

# **PART 1:**

## Introduction and Guideline Context

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## 1. Introduction

The Malaysian rubber industry is an important contributor to the country's economy and remains closely connected to global supply chains for natural rubber, rubber-based materials, and rubber products. Malaysia's rubber industry is generally structured into three key segments: **upstream**, which covers plantation and rubber cultivation activities; **midstream**, which covers the processing of natural rubber into semi-processed materials such as block rubber, sheets, and latex concentrate; and **downstream**, which covers the manufacturing of dry rubber-based and latex-based products, including gloves, tyres, industrial components, and other rubber products.

As global demand for rubber products continues to be influenced by sectors such as healthcare, automotive, industrial manufacturing, and consumer goods, rubber companies are facing increasing expectations to demonstrate responsible, transparent, and sustainable business practices. These expectations are no longer limited to product quality or price competitiveness. Buyers, regulators, investors, financial institutions, certification bodies, and civil society increasingly expect companies to manage environmental impacts, labour practices, supply chain traceability, human rights, business ethics, and governance risks in a structured and verifiable manner.

Environmental, Social and Governance, or ESG, provides a practical framework for companies to identify, manage, monitor, and communicate these sustainability-related risks and opportunities. For rubber processors and manufacturers, ESG is particularly relevant because the sector is exposed to material issues such as deforestation risk, sustainable sourcing, chemical and hazardous substance management, energy and water use, emissions, waste, occupational health and safety, migrant worker management, forced labour risk, supply chain due diligence, anti-corruption, transparency, and regulatory compliance.

These Guidelines have therefore been developed to support Malaysian rubber processors and manufacturers in adopting ESG practices in a practical, consistent, and industry-relevant manner. They are intended to help companies understand applicable ESG topics, identify material sustainability issues, collect relevant data, maintain supporting evidence, prepare ESG disclosures, and continuously improve their ESG performance over time. The Guidelines also support alignment with relevant national and international frameworks, regulations, and voluntary sustainability standards, while recognising that ESG implementation will vary according to each company's size, operations, maturity level, resources, supply chain complexity, and stakeholder expectations.

## 1.1 Background of the Malaysian Rubber Industry

Malaysia has a long history in the rubber industry and was once the world's largest producer of natural rubber. Although Malaysia's role in natural rubber production has evolved over time, the industry remains strategically important due to its strong processing and manufacturing capabilities, particularly in value-added rubber products. The sector supports a wide ecosystem of smallholders, processors, manufacturers, traders, exporters, technology providers, certification bodies, regulators, and international buyers.

The Malaysian rubber value chain can be broadly described as follows:

**Upstream activities** involve rubber planting, cultivation, replanting, and latex harvesting. These activities are closely linked to land use, smallholder participation, plantation management, environmental conservation, and traceability of raw materials.

**Midstream activities** involve the processing of raw natural rubber, including cup lumps and latex, into semi-processed materials such as block rubber, rubber sheets, and latex concentrate. Midstream companies play an important role in ensuring raw material quality, maintaining processing efficiency, supporting traceability, and meeting buyer and regulatory expectations.

**Downstream activities** involve the manufacturing of rubber products, including latex-based and dry rubber-based products such as gloves, tyres, industrial rubber goods, medical products, consumer goods, and other specialised rubber products. Downstream companies are often exposed to more direct market, customer, investor, and regulatory expectations, especially where products are exported or supplied to multinational customers.

The ESG context for the rubber industry is shaped by several important developments. International buyers are placing greater emphasis on responsible sourcing, no-deforestation commitments, labour rights, ethical recruitment, product stewardship, and supply chain transparency. Regulatory developments, including sustainability reporting requirements and due diligence expectations, are also changing how companies are assessed. In Malaysia, ESG-related expectations are influenced by developments such as the National Sustainability Reporting Framework, Bursa Malaysia sustainability reporting requirements, MITI's i-ESG Framework, the Malaysian Sustainable Natural Rubber initiative, and other national policies and schemes. At the international level, rubber companies may also be affected by the EU Deforestation Regulation, the EU Corporate Sustainability Due Diligence Directive, GRI Standards, the Sustainable Development Goals, the Global Platform for Sustainable Natural Rubber, FSC, PEFC, and Preferred by Nature-related requirements.

For small and medium-sized enterprises, ESG adoption may not always be driven by direct mandatory reporting requirements. However, SMEs are increasingly affected through supply chain requirements, customer questionnaires, supplier codes of conduct, financing criteria, certification expectations, and requests for ESG data from larger corporations. These

Guidelines are therefore intended to help companies at different maturity levels take practical steps to begin, strengthen, or improve their ESG approach.

## **1.2 Purpose of the ESG Guidelines**

The purpose of these Guidelines is to provide a practical reference for Malaysian rubber processors and manufacturers to adopt, manage, report, and improve ESG practices in a structured way.

Specifically, the Guidelines aim to:

- a. help companies understand ESG topics that are relevant to the Malaysian rubber industry;
- b. support companies in identifying and prioritising material ESG risks, impacts, and opportunities;
- c. guide companies in developing ESG policies, governance structures, action plans, indicators, and evidence records;
- d. support ESG data collection and reporting in line with recognised sustainability principles and disclosure expectations;
- e. provide practical indicators, sub-indicators, and verifiers that companies can use for self-assessment, internal review, supplier engagement, and reporting preparation;
- f. assist companies in identifying gaps between current practices and ESG expectations;
- g. encourage companies to integrate ESG considerations into business planning, operations, procurement, human resource management, occupational safety and health, environmental management, compliance, and governance processes; and
- h. promote continuous improvement in ESG performance across the Malaysian rubber industry.

The Guidelines are not intended to replace applicable laws, regulations, certification requirements, customer requirements, contractual obligations, professional advice, formal audits, or external verification. Rather, they serve as a practical implementation and reference tool to help companies prepare, organise, and improve their ESG practices and disclosures. The ESG checklist and supporting tools should be used as starting points for internal assessment, gap identification, evidence preparation, and improvement planning.

### 1.3 Scope of the Guidelines

These Guidelines apply primarily to **midstream and downstream rubber companies operating in Malaysia**. This includes rubber processors, rubber product manufacturers, and other companies whose activities are materially connected to the processing, sourcing, manufacturing, trading, or supply of rubber materials and rubber products.

For the purpose of these Guidelines, the scope includes ESG considerations relating to:

- a. company-level ESG governance, accountability, policies, risk management, and internal controls;
- b. environmental management, including emissions, energy, water, waste, hazardous substances, biodiversity, land-related risks, and resource efficiency;
- c. social management, including human rights, labour practices, occupational health and safety, worker welfare, child labour, forced labour, diversity, training, local communities, and stakeholder engagement;
- d. governance management, including supply chain traceability, due diligence, business ethics, anti-corruption, transparency, regulatory risk, tax practices, and public policy-related matters;
- e. ESG reporting, disclosure, data collection, evidence management, and verification readiness;
- f. supplier and supply chain practices, where these are relevant to the company's ESG risks, customer expectations, or reporting boundary; and
- g. continuous improvement through self-assessment, gap analysis, target setting, action planning, monitoring, and annual review.

While the Guidelines are designed for midstream and downstream companies, certain topics may require companies to consider upstream-related risks, especially where raw material sourcing, no-deforestation expectations, traceability, land use, smallholder integration, supplier legality, or chain-of-custody issues are relevant. The Guidelines therefore encourage companies to consider both their own operations and relevant value chain impacts, depending on materiality, reporting scope, customer expectations, and regulatory exposure.

The Guidelines may be applied to natural rubber, synthetic rubber, additives, chemicals, packaging materials, and other significant input materials where these are material to the company's operations or products. For companies using both natural and synthetic rubber, ESG assessment should consider the relevant environmental, social, and governance risks associated with each material type, including sourcing, emissions, chemical use, worker safety, energy use, waste, and end-of-life considerations.

## 1.4 Intended Users: Midstream and Downstream Rubber Industry

These Guidelines are intended for organisations across the Malaysian rubber midstream and downstream value chain. The primary users are:

- a. rubber processors, including companies involved in converting raw natural rubber into semi-processed materials such as block rubber, rubber sheets, latex concentrate, and other processed rubber materials;
- b. rubber product manufacturers, including companies producing latex-based and dry rubber-based products such as gloves, tyres, industrial rubber products, medical products, consumer goods, and other rubber-related products;
- c. rubber traders, exporters, suppliers, and supply chain participants whose activities influence ESG performance, sourcing practices, traceability, due diligence, or customer compliance expectations;
- d. SMEs that are beginning to develop ESG systems and need a practical starting point for implementation and reporting;
- e. larger companies that need to strengthen ESG governance, supply chain due diligence, data management, sustainability reporting, and alignment with recognised frameworks;
- f. company management, board members, ESG committees, sustainability teams, compliance teams, internal auditors, environmental officers, human resource teams, procurement teams, occupational safety and health personnel, production managers, and finance teams; and
- g. industry stakeholders, including regulators, agencies, financial institutions, certification bodies, buyers, associations, consultants, and training providers that support ESG adoption in the rubber sector.

The Guidelines recognise that companies will have different levels of ESG maturity. Some companies may already have ESG policies, sustainability reports, environmental management systems, labour compliance processes, or certification programmes in place. Others may be preparing ESG information for the first time. The Guidelines are therefore designed to be scalable and practical, allowing users to begin with core requirements and progressively strengthen their systems, data, reporting, and evidence over time.

## 1.5 How the Guidelines Support ESG Adoption, Reporting, and Continuous Improvement

These Guidelines support companies through a practical ESG journey that can be understood as four connected stages: **Develop, Report, Track, and Repeat**. This approach allows companies to move from basic ESG understanding towards structured implementation, performance monitoring, and continuous improvement.

At the **Develop** stage, companies establish the foundation for ESG implementation. This includes identifying relevant stakeholders, understanding business and value chain impacts, determining material ESG topics, assigning responsibilities, developing ESG policies, setting objectives, and integrating ESG considerations into operational procedures. Companies should use this stage to clarify what ESG means for their business and how ESG responsibilities are managed internally.

At the **Report** stage, companies collect and organise ESG information for disclosure. This includes defining reporting boundaries, selecting relevant indicators, collecting quantitative and qualitative data, documenting assumptions, preparing explanations for omissions or non-applicability, and presenting ESG performance in a clear and balanced manner. The Guidelines support companies in using ESG information consistently for internal reporting, customer questionnaires, supplier assessments, sustainability reports, and other disclosure needs.

At the **Track** stage, companies use the ESG Checklist and supporting tools to assess their progress. This includes reviewing current practices, checking available evidence, identifying gaps, prioritising improvements, and monitoring whether actions are being implemented. Tracking is important because ESG adoption is not limited to producing a report; it requires companies to maintain records, verify data, review controls, and demonstrate progress.

At the **Repeat** stage, companies review and improve their ESG practices. This includes updating materiality assessments, reviewing stakeholder feedback, revising policies and procedures, improving data systems, setting new targets, strengthening supplier due diligence, and preparing for future regulatory, buyer, or certification expectations. This stage supports continuous improvement and helps companies remain responsive to changing market conditions, stakeholder expectations, and sustainability developments.

The Guidelines also consolidate ESG requirements into **29 focused material topics** across the Environmental, Social, and Governance pillars. Each topic is supported by indicators, sub-indicators, and verifiers to help companies understand what should be implemented, what should be monitored, and what evidence may be needed. These topics are intended to support materiality assessment, ESG reporting, self-assessment, internal audit preparation, supplier engagement, and improvement planning.

## 1.6 Relationship with the ESG Checklist and Supporting Tools

The ESG Checklist and supporting tools are practical companion resources to these Guidelines. They are designed to help companies translate ESG expectations into action, evidence, and measurable progress.

The Checklist can be used to:

- a. assess whether relevant ESG topics have been addressed;
- b. identify gaps in policies, procedures, data, implementation, and evidence;
- c. support annual ESG reporting and sustainability disclosure preparation;
- d. prepare supplier ESG assessments, supplier codes of conduct, and due diligence reviews;
- e. support internal audits or management reviews;
- f. organise evidence for customer, buyer, financier, or certification-related requests;
- g. integrate ESG requirements into company policies, standard operating procedures, procurement processes, human resource practices, and compliance systems; and
- h. track improvement actions over time.

The Checklist is not a formal audit tool and does not guarantee compliance with any specific law, regulation, framework, certification scheme, or customer requirement. It should be used as a structured self-assessment and gap analysis tool. Companies should supplement it with legal review, technical advice, formal audits, external assurance, certification assessments, or customer-specific verification where required.

Supporting tools may include templates for materiality assessment, ESG data collection, KPI tracking, evidence management, supplier screening, corrective action planning, stakeholder engagement records, policy development, and ESG reporting. These tools should be used alongside the main Guidelines to help companies move from general ESG awareness to practical implementation.

In applying the Guidelines and Checklist, companies should maintain clear records of decisions, data sources, responsible persons, review dates, supporting documents, and improvement actions. This will help strengthen internal accountability, improve reporting quality, support verification readiness, and build confidence among customers, regulators, investors, employees, suppliers, and other stakeholders.

Ultimately, the Guidelines, Checklist, and supporting tools work together as an integrated system. The Guidelines explain what companies should understand and implement. The Checklist helps companies assess whether they have addressed the relevant ESG topics. The supporting tools help companies collect data, maintain evidence, report information, and plan improvements. Used together, they provide a practical pathway for Malaysian rubber processors and manufacturers to strengthen ESG adoption, improve transparency, and remain competitive in an increasingly sustainability-driven global market.



## 2. ESG in the Rubber Sector

Environmental, Social and Governance, or ESG, is increasingly important to the Malaysian rubber industry because rubber processors and manufacturers operate within global supply chains that are closely linked to environmental performance, labour practices, sourcing transparency, customer requirements, and regulatory expectations. The Malaysian rubber industry is structured across upstream, midstream, and downstream activities, with midstream companies involved in processing and downstream companies involved in manufacturing rubber-based products. The sector also faces sustainability challenges relating to environmental impact, labour practices, and supply chain transparency.

For the rubber sector, ESG should not be viewed only as a reporting exercise. It is a practical management approach that helps companies identify material risks, strengthen internal controls, improve resource efficiency, manage people responsibly, maintain traceability, and demonstrate credible performance to stakeholders. It supports companies in answering key business questions: where materials come from, how products are made, how workers and communities are treated, how risks are governed, and whether sustainability claims can be supported by reliable evidence.

These Guidelines therefore position ESG as both a compliance-support tool and a business improvement tool. The Guidelines are intended to help Malaysian rubber processors and manufacturers develop ESG systems, collect data, maintain evidence, prepare disclosures, conduct self-assessments, and continuously improve performance. The current MRC guidance prioritises 29 ESG topics commonly referenced in ESG disclosures and groups broad requirements into focused topics with indicators and verifiers to support a more standardised and practical approach for the rubber midstream and downstream supply chain.

### 2.1 What ESG Means for Rubber Processors and Manufacturers

For rubber processors and manufacturers, ESG refers to the way a company manages its environmental impacts, social responsibilities, and governance practices across its operations and relevant value chain. It covers the policies, procedures, data, controls, actions, and evidence used to demonstrate responsible business conduct.

The **Environmental** pillar focuses on how a company manages its interaction with the natural environment. For rubber processors and manufacturers, this may include emissions, energy use, water consumption, wastewater treatment, waste management, hazardous substances, chemical handling, land-related impacts, biodiversity, resource efficiency, and circularity. Rubber processing and manufacturing can involve significant use of energy, water, chemicals, and production materials; therefore, environmental management should

be integrated into operational planning, production control, maintenance, procurement, and compliance monitoring.

The **Social** pillar focuses on how a company manages its responsibilities towards employees, contract workers, suppliers, customers, and communities. For the rubber sector, this includes human rights, fair labour practices, occupational health and safety, worker welfare, migrant worker protection, prevention of child labour and forced labour, freedom of association, training, diversity, equal remuneration, and community engagement. These issues are particularly important where companies operate labour-intensive facilities, use contractors, source from complex supply chains, or serve international buyers with strict social compliance requirements.

The **Governance** pillar focuses on how a company is directed, controlled, and held accountable. For rubber processors and manufacturers, this includes corporate governance, business ethics, anti-corruption, tax practices, regulatory compliance, supply chain traceability, due diligence, risk management, stakeholder engagement, transparency, grievance mechanisms, and documentation. Strong governance enables companies to manage ESG consistently, assign responsibilities, maintain records, investigate concerns, and respond to stakeholder expectations in a credible manner.

In practical terms, ESG means that rubber companies should be able to show:

ESG Pillar	What it means for rubber processors and manufacturers
Environmental	Managing emissions, energy, water, waste, chemicals, hazardous substances, pollution, biodiversity, and resource use.
Social	Protecting workers' rights, human rights, occupational safety and health, fair pay, worker welfare, training, and community relationships.
Governance	Establishing accountable leadership, ethical conduct, traceability, due diligence, risk management, transparency, and compliance systems.

These Guidelines consolidate ESG issues into **29 focused material topics** across the Environmental, Social, and Governance pillars. Not every topic will apply equally to every organisation; relevance depends on the company's role in the supply chain, business model, operational context, customer requirements, and materiality assessment.

## 2.2 Key Sustainability Drivers for the Rubber Industry

The adoption of ESG in the rubber industry is driven by a combination of global market expectations, national sustainability priorities, buyer requirements, regulatory developments, investor expectations, and operational needs.

A key driver is the growing demand for greater transparency and responsible sourcing across global supply chains. Rubber products are used in sectors such as healthcare, automotive, industrial manufacturing, and consumer goods. As these sectors place increasing emphasis on sustainability, rubber processors and manufacturers are expected to demonstrate that their products are supported by responsible environmental, social, and governance practices. The current MRC guidance notes that consumers, investors, and regulators are calling for greater transparency, sustainability, and ethical practices throughout the supply chain.

Another important driver is **traceability and deforestation-related due diligence**, especially for natural rubber supply chains. The EU Deforestation Regulation includes rubber within its covered commodities and requires covered products to meet deforestation-free and traceability-related expectations when obligations apply. ([Green Forum](#)) In response to such developments, traceability, supplier mapping, sourcing evidence, and chain-of-custody documentation are becoming increasingly important for rubber companies that sell into export markets or supply larger customers.

Climate and low-carbon transition expectations are also becoming major drivers. The MRC Low Carbon Transition Roadmap highlights that global markets are shifting towards Net Zero, and that emission disclosure, low-carbon supply chains, and transparency are becoming standard expectations. It also emphasises that sustainability is no longer optional for the industry, but a business imperative linked to resilience, competitiveness, and long-term growth.

Resource efficiency is another practical driver. Rubber processing and manufacturing can involve significant use of electricity, fuel, water, chemicals, and raw materials. Improvements in energy efficiency, water management, waste reduction, recycling, cleaner production, and material efficiency can reduce environmental impacts while also supporting cost savings and operational performance. The Low Carbon Transition Roadmap states that measuring, mitigating, and optimising emissions across energy use, materials, waste, and logistics is important for operational excellence and business value.

Social expectations are also central to ESG adoption. Labour practices, worker welfare, occupational safety and health, ethical recruitment, prevention of forced labour, and prevention of child labour are material concerns for companies operating in labour-intensive supply chains. These issues can affect buyer confidence, audit outcomes, regulatory exposure, reputation, and market access.

Governance expectations are increasing because stakeholders need confidence that ESG commitments are implemented, not merely stated. This requires companies to have clear policies, assigned responsibilities, reliable data, management oversight, grievance channels, corrective action processes, and evidence records. Strong governance is also essential for supply chain due diligence, anti-corruption, regulatory compliance, and ESG reporting.

At the national level, Malaysia's National Sustainability Reporting Framework is intended to support consistent, comparable, and reliable sustainability information, while MITI's i-ESG Framework aims to accelerate sustainable practices among manufacturing companies. ([Securities Commission Malaysia](#)) ([MITI](#)) These developments reinforce the need for rubber processors and manufacturers to progressively strengthen ESG readiness, even where companies are not yet directly subject to mandatory sustainability reporting.

## 2.3 Market, Regulatory, Buyer, and Financing Expectations

ESG expectations in the rubber sector can be grouped into four broad areas: market expectations, regulatory expectations, buyer expectations, and financing expectations.

**Market expectations** are driven by the shift towards sustainable and transparent global supply chains. Rubber companies that supply international markets are increasingly expected to provide information on emissions, sourcing, labour practices, traceability, environmental management, and ethical business conduct. Sustainability performance is becoming part of how customers assess product quality, supply reliability, supplier risk, and long-term business relationships.

**Regulatory expectations** are expanding at both national and international levels. In Malaysia, ESG reporting has been mandatory for publicly listed companies under Bursa Malaysia requirements, and the National Sustainability Reporting Framework has further shaped sustainability disclosure expectations. The current MRC guidance also notes that large non-listed companies with annual revenues exceeding RM2 billion became subject to sustainability reporting requirements, while SMEs may face indirect pressure from larger corporations and stakeholders to adopt ESG practices and disclose relevant information.

International regulatory developments can also affect Malaysian rubber companies, particularly where products or materials enter regulated markets. EUDR-related expectations may require stronger sourcing evidence and traceability for natural rubber. Climate-related developments, including carbon pricing, carbon border mechanisms, and buyer carbon footprint requirements, are also increasing the need for corporate-level GHG measurement and disclosure. The MRC Low Carbon Transition Roadmap notes that global buyers are tightening ESG and carbon footprint requirements, and suppliers are increasingly expected to provide transparent, science-based GHG disclosures.

**Buyer expectations** are often the most immediate ESG driver for many companies, especially SMEs. Buyers may require supplier ESG questionnaires, supplier codes of conduct, evidence of labour compliance, ethical recruitment practices, emissions data, traceability records, certifications, corrective action plans, or site audit responses. These expectations may apply even where the supplier is not legally required to publish a sustainability report. As a result, companies should treat ESG information as operational data that can be used for customer engagement, tendering, audits, supplier reviews, and contract discussions.

