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Part 1: Introduction and Guideline Context

1. Introduction

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

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

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

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

1.1 Background of the Malaysian Rubber Industry

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

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

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

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

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

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

For small and medium-sized enterprises, ESG adoption may not always be driven by direct mandatory reporting requirements. However, SMEs are increasingly affected through supply chain requirements, customer questionnaires, supplier codes of conduct, financing criteria, certification expectations, and requests for ESG data from larger corporations. These Guidelines are therefore intended to help companies at different maturity levels take practical steps to begin, strengthen, or improve their ESG approach.

1.2 Purpose of the ESG Guidelines

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

Specifically, the Guidelines aim to:

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

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

1.3 Scope of the Guidelines

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

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

a. company-level ESG governance, accountability, policies, risk management, and internal controls;
b. environmental management, including emissions, energy, water, waste, hazardous substances, biodiversity, land-related risks, and resource efficiency;
c. social management, including human rights, labour practices, occupational health and safety, worker welfare, child labour, forced labour, diversity, training, local communities, and stakeholder engagement;

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d. governance management, including supply chain traceability, due diligence, business ethics, anti-corruption, transparency, regulatory risk, tax practices, and public policy-related matters;
e. ESG reporting, disclosure, data collection, evidence management, and verification readiness;
f. supplier and supply chain practices, where these are relevant to the company's ESG risks, customer expectations, or reporting boundary; and
g. continuous improvement through self-assessment, gap analysis, target setting, action planning, monitoring, and annual review.

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

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

1.4 Intended Users: Midstream and Downstream Rubber Industry

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

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

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g. industry stakeholders, including regulators, agencies, financial institutions, certification bodies, buyers, associations, consultants, and training providers that support ESG adoption in the rubber sector.

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

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

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



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

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

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

At the **Repeat** stage, companies review and improve their ESG practices. This includes updating materiality assessments, reviewing stakeholder feedback, revising policies and procedures, improving data systems, setting new targets, strengthening supplier due diligence, and preparing for future

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regulatory, buyer, or certification expectations. This stage supports continuous improvement and helps companies remain responsive to changing market conditions, stakeholder expectations, and sustainability developments.

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

1.6 Relationship with the ESG Checklist and Supporting Tools

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

The Checklist can be used to:

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

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

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

In applying the Guidelines and Checklist, companies should maintain clear records of decisions, data sources, responsible persons, review dates, supporting documents, and improvement actions. This will help strengthen internal accountability, improve reporting quality, support verification readiness,

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and build confidence among customers, regulators, investors, employees, suppliers, and other stakeholders.

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

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2. ESG in the Rubber Sector

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

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

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

2.1 What ESG Means for Rubber Processors and Manufacturers

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

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

The **Social** pillar focuses on how a company manages its responsibilities towards employees, contract workers, suppliers, customers, and communities. For the rubber sector, this includes human rights,

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fair labour practices, occupational health and safety, worker welfare, migrant worker protection, prevention of child labour and forced labour, freedom of association, training, diversity, equal remuneration, and community engagement. These issues are particularly important where companies operate labour-intensive facilities, use contractors, source from complex supply chains, or serve international buyers with strict social compliance requirements.

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

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

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

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

2.2 Key Sustainability Drivers for the Rubber Industry

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

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

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

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

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

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

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

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

2.3 Market, Regulatory, Buyer, and Financing Expectations

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

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

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

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

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

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

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

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2.4 ESG Risks and Opportunities Across the Rubber Value Chain

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

Value Chain Area	Key ESG Risks	Key ESG Opportunities
Upstream sourcing interface	Deforestation risk, land legality, biodiversity impact, smallholder traceability, supplier documentation gaps, community-related concerns, and sourcing from high-risk areas.	Supplier mapping, MSNR alignment, geolocation records, traceability systems, responsible sourcing programmes, supplier engagement, and improved buyer confidence.
Midstream processing	Energy use, GHG emissions, wastewater, chemical handling, hazardous substances, odour or air emissions, waste generation, OHS risks, and raw material traceability gaps.	Energy efficiency, renewable energy, water recycling, wastewater treatment improvements, cleaner production, digital traceability, waste reduction, and operational cost savings.
Downstream manufacturing	Labour compliance, migrant worker management, OHS risks, chemical exposure, product stewardship, material efficiency, emissions from production and logistics, buyer audits, and customer ESG requirements.	Sustainable product innovation, low-carbon manufacturing, circularity, product quality differentiation, stronger customer relationships, and access to higher-value markets.
Cross-cutting governance	Weak ESG accountability, incomplete records, insufficient supplier due diligence, corruption risk, poor grievance handling, weak data controls, and lack of management review.	Stronger risk management, better decision-making, improved audit readiness, transparent reporting, stronger internal controls, and improved stakeholder trust.

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

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

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

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

2.5 ESG as a Competitiveness and Market Access Tool

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

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

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

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

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

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

In this context, ESG adoption should be understood as a continuous improvement process. Companies may begin with basic policies, compliance checks, data collection, and self-assessment, then progress towards stronger targets, supplier due diligence, internal audit, external assurance, low-carbon transition planning, and integrated sustainability reporting. The current MRC guidance already frames ESG application through a practical cycle of developing the ESG framework, reporting, tracking progress, and repeating the process through review and improvement.

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

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3. Alignment with Relevant Frameworks and Requirements

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

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

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

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

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

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

Alignment should be understood as a **readiness and implementation approach**, not as automatic compliance or certification. Companies should verify the specific requirements that apply to them based on their legal status, export markets, contractual obligations, certification scope, customer requirements, and role in the rubber value chain.

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3.1 Malaysian Sustainable Natural Rubber (MSNR)

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

The five MSNR principles are:

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

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

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

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

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

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3.2 EU Deforestation Regulation (EUDR)

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

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

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

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

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

EUDR alignment is most closely linked to **Deforestation**, **Sustainable Land Use and Natural Ecosystem Conservation**, **Biodiversity**, **Supply Chain Traceability and Due Diligence**, **Human Rights and Social Impact**, **Rights of Indigenous Peoples**, **Business Ethics**, **Anti-Corruption**, and **Regulatory Risk and Public Policy**.

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3.3 EU Corporate Sustainability Due Diligence Directive (CSDDD)

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

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

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

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

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

3.4 Global Platform for Sustainable Natural Rubber (GPSNR)

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

The existing MRC guide describes GPSNR as a non-regulatory initiative that promotes sustainability across the natural rubber value chain. It identifies focus areas such as eliminating deforestation,

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upholding human rights and fair labour practices, improving smallholder livelihoods, promoting sustainable sourcing, and increasing traceability for transparency and accountability.

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

Under these Guidelines, companies should consider GPSNR alignment by:

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

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

3.5 FSC, PEFC, and Preferred by Nature Certification Programme

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

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

FSC provides standards and tools for responsible forest management and chain-of-custody control. FSC due diligence requirements are designed to help organisations avoid material from unacceptable sources, and FSC chain-of-custody requirements support traceability through documented controls and verification.

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

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

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

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

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

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

3.6 GRI Standards and SDG Alignment

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

For the rubber sector, the existing MRC guidance notes that rubber falls under **GRI 13: Agriculture, Aquaculture and Fishing Sectors**, which includes activities such as primary processing, aggregation, storage, transportation, and trading that are relevant to the rubber midstream and downstream value

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chain. The GRI Sector Standards programme identifies GRI 13 as the sector standard for agriculture, aquaculture and fishing.

These Guidelines align with GRI by encouraging companies to:

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

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

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

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

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

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3.7 National Sustainability Reporting Framework (NSRF)

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

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

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

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

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

3.8 TCFD and Climate-Related Disclosure Expectations

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

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

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

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

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

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

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

3.9 TNFD and Nature-Related Considerations

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

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

For rubber processors and manufacturers, nature-related considerations may arise from both direct operations and supply chains. Direct operational issues may include water use, wastewater discharge,

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waste management, chemical handling, soil contamination, air emissions, and site-level biodiversity impacts. Supply chain issues may include deforestation risk, land conversion, peatland concerns, smallholder sourcing, biodiversity loss, ecosystem degradation, and legality of land use.

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

a. identifying operational sites and sourcing areas that may have nature-related risks;
b. assessing dependencies on water, land, raw materials, and ecosystem services;
c. assessing impacts on biodiversity, soil, water, and ecosystems;
d. linking nature-related issues to deforestation, land use, water, waste, hazardous substances, and biodiversity topics;
e. collecting supplier and sourcing information where relevant;
f. prioritising high-risk locations, suppliers, or activities; and
g. documenting mitigation, restoration, or improvement actions.

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

3.10 MITI i-ESG Framework

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

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

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

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

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

3.11 Bursa Malaysia Sustainability Reporting Expectations

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

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

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

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

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

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3.12 Summary Alignment Matrix

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

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

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

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

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Part 2: ESG Governance and Management System

4. Establishing an ESG Management System

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

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

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

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

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

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Core Element	Purpose
ESG reporting and review process	Enables management review, stakeholder communication, reporting, and improvement planning.
Integration with existing systems	Embeds ESG into SOPs, certifications, compliance systems, procurement, HR, EHS, and operational processes.

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

4.1 ESG Governance Structure

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

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

A recommended ESG governance structure is shown below.

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

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

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

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

At minimum, the company should document:

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

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

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

Optional Coordination Arrangement

An organisation may appoint an ESG Coordinator or Designated Person, but it is not required to create a new full-time position. An existing manager, employee, department, committee, risk owner or management-system representative may coordinate implementation. Responsibilities should be documented, while the board or senior management retains accountability for direction, resources and approval.

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

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

The following table provides a practical allocation of ESG responsibilities.

Role	Main Responsibilities	Examples of Evidence
Board, owner, or highest governance body	Provides oversight of ESG strategy, approves ESG policy and major commitments, reviews material ESG topics, monitors significant ESG risks, approves ESG reports or public disclosures.	Board minutes, management approval records, signed ESG policy, approved targets, approved ESG report.
CEO / Managing Director / General Manager	Champions ESG implementation, ensures ESG is aligned with business strategy, allocates resources, chairs or sponsors ESG Committee, resolves cross-functional issues.	Management meeting minutes, budget approvals, internal communications, action plan approvals.
Senior Management / ESG Committee	Reviews ESG risks, approves action plans, monitors progress, validates ESG data and disclosures, ensures ESG is integrated into department plans.	ESG Committee minutes, KPI dashboards, risk register reviews, corrective action tracking.
ESG Lead / Sustainability Officer / ESG Team	Coordinates ESG implementation, maintains ESG checklist, consolidates data, prepares reports, manages evidence files, supports materiality assessment, tracks action plans.	ESG data files, evidence register, materiality records, stakeholder logs, draft reports, checklist updates.

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Role	Main Responsibilities	Examples of Evidence
Production and Operations	Implements environmental, safety, quality, resource efficiency, waste, and process controls at site level. Maintains production and operational data.	Production records, energy logs, water logs, waste records, maintenance records, incident records.
EHS / OSH / Environmental Personnel	Manages compliance with environmental, health, and safety requirements; conducts risk assessments; maintains monitoring records; coordinates emergency response.	Permits, DOE/DOSH records, HIRARC, inspection records, incident reports, training records.
Human Resources	Manages labour practices, recruitment, contracts, wages, working hours, training, worker welfare, grievance channels, diversity, and human rights-related records.	Employment contracts, payroll records, training records, grievance logs, worker communication records.
Procurement / Supply Chain	Manages supplier screening, supplier code of conduct, traceability, due diligence, sourcing records, supplier engagement, and corrective actions.	Supplier list, supplier declarations, contracts, audit records, traceability documents, corrective action plans.
Finance	Supports ESG budgeting, utility data, fuel data, tax compliance, sustainability-related expenditure, cost savings, and financing-related ESG information.	Utility bills, invoices, payment records, budget documents, financing documents, tax records.
Compliance / Legal / Company Secretary	Monitors regulatory requirements, contracts, anti-corruption controls, company governance, licensing, and disclosure obligations.	Compliance register, legal register, declarations, whistleblowing records, regulatory filings.
Internal Audit / Quality Assurance	Reviews ESG controls, checks data completeness, assesses SOP implementation, supports audit readiness and continuous improvement.	Internal audit reports, non-conformance reports, corrective action records, management review records.

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

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

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

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

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

4.3 ESG Policy and Commitment Statement

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

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

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

At minimum, the ESG policy should cover:

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

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k. supplier and contractor expectations;
l. ESG data integrity, reporting transparency, and evidence-based disclosures; and
m. continuous improvement.

A practical ESG commitment statement may be written as follows:

Sample ESG Commitment Statement

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

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

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

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

4.4 ESG Risk and Opportunity Management

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

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

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

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

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

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

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

A simple ESG risk register may include the following fields:

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

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

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

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

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

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4.5 Internal Controls and Documentation

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

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

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

A practical ESG control system should include the following:

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

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

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Examples of ESG documentation include:

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

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

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

4.6 ESG Data Ownership and Accountability

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

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

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

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A sample ESG Data Ownership Matrix is shown below.

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

The ESG data owner should be responsible for:

a. collecting data according to the agreed frequency;
b. ensuring data is complete and accurate;
c. retaining supporting evidence;
d. explaining any gaps, estimates, assumptions, or changes;

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e. submitting data on time to the ESG team or reporting coordinator;
f. responding to internal review or verification questions; and
g. supporting corrective actions where data weaknesses are identified.

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

Companies should apply basic ESG data quality principles:

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

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

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

4.7 Integration with Existing SOPs, Compliance Systems, and Certifications

Integration Principle

Use these Guidelines as an overlay to strengthen existing governance, enterprise risk management (ERM), compliance, quality, environmental, occupational safety and health, human resources, procurement, finance and reporting systems. Organisations do not need to create a separate parallel ESG management system where suitable arrangements already exist.

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PROFILE Context and governance	PRIORITISE Applicable/material topics	MAP Risks, controls, owners	INTEGRATE Plans, KPIs, budgets, reporting	REVIEW Evidence and improvement

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

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

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

Examples of ESG integration into existing SOPs are shown below.

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

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Existing Process or SOP	ESG Integration
Sales / Customer Response SOP	Include review of ESG claims, customer ESG questionnaires, sustainability data requests, and approval before external disclosure.
Document Control SOP	Include ESG evidence retention, version control, data storage, access rights, and approval records.

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

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

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

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

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

a. whether ESG roles and responsibilities remain appropriate;
b. whether the ESG policy requires updates;
c. whether material ESG risks have changed;
d. whether ESG data is complete and reliable;
e. whether evidence is sufficient for reporting or customer requests;
f. whether SOPs and controls are being followed;

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g. whether supplier due diligence is effective;
h. whether corrective actions have been closed; and
i. whether new ESG targets, resources, or improvement plans are required.

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

Minimum Implementation Outputs for Section 4

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

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

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

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5. Materiality and Stakeholder Engagement

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

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

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

Materiality assessment and stakeholder engagement should support:

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

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

5.1 Understanding Material Topics

Materiality definition

Materiality is a practical process for identifying and prioritising ESG matters relevant to an organisation's activities, impacts, risks, opportunities, stakeholders, value chain and applicable obligations. The depth of assessment should be proportionate to context and decision needs, not company size alone.

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

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

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

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

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

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

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

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

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

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

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

5.2 Identifying Internal and External Stakeholders

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

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

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

Internal stakeholders

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

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

External stakeholders

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

External Stakeholder Group	Relevance to ESG and Materiality
Customers, buyers, brand owners, and distributors	May require ESG data, traceability, certifications, labour compliance, emissions information, supplier codes, and audit responses.
Raw material suppliers	Affect traceability, responsible sourcing, no-deforestation expectations, material quality, labour practices, and supply continuity.
Smallholders, dealers, and collection centres	Relevant where natural rubber sourcing, geolocation, legality, and supply chain transparency are material.
Chemical, packaging, and equipment suppliers	Relevant to hazardous substances, material use, product stewardship, safety, and circularity.
Contractors and service providers	May affect OHS, labour practices, site conduct, maintenance, security, logistics, and environmental performance.
Regulators and government agencies	Relevant to legal compliance, permits, environmental monitoring, labour requirements, occupational safety and health, tax, and industry policy.
Malaysian Rubber Council, Malaysian Rubber Board, and industry associations	Provide industry guidance, standards, market insights, capacity building, and sector-level ESG direction.

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External Stakeholder Group	Relevance to ESG and Materiality
Financial institutions, insurers, and investors	May assess ESG performance, climate exposure, governance practices, risk management, and eligibility for financing.
Certification bodies and auditors	Assess compliance with standards, customer requirements, chain-of-custody systems, social audits, and environmental systems.
Local communities	May be affected by environmental impacts, traffic, noise, odour, employment, community investment, land-related issues, or grievance matters.
Civil society organisations and NGOs	May raise concerns relating to labour rights, human rights, deforestation, community impacts, biodiversity, and ethical sourcing.
Academic and technical partners	May support research, training, innovation, emissions reduction, circularity, and process improvement.

Stakeholder mapping should consider four questions:

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

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

5.3 Stakeholder Engagement Methods

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

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

Engagement should be guided by the following principles:

Principle	Meaning
Inclusiveness	Relevant internal and external stakeholders should have a reasonable opportunity to provide input.
Transparency	The company should explain the purpose of engagement and how feedback will be used.

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Principle	Meaning
Accessibility	Engagement methods should be suitable for the stakeholder group, including language, literacy, location, and access considerations.
Responsiveness	The company should consider feedback and respond through actions, explanations, or improvement plans.
Confidentiality	Sensitive information, personal data, worker concerns, and whistleblowing reports should be protected.
Non-retaliation	Workers, suppliers, or other stakeholders should be able to raise concerns without fear of retaliation.
Evidence-based	Engagement outcomes should be documented and supported by records.

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

Stakeholder Group	Possible Engagement Methods	Typical ESG Topics Discussed
Board and senior management	Strategy workshops, management meetings, risk review sessions, materiality validation meetings.	ESG strategy, risk, governance, market access, compliance, financing, targets, resources.
Employees	Surveys, town halls, toolbox talks, department meetings, training sessions, interviews, grievance channels.	OHS, wages, working hours, welfare, training, diversity, grievance mechanisms, workplace culture.
Migrant and contract workers	Small-group discussions, confidential interviews, translated surveys, worker representative meetings, grievance channels.	Recruitment practices, accommodation, document retention, welfare, safety, working hours, fair treatment.
Procurement and suppliers	Supplier questionnaires, onboarding assessments, supplier audits, supplier briefings, corrective action meetings.	Traceability, legal sourcing, labour practices, environmental practices, certifications, due diligence.
Customers and buyers	ESG questionnaires, business reviews, audit discussions, tender requirements, technical meetings.	Product quality, traceability, emissions, labour compliance, certifications, responsible sourcing, reporting data.
Regulators	Compliance meetings, reporting submissions, inspections, consultations, permit reviews.	Environmental compliance, OHS, labour law, permits, licensing, regulatory changes.
Local communities	Community meetings, feedback channels, local authority discussions, community surveys, grievance mechanisms.	Environmental impacts, traffic, noise, odour, employment, community support, complaint handling.
Financial institutions and investors	ESG briefings, loan application discussions, sustainability-linked financing assessments, annual reporting.	Climate risks, governance, risk controls, resource efficiency, compliance, targets, financial resilience.
Certification bodies and auditors	Certification audits, document reviews, site inspections, corrective action reviews.	Management systems, chain of custody, labour compliance, environmental controls, evidence.
Industry associations and MRC	Consultations, workshops, training, industry dialogues, benchmarking exercises.	Sector trends, ESG readiness, regulatory developments, capacity building, market access.

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

A practical stakeholder engagement process should include:

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

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

5.4 Impact-Based Materiality Assessment

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

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

For these Guidelines, the recommended approach is:

a. use **impact-based materiality** as the core method;
b. include a **business and financial relevance lens** where useful, especially for NSRF, ISSB, TCFD, TNFD, financing, and customer-related expectations;
c. consider both internal and external stakeholder input;

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d. use the 29 ESG topics as the starting list;
e. assess actual and potential impacts; and
f. validate the final results through management or Board-level review.

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

Step 1: Define the purpose and scope

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

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

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

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

Step 2: Establish the initial list of ESG topics

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

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

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

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Step 3: Identify actual and potential impacts

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

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

Sources of information may include:

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

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Step 4: Assess significance of impacts

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

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

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

Step 5: Score and rank topics

Companies may use a simple scoring system. For example:

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

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

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Step 6: Validate the results

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

Validation should confirm:

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

5.5 Prioritising Material ESG Topics

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

The existing MRC guidance recommends narrowing the final materiality outcomes to a practical number of prioritised topics after the materiality assessment, with an example recommendation of 10 to 12 topics. This does not mean that other ESG topics should be ignored. It means that the most material topics should receive deeper disclosure, stronger KPIs, clearer ownership, and more active improvement plans.

A practical prioritisation approach is shown below.

Priority Level	Description	Recommended Treatment
Tier 1: Critical Material Topics	Topics with severe impact, high stakeholder concern, high business relevance, regulatory exposure, or direct link to market access.	Detailed reporting, KPIs, targets, action plans, management review, evidence pack, Board or senior management oversight.
Tier 2: Significant Material Topics	Topics with meaningful impact or stakeholder concern, but lower severity, narrower scope, or stronger existing controls.	Reporting, monitoring, assigned responsibility, improvement actions where needed.
Tier 3: Monitored Topics	Topics that are relevant but lower priority, already well-managed, or less applicable to the company's current operations.	Basic monitoring, evidence retention, periodic review.

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Priority Level	Description	Recommended Treatment
Not Applicable / Out of Scope	Topics that do not apply to the company's activities, products, value chain, or reporting boundary.	Document explanation and reassess if business context changes.

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

Sector-specific factors

These may include:

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

Company-specific factors

These may include:

a. past incidents or audit findings;
b. recurring complaints or grievances;
c. compliance gaps;
d. customer requests;
e. supplier performance issues;
f. high costs or resource use;
g. strategic business priorities;
h. availability of data;
i. planned investments;

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j. technology changes;
k. new products or markets; and
l. management priorities.

Example prioritisation logic

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

Companies should avoid selecting too many material topics without the capacity to manage or report them meaningfully. A long list may weaken the usefulness of the report and dilute management focus. At the same time, companies should not remove topics that are severe or legally significant merely to simplify reporting.

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

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

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5.6 Documenting Materiality Outcomes

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

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

At minimum, companies should document:

Document / Record	Purpose
Materiality assessment scope	Explains whether the assessment covers own operations, selected sites, suppliers, upstream sourcing, downstream activities, or full value chain.
Initial topic list	Shows the ESG topics considered, including the 29 topics in these Guidelines and any company-specific topics.
Stakeholder map	Identifies internal and external stakeholders considered in the process.
Engagement plan	Describes engagement methods, target groups, timeline, and responsible persons.
Stakeholder engagement log	Records engagement date, method, participants, topics discussed, feedback, and follow-up actions.
Survey or interview results	Summarises stakeholder views, scoring, comments, and recurring concerns.
Impact assessment scoring	Documents scoring for scale, scope, irremediability, likelihood, stakeholder concern, and business relevance.
Materiality matrix or ranking table	Presents the prioritised ESG topics visually or in ranked form.
Validation records	Shows review by ESG Committee, senior management, Board, owner, or relevant governance body.
Final material topic list	Confirms which topics are material, monitored, or not applicable.
Omission explanations	Explains why certain topics or disclosures are not reported in detail.
Link to ESG action plan	Shows how material topics are converted into targets, KPIs, responsibilities, and improvement actions.
Evidence register	Identifies supporting documents used in the assessment.

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Suggested format for materiality results

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

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

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

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

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Explaining omissions or non-applicability

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

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

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

Validation and approval

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

The approval record should include:

a. date of approval;
b. attendees or approving authority;
c. final material topics;
d. major changes from previous year;
e. topics added, removed, grouped, or reclassified;
f. reasons for key decisions;
g. required follow-up actions; and
h. next review date.

