

PART 4:

Environmental Guidelines

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8. Environmental Management Overview

Environmental management is a core component of ESG implementation for Malaysian rubber processors and manufacturers. It focuses on how a company identifies, manages, monitors, reduces, and reports its impacts on the natural environment, including impacts linked to raw materials, production processes, utilities, waste, emissions, chemicals, water, land, biodiversity, and supply chains.

The current MRC guidance organises the Environmental pillar into ten topics: **Deforestation, Sustainable Land Use and Natural Ecosystem Conservation, Biodiversity, Emissions, Material Use and Circularity, Hazardous Substances, Energy, Soil Health, Water, and Waste**. These topics form the environmental foundation of these Guidelines and should be used by companies to assess material environmental risks, collect data, maintain evidence, report performance, and plan improvements.

For rubber processors and manufacturers, environmental management should not be treated only as a compliance function or an annual reporting activity. It should be integrated into daily operations, including procurement, production, maintenance, utilities, warehouse management, waste handling, chemical storage, occupational safety and health, finance, supplier management, customer response, and management review.

The environmental component of ESG focuses on how a company interacts with the natural environment and how it manages environmental impact and risk. In the Malaysian rubber midstream and downstream context, key areas include greenhouse gas emissions, energy use, water management, waste management, pollution reduction, biodiversity and ecosystem impact, and compliance with environmental regulations.

Environmental management should apply to both:

Area	Practical Meaning
Own operations	Factory processes, utilities, boilers, generators, production lines, wastewater treatment, waste storage, chemical use, energy consumption, emissions, effluent, spills, maintenance, and site-level controls.
Relevant value chain activities	Natural rubber sourcing, synthetic rubber sourcing, chemical and additive suppliers, packaging suppliers, logistics, waste contractors, customer requirements, traceability, and supplier environmental performance.

The scope of environmental management should also reflect the materials used by the company. Companies using natural rubber may need to address deforestation, land use, ecosystem conservation, biodiversity, and traceability risks. Companies using synthetic rubber must still assess environmental impacts such as petrochemical-based raw material emissions, chemical use, high energy consumption, waste, end-of-life impacts, and worker

exposure to hazardous substances. The MRC guidance confirms that the environmental checklist applies to all raw materials used in production, including natural rubber, synthetic rubber, additives, and other inputs.

A practical environmental management system should include the following elements:

Element	Purpose
Environmental policy	Establishes the company's environmental commitments and management direction.
Legal compliance register	Tracks applicable environmental laws, licences, permits, approvals, monitoring requirements, and renewal dates.
Environmental risk assessment	Identifies significant environmental risks from operations, suppliers, materials, and locations.
Environmental monitoring plan	Defines what data is collected, how often, by whom, and with what evidence.
Pollution prevention controls	Prevents or reduces air, water, soil, noise, odour, waste, chemical, and ecosystem impacts.
Resource efficiency initiatives	Improves energy, water, material, chemical, and waste performance.
Environmental data and evidence register	Supports ESG reporting, customer responses, audits, verification, and continuous improvement.
Corrective action process	Tracks environmental gaps, incidents, findings, and improvement actions to closure.
Management review	Ensures senior management reviews environmental performance, risks, incidents, targets, and resources.

Environmental management should be proportionate. A large manufacturer may maintain a formal ISO 14001-aligned environmental management system, digital utility tracking, emissions inventories, environmental dashboards, and periodic internal audits. An SME may begin with a simpler system consisting of an environmental policy, legal register, monthly utility and waste records, chemical inventory, basic risk assessment, and annual management review. The key requirement is that environmental risks are understood, controls are implemented, data is reliable, and improvement actions are tracked

8.1 Environmental Policy and Legal Compliance

An environmental policy sets out the company's formal commitment to protect the environment, comply with applicable requirements, prevent pollution, use resources efficiently, and improve environmental performance over time. The policy should be approved by senior management, communicated internally, and shared with suppliers, contractors, customers, and other stakeholders where relevant.

The environmental policy may be a standalone document or part of the company's broader ESG Policy. For SMEs, a concise policy is acceptable, provided that it clearly states the company's commitments and is supported by practical procedures and records.

At minimum, the environmental policy should include commitments to:

- a. comply with applicable environmental laws, regulations, licences, permits, approval conditions, and customer requirements;
- b. prevent pollution and minimise negative impacts on air, water, soil, ecosystems, and surrounding communities;
- c. manage greenhouse gas emissions, energy use, and climate-related risks;
- d. use energy, water, raw materials, chemicals, and packaging efficiently;
- e. reduce waste generation and promote reuse, recycling, recovery, and responsible disposal;
- f. manage hazardous substances safely and prevent chemical spills, leaks, run-off, and contamination;
- g. protect water resources and ensure wastewater, effluent, and discharge requirements are managed responsibly;
- h. support responsible sourcing and traceability of natural rubber and other input materials;
- i. prevent or manage deforestation, land use, biodiversity, and ecosystem risks where relevant;
- j. maintain environmental monitoring, records, evidence, and data integrity;
- k. train relevant employees and contractors on environmental responsibilities; and
- l. continuously improve environmental performance.

The MRC topic guidance links environmental topics to legal compliance across water, waste, hazardous substances, biodiversity, land use, deforestation, and other environmental areas. For example, water-related guidance requires compliance with legal requirements for using and protecting surface water, groundwater, and underground water, while waste-related guidance requires compliance with legal requirements for waste management and safe storage, treatment, and disposal.

Environmental legal compliance register

Companies should maintain an **Environmental Legal Compliance Register**. This register should identify applicable laws, permits, licences, approval conditions, regulatory submissions, monitoring requirements, renewal dates, responsible persons, evidence, and compliance status.

A practical register may include the following fields:

Field	Description
Requirement	Law, regulation, permit, licence, approval condition, customer requirement, or certification requirement.
Applicability	Site, process, activity, material, waste type, supplier, product, or operation covered.
Responsible person	Department or person accountable for compliance.
Compliance action	Monitoring, inspection, submission, training, renewal, reporting, maintenance, or documentation required.
Frequency	Daily, weekly, monthly, quarterly, annually, upon incident, or before renewal.
Evidence	Permit, submission record, monitoring report, invoice, consignment note, inspection record, training record, or approval letter.
Status	Compliant, pending, non-compliant, under review, or not applicable.
Due date / renewal date	Date for submission, renewal, review, or corrective action.
Corrective action	Action required to address gaps, exceedances, missing documents, or non-compliance.

The register should cover relevant environmental areas such as:

- a. environmental permits, approvals, and licences;
- b. wastewater treatment and effluent discharge;
- c. air emissions, odour, fumes, dust, volatile organic compounds, and other air-related controls where relevant;
- d. scheduled waste and general waste management;
- e. chemical storage, hazardous substances, and prohibited or restricted substances;
- f. water abstraction, water use, and discharge requirements;
- g. fire, emergency, and spill response requirements where linked to environmental risk;
- h. land use, soil contamination, erosion, and drainage controls where applicable;
- i. biodiversity, protected sites, or sensitive areas where relevant;
- j. customer-specific environmental requirements; and
- k. certification or audit requirements, such as ISO 14001, MSNR, FSC, PEFC, Preferred by Nature, or customer environmental standards where applicable.

Compliance responsibilities

Environmental compliance should be assigned to clear owners. The EHS, HSE, OSH, environmental, facilities, maintenance, production, procurement, warehouse, and finance teams may all have responsibilities.

Function	Typical Environmental Compliance Role
Senior Management	Approves policy, resources, targets, corrective actions, and major environmental decisions.
EHS / Environmental Officer	Maintains legal register, monitoring plan, permits, environmental records, incident reports, and compliance tracking.
Production	Implements process controls, resource efficiency measures, waste segregation, chemical handling, and pollution prevention.
Maintenance / Facilities	Maintains equipment, meters, boilers, generators, wastewater systems, drainage, utilities, and emergency equipment.
Procurement	Screens suppliers, checks environmental requirements, obtains SDS, certifications, and traceability documents.
Warehouse / Stores	Maintains chemical inventory, storage controls, labelling, spill kits, waste storage, and material movement records.
Finance	Provides utility bills, fuel records, vendor invoices, waste contractor invoices, and cost-related data.
HR / Training	Maintains environmental training records and contractor induction records.
ESG Team	Consolidates environmental data, evidence, KPIs, disclosures, and improvement actions.

Evidence of environmental legal compliance

Companies should maintain evidence that environmental commitments and legal requirements are being implemented. Evidence may include:

Area	Examples of Evidence
Policy and governance	Environmental policy, ESG policy, management approval, environmental committee minutes, management review records.
Legal compliance	Legal register, permit files, licence records, renewal reminders, regulatory submissions, inspection records.
Monitoring	Water, effluent, emissions, energy, fuel, waste, chemical, noise, odour, or other monitoring reports.
Waste	Scheduled waste records, consignment notes, waste vendor licences, waste transfer records, recycling records, disposal invoices.
Chemicals	Chemical inventory, SDS, storage inspection records, spill response records, training records, prohibited chemical screening.
Water and effluent	Water bills, meter readings, wastewater treatment records, effluent test reports, maintenance records.
Energy and emissions	Electricity bills, fuel records, generator logs, energy meter readings, GHG calculation workbooks, emission factor sources.

Area	Examples of Evidence
Incidents and corrective actions	Spill reports, non-compliance reports, investigation records, corrective action plans, closure evidence.
Supplier and sourcing	Supplier declarations, certifications, traceability documents, sourcing maps, geolocation records where relevant.

The environmental policy and legal register should be reviewed at least annually and whenever there are major changes in operations, materials, processes, sites, laws, customer requirements, certification requirements, or export market expectations.

8.2 Environmental Risk Assessment

Environmental risk assessment is the process of identifying environmental hazards, assessing actual and potential impacts, determining the likelihood and severity of those impacts, and defining controls to prevent or reduce harm.

For rubber processors and manufacturers, environmental risks may arise from direct operations, purchased materials, suppliers, contractors, waste vendors, logistics, customer requirements, and export markets. The MRC guidance identifies key environmental issues in the Malaysian rubber industry, including deforestation risk, water and energy use, chemical management, waste disposal, and carbon footprint.

Environmental risk assessment should be proportionate to the company's operations. A company with complex manufacturing, high water use, significant waste generation, chemical-intensive processes, or export-linked natural rubber sourcing should conduct a more detailed assessment. An SME may begin with a simplified risk register and strengthen the process over time.

A practical environmental risk assessment should cover:

- a. production processes;
- b. utilities and energy systems;
- c. boilers, generators, compressors, chillers, pumps, and other major equipment;
- d. water use, wastewater treatment, effluent, drains, and discharge points;
- e. chemical storage, handling, transfer, mixing, and disposal;
- f. hazardous substances, restricted substances, and prohibited substances;
- g. scheduled waste, general waste, scrap rubber, packaging, sludge, and rejected products;
- h. air emissions, odour, dust, fumes, VOCs, smoke, noise, and vibration where relevant;
- i. soil contamination, erosion, drainage, and stormwater risks;
- j. biodiversity, land use, ecosystem, and deforestation risks where relevant;
- k. natural rubber sourcing, traceability, and no-deforestation expectations;

- l. synthetic rubber, petrochemical-based materials, and related emissions or chemical risks;
- m. supplier and contractor environmental performance;
- n. environmental complaints, grievances, and stakeholder concerns;
- o. physical climate risks such as floods, heat stress, water stress, and supply disruption; and
- p. regulatory, customer, certification, or financing-related environmental requirements.

Environmental risk assessment process

Companies may use the following step-by-step process.

Step	Practical Action
1. Define scope	Decide whether the assessment covers one site, all sites, specific processes, suppliers, materials, or the full value chain.
2. Identify environmental aspects	Identify activities, products, services, materials, equipment, and locations that interact with the environment.
3. Identify potential impacts	Determine possible impacts on air, water, land, soil, ecosystems, communities, climate, and resources.
4. Review legal and stakeholder requirements	Consider permits, laws, customer expectations, certification requirements, complaints, and audit findings.
5. Assess likelihood and severity	Score each risk based on probability, impact, legal exposure, stakeholder concern, and business relevance.
6. Identify existing controls	Document current SOPs, equipment, monitoring, training, containment, maintenance, permits, and inspections.
7. Determine residual risk	Assess whether remaining risk is acceptable or requires further action.
8. Assign responsibility	Assign each risk to a department or person.
9. Define corrective or improvement actions	Set actions, timelines, budgets, and evidence requirements.
10. Review and update	Review annually, after incidents, after process changes, or when requirements change.

Example environmental risk areas

Risk Area	Possible Impact	Existing or Recommended Controls	Evidence
High electricity or fuel use	Higher emissions, higher operating cost, customer carbon data requests.	Energy monitoring, preventive maintenance, energy audits, efficiency upgrades, renewable energy assessment.	Electricity bills, fuel records, energy intensity tracker, audit reports, GHG workbook.
Wastewater or effluent discharge	Regulatory non-compliance, water pollution, community complaints.	Wastewater treatment, sampling, discharge monitoring, maintenance, operator training, emergency response.	Effluent test reports, treatment logs, maintenance records, permit records.
Chemical storage and use	Spills, worker exposure, soil or water contamination, fire or emergency risk.	Chemical inventory, SDS, secondary containment, labelling, spill kits, training, restricted chemical screening.	SDS files, inspection records, spill reports, training records.
Scheduled waste handling	Illegal disposal, contamination, health and safety risk, regulatory action.	Waste classification, labelled storage, licensed contractors, consignment notes, storage inspections.	Scheduled waste inventory, consignment notes, vendor licences, disposal records.
Natural rubber sourcing	Deforestation, land legality risk, biodiversity loss, EUDR-related customer risk.	Supplier mapping, sourcing records, declarations, geolocation where required, risk assessment, certification.	Supplier records, purchase documents, sourcing maps, geolocation files, certifications.
Synthetic rubber and additives	Upstream petrochemical emissions, hazardous substances, non-biodegradable waste.	Material footprint assessment, supplier data, chemical review, recycling and waste reduction initiatives.	Material records, supplier data, SDS, waste records, recycling records.
Air emissions, odour, VOCs, fumes, dust, or noise	Pollution, worker exposure, community complaints, regulatory exposure.	Local exhaust ventilation, air pollution control systems, odour control, noise controls, monitoring, maintenance.	Monitoring reports, maintenance logs, complaint records, inspection records.
Flooding or stormwater overflow	Facility disruption, uncontrolled discharge, chemical or waste release.	Drain maintenance, bunding, flood planning, emergency response, stormwater controls.	Drain inspection records, emergency plan, incident drills, maintenance records.

Environmental risk assessment should be connected to the company's ESG risk register, legal compliance register, materiality assessment, internal audit programme, and ESG action plan. High-priority environmental risks should be reported to senior management or the ESG Committee.

Link to the ten environmental topics

Each environmental risk should be mapped to the relevant ESG topic.

Environmental Topic	Example Risk Assessment Focus
Deforestation	Natural rubber origin, sourcing area, supplier traceability, deforestation-free evidence.
Sustainable Land Use and Natural Ecosystem Conservation	Land legality, ecosystem protection, land-related disputes, FPIC where relevant.
Biodiversity	Protected species, sensitive ecosystems, biodiversity values, protected areas.
Emissions	Scope 1, Scope 2, relevant Scope 3 emissions, emission reduction actions.
Material Use and Circularity	Raw material use, packaging, recycled content, reclaimed products, circularity.
Hazardous Substances	Chemical use, storage, prohibited substances, spills, run-off, worker and environmental exposure.
Energy	Energy consumption, energy intensity, renewable energy, energy efficiency.
Soil Health	Soil contamination, erosion, vulnerable soils, drainage, waste and chemical impacts.
Water	Water withdrawal, water stress, water quality, wastewater, effluent, water efficiency.
Waste	Waste generation, scheduled waste, disposal, storage, treatment, recycling, incineration.

The MRC guidance links deforestation to ecosystem conservation, legal compliance, traceability documentation, sourcing area mapping, geolocation, production time records, and the percentage of raw material sourced from environmentally friendly areas. It also links hazardous substances to legal compliance, safe storage and use, chemical monitoring, minimisation, and spill prevention.

8.3 Environmental Monitoring and Data Collection

Environmental monitoring and data collection are necessary to demonstrate performance, support legal compliance, respond to customer requirements, prepare ESG disclosures, and identify improvement opportunities. Environmental data should be collected consistently, reviewed for accuracy, supported by evidence, and approved before external reporting.

The MRC guidance encourages companies to strengthen ESG data collection and performance measurement with more granular and verifiable KPIs, especially in critical areas such as climate risk management and biodiversity conservation. It also encourages

integration of ESG considerations into strategic and operational decision-making and the adoption of digital reporting tools where appropriate.

Environmental data collection should cover both quantitative and qualitative information.

Data Type	Examples
Quantitative data	Electricity consumption, fuel consumption, water withdrawal, water discharge, waste generated, recycled materials, emissions, energy intensity, water intensity, waste intensity, chemical quantities, number of spills, number of exceedances.
Qualitative data	Policies, procedures, risk assessments, descriptions of initiatives, corrective actions, supplier engagement, compliance status, data limitations, assumptions, and improvement plans.

Environmental data boundary

Before collecting data, companies should define the reporting boundary. The boundary should state whether the data covers:

- a. all sites or selected sites;
- b. manufacturing plants, warehouses, offices, laboratories, and distribution facilities;
- c. own operations only or selected suppliers;
- d. natural rubber sourcing, synthetic rubber sourcing, chemicals, additives, and packaging;
- e. leased assets, contractors, or outsourced activities;
- f. Scope 1, Scope 2, and relevant Scope 3 emissions;
- g. specific products, production lines, or business units; and
- h. the full reporting period or a partial period.

Where data is incomplete, the company should explain the limitation and identify steps to improve data collection.

Core environmental data areas

Companies should collect and monitor the following environmental data where applicable.

Environmental Area	Key Data to Collect	Common Evidence
Energy	Electricity consumption, fuel consumption, renewable energy use, energy intensity, energy reduction initiatives.	Electricity bills, fuel invoices, meter readings, generator logs, solar generation data, energy audit reports.
Emissions	Scope 1 emissions, Scope 2 emissions, relevant Scope 3 emissions, emission factors, calculation methods, reduction actions.	GHG calculation workbook, fuel records, electricity data, emission factor sources, verification records.
Water	Water withdrawal, water source, water consumption, water discharge, water stress assessment, wastewater treatment, effluent quality.	Water bills, meter records, water balance, wastewater treatment logs, effluent test reports, water stress assessment records.
Waste	Waste type, quantity, classification, storage, recycling, recovery, disposal method, scheduled waste, vendor details.	Waste inventory, consignment notes, vendor reports, disposal invoices, recycling records, waste storage inspection records.
Materials	Total raw materials used, packaging used, renewable and non-renewable materials, recycled input materials, reclaimed products and packaging.	Purchase records, production records, inventory records, supplier data, material balance, packaging records.
Chemicals and hazardous substances	Chemical inventory, SDS, quantity used, prohibited substances, storage inspection, spills, emergency response.	SDS, chemical register, storage inspection records, spill reports, training records, purchase records.
Deforestation and sourcing	Natural rubber origin, supplier identity, traceability documents, sourcing maps, geolocation where required, production date or period.	Supplier declarations, purchase records, delivery orders, batch records, sourcing maps, geolocation files, certification documents.
Biodiversity and land-related risks	Site proximity to sensitive areas, protected species, ecosystem values, land use issues, conservation actions.	Site maps, risk assessments, permits, environmental assessments, supplier declarations, biodiversity records.
Soil and contamination	Soil contamination risks, erosion controls, drainage issues, spill areas, storage areas, vulnerable soils where relevant.	Inspection records, spill records, maintenance records, site maps, soil test reports where required.
Environmental incidents and complaints	Spills, exceedances, complaints, enforcement notices, corrective actions, root cause analysis.	Incident reports, complaint register, investigation records, corrective action tracker, closure evidence.

The MRC guidance identifies emissions indicators such as gross GHG emissions in metric tonnes of CO₂e, Scope 2 emissions, Scope 3 emissions where applicable, emission reduction efforts, and compliance with emissions-related regulations. It also identifies

energy indicators such as total energy consumption from renewable and non-renewable sources, energy intensity, energy reduction, and documentation of methodologies and conversion factors.

Data ownership and frequency

Each environmental data point should have a named data owner, reviewer, evidence source, and collection frequency.

Data Area	Typical Data Owner	Suggested Frequency	Reviewer
Electricity	Finance, Facilities, Maintenance, EHS	Monthly	ESG Team / Management
Fuel	Maintenance, Logistics, Production, Finance	Monthly	EHS / ESG Team
GHG emissions	ESG Team, EHS, Sustainability Officer	Annually, with quarterly updates where possible	Management / Technical Reviewer
Water	EHS, Facilities, Production, Finance	Monthly	ESG Team / EHS Manager
Effluent and wastewater	EHS, Environmental Officer, Wastewater Treatment Operator	According to permit or monitoring plan	EHS Manager / Management
Waste	EHS, Warehouse, Production, Procurement	Monthly	ESG Team / EHS Manager
Scheduled waste	EHS, Warehouse, Compliance	According to legal and operational requirements	Management / Compliance
Chemicals	EHS, Stores, Production, QA/QC	Monthly or upon purchase/use	EHS Manager
Materials	Procurement, Production, Warehouse, Finance	Monthly or quarterly	ESG Team / Finance
Supplier environmental data	Procurement / Supply Chain	Annually or upon onboarding	ESG Team / Management
Environmental incidents	EHS / Site Responsible Person	Upon occurrence	Management / ESG Committee

Data quality principles

Environmental data should follow basic data quality principles.

Principle	Application
Completeness	Data covers the agreed boundary, period, sites, and material activities.

Principle	Application
Accuracy	Data is based on reliable source documents, reasonable methods, and correct units.
Consistency	Methods, units, and boundaries are applied consistently year to year.
Traceability	Each data point can be traced to a source document or system.
Timeliness	Data is collected, reviewed, and reported within the required timeline.
Transparency	Assumptions, estimates, exclusions, and data gaps are documented.
Verifiability	Evidence is retained so internal reviewers, customers, auditors, or assurance providers can check the data.

Where estimates are used, the company should record:

- a. why actual data was unavailable;
- b. what estimation method was used;
- c. what assumptions were applied;
- d. who reviewed the estimate;
- e. whether the estimate is material; and
- f. how actual data will be obtained in future.

Environmental evidence register

Companies should maintain an **Environmental Evidence Register** to support ESG reporting and verification readiness.

Evidence Category	Examples
Utility evidence	Electricity bills, fuel invoices, solar generation data, water bills, meter logs.
Process evidence	Production records, batch records, machine logs, operating hours, maintenance records.
Waste evidence	Waste inventory, waste contractor reports, consignment notes, recycling certificates, disposal invoices.
Chemical evidence	SDS, chemical register, prohibited substance review, storage inspection records, spill response records.
Compliance evidence	Permits, licences, regulatory submissions, environmental monitoring reports, inspection records.
Supplier evidence	Supplier declarations, certifications, traceability documents, sourcing maps, geolocation records.
Incident evidence	Incident reports, root cause analysis, corrective action plans, closure evidence.
Management evidence	Management review minutes, ESG Committee records, approval records, environmental action plans.

Environmental data should be reviewed before inclusion in ESG reports, customer questionnaires, supplier responses, financing applications, certification submissions, or public disclosures.

8.4 Pollution Prevention and Resource Efficiency

Pollution prevention and resource efficiency help companies reduce environmental harm while improving operational performance. For rubber processors and manufacturers, these practices can reduce emissions, energy costs, water consumption, chemical risk, waste disposal costs, regulatory exposure, and customer audit findings.

Pollution prevention should follow a hierarchy:

Hierarchy Level	Practical Meaning
Avoid	Prevent pollution, waste, or resource loss before it occurs.
Reduce	Reduce energy, water, material, chemical, or waste intensity at source.
Reuse	Reuse water, materials, packaging, or process inputs where safe and practical.
Recycle	Recycle scrap, packaging, rubber waste, and other recoverable materials.
Recover	Recover value, energy, or materials where reuse or recycling is not feasible.
Treat	Treat wastewater, emissions, or waste before discharge or disposal.
Dispose responsibly	Dispose only through approved, safe, and legal channels.

The MRC guidance identifies waste management and pollution reduction as important environmental areas for rubber processing. It notes that rubber processing generates waste, that recycling and reuse technologies such as rubber crumb production and devulcanisation can increase waste rubber recycling, and that pollution reduction may include reducing harmful chemicals, controlling noise pollution, and monitoring environmental pollutants.

Practical pollution prevention and resource efficiency measures

Area	Practical Controls	Possible KPIs / Evidence
Energy and emissions	Energy audits, efficient motors, compressed air leak checks, boiler optimisation, insulation, preventive maintenance, renewable energy assessment, production scheduling.	kWh, fuel use, energy intensity, Scope 1 and Scope 2 emissions, energy savings, maintenance logs.
Water and wastewater	Water metering, leak detection, water reuse, process water optimisation, wastewater treatment, effluent monitoring, rainwater or recycled water feasibility assessment.	Water withdrawal, water intensity, effluent compliance, water recycling rate, treatment logs.
Materials and circularity	Material yield tracking, scrap reduction, recycled input materials, packaging optimisation, reclaimed products, reuse of offcuts where safe and technically feasible.	Material use, scrap rate, recycled content, reclaimed product rate, waste diversion rate.
Waste	Waste segregation, scheduled waste controls, recycling, licensed contractors, storage inspections, reduction of rejected products, vendor due diligence.	Waste by type, recycling rate, scheduled waste records, consignment notes, disposal cost.
Hazardous substances	Chemical substitution, safe storage, secondary containment, SDS control, spill kits, chemical use monitoring, restricted chemical screening, worker training.	Chemical inventory, quantity used, number of spills, inspection records, training records.
Air, odour, VOCs, dust, fumes, and noise	Ventilation, local exhaust, filters, scrubbers where applicable, odour control, noise barriers, maintenance, monitoring, complaint response.	Monitoring results, maintenance records, complaints, corrective actions.
Soil and drainage	Bunding, proper storage, paved or protected areas, drain maintenance, spill prevention, stormwater controls, erosion controls.	Inspection records, spill reports, drain cleaning records, soil or water test results where required.
Biodiversity and ecosystems	Avoidance of sensitive areas, supplier sourcing checks, protection of natural habitats, biodiversity risk screening where relevant.	Site maps, supplier declarations, sourcing maps, certifications, biodiversity records.

The current guidance provides examples of environmental strategies, including conducting energy audits, improving efficiency in processing, investing in solar panels and water recycling systems, and pursuing longer-term emissions reduction pathways.

Resource efficiency in rubber operations

Rubber processing and manufacturing facilities should consider resource efficiency across the production cycle.

Production Stage	Resource Efficiency Opportunities
Raw material receiving	Improve material inspection, reduce contamination, prevent moisture or quality losses, maintain traceability records.
Mixing, compounding, or formulation	Improve batching accuracy, reduce off-spec materials, optimise chemical use, track material yield.
Processing and forming	Improve machine settings, reduce rejects, minimise trimming losses, optimise process temperature and cycle time.
Washing, leaching, or cleaning	Optimise water use, reuse suitable process water, prevent chemical overuse, maintain wastewater systems.
Drying, heating, curing, or vulcanisation	Improve energy efficiency, insulation, heat recovery, preventive maintenance, and process scheduling.
Packaging	Reduce excess packaging, use recyclable or recycled materials where feasible, improve packaging recovery.
Storage and logistics	Prevent material degradation, optimise inventory, reduce transport inefficiency, avoid rework due to poor storage.
Waste handling	Segregate waste at source, increase recycling, prevent contamination of recyclable materials, manage scheduled waste legally.

Pollution prevention through maintenance and operational control

Preventive maintenance is one of the most practical ways to reduce pollution and improve resource efficiency. Companies should maintain equipment, meters, pumps, boilers, compressors, ventilation systems, wastewater treatment plants, storage tanks, drainage systems, and emergency equipment.

Maintenance records should show:

- a. inspection date;
- b. equipment or area inspected;
- c. condition observed;
- d. corrective action required;
- e. responsible person;
- f. completion status; and
- g. evidence of closure.

Operational controls should also be included in SOPs. For example, SOPs should address chemical transfer, waste segregation, scheduled waste storage, wastewater treatment operation, spill response, emergency shutdown, water meter reading, fuel storage, generator use, and environmental incident reporting.

Pollution prevention through procurement and supplier engagement

Environmental performance can be influenced by procurement decisions. Companies should engage suppliers to reduce environmental impacts linked to materials, chemicals, packaging, logistics, and waste treatment.

Procurement teams should consider:

- a. whether suppliers can provide accurate material, chemical, and environmental information;
- b. whether suppliers provide SDS and restricted substance information;
- c. whether packaging can be reduced, reused, recycled, or improved;
- d. whether recycled or lower-impact input materials are feasible;
- e. whether natural rubber suppliers can provide traceability and no-deforestation evidence;
- f. whether waste contractors are licensed and able to provide proper disposal or treatment evidence;
- g. whether logistics providers can provide transport data where Scope 3 emissions are material; and
- h. whether supplier performance should be included in supplier scorecards or corrective action plans.

Setting environmental targets

Companies should set targets for material environmental topics. Targets should be realistic, measurable, and linked to action plans.

Examples include:

Topic	Example Target
Energy	Reduce energy intensity per tonne of product by a defined percentage over a defined period.
Emissions	Calculate Scope 1 and Scope 2 emissions annually and implement reduction initiatives.
Water	Reduce water intensity or increase water recycling in selected processes.
Waste	Increase recycling rate or reduce landfill-directed waste.
Hazardous substances	Reduce use of selected hazardous chemicals or improve spill prevention performance.
Materials	Increase recycled input material or reduce packaging waste.
Supplier traceability	Obtain origin or traceability documentation from key natural rubber suppliers.
Compliance	Close environmental audit findings within defined timelines.

Targets should be reviewed annually and updated based on performance, regulatory changes, customer expectations, technology availability, cost, and operational feasibility.

Minimum Implementation Outputs for Section 8

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

Output	Purpose
Environmental policy or ESG policy section	States the company's environmental commitments and management direction.
Environmental legal compliance register	Tracks applicable environmental laws, permits, licences, approvals, monitoring requirements, and renewals.
Environmental roles and responsibilities matrix	Identifies who owns environmental compliance, data, monitoring, evidence, and corrective actions.
Environmental risk assessment	Identifies material environmental risks across operations, materials, suppliers, and sites.
Environmental risk register	Records risk rating, controls, responsible persons, corrective actions, timelines, and status.
Environmental monitoring plan	Defines what environmental data is collected, frequency, method, data owner, evidence, and reviewer.
Environmental data tracker	Tracks energy, emissions, water, waste, materials, chemicals, incidents, and other relevant KPIs.
Environmental evidence register	Organises supporting documents for ESG reporting, customer requests, audits, and verification.
Chemical inventory and SDS file	Supports hazardous substance management and spill prevention.
Waste register and disposal records	Tracks waste generation, storage, recycling, treatment, disposal, vendors, and consignment notes.
Water and effluent records	Tracks water withdrawal, consumption, discharge, treatment, and compliance status.
Energy and emissions records	Supports energy efficiency tracking, GHG calculations, and emissions reporting.
Supplier environmental evidence file	Supports traceability, responsible sourcing, deforestation risk management, and supplier due diligence.
Environmental incident and complaint log	Records spills, exceedances, complaints, investigations, corrective actions, and closure evidence.
Pollution prevention and resource efficiency action plan	Converts environmental risks and opportunities into practical improvement actions.
Annual environmental management review record	Shows management review of environmental performance, risks, compliance, targets, and improvement priorities.

Together, these outputs provide the foundation for the topic-specific environmental guidance in Sections 9 to 18. They help companies move from basic compliance towards structured environmental management, reliable ESG reporting, improved resource efficiency, stronger customer confidence, and continuous environmental performance improvement.

9. Environmental Topic 1: Deforestation

Deforestation is a material environmental topic for rubber processors and manufacturers that source, process, trade, or use **natural rubber**. Although midstream and downstream companies may not directly own or manage rubber plantations, they may still be exposed to deforestation-related risks through raw material sourcing, supplier relationships, customer requirements, certification expectations, and export market regulations.

For the rubber sector, deforestation management focuses on ensuring that natural rubber and rubber-derived materials are not linked to the conversion or degradation of forests, natural ecosystems, protected areas, or other environmentally sensitive areas. It also requires companies to maintain adequate traceability, sourcing records, supplier documentation, and evidence that materials are legally and responsibly produced.

The current MRC guide frames **Deforestation** under two main areas: **Environmental Protection Conditions** and **Supply Chain Transparency Requirements**. The sub-indicators include ecosystem conservation, legal compliance, traceability documentation, sourcing area mapping, geolocation, production time records, and the percentage of raw material sourced from environmentally friendly areas.

This topic is especially relevant where a company:

- a. sources natural rubber, latex, cup lumps, rubber sheets, block rubber, or rubber compounds;
- b. purchases from dealers, collection centres, smallholders, plantations, traders, or processors;
- c. exports rubber materials or rubber products to markets with deforestation-related requirements;
- d. supplies customers that require no-deforestation, EUDR, MSNR, GPSNR, FSC, PEFC, Preferred by Nature, or similar evidence;
- e. makes sustainability, responsible sourcing, traceability, or deforestation-free claims;
- f. uses certified or controlled natural rubber supply chains; or
- g. has upstream suppliers located in areas with land use, legality, forest conversion, ecosystem, or biodiversity risks.

Companies using only synthetic rubber may classify deforestation as **not directly applicable** to their own raw material sourcing, but they should still assess whether any natural rubber, rubberwood, packaging, biomass, or other forest-linked materials are used in their operations or supply chain. Where the topic is not applicable, the company should document the reason and review the classification annually.

9.1 No-Deforestation Commitment

A no-deforestation commitment sets out the company's position that natural rubber and relevant rubber-derived materials should not be sourced from areas converted from forests or other protected natural ecosystems after the applicable cut-off date, or from sources that violate applicable land use, environmental, labour, human rights, or legality requirements.

The commitment may be included in the company's ESG Policy, Environmental Policy, Responsible Sourcing Policy, Supplier Code of Conduct, or procurement procedures. For SMEs, the commitment may be concise, but it should still be approved by management, communicated to relevant personnel and suppliers, and supported by practical implementation steps.

A practical no-deforestation commitment should include:

- a. commitment to avoid sourcing natural rubber linked to deforestation, forest degradation, illegal land conversion, or conversion of natural ecosystems;
- b. commitment to comply with applicable land use, environmental protection, forest, trade, customs, labour, human rights, tax, and anti-corruption requirements;
- c. commitment to improve traceability of natural rubber supply chains;
- d. expectation that suppliers provide accurate origin, legality, sourcing, and transaction information;
- e. expectation that suppliers do not knowingly source from illegally converted land, protected areas, or areas associated with unresolved land conflicts;
- f. commitment to assess and mitigate deforestation risk through supplier screening and due diligence;
- g. commitment to maintain evidence to support customer, certification, regulatory, or ESG reporting requirements;
- h. commitment to review high-risk suppliers and sourcing areas; and
- i. commitment to continuous improvement where full traceability is not yet available.

A sample commitment statement is provided below.

Sample No-Deforestation Commitment

[Company Name] is committed to sourcing natural rubber and relevant rubber-derived materials responsibly. We will take reasonable steps to ensure that materials used in our operations are not knowingly linked to deforestation, forest degradation, illegal land conversion, or conversion of natural ecosystems. We will strengthen supplier due diligence, traceability documentation, sourcing area information, and evidence management to support responsible sourcing, customer requirements, and applicable sustainability expectations.

We expect our suppliers to comply with applicable laws, provide accurate sourcing and transaction information, cooperate with due diligence requests, and address identified risks through corrective action where required.

The commitment should be supported by procurement controls. It is not sufficient to state “no deforestation” without supplier screening, sourcing information, traceability records, or risk assessment. Companies should avoid using broad public claims such as “fully deforestation-free” unless the claim can be supported by reliable evidence for the relevant products, suppliers, sourcing areas, and reporting period.

Minimum implementation expectations

Area	Practical Requirement
Policy commitment	Include no-deforestation and responsible sourcing commitments in ESG, environmental, or procurement policy.
Supplier communication	Communicate expectations through Supplier Code of Conduct, supplier declarations, contracts, purchase terms, or onboarding forms.
Supplier screening	Assess natural rubber suppliers for origin, legality, traceability, and deforestation risk.
Risk-based due diligence	Prioritise suppliers, materials, and sourcing areas with higher land use, legality, or documentation risks.
Corrective action	Require clarification, additional evidence, improvement plans, or sourcing decisions where risks are identified.
Evidence management	Maintain documentation to support ESG reporting, customer requests, certification, or EUDR-oriented due diligence.

9.2 Sourcing Area Mapping and Geolocation

Sourcing area mapping helps companies understand where natural rubber is produced, collected, processed, traded, and supplied. Geolocation provides more precise information about the location of the plot, farm, estate, smallholder area, collection area, or sourcing area linked to the material.

The current MRC guide identifies sourcing area mapping and geolocation as deforestation sub-indicators. It specifically refers to a map of the sourcing area before 31 December 2020, geolocation of sourcing areas, and date or time of production of sourced raw materials.

The European Commission's EUDR guidance also emphasises traceability and geolocation information. Its official FAQ states that operators must collect information, documents, and data to demonstrate compliance, including geolocation-related data, and that due diligence includes information collection, risk assessment, and risk mitigation.

What companies should map

Companies should map sourcing information progressively, based on risk, customer requirements, and data availability.

Sourcing Level	Information to Collect	Practical Use
Supplier level	Supplier name, address, registration, licence, contact person, material supplied.	Basic supplier identification and onboarding.
Transaction level	Purchase order, invoice, delivery order, batch or lot number, quantity, date, transport document.	Traceability from purchase to production and sale.
Country / state / district level	Country, state, district, province, or local area of origin.	Initial risk screening and customer response.
Dealer / collection centre level	Dealer, collection centre, trader, processor, or aggregation point.	Understanding supply chain structure and intermediary risk.
Plantation / estate / smallholder level	Estate name, smallholder group, plot reference, farm identification, cooperative, or group certification.	Higher traceability and due diligence confidence.
Geolocation level	GPS point, polygon, or other accepted geolocation data where required.	EUDR-oriented, certification, or customer-specific evidence.
Historical land use level	Sourcing area map, satellite check, land use evidence, or certification record.	Supports no-deforestation assessment and risk mitigation.

Geolocation expectations

Geolocation requirements may vary depending on the customer, certification scheme, regulation, product, supplier type, and company role in the supply chain. Under EUDR-related guidance, geolocation information is used to link the commodity or product to the plots of land from which it was produced. The official EUDR FAQ also notes that, where a shipment includes material from multiple countries, traceability information may need to include the relevant countries of production and geolocation information for every contributing plot of land.

For practical implementation, companies should classify geolocation readiness as follows.

Readiness Level	Description	Recommended Action
Level 1: Supplier origin known	Supplier and country or state of origin are known, but no plot-level data.	Maintain basic records and begin supplier engagement.
Level 2: Sourcing area known	District, collection area, estate, dealer, or smallholder group is known.	Conduct risk screening and request more detailed evidence where required.
Level 3: Geolocation partially available	Geolocation is available for selected suppliers, estates, smallholder groups, or customer-specific batches.	Expand coverage to priority suppliers and maintain data controls.
Level 4: Geolocation complete for relevant scope	Geolocation is available for all suppliers or batches within the defined customer, product, or reporting boundary.	Validate data, maintain evidence, and prepare for verification.
Level 5: Verified geolocation and land use evidence	Geolocation is supported by independent checks, certification, satellite screening, or audit evidence.	Use for higher-confidence claims, customer submissions, and EUDR-oriented due diligence.

Practical mapping procedure

Companies should establish a mapping procedure that includes:

- identify natural rubber materials and products within scope;
- identify suppliers and intermediaries linked to those materials;
- collect country, state, district, dealer, collection centre, plantation, smallholder group, or estate information;
- collect geolocation data where required by customers, certification, or regulation;
- link sourcing information to purchase, batch, production, and customer shipment records;
- assess whether the sourcing area is associated with deforestation, protected area, peatland, biodiversity, land legality, or community-related risks;
- document gaps where geolocation or sourcing information is unavailable;
- engage suppliers to close traceability gaps; and

- i. review sourcing maps annually or whenever suppliers, sourcing areas, or customer requirements change.

Companies should protect sensitive supplier, smallholder, commercial, and geolocation data. Access should be limited to authorised personnel, and external disclosure should follow customer, legal, contractual, and data protection requirements.

9.3 Traceability Documentation

Traceability documentation provides the evidence trail that links natural rubber materials from supplier and origin through processing, production, storage, shipment, and customer delivery. It is the foundation for deforestation due diligence because a company cannot credibly assess deforestation risk without knowing where materials come from and how they move through the supply chain.

The MRC guide identifies supply chain traceability documents as key evidence for deforestation disclosure, including sales and purchase documents, production records, and land title of origin where applicable to midstream processors.

Core traceability records

Companies should maintain traceability records relevant to their role in the supply chain.

Record Type	Examples	Purpose
Supplier records	Supplier master list, supplier registration, licence, certification, contact details, supplier declaration.	Identifies who supplies the material and whether they are approved.
Purchase records	Purchase orders, invoices, delivery orders, weighbridge tickets, receipts, contracts.	Links material purchase to supplier, quantity, date, and transaction.
Origin records	Country, state, district, dealer, collection centre, estate, smallholder group, geolocation where required.	Supports sourcing risk assessment and no-deforestation checks.
Production records	Batch records, process logs, material input-output records, production dates, processing site records.	Links raw material inputs to processed outputs.
Inventory records	Warehouse receiving records, storage records, stock movement records, segregation records.	Maintains material identity and prevents uncontrolled mixing.
Sales and shipment records	Sales orders, invoices, packing lists, delivery orders, transport documents, export documents.	Links finished products or processed material to customer shipment.

Record Type	Examples	Purpose
Certification records	MSNR, FSC, PEFC, Preferred by Nature, GPSNR-related supplier evidence, customer-specific declarations.	Supports sustainability and chain-of-custody claims where applicable.
Due diligence records	Supplier risk assessment, deforestation risk screening, corrective action plans, audit reports.	Shows that traceability data was reviewed and used for risk management.

Chain-of-custody controls

Where companies make claims such as “certified,” “traceable,” “deforestation-free,” “EUDR-ready,” or “responsibly sourced,” they should ensure that chain-of-custody controls are sufficient to support the claim.

Control Area	Practical Requirement
Supplier approval	Only approved suppliers may provide materials under the defined claim or customer requirement.
Material identification	Incoming materials should be identified by supplier, batch, lot, source, certification status, or customer requirement.
Receiving checks	Incoming material should be checked against purchase documents and supplier information.
Storage control	Materials with different traceability, certification, or customer status should be segregated or controlled where required.
Production linkage	Raw material batches should be linked to processing or manufacturing records.
Mass balance	Purchased, processed, stored, and sold quantities should be reconciled where mass balance is used.
Claim approval	Sustainability or deforestation-related claims should be reviewed before external use.
Record retention	Traceability records should be retained for the period required by law, customer contract, certification, or internal policy.

The current MRC guide also links supply chain traceability and due diligence to information collection, risk assessment, mitigation measures, and traceability systems to identify the origin of raw materials and products.

Practical traceability by company role

Company Role	Traceability Focus
Midstream processor	Raw rubber origin, supplier, dealer, collection centre, smallholder or estate information where available, production batch, output batch, sales records.
Latex processor	Latex supplier, collection records, processing records, storage tanks, batch records, customer shipment records.
Downstream manufacturer	Raw material supplier, batch or lot number, production use, finished goods batch, customer shipment.

Company Role	Traceability Focus
Trader / exporter	Supplier origin records, transaction documents, shipment documents, customer-specific traceability pack.
SME supplier	Basic supplier list, purchase and delivery records, material origin where available, customer-requested declarations, improvement plan for gaps.

Where full upstream traceability is not yet available, companies should not ignore the topic. They should disclose the current traceability level, identify missing information, prioritise high-risk or high-volume suppliers, and set a timeline to improve supplier data collection.

9.4 EUDR-Relevant Evidence Requirements

The EU Deforestation Regulation is directly relevant where rubber materials or rubber products are placed on, made available in, or exported from the EU market. It may also affect Malaysian rubber processors and manufacturers indirectly where customers request EUDR-related data from suppliers. The European Commission identifies rubber among the commodities linked to agricultural expansion and covered by the Regulation, and states that operators or traders placing these commodities on the EU market, or exporting from it, must be able to prove that products do not originate from recently deforested land or contribute to forest degradation. ([Environment](#))

The European Commission's current EUDR 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](#)) Companies should verify the latest applicability, product scope, customer requirements, and their role in the supply chain before making compliance statements.

For rubber processors and manufacturers, EUDR-relevant evidence should be treated as a **due diligence evidence pack**. The pack should help demonstrate that relevant natural rubber materials are:

- traceable to the required origin or sourcing area;
- not linked to deforestation or forest degradation after the applicable cut-off date;
- produced in accordance with relevant laws in the country of production;
- supported by supplier, transaction, production, and shipment records;
- assessed for risk;
- subject to risk mitigation where necessary; and
- reviewed and approved before submission to customers or authorities.

The current MRC guide's deforestation disclosure example includes EUDR-oriented requirements such as no conversion of forests and other ecosystems, no degradation of

natural forests and ecosystems, compliance with legal requirements for forest and non-forest areas, supply chain traceability, sourcing area maps before 31 December 2020, geolocation, and production date or time.

EUDR-oriented due diligence file

A practical EUDR-oriented file may include the following:

Evidence Category	Records to Maintain
Product applicability	List of products, HS codes or product categories where relevant, natural rubber content, customer scope, export market.
Supplier information	Supplier name, registration, address, licence, supplier category, contact person, supplier declaration.
Country and origin information	Country of production, state, district, collection area, estate, plantation, smallholder group, dealer, or other origin information.
Geolocation information	GPS point, polygon, farm or plot data, collection area map, sourcing area map, or other customer-accepted geolocation evidence.
Production date or period	Harvesting date, crop year, production period, purchase date, processing date, batch date, or other accepted production timing information.
Transaction records	Purchase orders, invoices, delivery orders, weighbridge tickets, receipts, contracts, transport documents.
Processing records	Production records, batch records, inventory movement, input-output records, storage records.
No-deforestation evidence	Sourcing area map, satellite screening, supplier declaration, certification, independent assessment, or risk assessment record.
Legality evidence	Land use or origin legality information where available, supplier licence, MRB-related documentation where applicable, permits, tax or trade documents where relevant.
Risk assessment	Supplier risk rating, country or area risk, deforestation risk, legality risk, documentation gap analysis.
Risk mitigation	Supplier clarification, additional documents, audit, certification, satellite check, corrective action plan, suspension or sourcing decision.
Customer submission	Customer questionnaire, EUDR data form, supplier declaration, due diligence statement reference where applicable, approval record.
Management approval	Internal review, ESG Committee approval, procurement approval, management sign-off, version control.

The official EUDR FAQ states that due diligence involves collecting information referred to in Article 9, conducting risk assessment measures under Article 10, and applying risk mitigation measures under Article 11. It also states that operators are required to collect information on the date or time range of production to establish whether relevant products are deforestation-free.

Practical guidance for Malaysian rubber companies

Companies should avoid presenting EUDR readiness as a simple declaration. A credible EUDR-oriented approach should include:

- a. a defined product and customer scope;
- b. a supplier map;
- c. a traceability register;
- d. geolocation or sourcing area evidence where required;
- e. production date or time range records;
- f. legality evidence;
- g. deforestation and forest degradation risk assessment;
- h. risk mitigation records;
- i. corrective action tracking; and
- j. management review before external submission.
- k. Where a customer requests EUDR-related information, companies should confirm:
 - l. which product, shipment, batch, supplier, or time period is covered;
 - m. whether plot-level geolocation is required;
 - n. whether point or polygon data is required;
 - o. whether supplier declarations are sufficient or additional evidence is required;
 - p. whether certification evidence is accepted;
 - q. whether satellite screening or independent verification is required;
 - r. how confidential supplier or geolocation data will be protected; and
 - s. who is authorised to submit the information externally.

9.5 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Deforestation topic. Companies should apply them based on materiality, operational relevance, supply chain exposure, customer requirements, and EUDR or certification applicability.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. No-deforestation commitment	Company has a documented commitment to avoid sourcing natural rubber linked to deforestation, forest degradation, illegal land conversion, or	ESG Policy, Environmental Policy, Responsible Sourcing Policy, Supplier Code of Conduct, Board or management approval, supplier communication records.	ESG Team / Procurement / Management

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	conversion of natural ecosystems.		
2. Ecosystem conservation	Forests and other natural ecosystems are not knowingly converted or degraded in relation to sourced natural rubber.	Supplier declarations, sourcing maps, certification records, satellite screening, risk assessment, audit reports, corrective action records.	Procurement / ESG Team
3. Legal compliance of sourcing	Sourced natural rubber is produced and supplied in accordance with relevant laws relating to land use, environmental protection, harvesting, trade, customs, labour, and human rights where applicable.	Supplier licences, MRB-related documents where applicable, permits, trade records, supplier legal declaration, supplier assessment, audit reports.	Procurement / Compliance
4. Supplier traceability	Company maintains traceability from supplier to purchase, production, storage, sale, and shipment where applicable.	Supplier master list, purchase orders, invoices, delivery orders, weighbridge tickets, batch records, production records, inventory records, sales and shipment documents.	Procurement / Production / Warehouse / Sales
5. Sourcing area mapping	Sourcing areas for natural rubber are identified and mapped according to the company's risk level and customer requirements.	Country, state, district, dealer, collection centre, estate, smallholder group records, sourcing area maps, supplier origin declarations.	Procurement / ESG Team
6. Geolocation data	Geolocation data is collected for sourcing areas, plots, estates, or supplier groups where required by customer, regulation, certification, or risk assessment.	GPS coordinates, polygons, geolocation files, supplier geolocation submission, mapping platform record, customer data form, verification records.	Procurement / ESG Team / Supplier
7. Production date or time range	Date, season, crop year, harvesting period, purchase date, or production time range is recorded for relevant sourced materials where required.	Supplier production record, harvest record, purchase date, delivery date, batch record, processing date, crop year declaration.	Supplier / Procurement / Production
8. Deforestation risk assessment	Suppliers and sourcing areas are assessed for deforestation, forest degradation, protected area,	Supplier risk matrix, country or area risk screening, satellite check, certification status, audit findings, risk register.	ESG Team / Procurement

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	land legality, and ecosystem conversion risks.		
9. Risk mitigation and corrective action	Identified risks are addressed through supplier engagement, additional evidence, audit, certification, corrective action, or sourcing decision.	Corrective action plan, supplier correspondence, audit report, management decision, evidence of closure, supplier improvement record.	Procurement / ESG Team / Management
10. Percentage of raw material from environmentally friendly or verified sources	Company tracks the percentage of natural rubber sourced from deforestation-free, forest degradation-free, certified, verified, or otherwise environmentally friendly sources, where data is available.	KPI tracker, purchase volume records, supplier certificates, verified sourcing records, traceability register, calculation workbook.	Procurement / ESG Team / Finance
11. EUDR-oriented evidence readiness	Company maintains evidence required for customer or regulatory EUDR-related due diligence where applicable.	EUDR readiness file, product applicability list, geolocation records, production date or time range records, legality evidence, customer submission records, management approval.	ESG Team / Procurement / Compliance
12. Reporting and disclosure	Company discloses deforestation-related performance, scope, evidence, limitations, and improvement actions where the topic is material.	ESG report, GRI content index, SDG mapping, omission explanation, evidence register, management approval record.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Percentage of natural rubber suppliers screened for deforestation risk	Number of screened natural rubber suppliers ÷ total natural rubber suppliers.
Percentage of natural rubber purchase volume covered by traceability documentation	Volume with traceability records ÷ total natural rubber purchase volume.
Percentage of natural rubber purchase volume with known country / state / district of origin	Volume with origin data ÷ total natural rubber purchase volume.
Percentage of natural rubber purchase volume with geolocation data where required	Volume with geolocation evidence ÷ total volume within geolocation scope.

Percentage of high-risk suppliers with corrective action plans	High-risk suppliers with active corrective action plans ÷ total high-risk suppliers.
Number of suppliers with no-deforestation declarations	Count of suppliers that have signed declarations or equivalent commitments.
Number of deforestation-related non-conformities identified	Count of audit findings, customer findings, supplier gaps, or internal findings.
Percentage of deforestation-related corrective actions closed on time	Corrective actions closed by due date ÷ total corrective actions due.
Percentage of relevant shipments with EUDR-oriented evidence pack completed	Shipments with completed evidence pack ÷ total relevant shipments.
Percentage of raw material sourced from certified or verified responsible sources	Certified or verified volume ÷ total relevant raw material volume.

Reporting guidance

Where deforestation is material, the company should disclose:

- a. why deforestation is material to the company;
- b. whether the topic applies directly to own operations, indirectly through suppliers, or through customer requirements;
- c. the company's no-deforestation or responsible sourcing commitment;
- d. the scope of natural rubber materials and suppliers covered;
- e. the level of traceability achieved;
- f. the type of sourcing area or geolocation data collected;
- g. whether EUDR-related customer requests were received;
- h. the percentage of relevant suppliers or purchase volume screened;
- i. key risks identified and mitigation actions taken;
- j. certifications or sustainability schemes used, where applicable;
- k. data gaps, limitations, or confidentiality constraints; and
- l. future improvement actions.

Example disclosure wording

Deforestation

Deforestation is material to the company because natural rubber is used in our products and may be linked to upstream land use and sourcing risks. The company does not own or operate rubber plantations; however, we recognise our responsibility to strengthen supplier traceability and due diligence.

During the reporting period, we maintained a supplier list for natural rubber materials, collected purchase and transaction records, and began mapping supplier origin information.

We have introduced a no-deforestation expectation in our Supplier Code of Conduct and are progressively requesting sourcing area and geolocation information from priority suppliers where required by customers or regulation.

Current traceability is strongest at supplier and transaction level. Plot-level geolocation is not yet available for all suppliers. The company will prioritise high-volume and customer-facing suppliers for further traceability engagement in the next reporting cycle.

Omission and non-applicability guidance

Where deforestation is not reported in detail, the company should explain why.

Situation	Example Explanation
Company uses only synthetic rubber	“Deforestation is not directly material to current raw material sourcing because the company does not use natural rubber. The topic will be reviewed annually and reassessed if natural rubber, rubberwood, biomass, or other forest-linked materials are introduced.”
Company uses natural rubber but has limited upstream visibility	“The company sources natural rubber through intermediaries and does not yet have full upstream traceability. Supplier-level and transaction-level records are maintained. The company will progressively request sourcing area and geolocation information from priority suppliers.”
Customer-specific EUDR data not yet available	“EUDR-related geolocation data is not yet complete for all suppliers. The company is engaging priority suppliers to obtain sourcing area information and will maintain an improvement plan for data gaps.”
Topic managed under supply chain due diligence	“Deforestation risks are managed under Supply Chain Traceability and Due Diligence because the company does not conduct plantation activities. Supplier screening, traceability records, and responsible sourcing controls are disclosed in that section.”
Confidential supplier data	“Supplier-specific geolocation and commercial information are maintained internally and disclosed only to authorised customers or competent parties due to confidentiality and data protection considerations.”

Minimum Implementation Outputs for Section 9

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

Output	Purpose
No-deforestation commitment	Confirms the company's responsible sourcing position.
Supplier Code of Conduct clauses	Communicates no-deforestation, legality, traceability, and evidence expectations to suppliers.
Natural rubber supplier list	Identifies suppliers, material types, and sourcing relationships.
Supplier declaration form	Collects supplier commitments on legality, no deforestation, and traceability.
Traceability register	Links supplier, purchase, batch, production, storage, sale, and shipment records.
Sourcing area map or origin register	Records country, state, district, dealer, collection centre, estate, or smallholder group information.
Geolocation record	Maintains GPS or polygon data where required.
Production date or time range record	Supports EUDR-oriented evidence requirements where applicable.
Deforestation risk assessment	Scores suppliers or sourcing areas for deforestation, legality, land use, and documentation risks.
Corrective action tracker	Tracks supplier gaps, evidence requests, risk mitigation, and closure status.
EUDR-oriented evidence file	Organises product scope, origin, geolocation, legality, production timing, traceability, and customer submission evidence.
KPI tracker	Tracks supplier screening, traceability coverage, geolocation coverage, and verified sourcing volume.
Omission explanation record	Documents why the topic or specific indicators are not applicable, incomplete, confidential, or managed elsewhere.
Management review record	Shows that deforestation risks, data gaps, customer requirements, and improvement actions are reviewed by management.

Used properly, this topic helps rubber processors and manufacturers strengthen responsible sourcing, prepare for customer and regulatory expectations, support market access, and demonstrate that natural rubber supply chains are progressively becoming more traceable, legal, and deforestation-free.

10. Environmental Topic 2: Sustainable Land Use and Natural Ecosystem Conservation

Sustainable land use and natural ecosystem conservation focus on how land, natural habitats, ecosystem functions, and land-related rights are protected in the company's operations and relevant supply chain. For Malaysian rubber processors and manufacturers, this topic may apply directly where a company owns, leases, expands, constructs, or manages land and facilities. It may also apply indirectly through natural rubber sourcing, plantation-linked suppliers, dealers, collection centres, contractors, or upstream supply chain relationships.

This topic should be read together with **Environmental Topic 1: Deforestation** and **Environmental Topic 3: Biodiversity**. Deforestation focuses on avoiding forest conversion and maintaining no-deforestation evidence. Biodiversity focuses on species, habitats, and ecological values. Sustainable land use and natural ecosystem conservation sits between these topics by addressing **land legality, land tenure, land management rights, ecosystem protection, buffer zones, sensitive areas, and land-related stakeholder rights**.

The current MRC guidance identifies Sustainable Land Use and Natural Ecosystem Conservation as one of the 29 material ESG topics for the rubber sector. Under this topic, the existing guide includes sub-indicators on land tenure and rights, legal compliance in land use planning, Free, Prior and Informed Consent, ecosystem and biodiversity values, ecosystem function management, and protection of rare, endangered, or protected species.

For midstream and downstream companies, this topic is especially relevant where:

- a. the company owns, leases, operates, expands, or develops production sites, warehouses, laboratories, waste storage areas, worker accommodation, or other facilities;
- b. the company's operations are located near rivers, drains, wetlands, peat areas, forest edges, protected areas, community land, agricultural land, or environmentally sensitive areas;
- c. the company sources natural rubber from suppliers whose land use, land tenure, legality, or ecosystem management may affect customer, certification, or regulatory expectations;
- d. the company handles chemicals, effluent, waste, or emissions that may affect soil, water, surrounding land, or natural habitats;
- e. the company is required by customers, certification bodies, financiers, or regulators to demonstrate responsible land use and ecosystem protection; or
- f. the company makes claims relating to sustainable sourcing, responsible sourcing, no-deforestation, ecosystem protection, MSNR alignment, EUDR readiness, GPSNR alignment, FSC, PEFC, or Preferred by Nature-related requirements.

The current MRC framework mapping links sustainable land and ecosystem expectations to MSNR, EUDR, CSDDD, GPSNR, FSC, PEFC, and Preferred by Nature. In particular, the existing guide notes that MSNR includes expectations on no deforestation for new rubber cultivation, no peatland conversion for new rubber plantation development, protected buffer zones in existing rubber plantations, Good Agricultural Practices, and compliance with environmental standards. It also links EUDR and CSDDD to environmental protection, forest-related regulations, third-party rights, human rights, FPIC, land use rights, supply chain due diligence, traceability, and legality verification.

10.1 Land Use Legality

Land use legality means that land used for the company's operations, facilities, sourcing, or supplier activities is legally authorised, properly documented, and managed in accordance with applicable requirements. This includes land tenure, ownership, leasing, permitted use, zoning, planning approvals, environmental approvals, local authority requirements, and rights of affected parties.

For rubber processors and manufacturers, land use legality should be considered at two levels:

Level	Practical Meaning
Own operations	The company's factory, warehouse, office, laboratory, utility area, chemical storage, wastewater treatment plant, waste storage area, worker accommodation, or expansion site is legally established and used for the approved purpose.
Supply chain	Natural rubber, latex, or other rubber-linked materials are sourced from suppliers that have legal rights to cultivate, process, trade, or supply the material, and are not linked to unlawful land conversion, encroachment, or unresolved land disputes.

The current MRC guidance states that land tenure rights and management rights should be secure and registered according to legal requirements. It also states that land areas under management should be protected from illegal encroachment by third parties, and that ongoing land tenure or management rights disputes should be managed through a culturally appropriate and transparent process agreed by affected parties.

Land legality for own operations

Companies should maintain records showing that their sites and facilities are legally authorised. Depending on the company's situation, relevant evidence may include:

- a. land title, lease agreement, tenancy agreement, sale and purchase agreement, or land use approval;

- b. planning permission, zoning confirmation, development order, building approval, certificate of completion and compliance, or occupation-related approval where relevant;
- c. business licence, manufacturing licence, Malaysian Rubber Board-related licence or permit, local authority licence, or other operating approval;
- d. environmental approval, permit, licence, EIA approval, environmental monitoring requirement, wastewater discharge requirement, or scheduled waste storage requirement where applicable;
- e. approval for construction, expansion, land clearing, earthworks, drainage works, storage areas, or other site modifications where required;
- f. site layout plan showing operational areas, drains, wastewater treatment facilities, chemical stores, waste storage, buffer areas, and boundaries;
- g. records showing that land is not used outside permitted boundaries or approved purposes; and
- h. records of any land-related complaints, disputes, enforcement notices, corrective actions, or approvals.

Where a company operates on leased land or rented premises, it should still confirm that the site is suitable and legally authorised for the intended industrial, processing, warehousing, or manufacturing use. The company should also clarify whether environmental permits, waste storage approvals, wastewater systems, drainage systems, or site modifications are the responsibility of the landlord, tenant, or both.

Land legality in the supply chain

For natural rubber supply chains, companies should apply a risk-based approach to supplier land use legality. Midstream and downstream companies may not be able to directly verify every upstream land parcel immediately, especially where sourcing involves smallholders, dealers, traders, or collection centres. However, companies should progressively collect and assess relevant evidence from priority suppliers.

Supplier land legality information may include:

- a. supplier registration and licence information;
- b. Malaysian Rubber Board licence, permit, or transaction records where applicable;
- c. supplier declaration on legal sourcing and land use;
- d. evidence that the supplier has legal authority to operate, cultivate, process, trade, or supply rubber;
- e. land title, land use right, estate documentation, smallholder group information, or owner permission where available and appropriate;
- f. evidence that the supplier is not sourcing from illegally occupied, encroached, protected, or disputed land;

- g. sourcing area information, including country, state, district, estate, dealer, collection centre, or smallholder group;
- h. MSNR, FSC, PEFC, Preferred by Nature, or other certification evidence where applicable;
- i. supplier audit reports, risk assessments, or corrective action records; and
- j. grievance or dispute records relating to land use, community claims, or supplier sourcing.

The existing MRC guidance explains that under MSNR, owners should have legal land title, non-owner operators should have permission from the legal owner, no cultivation of rubber on peat soil should occur after 31 December 2020, buffer zones should be preserved and conserved, and Good Agricultural Practices should be implemented.

Land disputes and third-party rights

Land-related disputes can create significant ESG, legal, reputational, and market access risks. These may include disputes with landowners, neighbouring land users, Indigenous Peoples, local communities, smallholders, contractors, suppliers, or authorities.

Companies should establish a process to identify, record, assess, and resolve land-related disputes. The process should be transparent, culturally appropriate, non-retaliatory, and accessible to affected parties.

A land dispute record should include:

Field	Description
Date raised	When the issue was identified or reported.
Parties involved	Landowner, supplier, community, contractor, authority, employee, or other stakeholder.
Location	Site, facility, supplier area, sourcing area, or affected land.
Nature of issue	Boundary dispute, access issue, encroachment, land title issue, community claim, compensation issue, environmental damage, or other concern.
Evidence reviewed	Maps, titles, permits, contracts, meeting notes, photographs, complaints, or authority correspondence.
Action taken	Consultation, clarification, corrective action, mediation, compensation, supplier engagement, or escalation.
Status	Open, under review, resolved, escalated, or closed.
Closure evidence	Signed agreement, authority confirmation, meeting minutes, corrective action closure, or other supporting record.

Where land-related issues affect Indigenous Peoples or local communities, companies should also consider FPIC-related expectations and refer to the Social topics on **Rights of Indigenous Peoples** and **Local Communities**.

10.2 Natural Ecosystem Protection

Natural ecosystem protection means avoiding, minimising, managing, and restoring impacts on forests, wetlands, peatlands, rivers, streams, riparian areas, wildlife habitats, natural vegetation, soil systems, and other ecosystems that may be affected by the company's operations or supply chain.

For rubber processors and manufacturers, natural ecosystem protection may involve both site-level controls and sourcing controls. A factory may not directly manage plantations, but its activities may still affect surrounding ecosystems through drainage, effluent discharge, chemical storage, air emissions, waste handling, stormwater run-off, noise, odour, land disturbance, or expansion. A company may also be connected to upstream ecosystem impacts through natural rubber sourcing.

The current MRC guidance states that ecosystem and biodiversity values within the production area should be known and maintained or enhanced. It also states that forests and other natural ecosystems should be managed in a way that maintains or enhances ecosystem functions and services, including related biodiversity and structural complexity.

Ecosystem protection for own operations

Companies should identify whether their sites or activities are located near or may affect natural ecosystems. This can be done through site maps, environmental risk assessments, site inspections, stakeholder feedback, permit reviews, and available public or authority data.

Site-level ecosystem protection should consider:

- a. rivers, streams, drains, canals, lakes, wetlands, ponds, water catchments, and coastal areas;
- b. peat soil, low-lying land, flood-prone areas, erosion-prone areas, and unstable slopes;
- c. forest edges, natural vegetation, wildlife corridors, protected areas, conservation areas, and environmentally sensitive areas;
- d. neighbouring agricultural land, community land, residential areas, schools, places of worship, or culturally important areas;
- e. wastewater treatment and discharge points;
- f. chemical storage areas, hazardous substance areas, fuel storage, and scheduled waste storage;
- g. stormwater drains, retention ponds, bunding, and spill pathways;
- h. site expansion, earthworks, land clearing, vegetation removal, or construction activities; and

- i. existing complaints, incidents, spills, discharge exceedances, or enforcement actions.

A practical ecosystem protection approach should follow the mitigation hierarchy:

Hierarchy	Practical Application
Avoid	Avoid clearing, disturbance, discharge, storage, or construction in sensitive areas where possible.
Minimise	Reduce disturbance through good site planning, bunding, drainage control, erosion control, and operational safeguards.
Control	Use SOPs, monitoring, maintenance, training, spill prevention, and emergency response.
Restore	Restore affected vegetation, drains, riverbanks, soil, or site areas after disturbance where required.
Monitor	Conduct inspections, environmental monitoring, supplier review, and management reporting.

Ecosystem protection in sourcing

For companies sourcing natural rubber, supplier due diligence should consider whether suppliers or sourcing areas are linked to:

- a. forest conversion or ecosystem conversion;
- b. peatland development or post-cut-off peat soil cultivation;
- c. protected areas or buffer zone encroachment;
- d. biodiversity loss or wildlife habitat disturbance;
- e. water catchment impacts;
- f. soil degradation, erosion, or land degradation;
- g. unclear land rights, illegal land use, or encroachment;
- h. unresolved community or Indigenous Peoples' rights concerns;
- i. supplier failure to implement Good Agricultural Practices; or
- j. missing traceability or sourcing area evidence.

Companies should not make broad ecosystem protection claims unless the claim is supported by traceability and due diligence evidence. Where full supplier-level evidence is not yet available, the company should describe its current sourcing visibility and improvement plan.

Practical controls for ecosystem protection

Risk Area	Practical Controls	Evidence
Site located near water body	Maintain buffer areas, prevent discharge outside approved points, inspect drains, maintain wastewater systems.	Site map, drain map, inspection records, effluent monitoring reports, maintenance logs.
Chemical or fuel storage near sensitive area	Use bunding, secondary containment, spill kits, restricted access, emergency response procedure.	Chemical inventory, SDS, inspection records, spill drill records, photos, corrective action records.
Waste storage near drains or open areas	Store waste in designated covered or controlled areas; prevent leakage, overflow, and illegal disposal.	Waste storage inspection, scheduled waste records, consignment notes, vendor records.
Land clearing or site expansion	Check approvals, conduct environmental screening, avoid sensitive areas, control erosion and sediment.	Approval records, contractor controls, site plans, inspection reports, erosion control records.
Supplier located in high-risk sourcing area	Conduct supplier risk assessment, request origin information, verify certifications, require corrective actions.	Supplier questionnaire, sourcing map, certification, audit report, corrective action plan.
Peatland or protected area risk	Avoid sourcing from restricted areas and request supplier declarations or evidence.	Supplier declaration, MSNR evidence, risk map, geolocation record, supplier engagement record.

Natural ecosystem protection should be integrated into environmental risk assessment, supplier due diligence, deforestation due diligence, biodiversity assessment, water management, hazardous substance management, waste management, and grievance mechanisms.

10.3 Buffer Zones and Sensitive Areas

Buffer zones are areas maintained to reduce impacts between company activities and sensitive environmental or social receptors. They may be located around rivers, streams, drains, wetlands, forests, protected areas, peatlands, slopes, communities, roads, neighbouring land, chemical storage areas, wastewater treatment areas, waste storage areas, or other sensitive locations.

Sensitive areas are locations that require special protection because of ecological, legal, social, cultural, or safety significance. These may include protected forests, conservation areas, riparian reserves, water catchments, wetlands, peatlands, biodiversity habitats, community land, Indigenous Peoples' territories, burial grounds, places of worship, schools, residential areas, or sites with land disputes.

The current MRC framework mapping identifies protected buffer zones as part of MSNR environmental expectations. It also links environmental protection, ecosystem preservation,

sustainable land use, biodiversity conservation, and responsible supply chain requirements to frameworks such as MSNR, EUDR, GPSNR, FSC, PEFC, and Preferred by Nature.

Identifying buffer zones and sensitive areas

Companies should identify buffer zones and sensitive areas through:

- a. site boundary maps;
- b. land title, land use, zoning, or cadastral information;
- c. environmental approval conditions;
- d. site inspections and photographs;
- e. drain, river, and discharge point maps;
- f. wastewater treatment and stormwater layout plans;
- g. chemical and waste storage plans;
- h. supplier sourcing maps and geolocation data where relevant;
- i. biodiversity or ecosystem risk assessments;
- j. complaints or stakeholder feedback;
- k. local authority, environmental authority, or customer requirements; and
- l. certification requirements where applicable.

A site-level buffer zone register may be used.

Field	Description
Buffer zone or sensitive area	River, drain, forest edge, community boundary, chemical storage area, protected area, peatland, etc.
Location	Site, GPS point, map reference, facility zone, supplier location, or sourcing area.
Risk	Pollution, run-off, encroachment, waste leakage, chemical spill, erosion, community complaint, biodiversity impact.
Control requirement	No storage, no discharge, vegetation maintained, bunding, signage, inspection, restricted access, erosion control.
Responsible person	EHS, Facilities, Maintenance, Procurement, Production, Supplier, Contractor.
Inspection frequency	Weekly, monthly, quarterly, annually, or after heavy rain or incident.
Evidence	Map, photo, inspection form, monitoring result, corrective action record.

Managing buffer zones

Buffer zones should be clearly identified, protected, and monitored. Companies should apply controls appropriate to the risk level.

Practical buffer zone controls may include:

- a. maintain vegetation or ground cover where appropriate;
- b. avoid chemical, fuel, waste, or hazardous substance storage near drains, water bodies, or sensitive receptors;
- c. provide bunding, secondary containment, and spill kits where materials are stored near sensitive areas;
- d. prevent unauthorised dumping, burning, or discharge;
- e. avoid land clearing or vegetation removal without approval;
- f. prevent encroachment into protected areas, neighbouring land, or community land;
- g. maintain drainage, silt traps, oil traps, retention ponds, and wastewater infrastructure;
- h. install signage, barriers, demarcation, or fencing where needed;
- i. inspect buffer zones regularly;
- j. record and investigate complaints, spills, exceedances, or encroachment;
- k. train employees and contractors on buffer zone restrictions; and
- l. require suppliers to maintain buffer zones where relevant to natural rubber sourcing.

Examples of buffer zone controls by area

Area	Control Measures	Evidence
River, stream, or drain	No chemical or waste storage near water pathway; regular drain inspection; emergency spill response.	Drain map, inspection records, spill kit records, effluent reports.
Wastewater treatment plant	Bunding, maintenance, operator training, approved discharge point, monitoring.	WWTP logs, maintenance records, effluent test results, training records.
Chemical storage area	Secondary containment, SDS access, restricted access, labelling, spill kits.	Chemical inventory, SDS, storage inspection, spill drill records.
Scheduled waste storage area	Covered storage, labelling, segregation, legal storage period monitoring, licensed disposal.	Scheduled waste inventory, consignment notes, storage inspection records.
Factory boundary near community	Noise, odour, dust, traffic, drainage, and complaint monitoring.	Complaint log, monitoring records, corrective action reports.
Supplier plantation or sourcing area	No encroachment into protected areas, no peatland conversion, preservation of buffer zones.	Supplier declaration, MSNR evidence, sourcing map, audit or site visit record.

Sensitive areas in the supply chain

Where natural rubber suppliers operate near protected areas, peatlands, water catchments, Indigenous Peoples' territories, local communities, or biodiversity-rich areas, companies should apply enhanced due diligence. This may include supplier questionnaires, sourcing area maps, geolocation, certification evidence, site visits, third-party audits, or corrective action plans.

For high-risk sourcing areas, companies should consider:

- a. whether the supplier has legal rights to operate;
- b. whether the supplier respects buffer zones and protected areas;
- c. whether land conversion occurred after relevant cut-off dates;
- d. whether peatland development is present;
- e. whether there are unresolved community or land disputes;
- f. whether FPIC or consultation was required and conducted;
- g. whether environmental monitoring is carried out; and
- h. whether supplier records are reliable and current.

Companies should also ensure that buffer zone and sensitive area management is linked to the grievance mechanism. Complaints about pollution, odour, drainage, flooding, encroachment, land conflict, or community impacts should be logged, investigated, and resolved through documented corrective action.

10.4 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Sustainable Land Use and Natural Ecosystem Conservation topic. Companies should apply them based on materiality, operational relevance, site conditions, supplier exposure, customer requirements, and reporting boundaries.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. Land tenure and management rights	Land tenure rights and management rights are legally secured, registered, or documented for company-operated sites.	Land title, lease agreement, tenancy agreement, site ownership record, land use approval, management approval, legal review record.	Management / Legal / Administration / Facilities
2. Legal land use and planning compliance	Land is used in accordance with zoning, planning, environmental, local	Planning approval, local authority licence, manufacturing licence, MRB	Compliance / Facilities / EHS

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	authority, operating, and licensing requirements.	licence where applicable, environmental approval, site layout plan, permit register.	
3. Protection from encroachment	Company-managed land, buffer zones, and sensitive areas are protected from illegal encroachment, unauthorised use, or uncontrolled disturbance.	Boundary map, fencing or signage records, site inspection records, security records, photographs, incident reports.	Facilities / EHS / Security
4. Land dispute management	Land tenure, boundary, access, management rights, community, or supplier land disputes are managed transparently and appropriately.	Land dispute register, grievance records, meeting minutes, authority correspondence, settlement agreement, corrective action records.	Management / Legal / ESG Team
5. FPIC and affected stakeholder rights	Where activities may affect Indigenous Peoples' or local communities' lands, territories, or resources, consultation and FPIC-related expectations are assessed and documented.	Stakeholder engagement records, FPIC assessment, meeting minutes, consent records, community agreement, grievance records.	ESG Team / Management / Procurement
6. Natural ecosystem identification	Ecosystem and biodiversity values within or near company-managed sites, supplier areas, or sourcing areas are identified where relevant.	Site map, environmental risk assessment, biodiversity screening, supplier sourcing map, geolocation records, environmental assessment.	EHS / ESG Team / Procurement
7. Ecosystem function protection	Natural ecosystems are managed to maintain or enhance ecosystem functions and services, including water protection, soil stability, vegetation cover, and habitat functions.	Environmental management plan, inspection records, maintenance records, erosion control records, drainage records, restoration records.	EHS / Facilities / Production
8. Buffer zone management	Buffer zones around rivers, drains, wetlands, forest edges, protected areas, communities, waste areas, chemical stores, or other sensitive locations are identified and maintained.	Buffer zone register, site layout map, inspection records, signage records, photographs, corrective action reports.	EHS / Facilities / Procurement
9. Sensitive area protection	Protected areas, peatlands, water catchments, riparian zones, community areas, cultural sites, and other	Sourcing area map, protected area screening, supplier declaration, environmental approval,	ESG Team / EHS / Procurement

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	sensitive areas are avoided, protected, or managed.	geolocation record, site inspection.	
10. Peatland and restricted area controls	New rubber cultivation or sourcing is screened for peatland, protected area, or restricted land use risks where natural rubber sourcing is relevant.	Supplier declaration, MSNR evidence, sourcing map, geolocation data, land use risk assessment, corrective action plan.	Procurement / ESG Team
11. Good Agricultural Practices in supply chain	Relevant upstream suppliers are encouraged or required to implement Good Agricultural Practices and maintain environmental safeguards.	Supplier code, supplier questionnaire, MSNR evidence, training records, supplier audit, certification records.	Procurement / ESG Team
12. Supplier land legality screening	Natural rubber suppliers are screened for land legality, land rights, traceability, ecosystem risk, and protected area exposure where relevant.	Supplier master list, supplier risk assessment, licence, declaration, traceability documents, audit report, corrective action tracker.	Procurement / ESG Team / Compliance
13. Monitoring and corrective action	Land use, buffer zone, ecosystem, and supplier land-related risks are monitored and corrective actions are tracked.	Inspection records, environmental incident log, complaint register, corrective action tracker, management review minutes.	EHS / ESG Team / Management
14. Reporting and disclosure	Material land use and ecosystem conservation matters are disclosed with scope, actions, evidence, data gaps, and improvement plans.	ESG report, checklist, evidence register, omission explanation, management approval record.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Percentage of company-operated sites with documented legal land use evidence	Sites with complete land use evidence ÷ total sites.
Percentage of operational sites with mapped buffer zones and sensitive areas	Sites with approved maps ÷ total applicable sites.
Number of land-related complaints or disputes recorded	Count of land tenure, boundary, encroachment, access, or community land issues.

KPI	Measurement Approach
Percentage of land-related grievances closed within target timeline	Closed grievances within target timeline ÷ total land-related grievances due for closure.
Number of buffer zone inspections conducted	Count of inspections during reporting period.
Number of buffer zone or sensitive area non-conformities identified	Count of findings from inspections, audits, complaints, or incidents.
Percentage of buffer zone corrective actions closed on time	Closed corrective actions by due date ÷ total corrective actions due.
Percentage of natural rubber suppliers screened for land legality	Suppliers screened ÷ total natural rubber suppliers.
Percentage of natural rubber purchase volume from suppliers with land legality or responsible sourcing declarations	Volume covered by declaration ÷ total natural rubber purchase volume.
Percentage of high-risk sourcing areas with additional due diligence completed	High-risk sourcing areas assessed ÷ total high-risk sourcing areas.
Number of suppliers with MSNR, FSC, PEFC, Preferred by Nature, or other relevant sustainability evidence	Count of suppliers with accepted evidence.

Reporting guidance

Where Sustainable Land Use and Natural Ecosystem Conservation is material, the company should disclose:

- a. why the topic is material to the company;
- b. whether the topic applies to own operations, suppliers, or both;
- c. how the company confirms legal land use for its own sites;
- d. how land tenure, land use rights, and management rights are documented;
- e. whether the company has identified buffer zones or sensitive areas;
- f. how natural ecosystems near company operations are protected;
- g. how land-related risks are considered in supplier due diligence;
- h. how natural rubber suppliers are screened for land legality, peatland, protected area, buffer zone, and ecosystem risks where relevant;
- i. whether any land-related grievances, disputes, or corrective actions occurred;
- j. what evidence supports the company's disclosure;
- k. what limitations or data gaps exist; and
- l. what improvement actions are planned.

Example disclosure wording

Sustainable Land Use and Natural Ecosystem Conservation

Sustainable land use is material to the company because our operations are conducted on industrial land and our natural rubber supply chain may be linked to upstream land use and ecosystem risks. The company maintains land use and operating records for its own facilities and reviews site-level environmental controls, including drainage, chemical storage, waste storage, and buffer areas.

During the reporting period, the company reviewed its site layout, updated its environmental inspection checklist, and began incorporating land legality and ecosystem-related questions into supplier screening for natural rubber suppliers. No unresolved land-related disputes were recorded for company-operated sites during the reporting period.

Supplier-level land legality evidence remains incomplete for some upstream sourcing areas. The company will prioritise high-volume and customer-facing natural rubber suppliers for further documentation and responsible sourcing engagement in the next reporting cycle.

Omission and non-applicability guidance

Where this topic is not reported in detail, the company should explain why.

Situation	Example Explanation
Company operates only in rented industrial premises	"The company operates from rented industrial premises and does not own or manage plantation land. Land use legality is monitored through tenancy, business licensing, and site compliance records."
Company does not source natural rubber	"This topic is not directly material to upstream rubber sourcing because the company does not use natural rubber. The topic will be reviewed annually if natural rubber, rubberwood, biomass, or other land-linked materials are introduced."
Topic applies only through suppliers	"The company does not conduct plantation activities. Land use and ecosystem conservation risks are managed through supplier screening, traceability documentation, and responsible sourcing requirements."
Supplier evidence is incomplete	"Supplier-level land legality evidence is not yet complete for all upstream sourcing areas. The company will progressively request declarations, sourcing information, and supporting evidence from priority suppliers."
Confidential land or supplier data	"Supplier-specific land and sourcing information is maintained internally and disclosed only to authorised customers, regulators, or assurance providers due to confidentiality and data protection considerations."
Managed under another topic	"Related no-deforestation and geolocation matters are reported under Environmental Topic 1: Deforestation, while species and habitat-related matters are reported under Environmental Topic 3: Biodiversity."

Minimum Implementation Outputs for Section 10

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

Output	Purpose
Land use legality file	Maintains land title, lease, tenancy, zoning, licence, approval, or permit evidence for company-operated sites.
Site layout and boundary map	Identifies operational areas, boundaries, drains, wastewater systems, chemical storage, waste areas, and buffer zones.
Buffer zone and sensitive area register	Records rivers, drains, wetlands, peat areas, protected areas, community boundaries, and other sensitive receptors.
Environmental site inspection checklist	Monitors buffer zones, drains, storage areas, erosion, encroachment, pollution risks, and corrective actions.
Land dispute and grievance register	Tracks land-related complaints, disputes, encroachment, community concerns, and resolution status.
Supplier land legality screening form	Collects supplier information on land use rights, legality, protected areas, peatland, buffer zones, and ecosystem risks.
Supplier responsible sourcing declaration	Confirms supplier commitment to legal sourcing, ecosystem protection, no encroachment, and responsible land use.
Sourcing area map or origin register	Supports assessment of upstream land and ecosystem risks for natural rubber suppliers.
Peatland, protected area, and buffer zone risk screening	Identifies higher-risk sourcing areas or suppliers requiring enhanced due diligence.
FPIC and stakeholder engagement record	Documents consultation or consent-related processes where Indigenous Peoples or local communities may be affected.
Corrective action tracker	Tracks land use, ecosystem, buffer zone, supplier, or grievance-related improvement actions.
ESG evidence register	Organises documents needed for ESG reporting, customer requests, certification, or verification.
Annual review record	Confirms management review of land use legality, ecosystem risks, buffer zones, supplier gaps, and improvement plans.

Used properly, this topic helps rubber processors and manufacturers demonstrate that land-related risks are identified, legal land use is maintained, natural ecosystems are protected, supplier land legality is progressively strengthened, and buffer zones or sensitive areas are managed responsibly.

11. Environmental Topic 3: Biodiversity

Biodiversity refers to the variety of living organisms, habitats, ecosystems, and ecological processes that support environmental health and resilience. For Malaysian rubber processors and manufacturers, biodiversity may be relevant both directly and indirectly. Direct relevance may arise from the company's own sites, operations, wastewater discharge, waste handling, chemical storage, land use, drainage, emissions, lighting, noise, traffic, or site expansion. Indirect relevance may arise through natural rubber sourcing, upstream land use, deforestation risk, ecosystem conversion, supplier practices, and sourcing from areas located near forests, peatlands, wetlands, rivers, protected areas, or other sensitive ecosystems.

This topic should be read together with:

Related Environmental Topic	Linkage to Biodiversity
Deforestation	Forest conversion and degradation can result in biodiversity loss and habitat fragmentation.
Sustainable Land Use and Natural Ecosystem Conservation	Land legality, ecosystem protection, buffer zones, and sensitive area management help protect biodiversity.
Water	Effluent, wastewater, water withdrawal, and water quality can affect aquatic ecosystems and habitats.
Waste	Improper waste storage, treatment, or disposal can harm land, water bodies, and wildlife.
Hazardous Substances	Chemical spills, leaks, and improper handling can affect soil, water, species, and habitats.
Soil Health	Soil contamination, erosion, and degradation can affect ecosystem functions.
Emissions	Air emissions, odour, dust, and pollutants may affect surrounding ecosystems and communities.
Supply Chain Traceability and Due Diligence	Supplier mapping and sourcing due diligence help identify upstream biodiversity and ecosystem risks.

For many midstream and downstream companies, biodiversity risks may not be obvious because the company does not own plantations or forests. However, biodiversity can still be material where the company sources natural rubber, operates near water bodies or sensitive areas, handles hazardous substances, generates wastewater or scheduled waste, or supplies customers that require nature-related risk information.

Companies should assess biodiversity proportionately. A company located in an existing industrial area with limited direct exposure may begin with a basic biodiversity screening. A company located near rivers, wetlands, forested areas, agricultural land, communities, or environmentally sensitive areas should conduct a more detailed assessment. A company with natural rubber sourcing exposure should also assess biodiversity risks in its supply chain.

11.1 Biodiversity Risk Identification

Biodiversity risk identification is the process of determining whether the company's operations, facilities, products, suppliers, or sourcing areas may affect species, habitats, ecosystems, protected areas, or ecosystem services. The objective is to identify where biodiversity risks may occur, how they may arise, who may be affected, and what controls are needed.

Biodiversity risks may arise from:

- a. land clearing, site expansion, vegetation removal, or construction;
- b. discharge of wastewater or untreated effluent;
- c. chemical spills, leaks, run-off, or improper storage;
- d. scheduled waste or general waste mismanagement;
- e. soil contamination or erosion;
- f. air emissions, dust, odour, noise, light, or vibration;
- g. water withdrawal from sensitive water sources;
- h. drainage, stormwater flow, flooding, or sedimentation;
- i. transport routes, traffic, or logistics activities;
- j. upstream natural rubber sourcing linked to habitat loss, forest conversion, peatland conversion, or protected area encroachment;
- k. supplier operations located near sensitive ecosystems; and
- l. lack of traceability or sourcing area information.

Step 1: Define the biodiversity assessment boundary

The company should first define the boundary of the biodiversity risk assessment. This may include:

Boundary Area	Examples
Own operations	Factory, warehouse, office, laboratory, wastewater treatment plant, chemical storage area, scheduled waste area, drainage system, worker accommodation, expansion site.
Adjacent areas	Rivers, drains, streams, wetlands, forest edges, agricultural land, neighbouring communities, protected areas, water catchments, peat areas, or other sensitive receptors near the site.
Supply chain	Natural rubber suppliers, plantations, smallholders, dealers, collection centres, processors, traders, logistics providers, waste contractors, packaging suppliers, and chemical suppliers.
Product or customer scope	Products or shipments subject to customer, certification, EUDR-oriented, no-deforestation, responsible sourcing, or nature-related requirements.

The boundary should be documented because it affects what data is collected, which suppliers are assessed, what evidence is required, and how the topic is reported.

Step 2: Map sites, activities, and sourcing areas

The company should map locations and activities that may interact with biodiversity. For own operations, this includes site layout, boundaries, drainage, wastewater discharge points, chemical storage, fuel storage, waste storage, production areas, and nearby sensitive areas.

For supply chains, companies should progressively map natural rubber suppliers and sourcing areas based on available information, such as country, state, district, dealer, collection centre, estate, smallholder group, or geolocation where required.

Mapping Item	Purpose
Site boundary map	Shows the company's operational footprint and nearby sensitive areas.
Drainage and discharge map	Identifies pathways through which pollutants may reach water bodies or land.
Chemical and waste storage map	Identifies areas with potential spill, leakage, or contamination risk.
Sourcing area map	Supports identification of upstream biodiversity, land use, and ecosystem risks.
Supplier origin register	Records known supplier origin information and traceability gaps.
Protected or sensitive area screening	Identifies whether operations or suppliers are near sensitive habitats or protected areas.

Step 3: Identify biodiversity receptors

A biodiversity receptor is any species, habitat, ecosystem, or ecological feature that could be affected by the company or its supply chain.

Examples include:

- rivers, streams, canals, drains, ponds, lakes, wetlands, and riparian areas;
- forests, forest edges, secondary vegetation, peatlands, grasslands, or natural habitats;
- protected areas, conservation areas, environmentally sensitive areas, and water catchments;
- rare, threatened, endangered, protected, or locally significant species;
- wildlife corridors, nesting areas, breeding areas, and feeding areas;
- soil systems, slopes, flood-prone areas, and erosion-sensitive areas;

- g. mangroves or coastal ecosystems where relevant; and
- h. ecosystem services such as water filtration, flood regulation, soil stability, and pollination.

Not every company will need a detailed ecological survey. However, companies should at least conduct a basic screening to understand whether biodiversity receptors may be present in or near their operations or supply chain.

Step 4: Identify impact pathways

The company should identify how its activities may affect biodiversity. This can be done by linking activities to possible impact pathways.

Activity or Condition	Possible Biodiversity Impact Pathway
Wastewater discharge	Poor water quality affecting aquatic habitats and species.
Chemical storage or transfer	Spills or run-off causing soil or water contamination.
Scheduled waste storage	Leakage, improper disposal, or contamination affecting land and water.
Site expansion or construction	Habitat disturbance, vegetation removal, erosion, sedimentation, or drainage changes.
Stormwater drainage	Pollutants or sediments carried into nearby water bodies.
Air emissions, odour, dust, or fumes	Localised impact on vegetation, habitats, or surrounding receptors.
Noise, lighting, or vibration	Disturbance to wildlife where operations are near natural habitats.
Natural rubber sourcing	Potential linkage to deforestation, ecosystem conversion, biodiversity loss, or protected area encroachment.
Waste contractor practices	Improper treatment or disposal affecting land, soil, water, or ecosystems.

Step 5: Assess significance of biodiversity risks

Biodiversity risks should be assessed using practical criteria.

Criterion	Guiding Question
Scale	How serious could the biodiversity impact be?
Scope	How widespread could the impact be?
Irremediability	Can the impact be reversed, restored, or corrected?
Likelihood	How likely is the impact to occur?
Legal exposure	Are there legal, permit, certification, or customer requirements?
Stakeholder concern	Have communities, customers, regulators, workers, or NGOs raised concerns?
Business relevance	Could the issue affect market access, customer approval, financing, reputation, or operating continuity?

A risk should normally be treated as higher priority where it involves protected areas, rare or endangered species, forests, peatlands, wetlands, water bodies, unresolved community concerns, regulatory non-compliance, serious pollution risk, or customer due diligence requirements.

Step 6: Record risks in the environmental risk register

Biodiversity risks should be recorded in the company's environmental risk register or ESG risk register. Each risk should include:

- a. location or supplier;
- b. biodiversity receptor;
- c. activity or source of impact;
- d. potential impact;
- e. likelihood and severity;
- f. existing controls;
- g. additional action required;
- h. responsible person;
- i. timeline;
- j. monitoring requirement; and
- k. evidence.

11.2 Biodiversity Protection Measures

Biodiversity protection measures are the controls and actions used to avoid, reduce, manage, and restore impacts on species, habitats, ecosystems, and ecosystem services. These measures should be practical, proportionate, and linked to the biodiversity risks identified.

The preferred approach is to follow a mitigation hierarchy.

Mitigation Level	Practical Meaning
Avoid	Avoid activities, sourcing, or site changes that may cause significant biodiversity harm.
Minimise	Reduce the intensity, frequency, or extent of biodiversity impacts.
Control	Use procedures, equipment, monitoring, training, and maintenance to manage risks.
Restore	Restore affected land, vegetation, water quality, drainage, or habitats where impact occurs.
Review	Monitor effectiveness and update controls when risks or conditions change.

Site-level biodiversity protection

For own operations, companies should implement controls based on site conditions and operational risks.

Risk Area	Protection Measures
Water bodies and drains	Maintain buffer areas, inspect drains, prevent illegal discharge, maintain wastewater treatment systems, and monitor effluent quality.
Chemical storage	Use bunding, secondary containment, clear labelling, SDS access, spill kits, emergency procedures, and staff training.
Waste storage	Store waste in designated areas, prevent leakage, segregate waste, use licensed contractors, and maintain consignment or disposal records.
Stormwater and run-off	Maintain drainage systems, prevent sediment or pollutant run-off, inspect after heavy rain, and control exposed soil areas.
Site expansion or construction	Conduct environmental screening, obtain approvals, avoid sensitive areas, control erosion, and supervise contractors.
Vegetation and natural areas	Avoid unnecessary clearing, maintain vegetation where appropriate, and protect natural buffer areas.
Noise, lighting, and traffic	Reduce disturbance where operations are near natural habitats or communities.
Environmental incidents	Investigate spills, exceedances, complaints, or damage and implement corrective actions.

Supply chain biodiversity protection

For natural rubber sourcing, companies should integrate biodiversity expectations into supplier due diligence and responsible sourcing controls.

Supplier biodiversity protection measures may include:

- supplier commitment to avoid deforestation, forest degradation, and natural ecosystem conversion;
- screening for protected areas, peatlands, wetlands, and sensitive habitats;
- collection of supplier origin and traceability information;
- geolocation or sourcing area mapping where required;
- supplier declarations on legal land use and ecosystem protection;
- preference for suppliers with credible sustainability certifications or recognised responsible sourcing systems where relevant;
- corrective action plans for suppliers with documentation gaps or higher-risk sourcing areas;
- supplier engagement and capacity building;
- escalation where suppliers refuse to provide information or address significant risks; and
- review of biodiversity-related supplier risks at least annually.

Biodiversity protection through procurement

Procurement decisions can influence biodiversity impacts. Companies should consider biodiversity and ecosystem risks when purchasing:

- a. natural rubber;
- b. rubberwood or forest-linked materials;
- c. biomass or fuel materials;
- d. packaging materials;
- e. chemicals and additives;
- f. waste treatment services;
- g. logistics services; and
- h. outsourced processing or production services.

Procurement teams should work with ESG, EHS, quality, and compliance teams to include biodiversity-related questions in supplier screening where relevant.

Training and awareness

Employees and contractors should receive awareness or training where their roles may affect biodiversity. This may include:

- a. chemical handling;
- b. spill prevention and response;
- c. waste segregation and storage;
- d. wastewater treatment operation;
- e. drain and stormwater protection;
- f. buffer zone protection;
- g. environmental incident reporting;
- h. contractor controls during construction or maintenance; and
- i. supplier due diligence procedures.

Training should be documented through attendance records, training materials, toolbox talks, induction records, or competency assessments.

11.3 Impact Mitigation and Monitoring

Impact mitigation and monitoring ensure that biodiversity protection measures are implemented, effective, and improved over time. Monitoring does not need to be complex for all companies. It should match the company's risk level, site conditions, supplier exposure, and customer expectations.

Biodiversity monitoring plan

Companies should prepare a biodiversity monitoring plan where the topic is material or where site and sourcing risks are identified.

A practical monitoring plan may include:

Monitoring Area	What to Monitor	Evidence
Site proximity to sensitive areas	Whether operations are near water bodies, forests, wetlands, peatlands, communities, or protected areas.	Site maps, screening records, photographs, inspection reports.
Buffer zones	Condition of buffer zones around drains, rivers, storage areas, and sensitive receptors.	Buffer zone inspection checklist, photographs, corrective action records.
Wastewater and discharge	Effluent quality, discharge compliance, treatment system performance.	Effluent reports, wastewater treatment logs, maintenance records.
Chemical and waste storage	Containment, labelling, leakage, housekeeping, segregation, storage limits.	Storage inspection reports, SDS, waste records, spill records.
Environmental incidents	Spills, leaks, exceedances, complaints, illegal discharge, wildlife or habitat disturbance.	Incident reports, complaint logs, investigation records, corrective action plans.
Supplier biodiversity risk	Supplier origin, sourcing area, protected area exposure, deforestation linkage, certification status.	Supplier questionnaires, declarations, sourcing maps, geolocation records, audit reports.
Corrective actions	Whether biodiversity-related findings are closed on time.	Corrective action tracker, closure evidence, management review minutes.

Monitoring frequency

Monitoring frequency should depend on risk.

Risk Level	Suggested Frequency
Low	Annual screening and review.
Medium	Semi-annual or quarterly review of relevant controls and records.
High	Monthly or quarterly monitoring, supplier follow-up, management review, and corrective action tracking.
Incident-based	Immediate investigation and corrective action following spill, exceedance, complaint, land disturbance, or supplier finding.

Examples of high-risk situations include operations near rivers or wetlands, chemical or waste storage near drains, repeated effluent issues, site expansion, sourcing from high-risk natural rubber areas, unresolved supplier traceability gaps, or customer requests for biodiversity or nature-related evidence.

Corrective action and mitigation

Where biodiversity-related risks or impacts are identified, the company should implement corrective actions. Examples include:

Issue Identified	Possible Corrective Action
Chemical storage near drain without adequate containment	Install bunding, relocate storage, provide spill kits, train workers, inspect monthly.
Waste leakage or poor storage	Improve storage area, segregate waste, label containers, engage licensed contractor, inspect regularly.
Effluent exceedance	Investigate root cause, repair treatment system, retrain operators, increase monitoring, report if required.
Vegetation clearing without approval	Stop work, review approval requirements, restore affected area, update contractor controls.
Supplier lacks origin information	Request traceability data, classify supplier risk, set improvement timeline, prioritise high-volume suppliers.
Supplier linked to protected area risk	Conduct enhanced due diligence, request evidence, verify sourcing, require corrective action, escalate sourcing decision.
Community complaint about pollution or drainage	Investigate, engage complainant, implement corrective action, monitor recurrence, close grievance with evidence.

Corrective actions should be tracked to closure and reviewed by management where the issue is significant.

Biodiversity data and performance indicators

Companies should use simple performance indicators to track progress. Examples include:

- a. number or percentage of sites screened for biodiversity risk;
- b. number of sites located near sensitive areas;
- c. number of biodiversity-related incidents or complaints;
- d. number of buffer zone inspections conducted;
- e. percentage of corrective actions closed on time;
- f. number or percentage of natural rubber suppliers screened for biodiversity or ecosystem risk;
- g. percentage of natural rubber purchase volume covered by origin or sourcing area information;
- h. percentage of high-risk suppliers with mitigation actions;
- i. number of supplier engagement sessions conducted; and
- j. number of employees or contractors trained on environmental protection and spill response.

Review and continuous improvement

Biodiversity risks and controls should be reviewed at least annually, and whenever there are:

- a. new sites, expansions, construction, or land use changes;
- b. new suppliers, sourcing areas, or raw materials;
- c. changes in natural rubber sourcing;
- d. environmental incidents, spills, or complaints;
- e. customer or certification requirements;
- f. changes in legal or permit conditions;
- g. new evidence of protected area or ecosystem risk;
- h. major changes in wastewater, waste, chemical, or emissions performance; or
- i. stakeholder concerns.

Biodiversity monitoring results should feed into the environmental risk register, supplier due diligence process, ESG action plan, internal audit programme, management review, and ESG reporting.

11.4 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Biodiversity topic. Companies should apply them according to materiality, site conditions, sourcing exposure, customer requirements, and data availability.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. Biodiversity commitment	Company has a commitment to avoid, reduce, and manage biodiversity and ecosystem impacts.	ESG Policy, Environmental Policy, Responsible Sourcing Policy, Supplier Code of Conduct, management approval.	ESG Team / Management
2. Biodiversity risk screening for own operations	Company screens sites and activities for potential biodiversity risks.	Site maps, environmental risk assessment, biodiversity screening checklist, site inspection records.	EHS / Facilities / ESG Team
3. Identification of nearby sensitive areas	Company identifies whether sites are near rivers, wetlands, forests, peatlands, protected areas, communities, or other sensitive receptors.	Site boundary map, drainage map, photographs, environmental approval documents, screening records.	EHS / Facilities
4. Identification of biodiversity receptors	Relevant habitats, ecosystems, species, water bodies, vegetation, and ecosystem services are identified where applicable.	Biodiversity assessment, site inspection checklist, environmental assessment, stakeholder feedback, photographs.	EHS / ESG Team
5. Biodiversity risk assessment for suppliers	Natural rubber suppliers and sourcing areas are screened for biodiversity, ecosystem, deforestation, protected area, peatland, and land use risks where relevant.	Supplier questionnaire, supplier declaration, sourcing area map, origin register, geolocation records, risk assessment matrix.	Procurement / ESG Team
6. Protection of sensitive habitats and ecosystems	Company maintains controls to protect natural habitats, water bodies, buffer zones, and ecosystem functions.	Buffer zone register, inspection records, site layout plan, maintenance logs, corrective action records.	EHS / Facilities
7. Water and effluent controls linked to biodiversity	Wastewater, effluent, and drainage are managed to prevent harm to aquatic	Effluent test reports, wastewater treatment logs, discharge permits, drain	EHS / WWTP Operator

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	ecosystems and surrounding land.	inspections, maintenance records.	
8. Chemical and hazardous substance controls	Chemicals and hazardous substances are stored, handled, and disposed of to prevent impacts on soil, water, species, and habitats.	Chemical inventory, SDS, storage inspection records, spill kits, spill reports, training records.	EHS / Warehouse / Production
9. Waste controls linked to biodiversity	Waste is segregated, stored, treated, recycled, or disposed of responsibly to prevent ecosystem harm.	Waste register, scheduled waste records, consignment notes, vendor licences, storage inspection records.	EHS / Warehouse / Procurement
10. Site expansion and construction controls	Biodiversity and ecosystem risks are considered before land clearing, expansion, earthworks, or construction.	Approval records, contractor controls, environmental screening, site inspection, erosion control records.	Facilities / EHS / Management
11. Supplier no-conversion and ecosystem protection controls	Suppliers are expected to avoid deforestation, ecosystem conversion, protected area encroachment, and illegal land use.	Supplier Code of Conduct, supplier declaration, responsible sourcing policy, certification, audit reports, corrective action plans.	Procurement / ESG Team
12. Biodiversity incident and complaint management	Biodiversity-related incidents, complaints, spills, exceedances, or habitat disturbances are recorded and addressed.	Incident register, complaint log, investigation reports, corrective action tracker, closure evidence.	EHS / ESG Team
13. Training and awareness	Relevant employees and contractors are trained on environmental protection measures that reduce biodiversity risk.	Training records, toolbox talk records, induction records, spill response drill records.	HR / EHS
14. Monitoring and corrective action	Biodiversity risks, controls, findings, and corrective actions are monitored and reviewed.	Monitoring plan, inspection reports, supplier follow-up records, corrective action tracker, management review minutes.	EHS / ESG Team / Procurement
15. Reporting and disclosure	Company discloses biodiversity-related scope, risks, controls, indicators, evidence, limitations, and improvement plans where material.	ESG report, ESG Checklist, evidence register, omission explanation, management approval record.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Percentage of operational sites screened for biodiversity risk	Sites screened ÷ total operational sites.
Number of sites located near identified sensitive areas	Count of applicable sites.
Number of biodiversity-related incidents or complaints	Count of spills, exceedances, habitat disturbance, or biodiversity-related complaints.
Percentage of biodiversity-related corrective actions closed on time	Corrective actions closed by due date ÷ total corrective actions due.
Number of buffer zone or sensitive area inspections conducted	Count of inspections during the reporting period.
Percentage of natural rubber suppliers screened for biodiversity or ecosystem risk	Suppliers screened ÷ total natural rubber suppliers.
Percentage of natural rubber purchase volume covered by origin or sourcing area information	Volume with origin or sourcing area data ÷ total natural rubber purchase volume.
Number of high-risk suppliers with biodiversity-related mitigation actions	Count of suppliers with active corrective or mitigation plans.
Number of employees and contractors trained on spill prevention, waste handling, or environmental protection	Count of trained persons.
Number of supplier engagement sessions covering biodiversity, ecosystem protection, or responsible sourcing	Count of engagement sessions.

Reporting guidance

Where biodiversity is material, the company should disclose:

- why biodiversity is relevant to the company;
- whether the topic applies to own operations, supply chain, or both;
- whether any sites are near sensitive areas, water bodies, forests, wetlands, peatlands, or protected areas;
- how biodiversity risks are identified and assessed;
- how biodiversity risks are controlled through wastewater, waste, chemical, land use, buffer zone, and supplier management;
- how natural rubber suppliers are assessed for biodiversity and ecosystem risks where relevant;
- any incidents, complaints, exceedances, or corrective actions during the reporting period;
- KPIs used to monitor biodiversity-related performance;
- data gaps, limitations, or confidentiality constraints; and
- improvement actions planned for the next reporting cycle.

Example disclosure wording

Biodiversity

Biodiversity is relevant to the company because our operations involve wastewater, chemicals, waste handling, and natural rubber sourcing. The company does not own or operate plantations, but recognises that biodiversity risks may arise through upstream sourcing and through site-level environmental controls.

During the reporting period, the company screened its operational site for nearby sensitive receptors, reviewed drainage and chemical storage controls, and maintained effluent and waste management records. Biodiversity-related supplier screening has been incorporated into the natural rubber supplier due diligence process.

No biodiversity-related incidents were recorded during the reporting period. Supplier-level biodiversity information remains incomplete for some upstream sourcing areas, and the company will prioritise high-volume suppliers for improved sourcing area documentation and risk screening.

Omission and non-applicability guidance

Where biodiversity is not reported in detail, the company should explain why.

Situation	Example Explanation
Site is located in an established industrial area with no identified sensitive receptors	"The company's operations are located in an established industrial area and no nearby sensitive biodiversity receptors were identified during basic screening. The topic will continue to be monitored through environmental compliance, waste, water, and chemical management controls."
Company does not source natural rubber	"Biodiversity risks linked to natural rubber sourcing are not currently applicable because the company does not use natural rubber. Site-level environmental controls remain covered under Water, Waste, Hazardous Substances, and Environmental Compliance."
Topic applies mainly through suppliers	"The company does not conduct cultivation or plantation activities. Biodiversity risks are managed through supplier screening, responsible sourcing expectations, traceability documentation, and deforestation-related due diligence."
Supplier data is incomplete	"Supplier-level biodiversity information is not yet complete for all sourcing areas. The company will progressively request sourcing area and risk information from priority suppliers."
Confidential supplier location data	"Supplier-specific sourcing and geolocation information is maintained internally and disclosed only to authorised customers, regulators, or assurance providers due to confidentiality and data protection considerations."

Situation	Example Explanation
Biodiversity managed under related topics	“Biodiversity-related risks are addressed through Deforestation, Sustainable Land Use and Natural Ecosystem Conservation, Water, Waste, Hazardous Substances, and Supply Chain Traceability.”

Minimum Implementation Outputs for Section 11

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

Output	Purpose
Biodiversity commitment or policy reference	Confirms the company’s commitment to managing biodiversity and ecosystem risks.
Biodiversity risk screening checklist	Identifies whether sites, activities, or suppliers may affect biodiversity.
Site boundary and sensitive receptor map	Shows nearby rivers, drains, wetlands, vegetation, protected areas, communities, or other sensitive areas.
Biodiversity risk register	Records biodiversity risks, impact pathways, controls, responsible persons, and actions.
Buffer zone inspection records	Monitors condition of buffer zones and sensitive areas.
Chemical, waste, and water control records	Demonstrates controls that prevent biodiversity impacts from pollution or contamination.
Supplier biodiversity screening form	Assesses natural rubber suppliers for ecosystem, protected area, land use, and biodiversity risks.
Sourcing area or origin register	Supports biodiversity and ecosystem risk assessment in natural rubber supply chains.
Incident and complaint log	Records spills, exceedances, biodiversity-related complaints, and corrective actions.
Corrective action tracker	Tracks biodiversity-related findings and closure status.
Training records	Shows employee and contractor awareness on pollution prevention and environmental protection.
ESG evidence register	Organises documents for reporting, customer requests, audits, and verification.
Annual review record	Confirms management review of biodiversity risks, data gaps, supplier risks, and improvement plans.

Used properly, this topic helps rubber processors and manufacturers identify biodiversity risks, protect sensitive ecosystems, strengthen responsible sourcing, prevent pollution-related impacts, and demonstrate credible environmental stewardship across their operations and value chain.

12. Environmental Topic 4: Emissions

Emissions management is a key environmental topic for Malaysian rubber processors and manufacturers because rubber processing and rubber product manufacturing may involve significant use of electricity, fuel, heat, steam, compressed air, boilers, generators, vehicles, refrigerants, raw materials, chemicals, packaging, logistics, and waste treatment. These activities can generate greenhouse gas emissions and, where relevant, other air-related emissions such as fumes, dust, odour, volatile organic compounds, and combustion-related pollutants.

This section focuses primarily on **greenhouse gas, or GHG, emissions**, measured in carbon dioxide equivalent, or CO₂e. Companies should also manage other regulated air emissions through their environmental compliance, pollution prevention, hazardous substances, and legal register processes.

Emissions are closely linked to several other ESG topics:

Related Topic	Linkage to Emissions
Energy	Electricity and fuel use are usually the main sources of Scope 1 and Scope 2 emissions.
Material Use and Circularity	Raw materials, recycled content, scrap reduction, and product design influence value chain emissions.
Hazardous Substances	Refrigerants, solvents, chemicals, fumes, and process emissions may create emissions-related risks.
Water and Waste	Wastewater treatment, sludge handling, waste disposal, and recycling may affect emissions.
Supply Chain Traceability and Due Diligence	Supplier data is needed to understand relevant Scope 3 emissions.
Transparency and Risk Management	Emissions data requires clear methodology, evidence, review, and approval.
Climate Transition	Emissions reduction supports customer expectations, climate disclosure readiness, and long-term competitiveness.

Companies should approach emissions management progressively. An SME may begin by tracking electricity and fuel consumption and calculating Scope 1 and Scope 2 emissions. A larger company or export-oriented manufacturer may also assess relevant Scope 3 categories, product carbon footprint requests, renewable energy options, supplier emissions, and climate transition risks.

The Greenhouse Gas Protocol is widely used for corporate GHG accounting. Its Corporate Standard classifies emissions into Scope 1, Scope 2, and Scope 3, and explains that companies should set organisational and operational boundaries before identifying and categorising emissions. ([GHG Protocol](#))

12.1 Scope 1, Scope 2, and Relevant Scope 3 Emissions

Companies should classify emissions into Scope 1, Scope 2, and relevant Scope 3 emissions. This helps ensure that emissions are measured consistently and that companies understand which emissions arise from their own operations and which arise from purchased energy or value chain activities.

Scope	Meaning	Common Examples for Rubber Processors and Manufacturers
Scope 1	Direct GHG emissions from sources owned or controlled by the company.	Diesel, petrol, natural gas, LPG, biomass, or other fuels used in boilers, generators, ovens, dryers, forklifts, company vehicles, and onsite equipment; refrigerant leakage from chillers or air-conditioning systems; onsite process emissions where applicable.
Scope 2	Indirect GHG emissions from purchased energy consumed by the company.	Purchased electricity from the grid; purchased steam, heating, or cooling where applicable.
Scope 3	Other indirect emissions that occur in the company's value chain.	Purchased natural rubber, synthetic rubber, chemicals, additives, packaging, capital goods, upstream transport, downstream transport, waste disposal, employee commuting, business travel, outsourced processing, use of sold products where relevant, and end-of-life treatment of sold products.

The GHG Protocol's Scope 3 guidance covers 15 categories of value chain emissions, including purchased goods and services, transportation and distribution, and waste generated in operations. Companies do not need to calculate every Scope 3 category at the same level of detail immediately, but they should screen which categories are relevant and material. ([GHG Protocol](#))

For reporting aligned with climate disclosure expectations, companies should be aware that IFRS S2 requires disclosure of Scope 1, Scope 2, and Scope 3 GHG emissions in accordance with the GHG Protocol, subject to materiality. ([IFRS](#))

Scope 1 emissions for rubber companies

Scope 1 emissions usually arise from direct fuel combustion and fugitive emissions from equipment.

Common Scope 1 sources include:

- diesel used in generators;
- natural gas, LPG, biomass, fuel oil, or diesel used in boilers, burners, dryers, ovens, or process heating;

- c. petrol or diesel used in company-owned vehicles;
- d. fuel used in forklifts, loaders, tractors, or internal transport vehicles;
- e. refrigerant leakage from air-conditioning, chillers, cold rooms, or process cooling systems;
- f. onsite wastewater treatment emissions where applicable;
- g. process emissions from specific chemical or manufacturing processes where applicable; and
- h. fire suppression gas releases where applicable.

Companies should maintain records of fuel type, quantity consumed, equipment using the fuel, period of use, and supporting invoices or logs.

Scope 2 emissions for rubber companies

Scope 2 emissions usually arise from purchased electricity. In rubber processing and manufacturing, electricity may be used for production machines, motors, compressors, pumps, chillers, fans, dryers, mixers, leaching systems, wastewater treatment plants, lighting, offices, warehouses, and utilities.

Companies should track:

- a. monthly electricity consumption in kWh;
- b. electricity bills and meter readings;
- c. purchased renewable electricity or renewable energy certificates where applicable;
- d. onsite solar generation consumed by the company, where applicable;
- e. electricity intensity per unit of production; and
- f. major electricity-consuming equipment or processes.

The GHG Protocol Scope 2 Guidance distinguishes between the **location-based method**, which reflects average grid emissions intensity where energy is consumed, and the **market-based method**, which reflects emissions from electricity that the company has contractually chosen, where such instruments are available. ([GHG Protocol](#))

Relevant Scope 3 emissions for rubber companies

Scope 3 emissions can be more difficult to calculate because they depend on supplier, logistics, waste, customer, and product data. Companies should begin by identifying which Scope 3 categories are most relevant to their business.

For rubber processors and manufacturers, the most relevant Scope 3 areas often include:

Scope 3 Area	Rubber Sector Relevance	Possible Data Sources
Purchased goods and services	Natural rubber, synthetic rubber, latex, chemicals, additives, packaging, outsourced services.	Purchase records, supplier data, product specifications, supplier emission factors.
Capital goods	Machinery, production lines, buildings, equipment, vehicles.	Capital expenditure records, asset registers, supplier information.
Fuel- and energy-related activities not included in Scope 1 or Scope 2	Upstream emissions linked to fuels and purchased electricity.	Fuel data, electricity data, recognised emission factor databases.
Upstream transport and distribution	Transport of raw materials, chemicals, packaging, and supplies to the company.	Logistics invoices, delivery records, tonne-km data, supplier transport data.
Waste generated in operations	Scheduled waste, sludge, scrap, rejected products, packaging waste, landfill, recycling, incineration, treatment.	Waste records, vendor reports, consignment notes, disposal method data.
Business travel	Air travel, hotel stays, taxis, mileage claims.	Travel records, claims, invoices.
Employee commuting	Employee travel to and from work.	Employee surveys, transport allowance data, estimated commute distance.
Downstream transport and distribution	Transport of products to customers, ports, warehouses, or distributors.	Shipment records, logistics data, tonne-km, customer delivery data.
Processing of sold products	Relevant if sold intermediate materials are further processed by customers.	Customer data, product information, industry assumptions.
Use of sold products	Relevant for certain rubber products where use-phase energy or emissions are material.	Product category analysis, customer or industry data.
End-of-life treatment of sold products	Disposal, recycling, incineration, or landfill of rubber products and packaging.	Product weight, packaging records, waste treatment assumptions.

Companies should apply a **relevance and materiality screen** before calculating Scope 3 emissions in detail. A practical screen may consider size of spend or volume, expected emissions significance, supplier risk, customer requirements, availability of data, and whether the category affects market access or climate reporting.

12.2 GHG Data Collection

GHG data collection should be systematic, traceable, and supported by evidence. Companies should not calculate emissions only at the end of the reporting year without clear data ownership and source records.

A practical GHG data collection process should include the following steps:

Step	Action
1. Define the boundary	Identify sites, subsidiaries, operations, leased assets, vehicles, warehouses, and activities included in the emissions inventory.
2. Identify emission sources	List all Scope 1, Scope 2, and relevant Scope 3 sources.
3. Assign data owners	Appoint responsible persons for electricity, fuel, refrigerants, waste, logistics, materials, and supplier data.
4. Collect activity data	Gather consumption, purchase, distance, weight, production, waste, and supplier data.
5. Select emission factors	Use recognised, current, and appropriate emission factors for each activity.
6. Calculate emissions	Multiply activity data by emission factors and convert to CO ₂ e.
7. Review data quality	Check completeness, units, calculation formulas, assumptions, and evidence.
8. Approve results	Require management or ESG Committee review before external reporting.
9. Retain evidence	Keep bills, invoices, logs, calculation files, emission factor references, and approval records.
10. Improve annually	Identify data gaps and improve systems for the next reporting cycle.

Basic calculation approach

A simple GHG calculation is usually based on the following formula:

$$\text{GHG emissions} = \text{Activity data} \times \text{Emission factor}$$

For example:

Activity Data	Example Emission Factor Type
kWh of purchased electricity	Grid electricity emission factor.
Litres of diesel	Diesel combustion emission factor.
kg of LPG	LPG combustion emission factor.
kg of refrigerant leaked	Refrigerant global warming potential.
Tonnes of waste landfilled	Waste treatment emission factor.
Tonne-km of freight	Transport emission factor.

Companies should calculate and report emissions in **tonnes of CO₂e**. Where emissions are calculated from multiple gases, such as CO₂, CH₄, N₂O, or refrigerant gases, they should be converted into CO₂e using recognised global warming potential values.

Companies should not use outdated or unclear emission factors without explanation. Where possible, emission factors should be sourced from recognised authorities, national sources, utility data, the GHG Protocol, IPCC-based sources, supplier-specific data, or customer-approved methodologies. The selected source should be documented.

Core GHG activity data

Data Area	Data to Collect	Suggested Evidence	Typical Data Owner
Purchased electricity	Monthly kWh consumption by site or meter.	Electricity bills, meter readings, energy monitoring system.	Finance / Facilities / Maintenance
Diesel, petrol, fuel oil, natural gas, LPG, biomass	Quantity purchased and consumed by fuel type and equipment.	Fuel invoices, tank records, generator logs, boiler logs, vehicle fuel records.	Maintenance / Production / Finance
Refrigerants	Type of refrigerant, amount topped up, leakage records, servicing records.	Service reports, maintenance invoices, refrigerant logs, equipment records.	Facilities / Maintenance / EHS
Company vehicles	Fuel use, mileage, vehicle type, usage purpose.	Fuel cards, claims, vehicle logs, maintenance records.	Logistics / Administration / Finance
Waste	Waste type, quantity, treatment method, disposal contractor.	Waste register, consignment notes, disposal invoices, vendor reports.	EHS / Warehouse / Procurement
Materials	Quantity of natural rubber, synthetic rubber, latex, chemicals, additives, packaging, and other major inputs.	Purchase records, inventory records, production records, supplier data.	Procurement / Production / Finance
Logistics	Transport mode, distance, weight, shipment records.	Delivery orders, freight invoices, shipping documents, logistics reports.	Logistics / Sales / Procurement
Production volume	Tonnes or units produced by product category.	Production records, output reports, ERP records.	Production / QA / Finance

Data Area	Data to Collect	Suggested Evidence	Typical Data Owner
Renewable energy	Onsite solar generation, electricity consumed, exported electricity, renewable energy certificates where applicable.	Solar meter data, invoices, certificates, contracts.	Facilities / Finance / ESG Team

GHG data quality controls

Companies should apply the following data quality principles:

Principle	Practical Application
Completeness	Include all sites, fuels, electricity meters, and major emission sources within the reporting boundary.
Consistency	Use consistent units, boundaries, emission factors, and calculation methods year to year.
Accuracy	Check formulas, units, conversion factors, and source records.
Traceability	Link every data point to a bill, invoice, log, system record, or supplier document.
Transparency	Document assumptions, estimates, exclusions, and data gaps.
Timeliness	Collect data monthly or quarterly instead of waiting until year-end.
Reviewability	Ensure another person can review the calculation and understand how the result was produced.
Confidentiality	Protect supplier-specific, customer-specific, and commercially sensitive emissions data.

Managing estimates and data gaps

Companies may need to use estimates where actual data is unavailable. Estimates should be used carefully and documented.

An estimate record should explain:

- what data was estimated;
- why actual data was not available;
- what method was used;
- what assumptions were applied;
- who reviewed the estimate;
- whether the estimate is material; and
- how the company will improve actual data collection in future.

Examples include estimating fuel use where invoices cover multiple sites, estimating employee commuting from survey samples, estimating logistics emissions from shipment weight and distance, or estimating supplier emissions using spend-based or average-data methods where supplier-specific data is not available.

GHG inventory evidence pack

Companies should prepare an annual GHG inventory evidence pack containing:

- a. reporting boundary statement;
- b. list of sites and activities covered;
- c. Scope 1, Scope 2, and Scope 3 source list;
- d. data ownership matrix;
- e. activity data records;
- f. emission factor references;
- g. calculation workbook;
- h. methodology notes;
- i. assumptions and estimates;
- j. data gap register;
- k. internal review checklist;
- l. management approval record; and
- m. final emissions summary.

This evidence pack should be retained for internal audit, customer review, external assurance, financing applications, and future reporting.

12.3 Emissions Reduction Initiatives

Emissions reduction initiatives should focus first on reducing actual energy use, fuel use, material waste, refrigerant losses, inefficient logistics, and process inefficiencies. Companies should avoid relying only on offsets or certificates without reducing emissions from operations and value chains.

A practical emissions reduction hierarchy is shown below.

Level	Action
Measure	Establish reliable emissions baseline and identify major emission sources.
Avoid	Avoid unnecessary energy, fuel, transport, waste, and material use.
Reduce	Improve efficiency in production, utilities, maintenance, logistics, and materials.
Substitute	Switch to lower-emission fuels, lower-carbon materials, or lower-impact processes where feasible.
Generate or procure renewables	Install onsite renewable energy or procure renewable electricity where credible and available.
Engage value chain	Work with suppliers, logistics providers, waste contractors, and customers to reduce Scope 3 emissions.
Address residual emissions	Consider credible residual emissions strategies only after reduction opportunities are prioritised.

Common reduction opportunities for rubber processors and manufacturers

Area	Possible Initiatives	Evidence
Electricity use	Energy audits, efficient motors, variable speed drives, LED lighting, compressor optimisation, leak checks, chiller optimisation, production scheduling.	Energy audit report, electricity data, maintenance records, project records.
Boilers and process heat	Boiler tuning, insulation, condensate recovery, heat recovery, steam trap maintenance, fuel switching, temperature optimisation.	Boiler logs, fuel records, maintenance records, efficiency reports.
Compressed air	Leak detection, pressure optimisation, compressor maintenance, right-sizing, shutdown controls.	Inspection records, repair logs, electricity savings calculation.
Drying, curing, and heating	Process control improvement, cycle optimisation, heat recovery, preventive maintenance, improved insulation.	Production records, energy intensity tracker, maintenance records.
Renewable energy	Rooftop solar, renewable electricity contracts, renewable energy certificates where applicable and credible.	Solar generation data, contracts, certificates, electricity bills.
Refrigerants	Leak detection, servicing, low-GWP refrigerant options, equipment replacement planning.	Refrigerant log, service reports, equipment register.
Materials	Reduce rejects, improve yield, increase recycled or reclaimed input where technically feasible, optimise formulations.	Material balance, scrap records, production quality records.
Waste	Reduce scrap, segregate waste, increase recycling, improve scheduled waste controls, reduce landfill disposal.	Waste register, recycling records, disposal invoices.
Logistics	Improve load planning, reduce empty trips, optimise routes, consolidate shipments, engage lower-emission logistics providers.	Shipment records, logistics data, transport KPIs.
Supplier engagement	Request emissions data from major suppliers, prioritise lower-emission materials, engage high-volume suppliers.	Supplier questionnaire, supplier data, procurement records.
Product and packaging	Reduce packaging, use recyclable packaging, redesign products for durability or circularity where feasible.	Packaging records, product development records, customer approval.

Setting emissions targets

Companies should set emissions targets that are practical, measurable, and linked to action plans. Targets may be absolute, intensity-based, or activity-based.

Target Type	Example
Absolute emissions target	Reduce total Scope 1 and Scope 2 emissions by a defined percentage over a defined period.
Intensity target	Reduce emissions per tonne of product or per unit produced.
Energy target	Reduce electricity intensity or fuel consumption intensity.
Renewable energy target	Increase percentage of electricity supplied from renewable sources.
Project target	Complete boiler optimisation, compressor leak repair, solar feasibility study, or energy audit by a defined date.
Data target	Complete Scope 3 screening for major purchased materials and logistics categories.
Supplier target	Obtain emissions or energy data from top suppliers by spend or volume.

Targets should include:

- baseline year;
- target year;
- scope covered;
- metric used;
- responsible person;
- action plan;
- budget or resource needs;
- progress monitoring method; and
- evidence required.

Emissions reduction project register

Companies should maintain an emissions reduction project register.

Field	Description
Project name	Energy audit, solar installation, compressor repair, boiler upgrade, logistics optimisation, etc.
Emission source	Electricity, diesel, LPG, natural gas, refrigerants, waste, logistics, materials.
Baseline data	Current consumption or emissions.
Expected reduction	Estimated kWh, fuel, tonnes CO ₂ e, cost, or intensity reduction.
Owner	Department or person responsible.
Budget	Capital expenditure, operating cost, savings, financing support.
Timeline	Start date, target completion date, review date.

Field	Description
Status	Planned, approved, in progress, completed, delayed, cancelled.
Evidence	Audit report, invoices, meter data, maintenance records, calculation file.
Actual result	Verified reduction, cost savings, lessons learned.

Management should review emissions reduction progress at least annually, or more frequently where emissions are a priority ESG topic.

12.4 Climate Transition Considerations

Climate transition considerations refer to how the company prepares for a lower-carbon economy, changing customer requirements, climate disclosure expectations, energy price changes, carbon-related policies, technology shifts, financing expectations, and supply chain decarbonisation.

The TCFD recommendations are structured around four areas: **governance, strategy, risk management, and metrics and targets**. These areas remain useful for organising climate-related thinking and disclosure. ([TCFD](#)) IFRS S2 also focuses on climate-related risks and opportunities that could affect an entity's cash flows, access to finance, or cost of capital over the short, medium, or long term. ([IFRS](#))

For rubber processors and manufacturers, climate transition considerations may include:

Climate Transition Area	Rubber Sector Relevance
Energy cost and availability	High dependence on electricity, fuel, boilers, dryers, compressors, and process heat may increase cost exposure.
Customer carbon requirements	Buyers may request Scope 1, Scope 2, Scope 3, product carbon footprint, energy mix, or emissions reduction information.
Export market requirements	International customers may require climate disclosures, carbon data, or low-carbon manufacturing evidence.
Financing expectations	Banks and investors may request ESG data, emissions performance, energy efficiency plans, or climate risk information.
Technology change	Efficient equipment, solar, automation, heat recovery, cleaner fuels, and digital energy monitoring may become more important.
Supplier emissions	Natural rubber, synthetic rubber, chemicals, additives, packaging, and logistics may contribute to Scope 3 exposure.
Reputation and competitiveness	Companies with credible emissions data and reduction plans may be better positioned for tenders and customer retention.
Physical climate risks	Flooding, heat stress, water stress, and supply disruption may affect operations and sourcing.

Climate-related risks

Companies should include climate-related risks in the ESG risk register or enterprise risk register.

Risk Type	Examples for Rubber Companies
Policy and legal risk	New climate disclosure requirements, carbon reporting requirements, energy efficiency rules, carbon pricing exposure through customers or export markets.
Market risk	Buyers prefer lower-emission suppliers or request product carbon data.
Technology risk	Older, inefficient equipment becomes less competitive or costly to operate.
Reputation risk	Unsupported climate claims, weak emissions data, or failure to respond to customer ESG requests.
Cost risk	Rising electricity, fuel, logistics, or waste treatment costs.
Physical risk	Floods, heat waves, water stress, storm disruption, raw material supply interruption.