**Financing expectations** are also becoming more relevant. Financial institutions and investors increasingly consider ESG performance when assessing business resilience, risk exposure, and access to green or sustainability-related financing. The existing MRC guidance identifies banks and financial institutions as stakeholders that may provide green financing for ESG-compliant projects, and impact investors as stakeholders that may support ESG-focused companies and projects within the rubber industry.

For practical application, rubber processors and manufacturers should prepare to demonstrate ESG performance through policies, data, records, management review, supplier controls, and evidence. Companies do not need to report on every ESG topic if the topic is not material or not applicable, but they should be able to explain how material topics were selected and why certain topics were omitted or considered less relevant.

## 2.4 ESG Risks and Opportunities Across the Rubber Value Chain

ESG risks and opportunities vary across the rubber value chain. The relevance of each topic depends on whether the company is involved in sourcing, processing, manufacturing, trading, exporting, distribution, or customer-facing activities. Even where a company operates only in midstream or downstream activities, upstream-related risks may still be relevant if they affect raw material sourcing, traceability, legality, deforestation risk, supplier due diligence, or buyer requirements.

Value Chain Area	Key ESG Risks	Key ESG Opportunities
Upstream sourcing interface	Deforestation risk, land legality, biodiversity impact, smallholder traceability, supplier documentation gaps, community-related concerns, and sourcing from high-risk areas.	Supplier mapping, MSNR alignment, geolocation records, traceability systems, responsible sourcing programmes, supplier engagement, and improved buyer confidence.
Midstream processing	Energy use, GHG emissions, wastewater, chemical handling, hazardous substances, odour or air emissions, waste generation, OHS risks, and raw material traceability gaps.	Energy efficiency, renewable energy, water recycling, wastewater treatment improvements, cleaner production, digital traceability,

Value Chain Area	Key ESG Risks	Key ESG Opportunities
		waste reduction, and operational cost savings.
Downstream manufacturing	Labour compliance, migrant worker management, OHS risks, chemical exposure, product stewardship, material efficiency, emissions from production and logistics, buyer audits, and customer ESG requirements.	Sustainable product innovation, low-carbon manufacturing, circularity, product quality differentiation, stronger customer relationships, and access to higher-value markets.
Cross-cutting governance	Weak ESG accountability, incomplete records, insufficient supplier due diligence, corruption risk, poor grievance handling, weak data controls, and lack of management review.	Stronger risk management, better decision-making, improved audit readiness, transparent reporting, stronger internal controls, and improved stakeholder trust.

The 29 ESG topics identified in the MRC guidance provide a practical starting point for assessing these risks and opportunities. Environmental topics include deforestation, biodiversity, emissions, material use and circularity, hazardous substances, energy, water, and waste. Social topics include human rights, workers' rights, occupational health and safety, child labour, forced labour, training, and pay equity. Governance topics include supply chain traceability and due diligence, corporate governance, business ethics, transparency and risk management, anti-corruption, stakeholder engagement, and regulatory risk.

Companies should use materiality assessment to determine which risks and opportunities are most relevant. The current MRC guidance recommends assessing ESG topics based on business impact and stakeholder input, including financial, operational, regulatory, and reputational considerations. Examples of material topics for a rubber company may include deforestation risk, chemical waste management, workers' rights, occupational health and safety, anti-corruption, and supply chain due diligence.

The rubber sector also faces practical implementation challenges. The MRC Low Carbon Transition Roadmap identifies challenges such as leadership commitment, business strategy, limited GHG expertise, lack of dedicated sustainability personnel, budget constraints, technology availability, transition cost, and weak supply chain emissions traceability. These challenges are especially relevant for SMEs and companies at an early stage of ESG adoption.

At the same time, these challenges create opportunities. Companies that begin collecting ESG data, improving operational efficiency, engaging suppliers, strengthening labour practices, and developing traceability systems will be better prepared for future customer, regulatory, and financing expectations.

## 2.5 ESG as a Competitiveness and Market Access Tool

ESG should be treated as a competitiveness and market access tool for the Malaysian rubber industry. As global markets place greater emphasis on sustainability, companies that can demonstrate credible ESG performance are more likely to maintain customer confidence, meet supplier qualification requirements, access financing opportunities, manage regulatory exposure, and protect long-term business value.

For export-oriented companies, ESG can support market access by helping demonstrate that products are produced responsibly, sourced transparently, and supported by credible evidence. Traceability, no-deforestation evidence, emissions data, labour compliance records, and supplier due diligence documentation may become increasingly important in maintaining access to international buyers and regulated markets.

For operational performance, ESG can help companies identify inefficiencies and reduce costs. Energy audits, fuel efficiency, water recycling, chemical management, waste reduction, and material recovery can reduce resource consumption and improve productivity. The MRC Low Carbon Transition Roadmap emphasises that sustainability integration, resource efficiency, cleaner production, and strategic decarbonisation can support resilience, competitiveness, operational excellence, and long-term growth.

For reputation and stakeholder trust, ESG allows companies to move beyond general sustainability claims and provide evidence-based information. This is important because buyers, regulators, financiers, employees, and communities increasingly expect companies to show what actions have been taken, what data has been collected, what risks have been identified, and what improvements are planned.

For financing and investment readiness, ESG can support stronger engagement with financial institutions and investors by showing that the company understands sustainability-related risks and has a plan to manage them. Companies with clear ESG policies, measurable targets, reliable data, and improvement plans may be better positioned to respond to green financing, sustainability-linked financing, or customer-funded improvement programmes.

For SMEs, ESG can also serve as a practical stepping stone into larger supply chains. Even where SMEs are not directly required to publish sustainability reports, they may be asked to provide ESG information by customers, parent companies, multinational buyers, certification bodies, or financiers. The Guidelines and Checklist can therefore help SMEs organise information, identify gaps, prepare evidence, and progressively improve ESG maturity.

In this context, ESG adoption should be understood as a continuous improvement process. Companies may begin with basic policies, compliance checks, data collection, and self-assessment, then progress towards stronger targets, supplier due diligence, internal audit,

external assurance, low-carbon transition planning, and integrated sustainability reporting. The current MRC guidance already frames ESG application through a practical cycle of developing the ESG framework, reporting, tracking progress, and repeating the process through review and improvement.

Ultimately, ESG supports Malaysian rubber processors and manufacturers by helping them remain relevant, resilient, and competitive in a market where responsible sourcing, low-carbon production, labour integrity, transparency, and governance are becoming core business expectations.

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### 3. Alignment with Relevant Frameworks and Requirements

Malaysian rubber processors and manufacturers operate in a business environment shaped by national initiatives, international regulations, voluntary sustainability standards, buyer requirements, reporting frameworks, and financing expectations. These frameworks influence how companies are expected to manage environmental impacts, labour practices, human rights, traceability, due diligence, climate-related risks, nature-related risks, governance, and sustainability disclosure.

These Guidelines are designed to help companies interpret and apply these expectations in a practical and industry-relevant way. They do not replace applicable laws, regulations, certification requirements, customer requirements, legal advice, or formal assurance. Instead, they provide a structured reference to help companies understand common ESG expectations, identify relevant topics, collect data, maintain evidence, prepare disclosures, and track improvement.

The existing MRC guidance already maps key rubber-sector requirements against local and international regulations, voluntary sustainability standards, GRI disclosures, and SDG alignment. It identifies seven priority frameworks for the original mapping exercise: Malaysian Sustainable Natural Rubber, EU Deforestation Regulation, EU Corporate Sustainability Due Diligence Directive, Global Platform for Sustainable Natural Rubber, Forest Stewardship Council, Programme for the Endorsement of Forest Certification, and Preferred by Nature Certification Programme.

The revised Guidelines further strengthen alignment with the **National Sustainability Reporting Framework, TCFD, TNFD, MITI i-ESG Framework, and Bursa Malaysia sustainability reporting expectations**, reflecting the review objective to enhance robustness, improve practical applicability, and future-proof the Guidelines against evolving sustainability developments.

For practical application, companies should use this section to understand:

- a. which frameworks may be relevant to their operations, customers, products, markets, and reporting obligations;
- b. which ESG topics are linked to each framework;
- c. what type of evidence may be required to demonstrate alignment;
- d. whether the framework creates direct obligations, indirect supply chain expectations, or voluntary good practice expectations; and
- e. how the ESG Checklist and supporting tools can be used to assess readiness and close implementation gaps.

Alignment should be understood as a **readiness and implementation approach**, not as automatic compliance or certification. Companies should verify the specific requirements

that apply to them based on their legal status, export markets, contractual obligations, certification scope, customer requirements, and role in the rubber value chain.

### 3.1 Malaysian Sustainable Natural Rubber (MSNR)

The **Malaysian Sustainable Natural Rubber**, or **MSNR**, is a national sustainability initiative led by the Malaysian Rubber Board to strengthen sustainable rubber production, regulatory oversight, traceability, and global competitiveness. The current MRC guide describes MSNR as operating under the Malaysian Rubber Board framework and being guided by a Standard Operating Procedure based on five sustainability principles.

The five MSNR principles are:

- a. no deforestation for new rubber cultivation;
- b. rubber cultivation regulated by the National Land Code;
- c. environmental sustainability;
- d. social compliance; and
- e. traceability of supply chain.

For rubber processors and manufacturers, MSNR is particularly relevant because it strengthens the link between **legal sourcing, environmental safeguards, social compliance, and traceability**. Although the current MSNR implementation described in the existing MRC guidance focuses on upstream and midstream sectors, downstream manufacturers may still be affected through supplier requirements, buyer expectations, chain-of-custody requests, and future expansion of MSNR coverage.

Under these Guidelines, companies should consider MSNR alignment in the following areas:

- a. verifying that natural rubber sources are linked to legal and authorised supply channels;
- b. maintaining supplier information, licence or permit information, and transaction records where applicable;
- c. supporting traceability through relevant Malaysian Rubber Board systems and documentation;
- d. ensuring that no-deforestation, land legality, buffer zone, peatland, and environmental requirements are considered in sourcing and supplier assessment;
- e. checking that child labour, migrant worker documentation, and accommodation-related expectations are addressed; and
- f. maintaining evidence that can support customer, regulator, certification, or due diligence requests.

MSNR alignment is directly linked to the ESG topics on **Deforestation, Sustainable Land Use and Natural Ecosystem Conservation, Biodiversity, Water, Waste, Human Rights and Social Impact, Child Labour, Forced or Compulsory Labour, Workers' Rights, and Supply Chain Traceability and Due Diligence.**

### 3.2 EU Deforestation Regulation (EUDR)

The **EU Deforestation Regulation**, or **EUDR**, is an important regulatory development for companies involved in natural rubber supply chains that supply, directly or indirectly, products entering the European Union market. The European Commission identifies rubber as one of the commodities covered by the EUDR, alongside cattle, cocoa, coffee, palm oil, soy, and wood. The Commission states that relevant products must be deforestation-free and legally produced before they may be placed on, sold in, or exported from the EU market, according to the applicable implementation timeline. ([Green Forum](#))

The existing MRC guide explains that, for rubber, EUDR-oriented due diligence includes information collection, risk assessment, and risk mitigation to prevent products associated with deforestation, forest degradation, or non-compliant production from entering regulated supply chains. It also notes that legality considerations may include land use rights, environmental protection, forest-related regulations, third-party rights, labour rights, human rights, Free, Prior and Informed Consent, tax, anti-corruption, trade, and customs requirements.

For Malaysian rubber processors and manufacturers, EUDR may create either direct or indirect expectations. A company may be directly affected if it places relevant products on the EU market or exports from the EU. A company may be indirectly affected if it supplies customers, traders, distributors, or manufacturers that are subject to EUDR requirements.

Under these Guidelines, companies should prepare for EUDR-related expectations by:

- a. mapping suppliers and sourcing areas for natural rubber;
- b. collecting traceability information, including origin and geolocation information where required by customers or regulation;
- c. maintaining evidence of legality of production and supply;
- d. assessing deforestation and forest degradation risks;
- e. assessing social and governance risks connected to legality, labour, human rights, land rights, FPIC, tax, anti-corruption, trade, and customs requirements;
- f. documenting risk mitigation actions; and
- g. maintaining a due diligence record that can be reviewed, updated, and verified.

EUDR alignment is most closely linked to **Deforestation, Sustainable Land Use and Natural Ecosystem Conservation, Biodiversity, Supply Chain Traceability and Due**

**Diligence, Human Rights and Social Impact, Rights of Indigenous Peoples, Business Ethics, Anti-Corruption, and Regulatory Risk and Public Policy.**

### **3.3 EU Corporate Sustainability Due Diligence Directive (CSDDD)**

The **EU Corporate Sustainability Due Diligence Directive**, or **CSDDD**, establishes due diligence obligations for in-scope companies relating to adverse human rights and environmental impacts. The Directive is relevant to Malaysian rubber companies because large EU companies, and certain non-EU companies with significant EU-linked operations, may require suppliers to provide information, evidence, risk assessments, corrective action plans, or contractual commitments as part of their value chain due diligence. ([EUR-Lex](#))

The MRC guide explains that CSDDD builds on sustainability reporting by requiring companies to identify and mitigate negative human rights and environmental impacts across value chains. It also highlights the relationship between disclosure and due diligence, where companies are expected not only to report sustainability information but also to take concrete steps to identify and address risks.

For Malaysian rubber processors and manufacturers, CSDDD alignment should focus on practical due diligence readiness. This includes:

- a. adopting a responsible business conduct policy or ESG policy;
- b. identifying human rights and environmental risks in own operations and supply chains;
- c. assessing suppliers for labour, human rights, environmental, traceability, and governance risks;
- d. implementing preventive and corrective actions;
- e. establishing grievance channels and remediation procedures;
- f. maintaining records of supplier engagement, audits, risk assessments, and corrective action plans;
- g. integrating ESG risks into management review and decision-making; and
- h. monitoring changes in EU due diligence requirements and customer expectations.

CSDDD alignment is closely linked to **Human Rights and Social Impact, Workers' Rights, Child Labour, Forced or Compulsory Labour, Occupational Health and Safety, Rights of Indigenous Peoples, Local Communities, Deforestation, Biodiversity, Water, Waste, Hazardous Substances, Supply Chain Traceability and Due Diligence, Transparency and Risk Management, and Corporate Governance.**

### 3.4 Global Platform for Sustainable Natural Rubber (GPSNR)

The **Global Platform for Sustainable Natural Rubber**, or **GPSNR**, is a multi-stakeholder platform for the natural rubber sector. It brings together companies, smallholders, civil society organisations, and other stakeholders to support more sustainable natural rubber supply chains. GPSNR's policy framework includes expectations relating to legal compliance, healthy and functioning ecosystems, no deforestation, human rights, community livelihoods, traceability, and responsible sourcing. ([Sustainable Natural Rubber](#))

The existing MRC guide describes GPSNR as a non-regulatory initiative that promotes sustainability across the natural rubber value chain. It identifies focus areas such as eliminating deforestation, upholding human rights and fair labour practices, improving smallholder livelihoods, promoting sustainable sourcing, and increasing traceability for transparency and accountability.

For Malaysian rubber processors and manufacturers, GPSNR alignment is useful because many international buyers, especially those linked to tyre, automotive, and industrial supply chains, may use GPSNR expectations as a reference for supplier requirements. Even where a company is not a GPSNR member, the principles can support responsible sourcing policies, supplier engagement, and ESG reporting.

Under these Guidelines, companies should consider GPSNR alignment by:

- a. adopting responsible sourcing expectations for natural rubber;
- b. strengthening traceability and supplier mapping;
- c. supporting no-deforestation and ecosystem protection commitments;
- d. addressing labour rights, human rights, smallholder inclusion, and FPIC-related concerns where relevant;
- e. assessing supplier risks and documenting mitigation actions;
- f. engaging suppliers on improvement plans; and
- g. reporting progress transparently.

GPSNR alignment is linked to **Deforestation, Biodiversity, Sustainable Land Use and Natural Ecosystem Conservation, Human Rights and Social Impact, Workers' Rights, Rights of Indigenous Peoples, Local Communities, Supply Chain Traceability and Due Diligence, Business Ethics, Anti-Corruption, and Stakeholder Engagement.**

### 3.5 FSC, PEFC, and Preferred by Nature Certification Programme

The **Forest Stewardship Council**, **Programme for the Endorsement of Forest Certification**, and **Preferred by Nature Certification Programme** are voluntary sustainability standards and certification-related systems that may be relevant to rubber supply chains, particularly where natural rubber, rubberwood, forest-linked sourcing, chain of custody, legality verification, or EUDR readiness is required by customers.

These Guidelines do not require every rubber processor or manufacturer to obtain FSC, PEFC, or Preferred by Nature certification. However, the systems provide useful references for ESG implementation because they address traceability, responsible sourcing, due diligence, sustainable land and forest management, legal compliance, environmental protection, social safeguards, and supply chain controls.

**FSC** provides standards and tools for responsible forest management and chain-of-custody control. FSC due diligence requirements are designed to help organisations avoid material from unacceptable sources, and FSC chain-of-custody requirements support traceability through documented controls and verification. ([Forest Stewardship Council](#))

**PEFC** provides sustainable forest management and chain-of-custody certification systems. PEFC chain-of-custody certification helps companies demonstrate legal and sustainable sourcing, while the PEFC EUDR Due Diligence System module is designed to support organisations in demonstrating EUDR-related due diligence. ([PEFC](#))

**Preferred by Nature Certification Programme** uses a sustainability framework that applies across different commodities and operation sizes. Preferred by Nature describes the framework as risk-based and outcome-focused, with indicators aligned to requirements such as EUDR and broader sustainability expectations. ([Preferred by Nature](#))

The existing MRC guide also notes that FSC, PEFC, and Preferred by Nature are relevant to rubber-sector ESG alignment because they support chain of custody, traceability, responsible sourcing, due diligence, sustainable forest management, biodiversity protection, worker safety, fair labour conditions, and EUDR readiness.

Under these Guidelines, companies should use FSC, PEFC, and Preferred by Nature references to strengthen:

- a. supplier documentation and chain-of-custody records;
- b. legality and origin verification;
- c. deforestation and biodiversity risk assessment;
- d. sustainable land and forest management considerations;
- e. due diligence systems;
- f. supplier audits and corrective action plans;
- g. customer-specific certification readiness; and

- h. evidence management for external verification.

These standards are closely linked to **Deforestation, Sustainable Land Use and Natural Ecosystem Conservation, Biodiversity, Supply Chain Traceability and Due Diligence, Human Rights and Social Impact, Workers' Rights, Rights of Indigenous Peoples, Local Communities, Transparency and Risk Management, and Regulatory Risk and Public Policy.**

### 3.6 GRI Standards and SDG Alignment

The **Global Reporting Initiative**, or **GRI**, is a widely used sustainability reporting framework that helps organisations disclose their economic, environmental, and social impacts. GRI uses an impact-based materiality approach and provides universal, sector, and topic standards to support transparent, comparable, and accountable sustainability reporting.

For the rubber sector, the existing MRC guidance notes that rubber falls under **GRI 13: Agriculture, Aquaculture and Fishing Sectors**, which includes activities such as primary processing, aggregation, storage, transportation, and trading that are relevant to the rubber midstream and downstream value chain. The GRI Sector Standards programme identifies GRI 13 as the sector standard for agriculture, aquaculture and fishing. ([Global Reporting Initiative](#))

These Guidelines align with GRI by encouraging companies to:

- a. identify material ESG topics based on impacts and stakeholder input;
- b. disclose management approaches, policies, actions, responsibilities, and targets;
- c. collect quantitative and qualitative ESG data;
- d. explain reporting boundaries, assumptions, omissions, and limitations;
- e. maintain evidence for reported information;
- f. prepare a GRI content index where relevant; and
- g. use consistent indicators to support comparability over time.

The **Sustainable Development Goals**, or **SDGs**, provide a global reference for sustainable development. The United Nations describes the 17 SDGs as part of the 2030 Agenda for Sustainable Development, covering social, environmental, and economic priorities. ([Sustainable Development Goals](#))

In these Guidelines, SDG alignment should be applied carefully and credibly. Companies should not merely list SDG icons. Instead, they should show how specific ESG actions, indicators, and targets contribute to relevant SDGs. For rubber processors and manufacturers, common SDG linkages may include:

SDG	Possible linkage for rubber processors and manufacturers
SDG 6: Clean Water and Sanitation	Water management, effluent control, wastewater treatment, and water efficiency.
SDG 7: Affordable and Clean Energy	Energy efficiency and renewable energy adoption.
SDG 8: Decent Work and Economic Growth	Labour rights, occupational health and safety, worker welfare, training, and ethical recruitment.
SDG 9: Industry, Innovation and Infrastructure	Cleaner production, technology adoption, product innovation, and process efficiency.
SDG 12: Responsible Consumption and Production	Material efficiency, circularity, waste reduction, chemical management, and responsible sourcing.
SDG 13: Climate Action	GHG emissions tracking, reduction initiatives, climate risk management, and low-carbon transition planning.
SDG 15: Life on Land	Deforestation prevention, biodiversity protection, land use safeguards, and ecosystem conservation.
SDG 16: Peace, Justice and Strong Institutions	Anti-corruption, grievance mechanisms, transparency, legal compliance, and governance integrity.
SDG 17: Partnerships for the Goals	Supplier engagement, industry collaboration, buyer partnerships, and capacity building.

GRI and SDG alignment is relevant across all ESG topics, especially where companies prepare annual ESG reports, sustainability reports, customer disclosures, supplier responses, or internal ESG performance dashboards.

### 3.7 National Sustainability Reporting Framework (NSRF)

The **National Sustainability Reporting Framework**, or **NSRF**, is Malaysia's national framework for sustainability reporting. It supports the adoption of the ISSB Standards, including **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information** and **IFRS S2 Climate-related Disclosures**, through a phased implementation approach. The Securities Commission Malaysia has described NSRF as part of Malaysia's effort to improve consistent, comparable, and reliable sustainability-related financial disclosures. ([Securities Commission Malaysia](#))

The NSRF is especially relevant for publicly listed companies and large non-listed companies that fall within the phased implementation scope. However, it is also relevant for SMEs and non-listed rubber companies because larger customers, parent companies, financiers, and supply chain partners may request ESG data in order to meet their own reporting obligations. ([Securities Commission Malaysia](#))

Under these Guidelines, NSRF alignment should focus on helping companies progressively build the systems needed for sustainability-related financial disclosure. This includes:



- a. identifying sustainability-related risks and opportunities that may affect business performance, strategy, cash flows, financing, market access, operations, or reputation;
- b. establishing governance oversight for sustainability matters;
- c. integrating ESG risks into risk management processes;
- d. collecting reliable metrics and targets;
- e. strengthening climate-related data and disclosure readiness;
- f. documenting assumptions, boundaries, methodologies, and evidence;
- g. improving internal controls over ESG data; and
- h. preparing for assurance or verification where required.

