



ENVIRONMENTAL, SOCIAL AND GOVERNANCE FOR SMEs RESILIENCE

CASE INSIGHTS FOR A SUSTAINABLE FUTURE



Global Compact
Network
Malaysia & Brunei



**UNIVERSITI
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ACKNOWLEDGEMENT

This report was commissioned by UN Global Compact Network Malaysia & Brunei (UNGCMYB) in partnership with the Konrad-Adenauer-Stiftung (KAS) in Malaysia. The research was conducted by the Centre of Business Excellence, Faculty of Business and Economics and UMConsult, Universiti Malaya together with UNGCMYB to develop business cases for Environmental, Social and Governance (ESG) and its impact on business resilience. We would like to thank the participating companies for their valuable contribution.

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Table of Contents

Executive Summary	04
01 Foreword by UNGCMYB	05
02 Why this report and the aims?	06
03 Cases	08
3.1 Nutrition Technologies: Circularity, Impacting Value Chain	09
3.2 EDAR Megah Holdings: Cooking Gas to Recycling Waste	12
3.3 Hexa Food: Spicing Up Sustainability	15
3.4 Seng Liy Engineering: Greening Construction	18
3.5 Geomax Rubber: Innovation for Sustainability	21
3.6 Above Creative Events: Social Impact Matters	24
3.7 Kairos Agriculture: Sustainable Vanilla Farming	27
3.8 Juara Partners: Financial Inclusion	30
3.9 Penang Automation Cluster: Being Different in Metal Industry	33
3.10 Timogah: Empowering Rural Community	36
04 Policy Insights	38
05 Key Takeaways for SMEs	40

EXECUTIVE SUMMARY

SMEs Business Case Insights for ESG

AIMS

- Understand and explore **ESG practices** among SMEs and their **impact on business resilience**.
- **Present 10 SME business cases** for ESG in different industries and locations in Malaysia.

ESG PRACTICES

- Cases of the ESG journey of SMEs vary by industry and common practices focus on:



Environmental

Waste management, 3R (reduce, reuse & recycle), energy and water conservation.



Social

Labour practices and standards (gender equality, ethnic diversity and rights of foreign workers), employee wellbeing and community engagement.



Governance

Establishing internal governance structures, e.g. policies, guidelines, establishment of a committee, monitoring and evaluation.

- Manufacturing SMEs focus mainly on the environment, while services focus on the social.

Business Resilience

- ESG adoption in SMEs **brings both financial and non-financial** business resilience.
- Financial benefits include **increased revenues/profits, cost savings and access to new markets**.
- Non-financial benefits include **improved corporate image/reputation, staff retention and customer loyalty**.
- ESG adoption ensures the **long-term business sustainability** of SMEs.

POLICY INSIGHTS

Create **robust ecosystems** for ESG adoption by:

- **Strengthening support services** – Financial, Technical and Non-technical.
- **Improving the ESG framework for SMEs** – Incorporate economic rationality, evidence-driven approach and reform existing policies.
- **Strengthening the role of intermediaries** - create and facilitate more intermediaries to raise awareness and share best practices, guiding principles and others.
- **Encouraging innovative solutions** - Promote and support capacity building, research and development (R&D) for innovative solutions for ESG uptake in SMEs.
- **Fostering collaborative efforts** – ESG implementation requires strong collaboration as it requires diverse expertise. Facilitating collaboration and creating an incentive system would be crucial.

MANAGERIAL TAKEAWAYS

Engage in the ESG journey by:

- Reflecting on the purpose and risk.
- Defining ESG for your company .
- Aligning ESG to business processes/operations.
- Creating an ESG guide.
- Monitoring, reviewing and moving forward.

How to start? Consider the following:

- Start somewhere and start small.
- Identify impact areas that create value.
- Embrace self-discovery.
- Innovate to create value for ESG.
- Seek external collaboration and support.
- Engage in learning-by-doing and explore “best practices”.
- Think “long-term business sustainability”.



Foreword by **UNGCMYB**

In the evolving business landscape of Malaysia, sustainability has transitioned from being a mere buzzword to an essential component for Small and Medium-sized Enterprises (SMEs). As the nation pushes the boundaries of economic growth, the onus on SMEs to champion sustainability becomes even more pronounced. Embracing Environmental, Social, and Governance (ESG) principles therefore, is not just about meeting ethical standards; it's about ensuring business longevity, resilience, and competitiveness.

SMEs are the lifeblood of the Malaysian economy. They drive innovation, foster entrepreneurship, and generate employment opportunities for a significant portion of the population. Their role is not just confined to economic contributions; they represent the diverse cultural and entrepreneurial fabric of Malaysia. Their actions, strategies, and decisions have a profound impact on the broader socio-economic landscape of the country.

"Environmental, Social and Governance for SMEs Resilience: Case Insights for a Sustainable Future" offers a panoramic view of the sustainability journey of various SMEs in Malaysia. This publication profiles a diverse range of businesses, from innovative digital start-ups to traditional enterprises that have reimagined their operations with a sustainable lens. Whether it's leveraging technology for a greener supply chain, pioneering waste recycling, or championing the circular economy, these businesses provide a comprehensive perspective on the myriad ways sustainability can be integrated into different business models.

It underscores how ESG considerations can lead to a distinct competitive edge, and especially in ensuring business resilience and increased competitiveness in the era of Sustainable Trade. These case studies serve as compelling evidence that sustainability is both a business and moral choice, directly contributing to enhanced business performance. It illuminates the multifaceted value of sustainability, from enhancing brand reputation to ensuring long-term financial viability. The success stories of these SMEs underscore the compelling business case for sustainability, emphasising their pivotal role in enhancing resilience and competitiveness.

As UN Global Compact Network Malaysia & Brunei is Malaysia's largest and most diverse business sustainability platform, we continuously aim to work with stakeholders to ensure no SME is left behind in the ESG agenda. I would like to thank Konrad-Adenauer-Stiftung (KAS) Malaysia, the Centre of Business Excellence, Faculty of Business and Economics and UMConsult, Universiti Malaya for this collaboration and I hope this publication will inspire needed actions across board.



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

02 WHY THIS REPORT AND THE AIMS

As **Environmental, Social and Governance (ESG)** compliance is growing in importance, new business requirements have emerged (e.g. efforts to reduce carbon footprints, promote diversity or introduce employee wellness programmes). Without greater Small and Medium Enterprises (SMEs) participation in adopting sustainability practices, Malaysia is unlikely to achieve its Sustainable Development Goals (SDGs) and climate commitments. Therefore, promoting ESG is a high priority among SMEs globally and in Malaysia. Malaysia has made a serious commitment through various plans to use **ESG as an overarching theme** in promoting investment and industrial development.

Malaysia's Commitments to ESG

12th Malaysia Plan (Review)

- SMEs are driven to comply with ESG requirements to ensure participation in a sustainable global supply chain.
- Develop ESG principles that include policies and regulatory frameworks as well as support services to encourage businesses, especially SMEs to adopt sustainable business practices.

National Investment Aspirations (NIA)

- ESG as a key overarching theme for the NIA.

New Industrial Master Plan 2030

- Goals: Enhance ESG as an overarching theme.
- Mission 3 - Push for Net Zero – SMEs contributing towards sustainability and adopting ESG principles.
- Mission 4 - Safeguard Economic Security and Inclusivity.

The role of SMEs is of great importance as they have a major impact on sustainable development. Consumers, investors and regulators are increasingly showing a preference for sustainable business practices and are consciously evaluating companies against ESG criteria. SMEs tend to be more vulnerable to impacts from environmental and social issues, but they are also more responsive to business trends and can have a positive impact on sustainable development. Nevertheless, integrating sustainability into business operations has never been easy and it takes a lot of effort for SMEs to adopt these practices. Therefore, there is an urgent need to explore the reasons for ESG adoption and to create "**business cases**" that serve as examples to learn from, adopt and make sustainability commitments to improve business resilience. This report aims to provide insights to SMEs through business cases:

REPORT AIMS:

01 Understanding the relevance of ESG

02 How have SMEs embraced ESG?

03 How and why is ESG important for business resilience?

To explore the ESG practices of SMEs and their impact on business resilience, we selected **10 SMEs as business cases**. The selection covers various industries and represents different regions in Malaysia, including Kuala Lumpur, Selangor, Penang, Johor and Sarawak, providing a comprehensive perspective on ESG adoption. The selected cases also cover different stages of ESG adoption, ranging from early initiatives to advanced practices.