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

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5.7 Reviewing Material Topics Annually

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

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

Annual review triggers

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

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

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Annual review process

A practical annual review process should include:

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

Full reassessment

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

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

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Integration with continuous improvement

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

a. updated ESG action plans;
b. revised ESG targets and KPIs;
c. new training needs;
d. supplier engagement priorities;
e. budget and resource allocation;
f. SOP updates;
g. ESG reporting structure;
h. evidence collection priorities;
i. internal audit scope; and
j. management review agenda.

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

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

Minimum Implementation Outputs for Section 5

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

Output	Purpose
Stakeholder map	Identifies internal and external stakeholders relevant to ESG.
Stakeholder engagement plan	Defines who to engage, how to engage them, and why.
Stakeholder engagement log	Records engagement activities, feedback, and follow-up actions.
Materiality assessment methodology	Explains the scoring approach, criteria, scope, and process.
ESG topic longlist	Lists the 29 ESG topics and any company-specific topics considered.
Impact assessment worksheet	Scores topics based on scale, scope, irremediability, likelihood, stakeholder concern, and business relevance.
Materiality matrix or ranking table	Shows the prioritised ESG topics.
Final list of material topics	Confirms which topics are material, monitored, or not applicable.

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Output	Purpose
Omission explanation record	Explains why certain topics are excluded or not reported in detail.
Validation minutes or approval record	Shows management or Board review and approval of materiality outcomes.
Linkage to ESG action plan	Converts material topics into targets, KPIs, responsibilities, timelines, and evidence requirements.
Annual review record	Documents changes in material topics and reasons for updates.

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

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6. Due Diligence and Supply Chain Responsibility

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

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

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

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

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

6.1 ESG Due Diligence Principles

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

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

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

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

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

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

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

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6.2 Supplier Screening and Risk Assessment

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

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

Supplier categories to consider

Companies should map and screen suppliers across relevant categories.

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

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Minimum supplier information

At minimum, supplier screening should collect:

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

Supplier risk criteria

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

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

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A simple scoring model may be used.

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

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

6.3 Traceability and Chain-of-Custody Expectations

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

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

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

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

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Company Role	Practical Traceability Focus
Pure trader with no manufacturing	Supplier screening, material origin, ethical sourcing evidence, customer-facing traceability documentation.

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

Core traceability documents

Companies should maintain traceability records such as:

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

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Chain-of-custody controls

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

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

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

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

6.4 EUDR-Oriented Due Diligence for Rubber Supply Chains

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

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

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

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

EUDR-oriented due diligence process

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

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

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

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EUDR-related evidence checklist

Companies should prepare, where applicable:

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

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

6.5 Human Rights and Labour Due Diligence

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

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

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

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

Practical human rights due diligence steps

Companies should:

1. adopt a human rights or labour standards policy;
2. include human rights requirements in the Supplier Code of Conduct;
3. screen suppliers and labour agents for labour risk;
4. verify employment contracts, wage records, working hour records, and age verification processes;
5. check whether recruitment fees are charged to workers;
6. confirm that workers have access to identity documents and legal employment documents;
7. provide grievance channels in languages workers understand;
8. conduct worker interviews or surveys where risk is higher;
9. assess worker accommodation where relevant;
10. review OHS performance and incident records;
11. require supplier corrective action plans for labour-related findings;
12. track closure of findings; and
13. escalate severe cases to management.

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Labour due diligence evidence

Examples of evidence include:

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

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

6.6 Environmental and Deforestation Risk Due Diligence

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

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

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Environmental due diligence for own operations

Companies should assess:

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

Environmental due diligence for suppliers

Supplier environmental screening should consider:

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

Deforestation and land-related due diligence

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

a. deforestation or forest degradation;
b. conversion of natural ecosystems;
c. sourcing from protected areas or buffer zones;
d. peatland conversion;
e. unclear or illegal land use rights;

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

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

Mitigation measures

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

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

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

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6.7 Grievance Mechanisms and Remedy

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

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

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

Types of grievance channels

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

Grievance handling process

A practical grievance procedure should include:

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

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

Remedy

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

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

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

6.8 Supplier Code of Conduct and Contractual Controls

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

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

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Recommended Supplier Code of Conduct coverage

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

Contractual controls

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

a. compliance with Supplier Code of Conduct;
b. requirement to provide accurate ESG and traceability information;
c. right to request documents, conduct audits, or carry out site visits;
d. prohibition of child labour and forced labour;
e. requirement to comply with wage, working hour, OHS, and labour laws;
f. no-deforestation and legality requirements for natural rubber;
g. requirement to provide geolocation, origin, and production information where required;
h. requirement to maintain licences, permits, and certifications;
i. anti-bribery and anti-corruption clauses;
j. confidentiality and data protection clauses;

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k. corrective action plan requirements;
l. escalation and suspension provisions;
m. responsible termination provisions; and
n. requirement to cascade relevant ESG expectations to sub-suppliers where applicable.

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

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

6.9 Evidence, Records, and Verification Readiness

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

Due diligence evidence register

A due diligence evidence register should include:

Evidence Area	Examples of Records
Supplier profile	Supplier name, registration, address, contact person, ownership, material supplied, supplier category.
Supplier legal status	Business registration, licences, permits, MRB-related documentation where applicable, trade and customs documents.
Supplier ESG commitment	Supplier Code of Conduct acknowledgement, ESG declaration, human rights commitment, no-deforestation declaration.
Traceability	Purchase orders, invoices, delivery orders, batch records, production records, warehouse records, transport records, sales records.
Origin evidence	Country, state, district, dealer, plantation, smallholder, collection centre, sourcing area, geolocation where required.
Certification	MSNR, FSC, PEFC, Preferred by Nature, ISO, social audit, customer-specific certification, or other relevant certificates.
Risk assessment	Supplier risk scoring, country risk, commodity risk, environmental risk, labour risk, governance risk, traceability risk.
Environmental evidence	Environmental permits, waste records, scheduled waste consignment notes, water and effluent records, chemical inventory, SDS.

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Evidence Area	Examples of Records
Labour evidence	Employment controls, wage records, working hours, age verification, recruitment agent records, accommodation inspections.
OHS evidence	HIRARC, inspection records, incident reports, training records, PPE records, emergency response records.
Grievance evidence	Grievance log, investigation records, outcome records, remedy records, closure evidence.
Corrective action	Audit findings, non-conformance reports, corrective action plans, progress updates, closure records.
Customer submissions	ESG questionnaires, EUDR-related responses, due diligence packs, customer audit responses.
Management review	ESG Committee minutes, supplier risk review minutes, approval records, escalation records.

Record controls

Companies should establish basic record controls.

Control	Requirement
Data owner	Assign a person or department responsible for each supplier data category.
Evidence location	Maintain a clear folder structure or document management system.
Version control	Record the latest approved version of declarations, policies, questionnaires, and reports.
Review frequency	Define when supplier information must be refreshed.
Completeness check	Check whether required documents are available and valid.
Validity check	Track expiry dates for licences, permits, and certifications.
Confidentiality	Protect worker, supplier, pricing, geolocation, and personal data.
Escalation	Escalate missing, inconsistent, or high-risk information to management.
Retention period	Define how long due diligence records must be retained based on legal, customer, and certification requirements.
Approval	Require management approval before external ESG or traceability claims are made.

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Verification readiness

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

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

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

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Minimum Implementation Outputs for Section 6

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

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

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

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Part 3: ESG Topic Guidance

7. Overview of the 29 ESG Topics

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

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

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

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

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

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

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7.1 How the ESG Topics Are Organised

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

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

The 29 topics are organised as follows.

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

Each topic should be read together with the related indicators, sub-indicators, and verifiers in the ESG Checklist and the topic-specific sections of these Guidelines. The current guide explains that the 29

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topic tables detail ESG topics and related indicators, and that once material topics are prioritised, users should refer to the corresponding disclosure sub-indicators.

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

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

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

7.2 How to Select Applicable Topics

Proportional Application

The 29 ESG topics are a comprehensive reference set and are not automatically mandatory for every organisation. Each organisation should screen all topics, select those that are applicable and material, document exclusions or matters under review, and revisit the decision when operations, impacts, laws, customers or the value chain change. Applicable legal and regulatory duties remain mandatory regardless of materiality scoring.

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

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

a. the company's own operations;
b. the company's supply chain;
c. the company's products or services;
d. the company's workforce;
e. the company's customers or export markets;
f. the company's legal or regulatory obligations;
g. the company's certification or audit requirements;
h. the company's financing or investor expectations;
i. the company's stakeholder concerns; or
j. the company's actual or potential impacts on people, the environment, or the economy.

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

A practical applicability screening process is shown below.

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

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After screening, each topic may be classified as follows.

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

Application by company type

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

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

The current guide clarifies that the guideline and environmental checklist are designed to cover all raw materials used in production, including natural rubber, synthetic rubber, and other resource inputs.

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Some environmental topics, such as deforestation and biodiversity, may be specifically relevant to natural rubber, while synthetic rubber companies should still address broader environmental impacts that apply to their operations.

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

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

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

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

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

The following interpretation should be used.

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

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Practical example: Deforestation

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

Practical example: Occupational Health and Safety

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

Practical example: Supply Chain Traceability and Due Diligence

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

Rules for interpreting verifiers

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

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

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

At a minimum, every material ESG topic should have:

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

7.4 How to Explain Omissions or Non-Applicability

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

However, omissions must be explained clearly. A company should not simply state “not applicable” or leave a topic blank without a reason. The current guide states that, where disclosures or requirements are omitted, the organisation must provide a clear rationale. It also identifies common reasons for omission, including not applicable, legal prohibitions, confidentiality constraints, and information unavailable or incomplete.

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The following table provides recommended wording for omissions.

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

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

The current guide also recognises that topic-specific disclosures only need to be reported if they are material to the organisation, while some general disclosures may apply regardless of materiality. It further explains that some issues may be effectively managed and no longer pose significant risks or opportunities, in which case ongoing monitoring may be sufficient.

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Important cautions when explaining omissions

Companies should apply the following safeguards:

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

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

7.5 Linkage to Reporting, Checklist, and Continuous Improvement

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

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

Linkage to ESG reporting

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

a. why the topic is material;
b. the company’s policy or commitment;
c. key risks and opportunities;
d. governance and responsibility;
e. actions taken during the reporting period;
f. relevant indicators and data;
g. evidence or verification basis;
h. targets or improvement plans;
i. progress against previous actions; and

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j. omissions, limitations, or data gaps.

A suggested reporting flow is shown below.

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

Linkage to the ESG Checklist

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

Companies should use the Checklist to:

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

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A practical Checklist status classification may be used.

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

Linkage to continuous improvement

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

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

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

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

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Linkage to management system documents

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

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

Linkage to future topic sections

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

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

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

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

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Minimum Implementation Outputs for Section 7

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

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

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

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Part 4: Environmental Guidelines

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

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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.

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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.

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Field	Description
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.

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Function	Typical Environmental Compliance Role
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.
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.

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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.

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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.

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Risk Area	Possible Impact	Existing or Recommended Controls	Evidence
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.

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Environmental Topic	Example Risk Assessment Focus
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.

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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.

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Environmental Area	Key Data to Collect	Common Evidence
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 CO_2e, 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

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Data Area	Typical Data Owner	Suggested Frequency	Reviewer
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.
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.

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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.

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Hierarchy Level	Practical Meaning
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.

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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.

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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.

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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.

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Output	Purpose
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.

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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.

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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.*

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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.

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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

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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:

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

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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.
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.

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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.
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.

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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.

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. 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:

a. traceable to the required origin or sourcing area;
b. not linked to deforestation or forest degradation after the applicable cut-off date;
c. produced in accordance with relevant laws in the country of production;
d. supported by supplier, transaction, production, and shipment records;
e. assessed for risk;
f. subject to risk mitigation where necessary; and
g. 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.

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Evidence Category	Records to Maintain
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;

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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 conversion of natural ecosystems.	ESG Policy, Environmental Policy, Responsible Sourcing Policy, Supplier Code of Conduct, Board or management approval, supplier communication records.	ESG Team / Procurement / Management
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,	Procurement / Production / Warehouse / Sales

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
		sales and shipment documents.	
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, land legality, and ecosystem conversion risks.	Supplier risk matrix, country or area risk screening, satellite check, certification status, audit findings, risk register.	ESG Team / Procurement
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,	ESG report, GRI content index, SDG mapping, omission explanation,	ESG Team / Management

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	limitations, and improvement actions where the topic is material.	evidence register, management approval record.	

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;

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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

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Situation	Example Explanation
	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.

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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

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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;

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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.

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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

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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;

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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.

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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.

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Field	Description
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.

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Area	Control Measures	Evidence
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.

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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 authority, operating, and licensing requirements.	Planning approval, local authority licence, manufacturing licence, MRB licence where applicable, environmental approval, site layout plan, permit register.	Compliance / Facilities / EHS
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	Environmental management plan, inspection records, maintenance records, erosion	EHS / Facilities / Production

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	and services, including water protection, soil stability, vegetation cover, and habitat functions.	control records, drainage records, restoration records.	
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 sensitive areas are avoided, protected, or managed.	Sourcing area map, protected area screening, supplier declaration, environmental approval, geolocation record, site inspection.	ESG Team / EHS / Procurement
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

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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.
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.

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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."

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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.

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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.

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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.

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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:

a. rivers, streams, canals, drains, ponds, lakes, wetlands, and riparian areas;
b. forests, forest edges, secondary vegetation, peatlands, grasslands, or natural habitats;
c. protected areas, conservation areas, environmentally sensitive areas, and water catchments;
d. rare, threatened, endangered, protected, or locally significant species;
e. wildlife corridors, nesting areas, breeding areas, and feeding areas;
f. 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.

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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.

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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.

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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:

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

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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.

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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.

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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.

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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.

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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 ecosystems and surrounding land.	Effluent test reports, wastewater treatment logs, discharge permits, drain inspections, maintenance records.	EHS / WWTP Operator

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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

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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:

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

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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."
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."

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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.

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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 CO_2e. 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.

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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.

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.

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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:

a. diesel used in generators;
b. 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.

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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.

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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_2e.
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:

GHG emissions = Activity data × 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.

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Companies should calculate and report emissions in **tonnes of CO_2e**. Where emissions are calculated from multiple gases, such as CO_2, CH_4, N_2O, or refrigerant gases, they should be converted into CO_2e 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
Renewable energy	Onsite solar generation, electricity consumed, exported electricity, renewable energy certificates where applicable.	Solar meter data, invoices, certificates, contracts.	Facilities / Finance / ESG Team

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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:

a. what data was estimated;
b. why actual data was not available;
c. what method was used;
d. what assumptions were applied;
e. who reviewed the estimate;
f. whether the estimate is material; and
g. 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.

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GHG inventory evidence pack

Companies should prepare an annual GHG inventory evidence pack containing:

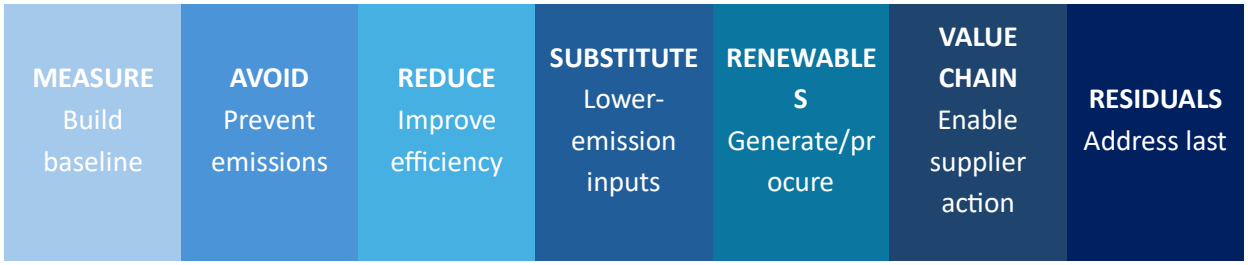
a. reporting boundary statement;
b. list of sites and activities covered;
c. Scope 1, Scope 2, and Scope 3 source list;
d. data ownership matrix;
e. activity data records;
f. emission factor references;
g. calculation workbook;
h. methodology notes;
i. assumptions and estimates;
j. data gap register;
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

Preferred Emissions-Reduction Sequence

Prioritise real reductions before residual-emissions measures. Data collection and supplier engagement enable action but are not, by themselves, emissions reductions.



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.

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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.

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Area	Possible Initiatives	Evidence
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:

a. baseline year;
b. target year;
c. scope covered;
d. metric used;
e. responsible person;
f. action plan;
g. budget or resource needs;
h. progress monitoring method; and
i. evidence required.

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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_2e, 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.
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.

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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 disclosureIFRS 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.

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.

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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:

a. baseline Scope 1 and Scope 2 emissions;
b. preliminary Scope 3 screening;
c. major emission sources;
d. energy efficiency priorities;
e. renewable energy feasibility;
f. 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.

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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
4. Scope 2 emissions inventory	Purchased electricity and other purchased energy are tracked and converted into CO_2e.	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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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
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

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Suggested KPIs

Companies may use the following KPIs where applicable:

KPI	Measurement Approach
Total Scope 1 emissions	Tonnes CO_2e from direct fuel combustion, vehicles, refrigerants, and other owned or controlled sources.
Total Scope 2 emissions	Tonnes CO_2e from purchased electricity and other purchased energy.
Total relevant Scope 3 emissions	Tonnes CO_2e from selected material Scope 3 categories.
Scope 1 and Scope 2 emissions intensity	Tonnes CO_2e 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_2e 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;

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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."

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Situation	Example Explanation
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.
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_2e.
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.

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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**

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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.

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Field	Description
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.

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Control Area	Examples of Practical Controls
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.

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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.

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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:

a. compliance with applicable laws, licences, permits, and product requirements;
b. accurate material descriptions, specifications, and composition information;
c. SDS and restricted substance information where applicable;
d. origin and traceability information for natural rubber and other traceability-relevant materials;
e. no-deforestation, legality, or sourcing area declarations where relevant;
f. certification or chain-of-custody information where applicable;
g. recycled or reclaimed content declarations where claims are made;
h. packaging material and recyclability information;
i. supplier environmental and labour commitments;
j. cooperation with due diligence, audit, or corrective action requests; and
k. 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:

a. product specification;
b. customer approval requirements;
c. product performance requirements;
d. restricted substance requirements;

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e. regulatory or certification requirements;
f. QA/QC test results;
g. shelf life and durability;
h. process compatibility;
i. worker safety implications;
j. end-of-life implications; and
k. 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.

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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.

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Control Area	Practical Requirement
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:

a. recycling records;
b. recovery certificates;
c. recycler or recovery contractor approvals;
d. waste movement records;
e. invoices or collection records;
f. 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.

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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?
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?

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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.”

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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
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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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
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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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.

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KPI	Measurement Approach
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.

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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."

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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.
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.

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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.

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.

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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.

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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.
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.

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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.

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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.

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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.
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.

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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.

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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.
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.

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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.

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Field	Description
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.

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.

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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.

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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.

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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
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	EHS / HR / Production

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
		required, PPE records, ventilation inspection.	
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
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

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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	Chemicals with current SDS ÷ total hazardous substances.
Percentage of chemical containers properly labelled	Properly labelled containers ÷ total containers inspected.
Number of prohibited or restricted substances identified	Count of substances flagged through screening.
Percentage of new chemicals reviewed before use	New chemicals approved before use ÷ 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	Corrective actions closed by due date ÷ 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	Trained workers ÷ workers exposed to or handling hazardous substances.
Quantity of scheduled waste generated from chemical-related activities	Weight or volume by scheduled waste category.
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:

a. why hazardous substances are material to the company;
b. types of hazardous substances used or generated, described at an appropriate level;
c. how chemicals are identified, approved, labelled, stored, handled, and monitored;
d. how SDS are maintained and communicated;
e. how prohibited and restricted substances are controlled;
f. how worker exposure is assessed and controlled;
g. how spills are prevented and managed;
h. how chemical waste and scheduled waste are classified, stored, and disposed of;

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i. whether chemical-related incidents, spills, or non-conformities occurred during the reporting period;
j. relevant KPIs, such as SDS coverage, training coverage, inspections, spills, and corrective action closure;
k. data gaps, limitations, or confidentiality constraints; and
l. 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."

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Situation	Example Explanation
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."

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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.

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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:

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

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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.

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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.

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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:

a. kWh per tonne of product;
b. GJ per tonne of product;
c. litres of fuel per tonne of product;
d. kWh per 1,000 pieces produced;
e. energy cost per unit produced;
f. electricity per operating hour;
g. fuel consumption per boiler operating hour; and
h. 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.

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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.

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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:

a. major energy-consuming equipment and processes;
b. monthly and annual energy consumption;
c. peak demand and abnormal use patterns where data is available;
d. energy intensity by product or process;
e. equipment operating hours;
f. idle running and standby losses;
g. fuel efficiency and heat losses;
h. compressed air leaks;
i. maintenance-related inefficiencies;
j. opportunities for automation, controls, insulation, or equipment upgrade;
k. potential renewable energy opportunities;
l. estimated cost savings and emissions reduction; and
m. payback period, budget, and implementation priority.

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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.

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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:

a. current electricity and fuel consumption;
b. energy demand profile by time of day, week, and season;
c. available roof, land, or installation space;
d. structural suitability and safety requirements;
e. regulatory, utility, grid, and approval requirements;
f. ownership model, leasing model, power purchase agreement, or direct investment;
g. capital cost and operating cost;
h. expected energy generation;
i. expected cost savings;
j. expected emissions reduction;
k. maintenance requirements;
l. contract duration and termination terms;
m. insurance and safety considerations;
n. customer acceptance of renewable energy claims;
o. evidence requirements for ESG reporting; and

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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;

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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.

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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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
11. Energy efficiency assessment	Company identifies opportunities to reduce energy consumption.	Energy audit report, internal assessment, opportunity register, inspection records.	Facilities / Maintenance / ESG Team
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

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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_2e 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:

a. why energy is material to the company;
b. the reporting boundary and reporting period;
c. total energy consumption by source;
d. purchased electricity consumption;
e. fuel consumption by type;
f. renewable energy generated, purchased, or consumed where applicable;
g. energy intensity and selected denominator;

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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."
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."

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Situation	Example Explanation
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.”

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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.
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.

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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.

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:

a. stores, uses, or transports hazardous substances, chemicals, fuels, lubricants, or scheduled waste;
b. operates wastewater treatment systems, effluent discharge points, sludge handling areas, or drainage systems;
c. stores raw materials, waste, scrap rubber, packaging, or chemicals in outdoor or semi-open areas;
d. 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;

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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.

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.
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.

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Risk Area	Possible Cause	Potential Impact
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;

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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.

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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.
Maintenance workshops	Oil, grease, solvent, lubricant, battery, spare part, and waste handling.	Workshop inspection, used oil records, waste records.

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Area	Monitoring Focus	Suggested Evidence
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.

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Risk Level	Suggested Monitoring Frequency
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.

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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.

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.

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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;

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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.

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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
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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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.

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KPI	Measurement Approach
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:

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

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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."
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."

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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.
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.

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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.

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.

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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**.

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.
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.

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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.

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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. m^3 of water withdrawn per tonne of product;
b. m^3 of water consumed per tonne of product;
c. m^3 of water discharged per tonne of product;
d. m^3 of water per 1,000 pieces produced;
e. m^3 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.

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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. 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.

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?

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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.

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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.

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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.

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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:

a. pH;
b. temperature;
c. biochemical oxygen demand, or BOD;
d. chemical oxygen demand, or COD;
e. total suspended solids, or TSS;
f. ammonia nitrogen;
g. oil and grease;
h. total dissolved solids;
i. colour;
j. sulphide;
k. 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.