Climate-related opportunities

Opportunity	Practical Example
Energy efficiency	Lower electricity and fuel cost through maintenance, efficient motors, process optimisation, and audits.
Renewable energy	Rooftop solar, renewable procurement, or renewable energy certificates where credible and relevant.
Operational resilience	Improved flood preparedness, water management, emergency planning, and supply chain continuity.
Product differentiation	Lower-carbon products, recycled content, improved packaging, or customer-specific carbon data.
Financing access	Green financing, sustainability-linked financing, grants, or customer-supported improvement programmes.
Supplier engagement	Better supplier data, responsible sourcing, and lower Scope 3 exposure.
Reporting readiness	Stronger preparation for NSRF, Bursa, ISSB, customer questionnaires, and assurance expectations.

Climate transition planning

Companies should develop climate transition plans proportionate to their size and maturity. A basic plan may include:

- baseline Scope 1 and Scope 2 emissions;
- preliminary Scope 3 screening;
- major emission sources;
- energy efficiency priorities;
- renewable energy feasibility;
- emissions reduction targets;

- g. climate-related risks and opportunities;
- h. supplier engagement actions;
- i. budget and resource needs;
- j. management oversight;
- k. annual progress review; and
- l. communication and reporting approach.

A more advanced company may include scenario analysis, product carbon footprint studies, science-aligned targets, supplier decarbonisation programmes, capital expenditure alignment, internal carbon pricing, climate resilience assessments, and external assurance.

Companies should avoid making broad claims such as “net zero,” “carbon neutral,” or “climate positive” unless there is a clear baseline, methodology, reduction plan, residual emissions approach, evidence, and approval process.

12.5 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Emissions topic. Companies should apply them based on materiality, company size, operational complexity, customer requirements, reporting obligations, and data availability.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. Emissions policy and commitment	Company has a commitment to measure, manage, and reduce emissions where material.	ESG Policy, Environmental Policy, climate statement, management approval, ESG Committee minutes.	ESG Team / Management
2. GHG inventory boundary	Company defines sites, operations, vehicles, leased assets, and activities included in the emissions inventory.	Boundary statement, site list, organisational chart, asset list, methodology note.	ESG Team / Finance / Management
3. Scope 1 emissions inventory	Direct emissions from fuel combustion, vehicles, generators, boilers, process equipment, refrigerants, and other owned or controlled sources are identified and calculated.	Fuel invoices, generator logs, boiler logs, vehicle fuel records, refrigerant service reports, calculation workbook.	Maintenance / Production / Facilities / ESG Team

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
4. Scope 2 emissions inventory	Purchased electricity and other purchased energy are tracked and converted into CO ₂ e.	Electricity bills, meter readings, grid emission factor reference, renewable energy certificates where applicable, calculation workbook.	Finance / Facilities / ESG Team
5. Scope 2 methodology	Company identifies whether location-based, market-based, or both methods are used where relevant.	Scope 2 methodology note, electricity contracts, renewable energy documentation, emission factor references.	ESG Team / Finance
6. Relevant Scope 3 screening	Company screens relevant Scope 3 categories and identifies priority areas for calculation or improvement.	Scope 3 screening worksheet, supplier spend or volume data, logistics data, waste data, material records.	ESG Team / Procurement / Logistics / Finance
7. Scope 3 calculation where applicable	Material Scope 3 categories are calculated using suitable methods and assumptions.	Supplier data, purchase records, waste records, freight records, emission factors, calculation workbook.	ESG Team / Procurement / Logistics
8. Emissions intensity	Company tracks emissions against production, revenue, output, or other relevant intensity measures.	Production records, emissions calculation, intensity tracker, KPI dashboard.	ESG Team / Production / Finance
9. Emission factor management	Emission factors are recognised, current, documented, and consistently applied.	Emission factor register, source references, methodology note, version control record.	ESG Team
10. Data quality and internal review	Emissions data is checked for completeness, accuracy, consistency, traceability, and assumptions.	Data review checklist, evidence register, calculation review, sign-off record.	ESG Team / Internal Audit / Management
11. Emissions reduction initiatives	Company identifies and implements actions to reduce emissions.	Emissions reduction project register, energy audit, maintenance records, project approval, savings calculation.	ESG Team / Facilities / Production / Maintenance
12. Climate-related targets	Company sets emissions, energy, renewable energy, or data improvement targets where appropriate.	Target register, baseline calculation, action plan, management approval, progress tracker.	Management / ESG Team
13. Climate transition risk assessment	Company identifies climate-related transition and physical risks relevant to operations and supply chain.	Climate risk register, ESG risk register, management review minutes, customer request analysis.	ESG Team / Risk / Management

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
14. Air emissions and regulatory compliance where applicable	Non-GHG air emissions, stack emissions, fumes, dust, odour, or VOCs are monitored where required.	Permits, stack monitoring reports, maintenance records, complaint log, inspection reports.	EHS / Maintenance / Production
15. Reporting and disclosure	Company discloses emissions data, methodology, boundary, assumptions, limitations, reduction actions, and progress where material.	ESG report, customer questionnaire, emissions summary, GHG inventory evidence pack, management approval.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Total Scope 1 emissions	Tonnes CO ₂ e from direct fuel combustion, vehicles, refrigerants, and other owned or controlled sources.
Total Scope 2 emissions	Tonnes CO ₂ e from purchased electricity and other purchased energy.
Total relevant Scope 3 emissions	Tonnes CO ₂ e from selected material Scope 3 categories.
Scope 1 and Scope 2 emissions intensity	Tonnes CO ₂ e per tonne of product, per unit produced, or per revenue measure.
Electricity intensity	kWh per tonne of product or per unit produced.
Fuel intensity	Litres, kg, or GJ of fuel per tonne of product or per unit produced.
Renewable electricity percentage	Renewable electricity consumed ÷ total electricity consumed.
Percentage of major suppliers providing emissions or energy data	Number of priority suppliers providing data ÷ total priority suppliers.
Percentage of Scope 3 categories screened	Categories screened ÷ relevant categories identified.
Number of emissions reduction projects implemented	Count of completed projects during reporting period.
Estimated emissions avoided or reduced	Tonnes CO ₂ e reduced through projects, calculated using documented methodology.
Number of refrigerant leakage incidents	Count of leakage events or top-up records indicating leakage.
Number of air emissions exceedances or complaints	Count of regulatory exceedances, odour complaints, dust complaints, or related incidents.
Percentage of emissions data points supported by evidence	Data points with complete evidence ÷ total emissions data points.

Reporting guidance

Where Emissions is material, the company should disclose:

- a. why emissions are material to the company;
- b. the reporting boundary and reporting period;
- c. Scope 1 and Scope 2 emissions;
- d. relevant Scope 3 emissions or Scope 3 screening status;
- e. methodology and emission factor sources;
- f. whether Scope 2 is calculated using location-based or market-based methods where applicable;
- g. emissions intensity metric used;
- h. major emissions sources;
- i. emissions reduction initiatives implemented;
- j. targets and progress;
- k. climate transition risks and opportunities where relevant;
- l. data gaps, estimates, assumptions, and limitations; and
- m. management review and approval process.

Example disclosure wording

Emissions

Emissions are material to the company because our rubber manufacturing operations use purchased electricity, process energy, fuel, and logistics services. During the reporting period, the company calculated Scope 1 and Scope 2 emissions for its main manufacturing site using electricity bills, fuel invoices, and recognised emission factors.

The company's main emissions sources were purchased electricity, fuel used for process heat, and diesel used in backup generators and internal transport. Scope 3 emissions have not yet been fully calculated; however, the company has started screening purchased materials, waste generated in operations, and upstream logistics as priority categories.

During the year, the company implemented compressed air leak repairs, preventive maintenance for major equipment, and an energy monitoring process. The company will continue improving emissions data quality and will assess further reduction opportunities, including energy efficiency upgrades and renewable energy feasibility.

Omission and non-applicability guidance

Where emissions data is not fully reported, the company should explain the limitation clearly.

Situation	Example Explanation
Scope 3 not yet calculated	“Scope 3 emissions have not yet been fully calculated because supplier and logistics data is incomplete. The company has completed an initial Scope 3 screening and will prioritise purchased materials, waste, and logistics data collection in the next reporting cycle.”
Some sites excluded	“Emissions data currently covers the main manufacturing site only. Warehouse and office data will be included in the next reporting period once meter and utility records are consolidated.”
Refrigerant data unavailable	“Refrigerant leakage data is not yet available because service records were not previously centralised. The company will introduce a refrigerant maintenance log and require service providers to report refrigerant top-up quantities.”
Market-based Scope 2 not reported	“The company reports Scope 2 emissions using the location-based method. Market-based Scope 2 emissions are not reported because the company does not currently purchase renewable electricity instruments.”
Estimated fuel data	“Fuel data for selected equipment was estimated based on purchase invoices and operating logs because separate meters are not yet available. The company will improve equipment-level fuel tracking in the next reporting cycle.”
Non-GHG air emissions not applicable	“No regulated stack emissions are currently applicable to the company’s operations. This will be reviewed if new boilers, thermal processes, or air emission sources are introduced.”
Confidential supplier emissions data	“Supplier-specific emissions data is maintained internally and disclosed only in aggregated form due to confidentiality and commercial sensitivity.”

Minimum Implementation Outputs for Section 12

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

Output	Purpose
Emissions management commitment	Confirms the company’s approach to measuring, managing, and reducing emissions.
GHG inventory boundary statement	Defines sites, activities, assets, and emission sources included in the inventory.
Scope 1 source list	Identifies direct fuel, vehicle, generator, boiler, refrigerant, and process emission sources.
Scope 2 electricity and energy register	Tracks purchased electricity and other purchased energy by site and period.
Scope 3 screening worksheet	Identifies relevant value chain categories and priority data gaps.
GHG data ownership matrix	Assigns responsibility for electricity, fuel, refrigerants, waste, logistics, materials, and supplier data.

Output	Purpose
Emission factor register	Records selected emission factors, sources, versions, and assumptions.
GHG calculation workbook	Calculates Scope 1, Scope 2, and relevant Scope 3 emissions in tonnes CO ₂ e.
Emissions evidence pack	Stores bills, invoices, logs, supplier data, emission factor references, and calculation files.
Data quality review checklist	Checks completeness, accuracy, consistency, traceability, and approval.
Emissions reduction project register	Tracks initiatives, expected reductions, actual savings, owners, timelines, and evidence.
Climate risk register	Records transition and physical climate-related risks and opportunities.
Emissions KPI tracker	Tracks emissions, intensity, reductions, renewable energy, supplier data, and progress.
Management approval record	Shows review and approval of emissions data before external disclosure.
Omission and data gap register	Documents unavailable data, estimates, exclusions, and improvement plans.

Used properly, this topic helps rubber processors and manufacturers measure emissions credibly, identify cost-saving opportunities, respond to customer and reporting expectations, strengthen climate readiness, and support the transition towards lower-carbon operations and supply chains.

13. Environmental Topic 5: Material Use and Circularity

Material Use and Circularity refers to how a company manages the materials it purchases, consumes, transforms, recovers, reuses, recycles, and incorporates into products and packaging. For Malaysian rubber processors and manufacturers, this topic is important because rubber production and rubber product manufacturing may involve significant use of natural rubber, latex, synthetic rubber, rubber compound, chemicals, additives, fillers, packaging, pallets, drums, labels, liners, and other production materials.

The current MRC ESG topic structure identifies **Material Use and Circularity** as one of the 10 Environmental topics under the 29-topic ESG framework. The original MRC ESG guidance links this topic to total material weight or volume, renewable and non-renewable material breakdown, recycled input materials, reclaimed products and packaging, and emissions reduction from recycling or circular practices.

For these Guidelines, Material Use and Circularity should be applied in a practical way. Companies should first understand what materials are used, where they are used, how efficiently they are converted into finished products, what scrap or rejects are generated, whether materials can be reused or recycled, and whether product or packaging design can be improved to reduce waste and resource use.

This topic is especially relevant where a company:

- a. uses natural rubber, synthetic rubber, latex, rubber compound, recycled rubber, reclaimed rubber, chemicals, additives, fillers, packaging, pallets, drums, or other significant materials;
- b. generates offcuts, trimmings, rejects, rework, expired materials, packaging waste, scrap rubber, contaminated materials, sludge, or other recoverable residues;
- c. makes claims relating to recycled content, recycled rubber, reclaimed rubber, recyclable packaging, circular products, sustainable materials, reduced material use, or low-waste production;
- d. supplies customers that request material composition, recycled content, product carbon footprint, circularity, packaging reduction, restricted substance, or product stewardship data;
- e. seeks to reduce material cost, production scrap, rework, defects, off-specification output, or disposal cost;
- f. handles materials that require traceability, certification, customer approval, SDS, restricted substance declarations, or supplier evidence;
- g. uses natural rubber or other land-linked materials where responsible sourcing, traceability, no-deforestation, MSNR, EUDR, GPSNR, FSC, PEFC, or Preferred by Nature-related expectations may apply; or
- h. aims to improve resource efficiency, cleaner production, circularity, customer confidence, and market access.

The 29-topic applicability tool identifies Material Use and Circularity as relevant where a company uses rubber, latex, synthetic rubber, chemicals, additives, or packaging; generates offcuts, scrap, rejects, or recyclable materials; or makes circularity or recycled-content claims. It also identifies typical evidence such as bills of materials, purchase and inventory

records, production yield, scrap and rework logs, recycled input records, packaging records, and recycling or recovery records.

Material Use and Circularity should be read together with **Emissions, Hazardous Substances, Energy, Waste, Water, Supply Chain Traceability and Due Diligence, Business Ethics, and Transparency and Risk Management**. This is because material choices affect emissions, chemical exposure, waste generation, product quality, supplier due diligence, and customer-facing claims.

13.1 Raw Material Efficiency

Raw material efficiency refers to how effectively materials are converted into usable products with minimum loss, waste, rework, rejects, and unnecessary consumption. Improving raw material efficiency can reduce cost, waste, emissions, disposal needs, storage burden, and pressure on suppliers.

For rubber processors and manufacturers, raw material efficiency may apply to:

Material Category	Examples	Efficiency Considerations
Natural rubber	Cup lump, latex, rubber sheets, block rubber, latex concentrate, natural rubber compound.	Yield, moisture content, contamination, storage losses, batch control, traceability, quality consistency.
Synthetic rubber	SBR, NBR, EPDM, butyl rubber, silicone rubber, other elastomers.	Formulation control, supplier quality, off-spec reduction, storage and shelf-life control.
Latex and liquid inputs	Latex concentrate, coagulants, preservatives, process chemicals.	Handling losses, spillage, dosing accuracy, tank cleaning, shelf-life control.
Chemicals and additives	Accelerators, antioxidants, fillers, pigments, processing oils, adhesives, solvents, cleaning agents.	Accurate dosing, restricted substance control, SDS, storage, expiry, safe handling.
Fillers and reinforcements	Carbon black, silica, clay, textile, fibre, metal, cords, beads, fabric.	Scrap reduction, contamination control, cutting efficiency, supplier quality.
Packaging	Cartons, plastic bags, drums, liners, pallets, labels, wrapping film, strapping.	Packaging optimisation, reusable packaging, recycled content, returnable packaging, over-packaging reduction.
Recycled or reclaimed inputs	Reclaimed rubber, recycled rubber crumb, recovered material, reused packaging.	Quality approval, contamination control, customer acceptance, product specification compliance.

Material mapping

Companies should begin by preparing a **Material Register** or **Material Inventory**. This register should identify major materials used in production and packaging.

Field	Description
Material name	Name of raw material, chemical, additive, packaging material, or component.
Material category	Natural rubber, synthetic rubber, latex, chemical, additive, filler, packaging, recycled input, other.
Supplier	Direct supplier or approved supplier.
Use / process area	Product line, production process, department, or formulation where material is used.
Renewable / non-renewable	Whether the material is renewable, non-renewable, recycled, reclaimed, or mixed.
Quantity purchased	Weight, volume, or units purchased during the reporting period.
Quantity consumed	Weight, volume, or units used in production.
Quantity wasted or lost	Scrap, reject, expired, spilled, contaminated, or disposed quantity.
Recycled / reclaimed content	Recycled or reclaimed percentage, where applicable.
Certification / declaration	MSNR, FSC, PEFC, Preferred by Nature, recycled content declaration, restricted substance declaration, SDS, customer approval.
Data owner	Production, Procurement, Warehouse, QA/QC, Finance, EHS, or ESG Team.

Input-output and mass balance

For significant materials, companies should apply a simple input-output or mass balance approach.

Input-Output Area	Practical Requirement
Material input	Quantity of material purchased or issued to production.
Material output	Quantity of finished product, semi-finished product, or saleable output produced.
Process loss	Material lost due to trimming, evaporation, moisture variation, contamination, process residue, cleaning, or other loss.
Scrap and rejects	Quantity of offcuts, rejected products, defective output, failed batches, or non-conforming materials.
Rework and recovery	Quantity reused, reprocessed, reworked, recycled internally, or sent for recovery.
Disposal	Quantity directed to waste disposal, scheduled waste, landfill, incineration, or external treatment.

The evidence register developed for this project identifies key Material Use and Circularity evidence bundles, including raw material purchase records, material consumption records, production batch records, input-output or mass balance records, inventory movement records, packaging purchase or use records, scrap and rework records, recycled or reclaimed material declarations, material efficiency KPI trackers, and circularity action plans.

Raw material efficiency controls

Companies should implement practical controls to reduce material loss.

Control Area	Examples of Practical Controls
Procurement control	Purchase according to approved specifications, quality requirements, shelf-life needs, and production planning.
Receiving control	Check quantity, quality, packaging condition, batch number, shelf life, SDS, certificate, and supplier documentation.
Storage control	Use FIFO or FEFO where relevant, prevent contamination, maintain suitable temperature or humidity, protect packaging, label materials clearly.
Formulation control	Use approved formulas, controlled recipes, weighing accuracy, dosing controls, and QA review.
Process control	Monitor mixing, curing, extrusion, moulding, dipping, cutting, compounding, drying, and finishing parameters.
Quality control	Detect defects early, reduce off-spec production, analyse reject causes, and implement corrective actions.
Maintenance control	Maintain machinery to prevent leakage, inaccurate dosing, excessive trimming, equipment-related defects, and quality losses.
Worker training	Train workers on material handling, storage, weighing, contamination prevention, segregation, and rework procedures.
Scrap monitoring	Track scrap by product, line, process, shift, defect type, and root cause.
Rework approval	Define when material can be safely reworked without affecting product quality, safety, or customer specifications.

Common sources of material loss

Source of Loss	Examples	Improvement Actions
Poor material quality	Contaminated rubber, inconsistent latex quality, defective packaging.	Supplier quality review, incoming inspection, supplier corrective action.
Storage loss	Expired chemicals, damaged packaging, moisture contamination.	FIFO / FEFO, storage inspection, improved labelling, warehouse control.
Process inefficiency	Over-mixing, inaccurate weighing, trimming waste, failed batches.	Process parameter control, operator training, maintenance, automation where feasible.
Quality defects	Product rejects, off-spec output, customer returns.	Root cause analysis, QA checks, corrective actions, design review.
Over-packaging	Excess wrapping, oversized cartons, unnecessary single-use packaging.	Packaging review, right-sizing, reusable packaging, supplier engagement.
Poor segregation	Recyclable material mixed with contaminated waste.	Waste and material segregation, colour-coded bins, worker training.
Rework not controlled	Rework used inconsistently or without approval.	Rework SOP, QA approval, rework records, batch traceability.

Raw material efficiency KPIs

Companies may track:

- a. total material consumption by type;
- b. material consumption per tonne or unit of product;
- c. raw material yield;
- d. production scrap rate;
- e. reject rate;
- f. rework rate;
- g. material loss rate;
- h. packaging material use per unit of product;
- i. percentage of expired or obsolete materials;
- j. cost of material loss;
- k. percentage of scrap reused internally;
- l. percentage of material recovered or recycled; and
- m. number of material efficiency improvement projects completed.

13.2 Sustainable Material Sourcing

Sustainable material sourcing refers to the procurement of materials that are legally sourced, responsibly produced, traceable where required, lower in environmental impact where feasible, safe for workers and customers, and aligned with customer or certification expectations.

For rubber processors and manufacturers, sustainable material sourcing should cover both natural and synthetic inputs. Natural rubber may require particular attention to traceability, no-deforestation, land legality, smallholder-linked sourcing, MSNR, EUDR-oriented evidence, GPSNR expectations, or certification. Synthetic rubber and chemical inputs may require attention to supplier environmental performance, emissions, hazardous substances, restricted substances, worker safety, product stewardship, and end-of-life impacts. The MRC draft recognises that synthetic rubber and additives may involve upstream petrochemical emissions, hazardous substances, and non-biodegradable waste, and that companies should consider material footprint assessment, supplier data, chemical review, recycling, and waste reduction initiatives.

Sustainable sourcing expectations by material type

Material Type	Sustainable Sourcing Focus	Suggested Evidence
Natural rubber	Traceability, legality, no-deforestation, sourcing area, supplier due diligence, MSNR, EUDR-oriented evidence where relevant.	Supplier declaration, purchase records, origin data, sourcing area records, geolocation where required, certification evidence.
Latex	Supplier quality, origin, chemical preservation, legal sourcing, wastewater and environmental controls at supplier level where relevant.	Supplier questionnaire, certificate of analysis, supplier declaration, batch records.
Synthetic rubber	Supplier environmental practices, emissions, product stewardship, chemical composition, restricted substance data.	Supplier ESG questionnaire, technical data sheet, SDS where applicable, product specification, supplier declaration.
Chemicals and additives	Safer alternatives, restricted substance compliance, SDS, product stewardship, worker safety, storage and disposal requirements.	SDS, restricted substance declaration, supplier certificate, approval records.
Fillers and reinforcements	Supplier quality, material origin, environmental impacts, worker safety, contamination control.	Supplier declaration, product specification, certificate of analysis.
Packaging	Recycled content, recyclability, reusable options, reduced packaging, supplier environmental performance.	Packaging specification, supplier declaration, recycled content evidence, packaging purchase records.
Recycled or reclaimed inputs	Quality assurance, contamination control, traceability, recycled content claim integrity, customer approval.	Recycled content declaration, test report, QA approval, customer approval, purchase records.

Supplier requirements

Companies should include material sourcing expectations in supplier onboarding, supplier contracts, purchase specifications, supplier questionnaires, or the Supplier Code of Conduct. Supplier requirements may include:

- compliance with applicable laws, licences, permits, and product requirements;
- accurate material descriptions, specifications, and composition information;
- SDS and restricted substance information where applicable;
- origin and traceability information for natural rubber and other traceability-relevant materials;
- no-deforestation, legality, or sourcing area declarations where relevant;
- certification or chain-of-custody information where applicable;
- recycled or reclaimed content declarations where claims are made;
- packaging material and recyclability information;
- supplier environmental and labour commitments;
- cooperation with due diligence, audit, or corrective action requests; and
- notification of material changes, formulation changes, source changes, or certification status changes.

Sustainable material selection hierarchy

When selecting materials, companies should consider the following hierarchy where practical and compatible with product requirements.

Preferred Approach	Practical Meaning
Avoid unnecessary material use	Reduce over-specification, over-packaging, excess trimming, unnecessary single-use material, and avoidable waste.
Use legally and responsibly sourced materials	Verify supplier legitimacy, origin, documentation, and compliance.
Use lower-impact alternatives where feasible	Consider lower-hazard chemicals, lower-emission inputs, recyclable packaging, or materials with verified responsible sourcing.
Use recycled or reclaimed materials where suitable	Use recycled rubber, reclaimed rubber, recycled packaging, or recovered materials where quality and customer specifications allow.
Design for reuse and recovery	Use packaging or product design that supports reuse, repair, recycling, or take-back where feasible.
Control claims carefully	Ensure recycled, responsible, sustainable, recyclable, or circularity claims are evidence-backed and approved.

Customer and product specification controls

Sustainable sourcing must not compromise product safety, technical performance, legal requirements, or customer specifications. Before changing materials, companies should review:

- product specification;
- customer approval requirements;
- product performance requirements;
- restricted substance requirements;
- regulatory or certification requirements;
- QA/QC test results;
- shelf life and durability;
- process compatibility;
- worker safety implications;
- end-of-life implications; and
- claim substantiation requirements.

Any substitution of raw materials, recycled content, packaging, or chemical inputs should be documented and approved by QA/QC, Production, Procurement, EHS, Sales, and Management where relevant.

13.3 Recycling, Reuse, and Circularity

Recycling, reuse, and circularity refer to practices that keep materials in use for longer, reduce waste generation, reduce virgin material demand, recover value from production residues, and support more resource-efficient product and packaging systems.

For rubber companies, circularity may be applied at different levels:

Circularity Level	Examples
Internal reuse	Reusing suitable offcuts, process residues, packaging, pallets, drums, containers, or rework material within operations.
Rework and reprocessing	Reprocessing non-conforming material where technically safe and customer-approved.
Material recovery	Segregating scrap rubber, packaging, metal, textile, plastic, cardboard, or production residues for recovery.
Recycled or reclaimed input	Using reclaimed rubber, recycled rubber crumb, recycled packaging, or other recovered materials.
Supplier take-back	Returning pallets, drums, totes, intermediate bulk containers, cores, or reusable packaging to suppliers.
Customer take-back	Receiving reusable packaging or selected products for recovery where commercially and technically feasible.
Product redesign	Reducing material intensity, increasing durability, improving recyclability, or reducing mixed-material complexity.
Industrial symbiosis	Sending suitable by-products or scrap to approved users as secondary materials, where legally and safely allowed.

Waste hierarchy for material circularity

Companies should apply the following hierarchy:

Priority	Action
1. Prevent	Avoid unnecessary material use and prevent defects, contamination, and expiry.
2. Reduce	Optimise formulations, packaging, process control, trimming, and material yield.
3. Reuse	Reuse packaging, pallets, drums, containers, and suitable production materials.
4. Rework	Reprocess materials where product quality and customer requirements allow.
5. Recycle / Recover	Segregate and send materials to approved recyclers or recovery facilities.
6. Treat / Dispose	Dispose only where reuse, recycling, or recovery is not feasible or legally allowed.

Waste reduction linked to product design and material efficiency should be reported under Material Use and Circularity, while waste classification, storage, scheduled waste, contractor control, and disposal evidence should also be managed under **Section 18: Waste**. The draft Guidelines recognise this linkage by noting that waste reduction linked to material efficiency and product design may be reported under Material Use and Circularity.

Circularity opportunities in rubber operations

Operation Type	Circularity Opportunities
Latex processing	Reduce material loss, recover suitable residues where allowed, improve tank cleaning efficiency, reduce packaging waste.
Rubber compounding	Improve batching accuracy, reduce off-spec batches, recover suitable rework, optimise formulations.
Glove or latex product manufacturing	Reduce dipping defects, improve line control, recover packaging, improve reject analysis, explore approved recovery pathways.
Tyre and industrial rubber goods	Improve cutting efficiency, reduce trimming waste, assess rubber crumb or reclaimed rubber where suitable, improve product durability.
Extrusion, moulding, and calendaring	Reduce start-up scrap, optimise die setup, reuse suitable edge trim, improve process stability.
Packaging operations	Reduce oversized packaging, use reusable pallets, returnable packaging, recycled-content cartons, reduced plastic wrap.
Warehouse and logistics	Improve inventory control, prevent material expiry, reduce packaging damage, use returnable containers.

Circularity controls

Companies should implement controls to make recycling and reuse reliable.

Control Area	Practical Requirement
Segregation	Separate recyclable, reusable, contaminated, scheduled waste, general waste, and customer-specific materials.
Labelling	Label material bins, scrap containers, rework material, recyclable packaging, and rejected materials clearly.
Quality control	Confirm whether material can be reused or reworked without compromising quality, safety, or customer requirements.
Traceability	Track reworked or recycled input materials in batch records where relevant.
Contamination prevention	Prevent mixing of clean scrap with contaminated material, chemical waste, oil, water, or scheduled waste.
Approved recyclers	Use approved recyclers or recovery contractors and retain evidence of collection and recovery.
Customer approval	Obtain customer approval where recycled, reclaimed, or reworked materials affect product specifications.
Claim control	Do not make recycled-content or circularity claims unless evidence is available.
KPI tracking	Track scrap, recycling rate, recovery rate, recycled input percentage, and material yield.

Recycling and recovery evidence

Companies should maintain:

- recycling records;
- recovery certificates;
- recycler or recovery contractor approvals;
- waste movement records;
- invoices or collection records;
- material segregation records;

- g. scrap and rework logs;
- h. recycled input declarations;
- i. QA/QC test results;
- j. customer approvals where relevant;
- k. mass balance records where claims are made;
- l. packaging return records; and
- m. circularity action plans.

The Evidence Register tool identifies specific evidence for Material Use and Circularity, including recycled or reclaimed material declarations, recycling and recovery certificates, product design or packaging reduction records, customer specifications, and material loss analysis.

13.4 Product Stewardship Considerations

Product stewardship means considering the environmental, health, safety, quality, resource efficiency, packaging, customer use, and end-of-life implications of products throughout their lifecycle. For rubber processors and manufacturers, product stewardship should be applied proportionately based on the company's product type, customer requirements, role in the value chain, and available influence over product design and end-of-life management.

Product stewardship is particularly relevant for downstream manufacturers because products may be used in healthcare, automotive, industrial, consumer, construction, transport, or other applications where durability, safety, restricted substances, product quality, and end-of-life considerations matter. The MRC draft identifies downstream manufacturing risks and opportunities such as product stewardship, material efficiency, customer ESG requirements, sustainable product innovation, circularity, product quality differentiation, and stronger customer relationships.

Product stewardship focus areas

Focus Area	Practical Considerations
Product design	Can the product meet technical requirements with lower material intensity, lower scrap, longer durability, or improved recyclability?
Material selection	Are materials legally sourced, suitable, safe, traceable where required, and aligned with customer specifications?
Restricted substances	Are restricted or prohibited substances reviewed before materials are approved?
Recycled or reclaimed content	Can recycled or reclaimed inputs be used safely and with customer approval?
Packaging	Can packaging be reduced, right-sized, reused, recycled, or designed with recycled content?
Product durability	Can improved durability reduce replacement frequency and material consumption?
Product repairability or reusability	Are there opportunities for reusable components, returnable packaging, or longer service life?

Focus Area	Practical Considerations
End-of-life	Can products or packaging be recovered, recycled, reclaimed, or safely disposed of?
Customer information	Are customers given accurate information on material composition, handling, storage, disposal, and claims where relevant?
Claims and labelling	Are claims such as recycled content, recyclable, sustainable, low-carbon, or circular supported by evidence?

Product design and development controls

Where a company designs or modifies products, it should integrate ESG considerations into product development.

Product Development Stage	ESG Consideration
Concept / design	Material efficiency, durability, restricted substances, customer ESG requirements, end-of-life options.
Material approval	Supplier evidence, SDS, restricted substance review, recycled content verification, traceability where relevant.
Prototype / trial	Scrap rate, process efficiency, QA/QC performance, worker safety, waste generation.
Customer approval	Customer specification, performance testing, recycled content approval, claim approval.
Production release	BOM control, production SOP, batch records, quality control, rework rules.
Post-production review	Reject rate, customer complaints, returns, packaging performance, end-of-life feedback.

Product and packaging claims

Companies should be careful with claims. The following claims require evidence:

- a. recycled content;
- b. reclaimed rubber content;
- c. recyclable;
- d. reusable;
- e. biodegradable;
- f. compostable;
- g. circular;
- h. sustainable material;
- i. responsibly sourced;
- j. low-carbon;
- k. reduced material use;
- l. waste-free;
- m. zero waste; and
- n. deforestation-free.

Where evidence is incomplete, the company should use more accurate wording. For example, instead of saying “fully circular product,” the company may say “the company is

assessing opportunities to increase recovery, recycled input, and packaging reuse for selected product lines.”

Product stewardship by company type

Company Type	Product Stewardship Focus
Natural rubber processor	Raw material quality, contamination prevention, traceability, packaging, customer specifications, waste and residues.
Latex processor	Product quality, preservation chemicals, packaging, tank and storage control, customer technical data.
Rubber compounder	Formulation control, restricted substances, batch traceability, recycled or reclaimed input approval, material loss reduction.
Rubber product manufacturer	Product design, durability, scrap reduction, packaging, customer specifications, restricted substances, recyclability.
Trader / exporter	Product documentation, supplier evidence, traceability, customer claims, shipment packaging, responsible sourcing information.

13.5 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Material Use and Circularity topic. Companies should apply them based on materiality, product type, customer requirements, data availability, material risk, supplier exposure, and operational maturity.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. Material register	Major raw materials, chemicals, additives, fillers, components, and packaging materials are identified.	Material register, approved material list, BOM, purchase records, inventory records.	Production / Procurement / Warehouse / QA
2. Material classification	Materials are classified as natural rubber, synthetic rubber, latex, chemical, additive, packaging, recycled, reclaimed, renewable, or non-renewable.	Material classification worksheet, supplier declaration, SDS, technical data sheet.	Procurement / QA / ESG Team
3. Total material use	Total weight, volume, or units of key materials used during the reporting period are tracked.	Purchase records, inventory records, material issue records, production records.	Production / Warehouse / Finance
4. Renewable and non-renewable material breakdown	Material use is categorised where data is available.	Material register, supplier declarations, material specification, ESG data tracker.	ESG Team / Procurement
5. Raw material consumption intensity	Material consumed per tonne, unit, batch, or product category is calculated where useful.	Production output records, material usage records, intensity calculation.	Production / ESG Team

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
6. Yield monitoring	Production yield or conversion efficiency is monitored for key materials or product lines.	Yield reports, production batch records, input-output records, mass balance records.	Production / QA
7. Material loss analysis	Scrap, rejects, rework, offcuts, expired materials, residues, and contamination losses are analysed.	Scrap log, reject report, material loss analysis, corrective action records.	Production / QA / EHS
8. Rework control	Rework is controlled, approved, traceable, and used only where product specifications allow.	Rework SOP, QA approval, batch records, rework log, customer approval where required.	QA / Production
9. Material efficiency actions	Actions are implemented to reduce material use, losses, rejects, or over-packaging.	Process improvement records, quality improvement reports, maintenance records, corrective action tracker.	Production / QA / Maintenance
10. Sustainable material sourcing	Suppliers provide material origin, legality, sustainability, certification, or responsible sourcing evidence where relevant.	Supplier declarations, supplier ESG questionnaire, certificates, sourcing records, purchase records.	Procurement / ESG Team
11. Natural rubber sourcing controls	Natural rubber inputs are assessed for traceability, legality, no-deforestation, or MSNR/EUDR/GPSNR-related expectations where relevant.	Supplier declarations, origin records, traceability register, geolocation where required, certification evidence.	Procurement / Supply Chain
12. Synthetic rubber and petrochemical-linked input review	Synthetic rubber and related inputs are reviewed for supplier information, emissions relevance, chemical composition, and waste implications where relevant.	Supplier data, technical data sheets, SDS, Scope 3 screening, waste records.	Procurement / ESG Team / QA
13. Recycled or reclaimed input	Percentage or quantity of recycled or reclaimed input material is tracked where used.	Recycled input records, supplier declarations, certificates, purchase records, QA approval.	Procurement / Production / QA
14. Recycled content claim control	Recycled or reclaimed content claims are evidence-backed and approved.	Claim approval record, supplier declaration, test report, mass balance, customer approval.	QA / ESG Team / Sales
15. Packaging material tracking	Packaging material type, quantity, source, and use are tracked where material.	Packaging purchase records, packaging inventory, packing specifications, supplier invoices.	Procurement / Warehouse / Production
16. Packaging reduction	Opportunities to reduce, right-size, reuse, or improve packaging are assessed.	Packaging review, packaging reduction project records, supplier communication, customer approval.	Procurement / Production / Sales

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
17. Reusable packaging	Returnable or reusable pallets, drums, totes, bins, or cartons are used where feasible.	Return records, supplier take-back records, customer return records, inventory records.	Warehouse / Procurement / Logistics
18. Recycling and recovery	Scrap, packaging, rubber residues, metals, plastics, cardboard, and other materials are segregated and sent for recycling or recovery where feasible.	Recycling records, recovery certificates, contractor records, waste movement records.	EHS / Warehouse / Production
19. Circularity assessment	Reuse, recycling, recovery, supplier take-back, product redesign, or circular material opportunities are assessed.	Circularity assessment, project register, feasibility review, management review.	ESG Team / Production / Procurement
20. Product stewardship review	Product design and material choices consider durability, quality, restricted substances, recyclability, and end-of-life where relevant.	Product design records, QA records, customer specifications, restricted substance review, technical file.	QA / R&D / Production
21. Restricted substance linkage	Materials used in products are checked against customer and regulatory restricted substance requirements.	Restricted substance register, SDS, supplier declaration, test reports.	QA / EHS / Procurement
22. Customer specification control	Material changes, recycled content, packaging changes, or product claims are reviewed against customer requirements.	Customer specifications, change approval records, trial records, customer approval.	QA / Sales / Production
23. Emissions reduction from circularity	Emissions reductions from recycled materials, reduced material use, reuse, or recovery are estimated where methodology is available.	GHG workbook, project calculation, material savings data, methodology note.	ESG Team / Production / Finance
24. Data quality and evidence control	Material use and circularity data is reviewed before reporting.	Data quality checklist, evidence register, review sign-off, management approval.	ESG Team / Data Owners
25. Reporting and disclosure	Company discloses material use, recycled input, packaging, circularity actions, limitations, and improvement plans where material.	ESG report, customer questionnaire, evidence pack, omission register, management approval.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Total material consumption	Total weight or volume of key raw materials used during the reporting period.
Material consumption by category	Natural rubber, synthetic rubber, latex, chemicals, additives, fillers, packaging, recycled inputs.
Renewable material percentage	Renewable material used ÷ total material used.
Non-renewable material percentage	Non-renewable material used ÷ total material used.
Material intensity	Total material consumed ÷ tonne or unit of finished product.
Production yield	Saleable output ÷ material input.
Scrap rate	Scrap generated ÷ total material input or production output.
Reject rate	Rejected output ÷ total production output.
Rework rate	Reworked material or product ÷ total production output.
Material loss rate	Material losses ÷ total material input.
Recycled input percentage	Recycled or reclaimed material input ÷ total material input.
Reclaimed product or packaging percentage	Reclaimed product or packaging quantity ÷ total relevant product or packaging quantity.
Packaging intensity	Packaging used ÷ tonne or unit of product shipped.
Packaging recycled content percentage	Recycled packaging material ÷ total packaging material.
Reusable packaging return rate	Returned reusable packaging ÷ reusable packaging issued.
Recycling or recovery rate	Material sent for recycling or recovery ÷ total recoverable material generated.
Waste diversion linked to material recovery	Material diverted from disposal ÷ total waste or recoverable material generated.
Number of circularity initiatives implemented	Count of approved initiatives during the reporting period.
Cost savings from material efficiency	Cost avoided or reduced from lower material use, scrap reduction, reuse, or recovery.
Number of material-related customer claims reviewed	Claims reviewed before external use.
Number of material-related data gaps	Count of missing, partial, estimated, or unavailable material data points.

Reporting guidance

Where Material Use and Circularity is material, the company should disclose:

- a. why material use and circularity are material to the company;
- b. the main materials used in operations and products;
- c. whether the data covers own operations, suppliers, packaging, products, or selected sites;
- d. total material use by major category where data is available;
- e. renewable and non-renewable material breakdown where available;
- f. recycled or reclaimed input material used;
- g. packaging material use and packaging reduction actions;
- h. scrap, rejects, rework, and material efficiency improvements;
- i. reuse, recycling, recovery, and circularity initiatives;
- j. product stewardship considerations, including durability, restricted substances, customer specifications, and end-of-life where relevant;
- k. supplier sourcing controls for significant materials;
- l. links to emissions, waste, hazardous substances, and supply chain due diligence;
- m. data gaps, estimates, confidentiality constraints, and limitations; and
- n. improvement actions planned for the next reporting period.

Example disclosure wording

Material Use and Circularity

Material Use and Circularity is material to the company because our manufacturing operations depend on rubber, latex, synthetic rubber, chemicals, additives, packaging, and other production materials. Efficient material use supports cost control, waste reduction, resource efficiency, customer requirements, and environmental performance.

During the reporting period, the company tracked key material purchases, production usage, packaging materials, scrap, rejects, and rework records. Material efficiency actions focused on reducing production losses, improving yield, strengthening inventory control, and identifying opportunities for recycling and recovery.

The company also reviewed opportunities to increase recycled or reclaimed input materials and improve packaging efficiency, subject to product quality, safety, customer approval, and technical requirements. Data collection for material intensity and recycled content will be strengthened in the next reporting cycle.

Omission and non-applicability guidance

Material Use and Circularity is usually applicable to rubber processors and manufacturers because most companies use raw materials and packaging. However, some indicators may

not apply depending on the company's products, processes, data maturity, or customer requirements.

Situation	Example Explanation
No recycled inputs used	"The company did not use recycled or reclaimed input materials during the reporting period. This indicator is disclosed as zero, and feasibility will be reviewed for selected product lines where customer specifications allow."
Recycled content data unavailable	"Recycled content data is not yet available for all packaging materials. The company will request recycled content declarations from priority packaging suppliers in the next reporting cycle."
Product stewardship limited by customer design	"The company manufactures products according to customer specifications and has limited control over product design. Material efficiency and packaging improvements are reviewed within the company's operational control."
Circularity claims not made	"The company did not make external circularity or recycled-content claims during the reporting period. Internal recycling and recovery records are maintained for operational tracking."
Material data partially available	"Material consumption data covers major raw materials and packaging only. Minor consumables are excluded due to limited data availability and will be reviewed in future reporting."
Confidential formulation information	"Detailed formulation and material composition information is confidential. The company reports aggregated material categories while maintaining formulation-level evidence internally."
Rework not allowed	"Rework is not permitted for selected products due to customer or product quality requirements. Scrap and rejects are managed through segregation, recycling, or approved disposal routes where feasible."
Supplier material evidence incomplete	"Supplier declarations are currently available for priority suppliers only. Coverage will be expanded based on material significance, customer requirements, and supplier risk."

Minimum Implementation Outputs for Section 13

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

Output	Purpose
Material Use and Circularity Procedure	Defines how materials are tracked, efficiency is monitored, circularity opportunities are assessed, and claims are controlled.
Material Register	Lists major raw materials, chemicals, additives, components, packaging, suppliers, material categories, and data owners.
Bill of Materials / Approved Material List	Links materials to products, formulations, specifications, and approved suppliers.
Material Purchase and Consumption Tracker	Tracks quantity purchased, issued, consumed, lost, reused, recycled, or disposed.
Input-Output / Mass Balance Record	Supports material efficiency, yield, recycled content, reclaimed content, and traceability claims.
Inventory Movement Records	Tracks receipt, storage, issue to production, return, obsolete stock, and expired materials.
Production Yield and Material Efficiency KPI Tracker	Tracks yield, material intensity, scrap rate, reject rate, rework rate, and material loss.
Scrap, Reject, and Rework Register	Records scrap, offcuts, rejects, rework, root causes, and corrective actions.
Packaging Material Tracker	Tracks packaging material use, packaging reduction, reusable packaging, and recycled content where available.

Output	Purpose
Recycled and Reclaimed Material Register	Records recycled inputs, reclaimed materials, supplier declarations, QA approval, and customer approval.
Recycling and Recovery Records	Provides evidence of materials sent for recycling, recovery, reuse, or supplier take-back.
Circularity Opportunity Assessment	Identifies reuse, recycling, recovery, packaging reduction, product redesign, and supplier take-back opportunities.
Product Stewardship Review Record	Reviews product design, material selection, restricted substances, durability, recyclability, packaging, and end-of-life considerations where relevant.
Supplier Material Declarations	Supports sustainable material sourcing, recycled content, restricted substances, traceability, and responsible sourcing.
Customer Specification and Approval File	Stores customer approvals for material changes, recycled content, packaging changes, or product claims.
Material-Related Claim Review Checklist	Ensures recycled, recyclable, reclaimed, circular, sustainable, responsible sourcing, or low-carbon claims are evidence-backed.
Material Loss Analysis	Identifies causes of material loss and improvement opportunities.
Corrective Action Tracker	Tracks actions to reduce scrap, improve yield, strengthen supplier data, improve packaging, and close evidence gaps.
ESG Evidence Register	Stores material use and circularity evidence for reporting, customer requests, audits, and verification.
Management Review Record	Shows management review of material efficiency, circularity progress, supplier evidence, claims, risks, targets, and improvement actions.

Used properly, this topic helps rubber processors and manufacturers reduce material loss, improve production efficiency, strengthen responsible sourcing, increase reuse and recycling, reduce waste and emissions, improve product stewardship, support customer requirements, and provide credible evidence for ESG reporting and continuous improvement.

14. Environmental Topic 6: Hazardous Substances

Hazardous substances management is a key environmental and occupational safety topic for rubber processors and manufacturers. Rubber processing and rubber product manufacturing may involve the use of chemicals, additives, solvents, coagulants, compounding agents, processing oils, adhesives, cleaning chemicals, laboratory reagents, fuels, lubricants, refrigerants, and other substances that may pose risks to workers, the environment, products, customers, and surrounding communities if not properly controlled.

For the purpose of these Guidelines, **hazardous substances** include chemicals, mixtures, raw materials, processing aids, wastes, and by-products that may create health, safety, environmental, fire, pollution, contamination, or compliance risks. This topic also includes hazardous chemical waste and scheduled waste where such waste arises from chemical use, production, cleaning, maintenance, laboratory activities, wastewater treatment, or waste handling.

In Malaysia, hazardous chemical management is linked to legal requirements on chemical classification, labelling, safety data sheets, workplace exposure control, and scheduled waste management. DOSH identifies the CLASS Regulations as covering classification, labelling, and safety data sheets for hazardous chemicals, while USECHH provides a legal framework for controlling worker exposure to chemicals hazardous to health at the workplace. The Department of Environment also maintains requirements and guidance relating to scheduled waste management. (intranet.dosh.gov.my)

This topic should be read together with the Environmental topics on **Waste, Water, Soil Health, Emissions**, and **Biodiversity**, and the Social topic on **Occupational Health and Safety**. Hazardous substances are not only a chemical management issue; they can also affect effluent quality, waste classification, worker exposure, emergency preparedness, product compliance, customer acceptance, and environmental protection.

Hazardous substances management is especially relevant where a company:

- a. uses chemicals, additives, processing aids, solvents, adhesives, cleaning agents, disinfectants, fuels, lubricants, or laboratory chemicals;
- b. stores chemicals, hazardous substances, fuel, refrigerants, or chemical waste onsite;
- c. generates scheduled waste, chemical waste, sludge, contaminated packaging, used oil, spent chemicals, or laboratory waste;
- d. operates wastewater treatment, chemical dosing, compounding, mixing, curing, coating, dipping, cleaning, or maintenance processes;
- e. supplies products to customers with restricted substance, product safety, or chemical declaration requirements;
- f. handles chemicals that may affect worker health, product quality, effluent, air emissions, soil, or water bodies;

- g. uses contractors for chemical supply, cleaning, maintenance, waste disposal, or chemical transport; or
- h. is subject to customer audits, social compliance audits, environmental audits, certification requirements, or regulatory inspections.

Companies should manage hazardous substances through a structured approach covering identification, classification, storage, safe use, exposure prevention, spill prevention, emergency response, waste handling, restricted substance control, training, monitoring, and evidence management.

14.1 Chemical Use and Storage

Chemical use and storage controls help ensure that hazardous substances are properly identified, labelled, stored, handled, monitored, and disposed of. The objective is to prevent worker exposure, product contamination, fires, spills, leaks, soil contamination, water pollution, air emissions, and improper disposal.

Companies should begin by preparing a **Chemical and Hazardous Substance Register**. This register should list all chemicals and hazardous substances used, stored, generated, or disposed of by the company.

A practical register may include:

Information Required	Description
Chemical or substance name	Commercial name and technical name where available.
Supplier	Name of supplier, manufacturer, distributor, or contractor.
Purpose of use	Production, cleaning, laboratory, wastewater treatment, maintenance, fuel, lubricant, refrigerant, etc.
Location used or stored	Production line, chemical store, laboratory, warehouse, maintenance area, wastewater treatment plant, waste storage area.
Quantity purchased or stored	Monthly or annual quantity, maximum storage quantity, or inventory level.
Hazard classification	Based on SDS, label, or supplier classification.
SDS availability	Whether current Safety Data Sheet is available and accessible.
Label status	Whether containers are properly labelled.
Storage requirement	Ventilation, bunding, temperature control, segregation, restricted access, spill control, fire safety controls.
PPE and handling controls	Gloves, eye protection, ventilation, handling procedure, training, or other controls required.
Waste classification	Whether used material, residue, packaging, or by-product becomes scheduled waste or other controlled waste.
Responsible person	Department or person responsible for control and records.
Review date	Date of last review and next review.

Safety Data Sheets and labels

Companies should maintain current **Safety Data Sheets**, or SDS, for all hazardous chemicals used or stored. SDS should be accessible to employees and contractors who handle or may be exposed to the substances. Chemical containers should be properly labelled and should not be stored in unlabelled, damaged, unsuitable, or reused containers unless these are approved and properly identified.

The SDS should be used to understand:

- a. chemical identity and hazard classification;
- b. safe handling requirements;
- c. storage conditions;
- d. exposure controls;
- e. personal protective equipment;
- f. emergency response information;
- g. spill response precautions;
- h. disposal requirements;
- i. first aid information; and
- j. environmental hazards.

Storage controls

Chemical storage should be planned and controlled. Companies should not store hazardous substances randomly in production areas, corridors, drains, open yards, or near incompatible materials.

Chemical storage controls should include:

Control Area	Practical Requirement
Designated storage	Store chemicals only in approved or designated chemical storage areas.
Labelling	Ensure all containers are clearly labelled and match the SDS or supplier information.
Segregation	Separate incompatible substances, food items, personal items, flammable materials, acids, alkalis, oxidising substances, and reactive materials where relevant.
Secondary containment	Use bunding, trays, pallets, or containment systems where leaks or spills may occur.
Ventilation	Provide suitable ventilation where vapours, fumes, or exposure risks may arise.
Access control	Restrict access to trained or authorised personnel.
Housekeeping	Keep storage areas clean, dry, organised, and free from unnecessary materials.
Spill control	Provide suitable spill response materials and emergency contact information.

Control Area	Practical Requirement
Fire and emergency readiness	Maintain appropriate emergency controls according to site risk assessment.
Inspection	Conduct regular storage inspections and record findings.
Inventory control	Avoid excessive storage and monitor expiry, damaged packaging, and obsolete chemicals.
Waste separation	Do not mix chemical waste with general waste or recyclable waste.

Chemical use controls

Chemical use should be controlled through standard operating procedures, work instructions, training, supervision, and monitoring. Relevant controls may include:

- a. approved chemical list;
- b. chemical issue and return records;
- c. restricted access to chemical stores;
- d. chemical handling procedures;
- e. chemical dosing records;
- f. ventilation and engineering controls;
- g. PPE requirements;
- h. safe transfer and decanting procedures;
- i. container labelling requirements;
- j. emergency shower or eyewash availability where required;
- k. spill response procedure;
- l. scheduled waste procedure;
- m. contractor chemical control procedure; and
- n. incident and near-miss reporting.

Where contractors bring chemicals onsite, the company should require them to declare the chemicals, provide SDS, follow site rules, use proper storage and labelling, and remove or dispose of residues in accordance with legal and site requirements.

14.2 Prohibited and Restricted Substances

Prohibited and restricted substance control ensures that the company does not use chemicals, materials, additives, processing aids, or product ingredients that are banned, restricted, unsafe, or unacceptable under applicable laws, customer requirements, certification requirements, product standards, export market rules, or internal policies.

This is important for rubber processors and manufacturers because chemical content can affect product safety, worker exposure, environmental compliance, waste classification,

customer acceptance, and market access. Certain customers may require declarations on restricted substances, substances of concern, product safety, material composition, chemical residues, or compliance with specific product standards.

Sources of prohibited and restricted substance requirements

Companies should identify applicable requirements from:

Source	Examples of Requirements
Malaysian legal requirements	Chemical classification, labelling, SDS, worker exposure, environmental discharge, scheduled waste, storage, and disposal requirements.
Customer requirements	Restricted substance lists, product specifications, supplier declarations, chemical content limits, audit requirements.
Export market requirements	Product safety, chemical content, substance restrictions, labelling, documentation, or testing requirements.
Certification schemes	Requirements under product, environmental, social, quality, responsible sourcing, or chain-of-custody standards.
Internal policy	Company-specific banned or controlled chemicals, approval process, procurement controls, and substitution targets.
SDS and supplier information	Hazard classification, environmental hazard, exposure information, disposal requirements, and safe use conditions.

Restricted substance control process

Companies should establish a process to screen and approve chemicals before purchase or use. This is especially important when introducing new chemicals, changing suppliers, changing formulations, producing for new customers, or exporting to markets with stricter requirements.

A practical process is shown below.

Step	Action
1. Identify requirement	Confirm legal, customer, product, certification, or internal restricted substance requirements.
2. Obtain SDS and technical data	Request SDS, product specification, composition information where required, and supplier declaration.
3. Review hazards and restrictions	Check whether the substance is prohibited, restricted, high risk, or requires special controls.
4. Approve before use	Require approval from EHS, QA/QC, Procurement, Production, and customer-facing teams where needed.
5. Update chemical register	Add approved substance to the chemical inventory and evidence files.

Step	Action
6. Train users	Communicate hazards, safe use, PPE, storage, and disposal requirements.
7. Monitor use	Track quantity used, storage, waste generated, and any incidents.
8. Review periodically	Review approved chemicals and remove obsolete, non-compliant, or high-risk substances where possible.

Chemical substitution

Where a hazardous substance creates significant worker, environmental, customer, or compliance risk, companies should assess whether it can be eliminated, replaced, reduced, or better controlled. Substitution should be technically feasible and should not create a greater risk.

A substitution assessment should consider:

- a. product quality and performance;
- b. worker health and safety;
- c. environmental impact;
- d. emissions, waste, and effluent impact;
- e. customer approval;
- f. legal compliance;
- g. cost and operational feasibility;
- h. supplier availability;
- i. disposal requirements; and
- j. whether the replacement introduces new hazards.

Substitution should be documented. Where substitution is not possible, the company should strengthen engineering controls, administrative controls, PPE, exposure monitoring, training, and emergency response.

Product and customer declarations

Where customers request chemical or restricted substance declarations, companies should ensure that responses are reviewed and evidence-backed. Procurement, QA/QC, EHS, ESG, Sales, and Compliance teams should coordinate before submitting information externally.

Evidence may include:

- a. SDS;
- b. supplier declaration;

- c. formulation or material specification;
- d. laboratory test report where required;
- e. certificate of analysis;
- f. product safety declaration;
- g. customer approval record;
- h. restricted substance screening checklist; and
- i. management approval for external submission.

Companies should avoid making broad statements such as “free from all restricted substances” unless the claim is supported by supplier evidence, testing, product scope, customer requirements, and approval records.

14.3 Chemical Spill Prevention and Response

Chemical spill prevention and response are necessary to protect workers, communities, soil, drains, water bodies, biodiversity, equipment, products, and company reputation. A spill may arise from poor storage, damaged containers, chemical transfer, forklift incidents, overfilling, leaking equipment, transport handling, improper disposal, or emergency events.

The main objective is to prevent spills from occurring and, where they do occur, ensure that only trained personnel respond safely in accordance with the SDS, site emergency procedures, and legal requirements.

Spill prevention controls

Companies should identify potential spill points and implement preventive controls.

Spill Risk Area	Preventive Controls
Chemical storage	Secondary containment, proper shelving, compatible storage, clear labels, restricted access, inspection.
Chemical transfer	Controlled transfer areas, suitable containers, supervision, spill trays, safe transfer procedures.
Production lines	Maintenance, leak checks, operator training, proper dosing equipment, emergency shut-off where relevant.
Wastewater treatment plant	Chemical dosing controls, bunding, tank inspection, operator training, maintenance logs.
Scheduled waste storage	Covered storage, labelled containers, no overfilling, licensed contractor collection, regular inspection.
Fuel and lubricant storage	Bunding, tank inspection, no uncontrolled drainage, spill kits, maintenance controls.

Spill Risk Area	Preventive Controls
Transport and receiving	Receiving checks, trained forklift operators, secure containers, designated unloading areas.
Laboratory areas	Small quantity controls, labelling, storage cabinets, waste segregation, emergency information.
Contractor work	Contractor induction, SDS submission, work permit where required, supervision, removal of waste.

Spill response procedure

The company should maintain a written spill response procedure. The procedure should be simple, visible, and aligned with the SDS and emergency response plan.

A practical spill response procedure should include:

- a. raise the alarm and notify the responsible person;
- b. keep unauthorised persons away from the affected area;
- c. identify the substance only if it is safe to do so;
- d. refer to the SDS and emergency instructions;
- e. ensure only trained and properly equipped personnel respond;
- f. prevent the spill from entering drains, soil, water bodies, or production areas where safe and practical;
- g. use appropriate spill response materials according to the substance and site procedure;
- h. collect and manage contaminated materials as controlled or scheduled waste where applicable;
- i. investigate the cause of the spill;
- j. record the incident and corrective action;
- k. notify relevant authorities, customers, or stakeholders where required; and
- l. review procedures to prevent recurrence.

This guidance should not be treated as a technical response manual. Detailed spill response actions should be based on the SDS, chemical type, site risk assessment, emergency response plan, and advice from competent personnel.

Spill response equipment

Spill response equipment should be available at suitable locations, such as chemical stores, production areas, laboratories, fuel storage areas, wastewater treatment plants, waste storage areas, and loading/unloading areas.

- a. Equipment may include: spill kits suitable for the chemicals stored;
- b. absorbent materials;
- c. drain covers or drain protection materials;
- d. labelled waste containers for contaminated materials;
- e. emergency contact list;
- f. SDS access;
- g. PPE for trained responders;
- h. eyewash or emergency shower where required by risk assessment;
- i. warning signs or barriers; and
- j. inspection checklist.

Spill kits and emergency equipment should be inspected regularly. Used or expired materials should be replaced.

Spill reporting and investigation

All spills, near misses, leaks, uncontrolled discharges, or chemical-related incidents should be recorded. A spill incident record should include:

Field	Description
Date and time	When the spill occurred or was discovered.
Location	Area, process, storage room, drain, loading bay, laboratory, etc.
Substance involved	Chemical or material name, if known and safe to identify.
Quantity estimate	Approximate amount released, if known.
Cause	Container damage, handling error, equipment failure, overfilling, transport issue, etc.
Immediate action	Isolation, notification, containment, response, area cleaning, disposal.
Environmental pathway	Whether drains, soil, water, waste area, product, or equipment were affected.
Persons involved	Employees, contractors, suppliers, or trained response personnel.
Waste generated	Contaminated absorbent, containers, wastewater, residues, or scheduled waste.
Notification	Internal or external notification made, where required.
Corrective action	Action to prevent recurrence.
Closure evidence	Photos, disposal records, repair records, training records, investigation report.

Where contaminated materials are generated from spill response, the company should manage them according to applicable waste and scheduled waste requirements. DOE guidance identifies scheduled waste requirements and includes guidance on classification, packaging, labelling, storage, and related management practices. ([Jabatan Alam Sekitar - JAS](#))

14.4 Worker and Environmental Protection

Hazardous substance management must protect both workers and the environment. Worker protection focuses on preventing harmful exposure, injury, illness, or unsafe work conditions. Environmental protection focuses on preventing pollution, contamination, improper discharge, improper disposal, biodiversity harm, and impacts on surrounding communities.

Worker protection

Companies should identify which workers may be exposed to hazardous substances. This may include production workers, chemical handlers, laboratory personnel, wastewater treatment operators, maintenance staff, cleaners, warehouse staff, forklift drivers, waste handlers, emergency responders, contractors, and supervisors.

Worker protection should follow a hierarchy of controls.

Control Level	Practical Application
Elimination	Remove unnecessary hazardous substances or processes where possible.
Substitution	Replace higher-risk substances with lower-risk alternatives where technically feasible.
Engineering controls	Use ventilation, enclosed systems, extraction, containment, automated dosing, or physical barriers.
Administrative controls	SOPs, training, restricted access, work permits, exposure time control, inspection, supervision.
PPE	Provide suitable PPE as the last line of defence and ensure proper use, maintenance, and replacement.

Under USECHH, DOSH describes the regulation as providing a framework to control workplace exposure to chemicals hazardous to health. DOSH guidance also states that risk assessment should be carried out before work involving chemicals hazardous to health. ([intranet.dosh.gov.my](#))

Practical worker protection measures include:

- a. chemical health risk assessment where required;

- b. exposure monitoring where required;
- c. medical surveillance where required by risk assessment or regulation;
- d. SDS access and communication;
- e. training on hazards, safe use, PPE, storage, and emergency response;
- f. clear chemical labels and warning signs;
- g. ventilation or extraction systems;
- h. safe chemical transfer and dosing procedures;
- i. eye wash, emergency shower, or first aid arrangements where required;
- j. proper PPE selection, issuance, use, cleaning, and replacement;
- k. contractor induction and supervision;
- l. incident and near-miss reporting; and
- m. corrective action tracking.

Environmental protection

Hazardous substances can affect the environment through spills, leaks, evaporation, improper discharge, contaminated waste, stormwater run-off, wastewater contamination, soil contamination, fire incidents, or improper disposal.

Environmental protection measures should include:

Environmental Risk	Protection Measures
Water pollution	Prevent chemicals from entering drains, waterways, wastewater systems, or stormwater channels unless approved and controlled.
Soil contamination	Use bunding, paved storage areas, inspection, spill control, and proper waste disposal.
Air emissions	Control fumes, vapours, dust, odour, and process emissions through ventilation, containment, maintenance, and monitoring where required.
Waste contamination	Segregate chemical waste, contaminated packaging, used absorbents, and residues from general waste.
Biodiversity harm	Prevent discharge, leakage, or run-off into habitats, rivers, wetlands, drains, or sensitive areas.
Community impact	Manage odour, fumes, spills, fire risks, transport, and complaints.
Product contamination	Ensure chemical use does not compromise product safety, quality, customer requirements, or restricted substance limits.

Training and communication

Training should be provided to employees and contractors who handle or may be exposed to hazardous substances. Training should be role-based and practical.

Target Group	Training Topics
Chemical handlers	SDS, labels, safe handling, transfer, storage, PPE, spill prevention.
Production workers	Chemical hazards in process, PPE, emergency reporting, safe work procedures.
Warehouse and stores personnel	Inventory control, storage segregation, labelling, receiving checks, inspection.
Maintenance personnel	Fuel, lubricants, refrigerants, cleaning chemicals, waste handling, lockout and emergency precautions.
Waste handlers	Scheduled waste identification, labelling, storage, consignment records, contractor handover.
Contractors	Site rules, chemical approval, SDS submission, restricted areas, spill reporting, waste removal.
Emergency responders	Spill procedure, emergency communication, area isolation, response limits, evidence recording.
Supervisors and managers	Legal compliance, incident escalation, corrective action, evidence review, resource allocation.

Training evidence should include attendance records, training materials, toolbox talk records, competency checks, induction records, and refresher training dates.

Health, safety, and environmental monitoring

Companies should monitor hazardous substance controls through inspections, audits, exposure assessments, incident tracking, waste records, and management review.

Monitoring may include:

- a. chemical storage inspections;
- b. SDS and label checks;
- c. spill kit inspections;
- d. PPE checks;
- e. ventilation or extraction checks;
- f. chemical inventory review;
- g. exposure monitoring where required;
- h. wastewater or effluent monitoring where chemicals affect discharge;
- i. scheduled waste inventory and consignment records;
- j. emergency drill records;
- k. incident and near-miss reports;

- l. contractor compliance checks;
- m. customer restricted substance review; and
- n. corrective action closure tracking.

14.5 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Hazardous Substances topic. Companies should apply them based on materiality, chemical use, operational risk, legal requirements, customer requirements, and data availability.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. Hazardous substance policy and commitment	Company has a commitment to manage hazardous substances safely and legally.	ESG Policy, Environmental Policy, Chemical Management Policy, OHS Policy, management approval.	Management / EHS / ESG Team
2. Chemical and hazardous substance register	All hazardous substances used, stored, generated, or disposed of are identified and recorded.	Chemical register, inventory list, purchase records, storage records, supplier list.	EHS / Warehouse / Procurement / Production
3. SDS availability and control	Current SDS are available, accessible, and reviewed for hazardous chemicals.	SDS file, SDS review checklist, supplier SDS submissions, document control record.	EHS / Warehouse / Procurement
4. Chemical labelling	Containers are properly labelled and identifiable.	Label inspection checklist, photographs, chemical storage audit, receiving checklist.	EHS / Warehouse / Production
5. Chemical approval before use	New chemicals are reviewed before purchase or use.	Chemical approval form, SDS review, restricted substance screening, management approval, customer approval where required.	EHS / Procurement / QA/QC
6. Prohibited and restricted substance control	Company screens chemicals and materials against legal, customer, certification, and internal restricted substance requirements.	Restricted substance register, supplier declaration, product specification, test report, customer requirement matrix.	QA/QC / Procurement / EHS / Sales

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
7. Chemical storage controls	Chemicals are stored safely with segregation, containment, ventilation, access control, and housekeeping.	Storage inspection records, site layout, bunding records, photographs, corrective action reports.	EHS / Warehouse / Facilities
8. Safe chemical handling	Chemical handling procedures are implemented for transfer, dosing, use, cleaning, and disposal.	SOPs, work instructions, chemical issue records, training records, supervision records.	Production / EHS / Warehouse
9. Worker exposure control	Worker exposure to chemicals hazardous to health is assessed and controlled where relevant.	Chemical health risk assessment, exposure monitoring reports, medical surveillance records where required, PPE records, ventilation inspection.	EHS / HR / Production
10. PPE management	Suitable PPE is provided, used, maintained, and replaced.	PPE issuance records, PPE inspection records, training records, incident reports.	EHS / HR / Production
11. Spill prevention controls	Potential spill points are identified and preventive controls are implemented.	Spill risk assessment, storage inspection, bunding records, maintenance records, spill kit inspection.	EHS / Facilities / Warehouse
12. Spill response procedure	Company has documented spill response procedures and trained responders.	Spill response procedure, emergency plan, training records, drill records, emergency contact list.	EHS / Emergency Response Team
13. Spill and incident management	Chemical spills, leaks, near misses, and incidents are recorded, investigated, and closed.	Incident reports, spill log, investigation records, corrective action tracker, closure evidence.	EHS / Production / Management
14. Chemical waste and scheduled waste control	Chemical waste, contaminated packaging, residues, used oil, sludge, and scheduled waste are classified, stored, labelled, and disposed of properly.	Waste register, scheduled waste inventory, consignment notes, vendor licence, disposal invoices, storage inspection.	EHS / Warehouse / Procurement
15. Contractor chemical control	Contractors declare chemicals brought onsite and follow site chemical safety rules.	Contractor induction record, SDS submission, permit-to-work, contractor chemical declaration, inspection record.	EHS / Facilities / Procurement
16. Environmental protection controls	Controls prevent hazardous substances from entering drains, soil, water bodies, wastewater systems, and sensitive areas.	Drain inspection, bunding inspection, wastewater records, spill prevention plan, environmental incident records.	EHS / Facilities

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
17. Training and competency	Relevant workers and contractors are trained on hazardous substance risks and controls.	Training attendance, toolbox talks, induction records, competency assessments, refresher training.	HR / EHS / Production
18. Monitoring and internal audit	Chemical management controls are periodically reviewed.	Internal audit reports, inspection checklist, compliance register, management review minutes, corrective action tracker.	EHS / ESG Team / Internal Audit
19. Reporting and disclosure	Company discloses hazardous substance management, incidents, controls, limitations, and improvement actions where material.	ESG report, checklist, KPI tracker, evidence register, omission explanation, management approval.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Number of hazardous substances in active use	Count of chemicals or substances listed in the active chemical register.
Percentage of hazardous substances with current SDS	$\text{Chemicals with current SDS} \div \text{total hazardous substances}$
Percentage of chemical containers properly labelled	$\text{Properly labelled containers} \div \text{total containers inspected}$
Number of prohibited or restricted substances identified	Count of substances flagged through screening.
Percentage of new chemicals reviewed before use	$\text{New chemicals approved before use} \div \text{total new chemicals introduced}$
Number of chemical storage inspections conducted	Count of inspections during the reporting period.
Number of chemical storage non-conformities	Count of findings from inspections or audits.
Percentage of chemical storage corrective actions closed on time	$\text{Corrective actions closed by due date} \div \text{total corrective actions due}$
Number of chemical spills or leaks	Count of recorded spills, leaks, or near misses.
Number of reportable chemical incidents	Count of incidents requiring escalation, notification, or regulatory action.
Percentage of relevant workers trained on chemical safety	$\text{Trained workers} \div \text{workers exposed to or handling hazardous substances}$
Quantity of scheduled waste generated from chemical-related activities	Weight or volume by scheduled waste category.

KPI	Measurement Approach
Percentage of scheduled waste disposed through licensed contractors	Waste disposed through approved channels ÷ total applicable scheduled waste.
Number of contractor chemical declarations received	Count of contractor chemical submissions before work.
Number of exposure assessments or monitoring exercises completed	Count of assessments, monitoring reports, or reviews conducted.

Reporting guidance

Where Hazardous Substances is material, the company should disclose:

- why hazardous substances are material to the company;
- types of hazardous substances used or generated, described at an appropriate level;
- how chemicals are identified, approved, labelled, stored, handled, and monitored;
- how SDS are maintained and communicated;
- how prohibited and restricted substances are controlled;
- how worker exposure is assessed and controlled;
- how spills are prevented and managed;
- how chemical waste and scheduled waste are classified, stored, and disposed of;
- whether chemical-related incidents, spills, or non-conformities occurred during the reporting period;
- relevant KPIs, such as SDS coverage, training coverage, inspections, spills, and corrective action closure;
- data gaps, limitations, or confidentiality constraints; and
- improvement actions planned for the next reporting period.

Example disclosure wording

Hazardous Substances

Hazardous substances are material to the company because our manufacturing operations use chemicals, processing aids, cleaning substances, fuels, lubricants, and waste treatment chemicals. These substances may create worker safety, environmental, waste, product quality, and compliance risks if not properly controlled.

During the reporting period, the company maintained a chemical register, updated SDS files, conducted chemical storage inspections, and provided chemical safety training to relevant employees. Chemical waste and scheduled waste were managed through designated storage areas and approved waste contractors.

No major chemical spill was recorded during the reporting period. Minor storage findings were identified during internal inspections and addressed through labelling improvements, housekeeping actions, and refresher training. The company will continue strengthening restricted substance screening and contractor chemical control in the next reporting cycle.

Omission and non-applicability guidance

Where hazardous substance indicators are not reported in detail, the company should explain why.

Situation	Example Explanation
Company uses limited low-risk chemicals	“Hazardous substance use is limited to small quantities of maintenance and cleaning chemicals. The company maintains SDS, labelling, storage, and waste controls and will reassess the topic annually.”
Restricted substance data is incomplete	“Restricted substance screening has been implemented for key customer-facing products. Supplier declarations are still being collected for selected materials and will be prioritised in the next reporting cycle.”
Exposure monitoring not conducted	“Exposure monitoring was not conducted during the reporting period because no requirement was identified from the current risk assessment. The company will review this if chemical use, process conditions, or legal requirements change.”
Supplier composition data is confidential	“Supplier-specific formulation data is commercially confidential. The company maintains SDS, supplier declarations, and customer-specific compliance evidence where required.”
Spill data unavailable	“Historical spill records were not centrally maintained. The company has introduced a spill log and incident reporting procedure for future reporting periods.”
Topic partly covered under OHS	“Worker exposure and PPE matters are also addressed under Occupational Health and Safety. Environmental aspects of hazardous substances are disclosed in this section.”
Topic partly covered under Waste	“Chemical waste and scheduled waste disposal are reported in more detail under Environmental Topic 10: Waste.”

Minimum Implementation Outputs for Section 14

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

Output	Purpose
Hazardous substance or chemical management policy	Confirms the company's commitment to safe and legal chemical management.
Chemical and hazardous substance register	Lists all hazardous substances used, stored, generated, or disposed of.
SDS file	Maintains current Safety Data Sheets for hazardous chemicals.
Chemical approval form	Ensures new chemicals are reviewed before purchase or use.
Restricted substance register	Tracks prohibited, restricted, customer-controlled, or internally controlled substances.
Chemical storage inspection checklist	Monitors labelling, segregation, containment, housekeeping, access, and spill readiness.
Chemical handling SOPs	Provides safe procedures for chemical use, transfer, dosing, storage, and disposal.
Spill prevention and response procedure	Defines how spills are prevented, reported, managed, investigated, and closed.
Spill kit inspection record	Confirms spill response equipment is available and maintained.
Chemical incident and spill log	Records spills, leaks, near misses, investigations, and corrective actions.
Worker exposure assessment records	Documents assessment and control of chemical exposure where required.
PPE issuance and inspection records	Shows that suitable PPE is provided and maintained.
Chemical safety training records	Demonstrates worker and contractor awareness and competency.
Scheduled waste and chemical waste records	Tracks classification, storage, labelling, consignment, disposal, and vendor evidence.
Contractor chemical declaration	Controls chemicals brought onsite by contractors.
Corrective action tracker	Tracks findings from inspections, incidents, audits, and customer requirements.
ESG evidence register	Organises documentation for reporting, customer requests, audits, and verification.
Annual management review record	Shows review of hazardous substance risks, incidents, compliance, and improvement actions.

Used properly, this topic helps rubber processors and manufacturers prevent pollution, protect workers, comply with chemical and waste requirements, meet customer expectations, and maintain reliable evidence for ESG reporting and verification.

15. Environmental Topic 7: Energy

Energy is a core environmental and operational topic for rubber processors and manufacturers. Rubber processing and rubber product manufacturing may require electricity, fuel, steam, heat, compressed air, cooling, pumping, drying, curing, vulcanisation, mixing, compounding, wastewater treatment, lighting, ventilation, logistics, and other energy-consuming activities. Energy use affects production cost, greenhouse gas emissions, equipment performance, climate transition readiness, customer expectations, and long-term competitiveness.

This topic should be read together with:

Related Topic	Linkage to Energy
Emissions	Energy consumption is often the main source of Scope 1 and Scope 2 GHG emissions.
Material Use and Circularity	Efficient material use can reduce rework, scrap, and energy used per unit of product.
Water	Pumping, heating, cooling, wastewater treatment, and water recycling systems consume energy.
Waste	Waste reduction can reduce energy lost through rejected products, reprocessing, and disposal.
Hazardous Substances	Ventilation, storage, cooling, and chemical processes may require energy but must not be reduced in a way that compromises safety.
Emissions Reduction and Climate Transition	Energy efficiency and renewable energy are key actions for reducing emissions.
Transparency and Risk Management	Energy data requires clear ownership, source records, methodology, review, and approval.

Energy management is relevant to almost all companies, regardless of size. SMEs may begin with monthly electricity bills, fuel records, and basic energy intensity tracking. Larger companies may adopt sub-metering, equipment-level energy monitoring, energy audits, digital dashboards, renewable energy feasibility assessments, and formal energy reduction targets.

The objective of this topic is to help companies:

- identify major energy sources and energy-consuming processes;
- track energy consumption consistently;
- improve energy efficiency;
- reduce energy costs and emissions;
- evaluate renewable energy opportunities;
- strengthen climate and customer disclosure readiness;
- maintain evidence for ESG reporting and verification; and
- integrate energy management into operational decision-making.

15.1 Energy Consumption Tracking

Energy consumption tracking is the process of measuring, recording, reviewing, and reporting the energy used by the company. It provides the baseline for energy efficiency, emissions calculation, cost control, target setting, and ESG reporting.

Companies should track energy by source, site, process, and reporting period where practical. At minimum, companies should track purchased electricity and fuel used in company-controlled operations. More mature companies should also track energy by production line, equipment category, utility system, product group, or business unit.

Energy sources to track

Companies should identify all energy sources used in operations.

Energy Source	Examples of Use in Rubber Processing and Manufacturing	Typical Evidence
Purchased electricity	Production machines, motors, compressors, chillers, pumps, dryers, lighting, wastewater treatment, offices, warehouses.	Electricity bills, meter readings, energy monitoring reports.
Diesel	Generators, forklifts, company vehicles, boilers, transport, backup power.	Fuel invoices, generator logs, vehicle logs, fuel cards.
Petrol	Company vehicles or small equipment.	Fuel receipts, mileage logs, vehicle records.
Natural gas	Boilers, process heat, ovens, drying, curing, steam generation.	Gas bills, meter readings, supplier invoices.
LPG	Heating, boilers, laboratory or production use.	LPG invoices, cylinder records, consumption logs.
Fuel oil or other liquid fuels	Boilers, burners, process heating where applicable.	Fuel invoices, tank records, boiler logs.
Biomass or biofuel	Boilers or thermal systems where applicable.	Supplier invoices, delivery records, sustainability evidence where relevant.
Purchased steam, heating, or cooling	Outsourced or district energy services, where applicable.	Supplier bills, contract records, meter readings.
Onsite renewable energy	Solar photovoltaic systems, solar thermal systems, or other renewable systems.	Generation meter data, inverter reports, contracts, certificates.

Defining the energy reporting boundary

Before collecting energy data, the company should define what is included in the energy boundary. This helps prevent under-reporting, double-counting, or inconsistent year-to-year data.

The boundary should clarify whether energy data covers:

- a. all factories, warehouses, offices, laboratories, and worker facilities;
- b. only selected sites or business units;
- c. leased facilities or rented premises;
- d. company-owned vehicles and forklifts;
- e. contractor-operated equipment used onsite;
- f. onsite renewable energy generation;
- g. exported electricity from onsite generation;
- h. backup generators;
- i. temporary equipment used during shutdowns, maintenance, or construction; and
- j. outsourced processes or logistics, where relevant to Scope 3 emissions.

Where certain sites, equipment, or energy sources are excluded, the company should document the reason and set an improvement plan where the exclusion is material.

Energy data collection process

A practical energy data collection process should include:

Step	Action
1. Identify energy sources	List all electricity meters, fuel types, boilers, generators, vehicles, and major energy systems.
2. Assign data owners	Appoint responsible persons for electricity, fuel, vehicles, renewable energy, and production data.
3. Collect source records	Gather bills, invoices, meter readings, fuel logs, generator logs, and production output records.
4. Standardise units	Convert energy data into consistent units such as kWh, litres, kg, tonnes, or GJ.
5. Track monthly	Record energy consumption at least monthly where possible.
6. Calculate intensity	Compare energy consumption against production volume, revenue, operating hours, or product units.
7. Review anomalies	Investigate unusual increases, decreases, missing data, meter errors, or abnormal fuel use.
8. Link to emissions	Use energy data for Scope 1 and Scope 2 emissions calculations.
9. Report performance	Include energy consumption, energy intensity, initiatives, and targets in ESG reporting where material.
10. Improve controls	Strengthen meters, logs, data ownership, and evidence quality over time.

Energy consumption register

Companies should maintain an **Energy Consumption Register**.

Field	Description
Reporting period	Month, quarter, or year.
Site or facility	Factory, warehouse, office, laboratory, or other location.
Energy source	Electricity, diesel, natural gas, LPG, petrol, biomass, renewable energy, etc.
Quantity consumed	kWh, litres, kg, tonnes, m ³ , GJ, or other relevant unit.
Cost	Energy cost where available.
Data source	Bill, invoice, meter, logbook, monitoring system, supplier statement.
Data owner	Department or person responsible for the data.
Production output	Tonnes, units, pieces, or other output measure.
Energy intensity	Energy consumed per tonne, unit, or other selected denominator.
Evidence location	Folder, file name, system, or reference number.
Reviewer	Person who checked the data.
Remarks	Estimate, abnormal use, shutdown, expansion, data gap, or other explanation.

Energy intensity

Energy intensity helps companies compare energy performance over time, especially where production volume changes. Total energy consumption may increase because production increases, but energy intensity may improve if the company produces more efficiently.

Examples of energy intensity indicators include:

- kWh per tonne of product;
- GJ per tonne of product;
- litres of fuel per tonne of product;
- kWh per 1,000 pieces produced;
- energy cost per unit produced;
- electricity per operating hour;
- fuel consumption per boiler operating hour; and
- compressed air electricity use per production output where data is available.

Companies should select intensity measures that reflect their operations and are understandable to management. The chosen method should be used consistently and reviewed if product mix, production process, or reporting boundary changes significantly.

15.2 Energy Efficiency Measures

Energy efficiency means reducing energy use while maintaining safe, reliable, and quality production. For rubber processors and manufacturers, energy efficiency can reduce operating cost, lower emissions, improve equipment reliability, reduce heat loss, support customer ESG requirements, and strengthen climate transition readiness.

Energy efficiency should follow a practical hierarchy.

Level	Practical Meaning
Avoid	Avoid unnecessary energy use, idle running, air leaks, rework, over-processing, and avoidable heat loss.
Optimise	Improve equipment settings, production scheduling, operating parameters, maintenance, and controls.
Upgrade	Replace inefficient equipment with more efficient technology where technically and financially feasible.
Recover	Recover heat, condensate, or other useful energy where practical.
Monitor	Use meters, logs, dashboards, inspections, and management review to maintain improvements.

Common energy efficiency opportunities

Area	Possible Measures	Evidence
Motors and drives	Use efficient motors, variable speed drives, correct sizing, preventive maintenance.	Equipment records, maintenance logs, project approval, energy saving calculation.
Compressed air	Detect and repair leaks, reduce pressure, switch off unused lines, maintain compressors, improve air distribution.	Leak inspection records, repair logs, compressor operating records.
Boilers and steam systems	Boiler tuning, insulation, condensate recovery, steam trap maintenance, burner maintenance, blowdown control.	Boiler logs, maintenance records, fuel consumption records, inspection reports.
Process heating and drying	Optimise temperature, cycle time, insulation, airflow, heat recovery, and production scheduling.	Production records, energy intensity tracker, maintenance records.
Curing and vulcanisation	Improve process control, minimise idle heating, maintain equipment, optimise batch planning.	Machine logs, production planning records, maintenance records.
Cooling and chillers	Maintain chillers, clean coils, optimise setpoints, improve insulation, reduce cooling losses.	Chiller logs, maintenance records, electricity data.
Pumps and fans	Use efficient pumps and fans, maintain impellers, optimise flow, avoid throttling losses.	Maintenance records, equipment records, meter readings.
Lighting	Use efficient lighting, motion sensors, daylighting, zoning, and switching controls.	Retrofit records, electricity data, maintenance records.

Area	Possible Measures	Evidence
HVAC and ventilation	Optimise operating hours, maintain filters, balance ventilation with worker safety and chemical exposure controls.	Maintenance records, inspection checklist, indoor air or exposure records where relevant.
Wastewater treatment	Optimise pumps, aeration, chemical dosing, and treatment operation without compromising compliance.	WWTP logs, electricity records, effluent monitoring records.
Production planning	Reduce start-stop losses, improve line utilisation, reduce rework, minimise idle running.	Production schedule, downtime records, energy intensity data.
Maintenance	Prevent energy losses from poor lubrication, worn components, leaks, clogged filters, or inefficient operation.	Preventive maintenance plan, inspection reports, corrective action records.
Housekeeping and behaviour	Switch-off procedures, operator awareness, shutdown checklists, energy-saving campaigns.	Training records, toolbox talks, checklist records.

Energy efficiency actions should not compromise worker safety, product quality, environmental compliance, or legal requirements. For example, companies should not reduce ventilation, wastewater treatment, lighting, cooling, or safety systems in a way that increases exposure, pollution, equipment failure, or unsafe conditions.

Energy audit and opportunity assessment

Companies should conduct an energy audit or energy opportunity assessment where energy is a material topic. SMEs may begin with a simple internal review of bills, operating hours, major equipment, and obvious losses. Larger or energy-intensive facilities may engage competent technical personnel to conduct a more detailed assessment.

An energy assessment should identify:

- major energy-consuming equipment and processes;
- monthly and annual energy consumption;
- peak demand and abnormal use patterns where data is available;
- energy intensity by product or process;
- equipment operating hours;
- idle running and standby losses;
- fuel efficiency and heat losses;
- compressed air leaks;
- maintenance-related inefficiencies;
- opportunities for automation, controls, insulation, or equipment upgrade;
- potential renewable energy opportunities;
- estimated cost savings and emissions reduction; and

m. payback period, budget, and implementation priority.

Energy efficiency project register

Companies should maintain an **Energy Efficiency Project Register** to track actions and savings.

Field	Description
Project name	Compressor leak repair, boiler insulation, LED retrofit, solar feasibility, etc.
Energy source affected	Electricity, diesel, natural gas, LPG, steam, compressed air, cooling, etc.
Baseline	Current energy use before project.
Expected saving	kWh, fuel, GJ, cost, or emissions reduction.
Responsible person	Department or project owner.
Budget	Capital cost, operating cost, financing source, or estimated savings.
Timeline	Start date, completion date, review date.
Status	Planned, approved, in progress, completed, delayed, cancelled.
Evidence	Audit report, invoices, maintenance records, meter readings, photos, calculation file.
Actual result	Verified saving after implementation.
Lessons learned	Issues, improvements, or follow-up actions.

Energy targets

Companies should set practical targets where energy is material. Targets may include:

Target Type	Example
Consumption target	Reduce electricity consumption by a defined percentage over a defined period.
Intensity target	Reduce kWh per tonne of product by a defined percentage.
Fuel target	Reduce diesel or LPG use per production output.
Maintenance target	Complete quarterly compressed air leak checks or boiler maintenance.
Project target	Complete energy audit, LED retrofit, insulation upgrade, or solar feasibility study.
Data target	Install sub-metering for major energy-consuming processes.
Renewable energy target	Increase renewable electricity share where feasible and evidence-supported.

Targets should include baseline year, target year, scope, responsible person, action plan, evidence, and review frequency.

15.3 Renewable Energy Opportunities

Renewable energy can help companies reduce emissions, improve energy resilience, meet customer expectations, and support climate transition planning. However, renewable energy should not replace basic energy efficiency. Companies should first reduce avoidable energy waste, then assess renewable energy options based on feasibility, cost, credibility, and operational needs.

Renewable energy opportunities may include:

Renewable Energy Option	Practical Considerations
Onsite solar photovoltaic system	Roof space, structural suitability, electricity consumption profile, connection requirements, maintenance, financing, ownership model.
Solar thermal system	Suitable where heat or hot water demand is significant and technically feasible.
Renewable electricity procurement	Availability, contract terms, cost, evidence, reporting treatment, and claim credibility.
Renewable energy certificates or similar instruments	Credibility, ownership, retirement, reporting method, customer acceptance, and prevention of double-counting.
Biomass or biofuel where applicable	Sustainable sourcing, air emissions, ash or waste management, fuel reliability, cost, and supplier due diligence.
Hybrid energy solutions	Combination of solar, storage, efficiency, demand management, and grid supply where feasible.

Renewable energy feasibility assessment

Companies considering renewable energy should conduct a feasibility assessment before making commitments or public claims.

A practical feasibility assessment should consider:

- current electricity and fuel consumption;
- energy demand profile by time of day, week, and season;
- available roof, land, or installation space;
- structural suitability and safety requirements;
- regulatory, utility, grid, and approval requirements;
- ownership model, leasing model, power purchase agreement, or direct investment;
- capital cost and operating cost;
- expected energy generation;
- expected cost savings;
- expected emissions reduction;
- maintenance requirements;
- contract duration and termination terms;
- insurance and safety considerations;

- n. customer acceptance of renewable energy claims;
- o. evidence requirements for ESG reporting; and
- p. financial payback and risk.

Renewable energy claims

Companies should be careful when making renewable energy or low-carbon claims. Any claim should be supported by evidence and should clearly state the scope.

Examples of claims that require evidence include:

- a. “using renewable electricity”;
- b. “solar-powered production”;
- c. “low-carbon manufacturing”;
- d. “carbon neutral”;
- e. “100% renewable energy”;
- f. “renewable energy certificate-backed electricity”; and
- g. “reduced emissions through renewable energy”.
- h. Evidence may include:
 - i. solar generation meter records;
 - j. electricity consumption records;
 - k. power purchase agreement;
 - l. renewable energy certificates or similar instruments;
 - m. retirement or ownership records for certificates;
 - n. invoices;
 - o. emission calculation methodology;
 - p. management approval; and
 - q. customer-specific documentation where required.

Companies should avoid double-counting renewable energy benefits. If renewable energy certificates or similar instruments are sold, transferred, or claimed by another party, the company should not also claim the same renewable attributes unless permitted under the relevant rules and evidence.

Renewable energy and emissions accounting

Renewable energy data should be linked to the company’s emissions calculations. Companies should document whether renewable electricity is treated under a location-based or market-based Scope 2 calculation approach, where applicable. The methodology

should be consistent with the company's emissions reporting approach and customer requirements.

Where onsite solar electricity is generated and consumed by the company, the company should track:

- a. total solar electricity generated;
- b. solar electricity consumed onsite;
- c. solar electricity exported to the grid, if any;
- d. grid electricity purchased;
- e. maintenance or downtime of solar equipment;
- f. evidence from meters, inverters, or supplier reports; and
- g. emissions calculation treatment.

Renewable energy risks and safeguards

Renewable energy projects should be implemented responsibly. Companies should consider:

- a. worker safety during installation and maintenance;
- b. roof integrity and fire safety;
- c. contractor competence;
- d. electrical safety;
- e. waste management for replaced equipment or panels at end-of-life;
- f. supplier due diligence;
- g. claims and reporting accuracy;
- h. contractual risks; and
- i. consistency with customer requirements.

Renewable energy should be reviewed as part of the company's energy strategy, emissions reduction plan, climate transition considerations, and capital planning.

15.4 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Energy topic. Companies should apply them based on materiality, operational complexity, data availability, customer requirements, and reporting boundaries.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. Energy policy and commitment	Company has a commitment to monitor, manage, and improve energy performance.	ESG Policy, Environmental Policy, Energy Policy, management approval, ESG Committee minutes.	Management / ESG Team
2. Energy reporting boundary	Company defines sites, facilities, equipment, vehicles, and energy sources included in tracking.	Boundary statement, site list, meter list, asset list, methodology note.	ESG Team / Facilities / Finance
3. Energy source identification	Company identifies purchased electricity, fuels, renewable energy, and other energy sources.	Energy source register, utility bills, fuel records, equipment list.	Facilities / Maintenance / Finance
4. Electricity tracking	Purchased electricity is tracked by site, meter, month, and reporting period.	Electricity bills, meter readings, utility statements, energy tracker.	Finance / Facilities
5. Fuel tracking	Diesel, petrol, LPG, natural gas, fuel oil, biomass, or other fuels are tracked by type and use.	Fuel invoices, tank records, generator logs, boiler logs, vehicle fuel records.	Maintenance / Production / Finance
6. Renewable energy tracking	Onsite renewable generation or purchased renewable electricity is measured and documented.	Solar generation data, inverter reports, renewable electricity contracts, certificates, invoices.	Facilities / Finance / ESG Team
7. Energy conversion and methodology	Units are standardised and conversion factors are documented.	Methodology note, conversion factor register, calculation workbook.	ESG Team / Finance
8. Energy intensity	Energy consumption is tracked against production output, revenue, operating hours, or another relevant denominator.	Production records, energy tracker, intensity calculation, KPI dashboard.	Production / Finance / ESG Team
9. Major energy-consuming processes	Company identifies high-energy equipment, processes, or utilities.	Equipment list, energy audit, sub-meter data, maintenance records, process map.	Facilities / Production / Maintenance
10. Sub-metering or equipment-level monitoring	Company uses sub-metering, logs, or monitoring tools for major energy users where feasible.	Sub-meter records, equipment logs, monitoring system reports.	Facilities / Maintenance
11. Energy efficiency assessment	Company identifies opportunities to reduce energy consumption.	Energy audit report, internal assessment,	Facilities / Maintenance / ESG Team

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
		opportunity register, inspection records.	
12. Energy efficiency initiatives	Company implements initiatives to improve energy performance.	Project register, invoices, maintenance records, before-after energy data, savings calculation.	Facilities / Production / Maintenance
13. Preventive maintenance for energy performance	Equipment maintenance supports efficient operation.	Preventive maintenance plan, service reports, inspection records, repair records.	Maintenance / Facilities
14. Energy procurement and equipment purchasing	Energy performance is considered when purchasing new equipment or services.	Procurement evaluation, supplier proposal, equipment specification, life-cycle cost assessment.	Procurement / Facilities / Management
15. Energy targets	Company sets energy reduction, intensity, renewable energy, or data improvement targets where material.	Target register, baseline data, action plan, management approval, progress tracker.	Management / ESG Team
16. Training and awareness	Relevant employees are trained on energy-saving practices and operational controls.	Training records, toolbox talks, energy awareness materials, shutdown checklists.	HR / Facilities / Production
17. Energy data review and approval	Energy data is checked for completeness, accuracy, consistency, and evidence.	Data review checklist, evidence register, management sign-off, internal audit record.	ESG Team / Finance / Management
18. Reporting and disclosure	Company discloses energy consumption, energy intensity, renewable energy, efficiency actions, limitations, and targets where material.	ESG report, customer questionnaire, energy summary, evidence pack, management approval.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Total energy consumption	Total energy consumed from all sources, converted into a consistent unit such as GJ or kWh.
Purchased electricity consumption	kWh consumed during the reporting period.
Fuel consumption by type	Litres, kg, tonnes, m ³ , or GJ of diesel, petrol, LPG, natural gas, biomass, or other fuels.
Renewable energy generated onsite	kWh generated by onsite renewable systems.
Renewable energy consumed onsite	kWh of renewable energy used by the company.
Renewable energy percentage	Renewable energy consumed ÷ total energy consumed.
Energy intensity	Energy consumed per tonne of product, per unit produced, per operating hour, or per revenue measure.
Electricity intensity	kWh per tonne or unit produced.
Fuel intensity	Fuel consumed per tonne or unit produced.
Energy cost intensity	Energy cost per tonne or unit produced.
Number of energy efficiency projects implemented	Count of completed projects during the reporting period.
Estimated energy savings	kWh, GJ, fuel quantity, or cost savings from implemented initiatives.
Estimated emissions reduction from energy initiatives	Tonnes CO ₂ e reduced, using documented calculation methodology.
Percentage of major energy-consuming equipment covered by preventive maintenance	Equipment maintained according to plan ÷ total applicable equipment.
Number of compressed air leak checks or energy inspections conducted	Count of inspections during the reporting period.
Percentage of energy-related corrective actions closed on time	Corrective actions closed by due date ÷ total energy-related corrective actions due.

Reporting guidance

Where Energy is material, the company should disclose:

- why energy is material to the company;
- the reporting boundary and reporting period;
- total energy consumption by source;
- purchased electricity consumption;

- e. fuel consumption by type;
- f. renewable energy generated, purchased, or consumed where applicable;
- g. energy intensity and selected denominator;
- h. major energy-consuming operations or equipment;
- i. energy efficiency initiatives implemented;
- j. energy targets and progress;
- k. renewable energy opportunities or feasibility assessments;
- l. data gaps, estimates, assumptions, and limitations;
- m. linkage to emissions reduction; and
- n. management review and approval process.

Example disclosure wording

Energy

Energy is material to the company because our rubber manufacturing operations rely on electricity, process heat, compressed air, and fuel for production and support systems. During the reporting period, the company tracked electricity consumption, fuel use, and production output for the main manufacturing site.

The company's main energy sources were purchased electricity and fuel used for production support equipment. Energy intensity was monitored against production output to identify efficiency opportunities. During the year, the company implemented preventive maintenance for major equipment, repaired compressed air leaks, and reviewed opportunities to improve energy monitoring.

The company will continue improving energy data quality, evaluate further energy efficiency projects, and assess renewable energy feasibility as part of its emissions reduction and climate transition planning.

Omission and non-applicability guidance

Where energy indicators are not fully reported, the company should explain the limitation clearly.

Situation	Example Explanation
Some sites excluded	"Energy data currently covers the main manufacturing site only. Warehouse and office energy data will be included in the next reporting period once utility records are consolidated."

Situation	Example Explanation
Fuel data incomplete	"Fuel consumption data is partially estimated because some fuel invoices cover multiple equipment types. The company will introduce equipment-level fuel logs in the next reporting cycle."
No renewable energy used	"The company did not consume renewable energy during the reporting period. Renewable energy feasibility will be reviewed as part of the company's future emissions reduction planning."
Renewable claim not made	"Although the company is assessing renewable energy options, no renewable energy claim is made for the reporting period because no verified renewable energy consumption occurred."
Energy intensity not comparable	"Energy intensity changed due to changes in product mix and production volume. The company will review whether a product-specific intensity metric is more appropriate."
Sub-metering unavailable	"Sub-metering is not yet available for major equipment. Energy consumption is currently tracked using utility bills and production records, with sub-metering to be considered for high-energy processes."
Confidential operational data	"Detailed process-level energy data is commercially sensitive and is maintained internally. Aggregated energy performance is disclosed in this report."

Minimum Implementation Outputs for Section 15

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

Output	Purpose
Energy management commitment	Confirms the company's approach to tracking and improving energy performance.
Energy reporting boundary statement	Defines sites, facilities, vehicles, and energy sources included in tracking.
Energy source register	Lists purchased electricity, fuels, renewable energy, and other energy sources.
Electricity and fuel tracker	Records monthly electricity and fuel consumption.
Energy evidence file	Stores bills, invoices, meter readings, fuel logs, generator logs, and renewable energy evidence.
Energy data ownership matrix	Assigns responsibility for collecting, reviewing, and approving energy data.
Energy conversion and methodology note	Documents units, conversion factors, assumptions, and calculation approach.
Energy intensity tracker	Tracks energy consumption against production output or another selected denominator.
Major energy user list	Identifies high-energy equipment, processes, and utility systems.
Energy efficiency opportunity register	Records identified savings opportunities and prioritisation.
Energy efficiency project register	Tracks approved projects, owners, timelines, costs, savings, and evidence.
Preventive maintenance records	Supports efficient equipment operation and reduced energy losses.

Output	Purpose
Renewable energy feasibility record	Documents assessment of renewable energy options where relevant.
Renewable energy evidence file	Maintains generation data, contracts, certificates, invoices, and claim evidence where applicable.
Energy target and KPI tracker	Tracks energy consumption, energy intensity, renewable energy, savings, and progress.
Omission and data gap register	Records unavailable data, estimates, exclusions, and improvement actions.
Management review record	Shows review of energy performance, targets, efficiency initiatives, and future opportunities.

Used properly, this topic helps rubber processors and manufacturers reduce energy costs, improve operational efficiency, support emissions reduction, respond to customer ESG expectations, and build a stronger foundation for climate transition planning.

16. Environmental Topic 8: Soil Health

Soil health refers to the condition of soil and its ability to support ecosystem functions, water filtration, vegetation, biodiversity, land stability, and safe land use. Soil degradation occurs when soil health declines and the soil's capacity to provide ecosystem services is reduced; common causes include erosion, compaction, contamination, acidification, salinisation, loss of organic matter, and physical disturbance. ([UNDRR](#))

For Malaysian rubber processors and manufacturers, soil health may be relevant in two main ways. First, companies may directly affect soil through site operations, chemical storage, waste storage, wastewater systems, fuel storage, maintenance activities, land disturbance, construction, drainage, spills, leaks, stormwater run-off, or improper disposal. Second, companies may be indirectly linked to soil risks through natural rubber sourcing, supplier land management, plantation practices, smallholder practices, and upstream environmental due diligence.

This topic should be read together with:

Related Topic	Linkage to Soil Health
Sustainable Land Use and Natural Ecosystem Conservation	Land use legality, buffer zones, sensitive areas, and responsible site management help prevent soil degradation.
Biodiversity	Soil supports habitats, vegetation, microorganisms, and ecosystem functions.
Water	Stormwater, wastewater, drainage, flooding, and discharge can affect soil contamination and erosion.
Waste	Improper storage or disposal of scheduled waste, sludge, scrap, and contaminated materials can pollute soil.
Hazardous Substances	Chemical spills, fuel leaks, lubricants, solvents, and residues can contaminate soil.
Deforestation	Forest conversion and land clearing can increase erosion, compaction, soil exposure, and land degradation.
Supply Chain Traceability and Due Diligence	Supplier screening helps identify upstream soil degradation, land legality, peatland, and plantation-related risks.

Soil health is especially relevant where a company:

- stores, uses, or transports hazardous substances, chemicals, fuels, lubricants, or scheduled waste;
- operates wastewater treatment systems, effluent discharge points, sludge handling areas, or drainage systems;
- stores raw materials, waste, scrap rubber, packaging, or chemicals in outdoor or semi-open areas;
- conducts land clearing, earthworks, construction, site expansion, trenching, road works, or drainage modification;

- e. has unpaved areas, exposed soil, slopes, flood-prone areas, or erosion-prone locations;
- f. operates near rivers, drains, wetlands, agricultural land, communities, or sensitive ecosystems;
- g. has a history of spills, leaks, waste leakage, effluent overflow, flooding, or environmental complaints;
- h. sources natural rubber from suppliers where soil conservation, erosion, peatland, agrochemical use, or land degradation may be relevant; or
- i. is required by customers, auditors, regulators, financiers, or certification bodies to demonstrate soil protection and pollution prevention controls.

In Malaysia, the Department of Environment notes that legislation related to contaminated soil management is linked to Section 24 of the Environmental Quality Act 1974, which concerns restriction on soil pollution. DOE also provides scheduled waste information and technical guidelines relevant to environmentally sound waste management. Companies should verify the latest legal requirements, permit conditions, and regulatory guidance applicable to their sites and waste streams. ([Jabatan Alam Sekitar - JAS](#))

16.1 Soil Degradation Risks

Soil degradation risks are the conditions or activities that may reduce soil quality, stability, fertility, structure, safety, or ecological function. For rubber processors and manufacturers, the most relevant risks are often linked to **contamination, erosion, compaction, poor drainage, improper waste handling, and land disturbance**.

Common soil degradation risks in rubber operations

Risk Area	Possible Cause	Potential Impact
Chemical contamination	Leaks or spills from chemicals, additives, solvents, oils, fuels, cleaning agents, laboratory chemicals, or wastewater treatment chemicals.	Soil pollution, groundwater risk, worker exposure, regulatory action, costly remediation.
Scheduled waste leakage	Poor storage of sludge, contaminated packaging, used oil, spent chemicals, absorbents, or other scheduled waste.	Soil and water contamination, illegal disposal risk, audit findings, enforcement exposure.
Fuel and lubricant leaks	Poor storage, damaged tanks, leaking drums, vehicle maintenance, generator areas, forklifts, or poor housekeeping.	Soil staining, contamination, fire risk, stormwater pollution.
Wastewater or effluent overflow	Wastewater treatment failure, blocked drains, flooding, discharge overflow, pipe leaks, or poor maintenance.	Soil saturation, contamination, odour, biodiversity impact, community complaints.

Risk Area	Possible Cause	Potential Impact
Stormwater run-off	Rainwater carrying pollutants, sediment, rubber residues, oil, dust, chemicals, or waste into soil or drains.	Soil pollution, erosion, blocked drains, water pollution.
Erosion	Exposed soil, poor drainage, slopes, earthworks, heavy rainfall, vegetation removal, or construction.	Loss of topsoil, sedimentation of drains, flooding, land instability.
Compaction	Heavy vehicles, forklifts, repeated traffic, storage of heavy materials, poor yard design, or unpaved movement areas.	Reduced infiltration, pooling water, poor drainage, erosion, surface damage.
Soil sealing	Excessive paving without drainage planning or impermeable surfaces without stormwater control.	Increased run-off, flooding, reduced infiltration, drainage overload.
Improper disposal or dumping	Unauthorised disposal of waste, scrap, sludge, rejected products, chemicals, or contaminated materials.	Soil contamination, legal non-compliance, reputational risk.
Land disturbance or construction	Site expansion, trenching, excavation, earthworks, temporary storage, contractor activities.	Erosion, sediment run-off, contamination, poor reinstatement.
Upstream sourcing risks	Poor plantation practices, slope planting without controls, peatland development, excessive agrochemical use, or poor soil conservation.	Soil degradation in supply chain, reduced productivity, land-related ESG risk.

Direct and indirect soil risks

Companies should distinguish between soil risks from their own operations and soil risks linked to suppliers.

Risk Type	Practical Examples
Direct operational soil risks	Chemical spills at factory, leaking scheduled waste storage, fuel leakage from generator area, drainage overflow, soil erosion during site expansion, contaminated outdoor storage area.
Indirect supply chain soil risks	Natural rubber sourced from areas with poor soil conservation, peatland risk, erosion-prone plantations, illegal land conversion, uncontrolled agrochemical use, or poor supplier environmental practices.

Both types of risk should be considered in the environmental risk assessment. Direct risks should be managed through site controls, inspections, emergency response, waste management, chemical management, maintenance, and legal compliance. Indirect risks should be managed through supplier screening, responsible sourcing expectations, traceability, and due diligence.

Soil risk identification process

Companies should identify soil degradation risks through:

- a. site inspections;
- b. drainage and stormwater mapping;
- c. chemical and fuel storage review;
- d. scheduled waste storage review;
- e. wastewater treatment plant inspection;
- f. review of spill, leak, and incident records;
- g. review of environmental complaints;
- h. review of construction or site expansion activities;
- i. supplier due diligence for natural rubber sourcing;
- j. review of site layout, boundaries, slopes, and unpaved areas;
- k. review of maintenance areas, vehicle areas, generator rooms, and loading bays;
- l. review of flood-prone or waterlogged areas; and
- m. internal audit, customer audit, certification audit, or regulatory inspection findings.

Soil risk scoring

Soil risks should be scored and recorded in the environmental risk register.

Criterion	Guiding Question
Severity	Could the issue cause soil contamination, water pollution, ecosystem harm, worker exposure, or legal non-compliance?
Likelihood	How likely is the issue to occur based on current operations, history, controls, and site conditions?
Extent	Is the risk limited to one area or could it spread through drains, run-off, groundwater, or surrounding land?
Detectability	Would the company notice the issue quickly, or could it remain hidden for a long time?
Legal exposure	Are there permits, laws, scheduled waste requirements, customer requirements, or inspection expectations?
Remediation difficulty	Would the issue be easy to clean up or costly and difficult to remediate?
Stakeholder concern	Could communities, regulators, customers, workers, or suppliers be affected or concerned?

High-priority soil risks should be escalated to management and linked to corrective action plans.

16.2 Soil Protection and Monitoring

Soil protection means preventing contamination, erosion, compaction, and degradation before they occur. Soil monitoring means checking whether soil protection controls are working and whether there are signs of soil impact, such as staining, leakage, erosion, sediment build-up, unusual odour, dead vegetation, pooling water, or contamination.

Companies should follow a prevention-first approach.

Protection Level	Practical Meaning
Avoid	Avoid placing chemicals, waste, fuel, or contaminated materials directly on bare soil or near drains.
Contain	Use bunding, trays, sealed flooring, covered storage, and controlled drainage to prevent releases.
Control	Maintain SOPs, inspections, training, spill response, and maintenance controls.
Monitor	Inspect high-risk areas and review records regularly.
Correct	Investigate and close soil-related findings, spills, leaks, and erosion issues.
Restore	Where soil is affected, take appropriate remediation or restoration action based on competent advice and legal requirements.

Soil protection areas to monitor

Companies should identify soil-sensitive areas within or near their sites.

Area	Monitoring Focus	Suggested Evidence
Chemical storage areas	Leaks, staining, damaged containers, bund condition, labelling, housekeeping, spill kits.	Chemical storage inspection records, photos, corrective action tracker.
Fuel and lubricant areas	Tank condition, drum storage, oil stains, bunding, spill kits, vehicle refuelling practices.	Fuel storage inspection, maintenance records, spill records.
Scheduled waste storage areas	Leakage, container integrity, labels, storage duration, cover, floor condition, segregation.	Scheduled waste inventory, consignment notes, inspection records.
Wastewater treatment plant	Overflow, sludge handling, chemical dosing, pipe leaks, bunding, drain condition.	WWTP logs, maintenance records, effluent test reports, inspection records.
Drainage and stormwater areas	Blockage, sediment, oil sheen, unusual discharge, erosion, overflow, run-off pathways.	Drain inspection records, cleaning records, site maps.
Loading and unloading areas	Spills during transfer, damaged packaging, vehicle leaks, exposed materials.	Receiving checklist, incident reports, housekeeping records.

Area	Monitoring Focus	Suggested Evidence
Maintenance workshops	Oil, grease, solvent, lubricant, battery, spare part, and waste handling.	Workshop inspection, used oil records, waste records.
Outdoor storage yards	Raw material exposure, waste exposure, run-off, sediment, soil staining, poor housekeeping.	Yard inspection, storage layout, corrective action records.
Unpaved areas and slopes	Erosion, rutting, compaction, waterlogging, sediment movement.	Site inspection, photographs, erosion control records.
Construction or earthworks areas	Exposed soil, sediment control, contractor waste, drainage protection, reinstatement.	Contractor inspection records, work permits, site photos.
Supplier sourcing areas	Erosion risk, peatland risk, land degradation, soil conservation practices where relevant.	Supplier declaration, sourcing map, supplier assessment, certification evidence.

Soil monitoring methods

Soil monitoring does not always require laboratory testing. The appropriate method depends on the level of risk.

Monitoring Method	When to Use
Visual inspection	Routine monitoring of storage areas, drains, yards, slopes, and high-risk zones.
Checklist-based inspection	Regular EHS or facilities inspection of chemical, waste, fuel, and maintenance areas.
Incident-based inspection	After spills, leaks, flooding, effluent overflow, construction, or complaints.
Drain and run-off inspection	During or after heavy rain, especially near storage areas and exposed soil.
Supplier screening	For natural rubber suppliers or high-risk upstream sourcing areas.
Soil sampling or testing	Where contamination is suspected, required by authorities, required by customer, or recommended by competent experts.
Third-party assessment	For significant contamination, land transaction, expansion, remediation, or regulatory concern.

Where soil contamination is suspected, companies should seek competent technical advice and comply with applicable legal requirements. The guideline should not be used as a substitute for professional environmental assessment or remediation planning.

Soil monitoring frequency

Risk Level	Suggested Monitoring Frequency
Low	Annual site screening and routine housekeeping inspections.
Medium	Quarterly or monthly inspections of storage, drainage, waste, and outdoor areas.
High	Monthly or more frequent inspection, especially for chemical, fuel, scheduled waste, wastewater, and high-risk outdoor areas.
Incident-based	Immediate inspection and investigation after spill, leak, overflow, flooding, construction issue, or complaint.

Monitoring results should be recorded and reviewed. Findings should be closed through corrective action.

16.3 Operational Controls

Operational controls are the practical procedures, infrastructure, training, inspections, and maintenance activities used to prevent soil degradation. They should be embedded into SOPs and daily work practices.

Chemical, fuel, and lubricant controls

Companies should prevent chemicals, fuels, oils, and lubricants from entering soil or drains.

Practical controls include:

- a. store chemicals and fuels in designated areas;
- b. use secondary containment such as bunds, trays, or suitable storage systems;
- c. keep containers closed, labelled, and in good condition;
- d. avoid storing chemicals or fuel directly on bare ground;
- e. inspect containers, tanks, pipes, valves, and storage areas;
- f. provide spill kits and emergency information in relevant areas;
- g. control chemical transfer, refuelling, and decanting activities;
- h. maintain SDS for hazardous substances;
- i. train workers and contractors on spill prevention;
- j. investigate and record leaks, spills, and near misses; and
- k. dispose of contaminated materials through approved waste channels.

Waste and scheduled waste controls

Poor waste management is one of the main causes of soil contamination. Scheduled waste, chemical waste, sludge, contaminated packaging, used oil, spent absorbents, and waste residues should be properly classified, stored, labelled, and disposed of through authorised channels. DOE provides scheduled waste information and technical guidelines on environmentally sound management of various waste streams. ([Jabatan Alam Sekitar - JAS](#))

Practical controls include:

- a. classify waste correctly;
- b. segregate scheduled waste from general waste and recyclables;
- c. store waste in designated, labelled, covered, and controlled areas;
- d. avoid overfilling containers;
- e. prevent waste leakage to soil or drains;
- f. inspect waste storage areas regularly;
- g. use licensed or approved waste contractors where required;
- h. maintain consignment notes, disposal records, and vendor documents;
- i. track waste quantities and storage duration;
- j. train waste handlers; and
- k. investigate any waste leakage or improper disposal.

Wastewater, effluent, and drainage controls

Wastewater and drainage systems can affect soil health if they overflow, leak, discharge improperly, or carry pollutants into land and water pathways.

Practical controls include:

- a. maintain wastewater treatment systems;
- b. inspect tanks, pipes, pumps, drains, and discharge points;
- c. prevent unauthorised discharge to soil or storm drains;
- d. monitor effluent according to applicable requirements;
- e. clean drains and sediment traps where relevant;
- f. prevent sludge leakage or improper storage;
- g. inspect after heavy rain or flooding;
- h. maintain emergency response procedures for overflow or leakage;
- i. record maintenance and monitoring results; and
- j. close corrective actions from exceedances or complaints.

Erosion and sediment controls

Erosion can occur during construction, site expansion, drainage works, earthworks, or where unpaved areas are exposed to heavy rain.

Practical controls include:

- a. minimise exposed soil areas;
- b. maintain ground cover or stabilised surfaces where practical;
- c. provide proper drainage and slope protection;
- d. use silt traps, sediment barriers, or other controls where appropriate;
- e. prevent sediment from entering drains and water bodies;
- f. inspect exposed areas after heavy rain;
- g. reinstate disturbed areas after works are completed;
- h. supervise contractors conducting earthworks or construction;
- i. prevent storage of soil, debris, or construction waste near drains; and
- j. maintain records of inspection and corrective action.

Compaction and traffic controls

Heavy vehicles, forklifts, repeated traffic, and poor yard design can compact soil, damage surfaces, increase run-off, and create drainage issues.

Practical controls include:

- a. designate vehicle routes and loading areas;
- b. avoid unnecessary movement over unpaved or soft ground;
- c. stabilise high-traffic areas;
- d. maintain roads, yards, and drainage;
- e. control parking and storage of heavy materials;
- f. inspect areas where rutting, pooling, or erosion occurs;
- g. repair damaged surfaces; and
- h. review logistics flow to reduce repeated traffic over sensitive areas.

Construction and contractor controls

Construction, maintenance, drainage modification, excavation, and site expansion can create soil risks if contractors are not properly controlled.

Companies should require contractors to:

- a. follow site environmental rules;
- b. identify chemicals, fuels, and waste brought onsite;
- c. avoid unauthorised disposal or dumping;
- d. protect drains and exposed soil;
- e. manage sediment and run-off;
- f. store materials safely;
- g. report spills, leaks, and incidents immediately;
- h. reinstate disturbed areas after work;
- i. remove waste through approved channels; and
- j. provide records where required.

Contractor controls should be documented through induction records, work permits, method statements, inspection checklists, photographs, and completion records.

Supply chain controls

Where natural rubber sourcing is material, soil health should be included in supplier due diligence. This may include questions on:

- a. legal land use;
- b. peatland risk;
- c. slope and erosion control;
- d. soil conservation practices;
- e. chemical and fertiliser use;
- f. buffer zones near rivers and drains;
- g. good agricultural practices;
- h. land degradation complaints;
- i. certification or sustainability evidence; and
- j. corrective action where risks are identified.

For midstream and downstream companies, the level of supplier soil information may be limited at first. Companies should start with priority suppliers and improve traceability and supplier engagement over time.

16.4 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Soil Health topic. Companies should apply them based on materiality, site conditions, operational risk, supplier exposure, legal requirements, customer requirements, and data availability.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. Soil protection commitment	Company has a commitment to prevent soil contamination, erosion, and degradation.	ESG Policy, Environmental Policy, site environmental rules, management approval.	Management / ESG Team / EHS
2. Soil risk screening for own operations	Company identifies activities, areas, and materials that may affect soil health.	Environmental risk assessment, site inspection checklist, site layout map, risk register.	EHS / Facilities
3. Identification of high-risk soil areas	Chemical stores, fuel areas, scheduled waste areas, wastewater systems, drains, outdoor storage, maintenance workshops, loading bays, and construction areas are identified.	Site map, storage area register, inspection records, photographs.	EHS / Facilities / Production
4. Chemical and fuel storage controls	Chemicals, fuels, lubricants, and hazardous substances are stored to prevent soil contamination.	Chemical inventory, SDS, storage inspection, bunding records, spill kit inspection, corrective action records.	EHS / Warehouse / Maintenance
5. Waste and scheduled waste controls	Waste and scheduled waste are classified, stored, labelled, and disposed of to prevent soil contamination.	Waste register, scheduled waste inventory, consignment notes, vendor records, storage inspections.	EHS / Warehouse / Procurement
6. Wastewater and effluent controls	Wastewater, effluent, sludge, and drainage systems are managed to prevent leakage, overflow, or soil contamination.	WWTP logs, effluent test reports, maintenance records, drain inspection records, sludge records.	EHS / WWTP Operator / Maintenance
7. Spill prevention and response	Company has procedures and equipment to prevent and respond to spills affecting soil.	Spill response procedure, spill kit inspection, training records, incident reports, corrective action tracker.	EHS / Emergency Response Team
8. Soil erosion controls	Exposed soil, slopes, construction areas, and drainage pathways are managed to prevent erosion and sediment run-off.	Erosion control records, site inspection, contractor records, photographs, drainage maintenance records.	Facilities / EHS / Contractors

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
9. Soil compaction controls	Heavy vehicle movement, storage, and yard activities are controlled to prevent compaction and drainage problems.	Traffic route plan, yard inspection, maintenance records, corrective action records.	Facilities / Logistics / Production
10. Stormwater and drainage protection	Stormwater pathways are managed to prevent polluted run-off and sediment movement.	Drainage map, drain inspection checklist, cleaning records, incident records.	Facilities / EHS / Maintenance
11. Soil incident and complaint management	Soil-related spills, leaks, staining, erosion, complaints, or contamination concerns are recorded and addressed.	Incident log, complaint register, investigation records, corrective action closure evidence.	EHS / ESG Team
12. Soil testing or assessment where required	Soil sampling, testing, or professional assessment is conducted where contamination is suspected or required.	Soil test report, environmental assessment, consultant report, authority correspondence, remediation record.	EHS / Management
13. Supplier soil risk screening	Natural rubber suppliers are screened for soil conservation, erosion, peatland, land degradation, and responsible land management where relevant.	Supplier questionnaire, supplier declaration, sourcing map, certification evidence, supplier audit, corrective action plan.	Procurement / ESG Team
14. Training and awareness	Relevant workers and contractors are trained on spill prevention, waste handling, chemical storage, drainage protection, and soil protection.	Training records, toolbox talks, contractor induction, attendance records.	HR / EHS
15. Monitoring and corrective action	Soil protection controls are inspected and findings are tracked to closure.	Inspection checklist, internal audit report, corrective action tracker, management review minutes.	EHS / ESG Team / Management
16. Reporting and disclosure	Company discloses soil health risks, controls, incidents, supplier relevance, limitations, and improvement actions where material.	ESG report, ESG Checklist, evidence register, omission explanation, management approval.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Percentage of operational sites screened for soil health risk	Sites screened ÷ total operational sites.
Number of high-risk soil areas identified	Count of chemical, fuel, waste, wastewater, drainage, outdoor storage, or construction areas.
Number of soil-related inspections conducted	Count of inspections during the reporting period.
Number of soil-related findings	Count of leaks, staining, erosion, poor storage, sediment issues, or contamination concerns.
Percentage of soil-related corrective actions closed on time	Corrective actions closed by due date ÷ total soil-related corrective actions due.
Number of spills or leaks with potential soil impact	Count of incidents recorded.
Number of soil contamination complaints	Count of complaints from employees, communities, regulators, customers, or other stakeholders.
Number of soil testing or assessment exercises conducted	Count of sampling, testing, or professional assessments, where applicable.
Percentage of scheduled waste storage inspections completed as planned	Completed inspections ÷ planned inspections.
Percentage of relevant workers trained on spill prevention and soil protection	Trained relevant workers ÷ total relevant workers.
Percentage of contractors inducted on environmental site rules	Contractors inducted ÷ total applicable contractors.
Percentage of natural rubber suppliers screened for soil or land degradation risk	Suppliers screened ÷ total natural rubber suppliers.
Percentage of high-risk supplier findings with corrective action plans	High-risk supplier findings with action plans ÷ total high-risk findings.

Reporting guidance

Where Soil Health is material, the company should disclose:

- why soil health is relevant to the company;
- whether the topic applies to own operations, supply chain, or both;
- key soil degradation risks identified;
- controls for chemicals, fuels, waste, wastewater, sludge, drains, erosion, and construction;
- whether any soil-related spills, leaks, erosion, complaints, or contamination concerns occurred;
- whether soil testing or professional assessment was required;
- how soil-related risks are monitored and corrected;

- h. how supplier soil risks are considered where natural rubber sourcing is relevant;
- i. KPIs used to monitor soil protection;
- j. data gaps, limitations, or confidentiality constraints; and
- k. improvement actions planned for the next reporting period.

Example disclosure wording

Soil Health

Soil health is relevant to the company because our operations involve chemical storage, scheduled waste storage, wastewater treatment, fuel use, maintenance activities, and outdoor storage areas. These activities may create soil contamination or erosion risks if not properly controlled.

During the reporting period, the company identified high-risk soil areas, including chemical storage, scheduled waste storage, wastewater treatment, and loading areas. Regular inspections were conducted to check for leaks, staining, poor housekeeping, drainage issues, and spill readiness. No major soil contamination incident was recorded during the reporting period.

The company will continue strengthening soil protection through improved drainage inspections, spill prevention training, scheduled waste controls, and contractor environmental requirements. Supplier-level soil conservation information will be progressively incorporated into natural rubber supplier screening where relevant.

Omission and non-applicability guidance

Where soil health indicators are not reported in detail, the company should explain why.

Situation	Example Explanation
Site has limited soil exposure	"The company operates in a paved industrial facility with limited exposed soil. Soil-related risks are managed through chemical storage, waste storage, drainage, and spill prevention controls."
No natural rubber sourcing	"Supplier-related soil health risks are not currently material because the company does not source natural rubber. Site-level soil protection remains covered through hazardous substance, waste, and water controls."
Soil testing not conducted	"Soil testing was not conducted during the reporting period because no soil contamination incident, regulatory request, or risk assessment trigger was identified. Testing will be conducted where required by incident, authority, customer, or competent assessment."

Situation	Example Explanation
Supplier data incomplete	“Supplier-level soil conservation information is not yet available for all natural rubber suppliers. The company will prioritise high-volume and customer-facing suppliers for additional due diligence.”
Topic managed under related topics	“Soil-related contamination risks are also managed under Hazardous Substances, Waste, Water, and Sustainable Land Use. This section summarises soil-specific controls.”
Confidential land or supplier information	“Supplier-specific land and sourcing information is maintained internally and disclosed only to authorised customers, regulators, or assurance providers due to confidentiality considerations.”

Minimum Implementation Outputs for Section 16

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

Output	Purpose
Soil protection commitment or policy reference	Confirms the company’s commitment to preventing soil contamination and degradation.
Soil risk screening checklist	Identifies site activities, areas, and materials that may affect soil health.
Site layout and high-risk area map	Shows chemical stores, fuel areas, waste areas, wastewater systems, drains, outdoor storage, and exposed soil areas.
Soil risk register	Records soil degradation risks, controls, responsible persons, timelines, and corrective actions.
Chemical and fuel storage inspection records	Demonstrates controls to prevent soil contamination from leaks and spills.
Waste and scheduled waste records	Shows proper classification, storage, disposal, and vendor evidence.
Wastewater, sludge, and drainage records	Supports controls over effluent, overflow, leaks, run-off, and sediment.
Spill prevention and response records	Records spill kits, procedures, training, incidents, investigations, and closure evidence.
Erosion and stormwater inspection records	Tracks exposed soil, slopes, sediment, drainage, and construction-related risks.
Contractor environmental control records	Shows that contractors follow soil, waste, chemical, and drainage protection rules.
Soil incident and complaint log	Records soil-related spills, staining, erosion, complaints, investigations, and corrective actions.
Soil testing or assessment records, where required	Provides evidence for suspected contamination, remediation, or regulatory/customer requirements.
Supplier soil risk screening, where relevant	Assesses natural rubber suppliers for soil conservation, erosion, peatland, and land degradation risks.
Training records	Shows worker and contractor awareness on spill prevention, waste handling, and soil protection.
Corrective action tracker	Tracks soil-related findings and closure status.
ESG evidence register	Organises records for reporting, customer requests, audits, and verification.

Output	Purpose
Annual review record	Shows management review of soil risks, incidents, supplier gaps, and improvement actions.

Used properly, this topic helps rubber processors and manufacturers prevent soil contamination, reduce land degradation risks, strengthen pollution prevention, improve site environmental controls, and support responsible sourcing across the rubber value chain.

17. Environmental Topic 9: Water

Water is a material environmental topic for many rubber processors and manufacturers because rubber processing, latex handling, washing, leaching, cooling, cleaning, dipping, compounding, wastewater treatment, utilities, sanitation, and general factory operations may require significant water use. Poor water management can increase operating costs, create regulatory risk, affect production continuity, cause effluent non-compliance, harm receiving water bodies, and create concerns for neighbouring communities or downstream users.

This topic covers four main areas: **water withdrawal and consumption**, **water stress assessment**, **water quality and effluent management**, and **water use optimisation**. It should be read together with the Environmental topics on **Hazardous Substances**, **Waste**, **Soil Health**, **Biodiversity**, **Energy**, and **Emissions**, because water performance is closely linked to chemical handling, wastewater treatment, sludge, spills, drainage, resource efficiency, and pollution prevention.

Water is also a shared resource. GRI 303 explains that effective water and effluents management should consider the local context where water is withdrawn and discharged, and it recognises water recycling, reuse, process redesign, and better discharge treatment as ways to reduce water-related impacts. ([Global Reporting Initiative](#))

This topic is especially relevant where a company:

- a. withdraws water from municipal supply, groundwater, surface water, third-party supply, rainwater harvesting, or other sources;
- b. uses water in production, processing, washing, leaching, cooling, cleaning, boilers, utilities, sanitation, or wastewater treatment;
- c. generates industrial effluent, mixed effluent, wastewater, sludge, or contaminated run-off;
- d. operates an industrial effluent treatment system or wastewater treatment plant;
- e. discharges treated effluent to drains, inland waters, third-party treatment systems, or other approved destinations;
- f. is located in an area with water stress, flooding, drought, water rationing, competing community demand, or water quality sensitivity;
- g. has customer, regulatory, certification, financing, or reporting requirements relating to water data or effluent quality;
- h. handles chemicals, hazardous substances, or waste that may affect water quality; or
- i. sources natural rubber, chemicals, or other materials from suppliers with significant water-related impacts.

For Malaysian companies, water and effluent management must be aligned with applicable legal requirements, permits, approval conditions, discharge standards, and Department of

Environment requirements. The Department of Environment's official portal lists the **Environmental Quality (Industrial Effluents) Regulations 2009 – P.U. (A) 434/2009**, and the regulations cover matters such as effluent treatment systems, monitoring of industrial effluent discharge, proper operation of treatment systems, sampling and analysis, discharge points, bypass prohibition, dilution, and spill or accidental discharge matters. ([Jabatan Alam Sekitar - JAS](#))

17.1 Water Withdrawal and Consumption

Water withdrawal refers to the total volume of water drawn into the company's operations from all sources during the reporting period. Water consumption refers to the portion of withdrawn water that is not returned to the same catchment or is no longer available for use by ecosystems or local communities during the reporting period. Where direct measurement of consumption is not available, GRI 303 allows water consumption to be calculated as **total water withdrawal minus total water discharge**. ([Global Reporting Initiative](#))

Companies should track water withdrawal, water consumption, water discharge, and water intensity in a consistent manner. The level of detail should reflect the company's size, operational complexity, water use intensity, legal requirements, and customer expectations.

Water sources to track

Companies should identify and record all sources of water used in operations.

Water Source	Practical Examples	Common Evidence
Municipal or third-party water	Water purchased from water utilities, industrial park supply, landlord supply, or third-party provider.	Water bills, invoices, meter readings, utility statements.
Groundwater	Tube well, bore well, or other groundwater abstraction.	Abstraction permit, meter logs, pump records, monitoring records.
Surface water	River, stream, pond, lake, reservoir, or canal water, where legally permitted.	Permit, intake records, meter readings, monitoring records.
Rainwater	Rainwater harvesting system used for process, cleaning, landscaping, or non-potable use.	Storage tank records, meter readings, design records, maintenance logs.
Recycled or reused water	Treated process water, recovered water, condensate, rinse water reuse, or internally recycled water.	Reuse logs, water balance records, treatment records, flow meter data.

Water Source	Practical Examples	Common Evidence
Produced or process-derived water	Water generated as part of a process, where applicable.	Process records, water balance, technical calculation.

GRI 303 requires water withdrawal disclosure by source categories such as surface water, groundwater, seawater, produced water, and third-party water, and also requires disclosure of water withdrawal from areas with water stress where applicable. ([Global Reporting Initiative](#))

Water use areas in rubber operations

Companies should identify where water is used in the facility.