SMEs	Industry	Location
<ul style="list-style-type: none"> Nutrition Technologies Sdn. Bhd. EDAR Megah Holdings Sdn. Bhd. HEXA Food Sdn. Bhd. Seng Liy Engineering (M) Sdn. Bhd. Geomax Rubber Innovative Products Sdn. Bhd. Above Creative Events (M) Sdn. Bhd. Kairos Agriculture Sdn. Bhd. Juara Partners Sdn. Bhd. Penang Automation Cluster Sdn. Bhd. Timogah Sdn. Bhd. 	<ul style="list-style-type: none"> Manufacturing (Sustainable ingredients and biofertilisers) Services (Technology) Manufacturing (Food) Services (Construction) Manufacturing (Rubber upcycling) Services (Event planning) Agriculture (Smart Agritech) Services (Financial services) Manufacturing (Electronics) Services (E-commerce) 	<ul style="list-style-type: none"> Johor Selangor Selangor Johor Selangor Federal Territory, Kuala Lumpur Penang Selangor Penang Sarawak

Apart from the cases, the report draws:

INSIGHTS

Policy Lessons lessons for policy makers to position policy interventions to support SMEs' transition to ESG. This is crucial as creating an ecosystem and removing binding constraints allows SMEs to be more resilient in adopting ESG.

Key Lessons for Managers lessons for SMEs who want to embark on the ESG journey. The lessons offer some practical advice for starting the ESG journey from the experiences of companies that have already embarked on the journey.

Readers: If you want to read the concise version or be quick, read what is in bold. If you want to know more, you should take the time to read the whole case.



INSIGHTS

03 CASES

- 1 Nutrition Technologies: Circularity, Impacting Value Chain
- 2 EDAR Megah Holdings: Cooking Gas to Recycling Waste
- 3 Hexa Food: Spicing Up Sustainability
- 4 Seng Liy Engineering: Greening Construction
- 5 Geomax Rubber: Innovation for Sustainability
- 6 Above Creative Events: Social Impact Matters
- 7 Kairos Agriculture: Sustainable Vanilla Farming
- 8 Juara Partners: Financial Inclusion
- 9 Penang Automation Cluster: Being Different in Metal Industry
- 10 Timogah: Empowering Rural Community



3.1

Nutrition Technologies: Circularity, Impacting Value Chain

<h1>E</h1>  <ul style="list-style-type: none"> • Recycle food waste. • Reduce waste and emission. • Highly land efficient vertical farming system. • Develop life-cycle assessment (LCA). 	<h1>S</h1>  <ul style="list-style-type: none"> • Worker’s rights. • Grievances and malpractice initiatives. 	<h1>G</h1>  <ul style="list-style-type: none"> • ESG policy framework. • Human rights and labour policy. • Whistleblowing policy. • Anti-bribery and corruption policy. • Environmental policy. • Certification on Good Manufacturing Practices.
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BUSINESS RESILIENCE

- Formation of new sustainable business.
- Opportunities to attract new investors and market.
- Cost Saving – Energy & Space.
- Enhance confidence and trust among employees.
- Enhance green reputation.



Nutrition Technologies (NT) aims to contribute to the circular economy and impact the value chain by producing and supplying sustainable animal feed ingredients and biofertilisers. This is done through a unique combination of biotechnology and Black Soldier Fly Larvae (BSFL) to **recycle nutrients from agricultural and food processing by-products**. NT uses a combination of beneficial microbes and black soldier fly larvae bred with a zero-waste production model to grow their insects, which are raised with clean and traceable agro-industrial by-products. The ESG journey is motivated by [1] **the founders’ experiences** working in Africa, which led them to focus on sustainability; [2] **shareholder and stakeholder commitments**; and [3] the **sustainable business model**.

“We are taking waste from the food industry and turning it into products which enter the animal food chain, a Circular Economy System.”

NT is building its tropical production system that is not only cost-effective to build and run, but also **uses minimum energy and is a zero-waste process, thereby contributing to the Circular Economy**. This low-energy model means that NT benefits from very low production costs, but with the same high standards as any European or North American manufacturer.

ESG Practices & Initiatives



Environmental

- **Waste management:** Converting NT's own waste into valuable products (Recycling 100% liquid waste).
- **Recycles the nutrients** in food waste (plant waste such as mushrooms and soy) and industrial by-products (brewery waste, coffee waste, bakery waste, etc.).
- About **80,000 tonnes of food waste per year is recycled** to produce insect proteins and oils and raw materials for animal feed and organic fertilisers.
- **Reducing waste/ emissions:** Phase out diesel generators; Use alternative source such as steam for heating instead of conventional electricity; and go Paperless.
- **Highly land efficient vertical farming system:** based on natural bioconversion technologies, that uses far less land and resources.
- **Developing Life Cycle Assessment** to understand the impact of business operations on the environment.



Social

- **Labour Practices and Standards:** Following International Labour Organisations (ILO) standards relating to the welfare and rights of foreign workers.
- **Living Wage:** Paying above the national average for operator positions, and at/above market rate for office positions.
- **Sports & Social:** running a series of events and activities to build social cohesion within and across the company.



Governance

- **ESG Policy framework:** Cross discipline ESG committee headed by the CEO and annual review of ESG policies; ESG trained internal auditor to review policy implementation; The enhanced Communication on Progress (CoP) report for stakeholders; Environment policies.
- **Human Rights and Labour Policy:** Freedom of association, no child & forced labour, fair employment and others.
- **Whistleblowing Policy:** Reporting grievances and malpractice; keeping identity of the person confidential; Method of investigation (internal procedures and third-party involvement).
- **Anti-corruption:** Transparency in gift receiving and gift giving and maintaining documentation.
- **Environmental Policy:** Environmental Management System, Resource Sourcing and Supply Chain.
- **Certification:** Good Manufacturing Practice for Food Industry (GMP); Hazard Analysis and Critical Control Point (HACCP) system.

NT is in the process of preparing a life cycle assessment (LCA), hiring a consultant from the Netherlands and training members of the internal ESG committee in LCA data collection and benchmarking.

"The LCA can open up the processes and show where our weaknesses and strengths lie. We are committed to the circular economy, so we need to be backed up with numbers. LCA for insect-based animal feed has never been done before and we are the first to set our benchmark with the help of a third party."

ESG Impact on Business Resilience

ESG adoption helps the business resilience of NT in several ways:

- The low energy model means that **NT benefits from very low production costs**, but with the same high standards as any European or North American manufacturer.
- Helps to **enter export markets** such as the US and EU as adoption of ESG is a prerequisite. NT is able to provide solid documentation to prove adoption of ESG.
- ESG helps in smooth **regulatory compliance**.
- **Improves employee confidence and trust** in company management and governance (e.g. the rights of foreign workers; fair treatments).
- Helps maintain **best practices with customers and suppliers – building mutual trust**.
- **Cost savings** in the medium and long-term.
- LCA can lead to an improvement in the **company's green reputation** over time.
- Delivers eligibility for **impact investment funds and ESG-focused investors**.

"It is too early to talk about tangible monetary benefits because we have only just begun our ESG journey. What we can say with certainty is that it has created a high level of trust among our staff and made it easier to enter export markets, and we believe it will lead to cost savings in the long run."

3.2

EDAR Megah Holdings: Cooking Gas to Recycling Waste

<h1>E</h1>  <ul style="list-style-type: none"> • Recycling of household waste. • Create incentives and reward customers for recycling. • Process recyclable items into biodiesel. 	<h1>S</h1>  <ul style="list-style-type: none"> • Preferential hiring policy targeting B40 and ex-convicts of good behaviour. • Descent facilities provided to employees. 	<h1>G</h1>  <ul style="list-style-type: none"> • Accredited as a shared prosperity organisation. • Recognition by Star Golden Hearts Award.
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BUSINESS RESILIENCE

- Recycling business contributes 10%-15% to revenue.
- EDAR's platform has successfully attracted 13,267 customers.
- Award impacts brand image and attracts new investors.
- Accelerating the growth of the supply chain.



EDAR, formerly known as BELIGAS, began the cooking gas business in 2020. BELIGAS had originally entered the market as a social enterprise to support those who had lost their jobs during the lockdown, especially B40s and ex-convicts, through the sale of cooking gas. Founder Suthan's innovative approach was to **create "IMPACT"** as a business entity. The use of **ESG as a new business model** fitted perfectly with this approach to support the business through greater impact. What started as a social enterprise has evolved into a technology company that rewards consumers for **recycling used cooking oil and other waste** in exchange for groceries through the EDAR app, walk-in EDAR outlets and the EDAR2U mobile grocery truck. EDAR is a business-to-business-to-consumer (B2B2C) online-to-offline company that focuses on delivering essential and fast-moving consumer goods within a short period of time (as fast as 3 hours) after the order is placed. In this way, EDAR aims to make a **long-term impact on the community and the environment**.