For rubber processors and manufacturers, NSRF alignment is particularly important for **emissions, energy, water, waste, climate risks, supply chain traceability, labour practices, regulatory risk, and governance controls**. Companies should treat ESG data as management information, not only as report content.

### 3.8 TCFD and Climate-Related Disclosure Expectations

The **Task Force on Climate-related Financial Disclosures**, or **TCFD**, developed recommendations structured around four core areas: **governance, strategy, risk management**, and **metrics and targets**. These areas are intended to help organisations disclose decision-useful information on climate-related risks and opportunities. ([TCFD](#))

Although the IFRS Foundation has taken over monitoring responsibilities from the TCFD and the ISSB Standards build on the TCFD structure, TCFD remains a useful practical reference for companies that are beginning to organise climate-related governance, risk assessment, and disclosure. ([IFRS Foundation](#))

For rubber processors and manufacturers, climate-related issues may include:

- a. energy consumption and energy intensity;
- b. fuel use and electricity consumption;
- c. Scope 1 and Scope 2 greenhouse gas emissions;
- d. relevant Scope 3 emissions, especially purchased materials, transportation, logistics, and supplier emissions where data is available;
- e. exposure to flooding, heat stress, water stress, and supply chain disruption;
- f. buyer expectations for product carbon footprint and low-carbon manufacturing;
- g. transition risks linked to carbon pricing, regulation, energy cost, market requirements, and technology change; and
- h. opportunities from energy efficiency, renewable energy, process improvement, waste reduction, and low-carbon product innovation.

Under these Guidelines, companies should use TCFD concepts to strengthen climate-related disclosure by:

- a. assigning management responsibility for climate-related matters;
- b. identifying climate risks and opportunities relevant to operations and supply chains;
- c. integrating climate risks into enterprise risk management;
- d. collecting emissions and energy data;
- e. setting climate-related targets where appropriate;
- f. monitoring energy efficiency and emissions reduction initiatives; and
- g. disclosing progress in a clear and evidence-based manner.

TCFD alignment is closely linked to **Emissions, Energy, Water, Waste, Material Use and Circularity, Transparency and Risk Management, Corporate Governance, and Regulatory Risk and Public Policy.**

### 3.9 TNFD and Nature-Related Considerations

The **Taskforce on Nature-related Financial Disclosures**, or **TNFD**, provides a framework for organisations to identify, assess, manage, and disclose nature-related dependencies, impacts, risks, and opportunities. TNFD is particularly relevant where business activities depend on land, water, biodiversity, forests, ecosystems, and natural resources. ([TNFD](#))

TNFD's **LEAP** approach, Locate, Evaluate, Assess, and Prepare, provides a practical way for companies to understand where their nature-related issues occur, what dependencies and impacts are present, which risks and opportunities are material, and how the company should respond. ([TNFD](#))

For rubber processors and manufacturers, nature-related considerations may arise from both direct operations and supply chains. Direct operational issues may include water use, wastewater discharge, waste management, chemical handling, soil contamination, air emissions, and site-level biodiversity impacts. Supply chain issues may include deforestation risk, land conversion, peatland concerns, smallholder sourcing, biodiversity loss, ecosystem degradation, and legality of land use.

Under these Guidelines, companies should use TNFD concepts proportionately by:

- a. identifying operational sites and sourcing areas that may have nature-related risks;
- b. assessing dependencies on water, land, raw materials, and ecosystem services;
- c. assessing impacts on biodiversity, soil, water, and ecosystems;
- d. linking nature-related issues to deforestation, land use, water, waste, hazardous substances, and biodiversity topics;
- e. collecting supplier and sourcing information where relevant;

- f. prioritising high-risk locations, suppliers, or activities; and
- g. documenting mitigation, restoration, or improvement actions.

TNFD alignment is especially linked to **Deforestation, Sustainable Land Use and Natural Ecosystem Conservation, Biodiversity, Soil Health, Water, Waste, Hazardous Substances, Supply Chain Traceability and Due Diligence, and Stakeholder Engagement.**

### 3.10 MITI i-ESG Framework

The **MITI i-ESG Framework** supports the manufacturing sector's transition towards more sustainable practices. MITI describes the framework as a tool to encourage and enhance ESG practices in the manufacturing sector, with focus areas that include standards, financing, capacity building, and market mechanisms. ([MITI](#))

The i-ESG Framework is relevant to Malaysian rubber processors and manufacturers because rubber processing and rubber product manufacturing form part of Malaysia's industrial and export ecosystem. It supports the need for companies to build ESG capability progressively, especially where companies face constraints relating to resources, data availability, technical knowledge, technology adoption, and financing.

Under these Guidelines, companies should use the i-ESG Framework as a reference for practical ESG adoption by:

- a. developing ESG policies and internal governance structures;
- b. improving ESG data collection and reporting capability;
- c. identifying resource efficiency, energy efficiency, and low-carbon opportunities;
- d. strengthening compliance with environmental, labour, and governance requirements;
- e. accessing capacity-building programmes and technical support where available;
- f. exploring financing opportunities for green technology, emissions reduction, energy efficiency, water efficiency, and waste management projects; and
- g. improving supplier and customer readiness for ESG-related market requirements.

i-ESG alignment is relevant across the Guidelines because it supports practical implementation, capacity building, and manufacturing-sector transition. It is especially linked to **Emissions, Energy, Water, Waste, Hazardous Substances, Occupational Health and Safety, Training and Development, Corporate Governance, Transparency and Risk Management, and Business Performance and Innovation.**

### 3.11 Bursa Malaysia Sustainability Reporting Expectations

Bursa Malaysia sustainability reporting expectations are directly relevant to publicly listed companies and indirectly relevant to suppliers, SMEs, and non-listed companies that form part of listed companies' value chains. Bursa Malaysia has enhanced sustainability reporting requirements to reflect the National Sustainability Reporting Framework and the adoption of IFRS Sustainability Disclosure Standards. ([Bursa Malaysia](#))

Bursa Malaysia's Sustainability Reporting Guide also provides practical guidance for listed issuers on embedding sustainability and preparing sustainability disclosures. ([Bursa Malaysia](#)) For rubber companies, this means that ESG information may increasingly be requested not only for formal sustainability reports but also for customer questionnaires, supplier screening, financing applications, tender submissions, and corporate reporting.

Under these Guidelines, companies should use Bursa Malaysia sustainability expectations to strengthen:

- a. sustainability governance and management accountability;
- b. materiality assessment and stakeholder engagement;
- c. disclosure of material ESG topics;
- d. collection of ESG data and evidence;
- e. reporting of metrics, targets, and progress;
- f. internal review and approval of ESG disclosures;
- g. explanation of omissions or non-applicability; and
- h. readiness for assurance or external review.

For SMEs and non-listed companies, Bursa expectations may become relevant through supply chain requests from listed customers. Therefore, companies should maintain consistent ESG data and evidence even where they are not directly required to publish a Bursa-compliant sustainability statement.

### 3.12 Summary Alignment Matrix

The following matrix summarises how the main frameworks and requirements align with these Guidelines. It is intended as a practical reference and should be used together with the ESG Checklist, evidence guide, and supporting templates.

Framework or Requirement	Main Purpose	Relevance to Rubber Processors and Manufacturers	Key ESG Topics and Evidence Areas
MSNR	Malaysian sustainable natural	Relevant to natural rubber sourcing, upstream and	Deforestation, land legality, environmental sustainability,

Framework or Requirement	Main Purpose	Relevance to Rubber Processors and Manufacturers	Key ESG Topics and Evidence Areas
	rubber initiative supporting legality, sustainability, and traceability.	midstream traceability, supplier documentation, and future downstream readiness.	social compliance, worker documentation, accommodation, MRB systems, supplier records, traceability evidence.
<b>EUDR</b>	EU deforestation-free and legality due diligence requirement for covered commodities, including rubber.	Relevant where products enter the EU market or where customers require EUDR-related evidence.	Geolocation, sourcing origin, legality evidence, deforestation risk assessment, risk mitigation, supplier declarations, due diligence records.
<b>CSDDD</b>	Human rights and environmental due diligence for in-scope EU and non-EU companies.	May affect Malaysian suppliers through buyer due diligence, contracts, supplier assessments, and corrective action requirements.	Human rights, labour rights, child labour, forced labour, OHS, environmental impacts, grievance mechanisms, supplier risk assessment, corrective action plans.
<b>GPSNR</b>	Multi-stakeholder platform supporting sustainable natural rubber supply chains.	Useful reference for responsible sourcing, supplier engagement, no-deforestation commitments, smallholder considerations, and buyer expectations.	No deforestation, biodiversity, human rights, labour practices, smallholder inclusion, FPIC, traceability, anti-corruption, responsible sourcing policies.
<b>FSC</b>	Certification and chain-of-custody system supporting responsible forest management and traceability.	Relevant where rubber, rubberwood, or forest-linked sourcing requires certification, chain of custody, or due diligence evidence.	FSC certificates, chain-of-custody records, due diligence system, legality checks, supplier verification, risk mitigation records.
<b>PEFC</b>	Forest certification and chain-of-custody system supporting sustainable sourcing and EUDR due diligence.	Relevant for natural rubber and rubberwood supply chains where PEFC certification or EUDR support is required.	PEFC certificates, chain-of-custody records, sustainable forest management evidence, EUDR DDS records, supplier documentation.
<b>Preferred by Nature Certification Programme</b>	Risk-based sustainability framework and certification programme covering responsible sourcing and regulatory readiness.	Useful for companies seeking a structured approach to sustainability, risk assessment, and EUDR-aligned due diligence.	Sustainability framework assessment, risk-based due diligence, supplier screening, EUDR-aligned indicators, corrective actions, verification records.
<b>GRI Standards</b>	Impact-based sustainability reporting framework.	Supports ESG reporting, materiality assessment, disclosures, performance	Material topics, stakeholder engagement, management approach, environmental

Framework or Requirement	Main Purpose	Relevance to Rubber Processors and Manufacturers	Key ESG Topics and Evidence Areas
		data, and content index preparation.	data, social data, governance data, GRI content index.
<b>SDGs</b>	Global sustainable development goals.	Provides a high-level reference for linking ESG actions to broader sustainability outcomes.	SDG mapping, ESG objectives, targets, KPIs, evidence of actions, progress reporting.
<b>NSRF / ISSB Standards</b>	Malaysian sustainability-related financial disclosure framework based on IFRS S1 and IFRS S2.	Relevant for listed issuers, large companies, and suppliers that provide data to reporting entities.	Governance, strategy, risk management, metrics and targets, climate data, internal controls, evidence, reporting boundaries.
<b>TCFD</b>	Climate-related financial disclosure framework.	Useful for structuring climate governance, climate risk assessment, emissions disclosure, and transition planning.	Climate governance, climate risks and opportunities, Scope 1 and Scope 2 emissions, relevant Scope 3 data, energy intensity, targets, transition actions.
<b>TNFD</b>	Nature-related risk and disclosure framework.	Useful for identifying dependencies and impacts linked to land, water, biodiversity, ecosystems, and sourcing areas.	Deforestation, biodiversity, water, soil, land use, ecosystem impacts, supplier location data, mitigation and restoration actions.
<b>MITI i-ESG Framework</b>	Malaysian manufacturing-sector ESG adoption and transition framework.	Supports practical ESG implementation, capacity building, financing readiness, and market competitiveness.	ESG roadmap, resource efficiency, low-carbon transition, capability building, financing opportunities, manufacturing-sector ESG practices.

Used together, these frameworks help define what credible ESG implementation should look like for Malaysian rubber processors and manufacturers. The Guidelines translate these expectations into practical topic guidance, indicators, verifiers, self-assessment questions, and supporting tools so that companies can progressively strengthen ESG adoption, reporting, due diligence, and continuous improvement.



## **PART 2:**

### ESG Governance and Management System

## Part 2: ESG Governance and Management System

### 4. Establishing an ESG Management System

An ESG Management System is the internal structure a company uses to translate ESG commitments into practical actions, responsibilities, controls, data, evidence, reporting, and continuous improvement. For Malaysian rubber processors and manufacturers, an ESG Management System should not be treated as a separate reporting exercise. It should be integrated into normal business operations, including production, procurement, human resources, occupational safety and health, environmental management, finance, compliance, supplier management, and customer engagement.

The purpose of establishing an ESG Management System is to help companies manage sustainability-related risks and opportunities in a structured and verifiable manner. This includes assigning responsibility, setting policies, identifying material ESG topics, managing data, maintaining evidence, monitoring performance, and reviewing progress. The existing MRC guidance already positions the Guidelines as a practical tool for ESG implementation, annual reporting, supplier ESG checklists, internal audits, gap identification, due diligence, risk assessment, and integration into company policies or standard operating procedures.

The ESG Management System should be proportionate to the size, complexity, maturity, and resources of the company. A large manufacturer may establish a formal ESG Committee, ESG Working Group, department-level data owners, internal audit procedures, and digital data systems. An SME may begin with a simpler structure, such as appointing an ESG lead, assigning department-level persons-in-charge, holding periodic management reviews, and maintaining basic ESG records. In both cases, the key requirement is that ESG responsibilities are clear, evidence is maintained, and management is able to monitor and improve ESG performance over time.

A practical ESG Management System should include the following core elements:

Core Element	Purpose
ESG governance structure	Defines who oversees, manages, implements, and reports ESG matters.
ESG policy and commitments	Sets the company's formal position on sustainability, responsible business conduct, and continuous improvement.
ESG risk and opportunity process	Identifies, assesses, prioritises, and manages ESG-related risks and opportunities.
ESG roles and responsibilities	Assigns accountability to the board, management, ESG team, departments, and operational personnel.
ESG data and documentation controls	Ensures ESG information is accurate, traceable, reviewed, and supported by evidence.
ESG reporting and review process	Enables management review, stakeholder communication, reporting, and improvement planning.



Core Element	Purpose
Integration with existing systems	Embeds ESG into SOPs, certifications, compliance systems, procurement, HR, EHS, and operational processes.

This section provides guidance on how rubber processors and manufacturers can establish these elements in a practical way.

## 4.1 ESG Governance Structure

An ESG governance structure defines how ESG matters are overseen, managed, implemented, monitored, and reported within the company. It provides the accountability framework needed to ensure that ESG commitments are not limited to statements in a report, but are translated into operational practices and measurable outcomes.

The ESG governance structure should be appropriate to the company's size and maturity. Larger companies may have a multi-level structure involving the Board, an ESG Committee, an ESG Steering Committee, and an ESG Team. Smaller companies may combine some of these functions, provided that roles are clearly assigned and management oversight is maintained. The current MRC guidance provides an example of an ESG management team structure and highlights strategic focus, accountability through executive-led committees, adaptability to emerging ESG priorities, and support for data and reporting as key features of an ESG management system.

A recommended ESG governance structure is shown below.

Governance Level	Typical Role	Typical Members	Main Outputs
Board, owner, or highest governance body	Provides oversight and approves major ESG commitments, strategy, targets, and disclosures.	Board members, owner-directors, CEO, Managing Director, or highest decision-making body.	Approved ESG policy, material ESG topics, targets, ESG report, key risk decisions.
Senior Management / ESG Committee	Leads ESG implementation and ensures ESG is integrated into business planning and operations.	CEO, Managing Director, General Manager, department heads, ESG lead, HR, EHS, Procurement, Finance, Production, Compliance.	ESG action plan, resource allocation, ESG risk review, performance review, management decisions.
ESG Team / ESG Working Group	Coordinates day-to-day ESG implementation, data collection, reporting, and evidence management.	ESG officer, sustainability lead, department representatives, data owners, compliance or reporting personnel.	ESG data, evidence files, KPI updates, checklist updates, stakeholder records, draft disclosures.

Governance Level	Typical Role	Typical Members	Main Outputs
Department and Operational Teams	Implement ESG actions on the ground and maintain operational records.	Production, maintenance, warehouse, HR, OSH, procurement, finance, QA/QC, logistics, site supervisors.	SOP implementation, operational data, corrective actions, training records, supplier records.

The governance structure should include clear reporting lines. For example, the ESG Team may report monthly or quarterly to the ESG Committee, while the ESG Committee may report periodically to the Board, owner, or senior management. This ensures that ESG performance, risks, incidents, corrective actions, and resource needs are escalated to the appropriate decision-makers.

Companies should also define whether ESG matters are managed through a dedicated ESG Committee, an existing Risk Management Committee, or a combined committee. The current MRC guidance recognises that the Risk Management Committee and ESG Committee typically serve different functions: the Risk Management Committee focuses on financial, operational, strategic, and compliance risks, while the ESG Committee oversees environmental, social, and governance strategies, sustainability goals, stakeholder expectations, and reporting standards. However, in smaller organisations, the two functions may be combined or may have overlapping members, depending on company size, maturity, and governance needs.

At minimum, the company should document:

- the ESG governance structure;
- the person or committee responsible for ESG oversight;
- the person or team responsible for ESG coordination;
- department-level ESG data owners;
- the meeting frequency for ESG review;
- the escalation process for ESG risks, incidents, or non-compliance; and
- the approval process for ESG reports, disclosures, policies, targets, and public commitments.

Companies should also establish a basic **Terms of Reference** for the ESG Committee or equivalent governance body. The Terms of Reference should explain the committee's purpose, authority, membership, meeting frequency, agenda items, reporting line, documentation requirements, and decision-making process.

## 4.2 Roles and Responsibilities of Board, Management, ESG Team, and Operations

Clear roles and responsibilities are essential for effective ESG implementation. ESG cannot be owned by one person alone because ESG topics cut across multiple business functions. Environmental topics may involve production, maintenance, utilities, EHS, procurement, and finance. Social topics may involve HR, OSH, welfare, recruitment, training, and worker engagement. Governance topics may involve senior management, procurement, finance, compliance, legal, internal audit, sales, logistics, and supplier management.

The existing MRC guidance emphasises that assigning responsibilities ensures accountability and efficient execution of ESG initiatives. It provides a simple responsibility split where management defines ESG policies and secures resources, the ESG team executes and monitors strategies, and operational teams implement sustainability practices on the ground.

The following table provides a practical allocation of ESG responsibilities.

Role	Main Responsibilities	Examples of Evidence
Board, owner, or highest governance body	Provides oversight of ESG strategy, approves ESG policy and major commitments, reviews material ESG topics, monitors significant ESG risks, approves ESG reports or public disclosures.	Board minutes, management approval records, signed ESG policy, approved targets, approved ESG report.
CEO / Managing Director / General Manager	Champions ESG implementation, ensures ESG is aligned with business strategy, allocates resources, chairs or sponsors ESG Committee, resolves cross-functional issues.	Management meeting minutes, budget approvals, internal communications, action plan approvals.
Senior Management / ESG Committee	Reviews ESG risks, approves action plans, monitors progress, validates ESG data and disclosures, ensures ESG is integrated into department plans.	ESG Committee minutes, KPI dashboards, risk register reviews, corrective action tracking.
ESG Lead / Sustainability Officer / ESG Team	Coordinates ESG implementation, maintains ESG checklist, consolidates data, prepares reports, manages evidence files, supports materiality assessment, tracks action plans.	ESG data files, evidence register, materiality records, stakeholder logs, draft reports, checklist updates.
Production and Operations	Implements environmental, safety, quality, resource efficiency, waste, and process controls at site level. Maintains production and operational data.	Production records, energy logs, water logs, waste records, maintenance records, incident records.
EHS / OSH / Environmental Personnel	Manages compliance with environmental, health, and safety requirements; conducts risk assessments; maintains monitoring records; coordinates emergency response.	Permits, DOE/DOSH records, HIRARC, inspection records, incident reports, training records.

Role	Main Responsibilities	Examples of Evidence
Human Resources	Manages labour practices, recruitment, contracts, wages, working hours, training, worker welfare, grievance channels, diversity, and human rights-related records.	Employment contracts, payroll records, training records, grievance logs, worker communication records.
Procurement / Supply Chain	Manages supplier screening, supplier code of conduct, traceability, due diligence, sourcing records, supplier engagement, and corrective actions.	Supplier list, supplier declarations, contracts, audit records, traceability documents, corrective action plans.
Finance	Supports ESG budgeting, utility data, fuel data, tax compliance, sustainability-related expenditure, cost savings, and financing-related ESG information.	Utility bills, invoices, payment records, budget documents, financing documents, tax records.
Compliance / Legal / Company Secretary	Monitors regulatory requirements, contracts, anti-corruption controls, company governance, licensing, and disclosure obligations.	Compliance register, legal register, declarations, whistleblowing records, regulatory filings.
Internal Audit / Quality Assurance	Reviews ESG controls, checks data completeness, assesses SOP implementation, supports audit readiness and continuous improvement.	Internal audit reports, non-conformance reports, corrective action records, management review records.

For SMEs, the same individual may perform more than one role. For example, the Managing Director may act as ESG sponsor, the HR Manager may coordinate social data, the EHS officer may coordinate environmental and safety data, and the Finance Manager may validate utility and cost data. This is acceptable, provided that responsibilities are documented and there is management review.

A practical way to clarify responsibilities is to develop a simple **RACI matrix**, which identifies who is:

RACI Role	Meaning
Responsible	The person who performs the task.
Accountable	The person who owns the outcome and approves completion.
Consulted	The person who provides input or technical advice.
Informed	The person who must be updated on progress or decisions.

For example, in greenhouse gas data collection, the maintenance team may be responsible for fuel and equipment records, finance may be responsible for electricity bills, the ESG team may be responsible for consolidating the calculation workbook, senior management may be accountable for approval, and the Board or owner may be informed through the annual ESG review.