Operational Area	Possible Water Use
Raw material receiving and preparation	Washing, cleaning, dilution, wet handling, latex receiving, or process preparation.
Processing and production	Leaching, dipping, coagulation, rinsing, cooling, cleaning, mixing, compounding, or process water.
Utilities	Boilers, cooling towers, chillers, scrubbers, pumps, vacuum systems, compressed air support, or general utilities.
Wastewater treatment	Chemical dosing, dilution where legally permitted, biological treatment, sludge handling, cleaning, and maintenance.
Cleaning and sanitation	Equipment cleaning, floor washing, handwashing, toilets, canteen, worker facilities, and housekeeping.
Laboratory and quality control	Testing, washing glassware, sample preparation, and quality checks.
Fire protection and emergency systems	Fire tanks, sprinklers, hydrants, and emergency response systems.
Landscaping or external areas	Green areas, road cleaning, dust suppression, or yard cleaning where applicable.

Water data collection

A practical water data collection process should include:

Step	Action
1. Define boundary	Identify sites, meters, water sources, processes, and reporting period covered.
2. Identify water sources	Record municipal, groundwater, surface water, rainwater, recycled water, or other sources.
3. Assign data owners	Appoint responsible persons for bills, meters, process logs, discharge data, and treatment records.
4. Collect data monthly	Record water withdrawal, discharge, reuse, recycling, and production output.
5. Standardise units	Use consistent units such as m ³ or megalitres.
6. Calculate water intensity	Compare water use against production output, revenue, operating days, or another relevant denominator.
7. Check anomalies	Investigate unusual increases, leaks, meter faults, abnormal production, or missing data.
8. Link to effluent	Compare withdrawal with discharge, wastewater treatment data, sludge generation, and water balance.
9. Review and approve	Review data before reporting or customer submission.
10. Improve systems	Add meters, logs, water balance, or digital tracking where needed.

Water consumption register

Companies should maintain a **Water Consumption Register**.

Field	Description
Reporting period	Month, quarter, or year.
Site or facility	Factory, warehouse, office, laboratory, or worker facility.
Water source	Municipal, groundwater, surface water, rainwater, recycled water, or other source.
Water withdrawal	Total water drawn from each source.
Water discharge	Total water discharged to each destination, where measured.
Water consumption	Withdrawal minus discharge, or directly measured consumption where available.
Water reused or recycled	Volume of water reused internally.
Production output	Tonnes, units, pieces, or other production denominator.
Water intensity	Water withdrawal or consumption per tonne, unit, or other denominator.
Data source	Bill, meter, logbook, monitoring system, treatment record, or calculation.
Data owner	Department or person responsible.
Reviewer	Person who checks the data.
Remarks	Estimate, data gap, abnormal use, leak, shutdown, expansion, or process change.

Water intensity

Water intensity helps companies understand whether water is being used efficiently relative to production.

Examples include:

- a. m³ of water withdrawn per tonne of product;
- b. m³ of water consumed per tonne of product;
- c. m³ of water discharged per tonne of product;
- d. m³ of water per 1,000 pieces produced;
- e. m³ of water per operating day;
- f. water cost per tonne or unit produced; and
- g. percentage of water reused or recycled.

Companies should select intensity metrics that are meaningful to their operations and apply them consistently. Where product mix or production process changes significantly, the company should explain how this affects comparability.

17.2 Water Stress Assessment

Water stress assessment helps companies understand whether their operations or suppliers are located in areas where water availability, water quality, flood risk, drought risk, seasonal variability, or competing water demand may create risks. This is important because the significance of water use depends not only on the volume withdrawn, but also on the local catchment context.

GRI 303 requires organisations compiling water withdrawal and discharge information for areas with water stress to use publicly available and credible tools and methodologies. ([Global Reporting Initiative](#)) WRI's Aqueduct tools use open-source, peer-reviewed data to map water risks such as floods, droughts, and water stress, and the Aqueduct Water Risk Atlas can be used to assess current and future water risks across locations. ([World Resources Institute](#))

What water stress assessment should consider

Companies should assess water stress for operational sites and, where material, for suppliers with significant water-related impacts.

Assessment Area	Practical Question
Physical water stress	Is the site located in an area where water demand is high compared with available supply?
Drought risk	Is the site exposed to seasonal drought, water rationing, or low water availability?
Flood risk	Is the site exposed to riverine, coastal, stormwater, or flash flood risks?
Seasonal variability	Does water availability or quality change significantly during the year?
Water quality	Is the receiving waterbody sensitive, polluted, degraded, or used by communities?
Competing demand	Do local communities, agriculture, industry, or ecosystems rely on the same water source?
Regulatory risk	Are there permit limits, abstraction limits, discharge standards, or water-related enforcement risks?
Supplier water risk	Are key suppliers located in areas with water stress or significant water discharge impacts?
Business continuity	Could water disruption affect production, utilities, cleaning, safety, or wastewater treatment?
Stakeholder concern	Have communities, regulators, customers, or employees raised water-related concerns?

Water stress assessment process

A practical water stress assessment may include:

Step	Action
1. Map operational sites	Identify factory, warehouse, office, worker facilities, and other locations.
2. Identify water sources and discharge points	Record water supply sources, abstraction points, treatment systems, and discharge destinations.
3. Identify catchment context	Determine the relevant river basin, catchment, local authority area, or water supply zone where possible.
4. Use credible tools	Use publicly available tools such as WRI Aqueduct, official data, utility information, or customer-approved methodologies.
5. Review local evidence	Consider water rationing, flooding, drought history, complaints, permits, monitoring data, and community concerns.
6. Classify water risk	Classify sites as low, medium, high, or critical water stress or water risk.
7. Identify priority actions	Prioritise metering, leak reduction, recycling, discharge control, emergency planning, and supplier engagement.
8. Document results	Keep assessment outputs, assumptions, screenshots or reports where permitted, and management review records.
9. Review annually	Update when sites, suppliers, water sources, discharge points, production levels, or water risk data change.

Supplier water stress screening

Supplier water stress may be relevant where suppliers have significant water use or discharge impacts. This may include latex concentrate suppliers, rubber processors, chemical suppliers, packaging suppliers, wastewater contractors, or suppliers located in water-stressed areas.

Companies may screen suppliers by asking:

- a. Does the supplier operate in a water-stressed area?
- b. Does the supplier withdraw significant water for production?
- c. Does the supplier discharge industrial effluent or wastewater?
- d. Does the supplier have wastewater treatment and monitoring controls?
- e. Has the supplier had water-related non-compliance, complaints, or incidents?
- f. Does the supplier have water reuse, recycling, or reduction initiatives?
- g. Is supplier water performance material to customer or reporting requirements?
- h. Does the supplier provide water data, permits, effluent records, or certifications where required?

Supplier screening should be risk-based. Companies do not need to request detailed water data from every supplier immediately, but priority suppliers should be assessed where water is material to the product, customer, sourcing area, or risk profile.

Water stress classification

A simple classification may be used.

Risk Level	Description	Recommended Action
Low	Adequate water availability, low competing demand, no significant water-related complaints or disruptions.	Maintain basic tracking and annual review.
Medium	Some seasonal variation, moderate water cost, occasional supply issues, or moderate stakeholder concern.	Improve metering, leak control, water efficiency, and discharge monitoring.
High	Water stress, supply interruptions, high water cost, sensitive receiving waterbody, or customer attention.	Set targets, strengthen recycling and reuse, review production risks, and escalate to management.
Critical	Severe water stress, repeated water shortages, high regulatory exposure, community conflict, or major discharge risk.	Prepare water stewardship plan, investment plan, contingency measures, and enhanced management oversight.

Water stress classification should feed into the ESG risk register, water action plan, water targets, emergency preparedness, supplier due diligence, and reporting.

17.3 Water Quality and Effluent Management

Water quality and effluent management are essential for preventing pollution and protecting receiving water bodies, soil, biodiversity, communities, workers, and regulatory compliance. Rubber processing and manufacturing may generate wastewater or effluent containing suspended solids, latex residues, organic load, chemicals, cleaning agents, oils, sludge, colour, odour, nutrients, or other substances depending on the process.

GRI 303 requires disclosure of water discharge by destination and quality categories, and also asks organisations to report priority substances of concern for which discharges are treated, the approach used for discharge limits, and incidents of non-compliance with discharge limits. ([Global Reporting Initiative](#))

Effluent sources to identify

Companies should identify all sources of wastewater and effluent.

Source	Examples
Process wastewater	Washing, leaching, rinsing, coagulation, dipping, latex handling, rubber processing, cleaning, or production discharge.
Cleaning wastewater	Floor washing, equipment cleaning, tank cleaning, container washing, housekeeping.
Utility wastewater	Boiler blowdown, cooling tower blowdown, scrubber water, condensate discharge, compressor condensate.
Laboratory wastewater	Testing, sample preparation, washing, chemical residues, small-volume lab discharge.
Wastewater treatment plant discharge	Treated effluent, sludge water, backwash, dosing system discharge.
Stormwater run-off	Yard run-off, outdoor storage, loading area run-off, chemical or waste storage run-off.
Sanitary wastewater	Toilets, canteen, washing facilities, worker accommodation, where relevant.

Each discharge stream should be assessed to determine whether it requires treatment, monitoring, permit coverage, segregation, reuse, or special handling.

Effluent treatment and discharge controls

Companies should establish controls for wastewater and effluent treatment.

Control Area	Practical Requirement
Effluent source mapping	Identify all wastewater streams and discharge points.
Segregation	Separate process wastewater, stormwater, sanitary wastewater, chemical waste, and scheduled waste where required.
Treatment system	Operate and maintain wastewater or effluent treatment systems according to legal, permit, and technical requirements.
Monitoring	Monitor flow, quality, pH, COD, BOD, suspended solids, ammonia, oil and grease, heavy metals, or other parameters where applicable.
Sampling	Use appropriate sampling methods, locations, frequency, and competent personnel or laboratories where required.
Discharge point control	Ensure discharge occurs only through approved points and not through bypasses or unauthorised drains.
Sludge management	Classify, store, label, handle, and dispose of sludge appropriately.
Maintenance	Maintain pumps, tanks, aerators, dosing systems, sensors, pipes, drains, and treatment equipment.
Emergency response	Prepare procedures for overflow, treatment failure, spill, leakage, abnormal discharge, or heavy rain events.
Recordkeeping	Maintain treatment logs, monitoring reports, maintenance records, calibration records, and corrective actions.

Water quality parameters

Water quality parameters should be selected based on legal requirements, permit conditions, process characteristics, receiving waterbody sensitivity, customer expectations, and internal risk assessment.

Common parameters may include:

- pH;
- temperature;
- biochemical oxygen demand, or BOD;
- chemical oxygen demand, or COD;
- total suspended solids, or TSS;
- ammonia nitrogen;
- oil and grease;
- total dissolved solids;
- colour;
- sulphide;
- heavy metals where relevant;

- l. surfactants or specific chemicals where relevant;
- m. flow rate;
- n. odour or visual observations; and
- o. other parameters required by permit, law, customer, or risk assessment.

The company should not assume that all parameters are applicable to all sites. Parameters should be determined by legal obligations, permit requirements, treatment system design, wastewater characteristics, and technical advice.

Effluent monitoring records

Companies should maintain effluent monitoring records that include:

Record	Purpose
Wastewater source map	Shows where wastewater comes from and where it flows.
Discharge point map	Identifies approved discharge points and sampling locations.
Treatment system design and operation records	Demonstrates that treatment systems are appropriate and functioning.
Daily or routine treatment logs	Tracks pH, flow, dosing, operation, sludge, equipment status, and abnormal conditions.
Laboratory test reports	Provides evidence of effluent quality.
Permit and approval records	Shows applicable discharge requirements.
Maintenance records	Shows pumps, aerators, tanks, sensors, pipes, and equipment are maintained.
Calibration records	Supports reliability of meters and monitoring instruments.
Exceedance records	Records discharge limit exceedances, root causes, actions, and closure.
Sludge records	Tracks sludge generation, classification, storage, transport, and disposal.
Incident records	Documents overflow, spill, leakage, bypass, abnormal discharge, or complaints.
Corrective action tracker	Tracks findings and closure status.

Effluent exceedance and incident management

Where effluent results exceed discharge limits or abnormal discharge occurs, the company should act promptly.

A practical response process should include:

Step	Action
1. Identify	Detect exceedance, abnormal reading, overflow, complaint, spill, or treatment failure.
2. Contain	Prevent further uncontrolled discharge where safe and practical.
3. Notify internally	Inform EHS, plant manager, wastewater operator, ESG lead, and senior management where required.
4. Investigate	Identify root cause, such as equipment failure, chemical imbalance, overload, incorrect dosing, maintenance issue, or abnormal production.
5. Correct	Repair equipment, adjust treatment, stop source, improve operation, clean affected area, or strengthen controls.
6. Notify externally where required	Follow applicable legal, permit, customer, or stakeholder notification requirements.
7. Document	Record results, root cause, actions, evidence, and closure.
8. Prevent recurrence	Update SOPs, training, maintenance, monitoring, or production controls.
9. Review	Include significant incidents in management review and ESG reporting where material.

The company should also monitor community complaints related to water, such as odour, discolouration, flooding, drainage issues, river pollution, run-off, or abnormal discharge.

17.4 Water Use Optimisation

Water use optimisation means reducing unnecessary water withdrawal, improving water efficiency, increasing reuse or recycling where safe and practical, reducing water loss, improving process control, and preventing water pollution. It can reduce cost, improve resilience, lower effluent load, reduce treatment burden, and support ESG and customer expectations.

Water optimisation should follow a hierarchy.

Level	Practical Meaning
Avoid	Avoid unnecessary water use, over-washing, uncontrolled flow, leaks, and excessive cleaning.
Reduce	Reduce water use through process control, efficient equipment, training, and maintenance.
Reuse	Reuse water internally where quality and safety requirements allow.
Recycle	Treat and recycle water back into suitable processes where feasible.
Recover	Recover condensate, rinse water, cooling water, or treated water where practical.

Level	Practical Meaning
Treat	Treat wastewater appropriately before discharge or reuse.
Monitor	Use meters, logs, inspections, and KPIs to sustain improvement.

Water optimisation opportunities

Area	Practical Measures	Evidence
Metering and monitoring	Install meters for major water users, track monthly use, investigate abnormal consumption.	Meter logs, bills, dashboard, water balance.
Leak detection	Inspect pipes, valves, tanks, hoses, taps, pumps, and underground lines.	Inspection records, repair logs, maintenance records.
Process control	Optimise washing, leaching, rinsing, cooling, and cleaning cycles.	SOPs, production records, water intensity data.
Water reuse	Reuse suitable rinse water, cooling water, process water, or treated effluent where safe and approved.	Reuse records, treatment records, water quality checks.
Cleaning efficiency	Use controlled cleaning systems, trigger nozzles, dry cleaning before wet cleaning, or standard cleaning schedules.	Cleaning SOP, training records, water use data.
Cooling systems	Maintain cooling towers, prevent overflow, optimise blowdown, repair leaks.	Cooling tower logs, maintenance records.
Boiler and steam systems	Recover condensate, optimise blowdown, maintain steam traps.	Boiler logs, condensate recovery records.
Wastewater treatment	Reduce pollutant load at source, prevent shock loading, optimise treatment system operation.	Treatment logs, effluent results, maintenance records.
Rainwater harvesting	Use rainwater for non-critical applications where safe, legal, and technically feasible.	Storage records, design records, use logs.
Employee awareness	Train workers to report leaks, close taps, follow SOPs, and avoid unnecessary washing.	Training records, toolbox talks, campaign records.
Supplier engagement	Ask high-water-impact suppliers to improve water efficiency and effluent controls.	Supplier questionnaire, audit report, supplier action plan.

Water balance

A water balance helps companies understand where water enters, where it is used, where it is lost, and where it is discharged. It is especially useful for facilities with high water use, multiple process lines, wastewater treatment systems, or data gaps.

A simple water balance may include:

- total water withdrawal by source;
- water used in production;
- water used in utilities;
- water used for cleaning and sanitation;

- e. water reused or recycled;
- f. water discharged as effluent;
- g. water lost through evaporation, product incorporation, sludge, leaks, or other losses;
- h. water stored at the start and end of the period where relevant; and
- i. unexplained differences requiring investigation.

Water balance should be updated at least annually, or more frequently for water-intensive operations.

Water targets

Companies should set water targets where water is material.

Target Type	Example
Consumption reduction	Reduce water withdrawal by a defined percentage over a defined period.
Intensity target	Reduce m ³ of water per tonne of product.
Reuse target	Increase percentage of water reused or recycled.
Metering target	Install meters for major water-consuming processes.
Leak target	Complete monthly leak inspections and close findings within defined timelines.
Effluent target	Maintain zero exceedance of discharge limits or reduce pollutant load.
Data target	Complete water balance and water stress assessment for all operational sites.
Supplier target	Screen priority suppliers for water use and effluent management.

Targets should include baseline, scope, responsible person, timeline, action plan, evidence, and review process.

17.5 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Water topic. Companies should apply them based on materiality, water use, effluent risk, site conditions, customer requirements, legal requirements, and data availability.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. Water management policy and commitment	Company has a commitment to manage water responsibly, prevent pollution, comply with requirements, and improve water efficiency.	ESG Policy, Environmental Policy, Water Policy, management approval, ESG Committee minutes.	Management / ESG Team / EHS
2. Water reporting boundary	Sites, processes, water sources, discharge points, and reporting period are defined.	Boundary statement, site list, meter list, water source register, methodology note.	ESG Team / EHS / Facilities
3. Water source identification	Company identifies all water sources used in operations.	Water bills, abstraction records, source register, meter readings, permits where applicable.	Facilities / Finance / EHS
4. Water withdrawal tracking	Water withdrawal is tracked by source, site, meter, and period.	Water bills, meter logs, utility invoices, water tracker.	Finance / Facilities
5. Water consumption calculation	Water consumption is calculated or measured, with assumptions documented.	Water balance, withdrawal records, discharge records, calculation worksheet, methodology note.	ESG Team / EHS / Facilities
6. Water discharge tracking	Water discharge is tracked by destination, volume, and treatment level where applicable.	Effluent flow meter records, discharge logs, treatment plant records, discharge point map.	EHS / WWTP Operator
7. Water intensity	Water withdrawal, consumption, or discharge is measured against production output or another relevant denominator.	Production records, water tracker, intensity calculation, KPI dashboard.	ESG Team / Production / Finance
8. Water stress assessment	Sites are assessed for water stress, flood, drought, seasonal variation, and local water risk.	Water stress assessment, WRI Aqueduct output, official data, risk register, management review record.	ESG Team / EHS / Management
9. Supplier water risk screening	Priority suppliers are screened for water use, water stress, effluent, and water-related impacts where material.	Supplier questionnaire, supplier declaration, audit report, sourcing map, supplier risk matrix.	Procurement / ESG Team
10. Wastewater and effluent source mapping	Wastewater sources, treatment systems, drains, and discharge points are identified.	Wastewater source map, drain map, discharge point map, site layout, process flow diagram.	EHS / Facilities / WWTP Operator

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
11. Effluent treatment system operation	Industrial effluent or wastewater treatment systems are operated and maintained properly.	Treatment logs, operator records, maintenance records, calibration records, inspection reports.	EHS / WWTP Operator / Maintenance
12. Effluent quality monitoring	Effluent quality is tested and monitored according to applicable requirements.	Laboratory test reports, sampling records, permit conditions, monitoring schedule, internal records.	EHS / WWTP Operator
13. Discharge compliance	Discharge limits, permit conditions, and legal requirements are monitored and non-compliance is addressed.	Compliance register, effluent results, exceedance reports, regulatory submissions, corrective action tracker.	EHS / Compliance / Management
14. Sludge and wastewater by-product management	Sludge and wastewater treatment residues are classified, stored, handled, and disposed of properly.	Sludge records, scheduled waste records, consignment notes, vendor licence, storage inspection.	EHS / Warehouse / Procurement
15. Spill, overflow, and abnormal discharge response	Company has procedures to respond to spills, leaks, overflow, bypass, or abnormal discharge.	Emergency procedure, incident reports, spill records, investigation reports, notification records where required.	EHS / Emergency Response Team
16. Water reuse and recycling	Company identifies and tracks water reuse, recycling, or recovery initiatives where feasible.	Reuse logs, treatment records, meter readings, project records, water balance.	Facilities / Production / EHS
17. Leak detection and maintenance	Pipes, tanks, valves, meters, pumps, and water systems are inspected and maintained.	Inspection checklist, repair logs, maintenance records, leak reports.	Maintenance / Facilities
18. Water optimisation initiatives	Company implements actions to reduce water use, improve efficiency, or reduce effluent load.	Water efficiency project register, action plan, before-after data, cost savings calculation.	Facilities / Production / EHS
19. Water-related complaints and incidents	Water complaints, discharge issues, flooding, pollution concerns, and incidents are recorded and addressed.	Complaint log, incident register, investigation records, corrective action tracker, closure evidence.	EHS / ESG Team
20. Training and awareness	Relevant workers and contractors are trained on water conservation, effluent controls, spill response, and drainage protection.	Training records, toolbox talks, contractor induction, attendance records.	HR / EHS
21. Reporting and disclosure	Company discloses water withdrawal, consumption,	ESG report, ESG Checklist, evidence register, water	ESG Team / Management

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	discharge, stress assessment, effluent performance, limitations, and improvement actions where material.	KPI tracker, omission explanation, management approval.	

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Total water withdrawal	Total m ³ or megalitres withdrawn from all sources.
Water withdrawal by source	m ³ or megalitres from municipal supply, groundwater, surface water, rainwater, recycled water, or other sources.
Total water consumption	Total water withdrawal minus total water discharge, or directly measured consumption.
Total water discharge	Total m ³ or megalitres discharged by destination.
Water intensity	m ³ of water withdrawn or consumed per tonne of product, unit produced, or other selected denominator.
Water reuse or recycling volume	m ³ of water reused, recycled, or recovered.
Water reuse or recycling rate	Reused or recycled water ÷ total water withdrawal or total water use.
Percentage of sites assessed for water stress	Sites assessed ÷ total operational sites.
Number of sites located in areas with water stress	Count of sites classified as water-stressed or high water-risk.
Number of effluent tests conducted	Count of tests during the reporting period.
Number of effluent non-compliance incidents	Count of exceedances or non-compliance events.
Percentage of effluent corrective actions closed on time	Corrective actions closed by due date ÷ total effluent corrective actions due.
Number of water-related complaints	Count of complaints related to discharge, odour, flooding, drainage, or water pollution.
Number of leaks detected and repaired	Count of leaks identified and closed.
Percentage of major water systems inspected as planned	Completed inspections ÷ planned inspections.
Quantity of sludge generated from wastewater treatment	Weight or volume of sludge generated.
Percentage of sludge disposed through approved channels	Sludge disposed with proper evidence ÷ total applicable sludge.
Percentage of priority suppliers screened for water risk	Suppliers screened ÷ total priority suppliers.

Reporting guidance

Where Water is material, the company should disclose:

- a. why water is material to the company;
- b. reporting boundary and reporting period;
- c. water sources and total water withdrawal;
- d. water consumption and calculation method;
- e. water discharge volume and destination where applicable;
- f. water intensity and selected denominator;
- g. water stress assessment results for operational sites;
- h. whether priority suppliers have water-related risks where relevant;
- i. wastewater and effluent treatment approach;
- j. effluent quality monitoring and compliance status;
- k. water reuse, recycling, and optimisation initiatives;
- l. water-related incidents, complaints, exceedances, or corrective actions;
- m. data gaps, estimates, assumptions, and limitations; and
- n. improvement actions for the next reporting cycle.

Example disclosure wording

Water

Water is material to the company because our manufacturing operations use water for production, cleaning, utilities, and wastewater treatment. The company tracks water withdrawal from third-party water supply and monitors water intensity against production output. Wastewater generated from production and cleaning activities is treated before discharge in accordance with applicable requirements.

During the reporting period, the company maintained water bills, meter readings, effluent treatment records, and laboratory test reports. The company also reviewed water-related risks, including water use efficiency, effluent quality, drainage, and potential supply disruption. No major water-related complaint was recorded during the reporting period.

The company will continue improving water data quality, conduct leak inspections, review water reuse opportunities, and strengthen water stress assessment for operational sites and priority suppliers where relevant.

Omission and non-applicability guidance

Where water indicators are not fully reported, the company should explain the limitation clearly.

Situation	Example Explanation
Some sites excluded	“Water data currently covers the main manufacturing site only. Warehouse and office water data will be included in the next reporting period once meter and utility records are consolidated.”
Water consumption not directly measured	“Water consumption is estimated as water withdrawal minus measured discharge because direct consumption meters are not yet available.”
Discharge volume not measured	“Discharge volume is not directly measured during the reporting period. The company will assess flow meter installation or alternative monitoring methods in the next reporting cycle.”
Water stress assessment not yet completed	“A formal water stress assessment was not completed during the reporting period. The company will conduct site-level screening using publicly available tools and local data in the next reporting cycle.”
Supplier water data unavailable	“Supplier water data is not yet available for all priority suppliers. The company will include water-related questions in supplier screening for high-water-impact suppliers.”
No industrial effluent generated	“The company does not generate industrial effluent from production activities. Water use is limited to sanitation, cleaning, and office activities. This classification will be reviewed annually.”
Effluent handled by landlord or industrial park	“The company operates in a shared facility where wastewater infrastructure is managed by the landlord or industrial park operator. The company maintains available records and will request additional treatment and discharge evidence where relevant.”
Confidential supplier or process data	“Detailed supplier and process-level water data is maintained internally and disclosed only in aggregated form due to confidentiality considerations.”

Minimum Implementation Outputs for Section 17

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

Output	Purpose
Water management commitment or policy reference	Confirms the company's commitment to responsible water use, pollution prevention, and legal compliance.
Water reporting boundary statement	Defines sites, water sources, discharge points, processes, and period covered.
Water source register	Lists municipal, groundwater, surface water, rainwater, recycled water, and other sources.
Water withdrawal and consumption tracker	Records water withdrawal, consumption, discharge, reuse, and intensity.
Water evidence file	Stores water bills, meter readings, invoices, logs, calculations, and review records.
Water balance	Shows water entering, used, reused, discharged, lost, or stored.
Water stress assessment	Identifies water stress, flood, drought, seasonal, and local catchment risks for sites.
Supplier water screening record	Assesses priority suppliers for water use, effluent, and water stress where material.
Wastewater source and discharge point map	Identifies wastewater sources, drains, treatment systems, and discharge destinations.
Effluent treatment operating records	Tracks treatment system operation, monitoring, maintenance, and performance.
Effluent laboratory test reports	Provides evidence of water quality and discharge compliance.
Sludge and wastewater by-product records	Tracks classification, storage, disposal, and contractor evidence.
Water-related incident and complaint log	Records spills, overflow, abnormal discharge, flooding, complaints, investigations, and corrective actions.
Leak detection and maintenance records	Supports water loss reduction and system reliability.
Water optimisation project register	Tracks water reduction, reuse, recycling, metering, and efficiency initiatives.
Water KPI tracker	Tracks withdrawal, consumption, discharge, intensity, reuse, compliance, incidents, and corrective action closure.
Training records	Shows worker and contractor awareness on water conservation, effluent controls, and spill response.
Omission and data gap register	Records unavailable data, estimates, exclusions, and improvement plans.
Management review record	Shows review of water performance, risks, compliance, targets, incidents, and improvement actions.

Used properly, this topic helps rubber processors and manufacturers improve water efficiency, maintain effluent compliance, reduce pollution risk, strengthen climate and water resilience, support stakeholder trust, and provide credible evidence for ESG reporting, customer requests, and verification.

18. Environmental Topic 10: Waste

Waste management is a key environmental topic for rubber processors and manufacturers because rubber processing, latex processing, compounding, manufacturing, packaging, cleaning, maintenance, wastewater treatment, laboratory activities, warehousing, and logistics can generate different types of waste. These may include rubber scrap, rejected products, packaging waste, general waste, sludge, wastewater treatment residues, contaminated materials, used oil, chemical containers, spent chemicals, laboratory waste, e-waste, and scheduled waste.

Waste can create environmental, health, safety, compliance, cost, and reputational risks if it is not properly identified, segregated, stored, treated, recovered, recycled, transported, or disposed of. Poor waste management may also lead to soil contamination, water pollution, odour, pests, fire risk, worker exposure, illegal dumping, customer audit findings, regulatory action, and loss of recoverable materials.

GRI 306 explains that waste-related impacts may arise from an organisation's own activities as well as upstream and downstream value chain activities. It also states that waste can have significant negative impacts on the environment and human health when inadequately managed, and that waste sent to incineration or landfill represents resources and materials lost to future use. ([Global Reporting Initiative](#))

This topic should be read together with:

Related Topic	Linkage to Waste
Material Use and Circularity	Better material efficiency, scrap reduction, reuse, recycling, and product design reduce waste generation.
Hazardous Substances	Chemical residues, contaminated packaging, used absorbents, spent chemicals, and hazardous waste require specific controls.
Water	Wastewater treatment may generate sludge, residues, and effluent-related waste streams.
Soil Health	Poor storage or disposal of waste may contaminate soil and groundwater.
Biodiversity	Waste leakage, illegal dumping, and pollution can affect habitats, water bodies, and ecosystems.
Emissions	Waste disposal, landfill, incineration, transport, and treatment may contribute to GHG emissions.
Supply Chain Traceability and Due Diligence	Waste contractors and recyclers should be screened to ensure legal and responsible treatment or disposal.

Waste management is especially relevant where a company:

- generates production scrap, rejected products, offcuts, trimmings, or rubber residues;

- b. generates packaging waste such as cartons, plastic, pallets, drums, liners, bags, and wrapping materials;
- c. operates wastewater treatment systems that generate sludge or residues;
- d. uses chemicals, oils, lubricants, solvents, adhesives, cleaning agents, or other hazardous substances;
- e. generates scheduled waste or hazardous waste;
- f. stores waste onsite before collection or treatment;
- g. sells, recycles, recovers, or reuses waste materials;
- h. uses external waste contractors, recyclers, transporters, or disposal facilities;
- i. is subject to customer audits, regulatory requirements, certification requirements, or ESG reporting expectations; or
- j. makes claims about recycling, zero waste, circularity, waste reduction, or responsible disposal.

In Malaysia, scheduled waste management must comply with the **Environmental Quality (Scheduled Wastes) Regulations 2005**. DOE explains that scheduled waste is waste with hazardous characteristics that may negatively affect the public and the environment, and that 77 types of scheduled waste are listed under the First Schedule of the Regulations. DOE also states that scheduled waste handling must comply with the Regulations and must be recovered or disposed of only at premises licensed by DOE. ([Jabatan Alam Sekitar - JAS](#))

18.1 Waste Identification and Classification

Waste identification and classification are the starting points for effective waste management. A company cannot properly store, treat, recycle, recover, or dispose of waste unless it first understands what waste is generated, where it comes from, whether it is hazardous or non-hazardous, and what legal or customer requirements apply.

Companies should prepare a **Waste Inventory and Classification Register** covering all waste generated from operations and relevant support activities.

Common waste streams in rubber processing and manufacturing

Waste Category	Examples	Key ESG Concern
Rubber production waste	Scrap rubber, offcuts, trimmings, rejected products, defective gloves, compound residues, uncured or cured rubber waste.	Material loss, disposal cost, recycling or recovery opportunity.
Latex and process residues	Coagulum, latex residues, process residues, tank cleaning residues.	Odour, water pollution, treatment, disposal, or recovery requirements.
Packaging waste	Cartons, plastic film, bags, pallets, liners, containers, drums, strapping, labels.	Waste volume, recycling potential, supplier packaging improvement.
General waste	Canteen waste, office waste, mixed waste, housekeeping waste.	Segregation, hygiene, landfill dependency.
Recyclable waste	Paper, cardboard, plastic, metal, pallets, clean packaging, reusable containers.	Circularity, recovery value, waste diversion.
Wastewater treatment waste	Sludge, filter cake, screening waste, treatment residues.	Classification, scheduled waste assessment, storage, disposal evidence.
Chemical-related waste	Used chemical containers, contaminated packaging, spent chemicals, residues, used absorbents.	Hazardous substance risk, scheduled waste classification, worker safety.
Maintenance waste	Used oil, oily rags, filters, grease, batteries, spare parts, contaminated materials.	Scheduled waste risk, soil and water contamination.
Laboratory waste	Test residues, small chemical waste, used containers, contaminated consumables.	Chemical safety, classification, storage, disposal.
E-waste	Used lamps, computers, electronic parts, sensors, batteries, electrical components.	Hazardous components, recovery and disposal requirements.
Construction or renovation waste	Concrete, metal, wood, debris, insulation, packaging, contractor waste.	Contractor control, segregation, legal disposal.

Companies should identify waste at the point of generation. This means each department should know what waste it produces, how it should be segregated, where it should be stored, and who is responsible for the record.

Waste classification process

A practical waste classification process should include:

Step	Action
1. Identify waste source	Determine the process, area, department, machine, activity, or contractor generating the waste.
2. Describe waste composition	Identify whether the waste contains rubber, latex, chemicals, oil, metal, plastic, packaging, sludge, residues, or mixed materials.
3. Check legal classification	Determine whether the waste is scheduled waste, hazardous waste, recyclable waste, general waste, or other controlled waste.
4. Assign waste code where applicable	Assign the appropriate scheduled waste code or internal waste category.
5. Determine storage requirement	Identify whether the waste needs labelling, containment, segregation, cover, bunding, ventilation, or restricted access.
6. Determine handling method	Decide whether the waste can be reused, recycled, recovered, treated, disposed of, or requires licensed contractor handling.
7. Identify evidence required	Define records such as inventory, weight, collection note, consignment note, disposal certificate, contractor licence, or invoice.
8. Assign owner	Assign responsibility to EHS, production, warehouse, procurement, facilities, or contractor management.
9. Review periodically	Update classification when processes, chemicals, suppliers, products, or legal requirements change.

DOE states that the waste producer is responsible for classifying scheduled waste because the producer has detailed knowledge of how the waste is generated and the processes involved. DOE also explains that waste classification should be based on how the waste is generated, the raw materials used, and the specific characteristics of the waste, with reference to the First Schedule of the Scheduled Wastes Regulations. ([Jabatan Alam Sekitar - JAS](#))

Waste inventory and classification register

A practical register should include:

Field	Description
Waste name	Common name of the waste, such as rubber scrap, sludge, used oil, carton waste, or contaminated packaging.
Waste source	Process, department, site, equipment, production line, laboratory, maintenance area, or contractor activity.
Waste composition	Main material or content of the waste.
Waste classification	General waste, recyclable waste, scheduled waste, hazardous waste, e-waste, construction waste, or other category.
Scheduled waste code, where applicable	SW code assigned based on legal classification.
Physical form	Solid, liquid, sludge, powder, residue, container, mixed waste, or other form.
Quantity generated	Weight or volume generated by month, quarter, or year.
Storage location	Waste storage area, scheduled waste store, recycling area, production holding area, or contractor area.
Handling method	Reuse, recycling, recovery, treatment, disposal, return to supplier, or licensed contractor collection.
Contractor or vendor	Name and licence status of waste contractor, recycler, transporter, or disposal facility.
Evidence	Weighing records, consignment notes, collection records, invoices, disposal certificates, recycling records.
Data owner	Person or department responsible.
Review date	Date of last classification review.

The register should be reviewed at least annually and whenever there are new processes, new chemicals, new products, new waste streams, new contractors, customer requirements, or regulatory changes.

18.2 Waste Storage, Treatment, and Disposal

Waste storage, treatment, and disposal must be controlled to prevent pollution, unsafe conditions, illegal disposal, misclassification, and loss of recyclable materials. Waste should be managed according to its classification and risk level.

The preferred waste management approach should follow the waste hierarchy.

Waste Hierarchy Level	Practical Meaning
Avoid	Prevent waste from being generated through better design, planning, procurement, and process control.
Reduce	Reduce raw material loss, rejected products, packaging, and unnecessary disposal.
Reuse	Reuse pallets, containers, packaging, internal materials, or process materials where safe and permitted.
Recycle	Send suitable materials such as rubber scrap, paper, cardboard, plastic, metal, or packaging to responsible recyclers.
Recover	Recover value, material, or energy where reuse or recycling is not feasible and legally permitted.
Treat	Treat waste to reduce risk or meet legal requirements before disposal.
Dispose	Dispose only through approved, legal, and documented channels.

Waste segregation and storage

Waste should be segregated at source as far as practical. Mixing waste can increase disposal costs, contaminate recyclable materials, create safety risks, and make classification more difficult.

Practical storage controls include:

Control Area	Practical Requirement
Designated storage	Store waste only in designated areas.
Segregation	Separate scheduled waste, hazardous waste, recyclable waste, general waste, organic waste, production scrap, and contaminated materials.
Labelling	Label containers, bins, bags, drums, and storage areas clearly.
Containment	Use suitable containers, bunding, trays, covers, or sealed flooring where leakage may occur.
Weather protection	Protect waste from rain, wind, flooding, run-off, or exposure where required.
Drain protection	Prevent waste, leachate, sludge, or contaminated water from entering drains, soil, or water bodies.
Housekeeping	Keep storage areas clean, accessible, and free from overflow.
Access control	Restrict access to scheduled waste or hazardous waste storage areas.

Control Area	Practical Requirement
Fire and emergency control	Manage combustible waste, flammable waste, and emergency response needs.
Inspection	Inspect storage areas regularly and record findings.
Collection frequency	Arrange collection before waste accumulation creates safety, environmental, odour, pest, or compliance issues.

Treatment and disposal

Companies should ensure that waste is treated, recovered, recycled, or disposed of through legal and responsible channels. Waste contractors should be screened before use.

Waste contractor due diligence should include:

- a. company registration;
- b. licence or approval status where applicable;
- c. type of waste accepted;
- d. treatment, recovery, recycling, or disposal method;
- e. transport arrangement;
- f. final destination of waste;
- g. documentation provided;
- h. past performance or complaints;
- i. customer or certification acceptance where relevant;
- j. emergency and spill response arrangements; and
- k. contract terms, pricing, and responsibility.

Companies should avoid handing waste to unverified collectors, informal buyers, or contractors that cannot provide proper documentation. Where waste is sold for recycling or recovery, companies should still maintain evidence of collection and destination.

Waste movement records

Waste movement should be traceable from generation to final treatment, recovery, recycling, or disposal.

Records may include:

- a. internal waste transfer forms;
- b. waste weighing records;
- c. collection notes;
- d. delivery orders;
- e. invoices;

- f. consignment notes;
- g. recycling certificates;
- h. disposal certificates;
- i. contractor licence or approval documents;
- j. photographs where useful;
- k. e-Consignment Note or eSWIS records where applicable;
- l. corrective action records; and
- m. management review records.

DOE explains that the e-Consignment Note system came into effect on 1 January 2012 for all producers, transport contractors, and recipients of scheduled waste, and that the system includes scheduled waste transactions, notification, inventory, and consignment note information. ([Jabatan Alam Sekitar - JAS](#))

18.3 Scheduled Waste and Hazardous Waste

Scheduled waste and hazardous waste require additional controls because they can pose higher risks to people, the environment, and legal compliance. In rubber processing and manufacturing, scheduled waste may arise from chemical use, wastewater treatment, maintenance, laboratory activities, used oil, contaminated packaging, solvents, sludge, filters, batteries, e-waste, or other controlled waste streams.

DOE explains that scheduled waste handling is different from other waste and must comply with the Environmental Quality (Scheduled Waste) Regulations 2005. DOE also provides scheduled waste guidelines covering waste classification, special management applications, recovered waste oil, clinical waste, and used electrical and electronic equipment classification. ([Jabatan Alam Sekitar - JAS](#)) ([Jabatan Alam Sekitar - JAS](#))

Scheduled waste management requirements

Companies that generate scheduled waste should establish controls covering:

Requirement Area	Practical Control
Identification	Identify whether waste is listed as scheduled waste or has hazardous characteristics.
Classification	Assign the correct SW code based on source, composition, and regulatory classification.
Notification and inventory	Maintain required scheduled waste notification and inventory records.
Packaging	Use suitable containers to prevent leakage, breakage, reaction, or exposure.

Requirement Area	Practical Control
Labelling	Label scheduled waste containers and storage areas clearly.
Storage	Store scheduled waste in a designated, secure, and controlled area.
Segregation	Separate incompatible wastes and avoid mixing scheduled waste with general waste.
Time and quantity control	Monitor storage duration and quantity according to applicable requirements and approvals.
Transport	Use authorised or licensed transporters where required.
Treatment, recovery, or disposal	Use DOE-licensed or approved premises and maintain evidence.
Emergency response	Maintain spill response and emergency controls.
Training	Train employees and contractors involved in scheduled waste handling.
Records	Maintain consignment notes, eSWIS records, inventory, disposal evidence, and contractor documents.
Corrective action	Track and close findings, spills, storage issues, or documentation gaps.

Scheduled waste examples to assess

Companies should assess whether the following waste streams are scheduled waste or otherwise controlled:

- a. used oil;
- b. oil-contaminated rags or absorbents;
- c. contaminated packaging;
- d. spent solvents;
- e. spent chemicals;
- f. chemical residues;
- g. wastewater treatment sludge;
- h. latex or chemical sludge;
- i. filter cake;
- j. spent activated carbon;
- k. laboratory chemical waste;
- l. batteries;
- m. fluorescent lamps or certain lighting waste;
- n. e-waste;
- o. used filters;
- p. contaminated soil or spill residues; and
- q. any waste generated from hazardous substance handling.

This list is not exhaustive. Companies should classify waste based on actual composition, process source, legal requirements, and competent advice where needed.

Scheduled waste storage area

A scheduled waste storage area should be designed and managed to reduce risk. Practical controls include:

- a. clearly marked designated area;
- b. restricted access;
- c. appropriate containers;
- d. correct labelling;
- e. segregation of incompatible wastes;
- f. containment or bunding where leakage may occur;
- g. protection from rain and stormwater;
- h. prevention of waste entering drains or soil;
- i. emergency spill kit and response procedure;
- j. ventilation where required;
- k. fire safety considerations;
- l. inventory record;
- m. storage duration tracking;
- n. regular inspection;
- o. housekeeping controls; and
- p. corrective action tracking.

Scheduled waste evidence file

Companies should maintain a scheduled waste evidence file containing:

- a. scheduled waste inventory;
- b. SW code classification record;
- c. DOE notification or eSWIS records where applicable;
- d. waste generation records;
- e. storage inspection checklist;
- f. container labels;
- g. contractor licence or approval documents;
- h. transport records;
- i. consignment notes;
- j. treatment, recovery, or disposal records;
- k. special management approval where applicable;
- l. spill or incident records;
- m. training records;
- n. internal audit findings; and
- o. management review records.

Where there is uncertainty about classification, DOE states that referrals can be made to the State Department of Environment or the Hazardous Materials Division at DOE Putrajaya. ([Jabatan Alam Sekitar - JAS](#))

18.4 Waste Reduction and Recovery

Waste reduction and recovery support both environmental performance and business efficiency. For rubber processors and manufacturers, waste reduction can lower raw material costs, improve yield, reduce disposal costs, reduce emissions, improve customer confidence, and support circularity.

Waste reduction should begin at the source. Companies should avoid treating recycling or disposal as the only solution. The greatest improvement often comes from reducing rejects, improving process control, increasing material yield, reducing packaging, improving storage, preventing contamination, and designing waste out of operations.

GRI 306 supports reporting on how organisations prevent waste generation and manage waste that cannot be prevented, including waste-related impacts in the organisation's own activities and upstream and downstream value chain. ([Global Reporting Initiative](#))

Waste reduction opportunities

Area	Practical Measures	Evidence
Raw material use	Improve formulation accuracy, batching controls, material handling, storage, and yield.	Production records, material balance, scrap rate, quality reports.
Product quality	Reduce rejects through quality control, preventive maintenance, training, and process optimisation.	Rejection reports, corrective action records, quality KPIs.
Rubber scrap	Segregate clean scrap, assess reuse, recycling, reprocessing, crumb rubber, or recovery opportunities where feasible.	Scrap register, recycling records, recovery vendor records.
Packaging	Reduce excess packaging, reuse pallets or containers, request supplier packaging reduction, use recyclable packaging where feasible.	Packaging records, supplier engagement, reuse logs.
Wastewater sludge	Reduce pollutant load at source, optimise treatment, improve sludge handling, assess lawful recovery where available.	WWTP logs, sludge records, treatment data.
Chemical waste	Improve chemical dosing, inventory control, first-in-first-out use, spill prevention, and substitution where feasible.	Chemical register, waste records, spill records.

Area	Practical Measures	Evidence
Maintenance waste	Improve preventive maintenance, reduce leaks, control used oil, extend equipment life, segregate reusable parts.	Maintenance logs, used oil records, spare part records.
Office and canteen waste	Reduce paper, improve recycling, segregate food waste where applicable, reduce single-use items.	Recycling logs, procurement records, awareness campaign evidence.
Contractor waste	Include waste control in contractor scope, require removal records, prevent unauthorised dumping.	Contractor records, work permits, disposal evidence.

Recovery, recycling, and circularity

Waste recovery may include reuse, recycling, reprocessing, material recovery, energy recovery, or return-to-supplier arrangements. Companies should assess recovery options based on legality, safety, product quality, environmental impact, cost, customer requirements, and evidence availability.

Examples include:

- a. recycling clean rubber scrap where technically feasible;
- b. reusing pallets, drums, intermediate bulk containers, or packaging where safe and allowed;
- c. sending clean cardboard, plastic, and metal to recyclers;
- d. returning reusable packaging to suppliers;
- e. recovering used oil through approved channels;
- f. recycling e-waste through authorised recovery facilities;
- g. exploring material recovery from production residues where lawful and technically viable;
- h. reducing rejected products through process improvements; and
- i. engaging customers or suppliers on take-back or circularity programmes where feasible.

Companies should not claim waste recovery, recycling, zero waste, or circularity unless they have supporting evidence. Recovery claims should identify the waste type, quantity, contractor, destination, method, reporting period, and evidence.

Waste diversion and disposal tracking

Companies should track waste according to whether it is diverted from disposal or directed to disposal. GRI 306 includes disclosures for waste generated, waste diverted from disposal, and waste directed to disposal. ([Global Reporting Initiative](#))

A practical waste tracking structure is shown below.

Waste Treatment Route	Examples
Prepared for reuse	Pallets, containers, packaging, reusable drums where safe and approved.
Recycled	Cardboard, plastic, metal, clean rubber scrap, suitable packaging materials.
Recovered	Material recovery, approved recovery of used oil, approved recovery of selected residues.
Composted or biologically treated	Organic waste where applicable and legally managed.
Incinerated with energy recovery	Where used by approved facilities and evidence is available.
Incinerated without energy recovery	Where applicable and legally managed.
Landfilled	General waste or non-recoverable waste sent to landfill through authorised channels.
Treated or disposed as scheduled waste	Scheduled waste managed through approved treatment, recovery, or disposal premises.

Companies should prioritise reduction and recovery over disposal, while ensuring that recovery does not create new environmental, safety, legal, or product quality risks.

Waste reduction targets

Companies should set targets where waste is material. Examples include:

Target Type	Example
Waste reduction target	Reduce total waste generated per tonne of product.
Scrap reduction target	Reduce production scrap or rejected product rate.
Recycling target	Increase percentage of waste diverted from disposal.
Scheduled waste target	Reduce scheduled waste generation from selected processes.
Packaging target	Reduce packaging waste or increase reusable packaging.
Data target	Improve monthly waste weighing and classification accuracy.
Contractor target	Verify all waste contractors and recyclers annually.
Corrective action target	Close waste-related findings within defined timelines.

Targets should include a baseline, scope, reporting period, owner, action plan, evidence, and review schedule.

18.5 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Waste topic. Companies should apply them based on materiality, waste streams, operational risks, legal requirements, customer requirements, and data availability.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
Waste management policy and commitment	Company has a commitment to reduce, segregate, recover, recycle, treat, and dispose of waste responsibly.	ESG Policy, Environmental Policy, Waste Management Procedure, management approval.	Management / ESG Team / EHS
Waste inventory and classification	All waste streams are identified, classified, and recorded.	Waste inventory, waste classification register, process map, department waste list.	EHS / Production / Warehouse
Scheduled waste classification	Scheduled waste is classified using applicable SW codes and legal requirements.	SW code register, classification assessment, SDS, process information, DOE guidance, competent advice where needed.	EHS / Compliance
Waste source identification	Waste is linked to specific processes, departments, activities, or contractors.	Waste source map, process flow, production records, waste generation log.	EHS / Production / Facilities
Waste quantity tracking	Waste quantities are tracked by type, source, month, treatment route, and contractor.	Weighing records, waste tracker, invoices, collection notes, consignment notes.	EHS / Warehouse / Finance
Waste segregation	Waste is segregated at source by type and risk.	Bin labels, storage area inspection, photographs, training records, segregation checklist.	Production / Warehouse / EHS
Waste storage controls	Waste is stored safely to prevent leakage, odour, pests, fire, pollution, and unauthorised access.	Storage inspection records, site layout, containment records, housekeeping records, corrective action reports.	EHS / Warehouse / Facilities
Scheduled waste storage controls	Scheduled waste is stored in designated, labelled, controlled, and compliant areas.	Scheduled waste storage checklist, labels, inventory, photographs, bunding records, eSWIS records where applicable.	EHS / Compliance
Waste contractor due diligence	Waste contractors, recyclers, transporters, treatment,	Contractor licence, approval documents, vendor	Procurement / EHS

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	recovery, or disposal facilities are screened and approved.	assessment, contract, audit record, insurance where applicable.	
Waste treatment and disposal evidence	Waste treatment, recovery, recycling, or disposal is supported by records.	Consignment notes, disposal certificates, recycling certificates, collection notes, invoices, contractor reports.	EHS / Procurement / Finance
eSWIS or consignment note management	Scheduled waste transactions, inventory, and consignment note information are maintained where applicable.	eSWIS records, e-Consignment Note, scheduled waste inventory, disposal records.	EHS / Compliance
Waste reduction initiatives	Company identifies and implements initiatives to reduce waste generation.	Waste reduction project register, process improvement records, quality reports, material yield data.	Production / ESG Team / EHS
Waste recovery and recycling	Company tracks waste diverted from disposal through reuse, recycling, or recovery.	Recycling records, recovery records, vendor reports, sales records, waste diversion tracker.	EHS / Warehouse / Procurement
Waste directed to disposal	Company tracks waste sent to landfill, incineration, treatment, or final disposal.	Disposal records, contractor reports, consignment notes, invoices, waste tracker.	EHS / Procurement
Waste-related incidents and complaints	Waste spills, leaks, illegal disposal concerns, odour, pests, storage issues, or complaints are recorded and addressed.	Incident log, complaint register, investigation report, corrective action tracker, closure evidence.	EHS / ESG Team
Training and awareness	Relevant workers and contractors are trained on waste segregation, storage, scheduled waste, spill response, and reporting.	Training records, toolbox talks, contractor induction, attendance records.	HR / EHS
Waste data review and approval	Waste data is checked for completeness, accuracy, classification, evidence, and consistency.	Data review checklist, evidence register, internal audit, management sign-off.	ESG Team / EHS / Management
Reporting and disclosure	Company discloses waste generated, diverted, disposed, scheduled waste, initiatives, limitations, and targets where material.	ESG report, ESG Checklist, waste KPI tracker, omission explanation, management approval.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Total waste generated	Total weight of all waste generated during the reporting period.
Waste generated by type	Weight by rubber scrap, packaging, general waste, scheduled waste, sludge, recyclable waste, and other categories.
Hazardous or scheduled waste generated	Weight or volume by scheduled waste code or hazardous waste category.
Non-hazardous waste generated	Weight of general, production, packaging, recyclable, and other non-hazardous waste.
Waste intensity	Total waste generated per tonne of product, per unit produced, or other selected denominator.
Scheduled waste intensity	Scheduled waste generated per tonne of product or relevant production output.
Waste diverted from disposal	Weight of waste reused, recycled, recovered, or otherwise diverted from disposal.
Waste diversion rate	Waste diverted from disposal ÷ total waste generated.
Waste directed to disposal	Weight of waste sent to landfill, incineration, treatment, or final disposal.
Recycling rate	Waste recycled ÷ total waste generated, or by selected waste category.
Rubber scrap recovery rate	Rubber scrap recovered or recycled ÷ total rubber scrap generated.
Packaging waste recycled	Weight or percentage of packaging waste recycled.
Number of waste contractors screened	Count of contractors reviewed and approved.
Percentage of waste contractors with valid licences or approvals where required	Approved contractors ÷ total applicable contractors.
Number of waste storage inspections conducted	Count of inspections during the reporting period.
Number of waste-related non-conformities	Count of findings from inspections, audits, incidents, or customer reviews.
Percentage of waste-related corrective actions closed on time	Corrective actions closed by due date ÷ total corrective actions due.
Number of waste-related incidents or complaints	Count of spills, leaks, odour complaints, illegal disposal concerns, or storage incidents.
Percentage of relevant workers trained on waste management	Trained workers ÷ total relevant workers.

Reporting guidance

Where Waste is material, the company should disclose:

- a. why waste is material to the company;
- b. the reporting boundary and reporting period;
- c. main waste streams generated;
- d. waste classification approach;
- e. total waste generated by type;
- f. scheduled waste or hazardous waste generated, where applicable;
- g. waste diverted from disposal through reuse, recycling, or recovery;
- h. waste directed to disposal;
- i. waste intensity and selected denominator;
- j. waste storage, treatment, disposal, and contractor controls;
- k. waste reduction and recovery initiatives;
- l. waste-related incidents, complaints, non-compliance, or corrective actions;
- m. data gaps, estimates, assumptions, and limitations; and
- n. targets and improvement actions for the next reporting period.

Example disclosure wording

Waste

Waste is material to the company because our rubber manufacturing operations generate production scrap, rejected materials, packaging waste, general waste, wastewater treatment residues, and scheduled waste from maintenance and chemical-related activities. The company manages waste through waste classification, segregation, designated storage areas, approved contractors, and documented disposal or recycling records.

During the reporting period, the company tracked waste by type and maintained records for scheduled waste, recyclable waste, and general waste. Waste reduction initiatives focused on improving production yield, reducing rejected products, segregating recyclable packaging, and strengthening scheduled waste storage inspections.

No major waste-related incident was recorded during the reporting period. The company will continue improving waste data accuracy, contractor verification, recycling opportunities, and waste intensity tracking in the next reporting cycle.

Omission and non-applicability guidance

Where waste indicators are not fully reported, the company should explain the limitation clearly.

Situation	Example Explanation
Waste data incomplete	“Waste data is currently available for scheduled waste and main recyclable waste streams. General waste quantities are estimated because vendor weighing records are not yet available. The company will improve waste weighing and vendor reporting in the next cycle.”
Some sites excluded	“Waste data currently covers the main manufacturing site only. Warehouse and office waste data will be included once waste collection records are consolidated.”
No scheduled waste generated	“The company did not identify scheduled waste generation during the reporting period based on current operations and waste classification review. This classification will be reviewed if processes, chemicals, or waste streams change.”
Scheduled waste classification under review	“Classification of selected wastewater treatment residues is under review. The company will seek competent advice and update the waste register once classification is confirmed.”
Contractor disposal evidence incomplete	“Some historical disposal records are incomplete. The company has introduced a contractor evidence checklist and will require collection, recycling, or disposal records for all future waste movements.”
Recycling destination confidential	“Detailed recycler commercial information is maintained internally. Aggregated recycling quantities and approved contractor status are disclosed in this report.”
Topic partly covered under Hazardous Substances	“Chemical waste and contaminated materials are also addressed under Hazardous Substances. This section summarises waste-specific classification, storage, disposal, and recovery controls.”
Topic partly covered under Material Use and Circularity	“Waste reduction linked to material efficiency and product design is also reported under Material Use and Circularity.”

Minimum Implementation Outputs for Section 18

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

Output	Purpose
Waste management policy or procedure	Confirms the company's approach to waste reduction, segregation, storage, recovery, recycling, treatment, and disposal.
Waste inventory and classification register	Identifies all waste streams, sources, classifications, quantities, storage locations, and handling methods.
Scheduled waste classification register	Records applicable SW codes, classification basis, legal requirements, and review status.
Waste source map	Links waste streams to departments, processes, equipment, contractors, and activities.
Waste storage area layout	Shows designated areas for general waste, recyclables, production scrap, scheduled waste, and other waste streams.
Waste storage inspection checklist	Monitors segregation, labelling, containment, housekeeping, leakage, odour, pests, fire risk, and overflow.
Scheduled waste inventory and evidence file	Maintains scheduled waste inventory, labels, storage records, eSWIS records, consignment notes, and contractor evidence.
Waste contractor approval file	Stores contractor licences, approvals, assessment forms, contracts, and disposal or recovery method information.
Waste movement records	Tracks waste from generation to collection, recycling, recovery, treatment, or disposal.
Recycling and recovery records	Provides evidence of waste diverted from disposal.
Disposal records	Provides evidence of waste directed to disposal through approved channels.
Waste KPI tracker	Tracks waste generated, diverted, disposed, recycled, scheduled waste, waste intensity, and corrective actions.
Waste reduction project register	Tracks initiatives to reduce scrap, rejects, packaging waste, sludge, and disposal dependency.
Waste incident and complaint log	Records waste spills, leaks, odour, illegal disposal concerns, storage issues, investigations, and closure evidence.
Training records	Shows worker and contractor awareness on waste segregation, scheduled waste, storage, spill response, and reporting.
Omission and data gap register	Records unavailable waste data, estimates, exclusions, and improvement actions.
Management review record	Shows review of waste performance, legal compliance, contractor performance, incidents, targets, and improvement actions.

Used properly, this topic helps rubber processors and manufacturers reduce waste generation, recover useful materials, manage scheduled waste responsibly, prevent pollution, strengthen contractor control, support circularity, and provide credible evidence for ESG reporting, customer requests, audits, and verification.

PART 5:

Social Guidelines

Part 5: Social Guidelines

19. Social Management Overview

Social management is a core component of ESG implementation for Malaysian rubber processors and manufacturers. It focuses on how a company respects human rights, protects workers, provides safe and fair working conditions, manages labour-related risks, engages affected stakeholders, and responds to grievances or adverse impacts.

For the rubber industry, social management is especially important because processing and manufacturing activities may involve large workforces, shift work, migrant workers, recruitment agents, contractors, labour-intensive production, chemical handling, machinery, occupational safety and health risks, worker accommodation, supplier labour practices, and customer social compliance requirements.

The Social pillar in these Guidelines covers the following topics:

Social Topic	Main Focus
Human Rights and Social Impact	Respect for human rights, assessment of social impacts, prevention of harm, and access to remedy.
Diversity, Equity, and Inclusion	Fair treatment, equal opportunity, non-discrimination, and inclusive workplace practices.
Workers' Rights	Employment contracts, wages, working hours, rest days, benefits, leave, and worker communication.
Occupational Health and Safety	Safe workplace, hazard identification, training, PPE, emergency preparedness, and incident management.
Child Labour	Minimum age controls, age verification, prohibition of child labour, and remediation procedures.
Forced or Compulsory Labour	Ethical recruitment, no coercion, no debt bondage, document access, and voluntary employment.
Rights of Indigenous Peoples	Respect for Indigenous Peoples' rights, land-related sensitivities, consultation, and FPIC-related considerations.
Local Communities	Community impacts, engagement, complaints, employment, and community relations.
Freedom of Association and Collective Bargaining	Worker representation, collective bargaining rights, and non-retaliation.
Training and Development	Skills development, ESG training, OHS training, career development, and competency building.
Pay and Equal Remuneration	Wage compliance, fair pay, equal remuneration, benefits, and payroll controls.

Social management should not be treated only as a human resources function. It should involve senior management, HR, production, safety and health, procurement, compliance, security, accommodation management, contractors, recruitment agencies, and supervisors. In practice, social risks often arise at the point where policy meets daily operations:

recruitment, contract signing, shift scheduling, payroll, worker discipline, production targets, housing, grievance handling, supplier management, and contractor supervision.

Companies should align their social management approach with applicable Malaysian laws and internationally recognised labour and human rights principles. The UN Guiding Principles on Business and Human Rights identify a corporate responsibility to respect human rights, supported by a policy commitment, human rights due diligence, and processes to enable remediation. ([OHCHR](#)) The ILO Fundamental Principles and Rights at Work cover core areas such as freedom of association, collective bargaining, elimination of forced labour, abolition of child labour, elimination of discrimination, and a safe and healthy working environment. ([International Labour Organization](#))

At company level, social management should include:

Element	Purpose
Human rights commitment	Sets the company's formal position on respecting human rights and preventing harm.
Labour standards and workplace practices	Ensures employment, wages, working hours, safety, welfare, and treatment of workers are properly managed.
Social compliance data and records	Provides evidence for reporting, audits, customer requests, management review, and remediation.
Grievance and remediation mechanisms	Allows workers and stakeholders to raise concerns and receive appropriate remedy where harm occurs.
Supplier and contractor controls	Extends social expectations to recruitment agents, labour suppliers, service providers, and material suppliers.
Monitoring and review	Tracks social performance, incidents, complaints, audit findings, corrective actions, and improvement plans.

Social management should be proportionate to the company's size and risk profile. An SME may begin with a basic human rights commitment, employment records, wage and working hour controls, worker grievance channel, OHS records, and supplier labour declarations. A larger manufacturer may require a formal human rights policy, social compliance team, worker welfare committee, migrant worker management procedure, labour agency due diligence, accommodation inspections, worker interviews, internal audits, and external assurance.

19.1 Human Rights Commitment

A human rights commitment is a formal statement that the company respects internationally recognised human rights and expects its employees, suppliers, contractors, recruitment agents, and business partners to do the same. It provides the foundation for social management, labour due diligence, grievance handling, remediation, supplier controls, and ESG reporting.

The commitment may be a standalone **Human Rights Policy** or may be included in the company's ESG Policy, Code of Conduct, Supplier Code of Conduct, Labour Standards Policy, or Employee Handbook. For SMEs, a concise commitment is acceptable if it is approved by management, communicated clearly, and supported by practical procedures.

A practical human rights commitment should cover:

- a. respect for internationally recognised human rights;
- b. compliance with applicable labour, employment, safety, housing, immigration, and social protection requirements;
- c. prohibition of child labour;
- d. prohibition of forced or compulsory labour;
- e. ethical recruitment and no worker-paid recruitment fees where applicable;
- f. fair wages, lawful deductions, working hours, rest days, leave, and benefits;
- g. safe and healthy working conditions;
- h. non-discrimination, equal opportunity, and respectful treatment;
- i. freedom of association and collective bargaining rights;
- j. protection of migrant workers, contract workers, temporary workers, and other vulnerable groups;
- k. access to grievance mechanisms without retaliation;
- l. respect for local communities and affected stakeholders;
- m. supplier and contractor expectations;
- n. remediation where the company causes or contributes to adverse impacts; and
- o. continuous improvement.

A sample commitment statement is provided below.

Sample Human Rights Commitment Statement

[Company Name] is committed to respecting human rights across our operations and relevant business relationships. We aim to provide safe, fair, and respectful working conditions for all workers, including permanent, temporary, contract, and migrant workers. We prohibit child labour, forced labour, discrimination, harassment, and retaliation.

We will comply with applicable employment, labour, occupational safety and health, immigration, accommodation, and social protection requirements. We will maintain grievance channels, investigate concerns, take corrective action, and provide or support appropriate remedy where we have caused or contributed to adverse impacts. We expect our suppliers, contractors, recruitment agents, and business partners to uphold similar standards.

Embedding the commitment

A policy commitment is only effective if it is embedded into company systems. Companies should translate the commitment into daily practices through:

Area	Practical Action
Governance	Assign senior management responsibility for human rights and labour standards.
HR procedures	Integrate human rights requirements into recruitment, contracts, payroll, discipline, grievance handling, and termination.
Procurement	Include human rights requirements in supplier screening and Supplier Code of Conduct.
Recruitment	Screen recruitment agents, prohibit abusive recruitment practices, and monitor migrant worker recruitment.
OHS	Link human rights to safe working conditions and prevention of injury or illness.
Training	Train managers, supervisors, HR, safety personnel, workers, contractors, and suppliers where relevant.
Worker communication	Communicate rights, rules, grievance channels, and key policies in languages workers understand.
Monitoring	Review wages, working hours, grievances, incidents, audit findings, accommodation, and corrective actions.
Reporting	Disclose material human rights risks, actions, data, limitations, and improvement plans.

Human rights due diligence

Companies should conduct human rights due diligence to identify, prevent, mitigate, and account for how they address actual and potential human rights impacts. This should cover own operations and relevant business relationships. For rubber processors and manufacturers, priority areas may include migrant worker recruitment, working hours, wage payments, worker accommodation, occupational safety and health, grievance access, contractor management, and supplier labour practices.

A practical human rights due diligence process should include:

Step	Action
1. Identify risks	Review workforce profile, recruitment channels, contracts, wages, working hours, OHS, accommodation, grievances, and supplier practices.
2. Assess severity	Consider scale, scope, irremediability, likelihood, vulnerable groups, and legal or customer exposure.
3. Prevent and mitigate	Improve policies, SOPs, training, controls, supplier engagement, recruitment procedures, and grievance channels.
4. Track effectiveness	Monitor KPIs, audit findings, worker feedback, complaints, incident data, and corrective actions.

Step	Action
5. Communicate	Report human rights management approach, key risks, actions, and progress where material.
6. Remedy	Provide or support remedy where the company causes or contributes to harm.

Key human rights risk groups

Companies should pay attention to workers and stakeholders who may face higher risk of vulnerability.

Group	Possible Risk Areas
Migrant workers	Recruitment fees, document retention, contract substitution, language barriers, accommodation, grievance access, deductions, dependency on employer.
Contract and temporary workers	Unequal treatment, unclear contracts, wage gaps, safety training gaps, weak grievance access.
Young workers	Age verification, suitable work, training, working hours, protection from hazardous work.
Women workers	Non-discrimination, harassment prevention, maternity protection, sanitation, equal opportunity, equal pay.
Workers in high-risk tasks	Chemical handling, machinery, heat, repetitive work, maintenance, confined spaces, forklift routes, wastewater treatment.
Workers in accommodation	Housing quality, safety, hygiene, privacy, access to services, complaint channels.
Security, cleaning, canteen, logistics, and maintenance contractors	OHS, labour rights, contracts, wages, working hours, grievance access.
Local communities	Pollution, traffic, noise, odour, employment, community complaints, land-related concerns.
Suppliers and smallholders	Fair purchasing practices, timely payments, traceability, human rights expectations, due diligence burden.

The company should document how human rights risks were identified, which risks were prioritised, what actions were taken, and how progress was reviewed.

19.2 Labour Standards and Workplace Practices

Labour standards and workplace practices refer to the systems used to manage employment fairly, lawfully, safely, and consistently. They include recruitment, contracts, wages, working hours, leave, benefits, worker welfare, discipline, termination, accommodation, occupational safety and health, grievance handling, freedom of association, training, and non-discrimination.

For Malaysian rubber processors and manufacturers, labour standards are especially important because many companies operate production facilities with shift work, overtime, production targets, foreign workers, contract workers, and OHS risks. Companies should comply with applicable Malaysian labour and employment requirements, including the Employment Act 1955 where applicable, occupational safety and health requirements, and any relevant sector, customer, certification, or contractual requirements. The official Department of Labour Peninsular Malaysia portal provides access to the Employment Act 1955, while DOSH provides the Occupational Safety and Health Act 1994 reprint incorporating amendments. ([JTKSM](#))

Core labour standards

Companies should establish procedures covering the following labour standards.

Labour Standard Area	Practical Requirements
Recruitment	Recruitment should be transparent, voluntary, documented, and free from deception, coercion, or abusive fees.
Employment contracts	Workers should receive clear employment terms in a language they understand where practical.
Wages and benefits	Wages should be paid accurately, on time, and in accordance with applicable requirements and contracts.
Working hours and rest days	Working hours, overtime, rest days, public holidays, and leave should be recorded and managed lawfully.
Deductions	Deductions should be lawful, transparent, documented, and communicated to workers.
Child labour prevention	Minimum age controls and age verification should be implemented.
Forced labour prevention	Employment should be voluntary; workers should not be subject to coercion, debt bondage, restriction of movement, or unlawful document retention.
Migrant worker protection	Recruitment agents, contracts, documentation, accommodation, communication, and grievance access should be monitored.
Occupational safety and health	Hazards should be identified and controlled; workers should receive training, PPE, and incident response support.
Non-discrimination	Hiring, promotion, wages, training, discipline, and termination should be based on fair and lawful criteria.

Labour Standard Area	Practical Requirements
Harassment prevention	Workers should be protected from harassment, bullying, intimidation, and retaliation.
Freedom of association	Workers should be able to exercise lawful rights to representation and collective bargaining.
Training and development	Workers should receive job-related training, safety training, and development opportunities where relevant.
Accommodation and welfare	Worker accommodation, where provided or arranged, should be safe, hygienic, and properly managed.
Discipline and termination	Disciplinary and termination processes should be lawful, documented, fair, and non-retaliatory.

Recruitment and onboarding

Recruitment is one of the highest-risk stages for labour rights, especially where migrant workers, recruitment agents, outsourcing arrangements, or multiple intermediaries are involved. The ILO's forced labour indicators include warning signs such as deception, restriction of movement, isolation, intimidation, retention of identity documents, withholding of wages, debt bondage, abusive working and living conditions, and excessive overtime. ([International Labour Organization](https://www.ilo.org/))

Companies should implement controls such as:

- a. written recruitment procedure;
- b. approved recruitment agent list;
- c. recruitment agent due diligence;
- d. written contracts with recruitment agents;
- e. no deception in job terms, wages, location, benefits, or deductions;
- f. worker orientation before and after arrival where relevant;
- g. worker-paid recruitment fee prevention and reimbursement process where applicable;
- h. employment contracts issued before or at the start of employment;
- i. age verification;
- j. right-to-work and permit checks where applicable;
- k. worker handbook or orientation materials;
- l. explanation of grievance channels;
- m. records of passport or identity document access where applicable; and
- n. worker confirmation that employment is voluntary.

Employment contracts and worker communication

Employment terms should be clearly documented. Workers should understand their wages, working hours, overtime, rest days, deductions, leave, benefits, job role, workplace rules, accommodation arrangements where relevant, grievance channels, and termination conditions.

A practical employment file should include:

Document	Purpose
Signed employment contract	Confirms agreed employment terms.
Identity and age verification record	Confirms worker identity and minimum age control.
Permit or right-to-work records, where applicable	Confirms legal employment status.
Job description or work assignment	Clarifies role and duties.
Wage and benefit information	Supports payroll accuracy and worker understanding.
Working hour and overtime records	Supports legal compliance and fatigue management.
Leave records	Supports entitlement tracking.
Training records	Shows induction, OHS, job skills, and policy communication.
Grievance acknowledgement	Confirms worker awareness of complaint channels.
Accommodation record, where applicable	Links worker to accommodation management and inspection process.

Companies should communicate key policies and procedures in languages and formats workers can understand. This may include briefings, posters, worker handbooks, translated summaries, supervisor briefings, videos, or small-group sessions.

Working hours, wages, and benefits

Working hour and wage controls are essential social compliance areas. Companies should maintain accurate records and ensure workers are paid according to applicable law, employment contracts, collective agreements where applicable, and company policies.

Controls should include:

- a. attendance and time records;
- b. overtime approval records;
- c. shift schedules;
- d. rest day and public holiday records;
- e. payroll records;
- f. payslips;
- g. deduction records;

- h. leave records;
- i. benefits records;
- j. payroll review and approval;
- k. worker queries or payroll complaint process; and
- l. corrective action for underpayment or record errors.

The Department of Labour Peninsular Malaysia provides a model contract document stating that wages should comply with national minimum wage and be paid monthly not later than the seventh day from the wage period, illustrating the type of wage clarity that should be documented in employment terms. ([JTKSM](#)) Companies should verify the latest wage, working hour, and employment requirements applicable to their workforce and location.

Occupational safety and health as a social responsibility

OHS is a social issue because unsafe workplaces can directly affect workers' lives, health, income, and dignity. It is also a compliance and operational issue. DOSH's OSHA 1994 reprint states that employers have duties to ensure, so far as practicable, the safety, health, and welfare at work of employees. ([JKKP Official Portal](#))

Companies should integrate OHS into social management through:

- a. hazard identification and risk assessment;
- b. safe work procedures;
- c. machine guarding;
- d. chemical safety;
- e. PPE management;
- f. emergency preparedness;
- g. incident reporting and investigation;
- h. medical surveillance where required;
- i. contractor safety controls;
- j. worker consultation;
- k. safety training; and
- l. corrective action tracking.

Accommodation and welfare

Where companies provide, arrange, or influence worker accommodation, accommodation should be included in social management. Controls should address:

- a. occupancy and space;
- b. cleanliness and sanitation;
- c. water, electricity, ventilation, and lighting;
- d. fire safety and emergency arrangements;
- e. privacy and security;
- f. cooking and food storage arrangements where relevant;
- g. maintenance and complaint handling;
- h. transport to workplace where relevant;
- i. access to medical care and basic services; and
- j. inspection and corrective action records.

Accommodation should not be used to restrict worker movement or isolate workers from grievance channels, services, or communication.

Supervisor conduct

Supervisors play a major role in social compliance because they manage daily work allocation, overtime, discipline, safety instructions, production pressure, and communication with workers. Companies should train supervisors on:

- a. respectful treatment;
- b. non-discrimination;
- c. harassment prevention;
- d. working hour controls;
- e. grievance escalation;
- f. OHS responsibilities;
- g. migrant worker communication;
- h. disciplinary procedures;
- i. emergency response; and
- j. retaliation prevention.

19.3 Social Compliance Data and Records

Social compliance data and records provide evidence that the company is implementing social commitments and meeting labour, human rights, OHS, customer, certification, and reporting expectations. Without reliable records, companies may be unable to demonstrate compliance, respond to customer audits, investigate grievances, prepare ESG disclosures, or identify systemic risks.

Social data should be handled carefully because it may include personal data, wage information, medical information, worker complaints, disciplinary records, identity documents, and sensitive investigation records. Companies should protect confidentiality and restrict access to authorised personnel.

Core social data areas

Companies should maintain records for the following areas, where applicable.

Social Data Area	Examples of Data and Records	Typical Data Owner
Workforce profile	Number of employees by employment type, gender, nationality, age group, department, location, contract type, and worker category.	HR
Recruitment	Recruitment agency records, job orders, recruitment contracts, worker orientation records, fee declarations, right-to-work records.	HR / Procurement
Employment contracts	Signed contracts, job descriptions, contract translations or explanations, contract changes.	HR
Wages and payroll	Payroll records, payslips, wage rates, deductions, benefits, bank payment records, payroll corrections.	HR / Finance
Working hours	Attendance records, timecards, shift schedules, overtime approvals, rest day records, leave records.	HR / Production
Child labour controls	Age verification records, identity documents, young worker controls where applicable.	HR
Forced labour controls	Recruitment fee checks, document access records, worker interviews, accommodation checks, grievance records.	HR / ESG Team
Migrant worker management	Permits, contracts, orientation, accommodation, agent records, document access, welfare records.	HR
Occupational safety and health	HIRARC, training, PPE records, incident reports, medical surveillance, inspections, emergency drills.	EHS / OSH
Training and development	Training plan, attendance, topics, hours, competency records, certificates.	HR / Department Heads
Diversity and inclusion	Non-discrimination policy, workforce data, promotion records, complaints, equal opportunity initiatives.	HR

Social Data Area	Examples of Data and Records	Typical Data Owner
Grievance and complaints	Grievance register, investigation records, corrective actions, closure evidence, trend analysis.	HR / Compliance / ESG Team
Accommodation	Inspection records, occupancy records, maintenance requests, complaints, corrective actions.	HR / Facilities
Supplier and contractor social compliance	Supplier questionnaires, codes of conduct, labour declarations, audits, corrective action plans.	Procurement / ESG Team
Management review	ESG Committee minutes, social KPI dashboard, corrective action tracker, approval records.	ESG Team / Management

Social compliance data quality

Companies should apply the following principles to social compliance data.

Principle	Practical Meaning
Completeness	Records should cover all relevant worker groups, sites, departments, and reporting periods.
Accuracy	Data should match source records such as payroll, time records, contracts, and incident logs.
Consistency	Definitions and calculation methods should be used consistently over time.
Traceability	Reported data should be traceable to source documents.
Confidentiality	Personal and sensitive data should be protected.
Timeliness	Records should be updated regularly, not only before audits.
Reviewability	Data should be checked by responsible personnel before reporting or submission.
Non-retaliation	Complaint and grievance data should not be used to punish workers who raise concerns.

Social compliance indicators

Companies should track indicators that reflect social risk and performance. Examples include:

Area	Possible Indicators
Workforce	Total employees, turnover rate, new hires, workforce by gender, nationality, employment type, and worker category.
Wages	Percentage of workers paid on time, payroll corrections, wage complaints, deductions reviewed.
Working hours	Overtime hours, rest day compliance, excessive overtime cases, time record completeness.
OHS	Lost time injury frequency rate, total recordable injuries, near misses, safety training coverage, corrective action closure.
Training	Training hours, workers trained, mandatory training completion, supervisor training.

Area	Possible Indicators
Grievances	Number of grievances, types of grievances, closure rate, average closure time, repeat issues.
Recruitment	Approved recruitment agents, worker-paid fee findings, recruitment grievances, contract consistency checks.
Accommodation	Inspection findings, maintenance closure rate, accommodation complaints.
Supplier social compliance	Suppliers screened, high-risk suppliers, supplier findings, corrective action closure.

Evidence pack for social compliance

Companies should prepare a social compliance evidence pack for ESG reporting, internal review, customer audits, financing requests, and supplier due diligence. The evidence pack should include:

- a. human rights policy or ESG policy;
- b. labour standards procedures;
- c. workforce data summary;
- d. employment contract samples;
- e. payroll and working hour records;
- f. wage and deduction review records;
- g. recruitment agent records;
- h. migrant worker management records;
- i. age verification records;
- j. OHS records;
- k. training records;
- l. accommodation inspection records where applicable;
- m. grievance records and trend summaries;
- n. supplier social compliance records;
- o. corrective action tracker;
- p. management review minutes; and
- q. approval records for external disclosure.

Record retention and confidentiality

Companies should define retention periods for social compliance records based on legal, customer, audit, certification, and internal requirements. Sensitive records should be stored securely.

Sensitive records may include:

- a. identity documents;
- b. medical records;
- c. payroll data;
- d. grievance details;
- e. harassment or discrimination complaints;
- f. disciplinary files;
- g. investigation notes;
- h. worker interview records;
- i. recruitment fee reimbursement records;
- j. passport or document access records; and
- k. personal contact or family information.

Access should be limited to authorised personnel. Aggregated data should be used for ESG reporting where possible to protect individual privacy.

Internal review

Social data should be reviewed regularly. A practical review process may include:

Frequency	Review Activity
Monthly	Review payroll accuracy, working hours, grievances, OHS incidents, and urgent corrective actions.
Quarterly	Review social KPI dashboard, training completion, accommodation findings, supplier social risks, and grievance trends.
Annually	Review material social topics, policy effectiveness, audit findings, management system gaps, and ESG disclosures.
Incident-based	Review immediately after serious grievances, OHS incidents, labour complaints, audit findings, or customer escalation.

The Department of Labour Peninsular Malaysia states that it investigates, handles, and resolves labour complaints between employees and employers to support harmonious industrial relations and labour law compliance. ([JTKSM](#)) Companies should maintain internal grievance and labour records carefully so that issues can be resolved early and responsibly before they escalate.

19.4 Grievance and Remediation Mechanisms

A grievance mechanism is a channel through which workers, contractors, suppliers, communities, or other stakeholders can raise concerns about company practices, workplace conditions, labour rights, safety, discrimination, harassment, wages, working hours, recruitment, accommodation, environmental impacts, or supplier conduct.

A remediation mechanism is the process used to correct harm where the company has caused or contributed to an adverse impact. Remedy may include correction, compensation, reimbursement, reinstatement of rights, apology, policy change, disciplinary action, supplier corrective action, medical support, or other appropriate action depending on the issue.

The UN Guiding Principles include access to remedy as one of the three pillars of the “Protect, Respect and Remedy” framework and recognise operational-level grievance mechanisms as part of addressing adverse impacts early and directly. ([OHCHR](#))

Purpose of grievance mechanisms

A grievance mechanism helps companies:

- a. identify social risks early;
- b. give workers and stakeholders a safe way to raise concerns;
- c. prevent minor issues from becoming serious disputes;
- d. detect systemic labour, welfare, safety, or management problems;
- e. investigate and correct harm;
- f. demonstrate responsiveness to stakeholders;
- g. support human rights due diligence;
- h. improve worker trust and retention;
- i. support customer audit and ESG reporting readiness; and
- j. strengthen continuous improvement.

Principles of an effective grievance mechanism

A grievance mechanism should be:

Principle	Practical Meaning
Accessible	Workers and stakeholders know how to use it and can access it easily.
Confidential	Sensitive information is protected.
Non-retaliatory	No one should be punished for raising a concern in good faith.
Fair	Issues are reviewed objectively and consistently.
Timely	Complaints are acknowledged, investigated, and closed within reasonable timelines.
Transparent	The process is clear, even if some case details remain confidential.
Culturally and linguistically appropriate	Channels should be usable by migrant workers, contract workers, and other groups.
Evidence-based	Decisions are supported by records, interviews, documents, and facts.
Remediation-oriented	Where harm occurred, appropriate corrective action or remedy is provided.
Reviewed	Trends and repeat issues are analysed for systemic improvement.

Grievance channels

Companies should provide more than one grievance channel where possible, because workers may not be comfortable using only one route.

Stakeholder Group	Possible Channels
Employees	HR office, supervisor escalation, worker representative, grievance box, hotline, email, mobile contact, internal system.
Migrant workers	Translated forms, welfare officer, worker representative, small-group sessions, confidential channel, multilingual hotline.
Contract workers	Contractor liaison, site HR, safety committee, grievance box, whistleblowing channel.
Workers in accommodation	Accommodation warden, HR contact, maintenance request system, welfare committee, anonymous channel.
Suppliers and contractors	Procurement contact, supplier portal, email channel, supplier meetings, contract escalation process.
Local communities	Community liaison contact, public complaint email, local authority meetings, community engagement sessions.
Customers	Customer service, quality complaint process, ESG request channel, account manager escalation.

Companies should clearly communicate grievance channels during onboarding, training, worker briefings, posters, accommodation notices, supplier communication, and employee handbook distribution.

Grievance process

A practical grievance process should include:

Step	Action
1. Receive	Record the grievance through any approved channel.
2. Acknowledge	Confirm receipt where the complainant is identifiable.
3. Classify	Categorise the issue by topic, severity, urgency, and affected stakeholder.
4. Protect	Apply confidentiality and non-retaliation controls.
5. Investigate	Review documents, interview relevant parties, inspect conditions, and identify root cause.
6. Decide	Determine whether the grievance is substantiated and what action is required.
7. Remedy	Provide or support appropriate remedy where harm occurred.
8. Close	Document closure and communicate outcome where appropriate.
9. Monitor	Check whether the issue recurs or whether remedy is effective.
10. Review trends	Report grievance trends to management or ESG Committee for systemic improvement.

Grievance severity classification

Companies should classify grievances by severity so that urgent issues are escalated quickly.

Severity Level	Examples	Required Response
Low	Minor workplace concern, facility issue, routine welfare request, minor misunderstanding.	Record, assign owner, close within normal timeline.
Medium	Repeated payroll query, supervisor conduct concern, accommodation issue, safety concern, supplier complaint.	Investigate, implement corrective action, monitor recurrence.
High	Serious wage issue, discrimination, harassment, unsafe work condition, recruitment concern, repeated working hour issue, retaliation concern.	Escalate to senior management, protect complainant, investigate promptly, track remedy.
Critical	Allegation of forced labour, child labour, serious OHS risk, severe abuse, major legal non-compliance, or serious community harm.	Immediate escalation, protective action, competent investigation, legal or expert support where needed, urgent remedy and management review.

Remediation

Remedy should be appropriate to the issue and the company's involvement. If the company caused or contributed to harm, it should provide or support remedy. If harm is directly linked through a supplier or contractor, the company should use its leverage to encourage or require corrective action.

Examples of remedy include:

Issue	Possible Remedy
Payroll error	Correct payment, pay arrears, explain payslip, update payroll controls.
Unlawful or improper deduction	Reimburse worker, stop improper deduction, review approval process.
Recruitment fee finding	Reimburse worker where applicable, investigate agent, update recruitment controls.
Passport or document access issue	Ensure safe and voluntary document access, update procedure, train responsible personnel.
Accommodation issue	Repair facilities, improve sanitation, reduce overcrowding, respond to maintenance request.
OHS hazard	Stop unsafe work where needed, fix hazard, provide PPE, retrain workers, review risk assessment.
Harassment or discrimination	Investigate, protect complainant, take disciplinary or corrective action, provide support, train supervisors.
Excessive working hour concern	Adjust scheduling, review overtime approvals, hire or redeploy workers, monitor fatigue.
Supplier labour finding	Require corrective action, worker remedy, supplier training, follow-up audit, or sourcing decision.
Community complaint	Engage affected party, investigate impact, correct issue, monitor recurrence, communicate outcome.

Grievance records

Companies should maintain a grievance register. Sensitive details should be protected.

Field	Description
Case number	Unique reference number.
Date received	Date grievance was raised.
Channel	HR, hotline, box, email, worker representative, supervisor, supplier, community, etc.
Complainant type	Employee, migrant worker, contractor, supplier, community, customer, anonymous, etc.
Topic	Wage, working hours, OHS, accommodation, harassment, discrimination, recruitment, environment, supplier, etc.
Severity	Low, medium, high, critical.
Responsible owner	Person or department assigned.
Investigation summary	Factual summary of review, without unnecessary personal data in general registers.
Action taken	Corrective action, remedy, referral, training, policy update, supplier action.
Closure date	Date case was closed.
Outcome	Substantiated, partly substantiated, not substantiated, resolved, referred, withdrawn, under monitoring.
Follow-up	Whether recurrence check or additional monitoring is required.

Field	Description
Evidence	Records, photos, meeting notes, payroll correction, repair record, training record, closure sign-off.

Non-retaliation

Companies should clearly prohibit retaliation. Retaliation may include dismissal, demotion, threats, intimidation, reduced hours, wage penalties, harassment, blacklisting, document restriction, or other punishment for raising a concern in good faith.

Non-retaliation controls should include:

- a. policy statement;
- b. worker communication;
- c. confidential reporting options;
- d. management escalation for serious concerns;
- e. monitoring after closure;
- f. disciplinary action for retaliation; and
- g. periodic review of grievance outcomes.

Grievance trend analysis

Individual grievances should be closed, but repeated grievances should be treated as warning signs of systemic issues. Companies should analyse grievance trends by topic, department, site, worker group, supplier, contractor, and severity.

Trend analysis may reveal:

- a. repeated payroll errors;
- b. supervisor conduct problems;
- c. unsafe work areas;
- d. accommodation maintenance gaps;
- e. language barriers;
- f. recruitment concerns;
- g. excessive overtime patterns;
- h. recurring supplier issues;
- i. ineffective communication; or
- j. lack of trust in grievance channels.

Management should review grievance trends at least annually, and more frequently where grievances are high-risk or recurring.

Minimum Implementation Outputs for Section 19

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

Output	Purpose
Human Rights Policy or commitment statement	Confirms the company's commitment to respecting human rights and labour standards.
Labour standards procedure	Sets expectations for recruitment, contracts, wages, working hours, leave, benefits, discipline, and termination.
Workforce profile and worker list	Supports social data tracking, reporting, and workforce risk assessment.
Recruitment and onboarding records	Demonstrates transparent and voluntary recruitment practices.
Recruitment agent due diligence file	Screens recruitment agents and labour suppliers for social compliance risks.
Employment contract files	Provides evidence of agreed terms and worker communication.
Payroll and wage records	Supports wage compliance, deductions review, and payroll accuracy.
Working hour and overtime records	Supports lawful scheduling, fatigue management, and audit readiness.
Age verification records	Supports child labour prevention.
Migrant worker management records	Supports documentation, welfare, recruitment, accommodation, and grievance access.
OHS records	Includes risk assessments, training, PPE, incidents, inspections, and corrective actions.
Accommodation inspection records, where applicable	Demonstrates worker housing and welfare controls.
Training records	Shows worker, supervisor, contractor, and supplier awareness of social requirements.
Supplier social compliance records	Supports supply chain labour due diligence and corrective action.
Grievance mechanism procedure	Defines how concerns are received, investigated, resolved, and escalated.
Grievance register	Tracks complaints, investigation status, outcomes, remedy, and closure.
Remediation procedure	Guides corrective action and remedy where harm occurs.
Social compliance KPI tracker	Tracks workforce, wages, working hours, OHS, grievances, training, and supplier social performance.
Corrective action tracker	Tracks social audit findings, grievances, incidents, and improvement actions.
Confidential records control procedure	Protects sensitive worker, payroll, medical, grievance, and investigation data.
Management review record	Shows senior management review of social risks, performance, incidents, grievances, and improvement plans.

Used properly, the Social Management Overview provides the foundation for the topic-specific social guidance in Sections 20 to 30. It helps rubber processors and manufacturers

protect workers, manage labour risks, strengthen customer and audit readiness, support responsible supply chains, and demonstrate credible social performance through evidence-based ESG reporting.

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20. Social Topic 1: Human Rights and Social Impact

Human Rights and Social Impact is a foundational Social topic because it sets the direction for how a company identifies, prevents, mitigates, and addresses actual or potential harm to people. For rubber processors and manufacturers, this topic covers impacts on employees, migrant workers, contract workers, temporary workers, suppliers, contractors, recruitment agents, local communities, customers, and other affected stakeholders.

Human rights should not be viewed only as a legal or reputational matter. They are part of responsible business conduct and should be embedded into governance, risk management, recruitment, employment practices, occupational safety and health, procurement, supplier due diligence, grievance handling, and ESG reporting. The UN Guiding Principles on Business and Human Rights, or UNGPs, provide a widely recognised reference for business responsibility to respect human rights through policy commitment, due diligence, and remediation. ([OHCHR](#))

In Malaysia, this topic is also increasingly relevant because Malaysia's National Action Plan on Business and Human Rights 2025–2030 has been developed in alignment with the UNGPs and signals the national direction towards integrating human rights considerations into business practices. ([NAPBHR](#)) Companies should also align their practices with applicable Malaysian labour, employment, occupational safety and health, immigration, accommodation, and other relevant laws, while verifying the latest legal requirements that apply to their operations and workforce.

This topic should be read together with the other Social topics in these Guidelines:

Related Social Topic	Linkage to Human Rights and Social Impact
Workers' Rights	Employment contracts, wages, working hours, rest days, leave, benefits, and worker communication.
Occupational Health and Safety	Safe and healthy working conditions, hazard controls, training, PPE, emergency response, and incident management.
Child Labour	Minimum age controls, age verification, child labour prevention, and remediation.
Forced or Compulsory Labour	Ethical recruitment, voluntary employment, prevention of debt bondage, document access, and freedom of movement.
Diversity, Equity, and Inclusion	Non-discrimination, equal opportunity, fair treatment, harassment prevention, and inclusive workplace practices.
Freedom of Association and Collective Bargaining	Respect for lawful worker representation and collective bargaining rights.
Pay and Equal Remuneration	Wage compliance, fair pay, equal remuneration, payroll accuracy, and benefit controls.
Training and Development	Worker awareness, supervisor capability, safety training, and rights-related training.
Rights of Indigenous Peoples	Land-related sensitivities, cultural rights, consultation, and FPIC-related considerations where relevant.

Related Social Topic	Linkage to Human Rights and Social Impact
Local Communities	Community impacts, engagement, complaints, employment, pollution concerns, and social contribution.

Human rights and social impact risks are especially relevant where a company:

- employs migrant workers, contract workers, temporary workers, or labour supplied through agents;
- uses recruitment agents, labour contractors, service contractors, security providers, cleaning companies, logistics providers, or outsourced production partners;
- operates labour-intensive production lines or shift-based manufacturing;
- provides or arranges worker accommodation;
- has high occupational safety and health risks involving machinery, chemicals, heat, noise, repetitive work, maintenance, wastewater treatment, or manual handling;
- sources natural rubber, chemicals, packaging, or other materials from suppliers with labour, land, community, or environmental risks;
- operates near local communities that may be affected by traffic, noise, odour, drainage, emissions, wastewater, waste, or employment practices;
- supplies customers that require social compliance audits, human rights due diligence, supplier codes of conduct, or forced labour prevention evidence; or
- is preparing ESG disclosures, customer questionnaires, certification audits, financing applications, or responsible sourcing assessments.

20.1 Human Rights Risk Assessment

A human rights risk assessment is the process of identifying who may be affected by the company's activities or business relationships, how they may be affected, how serious the impacts may be, and what actions are needed to prevent, mitigate, or remedy harm.

The assessment should cover both **actual impacts** and **potential impacts**. Actual impacts are harms that have already occurred, such as a workplace injury, unpaid wage, unresolved grievance, discrimination complaint, or confirmed supplier labour issue. Potential impacts are harms that could occur, such as the risk of excessive overtime, unsafe work, recruitment fee abuse, document restriction, poor accommodation, or supplier labour non-compliance.

The UNGPs frame human rights due diligence as a process to identify, prevent, mitigate, and account for how businesses address adverse human rights impacts. The process includes assessing actual and potential impacts, integrating and acting on findings, tracking responses, and communicating how impacts are addressed. ([UNDP](#)) The OECD Due Diligence Guidance for Responsible Business Conduct similarly supports a risk-based approach for identifying, preventing, mitigating, and addressing adverse impacts across workers, human rights, environment, bribery, consumers, and governance. ([OECD](#))

Human rights risk assessment scope

Companies should define the scope of the assessment before beginning. The scope may include:

Scope Area	Examples
Own operations	Factory, warehouse, laboratory, office, wastewater treatment plant, worker accommodation, canteen, transport arrangements, and company-managed activities.
Workforce	Permanent employees, migrant workers, local workers, contract workers, temporary workers, outsourced workers, trainees, apprentices, cleaners, security workers, drivers, and maintenance workers.
Business relationships	Suppliers, contractors, recruitment agents, labour providers, waste contractors, logistics providers, dealers, collection centres, customers, and service providers.
Communities	Local residents, neighbouring businesses, Indigenous Peoples where relevant, smallholders, community groups, schools, local authorities, and affected land users.
Value chain	Natural rubber sourcing, synthetic rubber sourcing, chemicals, packaging, outsourced processing, logistics, waste treatment, and customer-facing activities.

The scope should be documented. Where the company cannot assess the full value chain immediately, it should prioritise high-risk areas and explain the improvement plan.

Rights-holders and vulnerable groups

A rights-holder is a person or group whose rights may be affected. Companies should identify groups that may face higher vulnerability or reduced ability to raise concerns.

Rights-Holder Group	Possible Human Rights Risks
Migrant workers	Recruitment fees, contract substitution, language barriers, document access, accommodation, deductions, grievance access, and dependency on employer.
Contract and temporary workers	Unequal treatment, unclear contracts, limited benefits, insufficient safety training, weak grievance access.
Women workers	Non-discrimination, harassment prevention, maternity-related protections, equal opportunity, sanitation, and equal remuneration.
Young workers	Age verification, appropriate work assignments, working hour controls, and protection from hazardous work.
Workers in high-risk jobs	Chemical exposure, machine hazards, heat, noise, manual handling, maintenance, wastewater treatment, and emergency response.
Workers in accommodation	Housing quality, hygiene, privacy, safety, maintenance, and freedom of movement.
Contractors and service workers	Safety induction, wages, working hours, PPE, grievance access, and supervision.

Rights-Holder Group	Possible Human Rights Risks
Local communities	Pollution, traffic, noise, odour, drainage, local employment, land-related concerns, and complaint handling.
Suppliers and smallholders	Fair purchasing practices, clear requirements, timely payment, responsible sourcing, and access to grievance channels.

Companies should not assume that a group is low-risk only because no complaints have been received. Lack of complaints may indicate lack of trust, fear of retaliation, language barriers, lack of awareness, or inaccessible grievance channels.

Human rights risk areas for rubber processors and manufacturers

The following areas should be assessed as part of the human rights risk assessment.

Risk Area	Practical Assessment Questions
Recruitment and hiring	Are recruitment terms clear, voluntary, and documented? Are recruitment agents screened? Are workers charged improper fees?
Employment contracts	Do workers receive contracts with clear terms? Are terms explained in a language or format workers understand?
Wages and benefits	Are wages paid accurately and on time? Are deductions lawful, transparent, and documented?
Working hours	Are working hours, overtime, rest days, and leave managed lawfully and safely?
Forced labour risk	Are there signs of coercion, debt bondage, document restriction, wage withholding, or inability to leave employment?
Child labour risk	Are minimum age and age verification controls in place for workers and suppliers?
Occupational safety and health	Are hazards identified and controlled? Are workers trained and provided with suitable PPE?
Accommodation and welfare	Are worker accommodation and welfare facilities safe, clean, and properly managed?
Discrimination and harassment	Are workers protected from discrimination, bullying, harassment, intimidation, and retaliation?
Freedom of association	Can workers exercise lawful rights to representation and collective bargaining without retaliation?
Grievance access	Are grievance channels accessible, confidential, non-retaliatory, and effective?
Supplier labour practices	Are suppliers and contractors screened for labour, human rights, and OHS risks?
Community impact	Could company operations affect local communities through pollution, traffic, employment, land use, or complaints?
Security practices	Are security personnel trained to treat workers and visitors respectfully and lawfully?
Personal data and privacy	Are worker records, payroll, medical information, grievances, and identity documents protected?

The ILO identifies five fundamental principles and rights at work: freedom of association and collective bargaining, elimination of forced labour, abolition of child labour, elimination of discrimination, and a safe and healthy working environment. ([International Labour Organization](#)) These principles should be reflected in the company's human rights risk assessment.

Assessment criteria

Human rights risks should be assessed based on severity and likelihood. Severity should consider:

Criterion	Guiding Question
Scale	How serious would the impact be for the affected person or group?
Scope	How many people could be affected? Is the impact limited to one worker, one department, one site, or multiple suppliers?
Irremediability	Can the harm be reversed, corrected, compensated, or remedied?
Likelihood	How likely is the impact to occur, based on current controls, history, workforce profile, supplier risk, and operational context?
Vulnerability	Are affected persons in a vulnerable position, such as migrant workers, contract workers, young workers, or workers dependent on agents?
Legal or customer exposure	Could the issue trigger legal action, customer rejection, audit failure, regulatory attention, or market access risk?

Severe impacts should be prioritised even if they are unlikely. For example, child labour, forced labour, serious injury, major wage violations, or severe harassment should be treated as high priority because the potential harm is serious.

Sources of information

Companies should use multiple sources when assessing human rights risks.

Information Source	Examples
HR records	Worker list, contracts, payroll, deductions, time records, leave records, recruitment records.
OHS records	Risk assessments, inspection records, incident reports, training records, PPE records, medical surveillance where applicable.
Grievance records	Worker complaints, anonymous reports, community complaints, supplier complaints, grievance trends.
Worker engagement	Worker surveys, interviews, small-group discussions, welfare meetings, toolbox talks.
Supplier records	Supplier questionnaires, audits, declarations, corrective action plans, recruitment agent records.

Information Source	Examples
Accommodation records	Inspection reports, occupancy records, maintenance requests, welfare complaints.
Customer and audit findings	Social compliance audits, customer questionnaires, corrective action requests, supplier code findings.
Legal and regulatory requirements	Employment, labour, OSH, immigration, accommodation, and social protection requirements.
Incident history	Payroll disputes, accidents, disciplinary cases, repeated grievances, contractor issues.
External context	Sector risks, country risks, recruitment corridor risks, buyer requirements, civil society concerns.

Human rights risk register

The results should be documented in a human rights risk register.

Field	Description
Risk topic	Recruitment, wages, OHS, accommodation, supplier labour, grievance access, etc.
Rights-holder affected	Employees, migrant workers, contractors, suppliers, community, etc.
Risk description	Clear explanation of actual or potential impact.
Source of risk	Own operations, supplier, contractor, recruitment agent, customer pressure, community interface.
Severity	Scale, scope, irremediability, and vulnerability assessment.
Likelihood	Probability based on current conditions and controls.
Existing controls	Policies, SOPs, training, audits, contracts, grievance channels, monitoring.
Priority level	Critical, high, medium, low, or monitor.
Action required	Prevention, mitigation, remediation, training, audit, corrective action, supplier engagement.
Responsible person	HR, EHS, Procurement, ESG Team, Management, Department Head.
Timeline	Due date or review frequency.
Evidence	Records, reports, audits, training, meeting minutes, corrective action evidence.
Status	Open, in progress, completed, under monitoring, escalated.

The risk register should be reviewed at least annually and whenever major changes occur, such as changes in workforce composition, recruitment agents, production volume, working hours, suppliers, accommodation, customer requirements, or audit findings.

20.2 Social Impact Identification

Social impact identification focuses on how the company's activities, products, services, employment practices, sourcing decisions, and business relationships affect people and communities. While human rights risk assessment focuses on risks to rights-holders, social impact identification looks more broadly at both negative and positive impacts.

Negative social impacts may include unsafe working conditions, wage issues, excessive overtime, poor accommodation, weak grievance access, discrimination, supplier labour concerns, community complaints, or environmental impacts that affect people. Positive social impacts may include stable employment, skills development, local hiring, supplier development, safer workplaces, community engagement, inclusive practices, and support for responsible sourcing.

Types of social impacts

Impact Type	Explanation	Rubber Sector Example
Actual impact	An impact that has already occurred.	Workplace injury, wage correction, community drainage complaint, supplier audit finding.
Potential impact	An impact that could occur.	Risk of recruitment fee abuse, risk of excessive overtime, risk of chemical exposure.
Negative impact	Harmful effect on people or communities.	Poor accommodation, unsafe machinery, unresolved grievance, discrimination.
Positive impact	Beneficial effect created by company actions.	Training, local employment, improved OHS controls, supplier improvement programme.
Direct impact	Caused by company operations.	Employee safety incident, factory working conditions, payroll practices.
Indirect impact	Linked through suppliers, contractors, agents, customers, or logistics.	Supplier labour practices, recruitment agent conduct, contractor OHS performance.
Cumulative impact	Combined effect of repeated or multiple activities.	Repeated overtime, traffic around factory, recurring odour or drainage complaints.

Social impact areas to assess

Companies should identify social impacts across the following areas.

Area	Possible Social Impacts
Employment and livelihoods	Job creation, income stability, job insecurity, contract clarity, turnover, local employment.
Worker welfare	Accommodation, sanitation, canteen, transport, rest facilities, medical access, welfare communication.
Health and safety	Injury, illness, chemical exposure, fatigue, emergency preparedness, safe systems of work.
Wages and working hours	Timely payment, wage adequacy, overtime, deductions, payslip clarity, rest days.
Equality and treatment	Non-discrimination, harassment prevention, equal opportunity, gender-related concerns, supervisor conduct.
Migrant worker management	Recruitment pathway, document access, language access, contract terms, welfare, grievance access.
Community wellbeing	Noise, traffic, odour, wastewater, waste, emissions, flooding, local complaints, community employment.
Supplier and smallholder impacts	Fair purchasing practices, timely payment, traceability demands, supplier burden, capacity building.
Security and access control	Respectful treatment of workers, visitors, suppliers, and community members.
Training and development	Skills improvement, safety awareness, career progression, supervisor capability.
Grievance and trust	Accessibility of complaint channels, closure of issues, non-retaliation, worker confidence.

Social impact identification process

A practical process is shown below.

Step	Action
1. Define scope	Decide whether the assessment covers own operations, selected sites, accommodation, contractors, suppliers, or communities.
2. Identify affected groups	List workers, contractors, suppliers, local communities, customers, authorities, and other stakeholders.
3. Identify impact sources	Review employment practices, production activities, sourcing, environmental impacts, contractor work, and community interfaces.
4. Collect information	Use HR data, OHS records, grievances, worker engagement, community feedback, audit findings, supplier records, and site inspections.
5. Assess significance	Consider severity, number of people affected, vulnerability, likelihood, stakeholder concern, and business relevance.
6. Identify actions	Define prevention, mitigation, remedy, monitoring, engagement, or improvement actions.

Step	Action
7. Assign ownership	Allocate responsibility to HR, EHS, Procurement, Production, ESG Team, or Management.
8. Monitor and review	Track KPIs, grievances, incidents, audit findings, and corrective actions.
9. Report where material	Disclose material social impacts, actions, data gaps, and progress.

Stakeholder engagement for social impacts

Social impact identification should include stakeholder input. Companies should not rely only on management judgement. Workers, contractors, suppliers, and communities may observe issues that are not visible in documents.

Engagement methods may include:

- a. employee surveys;
- b. worker interviews;
- c. small-group discussions;
- d. worker representative meetings;
- e. grievance records review;
- f. accommodation inspections and resident feedback;
- g. contractor meetings;
- h. supplier questionnaires;
- i. customer audit reviews;
- j. community meetings;
- k. local authority engagement;
- l. safety committee meetings; and
- m. management workshops.

For migrant workers or workers with language barriers, engagement should be conducted in a language or format they can reasonably understand. Confidential channels should be available for sensitive issues.

Positive social impact

Companies should also identify and strengthen positive social impacts. Examples include:

Positive Impact Area	Possible Actions
Employment	Stable jobs, fair recruitment, local hiring, retention programmes.
Training	Technical training, safety training, supervisor training, career development.
Worker welfare	Improved accommodation, medical access, canteen quality, transport safety.
Safety culture	Worker consultation, hazard reporting, incident prevention, emergency drills.
Supplier development	Supplier training, responsible sourcing support, clearer requirements, fair payment terms.
Community relations	Complaint resolution, local engagement, community employment, infrastructure coordination.
Inclusion	Equal opportunity, non-discrimination, support for women workers, accessible communication.

Positive impacts should be reported carefully and supported by evidence. Companies should avoid overstating benefits if there are unresolved negative impacts.

20.3 Prevention, Mitigation, and Remedy

Once human rights risks and social impacts are identified, companies should take action. The response should depend on whether the company has caused the impact, contributed to it, or is linked to it through a business relationship.

The UNGPs distinguish between preventing and addressing impacts caused or contributed to by the company, and using leverage where impacts are directly linked to the company through business relationships. Access to remedy is also a core part of the UNGP framework. ([OHCHR](#))

Response hierarchy

Companies should apply the following hierarchy:

Response Type	Meaning	Example
Prevent	Stop the risk before harm occurs.	Screen recruitment agents before use; conduct age verification before hiring.
Mitigate	Reduce the likelihood or severity of harm.	Improve overtime planning; strengthen machine guarding; improve accommodation inspections.

Response Type	Meaning	Example
Cease	Stop the activity causing harm.	Stop unsafe work until controls are in place; stop using an unapproved recruitment practice.
Correct	Fix a non-compliance, weakness, or operational failure.	Correct payroll underpayment; repair unsafe accommodation facilities.
Remedy	Restore affected persons as far as possible where harm has occurred.	Pay arrears, reimburse improper fees, provide medical support, restore access to documents.
Use leverage	Influence suppliers, contractors, or agents to address impacts.	Require supplier corrective action, audit follow-up, or contractual improvement.
Responsible disengagement	End a relationship when severe risks cannot be prevented or mitigated, while considering worker harm.	Stop sourcing from a supplier that refuses to address serious labour violations.

Prevention measures

Prevention is the strongest approach. Companies should build human rights controls into normal business processes.

Risk Area	Prevention Measures
Recruitment risk	Approved recruitment agents, written agreements, no-fee policy where applicable, worker briefings, contract transparency.
Child labour	Age verification, minimum age policy, supplier declarations, recruitment controls.
Forced labour	Voluntary employment, no coercion, worker document access, wage protection, grievance access, ethical recruitment.
Wage risk	Payroll controls, payslip review, deduction approval, timely payment, worker query process.
Working hour risk	Overtime approval, shift planning, rest day monitoring, fatigue management, production planning.
OHS risk	Hazard identification, risk assessment, PPE, machine safety, chemical controls, training, emergency preparedness.
Harassment and discrimination	Code of conduct, supervisor training, confidential complaint channel, fair disciplinary process.
Accommodation risk	Inspection checklist, maintenance response, occupancy control, hygiene, fire safety, resident feedback.
Supplier risk	Supplier Code of Conduct, screening questionnaire, labour declarations, audits, corrective actions.
Community impact	Site controls, environmental monitoring, community complaint channel, engagement with local authorities.

Mitigation measures

Mitigation should be applied where risks cannot be fully eliminated. Examples include:

- a. adjusting production schedules to reduce excessive overtime risk;
- b. increasing safety supervision for high-risk tasks;
- c. adding translation support for migrant worker communication;
- d. improving worker transport or accommodation maintenance;
- e. increasing audit frequency for high-risk suppliers;
- f. providing refresher training to supervisors;
- g. revising SOPs following grievances or incidents;
- h. strengthening payroll review before wage payment;
- i. creating additional grievance channels for anonymous reporting; and
- j. improving contractor induction and monitoring.

Remedy

Remedy is required where harm has occurred and the company caused or contributed to it. Remedy should be timely, appropriate, documented, and designed to address the harm. Where the issue involves a supplier, contractor, or recruitment agent, the company should use its leverage to support remedy.

Examples of remedy include:

Issue	Possible Remedy
Wage underpayment	Pay arrears, correct payroll records, explain payslip, improve payroll controls.
Improper deductions	Reimburse affected workers, stop improper deduction, update deduction approval process.
Recruitment fee abuse	Reimburse fees where applicable, investigate agent, revise recruitment procedure.
Identity document restriction	Restore worker access, revise document safekeeping procedure, communicate worker rights.
Unsafe work condition	Stop unsafe work, fix hazard, provide PPE, retrain workers, review risk assessment.
Workplace injury	Provide medical support according to applicable requirements, investigate root cause, prevent recurrence.
Accommodation problem	Repair facilities, improve sanitation, address overcrowding, close maintenance requests.
Harassment or discrimination	Protect complainant, investigate, take corrective or disciplinary action, provide support, train supervisors.
Excessive working hours	Adjust schedules, monitor overtime, review staffing and production planning.

Issue	Possible Remedy
Supplier labour issue	Require corrective action, worker remedy, follow-up verification, supplier training, or sourcing decision.
Community complaint	Investigate impact, engage affected party, correct issue, monitor recurrence, communicate closure where appropriate.

The ILO's forced labour indicators include warning signs such as withholding wages, retention of identity documents, debt bondage, abusive living or working conditions, and excessive overtime. ([International Labour Organization](#)) Where such warning signs are identified, companies should escalate the matter, protect affected workers, investigate carefully, and implement remedy or corrective action.

Corrective action tracking

All human rights and social impact findings should be tracked.

Field	Description
Finding	Description of the issue or impact.
Source	Audit, grievance, worker interview, inspection, supplier review, incident, customer request.
Severity	Critical, high, medium, low.
Affected group	Workers, contractors, migrant workers, community, suppliers, etc.
Immediate action	Action taken to protect affected persons.
Root cause	Underlying cause of the issue.
Corrective action	Action to fix the issue.
Preventive action	Action to prevent recurrence.
Responsible owner	HR, EHS, Procurement, Production, ESG Team, Management.
Due date	Target completion date.
Evidence required	Payroll correction, training record, repair record, supplier response, etc.
Status	Open, in progress, completed, verified, escalated.
Effectiveness check	Confirmation that the issue did not recur or that remedy was effective.

Escalation

Certain issues should be escalated immediately to senior management, the ESG Committee, or the highest governance body. These include:

- suspected child labour;
- suspected forced labour;
- serious workplace injury or fatality;
- serious wage violation;
- serious harassment, discrimination, or retaliation allegation;

- f. major accommodation safety risk;
- g. repeated unresolved worker grievances;
- h. supplier refusal to address severe labour issues;
- i. community conflict or serious social complaint;
- j. customer escalation relating to social compliance; and
- k. legal or regulatory enforcement action.

Escalation should be documented, and sensitive cases should be handled confidentially.

20.4 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Human Rights and Social Impact topic. Companies should apply them based on materiality, workforce profile, supplier exposure, community context, customer requirements, legal obligations, and data availability.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. Human rights policy commitment	Company has a documented commitment to respect human rights and prevent adverse social impacts.	Human Rights Policy, ESG Policy, Code of Conduct, Supplier Code of Conduct, Board or management approval.	Management / ESG Team / HR
2. Governance and accountability	Roles and responsibilities for human rights and social impact management are assigned.	ESG governance structure, HR responsibility matrix, ESG Committee minutes, management review records.	Management / ESG Team
3. Human rights risk assessment	Company identifies actual and potential human rights risks in own operations and relevant business relationships.	Human rights risk register, assessment worksheet, worker engagement records, supplier risk assessment, audit findings.	ESG Team / HR / Procurement
4. Identification of rights-holders	Affected groups such as employees, migrant workers, contract workers, suppliers, contractors, and communities are identified.	Stakeholder map, workforce profile, supplier list, contractor list, community engagement records.	ESG Team / HR / Procurement
5. Vulnerable group assessment	Higher-risk groups are identified and appropriate safeguards are considered.	Migrant worker records, accommodation records, recruitment records, worker	HR / ESG Team

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
		interview summaries, risk assessment.	
6. Social impact identification	Company identifies positive and negative social impacts linked to operations and supply chain.	Social impact assessment, stakeholder engagement log, grievance trends, community feedback, audit reports.	ESG Team / HR / EHS
7. Recruitment and ethical hiring controls	Recruitment practices are voluntary, transparent, documented, and monitored.	Recruitment policy, agent contracts, worker orientation records, fee declarations, recruitment audit records.	HR / Procurement
8. Employment terms and communication	Workers receive clear employment terms and understand key rights, responsibilities, and grievance channels.	Employment contracts, worker handbook, briefing records, translated materials, signed acknowledgements.	HR
9. Wage and working hour controls	Wage payment, deductions, overtime, rest days, and leave are monitored.	Payroll records, payslips, time records, overtime approvals, deduction records, leave records.	HR / Finance / Production
10. Child labour prevention controls	Minimum age requirements and age verification are implemented.	Age verification records, identity documents, recruitment checklist, supplier declarations.	HR / Procurement
11. Forced labour prevention controls	Company monitors indicators such as recruitment fees, document access, wage withholding, restriction of movement, and excessive overtime.	No-fee policy, document access records, worker interviews, recruitment records, grievance records, payroll records.	HR / ESG Team
12. OHS as human rights protection	Safe and healthy working conditions are managed through OHS systems.	HIRARC, PPE records, training records, incident reports, safety committee minutes, emergency drill records.	EHS / HR / Production
13. Non-discrimination and respectful workplace	Company has controls to prevent discrimination, harassment, intimidation, and retaliation.	Code of Conduct, grievance procedure, investigation records, training records, disciplinary records.	HR / Compliance
14. Accommodation and welfare controls	Worker accommodation and welfare arrangements are monitored where applicable.	Accommodation inspection reports, maintenance records, resident feedback, welfare records, corrective action tracker.	HR / Facilities
15. Community impact management	Company identifies and manages social impacts on local communities.	Community engagement log, complaint register, environmental complaint records, corrective action evidence.	ESG Team / EHS / Management

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
16. Supplier and contractor human rights due diligence	Suppliers, contractors, and recruitment agents are screened for labour and human rights risks.	Supplier questionnaires, Supplier Code acknowledgements, audit reports, contractor induction records, corrective action plans.	Procurement / HR / ESG Team
17. Grievance mechanism	Workers and stakeholders have accessible, confidential, and non-retaliatory grievance channels.	Grievance procedure, posters, hotline records, grievance register, worker briefing records.	HR / ESG Team / Compliance
18. Remedy and corrective action	Adverse impacts are corrected and remedy is provided or supported where required.	Remediation records, payroll corrections, reimbursement records, repair records, supplier corrective actions, closure evidence.	HR / ESG Team / Management
19. Monitoring and effectiveness review	Company tracks human rights risks, social impacts, grievances, corrective actions, and performance trends.	KPI dashboard, management review minutes, internal audit reports, corrective action tracker.	ESG Team / HR / Management
20. Reporting and disclosure	Company discloses material human rights and social impact risks, actions, limitations, and progress.	ESG report, customer questionnaires, evidence register, omission explanation, management approval.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Percentage of operations covered by human rights risk assessment	Sites or operations assessed ÷ total relevant sites or operations.
Percentage of workforce covered by human rights risk assessment	Workers covered ÷ total workforce.
Number of human rights risks identified	Count of risks recorded in the risk register.
Number of high-priority human rights risks with action plans	High-priority risks with action plans ÷ total high-priority risks.
Percentage of human rights corrective actions closed on time	Corrective actions closed by due date ÷ total corrective actions due.
Number of grievances received by topic	Count by wage, working hours, OHS, accommodation, discrimination, recruitment, supplier, community, etc.

KPI	Measurement Approach
Percentage of grievances closed within target timeline	Grievances closed within timeline ÷ total grievances due for closure.
Number of confirmed human rights incidents	Count of substantiated cases during the reporting period.
Percentage of relevant workers trained on human rights, grievance channels, or labour standards	Workers trained ÷ relevant workers.
Percentage of supervisors trained on respectful workplace and grievance escalation	Supervisors trained ÷ total supervisors.
Percentage of recruitment agents screened	Agents screened ÷ total active recruitment agents.
Percentage of suppliers screened for social or human rights risks	Suppliers screened ÷ suppliers within defined scope.
Number of supplier human rights findings	Count of findings from supplier assessments or audits.
Percentage of supplier social corrective actions closed on time	Supplier corrective actions closed by due date ÷ total due.
Number of community complaints related to social impact	Count of community complaints during the reporting period.
Percentage of community complaints closed within target timeline	Community complaints closed within timeline ÷ total due for closure.

Reporting guidance

Where Human Rights and Social Impact is material, the company should disclose:

- why the topic is material to the company;
- the company's human rights commitment;
- governance structure and responsibilities for human rights;
- scope of the human rights risk assessment;
- key rights-holder groups considered;
- key human rights and social impact risks identified;
- prevention and mitigation measures implemented;
- grievance channels available to workers and stakeholders;
- remedy or corrective action provided where harm occurred;
- supplier and contractor due diligence actions;
- key KPIs and trends;
- data gaps, limitations, confidentiality constraints, or areas for improvement; and
- planned actions for the next reporting period.

Example disclosure wording

Human Rights and Social Impact

Human rights and social impact are material to the company because our operations involve manufacturing workers, migrant workers, contractors, suppliers, and nearby communities. The company is committed to respecting human rights, providing fair and safe working conditions, and maintaining accessible grievance channels.

During the reporting period, the company reviewed human rights risks relating to recruitment, wages, working hours, occupational safety and health, worker accommodation, grievance access, and supplier labour practices. The company maintained employment records, payroll records, OHS records, training records, and a grievance register to support monitoring and reporting.

Key improvement actions included supervisor training, worker communication on grievance channels, supplier social screening, and follow-up of corrective actions. The company will continue strengthening human rights due diligence, especially for recruitment agents, contract workers, and priority suppliers.

Omission and non-applicability guidance

Human Rights and Social Impact should rarely be marked as fully “not applicable” because every company has some relationship with workers, suppliers, contractors, customers, or communities. However, specific sub-indicators may be not applicable depending on the company’s context.

Situation	Example Explanation
No migrant workers	“Migrant worker-specific indicators are not applicable during the reporting period because the company did not employ migrant workers. The company will reassess this if workforce composition changes.”
No worker accommodation	“Accommodation-related indicators are not applicable because the company does not provide, arrange, or manage worker accommodation. Worker welfare matters are addressed through HR and grievance channels.”
No recruitment agents used	“Recruitment agent due diligence indicators are not applicable because recruitment is conducted directly by the company. This will be reviewed if recruitment agents are engaged.”
Supplier data incomplete	“Supplier human rights data is currently limited to priority suppliers. The company will expand supplier social screening in phases based on risk and customer requirements.”
Confidential grievance details	“Detailed grievance information is confidential. The company reports grievance categories and closure status in aggregated form while maintaining case-level records internally.”

Situation	Example Explanation
Community impact limited	“Community impact risk was assessed as low because the company operates within an established industrial area and no community complaints were recorded. The topic will continue to be monitored through the grievance and complaint process.”
Data unavailable	“Human rights training coverage data was not fully available for the reporting period. The company will introduce a centralised training tracker in the next cycle.”

Minimum Implementation Outputs for Section 20

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

Output	Purpose
Human Rights Policy or commitment statement	Confirms the company’s commitment to respect human rights.
Human rights governance responsibility matrix	Assigns responsibility for human rights risk assessment, monitoring, grievance handling, and reporting.
Stakeholder and rights-holder map	Identifies workers, suppliers, contractors, communities, and other affected groups.
Human rights risk assessment worksheet	Assesses actual and potential human rights risks.
Human rights risk register	Records risks, severity, controls, responsible persons, action plans, and status.
Social impact assessment record	Identifies positive and negative social impacts across operations and supply chain.
Workforce profile	Supports assessment of worker groups, vulnerability, and social data.
Recruitment and ethical hiring records	Demonstrates controls over recruitment, agents, fees, contracts, and onboarding.
Wage and working hour evidence	Supports assessment of fair labour practices and worker rights.
OHS evidence	Supports safe and healthy working conditions as a human rights control.
Accommodation and welfare records, where applicable	Demonstrates worker welfare and housing controls.
Supplier and contractor social screening records	Supports human rights due diligence in business relationships.
Worker engagement records	Shows worker consultation, interviews, surveys, briefings, or representative meetings.
Community engagement and complaint records	Supports identification and management of community social impacts.
Grievance procedure and register	Provides evidence of accessible complaint channels and case handling.
Remediation record	Documents remedy provided where harm occurred.

Output	Purpose
Corrective action tracker	Tracks human rights, social impact, grievance, supplier, and audit findings to closure.
Social KPI dashboard	Tracks human rights risks, grievances, training, supplier screening, and corrective action progress.
Confidential records control procedure	Protects sensitive worker, grievance, payroll, medical, and investigation information.
Management review record	Shows senior management review of human rights risks, social impacts, grievances, and improvement actions.

Used properly, this topic helps rubber processors and manufacturers identify human rights risks early, protect workers and communities, strengthen supplier responsibility, respond to buyer and regulatory expectations, and demonstrate credible social performance through evidence-based ESG reporting.

21. Social Topic 2: Diversity, Equity, and Inclusion

Diversity, Equity, and Inclusion, or **DEI**, refers to how a company promotes fair treatment, equal opportunity, respect, and participation across its workforce. For rubber processors and manufacturers, DEI is relevant because the workforce may include local workers, migrant workers, women workers, contract workers, temporary workers, workers from different ethnic, religious, language, age, and educational backgrounds, and workers performing different levels of technical, production, administrative, and managerial roles.

DEI should not be treated as a public relations statement. It should be reflected in recruitment, hiring, job assignment, promotion, training, wages, overtime allocation, benefits, discipline, grievance handling, workplace communication, accommodation, welfare, and supervisor conduct. The ILO explains that all workers and job seekers should be treated equally in relation to matters that are not connected to their ability to perform the job, and identifies non-discrimination as part of fundamental principles and rights at work. ([International Labour Organization](#)) ([International Labour Organization](#))

For Malaysian rubber companies, DEI is also connected to legal and workplace conduct expectations. Malaysia's Employment Act 1955 contains provisions relating to discrimination in employment and requires employers to display a notice to raise awareness on sexual harassment at the workplace. Malaysia's Anti-Sexual Harassment Act 2022 provides a right of redress for persons who have been sexually harassed and establishes a Tribunal for Anti-Sexual Harassment. Companies should verify the latest applicable legal requirements and customer requirements when developing internal policies and procedures. ([JTKSM](#)) ([Malaysia Government](#))

This topic should be read together with the Social topics on **Human Rights and Social Impact, Workers' Rights, Occupational Health and Safety, Forced or Compulsory Labour, Freedom of Association and Collective Bargaining, Training and Development, and Pay and Equal Remuneration.**

DEI is especially relevant where a company:

- a. employs workers from different nationalities, ethnic groups, religions, languages, age groups, genders, or employment categories;
- b. employs migrant workers, contract workers, temporary workers, trainees, apprentices, or outsourced workers;
- c. has women workers in production, quality, laboratory, office, management, or support roles;
- d. allocates overtime, shifts, training, promotion, accommodation, or benefits across different worker groups;
- e. receives complaints relating to discrimination, harassment, unfair treatment, favouritism, bullying, retaliation, or unequal opportunities;

- f. supplies customers that require social compliance, human rights, ethical recruitment, or workplace conduct evidence;
- g. prepares ESG disclosures, customer questionnaires, supplier codes, or sustainability reports; or
- h. wants to improve worker morale, retention, productivity, trust, and workplace culture.

21.1 Equal Opportunity

Equal opportunity means that workers and job applicants are given fair access to employment, training, promotion, pay progression, work assignments, benefits, grievance channels, and workplace participation based on objective and job-related criteria. It does not mean that every person must receive exactly the same role or treatment in every situation. Instead, it means that decisions should be fair, transparent, consistent, and based on capability, performance, qualifications, experience, conduct, legal requirements, and genuine job needs.

For rubber processors and manufacturers, equal opportunity should apply across the full employment cycle.

Employment Stage	Equal Opportunity Expectations
Recruitment	Job advertisements, selection criteria, interviews, and hiring decisions should be based on job requirements and not unfair preference or exclusion.
Onboarding	Workers should receive clear information on employment terms, workplace rules, safety, grievance channels, and benefits.
Job assignment	Work allocation should be based on role requirements, competency, safety, and operational needs.
Training	Workers should have fair access to training required for their job, safety, development, and promotion.
Promotion	Promotion should be based on transparent and job-related criteria.
Overtime and shift allocation	Overtime, shifts, rest days, and leave should be allocated consistently and lawfully.
Pay and benefits	Wages, allowances, benefits, and incentives should be based on lawful and objective criteria.
Discipline and termination	Disciplinary and termination decisions should be fair, documented, and not discriminatory or retaliatory.
Grievance handling	All workers should be able to raise concerns without retaliation.

Equal opportunity policy

Companies should include equal opportunity commitments in their ESG Policy, Human Rights Policy, Code of Conduct, Employee Handbook, or Labour Standards Procedure.

A practical equal opportunity commitment may include:

- a. fair recruitment and selection;
- b. equal access to training and development;
- c. fair assessment for promotion and career progression;
- d. fair allocation of work, overtime, and benefits;
- e. respect for diversity in nationality, ethnicity, religion, gender, age, disability, language, and employment status;
- f. prevention of discrimination, harassment, bullying, intimidation, and retaliation;
- g. accessible grievance channels;
- h. fair treatment of migrant workers, contract workers, temporary workers, and other worker groups; and
- i. periodic review of workforce data, complaints, and corrective actions.

Equal opportunity in recruitment

Recruitment should be transparent and job-related. Companies should avoid job advertisements, interview questions, selection criteria, or hiring practices that unfairly exclude people based on characteristics unrelated to the job.

Recruitment controls should include:

- a. approved job descriptions;
- b. objective selection criteria;
- c. consistent interview or assessment process;
- d. documented hiring decisions;
- e. fair review of qualifications, experience, skills, and legal work eligibility;
- f. safeguards against favouritism, bias, or improper influence;
- g. clear communication of job terms;
- h. age verification and legal employment eligibility checks; and
- i. recruitment agent due diligence where agents are used.

Equal opportunity in training and promotion

Training and promotion decisions should be based on objective criteria. Companies should avoid situations where certain worker groups are repeatedly excluded from training, supervisory roles, technical development, or promotion without clear business justification.

Companies should maintain:

- a. training needs assessment;
- b. training attendance records;
- c. promotion criteria;
- d. performance review records;
- e. supervisor nomination records;
- f. worker development plans where applicable;
- g. records of internal vacancies or promotion opportunities; and
- h. evidence that decisions were reviewed and approved.

Equal opportunity in work allocation

Work allocation should be fair and based on operational needs, competency, safety, and lawful requirements. Companies should monitor whether overtime, shifts, hazardous work, rest days, leave, or incentives are being allocated unfairly.

Examples of potential issues include:

- a. overtime given only to selected groups without transparent criteria;
- b. women workers or migrant workers being excluded from training without reason;
- c. contract workers being placed in higher-risk tasks without sufficient training;
- d. certain workers repeatedly assigned less desirable shifts unfairly;
- e. workers being denied leave or benefits because they raised grievances; or
- f. supervisors using work allocation as punishment.

Companies should review patterns in working hours, overtime, training, promotion, complaints, and disciplinary actions to identify potential unequal treatment.

21.2 Non-Discrimination

Non-discrimination means that workers and job applicants should not be treated less favourably because of personal characteristics that are not related to their ability to perform the job. Discrimination may occur during recruitment, employment, training, promotion, pay decisions, work allocation, discipline, termination, or access to grievance channels. The ILO describes discrimination as less favourable treatment based on characteristics unrelated to competence or the inherent requirements of the job. ([International Labour Organization](#))

Companies should prohibit discrimination based on characteristics such as:

- a. gender;
- b. sex;
- c. race;
- d. ethnicity;
- e. nationality;
- f. religion;
- g. age;
- h. disability;
- i. marital or family status;
- j. pregnancy or maternity status;
- k. employment status, such as permanent, temporary, contract, or migrant worker status;
- l. lawful worker representation or association;
- m. language or cultural background; and
- n. any other characteristic protected by applicable law, customer requirement, or company policy.