"The business idea of incorporating a recycling element was discovered during my trip to several European countries before the pandemic COVID -19. During this trip I observed and experienced the passion and awareness of European citizens for the environment. This was the trigger for the creation of EDAR, a company that aims to contribute to environmental improvement and social benefit at the same time."

ESG Practices & Initiatives



Environmental

- EDAR is an online-to-offline grocery chain that enables **payment by recycling household waste**.
- EDAR sells and delivers discounted retail gas & grocery supplies through **recycling as a payment option**.
- EDAR **rewards its customers for recycling** used cooking oil, plastic, aluminium, electrical and e-waste and paper.
- EDAR **incentivises recycling through a two-way approach that benefits both food retailers and households**. For example, households can recycle waste to reduce the price of products purchased through the EDAR app.
- The **recyclable items, such as used cooking oil, are processed into biodiesel**, and plastics are sorted according to different types and qualities.



Social

- **Preferential recruitment policy** for B40 and ex-convicts of good behaviour.
- Engaged with the Malaysian Prison Department and have **recruited more than 100 ex-convicts in the last 2 years**.
- As part of the social engagement, ex-convicts are not only offered **employment opportunities** but also **accommodation**, namely hostels in different areas.



Governance

- Accredited as a **Shared Prosperity Organisation** by the Malaysia Productivity Corporation (MPC) and the Ministry of Investment, Trade and Industry (MITI).
- Recognition by **Star Golden Hearts Award** for positive impact on society.

In the long run, EDAR's sustainability approach is vital to its survival, as it offers various competitive advantages as a new sustainable business model and also has an impact on society.

ESG Impact on Business Resilience

EDAR benefits in several ways from the implementation of the ESG:

- **Value proposition resilience** - EDAR has strengthened its value proposition primarily by positioning itself for future growth domestically and regionally. Importantly, the recycling business contributes about 10%-15% of total revenue, even though the recycling business was launched less than 2 years ago. EDAR has recognised the long-term potential of the recycling business and has opened another 600 new outlets in Northern Malaysia.
- **Supply chain resilience** - EDAR's business resilience not only strengthens EDAR's business operations, but also accelerates the growth of the entire supply chain. Key players in the supply chain, such as retailers, can promote their products through the EDAR app so that households using the app have access to real-time marketing information. Indirectly, price transparency allows customers to see and compare the best deals in their area.
- **Customer and demand resilience** - EDAR introduces EDARbantu, a credit programme that supports communities (B40s and SMEs) to buy their supplies and groceries at favourable rates to ease their cash flow.
- **Reputation and image resilience**- EDAR was awarded The Star Golden Hearts of Stars, which improved the brand's reputation and image. In the long term, the alignment of ESG practices at EDAR is likely to play an important role, especially in attracting investors.

"As of May 2023, the EDAR platform has successfully attracted 13,267 customers and recycled more than 200 metric tonnes of waste, and has expanded its operations in three key states, namely Selangor, Penang and Negeri Sembilan."

3.3

Hexa Food: Spicing Up Sustainability

E



- Waste reduction throughout the supply chain.
- Pilot projects for sustainable farming.
- Innovative packaging and sustainable storage.
- Environmental monitoring with IoT.

S



- Prioritise employee well-being.
- Conduct mental and physical health assessments.
- Provide financial support.
- Upgrade farmers' skills and transition assistance programmes.

G



- Ensures compliance with proper certification and food safety guidelines.
- Corporate culture focusing on employee well-being.
- ESG reflective report.
- Anti-bribery and corruption policy.

BUSINESS RESILIENCE

- Cost reduction and improved profitability.
- Improved operational resilience through innovation.
- Strong demand for sustainable food products.
- Increased employee satisfaction.
- Global market penetration.



Hexa Food Sdn Bhd (Hexa) is leading by example when it comes to ESG adoption in the food manufacturing industry. With a dedicated workforce of more than 100 employees, the company has seized the opportunity to pave the way for sustainability and set an example for the entire food manufacturing industry. Founded in 2007, the food company produces over a hundred different types of spices, herbs, seasonings, ready-to-cook premixes and marinades in its factories in the Klang Valley. About 20 % of their products are exported, extending their positive influence beyond domestic borders. **Hexa's ESG journey begins with far-sighted plans divided into stages.** [1] **Short term** – prioritising waste reduction at every step, from manufacturing to the sales process, and ensuring the well-being of every employee with the aim of eradicating poverty within the company; [2] **Medium term** - building a supply chain that is sustainable for both the environment and the local community, and focusing on the design and development of food products based on the concept of functional food, i.e. foods that have a positive impact on the human body [3] **Long term** - introducing new sustainable packaging solutions that help reduce carbon footprint and have a positive impact on the environment through its subsidiary, HEXA IoT Sdn. Bhd. Hexa Food is aware that future generations will have a strong demand for sustainable food and is motivated to embark on the long ESG journey.

"You can't see the benefits of implementing ESG now, but maybe in the future, 10 years down the road. Future generations will also want to live a valuable life and will therefore demand products that make sense. Companies need to take this into account to stay relevant in the future."

Hexa Food knows that every journey begins with a single step. With a firm commitment to environmental and social responsibility, they optimise their processes and are aware that even small adjustments can lead to significant change. Their commitment to making a meaningful impact while ensuring the resilience and success of their business extends to ensuring that food safety is seamlessly aligned with ESG goals.

ESG Practices & Initiatives



Environmental

- **Waste Management: Prioritise waste reduction** by recycling expired wheat and atta flour from retailers like 99 Speedmart through partnerships with bio-waste companies.
- Hexa initiated pilot projects for **sustainable farming**, focusing on Bentong ginger and Sarawak White and Black Peppercorns. This involves sourcing from suppliers prioritising food safety and sustainability.
- **Innovative Packaging and Sustainable Storage:** Prioritise sustainable storage and intermediate packaging while using recyclable materials for the last mile of product delivery.
- **Environmental Monitoring with Internet of Things (IoT):** Leveraging the power of the IoT and digitalisation, HEXA IoT proactively monitors the environment and provides sustainable solutions.



Social

- **Employee Well-being:** Committed to poverty eradication by providing financial assistance to operators from low-income backgrounds and **supporting disadvantaged families** with initiatives like supplying milk powder to single parents and assisting with school-related expenses. They also **conduct regular mental and physical health assessments** every 2-3 weeks to prioritise overall well-being.
- **Financial Support: Provide financial aid** to households facing the loss of a loved one or economic hardships, by offering a safety net during challenging times.
- **Upgrading employee skills and delivering assistance programmes for farmers** (such as Good Agricultural Practice and Integrated Pest Management Strategies).



Governance

- **Policy Compliance:** Conduct regular inspections on the farmers to ensure **compliance with proper certification and food safety guidelines**.
- **Corporate Culture** focuses on responsible corporate governance and a positive work environment. Prioritising employee well-being across six key areas: **Self, Family, Physical, Career, Social, and Spiritual Health**.
- Developed a **comprehensive ESG reflective report**, serving as a roadmap for guiding their sustainability efforts and facilitating market penetration.
- **Anti-bribery and corruption policy** are communicated to both internal and external stakeholders.

Hexa firmly believes that ESG can be integrated into their company's strategy to create value that resonates with customers and justifies investment in sustainable practices.

ESG Impact on Business Resilience

Hexa has observed positive impact of ESG practices on business resilience in the following ways:

- **Reduce costs and improve profitability**, thus strengthening their **financial resilience**. Plans are underway to convert conventional roofs into solar roofs to reduce electricity costs.
- Incorporate innovation to increase yields, while ensuring robust sustainable practices and **fortifying their operational resilience**.
- Regular ESG-related discussions and the implementation of practical, achievable solutions (such as displaying Kaizen posters) have led to improved operational and **workforce resilience** (e.g. eliminating waste, reducing errors, and increasing employee satisfaction by creating a clean, organised, and safe work environment).
- Hexa actively engages with farmers from Sabah and Sarawak regions **to support and improve their land use practices which improves their supply chain resilience**.
- Certifications such as Good Manufacturing Practices (GMP), Hazard Analysis and Critical Control Point (HACCP), and ISO 22000 have helped Hexa **access international markets**.

'If we are successful, we can export more products, then other SMEs can also follow suit. The evidence is clear, incorporating ESG can help penetrate global markets.'

3.4

Seng Liy Engineering: Greening Construction

E



- Recycling and green building materials.
- Procuring green products and advocacy of green materials.
- A zero waste and Circular Economy business model.

S



- Career development path.
- Investment in staff training and further education.

