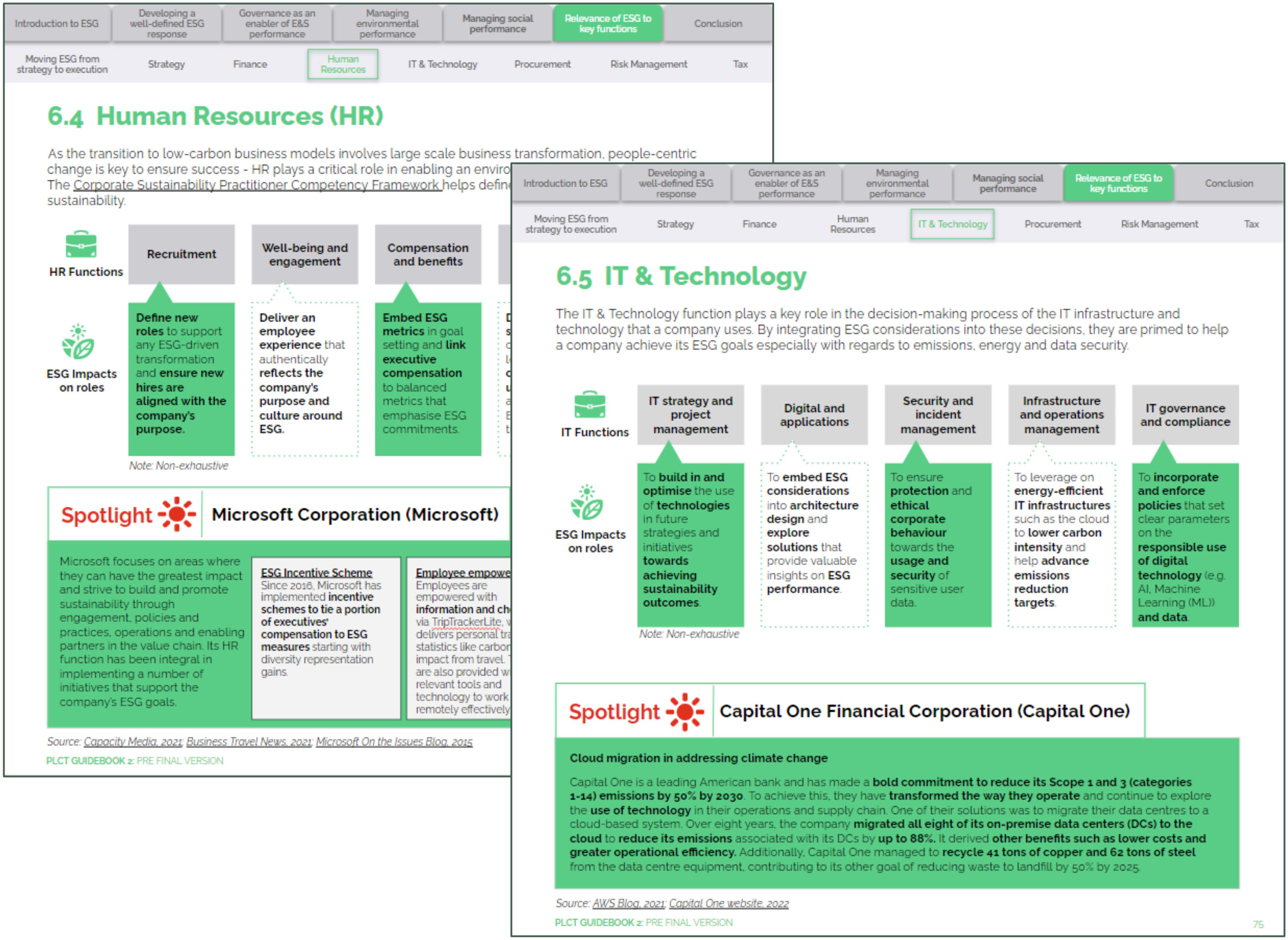






Chapter 6: Relevance of ESG to key functions

In this chapter, the role of some corporate functions in supporting and contributing to a company's ESG response is highlighted. Seven functions are illustrated, highlighting their main components and how each component can support a company's ESG response. The functions covered are Strategy, Finance, Human Resources, Information Technology, Procurement, Risk and Tax.



A call to action

Malaysian PLCs are at varying stages of their sustainability journey. However, one thing that is clear is that there is still room for improvement. PLCs can take the following steps to enhance their overall ESG response:

1	Assess their efforts based on the six components of the ESG framework and identify areas for improvement
2	Engage with all their stakeholders to better understand their ESG risks and adjust their ESG response accordingly
3	Address ESG risks in their operations, including developing plans and processes to achieve net zero and enhancing labour practices
4	Consider including relevant ESG KPIs for their management and Board
5	Cascade ESG strategy into business operations, to take a whole of organisation response

The PLCT Guidebook 2 provides fundamental principles and implementation considerations to assist PLCs to transform into Sustainable, Socially Responsible and Ethical companies. PLCs should adapt and adopt the relevant principles and frameworks in Guidebook 2 to accelerate their transformation and enhance value creation. The PLCT Programme continues with topical initiatives for participating PLCs as well as upcoming releases of further guidebooks which will showcase important areas for elevating the performance and attractiveness of our PLCs in the market.

Guidebook 1	Guidebook 2	Guidebook 3	Guidebook 4	Guidebook 5
Creating Purpose & Performance Driven Public Listed Companies (PLC) *(launched March 2022)*	Sustainable, Socially Responsible & Ethical PLCs	Investor Relations & Stakeholder Management *(upcoming)*	Digitally Enabled *(upcoming)*	Nation Building Drive *(upcoming)*

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