Companies should review ESG roles at least annually, or whenever there are changes in organisational structure, reporting requirements, customer expectations, certification scope, or major operational activities.

### 4.3 ESG Policy and Commitment Statement

An ESG policy sets out the company's formal commitment to responsible business conduct and sustainability. It provides direction to employees, suppliers, contractors, customers, and other stakeholders on how the company intends to manage environmental, social, and governance matters.

The ESG policy should be approved by senior management, the Board, owner, or highest governance body. It should be communicated to employees and relevant external parties, including suppliers and contractors where appropriate. For SMEs, the ESG policy may be a short document of one to two pages. Larger companies may develop a broader ESG policy supported by topic-specific policies, such as Human Rights Policy, Environmental Policy, Occupational Safety and Health Policy, Supplier Code of Conduct, Anti-Bribery and Anti-Corruption Policy, Whistleblowing Policy, and Responsible Sourcing Policy.

The existing MRC guidance identifies establishment of an ESG policy and integration into supplier contracts as a short-term governance strategy, while supply chain traceability through digital solutions and external ESG certification may be pursued over the medium and longer term.

At minimum, the ESG policy should cover:

- a. the company's commitment to comply with applicable laws, regulations, licences, permits, and customer requirements;
- b. environmental protection, pollution prevention, responsible use of energy, water, materials, and chemicals;
- c. reduction of emissions, waste, and environmental impacts;
- d. responsible sourcing, traceability, and no-deforestation expectations where natural rubber sourcing is relevant;
- e. respect for human rights, workers' rights, fair labour practices, and worker welfare;
- f. prohibition of child labour, forced labour, and unethical recruitment practices;
- g. occupational health and safety;
- h. fair treatment, diversity, non-discrimination, and equal opportunity;
- i. ethical business conduct, anti-bribery, anti-corruption, transparency, and responsible tax practices;
- j. stakeholder engagement and grievance mechanisms;
- k. supplier and contractor expectations;
- l. ESG data integrity, reporting transparency, and evidence-based disclosures; and
- m. continuous improvement.

A practical ESG commitment statement may be written as follows:

## Sample ESG Commitment Statement

*[Company Name] is committed to conducting its rubber processing and/or manufacturing activities in a responsible, ethical, and sustainable manner. We recognise that environmental protection, respect for human rights, worker welfare, occupational health and safety, responsible sourcing, business integrity, and transparent governance are essential to our long-term business resilience and competitiveness.*

*We will integrate ESG considerations into our operations, supply chain, decision-making, risk management, and reporting processes. We will comply with applicable laws and regulations, engage relevant stakeholders, maintain accurate records, monitor our ESG performance, and continuously improve our practices in line with industry expectations and recognised sustainability frameworks.*

The ESG policy should be reviewed periodically. A practical review frequency is once every two to three years, or earlier if there are significant changes in operations, regulations, customer requirements, certification requirements, supply chain risks, material ESG topics, or business strategy.

Companies should maintain evidence of policy approval and communication. This may include signed policies, meeting minutes, employee briefing records, training slides, supplier acknowledgement forms, website publication, internal announcements, or contract clauses.

## 4.4 ESG Risk and Opportunity Management

ESG risk and opportunity management is the process of identifying, assessing, prioritising, responding to, and monitoring ESG matters that may affect the company, its stakeholders, or the environment. It helps companies move from general ESG awareness to practical risk-based decision-making.

For rubber processors and manufacturers, ESG risks may arise from own operations, suppliers, contractors, customers, regulatory requirements, certification expectations, export markets, community concerns, and broader market changes. Examples include energy cost increases, emissions expectations, water and effluent compliance, hazardous substances, scheduled waste, worker safety, migrant worker management, forced labour risk, supplier traceability, deforestation-related due diligence, anti-corruption, customer audit findings, and changing reporting requirements.

The governance pillar in the current MRC guidance highlights leadership, internal controls, compliance, transparency, strong governance frameworks, business ethics, third-party due diligence, supply chain sustainability, responsible sourcing, stakeholder engagement, and robust systems to identify, assess, and mitigate operational, environmental, and reputational risks.

Companies should integrate ESG risk and opportunity management into existing risk management processes where possible. If the company already maintains an enterprise risk register, operational risk register, compliance register, or ISO management system risk process, ESG risks should be included within those systems. If no such system exists, the company may begin with a simple ESG risk register.

A practical ESG risk and opportunity process should include the following steps:

Step	Description
Identify	Identify ESG risks and opportunities from operations, supply chains, stakeholder feedback, audits, customer requirements, incidents, regulatory changes, and materiality assessment.
Assess	Assess likelihood, severity, business impact, stakeholder impact, regulatory exposure, reputational impact, and financial implications.
Prioritise	Rank risks and opportunities as high, medium, or low priority, or use a scoring system suitable for the company.
Respond	Define mitigation, prevention, corrective action, improvement initiatives, targets, or monitoring measures.
Assign Ownership	Assign each risk or opportunity to a responsible department or person.
Monitor	Track progress through KPIs, action plans, management review, internal audit, and ESG reporting.
Review	Review the risk register at least annually, or when major changes occur.

The current MRC guidance recommends assessing ESG topics based on financial, operational, regulatory, and reputational risks, and validating prioritised material topics with senior leadership or a sustainability committee.

A simple ESG risk register may include the following fields:

Field	Description
ESG topic	The relevant ESG topic, such as emissions, water, OHS, forced labour, or traceability.
Risk or opportunity description	A clear description of the issue.
Source of issue	Audit, stakeholder feedback, customer request, regulatory change, incident, materiality assessment, supplier review, etc.
Affected area	Site, department, supplier, product, customer, or value chain stage.
Likelihood	Probability of occurrence.
Impact	Operational, financial, legal, reputational, environmental, or social impact.



Field	Description
Priority	High, medium, or low.
Existing controls	Current policies, SOPs, training, equipment, monitoring, or procedures.
Action required	Preventive, corrective, or improvement action.
Responsible owner	Department or person responsible.
Timeline	Due date or review frequency.
KPI or evidence	Indicator or document used to monitor progress.
Status	Open, in progress, completed, or under review.

Examples of ESG risks and opportunities for rubber processors and manufacturers include:

ESG Area	Example Risk	Example Opportunity
Environmental	High energy use increases cost and emissions exposure.	Energy efficiency, renewable energy, and process optimisation.
Environmental	Incomplete wastewater or effluent monitoring may create compliance risk.	Stronger water management and improved licence compliance.
Environmental	Poor chemical handling may create worker safety and pollution risk.	Better chemical management, training, and spill prevention.
Social	Weak recruitment controls may increase forced labour or migrant worker risk.	Ethical recruitment and stronger worker welfare improve buyer confidence.
Social	Inadequate OHS controls may lead to incidents, downtime, and audit findings.	Improved safety systems reduce injury, absenteeism, and insurance exposure.
Governance	Incomplete supplier traceability may affect buyer acceptance or market access.	Supplier mapping and traceability strengthen customer confidence.
Governance	Lack of ESG data controls may lead to inaccurate reporting.	Reliable data improves reporting, financing readiness, and assurance readiness.

Companies should also identify ESG opportunities, not only risks. Opportunities may include cost savings from energy or water efficiency, reduced waste disposal costs, improved supplier performance, access to sustainability-linked financing, stronger customer relationships, improved employee retention, product innovation, certification readiness, and market differentiation.



## 4.5 Internal Controls and Documentation

Internal controls are the procedures and checks used to ensure that ESG information is accurate, complete, traceable, approved, and supported by evidence. Good internal controls help companies avoid unsupported claims, inaccurate data, repeated audit findings, and weak ESG disclosures.

Internal controls are especially important because ESG information may be used for multiple purposes, including sustainability reports, customer questionnaires, supplier assessments, financing applications, certification audits, regulatory submissions, internal management reviews, and due diligence responses. The current MRC guidance states that the ESG checklist can be used for annual ESG reporting, supplier ESG checklists, internal audits, self-assessment, gap identification, due diligence, risk assessment, and integration into company policies or SOPs.

Companies should establish controls over both qualitative and quantitative ESG information. Qualitative information includes policies, commitments, governance descriptions, risk narratives, stakeholder engagement summaries, and explanations of initiatives. Quantitative information includes metrics such as energy consumption, water use, waste generated, emissions, training hours, employee numbers, injury rates, supplier audit rates, grievances, and anti-corruption training.

A practical ESG control system should include the following:

Control Area	Practical Requirement
Data source control	Identify the source document or system for each ESG data point.
Data owner control	Assign one person or department responsible for each ESG data point.
Review control	Require review by a second person before data is used for reporting.
Approval control	Require management approval for ESG disclosures, targets, and external submissions.
Evidence control	Maintain supporting documents for all material ESG claims and metrics.
Version control	Maintain version history for ESG workbooks, reports, policies, and calculation files.
Methodology control	Document calculation methods, reporting boundaries, assumptions, and conversion factors.
Change control	Record changes to data, boundaries, assumptions, emission factors, or methodologies.
Retention control	Define how long ESG records must be retained and where they are stored.
Corrective action control	Track issues, audit findings, missing evidence, and corrective actions to closure.

Evidence should be organised by ESG topic, reporting year, site, department, and data owner where possible. Companies may use digital folders, spreadsheets, document management systems, enterprise resource planning systems, or ESG software, depending on their resources and maturity.

Examples of ESG documentation include:

ESG Area	Examples of Supporting Documents
Governance	ESG policy, Board approvals, ESG Committee minutes, risk register, compliance register, whistleblowing procedure.
Environmental	Electricity bills, fuel records, water bills, meter readings, waste consignment notes, scheduled waste records, chemical inventory, wastewater monitoring reports, maintenance logs.
Social	Employment contracts, payroll records, working hour records, training records, OHS inspection records, incident reports, grievance records, accommodation inspections, recruitment records.
Supply Chain	Supplier list, supplier code of conduct, supplier declarations, purchase records, traceability documents, supplier audits, corrective action plans, certificates.
Reporting	ESG data inventory, KPI tracker, calculation workbook, materiality assessment records, stakeholder engagement log, evidence register, report approval record.

Where companies prepare ESG reports or submit ESG data externally, they should maintain a **controlled evidence pack**. This evidence pack should contain the final approved data, source documents, calculation files, assumptions, review notes, and sign-offs. Assurance and verification processes commonly request evidence of management sign-off, internal review, version logs, boundary updates, and completeness confirmation.

Companies should avoid relying only on verbal explanations. If a process is important to ESG reporting or compliance, it should be documented in a policy, SOP, checklist, register, form, workflow, or meeting record.

## 4.6 ESG Data Ownership and Accountability

ESG data ownership means assigning clear responsibility for each ESG data point, from source collection to final reporting. This is important because ESG reporting depends on data from many departments. Without clear ownership, data may be incomplete, inconsistent, delayed, or unsupported by evidence.

The current MRC guidance encourages companies to strengthen ESG data collection and performance measurement with more granular and verifiable KPIs, especially in areas such as climate risk management, biodiversity conservation, social compliance, and governance integrity. It also encourages the use of digital reporting platforms and real-time data tools to improve accuracy, responsiveness, and accessibility of ESG disclosures.

Each company should prepare an **ESG Data Ownership Matrix**. This matrix should identify the ESG metric, responsible department, data owner, data source, collection frequency, calculation method, reviewer, evidence location, and approval requirement.

A sample ESG Data Ownership Matrix is shown below.

ESG Data Area	Typical Data Owner	Typical Data Source	Review / Approval
Electricity consumption	Finance, Maintenance, Facilities, or EHS	Electricity bills, meter readings, energy monitoring system	Reviewed by ESG team; approved by management.
Fuel consumption	Maintenance, Logistics, Production, or Finance	Fuel invoices, generator logs, vehicle fuel records, tank records	Reviewed by EHS or ESG team; approved by management.
GHG emissions	ESG team, EHS, or appointed technical personnel	Energy data, fuel data, emission factors, calculation workbook	Reviewed by senior management or technical reviewer.
Water withdrawal and consumption	EHS, Facilities, Production, or Finance	Water bills, meter readings, process water logs	Reviewed by ESG team; approved by department head.
Waste generation and disposal	EHS, Warehouse, Production, or Procurement	Waste vendor reports, consignment notes, scheduled waste records	Reviewed by EHS; approved by management.
Chemical and hazardous substances	EHS, Store, Production, or QA/QC	Chemical inventory, SDS, purchase records, storage inspection records	Reviewed by EHS or compliance personnel.
Occupational health and safety	Safety Officer, HR, or EHS	Incident reports, training records, HIRARC, inspection records	Reviewed by management or OSH Committee.
Employee data	HR	HR system, payroll, employee records, contracts	Reviewed by HR Manager; approved by management.
Training hours	HR or Training Department	Training attendance, certificates, HRD Corp records, internal training logs	Reviewed by HR and ESG team.
Grievances and complaints	HR, Compliance, or designated grievance owner	Grievance register, complaint forms, investigation records	Reviewed by management or designated committee.
Supplier traceability	Procurement or Supply Chain	Supplier list, purchase records, supplier declarations, certification documents	Reviewed by procurement head and ESG team.
Anti-corruption training	Compliance, HR, or Legal	Training records, declarations, attendance lists	Reviewed by compliance or management.

The ESG data owner should be responsible for:

- collecting data according to the agreed frequency;
- ensuring data is complete and accurate;

- c. retaining supporting evidence;
- d. explaining any gaps, estimates, assumptions, or changes;
- e. submitting data on time to the ESG team or reporting coordinator;
- f. responding to internal review or verification questions; and
- g. supporting corrective actions where data weaknesses are identified.

The ESG team or ESG lead should be responsible for consolidating the data, checking consistency, maintaining the KPI tracker, coordinating evidence, and preparing management updates or disclosures. Senior management should approve material ESG information before it is submitted externally or published.

Companies should apply basic ESG data quality principles:

Principle	Meaning
Completeness	Data should cover the agreed reporting boundary and period.
Accuracy	Data should be based on reliable sources and reasonable calculations.
Consistency	Methods and units should be applied consistently over time.
Timeliness	Data should be collected and reviewed within the reporting timeline.
Traceability	Data should be linked to source documents and evidence.
Transparency	Assumptions, estimates, exclusions, and limitations should be documented.
Confidentiality	Sensitive employee, supplier, commercial, or personal data should be protected.

Where estimates are used, the company should document why estimation was necessary, how the estimate was calculated, what assumptions were used, and whether the estimate will be replaced with actual data in future reporting periods.

The current MRC guidance also encourages the use of digital tools such as supply chain audits, blockchain for traceability and transparency, carbon footprint calculators, and data analytics for ESG reporting and compliance tracking. Companies do not need to implement advanced digital tools immediately, but they should progressively improve data systems as ESG expectations increase.

## 4.7 Integration with Existing SOPs, Compliance Systems, and Certifications

An effective ESG Management System should be integrated into existing company processes. ESG should not operate as a separate annual reporting activity disconnected from the way the company actually manages production, people, suppliers, compliance, and risk.

For many rubber processors and manufacturers, relevant systems may already exist. These may include quality management systems, environmental management systems, occupational health and safety systems, customer audit requirements, supplier onboarding processes, HR procedures, procurement SOPs, scheduled waste procedures, regulatory compliance registers, internal audits, and management review meetings.

The current MRC guidance recognises that the ESG checklist can be used not only for reporting, but also for internal audits, gap identification, due diligence, risk assessment, and integration into company policies or SOPs. This means companies should use the Guidelines and Checklist to strengthen the systems they already have, rather than creating unnecessary duplication.

Examples of ESG integration into existing SOPs are shown below.

Existing Process or SOP	ESG Integration
Procurement SOP	Include supplier ESG screening, supplier code of conduct, traceability requirements, anti-corruption controls, and supplier corrective action process.
Supplier Onboarding	Collect supplier licences, certifications, declarations, sourcing information, labour commitments, and traceability documents.
Production SOP	Include energy efficiency, water efficiency, waste segregation, chemical handling, pollution prevention, and OHS controls.
Maintenance SOP	Include equipment efficiency, preventive maintenance, leak detection, energy monitoring, emergency equipment readiness, and records of repairs.
HR SOP	Include ethical recruitment, employment contracts, wage compliance, working hours, training, grievance channels, worker welfare, and non-discrimination.
OHS SOP	Include hazard identification, risk assessment, PPE, incident reporting, emergency response, safety training, and corrective action.
Environmental SOP	Include emissions, water, effluent, waste, scheduled waste, chemical storage, spill response, and regulatory monitoring.
Finance SOP	Include ESG-related expenditure, utility data, fuel invoices, sustainability investments, tax compliance, and data validation.
Compliance SOP	Include legal register updates, permit tracking, anti-corruption controls, whistleblowing, regulatory monitoring, and ESG disclosure review.
Sales / Customer Response SOP	Include review of ESG claims, customer ESG questionnaires, sustainability data requests, and approval before external disclosure.
Document Control SOP	Include ESG evidence retention, version control, data storage, access rights, and approval records.

Companies with existing certifications or management systems should map ESG topics to those systems. For example:

Existing System or Certification	Possible ESG Linkage
ISO 9001	Document control, customer requirements, corrective action, management review, process consistency.
ISO 14001	Environmental risks, legal compliance, pollution prevention, waste, water, emissions, environmental objectives.
ISO 45001	Occupational health and safety, hazard identification, worker consultation, incident investigation, safety objectives.
MSNR	Sustainable natural rubber, traceability, legality, environmental sustainability, social compliance.
FSC / PEFC / Preferred by Nature	Chain of custody, responsible sourcing, forest-related due diligence, supplier controls.
SMETA / WRAP or social audits	Labour practices, worker welfare, working hours, ethical recruitment, grievance mechanisms, OHS.
Customer supplier codes	Buyer-specific ESG expectations, corrective actions, reporting requirements, audit readiness.

The ESG policy and supplier expectations should also be reflected in supplier contracts, purchase terms, supplier declarations, and procurement procedures where relevant. The current MRC guidance identifies ESG policy integration into supplier contracts, digital supply chain traceability, and external ESG certification as examples of progressive governance strategies.

Companies should conduct periodic internal reviews to confirm whether ESG requirements are actually embedded into daily operations. This may include reviewing SOPs, interviewing process owners, checking records, inspecting sites, sampling data, reviewing supplier files, and tracking corrective actions.

At the end of each reporting period, management should review:

- a. whether ESG roles and responsibilities remain appropriate;
- b. whether the ESG policy requires updates;
- c. whether material ESG risks have changed;
- d. whether ESG data is complete and reliable;
- e. whether evidence is sufficient for reporting or customer requests;
- f. whether SOPs and controls are being followed;
- g. whether supplier due diligence is effective;
- h. whether corrective actions have been closed; and
- i. whether new ESG targets, resources, or improvement plans are required.

By integrating ESG into existing SOPs, compliance systems, and certifications, companies can reduce duplication, improve audit readiness, strengthen accountability, and make ESG part of normal business management.

## Minimum Implementation Outputs for Section 4

At the end of this section, each company should aim to have the following basic ESG management documents or records:

Output	Purpose
ESG governance structure	Shows ESG oversight, reporting lines, and responsible persons.
ESG Committee Terms of Reference or management review procedure	Defines how ESG decisions are reviewed and documented.
ESG roles and responsibilities matrix	Clarifies who owns ESG tasks, data, evidence, and approvals.
ESG policy or commitment statement	States the company's ESG commitments and direction.
ESG risk and opportunity register	Tracks material ESG risks, opportunities, controls, and actions.
ESG KPI and data ownership matrix	Assigns data owners and data sources for ESG metrics.
ESG evidence register	Organises supporting documents for ESG reporting and verification readiness.
ESG action plan	Converts ESG priorities into responsible persons, timelines, resources, and targets.
ESG meeting minutes and management approvals	Demonstrates oversight, review, and accountability.
Updated SOPs or procedures	Shows ESG integration into operations, procurement, HR, EHS, compliance, and reporting.

These outputs provide the foundation for materiality assessment, due diligence, ESG reporting, self-assessment, gap analysis, supplier engagement, and continuous improvement.

## 5. Materiality and Stakeholder Engagement

Materiality and stakeholder engagement are central to an effective ESG Management System. They help companies determine which ESG topics are most relevant, which impacts are most significant, and where management attention, resources, data collection, and reporting should be focused.

For Malaysian rubber processors and manufacturers, materiality assessment should be practical, evidence-based, and proportionate to the company's size, operations, supply chain complexity, and stakeholder expectations. The purpose is not to report on every possible ESG topic in equal detail, but to identify the topics that matter most because of their actual or potential impacts on people, the environment, the economy, the company, and its stakeholders.

The existing MRC guidance adopts an **impact-based materiality approach**, which focuses on the organisation's most significant real-world effects. Under this approach, companies do not need to report every potential topic in depth; they should report on topics identified as material through the assessment process and explain exclusions where relevant.

Materiality assessment and stakeholder engagement should support:

- a) identification of the most important ESG risks, impacts, and opportunities;
- b) prioritisation of ESG topics for implementation, reporting, and improvement;
- c) alignment between ESG priorities and business strategy;
- d) better understanding of stakeholder expectations;
- e) stronger ESG governance and decision-making;
- f) more focused ESG data collection and evidence management;
- g) clearer ESG reporting; and
- h) continuous improvement of ESG performance.

Materiality should not be treated as a one-time reporting exercise. It should be reviewed regularly and used to guide ESG action plans, risk registers, supplier engagement, data collection, internal audits, management reviews, and sustainability disclosures.

### 5.1 Understanding Material Topics

A **material ESG topic** is a topic that reflects the company's significant actual or potential impacts, risks, or opportunities. For rubber processors and manufacturers, a topic may be material because it affects workers, communities, the environment, customers, suppliers, regulators, investors, or the company's ability to operate responsibly and remain competitive.



Material topics are identified by considering the company's operations, products, supply chain, business relationships, stakeholder expectations, legal obligations, market requirements, and sustainability context. The MRC guidance notes that materiality assessment helps rubber midstream and downstream players identify and prioritise the most critical ESG issues for their businesses and stakeholders.