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Record	Purpose
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.

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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.
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.

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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:

a. total water withdrawal by source;
b. water used in production;
c. water used in utilities;
d. 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.

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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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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
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 KPI	ESG Team / Management

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

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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.

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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."

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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.

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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.

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:

a. 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;

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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.

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.

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Waste Category	Examples	Key ESG Concern
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.

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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.

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Waste Hierarchy Level	Practical Meaning
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.
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.

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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.

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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.

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 Wastes) 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.

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.
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.

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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;

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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.

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.

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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.

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.
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;

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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.

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.

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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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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, recovery, or disposal facilities are screened and approved.	Contractor licence, approval documents, vendor assessment, contract, audit record, insurance where applicable.	Procurement / EHS
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	Training records, toolbox talks, contractor induction, attendance records.	HR / EHS

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	waste, spill response, and reporting.		
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.

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KPI	Measurement Approach
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.

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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."

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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.

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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.

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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. 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.

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.

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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

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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.

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Step	Action
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.
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.

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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.

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.
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.

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Labour Standard Area	Practical Requirements
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.

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.

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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;

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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. 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.

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;

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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.

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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
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

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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.
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.

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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.

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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. 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.

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;

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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.

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Stakeholder Group	Possible Channels
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.

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Severity Level	Examples	Required Response
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.

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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.
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.

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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.

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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.

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. 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.
Local Communities	Community impacts, engagement, complaints, employment, pollution concerns, and social contribution.

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Human rights and social impact risks are especially relevant where a company:

a. employs migrant workers, contract workers, temporary workers, or labour supplied through agents;
b. uses recruitment agents, labour contractors, service contractors, security providers, cleaning companies, logistics providers, or outsourced production partners;
c. operates labour-intensive production lines or shift-based manufacturing;
d. provides or arranges worker accommodation;
e. has high occupational safety and health risks involving machinery, chemicals, heat, noise, repetitive work, maintenance, wastewater treatment, or manual handling;
f. sources natural rubber, chemicals, packaging, or other materials from suppliers with labour, land, community, or environmental risks;
g. operates near local communities that may be affected by traffic, noise, odour, drainage, emissions, wastewater, waste, or employment practices;
h. supplies customers that require social compliance audits, human rights due diligence, supplier codes of conduct, or forced labour prevention evidence; or
i. 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. 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.

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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.
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.

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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. These principles should be reflected in the company's human rights risk assessment.

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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.
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.

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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.

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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.

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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.
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

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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.

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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.

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.
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.

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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.

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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.
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. Where such warning signs are identified, companies should escalate the matter, protect affected workers, investigate carefully, and implement remedy or corrective action.

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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:

a. suspected child labour;
b. suspected forced labour;
c. serious workplace injury or fatality;
d. serious wage violation;
e. 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.

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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 interview summaries, risk assessment.	HR / ESG Team
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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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
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,	KPI dashboard, management review minutes, internal audit	ESG Team / HR / Management

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	grievances, corrective actions, and performance trends.	reports, corrective action tracker.	
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.
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.

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Reporting guidance

Where Human Rights and Social Impact is material, the company should disclose:

a. why the topic is material to the company;
b. the company's human rights commitment;
c. governance structure and responsibilities for human rights;
d. scope of the human rights risk assessment;
e. key rights-holder groups considered;
f. key human rights and social impact risks identified;
g. prevention and mitigation measures implemented;
h. grievance channels available to workers and stakeholders;
i. remedy or corrective action provided where harm occurred;
j. supplier and contractor due diligence actions;
k. key KPIs and trends;
l. data gaps, limitations, confidentiality constraints, or areas for improvement; and
m. 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.

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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."
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.

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Output	Purpose
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.
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.

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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.

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.

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.

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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;

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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.

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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.

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

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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.
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.

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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.

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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.

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

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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.

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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.

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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:

a. clear employment or service terms;
b. orientation and workplace rules;
c. OHS training;
d. PPE and safety instructions;
e. wage and payslip information where applicable;
f. working hour and rest day information;
g. grievance channel information;
h. accommodation and welfare information where relevant;
i. non-retaliation protection; and
j. access to complaint channels in a language or format they can understand.

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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;

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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 transparent and objective criteria.	Promotion criteria, performance reviews, promotion records, internal vacancy notices, approval records.	HR / Management
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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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
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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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.

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KPI	Measurement Approach
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.

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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."

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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.
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.

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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. 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.

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.

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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.
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.

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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.

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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. 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.

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Control Area	Practical Requirement
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:

a. worker name or ID;
b. department or production line;
c. date of overtime;
d. normal hours worked;
e. overtime hours worked;
f. 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;

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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

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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.

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.

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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.
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.

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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.

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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.

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Topics to communicate to workers

Companies should communicate:

a. employment terms and conditions;
b. wage calculation and payment dates;
c. working hours, overtime, rest days, and leave procedures;
d. grievance channels and non-retaliation protection;
e. disciplinary procedures;
f. anti-harassment and non-discrimination expectations;
g. occupational safety and health requirements;
h. PPE rules;
i. 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.

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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, SISPAA, walk-in, phone, and the Working for Workers application. 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.

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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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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
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
22. Migrant worker protections, where applicable	Migrant workers receive clear contracts, wage information,	Migrant worker records, permits, orientation records, translated materials,	HR

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	document access, grievance channels, and welfare support.	accommodation records, grievance records.	
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.
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.

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KPI	Measurement Approach
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:

a. why workers' rights are material to the company;
b. the company's labour standards commitment;
c. workforce scope, including worker categories covered;
d. how employment terms and conditions are documented and communicated;
e. how working hours, overtime, rest days, public holidays, and leave are managed;
f. how wages, benefits, payslips, deductions, and payroll corrections are controlled;
g. how migrant, contract, temporary, or outsourced workers are covered where applicable;
h. worker communication methods used during the reporting period;
i. grievance channels available to workers;
j. number and type of worker grievances, reported in aggregated form where appropriate;
k. corrective actions or remedy provided;
l. data gaps, confidentiality limitations, or reporting boundaries; and
m. 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.

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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."
Grievance details confidential	"Detailed grievance case information is confidential. The company reports grievance categories and closure status in aggregated form."

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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.
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.

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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.

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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;

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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.

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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.
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.

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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:

a. hazard reports and unsafe conditions;
b. OHS inspection findings;
c. incident and near-miss reports;
d. corrective action status;
e. training needs;
f. PPE issues;
g. chemical, machine, contractor, and emergency risks;
h. worker feedback and safety complaints;
i. legal or customer audit findings; and
j. 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.

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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. 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.
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.

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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.

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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.
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.

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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:

a. PPE risk assessment;
b. PPE specification and procurement control;
c. 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.

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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;

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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.
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.

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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.

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.

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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.
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.

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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.
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;

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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.

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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.

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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:

a. response time;
b. alarm audibility;
c. evacuation route condition;
d. headcount accuracy;
e. worker understanding;
f. contractor and visitor response;
g. first aid readiness;
h. emergency equipment availability;
i. communication effectiveness;
j. weaknesses identified; and
k. 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.

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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
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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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
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,	ESG report, customer questionnaire, evidence	ESG Team / Management

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	and improvement actions where material.	register, omission explanation, management approval.	

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	Incidents investigated ÷ total incidents requiring investigation.
Percentage of OHS corrective actions closed on time	Corrective actions closed by due date ÷ 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	High-risk tasks with HIRARC ÷ total identified high-risk tasks.
Percentage of workers trained on OHS induction	Workers trained ÷ total workers in scope.
Percentage of supervisors trained on OHS responsibilities	Supervisors trained ÷ total supervisors.
Percentage of contractors receiving OHS induction	Contractors inducted ÷ total contractors working onsite.
Number of workplace inspections conducted	Count of planned and completed inspections.
Percentage of planned inspections completed	Inspections completed ÷ 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	Workers observed using required PPE ÷ workers observed in scope.
Number of emergency drills conducted	Count of drills by type.
Emergency drill corrective action closure rate	Drill corrective actions closed ÷ total drill corrective actions due.

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KPI	Measurement Approach
First aid coverage rate	First aiders available ÷ required first aiders or planned coverage level.

Reporting guidance

Where Occupational Health and Safety is material, the company should disclose:

a. why OHS is material to the company;
b. the company's OHS policy and governance structure;
c. OHS roles, committee arrangements, and worker consultation channels;
d. key workplace hazards and high-risk activities;
e. how HIRARC is conducted and reviewed;
f. controls for PPE, machine safety, chemical safety, contractor safety, and emergency preparedness;
g. OHS training and competency coverage;
h. incident, near-miss, and corrective action performance;
i. emergency drills and first aid readiness;
j. OHS targets and improvement actions;
k. data gaps, estimates, exclusions, or confidentiality limitations; and
l. 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.

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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.

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Output	Purpose
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.

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;

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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.

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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.
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.

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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.

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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.

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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.

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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.

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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.
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;

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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.

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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.
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.

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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.

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.

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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:

a. it uses informal or casual workers;
b. it relies on family labour or smallholder-linked work;
c. it operates in rural, remote, or informal supply areas;
d. it lacks formal worker records;
e. it cannot provide age verification procedures;
f. it uses labour contractors or subcontractors;
g. it has hazardous work areas;
h. it has previous labour findings or audit gaps;
i. it refuses to sign the Supplier Code of Conduct;
j. it refuses to provide relevant records; or
k. customer or external sources identify child labour risk in the area or sector.

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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:

a. immediate removal of the child from hazardous or unlawful work;
b. confidential age verification review;
c. remediation plan focused on education, safety, and wellbeing;
d. payment of wages owed;
e. review of recruitment and hiring process;
f. training for supplier management and supervisors;
g. implementation of age verification procedure;
h. restriction of under-18 workers from hazardous areas;
i. review of subcontractor and labour provider controls;
j. periodic reporting to the company;
k. follow-up audit or verification; and
l. 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.

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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
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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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
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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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.
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.

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Reporting guidance

Where Child Labour is material, the company should disclose:

a. why child labour prevention is relevant to the company;
b. the company's child labour prohibition policy;
c. minimum age requirements applied by the company;
d. how age verification is conducted before hiring;
e. how young workers, apprentices, trainees, and interns are controlled where applicable;
f. how hazardous work is restricted for persons under 18;
g. how contractors, recruitment agents, and suppliers are screened;
h. how child labour concerns can be reported through grievance channels;
i. whether any suspected or confirmed cases were identified during the reporting period;
j. what remediation or corrective actions were taken, reported without exposing personal details;
k. supplier due diligence activities and findings;
l. data gaps, limitations, confidentiality constraints, or scope exclusions; and
m. 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.

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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.”
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.”

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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.
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.

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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.

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. 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;

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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.

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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.

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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.

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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.

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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.
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.

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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:

a. worker interviews after arrival;
b. worker fee declaration forms;
c. review of recruitment documents and receipts;
d. comparison of contract terms before departure and after arrival;
e. payroll deduction review;
f. recruitment agent cost breakdown review;
g. grievance and complaint review;
h. source-country agent review;
i. anonymous worker surveys; and
j. 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.
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.

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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.
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.

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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.

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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.

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.

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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.
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.

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Field	Description
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.

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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

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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;

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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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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
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,	HR

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
		safekeeping consent, audit records.	
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 reduced overtime for raising concerns.	Non-retaliation policy, grievance records, investigation records, disciplinary records.	HR / Compliance
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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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.

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KPI	Measurement Approach
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.

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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."

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Situation	Example Explanation
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.
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.

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Output	Purpose
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.

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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. **The Aboriginal Peoples Act 1954 applies to Peninsular Malaysia and includes provisions relating to aboriginal areas, aboriginal reserves, and rights of occupancy.** 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.

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.

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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;

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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.
10. Review annually	Update the screening when sites, suppliers, sourcing areas, land use, or customer requirements change.

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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.

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.

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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.

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Step	Practical Action
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.

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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**.** 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.

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;

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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;

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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;

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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	Community engagement records, maps, site visit records, supplier declarations, cultural sensitivity register.	ESG Team / EHS / Procurement

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	areas are identified where relevant.		
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
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	Effluent records, waste records, incident reports, complaint logs, site	EHS / ESG Team

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	are managed where they may affect Indigenous Peoples.	inspections, corrective actions.	
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
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	Sites screened ÷ 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	Sourcing areas screened ÷ total relevant sourcing areas.

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KPI	Measurement Approach
Percentage of natural rubber suppliers screened for Indigenous rights and land-related risks	Suppliers screened ÷ 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	Findings with corrective action plans ÷ 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	Grievances closed on time ÷ total due for closure.
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:

a. why the topic is material to the company;
b. whether relevance arises through own operations, sourcing areas, suppliers, land use, expansion plans, or community impacts;
c. how the company identifies Indigenous Peoples, customary rights, local rights, and cultural sensitivities;
d. whether FPIC-related assessment or engagement was required;
e. how Indigenous Peoples or affected communities were engaged;
f. how cultural sites, land-related sensitivities, access rights, and livelihoods were considered;
g. how natural rubber suppliers or other relevant suppliers were screened;
h. whether any grievances, disputes, findings, or corrective actions occurred;
i. what remedy or mitigation was provided where harm occurred;
j. what data gaps, confidentiality limitations, or scope exclusions exist; and
k. planned improvement actions for the next reporting period.

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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."

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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.

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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.

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.

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.
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.

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Related Topic	Linkage to Local Communities
Stakeholder Engagement	Community engagement should be included in the company's wider ESG stakeholder engagement process.

Local Communities is especially relevant where a company:

a. operates near residential areas, schools, shops, farms, places of worship, community facilities, rivers, drains, roads, or sensitive areas;
b. receives complaints relating to odour, noise, dust, traffic, drainage, flooding, water pollution, waste, emissions, or worker accommodation;
c. operates high-risk activities involving chemicals, fuel, boilers, wastewater treatment, scheduled waste, heavy vehicles, or emergency response risks;
d. plans site expansion, construction, land acquisition, new access roads, drainage changes, or changes in operating hours;
e. sources natural rubber from areas involving smallholders, local communities, Indigenous Peoples, land-related sensitivities, or environmental risks;
f. uses contractors, transport providers, waste contractors, or suppliers whose activities may affect communities;
g. has customer, financing, certification, or ESG reporting requirements relating to community impact, grievance mechanisms, or social licence to operate; or
h. 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.

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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.

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.

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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.

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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.

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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.

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.
Community trust	Lack of response to complaints, poor communication, repeated incidents, or unfulfilled commitments.

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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.
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.

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Step	Action
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;

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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.

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.

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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.

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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.

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;

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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,	ESG Team / Site Management

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
		photos, survey results, briefing records.	
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
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	ESG Team / Management

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
		information, community briefing, complaint forms.	
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 concerns without intimidation or retaliation.	Grievance policy, complaint records, investigation records, Code of Conduct, training records.	ESG Team / Management
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.

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KPI	Measurement Approach
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.
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.

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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."
Topic applies through worker accommodation	"Community impact relating to worker accommodation is monitored through accommodation inspections, community complaints, and HR follow-up."

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Situation	Example Explanation
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.
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.

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Output	Purpose
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.

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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.

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.

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.

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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.
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.

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Principles for worker representation

Companies should ensure that worker representation is:

a. lawful and consistent with applicable Malaysian requirements;
b. voluntary and not imposed by management;
c. free from intimidation, interference, discrimination, or retaliation;
d. accessible to different worker groups where appropriate;
e. supported by clear communication channels;
f. documented through minutes, records, and action trackers where meetings are held;
g. connected to grievance and corrective action mechanisms;
h. respectful of confidentiality where sensitive issues are raised; and
i. 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.

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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.

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.

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.

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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.

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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.

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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.

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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.

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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
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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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
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,	ESG report, customer questionnaire, evidence register, omission	ESG Team / Management

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	limitations, and improvement actions where material.	explanation, management approval.	

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.

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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.

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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.
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.

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Output	Purpose
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.

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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. 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.

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.

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.
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.

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Related Topic	Linkage to Training and Development
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:

a. operates production machinery, chemical processes, wastewater treatment systems, boilers, forklifts, laboratories, warehouses, or waste storage areas;
b. employs new workers, migrant workers, contract workers, temporary workers, apprentices, interns, trainees, or outsourced workers;
c. has supervisors responsible for production targets, discipline, overtime, safety, grievances, or worker communication;
d. is subject to customer audits, social compliance requirements, ESG questionnaires, certification schemes, or regulatory inspections;
e. collects ESG data on energy, emissions, water, waste, OHS, workforce, wages, training hours, supplier due diligence, or grievances;
f. needs to improve worker skills, productivity, quality, safety, retention, and career development; or
g. 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.

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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.

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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.

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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.

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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.

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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.
Manual handling and ergonomics	Production, warehouse, loading, maintenance, and repetitive task workers.
Fire safety and evacuation	All workers, contractors, visitors where relevant.

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OHS Training Area	Target Participants
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.

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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.

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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.

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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.
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.

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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. a worker is new to the task;
b. a worker changes role or department;
c. new machinery, chemicals, software, products, or procedures are introduced;
d. training has expired or refresher training is due;
e. an incident, near miss, complaint, or non-conformity occurs;
f. a worker is observed performing a task unsafely or incorrectly;
g. an audit identifies knowledge or implementation gaps;
h. a customer requirement changes;
i. a legal or certification requirement changes; or
j. 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;

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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.

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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.
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.

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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.

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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.

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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
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	OHS training matrix, HIRARC-linked training records, PPE	EHS / HR

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	requirements, and task assignment.	training, machine safety records.	
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
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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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, 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
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.

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KPI	Measurement Approach
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.
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:

a. why training and development are material to the company;
b. how training needs are identified;
c. worker groups covered by training;
d. key training topics delivered during the reporting period;
e. training hours and calculation method;

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f. mandatory training completion rates;
g. OHS, ESG, environmental, labour standards, and technical training activities;
h. supervisor and management development activities;
i. supplier or contractor training where relevant;
j. how training effectiveness is assessed;
k. career development review approach;
l. equal access to training and development where relevant;
m. data gaps, limitations, confidentiality constraints, or scope exclusions; and
n. 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."

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Situation	Example Explanation
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."
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.

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Output	Purpose
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.
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.

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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.

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.

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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.

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.

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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.

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Step	Action
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.
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.

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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.

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.

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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.

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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.

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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:

a. list of benefits and allowances available;
b. eligibility criteria;
c. calculation method;
d. approval authority;

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e. payment timing;
f. whether the benefit is cash or non-cash;
g. whether the benefit is taxable or subject to statutory treatment, where applicable;
h. whether the benefit may be deducted or recovered, and under what lawful conditions;
i. whether the benefit applies to migrant, contract, temporary, or outsourced workers;
j. how workers are informed;
k. how disputes or questions are raised; and
l. 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:

a. benefits promised during recruitment are actually provided;
b. migrant workers understand benefits and deductions;
c. accommodation or transport deductions are lawful, transparent, and documented;
d. contractor workers receive required wages, benefits, and OHS protections;

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e. benefits are not withheld as punishment;
f. workers have a channel to raise benefit concerns; and
g. 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,	Payroll register, attendance records, overtime approvals, leave records, allowance records.	HR / Finance

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	allowance, and deduction records.		
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 statements showing earnings, allowances, deductions, and net pay.	Payslips, wage briefing records, payroll system output, worker acknowledgement where applicable.	HR / Finance
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

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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 worker pay controls	Contractors and labour suppliers are monitored for wage, overtime, benefit, and deduction compliance where relevant.	Contractor agreements, supplier declarations, audit records, worker records, corrective action plans.	Procurement / HR / ESG Team
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.

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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:

a. why pay and equal remuneration are material to the company;
b. the company's wage compliance and equal pay commitment;
c. the workforce scope covered, including permanent, temporary, migrant, contract, or outsourced workers where applicable;
d. how minimum wage compliance is monitored;
e. how payroll, overtime, rest day, public holiday, allowance, and deduction controls are managed;
f. how payslips and wage information are communicated to workers;
g. how wage grievances and payroll corrections are handled;
h. how equal pay principles are applied;
i. whether pay reviews or equal remuneration checks were conducted;
j. how benefits and allowances are documented and communicated;
k. whether contractors, labour suppliers, or suppliers are monitored for wage-related risks;
l. data gaps, confidentiality limitations, estimates, or scope exclusions; and
m. improvement actions planned for the next reporting period.

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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."

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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.

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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.

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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.

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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;

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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. 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.

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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;

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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.

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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.

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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.

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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.

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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.

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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. This makes anti-bribery and corruption controls especially important for companies dealing with procurement, suppliers, customs, licensing, inspections, agents, tenders, and public authorities.

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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.

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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:

a. procurement requests approved by authorised personnel, not only by the requester;
b. supplier onboarding reviewed by Procurement and Compliance or ESG where risk is high;
c. payroll prepared by HR or Finance and reviewed before payment;
d. ESG data collected by data owners and checked by ESG Team or management;
e. waste contractor payments supported by consignment notes or disposal evidence;
f. customer ESG submissions reviewed before release; and
g. 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.

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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)

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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.

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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;

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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.

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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.

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Output	Purpose
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.
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.

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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

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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.
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.

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Supplier / Business Partner Category	Examples	ESG Relevance
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.
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.

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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.

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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.

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.

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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.

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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.
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;

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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.

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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?

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ESG Area	Example Assessment Questions
Human rights	Does the supplier prohibit child labour, forced labour, discrimination, harassment, and retaliation?
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.

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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.

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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.

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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;

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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.

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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.

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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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
9. EUDR-oriented evidence readiness, where relevant	Company maintains origin, legality, geolocation, production date, risk assessment, and risk mitigation evidence for relevant natural rubber supply chains.	EUDR evidence file, product scope review, geolocation data, legality records, supplier declarations, customer submissions.	Procurement / ESG Team / Compliance
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

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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

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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.

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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.

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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.
Supplier Categorisation Matrix	Classifies suppliers by spend, volume, criticality, material type, and ESG risk.

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Output	Purpose
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.

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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**.

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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 risks, validates data, and tracks action plans.	ESG lead, HR, EHS, procurement, finance, production, quality, compliance, logistics, sales, and management representatives.	ESG meeting minutes, KPI dashboard, risk register updates, 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.

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Governance Level	Main Role	Typical Members / Persons	Key Outputs
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.

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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.

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;

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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.
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.

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Role / Function	ESG Responsibilities
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.

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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.

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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.

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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;

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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.

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ESG disclosure approval

Before any ESG information is submitted externally or published, the company should review:

a. whether the data covers the correct reporting boundary;
b. whether the reporting period is clear;
c. whether source documents support the data;
d. whether assumptions and estimates are documented;
e. whether confidential information is protected;
f. whether the wording is balanced and not misleading;
g. whether omissions or limitations are explained;
h. whether the claim is consistent with evidence;
i. whether customer-specific definitions are understood;
j. whether the responsible departments have reviewed the information; and
k. 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.

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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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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
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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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, supplier acknowledgements.	HR / Compliance
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.

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KPI	Measurement Approach
Percentage of planned ESG review meetings completed	ESG meetings completed ÷ planned ESG meetings.
Percentage of ESG action items closed on time	ESG action items closed by due date ÷ total due.
Percentage of material ESG topics assigned to accountable owners	Topics with assigned owners ÷ total material topics.
Percentage of ESG indicators with named data owners	Indicators with data owners ÷ total ESG indicators in scope.
Percentage of ESG data points reviewed before disclosure	Reviewed ESG data points ÷ total reported ESG data points.
Percentage of ESG policies reviewed within scheduled period	Policies reviewed on time ÷ 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	High-priority risks with action plans ÷ 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	Corrective actions closed by due date ÷ 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	Persons trained ÷ persons in scope.
Percentage of data owners trained on ESG data and evidence requirements	Data owners trained ÷ 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	Cases closed on time ÷ total due.
Percentage of customer ESG submissions approved through formal review	Reviewed submissions ÷ 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;

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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."