G



- Building ESG policy and governance.
- Building mechanism to monitor environmental practices and educate employees.

BUSINESS RESILIENCE

- Circular Economy Model – Business Sustainability.
- Sustainable value chain.
- Green image & brand.
- Market expansion.



Seng Liy Engineering was established in 2003. Long before the introduction of the ESG framework, Seng Liy began contributing to the environment as an SME out of self-motivation. In the beginning, **recycling was the core business** of the company, which followed a zero-waste policy. Seng Liy **bought plastic waste** from Singapore and other regions in Malaysia, **recycled it into raw materials** and sold it to construction companies, who used it to make their own products such as corner beads. From 2013, Seng Liy produced its **own green products** and also **sourced green products** such as eco-bricks from others. Since 2022, the company has been a supplier of green products and a consultant to the government in Vietnam. Seng Liy has formally adopted ESG practices since 2019. It has developed a brand called Gaea (Mother Earth in Greek), a wood-polymer composite, an alternative to wood products that is fully recyclable.

"We will recycle 100% and export it to countries which use these kinds of recycled materials. This helps Zero Waste and Circular Economy efforts."

Now, Seng Liy acts as a bridge between green deficit customers and green suppliers by helping to **meet customer demand for green building materials** and creating and promoting **awareness of the use of green materials and contributing to the Circular Economy.**


"We did not realise we were doing ESG. As construction is a major activity that affects the environment, we thought we should play a crucial role to protect the environment."

ESG Practices & Initiatives



Environmental

- **Recycling and supplying green construction materials:** Recycle plastic waste.
- **Producing and procuring green products and materials:** Such as eco-bricks & wood composite product.
- **Waste Management: Zero waste & circular economy business model** including providing employees with information and training on how to **recycle different materials products used at work.**
- Other than the recycling core business model, Seng Liy requires the **employees to follow recycling day-to-day.**
- The employees receive **financial incentive collectively for their recycling effort.**
- **Creating culture of recycling and protecting the environment.**



Social

- **Upgrading employee skills and transition assistance programmes-** focus on the **career development** of its employees through training and further education.
- Overall, Seng Liy made a significant **investment on employees' training and further education.**
 - Seng Liy has sponsored some of its **40 employees on accounting courses.**
 - Currently, the Marketing team is **studying sustainability components** for creating an ESG culture within Seng Liy.
 - All management staff received **Construction Management courses and 7 employees have attended the motivation course.**



Governance

- The company is trying to build an **ESG policy framework and governance structure.**
- **Governance Policy:** Initiating efforts towards monitoring environmental practices and educating employees about ESG.

As hiring an ESG consultant is very costly, Seng Liy started working with UNGCMYB and reviewed its ESG practices. As a result, Seng Liy realised:

"What we are doing are mostly E-related practices and we have achieved a lot. We will also have to focus more on S and G related practices."

At present, Seng Lij does not have a comprehensive ESG policy framework and targets. It has decided to restructure the entire company and aims to introduce more ESG practices such as energy and water conservation and develop a formal governance structure over the next two years.

ESG Impact on Business Resilience

ESG practices have helped the company in the following ways:

- Evolution to a **circular economy business model**.
- Transition from recycled product supplier to **green product manufacturer and green product trading house as a new business opportunity**.
- To become a **green product exporter and green advisor** (Government of Vietnam).
- In terms of non-financial benefits to the company the main benefit is a **green image/branding**.
- Helped the company to play a bridging role in the **value chain and reach a wider market**.

"We already stand out from the rest of the companies as a green supplier and provider of sustainable construction materials that brings some business advantages."

3.5

Geomax Rubber: Innovation for Sustainability

E



- Environmentally sustainable products through upcycling of rubber.
- Recycling of rejected nitrile rubber gloves.
- Reducing rubber glove waste in landfills.

S



- Promote employees' equal rights – Fair Treatment.
- Promote welfare of employees.

G



- “Eco-Label” certification for its footwear products by SIRIM.
- Risk Management - Build sustainability principles in the mission and vision.

BUSINESS RESILIENCE

- Cost reduction and improved profitability (Improved Raw Material from Recycled Gloves).
- Utilising sustainable technologies to minimise environmental impact.
- Niche Product – New Market Segment.
- External collaboration with Malaysian Rubber Board.



Geomax Rubber Innovative Products Sdn Bhd seeks to revolutionise the way shoe soles are made. As a visionary businessman, Mr Steven sees his challenge as finding sustainable solutions and unlocking the full potential of nitrile rubber glove waste to create innovative value-added eco-rubber products that are commercially viable. This is done by investing in research and development. The goal is to produce more sustainable and environmentally friendly shoe soles. The company currently employs about 10 people who manage the entire business operation with a monthly production capacity of 5000 pairs of eco-sandals. Passion and cost efficiency are the main reasons for Geomax's business model to focus on sustainability.

Geomax's innovative products make it possible to: **(1) reduce rubber waste to landfills and prevent water and soil pollution; (2) reduce pollution with minimal use of new natural resources and energy; and (3) reduce the release of toxins and pollutants as less waste is sent for incineration.** By applying sustainable solutions, Geomax is able to reduce the **pollutant emissions of about 100 tonnes of glove waste** (yearly) by keeping it out of landfills or incinerators.

ESG Practices & Initiatives



Environmental

- Creates **environmentally sustainable products by upcycling rubber**.
- Develops innovative sustainable rubber products such as eco footwear with anti-slip green technology by **recycling the rejected nitrile rubber gloves**.
- **Reduces waste from rubber gloves that end up in landfills or incinerators**, and also improves the rubber properties to make better products.



Social

- Practices **good labour relations and equal rights with its employees** regardless of their position, educational background or race.
- **Fair treatment** - Mistakes are not punished so that innovation and creativity can be encouraged.
- Promotes **employee's welfare** so that they feel ownership in the organisation.



Governance

- Awarded the **"Eco-Label"** certification for its footwear products by Malaysian certification body SIRIM.
- **Risk Management:** Build sustainability principles in mission and vision.
- **Recognition:** ESG Positive Impact Award - Responsible Consumption and Production under the Environment pillar.

Geomax's products are unique in that the company manufactures non-slip sandals. Geomax's sustainability initiative in recycling can help **green the supply chain** by solving the glove industry's waste problems. The company makes sustainability its primary mission, which leads to the promotion of risk management related to climate change mitigation as an overarching governance framework.

ESG Impact on Business Resilience

- **Financial resilience: Cost saving in production through R&D and innovation.** Geomax has successfully added value to **recyclable products by using 10%-20% mixed virgin material which has 90% tendency for recycling. Significant production cost savings (about 200%) with recyclable material** due to the following advantages: (i) Stable recyclable materials; and (ii) Higher Durability (3 cycles).
- **Innovation resilience:** Geomax is committed to introducing sustainable solutions and unlocking the full potential of nitrile rubber glove waste to create innovative and commercially viable value-added eco-rubber products. For example, **1 pair of Eco Sole is made from 18 pairs of discarded nitrile gloves** by using sustainable technologies that help minimise environmental impact.
- Customers also benefit from eco-rubber products such as anti-slip sandals that are suitable for use on oil surfaces. This helps Geomax **expand its business to new customers and retain its existing customers.**
- **Product resilience & External collaboration:** Geomax's sustainability approach has helped to establish external collaboration with the Malaysian Rubber Board not only in rubber research, but also in developing a new type of safety footwear made of durable rubber material and in adding value to existing rubber-based products in the market. Geomax's Eco Safety Shoes are Malaysia's 1st safety shoes certified with the SIRIM Eco Label and MyHijau mark. With this new and revolutionary breakthrough, Geomax is committed to providing a sustainable workplace safety solution that meets all their customers' needs.

"In the long run, we create supply chain resilience. Apart from cost saving advantages, the product contributes to environmental sustainability as the sole we produce can be recycled more than three times."

3.6

Above Creative Events: Social Impact Matters

E



- Environmentally friendly event materials.
- Advocacy on recycling.
- Reduce food waste.

S



- Human rights and labour standards.
- Employee engagement strategies.
- Talent development path.
- Work & family balance.
- Equal rights & safety & mental health.

G



- Employee handbook.
- Reporting system and matrix for monitoring.

BUSINESS RESILIENCE

- Sustainable event management – Unique propositions.
- Strong demand for sustainable event management.
- Increased employee satisfaction and productivity.
- Improves staff retention.