For the Malaysian rubber sector, material topics may include, but are not limited to:

ESG Pillar	Examples of Potential Material Topics
Environmental	Deforestation, sustainable land use, biodiversity, emissions, energy, water, waste, hazardous substances, material use and circularity, soil health.
Social	Human rights, workers' rights, occupational health and safety, child labour, forced labour, migrant worker welfare, diversity and inclusion, training, pay and equal remuneration, local communities.
Governance	Supply chain traceability and due diligence, corporate governance, business ethics, transparency and risk management, anti-corruption, stakeholder engagement, tax practices, regulatory risk and public policy.

The Guidelines use the 29 ESG topics as the starting universe for assessment. Companies should review these topics and determine which are:

- a. **material and should be reported in detail;**
- b. **relevant but lower priority and should be monitored;**
- c. **not applicable and should be explained where necessary;** or
- d. **already well-managed but still monitored through existing controls.**

A topic should not be excluded simply because it is difficult to measure or because data is not yet available. Where information is unavailable or incomplete, the company should explain the limitation and identify steps to improve data collection. The current MRC guidance provides examples of acceptable omission explanations, including not applicable, legal prohibitions, confidentiality constraints, and information unavailable or incomplete.

Companies should also recognise that some ESG topics may be connected. For example, **business ethics, anti-corruption, regulatory compliance, transparency, and risk management** may be managed under the same internal governance structure. These topics may be grouped in reporting if the company's explanation remains clear, complete, and supported by evidence. The MRC guidance recognises that governance-related topics may overlap and that companies are not required to disclose every topic listed in the guideline if only certain topics are identified as material through the materiality process.

For practical use, companies may classify material topics into three levels:

Materiality Level	Meaning	Reporting and Management Approach
High / Critical	Significant impact, high stakeholder concern, major business relevance, regulatory exposure, or urgent risk.	Report in detail, assign targets, monitor KPIs, maintain evidence, review by management.
Medium / Significant	Relevant impact or stakeholder concern, but lower urgency or narrower scope.	Report where relevant, monitor indicators, include in action plan if improvement is needed.
Low / Monitor	Limited current impact, low stakeholder concern, or already well-managed.	Monitor periodically, maintain basic records, reassess annually.
Not Applicable	Topic does not apply to the company's operations, products, supply chain, or reporting boundary.	Explain why it is not applicable, where disclosure is expected.

Materiality should be based on evidence and judgement, not only on popularity or survey scores. A topic with low survey response may still be material if it involves severe impacts, legal non-compliance, worker harm, environmental damage, market access risk, or major customer requirements.

## 5.2 Identifying Internal and External Stakeholders

Stakeholders are individuals, groups, organisations, or institutions that affect or may be affected by the company's activities, products, services, operations, or business relationships. Stakeholder identification is important because different stakeholders may have different concerns, expectations, knowledge, and levels of influence.

Both internal and external stakeholders should be considered. The MRC guidance states that both internal and external stakeholders are important in a robust materiality assessment because the goal is to identify ESG topics that are relevant to the business and its stakeholders, both inside and outside the organisation.

Companies should begin by preparing a stakeholder map. The stakeholder map should identify who the stakeholders are, how they relate to the company, what ESG topics may matter to them, and how engagement should take place.

## Internal stakeholders

Internal stakeholders are those within the company who influence or are affected by ESG management and operational practices.

Internal Stakeholder Group	Relevance to ESG and Materiality
Board, owner, or highest governance body	Provides oversight of ESG strategy, risk, materiality, targets, and reporting.
Senior management	Integrates ESG priorities into business strategy, budgets, operations, and decision-making.
ESG Committee or ESG Working Group	Coordinates materiality assessment, stakeholder engagement, data collection, and reporting.
Employees	Experience workplace conditions, labour practices, training, safety, welfare, and company culture.
Migrant workers, contract workers, and temporary workers	May face specific risks relating to recruitment, working conditions, accommodation, grievance access, and documentation.
Human Resources	Provides information on employment, wages, training, welfare, recruitment, grievance handling, and worker rights.
EHS / OSH / environmental personnel	Provides information on environmental compliance, safety, incidents, hazardous substances, waste, water, and emergency preparedness.
Procurement and supply chain teams	Provides information on suppliers, traceability, sourcing, supplier screening, due diligence, and supplier corrective actions.
Production, maintenance, warehouse, and logistics teams	Provides operational data on energy, water, materials, waste, productivity, equipment, safety, and resource efficiency.
Finance	Provides utility bills, fuel data, ESG expenditure, financing information, tax compliance, and cost-related analysis.

## External stakeholders

External stakeholders are outside the company but may influence or be affected by its ESG performance.

External Stakeholder Group	Relevance to ESG and Materiality
Customers, buyers, brand owners, and distributors	May require ESG data, traceability, certifications, labour compliance, emissions information, supplier codes, and audit responses.
Raw material suppliers	Affect traceability, responsible sourcing, no-deforestation expectations, material quality, labour practices, and supply continuity.
Smallholders, dealers, and collection centres	Relevant where natural rubber sourcing, geolocation, legality, and supply chain transparency are material.
Chemical, packaging, and equipment suppliers	Relevant to hazardous substances, material use, product stewardship, safety, and circularity.

External Stakeholder Group	Relevance to ESG and Materiality
Contractors and service providers	May affect OHS, labour practices, site conduct, maintenance, security, logistics, and environmental performance.
Regulators and government agencies	Relevant to legal compliance, permits, environmental monitoring, labour requirements, occupational safety and health, tax, and industry policy.
Malaysian Rubber Council, Malaysian Rubber Board, and industry associations	Provide industry guidance, standards, market insights, capacity building, and sector-level ESG direction.
Financial institutions, insurers, and investors	May assess ESG performance, climate exposure, governance practices, risk management, and eligibility for financing.
Certification bodies and auditors	Assess compliance with standards, customer requirements, chain-of-custody systems, social audits, and environmental systems.
Local communities	May be affected by environmental impacts, traffic, noise, odour, employment, community investment, land-related issues, or grievance matters.
Civil society organisations and NGOs	May raise concerns relating to labour rights, human rights, deforestation, community impacts, biodiversity, and ethical sourcing.
Academic and technical partners	May support research, training, innovation, emissions reduction, circularity, and process improvement.

Stakeholder mapping should consider four questions:

- Who is affected by the company's activities, products, or supply chain?
- Who can affect the company's ability to operate, sell, finance, or grow?
- Who has knowledge or evidence about the company's ESG impacts?
- Who has legitimate expectations that should be considered in ESG decision-making?

Companies should avoid limiting engagement only to senior management or customers. Workers, suppliers, contractors, regulators, and affected communities may provide important information about actual impacts that are not visible from management-level discussions.

### 5.3 Stakeholder Engagement Methods

Stakeholder engagement is the process of collecting, understanding, and responding to stakeholder views, concerns, expectations, and feedback. It supports materiality assessment, risk management, ESG reporting, supplier due diligence, grievance handling, and continuous improvement.

The current MRC guidance provides that stakeholder feedback should be collected through various communication channels and reflected into business operations. It also links stakeholder engagement to the preparation of ESG reporting.

Engagement should be guided by the following principles:

Principle	Meaning
Inclusiveness	Relevant internal and external stakeholders should have a reasonable opportunity to provide input.
Transparency	The company should explain the purpose of engagement and how feedback will be used.
Accessibility	Engagement methods should be suitable for the stakeholder group, including language, literacy, location, and access considerations.
Responsiveness	The company should consider feedback and respond through actions, explanations, or improvement plans.
Confidentiality	Sensitive information, personal data, worker concerns, and whistleblowing reports should be protected.
Non-retaliation	Workers, suppliers, or other stakeholders should be able to raise concerns without fear of retaliation.
Evidence-based	Engagement outcomes should be documented and supported by records.

Different stakeholder groups may require different engagement methods. Companies should choose methods that are practical and meaningful.

Stakeholder Group	Possible Engagement Methods	Typical ESG Topics Discussed
Board and senior management	Strategy workshops, management meetings, risk review sessions, materiality validation meetings.	ESG strategy, risk, governance, market access, compliance, financing, targets, resources.
Employees	Surveys, town halls, toolbox talks, department meetings, training sessions, interviews, grievance channels.	OHS, wages, working hours, welfare, training, diversity, grievance mechanisms, workplace culture.
Migrant and contract workers	Small-group discussions, confidential interviews, translated surveys, worker representative meetings, grievance channels.	Recruitment practices, accommodation, document retention, welfare, safety, working hours, fair treatment.
Procurement and suppliers	Supplier questionnaires, onboarding assessments, supplier audits, supplier briefings, corrective action meetings.	Traceability, legal sourcing, labour practices, environmental practices, certifications, due diligence.
Customers and buyers	ESG questionnaires, business reviews, audit discussions, tender requirements, technical meetings.	Product quality, traceability, emissions, labour compliance, certifications, responsible sourcing, reporting data.
Regulators	Compliance meetings, reporting submissions, inspections, consultations, permit reviews.	Environmental compliance, OHS, labour law, permits, licensing, regulatory changes.
Local communities	Community meetings, feedback channels, local authority discussions, community surveys, grievance mechanisms.	Environmental impacts, traffic, noise, odour, employment, community support, complaint handling.

Stakeholder Group	Possible Engagement Methods	Typical ESG Topics Discussed
Financial institutions and investors	ESG briefings, loan application discussions, sustainability-linked financing assessments, annual reporting.	Climate risks, governance, risk controls, resource efficiency, compliance, targets, financial resilience.
Certification bodies and auditors	Certification audits, document reviews, site inspections, corrective action reviews.	Management systems, chain of custody, labour compliance, environmental controls, evidence.
Industry associations and MRC	Consultations, workshops, training, industry dialogues, benchmarking exercises.	Sector trends, ESG readiness, regulatory developments, capacity building, market access.

For SMEs, engagement may begin with simple methods such as employee surveys, management interviews, customer requirement reviews, supplier questionnaires, and a materiality workshop. Larger companies may use more structured processes such as stakeholder panels, focus groups, digital surveys, supplier audits, worker interviews, community consultations, and third-party facilitated assessments.

A practical stakeholder engagement process should include:

- identify stakeholder groups;
- define the purpose of engagement;
- select suitable engagement methods;
- prepare questions or discussion topics;
- conduct engagement in a fair and accessible manner;
- document feedback;
- analyse key concerns and expectations;
- reflect findings in the materiality assessment;
- communicate relevant outcomes to management; and
- track follow-up actions.

Companies should maintain a **Stakeholder Engagement Log**. The log should record the date, stakeholder group, engagement method, participants, topics discussed, key feedback, responsible person, follow-up action, and status.

## 5.4 Impact-Based Materiality Assessment

An impact-based materiality assessment focuses on the company's significant actual or potential impacts on the economy, environment, and people, including human rights. It asks: **What are the most significant impacts connected to the company's activities, products, services, and business relationships?**

This approach is aligned with the current MRC guidance, which explains that impact-based materiality helps organisations focus reporting on topics that reflect their most significant real-world effects. The guidance also distinguishes impact materiality from double materiality, noting that double materiality adds the question of whether ESG issues also affect the company's finances.

For these Guidelines, the recommended approach is:

- a. use **impact-based materiality** as the core method;
- b. include a **business and financial relevance lens** where useful, especially for NSRF, ISSB, TCFD, TNFD, financing, and customer-related expectations;
- c. consider both internal and external stakeholder input;
- d. use the 29 ESG topics as the starting list;
- e. assess actual and potential impacts; and
- f. validate the final results through management or Board-level review.

A practical impact-based materiality assessment may be conducted through the following steps.

### **Step 1: Define the purpose and scope**

The company should define why the materiality assessment is being conducted. Common purposes include ESG reporting, risk management, customer requirements, supplier due diligence, certification readiness, financing, regulatory preparedness, and ESG action planning.

The company should also define the scope of the assessment. This may include:

- a. own operations only;
- b. selected sites or subsidiaries;
- c. midstream processing activities;
- d. downstream manufacturing activities;
- e. natural rubber sourcing;
- f. synthetic rubber and other raw materials;
- g. suppliers and contractors;
- h. logistics and distribution; or
- i. the broader value chain.

The scope should be clearly documented because it affects which topics are assessed and which evidence is required.

## Step 2: Establish the initial list of ESG topics

The starting list should include the 29 ESG topics in these Guidelines, as well as any additional topics raised by customers, regulators, financiers, certification bodies, or stakeholders.

The existing MRC guidance explains that the 29 topics were generated by mapping the rubber industry context, company operations, relationships, stakeholders, seven significant frameworks, SDGs, and GRI disclosures applicable to Malaysia's midstream and downstream rubber sectors.

Companies may add company-specific topics, such as product safety, customer health and safety, data privacy, innovation, market access, or climate transition planning, where relevant.

## Step 3: Identify actual and potential impacts

The company should identify how each topic may create impacts. Impacts may be:

Type of Impact	Explanation	Example for Rubber Sector
Actual impact	An impact that has already occurred.	A workplace injury, wastewater non-compliance, unresolved worker grievance, supplier audit finding.
Potential impact	An impact that could occur.	Risk of forced labour in recruitment, risk of chemical spill, future traceability failure, climate-related supply disruption.
Negative impact	Harmful impact on people, environment, economy, or stakeholders.	Excessive overtime, hazardous substance exposure, waste leakage, deforestation-related sourcing risk.
Positive impact	Beneficial impact created through company actions.	Energy savings, worker training, supplier improvement, recycling, community employment.
Direct impact	Caused directly by company operations.	Factory energy use, water discharge, employee safety risks.
Indirect impact	Linked through suppliers, customers, contractors, or business relationships.	Raw material traceability, supplier labour practices, upstream land use risk.

Sources of information may include:

- industry analysis;
- customer requirements and audits;
- legal and regulatory requirements;



- d. internal risk registers;
- e. site inspections;
- f. incident records;
- g. grievance records;
- h. supplier assessments;
- i. employee feedback;
- j. environmental monitoring data;
- k. worker interviews;
- l. peer benchmarking;
- m. certification requirements;
- n. EUDR, CSDDD, MSNR, GPSNR, FSC, PEFC, Preferred by Nature, GRI, NSRF, TCFD, TNFD, i-ESG, and Bursa-related expectations; and
- o. stakeholder engagement findings.

#### Step 4: Assess significance of impacts

The significance of impacts should be assessed using practical criteria. The MRC guidance identifies **scale**, **scope**, and **irremediability** as impact-based criteria for prioritising ESG topics.

Criterion	Guiding Question	Practical Interpretation
Scale	How serious is the impact?	Minor inconvenience, regulatory breach, injury, major environmental harm, severe labour rights issue, market access risk.
Scope	How widespread is the impact?	One worker, one department, one site, multiple sites, several suppliers, local community, broader value chain.
Irremediability	Can the impact be reversed or compensated?	Easily corrected, partly reversible, costly to remediate, long-term harm, irreversible damage.
Likelihood	How likely is the potential impact to occur?	Rare, possible, likely, recurring, already occurring.
Stakeholder concern	How important is the topic to stakeholders?	Low concern, moderate concern, repeated concern, high concern from key stakeholders.
Business relevance	How relevant is the topic to business resilience?	Affects cost, operations, compliance, financing, market access, customer retention, reputation, or strategy.

The core impact-based criteria should be used first. Business relevance and financial implications may then be added as a supplementary lens to support decision-making, especially where the company is preparing for sustainability-related financial disclosure, customer due diligence, or financing discussions.

## Step 5: Score and rank topics

Companies may use a simple scoring system. For example:

Score	Impact Significance
1	Low significance
2	Moderate significance
3	Significant
4	High significance
5	Critical significance

Each topic may be scored based on impact severity, likelihood, stakeholder concern, and business relevance. The scoring method should be simple enough for users to understand and consistent enough to support year-to-year comparison.

## Step 6: Validate the results

The preliminary materiality results should be reviewed by the ESG Committee, senior management, Board, owner, or equivalent governance body. Validation is important because survey results alone may not fully reflect operational risk, legal exposure, customer requirements, severe impacts, or emerging market expectations.

Validation should confirm:

- whether the scoring is reasonable;
- whether any severe impacts have been overlooked;
- whether stakeholder views were considered fairly;
- whether high-risk topics are sufficiently prioritised;
- whether topics should be combined or separated;
- whether the final list is practical for reporting and action planning; and
- whether exclusions or omissions are justified.

## 5.5 Prioritising Material ESG Topics

After identifying and assessing ESG topics, the company should prioritise them for reporting, management action, and continuous improvement.

The existing MRC guidance recommends narrowing the final materiality outcomes to a practical number of prioritised topics after the materiality assessment, with an example recommendation of 10 to 12 topics. This does not mean that other ESG topics should be

ignored. It means that the most material topics should receive deeper disclosure, stronger KPIs, clearer ownership, and more active improvement plans.

A practical prioritisation approach is shown below.

Priority Level	Description	Recommended Treatment
Tier 1: Critical Material Topics	Topics with severe impact, high stakeholder concern, high business relevance, regulatory exposure, or direct link to market access.	Detailed reporting, KPIs, targets, action plans, management review, evidence pack, Board or senior management oversight.
Tier 2: Significant Material Topics	Topics with meaningful impact or stakeholder concern, but lower severity, narrower scope, or stronger existing controls.	Reporting, monitoring, assigned responsibility, improvement actions where needed.
Tier 3: Monitored Topics	Topics that are relevant but lower priority, already well-managed, or less applicable to the company's current operations.	Basic monitoring, evidence retention, periodic review.
Not Applicable / Out of Scope	Topics that do not apply to the company's activities, products, value chain, or reporting boundary.	Document explanation and reassess if business context changes.

For rubber processors and manufacturers, prioritisation should consider both sector-specific and company-specific factors.

## Sector-specific factors

These may include:

- whether the company uses natural rubber, synthetic rubber, latex, chemicals, additives, or rubberwood;
- whether the company exports products or supplies multinational buyers;
- whether the company is exposed to EUDR, CSDDD, customer due diligence, MSNR, GPSNR, FSC, PEFC, or Preferred by Nature-related expectations;
- whether the company operates energy-intensive or water-intensive processes;
- whether the company handles hazardous substances or scheduled waste;
- whether the company employs migrant, contract, seasonal, or temporary workers;
- whether the company has high occupational safety and health risk;
- whether the company relies on multiple suppliers, collection centres, traders, or subcontractors;
- whether the company is located near communities, waterways, sensitive areas, or high-risk sourcing regions; and
- whether the company is seeking financing, certification, market expansion, or customer qualification.

## Company-specific factors

These may include:

- a. past incidents or audit findings;
- b. recurring complaints or grievances;
- c. compliance gaps;
- d. customer requests;
- e. supplier performance issues;
- f. high costs or resource use;
- g. strategic business priorities;
- h. availability of data;
- i. planned investments;
- j. technology changes;
- k. new products or markets; and
- l. management priorities.

## Example prioritisation logic

ESG Topic	Possible Reason for High Priority
Occupational Health and Safety	Manufacturing activities involve machinery, chemicals, heat, forklifts, confined areas, or repetitive work.
Forced or Compulsory Labour	Company employs migrant workers or uses labour agents, creating recruitment and documentation risks.
Emissions and Energy	High electricity or fuel consumption affects cost, emissions, customer expectations, and climate disclosure readiness.
Water and Effluent	Processing activities use significant water or generate wastewater requiring monitoring and treatment.
Hazardous Substances	Chemicals, additives, solvents, latex processing agents, or cleaning substances create safety and environmental risks.
Waste	Production generates scheduled waste, scrap, packaging waste, sludge, rejected products, or recyclable materials.
Supply Chain Traceability and Due Diligence	Natural rubber sourcing, buyer requirements, EUDR readiness, or supplier ESG risk requires stronger documentation.
Deforestation	Natural rubber sourcing may require no-deforestation evidence, supplier mapping, and geolocation-related data.
Business Ethics and Anti-Corruption	Procurement, licensing, customs, export activities, and supplier relationships may create integrity risks.
Transparency and Risk Management	ESG data, customer disclosures, sustainability reporting, and audit readiness require internal controls.

Companies should avoid selecting too many material topics without the capacity to manage or report them meaningfully. A long list may weaken the usefulness of the report and dilute

management focus. At the same time, companies should not remove topics that are severe or legally significant merely to simplify reporting.

The final list of material topics should be approved by senior management or the ESG Committee and linked to:

- a. ESG action plan;
- b. ESG KPI tracker;
- c. risk register;
- d. data ownership matrix;
- e. evidence register;
- f. reporting structure;
- g. supplier due diligence process; and
- h. annual management review.

## 5.6 Documenting Materiality Outcomes

The materiality assessment must be documented clearly. Documentation is important because it shows how the company identified, assessed, prioritised, and validated its material ESG topics. It also supports transparency, audit readiness, customer responses, assurance, and future reviews.

The MRC guidance indicates that stakeholder engagement on the 29 topics and relevant business performance matters should lead to the materiality assessment result, which then supports decision-making and long-term competitive advantage.

At minimum, companies should document:

Document / Record	Purpose
Materiality assessment scope	Explains whether the assessment covers own operations, selected sites, suppliers, upstream sourcing, downstream activities, or full value chain.
Initial topic list	Shows the ESG topics considered, including the 29 topics in these Guidelines and any company-specific topics.
Stakeholder map	Identifies internal and external stakeholders considered in the process.
Engagement plan	Describes engagement methods, target groups, timeline, and responsible persons.
Stakeholder engagement log	Records engagement date, method, participants, topics discussed, feedback, and follow-up actions.
Survey or interview results	Summarises stakeholder views, scoring, comments, and recurring concerns.
Impact assessment scoring	Documents scoring for scale, scope, irremediability, likelihood, stakeholder concern, and business relevance.

Document / Record	Purpose
Materiality matrix or ranking table	Presents the prioritised ESG topics visually or in ranked form.
Validation records	Shows review by ESG Committee, senior management, Board, owner, or relevant governance body.
Final material topic list	Confirms which topics are material, monitored, or not applicable.
Omission explanations	Explains why certain topics or disclosures are not reported in detail.
Link to ESG action plan	Shows how material topics are converted into targets, KPIs, responsibilities, and improvement actions.
Evidence register	Identifies supporting documents used in the assessment.