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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.
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.

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Output	Purpose
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.

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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. 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.

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;

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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.

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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;

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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.

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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.

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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.

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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.

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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.

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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.

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.

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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.

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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.

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Business Area	Ethical Expectations
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:

a. Is it legal?
b. Is it allowed under company policy?
c. Is it transparent and recorded?
d. Is there a genuine business purpose?
e. Could it influence a decision?
f. Could it appear improper to others?
g. Would I be comfortable if management, a customer, regulator, auditor, or the public knew about it?
h. Could it harm workers, suppliers, customers, communities, or the environment?
i. Is approval required?
j. 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.

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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
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	Supplier declaration, onboarding questionnaire,	Procurement / Compliance

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	employees, directors, or decision-makers where relevant.	procurement due diligence, supplier register.	
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
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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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 corrective actions are reviewed periodically.	KPI dashboard, management review minutes, Board minutes, compliance reports.	Compliance / Management
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	Employees acknowledged ÷ total employees in scope.
Percentage of new employees receiving Code of Conduct briefing	New employees briefed ÷ total new employees.
Percentage of relevant suppliers acknowledging Supplier Code or ethics clauses	Suppliers acknowledged ÷ 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	Employees trained ÷ employees in scope.
Percentage of procurement personnel trained on conflicts, gifts, and ethical procurement	Procurement personnel trained ÷ 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	Conflicts reviewed and managed ÷ total declared conflicts.

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KPI	Measurement Approach
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	Reviewed declarations ÷ 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	Concerns investigated ÷ concerns requiring investigation.
Percentage of business ethics corrective actions closed on time	Corrective actions closed by due date ÷ total due.
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.

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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."
Confidential ethics cases	"Detailed ethics investigation records are confidential. The company reports ethics-related cases in aggregated form while maintaining case-level records internally."

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Situation	Example Explanation
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.
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.

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Output	Purpose
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.

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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.

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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.

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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.

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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.

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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.

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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.
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.

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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.
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.

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Control Type	Purpose	Examples
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.
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.

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ESG Area	Key Controls	Typical Evidence
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:

a. Is the control documented?
b. Is there a responsible owner?
c. Is the control performed at the required frequency?
d. Is evidence retained?
e. Is the evidence complete and accurate?
f. Is there review or approval?
g. Were exceptions identified?
h. Were corrective actions taken?
i. Has the issue recurred?
j. Does the control still address the risk?

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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:

a. what failed;
b. why it failed;
c. who is responsible;
d. what action is required;
e. due date;
f. evidence required;
g. closure status; and
h. effectiveness review.

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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.

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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
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

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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”.

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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."

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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.

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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.

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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:

a. final approved disclosure;
b. disclosure review checklist;
c. reporting boundary statement;
d. data ownership matrix;
e. source documents;
f. calculation workbooks;
g. assumptions and estimates;
h. methodology notes;
i. evidence register;
j. omission explanations;
k. data gap register;

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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.

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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.

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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
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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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
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

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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.

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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.

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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.
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.

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Output	Purpose
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.

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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;

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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.

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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.
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.

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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.
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.

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.

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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.

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.

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;

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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.

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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.
Indirect tax and customs	SST records, import/export declarations, customs documents, duty payment records, exemption approval where applicable.

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Tax Record Category	Examples of Evidence
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.

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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.
External Tax Advisor	Provides technical advice, review, computation support, transfer pricing support, or audit support where needed.

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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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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
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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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 payments, or tax-related misconduct.	Whistleblowing procedure, grievance channel, ethics case register, non-retaliation policy.	Compliance / Management
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

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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.
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.

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Reporting guidance

Where Tax Practices is material, the company should disclose:

a. why tax practices are material to the company;
b. the company's approach to responsible tax compliance;
c. governance roles for tax oversight, review, approval, and escalation;
d. tax compliance areas covered, such as corporate tax, employer tax, e-Invoice, transfer pricing, withholding tax, and tax incentives where applicable;
e. how tax filings, payments, estimates, and employer obligations are monitored;
f. how tax records and documentation are maintained;
g. how related-party transactions and transfer pricing are managed where applicable;
h. how tax risks are identified, reviewed, and escalated;
i. how tax-related concerns can be reported;
j. tax-related corrective actions, audit matters, or improvement initiatives, described at an appropriate level;
k. data gaps, confidentiality limitations, or scope exclusions; and
l. 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.

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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."
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.

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Output	Purpose
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.
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.

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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.

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;

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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.

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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.

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Risk Area	Examples of Anti-Corruption Risk
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:

a. signed ABAC Policy;
b. Board, owner, or senior management approval;
c. management communication on anti-corruption expectations;
d. appointment of a responsible ABAC owner or compliance person;
e. 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.

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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.

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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.
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.

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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.

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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.

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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.

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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.
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.

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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.

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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.
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.

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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.

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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.
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.

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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;

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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.

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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 Verifiers / Evidence	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
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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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
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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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	Employees acknowledged ÷ total employees in scope.
Percentage of new employees briefed on ABAC	New employees briefed ÷ total new employees.
Percentage of high-risk employees trained on anti-corruption	High-risk employees trained ÷ total high-risk employees.
Percentage of Board, owner, or senior management trained or briefed on Section 17A and ABAC responsibilities	Persons trained ÷ 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	Priority suppliers acknowledged ÷ total priority suppliers.
Percentage of high-risk third parties screened for corruption risk	High-risk third parties screened ÷ 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	High or critical risks with action plans ÷ total high or critical corruption risks.
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.

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KPI	Measurement Approach
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.

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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."

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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.
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.

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Output	Purpose
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.

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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;

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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.
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.

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Stakeholder Category	Examples	Relevance to Rubber Processors and Manufacturers
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.
Academic and technical partners	Universities, research institutes, consultants, technology providers.	Innovation, emissions reduction, circularity, process improvement, training, technical studies.

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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.
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.

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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.

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Field	Description
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.

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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.
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.

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Stakeholder Group	Engagement Methods	Common Topics
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.
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.

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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:

a. actual and potential impacts;
b. stakeholder concerns;
c. customer expectations;
d. regulatory or market changes;
e. supplier risks;
f. worker rights issues;
g. 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.

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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.

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Step	Action
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.

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Field	Description
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.

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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:

a. written reply;
b. meeting follow-up;
c. corrective action update;
d. customer evidence submission;
e. supplier corrective action closure;
f. worker briefing;
g. community notice;
h. management review outcome;
i. 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.

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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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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
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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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
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.
Number of stakeholder feedback items recorded	Count of feedback entries in the engagement log.

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KPI	Measurement Approach
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:

a. why stakeholder engagement is material to the company;
b. how stakeholders are identified and prioritised;
c. key stakeholder groups engaged during the reporting period;
d. engagement methods and frequency;
e. how vulnerable or under-represented stakeholders are considered;
f. key ESG topics raised by stakeholders;
g. how stakeholder feedback was recorded, assessed, escalated, and acted upon;
h. how stakeholder input informed materiality assessment, ESG risk management, supplier due diligence, or action plans;
i. complaint and grievance channels available to stakeholders;
j. key feedback trends and corrective actions;
k. how the company protects confidentiality and prevents retaliation;
l. data gaps, limitations, or scope exclusions; and
m. improvement actions planned for the next reporting period.

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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."
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."

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Situation	Example Explanation
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.
Materiality input record	Shows how stakeholder input informed material topic selection and prioritisation.

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Output	Purpose
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.

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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;

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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.
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.

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Regulatory / Requirement Area	Examples for Rubber Processors and Manufacturers
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. 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.

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.
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.

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Step	Action
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.

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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.

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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.

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.

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Principle	Practical Meaning
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.

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Field	Description
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:

a. whether political contributions are prohibited or allowed;
b. who may approve donations, sponsorships, or contributions;
c. whether contributions to political parties, candidates, officials, or politically linked organisations are prohibited;
d. how charitable donations and community sponsorships are screened;
e. how conflicts of interest are reviewed;
f. how contributions are recorded;
g. how public policy positions are kept separate from improper influence;
h. how contributions are disclosed where required; and
i. 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;

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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.

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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.

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Field	Description
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.
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.

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Department	Compliance Tracking Responsibilities
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.
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.

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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.

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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 official sources, industry bodies, customers, and advisors.	Update log, circulars, official notices, email alerts, meeting notes, workshop records.	Compliance / ESG Team
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

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
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
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	Public Policy Engagement Procedure, Code of Conduct, ABAC Policy, approval matrix.	Compliance / Management

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Indicator	Sub-Indicators	Suggested Verifiers / Evidence	Typical Data Owner
	interactions, and public policy positions.		
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
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.

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KPI	Measurement Approach
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.
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;

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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."

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Situation	Example Explanation
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."
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.

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Output	Purpose
Supplier Compliance Tracker	Tracks supplier licences, certifications, permits, declarations, traceability records, and due diligence evidence.
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.

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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**.

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.

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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.

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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

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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 CO_2e, kWh, m^3, 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.

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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;

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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 m^3 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.

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:

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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.

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."

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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?

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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:

a. **own operations**, such as factories, offices, warehouses, laboratories, vehicles, wastewater systems, and worker accommodation; and
b. **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.

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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

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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.

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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.

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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.

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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. 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.

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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."

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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:

a. serious OHS incidents;
b. forced labour or child labour concerns;
c. wage non-compliance;
d. major environmental incidents;
e. regulatory enforcement;
f. significant supplier traceability gaps;
g. corruption allegations;
h. major community complaints;
i. material climate or emissions data gaps;
j. major customer audit findings; and
k. 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.

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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.

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.

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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.

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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.

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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.

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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.

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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.

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Part 7: ESG Reporting and Disclosure

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.

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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.

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Reporting Principle	Meaning	Practical Application for Rubber Processors and Manufacturers
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

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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 CO_2e, kWh, m^3, 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.

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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.

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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 m^3 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.

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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.

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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."

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Boundary Type	What It Covers	Example
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?

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ESG Area	Boundary Considerations
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:

a. **own operations**, such as factories, offices, warehouses, laboratories, vehicles, wastewater systems, and worker accommodation; and

b. **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.

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Topic	Own Operations Boundary	Value Chain Boundary
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

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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

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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.

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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

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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.

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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.

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Omission Reason	When It May Apply	Required Explanation
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."

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Situation	Poor Explanation	Better Explanation
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:

a. serious OHS incidents;

b. forced labour or child labour concerns;

c. wage non-compliance;

d. major environmental incidents;

e. regulatory enforcement;

f. significant supplier traceability gaps;

g. corruption allegations;

h. major community complaints;

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i. material climate or emissions data gaps;

j. major customer audit findings; and

k. 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.

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Data Quality Level	Description	Example
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.

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Field	Description
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.

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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?	

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Review Question	Yes / No / Remarks
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.

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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.

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Output	Purpose
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.

41. Preparing an ESG Report

An ESG report is the company's structured disclosure of its material environmental, social, and governance performance, risks, impacts, management approach, targets, and improvement actions. For Malaysian rubber processors and manufacturers, the ESG report should not be treated only as a public relations document. It should be a practical management and market access tool that helps the company respond to customer expectations, demonstrate compliance readiness, organise ESG evidence, strengthen internal accountability, and plan continuous improvement.

The report may be prepared as:

a. a standalone ESG or sustainability report;

b. a section within the company's annual report;

c. an internal ESG performance report for management review;

d. a customer-facing ESG disclosure pack;

e. a supplier due diligence response;

f. a financing or bank ESG submission; or

g. a phased ESG readiness report for SMEs.

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Companies do not need to produce an overly complex report in the first year. A simple, honest, evidence-based report is more useful than a lengthy report with unsupported claims. The report should clearly explain what the company has done, what data is available, what gaps remain, what actions are planned, and how progress will be reviewed.

The GRI Standards are widely used to help organisations report impacts on the economy, environment, and people in a comparable and credible way, while IFRS S1 focuses on sustainability-related risks and opportunities useful to users of general purpose financial reports. (Global Reporting Initiative) Malaysia's NSRF provides a phased approach to sustainability reporting and gradual adoption of ISSB standards, while Bursa Malaysia's Sustainability Reporting Guide provides practical guidance on embedding sustainability and preparing sustainability disclosures. (Securities Commission Malaysia)

For these Guidelines, the ESG report should be prepared using the following practical sequence:

a. confirm the reporting purpose and intended users;

b. define reporting boundary, scope, and reporting period;

c. confirm material ESG topics;

d. assign data owners;

e. collect ESG data and evidence;

f. prepare topic-level disclosures;

g. prepare targets, action plans, and progress updates;

h. prepare framework mapping, where relevant;

i. review omissions, estimates, and assumptions;

j. validate data with departments;

k. obtain management approval; and

l. publish, circulate, or submit the report according to the intended use.

41.1 Suggested ESG Report Structure

The ESG report structure should be simple, logical, and easy to review. It should allow readers to understand the company, its ESG governance, material topics, performance, targets, and evidence basis.

A suggested ESG report structure is provided below.

Report Section	Purpose	Suggested Contents
Cover Page	Identifies the report clearly.	Company name, report title, reporting year, reporting period, version, and publication date.

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Report Section	Purpose	Suggested Contents
Table of Contents	Helps users navigate the report.	Main sections, subsections, appendices, tables, and framework mapping.
Management Statement / Foreword	Shows leadership commitment.	Short message from Board, owner, Managing Director, CEO, or senior management.
About This Report	Defines reporting basis.	Reporting boundary, scope, period, reporting principles, frameworks referenced, assurance status, and contact point.
Company Profile and Business Overview	Explains business context.	Company activities, products, value chain role, sites, workforce, markets, materials, certifications, and customer segments.
Sustainability Governance	Explains ESG accountability.	ESG governance structure, roles, responsibilities, management review, policies, risk oversight, and approval process.
Stakeholder Engagement and Materiality	Explains how material topics were selected.	Stakeholder groups, engagement methods, materiality assessment process, material topics, and materiality matrix.
ESG Performance Summary	Provides a snapshot of key performance.	Key environmental, social, governance KPIs, highlights, incidents, gaps, and improvement actions.
Environmental Performance by Topic	Reports environmental topics.	Deforestation, land use, biodiversity, emissions, material use, hazardous substances, energy, soil, water, and waste, as applicable.
Social Performance by Topic	Reports social topics.	Human rights, DEI, workers' rights, OHS, child labour, forced labour, Indigenous Peoples, local communities, freedom of association, training, and pay.
Governance Performance by Topic	Reports governance topics.	Supply chain due diligence, corporate governance, business ethics, transparency and risk management, tax, anti-corruption, stakeholder engagement, and regulatory risk.
Targets, Action Plans, and Progress	Shows improvement direction.	Targets, baseline, action owner, timeline, progress status, corrective actions, and next steps.
Framework Mapping	Links disclosures to frameworks.	GRI, SDG, NSRF, Bursa, TCFD, TNFD, MSNR, EUDR, GPSNR, MITI i-ESG, or customer-specific mapping where relevant.

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Report Section	Purpose	Suggested Contents
Omissions, Data Limitations, and Assumptions	Explains reporting limitations.	Non-applicability, unavailable data, estimates, confidentiality constraints, boundary limitations, and improvement plans.
Management Approval	Confirms internal review.	Approval statement, approving body or person, date, and version control.
Appendices	Provides supporting detail.	ESG Checklist summary, KPI tables, GRI content index, SDG mapping, supplier due diligence summary, glossary, evidence index.

Companies may simplify or expand this structure based on size and maturity. SMEs may begin with a shorter report covering company profile, governance, material topics, ESG performance, action plan, and evidence summary. Larger companies may include more detailed KPI tables, framework mapping, climate disclosures, supplier traceability, and external assurance information.

Suggested first-year SME ESG report structure

For companies preparing an ESG report for the first time, the following shorter structure may be used:

Section	Suggested Contents
1. About the Company	Business activities, products, sites, workforce, and markets.
2. About This Report	Boundary, period, scope, and limitations.
3. ESG Governance	ESG responsibilities, policies, management review, and data owners.
4. Material ESG Topics	Materiality process and selected topics.
5. ESG Performance	Key environmental, social, and governance data by topic.
6. Supplier Due Diligence	Supplier screening, traceability, and corrective actions where relevant.
7. Targets and Action Plan	Priority actions, owners, timelines, and progress.
8. Framework Mapping	Basic GRI, SDG, or customer mapping where relevant.
9. Approval and Next Steps	Management approval, reporting limitations, and future improvements.

41.2 Company Profile and Business Overview

The company profile provides context for ESG performance. Readers need to understand what the company does before they can properly interpret its ESG topics, risks, and data.

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For rubber processors and manufacturers, the company profile should explain the company's position in the rubber value chain. This is important because ESG risks differ across natural rubber processing, latex processing, rubber product manufacturing, synthetic rubber use, chemical-intensive manufacturing, trading, exporting, and outsourced production.

Recommended company profile contents

Profile Item	Suggested Disclosure
Company name and legal entity	Registered company name, business registration details where appropriate, group or subsidiary relationship.
Business activities	Processing, manufacturing, trading, exporting, compounding, latex processing, product manufacturing, or related services.
Role in rubber value chain	Midstream processor, downstream manufacturer, trader, exporter, supplier to brands, supplier to industrial customers, or mixed role.
Products	Main rubber materials or products, such as latex concentrate, rubber compound, gloves, rubber goods, industrial rubber products, components, or other products.
Raw materials	Natural rubber, synthetic rubber, latex, chemicals, additives, packaging, recycled materials, or other inputs.
Sites and facilities	Manufacturing plant, warehouse, office, laboratory, wastewater treatment plant, worker accommodation, distribution facility.
Workforce profile	Number of workers, employment categories, migrant workers, contract workers, shift workers, and key workforce groups.
Markets served	Domestic market, export markets, customer segments, EU-linked customers where relevant, multinational buyers where relevant.
Certifications and systems	ISO, MSNR, FSC, PEFC, Preferred by Nature, social audits, product certifications, customer qualifications, or other systems.
Supply chain overview	Main supplier categories, natural rubber sourcing exposure, chemical suppliers, logistics, waste contractors, recruitment agents.
ESG context	Main ESG drivers, such as customer requirements, EUDR readiness, emissions, labour standards, OHS, waste, water, and traceability.
Reporting maturity	First-year report, internal ESG report, customer ESG response, public report, or externally assured report.

Example company profile wording

Company Profile and Business Overview

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[Company Name] is a Malaysian rubber [processor / manufacturer / trader / exporter] operating in the [midstream / downstream] segment of the rubber industry. The company's main activities include [describe activities], and its products are supplied to [domestic customers / export customers / industrial customers / multinational buyers].

The company uses [natural rubber / synthetic rubber / latex / rubber compound / chemicals / packaging] in its operations. Its ESG priorities are shaped by manufacturing activities, raw material sourcing, customer requirements, environmental management, labour standards, occupational health and safety, supplier traceability, and governance controls.

This ESG report covers [sites / operations / business units] for the period [start date] to [end date]. Any exclusions, data gaps, estimates, or limitations are explained in the relevant sections.

Guidance for describing the rubber value chain role

Company Type	ESG Context to Explain
Natural rubber processor	Origin traceability, land use, deforestation risk, water, effluent, odour, waste, supplier due diligence.
Latex processor	Water, wastewater, chemical use, effluent, energy, OHS, supplier traceability, customer quality requirements.
Rubber product manufacturer	Energy, emissions, material use, chemicals, waste, OHS, labour practices, customer ESG requirements.
Synthetic rubber user	Emissions, chemical safety, hazardous substances, material use, supplier environmental data, waste and circularity.
Trader or exporter	Supplier screening, traceability, documentation, customer due diligence, anti-corruption, customs and regulatory risk.
SME supplier	Core compliance, worker safety, labour records, supplier documents, basic ESG data, customer questionnaire readiness.

The company profile should be factual and evidence-based. It should avoid overstating market position, certifications, traceability, or ESG maturity.

41.3 Sustainability Governance

The sustainability governance section explains how ESG is overseen, managed, reviewed, and approved. It should show that ESG responsibilities are not informal or unclear.

IFRS S1 requires disclosure of governance processes, controls, and procedures used to monitor and manage sustainability-related risks and opportunities, as well as disclosures on strategy, risk management, and metrics and targets. (IFRS Foundation) Bursa Malaysia's Sustainability Reporting Guide also provides guidance on embedding sustainability into the organisation, which is useful for companies preparing structured ESG disclosures. (my.bursamalaysia.com)

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Recommended sustainability governance contents

Governance Item	Suggested Disclosure
Governance structure	Board, owner, senior management, ESG Committee, ESG lead, department heads, and data owners.
Oversight responsibilities	Who approves ESG policy, material topics, ESG risks, targets, customer submissions, and ESG report.
Management responsibilities	Who implements ESG actions and monitors performance.
ESG Committee or review process	Meeting frequency, topics reviewed, action tracking, escalation process.
ESG policies	ESG Policy, Environmental Policy, Human Rights Policy, OHS Policy, Supplier Code of Conduct, ABAC Policy, Code of Conduct.
ESG risk management	ESG Risk Register, legal compliance register, supplier risk assessment, corrective action tracker.
Data governance	Data ownership matrix, evidence register, data quality review, disclosure approval process.
Stakeholder and grievance mechanisms	Worker grievance, community complaint, supplier feedback, whistleblowing, customer feedback.
Management review	How ESG performance, risks, incidents, complaints, and corrective actions are reviewed.
Approval process	How ESG report and external disclosures are reviewed and approved.

Example sustainability governance wording

Sustainability Governance

ESG oversight is led by [Board / owner / Managing Director / senior management], supported by [ESG Committee / ESG lead / department heads]. The ESG lead coordinates ESG data collection, checklist completion, evidence management, reporting preparation, and follow-up actions. Department-level data owners are responsible for maintaining source records and supporting evidence for their respective topics.

ESG performance is reviewed through [monthly / quarterly / annual] management review meetings. The review covers ESG risks, legal compliance, environmental data, OHS performance, labour standards, supplier due diligence, stakeholder feedback, customer requirements, corrective actions, and progress against ESG action plans.

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ESG disclosures are reviewed by relevant data owners and approved by [senior management / Board / owner] before publication or submission to external parties.

Governance disclosure table

Companies may include a table such as:

ESG Governance Role	Responsibility	Evidence
Board / Owner / Managing Director	Approves ESG policy, report, material topics, targets, and major risk decisions.	Approval records, minutes, signed ESG report.
ESG Committee / Management Team	Reviews ESG performance, risks, customer requirements, supplier issues, and corrective actions.	Meeting minutes, action tracker.
ESG Lead	Coordinates reporting, data collection, evidence register, and checklist completion.	ESG workplan, evidence register.
HR	Manages workforce, wages, training, grievances, labour standards.	HR records, payroll, training, grievance register.
EHS / OHS	Manages environmental and safety data.	Permits, HIRARC, incident records, waste, water, energy data.
Procurement	Manages supplier due diligence and traceability.	Supplier master list, questionnaires, supplier CAP.
Finance	Provides payroll, utility, fuel, tax, and cost data.	Bills, invoices, payroll, tax records.
Production / Maintenance	Implements operational controls and improvement actions.	Production records, maintenance records, process data.

41.4 Materiality Assessment Results

The materiality assessment section explains how the company identified its most important ESG topics. It should describe the process, stakeholder input, criteria used, and final material topics.

GRI 3 provides guidance on determining material topics and reporting how the organisation manages those topics. (Global Reporting Initiative) For these Guidelines, the 29 ESG topics should be used as the starting topic library. Companies should screen all 29 topics, identify applicability, assess materiality, validate results with management, and explain omissions or non-applicability.