Above Creative Events aims to become the preferred event management company in the region by working with government-linked companies (GLCs), multinational corporations (MNCs), public listed companies (PLCs) and corporates. With a group of passionate event staff (28 permanent employees) who have strong entertainment and production backgrounds, Above Creative Events aims to add value to clients' event planning, award ceremonies, social events and conference delivery. The key challenge has been to integrate ESG in the service industry, particularly event management. Above Creative Events was founded in 2007 and began its ESG journey based on the needs of its clients, who themselves started thinking about sustainability many years ago. Above Creative Events began with the gradual implementation of ESG initiatives. The COVID-19 pandemic changed the game when the company opted for virtual event management, which is more environmentally friendly. Since 2022, to show its commitment to ESG, the company has **set relevant policies and targets to promote ESG internally and to its customers.**

ESG Practices & Initiatives



Environmental

- **Reducing Material Use** by adopting digital technologies - iPad registration; electronic versions of the agenda; utilising recycled fabric wristbands; potted plants, animations displayed on LED screens, with pedestals crafted from repurposed plywood; launched the Hello Virtual Event platform, no printing – green wall.
- **Waste Management:** featured lanyards made from recycled bottles; fabric recycling bins for recycling wristbands; reminder for participants to prioritise recycling and environmental stewardship.
- **Food Waste:** Partnered with What A Waste, a service provider responsible for collecting and packing all the leftover food waste.



Social

- **Human Rights and Labor Standards:** Diversity, Equality and Inclusion Initiatives (DEI). **Gender balance – 58% male & 42% female.**
- **Talent Development & Learning groups** – Personal Management and leadership. **Each staff received 384 hours of training in 2022.**
- **Employee Engagement Strategies:** People Culture Department – relationship management (Superior, Colleagues relationship); Work Environment, Work & Family Balance), Sharing of Personal Growth, 365 Degree of Performance Appraisal; Quarterly Performance Review.
- **Work & Family Balance:** Bonding activities; lunch allowance (department once a month; department alignment meetings).
- **Equal rights protection to work, education (upskilling), equal opportunities** (blind filtering of CVs without looking at gender, race and others).
- **Promote safety and mental health** (event management is a stressful environment)



Governance

- **Employee Handbook:**
 - Transparency in employment.
 - Fair treatment.
 - Quantifiable measure for employee career growth.
 - Employee rights protection – zero incident of unlawful and unfair employment and practices.
- **Reporting System:** (sexual harassment, open space, and other social).
- **Established ESG matrix** for monitoring and continuous improvement.
- **Recognition - ESG Positive Impact Award and Malaysia Book of Records.**
- **Performance Monitoring Targets:** Increasing 27% of new clientele as compared to 2021; 125% revenue increase from the preceding year; 85% acknowledge the company's investment in their growth.

Above Creative Events has developed a **monitoring and measurement matrix** to accurately assess ESG practices. The matrix includes **[1] Diversity & Inclusion** -Increase in workforce diversity annually; Skilled and diverse workforce; Inclusive hiring practices; Championing diversity for creativity and collaboration; Employee referral program for diverse talent acquisition; Advocacy for valuing differences and embracing fresh viewpoints; Comprehensive approach to DEI initiatives; Empowering diversity in leadership roles; Internship-to-permanent pathways; and Blind CV screening. **[2] Talent Development** - Average Training Hours per Staff; Internal promotions accounting for 40% headcount growth in 2022; Investment in essential skills and resources and Robust leadership pipeline for the future. **[3] Employee Engagement** - People-Culture team and activity planning; 95% attendance rate at monthly celebrations; Positive impact on teamwork and communication; High job satisfaction and retention; and 93% commitment, motivation and loyalty rate. **[4] Equal Rights to Work & Education** -Emphasis on education and equal opportunity; Commitment to personal growth; Diversity as a testament to inclusive approach; Elimination of unconscious bias in hiring; Embracing diversity for creativity and collaboration and Career progression and diverse representation.

ESG Impact on Business Resilience

Above Creative Events' ESG practices and initiatives contribute to building business resilience in the following ways:

- **Employee satisfaction contributing to productivity** – Internal personal development and career surveys show that 85% of employees are actively involved in their growth and development.
- **Increases employee retention** – 15% have worked for more than 10 years, 36% between 6-10 years and 28% for more than 3 years.
- Improves **work environment and employee psychology, making it easy to attract talent.**
- **Unique offerings for sustainable event management** – increase demand and client base as well as returning clients.

"ESG has been instrumental in building image and trust among GLCs, MNCs, PLCs, and Corporates which has a positive impact on the profitability of our business. More than 80% of our clients demand ESG. Because we practise ESG, we are able to grow our client base by 10% annually."

3.7

Kairos Agriculture: Sustainable Vanilla Farming

E



- Sustainable farming practices via precision farming system.
- Water Management- harvest rainwater for routine irrigation.
- Managing accurately the use of water and fertiliser.
- Chemical-free fertilisers (uses fruit and vegetable waste as fertiliser).

S



- Unity in diversity (diverse group of employees).
- Bridging gender gap and inequality- (50:50 ratio of male to female farmers).
- Improving the welfare of the farming community.
- Income generation programme for B40 community.

G



- Guided by human resources and business policy.
- Risk management committee.
- Safety and health compliances.

BUSINESS RESILIENCE

- The crop maintenance cost is relatively lower.
- Smart vanilla farm shortens fruiting periods which ensures consistent yield and mitigates risks.
- Secured the market for vanilla beans mainly in Japan and Singapore.



Kairos Agriculture Sdn Bhd is the **first smart vanilla farm** in Malaysia and is located on a 6-acres plot in Permatang Pauh, Penang. Kairos Agriculture focuses on vanilla as its main crop and is involved in vanilla planting, vanilla bean production and extension services. Kairos Agriculture aims to establish Malaysia as the world's leading producer of high-quality vanilla, covering at least 10% of the world's supply. Kairos Agriculture also aims to inspire young people to participate in agriculture through smart farming to **increase and diversify Malaysia's agricultural exports**. Kairos Agriculture recognises the importance of the highest quality vanilla and has the technology and know-how to grow it. The key to sustainability in Kairos Agriculture's farming is **chemical-free integrated farming, water management, the use of fruit and vegetable waste as fertiliser, the use of technology to reduce resource consumption, and employee and community engagement**. As an organisation committed to sustainability, Kairos Agriculture is determined to create an environmentally friendly ecosystem.

ESG Practices & Initiatives



Environmental

- Engaging in **Sustainable Farming Practices** by applying a precision farming system.
- Modified the equipment and machinery imported to suit the crop types and local needs and **managing accurately the use of water and fertiliser**.
- **Water management:** Kairos Agriculture began to **harvest rainwater** in order to minimise ground water consumption for routine irrigation.
- The vanilla farm required approximately 17,000-gallons water daily and **70% of this water consumption is met by rainwater**. This minimises carbon footprint by Kairos Agriculture.
- To reduce impact on the land, Kairos Agriculture **uses fruit and vegetable waste as fertiliser (waste becomes wealth)**, working closely with fruit vendors near their growing area.
- **Uses aquaponics and a complete ecosystem of microbes, enzymes and vermicompost (worms)**. No chemical fertiliser is used in agriculture to create an environmentally friendly ecosystem.



Social

- **Unity in Diversity (of employees):** Kairos Agriculture currently has 25 employees (**70% of them young employees**). **Ethnic diversity** of the workforce: 42% Malays, 40% Chinese, 3% Indians and 15% foreigners.
- No differences between the management and non-management teams as all employees are **treated equally in terms of rights and benefits**.
- Smart farming methods enable bridging the gender gap and inequality at Kairos Agriculture, with a **50:50 ratio of male to female farmers**.
- Committed to improving the welfare of the farming community. For example, Kairos Agriculture has **expanded its community engagement** by organising a seminar on vanilla cultivation to promote awareness and the benefits of vanilla cultivation. The aim is to train new farmers to earn a new **source of income, especially among B40 family households**, and housewives.



Governance

- Kairos Agriculture established **specific policies and committees** to ensure systematic governance.
- **Human Resources Policy:** Services and welfare of staff are managed in a transparent, trustworthy and efficient manner, following the regulations of the Ministry of Human Resources.
- **Business Policy:** Serves as a working guideline for the organisation in carrying out its designated tasks.
- **Risk Management Committee:** Assists the management team in fulfilling its corporate governance responsibilities, which are not limited to identifying, assessing and mitigating operational and external environmental risks.
- **Safety and Health Compliances:** Follows Department of Occupational Safety and Health requirements.

Kairos Agriculture is committed to **sustainable farming practices** through the use of **precision farming systems**. Kairos Agriculture has brought the farming technology from China and modified the equipment and machinery to suit the crop types and local needs. The use of water and fertiliser can be precisely controlled. With the help of the Internet of Things (IoT), Kairos Agriculture's smart vanilla farm can achieve faster yield production compared to traditional farming methods.