## Suggested format for materiality results

Companies may present the final materiality results in one or more of the following formats:

- materiality matrix;
- ranked list of material topics;
- heat map;
- materiality table by ESG pillar;
- topic-by-topic assessment summary;
- management-approved list of priority ESG topics; or
- dashboard linking material topics to KPIs, targets, SDGs, and frameworks.

A simple table may be more practical than a complex matrix, especially for SMEs.

Material Topic	ESG Pillar	Impact Summary	Stakeholders Concerned	Priority Level	Data Owner	Reporting Treatment
Occupational Health and Safety	Social	Worker injury and operational safety risk.	Employees, regulators, customers, management.	Critical	EHS / OSH	Report with KPIs and action plan.
Energy and Emissions	Environmental	High energy use affects emissions, cost, and climate expectations.	Customers, management, financiers, regulators.	High	Maintenance / Finance / ESG Team	Report consumption, emissions, targets.
Supply Chain Traceability	Governance	Buyer and regulatory expectations require sourcing evidence.	Customers, suppliers, regulators, management.	High	Procurement	Report supplier mapping and due diligence.
Child Labour	Social	Low likelihood in own	Workers, customers,	Monitor / High	HR / Procurement	Maintain prevention

Material Topic	ESG Pillar	Impact Summary	Stakeholders Concerned	Priority Level	Data Owner	Reporting Treatment
		operations but high severity if present.	regulators, suppliers.	severity safeguard		controls and evidence.

## Explaining omissions or non-applicability

Where a topic is not reported in detail, the company should explain why. Acceptable explanations may include:

Reason	Explanation Required
Not applicable	Explain why the topic does not apply to the company's operations, products, supply chain, or reporting boundary.
Legal prohibition	Describe the legal restriction that prevents disclosure.
Confidentiality constraint	Explain the confidentiality reason without hiding material risks.
Information unavailable or incomplete	Identify what information is missing, why it is missing, and what steps will be taken to improve data collection.
Lower priority but monitored	Explain that the topic was assessed, found to be lower priority, and will continue to be monitored.
Managed under another topic	Explain that the topic is addressed under a related material topic or common control framework.

Companies should be careful not to use “not material” as a way to avoid difficult issues. Where a topic involves severe potential harm, legal exposure, human rights risk, environmental damage, or market access risk, it should normally be assessed carefully and monitored even if detailed disclosure is not required.

## Validation and approval

The final materiality outcome should be validated and approved by the appropriate governance body. Depending on company size, this may be the Board, owner, Managing Director, ESG Committee, Risk Management Committee, or senior management team.

The approval record should include:

- date of approval;
- attendees or approving authority;
- final material topics;
- major changes from previous year;
- topics added, removed, grouped, or reclassified;
- reasons for key decisions;

- g. required follow-up actions; and
- h. next review date.

Materiality outcomes should not remain only in the ESG report. They should be integrated into business planning, risk management, budgeting, department KPIs, ESG action plans, supplier management, and internal review.

## **5.7 Reviewing Material Topics Annually**

Material topics should be reviewed at least annually to ensure they remain relevant. ESG risks, stakeholder expectations, market requirements, regulatory developments, customer requests, technology, sourcing patterns, labour conditions, and operational performance can change over time.

The current MRC guidance recommends regular reviews of material ESG topics to ensure disclosures remain relevant in light of changing operational contexts, regulatory developments, and stakeholder priorities within the rubber sector. An annual materiality review may be lighter than a full reassessment. The purpose is to check whether the current material topics remain valid or whether changes are needed.

### **Annual review triggers**

A company should review material topics annually and whenever major changes occur, including:

- a. new product lines or manufacturing processes;
- b. new sites, expansions, closures, or acquisitions;
- c. significant changes in raw material sourcing;
- d. changes in natural rubber suppliers, dealers, smallholders, or sourcing regions;
- e. new export markets or customer requirements;
- f. new laws, regulations, or reporting requirements;
- g. EUDR, CSDDD, NSRF, Bursa, TCFD, TNFD, i-ESG, certification, or buyer-related developments;
- h. major workplace incidents, environmental incidents, grievances, or audit findings;
- i. changes in workforce composition, such as increased migrant or contract labour;
- j. new financing requirements;
- k. significant stakeholder complaints or media attention;
- l. supplier non-compliance or traceability gaps;
- m. new sustainability targets or corporate strategy changes; and
- n. material changes in costs, emissions, water stress, waste, or resource availability.



## Annual review process

A practical annual review process should include:

Step	Annual Review Action
1. Review previous material topics	Check whether the previous list remains relevant and complete.
2. Review ESG performance data	Consider KPI results, incidents, complaints, audit findings, customer requests, and regulatory updates.
3. Review stakeholder feedback	Consider feedback from workers, customers, suppliers, regulators, communities, financiers, and auditors.
4. Review business changes	Consider changes in products, sites, suppliers, markets, workforce, technology, and strategy.
5. Update scoring where needed	Rescore topics affected by new evidence or changing context.
6. Confirm additions or removals	Add emerging topics, remove topics only with justification, and group related topics where appropriate.
7. Validate with management	Present changes to the ESG Committee, senior management, Board, owner, or equivalent authority.
8. Update documents	Revise materiality matrix, ESG action plan, KPI tracker, evidence register, and reporting plan.
9. Communicate internally	Inform relevant departments and data owners of changes.
10. Track improvement actions	Ensure material topics are linked to responsibilities, timelines, and resources.

## Full reassessment

In addition to annual reviews, companies should conduct a more comprehensive materiality reassessment periodically. A practical approach is to conduct a full reassessment every two to three years, or earlier if there are major changes in operations, supply chain, markets, regulations, stakeholder expectations, or ESG performance.

A full reassessment may include broader stakeholder engagement, updated benchmarking, revised scoring methodology, refreshed ESG topic list, new materiality workshop, and management or Board validation.

## Integration with continuous improvement

Annual materiality review should feed directly into the company's ESG improvement cycle. The review should inform:

- a. updated ESG action plans;
- b. revised ESG targets and KPIs;

- c. new training needs;
- d. supplier engagement priorities;
- e. budget and resource allocation;
- f. SOP updates;
- g. ESG reporting structure;
- h. evidence collection priorities;
- i. internal audit scope; and
- j. management review agenda.

For example, if energy use becomes more material due to increased production, rising electricity costs, buyer emissions requests, or climate disclosure expectations, the company should update its action plan to include energy monitoring, energy efficiency projects, emissions calculations, and department-level responsibilities.

Similarly, if supplier traceability becomes more material due to EUDR-related customer requests, the company should strengthen supplier mapping, sourcing documentation, due diligence questionnaires, chain-of-custody records, and supplier corrective action processes.

## Minimum Implementation Outputs for Section 5

At the end of this section, each company should aim to have the following records or tools:

Output	Purpose
Stakeholder map	Identifies internal and external stakeholders relevant to ESG.
Stakeholder engagement plan	Defines who to engage, how to engage them, and why.
Stakeholder engagement log	Records engagement activities, feedback, and follow-up actions.
Materiality assessment methodology	Explains the scoring approach, criteria, scope, and process.
ESG topic longlist	Lists the 29 ESG topics and any company-specific topics considered.
Impact assessment worksheet	Scores topics based on scale, scope, irremediability, likelihood, stakeholder concern, and business relevance.
Materiality matrix or ranking table	Shows the prioritised ESG topics.
Final list of material topics	Confirms which topics are material, monitored, or not applicable.
Omission explanation record	Explains why certain topics are excluded or not reported in detail.
Validation minutes or approval record	Shows management or Board review and approval of materiality outcomes.
Linkage to ESG action plan	Converts material topics into targets, KPIs, responsibilities, timelines, and evidence requirements.
Annual review record	Documents changes in material topics and reasons for updates.

Together, materiality assessment and stakeholder engagement ensure that ESG implementation is focused, credible, and responsive to the realities of the Malaysian rubber industry. They help companies prioritise what matters most, allocate resources effectively, strengthen stakeholder trust, and improve ESG performance over time.

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## 6. Due Diligence and Supply Chain Responsibility

Due diligence and supply chain responsibility are essential components of ESG implementation for rubber processors and manufacturers. In the rubber industry, a company's ESG performance is influenced not only by its own operations, but also by the conduct of its suppliers, contractors, traders, dealers, logistics providers, recruitment agents, waste service providers, and other business partners.

For Malaysian rubber processors and manufacturers, supply chain responsibility is especially important because rubber materials and rubber products may pass through multiple actors before reaching the final customer. These actors may include smallholders, plantations, collection centres, dealers, processors, manufacturers, exporters, distributors, chemical suppliers, packaging suppliers, logistics providers, and customers. Each stage may create environmental, social, governance, legal, traceability, or market access risks.

Due diligence is the process through which companies identify, assess, prevent, mitigate, monitor, and communicate how they address actual and potential ESG risks and impacts. In practice, this means that companies should know who they buy from, understand the ESG risks associated with their suppliers and sourcing areas, take action to address those risks, maintain evidence, and review progress over time. The OECD describes due diligence for responsible business conduct as helping enterprises understand and implement due diligence across matters such as workers, human rights, environment, bribery, consumers, and corporate governance. ([OECD](#))

The existing MRC guidance identifies **Supply Chain Traceability and Due Diligence** as a key governance topic. It highlights information collection on suppliers and supply chains, assessment of risks relating to human rights, environmental impacts and legal compliance, mitigation measures such as supplier audits and corrective action plans, and traceability systems to identify the origin of raw materials and products.

This section provides practical guidance on how rubber processors and manufacturers can establish due diligence and supply chain responsibility systems that are proportionate, evidence-based, and aligned with ESG expectations.

### 6.1 ESG Due Diligence Principles

ESG due diligence should be applied as a structured and continuous process. It should not be treated as a one-off supplier questionnaire or a document collection exercise. A company may collect supplier declarations, certifications, invoices, and traceability records, but these documents only become meaningful when they are reviewed, risk-assessed, followed up, and used to support responsible business decisions.

The company's due diligence process should be based on the following principles.

Principle	Practical Meaning for Rubber Companies
Risk-based	Focus deeper due diligence on suppliers, materials, locations, and activities with higher ESG risk.
Proportionate	Apply controls that reflect company size, supply chain complexity, supplier influence, and severity of risk.
Evidence-based	Support ESG claims with documents, data, records, site checks, supplier confirmations, or third-party verification where relevant.
Preventive	Identify and address risks before they result in harm, non-compliance, customer rejection, or market access issues.
Continuous	Review suppliers, risks, evidence, and corrective actions periodically, not only during onboarding.
Stakeholder-informed	Consider worker feedback, supplier feedback, community concerns, customer expectations, regulator requirements, and audit findings.
Remediation-oriented	Where harm occurs, take corrective action and provide or support appropriate remedy.
Transparent	Communicate expectations clearly to suppliers and explain ESG risks, actions, and limitations in reporting.
Practical for SMEs	Begin with basic screening, supplier declarations, records, and action plans, then strengthen systems over time.

A practical ESG due diligence process should include the following steps:

- a. establish a responsible sourcing or supplier ESG policy;
- b. identify suppliers, materials, contractors, and service providers within scope;
- c. classify suppliers by criticality and ESG risk;
- d. collect supplier information and supporting documents;
- e. assess environmental, social, governance, legal, and traceability risks;
- f. prioritise high-risk suppliers, materials, and sourcing areas;
- g. implement mitigation measures, such as supplier engagement, audits, certifications, training, corrective action plans, or alternative sourcing;
- h. monitor implementation and supplier performance;
- i. maintain evidence and records; and
- j. review and improve the due diligence process annually.

The EU Corporate Sustainability Due Diligence Directive establishes a corporate due diligence duty for in-scope companies to identify and address actual and potential adverse human rights and environmental impacts in their own operations, subsidiaries, and certain business partner relationships. Although SMEs are not directly covered by the Directive, the European Commission notes that they may still be indirectly affected as business partners in value chains. ([European Commission](#))

For this reason, Malaysian rubber companies should treat due diligence as a readiness tool. Even where a company is not directly subject to overseas regulations, it may still receive due diligence requests from customers, financiers, certification bodies, or larger companies that are subject to such requirements.

## 6.2 Supplier Screening and Risk Assessment

Supplier screening is the process of collecting and reviewing supplier information before and during a business relationship. Its purpose is to determine whether a supplier can meet the company's ESG, legal, quality, traceability, and responsible sourcing expectations.

Supplier screening should apply to both new and existing suppliers. The level of screening should depend on the supplier's importance, ESG risk, material type, country or sourcing area, customer requirements, and the company's influence over the supplier.

### Supplier categories to consider

Companies should map and screen suppliers across relevant categories.

Supplier Category	ESG Relevance
Natural rubber suppliers	Traceability, no-deforestation, land legality, supplier legality, smallholder linkage, EUDR readiness, MSNR alignment.
Latex concentrate suppliers	Origin traceability, quality, chemical handling, processing practices, environmental compliance, labour practices.
Block rubber, sheets, and rubber compound suppliers	Chain-of-custody, supplier environmental practices, labour practices, production records, customer requirements.
Synthetic rubber suppliers	Petrochemical-related impacts, emissions, hazardous substances, product stewardship, supply chain risk.
Chemical and additive suppliers	Hazardous substances, restricted substances, safety data sheets, chemical compliance, worker safety.
Packaging suppliers	Material use, recyclability, waste, responsible sourcing, supplier environmental practices.
Contractors and service providers	OHS, labour practices, site conduct, environmental compliance, waste handling, security practices.
Recruitment agents and labour suppliers	Ethical recruitment, recruitment fees, worker documentation, forced labour risk, migrant worker protection.
Logistics providers	Fuel use, emissions, transport compliance, customs documentation, chain-of-custody.
Waste contractors	Licensed disposal, scheduled waste handling, consignment notes, final treatment or disposal evidence.

## Minimum supplier information

At minimum, supplier screening should collect:

- a. supplier name, address, registration number, and contact person;
- b. type of material or service supplied;
- c. country, state, district, or origin of material where relevant;
- d. relevant licences, permits, certifications, or approvals;
- e. supplier ESG declaration or questionnaire;
- f. supplier code of conduct acknowledgement;
- g. product or material specifications;
- h. purchase records, invoices, delivery orders, and batch or lot references;
- i. certificates, such as MSNR, FSC, PEFC, Preferred by Nature, ISO, social audit, or customer-specific certifications where applicable;
- j. information on labour practices, including whether the supplier uses migrant workers, contractors, or recruitment agents;
- k. environmental compliance information, including waste, water, emissions, and chemical management where relevant;
- l. past audit findings, non-conformities, complaints, or corrective actions; and
- m. evidence of traceability or chain-of-custody where required.

## Supplier risk criteria

Supplier risk assessment should consider both ESG severity and business relevance.

Risk Area	Example Risk Factors
Environmental risk	Deforestation exposure, protected areas, peatland, biodiversity risk, water pollution, waste mismanagement, hazardous substances, emissions, poor environmental compliance.
Social risk	Forced labour, child labour, excessive working hours, wage issues, migrant worker vulnerability, poor accommodation, OHS concerns, discrimination, weak grievance channels.
Governance risk	Lack of licences, weak documentation, corruption risk, customs or trade risk, poor records, unclear ownership, unwillingness to disclose information.
Traceability risk	Unknown origin, multiple intermediaries, missing transaction documents, inconsistent batch records, lack of geolocation data, no chain-of-custody controls.
Business risk	High spend, high volume, critical supplier, single-source dependency, customer-facing material, export market exposure, repeated non-conformance.

A simple scoring model may be used.

Risk Level	Description	Recommended Action
Low	Supplier provides complete information, operates in a lower-risk context, has no major findings, and maintains reliable records.	Maintain basic documents and review periodically.
Medium	Some ESG risk factors or documentation gaps exist, but supplier is cooperative and risks can be addressed.	Require improvement plan, additional evidence, and periodic review.
High	Supplier has significant ESG, traceability, legal, labour, environmental, or corruption risks.	Conduct enhanced due diligence, audit, management review, corrective action plan, and possible sourcing decision.
Critical / Unacceptable	Severe unresolved risk, refusal to provide evidence, confirmed serious non-compliance, or inability to meet customer or legal requirements.	Suspend, block, or terminate relationship where necessary, while considering responsible disengagement and remedy.

Supplier risk assessment should be reviewed at onboarding, during contract renewal, after significant incidents or audit findings, when customer requirements change, and at least annually for high-risk suppliers.

### 6.3 Traceability and Chain-of-Custody Expectations

Traceability refers to the company's ability to identify and document the origin, movement, transformation, and ownership of materials or products across the supply chain. Chain of custody refers to the documented controls used to preserve and verify the status of materials as they move from one supply chain actor to another.

For rubber processors and manufacturers, traceability is important because customers, regulators, certification bodies, and financiers may require evidence of where rubber comes from, how it was processed, and whether it meets environmental, social, legal, or certification requirements.

Traceability should be designed according to the company's role in the value chain.

Company Role	Practical Traceability Focus
Rubber processor	Source of raw rubber, dealer or smallholder records, purchase documents, production records, batch records, processing output, sales records.
Latex processor	Latex source, collection records, processing records, quality records, storage records, customer shipment records.
Rubber manufacturer	Raw material supplier records, batch or lot numbers, production use, finished product traceability, customer shipment records.



Company Role	Practical Traceability Focus
Trader or exporter	Supplier origin, purchase and resale documents, shipment documents, certificates, customs records, buyer requirements.
Pure trader with no manufacturing	Supplier screening, material origin, ethical sourcing evidence, customer-facing traceability documentation.

The MRC guidance recognises that trading activities can still carry ESG responsibilities across the value chain, especially in relation to supply chain transparency, ethical sourcing, due diligence, and responsible business conduct.

## Core traceability documents

Companies should maintain traceability records such as:

- a. supplier master list;
- b. purchase orders;
- c. invoices;
- d. delivery orders;
- e. weighbridge tickets;
- f. batch or lot records;
- g. production records;
- h. warehouse receiving and dispatch records;
- i. certificates of analysis;
- j. customer shipment records;
- k. transport documents;
- l. customs or export documents;
- m. supplier declarations;
- n. certification documents; and
- o. due diligence records.
- p. For natural rubber supply chains, additional traceability information may include:
- q. country, state, district, or locality of origin;
- r. plantation, estate, smallholder, dealer, or collection centre information where available;
- s. Malaysian Rubber Board-related licence or transaction records where applicable;
- t. MSNR-related traceability information where available;
- u. geolocation information where required by customers or regulation;
- v. sourcing area maps where applicable;
- w. date or time of production or harvesting where required;
- x. land legality or land use evidence where available; and
- y. no-deforestation or legality declarations where required.

## Chain-of-custody controls

Companies should establish chain-of-custody controls where materials are certified, segregated, customer-specific, EUDR-relevant, or otherwise subject to traceability claims.

Control Area	Practical Requirement
Material identification	Identify material type, supplier, origin, certification status, batch, and lot number.
Receiving control	Check documents against goods received and record discrepancies.
Storage control	Prevent mixing of materials with different status where segregation is required.
Production control	Link input batches to production batches and finished product records.
Mass balance control	Reconcile purchased, processed, stored, and sold quantities.
Dispatch control	Link finished product shipment to customer documents and traceability records.
Claim control	Ensure sustainability, certification, EUDR-ready, or responsible sourcing claims are supported by evidence.
Record control	Maintain traceability records for the required retention period.

FSC chain-of-custody requirements focus on ensuring the traceability and integrity of certified materials from forest to final product through documented control systems and audits, while PEFC chain-of-custody certification is available to companies that manufacture, process, trade, or sell natural rubber and rubberwood products.

Companies are not required by these Guidelines to obtain a specific certification unless required by law, customer contract, or company strategy. However, the principles of chain-of-custody control should be adopted where traceability claims are made.

## 6.4 EUDR-Oriented Due Diligence for Rubber Supply Chains

The EU Deforestation Regulation, or EUDR, is relevant to rubber companies whose materials or products enter the European Union market directly or indirectly. The European Commission states that EUDR covers commodities including rubber and certain products made from them, and that products placed on, sold within, or exported from the EU must be deforestation-free and produced in line with relevant laws in the country of production. The current official European Commission page states that the entry into application is 30 December 2026 for large and medium operators, 30 June 2027 for micro and small operators, and 30 December 2026 for micro and small operators already covered by the EU Timber Regulation. ([Environment](#))

Malaysian rubber companies may not always have direct legal obligations under EUDR. However, the European Commission notes that non-EU producers and companies may still be asked to provide information, such as the locations where products were grown, harvested, or raised, to help EU-based companies meet their requirements. ([Green Forum](#))

For this reason, rubber processors and manufacturers should consider EUDR-oriented due diligence where:

- a. products are exported to the EU;
- b. products are supplied to customers that export to the EU;
- c. customers request EUDR information;
- d. natural rubber is used in products supplied to multinational buyers;
- e. certified or deforestation-free claims are made; or
- f. supply chain traceability is material to the company's ESG reporting.

## EUDR-oriented due diligence process

Companies should establish a structured process to prepare EUDR-related information.

Step	Practical Action
1. Product applicability check	Identify whether the company's rubber materials or products may fall within EUDR-relevant product categories or customer requirements.
2. Role identification	Determine whether the company is an exporter, manufacturer, processor, trader, supplier, or data provider to an EU-facing customer.
3. Supplier mapping	Map suppliers, intermediaries, sourcing countries, processing sites, and relevant upstream actors.
4. Information collection	Collect origin, supplier, transaction, geolocation, legality, production date, and no-deforestation-related information where required.
5. Risk assessment	Assess deforestation, forest degradation, legality, land use, human rights, FPIC, corruption, tax, customs, and trade risks.
6. Risk mitigation	Address gaps through supplier engagement, further evidence, independent checks, certification, satellite screening, audit, or corrective action.
7. Documentation	Maintain a due diligence file for each relevant supplier, product, batch, shipment, or customer request.
8. Customer response	Provide accurate, approved, and evidence-backed information to customers where required.
9. Review	Update information periodically and when suppliers, sourcing areas, products, or regulations change.