Companies may still apply job-related requirements where they are necessary, lawful, and proportionate. For example, certain tasks may require specific skills, qualifications, medical fitness, safety training, physical capability directly related to safe task performance, language competency for safety-critical communication, or legal work authorisation. Such requirements should be documented and applied consistently.

Forms of discrimination

Discrimination can occur in different forms.

Form	Practical Meaning	Example
Direct discrimination	Treating a person less favourably because of a protected or unrelated personal characteristic.	Refusing to promote a qualified worker because of gender or nationality.

Form	Practical Meaning	Example
Indirect discrimination	Applying a rule that appears neutral but unfairly disadvantages a group without genuine job-related reason.	Scheduling training only at times that exclude a particular group without considering alternatives.
Harassment	Unwanted conduct that creates an intimidating, hostile, degrading, humiliating, or offensive workplace.	Repeated insulting comments linked to a worker's background or status.
Sexual harassment	Unwanted conduct of a sexual nature or conduct related to sex that affects workplace dignity, safety, or participation.	Should be addressed through a clear complaint, investigation, and corrective action process.
Retaliation	Punishing someone for raising a concern, assisting an investigation, or using a grievance channel in good faith.	Reducing overtime or changing shifts because a worker made a complaint.
Victimisation	Treating a person badly because they supported another person's complaint or investigation.	Penalising a witness who cooperated in an inquiry.

Non-discrimination controls

Companies should establish practical controls to prevent discrimination.

Control Area	Practical Requirement
Policy	Include non-discrimination and anti-harassment commitments in the Human Rights Policy, Code of Conduct, Employee Handbook, or ESG Policy.
Recruitment	Use job-related criteria and maintain documented hiring decisions.
Training	Train HR, supervisors, managers, workers, and contractors on fair treatment and respectful conduct.
Communication	Communicate policies in languages or formats workers understand.
Grievance	Provide confidential, accessible, and non-retaliatory complaint channels.
Investigation	Investigate complaints fairly, promptly, and confidentially.
Corrective action	Apply corrective or disciplinary action where discrimination, harassment, or retaliation is confirmed.
Monitoring	Review workforce data, complaints, promotion, training, overtime, and disciplinary patterns.
Supplier control	Include non-discrimination expectations in Supplier Code of Conduct and contractor rules.

Harassment and respectful workplace

Companies should maintain a respectful workplace free from harassment, bullying, intimidation, and retaliation. This should apply to employees, supervisors, managers, contractors, suppliers, visitors, security personnel, and workers in accommodation where relevant.

A respectful workplace procedure should include:

- a. definition of unacceptable conduct;
- b. examples of discrimination, harassment, bullying, intimidation, and retaliation;
- c. complaint channels;
- d. confidentiality safeguards;
- e. investigation process;
- f. protection against retaliation;
- g. corrective action and remedy;
- h. recordkeeping requirements;
- i. escalation for serious cases; and
- j. periodic awareness training.

Malaysia's Employment Act 1955 includes a requirement for employers to display a notice to raise awareness on sexual harassment at the workplace, and Malaysia's Anti-Sexual Harassment Act 2022 provides a broader legal framework for redress relating to sexual harassment. Companies should maintain internal workplace procedures that support prevention, reporting, investigation, and corrective action. ([JTKSM](#)) ([Malaysia Government](#))

21.3 Gender Equality

Gender equality means that women, men, and people of all gender identities are treated fairly and have equal opportunity to participate, develop, and progress in the workplace. For rubber processors and manufacturers, gender equality may be relevant in production, quality assurance, laboratory work, administration, procurement, finance, HR, management, engineering, maintenance, sales, logistics, and supervisory roles.

Gender equality should be considered in:

- a. recruitment and hiring;
- b. job assignment;
- c. wages and benefits;
- d. training and development;
- e. promotion and leadership opportunities;
- f. occupational safety and health;

- g. harassment prevention;
- h. maternity-related protections and return-to-work arrangements where applicable;
- i. facilities and sanitation;
- j. grievance access;
- k. supervisor conduct; and
- l. workforce data monitoring.

The ILO's Equal Remuneration Convention and related guidance support the principle of equal remuneration for work of equal value, and ILO guidance links equal pay to wider equality and non-discrimination principles. ([International Labour Organization](#))

Gender equality in recruitment and career development

Companies should ensure that job advertisements, interviews, role assignments, training, and promotions do not unfairly exclude women or other groups. Where certain roles have genuine safety, technical, or legal requirements, these should be documented and applied consistently.

Practical actions include:

- a. review job advertisements for unnecessary gendered language;
- b. define job-related selection criteria;
- c. provide fair access to technical and safety training;
- d. track participation in training by gender where appropriate;
- e. review promotion and supervisory appointment patterns;
- f. ensure women workers can access grievance channels safely;
- g. train supervisors on respectful conduct and harassment prevention;
- h. review whether facilities support the workforce composition; and
- i. address barriers identified through worker feedback.

Equal remuneration and benefits

Companies should ensure that pay decisions are based on role, skill, responsibility, experience, performance, legal requirements, and objective criteria. Workers performing the same or equivalent work should not receive different pay because of gender or other unrelated personal characteristics.

Controls should include:

- a. wage structure or pay scale;

- b. job grading or role classification where applicable;
- c. payroll review;
- d. overtime and allowance records;
- e. benefits records;
- f. review of pay differences by role and worker category;
- g. corrective action for unexplained pay gaps; and
- h. clear communication of wages and benefits through payslips and contracts.

Gender-sensitive occupational safety and health

OHS controls should consider the needs of different worker groups without stereotyping or excluding workers unfairly. Gender-sensitive safety management may include:

- a. PPE sizes and fit suitable for workers using them;
- b. safe access to sanitation and washing facilities;
- c. adequate lighting in work areas, walkways, parking areas, and accommodation where relevant;
- d. harassment prevention in production areas, offices, transport, and accommodation;
- e. appropriate arrangements for pregnancy-related work restrictions where legally required or medically advised;
- f. emergency procedures that consider all worker groups;
- g. safe transport arrangements where provided; and
- h. confidential reporting channels for sensitive issues.

Gender-based harassment prevention

Companies should have clear controls to prevent and address harassment. This includes workplace harassment, sexual harassment, intimidation, bullying, and retaliation. Controls should apply to all workers and all work-related settings, including production areas, offices, canteens, transport, accommodation, business trips, supplier visits, and company events.

Companies should maintain:

- a. anti-harassment policy;
- b. sexual harassment awareness notice where required;
- c. confidential complaint channel;
- d. trained grievance handlers or investigators;
- e. non-retaliation controls;
- f. investigation records;
- g. corrective action records;

- h. training and awareness materials; and
- i. management review of trends.

21.4 Inclusive Workplace Practices

Inclusive workplace practices are the everyday actions and systems that allow all workers to participate safely, fairly, and respectfully. Inclusion is not only about hiring diverse workers. It is about ensuring that workers can understand workplace information, access opportunities, raise concerns, work safely, and be treated with dignity.

For rubber processors and manufacturers, inclusion is especially important where the workforce includes migrant workers, workers from different language backgrounds, women workers, contract workers, older workers, new workers, workers with disabilities, and workers with different religious or cultural needs.

Inclusive communication

Communication should be clear, accessible, and suitable for the workforce.

Practical actions include:

- a. provide key policies in simple language;
- b. translate important information where necessary, especially for migrant workers;
- c. use visual signs for safety, chemicals, PPE, emergency exits, and waste segregation;
- d. conduct toolbox talks and briefings in understandable formats;
- e. ensure workers understand grievance channels;
- f. provide payslips and wage explanations where workers have questions;
- g. communicate changes in shifts, wages, policies, or rules clearly;
- h. avoid relying only on supervisors where confidential issues may arise; and
- i. maintain records of communication and training.

Inclusive facilities and welfare

Inclusive facilities help workers participate safely and comfortably.

Companies should consider:

Facility or Practice	Inclusion Consideration
Sanitation	Sufficient, clean, safe, and accessible facilities for different worker groups.
Prayer or rest arrangements	Reasonable arrangements where feasible and consistent with operations.
Canteen and drinking water	Safe, hygienic, and accessible facilities.
PPE	PPE that fits workers properly and is suitable for the task.
Lighting and security	Safe access to work areas, walkways, transport points, and accommodation where relevant.
Accommodation	Safe, hygienic, non-discriminatory, and accessible grievance channels where accommodation is provided.
Transport	Safe and fair arrangements where company transport is provided.
Medical and first aid access	Workers should know how to access first aid and medical support.
Notice boards and announcements	Information should be visible and understandable.
Grievance channels	Multiple channels should be available, including confidential options.

Inclusion of migrant and contract workers

Migrant and contract workers should not be excluded from essential information, training, grievance channels, safety protections, or welfare arrangements.

Companies should ensure that migrant and contract workers receive:

- clear employment or service terms;
- orientation and workplace rules;
- OHS training;
- PPE and safety instructions;
- wage and payslip information where applicable;
- working hour and rest day information;
- grievance channel information;
- accommodation and welfare information where relevant;
- non-retaliation protection; and
- access to complaint channels in a language or format they can understand.

Inclusion of workers with disabilities or specific needs

Where workers have disabilities or specific needs, companies should consider reasonable workplace adjustments where practical, lawful, and safe. Adjustments should be based on the worker's role, risk assessment, operational feasibility, and confidentiality considerations.

Examples may include:

- a. accessible communication formats;
- b. adjusted workstation layout;
- c. suitable PPE or tools;
- d. safe access routes;
- e. job-related training support;
- f. modified work assignment where medically or legally required;
- g. emergency evacuation considerations; and
- h. confidentiality over personal or medical information.

Inclusive leadership and supervisor conduct

Supervisors have a major influence on inclusion. Companies should train supervisors to:

- a. treat workers respectfully;
- b. avoid discriminatory comments or behaviour;
- c. communicate clearly with workers from different backgrounds;
- d. allocate work fairly;
- e. manage overtime and leave consistently;
- f. respond properly to complaints;
- g. avoid retaliation;
- h. support safety and training participation;
- i. escalate sensitive issues to HR or management; and
- j. maintain records where required.

Monitoring inclusion

- a. Companies should monitor inclusion through:
 - a. worker surveys;
 - b. grievance trends;
 - c. training participation;
 - d. overtime distribution;
 - e. promotion and transfer records;

- f. turnover data;
- g. absenteeism trends;
- h. exit interviews;
- i. accommodation feedback;
- j. contractor worker feedback; and
- k. internal audit findings.

Inclusion should be reviewed annually as part of the materiality assessment, social risk register, grievance review, ESG action plan, and management review.

21.5 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Diversity, Equity, and Inclusion topic. Companies should apply them based on materiality, workforce profile, operational context, legal requirements, customer requirements, and data availability.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. DEI policy and commitment	Company has a documented commitment to equal opportunity, non-discrimination, respectful workplace, and inclusion.	ESG Policy, Human Rights Policy, Code of Conduct, Employee Handbook, DEI Policy, management approval.	Management / HR / ESG Team
2. Equal opportunity in recruitment	Recruitment and selection are based on objective and job-related criteria.	Job descriptions, job advertisements, interview records, recruitment checklist, hiring approval records.	HR
3. Fair onboarding and communication	Workers receive clear information on employment terms, workplace rules, safety, grievance channels, and rights.	Onboarding records, worker handbook, briefing materials, translated documents, signed acknowledgements.	HR / Department Heads
4. Equal access to training	Training opportunities are provided fairly based on job needs, development needs, and safety requirements.	Training plan, attendance records, training needs assessment, training matrix, worker development records.	HR / Training / Department Heads
5. Fair promotion and career development	Promotion, transfer, and advancement are based on	Promotion criteria, performance reviews, promotion records, internal	HR / Management

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	transparent and objective criteria.	vacancy notices, approval records.	
6. Fair work allocation	Overtime, shifts, rest days, leave, incentives, and work assignments are allocated consistently and lawfully.	Shift rosters, overtime approvals, leave records, attendance records, incentive records, supervisor instructions.	HR / Production
7. Non-discrimination controls	Company prohibits discrimination based on characteristics unrelated to job requirements.	Non-discrimination policy, Code of Conduct, training records, grievance procedure, investigation records.	HR / Compliance
8. Anti-harassment controls	Company prohibits harassment, bullying, intimidation, sexual harassment, and retaliation.	Anti-harassment policy, sexual harassment awareness notice, grievance records, investigation records, disciplinary records.	HR / Compliance / Management
9. Gender equality monitoring	Company monitors gender-related workforce, training, promotion, wage, and grievance data where appropriate.	Workforce data, training data, promotion records, payroll analysis, grievance trend report.	HR / ESG Team
10. Equal remuneration review	Pay and benefits are reviewed for fairness based on role, responsibility, skill, performance, and lawful criteria.	Payroll records, wage structure, job grading, payslips, benefit records, pay review records.	HR / Finance
11. Inclusive communication	Policies, safety information, grievance channels, and key workplace rules are communicated in formats workers understand.	Translated materials, posters, toolbox talks, briefing records, notice boards, worker acknowledgements.	HR / EHS / ESG Team
12. Inclusive facilities and welfare	Workplace facilities support worker dignity, safety, hygiene, and access.	Facility inspection records, sanitation checks, accommodation inspections, canteen records, worker feedback.	HR / Facilities / EHS
13. Migrant and contract worker inclusion	Migrant, contract, temporary, and outsourced workers receive relevant information, training, safety protection, and grievance access.	Contractor induction, migrant worker orientation, training records, grievance communication, accommodation records.	HR / Procurement / EHS
14. Workplace adjustments where applicable	Reasonable adjustments are considered for workers with disabilities or specific needs where practical and safe.	Adjustment records, risk assessment, medical or HR records where applicable, confidentiality controls.	HR / EHS / Management

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
15. Supervisor conduct and training	Supervisors are trained on fair treatment, respectful workplace, grievance escalation, and non-retaliation.	Supervisor training records, toolbox talks, disciplinary records, grievance trends.	HR / Management
16. Grievance mechanism for DEI issues	Workers can raise discrimination, harassment, unfair treatment, or retaliation concerns confidentially and without retaliation.	Grievance procedure, grievance register, investigation records, closure evidence, non-retaliation policy.	HR / Compliance / ESG Team
17. Corrective action and remedy	Confirmed DEI-related findings are corrected and remedy is provided where appropriate.	Corrective action tracker, remediation records, disciplinary records, training records, management review minutes.	HR / Management
18. Data privacy and confidentiality	Sensitive personal, grievance, medical, payroll, and investigation data are protected.	Access controls, confidentiality procedure, secure records, anonymised reporting summaries.	HR / Compliance
19. Monitoring and management review	DEI data, grievances, risks, and actions are reviewed periodically.	DEI dashboard, ESG Committee minutes, management review records, internal audit reports.	HR / ESG Team / Management
20. Reporting and disclosure	Company discloses DEI approach, workforce data, actions, complaints, limitations, and improvement plans where material.	ESG report, customer questionnaire, KPI tracker, evidence register, omission explanation, management approval.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Workforce composition by gender	Number or percentage of workers by gender and employment category.
Workforce composition by nationality or worker category	Number or percentage of local, migrant, permanent, temporary, contract, or outsourced workers.
Women in management or supervisory roles	Number or percentage of women in management, supervisory, technical, or leadership positions.
Training participation by gender or worker category	Training participants by gender, employment type, nationality, department, or role.
Promotion by gender or worker category	Promotions by gender, employment type, department, or role.
Turnover by gender or worker category	Turnover rate by relevant workforce group.
Number of discrimination-related grievances	Count of grievances relating to discrimination, unfair treatment, harassment, or retaliation.
Number of harassment-related grievances	Count of harassment or workplace conduct grievances.
Percentage of DEI-related grievances closed within target timeline	DEI grievances closed within target timeline ÷ total DEI grievances due for closure.
Percentage of supervisors trained on non-discrimination and respectful workplace	Supervisors trained ÷ total supervisors.
Percentage of workers briefed on grievance channels	Workers briefed ÷ total workers in scope.
Percentage of workers receiving required onboarding	Workers onboarded ÷ new workers in reporting period.
Percentage of workers with access to translated or understandable key information	Workers covered by suitable communication ÷ total relevant workers.
Percentage of relevant facilities inspected for inclusion and welfare conditions	Facilities inspected ÷ facilities in scope.
Percentage of DEI-related corrective actions closed on time	Corrective actions closed by due date ÷ total due.

Reporting guidance

Where Diversity, Equity, and Inclusion is material, the company should disclose:

- a. why DEI is material to the company;
- b. the company's commitment to equal opportunity, non-discrimination, gender equality, and inclusion;
- c. workforce profile, using aggregated data where appropriate;
- d. actions taken to promote fair recruitment, training, promotion, pay, and work allocation;
- e. measures to prevent discrimination, harassment, bullying, and retaliation;
- f. gender equality initiatives and monitoring where relevant;
- g. inclusive communication and welfare measures for migrant, contract, temporary, and other worker groups;
- h. grievance channels and DEI-related complaints or trends;
- i. corrective actions and improvements taken;
- j. data gaps, confidentiality limitations, or reporting boundaries; and
- k. future improvement actions.

Example disclosure wording

Diversity, Equity, and Inclusion

Diversity, Equity, and Inclusion is material to the company because our workforce includes workers from different backgrounds, nationalities, genders, employment categories, and roles. The company is committed to fair treatment, equal opportunity, non-discrimination, respectful workplace conduct, and accessible grievance channels.

During the reporting period, the company maintained workforce data, recruitment records, training records, payroll records, and grievance records to monitor fair workplace practices. Key actions included supervisor awareness training, communication of grievance channels, review of training participation, and reinforcement of anti-harassment expectations.

The company will continue improving DEI monitoring by strengthening workforce data analysis, reviewing training and promotion access, and ensuring that migrant and contract workers receive workplace information in formats they can understand.

Omission and non-applicability guidance

DEI should rarely be marked as fully “not applicable” because all companies employ or engage people. However, specific sub-indicators may not apply depending on the company’s workforce and operations.

Situation	Example Explanation
No migrant workers	“Migrant worker inclusion indicators are not applicable during the reporting period because the company did not employ migrant workers. This will be reassessed if the workforce profile changes.”
No contract workers	“Contract worker indicators are not applicable because the company did not engage contract labour during the reporting period. Contractor inclusion will be reviewed if contractor use increases.”
No formal promotion cycle	“The company is an SME and does not currently have a formal promotion cycle. Promotion decisions are reviewed by management and will be documented more systematically in the next reporting period.”
Gender data limited	“Gender-disaggregated data is available for workforce headcount but not yet for all training and promotion records. The company will improve data capture in the next reporting cycle.”
Confidential grievance information	“Detailed grievance information is confidential. The company reports grievance categories and closure status in aggregated form while maintaining case-level records internally.”
No DEI-related grievances recorded	“No DEI-related grievances were recorded during the reporting period. The company will continue communicating grievance channels and monitoring whether workers are comfortable using them.”
Equal remuneration analysis not yet completed	“A formal equal remuneration review was not completed during the reporting period. The company will review wage data by role and worker category in the next cycle.”

Minimum Implementation Outputs for Section 21

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

Output	Purpose
DEI or non-discrimination policy	Confirms the company’s commitment to equal opportunity, fair treatment, and inclusion.
Code of Conduct or respectful workplace policy	Defines expected behaviour and prohibits discrimination, harassment, bullying, intimidation, and retaliation.
Sexual harassment awareness notice and procedure	Supports prevention, awareness, complaint handling, and corrective action.
Recruitment and selection procedure	Ensures hiring decisions are based on objective and job-related criteria.
Job descriptions and selection criteria	Supports fair recruitment, work allocation, training, and promotion.

Output	Purpose
Workforce profile	Tracks workforce composition by relevant categories such as gender, nationality, employment type, department, and role.
Training participation records	Supports review of fair access to training and development.
Promotion and transfer records	Supports review of fair advancement opportunities.
Payroll and wage review records	Supports equal remuneration and fair pay analysis.
Working hour and overtime allocation records	Supports review of fair shift and overtime practices.
Inclusive communication records	Shows that key workplace information is communicated in understandable formats.
Supervisor training records	Demonstrates awareness of fair treatment, respectful workplace conduct, and grievance escalation.
Facility and welfare inspection records	Supports inclusive workplace facilities and worker welfare.
Grievance procedure and register	Tracks discrimination, harassment, unfair treatment, and retaliation concerns.
Investigation and corrective action records	Provides evidence of response to confirmed DEI-related issues.
DEI KPI dashboard	Tracks workforce composition, training, promotion, grievances, corrective actions, and improvement progress.
Confidential records control procedure	Protects sensitive personal, payroll, medical, grievance, and investigation data.
Management review record	Shows periodic review of DEI risks, trends, complaints, and improvement actions.

Used properly, this topic helps rubber processors and manufacturers build a fair, respectful, and inclusive workplace. It supports worker trust, reduces social compliance risk, strengthens customer confidence, improves grievance responsiveness, and provides credible evidence for ESG reporting and continuous improvement.

22. Social Topic 3: Workers' Rights

Workers' Rights refers to the company's responsibility to provide lawful, fair, safe, transparent, and respectful employment practices for all workers. For Malaysian rubber processors and manufacturers, this topic is highly relevant because manufacturing operations may involve shift work, overtime, production targets, migrant workers, contract workers, temporary workers, labour suppliers, supervisors, worker accommodation, and occupational health and safety risks.

Workers' rights should be managed through clear employment terms, lawful working hours, fair wages and benefits, transparent communication, accessible grievance channels, and proper records. These controls help companies protect workers, meet legal and customer expectations, reduce labour disputes, improve worker trust, and provide evidence for ESG reporting, customer audits, supplier assessments, and social compliance reviews.

The ILO's Fundamental Principles and Rights at Work include freedom of association and collective bargaining, elimination of forced labour, abolition of child labour, elimination of discrimination, and a safe and healthy working environment. These principles provide an important international reference for responsible labour practices. ([International Labour Organization](#)) In Malaysia, companies should verify the current labour law requirements that apply to their location and workforce. The Employment Act 1955 is the principal employment legislation for Peninsular Malaysia, while separate labour ordinances apply in Sabah and Sarawak. ([JTKSM](#))

This topic should be read together with the Social topics on **Human Rights and Social Impact, Diversity, Equity, and Inclusion, Occupational Health and Safety, Child Labour, Forced or Compulsory Labour, Freedom of Association and Collective Bargaining, Training and Development, and Pay and Equal Remuneration.**

Workers' Rights is especially relevant where a company:

- a. employs permanent, temporary, contract, outsourced, local, or migrant workers;
- b. operates shifts, overtime, rest day work, public holiday work, or production-based work arrangements;
- c. uses labour agents, recruitment agents, contractors, service providers, or outsourced workers;
- d. provides or arranges worker accommodation, transport, canteen, or welfare facilities;
- e. has customer requirements relating to social compliance, ethical recruitment, labour standards, forced labour prevention, or worker welfare;
- f. prepares ESG reports, customer questionnaires, supplier declarations, or audit responses; or
- g. has past findings, complaints, grievances, or risks relating to wages, working hours, contracts, leave, deductions, benefits, or worker communication.

22.1 Employment Terms and Conditions

Employment terms and conditions should be clearly documented, communicated, and implemented. Workers should understand their employment status, job role, wages, benefits, working hours, overtime arrangements, rest days, leave, deductions, accommodation arrangements where applicable, grievance channels, workplace rules, and termination conditions.

Clear employment terms reduce misunderstandings, support lawful employment practices, prevent labour disputes, and provide evidence for audits and ESG reporting. Companies should ensure that employment terms are not misleading, substituted without proper consent, or applied differently from what was promised during recruitment.

Minimum employment terms to document

Employment terms should be documented through employment contracts, appointment letters, worker handbooks, policy acknowledgements, onboarding records, or other appropriate records.

Employment Term	Practical Requirement
Worker identity and employment status	Identify whether the worker is permanent, fixed-term, temporary, part-time, contract, outsourced, local, migrant, apprentice, or trainee, where applicable.
Job title and role	Clearly state job title, department, reporting line, workplace, and main duties.
Employment start date and duration	Record start date and whether the employment is permanent, fixed-term, probationary, or project-based.
Wages and allowances	State basic wage, allowances, incentive arrangements, overtime rate basis, payment frequency, and payment method.
Working hours and shifts	Explain normal working hours, shift pattern, rest days, overtime process, breaks, and public holiday work where applicable.
Leave entitlements	Explain annual leave, sick leave, public holidays, maternity or paternity-related leave where applicable, and other company leave benefits.
Deductions	Explain lawful deductions, worker authorisation where required, and how deductions will appear in payslips.
Benefits	Explain statutory and company benefits, insurance, medical support, welfare arrangements, and other applicable benefits.
Accommodation and transport	State whether accommodation or transport is provided, arranged, optional, chargeable, or subject to rules.
Workplace rules	Explain discipline, attendance, safety, PPE, conduct, grievance, anti-harassment, and non-retaliation expectations.
Termination and resignation	Explain notice period, final payment process, return of company property, and exit arrangements.

Employment Term	Practical Requirement
Grievance channels	Explain how workers can raise concerns confidentially and without retaliation.

The Employment Act 1955 requires wages to be paid not later than the seventh day after the last day of the wage period, subject to specific provisions for rest day, public holiday, and overtime wages. This should be reflected in payroll procedures and employment communication. ([JTKSM](#))

Employment records

Companies should maintain a worker file or equivalent HR record for each worker. This should be protected as confidential personal information.

Record Type	Purpose
Employment contract or appointment letter	Confirms agreed terms and conditions.
Identity and age verification	Supports lawful employment and child labour prevention.
Work permit or right-to-work records, where applicable	Confirms legal work status.
Job description	Clarifies duties and role expectations.
Wage and benefit record	Supports payroll and benefit administration.
Attendance and working hour records	Supports working hour, overtime, rest day, and leave controls.
Leave records	Supports leave entitlement and usage tracking.
Training records	Shows onboarding, job training, OHS training, and policy communication.
PPE or safety records, where applicable	Supports occupational safety and health controls.
Accommodation records, where applicable	Supports worker welfare and housing management.
Grievance or disciplinary records, where applicable	Supports fair case handling and corrective action.

Contract changes

Any change to employment terms should be clearly explained, documented, and approved according to applicable requirements. Examples include changes to job role, work location, wage structure, shift pattern, accommodation arrangement, deductions, employment status, or contract duration.

Companies should avoid:

- a. changing employment terms without clear communication;
- b. promising one set of terms during recruitment but applying different terms after arrival or onboarding;
- c. using unclear contract language that workers cannot reasonably understand;
- d. using deductions that are not lawful, transparent, or properly documented;
- e. applying different terms to similar workers without objective justification; and
- f. keeping workers unaware of grievance channels or payroll query processes.

Migrant, contract, and outsourced workers

Where migrant workers, contract workers, outsourced workers, or labour-supplied workers are engaged, companies should ensure that these workers are not excluded from core worker rights controls. This includes contract clarity, wage and working hour controls, OHS training, PPE, grievance access, non-retaliation, welfare communication, and accommodation monitoring where applicable.

For outsourced or contractor-managed workers, the company should clarify who is responsible for employment contracts, wage payment, statutory contributions, working hour records, training, PPE, accommodation, grievance handling, and corrective action. These responsibilities should be reflected in contractor agreements, supplier codes of conduct, site rules, and monitoring records.

22.2 Working Hours, Rest Days, and Leave

Working hours, rest days, and leave should be managed lawfully and responsibly. Poor control over working hours can lead to fatigue, safety incidents, wage disputes, forced labour indicators, worker dissatisfaction, audit findings, and customer concern.

Malaysia's official labour guidance identifies normal working hours under the Employment Act framework as not exceeding 45 hours per week, and the same government portal summarises working-hour alignment under Sabah and Sarawak labour amendments.

([Malaysia Government](#)) Companies should verify the latest applicable legal requirements for their location, worker category, sector, and any customer or certification requirements.

Working hour management

Companies should establish a system to plan, approve, record, and review working hours.

Control Area	Practical Requirement
Work schedule	Prepare shift rosters, weekly schedules, or work plans in advance.
Attendance records	Record actual hours worked, including start time, end time, breaks, overtime, rest days, and public holiday work.
Overtime approval	Require approval before overtime is worked, except for genuine emergencies where allowed and documented.
Rest day planning	Ensure workers receive required rest days and that rest day work is controlled and compensated properly.
Breaks	Provide meal and rest breaks according to applicable legal and operational requirements.
Leave management	Track annual leave, sick leave, public holidays, maternity or paternity leave where applicable, emergency leave, and unpaid leave.
Fatigue monitoring	Monitor excessive overtime, repeated long shifts, insufficient rest, and safety-sensitive tasks.
Payroll linkage	Ensure working hour records match overtime and payroll calculations.
Supervisor accountability	Train supervisors to follow working hour rules and avoid unauthorised overtime.
Worker communication	Inform workers of schedules, overtime expectations, rest days, and leave procedures.

Overtime control

Overtime should be voluntary where required, properly approved, recorded, and paid according to applicable law and contract terms. Companies should not rely on excessive overtime as a normal production strategy. Repeated excessive overtime may indicate poor manpower planning, unrealistic production targets, labour shortages, or weak supervisor control.

Overtime records should show:

- worker name or ID;
- department or production line;
- date of overtime;
- normal hours worked;
- overtime hours worked;
- reason for overtime;

- g. approval by supervisor or manager;
- h. worker confirmation where applicable;
- i. overtime rate or calculation basis;
- j. payroll reference; and
- k. any corrective action if limits were exceeded.

Rest days and public holidays

Rest days and public holidays should be planned and recorded. Workers should know their rest day in advance, especially where shift systems are used. If work on a rest day or public holiday is required, the company should ensure that it is lawful, properly authorised, recorded, and compensated.

Records should include:

- a. shift roster;
- b. rest day schedule;
- c. public holiday schedule;
- d. worker attendance;
- e. approval for rest day or public holiday work;
- f. payroll calculation;
- g. replacement rest arrangements where applicable; and
- h. worker acknowledgement or communication records where relevant.

Leave management

Leave should be managed transparently and consistently. Workers should know how to apply for leave, how leave is approved, how balances are tracked, and how leave affects wages or benefits.

Leave records should cover:

- a. annual leave;
- b. sick leave;
- c. hospitalisation leave where applicable;
- d. public holidays;
- e. maternity leave;
- f. paternity leave where applicable;
- g. emergency or compassionate leave where provided;
- h. unpaid leave;

- i. medical certificates and supporting documents where required;
- j. leave approval or rejection reasons; and
- k. leave balance records.

Companies should review whether workers are able to take leave in practice. A leave entitlement that exists on paper but is consistently denied, discouraged, or difficult to access may create worker rights and welfare concerns.

Fatigue and safety

Working hours should be reviewed together with OHS. Fatigue can increase the risk of accidents, especially for workers handling machinery, chemicals, forklifts, boilers, wastewater systems, maintenance tasks, night shifts, heat exposure, repetitive work, or manual handling.

Companies should consider fatigue controls such as:

- a. limiting excessive overtime;
- b. monitoring consecutive working days;
- c. rotating high-risk tasks where practical;
- d. ensuring adequate rest between shifts;
- e. reviewing night shift risks;
- f. providing rest areas and hydration where needed;
- g. training supervisors to recognise fatigue risks;
- h. linking working hour trends to incident investigation; and
- i. escalating repeated excessive overtime to management.

22.3 Wages and Benefits

Wages and benefits should be paid accurately, on time, transparently, and in accordance with applicable legal requirements, employment contracts, collective agreements where applicable, and company policies. Wage issues are among the most common causes of worker dissatisfaction and labour disputes. They are also important evidence areas in customer social compliance audits and ESG reporting.

Malaysia's Minimum Wages Order 2024 sets minimum wage rates, including a monthly minimum wage of RM1,700, with staged implementation from 1 February 2025 and wider application from 1 August 2025. Companies should verify the latest minimum wage requirements and any applicable sector, state, worker category, or legal updates before finalising wage practices. ([Gaji Minimum](#))

Wage controls

Companies should establish payroll controls covering:

Control Area	Practical Requirement
Wage rate	Ensure wages meet or exceed applicable minimum wage, contract terms, and company wage structure.
Payroll period	Define wage period and payment date clearly.
Timely payment	Pay wages within applicable legal timelines.
Overtime payment	Calculate overtime based on actual approved hours and applicable rates.
Rest day and public holiday pay	Calculate correctly where workers work on rest days or public holidays.
Allowances and incentives	Define eligibility, calculation basis, and payment timing.
Deductions	Ensure deductions are lawful, transparent, documented, and communicated.
Payslips	Provide payslips or wage statements that workers can understand.
Bank payment or cash control	Maintain payment evidence and worker acknowledgement where applicable.
Payroll review	Review payroll before payment and correct errors promptly.
Payroll complaints	Provide a clear channel for workers to query wages or deductions.

Benefits

Benefits should be provided according to applicable law, employment contracts, company policy, and collective agreement where applicable. Benefits may include statutory contributions, medical benefits, insurance, leave benefits, allowances, accommodation, transport, meals, training, welfare support, or other company-provided benefits.

A benefits register may include:

Benefit Type	Records to Maintain
Statutory contributions	Contribution records, payment evidence, employee records.
Medical benefits	Clinic panel records, medical claims, medical leave records, insurance records.
Leave benefits	Leave entitlement, leave balance, leave approval, medical certificates.
Allowances	Attendance allowance, shift allowance, transport allowance, meal allowance, housing allowance, or other allowances.
Accommodation	Accommodation allocation, deductions where applicable, inspection records, complaint records.

Benefit Type	Records to Maintain
Transport	Transport roster, safety records, driver or contractor records where applicable.
Welfare support	Canteen, drinking water, rest areas, first aid, worker welfare activities.
Training	Training hours, attendance, certification, competency records.

Payslip transparency

Payslips should be clear enough for workers to understand how wages were calculated. A payslip should ideally show:

- a. worker name or ID;
- b. wage period;
- c. basic wage;
- d. normal days or hours worked;
- e. overtime hours and amount;
- f. rest day or public holiday pay where applicable;
- g. allowances;
- h. incentives or bonuses where applicable;
- i. deductions and reasons;
- j. statutory contributions where applicable;
- k. net pay;
- l. payment date; and
- m. payroll contact for questions.

Where workers have language barriers or limited payroll literacy, HR or supervisors should provide explanation in a format workers can understand. Payroll communication should be handled carefully to protect privacy and avoid intimidation.

Wage disputes and corrections

Companies should maintain a payroll query and correction process. Workers should be able to ask about wage errors without retaliation.

A wage correction record should include:

Field	Description
Date raised	Date the worker raised the payroll issue.
Worker or case reference	Worker ID or confidential case number.
Issue type	Underpayment, overtime, deduction, allowance, leave, benefit, bank issue, payslip error.
Evidence reviewed	Attendance record, overtime approval, contract, payslip, bank record, supervisor confirmation.
Decision	Confirmed error, no error, partial correction, further review.
Correction amount	Amount paid or adjusted, where applicable.
Payment date	Date correction was paid.
Root cause	Data entry error, approval delay, incorrect rate, missing attendance, system issue.
Preventive action	Payroll check, supervisor training, system update, worker communication.
Closure evidence	Corrected payslip, payment record, worker acknowledgement where appropriate.

Repeated payroll complaints should be reviewed as a systemic risk.

22.4 Worker Communication and Grievance Channels

Workers should understand their rights, responsibilities, employment terms, wages, working hours, safety requirements, grievance channels, and workplace rules. Worker communication should be clear, regular, accessible, and appropriate to the workforce. For rubber processors and manufacturers, communication should take into account language, literacy, shift arrangements, migrant worker status, contract worker status, worker accommodation, department structure, and supervisor-worker relationships.

Worker communication methods

Companies should use multiple communication methods.

Communication Method	Practical Use
Worker handbook	Summarises employment terms, workplace rules, benefits, grievance channels, safety rules, and conduct expectations.
Onboarding briefing	Explains contracts, wages, hours, leave, PPE, grievance channels, and site rules.
Notice boards	Displays important workplace notices, safety information, grievance contacts, and policy summaries.
Toolbox talks	Provides short, practical communication on safety, welfare, working hours, and workplace issues.
Payslip briefings	Helps workers understand wage calculation, overtime, deductions, and allowances.
Worker representatives or committees	Supports regular communication between workers and management.
Small-group discussions	Useful for migrant workers, shift workers, or sensitive topics.
Translated materials	Supports workers who do not fully understand the main workplace language.
Digital channels	May include messaging groups, HR portals, QR forms, or apps, provided confidentiality is protected.
Accommodation briefings	Communicates housing rules, maintenance reporting, safety, and grievance channels where accommodation is provided.

Communication should not rely only on supervisors. Workers should have access to HR, grievance channels, worker representatives, or other trusted routes where sensitive issues arise.

Topics to communicate to workers

Companies should communicate:

- employment terms and conditions;
- wage calculation and payment dates;
- working hours, overtime, rest days, and leave procedures;
- grievance channels and non-retaliation protection;
- disciplinary procedures;
- anti-harassment and non-discrimination expectations;
- occupational safety and health requirements;
- PPE rules;
- emergency response and incident reporting;

- j. accommodation rules where applicable;
- k. company policies and changes to policies;
- l. benefits and welfare arrangements;
- m. worker representation or consultation channels; and
- n. how to ask questions or request clarification.

Grievance channels

Workers should have accessible, confidential, and non-retaliatory channels to raise concerns. Grievance channels should cover issues such as wages, working hours, leave, discrimination, harassment, OHS, accommodation, recruitment, supervisor conduct, deductions, benefits, discipline, and welfare.

Possible grievance channels include:

Channel	Use Case
HR contact person	General employment, wage, leave, welfare, and policy issues.
Supervisor escalation	Operational concerns, work allocation, shift issues, safety concerns.
Worker representative	Worker feedback, consultation, recurring concerns.
Grievance box	Anonymous or written concerns.
Hotline or phone contact	Urgent or confidential concerns.
Email or digital form	Documented submission and tracking.
Welfare officer	Migrant worker, accommodation, welfare, or sensitive issues.
OHS Committee	Safety and health complaints or hazard reports.
Whistleblowing channel	Serious misconduct, corruption, retaliation, or high-risk concerns.

The Department of Labour Peninsular Malaysia states that JTKSM investigates, handles, and resolves labour complaints between employees and employers, and its official guidance provides several complaint channels, including writing to the nearest labour office, official email, SISPA, walk-in, phone, and the Working for Workers application. ([JTKSM](#)) Internal grievance mechanisms should not prevent workers from using lawful external complaint channels.

Grievance handling

A worker grievance process should include:

Step	Action
1. Receive	Record the grievance through any approved channel.
2. Acknowledge	Confirm receipt where the worker is identifiable.
3. Classify	Identify topic, urgency, severity, affected person, and confidentiality needs.
4. Protect	Apply non-retaliation and confidentiality controls.
5. Investigate	Review documents, interview relevant persons, check records, and identify root cause.
6. Decide	Determine whether the grievance is substantiated and what action is required.
7. Correct or remedy	Provide payroll correction, safety action, policy clarification, repair, training, or other remedy.
8. Close	Document the outcome and communicate closure where appropriate.
9. Monitor	Check whether the issue recurs or whether retaliation occurs.
10. Review trends	Report recurring issues to management for systemic improvement.

Non-retaliation

Workers should not be punished for raising concerns in good faith. Retaliation may include dismissal, demotion, threats, reduced overtime, changed shifts, wage penalties, harassment, intimidation, blacklisting, document restriction, or unfair disciplinary action.

Companies should communicate non-retaliation clearly and monitor whether workers trust the grievance system. A very low number of grievances does not always mean there are no issues; it may also indicate fear, language barriers, lack of awareness, or lack of confidence in the process.

22.5 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Workers' Rights topic. Companies should apply them based on materiality, workforce profile, legal requirements, customer expectations, operational complexity, and data availability.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. Workers' rights policy and commitment	Company has a commitment to fair employment, lawful working hours, fair wages, benefits, communication, and grievance access.	ESG Policy, Human Rights Policy, Labour Standards Policy, Employee Handbook, management approval.	Management / HR / ESG Team
2. Employment contracts	Workers receive documented employment terms and conditions.	Employment contracts, appointment letters, worker acknowledgements, contract review checklist.	HR
3. Contract clarity and communication	Employment terms are explained in a language or format workers can understand.	Onboarding records, translated summaries, worker briefing records, signed acknowledgements.	HR
4. Worker classification	Worker status is properly identified, including permanent, temporary, contract, outsourced, local, migrant, part-time, apprentice, or trainee.	Workforce list, HR system, contractor records, employment files.	HR / Procurement
5. Recruitment and onboarding controls	Workers are recruited and onboarded transparently and voluntarily.	Recruitment procedure, onboarding checklist, orientation records, recruitment agent records where applicable.	HR
6. Working hour records	Actual working hours are recorded accurately.	Attendance records, timecards, biometric records, shift rosters, production attendance sheets.	HR / Production
7. Overtime approval and monitoring	Overtime is approved, recorded, monitored, and compensated.	Overtime request forms, approval records, payroll records, overtime dashboard.	HR / Production / Finance
8. Rest day management	Rest days are scheduled, communicated, and recorded.	Shift roster, rest day schedule, attendance records, worker notices, payroll records.	HR / Production
9. Public holiday work control	Public holiday work is approved, recorded, and compensated where applicable.	Public holiday calendar, attendance records, approval records, payroll records.	HR / Finance
10. Leave management	Annual leave, sick leave, public holidays, maternity or paternity leave where applicable, and other leave are tracked.	Leave records, medical certificates, leave approval records, leave balance reports.	HR

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
11. Fatigue risk monitoring	Excessive overtime, consecutive workdays, insufficient rest, and safety-sensitive fatigue risks are reviewed.	Overtime analysis, incident investigation records, shift review, management review minutes.	HR / EHS / Production
12. Wage compliance	Wages meet applicable minimum wage, contract terms, and company wage structure.	Payroll records, wage register, minimum wage review, employment contracts.	HR / Finance
13. Timely wage payment	Wages are paid within required timelines.	Bank transfer records, payroll approval, payment schedule, payslips.	Finance / HR
14. Payslip transparency	Workers receive clear wage statements showing wages, overtime, allowances, deductions, and net pay.	Payslips, payroll system records, worker communication records.	HR / Finance
15. Lawful deductions	Deductions are lawful, transparent, authorised where required, and documented.	Deduction register, worker authorisations, payslips, payroll review.	HR / Finance
16. Benefits administration	Statutory and company benefits are provided according to applicable requirements and policies.	Benefits register, contribution records, medical claims, insurance records, allowance records.	HR / Finance
17. Payroll query and correction process	Workers can raise wage concerns and corrections are tracked.	Payroll complaint log, correction records, corrected payslips, closure evidence.	HR / Finance
18. Worker communication system	Workers receive clear information on rights, policies, wages, hours, leave, safety, and grievance channels.	Worker handbook, notices, posters, briefing records, toolbox talks, translated materials.	HR / EHS / ESG Team
19. Grievance channels	Workers have accessible, confidential, and non-retaliatory grievance channels.	Grievance procedure, posters, hotline records, grievance box records, worker briefings.	HR / Compliance / ESG Team
20. Grievance handling and remedy	Worker grievances are recorded, investigated, resolved, and remediated where required.	Grievance register, investigation records, corrective action tracker, remedy records, closure evidence.	HR / Management
21. Contractor and outsourced worker rights	Labour suppliers and contractors are monitored for employment, wage, working hour, OHS, and grievance controls.	Contractor agreements, Supplier Code of Conduct, contractor worker records, audit reports, corrective action plans.	Procurement / HR / EHS

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
22. Migrant worker protections, where applicable	Migrant workers receive clear contracts, wage information, document access, grievance channels, and welfare support.	Migrant worker records, permits, orientation records, translated materials, accommodation records, grievance records.	HR
23. Records confidentiality	Worker personal data, payroll, grievance, medical, and employment records are protected.	Access control records, confidentiality procedure, secure files, anonymised reporting.	HR / Compliance
24. Monitoring and management review	Workers' rights data, grievances, payroll issues, working hours, and corrective actions are reviewed periodically.	KPI dashboard, ESG Committee minutes, management review records, internal audit reports.	HR / ESG Team / Management
25. Reporting and disclosure	Company discloses workers' rights approach, data, actions, limitations, and improvement plans where material.	ESG report, customer questionnaire, KPI tracker, evidence register, omission explanation, management approval.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Percentage of workers with signed employment contracts	Workers with signed contracts ÷ total workers in scope.
Percentage of new workers receiving onboarding	New workers onboarded ÷ total new workers.
Percentage of workers briefed on grievance channels	Workers briefed ÷ total workers in scope.
Average weekly working hours	Total hours worked ÷ number of workers, calculated by week or reporting period.
Total overtime hours	Total overtime hours worked during the reporting period.
Average overtime hours per worker	Total overtime hours ÷ number of workers in scope.
Number of excessive overtime cases	Count of cases exceeding legal, customer, or internal thresholds.
Percentage of overtime approved before work	Approved overtime hours ÷ total overtime hours.
Percentage of workers receiving required rest days	Workers receiving required rest days ÷ total workers in scope.
Leave utilisation rate	Leave taken ÷ leave entitlement, by category where relevant.

KPI	Measurement Approach
Percentage of wages paid on time	Wage payments made on time ÷ total wage payments due.
Number of payroll corrections	Count of payroll errors corrected during the reporting period.
Percentage of payroll corrections closed within target timeline	Payroll corrections closed on time ÷ total corrections due.
Number of wage-related grievances	Count of grievances relating to wages, overtime, deductions, or benefits.
Number of working hour-related grievances	Count of grievances relating to shifts, overtime, rest days, or leave.
Percentage of workers receiving payslips	Workers receiving payslips ÷ total workers in scope.
Percentage of contractors screened for labour compliance	Contractors screened ÷ total labour-related contractors.
Number of worker grievances received	Count of grievances during the reporting period.
Percentage of worker grievances closed within target timeline	Grievances closed on time ÷ total grievances due.
Percentage of workers covered by worker communication sessions	Workers covered by briefings, toolbox talks, or policy communication ÷ total workers in scope.

Reporting guidance

Where Workers' Rights is material, the company should disclose:

- why workers' rights are material to the company;
- the company's labour standards commitment;
- workforce scope, including worker categories covered;
- how employment terms and conditions are documented and communicated;
- how working hours, overtime, rest days, public holidays, and leave are managed;
- how wages, benefits, payslips, deductions, and payroll corrections are controlled;
- how migrant, contract, temporary, or outsourced workers are covered where applicable;
- worker communication methods used during the reporting period;
- grievance channels available to workers;
- number and type of worker grievances, reported in aggregated form where appropriate;
- corrective actions or remedy provided;
- data gaps, confidentiality limitations, or reporting boundaries; and
- improvement actions planned for the next reporting period.

Example disclosure wording

Workers' Rights

Workers' Rights is material to the company because our operations involve production workers, shift arrangements, overtime, contractors, and worker welfare matters. The company is committed to providing clear employment terms, lawful working hours, timely wage payment, fair benefits, and accessible grievance channels.

During the reporting period, the company maintained employment contracts, attendance records, overtime approvals, payroll records, payslips, leave records, worker communication records, and a grievance register. Workers were briefed on workplace rules, safety requirements, wage queries, and grievance channels during onboarding and periodic toolbox sessions.

The company will continue strengthening working hour monitoring, payroll review, supervisor training, and grievance trend analysis to improve worker trust and social compliance readiness.

Omission and non-applicability guidance

Workers' Rights should rarely be classified as fully "not applicable" because all companies engage workers directly or indirectly. However, specific sub-indicators may not apply depending on workforce structure and operations.

Situation	Example Explanation
No migrant workers	"Migrant worker-specific indicators are not applicable during the reporting period because the company did not employ migrant workers. This will be reassessed if workforce composition changes."
No outsourced workers	"Outsourced worker indicators are not applicable because the company did not engage labour-supplied workers during the reporting period."
No shift work	"Shift-related indicators are not applicable because the company operates only normal daytime working hours. Working hour and overtime records are still maintained."
No worker accommodation	"Accommodation-related worker rights indicators are not applicable because the company does not provide, arrange, or manage worker accommodation."
Leave data incomplete	"Leave data was not fully centralised during the reporting period. The company will introduce a consolidated leave tracker in the next reporting cycle."
Overtime data not analysed by department	"Overtime data is available at company level but not yet analysed by department. The company will strengthen department-level overtime monitoring in the next cycle."
Confidential payroll information	"Detailed payroll information is confidential. The company reports aggregated wage and payroll control information while maintaining case-level records internally."

Situation	Example Explanation
Grievance details confidential	“Detailed grievance case information is confidential. The company reports grievance categories and closure status in aggregated form.”

Minimum Implementation Outputs for Section 22

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

Output	Purpose
Labour Standards Policy or Workers’ Rights Policy	Confirms the company’s commitment to fair employment, wages, working hours, leave, communication, and grievance access.
Employee Handbook or worker communication pack	Explains employment terms, workplace rules, benefits, safety, grievance channels, and worker responsibilities.
Employment contract template	Ensures employment terms are documented consistently.
Worker master list	Identifies workers by employment type, department, role, nationality, and worker category where appropriate.
Employment files	Maintains contracts, identity records, permits where applicable, training, leave, and employment records.
Onboarding checklist	Confirms workers receive key information before or at the start of employment.
Shift roster and working hour records	Tracks normal hours, overtime, rest days, public holidays, and attendance.
Overtime approval register	Controls and documents overtime work.
Leave tracker	Tracks annual leave, sick leave, public holidays, maternity or paternity leave where applicable, and other leave.
Payroll register	Tracks wages, allowances, overtime, deductions, benefits, and payment dates.
Payslip records	Supports wage transparency and worker understanding.
Deduction approval records	Demonstrates that deductions are lawful, transparent, and documented.
Payroll query and correction log	Tracks wage complaints, corrections, payment adjustments, and closure.
Benefits register	Tracks statutory and company benefits.
Worker communication records	Shows briefings, posters, toolbox talks, translated materials, and policy acknowledgements.
Grievance procedure	Defines how worker concerns are received, investigated, resolved, and protected from retaliation.
Grievance register	Tracks worker complaints, outcomes, corrective actions, remedy, and closure.
Contractor worker monitoring records	Supports labour standards for outsourced or contractor-managed workers.
Migrant worker records, where applicable	Supports contract clarity, right-to-work, welfare, document access, and grievance communication.
Workers’ rights KPI dashboard	Tracks contracts, onboarding, working hours, wages, leave, grievances, payroll corrections, and corrective actions.

Output	Purpose
Confidential records control procedure	Protects sensitive worker, payroll, grievance, and personal data.
Management review record	Shows senior management review of workers' rights risks, performance, grievances, and improvement actions.

Used properly, this topic helps rubber processors and manufacturers maintain fair employment practices, reduce labour disputes, improve worker confidence, meet customer and regulatory expectations, and provide credible evidence for ESG reporting and continuous improvement.

23. Social Topic 4: Occupational Health and Safety

Occupational Health and Safety, or **OHS**, is a core social topic for rubber processors and manufacturers because it directly affects worker wellbeing, business continuity, productivity, legal compliance, customer confidence, and operational resilience. In the rubber sector, OHS risks may arise from machinery, chemicals, heat, steam, boilers, compressed air, forklifts, manual handling, repetitive tasks, noise, wastewater treatment, waste handling, maintenance activities, electrical systems, emergency events, and contractor work.

OHS should be treated as both a **worker protection issue** and a **management system issue**. A safe workplace depends on clear responsibilities, hazard identification, risk assessment, worker training, PPE, machine safety, chemical safety, emergency preparedness, incident reporting, corrective action, and regular management review.

In Malaysia, the Occupational Safety and Health Act 1994 requires employers to maintain a safe working environment, provide safe access and egress, maintain welfare facilities, and develop procedures for emergencies. It also requires employers, except in prescribed cases, to prepare and revise a written occupational safety and health policy and communicate it to employees.

This topic should be read together with:

Related Topic	Linkage to OHS
Human Rights and Social Impact	Safe and healthy working conditions are part of respecting workers' rights and dignity.
Workers' Rights	Working hours, rest days, fatigue, contracts, and worker communication affect OHS performance.
Forced or Compulsory Labour	Excessive overtime, unsafe conditions, and restricted grievance access may increase labour risk.
Training and Development	OHS training, competency, supervision, and refresher training are essential controls.
Hazardous Substances	Chemical handling, SDS, exposure control, spill response, and PPE are key safety issues.
Waste	Scheduled waste, sludge, contaminated materials, and waste storage can create safety risks.
Water	Wastewater treatment, effluent systems, wet floors, and drainage can affect worker safety.
Energy and Emissions	Boilers, generators, electricity, fuel, compressed air, and heat systems require safe operation.

OHS is especially relevant where a company:

- a. operates production machinery, dipping lines, compounding equipment, mixers, presses, curing systems, conveyors, forklifts, boilers, generators, compressors, or wastewater treatment systems;
- b. uses chemicals, hazardous substances, fuels, lubricants, solvents, cleaning agents, or laboratory reagents;
- c. has manual handling, repetitive work, shift work, overtime, night work, heat exposure, or high production targets;
- d. uses contractors for maintenance, cleaning, security, logistics, waste handling, construction, installation, or repair work;
- e. employs migrant, contract, temporary, young, or newly trained workers who may require additional communication and supervision;
- f. provides or arranges worker accommodation, transport, canteen, or welfare facilities;
- g. has customer audit, certification, insurance, financing, or ESG reporting requirements linked to OHS performance; or
- h. has past incidents, near misses, unsafe conditions, enforcement findings, worker complaints, or audit non-conformities.

23.1 OHS Policy and Responsibilities

An OHS policy sets out the company's commitment to providing safe and healthy working conditions, preventing injury and illness, complying with applicable requirements, consulting workers, managing risks, and continuously improving OHS performance.

The policy may be a standalone **OHS Policy** or part of the company's ESG Policy, Human Rights Policy, or Integrated Management System. For SMEs, a concise policy is acceptable if it is approved by management, communicated to workers, supported by procedures, and reviewed periodically.

At minimum, the OHS policy should include commitments to:

- a. comply with applicable OHS laws, regulations, permits, customer requirements, and internal procedures;
- b. identify hazards, assess risks, and implement controls;
- c. prevent workplace incidents, occupational illness, unsafe conditions, and near misses;
- d. provide safe machinery, equipment, processes, materials, and work systems;
- e. provide appropriate training, instruction, supervision, and information;
- f. provide suitable PPE where risks cannot be fully eliminated or controlled by other means;
- g. manage chemical, machine, electrical, fire, emergency, and contractor safety risks;
- h. consult and communicate with workers on OHS matters;

- i. provide accessible channels for workers to report hazards and safety concerns without retaliation;
- j. investigate incidents and near misses, identify root causes, and close corrective actions;
- k. maintain emergency preparedness, first aid, and response arrangements; and
- l. review OHS performance regularly.

OHS responsibilities

OHS should not be owned by the safety officer alone. It must be shared across management, supervisors, workers, contractors, and support functions.

Role	Main OHS Responsibilities	Examples of Evidence
Board, owner, or highest governance body	Oversees OHS risks, approves OHS policy, allocates resources, reviews major incidents and performance.	Board minutes, management review records, policy approval, budget approvals.
Managing Director / General Manager	Ensures OHS is implemented across operations, assigns responsibilities, reviews serious risks and corrective actions.	Management meeting minutes, action plans, resource approvals.
OHS / EHS Manager or Safety Officer	Coordinates OHS programme, risk assessments, inspections, training, incidents, legal compliance, and reporting.	HIRARC records, inspection reports, training records, incident reports, compliance register.
OHS Coordinator	Coordinates OHS matters where required or where a full-time safety officer is not appointed.	Appointment letter, role description, OHS activity records.
Safety and Health Committee	Reviews OHS measures, investigates concerns, supports worker-management consultation, monitors effectiveness.	Committee terms of reference, minutes, attendance, action tracker.
Production Managers and Supervisors	Implement safe work procedures, monitor workers, enforce PPE, approve work controls, report hazards and incidents.	Toolbox talks, shift records, inspection records, corrective actions.
HR	Supports training, worker communication, medical records where applicable, accommodation safety, and OHS-related disciplinary fairness.	Training matrix, induction records, accommodation inspections, worker communication records.
Maintenance / Facilities	Maintains machinery, guards, electrical systems, boilers, compressors, ventilation, emergency equipment, and utilities.	Preventive maintenance records, repair logs, inspection records.
Procurement	Purchases safe equipment, PPE, chemicals, and services; screens contractors and suppliers for OHS requirements.	Supplier evaluation, PPE specifications, contractor records, SDS files.

Role	Main OHS Responsibilities	Examples of Evidence
Workers	Follow safe work procedures, use PPE correctly, report hazards, incidents, near misses, and unsafe conditions.	Worker training records, hazard reports, toolbox attendance.
Contractors and Service Providers	Follow site OHS rules, provide competent workers, declare hazardous work, and report incidents.	Contractor induction, permits to work, method statements, contractor incident records.

Under Malaysia's OSHA framework, employers with five or more employees at a place of work may be required to appoint an occupational safety and health coordinator unless they have appointed a safety and health officer. Employers must also establish a safety and health committee where there are forty or more persons employed at the workplace, or where directed by the Director General.

Safety and Health Committee

Where applicable, the Safety and Health Committee should have clear membership, meeting frequency, responsibilities, reporting lines, and action tracking. It should include management and worker representation so that safety concerns can be discussed and resolved.

The committee should review:

- hazard reports and unsafe conditions;
- OHS inspection findings;
- incident and near-miss reports;
- corrective action status;
- training needs;
- PPE issues;
- chemical, machine, contractor, and emergency risks;
- worker feedback and safety complaints;
- legal or customer audit findings; and
- OHS targets and improvement plans.

Sample OHS commitment statement

Sample OHS Commitment Statement

[Company Name] is committed to providing safe and healthy working conditions for employees, contractors, visitors, and other persons who may be affected by our operations. We will identify hazards, assess risks, implement controls, provide training and supervision, maintain safe equipment and facilities, and continuously improve our occupational health and safety performance.

We encourage all workers to report hazards, near misses, unsafe conditions, and safety concerns without fear of retaliation. We will investigate incidents, take corrective action, and review our OHS performance regularly.

23.2 Hazard Identification and Risk Assessment

Hazard identification and risk assessment are the foundation of OHS management. They help companies understand what can cause harm, who may be affected, how serious the risk is, and what controls are required.

In Malaysia, DOSH provides the **Guidelines for Hazard Identification, Risk Assessment and Risk Control**, commonly referred to as **HIRARC**. The official DOSH page identifies the HIRARC Guidelines 2008 as a dedicated guidance document for hazard identification, risk assessment, and risk control. ([OSHA](#)) DOSH's OSH Management System guidance also states that workplace hazard identification and risk assessment should be carried out before introducing or modifying work methods, materials, processes, or machinery.

HIRARC scope for rubber processors and manufacturers

A HIRARC process should cover routine and non-routine activities, including:

Area	Examples of Hazards to Assess
Production machinery	Moving parts, rollers, presses, mixers, cutters, conveyors, hot surfaces, trapped energy, machine start-up.
Chemicals and hazardous substances	Exposure, spills, fumes, incompatible storage, chemical transfer, SDS gaps, PPE suitability.
Process heat and utilities	Boilers, steam, dryers, curing, hot water, compressed air, chillers, generators, electrical systems.
Manual handling and ergonomics	Lifting, carrying, repetitive work, awkward posture, prolonged standing, tool design, work pace.
Slips, trips, and falls	Wet floors, hoses, poor housekeeping, uneven surfaces, stairs, platforms, loading areas.
Forklift and vehicle movement	Traffic routes, pedestrian segregation, reversing, loading, unloading, driver competency.
Noise and vibration	Production equipment, compressors, pumps, maintenance tools, exposure duration.
Wastewater and waste handling	Sludge, wet surfaces, confined or restricted areas, chemicals, odour, biological or hygiene risks.
Maintenance activities	Lockout, isolation, working at height, confined space, hot work, lifting equipment, contractor work.
Fire and emergency risks	Flammable materials, electrical faults, chemical storage, hot work, emergency exits, evacuation.

Area	Examples of Hazards to Assess
Contractor activities	Construction, repair, cleaning, waste collection, logistics, maintenance, installation, temporary work.
Worker welfare areas	Canteen, sanitation, rest areas, accommodation where applicable, transport points.
Shift work and fatigue	Long working hours, night shifts, overtime, repetitive tasks, heat, high-risk equipment.

HIRARC process

A practical HIRARC process should include:

Step	Action
1. Define work activity	Identify the task, process, department, equipment, material, or area being assessed.
2. Identify hazards	Identify what could cause harm or unsafe conditions.
3. Identify affected persons	Consider workers, contractors, visitors, maintenance personnel, cleaners, drivers, and nearby departments.
4. Assess existing controls	Record current engineering controls, SOPs, training, PPE, supervision, inspection, and emergency arrangements.
5. Rate the risk	Assess likelihood and severity using a consistent scoring method.
6. Apply control hierarchy	Prioritise elimination, substitution, engineering controls, administrative controls, and PPE.
7. Assign action owners	Identify who is responsible for additional controls.
8. Set timelines	Define due dates based on risk priority.
9. Communicate controls	Brief affected workers and supervisors.
10. Review effectiveness	Check whether controls are implemented and working.

Control hierarchy

Companies should use the hierarchy of controls when deciding how to manage OHS risks.

Control Level	Practical Meaning	Example
Elimination	Remove the hazard where possible.	Remove unnecessary manual transfer or obsolete chemical.
Substitution	Replace with a lower-risk alternative.	Use a less hazardous chemical where technically feasible.
Engineering controls	Physically control the hazard.	Machine guarding, ventilation, interlocks, barriers, noise control.
Administrative controls	Manage exposure through procedures and work organisation.	SOPs, work permits, training, signs, job rotation, supervision.
PPE	Protect the worker when other controls cannot fully remove risk.	Gloves, eye protection, hearing protection, respirators where required.

PPE should not be the first or only control for significant hazards. Companies should first consider whether the hazard can be eliminated, substituted, isolated, guarded, ventilated, automated, or controlled through safer work design.

HIRARC review triggers

HIRARC should be reviewed:

- a. before introducing new machinery, chemicals, materials, products, processes, or layouts;
- b. before modifications to existing work methods or equipment;
- c. after an incident, near miss, unsafe condition, or safety complaint;
- d. after legal, customer, certification, or audit requirements change;
- e. when production volume, shift pattern, or workforce composition changes;
- f. when contractors perform high-risk work;
- g. when workers report hazards or ineffective controls; and
- h. at least annually for high-risk areas.

HIRARC register

A HIRARC register should include:

Field	Description
Work activity	Task, process, machine, area, or job assessed.
Hazard	Source or situation with potential to cause harm.
Potential impact	Type of injury, illness, exposure, unsafe condition, or loss.
Persons affected	Workers, contractors, visitors, maintenance, cleaners, drivers, etc.
Existing controls	Current controls already in place.
Likelihood	Probability of occurrence.
Severity	Potential seriousness of impact.
Risk rating	Low, medium, high, or critical.
Additional controls	Actions needed to reduce risk.
Control hierarchy level	Elimination, substitution, engineering, administrative, PPE.
Responsible person	Owner of the action.

Field	Description
Due date	Timeline for implementation.
Status	Open, in progress, completed, verified.
Review date	Next scheduled review or trigger-based review.
Evidence	Photos, inspection records, training records, maintenance records, SOPs.

23.3 PPE, Machine Safety, and Chemical Safety

PPE, machine safety, and chemical safety are among the most important OHS control areas for rubber processors and manufacturers. These areas should be managed through risk assessment, safe work procedures, training, supervision, maintenance, inspection, and records.

Personal Protective Equipment

PPE should be selected based on risk assessment and task requirements. It should be suitable, properly fitted, maintained, replaced when damaged, and used correctly.

Common PPE areas include:

Risk Area	Possible PPE
Chemical handling	Chemical-resistant gloves, eye protection, face shield, apron, respiratory protection where required by assessment.
Machine operation	Safety shoes, gloves suitable for task, eye protection, hearing protection, protective clothing where needed.
Noise exposure	Ear plugs or ear muffs based on exposure assessment.
Heat or hot surfaces	Heat-resistant gloves, sleeves, face protection, suitable clothing.
Maintenance work	Task-specific gloves, eye protection, safety shoes, helmet, fall protection where required.
Waste handling	Gloves, safety shoes, eye protection, masks or respiratory protection where required.
Laboratory work	Lab coat, gloves, eye protection, chemical-specific PPE.

PPE management should include:

- PPE risk assessment;
- PPE specification and procurement control;
- PPE issuance records;

- d. training on correct use, limits, cleaning, storage, and replacement;
- e. PPE inspection;
- f. replacement procedure;
- g. supervisor enforcement;
- h. worker feedback on comfort and suitability; and
- i. review after incidents or task changes.

Machine safety

Machine safety is critical because rubber manufacturing may involve moving parts, rollers, cutters, mixers, presses, conveyors, rotating shafts, hot surfaces, pressure systems, automated equipment, and maintenance activities.

Machine safety controls should include:

Control Area	Practical Requirement
Machine guarding	Guards should be installed, maintained, and not bypassed.
Interlocks and emergency stops	Safety devices should be tested and maintained where installed.
Safe operating procedures	SOPs should be available and communicated to operators.
Lockout and isolation	Energy sources should be isolated during maintenance where required.
Preventive maintenance	Machines should be inspected and maintained according to schedule.
Operator competency	Operators should be trained and authorised.
Start-up and shutdown controls	Start-up, cleaning, adjustment, and shutdown should be controlled.
Housekeeping	Work areas around machines should be clean, dry, and free from obstruction.
Warning signs	Hazards should be identified through signs, labels, and visual controls.
Incident review	Machine-related incidents and near misses should trigger review of controls.

Machine safety should also apply to maintenance personnel, contractors, cleaners, trainees, and any worker who may enter the machine area.

Chemical safety

Rubber operations may use chemicals, additives, solvents, coagulants, processing oils, adhesives, cleaning substances, fuels, lubricants, laboratory chemicals, and wastewater treatment chemicals. Chemical safety should cover hazard communication, SDS, labelling, storage, use, exposure control, PPE, spills, waste, and emergency response.

DOSH states that the USECHH Regulations provide a legal framework to control exposure to chemicals hazardous to health at the workplace. DOSH also identifies the CLASS Regulations as the framework for classification, labelling, and safety data sheets for hazardous chemicals. ([OSHA](#))

Chemical safety controls should include:

- a. chemical register;
- b. current SDS;
- c. container labelling;
- d. chemical approval before use;
- e. restricted substance screening where relevant;
- f. safe storage and segregation;
- g. secondary containment;
- h. ventilation or extraction where required;
- i. chemical exposure assessment where required;
- j. safe transfer and dosing procedures;
- k. spill kits and spill response procedure;
- l. emergency shower or eyewash where required by risk assessment;
- m. chemical waste and scheduled waste controls;
- n. training for workers and contractors; and
- o. incident reporting and corrective action.

Integrated safety controls

The following table shows practical controls for common rubber-sector OHS risks.

Risk Area	Practical Controls	Evidence
Moving machinery	Guarding, interlocks, emergency stops, SOPs, operator training, preventive maintenance.	Machine inspection, training records, maintenance logs, photos.
Chemical exposure	SDS, labels, chemical register, CHRA where required, ventilation, PPE, safe handling SOPs.	SDS file, chemical register, exposure assessment, PPE records, training records.

Risk Area	Practical Controls	Evidence
Forklift and traffic	Pedestrian walkways, traffic rules, trained operators, reversing controls, speed limits, loading area controls.	Traffic plan, operator records, inspection checklist, incident records.
Heat and steam	Insulation, barriers, warning signs, safe work procedures, maintenance, PPE.	Inspection records, maintenance logs, training records.
Noise	Noise assessment, engineering controls, hearing protection, signage, training, monitoring where required.	Noise monitoring, PPE records, training records.
Manual handling	Mechanical aids, job rotation, training, workstation design, load limits, ergonomic review.	Training records, ergonomic assessment, incident trends.
Slips and falls	Housekeeping, drainage, floor maintenance, spill response, footwear, warning signs.	Inspection checklist, corrective actions, incident log.
Electrical safety	Authorised personnel, inspection, maintenance, lockout, safe cables, electrical panels secured.	Maintenance records, inspection checklist, contractor permits.
Contractor work	Induction, permits, method statements, supervision, PPE, incident reporting.	Contractor induction, permit-to-work, contractor evaluation.
Wastewater treatment	Chemical controls, confined or restricted area procedures where relevant, PPE, training, maintenance.	WWTP logs, chemical records, training records.

23.4 Incident Reporting and Corrective Action

Incident reporting and corrective action help companies learn from events, prevent recurrence, and demonstrate responsible OHS management. Incidents, near misses, unsafe conditions, occupational illness concerns, and worker safety complaints should be reported, recorded, investigated, and closed.

Malaysia's Occupational Safety and Health framework includes regulations for notification of accidents, dangerous occurrences, occupational poisoning, and occupational diseases. DOSH maintains the official regulations page for the Occupational Safety and Health (Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease) Regulations 2004. ([OSHA](#))

What should be reported internally

Companies should encourage workers and contractors to report:

- a. workplace injuries;
- b. near misses;
- c. unsafe acts or unsafe conditions;
- d. machine guarding issues;
- e. chemical spills, leaks, or exposure concerns;
- f. PPE failure or lack of suitable PPE;
- g. fire, smoke, overheating, or electrical concerns;
- h. forklift or traffic incidents;
- i. slips, trips, and falls;
- j. ergonomic pain or discomfort linked to work;
- k. noise, heat, dust, fumes, or ventilation concerns;
- l. wastewater, waste, or scheduled waste safety concerns;
- m. contractor safety breaches;
- n. emergency equipment defects; and
- o. worker complaints relating to safety or health.

A company should not discourage reporting to improve statistics. Low reporting may mean workers are afraid, unaware, or do not trust the process. Near-miss and hazard reporting should be encouraged because it helps prevent more serious incidents.

Incident response process

A practical incident process should include:

Step	Action
1. Make safe	Stop unsafe activity and protect affected persons where necessary.
2. Provide assistance	Arrange first aid, medical support, or emergency response as appropriate.
3. Report internally	Notify supervisor, OHS/EHS personnel, HR, and management according to severity.
4. Preserve information	Keep relevant records, photographs, equipment status, and witness information where appropriate.
5. Classify the incident	Determine type, severity, affected persons, and legal reporting obligations.
6. Investigate	Identify immediate causes, root causes, and contributing factors.
7. Correct	Implement corrective actions to fix the issue.

Step	Action
8. Prevent recurrence	Update HIRARC, SOPs, training, maintenance, supervision, or engineering controls.
9. Verify closure	Confirm actions are completed and effective.
10. Review trends	Report incident trends to the Safety and Health Committee or management.

Root cause analysis

Incident investigations should look beyond individual error. They should consider system weaknesses, such as:

- a. inadequate risk assessment;
- b. unclear SOP;
- c. missing or ineffective guard;
- d. poor maintenance;
- e. unsuitable PPE;
- f. insufficient training;
- g. weak supervision;
- h. production pressure;
- i. fatigue or excessive overtime;
- j. poor housekeeping;
- k. contractor control gaps;
- l. chemical storage or SDS gaps;
- m. poor communication or language barriers; and
- n. ineffective corrective action from previous findings.

Corrective action tracking

Corrective actions should be recorded and tracked until closure.

Field	Description
Incident or finding reference	Case number or inspection finding reference.
Date	Date of incident or finding.
Location	Department, site, machine, work area, or contractor area.
Description	Short factual description of issue.
Severity	Low, medium, high, critical.

Field	Description
Root cause	Underlying cause identified during investigation.
Immediate action	Action taken immediately to make the area safe.
Corrective action	Action to fix the issue.
Preventive action	Action to prevent recurrence.
Responsible person	Owner of the action.
Due date	Target completion date.
Evidence required	Photo, training record, maintenance record, revised SOP, purchase order, inspection record.
Status	Open, in progress, completed, verified.
Effectiveness review	Check that the action works and the issue has not repeated.

OHS performance indicators

Companies may track:

- a. number of incidents;
- b. number of near misses;
- c. number of hazards reported;
- d. number of safety inspections conducted;
- e. number of corrective actions opened and closed;
- f. number of training sessions and workers trained;
- g. injury rate indicators where applicable;
- h. lost workday indicators where applicable;
- i. incident severity categories;
- j. contractor incidents;
- k. machine-related findings;
- l. chemical-related incidents;
- m. PPE non-compliance findings; and
- n. emergency drill performance.

Incident data should be reviewed by management and used to update HIRARC, training, SOPs, maintenance plans, contractor controls, and OHS targets.

23.5 Emergency Preparedness

Emergency preparedness ensures that the company is ready to respond to foreseeable emergencies in a controlled, timely, and safe manner. Emergency preparedness should cover workers, contractors, visitors, suppliers, nearby persons, and surrounding communities where relevant.

The Occupational Safety and Health Act includes employer duties relating to emergency procedures, and the DOSH OSHMS guidance identifies emergency preparedness arrangements as part of change management considerations.

Emergency scenarios to assess

Rubber processors and manufacturers should identify foreseeable emergency scenarios, such as:

Emergency Scenario	Possible Relevance
Fire or smoke	Chemicals, electrical systems, hot work, production equipment, storage areas.
Chemical spill or leakage	Chemical stores, production lines, laboratory, wastewater treatment, loading areas.
Medical emergency	Worker illness, heat stress, injury, chemical exposure concern, fatigue-related issue.
Machinery emergency	Equipment failure, trapped material, abnormal operation, emergency stop event.
Boiler, steam, pressure, or compressed air incident	Utilities, maintenance, pressure systems, process heat.
Electrical emergency	Power failure, short circuit, electrical panel issue, generator operation.
Flooding or stormwater overflow	Low-lying areas, drains, chemical or waste storage, wastewater treatment plant.
Wastewater treatment failure	Effluent overflow, abnormal discharge, chemical dosing issue, pump failure.
Gas, fumes, odour, or ventilation issue	Chemical use, heating, curing, cleaning, confined or enclosed areas.
Forklift or traffic emergency	Loading bay, warehouse, pedestrian routes, external transport.
Contractor emergency	Maintenance, construction, hot work, lifting, electrical work, installation.
Community-impact emergency	Fire, smoke, chemical release, drainage issue, traffic incident near site.

Emergency response plan

The emergency response plan should include:

- a. list of foreseeable emergencies;
- b. emergency organisation chart;
- c. emergency response team roles;
- d. alarm and communication method;
- e. evacuation routes and assembly points;
- f. emergency contact numbers;
- g. first aid arrangements;
- h. spill response arrangements;
- i. fire response arrangements;
- j. shutdown or isolation arrangements where applicable;
- k. contractor and visitor procedures;
- l. communication with local authorities where required;
- m. worker accommodation response where applicable;
- n. business continuity considerations;
- o. drill schedule; and
- p. post-drill review and corrective action.

First aid

Companies should provide appropriate first aid facilities, first aid equipment, and trained first aiders based on risk, workforce size, work shifts, layout, and access to medical support. DOSH's official page identifies the **Guidelines on First Aid in the Workplace, 2nd Edition 2004** as guidance for workplace first-aid planning. ([OSHA](#))

First aid records should include:

- a. first aider list;
- b. training certificates;
- c. first aid box inspection records;
- d. first aid treatment records;
- e. emergency contact list;
- f. clinic or hospital contact information;
- g. shift coverage plan;
- h. drill records; and
- i. incident follow-up records.

Emergency equipment

Emergency equipment should be available, suitable, inspected, and maintained.

Equipment / Facility	Evidence
Fire extinguishers and fire systems	Inspection records, service records, location map.
Emergency exits and routes	Inspection checklist, signage checks, evacuation map.
Assembly point	Signage, drill records, headcount procedure.
Spill kits	Spill kit inspection, replenishment records, location map.
First aid boxes	Inspection records, contents checklist, first aider list.
Eyewash or emergency shower, where required	Inspection records, maintenance records.
Emergency lighting and alarms	Test records, maintenance records.
Communication tools	Emergency contact list, radios, phones, announcement system.
Shutdown or isolation controls	SOPs, training records, lockout or isolation records.

Drills and emergency review

Emergency drills should be conducted periodically and should cover relevant scenarios. Fire evacuation drills are common, but companies should also consider chemical spill drills, first aid response drills, wastewater emergency drills, or contractor emergency simulations where relevant.

After a drill or real emergency, the company should review:

- response time;
- alarm audibility;
- evacuation route condition;
- headcount accuracy;
- worker understanding;
- contractor and visitor response;
- first aid readiness;
- emergency equipment availability;
- communication effectiveness;
- weaknesses identified; and
- corrective actions required.

Emergency preparedness should be reviewed when there are changes in layout, workforce size, chemicals, processes, equipment, working hours, storage areas, site expansion, or neighbouring risks.

23.6 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Occupational Health and Safety topic. Companies should apply them based on materiality, operational risk, legal requirements, customer expectations, workforce profile, and data availability.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. OHS policy and commitment	Company has a documented commitment to provide safe and healthy working conditions.	OHS Policy, ESG Policy, Human Rights Policy, management approval, policy communication records.	Management / EHS / ESG Team
2. OHS legal compliance	Applicable OHS laws, regulations, permits, customer requirements, and internal rules are identified and monitored.	OHS legal register, compliance checklist, audit reports, regulatory correspondence.	EHS / Compliance
3. OHS roles and responsibilities	OHS responsibilities are assigned to management, OHS personnel, supervisors, workers, and contractors.	Responsibility matrix, appointment letters, job descriptions, organisation chart.	Management / HR / EHS
4. OHS Coordinator / Safety Officer	Required OHS personnel are appointed where applicable.	Appointment letter, competency records, DOSH registration where applicable, role description.	Management / HR / EHS
5. Safety and Health Committee	Committee is established where required and meets periodically.	Committee terms of reference, minutes, attendance, action tracker.	EHS / Management
6. HIRARC implementation	Hazards are identified, risks assessed, and controls documented for relevant tasks and areas.	HIRARC register, risk assessment worksheets, site inspection records, worker consultation records.	EHS / Department Heads
7. HIRARC review and change management	Risk assessments are reviewed after changes, incidents, new machinery, new chemicals, or new processes.	HIRARC review log, management of change records, revised SOPs, training records.	EHS / Production / Maintenance

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
8. Safe work procedures	SOPs or work instructions are established for high-risk tasks.	SOPs, work instructions, operator acknowledgements, toolbox talk records.	Production / EHS
9. Machine safety	Machine guarding, interlocks, emergency stops, isolation, and maintenance controls are implemented.	Machine inspection checklist, guarding records, maintenance logs, emergency stop test records.	Maintenance / Production / EHS
10. Chemical safety	Chemicals are identified, labelled, stored, handled, and controlled safely.	Chemical register, SDS, CHRA where required, chemical storage inspection, training records.	EHS / Warehouse / Production
11. PPE management	PPE is selected, issued, used, inspected, and replaced based on risk assessment.	PPE matrix, PPE issuance records, inspection records, training records.	EHS / HR / Department Heads
12. Training and competency	Workers, supervisors, emergency teams, and contractors receive OHS training.	Training matrix, attendance records, competency assessment, refresher training records.	HR / EHS
13. Contractor OHS control	Contractors are screened, inducted, supervised, and required to follow site rules.	Contractor induction, permit-to-work, method statements, contractor evaluation, incident records.	Procurement / EHS / Facilities
14. Workplace inspections	Regular inspections are conducted for production areas, stores, waste areas, utilities, and emergency equipment.	Inspection checklist, photos, findings, corrective action tracker.	EHS / Supervisors
15. Incident and near-miss reporting	Incidents, near misses, unsafe conditions, and safety complaints are reported and recorded.	Incident register, near-miss reports, hazard reports, complaint records.	EHS / Supervisors / HR
16. Incident investigation	Incidents are investigated to identify root causes and corrective actions.	Investigation reports, witness records, root cause analysis, management review.	EHS / Management
17. Corrective action closure	OHS findings and corrective actions are tracked to completion and verified.	Corrective action tracker, closure photos, maintenance records, training records.	EHS / Department Heads
18. Emergency preparedness	Emergency plans, teams, equipment, drills, and response procedures are maintained.	Emergency response plan, drill records, emergency team list, equipment inspection records.	EHS / Emergency Team
19. First aid readiness	First aid facilities, trained first aiders, and treatment records are maintained.	First aider list, certificates, first aid box inspection, treatment log.	EHS / HR

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
20. Worker consultation and communication	Workers are consulted and informed on OHS matters.	Safety committee minutes, toolbox talks, worker briefings, hazard reporting records.	EHS / HR / Supervisors
21. OHS data review	OHS KPIs, incidents, training, inspections, and corrective actions are reviewed by management.	OHS dashboard, ESG Committee minutes, management review records.	EHS / ESG Team / Management
22. Reporting and disclosure	Company discloses OHS approach, performance, incidents, controls, limitations, and improvement actions where material.	ESG report, customer questionnaire, evidence register, omission explanation, management approval.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Number of work-related injuries	Count of recorded work-related injury cases during the reporting period.
Lost time injury frequency rate, where applicable	Lost time injuries relative to hours worked, using a defined company methodology.
Total recordable incident rate, where applicable	Recordable incidents relative to hours worked, using a defined company methodology.
Number of near misses reported	Count of near-miss reports during the reporting period.
Number of hazards or unsafe conditions reported	Count of worker, supervisor, inspection, or audit hazard reports.
Percentage of incidents investigated	$\text{Incidents investigated} \div \text{total incidents requiring investigation}$.
Percentage of OHS corrective actions closed on time	$\text{Corrective actions closed by due date} \div \text{total corrective actions due}$.
Number of HIRARC assessments completed or reviewed	Count of risk assessments completed or updated.
Percentage of high-risk tasks covered by HIRARC	$\text{High-risk tasks with HIRARC} \div \text{total identified high-risk tasks}$.
Percentage of workers trained on OHS induction	$\text{Workers trained} \div \text{total workers in scope}$.
Percentage of supervisors trained on OHS responsibilities	$\text{Supervisors trained} \div \text{total supervisors}$.
Percentage of contractors receiving OHS induction	$\text{Contractors inducted} \div \text{total contractors working onsite}$.

KPI	Measurement Approach
Number of workplace inspections conducted	Count of planned and completed inspections.
Percentage of planned inspections completed	$\text{Inspections completed} \div \text{inspections planned}$.
Number of machine safety findings	Count of guarding, emergency stop, maintenance, or operator findings.
Number of chemical safety findings	Count of SDS, labelling, storage, PPE, or handling findings.
PPE compliance rate, where measured	$\text{Workers observed using required PPE} \div \text{workers observed in scope}$.
Number of emergency drills conducted	Count of drills by type.
Emergency drill corrective action closure rate	$\text{Drill corrective actions closed} \div \text{total drill corrective actions due}$.
First aid coverage rate	$\text{First aiders available} \div \text{required first aiders or planned coverage level}$.

Reporting guidance

Where Occupational Health and Safety is material, the company should disclose:

- why OHS is material to the company;
- the company's OHS policy and governance structure;
- OHS roles, committee arrangements, and worker consultation channels;
- key workplace hazards and high-risk activities;
- how HIRARC is conducted and reviewed;
- controls for PPE, machine safety, chemical safety, contractor safety, and emergency preparedness;
- OHS training and competency coverage;
- incident, near-miss, and corrective action performance;
- emergency drills and first aid readiness;
- OHS targets and improvement actions;
- data gaps, estimates, exclusions, or confidentiality limitations; and
- management review and approval process.

Example disclosure wording

Occupational Health and Safety

Occupational Health and Safety is material to the company because our rubber manufacturing operations involve machinery, chemicals, manual handling, forklifts, utilities,

wastewater treatment, maintenance activities, and contractor work. The company is committed to providing safe and healthy working conditions for workers, contractors, and visitors.

During the reporting period, the company maintained HIRARC records, OHS inspections, training records, PPE issuance records, machine maintenance records, chemical safety records, incident reports, and corrective action tracking. OHS performance was reviewed through management meetings and worker consultation channels.

Key improvement actions included updating risk assessments for selected production areas, strengthening PPE monitoring, improving machine inspection records, conducting emergency drills, and closing safety findings from internal inspections. The company will continue improving incident trend analysis, contractor safety controls, and worker reporting of near misses.

Omission and non-applicability guidance

OHS should rarely be marked as fully “not applicable” because every company has workers, contractors, visitors, or workplace activities. However, specific sub-indicators may not apply depending on operations.

Situation	Example Explanation
No production machinery	“Machine safety indicators are limited because the company does not operate production machinery. OHS controls focus on warehouse, office, logistics, and contractor safety.”
No hazardous chemicals	“Chemical safety indicators are not material during the reporting period because the company does not use hazardous production chemicals. Cleaning and maintenance substances are still managed through SDS and storage controls.”
No contractors onsite	“Contractor OHS indicators are not applicable during the reporting period because no contractors performed onsite work. This will be reassessed if contractor activity changes.”
No formal OHS Committee required	“A formal Safety and Health Committee is not applicable based on current workforce size and legal applicability. OHS matters are reviewed through management meetings and worker communication channels.”
Incident rate not calculated	“Incident frequency rates were not calculated because total hours worked were not previously consolidated. The company will begin tracking worker hours for OHS rate calculation in the next reporting cycle.”
First aid data incomplete	“First aid treatment records were not centralised during the reporting period. The company will introduce a first aid log and monthly first aid box inspection checklist.”
Confidential incident details	“Detailed incident records are confidential. The company reports aggregated OHS performance and maintains case-level investigation records internally.”

Minimum Implementation Outputs for Section 23

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

Output	Purpose
OHS Policy	Confirms the company's commitment to safe and healthy working conditions.
OHS legal compliance register	Tracks applicable OHS laws, regulations, permits, customer requirements, and review dates.
OHS roles and responsibilities matrix	Assigns accountability for OHS governance, implementation, data, evidence, and corrective actions.
OHS Coordinator or Safety Officer appointment record	Shows designated OHS responsibility where applicable.
Safety and Health Committee records	Documents worker-management consultation, meetings, actions, and follow-up.
HIRARC register	Identifies hazards, assesses risks, records controls, and tracks review dates.
Safe work procedures	Provides task-specific procedures for high-risk work.
PPE matrix and issuance records	Shows PPE requirements, issuance, training, inspection, and replacement.
Machine safety inspection records	Tracks guarding, emergency stops, maintenance, and safety devices.
Chemical safety records	Includes chemical register, SDS, labelling, storage inspections, CHRA where required, and training.
Contractor safety procedure	Controls contractor induction, permits, supervision, and incident reporting.
OHS training matrix	Tracks induction, job-specific training, refresher training, supervisor training, and emergency training.
Workplace inspection checklist	Monitors safety conditions, housekeeping, equipment, emergency controls, and corrective actions.
Incident and near-miss register	Records incidents, near misses, unsafe conditions, investigations, and severity.
Corrective action tracker	Tracks OHS findings, responsible persons, deadlines, evidence, and closure.
Emergency response plan	Defines emergency scenarios, roles, evacuation routes, contacts, and response arrangements.
Emergency drill records	Shows drill participation, findings, lessons learned, and corrective actions.
First aid records	Includes first aider list, certificates, first aid box inspections, and treatment records.
OHS KPI dashboard	Tracks incidents, near misses, training, inspections, HIRARC, corrective actions, and emergency readiness.
Confidential record control procedure	Protects sensitive medical, incident, worker, and investigation records.
Management review record	Shows senior management review of OHS performance, risks, incidents, legal compliance, and improvement actions.

Used properly, this topic helps rubber processors and manufacturers protect workers, reduce incidents, strengthen compliance, improve worker trust, support customer audit readiness, and provide credible OHS evidence for ESG reporting and continuous improvement.

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24. Social Topic 5: Child Labour

Child labour is a critical human rights and labour standards topic. For rubber processors and manufacturers, child labour prevention is relevant not only to direct hiring, but also to recruitment practices, apprenticeships, internships, contractors, labour suppliers, service providers, and upstream supply chains such as natural rubber sourcing, collection, smallholder-linked activities, and informal work arrangements.

The company should adopt a **zero-tolerance approach to child labour**. This means the company should not employ, permit, require, or benefit from the work of children in a way that is unlawful, harmful, unsafe, exploitative, or inconsistent with applicable minimum age requirements. Child labour prevention should be built into recruitment, age verification, contractor controls, supplier due diligence, grievance mechanisms, remediation, and ESG reporting.

In Peninsular Malaysia, the Children and Young Persons (Employment) Act 1966 defines a “young person” as a person who has reached 15 years old but is under 18, and the Act regulates the types and conditions of work in which children and young persons may be engaged. It also provides that no child or young person shall be engaged in hazardous work or employment outside the categories permitted under the Act, while recognising limited conditions for light work, approved apprenticeship, and vocational training. Companies should verify the latest applicable legal requirements for Peninsular Malaysia, Sabah, Sarawak, customer requirements, and export market expectations before engaging any young person.

The ILO identifies hazardous child labour as work that is likely to harm the health, safety, or morals of children, and recognises it as one of the worst forms of child labour. This is particularly relevant for rubber processing and manufacturing because factory operations may involve machinery, chemicals, heat, noise, forklifts, heavy materials, wastewater systems, scheduled waste, and other high-risk activities. ([International Labour Organization](#))

This topic should be read together with the Social topics on **Human Rights and Social Impact, Workers’ Rights, Forced or Compulsory Labour, Occupational Health and Safety, Training and Development, Supply Chain Traceability and Due Diligence**, and **Supplier Code of Conduct**.

Child labour prevention is especially relevant where a company:

- a. recruits new workers directly or through recruitment agents;
- b. hires temporary, casual, part-time, trainee, apprentice, intern, or student workers;
- c. engages contractors, labour suppliers, cleaning services, security services, maintenance contractors, logistics providers, canteen operators, or outsourced production partners;

- d. operates production areas involving machinery, chemicals, hazardous substances, boilers, forklifts, heat, noise, wastewater treatment, waste handling, or night shifts;
- e. sources natural rubber from dealers, collection centres, smallholders, plantations, processors, or informal supply chain actors;
- f. has family-linked, smallholder-linked, or community-linked sourcing arrangements where informal work may occur;
- g. supplies customers that require social compliance audits, forced labour and child labour prevention evidence, supplier declarations, or human rights due diligence records; or
- h. prepares ESG disclosures, customer questionnaires, supplier codes, or sustainability reports.

24.1 Child Labour Prohibition

The company should have a clear written commitment prohibiting child labour in its operations and relevant business relationships. The commitment should apply to all workers, including permanent employees, temporary workers, contract workers, migrant workers, apprentices, trainees, interns, student workers, casual workers, outsourced workers, and contractor workers.

The commitment should also apply to suppliers, recruitment agents, labour providers, service contractors, and business partners. For natural rubber supply chains, the commitment should be communicated to upstream suppliers where relevant, especially where sourcing involves smallholders, dealers, collection centres, plantations, or informal intermediaries.

Child labour prohibition policy

The company's child labour prohibition may be included in the Human Rights Policy, Labour Standards Policy, ESG Policy, Employee Handbook, Supplier Code of Conduct, Recruitment Procedure, or Responsible Sourcing Policy.

At minimum, the policy should state that the company:

- a. prohibits the employment of children below the applicable legal minimum age;
- b. prohibits hazardous work by any person below 18 years old unless a specific lawful, approved, and properly supervised vocational training or apprenticeship exception applies;
- c. prohibits the use of false identity documents, misreported ages, or unverified age records;

- d. prohibits suppliers, contractors, recruitment agents, and labour providers from using child labour;
- e. requires age verification before employment or site access for work;
- f. protects young workers, trainees, apprentices, and interns from hazardous tasks, night work, excessive hours, and unsafe conditions;
- g. will immediately remove any child from unsafe or unlawful work if identified;
- h. will provide or support appropriate remediation that prioritises the child's safety, wellbeing, education, and rights;
- i. will not punish or retaliate against a child, family member, worker, or whistleblower who raises a child labour concern; and
- j. will investigate, correct, and prevent recurrence of any child labour finding.

Sample child labour prohibition statement

[Company Name] prohibits child labour in all company operations and relevant business relationships. We will not employ, permit, require, or benefit from the work of any person below the applicable legal minimum age. We will not assign young persons, trainees, interns, or apprentices to hazardous work, unsafe tasks, night work, or work that may interfere with their education, health, safety, or development.

We require our suppliers, contractors, recruitment agents, and business partners to comply with the same expectation. Where child labour is identified, we will take immediate action to protect the child, stop the unlawful or unsafe work, investigate the root cause, and provide or support appropriate remedy.

Application to young workers, apprentices, interns, and trainees

The company should distinguish between prohibited child labour and lawful, controlled engagement of young persons, apprentices, interns, or trainees. Where young persons are engaged, the company should ensure that work is lawful, documented, supervised, age-verified, and not hazardous.

For rubber processors and manufacturers, the safest practical approach is:

Worker Category	Guideline Expectation
Children below the applicable legal minimum age	Do not employ or permit to work.
Young persons aged 15 to below 18	Do not assign to hazardous work, night work, excessive hours, chemical handling, dangerous machinery, high-risk maintenance, waste handling, or unsafe areas.

Worker Category	Guideline Expectation
Apprentices, interns, or trainees	Allow only where lawful, approved, documented, supervised, age-verified, and risk-assessed.
Student visitors	Allow site visits only under supervision, with no production work or hazardous exposure.
Contractor or supplier workers under 18	Do not permit them to perform hazardous work onsite or in supplier activities connected to the company's products.

The Malaysian Act restricts children and young persons from hazardous work and specifies detailed limits for working days and hours for children and young persons, including restrictions on night work, consecutive work without rest, daily hours, and minimum rest between working days. These requirements should be reflected in company procedures where any young person, apprentice, trainee, or student worker is lawfully engaged.

Prohibited work areas for persons under 18

Rubber processors and manufacturers should not assign persons under 18 to high-risk or hazardous areas, including:

- a. production machinery, rollers, mixers, cutters, presses, conveyors, curing, vulcanisation, dipping, or compounding areas;
- b. chemical handling, chemical storage, chemical transfer, laboratory chemical work, or wastewater chemical dosing;
- c. hazardous substances, scheduled waste, contaminated waste, sludge, used oil, or waste contractor activities;
- d. boilers, generators, compressors, steam systems, electrical panels, pressure systems, or maintenance work;
- e. forklift operation, loading bays, heavy vehicle areas, warehouse traffic routes, or lifting operations;
- f. work at height, confined spaces, hot work, electrical work, or lockout activities;
- g. night shifts, excessive overtime, emergency repair work, or work that interferes with education;
- h. areas with high heat, high noise, fumes, dust, odour, poor ventilation, or high ergonomic risk; and
- i. any task identified as hazardous by law, HIRARC, customer requirement, certification requirement, or company risk assessment.

24.2 Age Verification

Age verification is the main preventive control against child labour. Every worker should be age-verified before hiring, onboarding, or assignment to work. This includes permanent workers, temporary workers, contract workers, apprentices, interns, trainees, casual workers, and contractor workers performing work onsite.

Age verification should be conducted before the worker starts work, not after an audit or complaint. Companies should not rely only on visual appearance, verbal confirmation, supervisor judgement, recruitment agent assurance, or supplier declaration.

Acceptable age verification documents

Companies should define acceptable documents for age verification.

Worker Group	Possible Age Verification Evidence
Malaysian workers	MyKad, birth certificate, school leaving certificate, passport, or other official document where appropriate.
Migrant workers	Passport, work permit, visa records, government-issued identity document, recruitment records, or official documents from country of origin.
Apprentices, interns, or trainees	Identity document, school or institution letter, training agreement, approval letter, parent or guardian consent where required.
Contractor workers	Contractor worker list, identity records reviewed by contractor and verified by company for onsite access.
Supplier workers	Supplier declaration, audit records, worker age verification procedure, sample records where appropriate.

Where documents are unclear, inconsistent, damaged, suspected to be false, or unavailable, the company should not allow the person to start work until age is verified through a reliable process. The Malaysian Children and Young Persons (Employment) Act allows a court to accept a Government Medical Officer's certificate as evidence on whether a person is or is not a child or young person in proceedings under the Act, which reinforces the importance of reliable age determination where age is disputed.

Age verification process

A practical age verification process should include:

Step	Action
1. Collect document	Obtain acceptable proof of age before employment or site work begins.
2. Check authenticity	Review whether the document appears valid, complete, and consistent with other records.
3. Record date of birth	Enter date of birth into the HR or worker master list.
4. Calculate age	Confirm the worker's age at date of hiring and at date of work assignment.
5. Flag under-18 workers	Identify young persons, apprentices, interns, or trainees requiring special controls.
6. Restrict hazardous work	Ensure persons under 18 are not assigned to hazardous tasks or areas.
7. Retain evidence	Keep a secure copy or verification record according to privacy and record retention requirements.
8. Review contractor workers	Require contractors to verify and confirm age before site access.
9. Review suppliers	Require high-risk suppliers to implement age verification procedures.
10. Monitor changes	Review worker age records periodically and during internal audits.

Young worker register

If the company lawfully engages any person under 18, it should maintain a **Young Worker Register**.

Field	Description
Worker name or ID	Worker reference, with personal data protected.
Date of birth	Verified date of birth.
Age at hiring	Age when work or training began.
Worker category	Apprentice, intern, trainee, student worker, young person, or other category.
Approval basis	Legal, institutional, apprenticeship, vocational, or training arrangement.
Department or location	Where the person is assigned.
Approved tasks	Tasks allowed under the risk assessment.
Prohibited tasks	Hazardous or restricted tasks and areas.
Working hour limits	Applicable limits, schedule, and rest requirements.
Supervisor	Person responsible for oversight.
Training provided	OHS, induction, job-specific training, grievance channels.
Review date	Date of next review.
Evidence	Identity record, training agreement, risk assessment, parental or institutional approval where required.

Contractor and visitor controls

Companies should control site access to ensure underage persons do not perform work onsite through contractors or informal arrangements.

Practical controls include:

- a. require contractor worker lists before work begins;
- b. require contractors to confirm age verification;
- c. prohibit underage contractor workers from production, maintenance, cleaning, waste handling, loading, or other work;
- d. include child labour prohibition in contractor agreements and site rules;
- e. check identity records for contractor workers where appropriate;
- f. include age checks in security gate procedures where risk is higher;
- g. distinguish student visitors from workers and prevent visitors from performing work; and
- h. investigate any suspected underage work immediately.

Record confidentiality

Age verification documents contain personal data. Companies should store them securely, restrict access, and avoid unnecessary disclosure. ESG reporting should use aggregated information and should not disclose personal details of any child or young person.

24.3 Remediation Procedure

If child labour is suspected or identified, the company must respond carefully. The priority is to protect the child or young person from harm while avoiding actions that create further harm, such as sudden dismissal without support, loss of income without referral, intimidation, retaliation, or concealment.

A child labour remediation procedure should be prepared before any case occurs. The procedure should guide HR, management, supervisors, security, procurement, contractors, and suppliers on what to do if underage work is suspected or confirmed.

Principles of remediation

Child labour remediation should be based on the following principles:

Principle	Practical Meaning
Child-centred	The child's safety, wellbeing, education, and rights come first.
Immediate protection	Remove the child from unsafe or unlawful work immediately.
No retaliation	Do not punish, threaten, or intimidate the child, family, worker, or whistleblower.
Confidentiality	Protect the child's identity and personal information.
Root cause focus	Investigate how the case occurred and fix the system weakness.
Responsible remedy	Provide or support appropriate remedy, such as education support, wage correction, safe return, or referral.
Supplier accountability	Require suppliers or contractors to remediate and prevent recurrence.
Documentation	Record actions taken while protecting confidentiality.
Legal alignment	Follow applicable legal and authority reporting requirements.
Prevention	Strengthen age verification, recruitment, supplier, and contractor controls.

Child labour response process

A practical response process is shown below.

Step	Action
1. Identify concern	Receive concern through HR, supervisor, audit, grievance, worker report, customer finding, supplier review, or site observation.
2. Protect immediately	Stop the child or suspected underage person from performing unsafe or unlawful work.
3. Ensure safety	Move the person to a safe environment and avoid confrontation or public exposure.
4. Escalate	Notify HR, senior management, ESG lead, and legal or compliance personnel where appropriate.
5. Verify age	Review documents and obtain reliable age verification.
6. Assess situation	Determine work performed, hours, wages, recruitment pathway, safety exposure, schooling status, and who was involved.
7. Determine legal and customer requirements	Identify whether authorities, customers, or other parties must be notified.
8. Prepare remediation plan	Define support, education, wage correction, safe return, guardian contact where appropriate, and follow-up.

Step	Action
9. Investigate root cause	Identify whether the failure came from recruitment, document checking, contractor, supplier, supervisor, or deliberate concealment.
10. Correct systems	Strengthen age verification, recruitment controls, contractor screening, supplier due diligence, and training.
11. Monitor outcome	Follow up to ensure the child is not returned to unsafe work and remedy is implemented.
12. Document and review	Maintain confidential records and report aggregated findings to management.

Possible remediation actions

The appropriate remedy depends on the person's age, work performed, legal requirements, family situation, education status, safety exposure, wage status, and whether the case occurred in own operations, contractor work, or supplier operations.

Possible remediation actions include:

- a. immediate removal from hazardous or unlawful work;
- b. payment of wages owed for work already performed;
- c. support for return to school, vocational training, or lawful education pathway;
- d. referral to appropriate authorities, support organisations, or social welfare channels where required;
- e. safe communication with parent or guardian where appropriate and lawful;
- f. medical assessment or support if the child was exposed to unsafe conditions;
- g. transfer to lawful, non-hazardous training only if permitted, approved, supervised, and in the child's best interest;
- h. review and correction of recruitment process;
- i. disciplinary action where employees knowingly allowed child labour;
- j. supplier corrective action plan;
- k. suspension of supplier or contractor if remediation is refused; and
- l. monitoring to prevent recurrence.

Handling young persons in hazardous work

If a young person below 18 is found performing hazardous work, the company should immediately remove the young person from the hazardous task, assess whether any harm occurred, review whether the engagement is lawful, and reassign the person only to safe, approved, non-hazardous work if legally permitted. If lawful work cannot be provided, the company should arrange a responsible exit or training pathway consistent with legal requirements and the young person's wellbeing.

Root cause analysis

Every child labour finding should trigger root cause analysis. Possible root causes include:

- a. no age verification before hiring;
- b. recruitment agent failure;
- c. false or inconsistent identity documents not checked;
- d. contractor brought underage worker onsite;
- e. supervisor allowed informal work;
- f. supplier used family or informal labour;
- g. lack of supplier code of conduct;
- h. lack of access control at site;
- i. HR records not reviewed;
- j. poor communication of policy;
- k. pressure to fill labour shortages quickly;
- l. inadequate audit or monitoring; or
- m. misunderstanding of apprenticeship or trainee rules.

Management escalation

Child labour or suspected child labour should be treated as a high-severity issue. It should be escalated to senior management and, where relevant, the ESG Committee, legal or compliance personnel, customer account owner, and procurement leadership.

The remediation record should include:

Field	Description
Case reference	Confidential case number.
Date identified	Date concern was raised.
Source	Audit, grievance, supervisor, security, supplier review, customer finding, worker report.
Location	Own operation, contractor site, supplier site, accommodation, logistics, or other location.
Age verification status	Confirmed child, confirmed young person, adult, or age under review.
Work performed	General description of task, avoiding unnecessary personal detail.
Immediate action	Removal from unsafe work, safe location, escalation, document review.
Remedy required	Education, wage correction, medical support, referral, safe return, supplier remedy, etc.
Responsible person	HR, ESG, management, procurement, supplier, contractor.

Field	Description
Root cause	Reason the case occurred.
Corrective action	System changes to prevent recurrence.
Closure evidence	Payment record, referral record, training, policy update, supplier action, management sign-off.
Follow-up date	Date for checking remedy and recurrence prevention.

24.4 Supplier Controls

Child labour prevention must extend to suppliers, contractors, recruitment agents, and other business partners. For rubber processors and manufacturers, supply chain child labour risks may arise in natural rubber sourcing, smallholder-linked activities, plantations, dealers, collection centres, informal labour, outsourced processing, cleaning, canteen, security, logistics, waste handling, and contractor activities.

The ILO notes that child labour is more prevalent in informal economy settings, where work may occur outside formal legal and social protection systems. This is relevant to rubber supply chains because upstream sourcing may involve smallholders, family-linked work, intermediaries, and informal collection activities. ([International Labour Organization](#))

Supplier Code of Conduct

The Supplier Code of Conduct should prohibit child labour and require suppliers to implement age verification.

Supplier child labour clauses should require suppliers to:

- a. comply with applicable minimum age laws;
- b. prohibit child labour in all operations and subcontracted work;
- c. prohibit hazardous work for persons under 18;
- d. verify worker age before hiring;
- e. maintain age verification records;
- f. ensure young workers, apprentices, trainees, or interns are lawfully engaged and protected;
- g. prohibit false identity records and underage informal work;
- h. cascade child labour requirements to subcontractors and labour providers;
- i. allow audits, document checks, or site visits where required;
- j. report suspected child labour immediately;
- k. provide or support remediation where child labour is identified; and
- l. cooperate with corrective action and monitoring.

Supplier screening

Companies should screen suppliers and contractors for child labour risk based on supplier type and risk level.

Supplier or Business Partner	Child Labour Risk Considerations
Natural rubber suppliers	Smallholder-linked sourcing, family labour, informal collection, dealer networks, plantation labour, traceability gaps.
Dealers and collection centres	Informal work, family helpers, missing age records, lack of formal HR systems.
Rubber processors	Production work, machinery, chemicals, wastewater, waste, working hours, age verification records.
Contractors	Cleaning, maintenance, construction, security, canteen, logistics, waste handling, informal worker replacement.
Recruitment agents	Age verification, document checks, truthful recruitment, no use of underage applicants.
Labour suppliers	Worker age records, contracts, payroll, site access controls, grievance access.
Packaging and chemical suppliers	Factory labour controls, age verification, hazardous task restrictions.
Waste contractors	Hazardous work, scheduled waste handling, informal labour risk, site safety.

Supplier risk assessment

A supplier should be classified as higher risk if:

- it uses informal or casual workers;
- it relies on family labour or smallholder-linked work;
- it operates in rural, remote, or informal supply areas;
- it lacks formal worker records;
- it cannot provide age verification procedures;
- it uses labour contractors or subcontractors;
- it has hazardous work areas;
- it has previous labour findings or audit gaps;
- it refuses to sign the Supplier Code of Conduct;
- it refuses to provide relevant records; or
- customer or external sources identify child labour risk in the area or sector.

Supplier monitoring controls

Companies may apply different levels of supplier monitoring based on risk.

Risk Level	Supplier Control
Low	Supplier Code of Conduct acknowledgement and basic declaration.
Medium	Supplier questionnaire, age verification procedure review, periodic documentation update.
High	Supplier audit, worker record sampling, site visit, corrective action plan, management review.
Critical	Immediate investigation, suspension of new orders, remediation requirement, responsible disengagement if unresolved.

Supplier corrective action

If child labour risk or evidence is identified in the supply chain, the company should require corrective action. Supplier corrective action may include:

- immediate removal of the child from hazardous or unlawful work;
- confidential age verification review;
- remediation plan focused on education, safety, and wellbeing;
- payment of wages owed;
- review of recruitment and hiring process;
- training for supplier management and supervisors;
- implementation of age verification procedure;
- restriction of under-18 workers from hazardous areas;
- review of subcontractor and labour provider controls;
- periodic reporting to the company;
- follow-up audit or verification; and
- supplier suspension or disengagement if remediation is refused or severe risk continues.

The company should avoid responding to supplier child labour by immediately cutting off the supplier without considering whether this could worsen harm to the child. Responsible disengagement may be necessary if the supplier refuses to remediate, but remedy and child protection should be prioritised.

24.5 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Child Labour topic. Companies should apply them based on materiality, workforce profile, recruitment channels, supplier exposure, legal requirements, customer expectations, and data availability.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. Child labour prohibition policy	Company has a documented commitment prohibiting child labour in own operations and relevant business relationships.	Human Rights Policy, Labour Standards Policy, ESG Policy, Employee Handbook, Supplier Code of Conduct, management approval.	Management / HR / ESG Team
2. Minimum age requirement	Company defines minimum age for employment based on applicable law, customer requirements, and internal policy.	Recruitment procedure, age verification SOP, HR policy, legal register, customer requirement matrix.	HR / Compliance
3. Hazardous work prohibition for persons under 18	Persons under 18 are not assigned to hazardous work or unsafe areas.	HIRARC, young worker register, restricted task list, department assignment records, supervisor briefing records.	HR / EHS / Production
4. Age verification before hiring	Age is verified before employment, onboarding, site access, or work assignment.	Identity documents, age verification checklist, recruitment records, worker master list, onboarding records.	HR
5. Age verification for migrant workers	Migrant worker age is verified using reliable documents before employment.	Passport, work permit records, recruitment documents, age verification form, onboarding checklist.	HR
6. Age verification for contractors	Contractors confirm workers are age-verified before working onsite.	Contractor worker list, contractor declaration, site access records, induction records, contract clauses.	Procurement / HR / Security
7. Young worker register, where applicable	Any lawful young worker, apprentice, trainee, or intern is identified and subject to special controls.	Young worker register, training agreement, institution letter, permitted task list, supervisor assignment.	HR / EHS

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
8. Apprenticeship, trainee, or internship controls	Apprentices, trainees, and interns are lawfully engaged, supervised, trained, and protected from hazardous work.	Apprenticeship contract, training programme, risk assessment, school or institution approval, attendance records.	HR / Training / EHS
9. Recruitment agent controls	Recruitment agents are required to prohibit child labour and verify age.	Recruitment agent agreement, due diligence checklist, agent declaration, audit record, corrective action plan.	HR / Procurement
10. Worker onboarding communication	Workers are informed of minimum age, child labour prohibition, grievance channels, and reporting process.	Onboarding materials, training records, worker handbook, signed acknowledgements.	HR
11. Supervisor awareness	Supervisors understand child labour prohibition, young worker restrictions, and escalation process.	Supervisor training records, toolbox talks, restricted task communication, attendance records.	HR / EHS / Production
12. Site access control	Underage persons are not permitted to perform work onsite through informal, contractor, or visitor arrangements.	Security records, visitor policy, contractor induction records, access control records.	Security / HR / Facilities
13. Supplier Code of Conduct	Suppliers are required to prohibit child labour and hazardous work for persons under 18.	Supplier Code of Conduct, supplier acknowledgement, contract clauses, purchase terms.	Procurement / ESG Team
14. Supplier child labour screening	Suppliers are screened for age verification, child labour risk, young worker controls, and subcontractor controls.	Supplier questionnaire, supplier declaration, audit reports, supplier risk matrix.	Procurement / ESG Team
15. High-risk supplier monitoring	High-risk suppliers receive enhanced due diligence, audits, site visits, or corrective action.	Supplier audit reports, site visit records, corrective action tracker, follow-up evidence.	Procurement / ESG Team
16. Grievance channel for child labour concerns	Workers, suppliers, contractors, and stakeholders can report suspected child labour confidentially and without retaliation.	Grievance procedure, posters, hotline records, grievance register, supplier complaint channel.	HR / Compliance / ESG Team
17. Child labour remediation procedure	Company has a procedure to respond to suspected or confirmed child labour.	Remediation SOP, escalation matrix, case handling template, management approval.	HR / ESG Team / Management

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
18. Remediation and corrective action	Any child labour or young worker violation is addressed through protection, remedy, root cause analysis, and corrective action.	Confidential case record, remedy record, corrective action tracker, supplier remediation plan, closure evidence.	HR / ESG Team / Procurement
19. Monitoring and management review	Child labour risks, age verification, supplier findings, grievances, and corrective actions are reviewed.	KPI dashboard, internal audit report, ESG Committee minutes, management review record.	HR / ESG Team / Management
20. Reporting and disclosure	Company discloses child labour prevention approach, scope, controls, incidents, limitations, and improvement actions where material.	ESG report, customer questionnaire, checklist, evidence register, omission explanation, management approval.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Percentage of workers age-verified before hiring	Workers age-verified before start date ÷ total new workers.
Percentage of workforce with complete age verification records	Workers with age evidence ÷ total workers in scope.
Number of persons under 18 engaged lawfully	Count of young workers, trainees, interns, or apprentices, if any.
Percentage of young workers with risk assessment and approved task list	Young workers with completed controls ÷ total young workers.
Number of child labour cases identified	Count of confirmed cases during the reporting period.
Number of suspected child labour cases investigated	Count of suspected cases reviewed.
Percentage of child labour or young worker corrective actions closed on time	Corrective actions closed by due date ÷ total due.
Percentage of supervisors trained on child labour prevention	Supervisors trained ÷ total supervisors.
Percentage of recruitment agents screened for child labour controls	Recruitment agents screened ÷ total active recruitment agents.
Percentage of contractors providing age verification declaration	Contractors declaring age verification ÷ total contractors in scope.

KPI	Measurement Approach
Percentage of suppliers signing Supplier Code of Conduct	Suppliers signed ÷ total suppliers in scope.
Percentage of priority suppliers screened for child labour risk	Priority suppliers screened ÷ total priority suppliers.
Number of supplier child labour findings	Count of supplier findings relating to age verification, young worker controls, or child labour.
Percentage of supplier child labour corrective actions closed on time	Supplier corrective actions closed by due date ÷ total supplier corrective actions due.
Number of child labour-related grievances or reports	Count of grievances, hotline reports, audit findings, or supplier alerts.
Percentage of child labour-related cases with remediation plan	Cases with approved remediation plan ÷ total confirmed cases.

Reporting guidance

Where Child Labour is material, the company should disclose:

- why child labour prevention is relevant to the company;
- the company's child labour prohibition policy;
- minimum age requirements applied by the company;
- how age verification is conducted before hiring;
- how young workers, apprentices, trainees, and interns are controlled where applicable;
- how hazardous work is restricted for persons under 18;
- how contractors, recruitment agents, and suppliers are screened;
- how child labour concerns can be reported through grievance channels;
- whether any suspected or confirmed cases were identified during the reporting period;
- what remediation or corrective actions were taken, reported without exposing personal details;
- supplier due diligence activities and findings;
- data gaps, limitations, confidentiality constraints, or scope exclusions; and
- improvement actions planned for the next reporting period.

Example disclosure wording

Child Labour

Child labour prevention is material to the company because our operations involve manufacturing work, contractors, recruitment processes, and supply chain relationships. The company prohibits child labour and does not permit persons under 18 to perform hazardous work. Age verification is required before employment, onboarding, or contractor site access.

During the reporting period, the company maintained age verification records for workers, communicated child labour prohibition through onboarding and supplier requirements, and included child labour controls in supplier screening. No confirmed child labour case was identified during the reporting period.

The company will continue strengthening contractor age verification, supplier due diligence, supervisor awareness, and remediation procedures to ensure that child labour risks are prevented and addressed responsibly.

Omission and non-applicability guidance

Child labour prevention should rarely be marked as fully “not applicable” because all companies hire workers or engage business partners. However, specific sub-indicators may not apply depending on workforce structure.

Situation	Example Explanation
No young workers	“The company did not employ any person under 18 during the reporting period. Young worker controls remain included in the recruitment procedure in case this changes.”
No apprentices or interns	“Apprenticeship and internship indicators are not applicable because the company did not engage apprentices, trainees, or interns during the reporting period.”
No recruitment agents used	“Recruitment agent child labour controls are not applicable because recruitment was conducted directly by the company. This will be reassessed if agents are engaged.”
No contractors onsite	“Contractor age verification indicators were not applicable during the reporting period because no contractors performed onsite work. Contractor age controls will apply when contractors are engaged.”
Supplier data incomplete	“Supplier child labour screening currently covers priority suppliers only. The company will expand screening to additional suppliers based on risk and customer requirements.”
Confidential case information	“Case-level information is confidential. The company reports child labour-related findings and remediation status in aggregated or anonymised form.”

Situation	Example Explanation
No confirmed cases	“No confirmed child labour cases were identified during the reporting period. The company will continue monitoring through recruitment checks, supplier screening, grievance channels, and internal audits.”

Minimum Implementation Outputs for Section 24

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

Output	Purpose
Child Labour Prohibition Policy or policy clause	Confirms the company’s prohibition of child labour.
Minimum age requirement statement	Defines the minimum age applied by the company based on law, customer requirements, and internal policy.
Age verification procedure	Explains how worker age is checked before employment or site work.
Age verification checklist	Documents verification of identity and age before hiring or onboarding.
Worker master list with date of birth field	Enables monitoring of age and identification of young workers.
Young worker register, where applicable	Tracks lawful young workers, apprentices, trainees, or interns and their special controls.
Restricted task list for persons under 18	Prevents assignment to hazardous work or unsafe areas.
Apprenticeship, internship, or trainee control procedure	Ensures lawful, supervised, risk-assessed, and documented training arrangements.
Recruitment agent due diligence file	Confirms agents understand and apply child labour prohibition and age verification.
Contractor age verification declaration	Prevents underage contractor workers from performing onsite work.
Supplier Code of Conduct child labour clause	Extends child labour prohibition to suppliers and business partners.
Supplier child labour screening questionnaire	Assesses supplier age verification and young worker controls.
Supplier risk assessment matrix	Identifies higher-risk suppliers requiring enhanced due diligence.
Child labour remediation procedure	Guides response to suspected or confirmed child labour.
Child labour case handling template	Supports confidential investigation, remedy, corrective action, and closure.
Grievance and whistleblowing records	Provides reporting channels for child labour concerns.
Supervisor and HR training records	Demonstrates awareness of child labour prohibition, age checks, and escalation.
Corrective action tracker	Tracks findings, root causes, responsible persons, actions, and closure.
Confidential records control procedure	Protects personal data and sensitive case information.

Output	Purpose
Management review record	Shows senior management review of child labour risks, supplier findings, grievances, and improvement actions.

Used properly, this topic helps rubber processors and manufacturers prevent child labour, protect young persons, strengthen recruitment controls, improve supplier due diligence, meet customer expectations, and provide credible evidence for ESG reporting and social compliance verification.

25. Social Topic 6: Forced or Compulsory Labour

Forced or compulsory labour is a critical human rights and labour standards topic for rubber processors and manufacturers. It refers to situations where a person performs work involuntarily under threat, coercion, penalty, debt, restriction, deception, or other forms of pressure. The ILO Forced Labour Convention, 1930 (No. 29) defines forced or compulsory labour as work or service exacted from a person under the threat of a penalty and for which the person has not offered themselves voluntarily. ([International Labour Organization](#))

For Malaysian rubber processors and manufacturers, forced labour risk may arise through direct employment, migrant worker recruitment, recruitment agents, labour suppliers, contractors, service providers, worker accommodation, payroll practices, working hour arrangements, document handling, supplier practices, and upstream sourcing. The issue is particularly important for companies that employ migrant workers, operate labour-intensive manufacturing facilities, use recruitment intermediaries, or supply international buyers with social compliance expectations.

The ILO identifies eleven indicators of forced labour: abuse of vulnerability, deception, restriction of movement, isolation, physical and sexual violence, intimidation and threats, retention of identity documents, withholding of wages, debt bondage, abusive working and living conditions, and excessive overtime. The presence of one indicator may require investigation, while several indicators together may point to a forced labour situation.

Malaysia's National Action Plan on Forced Labour 2021–2025 recognises that businesses operating in Malaysia have responsibilities to comply with forced labour regulations, carry out appropriate supply chain due diligence, and establish response and remediation mechanisms, including financial compensation where needed. ([DOL](#)) The ILO's rubber industry guidance also notes that forced labour concerns in Malaysia's rubber glove industry have attracted international scrutiny and that companies, including SMEs, may need practical guidance to interpret and apply forced labour indicators.

This topic should be read together with the Social topics on **Human Rights and Social Impact, Workers' Rights, Occupational Health and Safety, Child Labour, Diversity, Equity, and Inclusion, Freedom of Association and Collective Bargaining, Training and Development, Pay and Equal Remuneration**, and the Governance topic on **Supply Chain Traceability and Due Diligence**.

Forced or compulsory labour prevention is especially relevant where a company:

- a. employs migrant workers, contract workers, temporary workers, or outsourced workers;
- b. uses recruitment agents, labour suppliers, brokers, subcontractors, or service providers;

- c. charges or deducts recruitment-related costs, deposits, bonds, advances, accommodation costs, transport costs, document processing costs, or similar payments from workers;
- d. holds, stores, or controls passports, identity documents, work permits, bank cards, ATM cards, employment contracts, or personal belongings;
- e. provides or arranges worker accommodation, transport, canteen, or welfare facilities;
- f. operates overtime, shift work, night work, rest day work, or production-based work arrangements;
- g. has workers who face language barriers, dependency on employer sponsorship, limited knowledge of local rights, or limited access to grievance channels;
- h. uses suppliers or contractors with labour-intensive operations or weak worker records;
- i. sources natural rubber or materials through complex supply chains involving intermediaries, dealers, collection centres, plantations, or informal labour; or
- j. supplies customers that require forced labour prevention evidence, social audits, responsible recruitment records, or human rights due diligence.

25.1 Forced Labour Risk Identification

Forced labour risk identification is the process of identifying whether any company practice, recruitment arrangement, workplace condition, supplier practice, or contractor arrangement may create involuntary work or threat of penalty. The purpose is to identify risks early, prevent harm, and address any warning signs before they become serious violations.

Companies should assess forced labour risks in both **own operations** and **business relationships**.

Scope Area	Examples of Forced Labour Risk
Own operations	Excessive overtime, wage withholding, unclear deductions, document retention, inability to resign, restricted movement, poor accommodation, grievance barriers, intimidation, or supervisor pressure.
Recruitment process	Recruitment fees, contract substitution, false promises, unclear job terms, debt, deposits, recruitment agent abuse, or lack of worker-paid fee checks.
Migrant worker management	Dependency on employer, language barriers, permit renewal issues, limited access to documents, accommodation control, return-home restrictions, or repatriation pressure.
Contractors and labour suppliers	Outsourced workers without clear contracts, wage delays, lack of time records, inadequate grievance access, or workers managed by third parties with weak oversight.
Suppliers	Supplier use of migrant workers, informal labour, labour agents, excessive overtime, document retention, wage withholding, or weak labour controls.
Worker accommodation	Restrictive rules, locked accommodation, curfew abuse, poor living conditions, limited privacy, or barriers to leaving accommodation during rest time.

Forced labour indicators to assess

Companies should assess the following indicators in a practical and evidence-based manner.

Indicator	Practical Warning Signs
Abuse of vulnerability	Workers depend heavily on the employer, do not understand local language or rights, have limited mobility, or fear losing employment, accommodation, permit status, or income.
Deception	Workers were promised different wages, job roles, benefits, location, accommodation, overtime, or contract terms before arrival or hiring.
Restriction of movement	Workers cannot leave the workplace or accommodation freely during non-working time, or movement is controlled without lawful and reasonable basis.
Isolation	Workers are separated from others, cannot communicate freely, lack access to information, or are prevented from contacting family, embassy, authorities, or support channels.
Intimidation and threats	Workers are threatened with dismissal, repatriation, police report, blacklist, salary loss, violence, or other penalty for refusing work or raising concerns.
Retention of identity documents	Passports, permits, identity cards, employment contracts, bank cards, or personal documents are held by the employer, agent, contractor, or accommodation manager without free access.
Withholding of wages	Wages are delayed, withheld, underpaid, used as deposits, or made conditional on continued work.
Debt bondage	Workers owe recruitment, migration, agent, accommodation, transport, or other debts that make them unable to leave employment freely.
Abusive working and living conditions	Unsafe work, poor accommodation, inadequate sanitation, excessive discipline, or degrading treatment.
Excessive overtime	Overtime is compulsory, repeated, unsafe, not properly paid, or linked to threats, production pressure, or inability to refuse.
Physical or sexual violence	Any allegation of violence, abuse, or sexual harassment must be treated as a severe grievance requiring immediate escalation and protection.

Risk identification process

A practical forced labour risk identification process should include:

Step	Action
1. Map worker groups	Identify permanent, temporary, contract, migrant, outsourced, contractor, security, cleaning, logistics, and accommodation-linked workers.
2. Map recruitment channels	Identify whether workers are recruited directly, through agents, labour suppliers, contractors, sub-agents, or source-country intermediaries.
3. Review worker-paid fees	Check whether workers paid recruitment fees, deposits, migration costs, document costs, transport costs, agent charges, or other related costs.
4. Review employment terms	Compare promised terms, signed contracts, actual job, wages, benefits, deductions, and working hours.

Step	Action
5. Review document practices	Check whether workers retain control and access to passports, permits, contracts, bank cards, and personal documents.
6. Review working hours	Assess overtime, rest days, night work, refusal rights, production pressure, and fatigue risks.
7. Review wages and deductions	Check wage payment, payslips, deductions, advances, deposits, penalties, and payroll complaints.
8. Review accommodation	Check living conditions, access, privacy, movement, complaints, maintenance, and welfare arrangements.
9. Engage workers	Use confidential worker interviews, surveys, briefings, grievance reviews, and small-group discussions.
10. Assess suppliers and contractors	Review supplier declarations, contracts, audits, worker records, and corrective actions.
11. Record risks	Enter findings into a forced labour risk register or human rights risk register.
12. Escalate severe risks	Immediately escalate suspected forced labour indicators to senior management, HR, ESG, compliance, or legal support.

Forced labour risk register

Companies should maintain a forced labour risk register or include forced labour within the broader human rights risk register.

Field	Description
Risk area	Recruitment, wages, overtime, documents, accommodation, supplier, contractor, grievance, or movement.
Affected group	Migrant workers, local workers, contract workers, outsourced workers, suppliers, contractors, or others.
Risk description	Clear description of the possible forced labour indicator.
Source of information	Worker interview, grievance, audit, HR record, supplier review, payroll record, accommodation inspection, or customer finding.
Severity	Critical, high, medium, low, or monitor.
Existing controls	Policy, SOP, contract, training, audit, grievance channel, payroll check, document access process.
Required action	Prevention, mitigation, remedy, investigation, supplier corrective action, repayment, policy revision, or training.
Responsible person	HR, ESG, Procurement, EHS, Production, Finance, Management, or supplier owner.
Timeline	Due date for action or review.
Evidence	Records required to prove closure.
Status	Open, in progress, completed, verified, or escalated.
Effectiveness review	Confirmation that the risk has been addressed and has not recurred.

25.2 Recruitment Fees and Ethical Recruitment

Ethical recruitment means workers are recruited voluntarily, transparently, fairly, and without deception, coercion, or improper fees. Recruitment should not create debt, dependency, or pressure that prevents workers from freely accepting, continuing, refusing, or leaving employment.

The ILO General Principles and Operational Guidelines for Fair Recruitment state that no recruitment fees or related costs should be charged to, or otherwise borne by, workers or jobseekers. The guidance also states that employment terms should be clear, verifiable, and understandable, and that migrant workers should receive contracts in a language they understand before departure from the country of origin, with measures to prevent contract substitution.

Ethical recruitment policy

Companies should adopt an ethical recruitment policy or include ethical recruitment commitments in the Human Rights Policy, Labour Standards Policy, ESG Policy, Supplier Code of Conduct, and Recruitment Procedure.

The policy should state that:

- a. employment must be freely chosen;
- b. workers must not pay recruitment fees or related costs as a condition of employment;
- c. job terms must be accurate, transparent, and not misleading;
- d. workers must receive written employment terms before or at the time of hiring;
- e. migrant workers should receive contract information in a language or format they understand;
- f. contract substitution is prohibited;
- g. recruitment agents and labour suppliers must be screened and contractually controlled;
- h. workers must not be required to pay deposits, bonds, or penalties to secure or keep employment;
- i. workers must be able to raise recruitment-related grievances without retaliation;
- j. recruitment-related findings must be investigated and remediated; and
- k. the company will monitor recruitment agents, labour suppliers, and contractors.

Recruitment fees and related costs

Companies should identify whether workers paid any fees or related costs to secure employment. The ILO definition states that recruitment fees or related costs are fees or costs incurred in the recruitment process for workers to secure employment or placement, regardless of how, when, or where the fee is imposed or collected. The ILO definition also states that such fees should not be collected from workers by an employer, subsidiary, labour recruiter, or other third party, including through deductions from wages or benefits.

Examples of fees and related costs to assess include:

Cost Area	Examples
Recruitment service fees	Agent fees, broker fees, referral fees, placement fees, sub-agent fees.
Documentation costs	Passport, visa, work permit, contract processing, translation, notarisation, certification, photographs.
Medical costs	Medical examination, vaccination, health screening, repeat tests, source-country medical checks.
Travel and transport	Domestic travel, international flight, local transport, airport transfer, transport to workplace.
Training and testing	Skills test, language test, orientation, pre-departure training, certification where required for recruitment.
Administrative costs	Application forms, service charges, processing charges, insurance, government processing fees.
Deposits or bonds	Security deposits, contract bonds, employment deposits, accommodation deposits, tools or uniform deposits.
Deductions after arrival	Salary deductions to recover recruitment, migration, documentation, transport, accommodation, or agent costs.
Informal or illicit costs	Bribes, kickbacks, unofficial payments, “facilitation” payments, hidden charges, or payments without receipts.

Recruitment agent due diligence

Where recruitment agents are used, companies should conduct due diligence before engagement and periodically thereafter.