ESG Impact on Business Resilience

- **Financial resilience (cost saving):** By adapting sustainable farming practices, the cost of maintaining crops is relatively lower in the long run.
- **Accelerated fruiting:** With IoT, Kairos Agriculture has successfully reduced the waiting time to fruiting from 36 to 30 months. By shortening the time to harvest, agricultural risks are mitigated, ensuring a more consistent and reliable harvest.
- **Customer and demand resilience:** With the image and brand of sustainable agriculture, Kairos Agriculture has successfully attracted market demand and secured the global market, ensuring the long-term sustainability and viability of the company.

"In the long-run, tax incentives are crucial to encourage Malaysian SMEs integrate and practise ESGs as a part of their business activities."

3.8

Juara Partners: Financial Inclusion



- Monitoring and management of electricity consumption.
- Implement water-saving measures.
- Reduction of paper consumption by 46%, saving 510 kg of CO² emissions/year.
- Saving 1,000km per month, reducing 1,440kg CO² emissions/year.



- Purpose-driven financing.
- Employee wellness programmes.
- Performance management programmes.
- Community engagement.



- Juara Partners Sustainability Plan.
- ESG-related data monitoring and in-depth analysis.
- B-Corp certified.
- Star Media Group ESG Positive Impact Awards 2022.

BUSINESS RESILIENCE

- Improved profitability through peer-to-peer recommendations.
- Opportunities to attract new investors.
- Cost savings – energy & water.
- Higher employee productivity.
- Improved reputation and image.



Juara Partners Sdn Bhd (Juara), a Shariah-Compliant Non-Bank Financial Institution, is dedicated to offering purpose-driven financing to civil servants who are creditworthy but remain underserved. Since their humble beginnings in 2020, the company has undergone a significant transformation, transitioning from the brick-and-mortar financing model to a dynamic digitalisation model driven by fintech innovations. With Juara’s vision to be socially responsible and promote ESG principles, the company actively works with various entities to improve community well-being, moving beyond simply offering financial services. Initially, Juara faced challenges in integrating ESG principles, as resources were limited and the company could not afford training to understand ESG principles. Nevertheless, Juara’s ESG framework began with a **stronger commitment to the social pillar**, with the goal of **Banking for Sustainable Impact**. Although Juara is still in its infancy, the company is proactively **addressing environmental issues** and working to promote carbon neutrality. In terms of corporate governance, Juara has made a shift from unstructured ESG practices to **a more organised and structured approach**.

The company is committed to promoting financial inclusion, with a strong focus on supporting underserved segments of society. They work in close collaboration with the Credit Counselling and Debt Management Agency to provide financial assistance to civil servants participating in debt consolidation programmes.

“Our goal is to help clients facing financial challenges restructure their financing and successfully repay their debt. We offer our clients a lifeline because our philosophy is that everyone deserves a second chance.”

Gender equality is a key priority, as a significant proportion of Juara's customer base is made up of women.

“Our commitment to addressing the needs of underserved populations is reflected in our customer base, the majority of whom are women. Between 2020 and 2022, 56.7% of loans were disbursed to women, who applied for loans for various purposes, including starting businesses, pursuing entrepreneurial ventures, and securing funds for their children's education”.

With a team of around 40 employees, Juara maintains **strict labour standards to ensure fair and ethical treatment of its employees**, as they believe that human rights are an essential part of their business. The **daily mindfulness programme** records a high level of participation, with over 60 % of employees participating daily, including weekends.

ESG Practices & Initiatives



Environmental

- **Monitoring Electricity Consumption:** Specific monitoring metrics such as monthly average usage, floor-wise consumption, and the number of workstations and devices in use during work hours. Workstations, servers, and network equipment are programmed to automatically shut down after work hours.
- **Implementing water-saving measures,** including the installation of water-efficient water closets.
- In September 2022, Juara introduced digital solutions that significantly **reduced paper usage, resulting in an average monthly paper reduction of 46% (saving 510 kg CO² emissions/year).**
- Work from Home at least twice a week (**Outcomes: (a) Saving 1000km per month which translates to a reduction of 1440 kg CO¹ per year; and (b) Increased productivity.**



Social

- **Purpose Driven Financing:** Extend financing assistance to civil servants in debt consolidation programmes mainly involving women.
- **Employee Wellness Programmes:**
 - Daily Mindfulness Practices.
 - Employee Engagement Activities.
 - Daily Home Cooked Vegetarian Meals for Employees.
- **Performance Management Programmes**
 - Task specialisation and digital solution (average days to process finance application reduced from 11.6 days to 3.5 days).
 - Regular employee engagement (attrition rates declined from 9.09% (2021) to 4.17% (2022)).
- **Community Engagement:** Distribution of food and beverage.



Governance

- **Juara Partners Sustainability Plan (JPSP):** Outlines goals for sustainable and responsible business practices.
- **ESG-related data monitoring and in-depth analysis** were conducted, benefiting both customers and staff.
- **Certification:** In July 2023, Juara Partners obtained B-Corp Certification.
- **Recognition:** Star Media Group ESG Positive Impact Awards 2022.

Beyond internal ESG engagement, Juara extends its influence to the community. Juara's community engagement includes the following initiatives: (i) providing meals for the homeless, (ii) bi-weekly food and beverage distribution in Kuala Lumpur, and (iii) free financial advisory.

"Every customer has a fundamental right to financial access, and we work tirelessly to ensure the access is readily available for all."

In recognition of its extensive social commitment, Juara Partners won Gold in the **Human Rights & Labour Standards** category and **Silver in the Transformation** category at the **Star Media Group ESG Positive Impact Awards 2022**.

ESG Impact on Business Resilience

Juara Partners has witnessed profound impact of ESG adoption on both financial and non-financial resilience:

- **Improved profitability and robust support from customers, particularly through peer-to-peer recommendations.** This effect is especially pronounced among female borrowers and those engaged in debt consolidation programs.
- **Boosted investor confidence**, attracting capital and investment.
- Third-party certifications, such as the B-Corp certification, which helps to **enhance customer confidence** in Juara's products and services.
- Accolades like the Star Award have elevated Juara's **reputation and image**, opening doors to valuable external collaboration (e.g. Government agencies have shown a heightened interest in engaging with Juara).
- Internally, ESG played a pivotal role in **enhancing operational and workforce resilience, as evidenced by higher employee productivity and cost-saving efficiency.**

"The implementation of purpose-driven financing resulted in a 30% increase in loan approval rates (annually) and 0.12% reduction in loan delinquencies."

3.9

Penang Automation Cluster: Being Different in Metal Industry

E



- Deploying industrial wastewater treatment systems.
- Water consumption saving.
- Improving sustainable supply chain resilience of local SMEs.
- Deploying industrial air scrubber system to filter air.

S



- Set out clearly the company core values.
- Employee welfare programme.
- Inclusive policies towards its multi-ethnic workforce.
- Safety & health measures.
- Community engagement – Internship programme.

G



- Anti-corruption policy.
- Environmental and safety policy.
- Employees handbook.
- Partnership – Penang Green Agenda.

BUSINESS RESILIENCE

- Cost saving – energy & water
- Opportunities to attract new clients.
- Supply chain resilience- overcome face-masks shortage during pandemic.
- Legal compliance- set by Department of Environment
- Image and reputation- implemented environmentally friendly practices.



Penang Automation Cluster Sdn. Bhd. (PAC) is a joint venture established in 2017 by three technology-savvy manufacturers ViTrox Corporation Berhad, Pentamaster Technology (M) Sdn Bhd and Walta Engineering Sdn Bhd. PAC acts as a **one-stop metal components supply chain hub** for multinational corporations and local large enterprises, with a bold vision to build and manage a local supply chain ecosystem based on advanced, innovative and cost-effective technology. PAC is an ISO 9001 certified company. PAC focuses on the design, development and manufacture of high-precision metal fabrication components, modules and systems for various industries. The cluster offers services such as technological design and development, value-added engineering development, joint metrology services, 3D prototyping, smart manufacturing systems and technical training to companies in the automation cluster. In the metal components supply industry, sustainability is a critical challenge, especially when it comes to **responsibly managing waste and pollution resulting from business operations**. To ensure sustainability, PAC is committed to **ensuring that wastewater and air pollution are properly controlled**. Indeed, an important goal of the company within the cluster is to help other SMEs build a sustainable supply chain.

“During the design stage of the production floor, we made sure that the wastewater and grease disposal within the production floor was designed to ensure proper disposal.”