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Recommended materiality disclosure contents

Materiality Item	Suggested Disclosure
Topic universe	Explain that the company reviewed the 29 ESG topics under Environmental, Social, and Governance.
Stakeholder input	Identify stakeholder groups considered, such as workers, customers, suppliers, regulators, communities, financiers, and management.
Assessment criteria	Impact severity, likelihood, stakeholder concern, regulatory exposure, customer relevance, business risk, market access, data availability.
Scoring method	Explain whether topics were scored as high, medium, low, monitored, or not applicable.
Validation	Explain how management reviewed and approved the material topics.
Material topics	List selected material topics.
Monitored topics	List topics monitored but not reported in detail.
Non-applicable topics	Explain topics not applicable and why.
Review cycle	State that materiality will be reviewed annually or when business context changes.

Example materiality process wording

Materiality Assessment

The company assessed material ESG topics using the 29-topic structure in these Guidelines. Each topic was reviewed for relevance to the company's own operations, workforce, supply chain, products, customers, regulatory exposure, stakeholder concerns, and business risks.

Inputs considered included customer ESG requirements, worker feedback, supplier information, legal compliance obligations, environmental and OHS records, management priorities, audit findings, and operational data. Topics were prioritised based on impact, likelihood, stakeholder importance, customer relevance, compliance exposure, and business significance.

The final list of material topics was reviewed and approved by [senior management / ESG Committee / Board / owner]. Topics classified as not applicable or not fully reported are explained in the omissions section.

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Suggested materiality results table

ESG Pillar	Material Topic	Why It Is Material	Boundary	Reporting Treatment
Environmental	Energy	High electricity and fuel use affects cost and emissions.	Own operations.	Report KPI, actions, and targets.
Environmental	Waste	Production scrap, packaging, and scheduled waste require controls.	Own operations and waste contractors.	Report waste by type, contractor controls, and reduction actions.
Social	OHS	Manufacturing operations involve machinery, chemicals, and contractor work.	Workers and contractors onsite.	Report incidents, training, HIRARC, and corrective actions.
Social	Forced Labour	Migrant workers or recruitment channels may create risk.	Own operations, recruitment agents, labour suppliers.	Report controls, risk assessment, grievance channels.
Governance	Supplier Due Diligence	Natural rubber, chemicals, waste contractors, and customer traceability requirements create supply chain risk.	Priority suppliers.	Report supplier screening coverage and corrective actions.
Governance	Anti-Corruption	Procurement, agents, licences, and third-party dealings create corruption exposure.	Own operations and third parties.	Report policy, training, declarations, cases.

Materiality matrix

Companies may present a matrix showing:

a. stakeholder importance on one axis;

b. business impact or ESG impact on the other axis;

c. topic position based on scoring;

d. high-priority topics identified for reporting; and

e. topics monitored but not prioritised.

A matrix is useful, but not mandatory. A clear table may be sufficient for SMEs.

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41.5 ESG Performance by Topic

The ESG performance section is the core of the report. It should disclose performance by material topic using the topic-specific guidance in Parts 4, 5, and 6 of these Guidelines.

Each topic disclosure should answer:

a. Why is this topic material?

b. What is the company's policy or commitment?

c. Who is responsible?

d. What risks and impacts are associated with the topic?

e. What actions were taken during the reporting period?

f. What data or KPIs are reported?

g. What evidence supports the disclosure?

h. What incidents, grievances, findings, or corrective actions occurred?

i. What targets or improvement actions are planned?

j. What limitations or omissions apply?

Suggested topic disclosure format

Topic Element	Suggested Contents
Topic title	Name of ESG topic.
Materiality explanation	Why the topic is relevant to the company.
Boundary	Own operations, suppliers, contractors, customers, communities, or specific sites.
Policy or commitment	Relevant policy, procedure, or statement.
Management approach	Responsibilities, controls, SOPs, monitoring, training, grievance, due diligence.
Performance data	KPIs, quantitative data, qualitative progress, and trend information.
Incidents and findings	Non-compliance, grievances, audit findings, incidents, supplier findings, where material.
Corrective actions	Actions taken and closure status.

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Targets and next steps	Future improvement actions.
Evidence	Source documents and verifier examples.
Limitations	Data gaps, estimates, confidentiality, boundary limitations, or omissions.

Environmental topic disclosure examples

Environmental Topic	Suggested Performance Data
Deforestation	Natural rubber suppliers screened, traceability coverage, sourcing area data, geolocation coverage where required, supplier declarations, EUDR-oriented evidence status.
Emissions	Scope 1, Scope 2, relevant Scope 3 status, emissions intensity, methodology, emission factor source, reduction initiatives.
Energy	Electricity use, fuel use, energy intensity, renewable energy use, energy efficiency actions.
Water	Water withdrawal, consumption, discharge, intensity, water stress assessment, effluent compliance, reuse initiatives.
Waste	Waste generated by type, scheduled waste, recycling, recovery, waste contractor verification, waste-related incidents.
Hazardous Substances	Chemical register, SDS coverage, storage inspections, spill incidents, restricted substance controls, worker training.

Social topic disclosure examples

Social Topic	Suggested Performance Data
Human Rights and Social Impact	Human rights risk assessment coverage, grievances, corrective actions, supplier social screening.
Workers' Rights	Contracts, working hours, overtime, leave, wage records, grievance channels, payroll corrections.
OHS	HIRARC coverage, incidents, near misses, training, PPE, machine safety, emergency drills, corrective action closure.

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Social Topic	Suggested Performance Data
Child Labour	Age verification coverage, young worker controls, supplier screening, confirmed cases, remediation procedure.
Forced Labour	Recruitment fee checks, passport access, migrant worker orientation, worker interviews, grievance records, supplier screening.
Training and Development	Training hours, induction coverage, OHS training, ESG training, skills training, effectiveness review.
Pay and Equal Remuneration	Minimum wage compliance, payslip coverage, payroll corrections, wage grievances, benefits and allowance controls.

Governance topic disclosure examples

Governance Topic	Suggested Performance Data
Supply Chain Traceability and Due Diligence	Supplier master list, suppliers assessed, Supplier Code acknowledgement, traceability coverage, supplier CAP closure.
Corporate Governance	ESG governance structure, ESG meetings, data owners, policies approved, management review actions.
Business Ethics	Code of Conduct acknowledgement, conflict declarations, gift register, ethics cases, training coverage.
Transparency and Risk Management	ESG Risk Register, high-priority risks, data gaps, evidence pack completion, disclosure review.
Tax Practices	Tax compliance calendar, filings, e-Invoice readiness, tax risk review, employer tax records.
Anti-Corruption	ABAC policy, corruption risk assessment, training, third-party due diligence, reports and investigations.
Stakeholder Engagement	Stakeholder groups engaged, feedback received, customer ESG requests, complaints, corrective action closure.
Regulatory Risk and Public Policy	Licences tracked, regulatory updates reviewed, permit renewals, public policy engagement, non-compliance actions.

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Example topic disclosure wording

Waste

Waste is material to the company because manufacturing activities generate production scrap, packaging waste, scheduled waste, and wastewater treatment residues. The company manages waste through waste classification, segregation, designated storage areas, approved contractors, recycling initiatives, and scheduled waste controls.

During the reporting period, the company recorded [quantity] of total waste, of which [quantity or percentage] was diverted to recycling or recovery. Scheduled waste was managed through approved contractors and supported by consignment records. Internal inspections identified [number] waste-related findings, of which [percentage] were closed by year-end.

The company will continue improving waste data accuracy, contractor verification, recycling opportunities, and waste reduction initiatives in the next reporting cycle.

41.6 Targets, Action Plans, and Progress

Targets and action plans show how the company intends to improve ESG performance. They also help management track whether ESG reporting is leading to practical action.

Targets should be realistic, measurable, time-bound, and linked to material ESG topics. They should not be vague statements such as “improve sustainability” or “become greener.” They should define what will be improved, by when, who is responsible, and what evidence will show progress.

Types of ESG targets

Target Type	Example
Compliance target	Close all high-risk legal compliance findings within 60 days.
Data improvement target	Establish monthly energy, water, and waste trackers by the next reporting cycle.
Environmental performance target	Reduce electricity intensity by 5% over two years.
Emissions target	Calculate Scope 1 and Scope 2 emissions annually and conduct Scope 3 screening.
Waste target	Increase waste diversion rate or reduce production scrap rate.
Water target	Complete water stress assessment and reduce water intensity.
OHS target	Complete HIRARC review for all high-risk processes and reduce repeat incidents.
Labour target	Complete wage and working hour review for all worker categories.

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Target Type	Example
Supplier target	Screen 80% of priority suppliers using ESG questionnaire by year-end.
Traceability target	Obtain origin information from priority natural rubber suppliers.
Governance target	Establish ESG data ownership matrix and disclosure review checklist.
Training target	Train all supervisors on OHS, grievance escalation, and respectful workplace conduct.

ESG action plan template

ESG Topic	Target / Action	Baseline	KPI	Responsible Owner	Timeline	Status	Evidence
Energy	Conduct energy audit for main manufacturing site.	No audit conducted.	Audit completed.	Facilities / EHS	Q3 2027	Planned	Energy audit report.
Waste	Improve waste segregation and recycling records.	Recycling data incomplete	Recycling records available monthly.	EHS / Warehouse	Q2 2027	In progress	Waste tracker, vendor records.
OHS	Review HIRARC for all high-risk production areas.	Partial HIRARC coverage.	100% high-risk areas reviewed.	EHS / Production	Q4 2027	Planned	HIRARC register.
Forced Labour	Conduct recruitment fee checks for migrant workers.	Fee checks not formalised.	100% migrant workers interviewed	HR	Q2 2027	Planned	Interview records.

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Supplier Due Diligence	Screen priority suppliers using ESG questionnaire	30% screened.	80% screened.	Procurement / ESG	Q4 2027	In progress	Supplier questionnaires.

Progress reporting

Companies should report progress against prior commitments. This is important for credibility.

Prior Commitment	Status	Progress Explanation	Next Step
Establish ESG data ownership matrix.	Completed	Data owners assigned for 29 ESG topics.	Review annually.
Calculate Scope 1 and Scope 2 emissions.	Completed	Emissions calculated for main manufacturing site.	Expand data boundary to warehouse.
Screen priority suppliers.	In progress	45% of priority suppliers completed ESG questionnaire.	Complete remaining suppliers by Q4.
Improve waste data.	Delayed	General waste vendor did not provide weighing data.	Require monthly vendor reporting.
Develop ABAC training.	Planned	Training materials drafted.	Deliver training to procurement and finance teams.

Cautions on targets

Companies should avoid unrealistic or unsupported targets. For example, “100% deforestation-free” should not be used unless the company has sufficient traceability, geolocation, legality, no-deforestation evidence, and verification for the defined scope. “Net zero” should not be used unless there is a clear baseline, scope, methodology, reduction pathway, residual emissions approach, and governance process.

41.7 GRI, SDG, and Framework Mapping

Framework mapping helps readers understand how the company’s ESG disclosures relate to recognised standards, goals, regulations, and customer requirements. It also helps the company organise ESG topics and avoid duplicating reporting work.

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Mapping should be used carefully. A company should not claim full compliance with a framework unless it has met the framework's requirements. For many SMEs, it may be more appropriate to state that the report is "prepared with reference to" selected frameworks.

The UN Sustainable Development Goals comprise 17 goals adopted as part of the 2030 Agenda for Sustainable Development, and companies may map relevant ESG topics to the SDGs to show contribution to broader sustainability objectives. (Sustainable Development Goals) The SDG mapping should be selective and evidence-based; companies should avoid linking every topic to every goal without explaining the relevance.

Frameworks that may be mapped

Framework / Requirement	How It May Be Used
MRC ESG Guidelines	Main structure for the 29 ESG topics and practical implementation guidance.
ESG Checklist	Internal self-assessment, evidence tracking, gap identification, and reporting support.
GRI Standards	Impact reporting structure, topic disclosures, and content index.
SDGs	High-level alignment of company actions to global sustainability goals.
NSRF / ISSB / IFRS S1 and S2	Sustainability-related risks and opportunities, governance, strategy, risk management, metrics and targets.
Bursa Malaysia Sustainability Reporting Guide	Reference for sustainability reporting practices and disclosures, especially for listed companies and suppliers to listed entities.
MITI i-ESG Framework	Manufacturing sector ESG adoption and transition reference.
MSNR	Natural rubber sustainability, traceability, legality, and responsible production reference.
EUDR	Deforestation, legality, geolocation, traceability, and due diligence evidence where relevant.
CSDDD	Human rights and environmental due diligence expectations where customer value chains are affected.
GPSNR	Sustainable natural rubber policy and responsible sourcing reference.
FSC, PEFC, Preferred by Nature	Chain-of-custody, forest-linked sourcing, certification, and responsible material controls where applicable.
TCFD / IFRS S2	Climate governance, strategy, risk management, metrics, and targets.

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Framework / Requirement	How It May Be Used
TNFD	Nature-related dependencies, impacts, risks, and opportunities where relevant.
Customer Codes of Conduct	Buyer-specific labour, environmental, governance, traceability, and audit requirements.

MITI's i-ESG Framework aims to build and strengthen systems to encourage and enhance ESG practices in Malaysia's manufacturing sector, making it relevant to rubber manufacturers adopting ESG in phases. (MITI)

GRI content index

A **GRI Content Index** may be included in the appendix where the company reports with reference to selected GRI disclosures.

GRI Disclosure	Disclosure Title	Report Section	Page / Reference	Remarks
GRI 2-1	Organisational details	Company Profile	Section 41.2	Reported.
GRI 2-22	Statement on sustainable development strategy	Management Statement	Foreword	Reported.
GRI 2-29	Approach to stakeholder engagement	Stakeholder Engagement	Section 38 / ESG Report Section	Reported.
GRI 3-1	Process to determine material topics	Materiality	Section 41.4	Reported.
GRI 3-2	List of material topics	Materiality	Section 41.4	Reported.
GRI 302	Energy	Environmental Performance	Energy section	Reported where data available.
GRI 303	Water and Effluents	Environmental Performance	Water section	Partial; discharge data under improvement.
GRI 306	Waste	Environmental Performance	Waste section	Reported.
GRI 403	Occupational Health and Safety	Social Performance	OHS section	Reported.

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GRI Disclosure	Disclosure Title	Report Section	Page / Reference	Remarks
GRI 414	Supplier Social Assessment	Governance / Supply Chain	Supplier Due Diligence section	Priority suppliers only.

SDG mapping table

SDG mapping should link specific company actions and indicators to relevant goals.

ESG Topic	Relevant SDG	Company Contribution	Evidence / KPI
Water	SDG 6: Clean Water and Sanitation	Effluent monitoring, wastewater treatment, water efficiency.	Water withdrawal, effluent reports, water reuse actions.
Energy and Emissions	SDG 7 and SDG 13	Energy efficiency, emissions calculation, renewable energy assessment.	Energy intensity, Scope 1 and Scope 2 emissions.
Workers' Rights and Pay	SDG 8: Decent Work and Economic Growth	Wage compliance, working hour controls, grievance channels.	Payroll records, working hour records, grievances closed.
DEI	SDG 5 and SDG 10	Non-discrimination, equal opportunity, respectful workplace.	Workforce data, training, grievances.
Waste and Circularity	SDG 12: Responsible Consumption and Production	Waste segregation, recycling, material efficiency.	Waste generated, recycling rate, scrap reduction.
Anti-Corruption	SDG 16: Peace, Justice and Strong Institutions	ABAC policy, whistleblowing, conflict controls.	ABAC training, conflict register, gift register.
Supplier Due Diligence	SDG 12 and SDG 15	Traceability, no-deforestation, supplier ESG screening.	Supplier assessments, origin data, corrective actions.

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Framework alignment matrix

A practical framework alignment matrix may include:

MRC ESG Topic	GRI Reference	SDG Link	Other Framework / Requirement	Report Section
Deforestation	GRI 304 where biodiversity impacts are relevant; topic-specific disclosure	SDG 15	MSNR, EUDR, GPSNR, FSC, PEFC	Environmental Performance
Emissions	GRI 305	SDG 13	IFRS S2 / TCFD, customer carbon data	Environmental Performance
Energy	GRI 302	SDG 7, SDG 13	MITI i-ESG, customer ESG	Environmental Performance
Water	GRI 303	SDG 6	DOE compliance, customer requirements	Environmental Performance
Waste	GRI 306	SDG 12	DOE scheduled waste requirements	Environmental Performance
OHS	GRI 403	SDG 3, SDG 8	DOSH requirements, customer audits	Social Performance
Forced Labour	GRI 409 or human rights-related disclosure where applicable	SDG 8	Customer social compliance, ethical recruitment	Social Performance
Supplier Due Diligence	GRI 308, GRI 414 where applicable	SDG 12, SDG 15	EUDR, MSNR, GPSNR, customer supplier codes	Governance Performance
Anti-Corruption	GRI 205	SDG 16	MACC Section 17A, adequate procedures	Governance Performance
Stakeholder Engagement	GRI 2-29	SDG 17	Materiality, grievance mechanisms	Governance Performance

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Cautions on framework mapping

Companies should:

a. map only relevant topics;

b. avoid claiming full compliance unless all requirements are met;

c. explain partial reporting;

d. identify omissions and data gaps;

e. ensure mapped disclosures are supported by evidence;

f. avoid symbolic SDG mapping without actual actions or KPIs;

g. ensure customer-specific mapping is approved before submission; and

h. update mapping annually.

Suggested wording:

"This report is prepared with reference to the MRC ESG Guidelines and selected GRI disclosures. The SDG mapping is provided to show areas of alignment between the company's material ESG topics and relevant global goals. The mapping does not imply that the company contributes to every SDG or fully reports against all GRI Standards."

41.8 Management Approval and Publication

Before an ESG report is published, submitted to customers, or circulated externally, it should be reviewed and approved by authorised management. This ensures that disclosures are accurate, evidence-backed, consistent with company policy, and aligned with legal and confidentiality requirements.

Management approval process

A practical approval process should include:

Step	Action
1. Draft report prepared	ESG lead consolidates data, topic disclosures, action plans, framework mapping, and limitations.
2. Data owner review	HR, EHS, Procurement, Finance, Production, Compliance, and other data owners review relevant sections.
3. Evidence check	ESG team confirms evidence is available for material disclosures and claims.
4. Legal and confidentiality review	Sensitive worker, supplier, customer, geolocation, payroll, and commercial information is checked.

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Step	Action
5. Management review	Senior management reviews material topics, risks, incidents, targets, claims, omissions, and commitments.
6. Final approval	Board, owner, Managing Director, CEO, or authorised management approves the report.
7. Version control	Final approved version is locked, dated, and stored.
8. Publication or circulation	Report is published, submitted, or distributed according to intended use.
9. Commitment tracking	Promises, targets, and next steps are transferred into the ESG action plan.
10. Feedback review	Feedback from customers, workers, suppliers, financiers, or stakeholders is recorded for next cycle.

Approval checklist

Before publication or submission, companies should confirm:

Review Question	Yes / No / Remarks
Has the reporting boundary been clearly stated?	
Has the reporting period been clearly stated?	
Have material ESG topics been identified and approved?	
Are all reported data points supported by evidence?	
Have estimates and assumptions been explained?	
Have omissions and limitations been explained?	
Are all claims accurate and not overstated?	
Has confidential information been protected?	
Have data owners reviewed their sections?	
Has management reviewed high-risk disclosures?	
Has the final report been approved by authorised management?	
Has the final version been stored with the evidence pack?	

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Review Question	Yes / No / Remarks
Have targets and commitments been added to the action tracker?	

Publication options

Companies may publish or circulate ESG reports in different ways.

Publication Option	Suitable For
Internal ESG report	Early-stage companies, management review, internal improvement planning.
Customer-facing ESG report	Suppliers responding to buyer requirements, audits, tenders, or customer ESG questionnaires.
Public ESG report on website	Companies seeking transparency with customers, financiers, workers, and stakeholders.
Annual report sustainability section	Companies with annual reporting obligations or group-level reporting.
ESG data pack	Companies that need to provide structured evidence to customers or financiers.
Summary ESG factsheet	SMEs that need a concise external summary supported by internal evidence.

ESG report version control

Every report should have version control.

Version Control Item	Requirement
Report title	ESG Report / Sustainability Report / ESG Disclosure Pack.
Company name	Legal entity or reporting entity.
Reporting period	Start and end date.
Version number	Draft 1, Draft 2, Final, Revised Final.
Prepared by	ESG lead or reporting team.
Reviewed by	Data owners and management reviewers.

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Version Control Item	Requirement
Approved by	Board, owner, Managing Director, CEO, or authorised person.
Approval date	Date approved.
Publication date	Date released or submitted.
Distribution list	Public, customer-specific, internal, confidential, or restricted.
Evidence pack reference	Location of supporting records.

Post-publication review

After publication, companies should review feedback and update the ESG action plan.

Feedback may come from:

a. customers;

b. auditors;

c. financiers;

d. workers;

e. suppliers;

f. regulators;

g. industry bodies;

h. management;

i. communities; and

j. internal data owners.

Feedback should be recorded and considered during the next reporting cycle.

Minimum Implementation Outputs for Section 41

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

Output	Purpose
ESG report outline	Defines the structure and contents of the ESG report.
Company profile template	Provides consistent information on business activities, value chain role, products, sites, workforce, and markets.

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Output	Purpose
Reporting boundary and scope statement	Clarifies what operations, sites, worker groups, suppliers, and topics are included.
Sustainability governance disclosure	Explains ESG oversight, roles, data owners, management review, and approval process.
Materiality assessment summary	Records how the company selected material ESG topics.
Materiality results table or matrix	Shows material topics, boundaries, relevance, and reporting treatment.
ESG topic disclosure template	Standardises topic-level disclosure across Environmental, Social, and Governance topics.
ESG KPI tables	Presents quantitative data by topic, reporting period, unit, and boundary.
Targets and action plan tracker	Links ESG gaps and targets to owners, timelines, status, and evidence.
Progress update table	Shows progress against prior commitments and future actions.
GRI content index, where relevant	Maps report content to selected GRI disclosures.
SDG mapping table, where relevant	Links material ESG actions to relevant SDGs.
Framework alignment matrix	Maps MRC topics to GRI, SDG, NSRF, Bursa, MSNR, EUDR, GPSNR, TCFD, TNFD, MITI i-ESG, or customer requirements where relevant.
Omission and limitation statement	Explains data gaps, non-applicability, confidentiality constraints, estimates, and partial boundaries.
Disclosure review checklist	Checks accuracy, balance, clarity, completeness, evidence, and approval before release.
ESG evidence pack	Stores data files, source documents, calculations, assumptions, approvals, and final report.
Management approval record	Confirms authorised approval before publication or submission.
Version control record	Tracks draft, review, final, revised, and published versions.
Publication or distribution record	Records whether the report is internal, customer-facing, public, or restricted.

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Output	Purpose
Disclosure commitment tracker	Tracks targets, promises, and next steps made in the ESG report.
Post-publication feedback log	Captures stakeholder feedback for the next reporting cycle.

Used properly, this section helps rubber processors and manufacturers prepare ESG reports that are structured, credible, evidence-backed, and useful for customers, management, financiers, regulators, suppliers, workers, and other stakeholders. It also helps convert ESG reporting into a practical cycle of measurement, review, improvement, and accountability.

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42. ESG Data Collection and Evidence Management

ESG data collection and evidence management are the foundation of credible ESG reporting. A company may have good ESG practices, but if it cannot provide accurate data and supporting evidence, it may not be able to satisfy customer requests, audits, certification reviews, financing assessments, regulatory expectations, or future assurance requirements.

For Malaysian rubber processors and manufacturers, ESG data may come from many sources, including electricity bills, fuel invoices, water bills, effluent test reports, scheduled waste consignment notes, chemical registers, SDS files, payroll records, attendance records, HIRARC records, OHS incident reports, training records, supplier declarations, traceability documents, geolocation records, customer questionnaires, management review minutes, and corrective action trackers.