Due Diligence Area	Practical Requirement
Legal status	Confirm registration, licence, approval, and permitted recruitment activities.
Fee policy	Confirm that workers are not charged recruitment fees or related costs.
Contract terms	Ensure agent contracts prohibit worker-paid fees, deception, contract substitution, document retention, and retaliation.
Sub-agent controls	Require disclosure and control of sub-agents or intermediaries.
Worker communication	Confirm workers receive accurate job information before acceptance and departure.

Due Diligence Area	Practical Requirement
Receipts and cost transparency	Require itemised cost records and receipts.
Worker interviews	Check with workers after arrival whether they paid fees or received different terms.
Grievance access	Ensure workers can report recruitment-related concerns confidentially.
Corrective action	Require investigation, repayment, or suspension where fees or deception are found.
Monitoring	Conduct periodic review, audit, or renewal assessment.

Worker-paid fee checks

Companies should check whether workers paid fees at recruitment, after arrival, or through deductions. This should be done confidentially and without retaliation.

Practical methods include:

- worker interviews after arrival;
- worker fee declaration forms;
- review of recruitment documents and receipts;
- comparison of contract terms before departure and after arrival;
- payroll deduction review;
- recruitment agent cost breakdown review;
- grievance and complaint review;
- source-country agent review;
- anonymous worker surveys; and
- customer or third-party audit review.

Repayment and remedy

If worker-paid recruitment fees or related costs are identified, the company should investigate and prepare a remediation plan. Remedy may include repayment, cancellation of improper deductions, reimbursement of deposits, revision of recruitment agent agreements, disciplinary action against responsible parties, and future prevention controls.

A repayment or remediation record should include:

Field	Description
Worker group affected	Nationality, recruitment batch, agent, recruitment corridor, department, or job type.

Field	Description
Fee type	Agent fee, medical, travel, document, deposit, deduction, or other cost.
Amount paid	Amount confirmed or estimated.
Evidence	Worker interview, receipt, payroll deduction, agent record, contract, grievance.
Repayment method	Bank transfer, payroll correction, lump sum, instalment, or other approved method.
Timeline	Date repayment begins and ends.
Worker communication	Explanation provided to workers.
Root cause	Why the fee was paid or deducted.
Preventive action	Agent control, revised contract, training, monitoring, supplier action.
Approval	Management approval and review.
Closure evidence	Payment record, worker acknowledgement where appropriate, audit closure.

25.3 Freedom of Movement

Freedom of movement means workers are able to leave the workplace, accommodation, and employment relationship freely during non-working time and according to lawful, reasonable, and clearly communicated rules. It also means workers are not physically confined, locked in, threatened, isolated, or prevented from accessing their documents, communication, rest days, medical care, authorities, embassy support, or grievance channels.

The ILO fair recruitment guidance states that workers' freedom to move within a country or leave a country should be respected, and that workers should be free to terminate employment and, in the case of migrant workers, return to their country, taking into account lawful contractual obligations.

Movement controls that may create risk

Companies should review whether any workplace or accommodation rules could restrict movement unfairly.

Risk Area	Examples of Problematic Practice
Workplace access	Workers cannot leave after shift, must obtain unreasonable permission, or are locked in work areas.
Accommodation rules	Curfews, locked gates, restricted visitors, movement logs, or rules applied as punishment.
Transport dependency	Workers cannot leave accommodation because company transport is the only option and alternatives are restricted.

Risk Area	Examples of Problematic Practice
Security conduct	Security guards prevent workers from leaving, threaten workers, confiscate documents, or report workers for raising concerns.
Resignation control	Workers are threatened, penalised, or denied documents if they resign or request to return home.
Medical access	Workers need unreasonable permission to seek medical care or are discouraged from treatment.
Rest day restrictions	Workers cannot leave accommodation or workplace during rest days.
Communication restrictions	Workers are prevented from using phones, contacting family, embassies, authorities, worker representatives, or grievance channels.

Legitimate site controls

Companies may have legitimate security, safety, and operational controls, such as visitor registration, safety access rules, restricted hazardous areas, emergency procedures, transport scheduling, or accommodation safety rules. However, such controls should not be used to restrict workers' personal freedom or create dependency.

Any movement-related rule should be:

- a. lawful;
- b. necessary;
- c. proportionate;
- d. clearly communicated;
- e. applied consistently;
- f. not discriminatory;
- g. not used as punishment;
- h. not linked to wage withholding or document retention;
- i. not preventing access to grievance channels, medical care, or authorities; and
- j. reviewed if workers raise concerns.

Accommodation and movement

Where accommodation is provided or arranged, workers should be able to enter and leave during non-working time, subject only to reasonable safety and security rules. Accommodation should not be used to isolate workers or control their movements.

Accommodation controls should include:

- a. written accommodation rules;
- b. clear explanation during onboarding;
- c. no locked-in arrangements;
- d. access to emergency exits;
- e. access to communication;
- f. access to medical care;
- g. privacy and dignity;
- h. maintenance request channels;
- i. grievance channels;
- j. no retaliation for complaints; and
- k. periodic worker feedback.

Resignation and return home

Workers should understand resignation procedures, notice requirements, final wage payment, document return, accommodation exit arrangements, and repatriation procedures where applicable. Malaysian Immigration guidance states that upon completion or termination of employment, employers must ensure foreign workers are repatriated to their origin country using the Check Out Memo process, and the security bond may be claimed if repatriation is done accordingly. ([Immigration Department of Malaysia](#))

Companies should not use immigration, accommodation, document custody, wage payment, debt, security bond, or repatriation arrangements to coerce workers to continue working involuntarily. Any resignation, termination, transfer, or repatriation process should be lawful, documented, transparent, and respectful.

25.4 Passport and Document Retention

Passport and document retention is a major forced labour risk because it can limit a worker's ability to move freely, access services, change jobs where lawful, seek help, or return home. It may also increase worker dependency on the employer, recruitment agent, accommodation manager, or labour supplier.

The ILO identifies retention of identity documents as one of the indicators of forced labour. The ILO fair recruitment guidance also states that enterprises and public employment services should not retain passports, contracts, or other identity documents, and should not interfere with workers' free and complete access to their passports, identity documents, residency papers, or employment contracts.

Malaysia's official standard foreign worker employment contract states that the employer shall not keep the worker's passport in custody, and that if the worker submits the passport for specified purposes such as medical screening, work pass application, foreign worker identity card application, or pass renewal, it must be returned upon completion of those purposes. ([JTK Malaysia](#))

Documents covered

The company should ensure workers retain control of:

- a. passports;
- b. identity cards;
- c. work permits;
- d. visas or passes;
- e. employment contracts;
- f. bank cards and ATM cards;
- g. wage records and payslips;
- h. insurance or medical cards;
- i. travel documents;
- j. personal certificates;
- k. mobile phones and personal belongings; and
- l. other documents needed for movement, identity, employment, or access to services.

Document safekeeping procedure

If workers request voluntary document safekeeping, the company should be very careful. Safekeeping should not become hidden retention. A safekeeping arrangement should only be used where lawful, voluntary, worker-requested, documented, and based on free access.

A document safekeeping procedure should include:

Requirement	Practical Control
Voluntary request	Worker requests safekeeping voluntarily, without pressure.
Written consent	Consent is documented in a language or format the worker understands.
Free access	Worker can retrieve the document promptly at any reasonable time.
No penalty	Worker is not punished for retrieving or keeping their own document.
Secure storage	Document is stored securely to prevent loss, damage, or unauthorised access.

Requirement	Practical Control
Access log	Every deposit and retrieval is recorded.
Time limit	Employer holds documents only for the shortest necessary period if submitted for official processing.
No blanket retention	Company does not require all workers to surrender documents.
Periodic review	Company checks that workers know they can access their documents.
Alternative storage	Workers are offered secure lockers or personal storage where feasible.

Document access log

A document access log should include:

Field	Description
Worker ID	Confidential worker reference.
Document type	Passport, permit, contract, card, or other document.
Reason for temporary custody	Worker-requested safekeeping, medical screening, permit renewal, official processing, or other reason.
Date received	Date document was submitted.
Expected return date	Date document should be returned.
Date returned or accessed	Date worker retrieved or accessed document.
Worker acknowledgement	Confirmation of return or access.
Responsible person	HR or authorised document custodian.
Remarks	Delay reason, issue, worker request, or corrective action.

Companies should review whether workers genuinely understand their right to hold or access their documents. Worker interviews should be used to confirm that written procedures match actual practice.

25.5 Migrant Worker Protection

Migrant workers may face higher forced labour risks because they may rely on employers for recruitment, permits, accommodation, language support, transport, medical access, documentation, wage payment, and repatriation. They may also face debt from recruitment fees, limited knowledge of local laws, dependency on recruitment agents, and fear of losing immigration status or income.

Migrant worker protection should therefore be a dedicated part of forced labour prevention.

Migrant worker protection principles

Companies should apply the following principles:

Principle	Practical Meaning
Voluntary employment	Migrant workers should freely accept employment and should not be coerced into staying.
Transparent recruitment	Job terms, wages, benefits, deductions, accommodation, and working hours should be clear before departure and upon arrival.
No worker-paid recruitment fees	Workers should not bear recruitment fees or related costs.
Contract consistency	Employment terms should not be substituted after arrival.
Document control by worker	Workers should retain control of passports and identity documents.
Freedom of movement	Workers should be able to move freely during non-working time.
Wage protection	Wages should be paid accurately, on time, and without unlawful deductions.
Grievance access	Workers should have confidential and non-retaliatory complaint channels.
Safe accommodation	Accommodation should be safe, hygienic, and not used to restrict movement.
Equal treatment	Migrant workers should receive fair treatment, OHS protection, and access to welfare.
Responsible repatriation	End-of-employment and return-home processes should be lawful and transparent.

Migrant worker recruitment controls

Companies should maintain controls before, during, and after recruitment.

Stage	Control
Before recruitment	Workforce planning, approved agent list, ethical recruitment policy, contract terms, cost responsibility, source-country controls.
Recruitment	No-fee communication, worker information, contract explanation, recruitment agent monitoring, document checks.
Pre-departure	Worker receives accurate employment terms, wage information, job role, accommodation details, and grievance information.
Arrival	Orientation, contract confirmation, fee survey, passport access explanation, medical and permit processing, grievance channel briefing.
Employment	Wage monitoring, working hour monitoring, document access, accommodation inspections, worker feedback, grievance handling.
Renewal or extension	Clear communication, voluntary agreement, permit processing transparency, no coercion or hidden deductions.
End of employment	Final wage payment, document access, repatriation process, resignation or termination documentation, complaint closure.

The ILO fair recruitment guidance states that recruitment should respect human rights, that workers should receive free and accurate information about their rights and recruitment and employment conditions, and that workers' agreement to employment terms should be voluntary and free from deception or coercion.

Migrant worker orientation

Migrant workers should receive orientation in a language or format they can understand. Orientation should cover:

- a. employment contract;
- b. wages, overtime, allowances, deductions, and payslips;
- c. working hours, rest days, public holidays, and leave;
- d. job role and supervisor;
- e. safety rules and PPE;
- f. accommodation rules and maintenance request process;
- g. passport and document access;
- h. grievance channels and non-retaliation;
- i. medical access;
- j. emergency contacts;
- k. freedom of movement;
- l. resignation and contract completion process;
- m. worker representatives or welfare contacts; and

- n. company policies on forced labour, harassment, discrimination, and child labour.

Migrant worker interviews and feedback

Companies should periodically engage migrant workers confidentially. This may include worker surveys, small-group discussions, welfare meetings, interviews after arrival, grievance review, and accommodation feedback.

Topics should include:

- a. whether workers paid recruitment fees;
- b. whether job terms matched what was promised;
- c. whether they hold or can access passports and documents;
- d. whether wages and payslips are understood;
- e. whether overtime is voluntary and properly paid;
- f. whether they can refuse overtime without punishment;
- g. whether accommodation is safe and acceptable;
- h. whether they can move freely during non-working time;
- i. whether they understand grievance channels;
- j. whether they fear retaliation;
- k. whether they can access medical care; and
- l. whether any agent, supervisor, contractor, or accommodation manager has threatened or pressured them.

Migrant worker accommodation

Where accommodation is provided or arranged, it should support dignity, safety, privacy, hygiene, and freedom of movement. Accommodation should not become a mechanism of control.

Controls should include:

- a. accommodation policy;
- b. occupancy records;
- c. inspection checklist;
- d. maintenance request process;
- e. worker feedback channel;
- f. fire safety and emergency readiness;
- g. sanitation and water access;
- h. no locked-in arrangements;

- i. no unreasonable curfews;
- j. no document retention by accommodation managers;
- k. grievance posters or contact information;
- l. accommodation rules in understandable language; and
- m. corrective action tracking.

Migrant worker remediation

Where forced labour indicators are identified among migrant workers, companies should prioritise protection and remedy. Remedy may include:

- a. repayment of recruitment fees;
- b. cancellation of improper deductions;
- c. wage correction;
- d. return of passports or documents;
- e. restoration of free document access;
- f. accommodation repairs;
- g. safe transfer from abusive accommodation or supervisor control;
- h. medical support;
- i. grievance protection;
- j. disciplinary action against responsible persons;
- k. recruitment agent corrective action;
- l. supplier or contractor corrective action;
- m. responsible repatriation; and
- n. worker communication and follow-up.

25.6 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Forced or Compulsory Labour topic. Companies should apply them based on materiality, workforce profile, recruitment channels, migrant worker presence, contractor use, supplier exposure, legal requirements, customer expectations, and data availability.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. Forced labour prohibition policy	Company has a documented commitment prohibiting forced or compulsory labour in own operations and business relationships.	Human Rights Policy, ESG Policy, Labour Standards Policy, Supplier Code of Conduct, Employee Handbook, management approval.	Management / HR / ESG Team
2. Forced labour risk assessment	Company identifies forced labour risks using indicators such as recruitment fees, document retention, debt, wage withholding, excessive overtime, restriction of movement, and intimidation.	Forced labour risk register, human rights risk assessment, worker interviews, grievance records, audit reports.	ESG Team / HR / Procurement
3. Worker group mapping	Company identifies worker groups that may face higher forced labour risk.	Workforce profile, migrant worker list, contractor list, labour supplier list, accommodation records.	HR / Procurement
4. Recruitment channel mapping	Recruitment agents, labour suppliers, brokers, contractors, and intermediaries are identified and assessed.	Recruitment agent list, agent contracts, due diligence checklist, supplier map.	HR / Procurement
5. Ethical recruitment policy	Company prohibits worker-paid recruitment fees, contract substitution, deception, deposits, and coercive recruitment practices.	Recruitment Policy, agent agreement, worker briefing materials, management approval.	HR / Management
6. Recruitment fee controls	Company checks whether workers paid recruitment fees or related costs.	Worker fee declarations, worker interviews, agent cost breakdown, payroll deduction review, receipts, grievance records.	HR / Finance / ESG Team
7. Recruitment fee remediation	Worker-paid recruitment fees are investigated and repaid where applicable.	Repayment plan, payment records, worker communication, management approval, corrective action tracker.	HR / Finance / Management
8. Contract transparency	Workers receive accurate and understandable employment terms before or at hiring, and contract substitution is prohibited.	Employment contracts, translated summaries, pre-departure information, onboarding records, worker acknowledgements.	HR

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
9. Voluntary employment and resignation	Workers understand resignation, contract completion, final payment, document access, and repatriation procedures.	Resignation procedure, exit interview records, final wage records, worker communication materials.	HR / Management
10. Freedom of movement controls	Workers are not unlawfully confined, locked in, isolated, or restricted during non-working time.	Accommodation rules, worker interviews, site access rules, security instructions, grievance records.	HR / Security / Facilities
11. Passport and document control	Workers retain possession or free access to passports, permits, contracts, bank cards, and personal documents.	Passport policy, document access log, worker acknowledgement, safekeeping consent, audit records.	HR
12. Temporary document custody control	Any temporary custody for official processing is limited, documented, and documents are returned promptly.	Document submission log, processing record, return acknowledgement, permit renewal file.	HR
13. Wage withholding prevention	Wages are paid accurately and on time; wages are not withheld as deposits or penalties.	Payroll records, payslips, bank transfer records, wage complaint log, deduction register.	HR / Finance
14. Deduction control	Deductions are lawful, transparent, authorised where required, and not used to recover recruitment fees or create debt bondage.	Deduction register, worker authorisations, payslips, payroll review, management approval.	HR / Finance
15. Overtime voluntariness and working hour control	Overtime is lawful, recorded, properly paid, and not imposed through threats or pressure.	Attendance records, overtime approvals, payroll records, worker interviews, grievance records.	HR / Production
16. Accommodation and living conditions	Accommodation does not restrict movement or create abusive living conditions.	Accommodation inspection records, maintenance logs, worker feedback, accommodation rules, corrective action tracker.	HR / Facilities
17. Grievance channels for forced labour concerns	Workers can report recruitment, wages, documents, movement, intimidation, accommodation, or overtime concerns confidentially and without retaliation.	Grievance procedure, hotline records, posters, grievance register, worker briefings.	HR / Compliance / ESG Team
18. Non-retaliation controls	Workers are protected from threats, punishment, blacklisting, dismissal, or	Non-retaliation policy, grievance records,	HR / Compliance

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	reduced overtime for raising concerns.	investigation records, disciplinary records.	
19. Migrant worker orientation	Migrant workers receive information on contracts, wages, documents, movement, grievance channels, OHS, accommodation, and rights.	Orientation materials, attendance records, translated documents, worker acknowledgements.	HR
20. Recruitment agent due diligence	Recruitment agents are screened, contracted, monitored, and prohibited from charging workers.	Agent due diligence file, agent contracts, cost breakdowns, worker interview results, corrective actions.	HR / Procurement
21. Contractor and labour supplier controls	Contractors and labour suppliers are required to prevent forced labour and provide worker records where relevant.	Contractor agreement, Supplier Code, contractor worker list, induction records, audit reports.	Procurement / HR
22. Supplier forced labour due diligence	Suppliers are screened for forced labour indicators and required to implement corrective actions where needed.	Supplier questionnaire, supplier declaration, audit reports, supplier risk matrix, corrective action plans.	Procurement / ESG Team
23. Remediation procedure	Company has a process to protect workers and provide remedy where forced labour indicators are confirmed.	Remediation SOP, case template, repayment records, document return records, corrective action closure.	HR / ESG Team / Management
24. Monitoring and management review	Forced labour risks, grievances, recruitment practices, document practices, supplier findings, and corrective actions are reviewed.	KPI dashboard, internal audit report, ESG Committee minutes, management review record.	HR / ESG Team / Management
25. Reporting and disclosure	Company discloses forced labour prevention approach, scope, controls, incidents, limitations, and improvement actions where material.	ESG report, customer questionnaire, evidence register, omission explanation, management approval.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Percentage of workers covered by forced labour risk assessment	Workers covered ÷ total workers in scope.
Percentage of migrant workers interviewed on recruitment experience	Migrant workers interviewed ÷ total migrant workers in scope.
Percentage of recruitment agents screened	Recruitment agents screened ÷ total active recruitment agents.
Percentage of recruitment agent contracts with no-fee clauses	Agent contracts with no-fee clauses ÷ total active agent contracts.
Number of worker-paid fee findings	Count of confirmed or suspected fee-payment findings.
Total recruitment fee repayment amount, where applicable	Total amount repaid to workers during the reporting period.
Percentage of fee-related corrective actions closed on time	Fee-related actions closed by due date ÷ total due.
Percentage of workers with access to their own passports and documents	Workers confirming possession or free access ÷ total workers in scope.
Number of document retention findings	Count of findings relating to passports, permits, contracts, bank cards, or personal documents.
Percentage of temporary document custody cases returned within target timeline	Documents returned on time ÷ total temporary custody cases.
Number of wage withholding or unlawful deduction findings	Count of confirmed or suspected findings.
Number of excessive or involuntary overtime grievances	Count of grievances relating to overtime pressure, refusal, or payment.
Percentage of migrant workers receiving orientation in understandable language or format	Migrant workers oriented ÷ total migrant workers in scope.
Percentage of accommodation sites inspected for movement and living condition risks	Accommodation sites inspected ÷ total accommodation sites in scope.
Number of forced labour-related grievances	Count of grievances linked to recruitment, documents, movement, wages, deductions, overtime, threats, or accommodation.
Percentage of forced labour-related grievances closed within target timeline	Grievances closed on time ÷ total due.
Percentage of priority suppliers screened for forced labour risk	Priority suppliers screened ÷ total priority suppliers.
Number of supplier forced labour findings	Count of supplier findings relating to forced labour indicators.
Percentage of supplier forced labour corrective actions closed on time	Supplier corrective actions closed by due date ÷ total due.

Reporting guidance

Where Forced or Compulsory Labour is material, the company should disclose:

- a. why forced labour prevention is material to the company;
- b. the company's forced labour prohibition policy;
- c. whether the scope covers own employees, migrant workers, contract workers, outsourced workers, recruitment agents, contractors, and suppliers;
- d. how forced labour risks are identified using recognised indicators;
- e. recruitment channels used and how agents are controlled;
- f. whether worker-paid recruitment fees are prohibited, assessed, and remediated;
- g. how freedom of movement is protected;
- h. how passports, permits, contracts, and personal documents are managed;
- i. how migrant workers are protected through orientation, contract transparency, wage controls, accommodation checks, and grievance access;
- j. whether any suspected or confirmed forced labour indicators were identified during the reporting period;
- k. remediation or corrective actions taken, reported without exposing personal information;
- l. supplier and contractor due diligence activities;
- m. data gaps, limitations, confidentiality constraints, or scope exclusions; and
- n. improvement actions planned for the next reporting period.

Example disclosure wording

Forced or Compulsory Labour

Forced labour prevention is material to the company because our operations involve manufacturing workers, migrant workers, recruitment processes, contractors, and supplier relationships. The company prohibits forced or compulsory labour and is committed to ethical recruitment, voluntary employment, worker access to identity documents, lawful wage payment, freedom of movement, and accessible grievance channels.

During the reporting period, the company reviewed recruitment practices, worker-paid fee risks, payroll deductions, working hour records, passport access procedures, accommodation conditions, and grievance records. Migrant workers received orientation on employment terms, wage payment, grievance channels, OHS, accommodation rules, and document access.

No confirmed forced labour case was identified during the reporting period. The company will continue strengthening recruitment agent due diligence, worker-paid fee checks,

supplier screening, document access records, and confidential worker engagement in the next reporting cycle.

Omission and non-applicability guidance

Forced labour prevention should rarely be marked as fully “not applicable” because all companies have workers, suppliers, contractors, or business relationships. However, specific sub-indicators may not apply depending on workforce structure.

Situation	Example Explanation
No migrant workers	“Migrant worker-specific indicators are not applicable during the reporting period because the company did not employ migrant workers. Forced labour prevention remains applicable to all workers, contractors, and suppliers.”
No recruitment agents used	“Recruitment agent indicators are not applicable because the company recruited workers directly during the reporting period. The company will reassess this if recruitment agents are engaged.”
No worker accommodation	“Accommodation-related indicators are not applicable because the company does not provide, arrange, or manage worker accommodation.”
No contractors onsite	“Contractor forced labour indicators were not applicable during the reporting period because no contractors performed onsite work. Contractor controls will apply when contractors are engaged.”
Supplier data incomplete	“Supplier forced labour screening currently covers priority suppliers only. The company will expand supplier screening based on risk and customer requirements.”
Recruitment fee data incomplete	“Recruitment fee data is not yet complete for all migrant worker recruitment batches. The company will conduct confidential worker interviews and agent cost reviews in the next reporting period.”
Confidential worker information	“Worker interview results and grievance case details are confidential. The company reports aggregated findings and maintains case-level records internally.”
No confirmed cases	“No confirmed forced labour case was identified during the reporting period. The company continues to monitor through recruitment checks, payroll review, worker interviews, grievance channels, and supplier screening.”

Minimum Implementation Outputs for Section 25

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

Output	Purpose
Forced Labour Prohibition Policy or policy clause	Confirms the company’s prohibition of forced or compulsory labour.
Ethical Recruitment Policy	Defines no-fee recruitment, voluntary employment, contract transparency, and agent controls.

Output	Purpose
Forced labour risk assessment worksheet	Assesses risks using recognised forced labour indicators.
Forced labour risk register	Records risks, severity, controls, actions, owners, timelines, and evidence.
Recruitment channel map	Identifies direct recruitment, agents, labour suppliers, contractors, and intermediaries.
Recruitment agent due diligence file	Screens agent legal status, no-fee policy, sub-agent controls, and worker communication.
Recruitment agent contract clauses	Prohibits worker-paid fees, deception, document retention, contract substitution, and retaliation.
Worker-paid fee declaration or interview form	Checks whether workers paid recruitment fees or related costs.
Recruitment fee remediation procedure	Guides repayment, correction, investigation, and prevention where fees are identified.
Recruitment fee repayment records, where applicable	Documents repayment amounts, affected workers, approval, and closure.
Employment contract consistency check	Compares promised terms, signed contracts, and actual conditions.
Passport and document control policy	Ensures workers retain possession or free access to identity documents.
Document access or safekeeping log	Records temporary custody, worker access, return dates, and acknowledgements.
Freedom of movement checklist	Reviews workplace, accommodation, security, transport, and rest day movement controls.
Migrant worker orientation records	Shows communication of contracts, wages, documents, grievance channels, OHS, and accommodation rules.
Accommodation inspection records, where applicable	Checks living conditions, movement, privacy, safety, and grievance access.
Payroll deduction review records	Confirms deductions are lawful, transparent, and not linked to recruitment fee recovery.
Working hour and overtime monitoring records	Tracks overtime, rest days, excessive work, and potential involuntariness.
Grievance procedure and register	Captures recruitment, document, wage, movement, accommodation, intimidation, and overtime concerns.
Supplier Code of Conduct forced labour clause	Extends forced labour prohibition to suppliers and contractors.
Supplier forced labour screening questionnaire	Assesses supplier risks relating to recruitment, documents, wages, movement, and worker treatment.
Supplier corrective action tracker	Tracks supplier forced labour findings and closure.
Confidential worker interview records	Supports risk identification while protecting worker identity.
Corrective action and remediation tracker	Tracks root causes, responsible persons, actions, remedy, evidence, and closure.
Management review record	Shows senior management review of forced labour risks, recruitment practices, grievances, supplier findings, and improvement actions.

Used properly, this topic helps rubber processors and manufacturers prevent forced labour, strengthen responsible recruitment, protect migrant workers, improve supplier accountability, respond to buyer and regulatory expectations, and provide credible evidence for ESG reporting and social compliance verification.

DRAFT

26. Social Topic 7: Rights of Indigenous Peoples

The Rights of Indigenous Peoples topic focuses on how a company respects the rights, lands, resources, cultures, livelihoods, identity, participation, and wellbeing of Indigenous Peoples who may be affected by its operations, sourcing activities, suppliers, contractors, expansion plans, environmental impacts, or business relationships.

In Malaysia, Indigenous Peoples are commonly referred to collectively as **Orang Asal**, comprising the **Orang Asli** of Peninsular Malaysia and the natives of Sabah and Sarawak. ([HURights Osaka](#)) The Aboriginal Peoples Act 1954 applies to Peninsular Malaysia and includes provisions relating to aboriginal areas, aboriginal reserves, and rights of occupancy. ([JKPTG](#)) In Sabah and Sarawak, native customary rights are addressed through state land frameworks; for example, Sabah's Land Ordinance recognises categories of native customary rights, while Sarawak's Land and Survey Department describes native customary land and the ways native customary rights may be created under the Sarawak Land Code. ([Land and Survey Department Sarawak](#))

For many midstream and downstream rubber processors and manufacturers, this topic may not apply directly to day-to-day factory activities if the company operates on existing industrial premises and has no land development, plantation, or community-facing activities. However, it may still be relevant through **natural rubber sourcing, supplier land use, upstream plantations or smallholders, site expansion, land acquisition, wastewater or pollution impacts, transport routes, community grievances, or customer due diligence requirements.**

This topic should be read together with:

Related Topic	Linkage to Rights of Indigenous Peoples
Human Rights and Social Impact	Indigenous Peoples' rights are part of the company's broader human rights responsibility.
Local Communities	Indigenous Peoples may also be local communities affected by company operations or sourcing.
Sustainable Land Use and Natural Ecosystem Conservation	Land use legality, customary land, ecosystem protection, and land-related disputes are closely linked.
Deforestation	Natural rubber sourcing may raise concerns about land conversion, forest degradation, and customary territories.
Biodiversity	Indigenous Peoples may have cultural, livelihood, and spiritual relationships with ecosystems and biodiversity.
Water, Waste, Soil Health, and Hazardous Substances	Pollution, discharge, spills, and land contamination may affect Indigenous communities and their resources.
Supply Chain Traceability and Due Diligence	Supplier screening should include land rights, customary rights, FPIC-related risks, and grievance history where relevant.

The objective of this topic is to help companies identify whether Indigenous Peoples may be affected, respect their rights and local context, avoid harm, support meaningful engagement, and maintain evidence of due diligence where the topic is material.

26.1 Indigenous Peoples and Local Rights

Companies should first determine whether their operations, land use, sourcing areas, suppliers, contractors, or environmental impacts may affect Indigenous Peoples or Indigenous-linked rights. This should be done through a proportionate screening process.

A company should not assume that the topic is irrelevant simply because it does not own plantations or because its factory is located in an industrial area. The topic may still arise through upstream natural rubber sourcing, supplier plantations, land conversion, smallholder networks, transport routes, community complaints, effluent discharge, or customer requirements.

Where the topic may apply

Area	Possible Relevance
Own land and facilities	Factory, warehouse, worker accommodation, wastewater treatment plant, waste storage, access road, or expansion site located near Indigenous communities, customary land, or sensitive areas.
Site expansion or land acquisition	New land, leased land, construction, drainage works, storage yards, or infrastructure may affect local or customary rights.
Natural rubber sourcing	Rubber may originate from areas connected to Indigenous communities, customary land, smallholders, dealers, collection centres, or plantations.
Supplier operations	Suppliers may operate on or near customary land, Indigenous territories, forests, peatland, protected areas, or community resources.
Environmental impacts	Wastewater, waste, odour, emissions, spills, traffic, soil contamination, or water pollution may affect Indigenous or local communities.
Community interface	Local employment, access roads, complaints, land boundaries, cultural sites, or shared resources may create social impacts.
Certification or customer requirements	MSNR, EUDR-oriented due diligence, GPSNR, FSC, PEFC, Preferred by Nature, customer codes, and human rights due diligence may require evidence of land rights and FPIC-related controls.

Rights and interests to consider

Companies should consider Indigenous Peoples' rights and interests relating to:

- a. customary land and territories;
- b. access to forests, rivers, water sources, agricultural areas, and natural resources;
- c. livelihoods, including smallholder rubber, gathering, fishing, hunting, farming, or other customary economic activities;
- d. cultural heritage, identity, language, traditions, and customary institutions;
- e. burial grounds, shrines, sacred sites, ancestral areas, and culturally significant places;
- f. community decision-making structures and traditional leadership;
- g. clean water, clean environment, health, safety, and wellbeing;
- h. protection from displacement, encroachment, or loss of access;
- i. participation in decisions that may affect them;
- j. access to grievance mechanisms and remedy; and
- k. fair and transparent engagement where impacts arise.

Indigenous Peoples and local rights screening

Companies should conduct a screening process where the topic may be relevant.

Step	Practical Action
1. Identify operational locations	List company sites, storage areas, accommodation, wastewater discharge points, expansion areas, access roads, and supplier-linked locations.
2. Check local context	Determine whether there are Indigenous communities, customary land, native customary rights, aboriginal areas, aboriginal reserves, cultural sites, or land claims in or near the area.
3. Review land records	Check land titles, leases, permits, zoning, site maps, land use approvals, and boundary information.
4. Review supplier sourcing areas	For natural rubber suppliers, collect origin, sourcing area, dealer, collection centre, estate, smallholder group, or geolocation information where required.
5. Identify affected groups	Identify Indigenous Peoples, local communities, smallholders, land users, customary leaders, village representatives, or affected households.
6. Review past issues	Check grievances, complaints, disputes, enforcement actions, customer findings, NGO concerns, or supplier audit findings.
7. Assess risk	Determine whether the company or supplier may affect land, resources, culture, livelihoods, water, environment, or access.
8. Define actions	Set engagement, due diligence, supplier screening, grievance, or mitigation actions.
9. Record evidence	Maintain maps, records, engagement notes, supplier declarations, grievance logs, and management review minutes.

Step	Practical Action
10. Review annually	Update the screening when sites, suppliers, sourcing areas, land use, or customer requirements change.

Indigenous Peoples and local rights register

Where the topic is relevant, companies should maintain an **Indigenous Peoples and Local Rights Register**.

Field	Description
Location or supplier area	Site, sourcing area, supplier location, expansion area, or affected community area.
Indigenous or local group identified	Community, village, smallholder group, customary land user, or rights-holder group.
Type of right or interest	Land, access, water, forest resource, cultural site, livelihood, community wellbeing, or customary practice.
Potential impact	Land disturbance, sourcing risk, pollution, access restriction, cultural impact, livelihood impact, or grievance.
Source of information	Site map, land record, supplier declaration, local authority, community engagement, grievance, audit, or customer request.
Risk level	Low, medium, high, or critical.
Existing controls	Land legality checks, supplier due diligence, environmental controls, grievance mechanism, engagement process.
Action required	Engagement, FPIC-related review, supplier evidence, corrective action, monitoring, or remedy.
Responsible person	ESG Team, Procurement, EHS, Legal, Management, Site Manager, or Supplier Owner.
Evidence	Maps, minutes, declarations, approvals, correspondence, grievance records, corrective actions.
Status	Open, in progress, completed, under monitoring, or escalated.

26.2 Free, Prior, and Informed Consent Considerations

Free, Prior, and Informed Consent, or **FPIC**, is an important principle when activities may affect Indigenous Peoples' lands, territories, resources, livelihoods, culture, or rights. The UN Declaration on the Rights of Indigenous Peoples requires consultation and cooperation in good faith with Indigenous Peoples in order to obtain FPIC in matters affecting them, including projects affecting their lands, territories, and resources. ([UN Human Rights Office](#))

For companies, FPIC should be understood as a **rights-based engagement and decision-making process**, not merely a signature, meeting, attendance list, or one-way briefing.

Companies should not claim that FPIC has been obtained unless the process was appropriate, documented, culturally respectful, and based on meaningful participation by the affected Indigenous Peoples.

Meaning of FPIC

Element	Practical Meaning
Free	Consent is given voluntarily, without coercion, intimidation, manipulation, pressure, threats, bribery, retaliation, or unequal bargaining tactics.
Prior	Engagement occurs before decisions are finalised, before land is acquired or disturbed, and before activities that may affect rights begin.
Informed	Communities receive accurate, complete, understandable, and timely information about the proposed activity, risks, benefits, alternatives, and impacts.
Consent	The affected Indigenous Peoples are able to give, withhold, or condition agreement through their own representative and decision-making processes.

When FPIC-related consideration may be required

For rubber processors and manufacturers, FPIC-related consideration may be relevant where the company or its suppliers are involved in:

- a. land acquisition, leasing, expansion, or construction near Indigenous communities or customary land;
- b. natural rubber sourcing from areas connected to Indigenous Peoples' land, territories, or smallholder systems;
- c. supplier plantation development, land conversion, or land use change;
- d. sourcing from areas with known land disputes, native customary rights claims, or community complaints;
- e. activities that may affect access to rivers, forests, roads, farms, burial grounds, shrines, or cultural sites;
- f. wastewater discharge, waste handling, spills, traffic, odour, noise, or pollution affecting Indigenous communities;
- g. conservation, restoration, biodiversity, carbon, or offset projects involving Indigenous lands or resources;
- h. use of Indigenous knowledge, names, cultural symbols, or community heritage in business activities; or
- i. customer or certification requirements that specifically request FPIC evidence.

FPIC-related process for companies

A practical FPIC-related process should include:

Step	Practical Action
1. Screen for relevance	Determine whether Indigenous Peoples, customary land, cultural sites, or local rights may be affected.
2. Identify legitimate representatives	Understand the community's own leadership, customary decision-making, and representation structures.
3. Provide information	Share information on the proposed activity, expected benefits, risks, impacts, alternatives, timelines, and grievance channels.
4. Use accessible communication	Provide information in a language, format, and setting that the affected community can understand.
5. Allow sufficient time	Respect community decision-making timelines and avoid rushing consent.
6. Avoid pressure	Ensure engagement is free from coercion, threats, manipulation, retaliation, or improper inducement.
7. Document questions and concerns	Record issues raised and how the company responds.
8. Respect decisions	Respect consent, conditions, requests for changes, or refusal where applicable.
9. Formalise outcomes	Document agreements, conditions, responsibilities, benefit-sharing, monitoring, and grievance arrangements.
10. Monitor implementation	Check whether agreed actions are implemented and whether impacts are occurring.
11. Maintain grievance access	Provide culturally appropriate complaint and remedy channels.
12. Review and update	Re-engage if the activity changes, impacts increase, or new information emerges.

FPIC documentation

FPIC-related documentation may include:

- a. Indigenous Peoples screening record;
- b. stakeholder and rights-holder map;
- c. land and sourcing area maps;
- d. community engagement plan;
- e. information materials provided to communities;
- f. meeting notices and attendance records;
- g. minutes of meetings and consultation sessions;
- h. records of questions, objections, concerns, and responses;
- i. evidence of community decision-making process where appropriate;
- j. signed agreements or memoranda of understanding where applicable;
- k. records of consent, conditions, or non-consent;

- l. benefit-sharing or mitigation commitments;
- m. grievance records;
- n. monitoring reports;
- o. corrective action records; and
- p. management approval and review records.

Important cautions

Companies should avoid the following practices:

- a. treating a single meeting as consent;
- b. consulting only government or landowners without engaging affected Indigenous communities;
- c. relying on supplier declarations where there are known community disputes;
- d. assuming consent because there were no objections;
- e. engaging only selected individuals who do not represent the affected community;
- f. providing information that is incomplete, technical, or not understandable;
- g. pressuring communities through deadlines, financial incentives, threats, or fear of lost benefits;
- h. starting work before engagement is completed;
- i. treating compensation as a substitute for consent; and
- j. failing to monitor whether agreed conditions are implemented.

26.3 Cultural and Land-Related Sensitivities

Cultural and land-related sensitivities are central to this topic because Indigenous Peoples may have deep relationships with land, forests, rivers, burial grounds, sacred places, customary routes, community boundaries, and natural resources. These relationships may not always be fully captured in formal land title documents.

This is particularly important in Malaysia because legal recognition and documentation of Indigenous land and customary rights can differ across Peninsular Malaysia, Sabah, and Sarawak. For example, the Aboriginal Peoples Act 1954 applies to Peninsular Malaysia, while Sabah's Land Ordinance includes categories such as customary tenure, fruit trees, burial grounds or shrines, and rights of way within its native customary rights framework. ([JKPTG](#)) Sarawak's Land and Survey Department also identifies burial grounds, shrines, cultivation, planted fruit trees, and rights of way among the methods by which native customary rights may be created under the Sarawak Land Code. ([Land and Survey Department Sarawak](#))

Cultural sensitivities to consider

Companies should identify whether their operations, suppliers, or sourcing areas may affect:

- a. burial grounds or ancestral graves;
- b. shrines, sacred sites, ritual sites, or spiritual places;
- c. traditional meeting places;
- d. customary routes, access roads, footpaths, or rights of way;
- e. rivers, streams, water sources, fishing areas, or bathing areas;
- f. forests, hunting areas, gathering areas, medicinal plant areas, or food sources;
- g. smallholder rubber farms or customary agricultural land;
- h. community boundaries, village lands, or shared resources;
- i. cultural heritage, language, identity, traditional knowledge, or community symbols;
- j. community ceremonies, festivals, or customary practices;
- k. relocation, displacement, or loss of access; and
- l. community trust, representation, and grievance channels.

Land-related due diligence

Before acquiring, leasing, expanding, developing, or sourcing from land that may involve Indigenous rights, companies should conduct land-related due diligence.

Due Diligence Area	Practical Questions
Land title and tenure	Who legally owns, leases, occupies, uses, or claims the land?
Customary rights	Are there known or potential customary land rights, native customary rights, aboriginal areas, aboriginal reserves, or community claims?
Current land use	Is the land used for housing, farming, rubber smallholdings, forest access, water access, cultural practices, or livelihood activities?
Cultural sites	Are there burial grounds, shrines, sacred sites, or culturally significant locations?
Community access	Does the activity affect roads, footpaths, rivers, forests, water sources, or access routes?
Disputes	Are there existing or past land disputes, grievances, court cases, complaints, NGO concerns, or media attention?
Supplier legality	Can the supplier demonstrate lawful and responsible land use?
Environmental impact	Could pollution, erosion, water discharge, waste, chemicals, or deforestation affect Indigenous communities or resources?
Engagement	Have affected communities been meaningfully engaged before decisions are finalised?
Remedy	Is there a mechanism to address complaints, harm, access restrictions, or unresolved concerns?

Supplier and sourcing sensitivities

For natural rubber supply chains, Indigenous Peoples' rights may arise indirectly. Companies should include cultural and land-related questions in supplier due diligence where sourcing areas may involve Indigenous communities or customary land.

Supplier screening should ask whether the supplier:

- a. sources from areas involving Indigenous Peoples, native customary land, aboriginal areas, aboriginal reserves, or community land;
- b. has land titles, permits, licences, or legal rights to cultivate, process, trade, or supply rubber;
- c. has unresolved land disputes, boundary disputes, community complaints, or access disputes;
- d. has conducted community engagement or FPIC-related processes where required;
- e. sources from protected areas, buffer zones, peatlands, forest areas, or land conversion areas;
- f. maintains traceability to estate, dealer, collection centre, smallholder group, or sourcing area;
- g. respects burial grounds, shrines, customary routes, and cultural sites;
- h. has grievance channels available to affected communities or smallholders; and
- i. has corrective action plans for land or community-related findings.

Cultural sensitivity in engagement

Engagement with Indigenous Peoples should be respectful, patient, and appropriate to the local context. Companies should consider:

- a. local language and translation needs;
- b. customary leadership and decision-making structures;
- c. the role of elders, women, youth, and affected households;
- d. meeting location and timing;
- e. cultural protocols;
- f. community preference for oral or written communication;
- g. confidentiality of cultural information;
- h. avoidance of technical language without explanation;
- i. sufficient time for internal community discussion;
- j. non-retaliation for raising objections or concerns; and
- k. transparent documentation of outcomes.

Grievance and remedy

Companies should ensure that Indigenous Peoples and affected local communities can raise concerns safely and effectively. The grievance mechanism should be accessible to communities, suppliers, smallholders, workers, contractors, and local representatives.

Potential grievances may relate to:

- a. land encroachment;
- b. loss of access to land or resources;
- c. water pollution or reduced water access;
- d. traffic, noise, dust, odour, flooding, or drainage;
- e. damage to cultural sites;
- f. supplier land use practices;
- g. lack of consultation;
- h. broken commitments;
- i. unfair compensation;
- j. retaliation or intimidation;
- k. environmental incidents; or
- l. unresolved community complaints.

Remedy should be appropriate to the issue and may include corrective action, restoration of access, pollution control, repair, compensation where appropriate, supplier corrective action, apology, revised operating practices, further consultation, or suspension of activities that may cause harm.

26.4 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Rights of Indigenous Peoples topic. Companies should apply them based on materiality, site location, sourcing areas, supplier exposure, land use, community context, customer requirements, and data availability.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. Policy commitment	Company has a commitment to respect the rights, lands, culture, livelihoods, and wellbeing of Indigenous Peoples.	Human Rights Policy, ESG Policy, Responsible Sourcing Policy, Supplier Code of Conduct, management approval.	Management / ESG Team
2. Applicability screening	Company screens whether its sites, suppliers, sourcing areas, or expansion plans may affect Indigenous Peoples or customary rights.	Indigenous Peoples screening checklist, site map, supplier map, sourcing area map, risk assessment.	ESG Team / Procurement / EHS
3. Rights-holder identification	Indigenous Peoples, local communities, customary land users, smallholders, or affected groups are identified where relevant.	Stakeholder map, rights-holder register, community records, supplier information, engagement records.	ESG Team / Procurement
4. Land and customary rights due diligence	Company checks land legality, customary rights, aboriginal areas, aboriginal reserves, native customary rights, or land claims where relevant.	Land title, lease, permit, supplier declaration, local authority correspondence, legal review, land due diligence file.	Legal / Management / Procurement
5. Cultural site identification	Burial grounds, shrines, sacred sites, customary routes, water sources, or culturally significant areas are identified where relevant.	Community engagement records, maps, site visit records, supplier declarations, cultural sensitivity register.	ESG Team / EHS / Procurement
6. FPIC relevance assessment	Company assesses whether FPIC-related consideration is required for land, sourcing, supplier, expansion, conservation, or environmental matters.	FPIC screening form, legal review, customer requirement review, stakeholder engagement plan.	ESG Team / Legal / Management
7. FPIC-related engagement process	Where relevant, engagement is free, prior, informed, culturally appropriate, and documented.	Engagement plan, meeting minutes, information materials, attendance records, decision records, community correspondence.	ESG Team / Management
8. Community representation	Company identifies and respects legitimate community representatives and customary decision-making processes.	Stakeholder map, community confirmation, meeting records, correspondence, engagement notes.	ESG Team

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
9. Information disclosure to affected communities	Company provides understandable information about proposed activities, impacts, risks, benefits, timelines, and grievance channels.	Briefing materials, translated documents, presentation slides, notices, meeting records.	ESG Team / EHS / Management
10. Supplier Indigenous rights screening	Suppliers are screened for Indigenous Peoples' rights, customary land, land disputes, FPIC, and cultural site risks where relevant.	Supplier questionnaire, supplier declaration, supplier risk matrix, audit report, sourcing area map.	Procurement / ESG Team
11. Natural rubber sourcing traceability	Natural rubber sourcing information supports assessment of land and Indigenous rights risks where relevant.	Supplier list, purchase records, dealer or collection centre records, sourcing area maps, geolocation where required.	Procurement / Supply Chain
12. Land dispute monitoring	Land-related complaints, disputes, encroachment issues, or access concerns are recorded and addressed.	Land dispute register, grievance records, legal correspondence, community meeting minutes, corrective action tracker.	Legal / ESG Team / Management
13. Cultural and livelihood impact controls	Company avoids or mitigates impacts on cultural sites, customary access, livelihoods, water sources, and community resources.	Environmental and social impact assessment, mitigation plan, community agreement, monitoring records.	ESG Team / EHS / Management
14. Environmental impact controls affecting Indigenous communities	Pollution, discharge, spills, waste, traffic, drainage, and other environmental impacts are managed where they may affect Indigenous Peoples.	Effluent records, waste records, incident reports, complaint logs, site inspections, corrective actions.	EHS / ESG Team
15. Grievance mechanism access	Indigenous Peoples and affected communities have accessible, non-retaliatory channels to raise concerns.	Grievance procedure, community complaint channel, grievance register, posters, engagement records.	ESG Team / Compliance
16. Remedy and corrective action	Harm, complaints, or breaches of commitments are investigated and remediated where required.	Remediation records, corrective action plans, supplier corrective actions, closure evidence, management approval.	ESG Team / Management / Procurement
17. Confidentiality and cultural information protection	Sensitive cultural, land, community, and geolocation information is protected.	Confidentiality procedure, access control, data handling records, anonymised reporting.	ESG Team / Compliance

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
18. Training and awareness	Relevant employees and suppliers are trained on Indigenous Peoples' rights, cultural sensitivity, land rights, and grievance handling where material.	Training materials, attendance records, supplier briefing records, induction records.	HR / ESG Team / Procurement
19. Monitoring and management review	Indigenous Peoples' rights risks, supplier issues, grievances, and corrective actions are reviewed periodically.	KPI dashboard, ESG Committee minutes, risk register, management review records.	ESG Team / Management
20. Reporting and disclosure	Company discloses scope, relevance, risks, actions, limitations, and improvement plans where the topic is material.	ESG report, customer questionnaire, evidence register, omission explanation, management approval.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Percentage of operational sites screened for Indigenous Peoples' rights relevance	$\text{Sites screened} \div \text{total operational sites}$.
Number of sites or sourcing areas located near Indigenous communities or customary land	Count of identified locations.
Percentage of relevant sourcing areas screened for customary land or Indigenous rights risk	$\text{Sourcing areas screened} \div \text{total relevant sourcing areas}$.
Percentage of natural rubber suppliers screened for Indigenous rights and land-related risks	$\text{Suppliers screened} \div \text{total natural rubber suppliers in scope}$.
Number of supplier findings related to land rights, community rights, or Indigenous Peoples' rights	Count of findings from supplier screening or audits.
Percentage of high-risk supplier findings with corrective action plans	$\text{Findings with corrective action plans} \div \text{total high-risk findings}$.
Number of FPIC-related assessments conducted	Count of assessments during the reporting period.
Number of Indigenous or local community engagement sessions conducted	Count of meetings, consultations, briefings, or engagement sessions.
Number of grievances relating to Indigenous Peoples, land, access, culture, or customary rights	Count of grievances received.
Percentage of Indigenous rights or land-related grievances closed within target timeline	$\text{Grievances closed on time} \div \text{total due for closure}$.

KPI	Measurement Approach
Number of cultural or land-related incidents identified	Count of incidents affecting cultural sites, access, resources, or customary areas.
Percentage of corrective actions closed on time	Corrective actions closed by due date ÷ total corrective actions due.
Number of employees trained on Indigenous Peoples' rights or cultural sensitivity	Count of trained employees.
Number of priority suppliers briefed on Indigenous rights and FPIC-related expectations	Count of suppliers briefed.

Reporting guidance

Where Rights of Indigenous Peoples is material, the company should disclose:

- why the topic is material to the company;
- whether relevance arises through own operations, sourcing areas, suppliers, land use, expansion plans, or community impacts;
- how the company identifies Indigenous Peoples, customary rights, local rights, and cultural sensitivities;
- whether FPIC-related assessment or engagement was required;
- how Indigenous Peoples or affected communities were engaged;
- how cultural sites, land-related sensitivities, access rights, and livelihoods were considered;
- how natural rubber suppliers or other relevant suppliers were screened;
- whether any grievances, disputes, findings, or corrective actions occurred;
- what remedy or mitigation was provided where harm occurred;
- what data gaps, confidentiality limitations, or scope exclusions exist; and
- planned improvement actions for the next reporting period.

Example disclosure wording

Rights of Indigenous Peoples

Rights of Indigenous Peoples is relevant to the company because our natural rubber sourcing may be linked to upstream land use, customary land, and community-related risks. The company does not own or operate plantations and did not undertake land expansion during the reporting period. However, we recognise the need to assess Indigenous Peoples' rights where sourcing areas, suppliers, or environmental impacts may affect Indigenous or local communities.

During the reporting period, the company reviewed supplier information, sourcing areas, and grievance records to identify possible Indigenous rights and land-related risks. No Indigenous Peoples-related grievance was recorded for company-operated sites. Supplier-level information remains incomplete for some upstream sourcing areas, and the company will progressively include Indigenous rights, land rights, and FPIC-related questions in supplier screening for priority natural rubber suppliers.

Omission and non-applicability guidance

This topic may be classified as not directly applicable only where the company has conducted reasonable screening and found no relevant connection through own operations, land use, sourcing, suppliers, or community impacts. The reason should be documented and reviewed annually.

Situation	Example Explanation
Existing industrial site with no nearby Indigenous community	“The company operates from an existing industrial site, and no Indigenous Peoples or customary land-related risks were identified through site-level screening. The topic will continue to be reviewed annually and reassessed if the company expands, relocates, or receives related grievances.”
No natural rubber sourcing	“Supplier-related Indigenous Peoples’ rights risks are currently limited because the company does not source natural rubber or other land-linked materials. This will be reviewed if sourcing changes.”
Topic applies only through suppliers	“The company does not conduct plantation or land development activities. Indigenous Peoples’ rights are considered through supplier screening, natural rubber sourcing due diligence, and grievance monitoring.”
FPIC not triggered	“No activity requiring FPIC-related assessment was identified during the reporting period because there was no land acquisition, expansion, relocation, resource access restriction, or identified impact on Indigenous Peoples’ lands or resources.”
Supplier data incomplete	“Supplier-level information on customary land and Indigenous rights risks is incomplete for some sourcing areas. The company will prioritise high-volume and customer-facing suppliers for further screening.”
Confidential cultural or land information	“Sensitive cultural, community, land, and geolocation information is maintained internally and disclosed only where appropriate to authorised parties due to confidentiality and community protection considerations.”
Grievance details confidential	“Detailed grievance case information is confidential. The company reports grievance categories and closure status in aggregated or anonymised form.”

Minimum Implementation Outputs for Section 26

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

Output	Purpose
Indigenous Peoples' rights policy clause	Confirms the company's commitment to respect Indigenous Peoples' rights, culture, land, and livelihoods.
Indigenous Peoples applicability screening checklist	Determines whether the topic applies to sites, sourcing areas, suppliers, land use, expansion, or community impacts.
Stakeholder and rights-holder map	Identifies Indigenous Peoples, local communities, smallholders, customary land users, and affected groups.
Land and customary rights due diligence file	Maintains land title, lease, supplier land legality, customary rights, or local rights evidence where relevant.
Cultural sensitivity register	Records cultural sites, burial grounds, shrines, customary access routes, water sources, or sensitive areas where relevant.
FPIC relevance assessment	Determines whether FPIC-related consideration is required for specific activities or sourcing areas.
FPIC-related engagement records	Documents engagement plans, information shared, meetings, concerns, decisions, conditions, and outcomes where relevant.
Supplier Indigenous rights screening form	Assesses supplier risks relating to customary land, Indigenous communities, land disputes, FPIC, and cultural sensitivities.
Natural rubber sourcing area register	Supports assessment of land, community, Indigenous rights, and traceability risks.
Land dispute and community grievance register	Tracks land, access, cultural, livelihood, and community-related complaints.
Corrective action and remedy tracker	Records actions taken to address grievances, supplier findings, or harm.
Community engagement log	Documents engagement with Indigenous Peoples, local communities, authorities, and other stakeholders.
Confidential information control procedure	Protects sensitive cultural, land, community, and geolocation information.
Training records	Shows awareness among relevant employees, procurement staff, site managers, and suppliers.
Management review record	Shows review of Indigenous Peoples' rights risks, grievances, supplier findings, and improvement actions.

Used properly, this topic helps rubber processors and manufacturers respect Indigenous Peoples' rights, strengthen responsible sourcing, avoid land and cultural harm, improve supplier due diligence, respond to customer expectations, and provide credible evidence for ESG reporting and verification.

27. Social Topic 8: Local Communities

Local Communities refers to people, households, businesses, institutions, and community groups that may be affected by a company's operations, facilities, products, services, suppliers, contractors, transport activities, environmental impacts, or social practices. For rubber processors and manufacturers, local communities may include neighbouring residents, nearby businesses, schools, places of worship, local authorities, smallholders, suppliers, workers' families, community leaders, Indigenous Peoples where relevant, and other stakeholders located near company sites or sourcing areas.

This topic is important because rubber processing and manufacturing activities may affect surrounding communities through employment, local purchasing, road traffic, noise, odour, wastewater, drainage, waste handling, emissions, chemical storage, emergency incidents, land use, worker accommodation, and supplier or contractor activities. GRI 413 provides a reporting reference for how organisations disclose impacts related to local communities and how they manage those impacts, including local community engagement, impact assessments, and development programmes. ([Global Reporting Initiative](#))

Local community management should not be treated only as corporate social responsibility or charitable activity. Community engagement should help companies identify actual and potential impacts, prevent harm, respond to concerns, strengthen trust, and maintain a constructive relationship with surrounding stakeholders. IFC Performance Standard 1 describes stakeholder engagement as an ongoing process that may include stakeholder analysis and planning, disclosure of information, consultation, grievance mechanisms, and ongoing reporting to affected communities. ([IFC](#))

This topic should be read together with:

Related Topic	Linkage to Local Communities
Human Rights and Social Impact	Community impacts are part of the company's broader human rights and social responsibility.
Rights of Indigenous Peoples	Indigenous Peoples may be local communities with specific rights, cultural sensitivities, and land-related considerations.
Sustainable Land Use and Natural Ecosystem Conservation	Land use, site expansion, access, buffer zones, and land disputes may affect communities.
Water	Effluent, water withdrawal, drainage, flooding, and water quality may affect surrounding communities.
Waste	Waste storage, odour, illegal disposal, pests, scheduled waste, and waste contractor practices may affect communities.
Hazardous Substances	Chemical storage, spills, fumes, emergency events, and transport may create community concerns.
Emissions	Air emissions, dust, odour, fumes, GHG reduction expectations, and complaints may affect community relations.

Related Topic	Linkage to Local Communities
Soil Health and Biodiversity	Contamination, run-off, erosion, ecosystem impacts, and land degradation may affect local resources.
Occupational Health and Safety	Site safety, emergency preparedness, contractor control, traffic, and worker accommodation may have community implications.
Stakeholder Engagement	Community engagement should be included in the company's wider ESG stakeholder engagement process.

Local Communities is especially relevant where a company:

- operates near residential areas, schools, shops, farms, places of worship, community facilities, rivers, drains, roads, or sensitive areas;
- receives complaints relating to odour, noise, dust, traffic, drainage, flooding, water pollution, waste, emissions, or worker accommodation;
- operates high-risk activities involving chemicals, fuel, boilers, wastewater treatment, scheduled waste, heavy vehicles, or emergency response risks;
- plans site expansion, construction, land acquisition, new access roads, drainage changes, or changes in operating hours;
- sources natural rubber from areas involving smallholders, local communities, Indigenous Peoples, land-related sensitivities, or environmental risks;
- uses contractors, transport providers, waste contractors, or suppliers whose activities may affect communities;
- has customer, financing, certification, or ESG reporting requirements relating to community impact, grievance mechanisms, or social licence to operate; or
- wants to strengthen trust, reduce complaints, improve responsiveness, and contribute positively to the surrounding community.

27.1 Community Engagement

Community engagement is the process of communicating with, listening to, consulting, and responding to communities that may be affected by the company. It should be practical, respectful, inclusive, and proportionate to the company's size, operations, location, and risk level.

Community engagement should not be limited to one-way announcements. Effective engagement helps the company understand community concerns before they become disputes. It also helps communities understand company activities, risks, emergency arrangements, complaint channels, and improvement actions.

Principles of community engagement

Community engagement should be guided by the following principles:

Principle	Practical Meaning
Early	Engage communities before major changes, expansions, construction, or activities that may affect them.
Inclusive	Identify and consider affected groups, including vulnerable groups, nearby residents, small businesses, schools, local authorities, and Indigenous Peoples where relevant.
Accessible	Use communication methods, languages, locations, and times that communities can reasonably access.
Two-way	Provide information and listen to concerns, questions, and suggestions.
Transparent	Explain the company's activities, potential impacts, controls, complaint channels, and follow-up actions.
Respectful	Respect local culture, leadership, community norms, and sensitivities.
Non-retaliatory	Communities should be able to raise concerns without threats, intimidation, or disadvantage.
Evidence-based	Maintain records of engagement, concerns raised, decisions, actions, and closure status.
Continuous	Engagement should continue throughout operations, not only during crisis, audit, or expansion.

The UN Guiding Principles on Business and Human Rights recognise that operational-level grievance mechanisms can help identify and address concerns early before they escalate into larger disputes. They also set effectiveness criteria for grievance mechanisms, including legitimacy, accessibility, predictability, equity, transparency, rights compatibility, continuous learning, and dialogue-based engagement. ([UN Human Rights Office](#))

Identifying local community stakeholders

Companies should prepare a **Community Stakeholder Map**. The map should identify who may be affected, how they may be affected, and how the company should engage them.

Community Stakeholder Group	Possible Relevance
Neighbouring residents	May be affected by noise, odour, traffic, dust, drainage, lighting, emergency incidents, or worker accommodation.
Nearby businesses	May be affected by traffic, access, parking, drainage, waste, odour, or emergency incidents.
Schools, clinics, and places of worship	May be sensitive receptors for noise, traffic, emissions, odour, or emergency planning.
Local authorities	Relevant to permits, complaints, drainage, traffic, land use, emergency response, and public health.
Village heads, community leaders, or local committees	Important for community communication and feedback where relevant.

Community Stakeholder Group	Possible Relevance
Indigenous Peoples or customary land users	May have specific rights, cultural interests, land sensitivities, or FPIC-related considerations.
Smallholders and local suppliers	May be affected by purchasing practices, traceability requirements, pricing communication, and supplier engagement.
Workers' families	May be affected by accommodation, transport, welfare, and community relations.
Transport route communities	May be affected by heavy vehicles, road safety, noise, congestion, and dust.
Waste contractor destination communities	May be affected indirectly if waste is not responsibly transported, treated, or disposed of.
Emergency services	Relevant to fire, chemical spill, flood, medical emergency, and site emergency coordination.

Community engagement methods

The engagement method should match the level of risk and the nature of the stakeholder group.

Engagement Method	When to Use
Community meeting	For site expansion, recurring complaints, major operational changes, or high community interest.
Local authority meeting	For drainage, traffic, land use, permits, emergency response, or public complaints.
Community briefing	For explaining operating changes, emergency procedures, complaint channels, or improvement actions.
One-to-one discussion	For affected households, nearby businesses, or sensitive issues.
Written notice or letter	For planned works, road disruptions, noise-generating activities, or temporary changes.
Notice board or public posting	For simple contact information, complaint channels, or emergency contacts.
Site visit or open day	Where appropriate, to build understanding of controls and operations.
Survey or feedback form	To gather structured community feedback.
Hotline, email, or QR code	For ongoing community complaints or feedback.
Supplier or smallholder engagement	For natural rubber sourcing, traceability, responsible sourcing, and community-linked supply chain issues.
Emergency drill coordination	Where local authorities or nearby communities may be affected by emergency scenarios.

Community engagement plan

Companies should prepare a **Community Engagement Plan** where community impacts are material or where the site has significant community interface.

A practical plan should include:

Plan Component	Description
Engagement objective	Why engagement is being conducted.
Stakeholder groups	Communities, authorities, suppliers, smallholders, or affected groups to engage.
Key topics	Issues to discuss, such as traffic, odour, drainage, wastewater, waste, emergency response, employment, or expansion.
Engagement method	Meeting, briefing, survey, notice, grievance channel, or site visit.
Frequency	Monthly, quarterly, annually, project-based, or incident-based.
Responsible person	ESG team, EHS, site manager, HR, procurement, management, or community liaison.
Communication materials	Maps, notices, presentation slides, translated summaries, emergency contacts, complaint forms.
Recordkeeping	Attendance, minutes, issues raised, commitments, actions, and closure evidence.
Follow-up process	How concerns are reviewed, assigned, acted upon, and communicated back.
Management review	How engagement findings are escalated and reviewed.

Community engagement log

Each engagement activity should be recorded in a **Community Engagement Log**.

Field	Description
Date	Date of engagement.
Stakeholder group	Residents, local authority, community leader, supplier group, school, business, etc.
Engagement method	Meeting, call, letter, visit, survey, briefing, or grievance discussion.
Participants	Company representatives and community participants.
Topics discussed	Issues raised and information shared.
Concerns or feedback	Community questions, complaints, suggestions, or expectations.
Company response	Explanation, commitment, investigation, or action proposed.
Responsible person	Person assigned to follow up.
Timeline	Due date for follow-up.
Status	Open, in progress, closed, or under monitoring.
Evidence	Minutes, photos, attendance, notices, letters, action records.

27.2 Community Impact and Benefit

Community impact refers to how the company's operations, products, services, sites, suppliers, contractors, and business decisions affect local communities. Impacts may be negative or positive, direct or indirect, short-term or long-term.

Companies should identify community impacts as part of the ESG risk assessment, materiality assessment, environmental risk assessment, human rights due diligence, supplier due diligence, and management review. GRI 413 specifically addresses reporting on local community impacts and the management of those impacts. ([Global Reporting Initiative](#))

Potential negative community impacts

Rubber processors and manufacturers should assess whether their activities may create the following impacts:

Impact Area	Possible Community Concern
Noise	Production equipment, generators, compressors, loading activities, transport, night operations.
Odour	Rubber processing, wastewater treatment, waste storage, chemical handling, process emissions.
Dust, fumes, and air emissions	Boilers, production processes, transport, waste handling, material movement, fuel combustion.
Wastewater and water quality	Effluent discharge, drainage, leaks, abnormal discharge, water pollution, community water concern.
Drainage and flooding	Blocked drains, stormwater run-off, site expansion, poor drainage, flooding of neighbouring areas.
Waste management	Odour, pests, illegal dumping, waste contractor practices, scheduled waste storage, waste leakage.
Chemical and hazardous substance risk	Chemical storage, spills, fumes, transport, emergency incidents, contaminated run-off.
Traffic and road safety	Heavy vehicles, worker transport, parking, congestion, road damage, school or residential route risks.
Land use and access	Site expansion, boundary disputes, access road changes, encroachment, loss of access, land complaints.
Worker accommodation	Overcrowding, sanitation, community tension, waste, safety, noise, transport, welfare complaints.
Emergency incidents	Fire, spill, explosion risk, smoke, evacuation, emergency response coordination.
Local employment concerns	Perceived unfair hiring, local worker exclusion, contractor behaviour, or supplier treatment.
Security practices	Treatment of visitors, suppliers, workers, local residents, and complaint makers.

Impact Area	Possible Community Concern
Community trust	Lack of response to complaints, poor communication, repeated incidents, or unfulfilled commitments.

Positive community impacts and benefits

Companies may also create positive impacts and benefits. These should be managed responsibly and should not be used to distract from unresolved negative impacts.

Positive Impact Area	Practical Examples
Local employment	Hiring local workers where suitable roles are available.
Local procurement	Purchasing from local suppliers, service providers, transport providers, or maintenance contractors where appropriate.
Skills development	Training programmes, internships, apprenticeships, technical learning, or collaboration with local institutions.
Community safety	Traffic management, emergency coordination, safety awareness, fire drill coordination where relevant.
Environmental improvement	Drain cleaning, pollution prevention, waste reduction, water protection, odour control, tree planting where appropriate.
Supplier development	Helping small suppliers understand ESG, traceability, safety, and documentation expectations.
Community investment	Donations, volunteering, education support, health activities, community facilities, or local events.
Stakeholder trust	Transparent communication, timely complaint response, and follow-through on commitments.

Community benefit programmes should be aligned with actual community needs and company impact areas. For example, if the company's main community concern is drainage or odour, charitable donations alone are not an adequate response. The company should first control the impact, then consider additional community benefit activities.

Community impact assessment

A practical **Community Impact Assessment** should include:

Step	Action
1. Define scope	Identify sites, operations, suppliers, contractors, transport routes, accommodation, and planned changes included in the assessment.
2. Identify communities	Map residents, businesses, institutions, local authorities, Indigenous Peoples where relevant, and other affected groups.
3. Identify impact pathways	Determine how company activities may affect communities through air, water, waste, traffic, noise, odour, land, labour, or emergency risks.
4. Review evidence	Use complaints, monitoring data, incident reports, engagement records, permits, audit findings, and site inspections.

Step	Action
5. Assess significance	Consider severity, likelihood, duration, number of people affected, vulnerability, legal exposure, and stakeholder concern.
6. Define controls	Identify prevention, mitigation, monitoring, engagement, communication, or remedy measures.
7. Assign responsibility	Assign owners from EHS, ESG, HR, Procurement, Facilities, Logistics, or Management.
8. Track actions	Include actions in the corrective action tracker or ESG action plan.
9. Communicate outcomes	Provide appropriate feedback to affected communities or stakeholders.
10. Review annually	Update the assessment when operations, complaints, suppliers, or community context changes.

Community impact register

Companies should maintain a **Community Impact Register** where this topic is material.

Field	Description
Impact area	Noise, odour, traffic, drainage, wastewater, waste, employment, land, emergency, accommodation, etc.
Source	Process, department, site, supplier, contractor, transport route, accommodation, or planned project.
Affected community	Residents, businesses, school, local authority, community group, smallholders, Indigenous Peoples, etc.
Impact description	Description of actual or potential impact.
Existing controls	Monitoring, SOPs, permits, treatment systems, traffic controls, engagement, complaint channels.
Risk rating	Low, medium, high, or critical.
Action required	Prevention, mitigation, monitoring, communication, remedy, supplier action, or project change.
Responsible person	EHS, ESG, HR, Procurement, Facilities, Logistics, Management.
Timeline	Due date or review frequency.
Evidence	Monitoring reports, minutes, complaint records, photos, inspection records, corrective actions.
Status	Open, in progress, closed, or under monitoring.

Community benefit planning

Where the company implements community benefit activities, these should be planned, documented, and reviewed. Community investment should be transparent and should avoid conflicts of interest, political misuse, bribery, or expectations that complaints will be withdrawn.

A community benefit plan may include:

- a. objective of the programme;
- b. community need or issue addressed;
- c. stakeholder group benefited;
- d. budget or resources allocated;
- e. responsible department;
- f. timeline;
- g. approval process;
- h. evidence of implementation;
- i. outcome or feedback; and
- j. anti-corruption and conflict-of-interest review where relevant.

27.3 Complaint and Feedback Channels

Complaint and feedback channels allow communities to raise concerns, questions, suggestions, or grievances about the company's environmental and social performance. These channels should be accessible, confidential where needed, predictable, fair, and non-retaliatory.

IFC Performance Standard 1 states that a grievance mechanism for affected communities should seek to resolve concerns promptly through an understandable, transparent, culturally appropriate, and readily accessible process, at no cost and without retribution. It should also not prevent access to judicial or administrative remedies. ([World Bank](#))

Companies should establish community complaint channels where local community impacts are material, where the company has a close community interface, or where there have been repeated complaints or concerns.

Types of community complaint channels

Channel	Practical Use
Dedicated phone number	Allows residents or local stakeholders to report urgent issues.
Email address	Allows written complaints, photos, documents, or follow-up communication.
Online form or QR code	Supports structured complaint submission and tracking.
Site guardhouse or reception log	Useful for walk-in complaints, contractor issues, or nearby stakeholders.
Community liaison person	Provides a named contact for community leaders, residents, or local authorities.
Local authority communication	Supports escalation and coordination for formal complaints.
Scheduled community meetings	Allows discussion of recurring concerns and follow-up actions.
Supplier or smallholder channel	Allows upstream community-linked suppliers to raise sourcing, traceability, payment, or impact concerns.
Emergency contact	Used for fire, spill, flood, chemical incident, or immediate safety concern.

Companies should communicate complaint channels through appropriate means, such as notices at the site entrance, letters to community representatives, engagement meetings, website, supplier communication, local authority contact, or community briefing materials.

Community complaint handling process

A practical process should include:

Step	Action
1. Receive	Record complaint or feedback through any approved channel.
2. Acknowledge	Confirm receipt where the complainant is identifiable.
3. Classify	Categorise by topic, severity, urgency, affected group, and confidentiality need.
4. Investigate	Review site conditions, monitoring data, operational records, photos, CCTV where appropriate, and stakeholder information.
5. Identify root cause	Determine whether the issue relates to company operations, contractor activity, supplier activity, weather, third party, or other cause.
6. Define action	Implement corrective action, mitigation, communication, monitoring, or remedy.
7. Communicate response	Inform the complainant or community of outcome where appropriate.
8. Close	Record closure, evidence, and confirmation where possible.
9. Monitor recurrence	Check whether the issue repeats.
10. Review trends	Report recurring complaints to management for systemic improvement.

Complaint severity classification

Severity Level	Examples	Required Response
Low	General query, minor inconvenience, request for information, one-off minor concern.	Record and respond through normal process.
Medium	Repeated noise, odour, traffic, drainage, waste, or access concern affecting a limited group.	Investigate, assign corrective action, monitor recurrence.
High	Significant pollution concern, repeated complaints, community tension, unresolved land/access issue, local authority attention.	Escalate to management, investigate promptly, communicate response, track corrective action.
Critical	Fire, chemical spill, serious injury risk to community, major pollution incident, major flood impact, serious land conflict, regulatory escalation.	Immediate emergency response, senior management escalation, authority notification where required, urgent remedy and monitoring.

Community complaint register

Companies should maintain a **Community Complaint and Feedback Register**.

Field	Description
Case number	Unique reference number.
Date received	Date the complaint or feedback was received.
Complainant type	Resident, business, authority, school, supplier, smallholder, anonymous, etc.
Contact details	Recorded where voluntarily provided and handled confidentially.
Channel	Phone, email, walk-in, local authority, meeting, online form, etc.
Topic	Noise, odour, drainage, wastewater, waste, traffic, land, accommodation, emergency, supplier, etc.
Location	Affected area, site boundary, road, drain, community area, supplier area.
Severity	Low, medium, high, critical.
Investigation summary	Factual summary of findings.
Action taken	Corrective action, monitoring, engagement, repair, communication, supplier action, or remedy.
Responsible person	Person or department assigned.
Due date	Target completion date.
Closure date	Date case was closed.
Status	Open, in progress, closed, under monitoring, or escalated.
Evidence	Photos, monitoring data, inspection records, meeting minutes, corrective action closure.

Relationship with external complaint channels

Internal community complaint channels should not prevent any person from using external channels, local authorities, or legal remedies. For environmental pollution complaints in Malaysia, the Department of Environment indicates that it handles environmental pollution complaints under the Environmental Quality Act 1974 and related regulations, and also provides public complaint contact channels. ([DOE Spab](#))

Companies should treat external complaints, regulator referrals, or local authority complaints seriously. These should be recorded in the same complaint register, investigated, and escalated to management.

Remedy and corrective action

Where the company causes or contributes to community harm, it should provide or support appropriate remedy. Remedy may include:

- a. stopping or reducing the source of impact;
- b. repairing damage;
- c. cleaning affected areas;
- d. improving drainage, odour, waste, traffic, or noise controls;
- e. providing information or explanation;
- f. apologising where appropriate;
- g. compensating where justified and approved;
- h. improving procedures, monitoring, or equipment;
- i. strengthening contractor or supplier controls;
- j. revising operating hours or transport routes where feasible;
- k. reporting to authorities where required; and
- l. monitoring to ensure the issue does not recur.

Corrective actions should be tracked and reviewed during management meetings.

27.4 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Local Communities topic. Companies should apply them based on materiality, site location, operational risk, community interface, supplier exposure, customer requirements, and data availability.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. Community engagement commitment	Company has a commitment to engage local communities respectfully and respond to concerns.	ESG Policy, Human Rights Policy, Community Engagement Policy, management approval.	Management / ESG Team
2. Community stakeholder mapping	Company identifies communities, institutions, authorities, businesses, and groups that may be affected.	Community stakeholder map, site map, stakeholder register, local authority records.	ESG Team / EHS / Management
3. Community impact screening	Company screens operations, sites, suppliers, contractors, and transport routes for community impacts.	Community impact assessment, environmental risk assessment, site inspection, supplier risk assessment.	ESG Team / EHS / Procurement
4. Community engagement plan	Engagement objectives, stakeholders, methods, frequency, topics, owners, and follow-up process are defined.	Engagement plan, engagement calendar, communication materials, management approval.	ESG Team / Management
5. Engagement implementation	Community engagement activities are conducted where relevant.	Meeting minutes, attendance records, letters, notices, photos, survey results, briefing records.	ESG Team / Site Management
6. Local authority engagement	Company engages relevant authorities on permits, complaints, drainage, traffic, emergency response, or community matters where required.	Correspondence, meeting records, inspection records, authority submissions.	EHS / Management / Compliance
7. Community impact register	Actual and potential impacts are documented, risk-rated, assigned, and monitored.	Community impact register, risk register, action plan, management review minutes.	ESG Team / EHS
8. Noise, odour, dust, and air-related community controls	Community concerns relating to noise, odour, dust, smoke, fumes, or air emissions are assessed and controlled.	Monitoring records, complaint records, maintenance records, inspection reports, corrective actions.	EHS / Production / Maintenance
9. Water, drainage, and effluent community controls	Community concerns relating to water quality, discharge, drainage, flooding, or wastewater are managed.	Effluent reports, drain inspection, water records, complaint records, corrective action tracker.	EHS / Facilities

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
10. Waste and hazardous substance community controls	Waste, scheduled waste, chemical storage, spills, and contractor disposal practices are controlled to prevent community impact.	Waste records, scheduled waste evidence, chemical storage inspections, spill reports, vendor records.	EHS / Warehouse / Procurement
11. Traffic and road safety controls	Heavy vehicle movement, parking, loading, transport routes, and road safety impacts are managed where relevant.	Traffic plan, delivery schedules, transport contractor records, complaint log, incident records.	Logistics / Facilities / EHS
12. Worker accommodation community controls	Worker accommodation impacts on nearby communities are monitored where accommodation is provided or arranged.	Accommodation inspection records, community complaints, maintenance records, worker welfare records.	HR / Facilities
13. Community benefit activities	Community benefit programmes are planned, approved, implemented, and reviewed.	Community benefit plan, budget approval, donation or activity records, feedback records, anti-corruption review.	ESG Team / Management / Finance
14. Local employment and procurement	Company considers local employment or local procurement opportunities where practical and appropriate.	Recruitment records, local supplier list, procurement records, supplier development activities.	HR / Procurement
15. Community complaint channel	Company provides accessible channels for community complaints and feedback.	Complaint procedure, contact notice, website information, community briefing, complaint forms.	ESG Team / Management
16. Complaint handling and closure	Community complaints are recorded, investigated, corrected, communicated, and closed.	Community complaint register, investigation records, corrective actions, closure evidence.	ESG Team / EHS / Management
17. Emergency communication with communities	Emergency scenarios that may affect communities are considered and communicated where relevant.	Emergency response plan, drill records, local authority correspondence, community notices.	EHS / Emergency Team
18. Supplier community impact screening	Suppliers are screened for community, land, water, Indigenous Peoples, or local impact risks where relevant.	Supplier questionnaire, supplier declaration, sourcing area map, audit records, corrective action plan.	Procurement / ESG Team
19. Non-retaliation and respectful treatment	Communities, suppliers, smallholders, and complainants can raise	Grievance policy, complaint records, investigation records, Code	ESG Team / Management

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	concerns without intimidation or retaliation.	of Conduct, training records.	
20. Monitoring and management review	Community impacts, complaints, engagement findings, and corrective actions are reviewed periodically.	KPI dashboard, ESG Committee minutes, management review records, corrective action tracker.	ESG Team / Management
21. Reporting and disclosure	Company discloses community engagement, impacts, benefits, complaints, limitations, and improvement actions where material.	ESG report, customer questionnaire, KPI tracker, evidence register, omission explanation, management approval.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Percentage of operational sites screened for community impact	Sites screened ÷ total operational sites.
Number of community stakeholder groups identified	Count of community groups, authorities, institutions, or affected stakeholders mapped.
Number of community engagement activities conducted	Count of meetings, briefings, surveys, notices, or community discussions.
Percentage of planned engagement activities completed	Completed engagement activities ÷ planned activities.
Number of community complaints received	Count of complaints during the reporting period.
Community complaints by topic	Count by noise, odour, drainage, water, waste, traffic, land, accommodation, supplier, or other category.
Percentage of community complaints acknowledged within target timeline	Complaints acknowledged on time ÷ total complaints requiring acknowledgement.
Percentage of community complaints closed within target timeline	Complaints closed on time ÷ total complaints due for closure.
Number of repeated complaints on the same issue	Count of repeat complaints by topic or location.
Number of community-related corrective actions opened	Count of corrective actions from complaints, audits, incidents, or engagement.
Percentage of community corrective actions closed on time	Corrective actions closed by due date ÷ total due.
Number of environmental incidents with community impact	Count of spills, emissions, odour, discharge, waste, or emergency incidents affecting communities.

KPI	Measurement Approach
Number of local authority complaints or referrals received	Count of formal complaints or referrals from authorities.
Number of community benefit activities implemented	Count of approved and completed activities.
Community benefit expenditure, where reported	Total amount spent, reported transparently and with approval.
Number of local suppliers engaged, where relevant	Count of local suppliers or service providers.
Percentage of priority suppliers screened for community impact risk	Priority suppliers screened ÷ total priority suppliers.
Number of employees trained on community engagement or complaint handling	Count of trained employees.

Reporting guidance

Where Local Communities is material, the company should disclose:

- a. why local communities are material to the company;
- b. which sites, operations, sourcing areas, or activities are included in the reporting boundary;
- c. how local community stakeholders were identified;
- d. how community engagement was conducted;
- e. key community concerns raised during the reporting period;
- f. community impact areas assessed, such as noise, odour, traffic, water, waste, drainage, emissions, land, or emergency risk;
- g. actions taken to prevent, mitigate, or remedy negative impacts;
- h. community benefit activities, if any, and how they were selected;
- i. complaint channels available to communities;
- j. number and type of complaints received, reported in aggregated form where appropriate;
- k. corrective actions and closure status;
- l. supplier or sourcing-related community risks where relevant;
- m. data gaps, confidentiality limitations, or scope exclusions; and
- n. improvement actions planned for the next reporting period.

Example disclosure wording

Local Communities

Local Communities is material to the company because our manufacturing site operates near neighbouring businesses and community areas, and our activities may affect stakeholders through traffic, drainage, odour, noise, waste handling, and emergency risks. The company is committed to engaging communities respectfully, maintaining accessible complaint channels, and addressing concerns in a timely manner.

During the reporting period, the company maintained a community stakeholder map, reviewed community impact risks, and recorded community feedback through the complaint register. Community-related controls included drain inspections, waste storage inspections, traffic coordination, odour monitoring, and corrective action tracking.

The company will continue strengthening community engagement, improving complaint closure tracking, reviewing recurring concerns, and integrating community feedback into the ESG action plan.

Omission and non-applicability guidance

Local Communities should be assessed for every operational site. However, the level of reporting may vary depending on location, site activities, complaints, and community interface.

Situation	Example Explanation
Site in established industrial zone with low community interface	"The company operates in an established industrial zone with limited direct residential interface. Community impact risk was assessed as low, but the company maintains complaint channels and reviews environmental incidents annually."
No community complaints received	"No community complaints were received during the reporting period. The company will continue communicating complaint channels and monitoring community-related risks."
Community engagement not yet formalised	"Community engagement was conducted informally during the reporting period. The company will introduce a community engagement log and complaint register in the next reporting cycle."
Supplier community data incomplete	"Supplier-level community impact data is not yet available for all sourcing areas. The company will prioritise high-risk and customer-facing suppliers for further screening."
Topic applies only through transport routes	"The company's main community exposure relates to logistics and heavy vehicle movement. Community risk controls are managed through transport planning, contractor communication, and complaint channels."

Situation	Example Explanation
Topic applies through worker accommodation	“Community impact relating to worker accommodation is monitored through accommodation inspections, community complaints, and HR follow-up.”
Confidential complainant information	“Complainant identities and case-level details are confidential. The company reports complaint categories and closure status in aggregated form.”
Community benefit not implemented	“No formal community benefit programme was implemented during the reporting period. The company prioritised impact prevention, complaint response, and operational controls.”

Minimum Implementation Outputs for Section 27

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

Output	Purpose
Community engagement policy or commitment	Confirms the company’s commitment to respectful engagement and response to community concerns.
Community stakeholder map	Identifies nearby communities, businesses, institutions, authorities, suppliers, and affected groups.
Community impact screening checklist	Assesses whether operations, suppliers, transport, accommodation, or projects may affect communities.
Community impact register	Records actual and potential impacts, affected groups, controls, risk rating, actions, and status.
Community engagement plan	Defines engagement objectives, methods, frequency, responsible persons, topics, and follow-up.
Community engagement log	Records meetings, briefings, feedback, concerns, commitments, and follow-up actions.
Community complaint procedure	Defines how complaints are received, acknowledged, investigated, corrected, and closed.
Community complaint and feedback register	Tracks complaint topic, source, severity, investigation, corrective action, closure, and evidence.
Community corrective action tracker	Tracks actions from complaints, engagement, incidents, inspections, and authority referrals.
Environmental monitoring records linked to community impacts	Provides evidence on noise, odour, effluent, waste, drainage, emissions, or other relevant issues.
Traffic and logistics management records, where relevant	Supports management of transport-related community impacts.
Worker accommodation community impact records, where relevant	Monitors accommodation-related community concerns.
Emergency communication records	Documents emergency planning, drills, local authority engagement, and community notices where relevant.
Supplier community impact screening records	Assesses supplier, sourcing, land, community, and smallholder-related impacts.

Output	Purpose
Community benefit plan and records, where implemented	Documents community benefit activities, approvals, budget, implementation, and feedback.
Non-retaliation and confidentiality controls	Protects complainants and sensitive community information.
Training records	Shows employee awareness of community engagement, complaint handling, and respectful communication.
Community KPI dashboard	Tracks engagement activities, complaints, corrective actions, recurring issues, and improvement progress.
Management review record	Shows senior management review of community impacts, complaints, engagement outcomes, and improvement actions.

Used properly, this topic helps rubber processors and manufacturers build trust with surrounding communities, identify impacts early, respond to complaints responsibly, reduce operational and reputational risk, strengthen social licence to operate, and provide credible evidence for ESG reporting and continuous improvement.

28. Social Topic 9: Freedom of Association and Collective Bargaining

Freedom of Association and Collective Bargaining refers to the right of workers to form, join, participate in, or choose not to join workers' organisations or trade unions, and to engage in lawful collective bargaining through recognised representatives. It supports fair workplace dialogue, constructive labour relations, worker voice, and responsible management of workplace concerns.

The ILO identifies freedom of association and the effective recognition of the right to collective bargaining as one of the Fundamental Principles and Rights at Work. Collective bargaining is also recognised by the ILO as a key means for employers and workers' organisations to establish fair wages and working conditions and support sound labour relations. ([International Labour Organization](#)) ([International Labour Organization](#))

For Malaysian rubber processors and manufacturers, this topic is relevant because manufacturing operations may involve production workers, shift workers, migrant workers, contract workers, outsourced workers, supervisors, worker representatives, trade unions, employee committees, workplace consultation mechanisms, collective agreements, grievances, and customer social compliance requirements.

In Malaysia, the **Industrial Relations Act 1967** and **Trade Unions Act 1959** form key parts of the legal framework relating to industrial relations, trade unions, recognition, and collective bargaining. Companies should verify the latest legal requirements and any applicable amendments before making decisions on trade union recognition, collective bargaining, disciplinary action, or workplace representation matters. ([Invest Malaysia](#)) ([Jabatan Hal Ehwal Kesatuan Sekerja](#))

This topic should be read together with the Social topics on **Human Rights and Social Impact, Workers' Rights, Diversity, Equity, and Inclusion, Forced or Compulsory Labour, Pay and Equal Remuneration, Training and Development, and Grievance and Remediation Mechanisms.**

Freedom of Association and Collective Bargaining is especially relevant where a company:

- a. has workers who are members of a trade union or are represented by a union;
- b. receives a trade union recognition claim or collective bargaining request;
- c. has a collective agreement, worker committee, employee council, welfare committee, or similar worker representation mechanism;
- d. has workers who raise concerns about wages, working hours, welfare, safety, accommodation, discrimination, harassment, or workplace treatment;
- e. employs migrant workers, contract workers, temporary workers, or outsourced workers who may face barriers to representation or communication;

- f. has customer, certification, audit, or buyer requirements relating to freedom of association, collective bargaining, worker voice, or non-retaliation;
- g. has grievances, disputes, disciplinary matters, or complaints involving worker representatives or union-related activity; or
- h. wants to strengthen workplace trust, communication, grievance handling, and labour relations.

Freedom of association should not be interpreted as a requirement that every company must have a trade union. Rather, it means that workers should be able to exercise their lawful rights freely, without intimidation, discrimination, retaliation, interference, or obstruction.

28.1 Worker Representation

Worker representation refers to the ways workers communicate collectively with management, raise concerns, participate in workplace dialogue, and represent shared interests. Representation may take the form of a registered trade union, recognised union representatives, worker committee, safety and health committee, welfare committee, employee council, grievance representatives, or other lawful and appropriate worker communication mechanisms.

Where there is a recognised trade union, the company should respect the lawful role of the union and engage through the appropriate industrial relations process. Where there is no trade union, the company should still provide meaningful channels for worker communication and consultation. These channels should not be used to undermine lawful trade union activity or replace legally recognised collective bargaining rights.

Forms of worker representation

Form of Representation	Practical Purpose
Trade union	Represents workers in accordance with applicable law, recognition status, and collective bargaining arrangements.
Union representative	Communicates worker concerns, participates in discussions, and supports lawful representation functions.
Collective bargaining representative	Represents workers in negotiations over terms and conditions of employment where legally recognised.
Safety and Health Committee	Enables worker-management consultation on workplace safety and health matters.
Worker welfare committee	Provides a channel to discuss welfare, accommodation, canteen, transport, and workplace concerns.
Employee council or consultative committee	Supports structured dialogue between workers and management in non-unionised workplaces.

Form of Representation	Practical Purpose
Grievance representative	Supports workers in raising or following up grievances, where appropriate.
Migrant worker representative	Helps communicate issues where language, nationality, accommodation, or recruitment-related barriers exist.

Principles for worker representation

Companies should ensure that worker representation is:

- lawful and consistent with applicable Malaysian requirements;
- voluntary and not imposed by management;
- free from intimidation, interference, discrimination, or retaliation;
- accessible to different worker groups where appropriate;
- supported by clear communication channels;
- documented through minutes, records, and action trackers where meetings are held;
- connected to grievance and corrective action mechanisms;
- respectful of confidentiality where sensitive issues are raised; and
- reviewed periodically for effectiveness.

Worker representation in non-unionised workplaces

Where no trade union or collective bargaining arrangement exists, companies should still maintain channels for worker voice. These may include worker meetings, grievance channels, employee committees, toolbox talks, worker surveys, welfare sessions, safety committees, HR consultation sessions, or confidential feedback mechanisms.

However, companies should be careful that employer-created committees are not used to prevent or discourage workers from joining a lawful trade union or exercising lawful rights. Worker committees should support communication and problem-solving, not interfere with freedom of association.

Representation of migrant, contract, and outsourced workers

Companies should consider whether migrant workers, contract workers, temporary workers, and outsourced workers can access worker communication channels. These workers may

face language barriers, uncertainty about rights, fear of losing employment, dependency on agents or contractors, or lack of trust in grievance systems.

Practical actions include:

- a. providing worker communication in languages or formats workers understand;
- b. including migrant or contract worker representatives in welfare discussions where appropriate;
- c. ensuring contractor workers know how to raise site-related safety or welfare concerns;
- d. ensuring grievance channels are accessible without retaliation;
- e. briefing supervisors not to intimidate or discourage worker participation;
- f. maintaining records of worker communication sessions; and
- g. escalating repeated concerns to management.

The ILO has stated that freedom of association and collective bargaining are rights of universal scope that should apply to all workers, including migrant workers, without distinction. ([International Labour Organization](#))

28.2 Collective Bargaining Rights

Collective bargaining refers to negotiations between an employer or employer organisation and a workers' trade union or representative body recognised under applicable law, usually relating to terms and conditions of employment, wages, benefits, working hours, welfare, and workplace relations.

Under Malaysia's Industrial Relations Act 1967, a collective agreement is a written agreement concluded between an employer or employer trade union and a trade union of workmen relating to terms and conditions of employment and work, or relations between the parties. ([Invest Malaysia](#))

Companies should approach collective bargaining in good faith, in accordance with applicable legal requirements, recognition procedures, timelines, and industrial relations processes. Companies should seek appropriate legal or industrial relations advice where needed, especially when dealing with recognition claims, collective bargaining proposals, collective agreements, trade disputes, or disciplinary matters involving union representatives.

Collective bargaining principles

Companies should apply the following principles:

Principle	Practical Meaning
Respect lawful process	Follow applicable requirements for recognition, bargaining, dispute resolution, and collective agreements.
Good faith engagement	Engage constructively, provide appropriate responses, and avoid unreasonable delay or obstruction.
No interference	Do not interfere with workers' lawful choice of representation.
No retaliation	Do not punish workers for lawful union membership, representation, or collective bargaining participation.
Transparency	Communicate clearly with recognised representatives through proper channels.
Documentation	Maintain records of notices, meetings, proposals, responses, agreements, and follow-up actions.
Consistency	Ensure management, HR, supervisors, and security personnel understand what they may and may not do.
Implementation	Once a collective agreement applies, ensure relevant departments understand and implement it correctly.

Collective bargaining process controls

Where collective bargaining applies, companies should maintain a structured process.

Process Stage	Practical Control
Recognition or representation request	Record receipt, review legal requirements, notify appropriate management, and respond through proper process.
Preparation	Identify negotiation team, review workforce data, legal requirements, current benefits, financial implications, and operational constraints.
Engagement	Hold meetings respectfully and document discussions, proposals, responses, and action items.
Agreement review	Review proposed terms for legality, practicality, cost, consistency, and implementation requirements.
Approval	Obtain required internal approvals before signing.
Communication	Communicate final agreement to relevant managers, supervisors, payroll, HR, and affected workers.
Implementation	Update payroll, HR systems, SOPs, benefits, working hour practices, and communication materials.
Monitoring	Track compliance with agreement terms and address disputes or grievances.
Renewal planning	Monitor expiry dates and prepare for renewal discussions within applicable timelines.

Collective agreement implementation

Where a collective agreement is in force, companies should maintain records showing that the agreement is implemented. This may include:

- a. signed collective agreement;
- b. approval records;
- c. communication to HR, payroll, supervisors, and affected departments;
- d. payroll changes;
- e. benefit updates;
- f. working hour or shift arrangements;
- g. leave and allowance updates;
- h. grievance or dispute procedures;
- i. implementation checklist;
- j. worker communication records;
- k. union-management meeting minutes; and
- l. periodic compliance review.

Managing disputes

Disputes relating to collective bargaining, recognition, agreement interpretation, wages, working conditions, or worker representation should be handled through lawful and documented processes. Companies should avoid informal actions that may be viewed as interference, intimidation, discrimination, or retaliation.

A dispute record should include:

Field	Description
Date raised	Date issue was raised.
Party raising issue	Union, representative, worker group, management, HR, or department.
Issue	Recognition, bargaining proposal, agreement interpretation, wage issue, working condition, grievance, or other matter.
Legal or agreement reference	Relevant law, agreement clause, policy, or procedure.
Company response	Written response, meeting, clarification, negotiation, or referral.
Action owner	HR, management, legal, department head, or industrial relations lead.
Timeline	Due date or next meeting date.
Status	Open, under discussion, resolved, escalated, or referred.
Evidence	Correspondence, minutes, proposals, agreement documents, action records.

28.3 Non-Retaliation

Non-retaliation means workers must not be punished, disadvantaged, intimidated, threatened, harassed, discriminated against, dismissed, transferred unfairly, denied overtime, denied promotion, disciplined, blacklisted, or otherwise penalised for exercising lawful freedom of association or collective bargaining rights.

Non-retaliation should apply to workers who:

- a. join or choose not to join a trade union;
- b. participate in lawful union activities;
- c. act as worker representatives;
- d. raise collective workplace concerns;
- e. participate in collective bargaining processes;
- f. file or support grievances;
- g. provide information during investigations or audits;
- h. request clarification on employment terms or collective agreement rights;
- i. report interference, intimidation, or discrimination; or
- j. communicate with lawful external channels where permitted.

Examples of retaliation risks

Retaliation Risk	Example
Dismissal or termination	Worker is dismissed because of lawful union involvement or representation activity.
Demotion or transfer	Worker representative is transferred to a less favourable role without objective reason.
Reduced overtime or income	Worker is denied overtime because they raised a collective concern.
Disciplinary action	Worker is disciplined for attending a lawful meeting or raising a grievance.
Intimidation	Supervisor threatens workers not to join a union or not to speak to representatives.
Harassment	Worker is mocked, isolated, or pressured because of union-related activity.
Contract non-renewal	Temporary or contract worker is not renewed because of lawful representation activity.
Blacklisting	Worker is prevented from future employment because they raised labour concerns.
Accommodation pressure	Migrant worker is threatened with eviction or repatriation for joining a complaint.
Wage or benefit penalty	Worker loses benefits or opportunities due to lawful worker representation activity.

Non-retaliation controls

Companies should maintain controls to prevent retaliation.

Control Area	Practical Requirement
Policy	Include non-retaliation in Human Rights Policy, Labour Standards Policy, Code of Conduct, grievance procedure, and worker handbook.
Supervisor training	Train supervisors and managers on lawful conduct, worker representation, grievance escalation, and non-retaliation.
HR review	Require HR review before disciplinary action, transfer, demotion, termination, or contract non-renewal involving worker representatives or complainants.
Grievance channel	Provide confidential channels for workers to report retaliation concerns.
Investigation	Investigate retaliation allegations promptly and confidentially.
Corrective action	Take corrective or disciplinary action where retaliation is confirmed.
Monitoring	Review employment actions, overtime allocation, grievances, transfers, discipline, and terminations for retaliation patterns.
Worker communication	Communicate that workers may raise concerns or participate in lawful representation without punishment.
Contractor control	Ensure contractors and labour suppliers do not retaliate against workers who raise concerns.
Supplier control	Include non-retaliation expectations in supplier codes and corrective action requirements.

Handling retaliation allegations

A retaliation allegation should be treated as a serious grievance. The process should include:

Step	Action
1. Receive	Record the allegation confidentially.
2. Protect	Ensure the worker is not further disadvantaged while the matter is reviewed.
3. Escalate	Notify HR, compliance, ESG lead, or senior management as appropriate.
4. Investigate	Review records, interview relevant parties, and examine timing of employment actions.
5. Determine outcome	Decide whether retaliation occurred, partially occurred, or was not substantiated.
6. Remedy	Restore rights, correct records, reverse unfair action, provide wage correction, or take other appropriate remedy.
7. Correct systems	Train supervisors, update procedures, or strengthen approval controls.
8. Monitor	Check that the worker is not subjected to further retaliation.
9. Report trends	Review retaliation-related issues in management review.

Non-retaliation and migrant or contract workers

Migrant, contract, and outsourced workers may be especially vulnerable to retaliation because they may fear contract termination, loss of income, accommodation consequences, document issues, repatriation, or blacklisting. Companies should ensure that non-retaliation controls cover these workers, including where they are managed by contractors or labour suppliers.

Practical safeguards include:

- a. confidential reporting channels;
- b. worker communication in understandable language;
- c. HR review before removal from site or repatriation;
- d. contractor agreement clauses prohibiting retaliation;
- e. monitoring of contract non-renewal after grievances;
- f. accommodation and document access protections; and
- g. follow-up after grievance closure.

28.4 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Freedom of Association and Collective Bargaining topic. Companies should apply them based on materiality, workforce profile, union presence, worker representation arrangements, legal requirements, customer expectations, and data availability.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. Freedom of association policy commitment	Company has a documented commitment to respect workers' lawful freedom of association and collective bargaining rights.	Human Rights Policy, Labour Standards Policy, ESG Policy, Employee Handbook, Code of Conduct, management approval.	Management / HR / ESG Team
2. Collective bargaining commitment	Company commits to engage in lawful and good-faith collective bargaining where applicable.	Industrial relations policy, HR procedure, collective bargaining procedure, management approval.	HR / Management

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
3. Worker representation mapping	Company identifies trade unions, worker representatives, committees, and consultation channels.	Worker representation register, committee list, union correspondence, stakeholder map.	HR / ESG Team
4. Trade union recognition process	Company responds to lawful trade union recognition matters through proper legal and industrial relations process.	Recognition request records, correspondence, legal review, management approval, official submissions where applicable.	HR / Legal / Management
5. Worker consultation channels	Workers have channels to raise collective concerns and participate in workplace dialogue.	Meeting minutes, worker committee records, toolbox talk records, welfare committee records, safety committee records.	HR / Department Heads
6. Safety and Health Committee worker representation	Worker participation in OHS consultation is supported where applicable.	Committee terms of reference, attendance records, minutes, action tracker.	EHS / HR
7. Collective agreement management	Collective agreements are documented, approved, communicated, and implemented where applicable.	Signed collective agreement, implementation checklist, payroll updates, communication records.	HR / Finance / Management
8. Collective bargaining records	Collective bargaining meetings, proposals, responses, and outcomes are recorded.	Meeting minutes, proposals, negotiation records, correspondence, action tracker.	HR / Management
9. Worker communication on rights	Workers are informed about grievance channels, representation channels, and non-retaliation protections.	Worker handbook, onboarding records, posters, briefing materials, translated materials.	HR / ESG Team
10. Non-interference controls	Management and supervisors are instructed not to interfere with lawful worker organisation or representation.	Supervisor training records, Code of Conduct, HR guidance, management communication.	HR / Management
11. Non-retaliation policy	Workers are protected from retaliation for lawful representation, union membership, collective bargaining participation, or grievance activity.	Non-retaliation policy, grievance procedure, worker handbook, training records.	HR / Compliance
12. Retaliation grievance handling	Retaliation concerns are recorded, investigated, remediated, and monitored.	Grievance register, investigation records, corrective action tracker, remedy records.	HR / Compliance / ESG Team

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
13. Disciplinary and termination review	Disciplinary action, transfer, demotion, termination, or non-renewal involving worker representatives or complainants is reviewed for retaliation risk.	HR approval records, disciplinary records, termination review checklist, legal review.	HR / Legal / Management
14. Inclusion of migrant and contract workers	Migrant, contract, temporary, and outsourced workers can access communication and grievance channels.	Worker briefings, translated materials, contractor agreements, grievance records, worker interviews.	HR / Procurement
15. Contractor and supplier controls	Contractors and suppliers are expected to respect lawful worker representation and non-retaliation.	Supplier Code of Conduct, contractor agreements, supplier questionnaires, audit reports.	Procurement / ESG Team
16. Industrial relations dispute management	Collective labour disputes or representation-related issues are handled lawfully and documented.	Dispute register, correspondence, meeting records, legal review, resolution records.	HR / Legal / Management
17. Training and awareness	HR, managers, supervisors, and relevant workers receive training on worker representation, respectful engagement, and non-retaliation.	Training materials, attendance records, supervisor briefing records, refresher training.	HR / ESG Team
18. Monitoring and management review	Worker representation, grievances, collective bargaining matters, and retaliation risks are reviewed periodically.	KPI dashboard, ESG Committee minutes, HR review, management review records.	HR / ESG Team / Management
19. Reporting and disclosure	Company discloses approach, scope, worker representation arrangements, collective bargaining status, grievances, limitations, and improvement actions where material.	ESG report, customer questionnaire, evidence register, omission explanation, management approval.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Percentage of workforce covered by worker communication or consultation channels	Workers covered by communication channels ÷ total workers in scope.
Number of worker representation or consultation meetings held	Count of meetings during the reporting period.
Percentage of worker representation action items closed on time	Action items closed by due date ÷ total due.
Number of recognised trade unions, where applicable	Count of recognised trade unions within the company.
Percentage of workforce covered by collective agreement, where applicable	Workers covered by collective agreement ÷ total workers in scope.
Number of collective bargaining meetings held, where applicable	Count of formal bargaining sessions.
Number of collective bargaining or industrial relations disputes recorded	Count of disputes during the reporting period.
Number of grievances relating to freedom of association or worker representation	Count of related grievances.
Number of retaliation allegations recorded	Count of retaliation-related grievances or complaints.
Percentage of retaliation allegations investigated	Retaliation allegations investigated ÷ total allegations received.
Percentage of retaliation-related corrective actions closed on time	Corrective actions closed by due date ÷ total due.
Percentage of supervisors trained on freedom of association and non-retaliation	Supervisors trained ÷ total supervisors.
Percentage of workers briefed on grievance and representation channels	Workers briefed ÷ total workers in scope.
Percentage of contractors briefed on non-retaliation expectations	Contractors briefed ÷ total relevant contractors.
Percentage of priority suppliers acknowledging worker representation and non-retaliation clauses	Suppliers acknowledging clauses ÷ total priority suppliers.

Reporting guidance

Where Freedom of Association and Collective Bargaining is material, the company should disclose:

- a. why the topic is material to the company;
- b. the company's commitment to respect lawful freedom of association and collective bargaining;
- c. whether the workforce is unionised, non-unionised, or represented through other consultation mechanisms, where disclosure is appropriate;
- d. worker communication and representation channels available;
- e. whether any collective agreement applies, reported at an appropriate level;
- f. how management engages worker representatives or recognised unions;
- g. how non-retaliation is communicated and enforced;
- h. whether any grievances or disputes relating to freedom of association, worker representation, collective bargaining, or retaliation occurred;
- i. corrective actions and remedy provided where relevant;
- j. how migrant, contract, temporary, and outsourced workers are able to access communication or grievance channels;
- k. data gaps, confidentiality limitations, or scope exclusions; and
- l. improvement actions planned for the next reporting period.

Example disclosure wording

Freedom of Association and Collective Bargaining

Freedom of Association and Collective Bargaining is material to the company because our operations involve manufacturing workers, shift workers, supervisors, contractors, and worker communication channels. The company respects workers' lawful rights to representation, association, and collective bargaining, and prohibits retaliation against workers who raise concerns or participate in lawful representation activities.

During the reporting period, the company maintained worker communication channels through HR briefings, toolbox talks, grievance channels, and worker consultation mechanisms. Supervisors were reminded that workers must not be intimidated, penalised, or disadvantaged for raising concerns in good faith.

The company will continue strengthening worker communication records, supervisor training, grievance trend review, and non-retaliation controls.

Omission and non-applicability guidance

Freedom of Association and Collective Bargaining should not normally be marked as fully “not applicable” because all companies have workers who should be able to exercise lawful rights. However, specific sub-indicators may not apply depending on the company’s situation.

Situation	Example Explanation
No trade union present	“No recognised trade union was present during the reporting period. The company respects workers’ lawful freedom of association and maintains worker communication and grievance channels.”
No collective agreement	“No collective agreement applied during the reporting period. The company will follow applicable legal requirements if collective bargaining becomes relevant.”
No formal worker committee	“A formal worker committee has not yet been established. Worker concerns are currently raised through HR, supervisors, safety briefings, and grievance channels. The company will review whether a formal consultation mechanism is needed.”
No migrant workers	“Migrant worker-specific communication indicators are not applicable because the company did not employ migrant workers during the reporting period.”
Contractor worker data incomplete	“Contractor worker representation data is not yet complete. The company will strengthen contractor communication and grievance requirements in the next reporting cycle.”
Confidential industrial relations information	“Detailed industrial relations records are confidential. The company reports worker representation and grievance information at an aggregated level.”

Minimum Implementation Outputs for Section 28

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

Output	Purpose
Freedom of Association and Collective Bargaining policy clause	Confirms the company’s commitment to respect lawful worker association and bargaining rights.
Non-retaliation policy clause	Protects workers from punishment for lawful representation, union activity, grievance use, or participation in workplace dialogue.
Worker representation register	Identifies trade unions, worker representatives, committees, and consultation channels.
Worker communication procedure	Explains how workers can raise collective concerns and receive management responses.
Collective bargaining procedure, where applicable	Guides lawful handling of recognition, bargaining, agreements, and disputes.
Collective agreement file, where applicable	Maintains signed agreements, implementation records, payroll changes, and communication records.

Output	Purpose
Worker consultation meeting records	Documents worker-management discussions, concerns, action items, and closure status.
Safety and Health Committee records, where applicable	Shows worker participation in safety and health matters.
Supervisor training records	Demonstrates awareness of non-interference, respectful communication, grievance escalation, and non-retaliation.
Worker briefing records	Shows communication of grievance channels, representation channels, and worker rights.
Grievance procedure and register	Tracks complaints relating to representation, association, bargaining, retaliation, and worker voice.
Retaliation investigation procedure	Guides confidential review and remedy of retaliation allegations.
Disciplinary and termination review checklist	Helps identify retaliation risk before adverse employment action is taken.
Contractor and supplier clauses	Extends worker representation and non-retaliation expectations to relevant business partners.
Industrial relations dispute register	Tracks recognition, bargaining, agreement interpretation, and representation-related disputes.
Corrective action tracker	Tracks findings, responsible persons, remedy, deadlines, evidence, and closure.
Confidential records control procedure	Protects sensitive worker, union, grievance, and industrial relations information.
Management review record	Shows senior management review of worker representation, grievances, disputes, retaliation risks, and improvement actions.

Used properly, this topic helps rubber processors and manufacturers support constructive labour relations, strengthen worker voice, reduce dispute risk, prevent retaliation, improve social compliance readiness, and provide credible evidence for ESG reporting and continuous improvement.

29. Social Topic 10: Training and Development

Training and Development refers to how a company builds the knowledge, skills, competencies, awareness, and career capability of its workers. For Malaysian rubber processors and manufacturers, training is important because the sector involves production processes, machinery, chemicals, hazardous substances, quality requirements, customer specifications, occupational safety and health risks, environmental controls, labour standards, supplier requirements, traceability, ESG data collection, and changing market expectations.

Training should not be treated only as a human resource activity. It is a core ESG control because trained workers are better able to work safely, follow procedures, identify risks, prevent incidents, protect the environment, understand their rights, respond to grievances, maintain product quality, collect reliable data, and support continuous improvement.

The ILO identifies skills and lifelong learning as important for workers and enterprises in responding to changing work demands, including technology and labour market transformation. ([International Labour Organization](#)) In Malaysia, the Pembangunan Sumber Manusia Berhad Act 2001, or PSMB Act 2001, provides for the collection of the human resources development levy for the purpose of promoting training and development of employees, apprentices, and trainees, while HRD Corp describes the levy as an additional training budget for registered employers, especially SMEs, to upgrade local worker skills through training grants. ([HRD Corp](#))

Training and development should be connected to the company's ESG Management System, Human Rights Policy, OHS Policy, Environmental Policy, Labour Standards Procedure, Supplier Code of Conduct, quality management system, operational SOPs, and ESG reporting process. Under Malaysia's Occupational Safety and Health Act 1994, employers' duties include providing information, instruction, training, and supervision as necessary to ensure, so far as practicable, employees' safety and health at work. ([Jabatan Keselamatan Dan Kesihatan](#))

This topic should be read together with:

Related Topic	Linkage to Training and Development
Human Rights and Social Impact	Workers, supervisors, and managers need awareness of human rights, grievance channels, and remediation.
Workers' Rights	HR, supervisors, and workers need training on contracts, wages, working hours, leave, benefits, and grievance procedures.
Occupational Health and Safety	OHS training is essential for hazard identification, safe work, PPE, machine safety, chemical safety, and emergency response.
Child Labour	HR, supervisors, recruitment agents, and suppliers need training on age verification and young worker controls.

Related Topic	Linkage to Training and Development
Forced or Compulsory Labour	HR, recruitment teams, supervisors, and suppliers need training on ethical recruitment, document access, and forced labour indicators.
Diversity, Equity, and Inclusion	Workers and supervisors need training on respectful workplace conduct, non-discrimination, harassment prevention, and inclusion.
Freedom of Association and Collective Bargaining	HR and supervisors need awareness of worker representation, lawful communication, and non-retaliation.
Environmental Topics	Workers need training on energy, water, waste, hazardous substances, emissions, pollution prevention, and spill response.
Governance Topics	Employees need awareness of business ethics, anti-corruption, transparency, traceability, supplier due diligence, and data integrity.

Training and Development is especially relevant where a company:

- operates production machinery, chemical processes, wastewater treatment systems, boilers, forklifts, laboratories, warehouses, or waste storage areas;
- employs new workers, migrant workers, contract workers, temporary workers, apprentices, interns, trainees, or outsourced workers;
- has supervisors responsible for production targets, discipline, overtime, safety, grievances, or worker communication;
- is subject to customer audits, social compliance requirements, ESG questionnaires, certification schemes, or regulatory inspections;
- collects ESG data on energy, emissions, water, waste, OHS, workforce, wages, training hours, supplier due diligence, or grievances;
- needs to improve worker skills, productivity, quality, safety, retention, and career development; or
- wants to strengthen ESG implementation and build internal capability instead of relying only on external consultants.

29.1 Training Needs Assessment

A **Training Needs Assessment**, or TNA, is the process of identifying what training is required, who needs it, why it is needed, when it should be delivered, and how effectiveness should be measured. A TNA helps companies avoid ad hoc training and ensures that training resources are focused on legal compliance, safety, operational risk, ESG priorities, worker development, customer requirements, and business needs.

For rubber processors and manufacturers, the TNA should consider both **mandatory training** and **developmental training**. Mandatory training includes training required by law, customer requirements, certification requirements, internal policies, or risk assessments. Developmental training includes training that improves technical skills, supervisory capability, leadership, productivity, communication, data management, and career progression.

Purpose of the Training Needs Assessment

The TNA should help the company:

- a. identify skill gaps across departments and job roles;
- b. ensure workers are trained before performing high-risk tasks;
- c. comply with legal, customer, certification, and internal training requirements;
- d. support OHS, environmental, social, and governance controls;
- e. reduce incidents, non-conformities, grievances, and operational errors;
- f. improve product quality, productivity, and process consistency;
- g. support career development and succession planning;
- h. allocate training budgets effectively;
- i. track training completion and refresher needs; and
- j. provide evidence for ESG reporting, audits, and management review.

Training needs assessment scope

A practical TNA should cover all relevant worker groups.

Worker Group	Training Needs to Consider
New employees	Induction, employment terms, grievance channels, OHS, PPE, emergency response, company policies, job-specific skills.
Production workers	SOPs, machine operation, quality control, PPE, housekeeping, waste segregation, energy and water efficiency, incident reporting.
Chemical handlers	SDS, chemical labelling, storage, safe handling, PPE, spill response, hazardous waste, restricted substances.
Maintenance workers	Machine safety, lockout or isolation, electrical safety, hot work, working at height, contractor controls, preventive maintenance.
Warehouse and logistics workers	Material handling, forklift safety, traffic management, storage, traceability, waste, emergency response.
Wastewater treatment operators	Treatment process, chemical dosing, effluent monitoring, sludge handling, emergency response, recordkeeping.
EHS / OSH personnel	HIRARC, inspections, incident investigation, legal compliance, emergency preparedness, training coordination.
HR personnel	Recruitment, contracts, wages, working hours, forced labour prevention, child labour prevention, grievances, accommodation.
Procurement personnel	Supplier due diligence, supplier code of conduct, traceability, responsible sourcing, anti-corruption, ESG questionnaires.
Finance personnel	Payroll controls, ESG data validation, utility data, fuel data, training budget, HRD Corp claims where applicable.
ESG team or ESG lead	Materiality, ESG data collection, reporting, evidence management, framework alignment, internal review.
Supervisors and managers	Leadership, respectful workplace, grievance escalation, OHS responsibilities, overtime control, worker communication, corrective action.

Worker Group	Training Needs to Consider
Contractors	Site rules, emergency response, PPE, chemical controls, waste handling, permit-to-work, incident reporting.
Migrant workers	Employment terms, wages, grievance channels, OHS, document access, accommodation rules, emergency contacts, rights awareness.
Apprentices, interns, and trainees	Safe work limitations, supervision, OHS, training plan, grievance channels, restricted tasks.

Sources of training needs

Training needs should be identified using evidence from different sources.

Source	Examples of Training Needs Identified
Legal requirements	OHS training, chemical safety, first aid, scheduled waste, competent person requirements, emergency preparedness.
HIRARC and risk assessments	Machine safety, chemical handling, forklift safety, PPE, manual handling, heat, noise, emergency response.
Environmental risk assessment	Waste segregation, effluent management, spill prevention, energy efficiency, water conservation, chemical storage.
Social risk assessment	Human rights, ethical recruitment, grievance handling, anti-harassment, non-discrimination, forced labour prevention.
Customer requirements	Social compliance training, traceability, product quality, restricted substances, ESG data reporting.
Certification requirements	ISO, MSNR, FSC, PEFC, Preferred by Nature, customer audit, quality, environmental, or OHS system training.
Internal audits	Training gaps linked to SOP non-compliance, missing records, poor implementation, or repeated findings.
Incidents and near misses	Refresher training after accidents, spills, equipment issues, unsafe acts, or emergency drill weaknesses.
Grievances and complaints	Supervisor conduct, payroll explanation, worker communication, accommodation, harassment prevention.
Performance reviews	Technical skill gaps, leadership development, productivity, communication, quality, career development.
New processes or equipment	Training before new machinery, chemicals, digital systems, products, or SOP changes are introduced.
ESG materiality assessment	Training linked to priority ESG topics and action plans.

Training matrix

Companies should prepare a **Training Matrix** to identify required training by role, department, and worker category.

Field	Description
Department	Production, HR, EHS, Procurement, Finance, Maintenance, Warehouse, Logistics, ESG, etc.
Role or worker group	Operator, supervisor, technician, manager, contractor, migrant worker, trainee, etc.
Required training	List of mandatory and job-specific training.
Training type	Induction, OHS, technical, ESG, legal compliance, customer requirement, refresher, development.
Frequency	Once, annually, every two years, before task assignment, after incident, upon change, or as required.
Trainer	Internal trainer, external trainer, competent person, supervisor, customer, certification body, HRD Corp provider where applicable.
Evidence required	Attendance, certificate, assessment, competency record, toolbox talk record, sign-off.
Status	Completed, pending, overdue, not applicable, refresher due.
Next due date	Date of next training or refresher.
Responsible owner	HR, EHS, Department Head, ESG Lead, Procurement, Management.

Prioritising training needs

Training should be prioritised based on risk and importance.

Priority Level	Examples	Required Action
Critical	Legal training, high-risk OHS tasks, chemical handling, emergency response, forced labour prevention for recruitment teams.	Deliver before task assignment or within urgent timeline.
High	Customer audit requirements, supervisor grievance training, ESG data owner training, supplier due diligence training.	Include in annual training plan and monitor completion.
Medium	Productivity improvement, quality improvement, leadership development, communication skills.	Schedule based on budget, operational needs, and development plan.
Low / Monitor	General awareness or optional training not linked to immediate risk.	Provide where resources allow and review annually.

Training needs should be reviewed annually and whenever there are new laws, new customer requirements, new equipment, new chemicals, new products, new suppliers, serious incidents, repeated audit findings, or workforce changes.

29.2 ESG, OHS, and Skills Training

Training should cover three broad areas: **ESG awareness and implementation**, **occupational health and safety**, and **technical or job-related skills development**. These areas are connected. For example, chemical safety training supports both OHS and environmental protection. Supplier due diligence training supports governance, human rights, deforestation risk, and market access. Technical training can improve quality, reduce waste, and reduce energy and water use.

ESG training

ESG training helps employees understand the company's ESG commitments, material topics, data responsibilities, policies, risks, and reporting expectations. ESG training should be proportionate to the worker's role.

Target Group	ESG Training Topics
Board, owner, and senior management	ESG governance, materiality, risk oversight, reporting approval, targets, regulatory and customer expectations.
ESG team or ESG lead	ESG data collection, evidence management, reporting, framework alignment, checklist use, gap analysis, action planning.
Department data owners	KPI definitions, data sources, calculation methods, evidence requirements, timelines, data quality.
Procurement	Supplier screening, Supplier Code of Conduct, traceability, no-deforestation, EUDR-oriented evidence, human rights due diligence, anti-corruption.
HR	Human rights, labour standards, recruitment, wages, working hours, child labour, forced labour, grievance handling, DEI.
EHS / OSH	Environmental compliance, OHS, hazardous substances, waste, water, emissions, incident reporting, emergency response.
Production and maintenance	Energy efficiency, water use, waste reduction, safe work, chemical controls, quality, productivity, pollution prevention.
Finance	ESG cost data, utility data, payroll data, tax practices, training budget, sustainability-related expenditure.
Sales and customer-facing teams	ESG claims, customer questionnaires, traceability requests, data approval, confidentiality, sustainability communication.
Workers and supervisors	ESG awareness, workplace rights, grievance channels, safety, waste segregation, water and energy conservation.

Recommended ESG training modules

Companies may develop simple ESG modules based on the 29 topics.

ESG Module	Purpose
ESG awareness	Introduces ESG, company commitments, material topics, and worker roles.
Environmental awareness	Covers energy, water, waste, chemicals, spill prevention, pollution prevention, and resource efficiency.
Human rights and labour standards	Covers worker rights, fair treatment, child labour, forced labour, wages, working hours, and grievance channels.
Diversity and respectful workplace	Covers non-discrimination, anti-harassment, inclusion, supervisor conduct, and non-retaliation.
OHS and emergency awareness	Covers hazards, PPE, incident reporting, emergency response, and safe work.
Supplier due diligence	Covers supplier screening, traceability, responsible sourcing, supplier evidence, and corrective action.
ESG data and reporting	Covers data ownership, evidence, calculation methods, review, approval, and omissions.
Business ethics and anti-corruption	Covers code of conduct, gifts, conflicts of interest, whistleblowing, and procurement integrity.

OHS training

OHS training should be based on HIRARC, legal requirements, job risks, incident trends, emergency scenarios, and worker needs. OHS training should be delivered before workers begin high-risk tasks and repeated when risks, procedures, equipment, or incidents change.

OHS Training Area	Target Participants
OHS induction	All new workers, contractors, visitors where relevant.
HIRARC awareness	Supervisors, EHS personnel, production heads, maintenance heads, worker representatives.
PPE use	Workers required to use PPE, supervisors, contractors.
Machine safety	Machine operators, maintenance workers, supervisors, cleaners near production lines.
Chemical safety	Chemical handlers, production workers, warehouse workers, laboratory workers, wastewater treatment operators.
SDS and labelling	Chemical handlers, EHS, procurement, warehouse, production, contractors.
Spill prevention and response	Chemical handlers, emergency team, warehouse, wastewater treatment, maintenance.
Forklift and traffic safety	Forklift operators, warehouse workers, logistics workers, pedestrians in traffic areas.

OHS Training Area	Target Participants
Manual handling and ergonomics	Production, warehouse, loading, maintenance, and repetitive task workers.
Fire safety and evacuation	All workers, contractors, visitors where relevant.
First aid	Appointed first aiders and emergency response team.
Contractor safety	Contractors, site supervisors, procurement, facilities, maintenance.
Incident reporting	All workers and supervisors.
Emergency response	Emergency response team, security, first aiders, management, selected workers.

OHS training should be practical. Workers should understand not only the rule, but also the reason behind the rule, the hazard involved, and what to do when a risk is identified.

Technical and job skills training

Technical and job skills training supports productivity, quality, safety, resource efficiency, and career development.

Training Area	Examples
Production process skills	Machine operation, compounding, mixing, drying, curing, dipping, process control, line balancing.
Quality control	Inspection methods, product specifications, defect identification, corrective action, customer requirements.
Maintenance skills	Preventive maintenance, troubleshooting, equipment inspection, energy efficiency, safe isolation.
Laboratory skills	Testing methods, sample handling, chemical safety, recordkeeping, calibration.
Warehouse and logistics	Inventory control, traceability, batch control, forklift operation, storage, dispatch accuracy.
Environmental operations	Wastewater treatment, waste segregation, scheduled waste, chemical storage, water and energy monitoring.
Digital skills	ERP, HR systems, ESG data sheets, dashboards, digital traceability, document control.
Supervisory skills	Communication, coaching, respectful workplace, grievance escalation, OHS leadership, shift planning.
Problem-solving	Root cause analysis, corrective action, continuous improvement, quality improvement.
Language and communication	Workplace language support, safety communication, migrant worker communication, reporting skills.

Training for supervisors and managers

Supervisors and managers should receive targeted training because they influence daily workplace behaviour. They approve overtime, assign tasks, enforce PPE, communicate policies, handle worker concerns, manage performance, and escalate incidents.

Supervisor training should include:

- a. respectful workplace and non-discrimination;
- b. grievance escalation and non-retaliation;
- c. working hour and overtime controls;
- d. fair discipline and worker communication;
- e. OHS responsibilities and hazard reporting;
- f. incident investigation and corrective action;
- g. migrant worker communication where relevant;
- h. forced labour and child labour warning signs;
- i. emergency response responsibilities;
- j. coaching and performance management; and
- k. ESG awareness and evidence requirements.

Training for suppliers and contractors

Where suppliers and contractors affect ESG performance, the company should provide training, briefing, or awareness communication. This may include:

- a. Supplier Code of Conduct;
- b. child labour and forced labour prevention;
- c. ethical recruitment;
- d. traceability and responsible sourcing;
- e. no-deforestation and EUDR-oriented evidence where relevant;
- f. OHS site rules;
- g. chemical and waste handling;
- h. anti-corruption and conflict of interest;
- i. grievance channels;
- j. corrective action expectations; and
- k. documentation and evidence requirements.

29.3 Training Hours and Effectiveness

Training hours and effectiveness should be tracked to show whether training is being delivered, who has been trained, what topics were covered, and whether the training improved knowledge, behaviour, performance, or compliance.

Training records should go beyond attendance lists. Attendance shows that training occurred, but effectiveness review shows whether the training achieved its purpose.

Training hours tracking

Companies should track training hours by worker group, topic, department, gender, employment type, nationality, job category, and training type where relevant and practical.

A training record should include:

Field	Description
Training title	Name of training or module.
Training category	ESG, OHS, technical, quality, HR, environmental, governance, leadership, compliance, etc.
Date and duration	Date delivered and number of hours.
Trainer	Internal trainer, external trainer, competent person, customer, certification body, HRD Corp provider where applicable.
Participants	Name or worker ID, department, role, worker category.
Training method	Classroom, toolbox talk, practical demonstration, online, coaching, external course, simulation.
Learning objective	What the training was intended to achieve.
Assessment method	Quiz, practical observation, competency assessment, supervisor sign-off, feedback form.
Evidence	Attendance sheet, certificate, photos, materials, assessment result, sign-off.
Follow-up required	Refresher, retraining, corrective action, competency review, SOP update.

Training hours indicators

Companies may track:

- a. total training hours;
- b. average training hours per employee;
- c. OHS training hours;
- d. ESG training hours;
- e. technical training hours;
- f. supervisor training hours;
- g. mandatory training completion rate;
- h. training hours by gender;
- i. training hours by employment category;
- j. training hours by department;
- k. training coverage for migrant or contract workers;
- l. training coverage for high-risk job roles; and
- m. training completion against annual training plan.

Where training hours are reported externally, the company should explain the calculation method. For example, total training hours may be calculated as training duration multiplied by number of participants.

Training effectiveness review

Training effectiveness should be assessed based on the purpose of the training. Not every training needs a complex evaluation, but high-risk or mandatory training should have stronger effectiveness checks.

Effectiveness Method	When to Use
Attendance confirmation	Basic awareness training, briefings, toolbox talks.
Participant feedback	General training quality, usefulness, clarity, trainer evaluation.
Knowledge test	ESG awareness, OHS induction, chemical safety, labour standards, policy training.
Practical demonstration	Machine operation, forklift, PPE use, chemical handling, spill response, emergency response.
Supervisor observation	Job-specific skill, safe work behaviour, SOP compliance, housekeeping, quality procedures.
Competency assessment	High-risk tasks, technical tasks, maintenance, laboratory testing, wastewater treatment.
Incident trend review	OHS, chemical, emergency, machine safety, and contractor training.
Audit finding review	ESG, supplier due diligence, waste, water, payroll, data collection, traceability training.

Effectiveness Method	When to Use
KPI improvement review	Waste reduction, energy efficiency, quality defects, grievance closure, corrective action closure.
Refresher need review	Where training did not result in expected behaviour or where findings recur.

Effectiveness levels

A simple approach to training effectiveness is shown below.

Level	Question	Example Evidence
Awareness	Did participants attend and understand the topic?	Attendance, quiz, feedback form, briefing acknowledgement.
Competence	Can participants perform the task correctly?	Practical assessment, supervisor sign-off, competency checklist.
Behaviour	Are workers applying the training at work?	Observation, inspection, audit findings, PPE compliance, SOP compliance.
Results	Did the training improve performance or reduce risk?	Fewer incidents, fewer defects, improved waste segregation, fewer payroll errors, improved data quality.

Retraining and refresher training

Retraining should be provided when:

- a worker is new to the task;
- a worker changes role or department;
- new machinery, chemicals, software, products, or procedures are introduced;
- training has expired or refresher training is due;
- an incident, near miss, complaint, or non-conformity occurs;
- a worker is observed performing a task unsafely or incorrectly;
- an audit identifies knowledge or implementation gaps;
- a customer requirement changes;
- a legal or certification requirement changes; or
- the worker has been away from the task for a long period.

Training data quality

Training data should be accurate and traceable. Companies should avoid overstating training hours or including informal communication that has no evidence.

Training data controls should include:

- a. training plan approved by management;
- b. training attendance sheets signed or digitally confirmed;
- c. trainer name and qualification where relevant;
- d. training materials retained;
- e. certificates retained where applicable;
- f. worker ID and department recorded;
- g. hours calculated consistently;
- h. absentees and make-up sessions tracked;
- i. refresher due dates tracked;
- j. data reviewed before reporting; and
- k. evidence stored in the ESG evidence register.

29.4 Career Development Reviews

Career development reviews help workers understand their performance, skills, development needs, and potential career pathways. They also help companies retain workers, identify future supervisors, reduce skills gaps, support succession planning, and improve worker motivation.

Career development does not need to be complex. SMEs may begin with simple annual performance discussions, training needs review, supervisor feedback, and skills matrix updates. Larger companies may use structured performance appraisal, competency frameworks, promotion pathways, leadership development, succession planning, and individual development plans.

Purpose of career development reviews

Career development reviews should help companies:

- a. identify worker skills and strengths;
- b. identify training and development needs;
- c. improve worker performance and productivity;
- d. support fair promotion and transfer decisions;

- e. improve supervisor-worker communication;
- f. support equal opportunity and non-discrimination;
- g. identify technical and leadership talent;
- h. plan succession for critical roles;
- i. reduce turnover and improve retention;
- j. support ESG, OHS, quality, and operational capability; and
- k. provide evidence for training and development disclosures.