ESG Practices & Initiatives



Environmental

- Discharge of wastewater through the **use of industrial wastewater treatment systems** that help prevent harm to the environment, human health and the company's processes or products (if the wastewater is reused).
- **Water consumption tracking** to trace the underground leaking.
- **Improving sustainable supply chain resilience by supporting local SMEs:** Industry 4.0 Smart Manufacturing Facility; regulatory compliance, e.g. DOE and OSHA and coaching and training for SMEs in clusters and Up-scaling their work performance and ISO 9001 certification.
- Deploying **Industrial Air Scrubber System to filter air** (treating hazardous contaminants) before it is released into the atmosphere to reduce carbon emissions.
- **Noise Monitoring:** especially when using air guns.



Social

- PAC clearly sets out the company's core values (**Devotion, Harmonious, Integrity, Transparent and Ethical**). Implements the company's values in recruitment interviews and employee performance appraisals, which builds employee trust.
- **Staff Welfare Programmes:** Festive gathering, Durian feast, Free vegetarian lunch sponsored by shareholder, Medical and insurance benefits, foreign workers welfare: Equal treatment and adequate hostel accommodation by-law.
- **Safety & Health:** Audiometric monitoring and preventive measures.
- Practices **inclusive policy towards its multi-ethnic workforce** (locals and foreigners).
- **Offers internship opportunities** for students with a monthly remuneration of RM1,200 - RM1,300.



Governance

- **Anti-Corruption policy** to combat corruption, embezzlement and abuse of power. This policy is part of the integrity management at PAC.
- **Environmental and Safety Policy:** ensuring all employees are well informed. Scheduled waste guidelines.
- **Employees Handbook** – Awareness of employee rights.
- **Collaborate with the Penang Green Agenda initiative,** which provides PAC guidance on proper environmental management techniques and facilitates the green related certification.

To make the business more resilient to ESG risks, **PAC collaborates with Penang Green Council** to support the Penang Green Agenda initiative. The collaboration benefited PAC in terms of **getting proper guidance and advice on environmental management techniques and facilitating green related certifications**. The idea of solar panels, for example, is in the design phase and PAC hopes that this project can be realised soon to reduce the demand for conventional electricity from TNB.

ESG Impact on Business Resilience

- **Cost savings:** PAC is expecting energy cost savings from solar installation in the medium to long term.
- **Innovation resilience:** PAC has successfully modified imported face masks machinery from China through local R&D, which helped to support government initiative during COVID-19 pandemic by producing and donating face masks to local communities in Penang.
- **Supply chain resilience:** PAC contributed to supply chain resilience by reducing wastewater and pollution problems for larger companies.
- **Legal resilience:** PAC benefited from its ESG practices such as wastewater treatment, air quality control, etc., which enabled it to meet the legal requirements set by the Department of Environment or international standards.
- **Compliance with foreign clients' needs:** Some Japanese and German clients required PAC to comply with appropriate environmental management practices. ESG helped PAC meet their requirements and maintain the business relationship.
- **Enhancing image and reputation:** ESG has enabled PAC to adopt environmentally friendly manufacturing practices that should help develop a positive image and reputation in the marketplace in the long term.

"As we provide supply chain solutions to ViTrox, Pentamaster and other large local customers, our purpose-built facilities, machine technology, 5S workplace effectiveness and cleanliness, and DOE / DOSH law compliance have indeed impressed many customers. This has directly encouraged our customers to capture more market share among global high-tech customers."

3.10

Timogah: Empowering Rural Community



- Purpose-driven, empowering rural communities & farmers.
- Digital solution for better community livelihoods.
- Rural community engagement.

BUSINESS RESILIENCE

- Niche market driving business feasibility and profitability.
- Long term business sustainability via community engagement.
- Opportunities to attract financial support as a start-up.



TIMOGAH, a **start-up** founded in 2017, provides an e-commerce (online) shopping platform enabling customers from across Malaysia to buy directly from **local farmers and small/micro businesses**. Its core business model is based on **creating sustainable rural communities (small/micro farmers and enterprises) and sustainable healthy lifestyle**. The business model aims to build local communities and farmers to create Timogah's niche market. Timogah is unique in that it offers **many natural jungle products from Borneo, quality agricultural products as well as other local products, handicrafts, and souvenirs from Sabah and Sarawak** and delivers nationwide. Timogah has had a remarkable impact on the digital economy landscape for sustainable community development as:

- Well-known hyperlocal digital marketplace, where both local communities and customers from all over Malaysia can buy fresh local farm produce and handicrafts.
- A pioneer in employing digital transformation and creating sustainable rural communities and promoting healthy lifestyles.
- An essential service to deliver food and groceries to more than 2,500 households throughout Kuching during the COVID-19 pandemic.

The founder adds:

"We are trying to reach rural farmers and micro handicraft businesses who do not have access to markets and the internet by bridging the digital divide and promoting digital inclusion."

To create social impact, Timogah works with various stakeholders, such as small and micro farmers and businesses, suppliers, Timogah shareholders and employees, customers and local authorities. In terms of ESG, Timogah's core business model focuses mainly on **SOCIAL**.

ESG Practices & Initiatives



Social

Initiative

- **Creating Sustainable Rural Communities and livelihoods**
- **Increasing income level of small/micro farmers and enterprises**
- **Providing market information and guidance**
- **Promoting sustainable and healthy lifestyles and wellbeing**
- **Developing network of Vendors (Collection and delivery points)**
- **Providing access to unique natural products**
- **Promoting digital inclusion and digital economy**

Action

- Time and efforts taken to conduct programmes to help farmers and rural communities to connect to the market.
- By gaining access to a larger market and higher prices through direct access to the end market. **Securing 50% higher price in end user market than wholesale market prices.**
- On products in high demand for farmers and entrepreneurs to ensure proper crop production.
- Among customers by offering fresh produce (fruits and vegetables not available in mainstream market).
- By providing digital and business skills training to vendors (sometimes with the help of external agencies).
- Providing access to unique natural products to customers and creating broader awareness about such products.
- By developing and supporting rural digital entrepreneurship.

"We use our customer and supplier relationships to deliver market intelligence through social media that improves the incomes and livelihoods of rural communities. We show our stakeholders that we are not just an online platform but are actively committed to sustainability and digital inclusion."

ESG Impact on Business Resilience

ESG practices have helped strengthen business resilience, such as:

- **Building new business competitiveness** - The uniqueness of the rural products offered on the platform (natural and forest products not easily found and not yet available on a commercial scale) has helped to improve competitive advantage and increase profitability.
- **Building a sustainable brand** - Timogah is well known by various parties due to their community engagement.
- **Financial opportunities for a start-up** - Community engagement has enabled access to financial support from the local government.

"Most of the products sold on our platform are not commercially available in the market. This uniqueness gives us a good competitive advantage and helps us to position our brand distinctively."

POLICY INSIGHTS

A **policy framework** is crucial to drive ESG practices and initiatives by SMEs. Using business cases and in-depth interviews, this report outlines **key policy insights** that can support and facilitate SMEs' transitions to ESG. It is **essential to create robust ecosystems** to promote the adoption of ESG among SMEs in Malaysia. Specific policies should be developed to strengthen the ecosystem. **Coordinated efforts and mechanisms should be created** to implement the following:



Strengthening Support Services

- **Financial support** - for example grants for LCA, ESG tax incentives and offsetting training costs for ESG managers/auditors, subsidies and loans, support for ESG-related sector-specific certification and recognition.
- **Technical support** – for example ESG data management, analysis, disclosure, monitoring and verification.
- **Non-technical support** – for example know-how services are provided by various parties, facilitating ESG certification, knowledge dissemination and sharing 'best practices'.
- **Training** – for example on the reporting framework, ESG internal auditing and carbon credit calculation.
- **Information services** – to address information deficit, programmes such as ESG education, export market ESG requirements and labelling requirements can be deployed.



Improvising ESG Framework for SMEs

- **Making economic sense** of the ESG framework design for ESG adoption by aligning to the long-term business resilience and survivability (such as increased revenues, market share and employee turnover rate).
- **Evidence-driven approach** to ESG will encourage SMEs to adopt critical practices and understand the positive impacts. Supporting targeted and mission-oriented efforts that are industry-specific is critical.
- **Strengthening and reforming existing policies, laws and regulations** by identifying critical gaps in the existing policies related to ESG adoption is critical. For instance, fair treatment of workers, laws related to harassment, fair wages can be embedded within the existing policies, laws and regulations.

POLICY



Strengthening the Role of Intermediaries

For example, UNGCMYB had played a very important role in promoting networking, raising awareness and providing education and training. Other institutions such as universities, private service providers and international institutions can also play an important role. Government efforts should focus on creating and supporting such intermediary institutions that can facilitate the transition of SMEs to adopt ESG practices.