ESG data should be managed with the same discipline as financial, quality, tax, and compliance data. IFRS S1 requires disclosures about sustainability-related risks and opportunities, including governance processes, strategy, risk management, and metrics and targets; it also highlights the importance of useful information for users making resource-allocation decisions. (IFRS Foundation) GRI reporting principles also emphasise accuracy, completeness, timeliness, and verifiability, meaning ESG information should be correct, sufficiently detailed, and supported by records that can be examined. (Global Reporting Initiative)

For these Guidelines, companies should establish a practical ESG data and evidence system that includes:

a. an ESG Data Inventory;

b. named data owners and reviewers;

c. source documents and evidence files;

d. data quality checks;

e. record retention rules;

f. version control and confidentiality controls;

g. disclosure review and approval;

h. evidence packs for ESG reports and customer submissions; and

i. assurance and verification readiness.

The objective is to ensure that ESG information is **complete, accurate, traceable, timely, consistent, protected, reviewable, and verifiable**.

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42.1 ESG Data Inventory

An **ESG Data Inventory** is a structured list of the ESG data that the company collects, monitors, reports, and verifies. It identifies each data point, its source, owner, frequency, calculation method, evidence, reviewer, and reporting use.

The ESG Data Inventory should be aligned with the company's material ESG topics and the ESG Checklist. It should not be limited to data already available. It should also identify data gaps and improvement actions.

Purpose of the ESG Data Inventory

The ESG Data Inventory helps the company:

a. identify which ESG indicators are required;

b. assign responsibility for each data point;

c. avoid missing or duplicate data;

d. standardise units and calculation methods;

e. track data collection frequency;

f. identify source documents;

g. support customer questionnaires and ESG reporting;

h. prepare evidence packs;

i. identify data gaps and assumptions; and

j. support assurance or verification readiness.

ESG data categories

Companies should organise ESG data according to the Environmental, Social, and Governance structure used in these Guidelines.

ESG Pillar	Data Category	Examples of Data
Environmental	Energy	Electricity consumption, fuel consumption, renewable energy, energy intensity, energy-saving initiatives.
Environmental	Emissions	Scope 1, Scope 2, relevant Scope 3, emission factors, calculation methodology, emissions intensity.
Environmental	Water	Water withdrawal, consumption, discharge, water source, effluent quality, water reuse, water stress assessment.

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ESG Pillar	Data Category	Examples of Data
Environmental	Waste	Waste by type, scheduled waste, recycling, recovery, disposal method, waste contractor records, waste intensity.
Environmental	Hazardous substances	Chemical inventory, SDS coverage, restricted substances, storage inspections, spills, chemical waste.
Environmental	Deforestation and land use	Natural rubber origin, sourcing area, geolocation, supplier declarations, legality evidence, no-deforestation evidence.
Social	Workforce	Headcount, employment type, gender, nationality, migrant workers, contract workers, turnover.
Social	Workers' rights	Employment contracts, working hours, overtime, rest days, leave, wage records, grievances.
Social	OHS	HIRARC, incidents, near misses, PPE, inspections, training, emergency drills, corrective actions.
Social	Human rights	Risk assessment, forced labour controls, child labour controls, recruitment records, grievance records.
Social	Training	Training hours, training category, attendance, competency assessments, refresher training, effectiveness review.
Social	Pay and remuneration	Minimum wage compliance, payroll, payslips, deductions, benefits, allowances, payroll corrections.
Governance	Supplier due diligence	Supplier master list, Supplier Code acknowledgements, ESG questionnaires, risk ratings, corrective actions.
Governance	Traceability	Purchase records, batch records, origin data, geolocation, chain-of-custody records, customer evidence packs.
Governance	Ethics and anti-corruption	Code acknowledgements, ABAC training, conflict declarations, gift register, whistleblowing reports.
Governance	Compliance and risk	Legal register, permits, licences, regulatory updates, ESG Risk Register, corrective action tracker.
Governance	Reporting and disclosure	ESG report data, assumptions, omissions, evidence register, approval records, framework mapping.

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ESG Data Inventory template

A practical ESG Data Inventory may include the following fields.

Field	Description
ESG pillar	Environmental, Social, or Governance.
ESG topic	Energy, Water, OHS, Forced Labour, Anti-Corruption, Supplier Due Diligence, etc.
Indicator	Specific data point or KPI to be collected.
Description	Explanation of what the data measures.
Unit	kWh, litres, m^3, tonnes, tonnes CO_2e, number, percentage, RM, hours, etc.
Reporting boundary	Site, department, worker group, supplier group, product, or customer scope covered.
Data source	Bill, invoice, log, register, system, supplier form, laboratory report, inspection checklist, etc.
Data owner	Person or department responsible for providing the data.
Reviewer	Person or department responsible for checking the data.
Approver	Person authorised to approve data for external disclosure.
Frequency	Monthly, quarterly, annually, upon incident, upon supplier onboarding, upon customer request.
Calculation method	Formula, conversion factor, emission factor, allocation method, or estimation method.
Evidence required	Source documents needed to support the data.
Data quality status	Complete, partial, estimated, unavailable, under review, or not applicable.
Confidentiality level	Public, internal, restricted, confidential, or highly confidential.
Reporting use	ESG report, customer questionnaire, certification, internal dashboard, financing, audit, assurance.
Gap or action required	Improvement action needed for missing or weak data.

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Example ESG Data Inventory entries

ESG Topic	Indicator	Unit	Source Document	Data Owner	Reviewer	Frequency
Energy	Purchased electricity consumption	kWh	Electricity bills, meter readings	Finance / Facilities	ESG Lead	Monthly
Emissions	Scope 2 emissions	tCO_2e	Electricity data, emission factor register, GHG workbook	ESG Lead / EHS	Finance / Management	Annually
Water	Water withdrawal	m^3	Water bills, meter logs	Facilities / Finance	EHS	Monthly
Waste	Scheduled waste generated	kg / tonnes	Scheduled waste inventory, consignment notes	EHS	Procurement / ESG Lead	Monthly
OHS	Work-related injuries	Number	Incident register, investigation reports	EHS	Management	Monthly
Training	Training hours	Hours	Attendance records, training calendar	HR	ESG Lead	Quarterly
Pay	Payroll corrections	Number / RM	Payroll correction log	HR / Finance	Management	Monthly
Supplier Due Diligence	Priority suppliers assessed	Number / %	Supplier questionnaires, risk matrix	Procurement	ESG Lead	Quarterly
Anti-Corruption	Employees trained on ABAC	Number / %	Training records	HR / Compliance	Management	Annually

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Data gap classification

Not all data will be complete in the first reporting year. Companies should classify data gaps and track improvement.

Data Status	Meaning	Required Action
Complete	Data and evidence are available for the full boundary and reporting period.	Use for reporting and retain evidence.
Partial	Data is available for some sites, months, suppliers, or worker groups only.	Report boundary clearly and plan expansion.
Estimated	Data is estimated using documented assumptions.	Explain method, assumptions, and improvement plan.
Unavailable	Data is relevant but not yet collected.	Record as data gap and assign action.
Under review	Data exists but requires validation or methodology clarification.	Assign reviewer and finalise method.
Not applicable	Data does not apply to the company's current context.	Document reason and review annually.
Confidential	Data exists but cannot be disclosed in detail.	Maintain internal evidence and report aggregated or anonymised data where appropriate.

42.2 Data Owners and Review Responsibilities

ESG data should have clearly assigned owners. A data owner is responsible for collecting, maintaining, explaining, and submitting ESG data and supporting evidence. A reviewer checks whether the data is complete, accurate, consistent, and evidence-backed. An approver confirms that the data may be used in external disclosures, reports, customer responses, or certifications.

Without clear ownership, ESG data may become fragmented, inconsistent, late, or unsupported.

ESG data responsibility levels

Role	Responsibility
Data Owner	Collects the data, maintains source documents, explains methodology, identifies gaps, and submits information on time.
Data Reviewer	Checks completeness, accuracy, units, calculation, evidence, boundary, and consistency.

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Role	Responsibility
Approver	Approves data for ESG reporting, customer submission, certification, financing, or public disclosure.
ESG Lead	Coordinates data collection, consolidates information, manages the evidence register, tracks gaps, and prepares reporting outputs.
Department Head	Ensures data owners in the department perform their responsibilities and close data gaps.
Senior Management / ESG Committee	Reviews material ESG data, risks, limitations, and disclosures before approval.
Internal Audit / Independent Reviewer, where applicable	Tests whether data controls, evidence, and reporting processes are reliable.

Typical data owners by topic

ESG Topic / Data Area	Typical Data Owner	Typical Reviewer
Energy	Finance, Facilities, Maintenance	ESG Lead / EHS
Emissions	ESG Lead, EHS, Finance, Maintenance	Management / Technical Reviewer
Water	Facilities, EHS, Finance	ESG Lead
Effluent	EHS, Wastewater Treatment Operator	EHS Manager / Management
Waste	EHS, Warehouse, Procurement	ESG Lead / Management
Scheduled waste	EHS / Compliance	Management
Chemicals	EHS, Warehouse, Production, Procurement	EHS Manager
OHS	EHS / OHS Team	Safety Committee / Management
Workforce data	HR	ESG Lead / Management
Payroll and wages	HR, Finance	Management / Compliance
Working hours	HR, Production	Finance / Management
Training	HR, Department Heads	ESG Lead
Grievances	HR, Compliance, ESG Team	Management

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ESG Topic / Data Area	Typical Data Owner	Typical Reviewer
Supplier due diligence	Procurement	ESG Lead / Compliance
Traceability	Procurement, Warehouse, Production	ESG Lead / Management
Anti-corruption	Compliance, HR, Procurement	Management
Tax practices	Finance / Tax Lead	Management / Tax Advisor
Regulatory compliance	Compliance, Department Owners	Management
ESG reporting	ESG Lead	Data Owners / Management

Data ownership matrix

Companies should maintain a **Data Ownership Matrix**.

ESG Indicator	Data Owner	Source Document	Reviewer	Approver	Frequency	Evidence Location
Electricity consumption	Finance	Monthly electricity bills	Facilities / ESG Lead	Management	Monthly	ESG Evidence Register / Energy folder
Scope 1 emissions	EHS / Maintenance	Fuel invoices, generator logs	ESG Lead	Management	Annually	Emissions workbook
Waste generated	EHS	Waste register, vendor records	Procurement / ESG Lead	Management	Monthly	Waste evidence file
Training hours	HR	Attendance sheets	ESG Lead	Management	Quarterly	Training register
Supplier ESG assessment	Procurement	Supplier questionnaires	ESG Lead / Compliance	Management	Quarterly	Supplier due diligence file

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Review responsibility

Reviewers should check:

a. whether the data covers the correct reporting boundary;

b. whether the data covers the full reporting period;

c. whether source documents are available;

d. whether units are correct;

e. whether formulas are correct;

f. whether calculation methods are documented;

g. whether estimates and assumptions are explained;

h. whether data is consistent with prior periods;

i. whether unusual changes are explained;

j. whether confidential information is protected; and

k. whether the data is ready for disclosure.

Approval responsibility

Approval should be required before ESG data is used externally. Examples of external use include ESG reports, customer questionnaires, supplier declarations, financing applications, audit responses, certification submissions, traceability statements, emissions disclosures, and public claims.

Disclosure Type	Recommended Review and Approval
ESG report	Data owners review; ESG Lead consolidates; senior management, Board, owner, or authorised approver approves.
Customer ESG questionnaire	Relevant data owners, Sales, ESG Lead, Compliance, and management review.
Emissions data	Finance, EHS, Maintenance, ESG Lead, and management review.
Labour data	HR, Finance where payroll-related, ESG Lead, and management review.
Supplier traceability data	Procurement, Warehouse, Production, ESG Lead, and management review.
Anti-corruption disclosure	Compliance, HR, Procurement, and management review.

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Disclosure Type	Recommended Review and Approval
Tax governance disclosure	Finance, tax advisor where relevant, ESG Lead, and management review.

42.3 Source Documents and Evidence Types

Source documents are the original records that support ESG data. Evidence types may include documents, registers, logs, reports, calculations, approvals, photographs, certificates, declarations, system records, meeting minutes, and audit findings.

Companies should define what evidence is acceptable for each ESG indicator. The evidence should be sufficient to support the claim being made. For example, a statement that "scheduled waste is disposed through approved contractors" should be supported by scheduled waste records, consignment notes, contractor licence or approval documents, and disposal or treatment evidence.

Types of ESG evidence

Evidence Type	Examples
Primary records	Bills, invoices, payslips, contracts, permits, licences, consignment notes, test reports, certificates.
Operational logs	Meter readings, machine logs, generator logs, boiler logs, WWTP logs, maintenance logs, vehicle logs.
Registers	Chemical register, waste register, training register, grievance register, supplier register, gift register, conflict register.
Calculation files	GHG workbook, water balance, waste intensity calculation, training hours calculation, KPI dashboard.
Policies and procedures	ESG Policy, OHS Policy, Human Rights Policy, Supplier Code, ABAC Policy, SOPs, work instructions.
Meeting records	ESG Committee minutes, management review minutes, safety committee minutes, stakeholder engagement minutes.
Inspection records	Chemical storage inspections, waste storage inspections, workplace safety inspections, accommodation inspections.
Supplier evidence	Supplier declarations, questionnaires, certificates, licences, audit reports, traceability documents, geolocation records.
Incident and corrective action records	Incident reports, investigation reports, root cause analysis, corrective action tracker, closure evidence.
Training evidence	Attendance sheets, training materials, certificates, competency assessments, toolbox talk records.

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Evidence Type	Examples
Photographic or visual evidence	Photos of storage areas, signage, equipment, spill kits, improvement projects, training sessions.
System-generated evidence	ERP records, HR system exports, payroll system data, e-Invoice records, meter system downloads, digital dashboards.
External evidence	Laboratory reports, certification documents, third-party audit reports, assurance reports, regulatory correspondence.

Evidence by ESG area

ESG Area	Common Source Documents
Energy	Electricity bills, fuel invoices, meter readings, generator logs, solar generation reports, energy audit reports.
Emissions	Activity data, emission factor register, GHG calculation workbook, methodology notes, assumptions register.
Water	Water bills, meter logs, water balance, effluent test reports, WWTP logs, water stress assessment.
Waste	Waste inventory, scheduled waste consignment notes, disposal invoices, recycling records, contractor licences.
Hazardous substances	Chemical register, SDS, restricted substance declarations, storage inspections, spill reports.
Deforestation and traceability	Supplier declarations, purchase records, batch records, origin data, sourcing maps, geolocation, certification evidence.
OHS	HIRARC, incident reports, near-miss records, PPE issuance, machine inspections, emergency drill records.
Workers' rights	Employment contracts, attendance records, overtime approvals, payroll records, payslips, leave records.
Child labour	Age verification records, worker master list, young worker register, supplier declarations.
Forced labour	Recruitment agent files, worker-paid fee checks, passport access logs, worker interviews, grievance records.
Training	Training matrix, attendance records, materials, certificates, competency assessments.

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ESG Area	Common Source Documents
DEI	Workforce data, grievance records, anti-harassment training, promotion records, training participation records.
Supplier due diligence	Supplier master list, Supplier Code acknowledgement, questionnaires, risk matrix, supplier CAPs.
Business ethics	Code acknowledgements, conflict register, gift register, whistleblowing register, investigation records.
Anti-corruption	ABAC Policy, corruption risk assessment, training records, third-party due diligence, case records.
Tax practices	Tax filings, payment receipts, payroll tax records, e-Invoice records, transfer pricing documentation where applicable.
Regulatory compliance	Legal register, permits, licences, renewal records, inspection findings, correspondence.

Evidence sufficiency

Evidence should be sufficient for the disclosure being made.

Disclosure Claim	Minimum Evidence Expected
Electricity consumption reported	Electricity bills or meter readings covering the reporting period.
Scope 2 emissions calculated	Electricity data, emission factor, calculation workbook, methodology note.
Scheduled waste disposed legally	Scheduled waste inventory, consignment notes, contractor evidence, disposal records.
Workers trained on OHS	Training attendance, topic, date, trainer, participant list, materials or briefing record.
No confirmed child labour	Age verification procedure, worker master list, age records, recruitment records, grievance check.
Supplier screened for ESG	Supplier questionnaire, supplier declaration, risk score, review record.
Natural rubber traceability available	Supplier list, purchase records, origin records, batch records, sourcing area data where applicable.
ABAC training completed	Training material, attendance records, acknowledgement, training matrix.

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Disclosure Claim	Minimum Evidence Expected
Grievance closed	Grievance register, investigation summary, action taken, closure evidence.
Target achieved	Baseline, KPI calculation, progress evidence, management review.

Evidence hierarchy

Where possible, companies should prioritise stronger evidence.

Evidence Strength	Example
Strong	Official bills, permits, lab reports, consignment notes, payroll system records, signed contracts, verified supplier documents.
Moderate	Internal logs, signed checklists, management minutes, supplier declarations, internal calculations.
Supporting	Photographs, email confirmations, meeting notes, toolbox talk records, screenshots.
Weak if used alone	Verbal confirmation, undocumented claims, unsigned forms, unverified supplier statements, memory-based estimates.

Weak evidence may be acceptable for early internal assessment, but companies should improve evidence quality before using such claims externally.

Evidence register

Companies should maintain an **ESG Evidence Register**.

Field	Description
ESG topic	Topic supported by the evidence.
Indicator	Data point or disclosure supported.
Evidence name	Name or title of document.
Evidence type	Bill, invoice, certificate, register, log, photo, report, declaration, calculation, approval, etc.
Reporting period	Period covered.
Site / department / supplier	Scope of evidence.

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Field	Description
Data owner	Person responsible for maintaining evidence.
Reviewer	Person who checked the evidence.
Storage location	Digital folder, system, file path, or physical file.
Version	Draft, reviewed, final, approved, archived.
Confidentiality level	Public, internal, restricted, confidential, highly confidential.
Retention period	Minimum period to retain evidence.
Status	Complete, incomplete, expired, under review, replaced, archived.
Remarks	Limitations, missing pages, data gaps, or follow-up actions.

42.4 Data Quality Checks

Data quality checks ensure that ESG information is reliable before it is used in reports, dashboards, customer submissions, certification files, or public claims. Data quality checks should be performed before consolidation and again before disclosure.

IFRS S1 notes that where sustainability-related amounts cannot be measured directly and must be estimated, measurement uncertainty arises; it also states that the use of reasonable estimates does not undermine usefulness if the estimates are accurately described and explained. (IFRS Foundation) This supports the approach in these Guidelines: estimates may be used where necessary, but they must be transparent, documented, reviewed, and improved over time.

Data quality principles

Principle	Practical Meaning
Completeness	Data covers the required sites, period, suppliers, worker groups, and indicators.
Accuracy	Data is correct, calculated properly, and supported by evidence.
Consistency	Units, methods, definitions, and boundaries are applied consistently.
Traceability	Data can be traced back to source documents.
Timeliness	Data is collected and reviewed within reporting deadlines.
Comparability	Data can be compared across periods or sites where relevant.
Transparency	Assumptions, estimates, exclusions, and limitations are documented.
Verifiability	Another reviewer can check how the data was produced.

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Confidentiality	Sensitive information is protected.
Approval	Data is reviewed and approved before external disclosure.

Data quality check process

A practical data quality check process should include:

Step	Action
1. Check boundary	Confirm data covers the correct sites, operations, workers, suppliers, products, or customer scope.
2. Check period	Confirm data covers the full reporting period.
3. Check source documents	Confirm bills, logs, registers, reports, or system exports are available.
4. Check units	Confirm units such as kWh, litres, m^3, kg, tonnes, hours, number, percentage, or RM are correct.
5. Check formulas	Review calculations, conversions, emission factors, and intensity metrics.
6. Check duplicates	Remove double-counted records or duplicated entries.
7. Check gaps	Identify missing months, missing suppliers, missing worker groups, or missing evidence.
8. Check reasonableness	Compare against prior period, production volume, invoices, or operational context.
9. Check estimates	Confirm assumptions, methods, and limitations are documented.
10. Check confidentiality	Remove or protect personal, supplier, customer, geolocation, payroll, and commercial details where needed.
11. Obtain review	Data owner and reviewer sign off.
12. Obtain approval	Management approves data for external disclosure where required.

ESG data quality checklist

Review Question	Yes / No / Remarks
Is the data owner identified?	
Is the reporting boundary clear?	

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Does the data cover the full reporting period?	
Are all source documents available?	
Are units correct and consistent?	
Are formulas and conversion factors checked?	
Are assumptions and estimates documented?	
Are data gaps recorded?	
Are unusual changes explained?	
Is data consistent with related records?	
Has the reviewer checked the data?	
Has management approved external use?	
Is confidential information protected?	
Is evidence stored in the evidence register?	

Common data quality issues

Issue	Example	Corrective Action
Missing months	Water bills missing for two months.	Request bill copies, use meter readings, document estimate if needed.
Wrong unit	Waste recorded in kg but reported as tonnes.	Correct conversion and add unit check.
Boundary mismatch	Energy covers main plant, but report says all sites.	Correct boundary statement or collect missing site data.
Double counting	Same waste collection recorded by EHS and Finance.	Reconcile waste tracker with invoices.
Unsupported claim	Report says “all suppliers screened” but only priority suppliers were assessed.	Correct wording and disclose actual coverage.
Outdated supplier certificate	Supplier certificate expired before reporting year-end.	Request updated certificate or classify as expired.

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Issue	Example	Corrective Action
Inconsistent headcount	HR headcount differs from payroll headcount.	Reconcile definitions and reporting date.
Missing methodology	Emissions calculated but factor source not recorded.	Add emission factor register and methodology note.
Unexplained variance	Electricity use increased significantly.	Investigate production changes, equipment, errors, or leaks.
Confidential data exposed	Supplier geolocation included in public report.	Restrict disclosure and report aggregated data.

Reasonableness checks

Companies should compare ESG data against related operational information.

Data Area	Reasonableness Check
Energy	Compare electricity use with production volume, operating days, equipment changes, and prior year.
Fuel	Compare fuel invoices with generator logs, boiler logs, vehicle logs, and maintenance records.
Water	Compare water bills with production volume, discharge records, and leak reports.
Waste	Compare waste quantities with production output, scrap records, and contractor invoices.
Emissions	Compare Scope 1 and Scope 2 emissions with energy and fuel records.
Workforce	Compare HR headcount with payroll and attendance records.
Training	Compare training attendance with worker list and training matrix.
OHS	Compare incident register with first aid records, medical records, and safety committee minutes.
Payroll	Compare payroll with attendance, overtime approvals, and payslips.
Supplier data	Compare supplier questionnaires with supplier master list, spend analysis, and certificates.
Grievances	Compare grievance register with HR cases, worker feedback, and management review records.

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Data correction and restatement

If an error is found before publication, the report should be corrected before approval. If an error is found after publication, the company should assess whether the error is material. If material, the company should correct it and explain the restatement in the next report or through an update where necessary.

A data correction record should include:

Field	Description
Data point corrected	Indicator or KPI affected.
Original value	Previously recorded or disclosed value.
Corrected value	Revised value.
Reason for correction	Unit error, formula error, missing bill, double count, boundary issue, source error.
Impact	Whether correction affects trends, targets, or disclosure conclusions.
Corrective action	Action to prevent recurrence.
Reviewed by	Person who reviewed correction.
Approved by	Person who approved correction.
Date	Date correction was made.

42.5 Record Retention

Record retention refers to how long ESG data, evidence, source documents, working files, approvals, and reports are kept. Retention is important because customers, regulators, auditors, certification bodies, financiers, and assurance providers may request evidence after the reporting period.