Career development review process

A practical process should include:

Step	Action
1. Define roles and competencies	Identify skills required for each role or job family.
2. Review current performance	Consider job performance, safety behaviour, quality, attendance, teamwork, and conduct.
3. Identify skill gaps	Compare current competency with role requirements and future needs.
4. Discuss development interests	Allow workers to express interest in training, transfer, promotion, or skills development where practical.
5. Set development actions	Identify training, coaching, on-the-job learning, mentoring, or job rotation.
6. Assign responsibility	Identify worker, supervisor, HR, and department responsibilities.
7. Set timeline	Define when training or development actions should occur.
8. Review progress	Follow up during the next review cycle or after training completion.
9. Document outcomes	Maintain records for HR, training planning, promotion decisions, and ESG reporting.

Skills matrix

A **Skills Matrix** helps companies identify which workers are competent in which tasks. It is especially useful in manufacturing, where safe and competent operation is important.

Field	Description
Worker name or ID	Worker reference.
Department	Production, maintenance, quality, warehouse, EHS, etc.
Role	Operator, technician, supervisor, inspector, warehouse assistant, etc.
Skill or task	Machine operation, inspection, chemical handling, forklift, wastewater treatment, data entry, etc.

Field	Description
Competency level	Not trained, trained, supervised, competent, trainer, refresher due.
Evidence	Training record, assessment, supervisor sign-off, certificate, observation.
Date trained	Date of training completion.
Refresher due	Next review or refresher date.
Supervisor	Person confirming competency.
Remarks	Restrictions, development needs, or improvement actions.

Fairness in career development

Career development should be linked to the company's DEI and equal opportunity commitments. Companies should avoid unfair exclusion from training, promotion, or development opportunities based on gender, nationality, ethnicity, religion, age, employment status, migrant worker status, or other unrelated personal characteristics.

Fairness controls should include:

- a. objective role requirements;
- b. transparent promotion criteria where possible;
- c. training needs assessment by role;
- d. review of training access by worker group where data is available;
- e. documented performance reviews;
- f. supervisor training on fair assessment;
- g. grievance channel for unfair treatment concerns;
- h. HR review of promotion and disciplinary decisions; and
- i. management review of workforce development trends.

Development for supervisors and future leaders

Rubber processors and manufacturers should develop future supervisors and technical leaders. Poor supervision can contribute to OHS incidents, excessive overtime, grievance escalation, discrimination, worker dissatisfaction, and poor data quality.

Supervisor development may include:

- a. leadership and communication;

- b. respectful workplace conduct;
- c. OHS leadership;
- d. production planning;
- e. overtime and fatigue management;
- f. conflict resolution;
- g. grievance escalation;
- h. coaching and feedback;
- i. basic labour standards;
- j. ESG awareness;
- k. data and recordkeeping;
- l. problem-solving and root cause analysis; and
- m. continuous improvement.

Individual development plans

For selected roles, companies may prepare Individual Development Plans, or IDPs. These are especially useful for supervisors, high-potential workers, technical roles, critical maintenance roles, ESG data owners, EHS personnel, and succession positions.

An IDP may include:

- a. worker role and current skills;
- b. development objective;
- c. training required;
- d. coaching or mentoring required;
- e. job rotation or exposure required;
- f. target timeline;
- g. responsible supervisor;
- h. expected outcome;
- i. progress review; and
- j. completion evidence.

Career development records

Career development records should be confidential and used responsibly. They may include:

- a. performance review forms;
- b. skills matrix;
- c. training needs records;
- d. development plan;

- e. promotion criteria;
- f. promotion or transfer records;
- g. supervisor feedback;
- h. worker feedback;
- i. training certificates;
- j. competency assessments;
- k. coaching notes; and
- l. grievance or appeal records where applicable.

29.5 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Training and Development topic. Companies should apply them based on materiality, workforce profile, operational risk, legal requirements, customer expectations, HRD Corp applicability, and data availability.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. Training and development policy	Company has a commitment to worker training, competency, development, and continuous learning.	HR Policy, ESG Policy, Training Policy, Employee Handbook, management approval.	HR / Management
2. Training governance and responsibilities	Responsibilities for training planning, delivery, records, review, and approval are assigned.	Responsibility matrix, training committee records, HR procedure, management review minutes.	HR / Management
3. Training needs assessment	Company identifies training needs by role, department, risk, legal requirement, customer requirement, and development need.	TNA worksheet, department input, HIRARC, audit findings, performance review records.	HR / Department Heads / EHS
4. Annual training plan	Company prepares and approves an annual training plan.	Training calendar, training budget, management approval, HRD Corp claim plan where applicable.	HR / Management / Finance
5. Training matrix	Required training is mapped by role, department, worker group, frequency, and due date.	Training matrix, competency matrix, refresher tracker.	HR / EHS / Department Heads

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
6. New worker induction	New workers receive induction before or soon after starting work.	Induction checklist, attendance records, worker handbook, policy acknowledgement.	HR / EHS
7. ESG awareness training	Workers and relevant departments are trained on ESG commitments, material topics, and their roles.	ESG training materials, attendance records, quiz, toolbox talk records.	ESG Team / HR
8. Environmental training	Relevant workers are trained on waste, water, energy, emissions, hazardous substances, spill prevention, and pollution prevention.	Training records, SOP briefings, chemical safety records, waste segregation training, spill drill records.	EHS / HR
9. OHS training	Workers receive OHS training based on job risk, HIRARC, legal requirements, and task assignment.	OHS training matrix, HIRARC-linked training records, PPE training, machine safety records.	EHS / HR
10. Emergency response training	Emergency team, first aiders, workers, and contractors receive relevant emergency training.	Drill records, first aid certificates, emergency response team records, attendance.	EHS / Emergency Team
11. Job-specific technical training	Workers are trained on machines, processes, quality, laboratory, maintenance, warehouse, or logistics tasks.	SOP training records, competency assessments, supervisor sign-off, certificates.	Department Heads / HR
12. Chemical and hazardous substance training	Relevant workers receive SDS, labelling, storage, PPE, spill response, and waste handling training.	Chemical training records, SDS briefing, spill response records, assessment results.	EHS / Warehouse / Production
13. Human rights and labour standards training	HR, supervisors, workers, and suppliers are trained on worker rights, forced labour, child labour, grievance channels, and non-retaliation where relevant.	Training materials, attendance records, supervisor briefings, supplier briefing records.	HR / ESG Team
14. DEI and respectful workplace training	Workers and supervisors are trained on non-discrimination, harassment prevention, inclusion, and respectful conduct.	DEI training records, anti-harassment briefing, grievance communication records.	HR
15. Governance and ethics training	Relevant employees are trained on Code of Conduct, anti-corruption, conflicts of interest, gifts, whistleblowing, and data integrity.	Ethics training records, declaration forms, whistleblowing briefing records.	Compliance / HR / ESG Team

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
16. Supplier and contractor training or briefing	Suppliers and contractors are briefed on site rules, supplier code, ESG requirements, OHS, traceability, and corrective action expectations.	Supplier briefing records, contractor induction, Supplier Code acknowledgement, attendance records.	Procurement / EHS / ESG Team
17. Training hours tracking	Training hours are recorded by topic, department, worker group, and reporting period.	Training database, attendance records, training hour calculation worksheet, KPI dashboard.	HR / ESG Team
18. Training effectiveness evaluation	Training effectiveness is assessed through tests, observation, competency checks, KPI review, or audit results.	Test results, assessment forms, competency checklist, supervisor observation, audit findings.	HR / Department Heads / EHS
19. Refresher and retraining controls	Refresher training is conducted when due, after incidents, after changes, or where performance gaps are identified.	Refresher tracker, retraining records, incident follow-up records, revised SOP briefings.	HR / EHS / Department Heads
20. Skills matrix and competency tracking	Company tracks worker competency for job-critical and high-risk tasks.	Skills matrix, competency assessments, authorisation records, supervisor sign-off.	HR / Department Heads
21. Career development reviews	Workers receive performance or development reviews where applicable.	Performance appraisal records, development plans, promotion records, review forms.	HR / Supervisors
22. Equal access to training	Training access is monitored to support fair opportunity across worker groups.	Training participation by gender, role, department, employment type, nationality where appropriate.	HR / ESG Team
23. Training budget and resource allocation	Training budget, HRD Corp claims where applicable, and resource needs are planned and monitored.	Training budget, HRD Corp documents, invoices, grant claims, management approval.	HR / Finance
24. Training records control	Training evidence is complete, accurate, confidential where needed, and retained.	Training file, certificates, attendance sheets, record retention procedure, evidence register.	HR / ESG Team
25. Monitoring and management review	Training completion, effectiveness, gaps, overdue training, and development needs are reviewed periodically.	Training dashboard, management review minutes, ESG Committee minutes, corrective action tracker.	HR / Management
26. Reporting and disclosure	Company discloses training approach, training hours, development actions,	ESG report, customer questionnaire, KPI tracker, evidence register, omission	ESG Team / Management

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	limitations, and improvement plans where material.	explanation, management approval.	

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Total training hours	Sum of all training hours delivered during the reporting period.
Average training hours per employee	Total training hours ÷ average or total number of employees in scope.
Training hours by category	Hours by ESG, OHS, technical, quality, environmental, governance, HR, leadership, or other category.
Training hours by gender	Training hours by gender, where data is collected and appropriate.
Training hours by employment category	Training hours by permanent, temporary, contract, migrant, local, or other worker category.
Percentage of planned training completed	Training sessions completed ÷ training sessions planned.
Percentage of workers completing induction	New workers inducted ÷ total new workers.
Percentage of workers completing mandatory OHS training	Workers completing mandatory OHS training ÷ workers required to attend.
Percentage of high-risk role workers trained before task assignment	Workers trained before assignment ÷ total workers assigned to high-risk tasks.
Percentage of supervisors trained on labour standards and grievance handling	Supervisors trained ÷ total supervisors.
Percentage of ESG data owners trained on data collection and evidence requirements	ESG data owners trained ÷ total ESG data owners.
Percentage of relevant workers trained on chemical safety	Workers trained ÷ workers handling or exposed to chemicals.
Percentage of relevant workers trained on waste segregation and scheduled waste controls	Workers trained ÷ workers involved in waste handling.
Percentage of contractors receiving site induction	Contractors inducted ÷ total contractors working onsite.
Number of supplier training or briefing sessions conducted	Count of supplier sessions during the reporting period.
Training effectiveness pass rate	Participants passing assessment ÷ participants assessed.
Percentage of competency assessments completed for critical roles	Completed competency checks ÷ required competency checks.

KPI	Measurement Approach
Number of retraining sessions after incidents or audit findings	Count of corrective retraining sessions.
Percentage of overdue refresher trainings	Overdue refresher trainings ÷ total refresher trainings due.
Percentage of workers receiving career development or performance reviews	Workers reviewed ÷ workers in scope.
Number of workers promoted or transferred after development review	Count of workers with career progression during reporting period.
Training budget utilisation	Training spend ÷ approved training budget.
HRD Corp claim utilisation, where applicable	Claims submitted or approved ÷ eligible training spend, according to company tracking.

Reporting guidance

Where Training and Development is material, the company should disclose:

- why training and development are material to the company;
- how training needs are identified;
- worker groups covered by training;
- key training topics delivered during the reporting period;
- training hours and calculation method;
- mandatory training completion rates;
- OHS, ESG, environmental, labour standards, and technical training activities;
- supervisor and management development activities;
- supplier or contractor training where relevant;
- how training effectiveness is assessed;
- career development review approach;
- equal access to training and development where relevant;
- data gaps, limitations, confidentiality constraints, or scope exclusions; and
- improvement actions for the next reporting period.

Example disclosure wording

Training and Development

Training and Development is material to the company because our rubber manufacturing operations require competent workers, safe work practices, environmental controls, quality consistency, ESG data collection, and supervisor capability. The company conducts training based on job requirements, risk assessments, legal requirements, customer expectations, audit findings, and development needs.

During the reporting period, training covered OHS induction, PPE, machine safety, chemical safety, waste segregation, emergency response, ESG awareness, grievance channels, labour standards, and job-specific technical skills. Training hours were tracked through attendance records and training registers. Selected high-risk training was supported by competency checks and supervisor observation.

The company will continue strengthening the training matrix, refresher tracking, supervisor development, ESG data owner training, and training effectiveness assessment in the next reporting cycle.

Omission and non-applicability guidance

Training and Development should rarely be marked as fully “not applicable” because all companies need some form of worker training. However, specific indicators may not apply depending on operations.

Situation	Example Explanation
No formal career development review	“The company does not yet have a formal career development review process. Training needs are currently reviewed by supervisors and HR. A simple performance and development review process will be considered in the next reporting cycle.”
Training hours incomplete	“Training attendance records were maintained, but training hours were not consistently calculated for all sessions. The company will introduce a standard training hour calculation method in the next reporting period.”
No supplier training conducted	“Supplier training was not conducted during the reporting period. Supplier ESG expectations were communicated through the Supplier Code of Conduct. Supplier briefing sessions will be considered for priority suppliers.”
No HRD Corp claims	“The company did not submit HRD Corp training claims during the reporting period. Training expenditure was managed internally.”
No migrant workers	“Migrant worker-specific training indicators are not applicable because the company did not employ migrant workers during the reporting period.”
No contractors onsite	“Contractor induction indicators are not applicable because no contractors performed onsite work during the reporting period.”

Situation	Example Explanation
Training effectiveness not yet assessed	“Training effectiveness was not formally assessed for all training sessions. The company will introduce quizzes, supervisor observation, or competency checks for selected high-risk training.”
Confidential performance records	“Individual performance and career development records are confidential. The company reports aggregated training and development information while maintaining case-level records internally.”

Minimum Implementation Outputs for Section 29

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

Output	Purpose
Training and Development Policy or policy clause	Confirms the company’s commitment to worker learning, competency, and development.
Training roles and responsibilities matrix	Assigns responsibility for planning, delivery, records, review, and reporting.
Training Needs Assessment worksheet	Identifies training needs by role, department, risk, legal requirement, customer requirement, and development need.
Annual training plan	Defines planned training, target participants, timelines, budget, trainers, and evidence requirements.
Training matrix	Maps required training by role, worker group, frequency, and due date.
Skills matrix	Tracks competency for job-critical, technical, and high-risk tasks.
Training attendance records	Provides evidence of participation and training hours.
Training materials and briefing records	Demonstrates training content and communication.
Competency assessment records	Confirms workers can perform tasks safely and correctly.
Training effectiveness review records	Evaluates whether training improved knowledge, behaviour, compliance, or performance.
Refresher training tracker	Tracks recurring training and retraining needs.
New worker induction checklist	Confirms new workers receive essential information before or soon after starting work.
OHS training records	Supports legal compliance, risk control, and incident prevention.
ESG training records	Supports ESG awareness, data collection, reporting, and evidence management.
Environmental training records	Supports energy, water, waste, hazardous substances, spill response, and pollution prevention.
Labour standards and human rights training records	Supports worker rights, child labour, forced labour, DEI, grievance, and non-retaliation controls.
Supervisor training records	Strengthens respectful workplace conduct, grievance escalation, OHS leadership, and performance management.

Output	Purpose
Supplier and contractor briefing records	Extends ESG, OHS, labour, and traceability expectations to business partners.
Career development review records	Supports worker development, promotion, skills planning, and fair opportunity.
Individual development plans, where applicable	Tracks development actions for selected workers, supervisors, or critical roles.
Training KPI dashboard	Tracks training hours, completion, effectiveness, overdue refresher training, and development indicators.
Training budget and HRD Corp records, where applicable	Tracks training expenditure, grant claims, and resource allocation.
Confidential records control procedure	Protects individual performance, assessment, training, and development records.
Management review record	Shows senior management review of training completion, gaps, effectiveness, budget, and improvement actions.

Used properly, this topic helps rubber processors and manufacturers build a safer, more capable, more inclusive, and more resilient workforce. It supports ESG implementation, OHS compliance, technical performance, worker development, supplier readiness, customer confidence, and continuous improvement.

30. Social Topic 11: Pay and Equal Remuneration

Pay and Equal Remuneration refers to how a company ensures that workers are paid lawfully, fairly, transparently, accurately, and without discrimination. For Malaysian rubber processors and manufacturers, this topic is highly material because manufacturing operations may involve shift work, overtime, rest day work, public holiday work, allowances, production incentives, migrant workers, contract workers, temporary workers, labour suppliers, and customer social compliance expectations.

This topic covers **wage compliance, equal pay principles, benefits and allowances, payroll controls, deductions, payslip transparency, wage grievance handling, and evidence management**. It should be read together with the Social topics on **Workers' Rights, Diversity, Equity, and Inclusion, Forced or Compulsory Labour, Freedom of Association and Collective Bargaining, Training and Development, and Human Rights and Social Impact**.

Pay and remuneration are not only HR or payroll matters. They are also human rights, labour standards, forced labour prevention, DEI, governance, and audit-readiness matters. Inaccurate wages, unclear deductions, delayed payments, unequal allowances, or unexplained pay differences can lead to worker dissatisfaction, grievances, customer audit findings, regulatory exposure, reputational risk, and potential forced labour indicators.

For Malaysian operations, companies should ensure that wage practices comply with the latest applicable laws, including minimum wage, timely payment, lawful deductions, overtime, rest day, public holiday, leave, and benefit requirements. The Employment Act 1955 provides that wage periods must not exceed one month and that wages should generally be paid not later than the seventh day after the last day of the wage period; it also states that rest day, gazetted public holiday, and overtime wages should be paid not later than the last day of the next wage period. (JTK Malaysia)

The Minimum Wages Order 2024 sets the monthly minimum wage at **RM1,700** from 1 August 2025, and KESUMA has stated that the RM1,700 monthly minimum wage applies nationwide from that date, including to non-citizen employees and contract apprentices, but excluding domestic workers. Companies should verify the latest minimum wage and related rules before finalising payroll decisions.

30.1 Wage Compliance

Wage compliance means that all workers are paid in accordance with applicable laws, employment contracts, collective agreements where applicable, company policies, customer requirements, and documented payroll procedures. It includes basic wages,

overtime, rest day pay, public holiday pay, allowances, incentives, deductions, benefits, final wages, and wage corrections.

For rubber processors and manufacturers, wage compliance should cover all worker groups within the company's scope, including permanent employees, temporary workers, contract workers, migrant workers, local workers, apprentices, trainees, interns, outsourced workers, and contractor workers where the company has responsibility or influence.

Core wage compliance requirements

Companies should establish payroll controls covering the following areas.

Wage Compliance Area	Practical Requirement
Minimum wage	Ensure basic wages meet the latest applicable minimum wage requirements.
Wage period	Define the wage period clearly and ensure it does not exceed the applicable legal limit.
Timely payment	Pay wages within the legally required timeline and maintain payment evidence.
Overtime pay	Calculate overtime based on approved overtime hours and applicable rates.
Rest day and public holiday pay	Ensure work on rest days or public holidays is approved, recorded, and paid correctly.
Allowances and incentives	Define eligibility, calculation method, approval, and payment timing.
Deductions	Ensure deductions are lawful, transparent, documented, and communicated.
Payslips	Provide workers with clear wage statements showing earnings, deductions, and net pay.
Final wages	Pay final wages, unused entitlements, and lawful balances in accordance with applicable requirements.
Payroll correction	Correct payroll errors promptly and document the correction.
Payroll confidentiality	Protect worker wage, bank, deduction, and personal information.
Management review	Review payroll compliance, wage grievances, deductions, and payroll corrections periodically.

The Employment Act 1955 states that deductions from wages should not be made except in accordance with the Act. This means companies should maintain a clear deduction approval process and should not make informal, unexplained, punitive, or unauthorised deductions from wages. (JTK Malaysia)

Payroll governance and responsibilities

Payroll should have clear roles and responsibilities.

Role	Main Responsibilities
HR	Maintains employment terms, worker records, wage rates, leave, working hours, benefits, and payroll inputs.
Finance / Payroll	Processes wages, deductions, statutory payments, bank transfers, payslips, and payroll reports.
Production / Supervisors	Approves attendance, overtime, shift work, rest day work, and production-related incentives.
Compliance / Legal	Reviews legal wage requirements, customer requirements, collective agreements, and deduction rules.
ESG Team	Consolidates wage-related ESG data, evidence, KPIs, grievances, and disclosure information.
Senior Management	Reviews wage compliance, payroll risks, corrective actions, and resource implications.
Internal Audit / QA, where applicable	Checks payroll controls, documentation, and corrective action closure.

Wage and payroll records

Companies should maintain complete payroll records for each wage period.

Record Type	Purpose
Worker master list	Identifies workers by role, department, employment type, nationality, wage category, and status.
Employment contract	Confirms agreed wage, allowances, working hours, deductions, and benefits.
Attendance records	Supports wage, overtime, rest day, and leave calculations.
Overtime approvals	Confirms overtime was authorised and recorded.
Payroll register	Shows gross wages, overtime, allowances, deductions, statutory contributions, and net pay.
Payslips	Communicates wage details to workers.
Bank transfer records	Proves payment was made.
Deduction register	Tracks deduction type, amount, basis, authorisation, and approval.
Leave records	Supports paid leave and unpaid leave calculations.
Benefit records	Tracks benefits, allowances, accommodation, transport, medical, and other entitlements.
Payroll correction log	Records payroll errors, worker queries, corrections, and closure.
Final payment record	Shows final wages and entitlement settlement upon resignation or termination.

Payroll controls

A practical payroll control process should include:

Step	Action
1. Confirm worker status	Check employment type, wage rate, contract terms, and payroll category.
2. Verify attendance	Confirm actual working hours, rest days, public holidays, leave, and absences.
3. Approve overtime	Ensure overtime is authorised and supported by records.
4. Calculate wages	Calculate basic wages, overtime, allowances, incentives, deductions, and benefits.
5. Review deductions	Confirm deductions are lawful, authorised where required, and transparent.
6. Validate payroll	HR and Finance review payroll before payment.
7. Pay wages	Pay workers within the required timeline.
8. Issue payslips	Provide clear payslips or wage statements.
9. Resolve queries	Allow workers to raise wage questions without retaliation.
10. Retain evidence	Store payroll records securely for audit, reporting, and verification.

Wage grievance and correction process

Workers should be able to raise wage concerns without fear of retaliation. Wage grievances may relate to underpayment, overtime, unpaid allowance, incorrect deduction, missing incentive, delayed wages, unclear payslip, leave balance, or benefit entitlement.

A wage correction record should include:

Field	Description
Case reference	Payroll query or grievance number.
Date raised	Date worker raised the issue.
Worker or group affected	Worker ID, department, batch, or affected group, handled confidentially.
Issue type	Basic wage, overtime, allowance, deduction, leave, benefit, final pay, or payslip issue.
Evidence reviewed	Contract, attendance, overtime approval, payslip, payroll register, bank record.
Finding	Confirmed error, partial error, no error, or further review required.

Field	Description
Correction amount	Amount paid, deducted back, or adjusted where applicable.
Payment date	Date correction was made.
Root cause	Data entry error, supervisor approval issue, system error, unclear policy, missing record.
Preventive action	Payroll check, supervisor training, system update, worker communication, SOP revision.
Closure evidence	Corrected payslip, payment record, worker acknowledgement where appropriate.

Repeated payroll errors should be treated as a systemic risk and reviewed by management.

30.2 Equal Pay Principles

Equal pay means workers should receive equal remuneration for the same work, similar work, or work of equal value, without discrimination. Equal remuneration should not be limited to basic wages. It should also consider allowances, incentives, bonuses, benefits, overtime opportunities, in-kind benefits, and other forms of compensation where relevant.

The ILO Equal Remuneration Convention, 1951 (No. 100) states the principle of equal remuneration for men and women workers for work of equal value, and ILO guidance explains that the concept is broader than paying equally for the same job because different jobs can still be of equal value when assessed objectively. (ITCILO)

For rubber processors and manufacturers, equal pay principles should be applied across:

- a. gender;
- b. nationality;
- c. ethnicity;
- d. religion;
- e. age;
- f. disability;
- g. employment status;
- h. migrant or local worker status;
- i. contract or permanent status;
- j. department or supervisor assignment; and
- k. any other characteristic unrelated to role value, competency, performance, seniority, legal requirement, or objective job criteria.

Equal pay for equal work and work of equal value

Companies should distinguish between two related principles.

Principle	Meaning	Example
Equal pay for equal work	Workers performing the same or substantially similar work should be paid equally unless objective reasons justify differences.	Two production operators doing the same role with the same grade, experience, and performance should not be paid differently because of gender or nationality.
Equal remuneration for work of equal value	Different jobs may require equal remuneration if they have comparable value based on objective factors such as skill, effort, responsibility, and working conditions.	A quality control role and a production role may be compared objectively if pay equity concerns arise.

Objective pay criteria

Pay differences may be justified where they are based on objective, lawful, and documented criteria.

Objective Criterion	Practical Example
Job grade or level	Operator Grade 1, Technician Grade 2, Supervisor Grade 3.
Skills and competency	Certified machine operator, qualified maintenance technician, trained laboratory analyst.
Experience or seniority	Years of relevant service or experience, applied consistently.
Responsibility	Supervisory responsibility, specialised equipment responsibility, compliance responsibility.
Working conditions	Shift allowance, hazardous duty allowance, night shift allowance where lawful and documented.
Performance	Performance incentives based on transparent and measurable criteria.
Qualification	Technical certificate, professional qualification, competency certification.
Collective agreement	Pay terms negotiated under a lawful collective agreement.
Market adjustment	Documented market-based pay adjustment for specific roles, reviewed for fairness.

Companies should avoid pay differences based on assumptions, favouritism, nationality, gender, supervisor preference, retaliation, or unclear discretionary decisions.

Equal pay review

Companies should periodically review pay data to identify unexplained differences. The review may be simple for SMEs and more detailed for larger companies.

A practical equal pay review may include:

Step	Action
1. Define scope	Decide which workers, roles, departments, and pay elements are included.
2. Group comparable roles	Group workers by job title, grade, department, role type, or competency level.
3. Review pay elements	Compare basic wage, allowances, overtime opportunity, incentives, bonuses, and benefits.
4. Analyse differences	Identify pay gaps by gender, nationality, employment type, migrant status, or other relevant categories.
5. Check objective reasons	Review whether differences are explained by grade, seniority, competency, performance, shift, or responsibility.
6. Identify unexplained gaps	Flag differences without clear objective basis.
7. Correct or justify	Adjust pay where needed or document lawful and objective justification.
8. Review policies	Update wage structure, job grading, allowance rules, and supervisor guidance.
9. Track progress	Monitor corrective actions and recurring patterns.
10. Report appropriately	Disclose aggregated information where material and protect personal data.

Pay structure and job grading

A transparent pay structure helps reduce unequal pay risks. Companies may use:

- a. job descriptions;
- b. job grades;
- c. wage bands;
- d. skill or competency levels;
- e. seniority bands;
- f. allowance criteria;
- g. overtime allocation rules;
- h. performance incentive rules;
- i. promotion criteria;
- j. annual wage review process; and
- k. management approval matrix.

SMEs do not need a complex grading system, but they should be able to explain how pay rates are determined and ensure that similar workers are treated consistently.

Equal pay and overtime opportunity

Equal remuneration should also consider access to overtime, incentives, and allowances. Even if basic wages are equal, unfair allocation of overtime can create unequal earnings.

Companies should monitor whether:

- a. overtime is allocated consistently;
- b. overtime is not used as reward or punishment;
- c. workers are not denied overtime because they raised grievances;
- d. migrant or contract workers are not pushed into excessive overtime;
- e. women workers or selected groups are not unfairly excluded from overtime opportunities;
- f. overtime is voluntary where required and properly paid; and
- g. overtime distribution does not create fatigue or forced labour risk.

Equal pay and non-retaliation

Pay, overtime, allowances, and bonuses should not be used to retaliate against workers who raise grievances, join worker representation channels, refuse unsafe work, report harassment, or participate in lawful activities. Any reduction in pay opportunity affecting a complainant, worker representative, or whistleblower should be reviewed carefully.

30.3 Benefits and Allowances

Benefits and allowances are part of total remuneration and should be managed transparently, lawfully, consistently, and fairly. Benefits and allowances may include statutory contributions, medical benefits, insurance, accommodation, transport, meals, attendance allowance, shift allowance, skill allowance, production incentive, hardship allowance, welfare support, leave benefits, and other cash or non-cash benefits.

Companies should maintain a clear **Benefits and Allowances Register** so that workers understand what they are entitled to and payroll teams can apply benefits consistently.

Types of benefits and allowances

Type	Examples	Key Control
Statutory benefits	Statutory contributions, social protection, leave, and other legally required entitlements.	Track legal requirements, eligibility, payment, and records.
Wage-related allowances	Shift allowance, night shift allowance, attendance allowance, skill allowance, transport allowance, meal allowance.	Define eligibility and calculation method.
Production incentives	Productivity bonus, quality bonus, output incentive, attendance incentive.	Use transparent criteria and avoid unsafe production pressure.
Medical benefits	Clinic access, medical claim, insurance, medical leave support.	Maintain eligibility, claim, and confidentiality controls.
Accommodation	Hostel, dormitory, housing allowance, utility support.	Ensure transparency, legal deductions where applicable, and welfare controls.
Transport	Company bus, transport allowance, fuel allowance, route support.	Apply consistently and maintain records.
Meals and canteen	Meal allowance, subsidised food, canteen provision, food coupons.	Communicate eligibility and maintain records.
Training and development	Training sponsorship, certification support, HRD Corp-supported training where applicable.	Link to training plan and development needs.
Welfare benefits	Emergency support, family support, festive support, employee assistance, welfare fund.	Apply transparent and non-discriminatory criteria.
Collective agreement benefits	Benefits negotiated under a collective agreement.	Implement according to agreement terms.

Benefits and allowances policy

Companies should document:

- list of benefits and allowances available;
- eligibility criteria;
- calculation method;
- approval authority;
- payment timing;
- whether the benefit is cash or non-cash;
- whether the benefit is taxable or subject to statutory treatment, where applicable;
- whether the benefit may be deducted or recovered, and under what lawful conditions;
- whether the benefit applies to migrant, contract, temporary, or outsourced workers;
- how workers are informed;
- how disputes or questions are raised; and
- who reviews and updates the register.

Allowance controls

Allowances should be applied consistently and supported by evidence.

Allowance Type	Evidence
Shift allowance	Shift roster, attendance records, payroll register.
Overtime-related payment	Overtime approval, time records, payroll calculation.
Skill allowance	Competency certificate, skills matrix, approval record.
Attendance allowance	Attendance records, policy criteria, payroll calculation.
Transport allowance	Eligibility list, payment record, worker communication.
Meal allowance	Policy, attendance, canteen record, payroll record.
Accommodation allowance	Accommodation policy, tenancy or hostel record, worker acknowledgement.
Production incentive	Incentive formula, production records, quality records, payroll approval.

Production incentives should not encourage unsafe work, excessive overtime, skipped rest breaks, poor quality, harassment, or under-reporting of incidents.

Benefits for migrant, contract, and outsourced workers

Where migrant, contract, temporary, or outsourced workers are engaged, companies should clarify what benefits apply and who is responsible for providing them. For outsourced or contractor workers, responsibilities should be included in contracts or supplier agreements.

Companies should check whether:

- benefits promised during recruitment are actually provided;
- migrant workers understand benefits and deductions;
- accommodation or transport deductions are lawful, transparent, and documented;
- contractor workers receive required wages, benefits, and OHS protections;
- benefits are not withheld as punishment;
- workers have a channel to raise benefit concerns; and
- payroll records match benefit commitments.

Benefits communication

Workers should understand their wages, allowances, benefits, deductions, and payslips. Communication should be provided during onboarding, wage briefings, worker handbook distribution, policy updates, and grievance channel communication.

Where workers have language barriers, benefit information should be communicated in a language or format they can reasonably understand. This is especially important for migrant workers, contract workers, and workers whose pay includes multiple allowances or deductions.

30.4 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Pay and Equal Remuneration topic. Companies should apply them based on materiality, workforce profile, payroll complexity, legal requirements, customer expectations, and data availability.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. Pay and remuneration policy	Company has a documented commitment to lawful, fair, transparent, and non-discriminatory pay.	HR Policy, Labour Standards Policy, Human Rights Policy, ESG Policy, Employee Handbook, management approval.	HR / Management / ESG Team
2. Minimum wage compliance	Basic wages meet the latest applicable minimum wage requirements.	Wage register, payroll records, employment contracts, minimum wage review, legal register.	HR / Finance / Compliance
3. Wage period and timely payment	Wage periods and payment dates comply with applicable requirements.	Payroll calendar, bank transfer records, payslips, payroll approval records.	Finance / HR
4. Employment contract wage terms	Wage rate, allowances, overtime, deductions, benefits, and payment frequency are stated in employment terms.	Employment contracts, appointment letters, worker acknowledgements, onboarding records.	HR
5. Payroll calculation controls	Payroll is calculated using approved wage rates, attendance, overtime, leave, allowance, and deduction records.	Payroll register, attendance records, overtime approvals, leave records, allowance records.	HR / Finance
6. Overtime pay control	Overtime is approved, recorded, calculated, and paid correctly.	Overtime approval forms, time records, payroll records, payslips, supervisor approvals.	HR / Production / Finance
7. Rest day and public holiday pay	Rest day and public holiday work are approved, recorded, and paid correctly.	Shift roster, attendance records, approval records, payroll calculation, payslips.	HR / Production / Finance
8. Payslip transparency	Workers receive understandable wage	Payslips, wage briefing records, payroll system	HR / Finance

	statements showing earnings, allowances, deductions, and net pay.	output, worker acknowledgement where applicable.	
9. Lawful deduction controls	Deductions are lawful, transparent, authorised where required, and documented.	Deduction register, worker authorisations, payroll review, payslips, management approval.	HR / Finance / Compliance
10. Wage grievance and correction process	Workers can raise wage concerns and payroll corrections are documented.	Payroll query log, grievance register, correction records, payment evidence, closure records.	HR / Finance
11. Equal pay commitment	Company commits to equal remuneration for equal work and work of equal value.	HR Policy, DEI Policy, Human Rights Policy, wage policy, management approval.	HR / Management
12. Objective pay criteria	Pay differences are based on objective criteria such as role, grade, skill, competency, responsibility, seniority, performance, or working conditions.	Job descriptions, job grades, wage bands, skills matrix, performance records, approval records.	HR / Department Heads
13. Equal pay review	Company reviews pay data for unexplained differences by gender, nationality, employment type, migrant status, or other relevant categories.	Pay review worksheet, payroll analysis, job evaluation records, corrective action tracker.	HR / Finance / ESG Team
14. Equal access to allowances and incentives	Allowances, incentives, and overtime opportunities are allocated fairly and based on documented criteria.	Allowance register, incentive formula, overtime allocation review, payroll records.	HR / Finance / Production
15. Benefits register	Benefits and allowances are identified, documented, and communicated.	Benefits register, Employee Handbook, policy documents, worker briefings.	HR / Finance
16. Statutory benefits and contributions	Statutory benefits and contributions are tracked and paid where applicable.	Contribution records, payment receipts, payroll records, legal register.	HR / Finance
17. Non-cash benefits and in-kind benefits	Accommodation, transport, meals, uniforms, PPE, medical support, and other benefits are documented and managed.	Accommodation records, transport records, canteen records, medical benefit records, PPE records.	HR / Facilities / Finance
18. Migrant worker pay transparency	Migrant workers receive clear wage, allowance, deduction, benefit, and payslip information in an understandable format.	Translated materials, orientation records, worker briefings, payslip explanations, grievance records.	HR
19. Contractor and outsourced	Contractors and labour suppliers are monitored for wage, overtime, benefit, and	Contractor agreements, supplier declarations, audit	Procurement / HR / ESG Team

worker pay controls	deduction compliance where relevant.	records, worker records, corrective action plans.	
20. Non-retaliation in pay decisions	Pay, overtime, allowances, and benefits are not reduced or withheld as retaliation.	Non-retaliation policy, grievance records, payroll review, investigation records.	HR / Compliance
21. Confidential payroll data control	Payroll, bank, deduction, grievance, and personal data are protected.	Access controls, confidentiality procedure, payroll system controls, secure files.	HR / Finance / Compliance
22. Monitoring and management review	Wage compliance, equal pay risks, payroll grievances, deductions, benefits, and corrective actions are reviewed periodically.	KPI dashboard, management review minutes, ESG Committee minutes, internal audit reports.	HR / Finance / ESG Team / Management
23. Reporting and disclosure	Company discloses wage compliance, equal remuneration approach, benefits, limitations, and improvement actions where material.	ESG report, customer questionnaire, KPI tracker, evidence register, omission explanation, management approval.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Percentage of workers paid at or above applicable minimum wage	Workers meeting minimum wage ÷ total workers in scope.
Percentage of wages paid on time	Wage payments made within required timeline ÷ total wage payments due.
Number of payroll corrections	Count of payroll errors corrected during the reporting period.
Percentage of payroll corrections closed within target timeline	Payroll corrections closed on time ÷ total payroll corrections due.
Number of wage-related grievances	Count of grievances relating to wages, overtime, deductions, allowances, or benefits.
Percentage of wage-related grievances closed within target timeline	Wage grievances closed on time ÷ total wage grievances due.
Percentage of workers receiving payslips	Workers receiving payslips ÷ total workers in scope.
Percentage of workers briefed on wage and grievance channels	Workers briefed ÷ total workers in scope.
Number of unlawful or unexplained deduction findings	Count of confirmed findings.
Percentage of deductions supported by approval and evidence	Deductions with complete evidence ÷ total deductions reviewed.

Overtime payment accuracy rate	Correct overtime payments ÷ overtime payments sampled.
Percentage of workers covered by wage review	Workers reviewed ÷ total workers in scope.
Number of unexplained pay differences identified	Count of pay gaps without objective explanation.
Percentage of unexplained pay differences corrected or justified	Pay differences corrected or justified ÷ total unexplained differences.
Gender pay gap by role or grade, where reported	Difference in average or median pay by gender within comparable role groups.
Pay gap by nationality or worker category, where relevant	Difference in average or median pay within comparable role groups.
Percentage of workers covered by benefits register	Workers with documented benefit eligibility ÷ total workers in scope.
Percentage of contractors screened for wage compliance	Contractors screened ÷ total labour-related contractors.
Number of supplier or contractor wage findings	Count of wage, overtime, deduction, or benefit findings.
Percentage of wage-related corrective actions closed on time	Corrective actions closed by due date ÷ total due.

Reporting guidance

Where Pay and Equal Remuneration is material, the company should disclose:

- why pay and equal remuneration are material to the company;
- the company's wage compliance and equal pay commitment;
- the workforce scope covered, including permanent, temporary, migrant, contract, or outsourced workers where applicable;
- how minimum wage compliance is monitored;
- how payroll, overtime, rest day, public holiday, allowance, and deduction controls are managed;
- how payslips and wage information are communicated to workers;
- how wage grievances and payroll corrections are handled;
- how equal pay principles are applied;
- whether pay reviews or equal remuneration checks were conducted;
- how benefits and allowances are documented and communicated;
- whether contractors, labour suppliers, or suppliers are monitored for wage-related risks;
- data gaps, confidentiality limitations, estimates, or scope exclusions; and
- improvement actions planned for the next reporting period.

Example disclosure wording

Pay and Equal Remuneration

Pay and Equal Remuneration is material to the company because our operations involve production workers, shift arrangements, overtime, allowances, migrant workers, and payroll-related compliance requirements. The company is committed to lawful wage payment, timely payroll processing, transparent payslips, lawful deductions, and fair remuneration practices.

During the reporting period, the company maintained employment contracts, attendance records, overtime approvals, payroll registers, payslips, deduction records, benefit records, and payroll correction logs. Wage information and grievance channels were communicated to workers through onboarding, HR briefings, and worker communication materials.

The company will continue strengthening payroll review, wage grievance tracking, equal pay analysis, contractor wage monitoring, and documentation of benefits and allowances in the next reporting cycle.

Omission and non-applicability guidance

Pay and Equal Remuneration should rarely be marked as fully “not applicable” because every company that engages workers has wage and remuneration responsibilities. However, specific sub-indicators may not apply depending on workforce structure.

Situation	Example Explanation
No migrant workers	“Migrant worker pay transparency indicators are not applicable during the reporting period because the company did not employ migrant workers. Wage communication controls remain applicable to all workers.”
No contract or outsourced workers	“Contractor and outsourced worker wage indicators are not applicable because the company did not engage labour-supplied workers during the reporting period.”
No collective agreement	“Collective agreement-related remuneration indicators are not applicable because no collective agreement applied during the reporting period.”
Equal pay review not yet conducted	“A formal equal pay review was not completed during the reporting period. The company will review pay by role, grade, gender, nationality, and worker category in the next reporting cycle.”
Pay gap data confidential	“Detailed pay data is confidential. The company reports aggregated wage compliance and equal remuneration information while maintaining payroll-level evidence internally.”
Benefits data incomplete	“Benefits and allowance data was available through payroll records, but a consolidated benefits register was not yet maintained. The company will introduce a benefits register in the next reporting cycle.”

Payroll correction data not centralised	“Payroll corrections were handled by HR and Finance but were not centrally tracked. The company will introduce a payroll correction log to improve monitoring and reporting.”
No wage grievances recorded	“No wage-related grievances were recorded during the reporting period. The company will continue communicating wage query channels and monitoring whether workers are comfortable using them.”

Minimum Implementation Outputs for Section 30

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

Output	Purpose
Pay and Remuneration Policy	Confirms the company’s commitment to lawful, fair, transparent, and non-discriminatory pay.
Minimum wage compliance checklist	Checks worker wages against the latest applicable minimum wage requirements.
Wage structure or wage register	Records wage rates, job grades, roles, allowances, and approval basis.
Employment contract wage terms	Confirms worker wage, allowance, benefit, deduction, and payment terms.
Payroll register	Tracks gross wages, overtime, allowances, deductions, statutory contributions, and net pay.
Attendance and overtime records	Supports accurate wage, overtime, rest day, and public holiday calculations.
Overtime approval register	Confirms overtime was authorised and properly paid.
Deduction register	Tracks deduction type, amount, basis, approval, and worker communication.
Payslip records	Supports wage transparency and worker understanding.
Bank payment or wage payment evidence	Confirms wages were paid on time.
Payroll review checklist	Supports pre-payment review and error prevention.
Payroll correction log	Tracks wage queries, errors, corrections, payment adjustments, and closure.
Wage grievance register	Records wage-related complaints, investigation, remedy, and closure.
Benefits and Allowances Register	Documents eligibility, calculation, payment timing, and evidence for benefits and allowances.
Equal pay review worksheet	Reviews pay differences by comparable roles and relevant worker categories.
Job description and job grading records	Supports objective pay criteria and equal remuneration analysis.
Skills matrix or competency records	Supports skill-based pay or allowance decisions.
Incentive and allowance rules	Ensures production incentives, shift allowances, skill allowances, and other payments are transparent and fair.

Contractor wage compliance records	Supports wage monitoring for labour suppliers and outsourced workers where relevant.
Worker wage communication records	Shows wage, payslip, deduction, benefit, and grievance information was communicated.
Confidential payroll data control procedure	Protects payroll, bank, deduction, grievance, and personal information.
Pay and remuneration KPI dashboard	Tracks timely payment, payroll corrections, wage grievances, equal pay review, deductions, and corrective actions.
Management review record	Shows senior management review of wage compliance, equal pay risks, payroll grievances, benefits, and improvement actions.

Used properly, this topic helps rubber processors and manufacturers strengthen wage compliance, prevent payroll disputes, support equal remuneration, improve worker trust, reduce forced labour and discrimination risks, meet customer audit expectations, and provide credible evidence for ESG reporting and continuous improvement.

PART 6:

Governance Guidelines

PART 6: Governance Guidelines

31. Governance Management Overview

Governance is the system by which a company is directed, controlled, monitored, and held accountable. In ESG, governance provides the foundation for responsible decision-making, legal compliance, ethical conduct, transparent reporting, risk management, internal controls, stakeholder trust, and continuous improvement.

For Malaysian rubber processors and manufacturers, governance is especially important because ESG expectations are no longer limited to environmental and labour practices alone. Buyers, regulators, financiers, certification bodies, customers, investors, and supply chain partners increasingly expect companies to show that ESG commitments are supported by proper oversight, clear policies, accountable management, reliable data, ethical conduct, and evidence-based disclosures.

Governance should not be treated only as a boardroom matter or a compliance checklist. It should be embedded into daily business practices, including procurement, supplier management, production, human resources, occupational health and safety, environmental management, finance, sales, customer response, logistics, internal audit, reporting, and management review.

The Malaysian Code on Corporate Governance defines corporate governance as the process and structure used to direct and manage the business and affairs of a company towards business prosperity and corporate accountability, while taking into account the interests of other stakeholders. It also describes corporate governance as a framework of control mechanisms that supports company goals while preventing unwanted risks. (Securities Commission Malaysia)

The Governance pillar in these Guidelines covers the following topics:

Governance Topic	Main Focus
Supply Chain Traceability and Due Diligence	Supplier mapping, responsible sourcing, ESG due diligence, traceability records, and corrective action.
Corporate Governance	ESG oversight, roles, accountability, Board and management responsibilities, and governance structure.
Business Ethics	Code of conduct, ethical behaviour, conflicts of interest, gifts, hospitality, fraud prevention, and fair dealing.
Transparency and Risk Management	ESG risk register, internal controls, evidence management, disclosure governance, and decision-making.
Tax Practices	Tax compliance, documentation, responsible tax conduct, and transparency where relevant.

Anti-Corruption	Anti-bribery controls, training, reporting channels, investigations, and adequate procedures.
Stakeholder Engagement	Identification, consultation, feedback, grievance, and response to stakeholder expectations.
Regulatory Risk and Public Policy	Legal register, permit monitoring, regulatory updates, public policy engagement, and compliance tracking.

Good governance helps companies answer practical questions:

- a. Who is responsible for ESG?
- b. Who approves ESG policies, targets, data, and disclosures?
- c. How does the company identify and monitor legal requirements?
- d. How are ESG risks escalated to management?
- e. How are suppliers, contractors, agents, and business partners controlled?
- f. How does the company prevent bribery, corruption, fraud, and conflicts of interest?
- g. How does the company ensure that ESG data is accurate and supported by evidence?
- h. How are grievances, whistleblowing reports, and stakeholder concerns handled?
- i. How does the company track corrective actions and continuous improvement?
- j. How does the company demonstrate accountability to customers, regulators, workers, financiers, and other stakeholders?

For SMEs, governance may begin with a simple structure: appointing an ESG lead, assigning department data owners, approving key policies, maintaining a legal register, holding management review meetings, and tracking corrective actions. For larger companies, governance may include Board-level oversight, ESG committees, risk committees, internal audit, formal disclosure controls, supplier due diligence systems, whistleblowing channels, compliance registers, and assurance readiness.

The key principle is that governance must be **clear, documented, proportionate, and effective**. A small company does not need an overly complex governance system, but it must still be able to show who is accountable, what controls are in place, how risks are managed, and what evidence supports its ESG claims.

31.1 Legal Compliance and Accountability

Legal compliance is the minimum foundation of ESG governance. Companies must understand, monitor, and comply with laws, regulations, licences, permits, approval conditions, customer requirements, contract obligations, and certification requirements that apply to their operations and value chain.

For Malaysian rubber processors and manufacturers, legal compliance may cover:

- a. company law and corporate records;

- b. business licences and operating permits;
- c. Malaysian Rubber Board-related licences or requirements where applicable;
- d. environmental laws, permits, monitoring, scheduled waste, effluent, emissions, and chemical requirements;
- e. occupational safety and health requirements;
- f. employment, labour, wage, working hour, leave, accommodation, and migrant worker requirements;
- g. immigration and recruitment requirements;
- h. anti-bribery and anti-corruption requirements;
- i. tax, customs, trade, export, and import requirements;
- j. product quality, product safety, chemical, and restricted substance requirements;
- k. data protection and confidentiality requirements;
- l. land use, building, fire, local authority, and planning requirements;
- m. customer codes of conduct and contractual ESG requirements; and
- n. certification, audit, and reporting requirements.

The Companies Act 2016 is a core legal reference for Malaysian companies and includes statutory duties and governance requirements for companies and directors. (SSM) The Malaysian Code on Corporate Governance also provides governance practices and principles that are above and beyond minimum statutory requirements and are especially relevant to listed companies, larger companies, and companies seeking to strengthen governance maturity. (Securities Commission Malaysia)

Legal compliance register

Companies should maintain a **Legal and Regulatory Compliance Register**. This register should identify applicable requirements, responsible persons, due dates, evidence, review frequency, and compliance status.

A practical register may include:

Field	Description
Requirement	Law, regulation, licence, permit, customer requirement, certification requirement, or internal policy.
Applicability	Site, department, process, product, supplier, worker group, or business activity affected.
Compliance obligation	What the company must do, monitor, submit, maintain, or renew.
Responsible owner	Department or person responsible for compliance.
Evidence required	Permit, licence, inspection record, report, submission, training record, invoice, register, or certificate.
Frequency	Daily, monthly, quarterly, annually, upon renewal, upon incident, or upon change.

Due date	Submission, renewal, review, or action deadline.
Status	Compliant, pending, under review, non-compliant, not applicable, or corrective action required.
Corrective action	Action needed to close gaps or non-compliance.
Review date	Date of last review and next review.

The register should be reviewed at least annually and whenever there are changes in laws, operations, products, sites, workforce, suppliers, customer requirements, export markets, or certification scope.

Compliance accountability

Legal compliance should have clear accountability. It should not be assumed that compliance is handled automatically by one department.

Function	Typical Compliance Role
Board, owner, or highest governance body	Oversees major compliance risks, approves key policies, reviews significant incidents, and ensures accountability.
Senior Management	Ensures resources, responsibilities, and corrective actions are in place.
Compliance / Legal / Company Secretary	Monitors company law, contracts, governance, regulatory filings, licences, and legal changes.
EHS / Environmental Team	Manages environmental permits, monitoring, waste, water, emissions, chemicals, and site compliance.
OHS / Safety Team	Manages safety and health requirements, risk assessments, training, incidents, and emergency readiness.
HR	Manages employment, wages, working hours, recruitment, migrant workers, accommodation, grievances, and worker records.
Procurement	Manages supplier requirements, supplier codes, traceability, due diligence, and contractor obligations.
Finance	Manages payroll, tax, statutory payments, invoices, financial controls, and ESG-related cost data.
Production / Operations	Implements SOPs, quality, safety, environmental controls, and process compliance.
ESG Team	Consolidates ESG compliance evidence, reporting information, checklist status, and improvement actions.
Internal Audit / QA, where applicable	Reviews control effectiveness, documentation, corrective action closure, and audit readiness.

Accountability and escalation

Companies should establish an escalation process for compliance issues. Not all issues require Board-level review, but significant risks should be escalated promptly.

Issues that should be escalated include:

- a. regulatory notices, enforcement actions, penalties, or investigations;
- b. serious environmental incidents, spills, effluent exceedances, waste non-compliance, or pollution complaints;
- c. serious workplace injuries, dangerous occurrences, or repeated OHS findings;
- d. suspected child labour, forced labour, wage violations, or serious worker rights issues;
- e. bribery, corruption, fraud, falsification of records, or conflict of interest concerns;
- f. major customer audit failures or suspension risk;
- g. supplier non-compliance affecting market access, traceability, human rights, or deforestation requirements;
- h. inaccurate or unsupported ESG disclosure;
- i. repeated unresolved grievances or whistleblowing concerns; and
- j. legal, tax, customs, or trade matters that may affect the company's licence to operate or export.

Compliance evidence

Companies should maintain evidence of compliance. Evidence may include:

Area	Examples of Evidence
Corporate governance	Company records, Board minutes, management approvals, policies, delegation of authority.
Environmental compliance	Permits, effluent reports, waste records, scheduled waste consignment notes, monitoring reports.
OHS compliance	HIRARC, training records, incident reports, inspection records, committee minutes, emergency drills.
Labour compliance	Employment contracts, payroll, working hours, leave, age verification, migrant worker records.
Anti-corruption	ABAC policy, training, declarations, gift register, conflict of interest register, investigation records.
Tax and finance	Tax filings, payment records, audited accounts, invoices, statutory contribution records.
Supplier compliance	Supplier declarations, supplier code acknowledgements, certificates, audits, corrective actions.
Reporting compliance	ESG data files, calculation workbooks, evidence registers, approval records, disclosure review.

Legal compliance should be treated as a live process, not a year-end paperwork exercise.

31.2 ESG Oversight and Decision-Making

ESG oversight means that the company's leadership actively supervises ESG risks, opportunities, policies, targets, performance, disclosures, and improvement actions. Decision-making means that ESG information is used to guide business choices, resource allocation, risk management, supplier selection, operational controls, and stakeholder communication.

For Malaysian rubber processors and manufacturers, ESG oversight should cover both **own operations** and **relevant value chain matters**, especially where suppliers, contractors, raw materials, customers, or export markets create ESG risks.

Governance levels for ESG oversight

Companies should define who oversees ESG at different levels.

Governance Level	Main Role in ESG Oversight
Board, owner, or highest governance body	Approves ESG direction, policies, material topics, major targets, key risks, and public disclosures.
Senior Management	Converts ESG direction into resources, responsibilities, action plans, KPIs, and department targets.
ESG Committee or ESG Steering Group	Reviews ESG risks, data, performance, stakeholder issues, reporting progress, and corrective actions.
ESG Lead or ESG Team	Coordinates implementation, data collection, evidence management, reporting, checklist updates, and action tracking.
Department Heads	Implement ESG controls in production, HR, EHS, procurement, finance, quality, logistics, and sales.
Data Owners	Collect, check, and maintain ESG data and evidence.
Internal Audit / QA, where applicable	Reviews control effectiveness, evidence quality, and corrective action closure.

The ESG governance structure should be documented through an organisation chart, responsibility matrix, committee terms of reference, reporting line, and meeting records.

ESG Committee or management review

Companies should establish an ESG Committee or equivalent management review process. SMEs may use an existing management meeting, while larger companies may establish a formal committee.

The ESG review should cover:

- a. material ESG topics;
- b. legal compliance status;
- c. ESG risks and opportunities;
- d. stakeholder feedback and grievances;
- e. customer ESG requirements;
- f. supplier due diligence and traceability;
- g. environmental performance, including energy, emissions, water, waste, and hazardous substances;
- h. social performance, including OHS, labour standards, recruitment, wages, grievances, and training;
- i. governance performance, including ethics, anti-corruption, risk management, tax, and regulatory compliance;
- j. ESG data quality and evidence gaps;
- k. ESG Checklist progress;
- l. internal audit and customer audit findings;
- m. corrective action status;
- n. targets and action plan progress;
- o. budget and resource needs; and
- p. approval of ESG reports or external submissions.

Decision-making and resource allocation

ESG oversight should lead to decisions. A company should be able to show that ESG risks and data are used to make practical management decisions.

Examples include:

ESG Issue	Governance Decision
High energy use	Approve energy audit, maintenance project, sub-metering, or efficiency investment.
Wastewater risk	Approve treatment system maintenance, operator training, monitoring upgrade, or corrective action.
OHS incidents	Stop unsafe work, update HIRARC, install guarding, retrain workers, or review supervisors.
Forced labour risk	Review recruitment agents, conduct worker interviews, prohibit worker-paid fees, or approve remediation.
Supplier traceability gap	Prioritise high-risk suppliers, require declarations, conduct audits, or adjust sourcing decisions.
ESG data weakness	Assign data owners, improve evidence register, introduce data review checklist.
Anti-corruption risk	Update procurement controls, require declarations, conduct training, or investigate concerns.
Customer ESG requirement	Approve data collection plan, supplier engagement, or customer response review process.

ESG approval process

Companies should define who approves ESG information before external disclosure. This is important because unsupported claims can create legal, reputational, customer, and audit risks.

External ESG disclosures may include:

- a. ESG or sustainability reports;
- b. customer questionnaires;
- c. supplier declarations;
- d. EUDR-related data submissions;
- e. carbon or emissions disclosures;
- f. labour compliance declarations;
- g. traceability claims;
- h. no-deforestation statements;
- i. anti-corruption declarations;
- j. certification submissions;

- k. financing applications; and
- l. public website or marketing statements.

Approval should normally involve:

Information Type	Recommended Review
Technical environmental data	EHS, ESG Team, Finance, and Management.
Emissions data	ESG Team, Finance, Maintenance, technical reviewer, and Management.
Labour and workforce data	HR, ESG Team, and Management.
Supplier traceability data	Procurement, ESG Team, Compliance, and Management.
Customer ESG questionnaire	Relevant data owners, Sales, ESG Team, Compliance, and Management.
Public ESG report	ESG Committee, Senior Management, Board or owner where applicable.
Anti-corruption or ethics declaration	Compliance, Legal, Finance, Procurement, and Management.

Management review records

Every ESG review should be documented. Meeting records should include:

- a. date;
- b. attendees;
- c. agenda items;
- d. ESG data reviewed;
- e. risks discussed;
- f. decisions made;
- g. actions assigned;
- h. responsible persons;
- i. due dates;
- j. evidence required;
- k. unresolved issues;
- l. escalations; and
- m. next review date.

A decision that is not documented may be difficult to prove during audits, customer reviews, or assurance processes.

31.3 Policies, Procedures, and Control Environment

A company's control environment is the set of policies, procedures, responsibilities, approvals, checks, documentation, training, and culture that ensures the business operates responsibly and consistently. In ESG, the control environment helps ensure that commitments are implemented, risks are managed, data is reliable, and unethical behaviour is prevented or detected.

For rubber processors and manufacturers, the control environment should be practical and operational. Policies should not remain unused documents. They should be linked to SOPs, forms, checklists, registers, training, audits, corrective actions, and management review.

Core governance policies

Companies should maintain policies appropriate to their size, risk profile, customer requirements, and maturity level.

Policy / Procedure	Purpose
ESG Policy	Sets overall ESG commitments and direction.
Code of Conduct	Defines expected behaviour, integrity, respect, compliance, and accountability.
Human Rights Policy	Covers labour rights, forced labour, child labour, non-discrimination, grievance, and remedy.
Environmental Policy	Covers pollution prevention, resource efficiency, legal compliance, and environmental protection.
OHS Policy	Covers safe and healthy working conditions, risk assessment, training, and incident prevention.
Supplier Code of Conduct	Sets ESG expectations for suppliers, contractors, agents, and business partners.
Anti-Bribery and Anti-Corruption Policy	Prohibits bribery, corruption, facilitation payments, improper gifts, and unethical conduct.
Conflict of Interest Procedure	Requires disclosure and management of personal, financial, or business conflicts.
Gifts, Hospitality, Donations, and Sponsorship Procedure	Controls giving and receiving of benefits that may create corruption or influence risk.
Whistleblowing Procedure	Provides confidential reporting channels for misconduct or serious concerns.
Data and Document Control Procedure	Controls ESG data, evidence, version control, retention, access, and approval.
Grievance Procedure	Provides channels for workers, suppliers, communities, and stakeholders to raise concerns.
Corrective Action Procedure	Tracks non-conformities, incidents, audit findings, and improvement actions to closure.

Legal Compliance Procedure	Maintains legal register, monitoring, renewals, submissions, and escalation.
Disclosure Review Procedure	Ensures external ESG statements are accurate, approved, and evidence-backed.

The MACC states that Section 17A of the MACC Act 2009, enforced from 1 June 2020, introduced corporate liability where a commercial organisation can be considered guilty if employees or associates commit corruption for the benefit of the organisation. (Social Policy Research Malaysia) This makes anti-bribery and corruption controls especially important for companies dealing with procurement, suppliers, customs, licensing, inspections, agents, tenders, and public authorities.

Procedures and SOP integration

Policies should be translated into procedures and SOPs. For example:

Policy Commitment	Procedure / SOP Integration
Respect human rights	Recruitment SOP, wage procedure, grievance procedure, accommodation inspection, supplier social screening.
Prevent forced labour	Ethical recruitment procedure, no-fee checks, passport access log, migrant worker orientation, agent due diligence.
Prevent pollution	Chemical storage SOP, spill response, waste management procedure, wastewater treatment SOP, inspection checklist.
Maintain traceability	Supplier onboarding, batch records, purchase records, chain-of-custody procedure, traceability register.
Prevent corruption	Procurement approval matrix, gift register, conflict declaration, supplier due diligence, whistleblowing channel.
Ensure data accuracy	ESG data ownership matrix, evidence register, data review checklist, disclosure approval workflow.
Improve OHS	HIRARC, machine safety procedure, PPE matrix, incident reporting, emergency response plan.

Internal controls

Internal controls help prevent errors, misconduct, unsupported claims, and compliance failures. They also help detect and correct problems early.

A practical internal control system should include:

Control Type	Examples
Preventive controls	Approval limits, segregation of duties, supplier screening, contract clauses, training, restricted access.
Detective controls	Internal audits, inspections, management review, reconciliation, data checks, grievance channels.
Corrective controls	Corrective action plans, root cause analysis, retraining, disciplinary action, supplier improvement.
Documentary controls	Registers, forms, minutes, evidence files, version control, approval records, audit trails.
Governance controls	Committee review, Board approval, risk escalation, delegated authority, management sign-off.

Segregation of duties

Where possible, companies should separate responsibilities for approval, execution, recording, and review. This reduces the risk of error, fraud, and unchecked decisions.

Examples include:

- procurement requests approved by authorised personnel, not only by the requester;
- supplier onboarding reviewed by Procurement and Compliance or ESG where risk is high;
- payroll prepared by HR or Finance and reviewed before payment;
- ESG data collected by data owners and checked by ESG Team or management;
- waste contractor payments supported by consignment notes or disposal evidence;
- customer ESG submissions reviewed before release; and
- conflict of interest declarations reviewed by management or compliance personnel.

For SMEs, segregation may be limited due to fewer staff. In such cases, management review, simple checklists, documented approvals, and periodic external review can help strengthen control.

Document control and record retention

Governance depends on reliable documentation. Companies should maintain document control for policies, procedures, ESG data, evidence files, registers, and external disclosures.

Document control should include:

- a. document title;
- b. document owner;
- c. version number;
- d. approval date;
- e. effective date;
- f. review date;
- g. revision history;
- h. authorised approver;
- i. storage location;
- j. access rights;
- k. retention period; and
- l. obsolete document control.

Records should be retained according to legal, customer, certification, audit, and internal requirements. Sensitive records, such as worker grievances, payroll, medical records, supplier commercial data, geolocation records, investigation files, and whistleblowing reports, should be protected.

Internal audit and self-assessment

Companies should use internal audits or self-assessment to check whether governance controls are working. This may include reviewing:

- a. policy implementation;
- b. legal register updates;
- c. ESG data evidence;
- d. supplier due diligence files;
- e. procurement controls;
- f. payroll and working hour records;
- g. OHS records;
- h. waste and environmental records;
- i. grievance handling;
- j. anti-corruption controls;
- k. conflict declarations;
- l. training completion;

- m. corrective action closure; and
- n. disclosure approval records.

Internal audit findings should be tracked through a corrective action tracker and reviewed by management.

31.4 Transparency and Ethical Conduct

Transparency means providing accurate, balanced, timely, and evidence-based information to relevant stakeholders. Ethical conduct means acting honestly, fairly, responsibly, and lawfully in business decisions and relationships.

For rubber processors and manufacturers, transparency and ethical conduct are important because companies may need to provide information on supply chain traceability, labour practices, emissions, waste, OHS, anti-corruption, tax, customer requirements, certifications, and due diligence. Unsupported or misleading ESG claims can damage trust and may create legal, customer, or reputational risks.

Bursa Malaysia's Sustainability Reporting Guide provides guidance to listed issuers on embedding sustainability and preparing sustainability disclosures; it is also useful as a reference for companies in the supply chain that are asked to provide ESG data to customers or parent companies. (Bursa Malaysia)

Ethical conduct expectations

Companies should define expected conduct through a Code of Conduct or equivalent policy. The Code should apply to directors, management, employees, contractors, suppliers, agents, and business partners where appropriate.

A practical Code of Conduct should cover:

- a. compliance with laws and company policies;
- b. honesty and integrity;
- c. anti-bribery and anti-corruption;
- d. conflicts of interest;
- e. gifts, hospitality, donations, and sponsorships;
- f. fair competition and fair dealing;
- g. protection of company assets;
- h. accurate records and reporting;
- i. confidentiality and data protection;

- j. respectful workplace conduct;
- k. human rights and labour standards;
- l. environmental responsibility;
- m. supplier and contractor expectations;
- n. whistleblowing and grievance channels;
- o. non-retaliation; and
- p. disciplinary consequences for misconduct.

Business ethics risk areas

Rubber processors and manufacturers should assess ethics risks in areas such as:

Risk Area	Examples
Procurement	Bribes, kickbacks, favouritism, supplier conflict of interest, false invoices, inflated pricing.
Sales and customer engagement	Misleading claims, improper gifts, false certificates, unsupported ESG statements.
Licensing and inspections	Improper payments, facilitation payments, gifts to officials, false records.
Customs and logistics	Incorrect declarations, bribery, undeclared goods, document manipulation.
Supplier due diligence	False declarations, hidden subcontractors, traceability gaps, forged certificates.
Payroll and HR	Ghost workers, improper deductions, favouritism, harassment cover-up, falsified time records.
Environmental records	False effluent results, missing scheduled waste evidence, unsupported disposal claims.
ESG reporting	Inaccurate data, unsupported claims, omission of material risks, misleading wording.
Donations and sponsorships	Political misuse, personal benefit, conflict of interest, disguised bribery.
Contractors and agents	Third parties acting improperly on behalf of the company.

Anti-corruption and adequate procedures

Anti-corruption controls are a key part of ethical conduct. Companies should implement procedures that are proportionate to their risk profile. This is especially important where the company deals with licensing, permits, inspections, customs, procurement, public-sector customers, agents, brokers, contractors, or high-value suppliers.

A practical anti-corruption system should include:

- a. anti-bribery and anti-corruption policy;
- b. top-level commitment;
- c. corruption risk assessment;
- d. due diligence on suppliers, agents, contractors, and business partners;
- e. gift, hospitality, donation, and sponsorship controls;
- f. conflict of interest declarations;
- g. procurement approval controls;
- h. training and communication;
- i. whistleblowing channel;
- j. investigation procedure;
- k. corrective and disciplinary action;
- l. monitoring and review; and
- m. records of implementation.

Transparency in ESG reporting

Companies should ensure ESG disclosures are accurate, balanced, and supported by evidence. Transparency does not mean disclosing every confidential detail. It means providing information that is honest, relevant, and not misleading.

Good ESG disclosure should:

- a. explain the reporting boundary;
- b. disclose material topics;
- c. describe governance and responsibilities;
- d. provide data and methodology where relevant;
- e. explain assumptions, estimates, exclusions, and limitations;
- f. avoid unsupported claims;
- g. explain omissions or non-applicability;
- h. disclose progress and challenges, not only achievements;
- i. ensure data is reviewed before publication;
- j. protect confidential personal, supplier, and commercial information; and
- k. maintain evidence for verification.

Examples of ESG claims that require strong evidence include:

- a. “deforestation-free”;
- b. “fully traceable”;
- c. “zero forced labour”;
- d. “ethical recruitment”;

- e. “carbon neutral”;
- f. “100% renewable energy”;
- g. “zero waste”;
- h. “all suppliers compliant”;
- i. “no human rights risk”;
- j. “fully sustainable sourcing”; and
- k. “complete compliance with all requirements”.

Where evidence is incomplete, the company should disclose the limitation and improvement plan rather than overstating performance.

Whistleblowing and reporting concerns

A whistleblowing or confidential reporting channel allows employees, suppliers, contractors, and other stakeholders to report serious misconduct, fraud, corruption, harassment, retaliation, falsification of records, unsafe practices, environmental violations, or other serious concerns.

A whistleblowing system should include:

Element	Practical Requirement
Accessible channel	Hotline, email, form, box, third-party channel, or designated officer.
Confidentiality	Reporter identity and case details are protected.
Non-retaliation	Reporters are protected from punishment for good-faith reports.
Clear scope	Explain what types of concerns can be reported.
Investigation process	Define how reports are reviewed, assigned, investigated, and closed.
Escalation	Serious matters go to senior management, Board, owner, or independent reviewer where appropriate.
Records	Maintain case logs, evidence, actions, decisions, and closure records securely.
Communication	Inform workers and suppliers how to use the channel.
Review	Analyse trends and improve controls.

Whistleblowing should complement, not replace, normal grievance channels. Worker grievances, community complaints, supplier complaints, and whistleblowing reports may overlap, but serious misconduct or retaliation concerns should be escalated appropriately.

Disclosure approval and prevention of greenwashing

Before ESG information is shared externally, companies should review whether:

- a. the statement is accurate;
- b. the reporting boundary is clear;
- c. the data is current;
- d. the evidence exists;
- e. the methodology is documented;
- f. the wording is not exaggerated;
- g. limitations are explained;
- h. confidential data is protected;
- i. customer-specific requirements are understood;
- j. approvals have been obtained; and
- k. records are stored.

This is especially important for customer questionnaires, sustainability reports, website statements, product claims, certification submissions, traceability claims, and EUDR-oriented data.

Minimum Implementation Outputs for Section 31

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

Output	Purpose
Governance structure	Shows Board, owner, management, ESG Committee, ESG lead, and department responsibilities.
ESG roles and responsibilities matrix	Assigns ownership for ESG topics, data, evidence, approvals, and corrective actions.
ESG Committee Terms of Reference or management review procedure	Defines how ESG matters are reviewed, escalated, decided, and documented.
Legal and regulatory compliance register	Tracks applicable laws, permits, licences, customer requirements, renewals, submissions, and evidence.
ESG risk register	Records governance, environmental, social, supplier, compliance, and disclosure risks.
Code of Conduct	Defines expected ethical behaviour for employees, management, contractors, and business partners.
Anti-Bribery and Anti-Corruption Policy	Prohibits bribery, corruption, facilitation payments, improper gifts, and unethical conduct.
Conflict of Interest Register	Records declared conflicts and actions taken to manage them.
Gift, Hospitality, Donation, and Sponsorship Register	Tracks benefits given or received and approvals.
Supplier Code of Conduct	Extends ESG, ethics, labour, traceability, and compliance expectations to suppliers.
Delegation of authority or approval matrix	Defines who may approve purchases, payments, contracts, ESG disclosures, donations, and major decisions.

Output	Purpose
Whistleblowing procedure	Provides confidential reporting of misconduct, fraud, corruption, retaliation, and serious concerns.
Grievance and complaint procedures	Provides channels for workers, suppliers, communities, and stakeholders to raise concerns.
ESG data ownership matrix	Assigns data owners, source documents, review responsibilities, and approval requirements.
ESG evidence register	Organises records supporting ESG reporting, customer requests, audits, and verification.
Document control procedure	Controls policy versions, approval, retention, access, and obsolete documents.
Disclosure review procedure	Ensures ESG reports, customer questionnaires, and external claims are reviewed and evidence-backed.
Internal audit or self-assessment checklist	Checks governance controls, ESG implementation, data quality, and compliance evidence.
Corrective action tracker	Tracks audit findings, incidents, grievances, supplier findings, and management actions to closure.
Management review minutes	Shows governance oversight, decisions, action owners, due dates, and follow-up.
Governance KPI dashboard	Tracks compliance status, training, audits, grievances, whistleblowing, supplier due diligence, and corrective actions.
Training records	Shows communication of Code of Conduct, anti-corruption, whistleblowing, ESG data, supplier due diligence, and governance responsibilities.

Used properly, this Governance Management Overview helps rubber processors and manufacturers build accountable leadership, stronger internal controls, reliable ESG reporting, ethical business conduct, legal compliance, supplier responsibility, and stakeholder trust. It provides the foundation for the topic-specific Governance Guidelines in Sections 32 to 39.

32. Governance Topic 1: Supply Chain Traceability and Due Diligence

Supply Chain Traceability and Due Diligence is a core governance topic for rubber processors and manufacturers because ESG performance is influenced not only by the company's own operations, but also by the suppliers, contractors, agents, traders, dealers, logistics providers, waste contractors, recruitment agents, and service providers connected to the business.

For the rubber industry, supply chain responsibility is especially important because rubber materials and rubber products may pass through several stages before reaching the final customer. These stages may include smallholders, plantations, collection centres, dealers, processors, latex concentrate suppliers, compounders, manufacturers, traders, exporters, logistics providers, distributors, and customers. At each stage, there may be environmental, social, governance, legal, traceability, product quality, or market access risks.

The OECD Due Diligence Guidance for Responsible Business Conduct explains that business activities can be linked to adverse impacts relating to workers, human rights, the environment, bribery, consumers, and corporate governance, and that due diligence helps companies understand and implement responsible business conduct. (OECD) For rubber processors and manufacturers, this means supply chain due diligence should not be limited to price, quality, and delivery. It should also cover responsible sourcing, legal compliance, traceability, labour practices, environmental controls, business ethics, and evidence readiness.

This topic is particularly relevant where a company:

- a. sources natural rubber, latex, block rubber, rubber sheets, rubber compound, synthetic rubber, chemicals, additives, packaging, or other significant materials;
- b. purchases from dealers, traders, collection centres, processors, smallholder-linked suppliers, plantations, or intermediaries;
- c. supplies customers that require ESG data, traceability, supplier declarations, social compliance evidence, EUDR-related information, or responsible sourcing assurance;
- d. uses contractors or service providers for labour supply, recruitment, cleaning, security, logistics, maintenance, waste management, or outsourced production;
- e. makes claims such as “traceable,” “responsibly sourced,” “deforestation-free,” “certified,” “EUDR-ready,” or “ethical supply chain”;
- f. has suppliers located in areas with higher environmental, labour, land use, corruption, or regulatory risks;
- g. exports or supplies customers in markets with due diligence, deforestation, human rights, or sustainability requirements; or
- h. prepares ESG reports, customer questionnaires, certification submissions, financing applications, or supplier audit responses.

The EU Deforestation Regulation is one example of why traceability has become increasingly important for natural rubber supply chains. The European Commission identifies rubber as one of the commodities linked to agricultural expansion and states that operators or traders placing covered commodities on the EU market, or exporting them from it, must be able to prove that products do not originate from recently deforested land or contribute to forest degradation. (Environment) Malaysia’s MSNR initiative is also relevant because it is described by the Malaysian Rubber Board as supporting sustainable natural rubber practices, full supply chain traceability, and compliance. (msnr.lgm.gov.my)

This topic should be read together with **Section 6: Due Diligence and Supply Chain Responsibility**, as well as the Environmental topics on **Deforestation, Sustainable Land Use, Biodiversity, Hazardous Substances, Water, Waste**, and the Social topics on **Human Rights, Child Labour, Forced Labour, Workers’ Rights**, and **Pay and Equal Remuneration**.

32.1 Supplier Mapping

Supplier mapping is the process of identifying the suppliers, contractors, agents, intermediaries, and service providers connected to the company’s operations and products. It helps the company understand who is in the supply chain, what they supply, where they operate, what ESG risks they may present, and what evidence may be required.

Supplier mapping should be risk-based and proportionate. SMEs may begin with a basic supplier master list and progressively add ESG and traceability information. Larger companies or export-oriented companies may need more detailed supplier maps, tiered supplier visibility, digital traceability systems, and supplier ESG risk ratings.

Supplier categories to map

Companies should map suppliers and business partners across relevant categories.

Supplier / Business Partner Category	Examples	ESG Relevance
Natural rubber suppliers	Cup lump, latex, rubber sheets, block rubber, latex concentrate, rubber compound.	Traceability, deforestation, land legality, MSNR, EUDR, labour practices, smallholder-linked risks.
Synthetic rubber suppliers	Synthetic rubber, elastomers, petrochemical-based rubber inputs.	Emissions, hazardous substances, product stewardship, supplier environmental practices.
Chemical and additive suppliers	Accelerators, antioxidants, fillers, pigments, processing oils, adhesives, solvents, cleaning agents.	Hazardous substances, restricted substances, SDS, worker safety, waste and effluent impacts.

Supplier / Business Partner Category	Examples	ESG Relevance
Packaging suppliers	Cartons, plastic, pallets, bags, liners, drums, labels, wrapping materials.	Material use, recyclability, waste, responsible sourcing, packaging reduction.
Equipment and machinery suppliers	Production machinery, boilers, compressors, forklifts, laboratory equipment, wastewater systems.	Energy efficiency, machine safety, maintenance, OHS, emissions, lifecycle performance.
Logistics providers	Transporters, freight forwarders, shipping agents, warehouse providers.	Emissions, chain-of-custody, customs, security, labour practices, road safety.
Waste contractors	Scheduled waste contractors, recyclers, landfill contractors, recovery facilities.	Legal disposal, environmental compliance, soil and water protection, evidence of treatment.
Recruitment agents and labour suppliers	Foreign worker agents, labour contractors, outsourced worker providers.	Forced labour, recruitment fees, migrant worker protection, contracts, wages, working hours.
Service contractors	Security, cleaning, canteen, maintenance, construction, pest control, repair contractors.	OHS, wages, worker rights, site conduct, chemical use, waste handling.
Traders, dealers, and intermediaries	Rubber dealers, collection centres, exporters, brokers.	Traceability, legality, ESG documentation, supplier transparency, intermediary risk.
Certification and testing providers	Laboratories, auditors, certification bodies, consultants.	Data reliability, testing integrity, certification evidence, independence.

Supplier mapping levels

Companies should determine how far upstream or downstream they need to map. The level of mapping should depend on materiality, customer requirements, risk exposure, and regulatory expectations.

Mapping Level	Description	Recommended Use
Level 1: Direct suppliers	Suppliers that directly invoice or supply the company.	Minimum requirement for all companies.
Level 2: Critical sub-suppliers	Key suppliers of the direct supplier, such as processors, dealers, collection centres, or raw material origin points.	Required where traceability, EUDR, customer, or certification expectations apply.
Level 3: Origin or sourcing area	Country, state, district, plantation, estate, smallholder group, dealer area, collection centre, or production area.	Important for natural rubber, deforestation risk, land legality, and supplier due diligence.
Level 4: Plot, farm, or geolocation	GPS point, polygon, plot reference, estate boundary, or farm location.	Required where customer, EUDR, certification, or high-risk due diligence requires geolocation.

Mapping Level	Description	Recommended Use
Level 5: Verified traceability	Origin information verified through audit, certification, digital system, satellite review, or independent assessment.	Used for higher-confidence claims and high-risk markets or customers.

Companies should not overstate traceability. If the company only has direct supplier visibility, it should not claim full upstream traceability. Instead, it should disclose the current level of visibility and improvement actions.

Supplier master list

Each company should maintain a **Supplier Master List**. This list should be updated regularly and should include all relevant suppliers and contractors.

Field	Description
Supplier name	Registered name of supplier or contractor.
Supplier category	Material supplier, service provider, contractor, recruitment agent, logistics provider, waste contractor, etc.
Material or service supplied	Natural rubber, synthetic rubber, chemical, packaging, labour, logistics, waste service, etc.
Supplier address	Registered and operating address where available.
Country / state / district	Location of supplier operation or material origin where relevant.
Contact person	Responsible supplier contact.
Registration and licence status	Business registration, MRB licence, DOE licence, recruitment licence, or other relevant approval.
Criticality	High, medium, or low based on spend, volume, product importance, customer exposure, or supply dependency.
ESG risk rating	High, medium, low, or under review.
Traceability status	Direct supplier known, origin known, geolocation available, certified, verified, or data incomplete.
Certifications	MSNR, FSC, PEFC, Preferred by Nature, ISO, social audit, product certification, or others where applicable.
Supplier Code acknowledgement	Whether the supplier has signed or acknowledged the Supplier Code of Conduct.
Assessment status	Not assessed, self-assessed, reviewed, audited, corrective action ongoing, approved, suspended.
Review date	Date of last supplier review.
Next review date	Due date for update or reassessment.

Supplier criticality classification

Supplier mapping should include criticality assessment. A supplier may be critical because of high spend, high volume, unique material, customer-facing product, export market exposure, high ESG risk, or limited alternative supply.

Criticality Level	Description	Recommended Action
High	Supplier is essential to production, high-volume, customer-facing, high-spend, high-risk, or linked to regulated markets.	Conduct ESG assessment, maintain full evidence file, review annually or more frequently.
Medium	Supplier is important but has alternative sources or moderate ESG risk.	Conduct basic ESG assessment and periodic review.
Low	Supplier has limited ESG exposure, low spend, low operational importance, or low-risk service.	Maintain basic supplier records and review periodically.

Supplier criticality should be reviewed annually and whenever there are changes in spend, volume, customer requirements, product scope, sourcing area, ESG findings, or regulatory exposure.

32.2 Traceability Records

Traceability records provide the evidence trail linking materials, products, suppliers, transactions, production batches, storage, and customer shipments. Traceability allows the company to answer key questions:

- a. Who supplied the material?
- b. What material was supplied?
- c. When was it supplied?
- d. Where did it come from?
- e. Was it legally and responsibly sourced?
- f. How was it processed or used?
- g. Which finished product or customer shipment did it enter?
- h. What evidence supports the claim?

Traceability is especially important for natural rubber because customers may request origin evidence, MSNR-related information, EUDR-oriented geolocation data, no-deforestation evidence, legality documentation, or chain-of-custody controls. The Global Platform for Sustainable Natural Rubber Policy Framework is also relevant because it provides a reference for sustainable natural rubber production and sourcing, including supply chain sustainability commitments. (Sustainable Natural Rubber)

Core traceability records

Companies should maintain records that connect supplier, material, transaction, production, inventory, and shipment information.

Traceability Area	Examples of Records
Supplier identity	Supplier master list, supplier registration, licence, address, contact person, supplier declaration.
Purchase records	Purchase orders, invoices, delivery orders, weighbridge tickets, receipts, contracts.
Material information	Material specification, batch number, lot number, certificate of analysis, SDS, product code.
Origin information	Country, state, district, dealer, collection centre, estate, plantation, smallholder group, or sourcing area.
Geolocation information, where required	GPS point, polygon, farm or plot data, estate boundary, sourcing area map.
Production timing	Harvest period, purchase date, delivery date, processing date, production date, batch date.
Receiving records	Goods received notes, inspection records, quality check, warehouse entry record.
Inventory records	Storage location, stock movement, batch or lot tracking, segregation records.
Production records	Material input records, production batch records, process logs, output records, yield records.
Chain-of-custody records	Segregation records, mass balance records, certified material records, claim control records.
Sales and shipment records	Sales orders, invoices, packing lists, delivery orders, export documents, transport documents.
Certification evidence	MSNR, FSC, PEFC, Preferred by Nature, ISO, social audit, customer-specific certificates.
Due diligence records	Supplier risk assessment, ESG questionnaire, audit report, corrective action plan, management review.

Traceability by material type

Different materials require different traceability depth.

Material Type	Traceability Focus
Natural rubber	Origin, supplier, sourcing area, legality, no-deforestation, MSNR, EUDR-related evidence where relevant.
Latex concentrate	Supplier identity, source, batch, quality, processing records, chemical or preservation controls.
Rubber compound	Supplier, formulation or specification, batch, input material traceability where available.
Synthetic rubber	Supplier, product specification, chemical composition, emissions and product stewardship information where relevant.
Chemicals and additives	Supplier, SDS, restricted substance declaration, batch, expiry date, storage, usage, disposal requirements.
Packaging	Supplier, material type, recycled content where applicable, recyclability, waste or take-back information.
Recycled or recovered materials	Supplier, source, classification, quality, contamination risk, customer approval, legal status.
Waste and by-products	Waste source, classification, quantity, storage, contractor, treatment, recovery, or disposal evidence.

Chain-of-custody expectations

Chain of custody refers to controls that maintain the identity, status, quantity, and claim integrity of materials as they move through the company. Chain-of-custody controls are especially important where the company handles certified materials, traceable natural rubber, EUDR-relevant materials, customer-specific batches, recycled content, or sustainability claims.

Chain-of-Custody Control	Practical Requirement
Supplier approval	Only approved suppliers may supply materials under specific claims or customer requirements.
Material identification	Incoming materials should be identified by supplier, material type, batch, lot, origin, certification status, or customer requirement.
Receiving check	Incoming goods should be checked against purchase documents and traceability evidence.
Segregation	Materials with different certification, traceability, customer, or risk status should be segregated where required.
Mass balance	Purchased, processed, stored, and sold quantities should be reconciled where mass balance is used.
Production linkage	Input materials should be linked to production batches and finished goods where required.

Chain-of-Custody Control	Practical Requirement
Claim approval	Claims such as certified, traceable, responsible, deforestation-free, or recycled should be reviewed before use.
Record retention	Traceability records should be retained according to legal, customer, certification, and company requirements.

EUDR-oriented traceability

Where products or customers are EUDR-relevant, companies should prepare a specific evidence file. The European Commission states that the EUDR's 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) Rubber processors and manufacturers supplying EU-linked customers should confirm their role, customer expectations, product scope, and evidence requirements.

EUDR-oriented traceability records may include:

- a. product applicability review;
- b. customer scope and shipment scope;
- c. natural rubber content and material description;
- d. supplier list and supplier risk rating;
- e. country and region of production;
- f. sourcing area or geolocation data where required;
- g. production date or period;
- h. legality evidence;
- i. no-deforestation evidence;
- j. transaction records;
- k. production and batch records;
- l. risk assessment records;
- m. risk mitigation records;
- n. supplier declarations;
- o. customer submissions; and
- p. management approval before external submission.

Traceability data quality

Traceability data should be checked for:

Data Quality Principle	Practical Meaning
Completeness	Required supplier, material, origin, transaction, and production records are available.
Accuracy	Supplier names, quantities, dates, batch numbers, and origin data match source documents.
Consistency	Records use consistent units, naming, supplier codes, batch formats, and reporting periods.
Traceability	Data can be followed from supplier to purchase to production to customer shipment.
Timeliness	Records are updated when transactions occur, not only at year-end.
Confidentiality	Sensitive supplier, commercial, geolocation, worker, and customer data are protected.
Verifiability	Records can be reviewed by internal auditors, customers, certification bodies, or assurance providers.

32.3 Supplier ESG Assessment

Supplier ESG assessment is the process of evaluating suppliers and business partners based on environmental, social, governance, legal, traceability, and business ethics criteria. The purpose is to identify risks, prioritise due diligence, approve suppliers, engage suppliers for improvement, and maintain evidence for ESG reporting and customer requirements.

Supplier ESG assessment should be risk-based. Not every supplier requires the same level of review. A high-volume natural rubber supplier, a recruitment agent, a scheduled waste contractor, or a chemical supplier should normally receive more detailed assessment than a low-risk office supply vendor.

Supplier ESG assessment levels

Assessment Level	Description	When to Use
Basic screening	Supplier master data, registration, licence, material type, and signed Supplier Code of Conduct.	Low-risk or low-criticality suppliers.
ESG questionnaire	Supplier self-assessment covering environmental, social, governance, traceability, and compliance topics.	Medium-risk suppliers or suppliers in material categories.
Document review	Review of licences, certificates, policies, permits, SDS, declarations, payroll or labour evidence where relevant.	Suppliers with customer, certification, labour, chemical, waste, or traceability relevance.
Enhanced due diligence	More detailed review of high-risk topics, origin, geolocation, labour practices, environmental compliance, or anti-corruption risk.	High-risk suppliers, natural rubber suppliers, recruitment agents, waste contractors, export-linked suppliers.
Site visit or audit	Onsite or remote audit to verify supplier practices and records.	High-risk suppliers, repeated findings, customer requirement, or critical supply chain risk.
Independent verification	Third-party audit, certification, satellite check, laboratory test, or assurance review.	High-risk claims, regulated markets, certification, customer requirement, or severe risk.

Supplier ESG questionnaire coverage

A supplier ESG questionnaire should be practical and relevant. It should not ask every supplier unnecessary questions. The questionnaire may be adapted by supplier category.

ESG Area	Example Assessment Questions
Legal compliance	Does the supplier maintain required licences, permits, registrations, and approvals?
Traceability	Can the supplier provide origin, batch, transaction, and chain-of-custody records?
Deforestation and land use	For natural rubber, can the supplier provide no-deforestation, legality, sourcing area, or geolocation evidence where required?
Environmental management	Does the supplier manage water, waste, emissions, chemicals, pollution, and environmental permits?
Hazardous substances	Does the supplier provide SDS, restricted substance declarations, safe handling information, and chemical compliance evidence?
Waste management	Does the supplier manage waste and scheduled waste through approved channels?
OHS	Does the supplier maintain worker safety controls, training, PPE, incident reporting, and emergency readiness?
Human rights	Does the supplier prohibit child labour, forced labour, discrimination, harassment, and retaliation?

ESG Area	Example Assessment Questions
Labour practices	Does the supplier manage contracts, wages, working hours, rest days, benefits, and grievance channels?
Recruitment	Does the supplier use recruitment agents or migrant workers? Are recruitment fees and document retention prohibited?
Indigenous Peoples and communities	Does the supplier operate near Indigenous communities, customary land, or sensitive community areas?
Business ethics	Does the supplier prohibit bribery, corruption, fraud, conflicts of interest, and falsification of records?
Grievance channels	Does the supplier provide channels for workers or stakeholders to raise concerns?
Corrective action	Is the supplier willing to address findings through corrective action plans?
Evidence	Can the supplier provide documents, declarations, certificates, audit reports, or other evidence?

Supplier risk scoring

Companies should use a simple risk scoring method. The scoring should consider both the **severity of ESG risks** and the **importance of the supplier to the business**.

Risk Factor	Example Criteria
Material type	Natural rubber, chemicals, hazardous materials, labour, waste, or critical production inputs.
Supplier location	Country, state, district, sourcing area, or jurisdiction with higher environmental, labour, or governance risk.
Traceability gap	Unknown origin, multiple intermediaries, missing batch records, incomplete geolocation, unclear chain of custody.
Environmental risk	Water, waste, emissions, hazardous substances, deforestation, biodiversity, land use, pollution.
Social risk	Forced labour, child labour, migrant workers, wages, working hours, OHS, accommodation, grievance access.
Governance risk	Corruption, licence gaps, false declarations, poor recordkeeping, subcontracting, conflicts of interest.
Customer exposure	Supplier materials are used in customer-facing products, export markets, or high-scrutiny customers.
Spend or volume	Supplier accounts for high purchase value, high material volume, or strategic dependency.
Past performance	Previous non-conformities, complaints, late evidence, audit findings, or corrective action failures.
Certification or verification	Presence or absence of credible certifications, audits, or third-party verification.

A practical risk classification is shown below.

Supplier Risk Level	Description	Required Action
Low	Supplier has low ESG exposure, complete records, low criticality, and no major findings.	Maintain basic records and review periodically.
Medium	Supplier has moderate ESG risk, some documentation gaps, or moderate criticality.	Complete questionnaire, request evidence, monitor improvement.
High	Supplier has significant ESG risk, traceability gaps, high customer exposure, high criticality, or prior findings.	Conduct enhanced due diligence, management review, corrective action plan, possible audit.
Critical	Supplier has severe unresolved risk, confirmed serious non-compliance, refusal to cooperate, or evidence of serious harm.	Immediate escalation, risk mitigation, suspension or responsible disengagement where required.

Supplier approval and onboarding

Supplier ESG assessment should be linked to supplier approval. Companies should avoid approving suppliers solely on price or availability where ESG risk is material.

A supplier onboarding process should include:

- a. supplier registration and business information;
- b. material or service description;
- c. licence and permit check where applicable;
- d. Supplier Code of Conduct acknowledgement;
- e. ESG questionnaire where required;
- f. traceability and origin information where relevant;
- g. SDS, restricted substance, or technical documentation for chemicals and materials;
- h. environmental, social, or governance certification where applicable;
- i. anti-corruption and conflict of interest declaration where relevant;
- j. risk rating;
- k. approval decision;
- l. conditions of approval;
- m. corrective action requirements where needed; and
- n. review frequency.

Supplier reassessment

Suppliers should be reassessed periodically. High-risk suppliers should be reassessed more frequently.

Triggers for reassessment include:

- a. new material or service supplied;
- b. change in supplier ownership, location, or production site;
- c. change in sourcing area;
- d. customer requirement change;
- e. new export market requirement;
- f. audit finding or grievance;
- g. environmental or labour incident;
- h. expired licence or certification;
- i. supplier refusal to provide evidence;
- j. repeated late delivery or quality issue linked to ESG risk;
- k. regulatory or media concern;
- l. new subcontractor or intermediary; and
- m. annual review cycle.

32.4 Corrective Action and Supplier Improvement

Corrective action and supplier improvement are essential because supplier ESG assessment will often identify gaps. The purpose is not only to remove suppliers, but to improve supplier performance where possible, reduce risk, protect affected people and the environment, and maintain responsible supply relationships.

A supplier gap may include missing documents, expired licences, incomplete traceability, lack of age verification, no grievance mechanism, poor waste handling, weak OHS records, unclear wage records, deforestation risk, or lack of anti-corruption controls.

Supplier corrective action process

A practical supplier corrective action process should include:

Step	Action
1. Identify finding	Record issue from questionnaire, document review, audit, customer finding, complaint, or internal review.
2. Classify severity	Rate finding as low, medium, high, or critical.
3. Communicate finding	Inform supplier clearly and provide evidence or explanation.
4. Agree corrective action	Define what must be corrected, who is responsible, and by when.
5. Provide support where appropriate	Offer guidance, templates, training, or clarification.
6. Track progress	Monitor action status and request evidence.
7. Verify closure	Review submitted evidence or conduct follow-up audit where required.
8. Escalate unresolved issues	Escalate late, repeated, severe, or refused actions to management.
9. Decide sourcing action	Continue, conditionally approve, suspend, reduce, or responsibly disengage.
10. Review effectiveness	Check whether the issue has been corrected and does not recur.

Corrective action severity levels

Severity	Examples	Response
Low	Missing form, incomplete contact details, outdated policy copy, minor documentation issue.	Request update and close with evidence.
Medium	Missing supplier declaration, incomplete training record, weak waste evidence, incomplete traceability for lower-risk material.	Corrective action plan and follow-up.
High	Incomplete origin data for customer-facing natural rubber, missing licence, OHS weakness, labour record gap, repeated audit finding.	Enhanced due diligence, management review, defined deadline, follow-up evidence.
Critical	Suspected forced labour, child labour, serious pollution, falsified records, illegal disposal, bribery, refusal to provide critical evidence, sourcing from unacceptable area.	Immediate escalation, worker or environmental protection, investigation, remedy, suspension or responsible disengagement if unresolved.

Supplier improvement support

Supplier improvement may be necessary, especially where SMEs, smallholders, dealers, or local suppliers lack ESG maturity. Companies should support improvement where possible and proportionate.

Supplier improvement support may include:

- a. supplier briefing on ESG requirements;
- b. Supplier Code of Conduct explanation;
- c. traceability form templates;
- d. supplier self-assessment templates;
- e. document checklist;
- f. training on child labour and forced labour prevention;
- g. guidance on waste, chemical, or environmental evidence;
- h. support on EUDR-oriented data collection;
- i. phased deadlines for lower-risk documentation gaps;
- j. supplier meetings to explain customer requirements;
- k. sharing examples of acceptable evidence; and
- l. follow-up reviews.

Supplier improvement should not be used to delay action on severe harm. Where serious human rights, environmental, or corruption issues are identified, the company should prioritise protection, remedy, legal compliance, and risk mitigation.

Responsible disengagement

Where suppliers refuse to address severe risks, provide false information, repeatedly fail to close critical findings, or create unacceptable ESG exposure, the company may need to suspend, reduce, or terminate the relationship. This should be done responsibly.

Before disengagement, companies should consider:

- a. severity of the issue;
- b. whether affected workers, communities, or smallholders may be harmed by sudden termination;
- c. whether remedy is needed before disengagement;
- d. whether the supplier is willing and able to improve;
- e. customer, legal, certification, or regulatory requirements;
- f. contractual obligations;
- g. alternative sourcing availability;
- h. risk of continued sourcing; and
- i. management approval.

Responsible disengagement should be documented and should not be used to avoid remedy where the company caused, contributed to, or benefited from the harm.

Supplier corrective action tracker

Companies should maintain a **Supplier Corrective Action Tracker**.

Field	Description
Supplier name	Supplier or contractor involved.
Finding reference	Audit, questionnaire, customer request, grievance, or internal review reference.
Finding description	Clear description of the gap or non-conformity.
ESG topic	Traceability, deforestation, labour, OHS, waste, anti-corruption, etc.
Severity	Low, medium, high, or critical.
Required action	Corrective or preventive action required.
Responsible person	Supplier owner and internal owner.
Due date	Target completion date.
Evidence required	Document, photo, record, policy, training, certificate, audit report, payment record.
Supplier status	Approved, conditional, suspended, blocked, under review.
Closure date	Date action was completed.
Verification method	Document review, supplier confirmation, site visit, audit, third-party verification.
Effectiveness review	Check whether the issue recurred.
Management decision	Continue, improve, suspend, disengage, or escalate.

Linking supplier improvement to ESG reporting

Supplier corrective actions should feed into ESG reporting. Companies may disclose aggregated information such as number of suppliers assessed, number of high-risk suppliers, number of corrective actions opened, closure rate, common findings, and improvement priorities.

Sensitive supplier details should be protected unless disclosure is legally required, contractually required, or approved by management.

32.5 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Supply Chain Traceability and Due Diligence topic. Companies should apply them based on materiality, supply chain complexity, product type, natural rubber exposure, customer requirements, legal requirements, and data availability.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. Responsible sourcing policy	Company has a documented commitment to responsible sourcing, traceability, due diligence, and supplier ESG expectations.	ESG Policy, Responsible Sourcing Policy, Supplier Code of Conduct, procurement policy, management approval.	Management / Procurement / ESG Team
2. Supplier governance and accountability	Roles for supplier onboarding, due diligence, traceability, risk assessment, and corrective action are assigned.	Responsibility matrix, procurement SOP, ESG governance structure, management review records.	Procurement / ESG Team / Management
3. Supplier master list	Company maintains an updated list of suppliers, contractors, agents, and service providers.	Supplier master list, vendor register, procurement system, contractor list.	Procurement / Finance
4. Supplier categorisation	Suppliers are classified by material type, service type, criticality, spend, volume, and ESG risk.	Supplier classification matrix, spend analysis, risk assessment worksheet.	Procurement / ESG Team
5. Supplier mapping depth	Company identifies direct suppliers, critical sub-suppliers, origin, sourcing areas, or geolocation where required.	Supplier map, sourcing area register, traceability register, geolocation records, customer data forms.	Procurement / Supply Chain
6. Natural rubber traceability	Natural rubber suppliers and sourcing areas are mapped progressively according to risk and customer requirements.	Natural rubber supplier list, purchase records, origin declarations, dealer or collection centre records, MSNR evidence, geolocation where required.	Procurement / ESG Team
7. Material and batch traceability	Materials can be traced from purchase through receiving, inventory, production, and shipment where required.	Purchase orders, delivery orders, batch records, production records, inventory records, sales and shipment records.	Procurement / Warehouse / Production
8. Chain-of-custody controls	Materials with certification, customer, traceability, or sustainability status are controlled.	Chain-of-custody SOP, segregation records, mass balance records, certified material records, claim approval records.	Procurement / Warehouse / Production
9. EUDR-oriented evidence readiness, where relevant	Company maintains origin, legality, geolocation, production date, risk assessment, and risk mitigation evidence for	EUDR evidence file, product scope review, geolocation data, legality records, supplier declarations, customer submissions.	Procurement / ESG Team / Compliance

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	relevant natural rubber supply chains.		
10. Supplier Code of Conduct	Suppliers are required to comply with ESG, labour, environmental, traceability, ethics, and legal expectations.	Supplier Code of Conduct, signed acknowledgement, contract clauses, purchase terms.	Procurement / ESG Team
11. Supplier ESG questionnaire	Suppliers provide ESG information through a structured self-assessment.	Supplier questionnaire, self-assessment form, supporting documents, supplier declarations.	Procurement / ESG Team
12. Supplier legal compliance screening	Supplier licences, permits, registrations, certifications, and approvals are checked where relevant.	Business registration, MRB licence, DOE licence, recruitment agent licence, waste contractor licence, certification records.	Procurement / Compliance
13. Supplier environmental assessment	Suppliers are assessed for deforestation, water, waste, emissions, chemicals, biodiversity, land use, and environmental compliance where relevant.	Supplier questionnaire, environmental permits, waste records, certifications, audit report, corrective action plan.	Procurement / ESG Team / EHS
14. Supplier social assessment	Suppliers are assessed for human rights, child labour, forced labour, wages, working hours, OHS, migrant workers, and grievance channels where relevant.	Supplier declaration, labour questionnaire, audit report, worker record sample, corrective action plan.	Procurement / HR / ESG Team
15. Supplier governance assessment	Suppliers are assessed for business ethics, anti-corruption, conflicts of interest, legal compliance, transparency, and record integrity.	Anti-corruption declaration, conflict declaration, supplier due diligence file, audit records.	Procurement / Compliance
16. Recruitment agent and labour supplier due diligence	Recruitment agents and labour suppliers are assessed for ethical recruitment, no-fee recruitment, document access, wage controls, and worker protection.	Agent due diligence file, agent contract, worker interviews, fee declaration, corrective action records.	HR / Procurement
17. Waste contractor due diligence	Waste contractors are verified for licence, treatment method, transport, disposal, recovery, and evidence.	Contractor licence, consignment notes, disposal certificates, recycling records, vendor approval file.	EHS / Procurement

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
18. Supplier risk rating	Suppliers are rated as low, medium, high, or critical based on ESG and business risk.	Supplier risk matrix, scoring worksheet, management approval, supplier review record.	Procurement / ESG Team
19. Supplier audit or site visit	High-risk suppliers are audited or visited where appropriate.	Audit plan, audit checklist, site visit report, photos, findings, corrective action plan.	Procurement / ESG Team / EHS / HR
20. Supplier corrective action plan	Supplier findings are addressed through documented corrective actions.	Supplier CAP, corrective action tracker, supplier response, closure evidence.	Procurement / ESG Team
21. Supplier improvement support	Company provides guidance, templates, training, or engagement to help suppliers improve.	Supplier briefing records, training materials, meeting minutes, improvement plan.	Procurement / ESG Team
22. Supplier escalation and suspension	Severe or unresolved supplier risks are escalated and sourcing decisions are documented.	Escalation record, management decision, suspension notice, sourcing review, responsible disengagement record.	Procurement / Management
23. Traceability and ESG data quality review	Supplier data and traceability evidence are checked before reporting or customer submission.	Data review checklist, evidence register, approval record, version control.	ESG Team / Procurement / Compliance
24. Confidential supplier information control	Sensitive supplier, geolocation, commercial, worker, and customer data are protected.	Confidentiality procedure, access controls, data sharing approval, anonymised reporting.	Procurement / Compliance / ESG Team
25. Monitoring and management review	Supplier risks, traceability gaps, corrective actions, and due diligence performance are reviewed periodically.	Supplier KPI dashboard, ESG Committee minutes, management review records, action tracker.	Procurement / ESG Team / Management
26. Reporting and disclosure	Company discloses supplier due diligence approach, traceability status, assessment coverage, findings, limitations, and improvement actions where material.	ESG report, customer questionnaire, supplier assessment summary, evidence register, omission explanation, management approval.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Total number of active suppliers	Count of suppliers in the supplier master list.
Percentage of suppliers categorised by ESG risk	Suppliers risk-rated ÷ total active suppliers.
Percentage of suppliers that signed the Supplier Code of Conduct	Suppliers signed ÷ suppliers in scope.
Percentage of priority suppliers completing ESG questionnaire	Priority suppliers completing questionnaire ÷ total priority suppliers.
Percentage of suppliers with valid required licences or certifications	Suppliers with valid documents ÷ suppliers requiring documents.
Percentage of natural rubber suppliers mapped to country / state / district of origin	Natural rubber suppliers with origin data ÷ total natural rubber suppliers.
Percentage of natural rubber purchase volume covered by traceability records	Traceable natural rubber volume ÷ total natural rubber purchase volume.
Percentage of relevant natural rubber volume with geolocation data, where required	Volume with geolocation ÷ total volume within geolocation scope.
Percentage of high-risk suppliers with enhanced due diligence completed	High-risk suppliers assessed ÷ total high-risk suppliers.
Number of supplier audits or site visits conducted	Count of audits or visits during the reporting period.
Number of supplier ESG findings	Count of findings by environmental, social, governance, or traceability category.
Percentage of supplier corrective actions closed on time	Corrective actions closed by due date ÷ total corrective actions due.
Number of suppliers suspended or disengaged due to ESG non-compliance	Count of suppliers subject to sourcing restriction.
Number of supplier training or engagement sessions conducted	Count of supplier briefings, workshops, or corrective action meetings.
Percentage of waste contractors verified	Waste contractors verified ÷ total waste contractors.
Percentage of recruitment agents screened for ethical recruitment	Agents screened ÷ total active recruitment agents.
Percentage of customer ESG supplier requests completed with evidence	Evidence-backed requests completed ÷ total customer ESG requests.
Number of traceability data gaps identified	Count of missing or incomplete origin, batch, geolocation, or transaction records.
Percentage of traceability data gaps closed	Data gaps closed ÷ total traceability data gaps due for closure.

Reporting guidance

Where Supply Chain Traceability and Due Diligence is material, the company should disclose:

- a. why supply chain traceability and due diligence are material to the company;
- b. supplier categories included in the reporting boundary;
- c. how suppliers are mapped and categorised;
- d. how supplier ESG risks are assessed;
- e. how natural rubber traceability is managed, where relevant;
- f. current traceability level, such as direct supplier, origin, sourcing area, or geolocation;
- g. how EUDR-oriented, MSNR, GPSNR, FSC, PEFC, Preferred by Nature, or customer-specific expectations are considered where relevant;
- h. number or percentage of suppliers screened, assessed, or audited;
- i. key supplier ESG risks or common findings;
- j. corrective action and supplier improvement approach;
- k. supplier suspensions or disengagements, where material and appropriate to disclose;
- l. data gaps, confidentiality limitations, or scope exclusions; and
- m. improvement actions planned for the next reporting cycle.

Example disclosure wording

Supply Chain Traceability and Due Diligence

Supply Chain Traceability and Due Diligence is material to the company because our products rely on natural rubber, chemicals, packaging, logistics providers, contractors, and waste service providers. The company recognises that supplier practices may affect environmental performance, labour standards, legal compliance, product quality, customer requirements, and market access.

During the reporting period, the company maintained a supplier master list, categorised priority suppliers by material type and risk, obtained Supplier Code of Conduct acknowledgements from selected suppliers, and began collecting traceability information for natural rubber suppliers. Supplier ESG screening covered legal compliance, environmental practices, labour standards, OHS, anti-corruption, and traceability documentation.

Traceability is currently strongest at direct supplier and transaction level. The company will continue improving upstream sourcing visibility, supplier ESG assessment coverage, corrective action closure, and evidence readiness for customer and regulatory requirements.

Omission and non-applicability guidance

Supply Chain Traceability and Due Diligence should generally be assessed by all companies because every company has suppliers or service providers. However, specific sub-indicators may not apply depending on the company's supply chain.

Situation	Example Explanation
No natural rubber sourcing	"Natural rubber traceability indicators are not applicable because the company does not source or use natural rubber. Supplier due diligence remains applicable for synthetic rubber, chemicals, packaging, contractors, and service providers."
No EUDR-relevant customers	"EUDR-oriented evidence indicators are not currently applicable because the company does not supply products into EU-linked customer chains. The company will reassess this if customer or market exposure changes."
Supplier data incomplete	"Supplier ESG data currently covers priority suppliers only. The company will expand supplier assessment coverage in phases based on risk, spend, and customer requirements."
Geolocation unavailable	"Geolocation information is not yet available for all upstream natural rubber sourcing areas. The company will prioritise high-volume and customer-facing suppliers for geolocation data collection where required."
No supplier audits conducted	"Supplier audits were not conducted during the reporting period. Supplier screening was conducted through questionnaires and document review. Audits will be considered for high-risk suppliers."
Confidential supplier information	"Supplier-specific commercial, geolocation, and traceability information is confidential. The company reports aggregated supplier due diligence results while maintaining supplier-level evidence internally."
Supplier corrective action data not centralised	"Supplier corrective actions were managed by Procurement but were not centrally tracked. The company will introduce a supplier corrective action tracker in the next reporting cycle."
Low-risk supplier category	"Certain low-risk suppliers, such as office supplies, were subject only to basic screening. Enhanced due diligence was prioritised for natural rubber, chemical, waste, labour, and logistics suppliers."

Minimum Implementation Outputs for Section 32

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

Output	Purpose
Responsible Sourcing Policy	Confirms the company's commitment to responsible sourcing, traceability, due diligence, and supplier ESG expectations.
Supplier Code of Conduct	Communicates minimum ESG, ethics, labour, environmental, traceability, and compliance expectations to suppliers.
Supplier Master List	Identifies suppliers, contractors, agents, service providers, and material categories.

Output	Purpose
Supplier Categorisation Matrix	Classifies suppliers by spend, volume, criticality, material type, and ESG risk.
Supplier Mapping Register	Records direct suppliers, critical sub-suppliers, origin, sourcing areas, and geolocation where relevant.
Natural Rubber Traceability Register	Tracks supplier, origin, sourcing area, batch, transaction, and customer-facing traceability information.
Chain-of-Custody Procedure	Controls material identity, segregation, mass balance, certified claims, and customer-specific traceability.
Supplier ESG Questionnaire	Collects supplier information on legal compliance, environmental practices, labour standards, governance, and traceability.
Supplier Risk Assessment Matrix	Scores suppliers based on ESG risk, business criticality, traceability risk, and customer exposure.
Supplier Legal Compliance File	Stores licences, permits, registrations, certificates, declarations, and approvals.
EUDR-Oriented Evidence File, where relevant	Maintains product scope, origin, legality, geolocation, production timing, risk assessment, and mitigation evidence.
Supplier Due Diligence File	Organises supplier questionnaire, risk rating, evidence, audit results, and corrective actions.
Supplier Audit or Site Visit Checklist	Supports verification of high-risk supplier practices and records.
Supplier Corrective Action Tracker	Tracks supplier findings, actions, owners, due dates, evidence, and closure.
Supplier Improvement Plan	Documents training, briefings, templates, technical support, and phased improvement actions.
Supplier Suspension or Disengagement Record	Documents decisions for severe or unresolved supplier ESG risks.
Waste Contractor Due Diligence File	Verifies waste contractor licence, treatment route, disposal evidence, and compliance.
Recruitment Agent Due Diligence File	Verifies ethical recruitment, no-fee controls, worker protection, and contract requirements.
Supplier ESG KPI Dashboard	Tracks supplier assessment coverage, traceability coverage, findings, corrective actions, and improvement progress.
Confidential Supplier Data Control Procedure	Protects supplier commercial data, geolocation information, worker data, and customer-specific records.
Management Review Record	Shows management review of supplier risks, traceability gaps, corrective actions, customer requirements, and improvement plans.

Used properly, this topic helps rubber processors and manufacturers strengthen responsible sourcing, improve traceability, identify supplier ESG risks, respond to buyer and regulatory expectations, prevent supply chain harm, and provide credible evidence for ESG reporting, audits, certification, financing, and continuous improvement.

33. Governance Topic 2: Corporate Governance

Corporate Governance refers to the structure, roles, decision-making processes, controls, and accountability mechanisms that guide how a company is directed and managed. For Malaysian rubber processors and manufacturers, corporate governance provides the foundation for ESG implementation because it determines who is responsible for ESG matters, how decisions are made, how risks are escalated, how policies are approved, how data is reviewed, and how the company demonstrates accountability to stakeholders.

The Malaysian Code on Corporate Governance defines corporate governance as the process and structure used to direct and manage the business and affairs of a company towards business prosperity and corporate accountability, while taking into account the interests of other stakeholders. It also states that corporate governance provides a framework of control mechanisms supporting company goals while preventing unwanted conflicts, with ethical behaviour, accountability, transparency, and sustainability forming key governance pillars. (Securities Commission Malaysia)

For the purposes of these Guidelines, Corporate Governance should be applied in a practical and proportionate way. A listed company or large manufacturer may have a formal Board structure, Board committees, ESG Committee, internal audit, company secretary, risk committee, and external assurance process. An SME may have a simpler structure involving the owner, Managing Director, General Manager, department heads, ESG lead, and data owners. In both cases, the company should be able to show clear accountability, documented decisions, reliable evidence, and management review.

Corporate Governance is especially relevant where a company:

- a. prepares ESG reports, customer ESG questionnaires, supplier declarations, or sustainability disclosures;
- b. is subject to buyer, regulator, financier, certification, or audit requirements;
- c. manages material ESG topics such as emissions, energy, water, waste, labour practices, OHS, forced labour, traceability, anti-corruption, or supplier due diligence;
- d. has multiple departments contributing ESG data and evidence;
- e. makes public or customer-facing sustainability claims;
- f. manages high-risk suppliers, contractors, recruitment agents, or waste contractors;
- g. needs to approve ESG policies, targets, budgets, corrective actions, and disclosures;
- h. has past findings relating to weak documentation, unclear responsibility, unsupported claims, poor escalation, or incomplete management review; or
- i. seeks to strengthen long-term resilience, market access, customer trust, and compliance readiness.

Corporate Governance should be read together with **Section 4: Establishing an ESG Management System**, **Section 31: Governance Management Overview**, and the

Governance topics on **Business Ethics, Transparency and Risk Management, Anti-Corruption, Stakeholder Engagement, and Regulatory Risk and Public Policy.**

33.1 Governance Structure

A governance structure defines who oversees, approves, implements, monitors, and reports ESG matters. It should provide clear reporting lines between the Board, owner, senior management, ESG Committee, ESG lead, department heads, data owners, and operational teams.

The Malaysian Code on Corporate Governance states that the board, together with management, takes responsibility for the governance of sustainability, including setting sustainability strategies, priorities, and targets. It also states that strategic management of material sustainability matters should be driven by senior management, while the board should take sustainability considerations into account when exercising its duties over strategy, business plans, major plans of action, and risk management. (Securities Commission Malaysia)

For companies that are not listed, the same principle may be applied proportionately. The highest decision-making body, owner, director, Managing Director, or General Manager should provide ESG oversight, while senior management should ensure day-to-day implementation.

Recommended ESG governance structure

Governance Level	Main Role	Typical Members / Persons	Key Outputs
Board, owner, or highest governance body	Provides overall oversight, approves ESG direction, policies, material topics, major targets, ESG reports, and significant risk decisions.	Board members, owner-directors, Managing Director, CEO, or highest decision-maker.	Approved ESG policy, ESG report, major targets, materiality results, management review records.
Senior Management	Integrates ESG into business strategy, operations, budgets, compliance, customer response, and risk management.	Managing Director, General Manager, department heads, finance lead, HR lead, EHS lead, procurement lead, production lead.	ESG action plan, resource allocation, KPI review, corrective action decisions.
ESG Committee / ESG Steering Group	Coordinates ESG implementation, reviews performance, monitors	ESG lead, HR, EHS, procurement, finance, production, quality,	ESG meeting minutes, KPI dashboard, risk register updates,

Governance Level	Main Role	Typical Members / Persons	Key Outputs
	risks, validates data, and tracks action plans.	compliance, logistics, sales, and management representatives.	evidence review, disclosure review.
ESG Lead / Sustainability Coordinator	Manages ESG coordination, checklist completion, reporting preparation, data consolidation, evidence management, and follow-up actions.	ESG officer, sustainability officer, compliance officer, or assigned manager.	ESG checklist, evidence register, reporting drafts, data tracker, action tracker.
Department Heads and Data Owners	Implement ESG controls and maintain data, records, and evidence within their departments.	HR, EHS, production, maintenance, procurement, finance, warehouse, logistics, QA/QC, compliance.	Department data, source documents, SOP implementation, corrective action closure.
Internal Audit / QA / Independent Review, where applicable	Reviews whether controls are implemented and whether data is complete, accurate, and evidence-backed.	Internal audit, QA, compliance, appointed reviewer, external consultant where appropriate.	Internal audit reports, review findings, corrective action recommendations.

Governance structure for SMEs

SMEs may adopt a simplified governance structure. A practical SME model may include:

Role	Practical Requirement
Owner / Managing Director	Approves ESG policy, material topics, customer submissions, and major corrective actions.
ESG Lead	Coordinates ESG checklist, data collection, evidence files, and reporting preparation.
HR Representative	Manages workforce, wages, working hours, training, grievances, and labour records.
EHS / Safety Representative	Manages environmental, OHS, waste, chemical, energy, water, and incident records.
Procurement Representative	Manages supplier list, supplier declarations, traceability, and supplier ESG records.
Finance Representative	Provides utility, fuel, payroll, tax, invoice, and cost-related ESG evidence.
Production / Operations Representative	Implements operational controls and maintains production, maintenance, and process records.

SMEs do not need to create unnecessary committees if the organisation is small. However, the company should still document who is responsible, how often ESG is reviewed, what decisions were made, and what evidence supports the company's ESG claims.

Terms of Reference

Where the company establishes an ESG Committee or similar body, it should prepare a **Terms of Reference**. This document should define:

- a. purpose of the committee;
- b. authority and scope;
- c. membership;
- d. chairperson or coordinator;
- e. meeting frequency;
- f. quorum or minimum attendance, where applicable;
- g. key responsibilities;
- h. reporting line to senior management or Board;
- i. approval limits;
- j. records to be maintained;
- k. escalation process; and
- l. annual review requirement.

Board or management charter

Larger companies may include ESG oversight in the Board Charter, Board Committee Terms of Reference, Risk Committee Charter, Audit Committee Charter, or Management Committee Charter. The charter should clarify how ESG matters are considered in business planning, risk management, capital expenditure, customer requirements, supplier decisions, and disclosure approval.

Companies should also ensure that the governance structure reflects applicable legal responsibilities. Under Malaysia's Companies Act 2016, directors are required to exercise powers for a proper purpose and in good faith in the best interest of the company, and to exercise reasonable care, skill, and diligence. (SSM)

Governance structure evidence

Companies should maintain evidence showing that the governance structure exists and is functioning. Evidence may include:

- a. organisation chart;
- b. Board Charter or management charter;
- c. ESG Committee Terms of Reference;
- d. appointment letters or role descriptions;

- e. ESG roles and responsibilities matrix;
- f. meeting schedules;
- g. meeting minutes;
- h. approved ESG policies;
- i. ESG risk register;
- j. ESG KPI dashboard;
- k. management review records;
- l. Board or owner approvals;
- m. corrective action tracker; and
- n. internal audit or review reports.

33.2 ESG Roles and Responsibilities

Clear ESG roles and responsibilities are essential because ESG topics cut across many departments. One person may coordinate ESG, but no single person can implement ESG alone. Environmental data may come from EHS, finance, maintenance, production, and facilities. Social data may come from HR, payroll, OHS, supervisors, and worker accommodation records. Governance data may come from procurement, compliance, finance, management, supplier files, and audit records.

The Malaysian Code on Corporate Governance highlights that senior management plays a critical role in integrating sustainability considerations into day-to-day operations and ensuring effective implementation of sustainability strategies and plans. (Securities Commission Malaysia)

Recommended ESG responsibility allocation

Role / Function	ESG Responsibilities
Board, owner, or highest governance body	Approves ESG strategy, ESG policy, material ESG topics, major targets, major disclosures, and significant ESG risk decisions.
Senior Management	Allocates resources, integrates ESG into business planning, resolves cross-functional issues, approves action plans, and reviews ESG performance.
ESG Committee / Steering Group	Reviews ESG risks, data, checklist progress, stakeholder issues, customer requirements, supplier risks, corrective actions, and reporting drafts.
ESG Lead / Sustainability Coordinator	Coordinates ESG implementation, consolidates data, manages evidence register, prepares reporting drafts, tracks action plans, and supports departments.
HR	Manages labour standards, recruitment, wages, working hours, training, DEI, grievances, forced labour prevention, child labour prevention, and worker records.

Role / Function	ESG Responsibilities
EHS / OSH / Environmental Team	Manages environmental compliance, OHS, HIRARC, incidents, chemical safety, water, waste, emissions, energy, emergency response, and environmental evidence.
Procurement / Supply Chain	Manages supplier screening, Supplier Code of Conduct, traceability, responsible sourcing, due diligence, supplier corrective actions, and contractor controls.
Finance	Provides payroll, utility bills, fuel records, tax evidence, expenditure data, invoices, cost savings, and budget support for ESG initiatives.
Production / Operations	Implements operational controls, maintains production records, reduces waste and energy use, follows SOPs, manages worker safety, and supports KPI tracking.
Maintenance / Facilities	Maintains machinery, utilities, boilers, generators, compressors, meters, wastewater systems, energy systems, emergency equipment, and maintenance records.
Warehouse / Logistics	Manages material receipt, storage, batch records, traceability, waste handling, transport records, and contractor controls.
QA/QC	Supports product quality, customer specifications, restricted substances, laboratory records, traceability, and corrective actions.
Sales / Customer Management	Coordinates customer ESG questionnaires, customer audit responses, customer data requests, and customer-facing ESG claims.
Compliance / Legal / Company Secretary	Monitors legal obligations, corporate records, contracts, disclosures, anti-corruption, whistleblowing, and regulatory risk.
Internal Audit / QA Reviewer, where applicable	Reviews implementation, data quality, evidence, internal controls, and corrective action closure.

ESG RACI matrix

Companies should use a simple RACI matrix to clarify responsibilities.

RACI Role	Meaning
Responsible	Person or department that performs the task.
Accountable	Person or body that owns the final outcome and approval.
Consulted	Person or department that provides input, expertise, or review.
Informed	Person or body that must be updated on progress or decisions.

Example RACI for selected ESG activities:

ESG Activity	Responsible	Accountable	Consulted	Informed
ESG policy update	ESG Lead	Senior Management / Board / Owner	HR, EHS, Procurement, Compliance	All departments
Materiality assessment	ESG Lead	ESG Committee / Senior Management	Stakeholders, department heads	Board / Owner
Emissions data collection	EHS / Finance / Maintenance	ESG Lead / Senior Management	Production, technical reviewer	ESG Committee
Worker grievance review	HR	Senior Management	Compliance, ESG Lead, department head	ESG Committee, where material
Supplier ESG assessment	Procurement	Procurement Head / ESG Committee	EHS, HR, Compliance	Senior Management
ESG report approval	ESG Lead	Board / Owner / Senior Management	All data owners, Compliance, Finance	Stakeholders, where applicable

ESG data ownership

Each material ESG topic should have a data owner. The data owner is responsible for collecting data, maintaining evidence, explaining assumptions, responding to review questions, and submitting information on time.

A data ownership matrix should include:

Field	Description
ESG topic	Emissions, energy, waste, OHS, wages, suppliers, anti-corruption, etc.
Indicator	Specific KPI or disclosure item.
Data owner	Department or person responsible for source data.
Data source	Bill, invoice, logbook, HR system, payroll system, supplier form, inspection record, etc.
Collection frequency	Monthly, quarterly, annually, upon incident, or upon request.
Reviewer	Person who checks the data.
Approver	Person who approves data for external disclosure.
Evidence location	Folder, system, register, or document reference.
Methodology	Calculation method, units, assumptions, and exclusions.
Data quality notes	Estimates, gaps, changes, or limitations.

ESG competency and training

Governance responsibilities should be supported by training. Board members, owners, senior management, ESG leads, and data owners should understand ESG topics relevant to their roles. The MCCG states that boards should have sufficient understanding and knowledge of sustainability issues relevant to the company and should identify professional development needs concerning sustainability. (Securities Commission Malaysia)

Training may include:

- a. ESG governance and materiality;
- b. ESG reporting and disclosure;
- c. ESG data collection and evidence management;
- d. climate and emissions data;
- e. human rights and labour standards;
- f. supplier due diligence and traceability;
- g. anti-corruption and business ethics;
- h. legal compliance;
- i. grievance and whistleblowing handling;
- j. internal audit and corrective action;
- k. customer ESG requirements; and
- l. framework alignment, such as NSRF, GRI, Bursa, TCFD, TNFD, MSNR, EUDR, and GPSNR where relevant.

33.3 Management Review and Approval

Management review is the process through which the company's leadership reviews ESG performance, risks, data, incidents, grievances, supplier issues, customer requirements, audit findings, and improvement actions. Approval is the process through which authorised persons confirm ESG policies, reports, targets, disclosures, corrective actions, and external submissions.

Management review and approval are essential because ESG decisions often involve cost, operational change, customer commitments, legal exposure, public disclosure, and reputational risk.

Management review frequency

Companies should conduct ESG management review at least annually. Higher-risk or larger companies should review ESG matters quarterly or more frequently.

Review Frequency	Recommended Use
Monthly	Operational ESG data, OHS incidents, environmental incidents, urgent grievances, customer requests, corrective actions.
Quarterly	ESG KPI dashboard, supplier due diligence progress, legal compliance status, material ESG risks, training progress.
Annually	Materiality assessment, ESG report approval, policy review, ESG targets, management system effectiveness, budget planning.
Incident-based	Serious injury, major spill, suspected forced labour, child labour concern, corruption allegation, regulatory notice, major customer audit finding.
Project-based	Site expansion, new product, new supplier, new market, EUDR-related customer request, major capital investment.

ESG management review agenda

A practical management review agenda may include:

- a. previous meeting actions and closure status;
- b. legal and regulatory compliance updates;
- c. material ESG topics and materiality changes;
- d. ESG risk register updates;
- e. environmental performance, including energy, emissions, water, waste, chemicals, and incidents;
- f. social performance, including workforce, OHS, wages, working hours, grievances, training, forced labour, child labour, and DEI;
- g. governance performance, including supplier due diligence, ethics, anti-corruption, tax, regulatory risk, stakeholder engagement, and whistleblowing;
- h. customer ESG requests and audit findings;
- i. supplier ESG assessment and traceability progress;
- j. ESG data quality and evidence gaps;
- k. corrective action tracker;
- l. ESG targets and action plan progress;
- m. budget and resource needs;
- n. external disclosure or ESG report approval;
- o. training and competency needs;
- p. emerging risks and framework updates; and
- q. decisions, owners, timelines, and next review date.

Items requiring approval

The company should define who is authorised to approve ESG-related documents and decisions.

Item Requiring Approval	Suggested Approval Authority
ESG Policy	Board, owner, Managing Director, or highest governance body.
Human Rights, Environmental, OHS, Supplier, ABAC, and Code of Conduct policies	Senior Management, Board, owner, or authorised committee.
Material ESG topics	ESG Committee, Senior Management, Board, or owner.
ESG action plan and targets	Senior Management, Board, or owner.
ESG report or sustainability disclosure	Board, owner, Managing Director, or authorised senior management.
Customer ESG questionnaire	ESG Lead, relevant data owners, Sales, Compliance, and authorised management.
Emissions and climate data	ESG Lead, Finance, EHS, technical reviewer, and management.
Supplier suspension or disengagement	Procurement Head, ESG Committee, Senior Management, and Legal where relevant.
Forced labour or child labour remediation	HR, ESG Lead, Senior Management, Legal or Compliance where needed.
Anti-corruption investigation closure	Compliance, Senior Management, Board or independent reviewer where appropriate.
Public ESG claim	ESG Lead, Compliance, Legal, Sales, and Senior Management.
Budget for ESG improvement	Senior Management, Finance, Board or owner depending on approval limits.

ESG disclosure approval

Before any ESG information is submitted externally or published, the company should review:

- whether the data covers the correct reporting boundary;
- whether the reporting period is clear;
- whether source documents support the data;
- whether assumptions and estimates are documented;
- whether confidential information is protected;
- whether the wording is balanced and not misleading;
- whether omissions or limitations are explained;
- whether the claim is consistent with evidence;
- whether customer-specific definitions are understood;
- whether the responsible departments have reviewed the information; and
- whether authorised management has approved the disclosure.

This is important because Bursa Malaysia's Sustainability Reporting Guide provides guidance on embedding sustainability and preparing sustainability disclosures, and many non-listed suppliers may also be asked by listed customers or multinational buyers to provide ESG information for their own reporting and due diligence processes. (Bursa Malaysia)

Management review minutes

Management review records should be clear enough to show that ESG oversight is active. Minutes should include:

Field	Description
Meeting date	Date of review.
Attendees	Names, roles, departments, and apologies where relevant.
Agenda	ESG matters discussed.
Data reviewed	KPI dashboard, risk register, audit findings, supplier status, grievances, incidents.
Key issues	Material risks, gaps, incidents, customer requests, non-compliance, or emerging matters.
Decisions made	Approvals, changes, priorities, budgets, escalation, or policy decisions.
Actions assigned	Action owner, due date, evidence required, and status.
Matters escalated	Issues requiring Board, owner, legal, customer, or authority attention.
Approval records	Policies, targets, reports, customer submissions, or corrective actions approved.
Follow-up date	Next meeting or review date.

Management review outputs

The management review should result in practical outputs, such as:

- a. updated ESG risk register;
- b. updated ESG action plan;
- c. approved ESG policies;
- d. approved materiality results;
- e. revised targets;
- f. budget approvals;
- g. training plan updates;

- h. supplier corrective action priorities;
- i. closure of audit findings;
- j. improved data controls;
- k. escalation of serious issues;
- l. approved ESG disclosures; and
- m. continuous improvement actions.