The MRC guidance provides examples of deforestation-related disclosure evidence, including supply chain traceability documents, sales and purchase documents, production records, sourcing area maps, geolocation, and production date or time information.

## EUDR-related evidence checklist

Companies should prepare, where applicable:

- a. list of EUDR-relevant products and materials;
- b. supplier list and supplier risk classification;
- c. country and region of origin;
- d. geolocation data for sourcing areas where required;
- e. sourcing area maps;
- f. date or period of production;
- g. evidence that materials are not linked to deforestation or forest degradation;
- h. land legality or lawful production evidence;
- i. supplier declarations;
- j. transaction records;
- k. batch and production records;
- l. customs and export documents;
- m. certification documents, where applicable;
- n. risk assessment records;
- o. risk mitigation records;
- p. customer correspondence and submitted data; and
- q. internal approval records.

Companies should verify the latest legal position, product scope, customer requirements, and implementation guidance before making EUDR claims. These Guidelines support readiness and evidence preparation, but they do not replace legal advice or regulatory confirmation.

## 6.5 Human Rights and Labour Due Diligence

Human rights and labour due diligence helps companies identify and address actual or potential adverse impacts on workers, communities, contractors, suppliers, and other affected stakeholders. It should cover both the company's own operations and relevant supply chain relationships.

The United Nations Guiding Principles on Business and Human Rights state that business enterprises should have policies and processes appropriate to their size and circumstances, including a human rights policy commitment, a human rights due diligence process, and processes to enable remediation of adverse human rights impacts. ([OHCHR](#))

For rubber processors and manufacturers, human rights and labour due diligence should address the following areas:

Risk Area	Due Diligence Focus
Child labour	Minimum age verification, recruitment controls, supplier declarations, monitoring of suppliers and contractors.
Forced or compulsory labour	No recruitment fees, no debt bondage, no coercion, no passport retention without lawful basis and worker access, voluntary employment.
Migrant worker protection	Ethical recruitment, contracts, wages, accommodation, document access, grievance channels, legal employment status.
Wages and benefits	Minimum wage compliance, overtime pay, deductions, payslips, benefits, timely payment.
Working hours	Legal working hours, overtime control, rest days, shift records, fatigue management.
Occupational health and safety	Hazard identification, PPE, training, emergency response, incident reporting, contractor safety.
Freedom of association	Worker representation, collective bargaining rights, non-retaliation.
Non-discrimination	Equal opportunity, fair treatment, anti-harassment, pay equity, inclusive workplace practices.
Accommodation and welfare	Worker housing conditions, sanitation, safety, privacy, welfare access, complaint channels.
Contractors and recruitment agents	Labour agency practices, contract terms, worker fees, grievance access, monitoring.

## Practical human rights due diligence steps

Companies should:

- a. adopt a human rights or labour standards policy;
- b. include human rights requirements in the Supplier Code of Conduct;
- c. screen suppliers and labour agents for labour risk;
- d. verify employment contracts, wage records, working hour records, and age verification processes;
- e. check whether recruitment fees are charged to workers;
- f. confirm that workers have access to identity documents and legal employment documents;
- g. provide grievance channels in languages workers understand;
- h. conduct worker interviews or surveys where risk is higher;
- i. assess worker accommodation where relevant;
- j. review OHS performance and incident records;
- k. require supplier corrective action plans for labour-related findings;
- l. track closure of findings; and
- m. escalate severe cases to management.

## Labour due diligence evidence

- a. Examples of evidence include:
  - a. human rights policy;
  - b. recruitment policy;
  - c. no recruitment fee policy;
  - d. supplier code of conduct;
  - e. employment contracts;
  - f. age verification records;
  - g. payroll and payslip records;
  - h. working hour and overtime records;
  - i. recruitment agent agreements;
  - j. worker orientation records;
  - k. training records;
  - l. grievance records;
  - m. accommodation inspection reports;
  - n. OHS risk assessments and incident records;
  - o. supplier self-assessment forms;
  - p. supplier audit reports;
  - q. corrective action plans; and
  - r. closure evidence.

Where serious labour risks are identified, companies should prioritise prevention, worker protection, and remedy. Supplier disengagement should be considered carefully. Immediate termination may sometimes worsen harm to affected workers; therefore, companies should assess whether corrective action, remediation, supplier capacity building, or responsible disengagement is the most appropriate response.

## 6.6 Environmental and Deforestation Risk Due Diligence

Environmental and deforestation risk due diligence helps companies assess whether their operations and supply chains are linked to environmental harm, legal non-compliance, pollution, land conversion, deforestation, forest degradation, biodiversity loss, water stress, chemical risk, or waste mismanagement.

For rubber companies, environmental due diligence may apply to both direct operations and upstream sourcing.

## Environmental due diligence for own operations

Companies should assess:

- a. energy consumption and emissions;
- b. water withdrawal and water discharge;
- c. wastewater treatment and monitoring;
- d. hazardous substances and chemical storage;
- e. scheduled waste and general waste management;
- f. air emissions and odour;
- g. soil contamination risk;
- h. biodiversity or sensitive area proximity;
- i. emergency preparedness;
- j. environmental permits, licences, and regulatory submissions; and
- k. environmental complaints or incidents.

## Environmental due diligence for suppliers

Supplier environmental screening should consider:

Supplier Type	Environmental Due Diligence Focus
Natural rubber suppliers	Deforestation, land legality, protected areas, buffer zones, peatland, biodiversity, legality, geolocation, MSNR alignment.
Processed rubber suppliers	Wastewater, emissions, chemical use, energy, waste, environmental permits, traceability records.
Chemical suppliers	Hazardous substances, restricted substances, safety data sheets, product stewardship, spill risk.
Packaging suppliers	Material sourcing, recyclability, waste, environmental certifications.
Waste contractors	Licence validity, consignment notes, final disposal records, scheduled waste handling, treatment facility status.
Logistics providers	Transport compliance, fuel use, emissions, route records, customs documentation.

## Deforestation and land-related due diligence

Where natural rubber is used, companies should assess whether their supply chain is linked to:

- a. deforestation or forest degradation;
- b. conversion of natural ecosystems;
- c. sourcing from protected areas or buffer zones;
- d. peatland conversion;

- e. unclear or illegal land use rights;
- f. lack of geolocation or origin evidence;
- g. suppliers with poor traceability;
- h. smallholder or dealer documentation gaps;
- i. community or indigenous peoples' rights concerns; and
- j. FPIC-related concerns where relevant.

The MRC guidance links MSNR, EUDR, CSDDD, GPSNR, FSC, and PEFC to issues such as no deforestation, environmental protection, forest-related regulations, third-party rights, labour rights, human rights, FPIC, legal compliance, land use rights, supply chain due diligence, traceability, legality verification, anti-corruption, trade, and customs regulations.

## **Mitigation measures**

Where environmental or deforestation risks are identified, companies may implement:

- a. supplier clarification requests;
- b. additional documentation requests;
- c. sourcing area mapping;
- d. geolocation checks;
- e. satellite or remote-sensing checks where appropriate;
- f. supplier site visits;
- g. third-party audits;
- h. certification requirements;
- i. supplier training;
- j. corrective action plans;
- k. improvement timelines;
- l. temporary suspension of high-risk supply;
- m. sourcing restrictions for unacceptable-risk areas; and
- n. responsible supplier disengagement where risks cannot be mitigated.

Environmental due diligence should not be limited to natural rubber. Companies using synthetic rubber, chemicals, additives, packaging, or other materials should also assess relevant environmental risks such as emissions, hazardous substances, energy use, worker exposure, and waste management. The MRC guidance recognises that synthetic rubber should be included in ESG assessment and reporting where relevant, including material footprint, supply chain risks, emissions, worker health and safety, waste, and recycling challenges.



## 6.7 Grievance Mechanisms and Remedy

A grievance mechanism is a channel through which workers, suppliers, contractors, communities, customers, or other stakeholders can raise concerns about the company's conduct, operations, or supply chain. It is an important part of due diligence because it helps identify issues that may not be visible through audits, questionnaires, or document reviews.

The United Nations Guiding Principles state that operational-level grievance mechanisms help support the identification of adverse human rights impacts as part of ongoing due diligence and enable grievances to be addressed early and remediated directly. ([OHCHR](#))

Rubber processors and manufacturers should establish grievance channels that are accessible, confidential, non-retaliatory, and appropriate to the stakeholder group.

### Types of grievance channels

Stakeholder Group	Possible Channels
Employees	HR office, worker representative, hotline, suggestion box, digital portal, email, supervisor escalation, whistleblowing channel.
Migrant workers	Translated forms, worker welfare officer, confidential interviews, mobile contact channel, worker representative, grievance box.
Contract workers	Contractor liaison, site supervisor, HR channel, safety committee, whistleblowing channel.
Suppliers	Procurement contact, supplier portal, email channel, supplier meeting, dispute escalation process.
Smallholders and dealers	Collection centre contact, supplier engagement session, field officer, complaint register.
Local communities	Community liaison, local authority engagement, community meeting, public complaint contact.
Customers	Customer service, quality complaint system, ESG data request process, contract management channel.

### Grievance handling process

A practical grievance procedure should include:

Step	Description
1. Receive	Record the grievance through the relevant channel.
2. Acknowledge	Confirm receipt within a defined timeframe where the complainant is identifiable.
3. Assess	Classify the issue by severity, urgency, and type of risk.

Step	Description
4. Protect	Apply confidentiality and non-retaliation measures.
5. Investigate	Review evidence, interview relevant parties, and document findings.
6. Decide	Determine corrective action, remedy, escalation, or closure.
7. Remedy	Provide remedy where harm has occurred and the company caused or contributed to it.
8. Close	Confirm closure and document outcome.
9. Monitor	Track recurrence, trends, and effectiveness of corrective actions.
10. Report	Report significant grievances and trends to management or the ESG Committee.

## Remedy

Remedy should be appropriate to the nature and severity of the issue. It may include:

- a. correction of wage or payment errors;
- b. reimbursement of improper worker-paid recruitment fees;
- c. return or secure access to worker documents;
- d. improvement of accommodation or welfare conditions;
- e. medical support or safety corrective action following workplace incidents;
- f. corrective action for discrimination, harassment, or unfair treatment;
- g. environmental clean-up or corrective action;
- h. supplier corrective action;
- i. apology or formal explanation;
- j. contract clarification or fair payment resolution;
- k. policy or SOP revision; and
- l. training to prevent recurrence.

The grievance mechanism should be linked to the company's risk register, supplier management process, corrective action system, and ESG reporting. Repeated grievances should be reviewed as indicators of systemic risk.

## 6.8 Supplier Code of Conduct and Contractual Controls

A Supplier Code of Conduct sets out the ESG expectations that suppliers, contractors, and business partners are expected to follow. It should be clear, practical, and aligned with the company's ESG policy, customer requirements, legal obligations, and material ESG topics.

The Supplier Code of Conduct should be communicated during supplier onboarding and should be acknowledged by suppliers. High-risk suppliers should receive additional briefing, training, or engagement.

## Recommended Supplier Code of Conduct coverage

Area	Expected Supplier Commitment
Legal compliance	Comply with applicable laws, regulations, licences, permits, trade requirements, and customer requirements.
Responsible sourcing	Support traceability, ethical sourcing, and responsible procurement practices.
No deforestation	Avoid sourcing linked to deforestation, forest degradation, illegal land conversion, or protected area violations.
Environmental protection	Manage emissions, water, waste, hazardous substances, pollution, and resource use responsibly.
Human rights	Respect internationally recognised human rights and avoid causing or contributing to adverse impacts.
Child labour	Prohibit child labour and maintain age verification controls.
Forced labour	Prohibit forced labour, debt bondage, coercion, passport retention abuses, and worker-paid recruitment fees.
Workers' rights	Comply with wage, working hour, rest day, leave, contract, and benefit requirements.
OHS	Provide safe and healthy working conditions, training, PPE, and incident management.
Non-discrimination	Promote fair treatment and prohibit discrimination, harassment, and retaliation.
Freedom of association	Respect lawful worker representation and collective bargaining rights.
Ethical recruitment	Use responsible recruitment practices and monitor labour agents.
Business ethics	Prohibit bribery, corruption, conflicts of interest, fraud, and unethical business conduct.
Traceability and evidence	Provide accurate supplier, origin, batch, transaction, certification, and due diligence information when required.
Grievance and remedy	Maintain grievance channels and cooperate in investigation and remediation where needed.
Continuous improvement	Address findings through corrective action plans and supplier engagement.

## Contractual controls

Supplier contracts, purchase terms, or supplier agreements should include ESG clauses where relevant. These may include:

- a. compliance with Supplier Code of Conduct;
- b. requirement to provide accurate ESG and traceability information;
- c. right to request documents, conduct audits, or carry out site visits;
- d. prohibition of child labour and forced labour;
- e. requirement to comply with wage, working hour, OHS, and labour laws;
- f. no-deforestation and legality requirements for natural rubber;
- g. requirement to provide geolocation, origin, and production information where required;
- h. requirement to maintain licences, permits, and certifications;
- i. anti-bribery and anti-corruption clauses;
- j. confidentiality and data protection clauses;
- k. corrective action plan requirements;
- l. escalation and suspension provisions;
- m. responsible termination provisions; and
- n. requirement to cascade relevant ESG expectations to sub-suppliers where applicable.

The MRC guidance recognises fair and transparent contracts as part of supply chain traceability and due diligence, including clear supplier and buyer terms, agreed timeframes, and timely payments supported by receipts specifying price, quantity, quality, deductions, and amount paid.

Companies should ensure that contractual controls are not one-sided in a way that creates unintended ESG risks. Responsible purchasing practices are part of supply chain responsibility. Last-minute order changes, unrealistic lead times, unclear specifications, delayed payments, or unfair deductions may contribute to poor labour, quality, safety, or compliance outcomes in the supply chain.

## 6.9 Evidence, Records, and Verification Readiness

Due diligence is only credible if it is supported by records. Companies should maintain a clear evidence system that allows ESG information to be reviewed, verified, and updated. Evidence should be organised by supplier, material, site, topic, reporting year, and customer requirement where possible.

## Due diligence evidence register

A due diligence evidence register should include:

Evidence Area	Examples of Records
Supplier profile	Supplier name, registration, address, contact person, ownership, material supplied, supplier category.
Supplier legal status	Business registration, licences, permits, MRB-related documentation where applicable, trade and customs documents.
Supplier ESG commitment	Supplier Code of Conduct acknowledgement, ESG declaration, human rights commitment, no-deforestation declaration.
Traceability	Purchase orders, invoices, delivery orders, batch records, production records, warehouse records, transport records, sales records.
Origin evidence	Country, state, district, dealer, plantation, smallholder, collection centre, sourcing area, geolocation where required.
Certification	MSNR, FSC, PEFC, Preferred by Nature, ISO, social audit, customer-specific certification, or other relevant certificates.
Risk assessment	Supplier risk scoring, country risk, commodity risk, environmental risk, labour risk, governance risk, traceability risk.
Environmental evidence	Environmental permits, waste records, scheduled waste consignment notes, water and effluent records, chemical inventory, SDS.
Labour evidence	Employment controls, wage records, working hours, age verification, recruitment agent records, accommodation inspections.
OHS evidence	HIRARC, inspection records, incident reports, training records, PPE records, emergency response records.
Grievance evidence	Grievance log, investigation records, outcome records, remedy records, closure evidence.
Corrective action	Audit findings, non-conformance reports, corrective action plans, progress updates, closure records.
Customer submissions	ESG questionnaires, EUDR-related responses, due diligence packs, customer audit responses.
Management review	ESG Committee minutes, supplier risk review minutes, approval records, escalation records.

## Record controls

Companies should establish basic record controls.

Control	Requirement
Data owner	Assign a person or department responsible for each supplier data category.
Evidence location	Maintain a clear folder structure or document management system.
Version control	Record the latest approved version of declarations, policies, questionnaires, and reports.
Review frequency	Define when supplier information must be refreshed.
Completeness check	Check whether required documents are available and valid.

Control	Requirement
Validity check	Track expiry dates for licences, permits, and certifications.
Confidentiality	Protect worker, supplier, pricing, geolocation, and personal data.
Escalation	Escalate missing, inconsistent, or high-risk information to management.
Retention period	Define how long due diligence records must be retained based on legal, customer, and certification requirements.
Approval	Require management approval before external ESG or traceability claims are made.

## Verification readiness

Companies should prepare for internal review, customer review, certification audit, external assurance, or regulatory due diligence by ensuring that:

- a. supplier lists are complete and up to date;
- b. supplier risk ratings are documented;
- c. high-risk suppliers have mitigation plans;
- d. traceability records can be matched from purchase to production to sale;
- e. batch records are consistent with inventory and sales records;
- f. ESG claims are supported by evidence;
- g. certificates are valid and relevant to the product or supplier;
- h. EUDR-related information is supported by source documents where applicable;
- i. corrective action plans are tracked to closure;
- j. grievance records are maintained confidentially;
- k. management has reviewed significant supply chain risks; and
- l. external submissions are reviewed and approved before release.

A practical approach is to prepare a **Supplier Due Diligence File** for each high-priority supplier. This file should include the supplier profile, supplier risk assessment, signed Supplier Code of Conduct, traceability records, certifications, audit reports, corrective action plans, and customer-specific evidence.

## Minimum Implementation Outputs for Section 6

At the end of this section, each company should aim to have the following due diligence and supply chain responsibility documents or records:

Output	Purpose
Responsible sourcing or supplier ESG policy	Sets the company's expectations for suppliers and sourcing.
Supplier master list	Identifies all suppliers, materials, services, and business relationships in scope.

Output	Purpose
Supplier categorisation	Classifies suppliers by material type, spend, criticality, and ESG risk.
Supplier ESG questionnaire	Collects supplier information on environmental, social, governance, legal, and traceability matters.
Supplier risk assessment matrix	Scores suppliers based on ESG risk, traceability risk, business criticality, and customer exposure.
Supplier Code of Conduct	Communicates minimum ESG expectations to suppliers and contractors.
Supplier acknowledgement record	Confirms supplier acceptance of the Supplier Code of Conduct or ESG clauses.
Contractual ESG clauses	Embeds ESG, traceability, audit, corrective action, and data provision requirements into supplier agreements.
Traceability register	Records origin, supplier, batch, transaction, production, and shipment information.
Chain-of-custody procedure	Controls material identity, segregation, mass balance, and claims where applicable.
EUDR readiness file	Maintains product applicability, supplier mapping, geolocation, legality, deforestation-risk, and customer request records where relevant.
Human rights due diligence checklist	Screens labour, migrant worker, recruitment, child labour, forced labour, wage, working hour, and OHS risks.
Environmental supplier due diligence checklist	Screens deforestation, water, waste, emissions, hazardous substances, permits, and biodiversity risks.
Grievance mechanism procedure	Provides accessible channels for workers, suppliers, contractors, and communities to raise concerns.
Corrective action plan tracker	Tracks supplier findings, responsible persons, timelines, evidence, and closure status.
Evidence register	Organises due diligence documents for internal review, customer request, audit, certification, or assurance.
Annual supplier due diligence review	Confirms whether supplier risks, documentation, and improvement actions remain current.

Together, these outputs help rubber processors and manufacturers demonstrate responsible sourcing, strengthen supply chain transparency, respond to buyer and regulatory expectations, manage environmental and human rights risks, and improve ESG credibility across the value chain.

# **PART 3:**

## ESG Topic Guidance



## Part 3: ESG Topic Guidance

### 7. Overview of the 29 ESG Topics

The 29 ESG topics provide the core structure for applying these Guidelines. They translate broad sustainability, regulatory, buyer, certification, and reporting expectations into practical topics that rubber processors and manufacturers can assess, manage, report, and improve over time.

The current MRC guidance consolidates broad ESG requirements into **29 focused material topics** for the rubber sector. These topics are intended to support materiality assessment, help companies address key sustainability challenges and opportunities, and provide a common reference for ESG disclosure and implementation.

The 29 topics are not intended to create a rigid “one-size-fits-all” reporting requirement. Instead, they should be treated as a **topic library**. Each company should review the full list, identify which topics are applicable and material, collect relevant data, maintain supporting evidence, and explain any omissions or non-applicability. The existing guide also recognises that not all topics are applicable to every organisation, because ESG relevance may vary depending on the company’s position in the supply chain, business model, and operational context.

For Malaysian rubber processors and manufacturers, the 29 topics should be used to support:

- a. materiality assessment;
- b. ESG risk and opportunity assessment;
- c. stakeholder engagement;
- d. ESG data collection;
- e. ESG reporting and disclosure;
- f. ESG Checklist completion;
- g. supplier screening and due diligence;
- h. internal audit and self-assessment;
- i. corrective action planning;
- j. management review; and
- k. continuous improvement.

This section explains how the ESG topics are organised, how companies should select applicable topics, how indicators and verifiers should be interpreted, how omissions should be explained, and how the topics are linked to reporting, checklist use, and continuous improvement.

## 7.1 How the ESG Topics Are Organised

The 29 ESG topics are organised under the three ESG pillars: **Environmental**, **Social**, and **Governance**.

The Environmental pillar covers the company's impacts on natural resources, ecosystems, emissions, pollution, materials, energy, water, waste, and land-related risks. The Social pillar covers the company's responsibilities towards workers, human rights, communities, labour practices, safety, training, and equality. The Governance pillar covers the systems, policies, controls, ethical practices, due diligence processes, risk management, transparency, and accountability mechanisms that support responsible business conduct.

The 29 topics are organised as follows.