Companies should define retention periods based on:

a. legal requirements;

b. customer requirements;

c. certification requirements;

d. tax and financial audit requirements;

e. labour and OHS requirements;

f. environmental permit requirements;

g. supplier due diligence requirements;

h. dispute or grievance risk;

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i. assurance and verification needs; and

j. internal management needs.

Malaysia's Companies Act 2016 requires companies to keep accounting and other records that sufficiently explain transactions and financial position and retain those records for seven years after the relevant transactions or operations. (SSM) LHDN's Tax Audit Framework on Income Tax and Employer also states that taxpayers and employers are required to maintain sufficient and complete records, including books of account, financial statements, invoices, vouchers, agreements, payroll listings, payslips, EA / EC statements, Form E, CP.8D, MTD payment declarations, and other records needed for audit purposes.

ESG record retention principles

Principle	Practical Meaning
Legal minimum first	Always meet applicable legal retention periods.
Longest applicable period	Where multiple requirements apply, retain records for the longest relevant period.
Evidence-linked retention	Retain records for as long as claims, reports, customer submissions, or certifications may be reviewed.
Secure storage	Protect records from loss, unauthorised access, alteration, or damage.
Version control	Keep final approved versions and avoid confusion with drafts.
Confidentiality	Restrict sensitive records such as payroll, grievances, medical records, supplier geolocation, and investigations.
Retrieval readiness	Records should be easy to locate when needed.
Disposal control	Dispose of expired records securely and only when no longer required.

Suggested ESG retention schedule

The table below provides general guidance. Companies should adjust the schedule based on applicable laws, customer contracts, certification rules, and internal policy.

Record Category	Examples	Suggested Retention Approach
ESG reports and disclosure packs	Final ESG report, customer ESG submission, framework mapping, management approval.	Retain at least 7 years or longer if required by customer, assurance, or legal obligations.

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Record Category	Examples	Suggested Retention Approach
ESG data workbooks	KPI trackers, GHG workbook, water balance, waste tracker, training tracker, supplier dashboard.	Retain at least 7 years where linked to reporting or financial data.
Source documents	Bills, invoices, consignment notes, permits, licences, lab reports, payroll evidence.	Retain according to legal and customer requirements; at least 7 years where financial or tax-related.
Environmental records	Effluent reports, waste records, chemical records, spill reports, permits, monitoring records.	Retain according to legal, permit, and customer requirements; consider at least 7 years for ESG evidence packs.
OHS records	HIRARC, incident reports, training, PPE, emergency drills, inspections.	Retain according to OHS requirements, customer requirements, and risk; longer for serious incidents.
Labour records	Contracts, payroll, attendance, leave, deductions, grievances, recruitment records.	Retain according to employment, tax, audit, and customer requirements; protect personal data.
Supplier due diligence	Supplier questionnaires, declarations, certificates, audits, traceability, corrective actions.	Retain for the supplier relationship period and for at least 7 years after relevant reporting or transaction where practical.
Traceability records	Purchase records, batch records, origin, geolocation, production timing, chain-of-custody.	Retain according to customer, certification, EUDR-oriented, and reporting requirements.
Ethics and anti-corruption	Code acknowledgements, ABAC training, gift register, conflict register, whistleblowing cases.	Retain according to legal, investigation, audit, and governance requirements; restrict access.
Tax-related ESG evidence	Tax filings, employer tax, e-Invoice, payment receipts, payroll tax records.	Retain according to tax and company law requirements.
Management review records	ESG Committee minutes, approvals, risk reviews, action plan reviews.	Retain at least 7 years where linked to governance and reporting evidence.
Corrective action records	Audit findings, incidents, supplier CAPs, closure evidence.	Retain at least until closure plus reporting and audit review period; longer for serious cases.

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Record retention register

Companies should maintain a **Record Retention Register**.

Field	Description
Record category	ESG report, energy data, payroll, supplier file, OHS incident, ABAC case, etc.
Record owner	Department or person responsible.
Storage location	Digital folder, system, physical file, cloud storage, archive.
Confidentiality level	Public, internal, restricted, confidential, highly confidential.
Retention period	Minimum period to retain.
Legal / customer basis	Law, contract, certification, internal policy, assurance need.
Review date	Date to check whether record is still needed.
Disposal method	Secure deletion, shredding, archive, transfer to long-term storage.
Approval for disposal	Person authorised to approve disposal.
Remarks	Litigation hold, investigation hold, customer requirement, audit requirement.

Secure storage and confidentiality

Companies should protect ESG records from unauthorised access or alteration. This is especially important for:

a. payroll records;

b. worker identity documents;

c. medical and OHS case records;

d. grievance and investigation files;

e. child labour or forced labour case records;

f. recruitment fee records;

g. supplier contracts and pricing;

h. customer data;

i. geolocation data;

j. tax records;

k. whistleblowing reports; and

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l. anti-corruption investigation records.

The Malaysian Personal Data Protection Act 2010 includes rights of access and correction for personal data and includes circumstances where access may be refused, including where access would disclose another individual's personal data or confidential commercial information. This reinforces the need to handle ESG records containing worker, supplier, and commercial information carefully. (Invest Malaysia)

Record disposal

Records should not be deleted or destroyed casually. Before disposal, the company should confirm that:

a. the retention period has expired;

b. no audit, investigation, grievance, dispute, litigation, customer request, certification review, or assurance process is ongoing;

c. legal requirements allow disposal;

d. customer or certification requirements do not require longer retention;

e. management has approved disposal where required; and

f. confidential records are destroyed securely.

42.6 Assurance and Verification Readiness

Assurance and verification readiness means that the company's ESG data, evidence, controls, and disclosures are organised so they can be checked by internal reviewers, customers, auditors, certification bodies, financiers, or external assurance providers.

Assurance may be voluntary or required by customers, parent companies, financiers, certification bodies, regulators, or reporting frameworks. Even where external assurance is not required, companies should prepare for verification because customer audits and ESG questionnaires increasingly require evidence.

The IAASB has issued ISSA 5000 as a comprehensive, stand-alone standard for sustainability assurance engagements across sustainability topics and reporting frameworks. (IAASB) ISSA 5000 is effective for periods beginning on or after 15 December 2026, with early application permitted. (IAASB) This means companies should progressively strengthen ESG data controls, evidence management, and review processes so they are ready for more formal assurance expectations.

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Difference between internal review, verification, and assurance

Term	Meaning	Example
Internal Review	The company reviews its own data, evidence, and disclosures before submission, approval, or publication.	ESG team reviews electricity consumption data, utility bills, and calculation files before the sustainability report is approved.
Customer Verification	A customer, buyer, or client checks information submitted by the company to confirm accuracy, compliance, or supplier requirements.	A buyer reviews supplier traceability records, labour documentation, or emissions data as part of supplier assessment.
Certification Audit	An accredited or recognised certification body audits the company against a specific standard, scheme, or certification requirement.	Audit for ISO, MSNR, FSC, PEFC, Preferred by Nature, or other recognised certification schemes.
External Assurance	An independent assurance practitioner evaluates sustainability information and provides an assurance conclusion.	Limited assurance over selected ESG indicators, GHG emissions data, or sustainability report disclosures.
Regulatory Inspection	A government agency or authority inspects the company to check compliance with legal or regulatory requirements.	Inspection by DOE, DOSH, Labour Department, tax authority, customs, or local authority.

Assurance readiness principles

Companies should prepare ESG data so that an independent reviewer can understand:

a. what was reported;

b. why it was reported;

c. what boundary applies;

d. who collected the data;

e. what source documents support it;

f. how it was calculated;

g. what estimates and assumptions were used;

h. what controls were applied;

i. who reviewed and approved it;

j. what limitations exist;

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k. how corrections were handled; and

l. where the evidence is stored.

Assurance-ready evidence pack

For each ESG report or major customer submission, companies should prepare an **Assurance-Ready Evidence Pack**.

Evidence Pack Component	Purpose
Final approved disclosure	Shows what was reported or submitted.
Reporting boundary statement	Explains sites, entities, worker groups, suppliers, and topics covered.
Reporting period statement	Confirms the time period covered.
Materiality assessment summary	Shows why topics were reported.
Data ownership matrix	Shows who provided, reviewed, and approved data.
Source documents	Provides original evidence.
Calculation workbooks	Shows formulas, conversions, and calculations.
Methodology notes	Explains methods, emission factors, intensity calculations, and assumptions.
Estimates and assumptions register	Identifies estimates and limitations.
Omission register	Explains non-applicability, missing data, confidentiality, or partial boundaries.
Evidence register	Indexes documents and file locations.
Management review minutes	Shows oversight and review.
Disclosure approval record	Shows authorised approval.
Corrective action tracker	Shows gaps and closure status.
Version control record	Shows final version and review history.

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Verification readiness by data type

Data Type	Verification Questions
Energy	Are bills or meters available for all months and sites? Are units consistent?
Emissions	Is activity data complete? Are emission factors documented? Is the calculation workbook checked?
Water	Are water sources, meters, bills, discharge records, and water balance available?
Waste	Are waste quantities supported by vendor records, consignment notes, or weighing records?
OHS	Are incidents supported by incident reports, investigations, and corrective actions?
Training	Are attendance records, training materials, and hours calculation available?
Payroll	Do payslips, payroll, attendance, overtime, and deduction records reconcile?
Supplier due diligence	Are supplier questionnaires, declarations, risk ratings, and CAPs complete?
Traceability	Can material be traced from supplier to purchase to production to shipment?
Anti-corruption	Are training records, gift register, conflict register, and case records maintained?
Regulatory compliance	Are licences, permits, renewals, submissions, and inspection records complete?

Internal pre-assurance review

Before external assurance or customer audit, the company should conduct an internal pre-assurance review.

Step	Action
1. Select scope	Identify topics, indicators, sites, suppliers, and period to review.
2. Confirm evidence	Check evidence exists for each selected disclosure.
3. Test samples	Select sample records and trace them from disclosure to source documents.
4. Check calculations	Review formulas, units, emission factors, conversions, and assumptions.
5. Check approvals	Confirm data owner, reviewer, and management approvals.

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Step	Action
6. Check omissions	Confirm omissions and limitations are properly explained.
7. Check confidentiality	Ensure sensitive information is protected.
8. Identify gaps	Record missing evidence, weak controls, or unsupported claims.
9. Correct issues	Close gaps before external review where possible.
10. Document review	Retain pre-assurance checklist and corrective action status.

Assurance readiness maturity levels

Companies may assess their readiness using a maturity scale.

Level	Description	Recommended Action
Level 1: Basic	Data collected informally; evidence scattered; limited review.	Create data inventory, assign owners, organise evidence.
Level 2: Developing	Data owners identified; some evidence files exist; gaps remain.	Standardise templates, review data quality, track gaps.
Level 3: Structured	Evidence register, data checks, management review, and approval process in place.	Conduct internal pre-assurance review and strengthen controls.
Level 4: Verification-ready	Data traceable to evidence; calculations reviewed; omissions explained; audit trail available.	Prepare evidence packs and respond to customer or certification verification.
Level 5: Assurance-ready	Controls tested, evidence complete, management approved, external assurance feasible.	Consider limited assurance or assurance over selected high-priority indicators.

Common assurance findings to prevent

Common Finding	Prevention
Data does not match source documents	Conduct data reconciliation and reviewer sign-off.
Boundary unclear	Prepare boundary statement by ESG topic.
Missing months or sites	Use data collection tracker and completeness check.

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Common Finding	Prevention
Calculation formula error	Review calculation workbooks and lock final formulas.
Unsupported claim	Require claim substantiation before disclosure.
Estimates not explained	Maintain assumptions and estimates register.
Supplier evidence incomplete	Prioritise high-risk suppliers and maintain supplier evidence file.
No approval record	Use disclosure approval checklist and management sign-off.
Evidence difficult to retrieve	Maintain evidence register and folder structure.
Confidential data exposed	Apply confidentiality classification and access controls.

Preparing for customer verification

Customer verification may be more frequent than formal assurance. Companies should prepare standard evidence packs for common customer requests, such as:

a. energy and emissions data;

b. water and effluent compliance;

c. waste and scheduled waste records;

d. hazardous substance controls;

e. OHS records;

f. labour standards and wage controls;

g. child labour and forced labour prevention;

h. migrant worker protection;

i. supplier traceability;

j. no-deforestation and EUDR-oriented evidence;

k. Supplier Code of Conduct;

l. anti-corruption policy and training; and

m. ESG governance structure.

Customer-specific information should be reviewed before submission to ensure accuracy, confidentiality, and consistency with the ESG report.

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Minimum Implementation Outputs for Section 42

At the end of this section, each company should aim to have the following ESG data and evidence management records or tools:

Output	Purpose
ESG Data Inventory	Lists ESG indicators, units, boundaries, sources, owners, frequency, evidence, and reporting use.
ESG Data Ownership Matrix	Assigns data owners, reviewers, approvers, and evidence locations.
ESG Data Collection Calendar	Tracks monthly, quarterly, annual, incident-based, and customer-request-based data deadlines.
ESG Source Document List	Identifies acceptable evidence for each ESG topic and indicator.
ESG Evidence Register	Indexes source documents, file locations, confidentiality level, retention period, and status.
ESG Evidence Folder Structure	Organises governance, environmental, social, supplier, compliance, reporting, and corrective action evidence.
ESG Data Quality Checklist	Checks completeness, accuracy, consistency, traceability, timeliness, assumptions, and approval.
Reasonableness Review Worksheet	Compares ESG data against prior periods, production data, financial records, and operating context.
Assumptions and Estimates Register	Records estimated data, methods, assumptions, limitations, reviewers, and improvement actions.
Data Gap Register	Tracks missing, partial, estimated, unavailable, confidential, or under-review data.
Data Correction and Restatement Log	Records errors, corrections, reasons, impacts, approvals, and preventive actions.
Record Retention Register	Defines retention periods, owners, storage locations, confidentiality levels, and disposal controls.
Confidential Records Control Procedure	Protects worker, supplier, customer, payroll, medical, geolocation, commercial, and investigation records.
Disclosure Review Checklist	Ensures ESG reports and customer submissions are evidence-backed and approved.
ESG Report Evidence Pack	Stores final report, data files, source documents, calculations, assumptions, omissions, and approval records.
Customer ESG Evidence Pack	Provides controlled evidence for customer questionnaires, audits, and due diligence requests.

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Output	Purpose
Assurance-Ready Evidence Pack	Organises ESG data and evidence for external verification or assurance.
Internal Pre-Assurance Checklist	Tests selected ESG indicators before external review, customer audit, or assurance.
Corrective Action Tracker	Tracks data quality issues, missing evidence, audit findings, and control weaknesses to closure.
ESG Data and Evidence KPI Dashboard	Tracks data completeness, evidence readiness, data gaps, corrective actions, and review status.
Management Review Record	Shows senior management review of ESG data quality, evidence gaps, disclosure readiness, and improvement actions.

Used properly, this section helps rubber processors and manufacturers build a reliable ESG data system, support credible reporting, respond confidently to customer requests, prepare for verification or assurance, protect confidential information, and use ESG data as a practical tool for continuous improvement.

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Part 8: Self-Assessment, Gap Analysis, and Improvement Planning

43. ESG Self-Assessment Methodology

The ESG self-assessment is a structured process for companies to evaluate their current ESG practices against the MRC ESG Guidelines, the ESG Checklist, and the 29 ESG topics covered under the Environmental, Social, and Governance pillars. It helps rubber processors and manufacturers understand what is already in place, what evidence is available, what gaps remain, and what improvements should be prioritised.

The self-assessment should be practical and evidence-based. It should not be treated as a one-time scoring exercise or a paperwork activity. The purpose is to support implementation, reporting readiness, customer response, risk management, compliance monitoring, and continuous improvement.

For Malaysian rubber processors and manufacturers, the self-assessment should cover:

a. ESG governance and management system readiness;

b. applicability of the 29 ESG topics;

c. availability of policies, procedures, records, and evidence;

d. maturity of implementation;

e. data quality and reporting readiness;

f. supplier and value chain coverage where relevant;

g. customer, regulatory, certification, and framework alignment;

h. corrective actions and improvement priorities; and

i. management review and sign-off.

The self-assessment should be conducted at least annually and updated whenever there are major changes in operations, products, workforce, suppliers, customers, regulations, certifications, incidents, audit findings, or ESG reporting requirements.

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43.1 Purpose of the Self-Assessment

The self-assessment helps companies determine how prepared they are to implement ESG requirements and disclose ESG performance credibly. It should support both internal management and external expectations.

The self-assessment is intended to help companies:

Purpose	Practical Outcome
Understand ESG readiness	Identify which ESG topics are already managed and which require improvement.
Confirm topic applicability	Determine whether each of the 29 ESG topics is directly applicable, indirectly applicable, not applicable, or applicable through suppliers or customers.
Identify evidence gaps	Check whether policies, records, data, and verifiers are available for each topic.
Prioritise improvement actions	Focus resources on high-risk, high-impact, customer-facing, or compliance-critical gaps.
Support ESG reporting	Provide the basis for topic disclosure, omissions, data limitations, and evidence packs.
Support customer requests	Prepare responses to customer questionnaires, audits, supplier assessments, and traceability requests.
Strengthen risk management	Link ESG gaps to the ESG Risk Register and corrective action tracker.
Improve governance	Clarify responsibilities, data ownership, review processes, and management accountability.
Track progress over time	Compare maturity year-on-year and show continuous improvement.
Prepare for verification	Organise evidence for customer review, certification audits, financing due diligence, or external assurance.

The self-assessment should answer five practical questions:

a. **Is the topic applicable?**

b. **What is the current maturity level?**

c. **What evidence is available?**

d. **What gaps or risks remain?**

e. What improvement action is required?

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Self-assessment users

The self-assessment should be used by:

User	Role in Self-Assessment
Board, owner, or senior management	Approves results, priorities, resources, and action plans.
ESG lead or ESG team	Coordinates the assessment, consolidates evidence, and tracks gaps.
HR	Assesses labour, wages, working hours, training, grievances, DEI, forced labour, child labour, and worker welfare.
EHS / OHS	Assesses environmental management, OHS, chemicals, waste, water, emissions, incidents, and emergency readiness.
Procurement	Assesses supplier due diligence, traceability, supplier ESG screening, contractor controls, and corrective actions.
Finance	Provides payroll, utility, fuel, tax, expenditure, and financial control evidence.
Production and Maintenance	Provides operational controls, machine safety, energy, process efficiency, material use, and maintenance evidence.
Compliance / Legal / Company Secretary	Assesses legal registers, permits, governance, ethics, anti-corruption, contracts, and regulatory risk.
Internal audit or independent reviewer, where applicable	Reviews completeness, consistency, evidence quality, and corrective action closure.

Self-assessment cycle

A practical annual self-assessment cycle is shown below.

Step	Action
1. Prepare	Confirm assessment scope, reporting period, sites, topics, data owners, and timeline.
2. Screen applicability	Determine whether each ESG topic applies directly, indirectly, through suppliers, or not at present.
3. Collect evidence	Gather policies, procedures, records, data, registers, reports, and supporting documents.

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Step	Action
4. Score maturity	Assess current maturity level for each applicable topic.
5. Identify gaps	Record missing controls, weak evidence, incomplete data, or implementation gaps.
6. Assess risk	Prioritise gaps based on legal, customer, environmental, social, governance, and business significance.
7. Define action plan	Assign actions, owners, due dates, resources, KPIs, and evidence requirements.
8. Review internally	Validate results with data owners and department heads.
9. Obtain management sign-off	Present findings and action plan to management for approval.
10. Monitor progress	Track action closure and update maturity scores in the next cycle.

43.2 Applicability of Topics

Before scoring maturity, the company should determine whether each ESG topic applies to its operations, workforce, supply chain, customers, products, or reporting boundary. Applicability should be assessed carefully because some topics may not apply directly to the company's own factory operations but may still apply through suppliers, contractors, customer requirements, or upstream natural rubber sourcing.

For example, a downstream manufacturer may not own plantations, but **Deforestation**, **Sustainable Land Use**, **Biodiversity**, **Rights of Indigenous Peoples**, and **Supply Chain Traceability** may still be relevant through natural rubber sourcing. Similarly, a company may not directly employ migrant workers, but **Forced or Compulsory Labour** may still be relevant if it uses labour suppliers, recruitment agents, contractors, or high-risk suppliers.

Applicability classifications

Companies should classify each ESG topic using clear categories.

Applicability Classification	Meaning	Example
Directly applicable	Topic applies to the company's own operations, sites, workforce, or management system.	Energy use, OHS, waste, wages, anti-corruption, legal compliance.
Indirectly applicable	Topic applies through suppliers, contractors, customers, logistics, waste contractors, or value chain relationships.	Supplier labour practices, natural rubber deforestation risk, waste contractor compliance.

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Applicability Classification	Meaning	Example
Partially applicable	Topic applies only to selected sites, departments, products, suppliers, or worker groups.	Water applies to manufacturing site but not sales office; migrant worker controls apply only to one site.
Customer-triggered	Topic becomes applicable because customers, buyers, financiers, or certification bodies request information or evidence.	EUDR-oriented traceability, product carbon footprint, supplier ESG questionnaire.
Regulatory-triggered	Topic applies because of legal, permit, licensing, reporting, or compliance obligations.	Scheduled waste, effluent monitoring, OHS reporting, tax, e-Invoice.
Not currently applicable	Topic does not apply based on current operations, materials, workforce, suppliers, or customers.	Deforestation where no natural rubber, rubberwood, biomass, or forest-linked material is used.
Under review	Applicability cannot yet be confirmed due to missing information or changing circumstances.	Supplier origin data incomplete; new customer may request EUDR evidence.
Managed under another topic	Topic is relevant but disclosed or controlled under a related topic to avoid duplication.	Soil contamination managed under Hazardous Substances, Waste, and Water.

A topic should not be marked “not applicable” simply because the company has not started managing it. If the topic creates risk, customer relevance, regulatory exposure, or stakeholder impact, it should be treated as applicable or under review.

Applicability screening questions

For each ESG topic, the company should ask:

Screening Question	Purpose
Does the topic apply to our own operations?	Identifies direct operational relevance.
Does the topic apply to any site, process, product, or department?	Identifies partial applicability.
Does the topic apply through suppliers, contractors, agents, logistics, or waste contractors?	Identifies value chain relevance.
Does the topic apply because of natural rubber sourcing?	Identifies upstream land, deforestation, traceability, and human rights relevance.

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Screening Question	Purpose
Does the topic apply because of customer, export market, certification, or financing expectations?	Identifies market access relevance.
Does any law, permit, licence, or regulatory requirement relate to the topic?	Identifies compliance relevance.
Have stakeholders raised concerns about the topic?	Identifies stakeholder relevance.
Has the topic appeared in audits, incidents, grievances, or corrective actions?	Identifies implementation risk.
Could the topic affect reporting, claims, reputation, cost, or business continuity?	Identifies business significance.
Is data missing, making applicability uncertain?	Identifies topics that should be classified as under review.

Applicability matrix for the 29 ESG topics

Companies should prepare an applicability matrix covering all 29 ESG topics.

ESG Pillar	Topic	Applicability	Reason	Boundary	Review Frequency
Environmental	Deforestation	Direct / Indirect / Partial / N.A. / Under Review	Natural rubber sourcing, customer request, or no forest-linked materials.	Own operations / suppliers / customer scope.	Annual or upon sourcing change.
Environmental	Energy	Usually directly applicable	Electricity and fuel used in operations.	Sites and energy sources.	Monthly and annual.
Social	Forced or Compulsory Labour	Direct or indirect	Workforce, migrant workers, contractors, recruitment agents, suppliers.	Own workforce and business partners.	Annual and upon recruitment changes.
Governance	Supply Chain Traceability	Direct and indirect	Supplier mapping,	Priority suppliers	Quarterly or annual.

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ESG Pillar	Topic	Applicability	Reason	Boundary	Review Frequency
			customer requirements, natural rubber sourcing.	and relevant materials.	