33.4 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Corporate Governance topic. Companies should apply them based on company size, governance maturity, legal status, customer requirements, reporting obligations, and material ESG topics.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. Governance structure	Company has a defined governance structure for ESG oversight and decision-making.	Organisation chart, Board Charter, management structure, ESG governance chart.	Management / Company Secretary / ESG Team
2. Board, owner, or highest governance body oversight	Highest governance body reviews ESG strategy, risks, policies, targets, and disclosures.	Board minutes, owner approval, management review minutes, ESG approval records.	Board / Owner / Management
3. ESG Committee or management review mechanism	Company has an ESG Committee, steering group, or equivalent management review process.	ESG Committee Terms of Reference, meeting minutes, attendance records, action tracker.	ESG Team / Management
4. ESG lead or designated person	A person is assigned to coordinate ESG implementation and reporting.	Appointment letter, role description, organisation chart, responsibility matrix.	Management / HR / ESG Team
5. ESG roles and responsibilities	ESG responsibilities are assigned across departments and data owners.	ESG RACI matrix, data ownership matrix, department responsibilities, job descriptions.	ESG Team / HR / Management
6. Senior management accountability	Senior management integrates ESG into operations, budgets, risk management, and action plans.	Management meeting minutes, budget approvals, KPI dashboard, ESG action plan.	Senior Management / ESG Team

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
7. ESG competency and training	Board, management, ESG lead, and data owners receive relevant ESG training.	Training records, attendance, training materials, professional development records.	HR / ESG Team
8. ESG policy approval	ESG-related policies are approved by authorised persons.	Approved policies, approval signatures, Board or management minutes, version control.	ESG Team / Management
9. Materiality approval	Material ESG topics are reviewed and approved.	Materiality assessment, validation minutes, approval record, management review.	ESG Team / Management
10. ESG risk oversight	ESG risks and opportunities are identified, escalated, and reviewed.	ESG risk register, risk review minutes, action tracker, management decisions.	ESG Team / Risk Owner
11. ESG target approval and monitoring	ESG targets are approved, monitored, and reviewed.	Target register, KPI dashboard, action plan, progress reports, management review.	ESG Team / Department Heads
12. ESG data governance	ESG data owners, source documents, review process, and approval process are defined.	ESG data ownership matrix, data review checklist, evidence register, approval workflow.	ESG Team / Data Owners
13. ESG disclosure approval	External ESG disclosures are reviewed and approved before release.	Disclosure review checklist, customer submission approval, ESG report approval, management sign-off.	ESG Team / Compliance / Management
14. Legal and regulatory compliance oversight	Corporate governance includes oversight of legal, regulatory, licence, permit, and customer requirements.	Legal compliance register, compliance review minutes, renewal tracker, corrective action records.	Compliance / Management
15. Internal control environment	Policies, procedures, approvals, segregation of duties, and record controls are implemented.	SOPs, approval matrix, document control records, internal audit reports.	Compliance / Internal Audit / Management
16. Delegation of authority	Authority limits for approvals, purchases, disclosures, contracts, and corrective actions are defined.	Delegation of authority matrix, approval records, procurement SOP, finance SOP.	Finance / Management
17. Conflict of interest governance	Directors, management, employees, and relevant suppliers declare and manage conflicts.	Conflict declaration forms, conflict register, meeting minutes, recusal records.	Compliance / HR / Management
18. Code of Conduct oversight	Company maintains and communicates a Code of Conduct.	Code of Conduct, training records, worker acknowledgements,	HR / Compliance

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
		supplier acknowledgements.	
19. Whistleblowing and escalation	Serious concerns can be reported confidentially and escalated appropriately.	Whistleblowing procedure, case register, investigation records, non-retaliation policy.	Compliance / Management
20. Corrective action governance	Findings, incidents, grievances, and audit issues are tracked to closure.	Corrective action tracker, audit reports, closure evidence, management review minutes.	ESG Team / Department Heads
21. Internal audit or self-assessment	Company periodically checks governance controls and ESG implementation.	Internal audit plan, self-assessment checklist, audit findings, corrective actions.	Internal Audit / ESG Team
22. Management review records	ESG matters are reviewed periodically by management.	Management review minutes, ESG Committee minutes, KPI dashboard, action tracker.	ESG Team / Management
23. Board or owner approval of ESG report	ESG report or major disclosure is reviewed and approved by authorised leadership.	Signed approval, Board minutes, owner approval, final ESG report, disclosure checklist.	ESG Team / Management
24. Confidentiality and data protection	Sensitive ESG, worker, supplier, customer, and commercial data are protected.	Access control records, confidentiality procedure, document control policy, secure storage.	Compliance / ESG Team / HR
25. Reporting and disclosure	Company discloses its governance approach, ESG oversight, roles, review process, limitations, and improvement actions where material.	ESG report, customer questionnaire, evidence register, omission explanation, management approval.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Number of ESG Committee or management review meetings held	Count of meetings during the reporting period.
Percentage of planned ESG review meetings completed	$\text{ESG meetings completed} \div \text{planned ESG meetings}$.
Percentage of ESG action items closed on time	$\text{ESG action items closed by due date} \div \text{total due}$.
Percentage of material ESG topics assigned to accountable owners	$\text{Topics with assigned owners} \div \text{total material topics}$.
Percentage of ESG indicators with named data owners	$\text{Indicators with data owners} \div \text{total ESG indicators in scope}$.
Percentage of ESG data points reviewed before disclosure	$\text{Reviewed ESG data points} \div \text{total reported ESG data points}$.
Percentage of ESG policies reviewed within scheduled period	$\text{Policies reviewed on time} \div \text{policies due for review}$.
Number of ESG-related policies approved or updated	Count during the reporting period.
Number of ESG risks escalated to management	Count of risks escalated during the reporting period.
Percentage of high-priority ESG risks with action plans	$\text{High-priority risks with action plans} \div \text{total high-priority risks}$.
Number of ESG disclosure review findings	Count of corrections, gaps, or issues found before disclosure.
Percentage of ESG corrective actions closed on time	$\text{Corrective actions closed by due date} \div \text{total due}$.
Number of internal ESG audits or self-assessments conducted	Count during the reporting period.
Percentage of Board, owner, senior management, or ESG Committee members trained on ESG	$\text{Persons trained} \div \text{persons in scope}$.
Percentage of data owners trained on ESG data and evidence requirements	$\text{Data owners trained} \div \text{total ESG data owners}$.
Number of governance-related grievances or whistleblowing reports	Count of reports relating to governance, ethics, retaliation, conflict, or misconduct.
Percentage of governance-related cases closed within target timeline	$\text{Cases closed on time} \div \text{total due}$.
Percentage of customer ESG submissions approved through formal review	$\text{Reviewed submissions} \div \text{total customer ESG submissions}$.

Reporting guidance

Where Corporate Governance is material, the company should disclose:

- a. why corporate governance is material to the company;
- b. the company's ESG governance structure;
- c. role of the Board, owner, senior management, ESG Committee, ESG lead, and departments;
- d. how ESG matters are reviewed and escalated;
- e. how material ESG topics, risks, targets, policies, and disclosures are approved;
- f. how ESG data ownership and evidence management are controlled;
- g. how ESG responsibilities are integrated into business functions;
- h. how governance-related training is provided;
- i. how internal controls, audits, self-assessments, or management reviews are conducted;
- j. key governance improvements during the reporting period;
- k. data gaps, limitations, confidentiality constraints, or scope exclusions; and
- l. improvement actions planned for the next reporting period.

Example disclosure wording

Corporate Governance

Corporate Governance is material to the company because ESG implementation requires clear accountability, management oversight, reliable data, ethical conduct, supplier responsibility, and evidence-based disclosure. The company's ESG governance structure is led by senior management, supported by an ESG lead and department-level data owners from HR, EHS, Procurement, Finance, Production, and Compliance.

During the reporting period, the company reviewed material ESG topics, ESG risks, customer requirements, supplier due diligence, environmental performance, social compliance, governance controls, and corrective actions through management review meetings. ESG data used for reporting and customer submissions was reviewed by relevant data owners before approval.

The company will continue strengthening ESG role clarity, data ownership, disclosure review, internal audit readiness, and management review documentation in the next reporting cycle.

Omission and non-applicability guidance

Corporate Governance should not normally be marked as fully “not applicable” because every company requires governance, accountability, and decision-making. However, specific sub-indicators may not apply depending on company size, ownership structure, and listing status.

Situation	Example Explanation
No formal Board committee	“The company does not have a formal Board-level ESG Committee due to its size. ESG oversight is conducted through senior management review and owner approval.”
SME with simple governance structure	“The company is an SME and applies a simplified governance structure. ESG responsibilities are assigned to the Managing Director, ESG lead, and department data owners.”
No internal audit function	“The company does not have a dedicated internal audit function. ESG self-assessment and management review are used to monitor implementation, with external support considered where required.”
No formal ESG Committee yet	“A formal ESG Committee has not yet been established. ESG matters are currently reviewed through management meetings. The company will assess the need for a formal committee as ESG maturity increases.”
Board-level ESG training not completed	“Formal Board-level ESG training was not completed during the reporting period. ESG awareness for senior management will be included in the next training plan.”
ESG data ownership not fully formalised	“ESG data owners were identified informally during the reporting process. The company will introduce a formal ESG data ownership matrix in the next reporting cycle.”
Confidential governance records	“Detailed Board, management, and investigation records are confidential. The company reports governance processes and outcomes at an appropriate level while maintaining detailed records internally.”
No public ESG report	“The company did not publish a public ESG report during the reporting period. ESG governance controls were applied to customer questionnaires, internal reviews, and ESG checklist completion.”

Minimum Implementation Outputs for Section 33

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

Output	Purpose
Corporate Governance or ESG governance structure	Shows how ESG oversight, management, implementation, and reporting are organised.
Board Charter, owner approval process, or management charter	Defines the role of the highest governance body in ESG oversight and decision-making.
ESG Committee Terms of Reference, where applicable	Defines purpose, authority, membership, frequency, reporting line, and responsibilities.

Output	Purpose
ESG Lead appointment record	Confirms the person responsible for coordinating ESG implementation and reporting.
ESG roles and responsibilities matrix	Assigns responsibilities across Board, owner, management, ESG lead, departments, and data owners.
ESG RACI matrix	Clarifies who is responsible, accountable, consulted, and informed for key ESG activities.
ESG data ownership matrix	Assigns data owners, source documents, reviewers, approvers, and evidence locations.
ESG management review schedule	Defines when ESG matters are reviewed by management or the ESG Committee.
ESG management review minutes	Documents issues reviewed, decisions made, actions assigned, and approvals granted.
Materiality approval record	Shows review and approval of material ESG topics.
ESG risk register	Tracks ESG risks, controls, responsible persons, escalation, and action status.
ESG target and action plan	Links ESG priorities to measurable actions, responsible persons, timelines, and evidence.
ESG policy approval records	Shows approval of ESG, environmental, social, governance, supplier, and ethics policies.
Delegation of authority matrix	Defines who may approve ESG disclosures, customer submissions, budgets, contracts, and corrective actions.
ESG disclosure review checklist	Ensures reports, questionnaires, claims, and submissions are evidence-backed before release.
ESG evidence register	Organises records supporting governance, environmental, social, supplier, and disclosure claims.
Internal ESG audit or self-assessment checklist	Checks implementation, controls, data quality, and evidence readiness.
Corrective action tracker	Tracks findings, incidents, grievances, supplier gaps, audit issues, and closure evidence.
ESG governance training records	Shows Board, management, ESG lead, and data owner awareness and competency.
Confidential records control procedure	Protects Board records, worker data, supplier information, investigation files, and customer information.
Annual governance review record	Confirms review of ESG governance effectiveness, gaps, improvements, and next steps.

Used properly, this topic helps rubber processors and manufacturers establish clear ESG accountability, improve decision-making, strengthen data reliability, support ethical conduct, respond to customer and regulatory expectations, and provide credible evidence for ESG reporting and continuous improvement.

34. Governance Topic 3: Business Ethics

Business Ethics refers to the standards of conduct that guide how a company, its directors, management, employees, suppliers, contractors, agents, and business partners behave in carrying out business activities. It covers integrity, honesty, fairness, respect, transparency, accountability, responsible decision-making, and compliance with laws and company policies.

For Malaysian rubber processors and manufacturers, business ethics is especially important because companies may deal with suppliers, contractors, recruitment agents, logistics providers, waste contractors, customers, certification bodies, auditors, government agencies, customs, licensing authorities, financial institutions, and other stakeholders. Ethical weaknesses in any of these relationships may create legal, financial, operational, reputational, ESG, and market access risks.

Business ethics should not be limited to anti-corruption alone. It should also cover conflicts of interest, gifts and hospitality, fair procurement, truthful records, responsible sales practices, accurate ESG disclosures, fair treatment of workers, respect for suppliers, protection of confidential information, responsible use of company assets, and non-retaliation against those who raise concerns.

The Malaysian Code on Corporate Governance states that the board should establish a Code of Conduct and Ethics and, together with management, implement policies and procedures that include managing conflicts of interest and preventing abuse of power, corruption, insider trading, and money laundering. (Securities Commission Malaysia) For commercial organisations in Malaysia, Section 17A of the MACC Act 2009 is also relevant because MACC states that a commercial organisation can be considered guilty if employees or associated persons commit corruption for the organisation's benefit, whether or not upper management knew of the corrupt act. (Social Policy Research Malaysia)

This topic should be read together with the Governance topics on **Corporate Governance, Transparency and Risk Management, Anti-Corruption, Stakeholder Engagement, Regulatory Risk and Public Policy, and Supply Chain Traceability and Due Diligence.**

Business Ethics is especially relevant where a company:

- a. purchases natural rubber, synthetic rubber, chemicals, packaging, equipment, logistics, labour services, or waste services;
- b. appoints agents, brokers, consultants, recruitment agents, intermediaries, or third-party representatives;
- c. deals with licences, permits, inspections, approvals, customs, export documentation, or regulatory submissions;

- d. participates in tenders, customer audits, supplier qualification processes, or certification schemes;
- e. receives or gives gifts, hospitality, donations, sponsorships, commissions, incentives, rebates, discounts, or facilitation requests;
- f. has employees, directors, managers, or family members with personal interests in suppliers, contractors, customers, or competitors;
- g. makes ESG, traceability, sustainability, labour, no-deforestation, emissions, recycled content, or ethical sourcing claims;
- h. handles confidential worker, supplier, customer, geolocation, payroll, commercial, or technical information; or
- i. receives concerns through grievance, whistleblowing, audit, customer, supplier, worker, or community channels.
- j. Business Ethics should be implemented through clear policies, practical controls, training, reporting channels, investigation procedures, corrective actions, and management review.

34.1 Code of Conduct

A **Code of Conduct** sets out the ethical standards expected of directors, management, employees, contractors, suppliers, agents, and business partners. It should explain what behaviour is acceptable, what behaviour is prohibited, how concerns can be raised, and what consequences may apply when the Code is breached.

For SMEs, the Code of Conduct may be a concise document supported by key procedures. For larger companies, the Code may be supported by separate policies on anti-bribery and anti-corruption, conflicts of interest, gifts and hospitality, whistleblowing, data protection, supplier conduct, human rights, workplace conduct, and disclosure controls.

Purpose of the Code of Conduct

The Code of Conduct should help the company:

- a. define expected ethical behaviour;
- b. communicate management's commitment to integrity;
- c. guide employees in practical business situations;
- d. prevent bribery, corruption, fraud, abuse of power, and conflicts of interest;
- e. protect company assets, confidential information, workers, suppliers, and stakeholders;
- f. support fair procurement and supplier selection;
- g. ensure accurate records and truthful reporting;

- h. protect whistleblowers and grievance users from retaliation;
- i. strengthen customer, regulator, financier, and stakeholder trust; and
- j. provide evidence for ESG reporting, audits, and customer due diligence.

Recommended Code of Conduct coverage

A practical Code of Conduct should cover the following areas.

Code Area	Practical Requirement
Legal compliance	Employees and business partners must comply with applicable laws, regulations, licences, permits, contracts, and company policies.
Integrity and honesty	Business must be conducted truthfully and responsibly.
Anti-bribery and anti-corruption	Bribery, kickbacks, facilitation payments, improper commissions, and corrupt conduct are prohibited.
Conflicts of interest	Actual, potential, or perceived conflicts must be declared and managed.
Gifts and hospitality	Gifts, meals, entertainment, travel, and hospitality must be modest, appropriate, transparent, approved where required, and not intended to influence decisions.
Fair procurement	Supplier selection should be based on objective criteria such as quality, price, delivery, ESG performance, compliance, and capability.
Accurate records	Invoices, receipts, payroll, waste records, ESG data, traceability records, certifications, and customer submissions must be accurate and not falsified.
Respectful workplace	Discrimination, harassment, intimidation, bullying, and retaliation are prohibited.
Human rights and labour standards	Child labour, forced labour, wage abuse, unsafe work, and worker mistreatment are prohibited.
Environmental responsibility	Employees must follow environmental procedures on chemicals, waste, water, emissions, energy, spills, and pollution prevention.
Confidentiality	Worker, supplier, customer, geolocation, commercial, payroll, and technical information must be protected.
Use of company assets	Company property, systems, vehicles, documents, funds, and data must be used responsibly.
Fair dealing	Customers, suppliers, competitors, workers, and stakeholders must be treated fairly and honestly.
Whistleblowing and grievance channels	Concerns can be reported confidentially and without retaliation.
Disciplinary consequences	Breaches may result in corrective, disciplinary, contractual, or legal action.

Code of Conduct application

The Code of Conduct should apply to:

- a. directors and Board members;
- b. owners and senior management;
- c. permanent, temporary, contract, migrant, and part-time employees;
- d. apprentices, interns, and trainees;
- e. contractors and service providers;
- f. suppliers and subcontractors;
- g. recruitment agents and labour suppliers;
- h. consultants, brokers, agents, and intermediaries;
- i. logistics providers and waste contractors;
- j. sales representatives and customer-facing personnel; and
- k. any person acting for or on behalf of the company.

The Code should be communicated during onboarding, supplier onboarding, contractor induction, management briefings, and periodic refresher training. Relevant workers should acknowledge that they have received and understood the Code.

Code of Conduct communication

Companies should communicate the Code of Conduct in a practical way. A document stored in a file is not enough if employees and business partners do not understand how to apply it.

Communication methods may include:

- a. onboarding briefings;
- b. employee handbook;
- c. posters and notices;
- d. toolbox talks;
- e. supervisor briefings;
- f. e-learning or classroom training;
- g. supplier briefing sessions;
- h. contractor induction;
- i. annual declaration forms;
- j. translated summaries where needed; and
- k. case-based examples.

Code of Conduct examples for rubber companies

The Code should include examples that are relevant to rubber processors and manufacturers.

Situation	Expected Conduct
A supplier offers a personal gift to secure a purchase order	Declare the offer and follow the gift and hospitality procedure. Do not accept anything that may influence procurement decisions.
A procurement employee has a family member who owns a transport contractor	Declare the conflict before any supplier selection or contract decision.
A customer asks for emissions data that is not yet complete	Provide accurate available data, explain limitations, and avoid unsupported claims.
A waste contractor cannot provide disposal evidence	Escalate to EHS and Procurement; do not close waste records without proper evidence.
A recruitment agent asks workers to pay hidden fees	Escalate to HR and Management; investigate and apply ethical recruitment controls.
A supervisor asks workers not to report a safety incident	Report through OHS, grievance, or whistleblowing channels; incident concealment is not acceptable.
An employee is asked to change traceability data to satisfy a customer	Refuse and escalate; traceability and customer submissions must be accurate.
A government inspection is expected and an employee suggests making an informal payment	Do not make the payment; report the request according to the anti-corruption procedure.

Code review

The Code of Conduct should be reviewed periodically, at least every two to three years or earlier if there are major changes in laws, customer requirements, business activities, supplier risks, corruption risk, whistleblowing cases, ESG reporting expectations, or audit findings.

34.2 Conflict of Interest

A **conflict of interest** occurs when a person's personal, financial, family, business, political, or other interest may improperly influence, or appear to influence, their professional judgement or duties to the company. Conflicts may be actual, potential, or perceived.

Managing conflicts of interest is important because conflicts can undermine fair procurement, hiring, promotion, supplier selection, customer dealings, audit integrity, ESG reporting, and business decisions. The Malaysian Code on Corporate Governance identifies

managing actual or potential conflicts of interest as one of the measures that should be described in a company's Code of Conduct and Ethics. (Securities Commission Malaysia)

Types of conflict of interest

Type	Meaning	Example
Actual conflict	A personal interest directly affects a current decision or duty.	A procurement manager approves a contract for a company owned by their sibling.
Potential conflict	A personal interest could affect a future decision.	A department head is involved in evaluating a supplier owned by a close friend.
Perceived conflict	Others may reasonably think the person's judgement is affected, even if it is not.	A manager frequently selects the same supplier that has provided personal hospitality.

Common conflict of interest situations

Rubber processors and manufacturers should assess conflicts in the following areas.

Area	Possible Conflict
Procurement	Employee, director, or family member has an interest in a supplier, contractor, transport provider, waste contractor, or consultant.
Recruitment	HR employee or supervisor favours a recruitment agent, labour supplier, or applicant due to personal relationship.
Supplier audits	Auditor has a personal relationship with the supplier being assessed.
Customer dealings	Sales personnel receive personal benefits from a customer or distributor.
Maintenance and projects	Employee awards repair, construction, equipment, or installation work to a related party.
Waste management	Employee benefits from selling recyclable or scrap materials to a preferred buyer.
Payroll and HR	Supervisor influences overtime, promotion, allowance, or disciplinary decisions for personal reasons.
ESG reporting	Data owner hides negative data to protect personal performance or department reputation.
Donations and sponsorships	Donation is directed to an organisation linked to an employee, director, official, or customer decision-maker.
Outside employment	Employee works for a supplier, customer, competitor, or contractor while employed by the company.

Conflict of interest policy

The company should maintain a conflict of interest policy or procedure. It may be included in the Code of Conduct or issued as a separate procedure.

The policy should require employees and relevant business partners to:

- a. avoid conflicts of interest where possible;
- b. declare actual, potential, or perceived conflicts promptly;
- c. update declarations when circumstances change;
- d. not participate in decisions where they have a conflict unless approved controls are in place;
- e. not use company information, position, assets, or influence for personal benefit;
- f. not favour suppliers, customers, workers, applicants, or contractors due to personal relationships;
- g. cooperate with review and mitigation measures;
- h. protect confidential information; and
- i. comply with disciplinary or corrective action where conflicts are concealed or abused.

Conflict declaration process

A practical process should include:

Step	Action
1. Identify	Employee, director, manager, supplier, or contractor identifies a possible conflict.
2. Declare	The conflict is declared using a conflict declaration form or register.
3. Review	HR, Compliance, Management, or Board reviews the declaration.
4. Decide mitigation	Company determines whether recusal, approval, monitoring, disclosure, role change, or other control is needed.
5. Document decision	Decision and control measure are recorded.
6. Monitor	The conflict is monitored where ongoing.
7. Update	Declaration is updated when circumstances change.
8. Escalate	Serious, concealed, or abused conflicts are escalated for investigation.

Conflict management measures

Conflict management may include:

- a. recusal from decision-making;
- b. independent review of the transaction;
- c. management or Board approval;
- d. alternative evaluator or approver;
- e. competitive tender or quotation process;
- f. disclosure to affected parties where appropriate;
- g. restriction on access to confidential information;
- h. reassignment of duties;
- i. termination of outside interest where required;
- j. supplier disqualification where appropriate;
- k. disciplinary action for non-declaration; and
- l. periodic monitoring.

Conflict of interest register

Companies should maintain a **Conflict of Interest Register**.

Field	Description
Declaration date	Date conflict was declared.
Person declaring	Employee, director, manager, supplier, contractor, agent, or other party.
Role / department	Position or relationship with the company.
Nature of conflict	Family relationship, ownership interest, outside employment, financial interest, supplier link, gift, etc.
Related party	Supplier, customer, contractor, worker, applicant, authority, or other party involved.
Actual / potential / perceived	Type of conflict.
Business activity affected	Procurement, hiring, promotion, audit, sales, contract, payment, ESG data, etc.
Risk level	Low, medium, high, critical.
Mitigation action	Recusal, approval, monitoring, disclosure, alternative reviewer, restriction.
Approver	Person or body approving mitigation.
Status	Open, monitored, closed, escalated.
Review date	Next review date.
Evidence	Declaration form, meeting minutes, approval record, procurement records.

Supplier and contractor conflicts

Suppliers and contractors should also be required to declare conflicts. This is especially relevant where employees or directors may have interests in supplier companies, recruitment agents, transport providers, waste contractors, construction firms, or consultants.

Supplier onboarding forms should ask whether the supplier has:

- a. family or personal relationships with company employees or directors;
- b. ownership links to company personnel;
- c. financial arrangements with company personnel;
- d. side agreements, commissions, rebates, or referral fees;
- e. gifts, hospitality, or benefits offered to company personnel;
- f. prior employment or consulting links that may influence decisions; or
- g. any other relationship that may create a conflict.

34.3 Gifts, Hospitality, and Ethical Behaviour

Gifts, hospitality, meals, entertainment, travel, sponsorships, donations, discounts, commissions, and other benefits can create ethical risks if they influence, or appear to influence, business decisions. Such benefits may become problematic when they are excessive, hidden, frequent, personally valuable, linked to tenders, linked to regulatory matters, or offered during negotiation, audit, inspection, supplier selection, customer approval, or contract renewal.

The Malaysian Code on Corporate Governance states that a Code of Conduct and Ethics should include measures to prevent corrupt practices, including the offering and acceptance of gifts and other forms of benefits. (Securities Commission Malaysia) The MACC Act 2009 also covers offences relating to gratification, including accepting gratification, giving or accepting gratification by an agent, and false claims, which are relevant to how companies control gifts, benefits, payments, and records. (Social Policy Research Malaysia)

Gifts and hospitality policy

Companies should establish a gifts and hospitality policy. It may be part of the Code of Conduct or Anti-Bribery and Anti-Corruption Policy.

The policy should define:

- a. what is considered a gift, hospitality, donation, sponsorship, entertainment, travel, benefit, or favour;
- b. what is prohibited;
- c. what may be allowed with approval;
- d. monetary thresholds, if used;
- e. approval authority;
- f. declaration and recording requirements;
- g. rules for dealings with public officials;
- h. rules during tenders, negotiations, audits, inspections, or contract decisions;
- i. treatment of cash, cash equivalents, vouchers, loans, personal discounts, and commissions;
- j. rules for donations, sponsorships, and charitable contributions;
- k. rules for festive gifts and cultural practices;
- l. rules for suppliers, contractors, customers, agents, and intermediaries;
- m. reporting channels for improper offers or requests; and
- n. disciplinary consequences for non-compliance.

Gifts and hospitality principles

The following principles should apply.

Principle	Practical Meaning
Legitimate business purpose	The gift or hospitality should have a valid business purpose and not be intended to influence a decision.
Modest and reasonable	Value should be modest and proportionate to business context.
Transparent	It should be declared and recorded where required.
Infrequent	Repeated gifts or hospitality from the same party should be reviewed.
Not cash or cash equivalent	Cash, vouchers, personal loans, personal rebates, and similar benefits should generally be prohibited.
Not during sensitive periods	Gifts should not be accepted or given during tenders, negotiations, audits, inspections, contract renewal, or disputes.
No expectation of return	There should be no obligation to award business, provide advantage, or overlook non-compliance.
Proper approval	Required approvals should be obtained before giving or accepting benefits.
No concealment	Gifts or hospitality must not be hidden, split, mislabelled, or recorded falsely.
Public official caution	Benefits involving public officials should be subject to stricter controls or prohibition.

Prohibited gifts and benefits

Companies should generally prohibit:

- a. cash or cash equivalents;
- b. personal loans;
- c. personal rebates, commissions, kickbacks, or referral fees;
- d. gifts intended to influence a business decision;
- e. gifts during tender, procurement, audit, inspection, negotiation, or dispute processes;
- f. gifts requested by employees, directors, officials, customers, or suppliers for personal benefit;
- g. entertainment or hospitality that is excessive, inappropriate, or not business-related;
- h. travel or accommodation paid by suppliers or customers without approval;
- i. benefits involving public officials without strict review and approval;
- j. charitable donations used to influence business or regulatory decisions;
- k. gifts routed through family members or third parties; and
- l. any benefit that could damage the company's reputation if disclosed.

Gifts and hospitality register

Companies should maintain a **Gifts, Hospitality, Donations, and Sponsorship Register**.

Field	Description
Date	Date offered, received, given, or declined.
Employee or department	Person involved.
External party	Supplier, customer, contractor, official, agent, consultant, or other party.
Type of benefit	Gift, meal, travel, hospitality, donation, sponsorship, discount, entertainment, etc.
Description	Brief description of item or event.
Estimated value	Estimated monetary value.
Business purpose	Reason for gift or hospitality.
Accepted / declined / returned / donated	Final treatment.
Approval status	Approved, rejected, pending, not required.
Approver	Authorised person.
Related transaction	Tender, purchase order, contract, audit, inspection, customer visit, etc.
Risk level	Low, medium, high.
Remarks	Any concerns, conditions, or follow-up.

Ethical behaviour in business relationships

Beyond gifts and hospitality, ethical behaviour should apply to all business relationships.

Business Area	Ethical Expectations
Procurement	Use fair supplier selection, objective evaluation, approval controls, conflict declarations, and proper records.
Supplier management	Do not request personal benefits, pressure suppliers unfairly, or ignore supplier ESG risks.
Customer dealings	Provide accurate product, ESG, traceability, emissions, and compliance information.
Sales and marketing	Avoid misleading claims, false certificates, exaggerated sustainability claims, or undisclosed limitations.
Regulatory dealings	Do not offer or accept improper payments, gifts, or favours relating to licences, inspections, customs, or approvals.
Audits and certifications	Provide accurate evidence and do not falsify records or coach workers to mislead auditors.
Payroll and HR	Do not falsify working hours, payroll, training, age, recruitment, or grievance records.
Environmental records	Do not falsify effluent, waste, emissions, energy, or chemical data.
ESG reporting	Do not make unsupported claims or hide material issues.
Data handling	Protect confidential supplier, worker, customer, and geolocation information.

Ethical decision test

Employees may use a simple decision test when unsure.

Before giving, accepting, approving, or recording any benefit or action, ask:

- Is it legal?
- Is it allowed under company policy?
- Is it transparent and recorded?
- Is there a genuine business purpose?
- Could it influence a decision?
- Could it appear improper to others?
- Would I be comfortable if management, a customer, regulator, auditor, or the public knew about it?
- Could it harm workers, suppliers, customers, communities, or the environment?
- Is approval required?
- Should I ask HR, Compliance, Management, or the ESG lead before proceeding?

If the answer creates doubt, the person should pause and seek guidance before acting.

Reporting unethical behaviour

Companies should provide channels for reporting unethical behaviour, including:

- a. supervisor escalation;
- b. HR channel;
- c. compliance or integrity officer;
- d. whistleblowing channel;
- e. grievance channel;
- f. email or hotline;
- g. anonymous reporting option where feasible; and
- h. supplier or contractor reporting channel.

Reports should be handled confidentially and without retaliation. Serious allegations, such as bribery, fraud, falsification of records, harassment, retaliation, or serious supplier misconduct, should be escalated to senior management or the Board, owner, or independent reviewer where appropriate.

34.4 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Business Ethics topic. Companies should apply them based on company size, business model, procurement risk, customer requirements, supplier exposure, legal obligations, and ESG maturity.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. Code of Conduct	Company has a documented Code of Conduct or equivalent ethics policy.	Code of Conduct, ESG Policy, Employee Handbook, Board or management approval, version control record.	Management / HR / Compliance
2. Scope of application	Code applies to directors, management, employees, contractors, suppliers, agents, and business partners where relevant.	Code wording, supplier code, contractor clauses, employee acknowledgements, supplier acknowledgements.	HR / Procurement / Compliance
3. Communication of Code	Code is communicated to employees and relevant business partners.	Training records, onboarding records, posters, email communication, supplier briefing records.	HR / Compliance / Procurement

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
4. Annual or periodic acknowledgement	Employees and relevant parties acknowledge understanding of the Code.	Signed acknowledgement forms, digital acknowledgements, supplier declarations.	HR / Procurement
5. Business ethics training	Relevant employees receive training on ethical conduct, conflicts, gifts, reporting channels, and non-retaliation.	Training materials, attendance records, quiz results, toolbox talks, refresher records.	HR / Compliance
6. Conflict of interest policy	Company has a procedure to identify, declare, review, and manage conflicts of interest.	Conflict of Interest Policy, declaration form, approval workflow, management approval.	Compliance / HR / Management
7. Conflict declaration process	Employees, directors, managers, and relevant suppliers declare actual, potential, or perceived conflicts.	Conflict declaration forms, conflict register, annual declarations, supplier onboarding forms.	Compliance / HR / Procurement
8. Conflict mitigation controls	Declared conflicts are reviewed and managed through recusal, approval, monitoring, or other controls.	Conflict register, meeting minutes, recusal records, management decisions, procurement review records.	Compliance / Management
9. Supplier conflict screening	Suppliers disclose relationships with company employees, directors, or decision-makers where relevant.	Supplier declaration, onboarding questionnaire, procurement due diligence, supplier register.	Procurement / Compliance
10. Gifts and hospitality policy	Company has rules for giving, receiving, declaring, approving, declining, or returning gifts and hospitality.	Gifts and Hospitality Policy, ABAC Policy, Code of Conduct, approval matrix.	Compliance / Management
11. Gifts and hospitality register	Gifts, hospitality, donations, sponsorships, and related benefits are recorded where required.	Gift register, hospitality register, donation register, sponsorship approval records.	Compliance / Finance / HR
12. Approval of gifts and hospitality	Benefits above thresholds or higher-risk items are reviewed and approved.	Approval forms, email approvals, management sign-off, register entries.	Compliance / Management
13. Prohibition of improper benefits	Cash, kickbacks, facilitation payments, improper commissions, and influencing gifts are prohibited.	Code of Conduct, ABAC Policy, training records, investigation records.	Compliance / Management

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
14. Ethical procurement controls	Procurement decisions are supported by objective criteria, approvals, and conflict checks.	Procurement SOP, quotation records, tender records, supplier evaluation, approval matrix, conflict declarations.	Procurement / Finance / Compliance
15. Accurate records and reporting	Company prohibits falsification of invoices, payroll, traceability, waste, ESG, supplier, customer, or audit records.	Code of Conduct, document control procedure, internal audit reports, corrective action records.	Compliance / Finance / ESG Team
16. ESG claim integrity	ESG, sustainability, traceability, emissions, labour, and sourcing claims are reviewed before external use.	Disclosure review checklist, evidence register, customer submission approval, ESG report approval.	ESG Team / Compliance / Management
17. Confidentiality and data protection	Worker, supplier, customer, geolocation, payroll, commercial, and technical information is protected.	Confidentiality policy, access control records, NDAs, data handling procedure.	Compliance / HR / Procurement
18. Fair treatment and respectful conduct	Company prohibits harassment, bullying, intimidation, discrimination, and retaliation.	Code of Conduct, HR policy, grievance procedure, training records, case records.	HR / Compliance
19. Reporting channels	Employees and business partners can report unethical conduct, fraud, conflicts, gifts, falsification, or retaliation concerns.	Whistleblowing procedure, grievance procedure, hotline records, posters, communication records.	Compliance / HR / ESG Team
20. Investigation and corrective action	Business ethics concerns are investigated, documented, and closed with corrective actions.	Case register, investigation reports, disciplinary records, corrective action tracker, closure evidence.	Compliance / Management
21. Non-retaliation controls	Reporters and complainants are protected from retaliation.	Non-retaliation policy, case review records, worker communication, investigation records.	HR / Compliance
22. Third-party ethics controls	Agents, contractors, suppliers, recruitment agents, waste contractors, and consultants are subject to ethical conduct requirements.	Supplier Code of Conduct, contract clauses, due diligence records, supplier declarations.	Procurement / Compliance
23. Monitoring and management review	Business ethics risks, declarations, gifts, reports, investigations, and	KPI dashboard, management review minutes, Board minutes, compliance reports.	Compliance / Management

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	corrective actions are reviewed periodically.		
24. Reporting and disclosure	Company discloses business ethics approach, training, policies, cases, limitations, and improvement actions where material.	ESG report, customer questionnaire, KPI tracker, evidence register, omission explanation, management approval.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Percentage of employees acknowledging the Code of Conduct	$\text{Employees acknowledged} \div \text{total employees in scope.}$
Percentage of new employees receiving Code of Conduct briefing	$\text{New employees briefed} \div \text{total new employees.}$
Percentage of relevant suppliers acknowledging Supplier Code or ethics clauses	$\text{Suppliers acknowledged} \div \text{suppliers in scope.}$
Number of business ethics training sessions conducted	Count of training sessions during the reporting period.
Percentage of relevant employees trained on business ethics	$\text{Employees trained} \div \text{employees in scope.}$
Percentage of procurement personnel trained on conflicts, gifts, and ethical procurement	$\text{Procurement personnel trained} \div \text{total procurement personnel.}$
Number of conflict of interest declarations received	Count of declarations during the reporting period.
Percentage of declared conflicts reviewed and closed or managed	$\text{Conflicts reviewed and managed} \div \text{total declared conflicts.}$
Number of supplier conflict declarations received	Count of supplier declarations during onboarding or review.
Number of gifts and hospitality declarations recorded	Count of entries in the gifts and hospitality register.
Percentage of gifts and hospitality declarations reviewed within target timeline	$\text{Reviewed declarations} \div \text{total declarations requiring review.}$
Number of gifts, hospitality, donations, or sponsorships declined or returned	Count of declined or returned items.
Number of business ethics concerns reported	Count of concerns through whistleblowing, grievance, audit, or management channels.
Percentage of business ethics concerns investigated	$\text{Concerns investigated} \div \text{concerns requiring investigation.}$
Percentage of business ethics corrective actions closed on time	$\text{Corrective actions closed by due date} \div \text{total due.}$

KPI	Measurement Approach
Number of confirmed breaches of Code of Conduct	Count of substantiated cases.
Number of disciplinary or corrective actions related to ethics breaches	Count of actions taken during the reporting period.
Percentage of customer ESG claims reviewed before submission	Claims reviewed ÷ customer ESG submissions in scope.
Number of record falsification findings	Count of findings relating to false, misleading, or unsupported records.
Percentage of third-party contracts containing ethics or anti-corruption clauses	Contracts with clauses ÷ total relevant contracts.

Reporting guidance

Where Business Ethics is material, the company should disclose:

- a. why business ethics is material to the company;
- b. the company's Code of Conduct and ethical conduct commitments;
- c. who the Code applies to;
- d. how the Code is communicated and acknowledged;
- e. how conflicts of interest are declared and managed;
- f. how gifts, hospitality, donations, sponsorships, and benefits are controlled;
- g. how ethical procurement and fair supplier selection are managed;
- h. how accurate records and ESG claim integrity are protected;
- i. reporting channels for unethical conduct;
- j. non-retaliation protections;
- k. number and nature of ethics-related concerns, reported in aggregated and non-confidential form;
- l. corrective actions and management review;
- m. data gaps, confidentiality limitations, or scope exclusions; and
- n. improvement actions planned for the next reporting period.

Example disclosure wording

Business Ethics

Business Ethics is material to the company because our operations involve procurement, suppliers, contractors, customers, ESG data, traceability records, regulatory interactions, and customer audit requirements. The company is committed to conducting business honestly, fairly, transparently, and in compliance with applicable laws and company policies.

During the reporting period, the company maintained a Code of Conduct, communicated ethical expectations to employees, and applied controls for conflicts of interest, gifts and hospitality, supplier dealings, accurate records, and grievance or whistleblowing channels. Employees involved in procurement, supplier management, finance, HR, ESG reporting, and customer responses were reminded of their responsibilities to avoid conflicts, reject improper benefits, and maintain accurate evidence.

The company will continue strengthening annual ethics declarations, supplier ethics clauses, gifts and hospitality tracking, disclosure review controls, and business ethics training in the next reporting cycle.

Omission and non-applicability guidance

Business Ethics should not normally be marked as fully “not applicable” because every company has business relationships, employees, records, and decision-making processes. However, specific sub-indicators may not apply depending on company size and activities.

Situation	Example Explanation
No formal Code of Conduct yet	“The company has not yet adopted a standalone Code of Conduct. Ethical expectations are currently included in the Employee Handbook and ESG Policy. A formal Code of Conduct will be developed in the next reporting cycle.”
No gifts or hospitality recorded	“No gifts or hospitality declarations were recorded during the reporting period. The company will continue communicating declaration requirements and will introduce a central register.”
No conflict declarations received	“No conflict of interest declarations were received during the reporting period. The company will strengthen annual declaration reminders and supplier conflict screening.”
SME with simple controls	“The company applies simplified business ethics controls due to its size. Management approval, procurement records, conflict declarations, and grievance channels are used to monitor ethical conduct.”
No public ESG claims	“The company did not publish public ESG claims during the reporting period. Disclosure review controls were applied to customer ESG questionnaires and internal reporting.”

Situation	Example Explanation
Confidential ethics cases	“Detailed ethics investigation records are confidential. The company reports ethics-related cases in aggregated form while maintaining case-level records internally.”
Supplier ethics clauses not yet implemented	“Supplier ethics clauses were not yet included in all supplier agreements. The company will prioritise ethics and anti-corruption clauses for high-risk and priority suppliers.”
Business ethics training incomplete	“Business ethics training was provided to selected employees only. The company will expand training to procurement, finance, HR, sales, ESG data owners, and supervisors in the next cycle.”

Minimum Implementation Outputs for Section 34

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

Output	Purpose
Code of Conduct	Defines expected ethical behaviour for directors, management, employees, contractors, suppliers, and business partners.
Code of Conduct acknowledgement records	Shows that employees and relevant parties have received and understood the Code.
Business Ethics Policy or procedure	Provides practical guidance on integrity, fair dealing, accurate records, confidentiality, and reporting concerns.
Conflict of Interest Policy	Explains how actual, potential, and perceived conflicts must be declared and managed.
Conflict of Interest Declaration Form	Allows employees, directors, managers, and relevant suppliers to disclose conflicts.
Conflict of Interest Register	Tracks declared conflicts, risk level, mitigation actions, approvals, and review status.
Supplier conflict declaration	Identifies supplier relationships that may affect procurement, audits, or business decisions.
Gifts and Hospitality Policy	Sets rules on giving, receiving, declaring, approving, declining, and recording gifts and hospitality.
Gifts, Hospitality, Donations, and Sponsorship Register	Records benefits offered, received, given, declined, approved, or returned.
Ethical Procurement Procedure	Supports fair supplier selection, objective evaluation, conflict checks, and approval controls.
Supplier ethics clauses	Extends ethical conduct, anti-bribery, conflict, and record integrity expectations to suppliers and contractors.
Accurate records and reporting procedure	Prohibits falsification of payroll, ESG, traceability, waste, financial, supplier, and customer records.
ESG disclosure review checklist	Ensures ESG claims and customer submissions are evidence-backed and approved before release.
Confidentiality and data protection procedure	Protects worker, supplier, customer, geolocation, payroll, commercial, and technical information.

Output	Purpose
Whistleblowing or ethics reporting procedure	Provides confidential channels for reporting unethical conduct, fraud, conflicts, gifts, retaliation, or falsification.
Non-retaliation policy clause	Protects reporters, complainants, witnesses, workers, and suppliers from retaliation.
Business ethics case register	Tracks ethics reports, investigations, outcomes, corrective actions, and closure status.
Corrective action tracker	Tracks actions from ethics findings, audit findings, whistleblowing reports, and management reviews.
Business ethics training records	Demonstrates communication of the Code, conflicts, gifts, reporting channels, and ethical conduct expectations.
Business ethics KPI dashboard	Tracks acknowledgements, training, conflicts, gift declarations, ethics reports, investigations, and corrective actions.
Management review record	Shows senior management review of business ethics risks, cases, declarations, training, and improvement actions.

Used properly, this topic helps rubber processors and manufacturers strengthen integrity, prevent conflicts and improper influence, improve supplier and customer trust, protect ESG data credibility, reduce corruption and misconduct risk, and provide credible evidence for ESG reporting and continuous improvement.

35. Governance Topic 4: Transparency and Risk Management

Transparency and Risk Management refers to how a company identifies, assesses, monitors, controls, documents, and communicates ESG-related risks, opportunities, performance, limitations, and improvement actions. It is a core governance topic because ESG implementation depends on reliable information, clear accountability, effective controls, and honest disclosure.

For Malaysian rubber processors and manufacturers, transparency and risk management are especially important because companies may need to respond to customer ESG questionnaires, supplier declarations, traceability requests, EUDR-oriented data requests, emissions data requests, social compliance audits, certification requirements, financing applications, and ESG reporting expectations. A company may have good operational practices, but if risks are not documented and data is not evidence-backed, the company may still struggle to demonstrate ESG performance credibly.

IFRS S1 requires entities to disclose information about sustainability-related risks and opportunities that could reasonably affect cash flows, access to finance, or cost of capital, and it specifically requires disclosures on governance processes, strategy, risk management processes, and metrics and targets. This makes risk management, data controls, and disclosure governance increasingly important even for companies that are indirectly affected through supply chain requests. (IFRS Foundation)

For these Guidelines, transparency means that companies should:

- a. disclose material ESG topics honestly and clearly;
- b. explain the reporting boundary, data sources, assumptions, and limitations;
- c. avoid unsupported sustainability claims;
- d. maintain evidence for reported information;
- e. report both achievements and material challenges;
- f. explain omissions and non-applicability;
- g. protect confidential worker, supplier, customer, and commercial data; and
- h. ensure ESG information is reviewed and approved before external use.

Risk management means that companies should:

- a. identify ESG risks and opportunities;
- b. assess their likelihood, severity, business relevance, and stakeholder impact;
- c. assign risk owners;
- d. define controls and corrective actions;
- e. monitor risk indicators;
- f. escalate high-priority risks to management;
- g. track actions to closure; and

- h. review risks periodically.

Transparency and risk management should be integrated into the company's ESG Management System, materiality assessment, supplier due diligence, legal compliance register, internal audit process, grievance mechanisms, management review, and ESG reporting process.

This topic is especially relevant where a company:

- a. has material ESG risks relating to emissions, energy, water, waste, hazardous substances, OHS, wages, forced labour, child labour, supplier traceability, anti-corruption, or regulatory compliance;
- b. supplies customers that request ESG data, evidence, audit responses, or supplier declarations;
- c. prepares ESG reports, sustainability reports, customer questionnaires, or financing submissions;
- d. makes claims such as "traceable," "deforestation-free," "ethical recruitment," "low-carbon," "zero waste," "sustainable sourcing," or "fully compliant";
- e. manages suppliers, contractors, recruitment agents, waste contractors, or logistics providers with ESG risks;
- f. has past incidents, grievances, audit findings, customer findings, or regulatory issues;
- g. has incomplete ESG data or weak evidence management;
- h. wants to improve internal decision-making and management oversight; or
- i. is preparing for external assurance, customer audits, certification, or future disclosure requirements.

35.1 ESG Risk Register

An **ESG Risk Register** is a structured record of ESG risks and opportunities that may affect the company, its stakeholders, the environment, its supply chain, or its ability to operate and compete. It helps management understand which ESG issues require attention, who is responsible, what controls are in place, and what actions are needed.

The ESG Risk Register should be linked to the company's materiality assessment. Material ESG topics should normally appear in the risk register, especially where they create operational, regulatory, customer, financial, reputational, environmental, human rights, or market access risks.

Purpose of an ESG Risk Register

The ESG Risk Register should help the company:

- a. identify actual and potential ESG risks;
- b. prioritise risks based on severity and likelihood;
- c. assign risk ownership;
- d. document existing controls;
- e. identify gaps and corrective actions;
- f. monitor emerging ESG issues;
- g. support management review and decision-making;
- h. prepare ESG disclosures and customer responses;
- i. support internal audit and verification readiness; and
- j. track continuous improvement.

ESG risk categories

The risk register should cover environmental, social, governance, supplier, regulatory, and disclosure-related risks.

ESG Risk Category	Examples for Rubber Processors and Manufacturers
Environmental risks	Energy use, emissions, wastewater, water stress, scheduled waste, hazardous substances, chemical spills, soil contamination, odour, air emissions, deforestation, biodiversity, and land use.
Social risks	OHS incidents, working hours, wage errors, forced labour indicators, migrant worker welfare, child labour prevention, grievance access, accommodation, discrimination, harassment, and community impacts.
Governance risks	Weak ESG oversight, incomplete policies, poor data controls, unsupported ESG claims, conflicts of interest, bribery, tax issues, whistleblowing gaps, and weak supplier governance.
Supply chain risks	Incomplete traceability, unknown origin of natural rubber, supplier labour risks, supplier environmental non-compliance, recruitment agent risks, waste contractor risks, and logistics risks.
Regulatory risks	Changes in environmental, labour, OHS, reporting, customs, tax, anti-corruption, EUDR, CSDDD, NSRF, Bursa, customer, or certification requirements.
Disclosure risks	Inaccurate data, missing evidence, inconsistent boundaries, unsupported claims, confidentiality breaches, greenwashing, and late customer submissions.
Climate and nature risks	Flooding, heat stress, water stress, energy cost increases, low-carbon transition requirements, biodiversity impact, and nature-related supply chain risks.
Stakeholder risks	Worker grievances, customer complaints, community complaints, supplier disputes, NGO concerns, audit findings, and financier expectations.

Risk identification sources

Companies should identify ESG risks using multiple information sources.

Source	Examples
Materiality assessment	High-priority ESG topics and stakeholder concerns.
Legal compliance register	Laws, permits, licences, renewals, submissions, and regulatory obligations.
Customer requirements	ESG questionnaires, supplier codes, audits, traceability requests, and contract clauses.
Supplier due diligence	Supplier questionnaires, audits, declarations, certifications, traceability gaps, and corrective actions.
Operational data	Energy, emissions, water, waste, production, chemical use, incident data, and quality data.
HR and labour records	Payroll, working hours, contracts, grievances, recruitment records, training, and accommodation records.
OHS records	HIRARC, safety inspections, incidents, near misses, PPE records, and emergency drills.
Environmental records	Effluent results, waste records, chemical storage inspections, spill records, and monitoring reports.
Grievance and complaint channels	Worker complaints, community complaints, whistleblowing, supplier feedback, and customer complaints.
Audit findings	Internal audits, customer audits, certification audits, social audits, and regulatory inspections.
External developments	Regulatory updates, industry trends, buyer expectations, financing expectations, media concerns, and market access requirements.

Risk scoring

Companies should use a simple and consistent scoring method. The scoring should be practical enough for SMEs but robust enough to support management decisions.

A basic scoring approach may use **likelihood** and **impact**.

Score	Likelihood	Description
1	Rare	Unlikely to occur based on current operations and controls.
2	Possible	Could occur under certain conditions.
3	Likely	Has occurred before or is reasonably expected to occur.
4	Very likely	Recurring issue or high exposure.
5	Almost certain	Already occurring or highly likely without urgent action.

Score	Impact	Description
1	Low	Minor issue with limited effect and easy correction.
2	Moderate	Manageable impact, limited stakeholder concern, limited cost.
3	Significant	Compliance, operational, stakeholder, or customer concern requiring management action.
4	High	Serious impact on workers, environment, customers, legal compliance, reputation, or operations.
5	Critical	Severe harm, major non-compliance, market access risk, serious human rights issue, major pollution, or major financial exposure.

Risk level may then be classified as:

Risk Level	Example Score	Recommended Response
Low	1–4	Monitor and maintain controls.
Medium	5–9	Assign owner and improvement action where needed.
High	10–16	Escalate to management, prepare action plan, monitor closely.
Critical	17–25	Immediate management attention, urgent mitigation, possible suspension of activity or supplier, and formal review.

Companies may also add criteria such as legal exposure, stakeholder concern, financial impact, reputational impact, customer exposure, and irremediability, especially for human rights, environmental, and supply chain risks.

ESG Risk Register template

A practical ESG Risk Register should include:

Field	Description
Risk ID	Unique reference number.
ESG pillar	Environmental, Social, Governance, or cross-cutting.
ESG topic	Emissions, water, forced labour, OHS, traceability, anti-corruption, etc.
Risk description	Clear description of the risk or opportunity.
Risk source	Own operation, supplier, contractor, customer, regulator, worker, community, market, or disclosure.
Affected stakeholder	Workers, suppliers, customers, communities, regulators, financiers, environment, management, or others.
Likelihood	Probability score.
Impact	Impact score.
Risk rating	Low, medium, high, or critical.
Existing controls	Policies, SOPs, training, inspections, monitoring, audits, supplier controls, or approval processes.
Control effectiveness	Effective, partially effective, weak, not implemented, or under review.
Additional action required	Corrective, preventive, mitigation, monitoring, or improvement action.
Risk owner	Department or person responsible.
Due date	Target date for action.
Evidence required	Documents, records, photos, calculations, training, certificates, approvals, or reports.
Status	Open, in progress, completed, escalated, under monitoring, or closed.
Review date	Date of last review and next review.
Management decision	Escalation, budget approval, supplier action, policy update, disclosure note, or other decision.

Risk ownership and escalation

Every high or critical ESG risk should have an assigned owner. The owner should have authority, resources, or access to management support to address the risk.

Risk Type	Typical Risk Owner
Emissions and energy	EHS, Maintenance, Facilities, Finance, ESG Team.
Water and effluent	EHS, Wastewater Treatment Operator, Facilities, Production.
Waste and scheduled waste	EHS, Warehouse, Procurement.
Hazardous substances	EHS, Warehouse, Production, Procurement.
OHS	EHS, Production, HR, Maintenance.
Wages and working hours	HR, Finance, Production.
Forced labour and recruitment	HR, Procurement, ESG Team, Management.
Supplier traceability	Procurement, Supply Chain, ESG Team.
Anti-corruption	Compliance, Finance, Procurement, Management.

Risk Type	Typical Risk Owner
ESG disclosure	ESG Team, Data Owners, Compliance, Management.
Legal compliance	Compliance, Legal, EHS, HR, Finance, Management.

High and critical risks should be escalated to the ESG Committee, senior management, Board, owner, or highest governance body. Escalation should be documented in meeting minutes or approval records.

Risk review frequency

Risk Level	Suggested Review Frequency
Low	Annually or when context changes.
Medium	Semi-annually or quarterly.
High	Quarterly or monthly, depending on urgency.
Critical	Immediate escalation and frequent review until controlled.
Incident-based	Review immediately after incident, complaint, audit finding, regulatory notice, or customer escalation.

Link to ESG action plan

The ESG Risk Register should feed directly into the ESG Action Plan. Risks without action plans may remain unmanaged. Each high-priority risk should be linked to:

- a. action required;
- b. responsible person;
- c. budget or resource needs;
- d. timeline;
- e. KPI;
- f. evidence;
- g. progress status; and
- h. management review.

35.2 Internal Controls

Internal controls are the policies, procedures, checks, approvals, records, systems, and behaviours that help ensure ESG activities are implemented properly and ESG information is reliable. They help prevent errors, detect problems, correct weaknesses, and support management confidence in ESG reporting.

COSO explains that internal controls have value beyond compliance and external financial reporting, and that effective internal controls can help organisations operate with confidence and integrity in different types of information. COSO also issued guidance on internal control over sustainability reporting to help organisations build trust and confidence in ESG and sustainability reporting, public disclosures, and enterprise decision-making. (COSO)

For rubber processors and manufacturers, ESG internal controls should cover:

- a. ESG governance;
- b. legal compliance;
- c. environmental data;
- d. labour and workforce data;
- e. OHS data;
- f. supplier traceability;
- g. anti-corruption and ethics;
- h. customer ESG submissions;
- i. ESG reporting;
- j. evidence management;
- k. grievance and whistleblowing records; and
- l. corrective action tracking.

Types of internal controls

Control Type	Purpose	Examples
Preventive controls	Prevent errors, non-compliance, or misconduct before they occur.	Supplier screening, approval matrix, SOPs, training, access control, policy requirements.
Detective controls	Identify errors, gaps, incidents, or non-compliance after they occur.	Internal audits, inspections, data checks, reconciliations, grievance channels, management review.
Corrective controls	Fix identified issues and prevent recurrence.	Corrective action plans, root cause analysis, retraining, supplier improvement, procedure update.
Approval controls	Ensure important decisions are reviewed by authorised persons.	ESG report approval, procurement approval, customer submission approval, policy approval.

Control Type	Purpose	Examples
Documentary controls	Create evidence that activities were performed.	Registers, minutes, checklists, logs, certificates, calculation files, signed forms.
IT and access controls	Protect data and restrict unauthorised changes.	Password controls, restricted folders, system permissions, version history, backup records.
Reconciliation controls	Compare data from different sources to detect inconsistencies.	Waste quantity vs invoices, fuel records vs emissions workbook, payroll vs attendance records.
Segregation of duties	Reduce risk by separating preparation, review, and approval.	HR prepares payroll, Finance processes payment, management reviews exceptions.

ESG control environment

The control environment should include:

- a. clear ESG roles and responsibilities;
- b. management commitment;
- c. Code of Conduct;
- d. legal compliance register;
- e. ESG policies and SOPs;
- f. data ownership matrix;
- g. approval matrix;
- h. document control;
- i. training and competency;
- j. internal audit or self-assessment;
- k. corrective action tracking;
- l. whistleblowing and grievance channels; and
- m. management review.

Internal controls by ESG area

ESG Area	Key Controls	Typical Evidence
ESG governance	ESG structure, committee review, roles matrix, approval process.	Terms of Reference, meeting minutes, approval records.
Legal compliance	Legal register, permit tracker, renewal reminders, compliance reviews.	Legal register, licences, permits, submissions, renewal records.
Emissions	Data owners, utility records, fuel records, emission factor register, calculation review.	Bills, invoices, GHG workbook, methodology note, management sign-off.
Energy	Monthly electricity and fuel tracking, meter checks, energy intensity review.	Bills, meter readings, energy tracker, maintenance records.

ESG Area	Key Controls	Typical Evidence
Water	Water source register, meter readings, effluent monitoring, water balance.	Water bills, effluent reports, WWTP logs, water tracker.
Waste	Waste classification, contractor verification, consignment notes, waste tracker.	Waste register, scheduled waste records, vendor licences, disposal evidence.
Hazardous substances	Chemical register, SDS, storage inspections, spill response records.	Chemical inventory, SDS file, inspection checklist, training records.
OHS	HIRARC, inspections, incident investigation, PPE records, emergency drills.	HIRARC, incident log, PPE records, drill reports, corrective actions.
Workers' rights	Employment contracts, time records, payroll checks, grievance procedure.	Contracts, attendance records, payslips, payroll review, grievance register.
Forced labour	Ethical recruitment, no-fee checks, document access log, worker interviews.	Agent contracts, fee declarations, passport access log, interview records.
Supplier due diligence	Supplier master list, ESG questionnaire, risk scoring, supplier corrective actions.	Supplier files, declarations, audits, corrective action tracker.
Anti-corruption	ABAC policy, conflict register, gifts register, whistleblowing channel.	Training records, declarations, investigation records, registers.
ESG disclosure	Data review checklist, evidence register, approval matrix, disclosure sign-off.	Draft report, review comments, approvals, evidence pack.

Control design and testing

Companies should periodically check whether controls are properly designed and working.

A control test may ask:

- Is the control documented?
- Is there a responsible owner?
- Is the control performed at the required frequency?
- Is evidence retained?
- Is the evidence complete and accurate?
- Is there review or approval?
- Were exceptions identified?
- Were corrective actions taken?
- Has the issue recurred?
- Does the control still address the risk?

Segregation and review

Where possible, the person preparing ESG data should not be the only person approving it. For SMEs, full segregation may not be possible, but a simple second-level review by the owner, Managing Director, Finance Manager, HR Manager, EHS lead, or external advisor can improve reliability.

Examples include:

Data / Activity	Prepared By	Reviewed By	Approved By
Electricity data	Finance	ESG Lead / Facilities	Management
Fuel data	Maintenance / Finance	ESG Lead	Management
Waste data	EHS	Procurement / ESG Lead	Management
Payroll data	HR / Finance	HR Manager / Finance Manager	Management
OHS data	EHS	Safety Committee / Management	Management
Supplier ESG data	Procurement	ESG Lead / Compliance	Management
ESG report	ESG Lead	Data Owners / Compliance	Board, owner, or senior management

Corrective action controls

Internal controls should be linked to corrective action. If a control fails, the company should record:

- what failed;
- why it failed;
- who is responsible;
- what action is required;
- due date;
- evidence required;
- closure status; and
- effectiveness review.

35.3 Disclosure Governance

Disclosure governance refers to the process used to prepare, review, approve, and communicate ESG information. It ensures that ESG reports, customer questionnaires, supplier declarations, public claims, financing submissions, certification submissions, and regulatory responses are accurate, balanced, evidence-backed, and approved.

IFRS S1 requires disclosure of governance processes, controls, and procedures used to monitor, manage, and oversee sustainability-related risks and opportunities, as well as processes used to identify, assess, prioritise, and monitor those risks and opportunities. (IFRS Foundation) For companies in the rubber supply chain, this reinforces the need for disciplined disclosure governance even where the company is responding to customer requests rather than publishing a public sustainability report.

Types of ESG disclosures

Disclosure governance should apply to both public and non-public ESG information.

Disclosure Type	Examples
Public ESG disclosure	ESG report, sustainability report, website statement, annual report section, press release.
Customer disclosure	ESG questionnaire, supplier declaration, audit response, traceability data request, emissions data request.
Regulatory or market disclosure	Sustainability reporting, permit-related reporting, EUDR-oriented data, customs or trade-related data.
Certification disclosure	MSNR, FSC, PEFC, Preferred by Nature, ISO, social audit, product certification, chain-of-custody evidence.
Financing disclosure	Green financing application, sustainability-linked financing data, lender ESG questionnaire.
Supplier disclosure	Supplier Code of Conduct response, supplier ESG assessment, supplier corrective action evidence.
Product or marketing claim	Recycled content, low-carbon claim, responsible sourcing claim, traceability claim, no-deforestation claim.
Internal disclosure	ESG dashboard, management review paper, risk register, compliance report, audit report.

Disclosure governance process

A practical disclosure governance process should include:

Step	Action
1. Define disclosure purpose	Identify whether the disclosure is for ESG report, customer, regulator, certification, financing, or internal review.
2. Confirm scope and boundary	Define sites, entities, products, suppliers, time period, and data included or excluded.
3. Identify required indicators	Determine which ESG topics, indicators, and data points are required.
4. Assign data owners	Identify departments responsible for each data point.
5. Collect data and evidence	Gather source documents, calculations, records, and explanations.
6. Review data quality	Check completeness, accuracy, consistency, traceability, timeliness, and assumptions.
7. Review wording	Ensure the disclosure is clear, balanced, not exaggerated, and not misleading.
8. Check confidentiality	Protect personal, supplier, customer, geolocation, commercial, and sensitive data.
9. Approve disclosure	Obtain approval from authorised personnel before release.
10. Retain final file	Store final submission, evidence pack, review comments, and approval record.
11. Track commitments	Record any promises, targets, customer commitments, or corrective actions made in the disclosure.
12. Review improvement needs	Add data gaps and weaknesses to the ESG action plan.

Disclosure approval matrix

Companies should define who approves ESG disclosures.

Disclosure Type	Recommended Reviewers	Final Approver
ESG report	ESG Lead, HR, EHS, Procurement, Finance, Compliance, Department Heads	Board, owner, Managing Director, or senior management
Customer ESG questionnaire	Data owners, ESG Lead, Sales, Compliance	Authorised management
Emissions disclosure	Finance, EHS, Maintenance, ESG Lead	Senior management
Labour declaration	HR, Compliance, ESG Lead	Senior management
Supplier traceability data	Procurement, Supply Chain, ESG Lead, Compliance	Senior management
EUDR-oriented data	Procurement, ESG Lead, Compliance, Legal where needed	Senior management

Disclosure Type	Recommended Reviewers	Final Approver
Product sustainability claim	QA/QC, ESG Lead, Sales, Compliance	Senior management
Anti-corruption declaration	Compliance, Finance, Procurement	Senior management
Financing ESG submission	Finance, ESG Lead, Management	Managing Director / Board / owner

ESG claim substantiation

Companies should not make ESG claims unless the claim is supported by evidence. Examples of high-risk claims include:

- a. “deforestation-free”;
- b. “fully traceable”;
- c. “EUDR-compliant”;
- d. “ethical recruitment”;
- e. “zero forced labour”;
- f. “child labour free”;
- g. “carbon neutral”;
- h. “low carbon”;
- i. “100% renewable energy”;
- j. “zero waste”;
- k. “all suppliers compliant”;
- l. “fully sustainable sourcing”;
- m. “no environmental impact”; and
- n. “complete legal compliance”.

Where evidence is incomplete, the company should use more accurate wording, such as:

- a. “we are progressively improving traceability”;
- b. “supplier-level traceability is currently available for selected suppliers”;
- c. “Scope 1 and Scope 2 emissions have been calculated; Scope 3 screening is under development”;
- d. “priority suppliers have been screened for ESG risks”;
- e. “no confirmed cases were identified during the reporting period”; or
- f. “data coverage is limited to the main manufacturing site”.

Disclosure checklist

Before external disclosure, companies should check:

Review Question	Yes / No / Remarks
Is the reporting boundary clear?	
Is the reporting period clear?	
Are all material topics covered or explained?	
Are data sources identified?	
Are calculations and units correct?	
Are assumptions and estimates documented?	
Are omissions explained?	
Is the wording balanced and not overstated?	
Is confidential information protected?	
Are supplier or customer-specific restrictions considered?	
Has the relevant data owner reviewed the information?	
Has management approved the disclosure?	
Is the final evidence pack stored?	
Are future commitments tracked?	

Disclosure limitations and omissions

Where data is unavailable, incomplete, confidential, or not applicable, the company should explain this clearly. This supports credibility and reduces the risk of misleading disclosure.

Examples include:

Situation	Example Wording
Data unavailable	“Data is not yet available for this reporting period. The company will introduce data collection in the next cycle.”
Partial boundary	“Data covers the main manufacturing site only. Warehouse and office data will be added in future reporting.”
Supplier data gap	“Supplier-level information is currently available for priority suppliers only.”
Confidential data	“Supplier-specific geolocation information is maintained internally and disclosed only to authorised customers.”
Estimate used	“Fuel consumption for selected equipment was estimated based on purchase records and operating hours.”
Not applicable	“This topic is not applicable because the company does not source natural rubber.”
Under development	“The company has begun Scope 3 screening but has not yet completed full Scope 3 calculation.”

Tracking commitments

Any commitment made in an ESG disclosure should be tracked. If a company states that it will conduct supplier screening, calculate emissions, improve waste data, install meters, conduct training, or update policies, that commitment should be added to the ESG action plan.

A disclosure commitment tracker may include:

Field	Description
Disclosure source	ESG report, customer questionnaire, audit response, financing submission, website statement.
Commitment made	Action, target, improvement, or future disclosure promised.
Responsible owner	Department or person responsible.
Due date	Target timeline.
Evidence required	Record needed to prove completion.
Status	Not started, in progress, completed, delayed, revised.
Management review	Date reviewed and decision made.

35.4 Evidence Management

Evidence management is the system used to collect, organise, review, store, protect, and retrieve records that support ESG implementation and disclosure. It is essential because ESG information is only credible if it can be verified.

Evidence management should support:

- a. ESG reporting;
- b. customer questionnaires;
- c. supplier due diligence;
- d. EUDR-oriented requests;
- e. certification audits;
- f. social compliance audits;
- g. environmental inspections;
- h. OHS reviews;
- i. financing applications;
- j. management review;
- k. internal audit; and
- l. external assurance.

Evidence management principles

Principle	Practical Meaning
Completeness	Evidence should cover the relevant topic, period, site, supplier, and data boundary.
Accuracy	Evidence should match the data reported.
Traceability	Data should be traceable back to source documents.
Consistency	Evidence should use consistent naming, units, dates, and formats.
Timeliness	Evidence should be collected regularly, not only before audits.
Security	Sensitive evidence should be protected from unauthorised access.
Version control	Final approved documents should be distinguished from drafts.
Retention	Evidence should be retained according to legal, customer, certification, and internal requirements.
Accessibility	Authorised personnel should be able to retrieve evidence when needed.
Confidentiality	Worker, supplier, customer, geolocation, payroll, medical, and investigation records should be protected.

ESG evidence register

Companies should maintain an **ESG Evidence Register**.

Field	Description
ESG topic	Emissions, energy, water, waste, OHS, wages, suppliers, anti-corruption, etc.
Indicator	Specific data point, KPI, disclosure item, or checklist requirement.
Evidence type	Bill, invoice, log, report, policy, certificate, approval, photo, meeting minutes, register.
Reporting period	Year, quarter, month, or project period covered.
Site / supplier / department	Location or source covered.
Data owner	Person responsible for evidence.
Reviewer	Person who checked the evidence.
Storage location	Folder path, system, file name, or physical file reference.
Confidentiality level	Public, internal, restricted, confidential, highly confidential.
Retention period	How long the evidence must be retained.
Version	Draft, reviewed, approved, final.
Status	Complete, incomplete, under review, missing, replaced, archived.
Remarks	Assumptions, limitations, data gaps, or follow-up required.

Evidence by ESG area

ESG Area	Examples of Evidence
Governance	Governance chart, ESG Committee minutes, policies, risk register, approval records, Code of Conduct, whistleblowing records.
Legal compliance	Legal register, permits, licences, renewal records, regulatory submissions, inspection reports.
Emissions	Electricity bills, fuel invoices, refrigerant logs, emission factors, GHG workbook, methodology notes.
Energy	Meter readings, electricity bills, energy tracker, maintenance records, energy audit reports.
Water	Water bills, meter logs, effluent reports, WWTP logs, water balance, water stress assessment.
Waste	Waste register, scheduled waste records, consignment notes, recycling records, contractor licences.
Hazardous substances	Chemical register, SDS, storage inspection records, spill records, training records.
OHS	HIRARC, incident reports, PPE records, training records, machine inspection, emergency drills.
Workers' rights	Employment contracts, payroll, payslips, attendance, overtime approvals, leave records, grievance logs.
Forced labour	Recruitment agent files, worker fee declarations, document access logs, worker interviews, remediation records.
Training	Training matrix, attendance records, materials, certificates, competency assessments.
Supplier due diligence	Supplier master list, ESG questionnaires, supplier declarations, certificates, audits, corrective actions.
Anti-corruption	ABAC policy, gift register, conflict register, training records, investigation records.
Stakeholder engagement	Stakeholder map, engagement log, meeting minutes, complaint register, corrective actions.

Evidence pack for reporting

For each ESG report or major customer submission, companies should prepare a controlled evidence pack. This pack should include:

- final approved disclosure;
- disclosure review checklist;
- reporting boundary statement;
- data ownership matrix;
- source documents;
- calculation workbooks;
- assumptions and estimates;
- methodology notes;
- evidence register;

- j. omission explanations;
- k. data gap register;
- l. management approval;
- m. version history; and
- n. follow-up commitments.

File structure

A practical digital folder structure may be:

Folder	Contents
01 Governance	Policies, committee minutes, approval records, risk register.
02 Environmental	Emissions, energy, water, waste, hazardous substances, biodiversity, land, soil.
03 Social	Workforce, wages, working hours, OHS, grievances, training, human rights, accommodation.
04 Supply Chain	Supplier master list, traceability, supplier assessments, declarations, audits, corrective actions.
05 Ethics and Compliance	ABAC, conflicts, gifts, whistleblowing, legal register, tax, regulatory records.
06 Reporting	ESG report drafts, final reports, customer questionnaires, disclosure checklists, approval records.
07 Evidence Packs	Final evidence packs by reporting year or customer request.
08 Corrective Actions	Action trackers, closure evidence, audit findings.
09 Archived	Previous years, obsolete policies, old evidence, superseded documents.

Confidentiality controls

Some ESG evidence is sensitive and should be restricted.

Sensitive evidence may include:

- a. worker identity documents;
- b. payroll and bank data;
- c. medical and OHS case records;
- d. grievance and whistleblowing records;
- e. forced labour or child labour case files;
- f. supplier pricing and contracts;
- g. supplier geolocation data;
- h. customer confidential information;
- i. trade secrets and formulas;
- j. tax records;

- k. legal advice; and
- l. investigation records.

Access should be limited to authorised persons. Public ESG reporting should normally use aggregated or anonymised information where personal or sensitive data is involved.

Evidence review and audit readiness

Companies should periodically test whether evidence is complete and retrievable.

A simple evidence review may check:

- a. Are all material ESG topics supported by evidence?
- b. Does each KPI have a source document?
- c. Are calculation files retained?
- d. Are assumptions documented?
- e. Are data owners identified?
- f. Are approvals recorded?
- g. Are missing documents listed as data gaps?
- h. Are confidential records protected?
- i. Are supplier documents valid and current?
- j. Can records be retrieved quickly for audit or customer review?

35.5 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Transparency and Risk Management topic. Companies should apply them based on company size, ESG maturity, reporting needs, customer requirements, risk profile, and data availability.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. ESG risk management policy or procedure	Company has a documented approach to identifying, assessing, managing, and reviewing ESG risks.	ESG Risk Management Procedure, ESG Policy, risk methodology, management approval.	ESG Team / Management
2. ESG Risk Register	Company maintains a register of environmental, social, governance, supply chain, regulatory, and disclosure risks.	ESG Risk Register, risk assessment worksheet, risk review minutes.	ESG Team / Risk Owners

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
3. Risk scoring methodology	Company defines criteria for likelihood, impact, severity, stakeholder concern, and risk level.	Risk scoring matrix, methodology note, management approval.	ESG Team / Management
4. Risk ownership	Each material ESG risk has an assigned owner.	ESG Risk Register, roles matrix, action plan.	ESG Team / Department Heads
5. Risk escalation	High and critical risks are escalated to management or the relevant governance body.	Escalation records, ESG Committee minutes, management review minutes.	ESG Team / Management
6. Risk review frequency	ESG risks are reviewed periodically and after major incidents or changes.	Review schedule, risk register updates, meeting minutes.	ESG Team / Risk Owners
7. ESG action plan linkage	High-priority risks are linked to actions, timelines, owners, KPIs, and evidence.	ESG action plan, corrective action tracker, KPI dashboard.	ESG Team / Department Heads
8. Internal control framework	Company has controls to prevent, detect, and correct ESG risks and data weaknesses.	Control matrix, SOPs, approval matrix, internal audit reports.	Compliance / ESG Team / Management
9. Data ownership controls	ESG data owners, source documents, reviewers, and approvers are defined.	ESG data ownership matrix, reporting calendar, evidence register.	ESG Team / Data Owners
10. Data quality checks	ESG data is reviewed for completeness, accuracy, consistency, traceability, timeliness, and assumptions.	Data review checklist, calculation workbook review, variance analysis, sign-off.	ESG Team / Data Owners
11. Segregation and approval controls	Preparation, review, and approval of ESG data are separated where practical.	Approval workflow, sign-off sheet, management review record.	ESG Team / Management
12. Legal and compliance control linkage	ESG risks are linked to legal register, permit tracker, customer requirements, and certification requirements.	Legal register, compliance tracker, customer requirement matrix, certification files.	Compliance / ESG Team
13. Supplier risk control linkage	Supplier ESG risks are included in supplier due diligence and corrective action processes.	Supplier risk matrix, supplier corrective action tracker, due diligence files.	Procurement / ESG Team
14. Disclosure governance procedure	External ESG disclosures are prepared, reviewed, approved, and retained through a defined process.	Disclosure Governance Procedure, disclosure checklist, approval matrix.	ESG Team / Compliance
15. ESG claim review	Sustainability claims are substantiated before external use.	Claim review checklist, evidence pack, approval record, customer submission file.	ESG Team / Sales / Compliance

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
16. Boundary and methodology disclosure	Reporting boundary, methods, assumptions, estimates, exclusions, and limitations are documented.	Boundary statement, methodology note, omission register, calculation workbook.	ESG Team / Data Owners
17. Omission and limitation explanation	Data gaps, non-applicability, confidentiality, and incomplete information are explained.	Omission register, data gap register, disclosure notes, management approval.	ESG Team
18. Evidence Register	Company maintains a register of documents supporting ESG indicators and disclosures.	ESG Evidence Register, document index, evidence files.	ESG Team / Data Owners
19. Evidence pack preparation	Major disclosures and customer submissions are supported by controlled evidence packs.	Evidence pack, final submission file, source documents, approval record.	ESG Team / Data Owners
20. Document control	ESG policies, procedures, reports, data files, and evidence are version-controlled.	Document control procedure, version history, approval records, archive folder.	ESG Team / Compliance
21. Confidentiality controls	Sensitive ESG, worker, supplier, customer, geolocation, payroll, and investigation records are protected.	Access control records, confidentiality procedure, restricted folder list.	Compliance / HR / Procurement
22. Internal audit or self-assessment	ESG controls, evidence, and data quality are periodically assessed.	Internal audit report, self-assessment checklist, findings, corrective action tracker.	Internal Audit / ESG Team
23. Corrective action tracking	Data gaps, audit findings, control failures, incidents, and disclosure issues are tracked to closure.	Corrective action tracker, closure evidence, management review minutes.	ESG Team / Department Heads
24. Management review	ESG risks, controls, disclosures, evidence gaps, and corrective actions are reviewed by management.	ESG Committee minutes, management review records, KPI dashboard.	ESG Team / Management
25. Reporting and disclosure	Company discloses risk management approach, internal controls, data limitations, evidence practices, and improvement actions where material.	ESG report, customer questionnaire, disclosure checklist, evidence register, management approval.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Number of ESG risks recorded	Count of active risks in the ESG Risk Register.
Percentage of material ESG topics included in the ESG Risk Register	Material topics in register ÷ total material topics.
Number of high and critical ESG risks	Count of risks rated high or critical.
Percentage of high and critical risks with action plans	High and critical risks with action plans ÷ total high and critical risks.
Percentage of ESG risk actions closed on time	Actions closed by due date ÷ total actions due.
Number of ESG risks escalated to management	Count of escalated risks during reporting period.
Percentage of ESG indicators with assigned data owners	Indicators with data owners ÷ total indicators in scope.
Percentage of ESG data points reviewed before disclosure	Data points reviewed ÷ total disclosed data points.
Number of ESG data gaps identified	Count of missing, incomplete, estimated, or unsupported data points.
Percentage of ESG data gaps closed	Data gaps closed ÷ total data gaps due for closure.
Number of disclosure review findings	Count of corrections or issues identified before release.
Percentage of customer ESG submissions approved through formal review	Approved submissions ÷ total customer submissions.
Number of unsupported claims prevented or corrected	Count of claims revised, removed, or substantiated before disclosure.
Percentage of material disclosures supported by evidence pack	Disclosures with evidence pack ÷ total material disclosures.
Percentage of ESG evidence files complete	Complete evidence files ÷ total evidence files reviewed.
Number of internal ESG audits or self-assessments conducted	Count during reporting period.
Percentage of internal control findings closed on time	Control findings closed by due date ÷ total findings due.
Number of confidentiality or data access incidents	Count of unauthorised access, loss, or improper disclosure incidents.
Percentage of ESG policies and procedures reviewed on schedule	Policies reviewed on time ÷ policies due for review.
Number of management review meetings covering ESG risks and disclosures	Count of meetings during reporting period.

Reporting guidance

Where Transparency and Risk Management is material, the company should disclose:

- a. why transparency and risk management are material to the company;
- b. how ESG risks are identified, assessed, prioritised, and monitored;
- c. who owns ESG risks and how high-priority risks are escalated;
- d. how ESG risks are linked to materiality, action plans, supplier due diligence, and management review;
- e. how internal controls support ESG implementation and data quality;
- f. how ESG disclosures are reviewed and approved;
- g. how ESG claims are substantiated;
- h. how evidence is collected, stored, and protected;
- i. key ESG risks, data gaps, control gaps, or improvement priorities identified during the reporting period;
- j. corrective action progress;
- k. limitations, exclusions, estimates, or confidentiality constraints; and
- l. improvement actions planned for the next reporting cycle.

Example disclosure wording

Transparency and Risk Management

Transparency and Risk Management is material to the company because ESG performance is increasingly assessed by customers, suppliers, regulators, financiers, and other stakeholders through data, evidence, and risk controls. The company maintains an ESG Risk Register to identify environmental, social, governance, supplier, regulatory, and disclosure risks.

During the reporting period, ESG risks were reviewed by management and linked to corrective actions, data owners, evidence requirements, and improvement plans. ESG data used for customer responses and internal reporting was reviewed by relevant departments before submission. The company also maintained evidence files for key ESG topics, including energy, water, waste, OHS, labour practices, supplier due diligence, and governance controls.

The company will continue strengthening ESG data ownership, evidence management, disclosure review, supplier risk tracking, and internal control testing in the next reporting cycle.

Omission and non-applicability guidance

Transparency and Risk Management should not normally be classified as fully “not applicable” because all companies need some form of risk management, data control, and disclosure governance. However, specific sub-indicators may not apply depending on company size and reporting maturity.

Situation	Example Explanation
No formal ESG Risk Register yet	“The company has not yet established a formal ESG Risk Register. ESG risks were reviewed through management discussions and will be consolidated into a formal register in the next reporting cycle.”
SME with simple controls	“The company applies simplified internal controls due to its size. Key controls include management approval, data owner review, evidence files, and corrective action tracking.”
No public ESG report	“The company did not publish a public ESG report during the reporting period. Disclosure governance was applied to customer questionnaires, supplier declarations, and internal ESG reporting.”
No internal audit function	“The company does not have a dedicated internal audit function. ESG self-assessment and management review are used to check data and controls.”
Incomplete ESG data	“Some ESG data was incomplete during the reporting period. The company has recorded these gaps and will improve data collection in the next cycle.”
Supplier evidence incomplete	“Supplier evidence is currently available for priority suppliers only. The company will expand supplier evidence collection based on ESG risk and customer requirements.”
Confidential information	“Detailed worker, supplier, customer, geolocation, and investigation records are confidential. The company reports aggregated information while maintaining case-level evidence internally.”
Disclosure review process informal	“Disclosure review was conducted by relevant managers but was not formally documented for all submissions. A disclosure review checklist will be introduced in the next reporting period.”

Minimum Implementation Outputs for Section 35

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

Output	Purpose
ESG Risk Management Procedure	Defines how ESG risks are identified, assessed, prioritised, assigned, reviewed, and escalated.
ESG Risk Register	Records ESG risks, ratings, controls, owners, actions, due dates, and status.
ESG risk scoring matrix	Provides a consistent method for assessing likelihood, impact, and risk level.
ESG risk review schedule	Defines how often risks are reviewed by risk owners and management.

Output	Purpose
ESG action plan	Links high-priority risks to actions, responsible persons, KPIs, evidence, and timelines.
Internal control matrix	Maps key ESG risks to preventive, detective, corrective, approval, documentary, and IT controls.
ESG data ownership matrix	Assigns data owners, sources, reviewers, approvers, and evidence locations.
ESG data quality checklist	Checks completeness, accuracy, consistency, traceability, timeliness, and assumptions.
Disclosure Governance Procedure	Defines how ESG disclosures are prepared, reviewed, approved, released, and stored.
Disclosure review checklist	Ensures ESG reports, customer submissions, and claims are accurate and evidence-backed.
ESG claim substantiation record	Documents evidence supporting sustainability, traceability, labour, environmental, and emissions claims.
Disclosure approval matrix	Defines who reviews and approves ESG disclosures by type.
Omission and limitation register	Records data gaps, non-applicability, confidentiality constraints, estimates, and exclusions.
Disclosure commitment tracker	Tracks commitments made in ESG reports, customer responses, and public statements.
ESG Evidence Register	Indexes supporting documents for all material ESG indicators and disclosures.
ESG evidence pack	Stores final data, source documents, calculations, assumptions, methodology notes, and approvals for each major disclosure.
Document control procedure	Controls versions, approval, storage, access, retention, and archiving of ESG documents.
Confidential records control procedure	Protects sensitive worker, supplier, customer, geolocation, payroll, medical, and investigation records.
Internal ESG audit or self-assessment checklist	Tests whether ESG controls, data, evidence, and disclosures are reliable.
Corrective action tracker	Tracks control failures, audit findings, data gaps, supplier gaps, incidents, and disclosure issues to closure.
ESG KPI dashboard	Tracks risk status, data quality, disclosure review, evidence completeness, corrective actions, and management review.
Management review minutes	Shows management review of ESG risks, controls, disclosures, evidence gaps, and improvement actions.

Used properly, this topic helps rubber processors and manufacturers improve transparency, strengthen risk oversight, avoid unsupported ESG claims, improve data reliability, prepare for customer and assurance requests, and build stakeholder confidence through evidence-based ESG management.

36. Governance Topic 5: Tax Practices

Tax Practices refers to how a company manages its tax obligations responsibly, accurately, transparently, and in accordance with applicable laws. For Malaysian rubber processors and manufacturers, tax practices are an important governance topic because tax compliance reflects the company's accountability, financial discipline, record integrity, legal compliance, and contribution to the public revenue system.

This topic is not intended to provide technical tax advice. Companies should obtain advice from qualified tax professionals where needed, especially for complex matters such as transfer pricing, tax incentives, withholding tax, cross-border transactions, indirect taxes, capital gains tax, e-Invoice implementation, tax audits, group structures, and related-party transactions.

For the purpose of these Guidelines, responsible tax practices include:

- a. complying with applicable tax laws, filing deadlines, payment deadlines, employer tax obligations, and documentation requirements;
- b. maintaining complete, accurate, and accessible accounting, payroll, transaction, and tax records;
- c. ensuring tax positions are supported by evidence and commercial substance;
- d. managing tax risks through proper review, approval, and escalation;
- e. avoiding false, misleading, incomplete, or unsupported tax information;
- f. ensuring related-party transactions, where applicable, are properly documented and supported;
- g. ensuring tax-related ESG disclosures are accurate and approved; and
- h. integrating tax governance into the company's broader governance, risk management, and internal control system.

GRI 207: Tax provides a useful sustainability reporting reference for tax governance and transparency. GRI describes its Tax Standard as the first global reporting standard that supports public disclosure of a company's business activities and tax payments on a country-by-country basis. It also requires organisations to describe tax governance, control, risk management, mechanisms for raising concerns about tax-related integrity, and assurance processes for tax disclosures where applicable. (Global Reporting Initiative)

Tax Practices is especially relevant where a company:

- a. is registered for corporate income tax in Malaysia;
- b. submits company tax returns, tax estimates, employer returns, payroll tax information, or other statutory filings;

- c. employs workers and is responsible for employer tax obligations, including Monthly Tax Deduction, Form E, C.P.8D, EA / EC statements, and employee-related tax records;
- d. has related-party transactions, intercompany loans, management fees, royalty payments, shared services, trading transactions, or cross-border arrangements;
- e. imports or exports raw materials, chemicals, machinery, packaging, or finished rubber products;
- f. claims tax incentives, grants, deductions, exemptions, allowances, or reliefs;
- g. uses tax agents, consultants, company secretaries, payroll providers, customs agents, or e-Invoice service providers;
- h. is subject to e-Invoice requirements;
- i. receives tax audit requests, information requests, penalty notices, or voluntary disclosure matters;
- j. prepares ESG reports, financing submissions, customer questionnaires, or governance disclosures; or
- k. wants to strengthen tax accountability as part of overall ESG governance.

Tax Practices should be read together with the Governance topics on **Corporate Governance, Business Ethics, Transparency and Risk Management, Anti-Corruption, and Regulatory Risk and Public Policy**.

36.1 Tax Compliance

Tax compliance means that the company identifies, understands, monitors, files, pays, and documents its tax obligations in accordance with applicable laws and official requirements. For rubber processors and manufacturers, tax compliance may include corporate income tax, employer tax obligations, withholding tax, indirect taxes where applicable, e-Invoice requirements, stamp duty, customs or import/export-related duties, transfer pricing, and other tax matters relevant to the company's activities.

Companies should maintain a practical **Tax Compliance Register** to identify tax obligations, responsible persons, due dates, evidence, review status, and escalation needs.

Common tax compliance areas

Tax Compliance Area	Practical Relevance
Corporate income tax	Submission of company return, tax computation, payment of tax or balance of tax payable, supporting financial records.
Tax estimates and instalments	CP204 tax estimates, amendments through CP204A where applicable, monthly tax instalment payments, variance monitoring.
Employer tax obligations	Employer number, Monthly Tax Deduction, CP38 where instructed, Form E, C.P.8D, EA / EC statements, employee tax records.

Tax Compliance Area	Practical Relevance
e-Invoice	Implementation readiness, transaction validation, supplier and customer data, invoice records, self-billed e-Invoice where applicable.
Withholding tax	Cross-border payments such as services, royalties, interest, technical fees, or other payments where applicable.
Transfer pricing	Related-party transactions, arm's length pricing, contemporaneous transfer pricing documentation, group transactions.
Indirect taxes and duties	SST, customs duties, import duties, export documentation, exemptions, or reliefs where applicable.
Stamp duty	Contracts, tenancy, financing, share transfers, or other instruments where applicable.
Tax incentives and deductions	Claims for incentives, capital allowances, reinvestment allowance, approved donations, training claims, or other deductions where applicable.
Tax audit readiness	Complete records, reconciliations, explanations, tax positions, correspondence, and management approvals.

The company return form reminder published by LHDN states that the due date to furnish the company return form and pay tax or balance of tax payable is seven months from the close of the accounting period. It also states that a company must furnish the return electronically, declare income based on financial statements made in accordance with written law, and provide correct particulars in the return.

Tax estimate and payment controls

Companies should manage tax estimates and instalment payments carefully. LHDN states that companies are required to submit CP204 and CP204A through e-Filing, and that existing companies must submit the e-CP204 no later than 30 days before the commencement of the basis period for a year of assessment. LHDN also states that estimated tax is generally paid in equal monthly instalments, with instalments due by the 15th day of each month. (Hasil)

A practical tax estimate control process should include:

Step	Action
1. Prepare forecast	Finance prepares profit forecast, tax estimate, and assumptions.
2. Review assumptions	Management reviews revenue, cost, capital expenditure, tax incentives, and business changes.
3. Submit CP204	Submit within the applicable timeline.
4. Monitor performance	Compare actual performance against estimate during the year.

Step	Action
5. Amend where needed	Consider CP204A amendment windows where applicable.
6. Pay instalments	Track instalment schedule and pay by due dates.
7. Reconcile final tax	Reconcile final tax payable against instalments paid.
8. Retain evidence	Keep submission records, payment receipts, computation, and approvals.

Employer tax compliance

Employer tax compliance is particularly important for manufacturers with large workforces, shift work, migrant workers, overtime, allowances, and payroll complexity. LHDN lists employer responsibilities including registration of an employer number, making monthly tax deduction from employees' remuneration and remitting MTD to IRBM by the 15th day of the subsequent month, submitting Form E with C.P.8D by 31 March of the following year, preparing EA / EC statements by the last day of February, preparing CP58 where relevant, and keeping records for seven years. (Hasil)

Employer tax controls should cover:

- a. employer tax registration;
- b. employee tax identification information;
- c. Monthly Tax Deduction calculations;
- d. CP38 deductions where instructed;
- e. employer return submission;
- f. EA / EC statement preparation;
- g. payroll reconciliation;
- h. benefits-in-kind and perquisite treatment where applicable;
- i. expatriate or foreign worker tax matters where applicable;
- j. employee cessation or commencement notifications where required;
- k. payroll records retention; and
- l. payroll confidentiality.

e-Invoice compliance

e-Invoice is an increasingly important tax governance and documentation issue. LHDN's e-Invoice implementation timeline states that e-Invoice implementation is phased by annual turnover or revenue, with taxpayers with annual turnover or revenue up to RM5 million scheduled for 1 January 2026 and taxpayers with annual turnover or revenue below RM1,000,000 exempted from implementation under the timeline page. LHDN's May 2026 e-Invoice FAQ further explains concessionary 1 July 2026 implementation and exemption

scenarios for certain MSMEs below the RM1 million threshold, depending on the exemption criteria and assessment year facts. (Hasil)

Companies should maintain e-Invoice controls covering:

- a. applicability assessment;
- b. revenue threshold assessment;
- c. implementation date;
- d. exemption or concession assessment where relevant;
- e. customer and supplier master data;
- f. transaction mapping;
- g. invoice issuance process;
- h. self-billed e-Invoice obligations where applicable;
- i. integration with accounting or ERP systems;
- j. error correction and cancellation process;
- k. retention of validated e-Invoices;
- l. staff training; and
- m. management review.

Transfer pricing and related-party transactions

Transfer pricing is relevant where the company has related-party transactions, including intercompany sales, purchases, loans, services, royalties, cost sharing, management fees, guarantees, or cross-border group arrangements. LHDN states that the Transfer Pricing Rules 2023 provide requirements for contemporaneous transfer pricing documentation, and that Malaysia Transfer Pricing Guidelines 2024 serve as guidance for taxpayers to prepare CTPD effective from the year of assessment 2023. (Hasil)

Companies with related-party transactions should maintain controls for:

- a. identifying related parties;
- b. identifying controlled transactions;
- c. assessing whether transfer pricing documentation is required;
- d. preparing full or minimum contemporaneous transfer pricing documentation where applicable;
- e. documenting commercial rationale;
- f. applying arm's length pricing;
- g. retaining intercompany agreements;
- h. reconciling intercompany invoices and payments;
- i. reviewing transfer pricing risks annually; and
- j. seeking tax advice where needed.

Tax compliance register

A practical Tax Compliance Register may include:

Field	Description
Tax obligation	Corporate income tax, CP204, MTD, Form E, e-Invoice, withholding tax, SST, transfer pricing, etc.
Applicability	Applicable, not applicable, under review, or customer / transaction specific.
Legal or official reference	Law, regulation, LHDN guideline, public ruling, customer requirement, or internal policy.
Responsible owner	Finance, Tax, HR, Payroll, Procurement, Sales, Compliance, or external tax agent.
Filing or payment due date	Submission, payment, renewal, review, or reporting deadline.
Evidence required	Return form, computation, payment receipt, e-Invoice record, payroll file, agreement, invoice, register.
Review frequency	Monthly, quarterly, annually, transaction-based, or upon change.
Status	Complete, pending, overdue, under review, not applicable, or corrective action required.
Risk rating	Low, medium, high, or critical.
Corrective action	Action required to close gaps.
Management review	Date reviewed and decision made.

36.2 Documentation and Transparency

Tax documentation and transparency help demonstrate that the company's tax practices are accurate, lawful, evidence-based, and aligned with responsible governance. Good documentation also supports tax audits, financial audits, ESG reporting, customer due diligence, financing applications, and management review.

Tax transparency does not mean disclosing confidential tax computations, commercial contracts, payroll data, or sensitive information publicly. It means that the company should be able to explain its approach to tax, maintain proper records, disclose relevant governance information where appropriate, and avoid aggressive, misleading, or unsupported tax positions.

GRI 207 requires organisations reporting under the standard to describe their tax governance and control framework, including accountability for tax strategy compliance, how the tax approach is embedded, how tax risks are identified, managed, and monitored, how the framework is evaluated, mechanisms for raising concerns about tax integrity, and assurance processes for tax disclosures where applicable.

Tax documentation principles

Companies should apply the following principles:

Principle	Practical Meaning
Completeness	Tax records should cover all relevant transactions, entities, workers, payments, deductions, and filings.
Accuracy	Tax returns, computations, payroll records, invoices, e-Invoices, and supporting schedules should be accurate.
Timeliness	Tax filings and payments should be completed before deadlines.
Traceability	Tax numbers, invoices, payroll records, payments, and computations should be traceable to source documents.
Consistency	Accounting records, tax computations, payroll records, invoices, and ESG disclosures should be consistent.
Substance	Tax positions should reflect actual commercial activities and be supported by documentation.
Confidentiality	Sensitive tax, payroll, commercial, supplier, customer, and employee data should be protected.
Accountability	Tax responsibilities, reviews, approvals, and escalations should be documented.
Transparency	Material tax governance practices should be disclosed appropriately where required or voluntarily reported.
Audit readiness	Records should be organised and retrievable for tax audit, financial audit, or customer due diligence.

Tax records to maintain

Companies should maintain tax evidence in a structured manner.

Tax Record Category	Examples of Evidence
Corporate tax	Tax computation, Form C, financial statements, trial balance, tax adjustments, capital allowance schedule, payment receipts.
Tax estimates	CP204, CP204A, forecast assumptions, instalment schedule, payment receipts, variance analysis.
Employer tax	Employer number, MTD records, CP38 instructions where applicable, Form E, C.P.8D, EA / EC statements, payroll records.
e-Invoice	Validated e-Invoices, customer data, supplier data, self-billed e-Invoices where applicable, rejected or corrected e-Invoices.
Invoices and receipts	Sales invoices, purchase invoices, credit notes, debit notes, receipts, delivery orders, contracts, purchase orders.
Related-party transactions	Intercompany agreements, invoices, transfer pricing documentation, pricing analysis, management service records.
Withholding tax	Payment analysis, withholding tax forms, payment receipts, certificates, agreements, tax residency certificates where applicable.

Tax Record Category	Examples of Evidence
Indirect tax and customs	SST records, import/export declarations, customs documents, duty payment records, exemption approval where applicable.
Tax incentives	Approval letters, qualifying expenditure records, claims, supporting schedules, correspondence.
Donations and sponsorships	Approval records, receipts, tax deductibility evidence, conflict and anti-corruption review where relevant.
Tax audit records	LHDN correspondence, document requests, submissions, meeting minutes, responses, settlement, appeal, or voluntary disclosure records.
Tax governance	Tax policy, roles matrix, approval records, tax risk register, management review minutes.

LHDN's tax audit framework states that audit officers may review accounting books, employer documents such as payroll and payment vouchers, financial records, and electronically stored accounting data; it also states that taxpayers and employers are required to maintain sufficient and complete records to determine business income or loss.

Tax transparency statement

Companies may prepare a simple **Tax Transparency Statement** for internal use or ESG reporting, especially where tax practices are identified as material.

A practical statement may include:

- a. commitment to comply with applicable tax laws;
- b. commitment to accurate and timely filing and payment;
- c. commitment to maintain complete and reliable tax records;
- d. commitment to avoid tax evasion, false records, and improper tax practices;
- e. approach to tax risk management;
- f. tax governance responsibilities;
- g. approach to related-party transactions and transfer pricing where applicable;
- h. use of tax incentives where legally available and commercially justified;
- i. use of external tax advisors where needed;
- j. tax-related whistleblowing or concern-raising channels;
- k. confidentiality of tax and payroll information; and
- l. management review process.

Tax risk management

Tax risks should be included in the company's ESG Risk Register or a dedicated Tax Risk Register.

Examples of tax risks include:

Tax Risk	Possible Impact
Late filing or payment	Penalties, interest, reputational risk, cash flow disruption.
Incorrect tax computation	Underpayment, penalties, audit exposure, financial statement restatement.
Incomplete records	Difficulty supporting tax positions, audit adjustments, penalties.
Payroll tax errors	Employee complaints, penalties, employer compliance findings.
e-Invoice non-compliance	Transaction errors, customer disputes, compliance exposure, system disruption.
Transfer pricing documentation gap	Penalties, tax adjustment, audit exposure, group-level risk.
Unclear withholding tax treatment	Under-withholding, penalties, contract disputes, foreign supplier issues.
Misuse of tax incentives	Penalties, clawback, audit findings, reputational risk.
False invoices or unsupported deductions	Fraud risk, tax audit findings, business ethics breach.
Tax-related corruption	Legal exposure, MACC risk, reputational damage.
Confidentiality breach	Exposure of payroll, supplier, customer, or tax-sensitive data.

Tax governance and approval

Companies should define who is responsible for tax matters.

Role	Tax Governance Responsibility
Board, owner, or highest governance body	Oversees significant tax risks, tax disputes, major tax positions, and governance approach.
Managing Director / General Manager	Ensures tax compliance resources, accountability, and escalation.
Finance Manager / Tax Lead	Manages tax filings, computations, payments, records, tax advisors, and tax risk register.
HR / Payroll	Manages employer tax obligations, MTD, CP38, Form E, EA / EC, payroll data, and worker tax records.
Procurement	Ensures supplier invoices, e-Invoice data, withholding tax indicators, and contract tax clauses are considered.
Sales / Customer Team	Ensures customer invoices, e-Invoice data, export documentation, and tax-related customer information are accurate.
Compliance / Legal	Reviews tax-related contract clauses, disputes, confidentiality, and escalation.
ESG Team	Consolidates tax governance disclosures, evidence, and indicators where tax is material.

Role	Tax Governance Responsibility
External Tax Advisor	Provides technical advice, review, computation support, transfer pricing support, or audit support where needed.

Tax-related whistleblowing and concerns

Tax-related concerns should be reportable through whistleblowing, grievance, or ethics channels. Examples include:

- a. false invoices;
- b. false claims;
- c. improper deductions;
- d. undeclared sales;
- e. falsified payroll records;
- f. incorrect employee tax deductions;
- g. bribery connected to tax, customs, permits, or audits;
- h. unsupported tax incentive claims;
- i. concealment of related-party transactions;
- j. manipulation of transfer pricing records;
- k. e-Invoice circumvention;
- l. missing or destroyed records; and
- m. retaliation against employees who report concerns.

Reports should be investigated confidentially and escalated to management, the Board, owner, or external advisor where appropriate.

36.3 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Tax Practices topic. Companies should apply them based on materiality, company size, tax profile, workforce size, related-party transactions, e-Invoice applicability, customer requirements, and reporting maturity.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. Tax policy or tax commitment	Company has a documented commitment to comply with applicable tax laws and maintain responsible tax practices.	Tax Policy, Finance Policy, ESG Policy, Code of Conduct, management approval.	Finance / Management / ESG Team
2. Tax governance responsibility	Tax responsibilities are assigned to Finance, HR, Payroll, Management, and external advisors where relevant.	Roles matrix, job descriptions, delegation of authority, management review minutes.	Finance / HR / Management
3. Tax Compliance Register	Company maintains a register of applicable tax obligations, due dates, owners, and evidence.	Tax Compliance Register, tax calendar, filing tracker, payment tracker.	Finance / Tax Lead
4. Corporate tax filing	Company tax return and tax computation are prepared, reviewed, submitted, and retained.	Form C, tax computation, financial statements, submission receipt, management approval.	Finance / Tax Agent
5. Tax payment controls	Tax payments, instalments, and balance of tax payable are tracked and paid on time.	Payment receipts, instalment schedule, CP204 records, bank records, payment approval.	Finance
6. Tax estimate management	CP204 and CP204A, where applicable, are prepared, reviewed, submitted, and monitored.	CP204, CP204A, forecast assumptions, variance analysis, submission receipt.	Finance / Management
7. Employer tax compliance	Employer obligations such as MTD, CP38 where applicable, Form E, C.P.8D, and EA / EC are managed.	MTD records, CP38 instructions, Form E, C.P.8D, EA / EC statements, payroll records.	HR / Payroll / Finance
8. Payroll tax reconciliation	Payroll, employee tax deductions, wages, benefits, and statutory records are reconciled.	Payroll register, payslips, MTD schedule, bank records, reconciliation worksheet.	HR / Finance
9. e-Invoice applicability assessment	Company assesses whether e-Invoice applies and identifies implementation timeline, exemption, or concession where relevant.	e-Invoice assessment, revenue threshold review, implementation plan, management approval.	Finance / IT / Sales
10. e-Invoice implementation controls	e-Invoice data, transaction flow, validation process, correction process, and retention are controlled.	e-Invoice records, MyInvois records, system logs, customer and supplier master data, training records.	Finance / IT / Sales / Procurement

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
11. Invoice and transaction records	Sales, purchases, credit notes, debit notes, delivery records, and receipts are complete and traceable.	Invoices, e-Invoices, purchase orders, sales orders, delivery orders, receipts, accounting records.	Finance / Sales / Procurement
12. Withholding tax review	Cross-border payments are reviewed for withholding tax applicability where relevant.	Supplier agreements, payment records, withholding tax forms, receipts, tax advisor notes.	Finance / Procurement
13. Transfer pricing assessment	Related-party transactions are identified and transfer pricing documentation is prepared where applicable.	Related-party register, intercompany agreements, transfer pricing documentation, invoices, management review.	Finance / Tax Lead
14. Tax incentive and deduction controls	Tax incentives, deductions, allowances, grants, donations, and claims are supported by evidence and approvals.	Approval letters, claim schedules, receipts, qualifying expenditure records, management approval.	Finance / Management
15. Tax audit readiness	Tax records are organised, complete, and retrievable for audit or information requests.	Tax evidence file, audit correspondence, document request tracker, submission records.	Finance / Tax Agent
16. Record retention	Tax, accounting, payroll, invoice, and employer records are retained according to applicable requirements.	Record retention policy, archive register, payroll files, accounting records, backup records.	Finance / HR / IT
17. Tax risk register	Tax risks are identified, assessed, assigned, monitored, and escalated.	Tax Risk Register, ESG Risk Register, management review minutes, corrective action tracker.	Finance / ESG Team
18. Tax-related internal controls	Tax data, filings, payments, payroll deductions, invoices, and approvals are subject to review controls.	Review checklist, approval matrix, reconciliations, internal audit reports.	Finance / Compliance
19. External tax advisor management	External tax advisors are appointed, instructed, reviewed, and their advice is retained where applicable.	Engagement letter, advice memo, review notes, invoices, management approval.	Finance / Management
20. Tax-related ethics controls	False invoices, tax evasion, improper claims, bribery, and misleading tax records are prohibited.	Code of Conduct, ABAC Policy, whistleblowing procedure, training records, investigation records.	Compliance / Finance
21. Tax concern reporting mechanism	Employees can raise concerns about tax integrity, false records, improper	Whistleblowing procedure, grievance channel, ethics	Compliance / Management

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	payments, or tax-related misconduct.	case register, non-retaliation policy.	
22. Confidentiality of tax records	Tax, payroll, supplier, customer, bank, and commercial data are protected.	Access controls, confidentiality policy, secure folders, system permissions.	Finance / HR / IT
23. Tax disclosure governance	Tax-related ESG disclosures are reviewed and approved before publication or submission.	ESG disclosure checklist, tax disclosure review, management approval, evidence pack.	ESG Team / Finance / Management
24. Monitoring and management review	Tax compliance, tax risks, deadlines, audits, records, and corrective actions are reviewed periodically.	Tax dashboard, management review minutes, finance reports, corrective action tracker.	Finance / Management
25. Reporting and disclosure	Company discloses tax governance, compliance approach, risk controls, limitations, and improvement actions where material.	ESG report, customer questionnaire, tax transparency statement, evidence register, omission explanation.	ESG Team / Finance / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Percentage of tax filings submitted on time	Tax filings submitted on or before due date ÷ total tax filings due.
Percentage of tax payments made on time	Tax payments made on or before due date ÷ total tax payments due.
Number of late tax filings or late payments	Count during the reporting period.
Number of tax penalties or surcharges incurred	Count and value of penalties, where appropriate to disclose.
Percentage of tax obligations recorded in the Tax Compliance Register	Obligations recorded ÷ total identified obligations.
Percentage of tax compliance actions completed on time	Actions completed by due date ÷ total actions due.
Number of tax-related audit or information requests received	Count during the reporting period.
Percentage of tax audit requests responded to within required timeline	Responses submitted on time ÷ total requests.
Percentage of payroll tax deductions remitted on time	MTD / CP38 payments remitted on time ÷ total due.
Percentage of employees issued EA / EC statements on time	Employees issued statements on time ÷ total employees requiring statements.

KPI	Measurement Approach
e-Invoice implementation readiness status	Not applicable, exempt, under preparation, implemented, under review, or fully operational.
Percentage of validated e-Invoices successfully issued	Successful validated e-Invoices ÷ total e-Invoices in scope.
Number of e-Invoice errors or rejections	Count during the reporting period.
Percentage of supplier and customer master data completed for e-Invoice	Complete master data records ÷ total records in scope.
Percentage of related-party transactions reviewed for transfer pricing	Related-party transactions reviewed ÷ total related-party transactions identified.
Percentage of required transfer pricing documentation completed before tax return submission	Completed documentation ÷ required documentation.
Number of tax risk register items rated high or critical	Count of high or critical tax risks.
Percentage of high-priority tax risks with action plans	High-priority tax risks with action plans ÷ total high-priority tax risks.
Percentage of tax corrective actions closed on time	Tax corrective actions closed by due date ÷ total due.
Number of tax-related whistleblowing or ethics concerns	Count of reported concerns.
Percentage of tax records reviewed for completeness	Records reviewed ÷ records in scope.

Reporting guidance

Where Tax Practices is material, the company should disclose:

- why tax practices are material to the company;
- the company's approach to responsible tax compliance;
- governance roles for tax oversight, review, approval, and escalation;
- tax compliance areas covered, such as corporate tax, employer tax, e-Invoice, transfer pricing, withholding tax, and tax incentives where applicable;
- how tax filings, payments, estimates, and employer obligations are monitored;
- how tax records and documentation are maintained;
- how related-party transactions and transfer pricing are managed where applicable;
- how tax risks are identified, reviewed, and escalated;
- how tax-related concerns can be reported;
- tax-related corrective actions, audit matters, or improvement initiatives, described at an appropriate level;
- data gaps, confidentiality limitations, or scope exclusions; and
- planned improvement actions for the next reporting period.

Example disclosure wording

Tax Practices

Tax Practices is material to the company because responsible tax compliance supports legal accountability, financial discipline, transparent governance, and stakeholder trust. The company is committed to complying with applicable tax laws, submitting tax filings and payments on time, maintaining complete tax records, and ensuring that tax information is reviewed before submission or disclosure.

During the reporting period, the company maintained corporate tax records, payroll tax records, employer tax documentation, invoices, payment evidence, and tax filing records. Tax responsibilities were assigned to Finance and HR, with senior management review for material tax matters. The company also reviewed e-Invoice applicability and continued improving invoice and transaction data controls.

The company will continue strengthening its tax compliance calendar, tax evidence file, e-Invoice readiness, payroll tax reconciliation, related-party transaction documentation, and tax risk review process in the next reporting cycle.

Omission and non-applicability guidance

Tax Practices should not normally be marked as fully “not applicable” because every operating company has some tax obligations. However, specific sub-indicators may not apply depending on company size, structure, transactions, and legal requirements.

Situation	Example Explanation
No related-party transactions	“Transfer pricing indicators are not applicable because the company did not have related-party transactions during the reporting period. This will be reassessed annually.”
e-Invoice exempt or not yet applicable	“e-Invoice indicators are not fully applicable because the company is currently exempt or not yet required to implement e-Invoice based on the applicable threshold and official criteria. Applicability will be reviewed annually.”
No cross-border payments	“Withholding tax indicators are not applicable because the company did not make cross-border payments during the reporting period.”
No tax incentives claimed	“Tax incentive indicators are not applicable because the company did not claim tax incentives during the reporting period.”
External tax advisor used	“Technical tax matters are managed with support from an external tax advisor. The company maintains advice records and management approvals internally.”
Tax penalties confidential	“Detailed tax penalty or audit correspondence is confidential. The company reports tax governance practices at an appropriate level while maintaining case-level evidence internally.”

Situation	Example Explanation
Tax risk register not yet formalised	“Tax risks were reviewed by Finance and management but were not maintained in a formal tax risk register. The company will introduce a tax risk register in the next reporting cycle.”
e-Invoice data incomplete	“e-Invoice master data is still being updated. The company will prioritise supplier and customer data completion before full implementation.”

Minimum Implementation Outputs for Section 36

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

Output	Purpose
Tax Policy or tax commitment statement	Confirms the company’s approach to responsible tax compliance and governance.
Tax roles and responsibilities matrix	Assigns responsibilities for corporate tax, employer tax, payroll tax, e-Invoice, transfer pricing, and tax reporting.
Tax Compliance Register	Tracks applicable tax obligations, due dates, owners, evidence, and status.
Tax calendar	Helps Finance, HR, Payroll, and Management monitor filing and payment deadlines.
Corporate tax evidence file	Stores tax computation, Form C, financial statements, submissions, and payment evidence.
CP204 / CP204A file	Maintains tax estimate, amendment, instalment, payment, and variance records.
Employer tax file	Stores MTD, CP38 where applicable, Form E, C.P.8D, EA / EC, payroll tax records, and employee tax evidence.
Payroll tax reconciliation worksheet	Reconciles payroll, benefits, deductions, MTD, and employer tax reporting.
e-Invoice applicability assessment	Determines whether e-Invoice applies, implementation timeline, exemption, or concessionary treatment.
e-Invoice implementation plan	Tracks system readiness, master data, transaction flows, validation, training, and issue resolution.
e-Invoice evidence file	Maintains validated e-Invoices, rejection logs, corrections, self-billed records, and supporting data.
Invoice and transaction evidence file	Stores sales, purchases, delivery orders, contracts, receipts, credit notes, and debit notes.
Related-party transaction register	Identifies intercompany transactions and transfer pricing documentation needs.
Transfer pricing documentation file, where applicable	Maintains full or minimum contemporaneous transfer pricing documentation and supporting records.
Withholding tax review file, where applicable	Records review, calculation, payment, forms, and certificates for cross-border payments.
Tax incentive and deduction evidence file	Supports claims for incentives, allowances, deductions, approved donations, or grants.

Output	Purpose
Tax Risk Register	Records tax risks, controls, owners, ratings, actions, and management review.
Tax audit readiness file	Organises correspondence, document requests, submissions, audit findings, and resolution records.
Tax-related whistleblowing and concern record	Allows tax integrity concerns to be recorded and investigated confidentially.
Tax confidentiality and access control procedure	Protects tax, payroll, supplier, customer, bank, and commercial records.
Tax KPI dashboard	Tracks filings, payments, tax risks, e-Invoice readiness, employer tax, audit matters, and corrective actions.
Management review record	Shows senior management review of tax compliance, risks, documentation, audits, and improvement actions.
Tax disclosure review record	Supports ESG or customer disclosure relating to tax governance and transparency.

Used properly, this topic helps rubber processors and manufacturers strengthen tax compliance, improve documentation quality, reduce audit and penalty risk, support e-Invoice readiness, improve payroll tax controls, demonstrate responsible governance, and provide credible evidence for ESG reporting and stakeholder assurance.

37. Governance Topic 6: Anti-Corruption

Anti-Corruption refers to the company's policies, controls, training, reporting channels, investigations, and corrective actions used to prevent, detect, respond to, and remediate bribery and corruption risks. For Malaysian rubber processors and manufacturers, anti-corruption is a critical governance topic because companies may interact with suppliers, dealers, traders, contractors, agents, recruitment agencies, waste contractors, logistics providers, customers, auditors, certification bodies, regulators, customs authorities, and public officials.

Corruption can occur in many forms, including bribery, kickbacks, facilitation payments, false claims, inflated invoices, hidden commissions, bid manipulation, improper gifts, abuse of position, conflicts of interest, falsification of records, or payments made through third parties to secure business advantage.

In Malaysia, Section 17A of the Malaysian Anti-Corruption Commission Act 2009 establishes corporate liability for commercial organisations where an employee or associated person commits corruption for the organisation's benefit or advantage. MACC states that a commercial organisation may be considered guilty even if top management did not know about the corrupt act, and that penalties can include a fine of not less than ten times the value of the bribe or RM1 million, whichever is higher, imprisonment for up to 20 years, or both. MACC also states that a commercial organisation may rely on having implemented adequate procedures as a defence. (Social Policy Research Malaysia)

The Malaysian Guidelines on Adequate Procedures were issued pursuant to Section 17A and are based on five principles commonly summarised as **T.R.U.S.T.: Top Level Commitment, Risk Assessment, Undertake Control Measures, Systematic Review, Monitoring and Enforcement**, and **Training and Communication**. The Guidelines are principle-based, apply to organisations of any size and industry, and should be applied proportionately to the scale, nature, risk, and complexity of the organisation.

This topic should be read together with the Governance topics on **Corporate Governance, Business Ethics, Transparency and Risk Management, Tax Practices, Supply Chain Traceability and Due Diligence, Stakeholder Engagement**, and **Regulatory Risk and Public Policy**.

Anti-Corruption is especially relevant where a company:

- a. purchases natural rubber, latex, synthetic rubber, chemicals, packaging, equipment, logistics, labour services, or waste services;
- b. works with dealers, traders, collection centres, brokers, consultants, customs agents, recruitment agents, contractors, intermediaries, or distributors;

- c. applies for licences, permits, approvals, inspections, certifications, export documents, customs clearance, tax incentives, grants, or financing;
- d. participates in tenders, quotations, customer qualification, certification audits, supplier assessments, or public-sector procurement;
- e. gives or receives gifts, hospitality, sponsorships, donations, commissions, rebates, discounts, or travel support;
- f. has suppliers, contractors, employees, or directors with potential conflicts of interest;
- g. handles ESG, traceability, emissions, labour, waste, tax, customs, or certification records that could be falsified or manipulated;
- h. operates in supply chains where customers require anti-bribery and anti-corruption declarations;
- i. uses third parties that may act on behalf of the company; or
- j. prepares ESG reports, customer questionnaires, supplier declarations, due diligence documents, or public claims.

The purpose of this topic is to help rubber processors and manufacturers establish practical anti-corruption controls that are proportionate, documented, communicated, monitored, and capable of supporting ESG reporting and verification.

37.1 Anti-Bribery and Anti-Corruption Policy

An **Anti-Bribery and Anti-Corruption Policy**, or **ABAC Policy**, sets out the company's formal commitment to conduct business honestly, lawfully, and without bribery or corruption. It should apply to directors, owners, management, employees, contractors, agents, suppliers, recruitment agents, logistics providers, waste contractors, consultants, and other associated persons acting for or on behalf of the company.

The ABAC Policy may be a standalone document or may be included in the Code of Conduct. For SMEs, a concise policy is acceptable if it is approved by management, communicated clearly, supported by controls, and reviewed periodically.

Purpose of the ABAC Policy

The ABAC Policy should help the company:

- a. prohibit bribery, corruption, kickbacks, facilitation payments, and improper benefits;
- b. communicate top-level commitment to integrity;
- c. guide employees and business partners on acceptable and unacceptable conduct;
- d. reduce legal, financial, operational, reputational, and customer risks;

- e. support compliance with Section 17A and adequate procedures expectations;
- f. control third-party corruption risks;
- g. protect accurate records and ESG data integrity;
- h. provide reporting channels for suspected corruption;
- i. support investigations, corrective actions, and disciplinary measures; and
- j. provide evidence for audits, customer due diligence, and ESG reporting.

Recommended ABAC Policy coverage

A practical ABAC Policy should cover the following areas.

Policy Area	Practical Requirement
Scope of application	Apply to directors, management, employees, contractors, suppliers, agents, consultants, recruitment agents, logistics providers, waste contractors, and business partners.
Prohibition of bribery	Prohibit offering, giving, requesting, receiving, or agreeing to receive bribes or improper advantages.
Facilitation payments	Prohibit unofficial payments made to speed up or secure routine actions.
Kickbacks and commissions	Prohibit secret commissions, rebates, referral fees, or kickbacks intended to influence decisions.
Gifts and hospitality	Define what is allowed, what is prohibited, approval thresholds, and declaration requirements.
Donations and sponsorships	Require approval and due diligence to ensure donations and sponsorships are not disguised bribery.
Public officials	Apply strict controls to interactions with government officers, regulators, inspectors, customs officers, and public-sector customers.
Procurement integrity	Require fair supplier selection, objective evaluation, conflict declarations, and approval records.
Third-party due diligence	Require screening and controls for agents, suppliers, contractors, consultants, recruitment agents, dealers, and intermediaries.
Conflicts of interest	Require actual, potential, or perceived conflicts to be declared and managed.
Accurate records	Prohibit false invoices, false receipts, false claims, hidden payments, and manipulated ESG or compliance records.
Whistleblowing and reporting	Provide safe reporting channels and protect reporters from retaliation.
Investigation and enforcement	Define how allegations are investigated and how corrective or disciplinary action is taken.
Training and communication	Require communication and training for employees and relevant third parties.
Monitoring and review	Require periodic review of corruption risks, controls, incidents, and improvements.

Anti-corruption risk areas for rubber companies

Rubber processors and manufacturers should assess corruption risks in the following areas.

Risk Area	Examples of Anti-Corruption Risk
Natural rubber procurement	Kickbacks from dealers, price manipulation, false supplier records, hidden commissions, inflated quantities, false origin claims.
Chemical and packaging procurement	Supplier favouritism, gifts to purchasing staff, false invoices, inflated pricing, conflicts of interest.
Recruitment and labour supply	Payments to recruitment agents, worker-paid fees concealed as service costs, improper agent commissions, document manipulation.
Waste management	Use of unlicensed waste contractors, false disposal records, improper payments to overlook illegal disposal.
Logistics and customs	Improper payments for customs clearance, false shipment documents, hidden broker fees, incorrect declarations.
Licensing and inspections	Facilitation payments, gifts to officials, payments to avoid enforcement, false compliance records.
Certification and audits	Falsified documents, coaching workers to mislead auditors, improper benefits to auditors or consultants.
Sales and customer tenders	Gifts, entertainment, commissions, or discounts intended to influence award decisions.
ESG reporting and traceability	Manipulated data, false no-deforestation claims, altered supplier records, unsupported emissions or labour claims.
Donations and sponsorships	Donations made to obtain favour from officials, customers, community leaders, or decision-makers.
Tax and finance	False claims, false invoices, improper deductions, concealed related-party payments.
Public policy engagement	Improper payments, benefits, or influence in dealings with public bodies or industry bodies.

Top-level commitment

Top-level commitment is essential. The Adequate Procedures Guidelines state that top-level management is primarily responsible for ensuring that the organisation practises the highest level of integrity and ethics, complies with applicable anti-corruption laws, and effectively manages key corruption risks.

Top-level commitment may be demonstrated through:

- signed ABAC Policy;
- Board, owner, or senior management approval;
- management communication on anti-corruption expectations;
- appointment of a responsible ABAC owner or compliance person;
- budget and resources for training, controls, and monitoring;

- f. inclusion of anti-corruption in the risk register;
- g. review of gifts, conflicts, third-party risks, and whistleblowing cases;
- h. action against policy breaches; and
- i. periodic review of ABAC programme effectiveness.

Sample ABAC commitment statement

Sample Anti-Bribery and Anti-Corruption Commitment Statement

[Company Name] is committed to conducting business with integrity, transparency, fairness, and accountability. We prohibit bribery, corruption, kickbacks, facilitation payments, false claims, conflicts of interest, improper gifts, and any form of unethical conduct.

This commitment applies to our directors, management, employees, contractors, suppliers, agents, consultants, recruitment agents, logistics providers, waste contractors, and other business partners acting for or on behalf of the company. We will identify corruption risks, implement proportionate controls, provide training, maintain accurate records, investigate concerns, and take corrective action where required.

37.2 Training and Communication

Training and communication ensure that employees and relevant business partners understand the company's anti-corruption expectations, their responsibilities, the risks they may face, and how to report concerns. Training should be practical, role-based, and repeated periodically.

The Adequate Procedures Guidelines identify **Training and Communication** as one of the five T.R.U.S.T. principles. The Guidelines also state that anti-corruption policies and procedures should be supported by training, communication, and enforcement to ensure they are effective.

Training objectives

Anti-corruption training should help participants understand:

- a. what bribery and corruption mean;
- b. what the company's ABAC Policy requires;
- c. what gifts, hospitality, donations, sponsorships, facilitation payments, conflicts of interest, and kickbacks are;
- d. what situations are high-risk in rubber industry operations;
- e. how to deal with improper requests or offers;
- f. how to declare conflicts, gifts, hospitality, donations, and sponsorships;
- g. how to maintain accurate records;
- h. how to report concerns confidentially;
- i. how non-retaliation works;
- j. how third-party corruption risks are managed; and
- k. what consequences may apply for breaches.

Target groups for training

Training should be risk-based. Not every worker needs the same level of detail, but all employees should understand the basic policy and reporting channels.

Target Group	Training Focus
Board, owner, and senior management	Section 17A corporate liability, top-level commitment, ABAC oversight, risk review, enforcement, and approval responsibilities.
Procurement and supply chain	Supplier selection, conflicts of interest, gifts, kickbacks, supplier due diligence, third-party controls, false invoices.
Sales and customer-facing teams	Gifts, hospitality, tenders, commissions, customer interactions, truthful claims, public-sector dealings.
Finance and tax teams	False claims, false invoices, payment controls, suspicious transactions, tax-related corruption, donations, sponsorships.
HR and recruitment teams	Recruitment agent risks, worker-paid fees, improper commissions, document manipulation, labour supplier controls.
EHS and waste management teams	Waste contractor risks, false disposal records, regulatory interactions, inspection-related improper payments.
Logistics and customs teams	Freight agents, customs brokers, export documents, facilitation payment risks, shipment records.
ESG team and data owners	ESG claim integrity, traceability records, emissions data, audit evidence, disclosure approval, falsification risks.
Supervisors and production teams	Incident reporting, accurate records, rejection of improper requests, respectful conduct, whistleblowing channels.
Contractors and suppliers	Supplier Code of Conduct, bribery prohibition, gifts, conflicts, accurate records, reporting channels.

Target Group	Training Focus
Agents and intermediaries	Strict anti-bribery clauses, no improper payments, accurate records, customer and regulatory dealings.

Training frequency

Training Type	Suggested Frequency
New employee induction	During onboarding.
Basic ABAC awareness	Annually or every two years, depending on risk.
High-risk role training	Annually or more frequently if risk is high.
Third-party briefing	During onboarding and periodically for high-risk third parties.
Refresher training	After policy updates, incidents, audit findings, or legal changes.
Board or senior management briefing	At least annually or when major risks or changes arise.
Case-based training	After repeated findings, near misses, or high-risk transactions.

Training content

A practical anti-corruption training module should include:

- a. company ABAC commitment;
- b. Section 17A overview and corporate liability relevance;
- c. examples of bribery and corruption;
- d. rubber industry risk scenarios;
- e. gifts and hospitality rules;
- f. conflict of interest declaration;
- g. donation and sponsorship controls;
- h. facilitation payment prohibition;
- i. procurement and supplier risk controls;
- j. third-party due diligence expectations;
- k. accurate recordkeeping;
- l. whistleblowing and reporting channels;
- m. non-retaliation protection;
- n. investigation and disciplinary consequences; and
- o. examples of acceptable and unacceptable conduct.

Communication channels

Anti-corruption communication should be visible and practical. Methods may include:

- a. employee handbook;
- b. Code of Conduct;
- c. ABAC Policy;
- d. posters and notices;
- e. toolbox talks;
- f. email circulars;
- g. supplier onboarding documents;

- h. contractor induction;
- i. supplier briefing sessions;
- j. procurement reminders;
- k. annual declaration forms;
- l. intranet or shared drive;
- m. whistleblowing posters; and
- n. management messages.

Supplier and contractor communication

Suppliers and contractors should understand that anti-corruption expectations apply to them. The company should communicate requirements through:

- a. Supplier Code of Conduct;
- b. supplier onboarding form;
- c. contract clauses;
- d. purchase terms and conditions;
- e. anti-corruption declaration;
- f. supplier training or briefing;
- g. supplier ESG questionnaire;
- h. corrective action letters; and
- i. audit or site visit communication.

High-risk third parties, such as agents, brokers, recruitment agents, waste contractors, customs agents, consultants, and major suppliers, should receive more detailed communication and contractual controls.

Training records

Companies should maintain training and communication evidence.

Record Type	Purpose
Training plan	Shows planned anti-corruption training.
Attendance records	Shows who attended.
Training materials	Shows content covered.
Assessment or quiz results	Shows understanding where assessment is used.
Acknowledgement forms	Shows receipt and understanding of policies.
Supplier briefing records	Shows communication to business partners.
Contractor induction records	Shows site-level communication.
Refresher records	Shows repeated or updated training.
Management briefing records	Shows top-level commitment and oversight.

37.3 Reporting Channels

Reporting channels allow employees, workers, suppliers, contractors, customers, and other stakeholders to report suspected bribery, corruption, conflicts of interest, improper gifts, fraud, false claims, falsification of records, retaliation, or other unethical conduct.

A reporting channel may be part of the company's whistleblowing system, grievance mechanism, ethics hotline, HR channel, compliance channel, or management escalation process. For SMEs, a simple confidential reporting channel may be sufficient, provided that reports are handled fairly, securely, and without retaliation.

Types of concerns to report

Companies should allow reporting of:

- a. bribery or attempted bribery;
- b. facilitation payment requests;
- c. kickbacks, secret commissions, or improper rebates;
- d. gifts or hospitality intended to influence business decisions;
- e. conflicts of interest that were not declared;
- f. false invoices, receipts, claims, or payment records;
- g. false ESG, traceability, emissions, labour, waste, tax, or certification records;
- h. supplier or contractor misconduct;
- i. recruitment agent corruption or worker-paid fee concealment;
- j. improper payments to public officials or auditors;
- k. donation or sponsorship misuse;
- l. bid-rigging or procurement manipulation;
- m. theft, fraud, or misuse of company assets;
- n. pressure to conceal incidents or non-compliance;
- o. retaliation against a person who raised concerns; and
- p. any request to breach the ABAC Policy or Code of Conduct.