ESG Pillar	Topics	Main Purpose
<b>Environmental</b>	1. Deforestation 2. Sustainable Land Use and Natural Ecosystem Conservation 3. Biodiversity 4. Emissions 5. Material Use and Circularity 6. Hazardous Substances 7. Energy 8. Soil Health 9. Water 10. Waste	To help companies manage environmental impacts, resource use, pollution risks, nature-related risks, and environmental compliance.
<b>Social</b>	1. Human Rights and Social Impact 2. Diversity, Equity and Inclusion 3. Workers' Rights 4. Occupational Health and Safety 5. Child Labour 6. Forced or Compulsory Labour 7. Rights of Indigenous Peoples 8. Local Communities 9. Freedom of Association and Collective Bargaining 10. Training and Development 11. Pay and Equal Remuneration	To help companies protect workers, respect human rights, maintain safe workplaces, promote fair treatment, and manage community-related impacts.
<b>Governance</b>	1. Supply Chain Traceability and Due Diligence 2. Corporate Governance 3. Business Ethics 4. Transparency and Risk Management 5. Tax Practices 6. Anti-Corruption 7. Stakeholder Engagement 8. Regulatory Risk and Public Policy	To help companies strengthen accountability, compliance, ethical conduct, risk management, supply chain controls, and transparent decision-making.

Each topic should be read together with the related indicators, sub-indicators, and verifiers in the ESG Checklist and the topic-specific sections of these Guidelines. The current guide explains that the 29 topic tables detail ESG topics and related indicators, and that once material topics are prioritised, users should refer to the corresponding disclosure sub-indicators.

For consistency, each topic in the Guidelines should be structured using the following practical format:

Topic Component	Purpose
<b>Topic objective</b>	Explains what the topic is intended to achieve.
<b>Applicability guidance</b>	Helps users decide whether the topic applies to their operations, supply chain, products, or reporting boundary.
<b>Key risks and opportunities</b>	Identifies common ESG risks and business opportunities linked to the topic.
<b>Indicators</b>	Sets out the main performance, management, or disclosure areas to be assessed.
<b>Sub-indicators</b>	Breaks the indicator into more specific actions, practices, data points, or disclosure elements.
<b>Verifiers / evidence</b>	Identifies documents, records, data, or other evidence that may support the company's claim or disclosure.
<b>Data owner</b>	Suggests the department or person typically responsible for collecting and maintaining information.
<b>Reporting notes</b>	Provides guidance on how the topic may be disclosed in an ESG report or customer response.
<b>Improvement actions</b>	Suggests practical steps for strengthening ESG performance over time.

Some topics may overlap. For example, **business ethics, anti-corruption, transparency and risk management, stakeholder engagement, and regulatory risk** may be managed through the same internal governance systems. Companies may group related topics in reporting where they fall under the same risk and control structure, provided that the disclosure remains clear, complete, and supported by evidence. The current guide recognises that governance-related topics may overlap and that companies are not required to disclose every listed topic if only certain matters are identified as material through the materiality assessment process.

## 7.2 How to Select Applicable Topics

Companies should begin by reviewing all 29 ESG topics as a complete longlist. The purpose of this initial review is to ensure that no important topic is overlooked before materiality assessment, stakeholder engagement, risk assessment, or management validation.

A topic may be considered applicable if it is relevant to:

- the company's own operations;
- the company's supply chain;
- the company's products or services;
- the company's workforce;
- the company's customers or export markets;

- f. the company's legal or regulatory obligations;
- g. the company's certification or audit requirements;
- h. the company's financing or investor expectations;
- i. the company's stakeholder concerns; or
- j. the company's actual or potential impacts on people, the environment, or the economy.

Applicability should be assessed before deciding whether a topic is material. A topic may be applicable but not highly material, or applicable only for monitoring purposes. A topic may also be material even if the company does not yet have complete data. Lack of available information should not be used as the reason to exclude a topic without explanation.

A practical applicability screening process is shown below.

Screening Question	How to Apply
Does the topic occur in the company's own operations?	For example, energy, water, waste, hazardous substances, OHS, wages, training, and anti-corruption controls may apply directly to factory operations.
Does the topic arise in the supply chain?	For example, deforestation, traceability, child labour, forced labour, supplier labour practices, and supplier environmental compliance may arise through sourcing.
Is the topic required by law, licence, permit, customer contract, certification, or reporting framework?	For example, environmental permits, labour laws, buyer ESG questionnaires, EUDR-related requests, or customer codes of conduct may trigger applicability.
Is the topic relevant to natural rubber, synthetic rubber, chemicals, packaging, or other input materials?	For example, deforestation may be more relevant to natural rubber, while emissions, hazardous substances, material use, waste, and worker safety may apply broadly.
Has the topic been raised by stakeholders?	For example, workers may raise safety or welfare concerns, customers may raise traceability concerns, and financiers may raise emissions or governance concerns.
Could the topic result in severe harm if poorly managed?	For example, child labour, forced labour, major OHS incidents, environmental pollution, or corruption should be assessed even if the likelihood appears low.
Does the topic affect market access, reputation, cost, resilience, or business continuity?	For example, supplier traceability, energy use, emissions, and labour compliance may affect customer retention and export readiness.

After screening, each topic may be classified as follows.

Classification	Meaning	Recommended Treatment
<b>Applicable and material</b>	The topic is relevant and significant based on impact, risk, stakeholder concern, regulatory exposure, or business relevance.	Include in ESG reporting, assign indicators, collect data, maintain evidence, set actions or targets.
<b>Applicable but monitored</b>	The topic is relevant, but lower priority or already well-managed.	Maintain basic records, monitor periodically, and reassess during annual review.
<b>Applicable through supply chain only</b>	The topic does not arise directly in own operations but is relevant through suppliers, contractors, sourcing, or customers.	Include in supplier screening, due diligence, traceability, and risk management.
<b>Not currently applicable</b>	The topic does not apply to current operations, products, supply chain, or reporting boundary.	Document the reason and review if business activities change.
<b>Information unavailable / incomplete</b>	The topic may be relevant, but data or evidence is not yet available.	Explain the data gap, identify missing information, and set an improvement timeline.
<b>Covered under another topic</b>	The topic is managed together with another related topic.	Explain the grouping and ensure the combined disclosure is clear and complete.

## Application by company type

The relevance of each topic may differ across the rubber value chain.

Company Type	Topics Likely to Require Close Attention
<b>Natural rubber processors</b>	Deforestation, traceability, land use, biodiversity, water, waste, hazardous substances, emissions, energy, OHS, workers' rights, supplier due diligence, regulatory risk.
<b>Latex processors</b>	Water, effluent, waste, hazardous substances, emissions, energy, OHS, workers' rights, forced labour, supplier traceability, product quality, supplier due diligence.
<b>Rubber product manufacturers</b>	Energy, emissions, material use, circularity, hazardous substances, waste, OHS, workers' rights, migrant worker welfare, forced labour, training, pay, anti-corruption, customer ESG requirements.
<b>Companies using synthetic rubber</b>	Emissions, energy, hazardous substances, material use, circularity, waste, supplier due diligence, chemical safety, OHS, labour practices, supply chain transparency.
<b>Traders and exporters</b>	Supply chain traceability, supplier screening, ethical sourcing, due diligence, customer documentation, anti-corruption, regulatory risk, human rights and labour due diligence.
<b>SMEs at early ESG maturity</b>	Core compliance, worker safety, labour practices, waste, water, energy, supplier records, basic ESG policy, grievance channels, customer ESG data requests.

The current guide clarifies that the guideline and environmental checklist are designed to cover all raw materials used in production, including natural rubber, synthetic rubber, and other resource inputs. Some environmental topics, such as deforestation and biodiversity, may be specifically relevant to natural rubber, while synthetic rubber companies should still address broader environmental impacts that apply to their operations.

### 7.3 How to Interpret Indicators, Sub-Indicators, and Verifiers

The ESG topics should be applied through three practical levels: **indicators**, **sub-indicators**, and **verifiers**.

An **indicator** describes the main ESG issue, performance area, or management requirement that the company should assess. It answers the question: **What should the company manage, measure, or disclose?**

A **sub-indicator** provides more specific detail under the indicator. It may describe a particular practice, control, policy, data point, risk assessment, or disclosure item. It answers the question: **What specific elements should be checked or explained?**

A **verifier** is the evidence that supports the company's claim, data, or disclosure. It answers the question: **What document, record, data source, or observation can prove that the company has implemented or reported this item?**

The following interpretation should be used.

Term	Meaning	Example
<b>Topic</b>	The broad ESG area to be assessed.	Water, Waste, Occupational Health and Safety, Supply Chain Traceability.
<b>Indicator</b>	The main requirement or performance area under the topic.	Water withdrawal and consumption are monitored.
<b>Sub-indicator</b>	A more detailed element that supports the indicator.	Monthly water meter readings are recorded by site or process area.
<b>Verifier</b>	Evidence that supports implementation or disclosure.	Water bills, meter logs, water balance records, maintenance records, management review minutes.
<b>Data owner</b>	Person or department responsible for collecting and maintaining the information.	EHS, Facilities, Finance, Production, HR, Procurement, Compliance.
<b>Reporting output</b>	How the information may appear in an ESG report, checklist, customer response, or internal dashboard.	Annual water consumption, water intensity, water-saving initiatives, wastewater compliance summary.

### **Practical example: Deforestation**

For deforestation, the topic may be relevant where a company uses natural rubber or supplies customers requiring no-deforestation evidence. The topic may include indicators such as no-deforestation commitment, origin traceability, legality of production, sourcing area mapping, and supplier due diligence. Sub-indicators may include geolocation, sourcing area maps, date or time of production, and supply chain traceability records. Verifiers may include purchase and sales documents, production records, land title or origin information where applicable, maps, geolocation records, supplier declarations, and certification documents. The current guide provides a deforestation disclosure example that links EUDR-related expectations to evidence such as supply chain traceability documents, sourcing area maps, geolocation, and date or time of production.

### **Practical example: Occupational Health and Safety**

For occupational health and safety, the topic may include indicators such as hazard identification, risk assessment, training, PPE provision, emergency preparedness, incident reporting, and corrective action. Sub-indicators may include machine safety, chemical handling, forklift safety, noise exposure, fire drill completion, first aid readiness, and contractor safety. Verifiers may include HIRARC records, safety inspection reports, incident reports, training attendance records, PPE issuance records, emergency drill records, medical surveillance records, and OSH Committee minutes.

### **Practical example: Supply Chain Traceability and Due Diligence**

For supply chain traceability and due diligence, the topic may include supplier mapping, supplier screening, responsible sourcing requirements, supplier risk assessment, supplier code of conduct, audit or review process, corrective action plans, and traceability records. Sub-indicators may include supplier registration details, material origin, batch or lot traceability, supplier ESG declarations, supplier risk scoring, EUDR-related data requests, and supplier improvement follow-up. Verifiers may include supplier lists, purchase orders, delivery orders, invoices, supplier questionnaires, supplier code acknowledgements, certifications, audit reports, corrective action trackers, and traceability registers.

## Rules for interpreting verifiers

Verifiers should be interpreted flexibly but credibly. A company does not always need to have every example of evidence listed in the Checklist, but it should have sufficient evidence to support its ESG claim or disclosure.

Situation	Guidance
Evidence listed in the Checklist is available	Use the listed evidence as the main verifier.
Equivalent evidence is available	Use equivalent documents if they provide the same level of proof.
Evidence is partially available	Disclose the available information and explain the limitation.
Evidence is not yet available	Treat it as a data gap and include it in the improvement plan.
Evidence is confidential	Maintain internal evidence and disclose only appropriate summary information externally.
Evidence applies only to selected sites or suppliers	Explain the boundary and identify whether expansion is planned.

Companies should avoid making ESG claims that are not supported by evidence. Examples of claims that require evidence include “deforestation-free,” “ethical recruitment,” “zero forced labour,” “low-carbon,” “sustainable sourcing,” “fully traceable,” “safe workplace,” “fair wages,” and “compliant with all requirements.”

At a minimum, every material ESG topic should have:

- a. a responsible data owner;
- b. relevant indicators;
- c. evidence records;
- d. reporting boundary;
- e. reporting period;
- f. management review; and
- g. improvement actions where gaps are identified.

## 7.4 How to Explain Omissions or Non-Applicability

Not every ESG topic or disclosure item will apply to every rubber processor or manufacturer. The Guidelines recognise that companies differ in size, operations, materials, supply chain complexity, export markets, workforce composition, certification scope, and ESG maturity.

However, omissions must be explained clearly. A company should not simply state “not applicable” or leave a topic blank without a reason. The current guide states that, where



disclosures or requirements are omitted, the organisation must provide a clear rationale. It also identifies common reasons for omission, including not applicable, legal prohibitions, confidentiality constraints, and information unavailable or incomplete.

The following table provides recommended wording for omissions.

Reason for Omission	Required Explanation	Example Wording
<b>Not applicable</b>	Explain why the topic does not apply to the company's operations, products, supply chain, or reporting boundary.	"This topic is not applicable because the company does not own or manage plantation land, and does not directly conduct land clearing or cultivation activities. However, natural rubber sourcing risks are addressed under Supply Chain Traceability and Due Diligence."
<b>Legal prohibition</b>	Describe the legal restriction that prevents disclosure.	"Certain employee-related information cannot be disclosed in detail due to applicable privacy requirements. Aggregated data is provided where possible."
<b>Confidentiality constraint</b>	Explain the confidentiality reason without hiding material risks.	"Supplier-specific commercial information is confidential. The company reports aggregated supplier screening results and maintains supplier-level evidence internally."
<b>Information unavailable / incomplete</b>	Specify what information is missing, why it is missing, and the expected timeline to obtain it.	"Scope 3 transportation data is not yet complete because supplier-level transport records are not consistently available. The company will begin collecting logistics data from key suppliers in the next reporting cycle."
<b>Lower priority but monitored</b>	Explain that the topic was assessed, found to be lower priority, and will continue to be monitored.	"This topic was assessed during materiality review and classified as lower priority due to limited current exposure. It will be monitored annually."
<b>Covered under another topic</b>	Explain that the topic is addressed through a related material topic or combined disclosure.	"Business ethics and anti-corruption are reported together because both are managed under the company's Code of Conduct, whistleblowing procedure, and compliance controls."
<b>Boundary limitation</b>	Explain that the topic applies only to certain sites, products, suppliers, or operations.	"Water data covers the main manufacturing site only. The company plans to expand data collection to warehouse operations in the next reporting year."

Where a topic is excluded because it is not material, the company should document the assessment basis. This may include materiality scoring, stakeholder feedback, management validation, risk assessment, operational scope, or evidence showing that the topic is already well-managed.

The current guide also recognises that topic-specific disclosures only need to be reported if they are material to the organisation, while some general disclosures may apply regardless

of materiality. It further explains that some issues may be effectively managed and no longer pose significant risks or opportunities, in which case ongoing monitoring may be sufficient.

## Important cautions when explaining omissions

Companies should apply the following safeguards:

- a. Do not exclude a topic only because data is difficult to collect.
- b. Do not exclude severe human rights, labour, safety, environmental, or legal risks without proper assessment.
- c. Do not state “not applicable” if the topic may apply through suppliers or contractors.
- d. Do not combine topics in a way that hides material risks.
- e. Do not make broad claims without supporting evidence.
- f. Do not omit a topic that is required by a customer, regulation, certification, financing condition, or reporting framework without explaining the reason.
- g. Do not treat the omission explanation as permanent; review it annually.

Omissions should be approved by the ESG Committee, senior management, or responsible governance body before being used in external reporting.

## 7.5 Linkage to Reporting, Checklist, and Continuous Improvement

The 29 ESG topics are intended to connect ESG implementation, reporting, checklist completion, and continuous improvement into one practical system.

The current guide frames ESG application through a cycle of **Develop, Report, Track, and Repeat**. It also states that the guidance prioritises 29 key topics commonly referenced in ESG disclosures, groups broad requirements into focused topics with indicators and verifiers, and offers a reference for ESG data collection.

### Linkage to ESG reporting

Material ESG topics should form the core content of the company’s ESG report. For each material topic, the company should disclose:

- a. why the topic is material;
- b. the company’s policy or commitment;
- c. key risks and opportunities;

- d. governance and responsibility;
- e. actions taken during the reporting period;
- f. relevant indicators and data;
- g. evidence or verification basis;
- h. targets or improvement plans;
- i. progress against previous actions; and
- j. omissions, limitations, or data gaps.

A suggested reporting flow is shown below.

Reporting Element	Link to ESG Topic Guidance
Materiality assessment	Uses the 29 topics as the starting longlist.
ESG topic narrative	Explains the relevance, risks, and management approach for each material topic.
ESG data tables	Uses indicators and sub-indicators to collect quantitative and qualitative data.
Evidence pack	Uses verifiers to support data and claims.
GRI / SDG / framework mapping	Links selected topics to relevant standards, goals, or buyer requirements.
Omission explanation	Explains topics or indicators not reported in detail.
Targets and action plans	Converts material topics into measurable improvement actions.

## Linkage to the ESG Checklist

The ESG Checklist should be used as a practical tool to assess whether each applicable ESG topic has been addressed. The current guide states that the checklist can be used for annual ESG reporting, supplier ESG checklist and code of conduct, internal audits or self-assessment, gap identification, due diligence and risk assessment, integration into company policies or SOPs, and going beyond regulatory compliance.

Companies should use the Checklist to:

- a. identify applicable topics;
- b. confirm which indicators are relevant;
- c. collect data and evidence;
- d. check whether policies and procedures exist;
- e. review implementation status;
- f. identify missing records;
- g. assign responsible persons;
- h. prioritise corrective actions;
- i. track progress; and
- j. prepare for customer, certification, financing, or assurance requests.

A practical Checklist status classification may be used.

Checklist Status	Meaning	Required Follow-Up
<b>Implemented</b>	Requirement is addressed and supported by evidence.	Maintain records and monitor performance.
<b>Partially implemented</b>	Some controls or evidence exist, but gaps remain.	Prepare corrective action plan.
<b>Not implemented</b>	Requirement is relevant but not yet addressed.	Assign responsibility, timeline, and resources.
<b>Not applicable</b>	Requirement does not apply to the company's current context.	Document explanation and review annually.
<b>Information unavailable</b>	Requirement may apply, but data or evidence is not yet available.	Set data collection plan and timeline.
<b>Under review</b>	Requirement needs management decision, legal review, or technical clarification.	Escalate and close decision point.

## Linkage to continuous improvement

ESG topic guidance should not be used only once during report preparation. It should support ongoing improvement across operations, supply chains, data systems, and governance.

For each material topic, companies should move through the following improvement cycle.

Stage	Company Action
<b>Assess</b>	Determine whether the topic is applicable and material.
<b>Assign</b>	Identify the department or person responsible for the topic.
<b>Collect</b>	Gather relevant data, documents, and evidence.
<b>Evaluate</b>	Compare current performance against legal, customer, framework, or internal expectations.
<b>Improve</b>	Set actions, targets, corrective measures, or resource plans.
<b>Monitor</b>	Track KPIs, incidents, audit findings, stakeholder feedback, and supplier performance.
<b>Report</b>	Disclose progress clearly and accurately.
<b>Review</b>	Update materiality, indicators, evidence, and action plans annually.

The current guide recommends strengthening ESG data collection and performance measurement with more granular and verifiable KPIs, integrating ESG into strategic and operational decision-making, adopting digital reporting tools where appropriate, and conducting regular reviews of material ESG topics to ensure disclosures remain relevant.

## Linkage to management system documents

Each selected material topic should be linked to the company's ESG management documents.

Management Document	How the 29 Topics Should Be Linked
ESG policy	Confirms the company's commitments across applicable environmental, social, and governance topics.
Materiality matrix	Identifies which of the 29 topics are material, monitored, or not applicable.
ESG risk register	Records risks and opportunities linked to material topics.
ESG data ownership matrix	Assigns data owners for each topic and indicator.
Evidence register	Stores documents and records that support indicators and verifiers.
ESG Checklist	Tracks implementation status and gaps by topic.
Supplier due diligence file	Links supplier-related topics to supplier screening, traceability, and corrective actions.
ESG action plan	Converts material topics into objectives, targets, timelines, and responsible persons.
ESG report	Discloses material topics, performance, actions, and improvement plans.
Management review minutes	Confirms review, approval, and escalation of ESG topic performance.

## Linkage to future topic sections

The topic-specific guidance in Parts 4, 5, and 6 will expand each of the 29 ESG topics into practical implementation guidance:

Part	Coverage
Part 4: Environmental Guidelines	Environmental topics such as deforestation, land use, biodiversity, emissions, material use, hazardous substances, energy, soil, water, and waste.
Part 5: Social Guidelines	Social topics such as human rights, workers' rights, OHS, child labour, forced labour, Indigenous Peoples, local communities, training, pay, and freedom of association.
Part 6: Governance Guidelines	Governance topics such as traceability, due diligence, corporate governance, business ethics, risk management, tax, anti-corruption, stakeholder engagement, and regulatory risk.

Each topic-specific section should help users answer five practical questions:

- Does this topic apply to our company?
- What risks, impacts, or opportunities are linked to this topic?
- What indicators and sub-indicators should we assess?
- What evidence should we maintain?
- What actions should we take to improve performance?

## Minimum Implementation Outputs for Section 7

At the end of this section, each company should aim to have the following records or tools:

Output	Purpose
29-topic applicability screening	Identifies which topics are applicable, not applicable, supply-chain relevant, or under review.
Material topic classification	Classifies topics as material, monitored, not applicable, or information unavailable.
Topic-by-topic data owner list	Assigns departments or persons responsible for data collection and evidence.
Indicator and sub-indicator mapping	Confirms which indicators and sub-indicators apply to each material topic.
Evidence / verifier register	Records the documents, data sources, and files supporting each topic.
Omission explanation register	Documents reasons for omissions, non-applicability, confidentiality, or data gaps.
ESG Checklist status tracker	Tracks whether topic requirements are implemented, partially implemented, not implemented, or not applicable.
ESG action plan linkage	Converts gaps into actions, responsible persons, deadlines, and targets.
Reporting topic list	Confirms which topics will be disclosed in the ESG report or customer response.
Annual review record	Tracks updates to applicability, materiality, indicators, evidence, and improvement priorities.

Used correctly, the 29 ESG topics provide a practical bridge between ESG ambition and ESG implementation. They help Malaysian rubber processors and manufacturers focus on the topics that matter, collect the right evidence, report more consistently, respond to stakeholder expectations, and improve ESG performance over time.