Encouraging Innovative Solutions

It is crucial to encourage and support capacity building, research and development (R&D) for innovative solutions for ESG uptake in SMEs. For example, R&D incentives can be introduced to facilitate SMEs' transition to ESG. Align existing public R&D and innovation grants to support SMEs' transition to ESG practices.



Foster Collaborative Efforts

ESG requires diverse expertise and the collaboration of consortia such as academics, non-government organisations (NGOs) and industry to support the development of SMEs in ESG. Create platforms to foster better collaboration and to share expertise and other joint efforts.

INSIGHTS

Key Takeaways for SMEs



Business leaders and managers play a critical role in driving sound ESG practices so that companies can benefit from ESG engagement. However, a key barrier to ESG engagement is knowing where and how to start. ESG is a journey, not an outcome. Using business cases, this report presents key lessons learned from companies that have embarked on the ESG journey. The key lessons for management are:

(i) Engage in the ESG journey by:

- **Reflecting on the purpose and risk** – Consider what ESG means for your business and how it would affect your stakeholders.
- **Defining ESG for your business** – Tailor ESG objectives to reflect your company's identity, values and resources, while addressing the most important ESG considerations for your business. This includes engaging stakeholders, setting specific ESG targets and building (and promoting) internal expertise.
- **Aligning ESG with business processes and operations** - Integrate ESG practices into your company's daily operations, considering areas such as supply chain management, workplace culture and risk management.
- **Creating an ESG guide** – Set clear and achievable short, medium and long-term goals, targets and required resources.
- **Monitoring, reviewing and moving forward** - Regularly re-evaluate and adapt your ESG framework to changing internal and external dynamics, such as internal innovation, regulatory requirements and new market trends.

(ii) If you are not sure how to begin, consider the following:

- **Start somewhere and start small** – Take small steps where you can make a difference, both for the organisation and for society in general. **Small initiatives do not necessarily involve high costs**, but they are important for business, the environment and society. For example, introducing policies on fair wages, non-discrimination and anti-harassment is a good start. Appropriate labour practices promote business resilience by creating a healthy work environment and building a culture that helps retain employees and improve productivity. The gradual development of a sound governance system can be another area where SMEs can get involved.
- **Identify impact areas that create value** - The ESG journey requires identifying the most impactful ESG activities that **make sense in terms of business resilience**. For example, cost-saving ESG initiatives motivate SMEs and their employees to increase ESG commitments. They also incentivise top management to invest and co-create the practices.
- **Embrace self-discovery** - The ESG journey is **one of self-discovery**, requiring **business owners to be far-sighted in terms of market and profitability**. In some cases, sustainability itself becomes a core business model (e.g. suppliers of green building products), while for others it is part of their strategy to improve business resilience. Energy saving initiatives, for example, improve resilience by reducing energy costs.
- **Innovate to create value for ESG** – Innovation means that both business owners and their employees work together **to jointly develop and design new and efficient ESG solutions within the business**. This process can mitigate potential business risks and expand opportunities. For example, some companies are discovering that recycling activities can lead to new business opportunities as they enter new markets. Innovation includes not only product development, but also **organisational (people) and process improvements**. Developing a culture of sustainability relies on continuous innovation.
- **Seek external collaboration and support** – Seek support and collaborate with industry associations and agencies that focus on enhancing ESG practices among SMEs. For example, **SME ESG Hub** by UNGCMYB serves as a valuable resource platform. **PKSlestari** by SME Corp is designed to support and accelerate ESG adoption among SMEs. It offers educational resources, ESG assessments, and even financing opportunities and incentives.
- **Engage in learning by doing and explore "best practices"** – In most cases, successful implementation is based on your own learning and by exploring best practices. As a result, companies learn more and are better able to adopt ESG practices to get the most out of the ESG practices.
- **Think "long-term business sustainability"** – Consider how ESG can contribute to long-term business sustainability and how they create markets and other benefits in the long term.

BUSINESS LEADER'S QUOTES FOR SMEs

**"Start small and somewhere.
With something tangible."**

Nutrition Technologies

**"Create impact
as a business entity."**

EDAR

**"Small practice
can lead to big impact.
Just do it."**

Seng Liy

**"Look into your business life cycle
and determine which stage you are at
when incorporating ESG. Ultimately it
is the future."**

Hexa

**"Only one mother earth,
no second chance for SMEs
ignoring ESG in their business."**

Kairos Agriculture

**"Start with what you have, do
what you can. Innovation is not only
about products, but also about
people and processes."**

Geomax

**"If your company cares,
then embrace ESG. Learn through
practical experience instead of relying
on consultants and take responsibility
for your company's ESG initiatives."**

Juara

**"Small change, small chance;
Big change, big chance. Let's
do the big chance."**

Above Creative

**"Companies should be clear about
what they want to do for sustainability
and what the future needs are. Stay
innovative in every area of the
business because innovation is the
key to success."**

Timogah

**"Customers are impressed with PAC
because our cleanliness in production
which sets us apart from other
companies in the industry."**

Penang Automotive Cluster

PARTICIPATING COMPANIES



Nutrition Technologies manufacture and supply sustainable animal feed ingredients and biofertilisers, using a unique combination of biotechnology and Black Soldier Fly Larvae (BSFL) to recycle nutrients from agricultural and food processing by-products. Nutrition Technologies uses a combination of beneficial Microbes and Black Soldier Fly Larvae to grow their insects, which are reared on clean and traceable agro-industrial by-products.

<https://www.nutrition-technologies.com/>



EDAR Megah Holdings a tech company that rewards consumers to recycle used cooking oil for cheaper LPG gas has rebranded itself to EDAR, a digital wholesaler for FNBs & SMEs. Founded as BELIGAS in June 2020 at the height of the pandemic as a social enterprise to empower those who lost their jobs during the lockdown, especially B40 and ex-convicts, by selling cooking gas.

<https://edar.com/>



HEXA Food is a home-grown food manufacturing company, producing more than a hundred different types of spices, herbs, seasonings, ready-to-cook premixes and marinades in their factories. Hexa's products are all HALAL, HACCP and ISO 22000 certified, and are available at retail outlets, supermarkets, hypermarkets, wholesalers, and our online store.

<https://www.hexafood.com/>



Seng Liy Engineering was founded in 2013 with a focus in supplying concrete profile accessories to building construction projects in Malaysia. Seng Liy deals with green solutions for any building projects by producing and sourcing for green products and make it available for clients globally.

<https://www.sengliy.com.my/>



Geomax Rubber specialised in developing innovative sustainable rubber products. Geomax upcycled eco rubber compounds and moulded them into rubber eco soles for sandals and shoes known as Solewell brand. Solewell is the world's first eco sandal made with rejected nitrile rubber gloves, and with an anti-slip sole design.

<https://geomaxrubber.com/>



Above Creative Events, a group of passionate event personnel with strong entertainment and production background, who input creative and technical proficiency in bringing events to life. a.c.e specialised in various events planning, award ceremonies, social events and conferences executing.

<https://www.creativemalaysia.com/>



Kairos Agriculture established in 2020 and envisions to be the leading chemical-free integrated farm in Asia. Kairos Agriculture's first Smart Vanilla Farm in Malaysia sits on 6-acre in Permatang Pauh Agro-Park and Integrated Eco-Farm in Penang. The farm adopts Agriculture 4.0 technologies including the Internet of Things (IOT), Big Data, AI and Machine Learning.

<https://kairos.my/>



Juara Partners is one of the few Shariah Compliant Non-Bank Financial Institutions (NBFIs) endorsed by a Shariah Advisory Council registered with the Ministry of Housing and Local Government. Their financing is FinTech enabled and targeted to Civil Servants with monthly repayments via secured salary deduction channel. They strive and provide purpose-driven vital lines of credit to deserving Civil Servants that are creditworthy but underserved, addressing the widespread problem of mismatch of purpose and usage of personal financing.

<https://juarapartners.com/>



PAC is located in Penang and focuses on designing, developing and manufacturing high precision metal fabrication components, modules, and systems for various industries. The cluster offers services such as Technological Design & Development, Value Added Engineering Development, Metrology Shared Services, 3-D prototyping, Smart Manufacturing System, and Technical Training to the Automation Cluster Companies.

<https://pa-cluster.com/>



TIMOGAH provides an online shopping platform where customers can buy directly from local farmers and businesses. Timogah is unique as it offers a lot of Borneo natural jungle produce, quality agricultural products from Sabah & Sarawak as well as other daily needs and delivers them nationwide.

<https://timogah.com/>



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