Reporting channel principles

A good reporting channel should be:

Principle	Practical Meaning
Accessible	Employees and relevant third parties know how to report concerns.
Confidential	Reporter identity and case details are protected.
Non-retaliatory	Good-faith reporters are protected from punishment or disadvantage.
Fair	Reports are reviewed objectively and consistently.
Predictable	The process, timelines, and escalation routes are clear.
Secure	Case files and evidence are protected from unauthorised access.

Principle	Practical Meaning
Independent where needed	Serious cases can be escalated to senior management, Board, owner, or independent reviewer.
Documented	Reports, investigations, decisions, and corrective actions are recorded.
Responsive	Valid concerns are investigated and addressed.
Monitored	Trends and repeated issues are reviewed by management.

Reporting channels to consider

Channel	Practical Use
Whistleblowing email	Allows written reporting with evidence attachments.
Hotline or phone contact	Allows urgent or confidential reporting.
Online form or QR code	Provides structured reporting and tracking.
Designated compliance officer	Allows direct reporting to a responsible person.
HR channel	Useful for employee-related concerns and retaliation concerns.
Supervisor or manager escalation	Useful for routine concerns, provided supervisors are not involved in the allegation.
Suggestion or report box	Allows anonymous or semi-anonymous reporting.
Supplier reporting channel	Allows suppliers and contractors to report improper requests or conduct.
Board, owner, or senior management channel	Allows escalation where management may be involved.
External reporting channels	Workers and stakeholders should not be prevented from reporting to lawful authorities.

Reporting procedure

The reporting procedure should explain:

- a. what can be reported;
- b. who can report;
- c. how to report;
- d. whether anonymous reports are accepted;
- e. how confidentiality is protected;
- f. how reports are acknowledged;
- g. how reports are assessed;
- h. who investigates;
- i. how conflicts of interest in investigations are managed;
- j. how serious cases are escalated;
- k. how evidence is protected;
- l. how reporters are protected from retaliation;
- m. how corrective action is implemented; and
- n. how cases are closed and reviewed.

Non-retaliation

Non-retaliation is essential. Employees, suppliers, contractors, workers, and other stakeholders must not be punished for raising concerns in good faith.

Retaliation may include:

- a. dismissal;
- b. demotion;
- c. transfer;
- d. wage or overtime reduction;
- e. harassment;
- f. intimidation;
- g. blacklisting;
- h. contract termination;
- i. reduced business opportunities;
- j. threats;
- k. document restriction;
- l. poor performance rating without basis;
- m. exclusion from training or promotion; or
- n. pressure to withdraw a report.

Retaliation allegations should be treated seriously and investigated promptly.

Reporting register

Companies should maintain an **Anti-Corruption and Whistleblowing Register**.

Field	Description
Case number	Unique reference number.
Date received	Date report was received.
Channel	Email, hotline, box, HR, management, supplier, customer, audit, anonymous report.
Reporter type	Employee, supplier, contractor, customer, anonymous, community, auditor, or other party.
Allegation type	Bribery, conflict, gift, false invoice, false record, procurement issue, retaliation, etc.
Persons or parties involved	Recorded confidentially.
Business area	Procurement, sales, finance, HR, logistics, waste, certification, ESG reporting, etc.
Initial severity	Low, medium, high, or critical.
Investigator	Person or team assigned.
Investigation status	Open, under review, substantiated, unsubstantiated, closed, escalated.
Corrective action	Action required.

Field	Description
Closure date	Date closed.
Evidence	Documents, interview notes, invoices, logs, emails, approvals, photos, or audit records.
Confidentiality level	Restricted access or highly confidential.
Management review	Date and body reviewing case where required.

37.4 Investigation and Corrective Action

Investigation and corrective action ensure that suspected bribery, corruption, conflicts, false claims, and unethical conduct are handled properly. The process should be fair, confidential, evidence-based, independent where necessary, and proportionate to the seriousness of the allegation.

Investigations should not be used to intimidate reporters or protect wrongdoers. The objective is to establish facts, prevent further harm, recover losses where appropriate, correct control weaknesses, and prevent recurrence.

Investigation principles

Principle	Practical Meaning
Objectivity	Investigators should review facts fairly and avoid bias.
Independence	Investigators should not have a conflict of interest in the case.
Confidentiality	Case information should be restricted to authorised persons.
Evidence-based	Decisions should be based on records, interviews, data, and verified facts.
Non-retaliation	Reporters, witnesses, and affected persons should be protected.
Timeliness	Cases should be reviewed promptly according to severity.
Proportionality	Investigation depth should match the seriousness and complexity of the issue.
Legal awareness	Legal advice should be obtained where serious legal exposure exists.
Corrective focus	Root causes should be addressed, not only individual behaviour.
Documentation	Process, findings, decisions, and actions should be recorded.

Investigation process

A practical investigation process should include:

Step	Action
1. Receive allegation	Record the report and protect confidentiality.
2. Initial assessment	Determine severity, urgency, parties involved, conflict risk, and immediate action needed.
3. Protect evidence	Secure documents, emails, invoices, CCTV, registers, system logs, contracts, and records.
4. Assign investigator	Appoint an impartial person or team. Escalate serious cases to senior management, Board, owner, or external advisor where needed.
5. Plan investigation	Define scope, issues, documents, interviews, timeline, and confidentiality rules.
6. Conduct review	Review records, interview relevant parties, examine approvals, trace payments, and check controls.
7. Determine findings	Decide whether the allegation is substantiated, partially substantiated, unsubstantiated, or inconclusive.
8. Identify root cause	Determine whether control weaknesses, training gaps, approval failures, conflict concealment, or third-party risks contributed.
9. Define corrective action	Set disciplinary, recovery, supplier, control, training, or policy actions.
10. Approve outcome	Obtain management, Board, owner, legal, or compliance approval as appropriate.
11. Close case	Record final outcome and closure evidence.
12. Monitor recurrence	Check whether similar risks recur and whether controls are effective.

Examples of corrective actions

Corrective actions may include:

Issue	Possible Corrective Action
Undeclared conflict of interest	Require declaration, remove person from decision, review transaction, update conflict register, train staff.
Improper gift accepted	Return gift, record incident, remind or discipline employee, update gift controls.
False invoice	Investigate supplier and employee involvement, recover funds where possible, block supplier, strengthen invoice approval.
Kickback from supplier	Suspend employee decision authority, investigate supplier, disciplinary action, review procurement controls.
Facilitation payment request	Reject payment, report internally, review procedure for public official interactions, train affected team.
False ESG traceability record	Correct disclosure, notify customer where required, investigate root cause, strengthen data controls.
Waste contractor false disposal evidence	Suspend contractor, verify disposal route, report where required, engage approved contractor, strengthen waste contractor due diligence.

Issue	Possible Corrective Action
Recruitment agent improper commission	Investigate agent, reimburse workers if affected, terminate agent where required, revise recruitment controls.
Retaliation against reporter	Stop retaliation, remedy affected person, discipline responsible party, train supervisors.
Weak training coverage	Conduct refresher training for high-risk roles.
Poor approval controls	Update approval matrix and segregation of duties.

Disciplinary and enforcement action

Where a breach is confirmed, action should be proportionate and consistent. Depending on severity, action may include:

- a. warning;
- b. retraining;
- c. reassignment of responsibilities;
- d. suspension of approval authority;
- e. disciplinary action;
- f. termination of employment;
- g. supplier corrective action;
- h. supplier suspension or termination;
- i. contract termination;
- j. recovery of losses;
- k. report to authorities where legally required or advised;
- l. legal action; and
- m. control redesign.

Third-party corrective action

Where suppliers, contractors, agents, recruitment agents, customs agents, consultants, or intermediaries are involved, the company should take action based on severity.

Third-Party Issue	Response
Minor documentation gap	Request correction and monitor.
Failure to declare conflict	Require declaration, review transaction, add contract clause, monitor.
Improper gift or benefit	Issue warning, require training, record incident, review relationship.
Suspected bribery or false record	Conduct enhanced review, suspend transaction, escalate to management, require investigation.
Confirmed serious corruption	Suspend or terminate relationship, consider reporting, block future engagement, review controls.
Associated worker harm	Provide or support remedy where workers were affected, especially in recruitment or wage-related cases.

Root cause and control improvement

Every significant anti-corruption case should result in control improvement. Root causes may include:

- a. weak procurement approval;
- b. lack of conflict declarations;
- c. no gift register;
- d. excessive reliance on one supplier;
- e. poor supplier due diligence;
- f. lack of contract clauses;
- g. weak finance review;
- h. missing segregation of duties;
- i. pressure to meet customer deadline;
- j. lack of training;
- k. poor document control;
- l. no whistleblowing channel;
- m. fear of reporting; or
- n. management failure to enforce policy.

The corrective action tracker should show how root causes were addressed.

Investigation records

Investigation records should be restricted and protected. They may include:

- a. report or allegation record;
- b. initial assessment;
- c. investigation plan;
- d. evidence list;
- e. interview notes;
- f. transaction documents;
- g. supplier or customer correspondence;
- h. approval records;
- i. conflict declarations;
- j. gift register entries;
- k. payroll or invoice records;
- l. system logs;
- m. findings report;
- n. management decision;
- o. corrective action plan;
- p. disciplinary record; and
- q. closure evidence.

37.5 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Anti-Corruption topic. Companies should apply them based on company size, corruption risk profile, third-party exposure, procurement complexity, customer requirements, legal obligations, and ESG maturity.

Indicator table

Indicator	Sub-Indicators	Suggested Evidence	Verifiers / Typical Data Owner
1. ABAC Policy	Company has a documented Anti-Bribery and Anti-Corruption Policy.	ABAC Policy, Code of Conduct, ESG Policy, Board or management approval, version control record.	Compliance / Management / ESG Team
2. Scope of ABAC Policy	Policy applies to directors, management, employees, contractors, suppliers, agents, recruitment agents, consultants, and business partners.	Policy wording, supplier clauses, employee handbook, contract clauses.	Compliance / Procurement / HR
3. Top-level commitment	Board, owner, or senior management demonstrates commitment to anti-corruption.	Signed statement, management message, Board minutes, ESG Committee minutes, budget approval.	Board / Management
4. Corruption risk assessment	Company identifies bribery and corruption risks across operations, procurement, sales, suppliers, agents, licensing, customs, waste, labour, and ESG reporting.	Corruption risk register, risk assessment worksheet, management review record.	Compliance / ESG Team / Management
5. Third-party risk assessment	Suppliers, agents, contractors, recruitment agents, waste contractors, logistics providers, and consultants are screened for corruption risk.	Due diligence checklist, supplier questionnaire, agent screening file, risk matrix.	Procurement / Compliance
6. ABAC control measures	Company implements controls such as approvals, segregation of duties, due diligence, declarations, registers, and contract clauses.	Internal control matrix, approval matrix, SOPs, supplier contracts, audit reports.	Compliance / Finance / Procurement
7. Gifts and hospitality controls	Gifts, hospitality, donations, sponsorships, travel, and benefits are declared, approved, and recorded.	Gifts and hospitality register, donation register, approval records, policy acknowledgements.	Compliance / Finance / HR

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
8. Facilitation payment prohibition	Facilitation payments are prohibited and improper requests are escalated.	ABAC Policy, training materials, incident reports, whistleblowing records.	Compliance / Management
9. Conflict of interest linkage	Conflicts of interest are declared and managed as part of corruption prevention.	Conflict declaration forms, conflict register, management decisions, recusal records.	Compliance / HR / Procurement
10. Procurement integrity controls	Procurement decisions are based on objective criteria and approved through proper channels.	Procurement SOP, quotation comparison, tender records, purchase approvals, supplier evaluation.	Procurement / Finance
11. Accurate records controls	False invoices, false claims, false ESG data, and falsified compliance records are prohibited and monitored.	Code of Conduct, finance records, ESG evidence register, audit findings, corrective action records.	Finance / ESG Team / Compliance
12. Public official interaction controls	Interactions with regulators, inspectors, customs, public officials, or public-sector customers are controlled.	Meeting records, approval records, correspondence, gift declarations, regulatory submission records.	Compliance / Management
13. ABAC training	Relevant employees receive anti-corruption training.	Training materials, attendance records, quiz results, refresher records.	HR / Compliance
14. High-risk role training	Procurement, finance, HR, logistics, EHS, ESG, sales, and management receive role-specific training.	Training matrix, attendance records, role-based training materials.	HR / Compliance
15. Supplier and contractor communication	Suppliers and contractors are informed of anti-corruption expectations.	Supplier Code of Conduct, supplier acknowledgements, supplier briefing records, contract clauses.	Procurement / Compliance
16. Reporting channels	Employees and third parties can report bribery, corruption, conflicts, false claims, or retaliation.	Whistleblowing procedure, hotline records, posters, reporting channel communication.	Compliance / HR
17. Non-retaliation protection	Good-faith reporters are protected from retaliation.	Non-retaliation policy, grievance records, investigation records, worker communication.	HR / Compliance
18. Investigation procedure	Allegations are assessed, investigated, documented, and escalated according to severity.	Investigation SOP, case register, investigation reports, escalation records.	Compliance / Management
19. Corrective action and enforcement	Confirmed breaches result in corrective, disciplinary, supplier, or control improvement actions.	Corrective action tracker, disciplinary records, supplier action records, closure evidence.	Compliance / Management

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
20. Monitoring and review	ABAC programme, corruption risks, training, registers, cases, and corrective actions are reviewed periodically.	Management review minutes, ABAC review report, audit report, KPI dashboard.	Compliance / ESG Team / Management
21. Internal audit or self-assessment	Anti-corruption controls are periodically assessed for effectiveness.	Internal audit checklist, self-assessment report, findings, corrective actions.	Internal Audit / Compliance
22. Adequate procedures alignment	ABAC programme is aligned with proportionate adequate procedures principles.	TRUST alignment checklist, risk assessment, controls, training records, review records.	Compliance / Management
23. Confidentiality of case records	Anti-corruption reports, investigations, and evidence are restricted and protected.	Access control records, confidential case files, document control procedure.	Compliance / Management
24. Reporting and disclosure	Company discloses anti-corruption approach, training, risk controls, cases, limitations, and improvement actions where material.	ESG report, customer questionnaire, KPI tracker, evidence register, omission explanation, management approval.	ESG Team / Compliance / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Percentage of employees acknowledging ABAC Policy	$\text{Employees acknowledged} \div \text{total employees in scope}$.
Percentage of new employees briefed on ABAC	$\text{New employees briefed} \div \text{total new employees}$.
Percentage of high-risk employees trained on anti-corruption	$\text{High-risk employees trained} \div \text{total high-risk employees}$.
Percentage of Board, owner, or senior management trained or briefed on Section 17A and ABAC responsibilities	$\text{Persons trained} \div \text{persons in scope}$.
Number of ABAC training sessions conducted	Count of training sessions during the reporting period.
Percentage of priority suppliers acknowledging anti-corruption clauses	$\text{Priority suppliers acknowledged} \div \text{total priority suppliers}$.
Percentage of high-risk third parties screened for corruption risk	$\text{High-risk third parties screened} \div \text{total high-risk third parties}$.
Number of corruption risk assessments conducted or reviewed	Count of assessments or reviews during the reporting period.
Number of high or critical corruption risks identified	Count of risks rated high or critical.
Percentage of high or critical corruption risks with action plans	$\text{High or critical risks with action plans} \div \text{total high or critical corruption risks}$.

KPI	Measurement Approach
Number of gifts, hospitality, donations, or sponsorship declarations recorded	Count of declarations during the reporting period.
Percentage of gifts and hospitality declarations reviewed within target timeline	Declarations reviewed on time ÷ declarations requiring review.
Number of conflict of interest declarations linked to corruption risk	Count of relevant conflict declarations.
Number of anti-corruption reports or whistleblowing cases received	Count of reports during the reporting period.
Percentage of anti-corruption reports assessed within target timeline	Reports assessed on time ÷ reports received.
Percentage of anti-corruption investigations closed within target timeline	Investigations closed on time ÷ investigations due for closure.
Number of confirmed anti-corruption breaches	Count of substantiated breaches.
Percentage of anti-corruption corrective actions closed on time	Corrective actions closed by due date ÷ total due.
Number of third parties suspended or terminated due to corruption-related concerns	Count of suppliers, contractors, agents, or consultants restricted.
Number of internal audits or self-assessments covering ABAC controls	Count during reporting period.

Reporting guidance

Where Anti-Corruption is material, the company should disclose:

- a. why anti-corruption is material to the company;
- b. the company's ABAC commitment and policy scope;
- c. how top-level commitment is demonstrated;
- d. how corruption risks are identified and assessed;
- e. key corruption risk areas relevant to the business;
- f. control measures for procurement, gifts, conflicts, third parties, public official interactions, finance, and records;
- g. training and communication activities;
- h. supplier, contractor, agent, and third-party due diligence;
- i. reporting channels and non-retaliation protections;
- j. number and nature of anti-corruption reports or confirmed cases, disclosed in aggregated and non-confidential form;
- k. investigation and corrective action approach;
- l. review, monitoring, and internal audit activities;
- m. data gaps, confidentiality limitations, or scope exclusions; and
- n. improvement actions planned for the next reporting period.

Example disclosure wording

Anti-Corruption

Anti-Corruption is material to the company because our operations involve procurement, suppliers, contractors, logistics providers, recruitment agents, waste contractors, customer requirements, regulatory interactions, and ESG evidence. The company is committed to conducting business with integrity and prohibits bribery, corruption, facilitation payments, kickbacks, conflicts of interest, false claims, and improper benefits.

During the reporting period, the company maintained an Anti-Bribery and Anti-Corruption Policy, communicated anti-corruption expectations to employees and selected suppliers, and maintained controls for gifts, hospitality, conflicts of interest, supplier due diligence, procurement approvals, and reporting channels. Anti-corruption risks were reviewed as part of the governance risk management process.

The company will continue strengthening role-based anti-corruption training, third-party due diligence, gifts and hospitality tracking, whistleblowing communication, investigation procedures, and monitoring of corrective actions in the next reporting cycle.

Omission and non-applicability guidance

Anti-Corruption should not normally be marked as fully “not applicable” because every company has employees, suppliers, financial transactions, and business relationships. However, specific sub-indicators may not apply depending on company size and business model.

Situation	Example Explanation
No formal ABAC Policy yet	“The company has not yet adopted a standalone ABAC Policy. Anti-corruption expectations are currently included in the Code of Conduct. A formal ABAC Policy will be developed in the next reporting cycle.”
SME with simple controls	“The company applies simplified anti-corruption controls due to its size. Key controls include management approval, procurement records, conflict declarations, gift tracking, and reporting channels.”
No public official interactions beyond routine compliance	“The company had no material public official interaction beyond routine licence and compliance matters during the reporting period. Such interactions remain subject to the ABAC Policy and approval controls.”
No gifts or hospitality recorded	“No gifts or hospitality declarations were recorded during the reporting period. The company will continue communicating declaration requirements and maintaining the register.”
No third-party agents used	“Agent-specific anti-corruption indicators are not applicable because the company did not use agents or intermediaries during the reporting period. Supplier and contractor controls remain applicable.”

No anti-corruption cases reported	“No anti-corruption reports were received during the reporting period. The company will continue communicating reporting channels and non-retaliation protections.”
ABAC training incomplete	“Anti-corruption training was provided to selected employees only. The company will expand training to procurement, finance, HR, logistics, EHS, ESG data owners, and supervisors in the next cycle.”
Confidential investigation details	“Detailed investigation records are confidential. The company reports anti-corruption cases in aggregated form while maintaining case-level records internally.”

Minimum Implementation Outputs for Section 37

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

Output	Purpose
Anti-Bribery and Anti-Corruption Policy	Confirms the company’s commitment to prohibit bribery, corruption, facilitation payments, kickbacks, and improper benefits.
Top-level commitment statement	Demonstrates Board, owner, or senior management commitment to anti-corruption.
ABAC roles and responsibilities matrix	Assigns responsibility for ABAC policy, training, risk assessment, reporting, investigation, and monitoring.
Corruption Risk Assessment	Identifies bribery and corruption risks across procurement, sales, logistics, recruitment, waste, regulatory dealings, suppliers, and ESG reporting.
Corruption Risk Register	Records risks, ratings, controls, action owners, deadlines, and review status.
ABAC control matrix	Links corruption risks to controls, approvals, due diligence, training, reporting, and monitoring.
Supplier and third-party due diligence checklist	Screens suppliers, contractors, agents, recruitment agents, consultants, logistics providers, and waste contractors for corruption risk.
Anti-corruption contract clauses	Extends ABAC expectations to suppliers, contractors, agents, and business partners.
Gifts, Hospitality, Donations, and Sponsorship Policy	Defines what is prohibited, allowed, declared, approved, declined, or returned.
Gifts, Hospitality, Donations, and Sponsorship Register	Records benefits offered, received, approved, rejected, returned, or escalated.
Conflict of Interest Register	Tracks conflicts that may create corruption, procurement, audit, or decision-making risks.
Procurement integrity procedure	Supports fair supplier selection, quotation comparison, approval controls, and conflict checks.
Public official interaction procedure, where relevant	Guides interactions with regulators, inspectors, customs, licensing bodies, and public-sector stakeholders.
Accurate records procedure	Prohibits false invoices, false claims, falsified ESG data, altered traceability records, and misleading submissions.

Output	Purpose
ABAC training plan	Defines target groups, frequency, content, trainers, and evidence requirements.
ABAC training records	Shows communication and training for employees, high-risk roles, management, suppliers, and contractors.
Whistleblowing or anti-corruption reporting procedure	Provides confidential reporting channels for bribery, corruption, false claims, conflicts, and retaliation.
Anti-corruption case register	Tracks reports, allegations, investigations, outcomes, corrective actions, and closure.
Investigation procedure	Defines how allegations are assessed, investigated, escalated, documented, and closed.
Corrective action tracker	Tracks control failures, policy breaches, third-party findings, training gaps, and closure evidence.
Non-retaliation policy clause	Protects good-faith reporters, witnesses, employees, suppliers, and contractors from retaliation.
Confidential case records control	Protects investigation records, whistleblower identity, evidence, and sensitive business information.
ABAC monitoring and review record	Shows periodic review of corruption risks, controls, training, cases, and improvement actions.
Adequate procedures alignment checklist	Supports alignment with the T.R.U.S.T. principles under Malaysia's adequate procedures guidance.
Management review record	Shows senior management review of ABAC risks, cases, corrective actions, training, third-party due diligence, and improvement priorities.

Used properly, this topic helps rubber processors and manufacturers prevent corruption, protect business integrity, strengthen supplier and customer trust, support Section 17A readiness, improve evidence quality, reduce legal and reputational risk, and provide credible governance evidence for ESG reporting and continuous improvement.

38. Governance Topic 7: Stakeholder Engagement

Stakeholder Engagement refers to how a company identifies, understands, communicates with, consults, responds to, and maintains relationships with individuals, groups, organisations, or institutions that affect or may be affected by the company's activities, products, services, operations, supply chain, or ESG performance.

For Malaysian rubber processors and manufacturers, stakeholder engagement is important because ESG risks and expectations often arise from many different groups, including workers, customers, suppliers, regulators, local communities, financiers, certification bodies, industry associations, contractors, recruitment agents, waste contractors, and civil society organisations. Stakeholder engagement helps companies understand expectations, identify impacts, validate material topics, improve ESG performance, respond to concerns, and strengthen trust.

GRI 2 requires organisations to describe their approach to stakeholder engagement, including the stakeholder categories engaged, how they are identified, the purpose of engagement, and how meaningful engagement is ensured. GRI also explains that meaningful engagement is two-way, responsive, ongoing, and often takes place before decisions are made.

Stakeholder Engagement should not be treated only as communication for ESG reporting. It should be part of ongoing business management. IFC Performance Standard 1 describes stakeholder engagement as an ongoing process that may include stakeholder analysis and planning, information disclosure, consultation and participation, grievance mechanisms, and ongoing reporting to affected communities, with the level of effort scaled to the risks and impacts involved.

This topic should be read together with the Governance topics on **Corporate Governance, Transparency and Risk Management, Supply Chain Traceability and Due Diligence, Business Ethics, Anti-Corruption**, and **Regulatory Risk and Public Policy**, as well as the Social topics on **Human Rights and Social Impact, Workers' Rights, Freedom of Association and Collective Bargaining, Rights of Indigenous Peoples**, and **Local Communities**.

Stakeholder Engagement is especially relevant where a company:

- a. prepares materiality assessments, ESG reports, customer ESG questionnaires, or sustainability disclosures;
- b. operates near local communities, workers' accommodation, waterways, industrial neighbours, or sensitive receptors;
- c. employs migrant workers, contract workers, temporary workers, or workers from different language backgrounds;

- d. sources natural rubber, chemicals, packaging, labour services, logistics, or waste services through suppliers with ESG risks;
- e. receives customer requirements on traceability, labour practices, emissions, EUDR-oriented evidence, no-deforestation, OHS, or anti-corruption;
- f. has grievances, complaints, audit findings, regulatory issues, supplier findings, or community concerns;
- g. plans site expansion, new products, new suppliers, new markets, new technologies, or major operational changes;
- h. engages with government agencies, industry associations, certification bodies, financial institutions, or public policy processes; or
- i. wants to strengthen trust, responsiveness, ESG credibility, and continuous improvement.

The purpose of this topic is to help companies establish a structured and practical stakeholder engagement system that identifies relevant stakeholders, plans appropriate engagement, manages feedback, documents outcomes, and uses stakeholder input to improve ESG decisions and performance.

38.1 Stakeholder Identification

Stakeholder identification is the process of determining which individuals, groups, organisations, or institutions may affect or be affected by the company's operations, products, services, supply chain, or ESG performance. It is the starting point for meaningful engagement.

Stakeholders should be identified based on both **influence** and **impact**. Some stakeholders may strongly influence the company, such as regulators, customers, financiers, certification bodies, or major suppliers. Others may be strongly affected by the company, such as workers, nearby communities, smallholders, contractor workers, or workers in supplier operations.

Stakeholder categories

Companies should prepare a **Stakeholder Map** that covers both internal and external stakeholders.

Stakeholder Category	Examples	Relevance to Rubber Processors and Manufacturers
Board, owner, and senior management	Board members, owner-directors, Managing Director, General Manager, department heads.	ESG strategy, risk oversight, policy approval, resource allocation, reporting approval.

Stakeholder Category	Examples	Relevance to Rubber Processors and Manufacturers
Employees and workers	Permanent workers, temporary workers, migrant workers, contract workers, outsourced workers, trainees, apprentices, supervisors.	Labour rights, OHS, wages, working hours, welfare, training, grievances, communication.
Worker representatives and trade unions	Trade unions, worker committees, welfare committees, safety committees, worker representatives.	Worker voice, collective concerns, OHS consultation, grievance escalation, workplace dialogue.
Customers and buyers	Brand owners, distributors, manufacturers, exporters, multinational buyers, customer auditors.	ESG data, traceability, product quality, supplier codes, emissions, labour compliance, customer audits.
Suppliers	Natural rubber suppliers, latex suppliers, synthetic rubber suppliers, chemical suppliers, packaging suppliers, equipment suppliers.	Responsible sourcing, traceability, deforestation, chemical safety, labour practices, supplier ESG data.
Smallholders, dealers, and collection centres	Rubber smallholders, traders, dealers, collection centres, cooperatives, upstream intermediaries.	Natural rubber origin, traceability, land use, smallholder livelihoods, no-deforestation evidence.
Contractors and service providers	Maintenance, cleaning, security, canteen, labour suppliers, recruitment agents, waste contractors, logistics providers.	OHS, labour rights, ethical recruitment, waste disposal, road safety, anti-corruption, site conduct.
Regulators and government agencies	Environmental, labour, OHS, tax, customs, immigration, local authority, licensing, and industry agencies.	Legal compliance, permits, inspections, reporting, enforcement, approvals, policy updates.
Industry bodies and associations	MRC, MRB, industry associations, chambers, technical bodies.	Sector guidance, ESG capacity building, market access, policy consultation, industry alignment.
Local communities	Nearby residents, businesses, schools, places of worship, local community leaders, workers' families.	Traffic, noise, odour, drainage, wastewater, waste, emissions, emergency risks, local employment.
Indigenous Peoples and customary rights holders	Orang Asal, Orang Asli, native customary rights holders, affected Indigenous communities where relevant.	Land, culture, livelihoods, FPIC-related considerations, sourcing areas, community impacts.
Financial institutions and investors	Banks, insurers, impact investors, sustainability-linked financing providers.	ESG risk, governance, climate data, compliance, resilience, financing readiness.
Certification bodies and auditors	ISO auditors, social auditors, product auditors, chain-of-custody auditors, customer auditors.	Certification, evidence, corrective actions, management systems, ESG verification.
Civil society and NGOs	Labour rights groups, environmental NGOs, community organisations, consumer groups.	Human rights, forced labour, deforestation, biodiversity, community impacts, transparency.

Stakeholder Category	Examples	Relevance to Rubber Processors and Manufacturers
Academic and technical partners	Universities, research institutes, consultants, technology providers.	Innovation, emissions reduction, circularity, process improvement, training, technical studies.

Stakeholder identification criteria

Companies should identify stakeholders using practical criteria.

Criterion	Guiding Question
Affected by impact	Who may be affected by the company's environmental, social, governance, or economic impacts?
Influence over business	Who can influence market access, licences, customer approval, financing, reputation, or operations?
Legal or contractual relevance	Who is connected through law, permit, contract, certification, customer code, or reporting requirement?
Supply chain connection	Who supplies materials, labour, services, logistics, waste treatment, or traceability information?
Vulnerability	Are any groups more vulnerable because of status, dependency, language, location, age, employment type, or limited voice?
Knowledge and evidence	Who has information needed to understand ESG risks, impacts, performance, or improvement needs?
Frequency of interaction	Which stakeholders interact with the company regularly or during critical business processes?
Past concerns	Who has raised grievances, complaints, audit findings, questions, or expectations?
Emerging relevance	Are new stakeholder groups becoming important due to regulation, EUDR, CSDDD, NSRF, climate, financing, or customer requirements?

Stakeholder mapping matrix

Companies may classify stakeholders by **level of impact** and **level of influence**.

Stakeholder Priority	Description	Engagement Approach
High impact / high influence	Stakeholders significantly affected by the company and able to influence business outcomes.	Engage regularly, include in materiality assessment, track feedback, escalate concerns to management.
High impact / lower influence	Stakeholders strongly affected but with limited power or voice, such as vulnerable workers or affected communities.	Provide accessible engagement channels, protect rights, use targeted methods, ensure non-retaliation.

Stakeholder Priority	Description	Engagement Approach
Lower impact / high influence	Stakeholders that influence business but may not be directly affected, such as financiers, regulators, or major customers.	Provide structured updates, evidence, compliance information, and timely responses.
Lower impact / lower influence	Stakeholders with limited current relevance.	Monitor periodically and reassess if circumstances change.

Vulnerable or under-represented stakeholders

Companies should pay particular attention to stakeholders who may face barriers to engagement. GRI highlights potential barriers such as language and cultural differences, gender and power imbalances, divisions within communities, and the need to engage at-risk or vulnerable groups through appropriate approaches.

For rubber processors and manufacturers, vulnerable or under-represented stakeholders may include:

- a. migrant workers;
- b. contract and outsourced workers;
- c. young workers, apprentices, interns, or trainees;
- d. women workers;
- e. workers in high-risk jobs;
- f. workers in accommodation;
- g. smallholders and informal upstream suppliers;
- h. Indigenous Peoples and customary land users where relevant;
- i. nearby communities with limited access to formal complaint channels;
- j. workers with language or literacy barriers;
- k. whistleblowers or complainants who may fear retaliation; and
- l. suppliers with limited ESG capacity.

Stakeholder register

Companies should maintain a **Stakeholder Register**.

Field	Description
Stakeholder group	Employees, customers, suppliers, regulators, communities, etc.
Sub-group	Migrant workers, natural rubber suppliers, nearby residents, key customers, waste contractors, etc.
Relationship to company	Affected by operations, supplier, customer, regulator, financier, community, worker group, etc.
Key ESG interests	OHS, wages, emissions, traceability, waste, water, anti-corruption, customer ESG data, etc.
Potential impact or influence	How the stakeholder affects or is affected by the company.
Vulnerability or access considerations	Language, literacy, geography, power imbalance, dependency, confidentiality, cultural considerations.
Engagement owner	HR, EHS, Procurement, ESG Team, Sales, Management, Compliance, or other function.
Engagement method	Survey, meeting, briefing, grievance channel, audit, questionnaire, workshop, supplier review, etc.
Frequency	Monthly, quarterly, annually, project-based, incident-based, or as needed.
Feedback record location	Engagement log, grievance register, customer file, supplier file, meeting minutes.
Priority level	High, medium, low, monitor.
Last engagement date	Most recent engagement activity.
Next engagement date	Planned follow-up or review.

38.2 Engagement Planning

Engagement planning defines how the company will communicate with stakeholders, what topics will be discussed, who is responsible, how feedback will be recorded, and how outcomes will be used. Engagement should be planned according to stakeholder relevance, risk level, material ESG topics, operational context, and available resources.

A company does not need to engage all stakeholders in the same way. For example, worker engagement may require regular briefings and grievance channels; customer engagement may require ESG data submissions and audit responses; supplier engagement may require questionnaires and corrective action meetings; community engagement may require complaint channels and local authority coordination.

Principles of engagement planning

Engagement should be:

Principle	Practical Meaning
Purposeful	The company should know why it is engaging and how feedback will be used.
Proportionate	Engagement should match the level of ESG risk, stakeholder impact, and business relevance.
Inclusive	Relevant stakeholder groups, including vulnerable or under-represented groups, should be considered.
Accessible	Communication should be in a suitable language, format, location, and timing.
Two-way	Stakeholders should be able to provide feedback, not only receive information.
Timely	Engagement should occur early enough to influence decisions where impacts may arise.
Documented	Engagement activities, feedback, decisions, and follow-up actions should be recorded.
Responsive	Feedback should lead to explanation, corrective action, improvement, or management review where appropriate.
Non-retaliatory	Stakeholders should be able to raise concerns without punishment or disadvantage.
Reviewed	Engagement effectiveness should be reviewed and improved periodically.

IFC Performance Standard 1 states that stakeholder engagement plans should be scaled to project risks and impacts and tailored to the characteristics and interests of affected communities, including differentiated measures to allow effective participation of disadvantaged or vulnerable groups where applicable.

Stakeholder Engagement Plan

Companies should prepare a **Stakeholder Engagement Plan** where stakeholder engagement is material or where multiple stakeholder groups are involved. SMEs may use a simple annual engagement plan.

A practical plan should include:

Plan Component	Description
Engagement objective	Why engagement is being conducted.
Stakeholder group	Group to be engaged.
ESG topic	Topic to discuss, such as OHS, wages, traceability, emissions, water, waste, anti-corruption, or supplier due diligence.
Engagement method	Meeting, survey, briefing, interview, grievance channel, questionnaire, audit, workshop, email, customer review.
Frequency	Ongoing, monthly, quarterly, annually, project-based, incident-based, or customer-request-based.

Plan Component	Description
Responsible owner	Department or person responsible for engagement.
Communication needs	Language, accessibility, confidentiality, cultural considerations, data protection, time and location.
Expected output	Feedback, minutes, grievance, customer requirement, supplier action, materiality input, risk update.
Follow-up method	Corrective action, response letter, action tracker, management review, supplier CAP, ESG action plan.
Evidence	Attendance, minutes, survey results, questionnaire, audit report, photos, emails, submission record.

Engagement methods by stakeholder group

Stakeholder Group	Engagement Methods	Common Topics
Board, owner, and management	ESG review meetings, risk workshops, approval sessions, management dashboards.	ESG risks, targets, resources, reporting, compliance, customer requirements.
Employees and workers	Onboarding, toolbox talks, surveys, worker interviews, grievance channels, worker meetings.	OHS, wages, working hours, welfare, training, grievances, DEI, forced labour prevention.
Worker representatives and unions	Consultation meetings, collective bargaining process, safety committee, welfare committee.	Worker rights, OHS, wages, benefits, working conditions, grievances, non-retaliation.
Customers and buyers	ESG questionnaires, audits, business reviews, technical meetings, customer scorecards.	Traceability, emissions, labour, OHS, quality, certifications, reporting data.
Suppliers	Supplier questionnaires, onboarding, audits, briefings, corrective action meetings, supplier code communication.	ESG requirements, traceability, legal compliance, labour, environmental controls, anti-corruption.
Contractors	Induction, site briefings, work permits, performance reviews, incident reviews.	OHS, site rules, labour standards, waste, chemicals, emergency response, reporting concerns.
Regulators	Submissions, inspections, consultations, meetings, permit renewals, official correspondence.	Legal compliance, permits, environmental data, OHS, labour, tax, customs, licensing.
Local communities	Complaint channels, meetings, notices, local authority engagement, community briefings.	Noise, odour, traffic, drainage, waste, water, emergency preparedness, community benefits.
Indigenous Peoples, where relevant	Rights-holder mapping, culturally appropriate consultation, FPIC-related engagement.	Land, access, livelihoods, culture, sourcing areas, environment, grievance channels.
Financial institutions	ESG briefings, financing applications, risk discussions, sustainability data submissions.	Governance, emissions, climate risk, compliance, resource efficiency, ESG targets.

Stakeholder Group	Engagement Methods	Common Topics
Certification bodies and auditors	Audits, document reviews, corrective action meetings, management system reviews.	Evidence, compliance, chain-of-custody, labour, environment, OHS, governance controls.
Industry associations	Workshops, consultations, training, industry dialogue, technical committees.	ESG trends, market access, policy updates, capacity building, standards alignment.

Engagement frequency

Engagement frequency should be based on relevance and risk.

Engagement Frequency	Recommended Use
Ongoing	Grievance channels, customer communication, worker concerns, urgent supplier issues, legal updates.
Monthly	OHS meetings, worker briefings, corrective action review, key operational stakeholder issues.
Quarterly	ESG Committee review, supplier ESG progress, customer ESG updates, community complaint trends.
Annually	Materiality review, stakeholder mapping update, ESG reporting, supplier reassessment, management review.
Project-based	Site expansion, new supplier, new process, customer audit, EUDR-related data request, certification audit.
Incident-based	Serious injury, spill, community complaint, labour grievance, corruption allegation, regulatory notice.

Engagement planning for materiality assessment

Stakeholder engagement should support materiality assessment. Companies should gather input from internal and external stakeholders on which ESG topics are most significant. This may include surveys, interviews, workshops, customer requirement reviews, supplier discussions, grievance trend review, and management validation.

Engagement should help identify:

- actual and potential impacts;
- stakeholder concerns;
- customer expectations;
- regulatory or market changes;
- supplier risks;
- worker rights issues;
- community concerns;

- h. opportunities for improvement; and
- i. emerging ESG priorities.

Communication materials

Communication materials should be understandable and appropriate. Examples include:

- a. ESG policy summary;
- b. worker handbook;
- c. supplier code of conduct;
- d. grievance channel poster;
- e. customer ESG data pack;
- f. community notice;
- g. environmental monitoring summary;
- h. safety briefing;
- i. supplier traceability template;
- j. anti-corruption declaration;
- k. training slides;
- l. translated worker materials; and
- m. frequently asked questions.

Companies should avoid overly technical language when engaging workers, suppliers, or communities who may not be familiar with ESG terminology.

38.3 Feedback Management

Feedback management is the process of receiving, recording, analysing, responding to, escalating, and using stakeholder feedback. Without feedback management, engagement may become a one-way communication exercise with no practical impact.

Feedback may come from formal and informal sources, including surveys, meetings, customer audits, supplier questionnaires, worker grievances, community complaints, regulator inspections, whistleblowing reports, email correspondence, training sessions, and day-to-day conversations.

Types of stakeholder feedback

Feedback Type	Examples
Worker feedback	OHS concerns, wage questions, working hour issues, accommodation complaints, supervisor conduct, training needs.
Customer feedback	ESG questionnaire gaps, audit findings, data requests, traceability expectations, emissions requirements.
Supplier feedback	Difficulty meeting traceability requirements, documentation gaps, cost concerns, capacity building needs.
Community feedback	Noise, odour, traffic, drainage, wastewater, waste, emergency concerns, local employment expectations.
Regulator feedback	Inspection findings, compliance reminders, permit conditions, legal updates, enforcement notices.
Auditor feedback	Non-conformities, observations, improvement opportunities, evidence gaps.
Financier feedback	ESG risk questions, climate data requests, governance requirements, financing eligibility issues.
Industry feedback	Market access trends, policy changes, framework updates, training needs.
Whistleblowing feedback	Ethics, corruption, retaliation, falsification, misconduct, serious non-compliance.

Feedback management process

A practical process should include:

Step	Action
1. Receive	Collect feedback through approved channels such as meetings, surveys, emails, audits, grievance channels, or customer forms.
2. Record	Enter feedback into an engagement log, grievance register, complaint register, customer request tracker, or supplier corrective action tracker.
3. Classify	Categorise feedback by stakeholder group, ESG topic, severity, urgency, location, and responsible department.
4. Assess	Determine whether the feedback indicates a risk, impact, data gap, complaint, opportunity, or corrective action need.
5. Assign owner	Allocate responsibility to HR, EHS, Procurement, ESG Team, Sales, Compliance, Finance, Production, or Management.
6. Respond	Provide acknowledgement, explanation, corrective action, evidence, or follow-up where appropriate.
7. Escalate	Escalate high-severity issues to management, ESG Committee, Board, owner, or legal support where required.
8. Track action	Add required actions to the corrective action tracker or ESG action plan.
9. Close	Record completion, evidence, and stakeholder response where appropriate.
10. Analyse trends	Review recurring feedback for systemic issues and continuous improvement.
11. Report	Include material feedback trends and actions in management review and ESG reporting.

Feedback severity classification

Severity Level	Examples	Required Response
Low	General question, suggestion, routine information request, minor clarification.	Record and respond through normal process.
Medium	Repeated documentation gap, worker concern, supplier capacity issue, minor community complaint, customer request.	Assign owner, investigate if needed, track action.
High	Significant customer audit finding, repeated grievance, regulatory concern, serious supplier gap, unresolved community complaint.	Escalate to management, prepare corrective action, monitor closure.
Critical	Serious injury, forced labour concern, child labour concern, major pollution, corruption allegation, severe retaliation, major regulatory action.	Immediate escalation, protective action, formal investigation, urgent corrective action.

Stakeholder Engagement Log

Companies should maintain a **Stakeholder Engagement and Feedback Log**.

Field	Description
Date	Date feedback was received or engagement occurred.
Stakeholder group	Worker, customer, supplier, regulator, community, financier, auditor, etc.
Specific stakeholder	Name or organisation, where appropriate and not confidential.
Engagement channel	Meeting, survey, audit, grievance, phone, email, questionnaire, visit, complaint, training.
ESG topic	OHS, wages, emissions, traceability, waste, anti-corruption, community, supplier, etc.
Feedback summary	Factual summary of concern, request, suggestion, or finding.
Severity	Low, medium, high, critical.
Responsible owner	Department or person responsible.
Response provided	Explanation, acknowledgement, action, evidence, or follow-up.
Action required	Corrective action, data submission, investigation, meeting, training, supplier follow-up.
Due date	Target completion date.
Status	Open, in progress, closed, under monitoring, escalated.
Closure evidence	Email, meeting minutes, report, corrective action closure, customer acceptance, stakeholder confirmation.
Management review	Whether the item was escalated or reviewed by management.

Integrating feedback into decision-making

Stakeholder feedback should influence company decisions where relevant. GRI guidance notes that organisations can report how stakeholder feedback is recorded and integrated into decision-making, and how stakeholders are informed about how their feedback influenced decisions.

Examples of integration include:

Feedback Received	Possible Decision or Action
Workers report repeated PPE discomfort	Review PPE specification, procure suitable sizes, retrain supervisors.
Customer requests Scope 1 and Scope 2 emissions	Assign data owners, prepare emissions workbook, collect fuel and electricity data.
Supplier cannot provide geolocation immediately	Prioritise high-volume suppliers, set phased timeline, provide template, update customer response.
Community reports odour	Investigate process, wastewater treatment, waste storage, maintenance, and communicate action.
Regulator identifies waste storage issue	Correct storage, retrain workers, update inspection checklist, report closure.
Auditor finds incomplete wage records	Review payroll controls, improve records, train HR and supervisors.
Financier asks for climate risk data	Add climate risk to ESG Risk Register and management review.
Worker grievance shows supervisor retaliation risk	Investigate, protect complainant, train supervisors, revise grievance process.

Responding to stakeholders

Companies should close the feedback loop where practical. This means informing stakeholders of the outcome or action taken, especially where they raised a complaint, request, or material concern.

Response may include:

- written reply;
- meeting follow-up;
- corrective action update;
- customer evidence submission;
- supplier corrective action closure;
- worker briefing;
- community notice;
- management review outcome;
- updated policy or procedure;

- j. training session;
- k. grievance closure communication; or
- l. explanation where no action is taken.

The response should be accurate, respectful, and not overpromise. If a request cannot be fulfilled, the company should explain why and, where possible, identify an alternative action.

Feedback trend analysis

Companies should periodically analyse stakeholder feedback trends. This helps identify recurring issues and systemic weaknesses.

Trend analysis may consider:

- a. number of feedback items by stakeholder group;
- b. number of grievances or complaints by topic;
- c. repeated customer ESG data requests;
- d. recurring supplier data gaps;
- e. repeated OHS hazards;
- f. payroll or working hour complaint patterns;
- g. community complaints by location or topic;
- h. regulator or audit findings;
- i. unresolved corrective actions;
- j. response time and closure rate; and
- k. stakeholder satisfaction or acceptance where measured.

Trend analysis should be reviewed by management and linked to the ESG Risk Register, materiality review, ESG Action Plan, training plan, supplier due diligence plan, and internal audit programme.

38.4 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Stakeholder Engagement topic. Companies should apply them based on company size, stakeholder complexity, material ESG topics, customer requirements, community interface, supplier exposure, and data availability.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. Stakeholder engagement policy or commitment	Company has a commitment to engage stakeholders meaningfully, respectfully, and responsively.	ESG Policy, Stakeholder Engagement Policy, Human Rights Policy, Community Engagement Policy, management approval.	ESG Team / Management
2. Stakeholder identification process	Company identifies stakeholders that affect or may be affected by its activities, products, services, operations, or supply chain.	Stakeholder identification procedure, stakeholder map, stakeholder register.	ESG Team / Department Heads
3. Stakeholder mapping	Stakeholders are mapped by category, relevance, impact, influence, vulnerability, and engagement owner.	Stakeholder map, stakeholder register, materiality assessment records.	ESG Team
4. Vulnerable stakeholder identification	Vulnerable or under-represented groups are identified and considered in engagement planning.	Vulnerability assessment, worker group mapping, community screening, supplier risk assessment.	ESG Team / HR / EHS / Procurement
5. Stakeholder Engagement Plan	Company defines engagement objectives, methods, frequency, responsibilities, topics, and follow-up.	Stakeholder Engagement Plan, engagement calendar, management approval.	ESG Team / Management
6. Engagement method selection	Engagement methods are appropriate to stakeholder needs, risk level, language, accessibility, and confidentiality.	Engagement plan, communication materials, translated materials, worker briefing records.	ESG Team / HR / EHS
7. Worker engagement	Workers are engaged on labour, OHS, wages, working hours, welfare, grievance, and training matters.	Worker meeting records, surveys, toolbox talks, grievance records, safety committee minutes.	HR / EHS
8. Customer engagement	Customer ESG requests, audits, questionnaires, and feedback are tracked and managed.	Customer ESG request tracker, audit reports, customer correspondence, submission records.	Sales / ESG Team
9. Supplier engagement	Suppliers are engaged on ESG requirements, traceability, due diligence, corrective actions, and supplier code expectations.	Supplier engagement log, supplier questionnaires, audit records, meeting minutes, supplier CAPs.	Procurement / ESG Team
10. Community engagement	Local communities are engaged where operations may cause impacts.	Community engagement log, meeting minutes, complaint register, notices, local authority records.	ESG Team / EHS / Management

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
11. Regulator and authority engagement	Regulatory engagement and official correspondence are tracked.	Regulatory submissions, inspection reports, meeting records, correspondence, legal register.	Compliance / EHS / HR / Finance
12. Financial institution engagement	ESG-related financing, climate, governance, or risk requests are managed where applicable.	Financing ESG questionnaires, bank correspondence, sustainability-linked financing documents.	Finance / ESG Team
13. Industry and association engagement	Engagement with MRC, MRB, industry associations, or technical bodies is recorded where relevant.	Workshop records, membership records, consultation submissions, training attendance.	ESG Team / Management
14. Engagement records	Engagement activities are documented with date, stakeholder, topic, feedback, owner, and follow-up.	Stakeholder engagement log, attendance records, minutes, emails, survey results.	ESG Team / Department Owners
15. Feedback management process	Stakeholder feedback is received, classified, assigned, responded to, tracked, and closed.	Feedback procedure, engagement log, customer tracker, complaint register, corrective action tracker.	ESG Team / Department Owners
16. Grievance and complaint linkage	Worker, supplier, community, and whistleblowing channels are linked to stakeholder feedback management.	Grievance register, community complaint register, whistleblowing register, supplier complaint records.	HR / ESG Team / Compliance
17. Feedback escalation	High-severity feedback is escalated to management or the relevant governance body.	Escalation records, ESG Committee minutes, management review minutes, risk register updates.	ESG Team / Management
18. Integration into materiality assessment	Stakeholder input is used to identify and review material ESG topics.	Materiality assessment, survey results, stakeholder interview notes, validation minutes.	ESG Team
19. Integration into risk management	Stakeholder feedback informs the ESG Risk Register and ESG Action Plan.	ESG Risk Register updates, action plan updates, corrective action records.	ESG Team / Risk Owners
20. Response and closure	Company provides responses or updates to stakeholders where appropriate.	Response letters, emails, meeting follow-up, customer acceptance, grievance closure records.	Department Owners / ESG Team
21. Feedback trend analysis	Feedback trends are reviewed to identify recurring issues and systemic improvements.	Feedback trend report, KPI dashboard, management review records.	ESG Team / Management

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
22. Non-retaliation and confidentiality	Stakeholders can raise concerns without retaliation, and sensitive information is protected.	Non-retaliation policy, confidentiality procedure, case records, access controls.	HR / Compliance / ESG Team
23. Training and communication	Relevant employees are trained on stakeholder engagement, grievance handling, customer response, supplier engagement, and community communication.	Training records, briefing materials, attendance records.	HR / ESG Team
24. Monitoring and management review	Engagement activities, feedback, complaints, customer requests, supplier issues, and corrective actions are reviewed periodically.	ESG Committee minutes, management review minutes, stakeholder KPI dashboard.	ESG Team / Management
25. Reporting and disclosure	Company discloses stakeholder engagement approach, key stakeholder groups, feedback themes, actions, limitations, and improvement plans where material.	ESG report, customer questionnaire, evidence register, omission explanation, approval record.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Number of stakeholder groups identified	Count of stakeholder categories in the stakeholder register.
Percentage of material stakeholder groups with defined engagement method	Stakeholder groups with engagement method ÷ total material stakeholder groups.
Percentage of planned engagement activities completed	Completed engagement activities ÷ planned activities.
Number of worker engagement sessions conducted	Count of worker meetings, toolbox talks, surveys, or consultation sessions.
Number of supplier engagement sessions conducted	Count of supplier briefings, meetings, audits, or corrective action discussions.
Number of customer ESG requests received	Count of ESG questionnaires, audit requests, traceability requests, or data requests.
Percentage of customer ESG requests responded to within target timeline	Requests responded to on time ÷ total requests due.
Number of community engagement activities conducted	Count of community meetings, notices, consultations, or feedback sessions.

KPI	Measurement Approach
Number of stakeholder feedback items recorded	Count of feedback entries in the engagement log.
Feedback items by topic	Count by OHS, wages, traceability, emissions, water, waste, community, anti-corruption, supplier, etc.
Percentage of feedback items assigned to responsible owners	Feedback with owner ÷ total feedback requiring action.
Percentage of feedback actions closed on time	Actions closed by due date ÷ total feedback actions due.
Number of high-severity feedback items escalated to management	Count of high or critical feedback items escalated.
Number of grievances or complaints received by stakeholder group	Count by worker, community, supplier, customer, contractor, or whistleblower.
Percentage of grievances or complaints closed within target timeline	Cases closed on time ÷ total cases due.
Number of materiality inputs received from stakeholders	Count of survey responses, interviews, workshops, or written feedback used in materiality.
Percentage of material ESG topics informed by stakeholder input	Material topics with documented stakeholder input ÷ total material topics.
Number of stakeholder-related corrective actions opened	Count of corrective actions from feedback, complaints, audits, or engagement.
Percentage of stakeholder-related corrective actions closed on time	Corrective actions closed by due date ÷ total due.
Number of employees trained on stakeholder engagement or grievance handling	Count of trained employees.

Reporting guidance

Where Stakeholder Engagement is material, the company should disclose:

- why stakeholder engagement is material to the company;
- how stakeholders are identified and prioritised;
- key stakeholder groups engaged during the reporting period;
- engagement methods and frequency;
- how vulnerable or under-represented stakeholders are considered;
- key ESG topics raised by stakeholders;
- how stakeholder feedback was recorded, assessed, escalated, and acted upon;
- how stakeholder input informed materiality assessment, ESG risk management, supplier due diligence, or action plans;
- complaint and grievance channels available to stakeholders;
- key feedback trends and corrective actions;
- how the company protects confidentiality and prevents retaliation;
- data gaps, limitations, or scope exclusions; and
- improvement actions planned for the next reporting period.

Example disclosure wording

Stakeholder Engagement

Stakeholder Engagement is material to the company because ESG performance depends on the expectations and feedback of workers, customers, suppliers, contractors, regulators, local communities, financiers, and industry stakeholders. The company identifies stakeholders based on their relationship to our operations, supply chain, products, legal obligations, and potential ESG impacts.

During the reporting period, stakeholder engagement was conducted through worker briefings, safety meetings, customer ESG questionnaires, supplier communications, regulatory correspondence, community complaint channels, and management reviews. Key topics raised included occupational health and safety, supplier traceability, waste management, energy and emissions data, worker communication, and customer ESG evidence requirements.

Stakeholder feedback was recorded and used to update ESG action plans, supplier follow-up, internal controls, and data improvement priorities. The company will continue strengthening stakeholder mapping, feedback tracking, management escalation, and closure of stakeholder-related corrective actions in the next reporting cycle.

Omission and non-applicability guidance

Stakeholder Engagement should not normally be marked as fully “not applicable” because every company has stakeholders. However, specific sub-indicators may not apply depending on company size, stakeholder complexity, community interface, and reporting maturity.

Situation	Example Explanation
No formal Stakeholder Engagement Plan yet	“The company engaged stakeholders through existing business processes but did not maintain a formal Stakeholder Engagement Plan. A formal plan will be developed in the next reporting cycle.”
SME with simple engagement channels	“The company applies simplified stakeholder engagement due to its size. Engagement is conducted through worker briefings, customer communication, supplier follow-up, and management review.”
No direct community interface	“The company operates in an established industrial area with limited direct residential interface. Community engagement is maintained through complaint channels and local authority communication where relevant.”
No customer ESG requests received	“No customer ESG requests were received during the reporting period. The company will continue monitoring customer requirements and maintaining ESG readiness.”

Situation	Example Explanation
Supplier engagement limited to priority suppliers	“Supplier engagement currently focuses on priority suppliers based on spend, risk, and customer requirements. Coverage will be expanded progressively.”
Vulnerable stakeholder engagement not yet formalised	“Vulnerable stakeholder considerations were addressed through HR and grievance processes but were not separately documented. The company will improve documentation in the next cycle.”
Feedback records incomplete	“Stakeholder feedback was received through several channels but was not centrally consolidated. The company will introduce a Stakeholder Engagement and Feedback Log.”
Confidential feedback	“Detailed stakeholder feedback and grievance case information is confidential. The company reports aggregated themes and actions while maintaining case-level records internally.”

Minimum Implementation Outputs for Section 38

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

Output	Purpose
Stakeholder Engagement Policy or commitment	Confirms the company’s commitment to meaningful, respectful, two-way, and responsive engagement.
Stakeholder identification procedure	Defines how stakeholders are identified, mapped, prioritised, and reviewed.
Stakeholder Register	Lists stakeholder groups, relevance, ESG interests, influence, impact, vulnerability, engagement owner, and frequency.
Stakeholder Map	Visual or tabular map of internal and external stakeholders.
Vulnerable stakeholder screening	Identifies workers, communities, suppliers, or other groups requiring special engagement consideration.
Stakeholder Engagement Plan	Defines objectives, methods, frequency, topics, owners, communication needs, and follow-up process.
Engagement calendar	Schedules planned engagement activities by stakeholder group.
Engagement materials	Includes briefing notes, surveys, questionnaires, supplier templates, worker notices, community notices, and customer data packs.
Stakeholder Engagement and Feedback Log	Records engagement activities, feedback, responsible owners, actions, deadlines, status, and closure evidence.
Customer ESG request tracker	Tracks customer questionnaires, audit findings, data requests, traceability requests, and response status.
Supplier engagement records	Documents supplier briefings, ESG questionnaires, audits, corrective actions, and traceability follow-up.
Worker engagement records	Includes toolbox talks, worker surveys, consultation meetings, safety committee minutes, grievance communication, and training records.
Community engagement records, where relevant	Records community meetings, complaints, notices, local authority engagement, and closure actions.
Regulator and authority correspondence file	Maintains official engagement, submissions, inspection findings, permits, and responses.
Grievance and complaint registers	Tracks worker, community, supplier, customer, and whistleblowing concerns.
Feedback severity classification guide	Helps classify feedback and determine escalation requirements.
Corrective action tracker	Tracks actions arising from stakeholder feedback, complaints, audits, and engagement.

Output	Purpose
Materiality input record	Shows how stakeholder input informed material topic selection and prioritisation.
ESG Risk Register linkage	Records how stakeholder feedback updated ESG risks and action plans.
Stakeholder response records	Shows how the company responded to concerns, requests, complaints, or feedback.
Stakeholder engagement KPI dashboard	Tracks engagement coverage, feedback items, complaints, customer requests, corrective actions, and closure rates.
Confidentiality and non-retaliation controls	Protects sensitive feedback, complainants, workers, suppliers, and community stakeholders.
Training records	Shows relevant employees were trained on engagement, grievance handling, customer response, and supplier communication.
Management review record	Shows senior management review of stakeholder feedback, engagement outcomes, grievances, corrective actions, and improvement priorities.

Used properly, this topic helps rubber processors and manufacturers understand stakeholder expectations, identify ESG risks early, improve materiality assessment, respond to concerns, strengthen trust, support customer and supplier relationships, and provide credible evidence for ESG reporting and continuous improvement.

39. Governance Topic 8: Regulatory Risk and Public Policy

Regulatory Risk and Public Policy refers to how a company identifies, monitors, responds to, and documents legal, regulatory, policy, licensing, permit, certification, customer, and market-access requirements that may affect its operations, products, workforce, supply chain, reporting, or business strategy.

For Malaysian rubber processors and manufacturers, regulatory risk is a significant governance topic because the sector is exposed to both domestic requirements and international market expectations. These may include environmental compliance, scheduled waste, industrial effluent, occupational safety and health, labour standards, employment practices, anti-corruption, tax, customs, product requirements, traceability, sustainability reporting, deforestation-related due diligence, and customer-specific ESG requirements.

Regulatory monitoring is also becoming more important because ESG-related expectations are changing quickly. Malaysia's National Sustainability Reporting Framework is intended to improve the consistency, comparability, and reliability of sustainability information provided by Corporate Malaysia, while MITI's i-ESG Framework is designed to support and strengthen ESG practices in the manufacturing sector. (Securities Commission Malaysia) In export-linked rubber supply chains, the EU Deforestation Regulation is also relevant because it covers rubber and certain rubber products, with application dates currently stated by the European Commission as 30 December 2026 for large and medium operators and 30 June 2027 for micro and small operators. (Environment)

Regulatory Risk and Public Policy should be read together with the Governance topics on **Corporate Governance, Transparency and Risk Management, Supply Chain Traceability and Due Diligence, Business Ethics, Anti-Corruption, and Tax Practices**. It should also be read together with the Environmental and Social topics because many regulatory risks arise from environmental permits, waste handling, worker safety, employment records, wages, working hours, recruitment, and supplier due diligence.

This topic is especially relevant where a company:

- a. operates manufacturing, processing, warehousing, laboratory, waste storage, wastewater treatment, or chemical storage facilities;
- b. holds licences, permits, approvals, registrations, certifications, or customer qualifications;
- c. handles industrial effluent, scheduled waste, hazardous substances, emissions, water discharge, or environmental monitoring;
- d. employs workers and must comply with labour, employment, wage, working hour, OHS, immigration, and accommodation requirements;

- e. exports rubber materials or rubber products, or supplies customers that export to regulated markets;
- f. sources natural rubber, latex, chemicals, packaging, labour services, waste services, or logistics through suppliers with regulatory exposure;
- g. interacts with government agencies, regulators, customs authorities, local authorities, certification bodies, auditors, or industry bodies;
- h. participates in policy consultations, industry working groups, sustainability programmes, or public-private initiatives;
- i. prepares ESG reports, customer questionnaires, supplier declarations, EUDR-oriented data, certification submissions, or financing applications; or
- j. needs to track new or changing requirements that may affect market access, costs, operations, or customer approval.

The purpose of this topic is to help companies create a practical system for identifying regulatory requirements, monitoring changes, maintaining licences and permits, engaging responsibly in public policy processes, and tracking compliance evidence.

39.1 Regulatory Monitoring

Regulatory monitoring is the process of identifying current and emerging legal, regulatory, policy, customer, certification, and market-access requirements that may affect the company. It helps the company avoid non-compliance, late submissions, expired permits, customer rejection, unsupported claims, and missed preparation deadlines.

Regulatory monitoring should cover both **mandatory requirements** and **strategic expectations**. Mandatory requirements include laws, licences, permits, approvals, and official submissions. Strategic expectations include customer codes, ESG frameworks, industry programmes, financing expectations, certification requirements, and export market rules that may not apply directly by law but may still affect business access.

Areas to monitor

Companies should monitor requirements across the following areas.

Regulatory / Requirement Area	Examples for Rubber Processors and Manufacturers
Corporate and company law	Company registration, directors' duties, company records, statutory filings, company secretary requirements, beneficial ownership where applicable.
Environmental compliance	Environmental permits, industrial effluent, scheduled waste, air emissions, water discharge, hazardous substances, pollution prevention, waste contractor requirements.

Regulatory / Requirement Area	Examples for Rubber Processors and Manufacturers
Occupational safety and health	OHS policy, risk assessment, safety training, incident reporting, safety committee or coordinator requirements, machinery, chemicals, emergency preparedness.
Employment and labour	Employment contracts, wages, working hours, leave, deductions, benefits, minimum age, migrant worker controls, grievance handling, worker welfare.
Immigration and recruitment	Work permits, recruitment agent controls, migrant worker documentation, repatriation processes, ethical recruitment expectations.
Anti-corruption and business ethics	Section 17A corporate liability, adequate procedures, gifts, conflicts of interest, whistleblowing, supplier conduct.
Tax and finance	Corporate tax, employer tax, e-Invoice, withholding tax, transfer pricing, tax incentives, record retention.
Customs, import, and export	Import/export documentation, customs declarations, HS codes, trade permits, export market requirements.
Product and customer requirements	Product specifications, restricted substances, quality requirements, customer supplier codes, customer ESG questionnaires.
Sustainability reporting	NSRF, Bursa Malaysia sustainability reporting expectations, GRI, ISSB-related requirements, customer reporting.
Traceability and sourcing	MSNR, EUDR, GPSNR, FSC, PEFC, Preferred by Nature, supplier due diligence, geolocation, legality, no-deforestation.
Public policy and industry programmes	MITI i-ESG, MRB / MRC initiatives, industry consultations, sustainability roadmaps, capacity-building programmes.

For environmental compliance, companies should monitor both general and topic-specific obligations. DOE's scheduled waste information states that scheduled waste must be handled in accordance with the Environmental Quality (Scheduled Wastes) Regulations 2005 and recovered or disposed of only at premises licensed by DOE. (Jabatan Alam Sekitar - JAS) For workplace safety, the official Malaysia government portal states that OSHA 1994 includes employer responsibilities to provide a safe, healthy, and hazard-free work environment. (Malaysia Government Portal) For employment matters, the Department of Labour Peninsular Malaysia maintains the official Employment Act 1955 reference page, while the Malaysia government portal summarises that the Act is the principal legislation governing employer-employee relationships in Peninsular Malaysia. (JTKSM)

Regulatory monitoring process

A practical regulatory monitoring process should include:

Step	Action
1. Identify requirement sources	List applicable laws, agencies, customer requirements, certification schemes, industry programmes, and export market rules.
2. Assign monitoring owners	Assign departments responsible for environmental, OHS, HR, tax, customs, anti-corruption, supplier, and ESG reporting requirements.

Step	Action
3. Maintain a requirement register	Record requirements, applicability, due dates, evidence, responsible persons, and review frequency.
4. Monitor updates	Track changes through official websites, regulators, industry bodies, consultants, customer notices, and legal updates.
5. Assess applicability	Determine whether new or changed requirements apply to the company, selected sites, products, suppliers, or customers.
6. Assess impact	Review operational, financial, customer, legal, reporting, supplier, and resource implications.
7. Define action	Update policies, SOPs, registers, training, supplier requirements, permits, data systems, or reporting processes.
8. Escalate significant changes	Escalate high-impact regulatory changes to management, Board, owner, ESG Committee, or relevant department heads.
9. Communicate internally	Inform affected departments and data owners of changes.
10. Track implementation	Monitor actions through a regulatory action tracker or ESG action plan.
11. Retain evidence	Store official updates, applicability reviews, management decisions, training, SOP updates, and compliance evidence.
12. Review periodically	Review the regulatory register at least annually and after major business changes.

Sources for regulatory updates

Companies should prioritise official and reliable sources.

Source Type	Examples
Government agencies	DOE, DOSH, JTKSM, Immigration, LHDN, Customs, MACC, SSM, local authorities, MRB, MITI.
Securities and reporting bodies	Securities Commission Malaysia, Bursa Malaysia, IFRS / ISSB, GRI.
Rubber sector bodies	Malaysian Rubber Council, Malaysian Rubber Board, industry associations.
Export market regulators	European Commission for EUDR and related EU requirements; other destination-market authorities where relevant.
Certification bodies	MSNR, FSC, PEFC, Preferred by Nature, ISO certification bodies, customer audit schemes.
Customers and buyers	Supplier codes, ESG questionnaires, traceability forms, audit requirements, contract clauses.
Professional advisors	Legal, tax, environmental, OHS, labour, customs, and sustainability advisors.
Industry events	Workshops, briefings, consultations, training, circulars, and industry dialogues.

Regulatory update assessment

When a new requirement or update is identified, the company should assess it using a simple template.

Assessment Field	Description
Requirement title	Name of law, regulation, circular, customer requirement, certification update, or policy development.
Source	Agency, customer, certification body, industry body, or advisor.
Date identified	Date the company became aware of the update.
Effective date	Date the requirement applies or becomes enforceable.
Applicability	Applicable, not applicable, under review, customer-specific, supplier-specific, or future exposure.
Affected area	Site, department, product, supplier, customer, export market, workforce, process, or data system.
Risk level	Low, medium, high, or critical.
Required action	Policy update, SOP update, permit renewal, training, supplier request, data collection, system change, or legal review.
Responsible owner	Department or person responsible.
Due date	Target date for action.
Evidence	Official source, meeting notes, legal advice, updated SOP, training record, customer response.
Management decision	Approve action, allocate budget, escalate, monitor, or close as not applicable.

Emerging ESG regulatory areas

Companies should pay special attention to emerging areas that may affect rubber supply chains, including:

- a. sustainability reporting and climate-related disclosure;
- b. EUDR-oriented natural rubber traceability and geolocation requirements;
- c. supply chain due diligence and human rights expectations;
- d. forced labour and ethical recruitment expectations;
- e. greenhouse gas emissions and product carbon footprint requests;
- f. circularity, waste, recycled content, and packaging requirements;
- g. hazardous substances and restricted substance requirements;
- h. biodiversity and nature-related disclosure expectations;
- i. anti-corruption and third-party due diligence;
- j. e-Invoice and digital tax documentation;
- k. customs and trade documentation; and
- l. certification and chain-of-custody requirements.

Bursa Malaysia's Sustainability Reporting Guide provides guidance on embedding sustainability and preparing sustainability disclosures, which is relevant for listed companies and also useful for suppliers responding to listed-company or multinational customer ESG requests. (Bursa Malaysia)

39.2 Public Policy Engagement

Public policy engagement refers to how the company participates in policy discussions, industry consultations, regulatory dialogues, public-private initiatives, standard-setting processes, technical working groups, and government or industry programmes. It may include engagement with government agencies, industry associations, sector bodies, certification schemes, trade associations, chambers of commerce, and sustainability initiatives.

For rubber processors and manufacturers, public policy engagement may occur through:

- a. consultations on rubber industry sustainability requirements;
- b. MSNR, traceability, EUDR, or responsible sourcing discussions;
- c. industry ESG capacity-building programmes;
- d. MITI i-ESG or manufacturing sector programmes;
- e. DOE, DOSH, labour, tax, customs, or local authority consultations;
- f. industry association meetings;
- g. certification and standard-setting engagement;
- h. public policy discussions on climate, circularity, waste, labour, trade, or market access;
- i. consultation through MRC, MRB, MITI, chambers, or industry associations; and
- j. customer or multi-stakeholder initiatives.

Public policy engagement should be transparent, ethical, evidence-based, and aligned with the company's ESG commitments. Companies should avoid using public policy engagement to weaken compliance, hide ESG risks, gain improper advantages, or influence public officials through inappropriate benefits.

GRI 415: Public Policy focuses on an organisation's support for political causes and requires disclosure of political contributions where the standard is used; it also explains that such disclosure helps stakeholders assess whether political contributions align with stated policies, goals, or public positions. (Global Reporting Initiative)

Principles for responsible public policy engagement

Principle	Practical Meaning
Transparency	Engagement objectives, positions, and participation should be documented.
Integrity	Engagement must not involve bribery, improper influence, false claims, or hidden payments.
Consistency	Public policy positions should be consistent with the company's ESG commitments and public disclosures.
Accountability	Management should approve significant policy positions, submissions, donations, sponsorships, or representation.
Evidence-based	Positions should be based on data, operational evidence, technical facts, and stakeholder considerations.
Legal compliance	Engagement must comply with applicable laws, anti-corruption requirements, and public official interaction rules.
No improper benefit	Gifts, hospitality, donations, sponsorships, or political contributions should not be used to influence decisions.
Recordkeeping	Meetings, submissions, consultations, and positions should be recorded.
Stakeholder awareness	Where policy positions affect workers, suppliers, communities, or customers, relevant stakeholders should be considered.
Review	Policy engagement should be reviewed periodically by management.

Public policy engagement procedure

Companies should establish a procedure or simple control process for public policy engagement.

Step	Action
1. Identify engagement	Determine the policy, consultation, working group, public programme, or industry dialogue involved.
2. Define purpose	Clarify why the company is participating and what issue is being addressed.
3. Assess alignment	Check alignment with ESG policy, legal requirements, Code of Conduct, ABAC Policy, and stakeholder commitments.
4. Assign representative	Identify who may represent the company and what authority they have.
5. Prepare position	Develop evidence-based position, comments, or questions.
6. Approve where required	Obtain management approval for formal submissions, public statements, or sensitive positions.
7. Participate ethically	Follow anti-corruption, gift, hospitality, conflict, and confidentiality requirements.
8. Record engagement	Maintain meeting notes, submissions, attendance, correspondence, and outcomes.
9. Communicate internally	Inform relevant departments of policy developments or obligations.
10. Track follow-up	Add actions to regulatory register, risk register, or ESG action plan.

Public policy engagement register

Companies should maintain a **Public Policy Engagement Register** where such engagement is material.

Field	Description
Date	Date of meeting, consultation, submission, or event.
Policy topic	EUDR, MSNR, waste, labour, OHS, tax, customs, ESG reporting, i-ESG, etc.
Engagement type	Meeting, workshop, consultation, written submission, working group, briefing, industry dialogue.
Organisation / authority	Government agency, industry body, certification body, customer group, association, or public body.
Company representative	Person representing the company.
Purpose	Why the company engaged.
Company position	Summary of position or input provided.
ESG alignment	Link to ESG policy, material topic, risk, or customer expectation.
Approval status	Whether management approval was required and obtained.
Follow-up action	Action required after engagement.
Evidence	Agenda, minutes, presentation, submission, attendance, correspondence.
Status	Open, closed, ongoing, under monitoring.

Political contributions, donations, and sponsorships

Companies should distinguish between legitimate public policy engagement and political contributions. Political contributions, donations, sponsorships, or in-kind support may create corruption, conflict of interest, or reputational risk.

Companies should have clear rules on:

- whether political contributions are prohibited or allowed;
- who may approve donations, sponsorships, or contributions;
- whether contributions to political parties, candidates, officials, or politically linked organisations are prohibited;
- how charitable donations and community sponsorships are screened;
- how conflicts of interest are reviewed;
- how contributions are recorded;
- how public policy positions are kept separate from improper influence;
- how contributions are disclosed where required; and
- how alignment with ESG commitments is reviewed.

For many companies, the safest approach is to prohibit political contributions unless expressly approved by the Board, owner, or highest governance body and legally reviewed.

Any donation or sponsorship should be recorded in the Gifts, Hospitality, Donations, and Sponsorship Register and reviewed for anti-corruption risk.

Public official interaction controls

Public policy engagement may involve public officials. Interactions with public officials should be managed carefully and consistently with the ABAC Policy.

Controls should include:

- a. no facilitation payments;
- b. no improper gifts or hospitality;
- c. no personal benefits to officials;
- d. accurate meeting records;
- e. clear business purpose;
- f. management approval for sensitive meetings;
- g. conflict of interest review;
- h. donation and sponsorship controls;
- i. accurate submissions and documents;
- j. escalation of improper requests; and
- k. protection of confidential information.

MACC states that Section 17A applies where employees or associates commit corruption for the benefit of a commercial organisation, even if upper management did not know of the corrupt act. (Social Policy Research Malaysia) This makes public official interaction controls important for all companies, including SMEs.

39.3 Licensing, Permits, and Compliance Tracking

Licensing, permits, and compliance tracking ensure that the company maintains the approvals and records required to operate legally and responsibly. Rubber processors and manufacturers may need to track business licences, manufacturing licences, environmental permits, wastewater approvals, scheduled waste requirements, OHS records, fire certificates, local authority approvals, labour records, migrant worker documents, tax registrations, customs records, product certifications, and supplier-related licences.

This subsection should be treated as a practical control system. The company should know:

- a. what licences, permits, approvals, and registrations are required;
- b. who owns each requirement;

- c. when each requirement expires;
- d. what evidence must be maintained;
- e. what monitoring or submission is required;
- f. what action is needed for renewal or changes;
- g. what happens if a requirement is breached or expires; and
- h. how compliance status is reviewed by management.

Licence and permit categories

Category	Examples
Corporate and business	Company registration, business licence, local authority licence, manufacturing licence where applicable, company secretary filings.
Rubber industry-specific	Malaysian Rubber Board licences, permits, transaction records, MSNR-related requirements where applicable.
Environmental	Environmental approvals, industrial effluent requirements, scheduled waste management, air emissions, water discharge, chemical storage, pollution control.
OHS and fire safety	OHS policy, risk assessment, safety committee, machinery or plant certificates where applicable, fire certificate, emergency drills.
Employment and labour	Employment contracts, payroll, wage records, working hour records, leave records, minimum age controls, grievance records.
Migrant worker and immigration	Work permits, visas, recruitment documents, accommodation-related records, check-out or repatriation documentation where applicable.
Tax and finance	Tax registrations, employer tax records, e-Invoice records, tax filings, statutory payments, transfer pricing documentation where applicable.
Customs and trade	Import/export permits, customs declarations, HS codes, shipment records, duty exemptions, preferential trade documentation where applicable.
Product and quality	Product certifications, laboratory testing, restricted substance evidence, customer approvals, QA/QC records.
Supplier and contractor	Supplier licences, waste contractor licences, recruitment agent licences, logistics provider registrations, insurance, certifications.
Certification and ESG	ISO, MSNR, FSC, PEFC, Preferred by Nature, social audit, chain-of-custody, customer ESG audit records.

Licence and permit register

Companies should maintain a **Licence, Permit, and Compliance Register**.

Field	Description
Requirement name	Licence, permit, approval, registration, certificate, submission, or customer requirement.
Issuing authority / source	Government agency, local authority, certification body, customer, or internal requirement.
Applicability	Site, department, product, supplier, worker group, process, or activity covered.
Requirement type	Licence, permit, approval, certificate, submission, monitoring, renewal, report, or declaration.
Licence / permit number	Reference number where applicable.
Issue date	Date issued.
Expiry date	Date expiring or next renewal date.
Renewal timeline	When renewal preparation should start.
Responsible owner	Department or person responsible.
Compliance obligations	Monitoring, reporting, training, inspection, submission, display, storage, or operating conditions.
Evidence required	Certificate, submission, inspection report, payment receipt, monitoring report, licence copy.
Status	Valid, pending renewal, expired, under review, non-compliant, not applicable.
Risk level	Low, medium, high, critical.
Corrective action	Action needed for gaps or renewal.
Management review	Date reviewed and decision made.

Compliance tracking process

A practical compliance tracking process should include:

Step	Action
1. Identify requirements	Confirm applicable licences, permits, approvals, monitoring, submissions, and customer requirements.
2. Assign owners	Assign each requirement to a responsible department.
3. Record details	Enter issue date, expiry date, renewal requirement, evidence, and conditions in the register.
4. Set reminders	Use calendar alerts, tracker due dates, or management review reminders.
5. Monitor conditions	Track ongoing obligations such as sampling, inspections, training, waste disposal, submissions, or records.
6. Prepare renewal early	Start renewal before expiry, especially where inspections, payments, documents, or agency approvals are needed.
7. Review changes	Update register when operations, sites, equipment, waste streams, workforce, suppliers, or products change.

Step	Action
8. Track non-compliance	Record expired documents, late submissions, exceedances, findings, or missing evidence.
9. Close corrective actions	Assign and close actions with evidence.
10. Report to management	Review status periodically and escalate high-risk gaps.

Department-level responsibilities

Department	Compliance Tracking Responsibilities
Management	Reviews high-risk compliance status, approves resources, escalates significant issues.
Compliance / Legal / Company Secretary	Maintains corporate, governance, legal, and contract compliance records.
EHS / Environmental	Tracks environmental permits, effluent, scheduled waste, chemicals, air emissions, water, and environmental submissions.
OHS / Safety	Tracks risk assessments, safety committee, training, incidents, machinery, emergency readiness, and OHS documents.
HR	Tracks employment contracts, payroll, working hours, wages, leave, grievances, migrant worker records, and training.
Finance / Tax	Tracks tax filings, payments, e-Invoice, statutory payments, payroll tax, and financial compliance records.
Procurement	Tracks supplier licences, supplier declarations, contractor records, waste contractor approvals, and supplier compliance.
Production / Maintenance	Tracks equipment records, maintenance, machinery certification where applicable, and operational compliance.
Sales / Logistics	Tracks customer requirements, shipment documents, export records, customs documents, and customer ESG submissions.
ESG Team	Consolidates compliance evidence, ESG requirements, customer data, and reporting-related compliance status.

Compliance evidence

Compliance evidence should be organised and retrievable.

Compliance Area	Examples of Evidence
Environmental	Permits, monitoring reports, effluent results, scheduled waste consignment notes, DOE correspondence, waste contractor licences.
OHS	OHS policy, HIRARC, training records, incident reports, safety committee minutes, emergency drill reports, equipment inspection records.
Employment	Contracts, payroll records, payslips, attendance records, overtime approvals, leave records, worker grievances.
Tax	Tax submissions, payment receipts, e-Invoice records, employer tax records, tax computation, tax agent correspondence.

Compliance Area	Examples of Evidence
Anti-corruption	ABAC policy, risk assessment, gift register, conflict register, training records, whistleblowing records.
Supplier compliance	Supplier licences, declarations, certifications, audit reports, corrective action plans, traceability records.
Rubber traceability	Supplier records, MSNR records where applicable, purchase records, sourcing area records, geolocation where required.
Product compliance	Product certificates, restricted substance declarations, test reports, customer approvals.
Public policy engagement	Consultation records, meeting minutes, submissions, policy position approvals, industry correspondence.

Non-compliance and enforcement response

Where non-compliance occurs, the company should respond promptly. Examples include expired permits, late submissions, effluent exceedances, scheduled waste documentation gaps, missing wage records, OHS findings, supplier licence gaps, or customer audit non-conformities.

A non-compliance response should include:

Step	Action
1. Identify issue	Record the non-compliance, finding, or gap.
2. Classify severity	Assess legal, environmental, social, customer, operational, and reputational impact.
3. Contain risk	Stop or control the activity where immediate harm or legal exposure exists.
4. Notify internally	Escalate to responsible department and management.
5. Notify externally where required	Follow legal, permit, customer, or certification notification requirements.
6. Investigate root cause	Identify why the non-compliance occurred.
7. Correct	Implement corrective action and gather evidence.
8. Prevent recurrence	Update SOP, training, reminders, responsibilities, or controls.
9. Close and verify	Confirm closure and retain evidence.
10. Review management system	Include significant issues in management review.

Change management

Regulatory compliance should be reviewed before major changes, such as:

- a. new site or expansion;
- b. new production line;
- c. new chemical;

- d. new wastewater treatment system;
- e. new waste stream;
- f. new boiler, generator, compressor, or high-risk equipment;
- g. new supplier, contractor, or recruitment agent;
- h. new export market;
- i. new customer requirement;
- j. new product claim;
- k. increased production volume;
- l. worker accommodation changes;
- m. new logistics route; or
- n. new ESG reporting commitment.

A change management checklist should ask whether new licences, permits, monitoring, training, supplier controls, or customer approvals are required before implementation.

39.4 Indicators and Verifiers

The following indicators and verifiers should be used to assess and report the Regulatory Risk and Public Policy topic. Companies should apply them based on company size, operating activities, export markets, regulatory exposure, customer requirements, certification scope, and ESG maturity.

Indicator table

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
1. Regulatory monitoring procedure	Company has a process to monitor laws, regulations, permits, customer requirements, certification requirements, and market-access expectations.	Regulatory Monitoring Procedure, compliance SOP, ESG Policy, management approval.	Compliance / ESG Team / Management
2. Regulatory responsibility assignment	Responsibilities for environmental, OHS, labour, tax, customs, anti-corruption, supplier, ESG, and public policy monitoring are assigned.	Roles matrix, job descriptions, department responsibilities, management minutes.	Management / Compliance / ESG Team
3. Legal and regulatory compliance register	Company maintains a register of applicable legal and regulatory obligations.	Legal register, compliance register, review log, evidence index.	Compliance / Department Owners
4. Regulatory update monitoring	Company tracks regulatory and policy updates from	Update log, circulars, official notices, email	Compliance / ESG Team

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	official sources, industry bodies, customers, and advisors.	alerts, meeting notes, workshop records.	
5. Applicability assessment	New or changed requirements are assessed for applicability to sites, products, suppliers, customers, or workforce.	Applicability assessment form, management review, legal advice, customer requirement review.	Compliance / Department Owners
6. Regulatory risk assessment	Regulatory changes and compliance gaps are risk-rated and prioritised.	Regulatory risk register, ESG Risk Register, scoring matrix, action plan.	Compliance / ESG Team
7. Regulatory action tracking	Actions required by regulatory updates are assigned, tracked, and closed.	Regulatory action tracker, corrective action tracker, closure evidence.	Compliance / ESG Team
8. Management escalation	High-risk regulatory matters are escalated to senior management, Board, owner, or ESG Committee.	Escalation records, management review minutes, Board minutes, approval records.	Compliance / Management
9. Environmental regulatory monitoring	Environmental permits, effluent, scheduled waste, emissions, water, chemicals, and pollution requirements are monitored.	Environmental legal register, permits, monitoring reports, scheduled waste records, DOE correspondence.	EHS / Environmental
10. OHS regulatory monitoring	OHS legal requirements, risk assessments, training, incidents, equipment, and emergency obligations are tracked.	OHS legal register, HIRARC, training records, incident reports, safety committee records.	EHS / OHS
11. Labour and employment regulatory monitoring	Employment, wages, working hours, leave, migrant worker, recruitment, and grievance requirements are tracked.	HR legal register, employment contracts, payroll records, attendance records, recruitment records.	HR
12. Tax and e-Invoice monitoring	Tax filings, employer tax, e-Invoice, transfer pricing, withholding tax, and tax record obligations are monitored.	Tax Compliance Register, tax calendar, e-Invoice assessment, filings, payment records.	Finance / Tax Lead
13. Anti-corruption regulatory monitoring	Section 17A, adequate procedures, anti-corruption, whistleblowing, gifts, conflicts, and third-party risks are monitored.	ABAC risk register, policy review, training records, conflict register, gift register.	Compliance / Management
14. Customer and export market monitoring	Customer ESG, traceability, EUDR, product, restricted substance, audit, and market-access requirements are monitored.	Customer requirement matrix, EUDR evidence file, customer correspondence, product compliance file.	Sales / ESG Team / Procurement

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
15. Supplier regulatory monitoring	Supplier licences, certifications, permits, declarations, traceability, and due diligence requirements are monitored.	Supplier compliance file, supplier master list, supplier risk matrix, supplier licence tracker.	Procurement / ESG Team
16. Licence and permit register	Company maintains a register of licences, permits, approvals, certificates, submissions, and expiry dates.	Licence and Permit Register, copies of licences, renewal tracker, reminders.	Compliance / Department Owners
17. Permit condition tracking	Permit conditions, monitoring requirements, reporting obligations, and operating limits are tracked.	Permit condition matrix, monitoring schedule, submission records, inspection reports.	EHS / Compliance
18. Renewal management	Licence and permit renewals are planned before expiry.	Renewal calendar, reminders, application records, payment receipts, renewed licences.	Department Owners / Compliance
19. Compliance evidence control	Evidence supporting compliance status is retained, reviewed, and retrievable.	Evidence register, compliance files, document control records, audit files.	Compliance / ESG Team
20. Non-compliance management	Non-compliance, findings, late submissions, expired permits, or regulatory notices are recorded, investigated, corrected, and closed.	Non-compliance register, corrective action tracker, investigation records, closure evidence.	Compliance / Department Owners
21. Public policy engagement procedure	Company has controls for policy consultations, industry engagement, public official interactions, and public policy positions.	Public Policy Engagement Procedure, Code of Conduct, ABAC Policy, approval matrix.	Compliance / Management
22. Public policy engagement register	Engagement with government, regulators, industry bodies, certification schemes, or public programmes is recorded.	Public Policy Engagement Register, meeting minutes, submissions, attendance, correspondence.	ESG Team / Management
23. Political contribution controls	Political contributions, donations, sponsorships, and in-kind support are prohibited or controlled, approved, and recorded.	Donation policy, sponsorship register, gift register, Board or management approvals.	Compliance / Finance / Management
24. Public official interaction controls	Interactions with public officials are ethical, documented, and subject to ABAC controls.	Meeting records, correspondence, gift register, ABAC training, public official interaction log.	Compliance / Management

Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
25. Training and communication	Relevant employees receive training on regulatory compliance, permit tracking, public policy engagement, and escalation.	Training records, briefing materials, attendance, compliance communications.	HR / Compliance / ESG Team
26. Monitoring and management review	Regulatory risks, policy developments, licences, permits, non-compliance, and public policy engagement are reviewed periodically.	Compliance dashboard, ESG Committee minutes, management review records.	Compliance / Management
27. Reporting and disclosure	Company discloses regulatory risk management, public policy engagement, compliance tracking, limitations, and improvement actions where material.	ESG report, customer questionnaire, evidence register, omission explanation, management approval.	ESG Team / Management

Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Number of regulatory requirements recorded	Count of requirements in the legal and regulatory compliance register.
Percentage of regulatory requirements assigned to responsible owners	Requirements with owners ÷ total requirements recorded.
Number of regulatory updates reviewed	Count of updates assessed during the reporting period.
Percentage of regulatory updates assessed for applicability	Updates assessed ÷ total updates identified.
Number of high-risk regulatory changes identified	Count of changes rated high or critical.
Percentage of regulatory actions closed on time	Actions closed by due date ÷ total regulatory actions due.
Number of licences, permits, approvals, and certificates tracked	Count in the licence and permit register.
Percentage of licences and permits valid during reporting period	Valid licences and permits ÷ total licences and permits in scope.
Number of expired licences or permits	Count of expired documents during the reporting period.
Percentage of renewals submitted before expiry	Renewals submitted before expiry ÷ total renewals due.
Number of regulatory inspections or audits conducted	Count of official inspections, certification audits, or customer compliance audits.

KPI	Measurement Approach
Number of regulatory non-compliances or notices received	Count of notices, penalties, warnings, late submissions, or findings.
Percentage of regulatory corrective actions closed on time	Corrective actions closed by due date ÷ total due.
Number of customer regulatory or market-access requests received	Count of EUDR, traceability, ESG, restricted substance, or export-related requests.
Percentage of customer regulatory requests responded to within target timeline	Requests responded on time ÷ total requests due.
Number of public policy engagement activities recorded	Count of consultations, workshops, submissions, briefings, or industry dialogues.
Number of public policy positions or submissions approved by management	Count of approved submissions or positions.
Number of political contributions made	Count and value, where legally permitted and approved; otherwise report zero if prohibited.
Percentage of public policy engagements reviewed for ABAC risk	Engagements reviewed ÷ total engagements requiring review.
Number of employees trained on regulatory compliance or public policy controls	Count of trained employees.

Reporting guidance

Where Regulatory Risk and Public Policy is material, the company should disclose:

- a. why regulatory risk and public policy are material to the company;
- b. how the company monitors legal, regulatory, customer, certification, and market-access requirements;
- c. the main regulatory areas monitored, such as environment, OHS, labour, tax, anti-corruption, customs, traceability, ESG reporting, and product requirements;
- d. how regulatory updates are assessed and assigned to responsible owners;
- e. how licences, permits, approvals, certificates, and submissions are tracked;
- f. how non-compliance, regulatory findings, or expired permits are handled;
- g. how public policy engagement is governed;
- h. whether the company participates in industry consultations, ESG programmes, or policy dialogues;
- i. how political contributions, donations, sponsorships, and public official interactions are controlled;
- j. key regulatory changes or developments relevant to the company during the reporting period;
- k. data gaps, confidentiality limitations, or scope exclusions; and
- l. improvement actions planned for the next reporting cycle.

Example disclosure wording

Regulatory Risk and Public Policy

Regulatory Risk and Public Policy is material to the company because our rubber manufacturing operations are subject to environmental, OHS, labour, tax, supplier, customer, and market-access requirements. The company monitors regulatory developments through official agencies, customer communications, industry bodies, certification updates, and management review.

During the reporting period, the company maintained a legal and regulatory compliance register, tracked licences and permits, reviewed customer ESG and traceability requirements, and monitored emerging ESG-related expectations such as sustainability reporting and EUDR-oriented supply chain evidence. Public policy engagement was conducted through industry briefings and official communication channels where relevant.

The company will continue strengthening regulatory update tracking, permit renewal reminders, public policy engagement records, compliance evidence files, and management review of regulatory risks in the next reporting cycle.

Omission and non-applicability guidance

Regulatory Risk and Public Policy should not normally be marked as fully “not applicable” because all companies are subject to some form of legal and regulatory obligation. However, specific indicators may not apply depending on company size, activities, export markets, and engagement level.

Situation	Example Explanation
No formal regulatory register yet	“The company monitors regulatory requirements through department records but has not yet consolidated them into a formal register. A legal and regulatory compliance register will be developed in the next reporting cycle.”
No EUDR exposure	“EUDR-oriented monitoring is not currently applicable because the company does not supply EU-linked customers or EUDR-relevant products. This will be reviewed if customer or market exposure changes.”
No public policy engagement	“The company did not participate in public policy consultations during the reporting period. Public policy engagement controls will apply if the company participates in future consultations or industry submissions.”
Political contributions prohibited	“The company does not make political contributions. Donations and sponsorships are controlled through the company’s ethics and approval procedures.”
No regulatory inspections	“No regulatory inspections were conducted during the reporting period. The company continues to maintain compliance records and permit readiness.”

Situation	Example Explanation
Limited SME resources	"The company applies simplified regulatory monitoring due to its size. Department heads monitor requirements relevant to their functions and report high-risk matters to management."
Supplier compliance data incomplete	"Supplier regulatory compliance records currently cover priority suppliers only. The company will expand supplier licence and compliance tracking based on risk."
Confidential correspondence	"Detailed regulatory correspondence, legal advice, and case-level compliance information are confidential. The company reports regulatory risk management processes and aggregated outcomes while maintaining records internally."

Minimum Implementation Outputs for Section 39

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

Output	Purpose
Regulatory Monitoring Procedure	Defines how laws, regulations, customer requirements, certification updates, and market-access expectations are monitored.
Legal and Regulatory Compliance Register	Records applicable legal and regulatory obligations, owners, due dates, evidence, and status.
Regulatory Update Log	Tracks new or changed requirements, source, effective date, applicability, risk level, and action needed.
Regulatory Applicability Assessment Form	Documents whether a new requirement applies to the company, suppliers, customers, products, or sites.
Regulatory Risk Register	Records regulatory risks, ratings, owners, controls, actions, and management review.
Regulatory Action Tracker	Tracks actions arising from regulatory updates, customer requirements, inspections, and policy changes.
Licence, Permit, and Compliance Register	Tracks licences, permits, approvals, certificates, submissions, expiry dates, renewal dates, and responsible owners.
Permit Condition Matrix	Records operating conditions, monitoring requirements, reporting obligations, and evidence required under permits.
Renewal Calendar	Provides reminders for licence, permit, certificate, and registration renewals.
Compliance Evidence File	Stores permits, licences, submissions, monitoring reports, inspection records, approvals, and correspondence.
Non-Compliance Register	Records findings, late submissions, expired documents, enforcement notices, root causes, corrective actions, and closure.
Change Management Checklist	Checks whether new operations, products, suppliers, equipment, chemicals, waste streams, or markets trigger new requirements.
Customer Requirement Matrix	Tracks ESG, traceability, product, market-access, EUDR, certification, and audit requirements from customers.
Supplier Compliance Tracker	Tracks supplier licences, certifications, permits, declarations, traceability records, and due diligence evidence.

Output	Purpose
Public Policy Engagement Procedure	Defines controls for policy consultations, industry submissions, public official interaction, and policy positions.
Public Policy Engagement Register	Records consultations, working groups, submissions, meetings, representatives, positions, approvals, and follow-up actions.
Political Contribution, Donation, and Sponsorship Register	Tracks contributions, donations, sponsorships, approvals, and anti-corruption review where applicable.
Public Official Interaction Log	Records significant interactions with regulators, authorities, inspectors, customs officials, or public-sector stakeholders where relevant.
ABAC and Conflict Review Records	Ensures public policy engagement and official interactions are reviewed for corruption and conflict risks.
Regulatory Training Records	Shows employees have been briefed or trained on compliance obligations, permit tracking, escalation, and public policy controls.
Regulatory KPI Dashboard	Tracks regulatory updates, permits, renewals, inspections, non-compliance, corrective actions, and public policy engagement.
Management Review Record	Shows senior management review of regulatory risks, compliance status, policy developments, licences, permits, and improvement actions.
Disclosure Review Record	Supports ESG reporting or customer disclosure relating to regulatory risk, public policy, and compliance status.

Used properly, this topic helps rubber processors and manufacturers maintain legal compliance, prepare for changing ESG and market-access expectations, manage licences and permits, engage responsibly in public policy processes, reduce regulatory risk, and provide credible evidence for ESG reporting, customer due diligence, audits, financing, and continuous improvement.

40. ESG Reporting Principles

ESG reporting is the process of communicating a company's material environmental, social, and governance impacts, risks, opportunities, management approach, performance data, targets, and improvement actions. For Malaysian rubber processors and manufacturers, ESG reporting should be practical, evidence-based, and aligned with stakeholder expectations, including customers, regulators, financiers, certification bodies, suppliers, workers, communities, and industry stakeholders.

The purpose of ESG reporting is not only to produce a document. It should help the company understand its ESG performance, identify gaps, improve controls, respond to buyer requirements, support market access, prepare for assurance or audit, and demonstrate continuous improvement.

The GRI Standards are widely used for impact-based sustainability reporting and are intended to help organisations report their impacts on the economy, environment, and people in a comparable and credible way. GRI 1: Foundation 2021 identifies eight reporting principles: **Accuracy, Balance, Clarity, Comparability, Completeness, Sustainability Context, Timeliness, and Verifiability**. (Global Reporting Initiative)

For companies preparing sustainability-related financial disclosures, IFRS S1 requires fair presentation of sustainability-related risks and opportunities, including information that is comparable, verifiable, timely, and understandable. IFRS S1 also requires disclosures on governance, strategy, risk management, and metrics and targets. (IFRS Foundation) Malaysia's National Sustainability Reporting Framework is also intended to support consistent, comparable, and reliable sustainability information for Corporate Malaysia. (Securities Commission Malaysia)

For these Guidelines, ESG reporting should be guided by the following principles:

- a. report on material ESG topics identified through materiality assessment;
- b. define the reporting boundary and scope clearly;
- c. use consistent reporting periods;
- d. provide accurate and evidence-backed data;
- e. explain assumptions, estimates, data gaps, and omissions;
- f. present both positive and negative performance fairly;
- g. avoid unsupported ESG claims;
- h. protect confidential worker, supplier, customer, geolocation, commercial, and personal data;
- i. obtain management approval before disclosure; and
- j. use reporting outcomes to drive continuous improvement.

The ESG Checklist, evidence register, materiality assessment, ESG action plan, risk register, and management review records should support the reporting process. Together, these tools help ensure that ESG reporting is not a one-off communications exercise, but part of a structured ESG Management System.

40.1 Accuracy, Balance, Clarity, Comparability, Completeness, Sustainability Context, Timeliness, and Verifiability

The eight reporting principles should be applied to all ESG reports, customer questionnaire responses, supplier declarations, sustainability disclosures, ESG dashboards, and public claims.

GRI 1 requires organisations to report information that is correct and sufficiently detailed to allow assessment of their impacts. It also states that estimated data should be identified and that the assumptions, techniques, and limitations of estimates should be explained.

Reporting principles and practical application

Reporting Principle	Meaning	Practical Application for Rubber Processors and Manufacturers
Accuracy	Information should be correct, sufficiently detailed, and supported by reliable data or evidence.	Use actual utility bills, payroll records, waste consignment notes, effluent reports, training records, supplier declarations, and calculation workbooks. Clearly identify estimates and assumptions.
Balance	Reporting should fairly represent positive and negative impacts.	Report achievements such as energy savings or training completion, but also disclose material gaps, incidents, grievances, supplier data limitations, or corrective actions.
Clarity	Information should be understandable and accessible to users.	Use clear explanations, simple tables, defined terms, consistent units, and practical descriptions. Avoid unexplained technical jargon.
Comparability	Information should be reported consistently so users can compare performance over time.	Use consistent metrics, reporting boundaries, units, calculation methods, and intensity indicators. Explain changes from prior years.
Completeness	Reporting should provide sufficient information to understand the company's material ESG impacts during the reporting period.	Include all material ESG topics, relevant sites, significant suppliers, key risks, KPIs, actions, and limitations. Do not omit material negative impacts.

Sustainability Context	Performance should be explained in the broader environmental, social, regulatory, sector, and market context.	Explain how emissions, water, waste, labour, traceability, deforestation, and supplier issues relate to the rubber sector, customer expectations, Malaysian requirements, and export market expectations.
Timeliness	Information should be reported regularly and soon enough to support decision-making.	Prepare ESG reports annually, collect data monthly or quarterly where possible, and respond to customer requests within agreed timelines.
Verifiability	Information should be organised so it can be checked by internal reviewers, customers, auditors, certification bodies, or assurance providers.	Maintain evidence packs, source documents, calculation workbooks, data owner sign-offs, management approvals, and version-controlled records.

GRI's Balance principle requires reporting in an unbiased way that fairly represents negative and positive impacts, while its Verifiability principle requires information to be gathered, recorded, compiled, and analysed so that its quality can be examined.

Accuracy

Accuracy means that reported information should be reliable and suitable for decision-making. Quantitative data should be based on clear measurement methods, source records, calculation formulas, and review processes. Qualitative statements should be consistent with policies, procedures, records, actions, and evidence.

Examples of accurate reporting include:

- a. reporting electricity consumption based on monthly electricity bills;
- b. reporting waste generated based on weighing records, consignment notes, or contractor reports;
- c. reporting training hours based on attendance records and session duration;
- d. reporting OHS incidents based on incident registers and investigation records;
- e. reporting wages and working hours based on payroll and attendance records;
- f. reporting supplier screening coverage based on the supplier master list and completed questionnaires;
- g. reporting emissions based on documented activity data, emission factors, and calculation workbooks; and
- h. reporting corrective action closure based on closure evidence.

Companies should avoid vague or unsupported claims such as “all suppliers are sustainable,” “zero risk,” “fully compliant,” or “environmentally friendly” unless such claims are properly supported and the scope is clear.

Balance

Balanced reporting means the company should not only highlight achievements. It should also disclose material challenges, gaps, corrective actions, data limitations, and areas for improvement.

For example, a company may report that it reduced electricity intensity, but should also explain if Scope 3 emissions have not yet been calculated. A company may report that no confirmed forced labour cases were identified, but should also explain whether recruitment fee checks were conducted and whether supplier data remains incomplete. A company may report that supplier traceability improved, but should not claim full upstream traceability if geolocation is only available for selected suppliers.

Balanced reporting improves credibility because it shows that the company understands both strengths and weaknesses.

Clarity

ESG reports should be written so that users can understand what the company is saying. Users may include customers, workers, suppliers, financiers, regulators, industry bodies, and management. Not all users will be ESG specialists.

Clear reporting should include:

- a. simple explanations of material topics;
- b. tables for KPIs and targets;
- c. definitions of technical terms;
- d. clear units, such as tonnes CO₂e, kWh, m³, tonnes, percentage, number of workers, or number of suppliers;
- e. explanation of boundaries, such as “main manufacturing site only” or “priority suppliers only”;
- f. separation between actual data, estimated data, and planned actions;
- g. concise explanations of improvements and limitations; and
- h. clear links to the ESG Checklist, evidence register, and action plan.

Comparability

Comparability allows the company and stakeholders to assess changes over time. It also helps customers and financiers compare information across suppliers.

To support comparability, companies should:

- a. use consistent definitions and units;
- b. maintain consistent reporting periods;
- c. disclose prior-year data where available;
- d. explain changes in calculation methods;
- e. explain changes in boundary, such as adding a new warehouse or excluding a closed site;
- f. use intensity metrics where useful, such as energy per tonne of product or water per unit produced;
- g. restate prior-year data where material errors are corrected, where practical; and
- h. disclose why data is not comparable where major changes occur.

For rubber companies, comparability is especially useful for energy, emissions, water, waste, OHS incidents, training hours, workforce data, supplier assessment coverage, and corrective action closure.

Completeness

Completeness means that the ESG report should cover the information necessary to understand the company's material ESG impacts, risks, performance, and management approach.

A complete ESG report should include:

- a. reporting boundary and period;
- b. company profile and operations covered;
- c. materiality assessment summary;
- d. stakeholder engagement summary;
- e. material ESG topics;
- f. governance structure and responsibilities;
- g. environmental performance;
- h. social performance;
- i. governance performance;
- j. supplier due diligence and traceability where material;
- k. KPIs and targets;
- l. incidents, grievances, non-compliance, and corrective actions where material;

- m. data gaps, omissions, limitations, and assumptions; and
- n. future improvement actions.

Completeness does not mean reporting every possible ESG topic in equal detail. It means reporting enough information on material topics and explaining why non-material, unavailable, confidential, or non-applicable topics are not reported in detail.

Sustainability Context

Sustainability context means the company should explain ESG performance in relation to the wider setting in which it operates. For Malaysian rubber processors and manufacturers, this may include:

- a. Malaysia's rubber industry context;
- b. the company's position in the value chain;
- c. customer and export market expectations;
- d. regulatory expectations;
- e. EUDR-oriented traceability expectations where relevant;
- f. MSNR, GPSNR, FSC, PEFC, Preferred by Nature, GRI, NSRF, TCFD, TNFD, MITI i-ESG, and Bursa-related expectations where relevant;
- g. climate-related risks and energy transition;
- h. water stress or local environmental context;
- i. labour and migrant worker context;
- j. supply chain complexity and smallholder-linked sourcing;
- k. community and land-related context; and
- l. company size, maturity, and resource capacity.

For example, water use should be explained not only as total m³ withdrawn, but also in relation to whether the site operates in a water-stressed area, whether water is used in production, and whether effluent is treated. Traceability should be explained in relation to natural rubber sourcing complexity, supplier tiers, data availability, and customer expectations.

Timeliness

Timely reporting means information should be made available regularly and soon enough to support decisions. ESG reports are normally prepared annually, but ESG data should be collected more frequently where possible.

A practical reporting rhythm may include:

Frequency	Reporting or Review Activity
Monthly	Energy, water, waste, OHS incidents, grievances, payroll corrections, supplier corrective actions.
Quarterly	ESG KPI dashboard, risk register, supplier screening progress, action plan updates, management review.
Annually	ESG report, materiality review, stakeholder engagement summary, policy review, target review.
Incident-based	Serious OHS incident, spill, regulatory notice, forced labour concern, child labour concern, corruption allegation, major customer finding.
Customer-request-based	ESG questionnaires, traceability requests, emissions requests, EUDR-oriented evidence requests, audit responses.

IFRS S1 requires sustainability-related financial disclosures to cover the same reporting period as the related financial statements and to be reported at the same time as those financial statements, where IFRS Sustainability Disclosure Standards are applied. (IFRS Foundation)

Verifiability

Verifiability means the company can show the source of its ESG information. ESG reporting should be supported by evidence that can be reviewed by management, customers, auditors, certification bodies, financiers, or assurance providers.

To support verifiability, companies should maintain:

- a. ESG evidence register;
- b. ESG data ownership matrix;
- c. source documents;
- d. calculation workbooks;
- e. methodology notes;
- f. assumptions and estimates register;
- g. management approval records;
- h. disclosure review checklist;
- i. omission explanation register;
- j. supplier due diligence files;

- k. corrective action tracker; and
- l. final ESG evidence pack.

Verifiability is especially important for claims relating to traceability, no-deforestation, emissions, renewable energy, waste recycling, forced labour prevention, wage compliance, OHS performance, anti-corruption training, and supplier screening.

40.2 Reporting Boundary and Scope

The reporting boundary defines what parts of the company, operations, sites, entities, activities, suppliers, and value chain are included in the ESG report. The scope defines which ESG topics, indicators, data points, and reporting frameworks are covered.

IFRS S1 requires sustainability-related financial disclosures to be for the same reporting entity as the related financial statements. It also requires data and assumptions used in sustainability-related disclosures to be consistent, to the extent possible, with those used in the related financial statements. (IFRS Foundation)

For these Guidelines, companies should clearly define the reporting boundary before collecting data. This avoids confusion, double-counting, missing data, and unsupported claims.

Boundary types

Boundary Type	What It Covers	Example
Organisational boundary	Legal entities, subsidiaries, branches, or business units included in the report.	"This report covers ABC Rubber Manufacturing Sdn. Bhd. only."
Operational boundary	Sites, facilities, departments, and activities included.	"This report covers the main manufacturing plant, warehouse, office, and wastewater treatment facility."
Geographical boundary	Locations or countries included.	"This report covers Malaysian operations only."
Value chain boundary	Suppliers, contractors, customers, logistics, waste contractors, or downstream impacts included.	"Supplier due diligence covers priority suppliers of natural rubber, chemicals, packaging, waste, logistics, and labour services."
Topic boundary	ESG topics included or excluded.	"Deforestation applies through natural rubber sourcing, not through company-owned plantations."
Data boundary	Specific data coverage for each KPI.	"Energy and emissions data cover the main manufacturing site only; Scope 3 data is under development."

Product boundary	Product categories, product lines, or customer-specific products included.	“EUDR-oriented traceability applies to selected natural rubber products supplied to EU-linked customers.”
Reporting framework boundary	Standards or frameworks referenced.	“The report is prepared with reference to the MRC ESG Guidelines and selected GRI disclosures.”

Boundary statement

Each ESG report should include a boundary statement. A practical format is:

Reporting Boundary

This report covers [company name]’s [operations/sites/entities] for the period [start date] to [end date]. Environmental data covers [sites and activities]. Social data covers [worker groups]. Governance data covers [policies, risks, supplier due diligence, ethics, compliance]. Supplier data covers [supplier categories or priority suppliers]. Any exclusions, estimates, or limitations are explained in the relevant sections.

Boundary by ESG area

Different ESG data may have different boundaries. This should be explained clearly.

ESG Area	Boundary Considerations
Energy	Which sites, meters, equipment, vehicles, and fuels are included?
Emissions	Are Scope 1, Scope 2, and relevant Scope 3 included? Which sites and sources are covered?
Water	Which sites, water sources, wastewater systems, and discharge points are included?
Waste	Which waste streams, sites, contractors, and disposal or recycling routes are included?
Hazardous substances	Which chemicals, production areas, storage areas, laboratories, and contractors are included?
Deforestation	Does the topic apply through natural rubber sourcing, supplier traceability, or customer requirements?
Workforce	Are permanent, temporary, contract, migrant, outsourced, apprentice, and contractor workers included?
OHS	Are employees, contractors, visitors, and outsourced workers included in incident and training data?
Wages and working hours	Which worker categories and payroll systems are included?

Training	Are internal employees, contractors, suppliers, and external training included?
Supplier due diligence	Which suppliers are covered: all suppliers, priority suppliers, high-risk suppliers, or selected categories?
Anti-corruption	Are employees, directors, suppliers, contractors, agents, and business partners included?
Stakeholder engagement	Which stakeholder groups and engagement channels are included?

Own operations and value chain

Companies should distinguish between:

- own operations**, such as factories, offices, warehouses, laboratories, vehicles, wastewater systems, and worker accommodation; and
- value chain activities**, such as suppliers, contractors, recruitment agents, logistics providers, waste contractors, customers, and end-of-life impacts.

For example:

Topic	Own Operations Boundary	Value Chain Boundary
Deforestation	Usually not direct unless company owns land or plantations.	Natural rubber suppliers, sourcing areas, dealers, smallholders, plantations.
Forced labour	Company recruitment, employment, payroll, document access, accommodation.	Recruitment agents, labour suppliers, contractors, suppliers.
Waste	Waste generated at company sites.	Waste contractors, recyclers, treatment and disposal facilities.
Emissions	Scope 1 and Scope 2 from company operations.	Scope 3 from suppliers, logistics, waste, purchased materials, product use, end-of-life.
OHS	Workers, contractors, visitors at company sites.	Supplier and contractor OHS practices where relevant.
Anti-corruption	Company employees and decisions.	Suppliers, agents, brokers, contractors, customers, public official interactions.

Boundary changes

If the reporting boundary changes, the company should explain the change and its effect on comparability.

Boundary changes may include:

- a. adding a new site;
- b. closing a site;
- c. acquiring a company;
- d. outsourcing a process;
- e. changing supplier scope;
- f. adding Scope 3 emissions categories;
- g. including contractor workers for the first time;
- h. changing from priority supplier coverage to all supplier coverage;
- i. changing product or customer scope; or
- j. improving data availability.

Example wording:

“In the current reporting period, waste data includes the main manufacturing site and warehouse. In the previous period, only the manufacturing site was included. As a result, total waste data is not directly comparable to the prior year. The company will maintain this expanded boundary in future reporting.”

Boundary limitations

Where the company cannot include all relevant data, it should disclose the limitation and improvement plan.

Examples include:

Limitation	Disclosure Example
Site excluded	“Water data excludes the rented warehouse because separate water bills are not yet available.”
Supplier scope limited	“Supplier ESG screening covers priority suppliers based on spend, risk, and customer exposure.”
Scope 3 not complete	“Scope 3 emissions have not yet been fully calculated. Initial screening has identified purchased materials, logistics, and waste as priority categories.”
Contractor data incomplete	“Contractor training data is recorded for contractors working onsite but does not yet cover offsite service providers.”
Geolocation incomplete	“Geolocation data is available for selected natural rubber suppliers only. The company is working to improve coverage.”

40.3 Reporting Period

The reporting period is the time covered by the ESG report. It should be clearly stated, consistently applied, and aligned with the company's internal data collection process.

A standard ESG reporting period is normally 12 months. Companies may align the ESG reporting period with the financial year, calendar year, customer reporting cycle, certification cycle, or group reporting cycle. IFRS S1 allows reporting periods other than 12 months in specific circumstances, but requires disclosure of the period covered, the reason for using a longer or shorter period, and the fact that disclosed amounts are not entirely comparable. (IFRS Foundation)

Reporting period statement

A practical reporting period statement is:

Reporting Period

This ESG report covers the period from [start date] to [end date]. Unless otherwise stated, all data, activities, incidents, corrective actions, targets, and performance information relate to this reporting period.

Aligning reporting periods

Companies should aim to align ESG reporting with:

- a. financial reporting period;
- b. customer reporting cycle;
- c. regulatory submission timelines;
- d. annual management review;
- e. materiality review;
- f. supplier due diligence review;
- g. annual training plan;
- h. annual OHS review;
- i. annual environmental performance review; and
- j. annual ESG action plan.

Where possible, monthly data collection should feed into the annual reporting period. For example, monthly electricity bills should be consolidated into annual energy and emissions data.

Reporting period by topic

Some ESG data may follow different collection cycles. The company should explain this where relevant.

Data Type	Common Reporting Period Issue
Energy and water	Usually monthly bills covering calendar months; may not exactly match financial year dates.
Waste	Waste contractor records may be by collection date, not generation date.
Emissions	Emissions are calculated annually using activity data and emission factors.
Training	Training records may follow calendar year or HR training calendar.
OHS	Incident data should follow the ESG reporting period.
Payroll and wages	Payroll periods may be monthly and should be consolidated into reporting-year data.
Supplier due diligence	Supplier reviews may occur throughout the year; report status as at year-end or by review cycle.
Customer requests	Customer ESG submissions may occur outside the annual report cycle.
Certification audits	Audit cycles may not match ESG reporting periods.
Corrective actions	Some actions may start in one period and close in another.

Events after the reporting period

Companies should decide how to handle events that occur after the reporting period but before the ESG report is approved. IFRS S1 requires disclosure of events after the reporting period if non-disclosure could reasonably influence decisions by users of general purpose financial reports. (IFRS Foundation)

For these Guidelines, companies should consider disclosing significant post-period events where they materially affect ESG understanding, such as:

- a. serious OHS incident;
- b. major environmental incident;
- c. regulatory enforcement notice;
- d. confirmed forced labour or child labour case;
- e. major customer ESG audit failure;
- f. supplier suspension due to ESG risk;
- g. major change in reporting boundary;
- h. major acquisition, closure, or expansion;
- i. major policy or legal change;
- j. major emissions, water, waste, or compliance issue; or
- k. major sustainability-linked financing or customer requirement.

Comparative information

Where data is available, companies should provide prior-year comparison. This helps show trends and progress.

Examples include:

- a. total energy consumption compared with prior year;
- b. Scope 1 and Scope 2 emissions compared with prior year;
- c. water withdrawal and intensity compared with prior year;
- d. waste generated and recycling rate compared with prior year;
- e. OHS incident count compared with prior year;
- f. training hours compared with prior year;
- g. employee turnover compared with prior year;
- h. supplier screening coverage compared with prior year; and
- i. corrective action closure rate compared with prior year.

Where prior-year data is not available, the company should state that the current year is the baseline year.

Example wording:

“This is the company’s first year of ESG reporting. Prior-year comparative data is not available for all indicators. The current reporting period will be used as the baseline for future comparison.”

Restatements

If previously reported data was materially incorrect, the company should correct the error and explain the restatement. IFRS S1 requires correction of material prior-period errors by restating comparative amounts unless impracticable. (IFRS Foundation)

Restatement may be needed where:

- a. utility data was omitted;
- b. fuel conversion was wrong;
- c. waste data was double-counted;
- d. worker headcount was calculated incorrectly;
- e. Scope 2 emission factor was misapplied;
- f. supplier assessment coverage was overstated;
- g. training hours were overcounted;
- h. contractor incidents were omitted; or

- i. reporting boundary was incorrectly described.

Example wording:

“The prior-year waste figure has been restated because scheduled waste quantities were previously reported in kilograms but consolidated as tonnes. The corrected figure is shown in the comparative table.”

40.4 Disclosure of Omissions

An omission occurs when the company does not disclose a topic, indicator, data point, or requirement that may otherwise be expected. Omissions should be explained clearly and honestly. Leaving items blank or simply stating “N/A” without explanation weakens credibility.

Omissions may arise because a topic is not applicable, information is unavailable, the disclosure is legally prohibited, the information is confidential, the boundary is limited, or the topic is covered elsewhere.

IFRS S1 provides relief from disclosing information where law or regulation prohibits disclosure and also contains relief for commercially sensitive information about sustainability-related opportunities in specified circumstances. (IFRS Foundation) For these Guidelines, companies should apply omission explanations carefully and should not use confidentiality or non-applicability to hide material risks.

Acceptable reasons for omission

Omission Reason	When It May Apply	Required Explanation
Not applicable	Topic does not apply to the company’s operations, products, supply chain, workforce, or reporting boundary.	Explain why it is not applicable and when it will be reassessed.
Information unavailable	Data is relevant but not yet collected or incomplete.	Explain what is missing, why it is missing, and what the company will do to collect it.
Information incomplete	Partial data is available, but not enough for full disclosure.	Disclose available data, boundary, limitations, and improvement plan.
Legal prohibition	Law or regulation prevents disclosure.	State that disclosure is prohibited and provide aggregated or alternative information where possible.
Confidentiality constraint	Data contains sensitive worker, supplier, customer, commercial, geolocation, or personal information.	Explain confidentiality issue and disclose aggregated or anonymised information where possible.

Commercial sensitivity	Disclosure could seriously prejudice commercial position, negotiations, or opportunity, where relevant.	Provide general information without exposing sensitive details and explain limitation.
Boundary limitation	Data covers only selected sites, suppliers, products, or operations.	State the boundary and whether expansion is planned.
Managed under another topic	The topic is covered under a related ESG topic.	State where the topic is disclosed and why it is grouped.
Methodology under development	Company has not yet finalised a calculation or reporting method.	Explain development status and target timeline.
First-year reporting	Prior-year data is not available.	State that current year is the baseline and comparison will be provided in future.

Omission explanation table

Companies should maintain an **Omission Explanation Register**.

Field	Description
ESG topic	Topic affected by omission.
Indicator or data point	Specific item omitted.
Expected disclosure	What would normally be disclosed.
Reason for omission	Not applicable, unavailable, confidential, legal prohibition, boundary limitation, etc.
Explanation	Clear reason for omission.
Available information	Any partial or alternative data disclosed.
Risk assessment	Whether omission affects understanding of material impacts.
Improvement action	Action to collect data or improve disclosure.
Responsible person	Data owner or department.
Target timeline	Date by which omission may be resolved.
Approval	Management or ESG Committee approval.
Review date	Next reassessment date.

Examples of omission explanations

Situation	Poor Explanation	Better Explanation
Scope 3 emissions not calculated	"N/A."	"Scope 3 emissions have not yet been calculated because supplier and logistics data is incomplete. The company has completed initial Scope 3 screening and will prioritise purchased materials, logistics, and waste in the next reporting cycle."
Deforestation not applicable	"Not relevant."	"Deforestation is not directly applicable because the company does not use natural rubber or rubberwood in its current products. The topic will be reassessed annually if sourcing changes."
Geolocation incomplete	"Data unavailable."	"Geolocation data is currently available for selected natural rubber suppliers only. The company will prioritise high-volume and EU-linked customer suppliers for further data collection."
Wage data confidential	"Confidential."	"Detailed wage data is confidential personal information. The company reports aggregated wage compliance and payroll control information while maintaining payroll-level evidence internally."
No community data	"No community programme."	"The company operates in an established industrial zone with limited direct residential interface. Community impact risk is monitored through complaint channels, environmental controls, and local authority correspondence."
Supplier audits not conducted	"Not applicable."	"Supplier audits were not conducted during the reporting period. Supplier ESG screening was conducted through questionnaires and document review. Audits will be considered for high-risk suppliers."

Cautions when omitting information

Companies should not omit information where omission would mislead stakeholders. Particular care is required for:

- serious OHS incidents;
- forced labour or child labour concerns;
- wage non-compliance;
- major environmental incidents;
- regulatory enforcement;
- significant supplier traceability gaps;
- corruption allegations;
- major community complaints;
- material climate or emissions data gaps;
- major customer audit findings; and
- repeated unresolved corrective actions.

If a topic is sensitive but material, the company should disclose it at an appropriate level, protect confidentiality, and explain corrective action.

40.5 Use of Data, Estimates, and Assumptions

ESG reporting relies on both quantitative and qualitative information. Quantitative data includes numbers, such as energy consumption, emissions, water withdrawal, waste generated, training hours, number of workers, injury rates, supplier assessment coverage, and grievance closure rates. Qualitative information includes policies, procedures, management approaches, risk descriptions, stakeholder feedback, corrective actions, and improvement plans.

Companies should prioritise actual measured data wherever possible. However, estimates may be necessary where actual data is not yet available, especially during early reporting stages or where supplier and value chain data is incomplete.

IFRS S1 requires disclosure of information that enables users to understand the most significant uncertainties affecting amounts reported in sustainability-related financial disclosures. It also requires disclosure of significant judgements made in preparing sustainability-related disclosures. (IFRS Foundation)

Data hierarchy

Companies should use the best available data and explain the source.

Data Quality Level	Description	Example
Measured data	Directly measured from meters, bills, systems, or instruments.	Electricity bills, water meter readings, fuel invoices, effluent test reports.
Calculated data	Calculated using measured activity data and recognised formulas or factors.	Scope 1 and Scope 2 emissions calculated from fuel and electricity data.
Supplier-provided data	Provided by suppliers, contractors, or service providers.	Waste contractor report, supplier origin declaration, logistics distance data.
Estimated data	Estimated using reasonable assumptions where actual data is unavailable.	Fuel allocation between equipment where separate meters are not available.
Proxy data	Based on secondary data, industry averages, spend-based factors, or prior-period data.	Estimated Scope 3 emissions using average emission factors.
Qualitative explanation	Narrative disclosure where quantitative data is unavailable or not yet developed.	Explanation of supplier traceability improvement plan.

When estimates may be used

Estimates may be used when:

- a. actual data is not available;
- b. data collection systems are still being developed;
- c. supplier data is incomplete;
- d. historical data is missing;
- e. meters are shared across sites or processes;
- f. contractors provide partial information;
- g. Scope 3 calculations require secondary data;
- h. the cost of collecting exact data is disproportionate at current maturity level;
- i. the estimate does not materially mislead users; and
- j. the method, assumption, and limitation are disclosed.

Estimate documentation

Every material estimate should be documented.

Field	Description
Data point estimated	Energy, water, emissions, waste, training hours, supplier coverage, etc.
Reason for estimate	Why actual data was not available.
Estimation method	How the estimate was calculated.
Source data used	Bills, invoices, production data, prior-year data, supplier data, industry factors.
Assumptions	Key assumptions used.
Emission factor or conversion factor	Factor used, where relevant.
Uncertainty	Whether uncertainty is low, medium, or high.
Limitation	How the estimate may affect interpretation.
Reviewer	Person who reviewed estimate.
Approval	Management or ESG Committee approval.
Improvement plan	How actual data will be collected in future.

Examples of estimates and assumptions

ESG Area	Possible Estimate	Required Disclosure
Energy	Fuel used by each machine estimated from total fuel purchase and operating hours.	Explain allocation method and plan for equipment-level logs.
Emissions	Scope 3 logistics emissions estimated using shipment weight and distance.	Explain distance assumptions, emission factor source, and limitations.
Water	Water consumption estimated as withdrawal minus discharge.	Explain lack of direct consumption meter.
Waste	General waste estimated using contractor collection frequency and bin capacity.	Explain absence of weighing records and plan to obtain vendor reports.
Training	Training hours calculated as session duration multiplied by attendees.	Explain calculation basis.
Supplier screening	Percentage based on priority suppliers by spend, not all suppliers.	Explain supplier scope and prioritisation method.
Workforce	Average headcount based on monthly headcount average.	Explain headcount methodology.
OHS rates	Injury rate calculated using estimated hours worked.	Explain how hours were estimated and future improvement plan.

Assumptions register

Companies should maintain an **ESG Assumptions and Estimates Register**.

Field	Description
ESG topic	Emissions, water, waste, training, suppliers, workforce, etc.
Indicator	Specific KPI or disclosure item.
Actual or estimated	Whether data is measured, calculated, estimated, or proxy-based.
Methodology	Calculation formula or estimation method.
Assumptions	Key assumptions used.
Source documents	Data used to support the estimate.
Limitation	Data uncertainty or boundary limitation.
Impact on disclosure	Whether estimate materially affects reported performance.
Reviewer	Person checking reasonableness.
Approval	Person approving use of estimate.
Improvement action	Action to improve data quality.
Next review date	When estimate will be reassessed.

Data quality review

Before reporting, companies should review data quality.

Review Question	Yes / No / Remarks
Is the data source identified?	
Does the data match the reporting boundary?	
Does the data cover the full reporting period?	
Are units correct and consistent?	
Are formulas checked?	
Are emission factors or conversion factors documented?	
Is the data measured, calculated, estimated, or proxy-based?	
Are estimates and assumptions explained?	
Are data gaps recorded?	
Has the data owner reviewed the data?	
Has management approved the data for disclosure?	
Is supporting evidence stored in the evidence register?	

Improving data quality over time

Companies should treat estimates and assumptions as part of continuous improvement. Early-stage ESG reporting may rely on basic records and estimates. Over time, companies should improve data quality by:

- a. assigning data owners;
- b. collecting data monthly;
- c. using standard templates;
- d. installing meters where needed;
- e. obtaining supplier data;
- f. improving contractor reporting;
- g. maintaining calculation workbooks;
- h. using consistent emission factors;
- i. improving traceability systems;
- j. conducting internal reviews;
- k. training data owners;
- l. preparing evidence packs; and
- m. reviewing data gaps annually.

Avoiding misleading data use

Companies should not use estimates in a way that hides material impacts or creates a misleading impression. High-uncertainty estimates should be disclosed as such. Where data is too uncertain to report quantitatively, the company may provide a qualitative explanation and improvement plan instead.

For example, if upstream supplier data is highly incomplete, the company should not report that its natural rubber is “fully traceable.” It should report the current traceability level, such as “direct supplier traceability is available for all natural rubber suppliers; sourcing area data is available for selected priority suppliers.”

Minimum Implementation Outputs for Section 40

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

Output	Purpose
ESG reporting procedure	Defines how ESG reports, customer responses, and disclosures are prepared, reviewed, approved, and stored.
Reporting principles checklist	Checks accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness, and verifiability.
Reporting boundary statement	Defines entities, sites, operations, worker groups, suppliers, value chain activities, and data boundaries included.
Scope matrix by ESG topic	Explains which topics cover own operations, suppliers, contractors, customers, or value chain activities.
Reporting period statement	Defines start date, end date, reporting frequency, and alignment with financial or operational reporting.
Data ownership matrix	Assigns data owners, source documents, reviewers, approvers, and evidence locations.
ESG data collection templates	Standardises energy, emissions, water, waste, OHS, workforce, training, supplier, grievance, and governance data.
ESG data quality checklist	Checks completeness, accuracy, consistency, traceability, timeliness, units, formulas, and assumptions.
ESG assumptions and estimates register	Records estimated data, calculation methods, assumptions, limitations, approvals, and improvement actions.
Omission explanation register	Records non-applicability, unavailable data, confidentiality constraints, legal restrictions, boundary limitations, and planned improvements.
Comparative data tracker	Tracks year-on-year performance and explains changes or restatements.
Restatement record	Documents correction of prior-period errors and reasons for restatement.

Disclosure review checklist	Ensures ESG disclosures and customer submissions are accurate, balanced, approved, and evidence-backed.
ESG evidence register	Indexes all documents supporting reported ESG information.
ESG evidence pack	Stores final report, data files, source documents, calculations, methodology notes, assumptions, omissions, and approval records.
Confidentiality and data protection procedure	Protects worker, supplier, customer, geolocation, payroll, medical, commercial, and investigation information.
Disclosure approval record	Shows review and approval by ESG lead, data owners, senior management, Board, owner, or authorised approver.
Disclosure commitment tracker	Tracks promises, targets, improvement actions, and future commitments made in ESG reports or customer responses.
Management review minutes	Shows management review of ESG data, report content, omissions, assumptions, risks, and improvement actions.

Used properly, these reporting principles help rubber processors and manufacturers prepare ESG disclosures that are accurate, balanced, clear, comparable, complete, contextual, timely, and verifiable. They also help companies respond more confidently to customer requests, strengthen ESG data quality, prepare for assurance, and use reporting as a driver for continuous improvement.