Applicability documentation

For each topic classified as not applicable, partially applicable, or under review, the company should document the reason.

Applicability Situation	Example Explanation
Not applicable	"The company does not source natural rubber, rubberwood, biomass, or other forest-linked materials. Deforestation will be reassessed annually or if sourcing changes."
Partially applicable	"Water data covers the main manufacturing site. The sales office is excluded because water use is minimal and not separately metered."
Indirectly applicable	"The company does not own plantations, but land use, deforestation, and Indigenous Peoples' rights may be relevant through natural rubber suppliers."
Customer-triggered	"Product carbon data is not currently reported publicly but is applicable for selected customer requests."
Under review	"Supplier geolocation data is incomplete. Applicability to EUDR-oriented reporting will be reviewed once customer scope and supplier origin data are confirmed."
Managed elsewhere	"Soil contamination risks are managed under Hazardous Substances, Waste, Water, and Soil Health. Related evidence is cross-referenced in those sections."

43.3 Scoring or Maturity Levels

Maturity definition — Maturity describes an organisation's current capability and consistency in governing, managing, evidencing, reporting and improving the ESG matters relevant to it. Core, Progressive and Leading are improvement pathways, not pass/fail grades. A smaller organisation can demonstrate strong maturity for its relevant matters, and no organisation increases maturity merely by selecting easier topics or omitting significant gaps.

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Scoring or maturity levels help companies assess how developed their ESG practices are for each topic. The score should reflect implementation, evidence quality, data availability, management review, and continuous improvement.

The scoring system should not reward unsupported claims. A company should not score itself highly because a policy exists if there is no implementation, data, evidence, or review. Similarly, a topic should not be scored as “not applicable” just because evidence is missing.

Recommended maturity scale

A six-level maturity scale is recommended.

Score	Maturity Level	Description
0	Not Started	Topic is applicable, but no formal action, policy, data, or evidence is available.
1	Initial Awareness	Topic is recognised, but controls are informal, incomplete, or not consistently documented.
2	Basic Implementation	Basic policy, procedure, data, or records exist, but coverage is limited and evidence gaps remain.
3	Implemented and Documented	Controls are implemented, records are maintained, data owners are identified, and evidence is available for most requirements.
4	Managed and Monitored	Topic is integrated into management review, KPIs are tracked, risks are assessed, corrective actions are monitored, and evidence quality is reliable.
5	Advanced / Verified / Continuous Improvement	Practices are mature, data is consistently reviewed, targets are tracked, supplier or value chain coverage is strong where relevant, and information is ready for verification or assurance.
N.A.	Not Applicable	Topic is not applicable based on documented screening and is reviewed periodically.
U.R.	Under Review	Applicability or data is not yet confirmed; further investigation is required.

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Maturity level guidance

Maturity Level	Policy / Procedure	Implementation	Data and Evidence	Management Review
0. Not Started	No policy or procedure.	No structured implementation.	No evidence.	Not reviewed.
1. Initial Awareness	Policy may be absent or informal.	Some ad hoc practices exist.	Limited evidence, often incomplete.	Informal discussion only.
2. Basic Implementation	Basic policy or SOP exists.	Controls implemented in selected areas.	Some records available, but gaps remain.	Reviewed occasionally.
3. Implemented and Documented	Policy and SOPs are documented.	Controls applied consistently within defined boundary.	Evidence supports most indicators.	Reviewed through department or ESG process.
4. Managed and Monitored	Policies and SOPs are reviewed.	Controls are monitored with KPIs and corrective actions.	Evidence is complete and data quality checks are performed.	Reviewed by management or ESG Committee.
5. Advanced / Verified	Integrated into business systems and supplier controls where relevant.	Performance improvement and targets are tracked.	Evidence is assurance-ready or verified.	Regular management review, external verification, or audit readiness.

Example scoring by topic

ESG Topic	Score	Reason
Energy	3	Monthly electricity and fuel data are collected, energy intensity is calculated, and evidence is available. Energy reduction targets are not yet formalised.
Waste	4	Waste is classified, tracked, stored, and disposed through approved contractors. Scheduled waste records and corrective actions are reviewed by management.
Scope 3 Emissions	1	Scope 3 has been recognised as relevant, but only initial screening has been conducted. Supplier data is not yet available.

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Forced Labour	2	Policy and basic worker communication exist, but recruitment fee checks and migrant worker interviews are not yet systematic.
Supplier Traceability	2	Direct supplier records are available, but upstream origin and geolocation data are incomplete.
Anti-Corruption	3	ABAC policy, training, conflict register, and gift register exist. Third-party due diligence requires improvement.

Weighted scoring

Companies may use weighted scoring where some topics are more material than others. For example, a company with natural rubber sourcing may weight Deforestation, Supplier Traceability, Forced Labour, and Supply Chain Due Diligence more heavily. A water-intensive processor may weight Water, Effluent, Waste, Hazardous Substances, and OHS more heavily.

A simple weighting approach is:

Materiality Weight	Meaning
High	Topic is material due to legal, customer, environmental, social, governance, or market access importance.
Medium	Topic is relevant but not among the highest priorities.
Low	Topic is monitored but not a major risk or performance driver.
Not applicable	Topic does not apply based on documented screening.

Companies should avoid overly complicated scoring in early years. A clear topic-level score, reason, evidence status, and action plan is usually more useful than a complex numerical model.

Traffic light rating

A traffic light rating may also be used.

Rating	Meaning	Action
Red	Significant gap or high risk.	Immediate action and management review required.
Amber	Partial implementation or evidence gaps.	Improvement action required.
Green	Implemented and evidence-backed.	Maintain and improve.

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Blue	Advanced or verified.	Continue monitoring and share good practice.
Grey	Not applicable or under review.	Document reason and reassess periodically.

Scoring cautions

Companies should follow these cautions:

a. score based on evidence, not intention;

b. avoid high scores where records are missing;

c. do not score “N.A.” where the topic is applicable but unmanaged;

d. explain partial coverage clearly;

e. separate own operations from supplier coverage where needed;

f. update scores after corrective actions are verified, not merely planned;

g. ensure department heads agree with scores for their topics;

h. use scoring to drive improvement, not to hide weaknesses; and

i. review scoring criteria annually.

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43.4 Minimum Evidence Requirements

The self-assessment should be supported by evidence. Evidence proves that a policy, procedure, action, control, or data point exists. Without evidence, the company should score cautiously and record a gap.

Minimum evidence requirements should be defined for each ESG topic and maturity level. The evidence required does not need to be the same for every company, but it should be sufficient to support the score and any disclosure.

Minimum evidence by maturity level

Score	Minimum Evidence Expected
0	None. Gap recorded.
1	Informal evidence such as meeting notes, draft policy, initial checklist, or management awareness.
2	Basic policy, procedure, register, or record exists; limited data or partial evidence available.
3	Approved policy or SOP, assigned owner, data records, evidence file, and implementation records available.
4	KPI tracking, risk assessment, management review, corrective action tracking, and data quality review available.
5	Complete evidence pack, internal audit or verification readiness, targets and progress, supplier coverage where relevant, and assurance-ready records.

Core evidence types

The following evidence types should be considered across ESG topics.

Evidence Type	Examples
Policies	ESG Policy, Environmental Policy, Human Rights Policy, OHS Policy, Supplier Code, ABAC Policy, Code of Conduct.
Procedures and SOPs	Waste management procedure, chemical handling SOP, recruitment procedure, grievance procedure, supplier due diligence procedure.
Registers	Legal register, risk register, chemical register, waste register, supplier master list, training register, grievance register, gift register.
Data records	Energy bills, fuel records, water bills, emissions workbook, payroll records, attendance records, training records.

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Evidence Type	Examples
Monitoring records	Effluent reports, OHS inspections, waste storage inspections, supplier monitoring, water stress assessment, chemical storage checks.
Transaction records	Purchase orders, invoices, delivery orders, batch records, consignment notes, shipment records.
Supplier evidence	Supplier declarations, questionnaires, certificates, licences, geolocation, traceability records, audit reports, corrective action plans.
Incident and grievance records	Incident reports, investigation records, grievance register, complaint logs, whistleblowing cases, corrective action records.
Training evidence	Attendance sheets, materials, certificates, toolbox talks, competency assessments.
Management evidence	Meeting minutes, approval records, management review, ESG Committee minutes, Board or owner sign-off.
Corrective action evidence	Action tracker, closure photos, revised SOPs, training records, supplier responses, management decisions.
Disclosure evidence	ESG report, disclosure checklist, framework mapping, evidence pack, omission register, assumptions register.

Minimum evidence by ESG topic group

Topic Group	Minimum Evidence Expected
Environmental topics	Environmental policy or commitment, legal register, operational records, monitoring data, incident records, corrective actions, management review.
Social topics	Human rights or labour policy, employment records, training records, grievance records, OHS records, payroll or working hour records, corrective actions.
Governance topics	Governance structure, roles matrix, Code of Conduct, risk register, compliance register, supplier due diligence records, approval records, whistleblowing records.
Supplier topics	Supplier master list, Supplier Code acknowledgement, supplier risk assessment, questionnaires, traceability records, supplier corrective action tracker.
Reporting topics	Data inventory, evidence register, disclosure checklist, omission register, assumptions register, management approval.

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Evidence sufficiency test

Before assigning a score, the company should ask:

Question	Purpose
Is there a documented policy or commitment?	Confirms governance foundation.
Is there a procedure or process?	Confirms implementation pathway.
Is there an assigned owner?	Confirms accountability.
Are records available for the reporting period?	Confirms implementation.
Are KPIs or data tracked?	Confirms performance monitoring.
Is the data source clear?	Confirms traceability.
Has the data been reviewed?	Confirms quality control.
Are incidents, grievances, or gaps recorded?	Confirms balanced assessment.
Are corrective actions tracked?	Confirms improvement process.
Has management reviewed the topic?	Confirms oversight.
Is supplier evidence available where relevant?	Confirms value chain coverage.
Can an auditor or customer verify the claim?	Confirms evidence readiness.

Evidence gap classification

Where evidence is missing or weak, the company should classify the gap.

Evidence Gap Type	Example	Required Action
No evidence	No policy, data, or record exists.	Create policy, assign owner, start records.
Partial evidence	Data available for only some months or sites.	Complete records or disclose boundary limitation.
Weak evidence	Verbal confirmation but no document.	Create documented record and retain evidence.
Outdated evidence	Expired certificate or old policy.	Update document and review control.
Unverified supplier evidence	Supplier declaration received but not reviewed.	Validate with documents, audit, or risk-based review.
Inconsistent evidence	Payroll data differs from attendance records.	Reconcile and correct.

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Evidence Gap Type	Example	Required Action
Confidential evidence	Data exists but cannot be disclosed publicly.	Retain internally and disclose aggregated information.
Estimated data	Actual data unavailable.	Document methodology, assumptions, and improvement plan.

Evidence storage

Evidence should be stored in a controlled manner using the ESG Evidence Register described in Section 42. The evidence file should allow the company to retrieve documents quickly for reporting, customer audits, internal reviews, or verification.

A topic-level evidence folder may include:

a. policy or commitment;

b. procedure or SOP;

c. data records;

d. monitoring records;

e. training records;

f. supplier records where relevant;

g. incident or grievance records;

h. corrective actions;

i. KPI tracker;

j. management review; and

k. disclosure notes.

43.5 Internal Review and Management Sign-Off

The self-assessment should be reviewed internally before it is used for ESG reporting, customer submission, management decisions, or external communication. Internal review helps ensure that the assessment is accurate, balanced, evidence-backed, and accepted by responsible departments.

Management sign-off confirms that leadership has reviewed the results, understands key gaps and risks, and approves the improvement plan.

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Internal review process

A practical internal review process should include:

Step	Action
1. ESG lead prepares draft assessment	ESG lead consolidates topic applicability, scores, evidence status, gaps, and proposed actions.
2. Data owners review topic sections	HR, EHS, Procurement, Finance, Production, Compliance, and other owners confirm data and evidence.
3. Evidence check is completed	ESG lead or reviewer confirms that evidence supports the score.
4. Gaps are validated	Department heads confirm whether gaps are accurate and whether proposed actions are practical.
5. Risk level is assigned	High-risk gaps are linked to the ESG Risk Register.
6. Action plan is prepared	Actions are assigned owners, due dates, evidence requirements, and priorities.
7. Management review is conducted	Senior management reviews key findings, high-risk gaps, resources, and timelines.
8. Sign-off is obtained	Authorised management signs off the assessment and action plan.
9. Actions are monitored	Progress is tracked through the corrective action tracker or ESG action plan.
10. Results inform reporting	Scores, gaps, omissions, and actions support ESG report preparation.

Review responsibilities

Reviewer	Review Focus
ESG Lead	Completeness, consistency, topic structure, evidence register, reporting readiness.
HR	Workforce, wages, working hours, training, grievances, child labour, forced labour, DEI, pay.
EHS / OHS	Environmental records, OHS, incidents, waste, water, chemicals, emissions, emergency preparedness.
Procurement	Supplier list, supplier ESG assessment, traceability, supplier corrective actions, contractor controls.

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Finance	Payroll, tax, utility data, fuel data, cost records, e-Invoice, payments, financial evidence.
Production / Maintenance	Operational controls, machine safety, energy use, maintenance records, process data.
Compliance / Legal	Legal register, permits, Code of Conduct, ABAC, conflicts, whistleblowing, regulatory risk.
Senior Management	Risk prioritisation, resources, approval of action plan, accountability, disclosure readiness.
Internal Audit / Independent Reviewer, where applicable	Evidence quality, control effectiveness, scoring consistency, assurance readiness.

Management sign-off contents

The management sign-off should confirm that:

a. the self-assessment scope and reporting period are clear;

b. applicability of topics has been reviewed;

c. maturity scores are based on available evidence;

d. material gaps and risks have been identified;

e. high-risk gaps have been escalated;

f. improvement actions have owners and timelines;

g. resource needs have been considered;

h. omissions and limitations have been documented;

i. the results may be used for ESG reporting or internal planning; and

j. the assessment will be reviewed in the next cycle.

Self-assessment approval template

Field	Description
Company name	Legal entity or reporting entity.
Assessment period	Period covered by the self-assessment.
Assessment scope	Sites, operations, worker groups, suppliers, and topics included.

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Field	Description
Prepared by	ESG lead or assessment coordinator.
Reviewed by	Department heads and data owners.
Key high-risk gaps	Summary of major gaps requiring management attention.
Improvement plan approved	Yes / No / Conditional.
Resources required	Budget, manpower, training, system, supplier support, external advisor.
Approved by	Managing Director, owner, Board, General Manager, or authorised person.
Approval date	Date of sign-off.
Next review date	Planned reassessment date.
Remarks	Conditions, exclusions, or management instructions.

Management review questions

Management should ask:

Question	Purpose
Are the topics correctly classified as applicable or not applicable?	Prevents incorrect omissions.
Are high-risk topics properly prioritised?	Focuses resources on significant issues.
Are scores evidence-backed?	Prevents overstatement.
Are supplier and value chain gaps clearly identified?	Supports responsible sourcing and customer readiness.
Are customer and regulatory requirements addressed?	Protects market access and compliance.
Are data gaps and assumptions transparent?	Improves reporting credibility.
Are corrective actions realistic and resourced?	Supports implementation.
Are owners and deadlines assigned?	Ensures accountability.
Are public or customer-facing claims supported?	Reduces disclosure risk.
Is the company ready for verification or audit?	Improves assurance readiness.

Use of self-assessment results

After management sign-off, self-assessment results should be used to:

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a. update the ESG Risk Register;

b. prepare the ESG gap analysis;

c. prepare the ESG improvement action plan;

d. update the ESG evidence register;

e. support ESG report preparation;

f. support customer questionnaire responses;

g. prioritise training;

h. prioritise supplier engagement;

i. plan budgets and resources;

j. support internal audits;

k. prepare for customer verification or assurance; and

l. track year-on-year progress.

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Minimum Implementation Outputs for Section 43

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

Output	Purpose
ESG self-assessment procedure	Defines how the company assesses ESG topic applicability, maturity, evidence, gaps, and actions.
ESG self-assessment checklist	Provides structured questions for all 29 ESG topics.
Topic applicability matrix	Records whether each topic is directly applicable, indirectly applicable, partially applicable, customer-triggered, regulatory-triggered, not applicable, or under review.
Maturity scoring guide	Defines scores from 0 to 5, including evidence expectations for each level.
ESG self-assessment scorecard	Records topic scores, reasons, evidence status, gaps, and improvement priorities.
Evidence requirement matrix	Defines minimum evidence expected for each topic and maturity level.
ESG Evidence Register	Stores and indexes documents supporting self-assessment results.
Data gap and evidence gap register	Tracks missing, partial, outdated, weak, confidential, or estimated evidence.
ESG Risk Register linkage	Links high-risk self-assessment gaps to risk management actions.
Corrective action and improvement tracker	Records actions, owners, due dates, evidence required, and closure status.
Department review records	Shows that HR, EHS, Procurement, Finance, Production, Compliance, and other data owners reviewed relevant topics.
Management review presentation	Summarises scores, material gaps, risks, priorities, resource needs, and proposed actions.
Management sign-off record	Confirms leadership review and approval of self-assessment results and action plan.
Annual reassessment schedule	Defines the next self-assessment cycle and review frequency.
ESG reporting linkage note	Explains how self-assessment results inform ESG reporting, omissions, framework mapping, and evidence packs.

Used properly, the ESG self-assessment helps rubber processors and manufacturers understand their ESG maturity, identify practical gaps, strengthen evidence, prioritise improvements, prepare for

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customer and regulatory expectations, and support credible ESG reporting and continuous improvement.

44. Gap Analysis and Prioritisation

Gap analysis is the process of comparing the company's current ESG practices, controls, data, and evidence against the expectations set out in these Guidelines, the ESG Checklist, customer requirements, legal obligations, certification requirements, and relevant reporting frameworks. It helps the company move from assessment to action.

A gap is not automatically a failure. Many companies, especially SMEs, will have gaps during early ESG adoption. The purpose of the gap analysis is to identify those gaps honestly, understand their risk level, and prioritise practical improvement actions.

For Malaysian rubber processors and manufacturers, gap analysis is especially useful because ESG requirements may come from several sources at the same time: Malaysian legal requirements, customer ESG questionnaires, supplier codes of conduct, natural rubber traceability expectations, environmental permits, OHS requirements, labour standards, anti-corruption obligations, certification schemes, and emerging reporting expectations.

The gap analysis should be linked to:

a. ESG self-assessment results;

b. topic applicability matrix;

c. ESG Risk Register;

d. legal and regulatory compliance register;

e. supplier due diligence findings;

f. customer audit findings;

g. stakeholder feedback;

h. ESG data and evidence gaps;

i. corrective action tracker; and

j. ESG improvement action plan.

The company should not try to close all gaps at once. Gaps should be prioritised based on severity, urgency, legal exposure, customer relevance, stakeholder impact, resource needs, and business opportunities.

44.1 Identifying Gaps

A gap is the difference between the company's current ESG condition and the expected requirement, control, evidence, or performance level. Gaps may relate to policies, procedures, implementation,

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records, data, supplier coverage, legal compliance, monitoring, training, disclosure, or management review.

Common types of ESG gaps

Gap Type	Description	Example
Policy gap	Required policy or commitment is missing, outdated, incomplete, or not approved.	No Human Rights Policy, no ABAC Policy, no Supplier Code of Conduct.
Procedure gap	Policy exists, but there is no practical SOP, workflow, form, or control process.	Child labour is prohibited, but there is no age verification procedure.
Implementation gap	Procedure exists, but is not consistently applied.	Chemical storage SOP exists, but chemicals are found unlabelled or stored without containment.
Evidence gap	Action may be taking place, but records are missing or weak.	Workers are trained, but attendance sheets are not retained.
Data gap	KPI data is missing, incomplete, inconsistent, or not calculated.	Electricity data exists, but Scope 1 and Scope 2 emissions have not been calculated.
Boundary gap	Data or controls cover only part of the business.	Waste data covers the main factory but excludes the warehouse.
Supplier gap	Supplier information, declarations, traceability, licences, or ESG assessments are incomplete.	Natural rubber origin is known for direct suppliers but not for upstream sourcing areas.
Compliance gap	Legal, permit, licence, or regulatory requirement is not fully met or not monitored.	Scheduled waste records are incomplete or permit renewal dates are not tracked.
Training gap	Relevant workers, supervisors, contractors, or suppliers have not been trained.	Supervisors have not been trained on grievance escalation or non-retaliation.
Governance gap	ESG roles, approvals, review processes, or accountability are unclear.	ESG data is collected by departments but no one reviews it before customer submission.
Performance gap	Data shows poor performance or repeated incidents.	Repeated OHS incidents, high waste generation, recurring payroll corrections.

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Gap Type	Description	Example
Disclosure gap	Reported information is incomplete, unsupported, unclear, or overstated.	Report claims “fully traceable” but supporting supplier origin evidence is incomplete.

Sources for identifying gaps

Gaps may be identified through several channels.

Source	Examples of Gaps Identified
ESG self-assessment	Missing policies, low maturity scores, incomplete topic coverage.
ESG Checklist	Missing indicators, missing verifiers, lack of evidence.
Legal compliance register	Expired licence, missing submission, unclear permit condition.
ESG Risk Register	High-risk topics without controls or action plans.
Customer ESG questionnaire	Missing emissions data, incomplete supplier traceability, no ABAC declaration.
Customer or certification audit	Non-conformity, weak records, incomplete corrective action.
Supplier due diligence	Missing supplier declaration, expired certificate, incomplete geolocation data.
Internal audit or inspection	Weak implementation of SOPs, poor storage, incomplete registers.
Worker grievances	Wage errors, supervisor conduct concerns, accommodation issues, OHS concerns.
Community complaints	Odour, traffic, drainage, waste, noise, or pollution concerns.
Incident investigation	Root cause linked to lack of training, poor maintenance, weak supervision.
Management review	Resource gaps, delayed actions, recurring findings, unclear accountability.
ESG reporting process	Missing data, inconsistent units, unsupported claims, unclear boundary.

Gap identification process

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A practical process is shown below.

Step	Action
1. Confirm scope	Define the sites, departments, suppliers, worker groups, and ESG topics included.
2. Review requirements	Compare current practice against Guidelines, Checklist, laws, permits, customer requirements, and frameworks.
3. Review evidence	Check whether policies, procedures, data, records, and verifiers exist.
4. Identify gap	Record the specific gap clearly and factually.
5. Classify gap type	Policy, procedure, data, evidence, supplier, compliance, training, governance, or performance.
6. Identify root cause	Determine why the gap exists.
7. Assess severity and urgency	Determine the risk level and timing needed.
8. Define action	Identify corrective or improvement action.
9. Assign owner	Assign department or person responsible.
10. Track closure	Add to corrective action tracker or ESG improvement plan.

Gap analysis register

Companies should maintain a **Gap Analysis Register**.

Field	Description
Gap ID	Unique reference number.
ESG pillar	Environmental, Social, Governance, or cross-cutting.
ESG topic	Topic linked to the gap.
Requirement or expectation	Guideline, checklist item, legal requirement, customer request, certification, or internal policy.
Current status	What is currently in place.
Gap description	What is missing, weak, incomplete, or not implemented.
Gap type	Policy, procedure, implementation, evidence, data, supplier, compliance, training, governance, performance, disclosure.
Root cause	Why the gap exists.

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Field	Description
Affected boundary	Site, department, supplier, worker group, product, customer, or process affected.
Severity	Low, medium, high, or critical.
Urgency	Immediate, short-term, medium-term, long-term.
Resource need	Low, medium, high, or external support required.
Responsible owner	Department or person responsible.
Action required	Corrective or improvement action.
Due date	Target completion date.
Evidence required	Record needed to prove closure.
Status	Open, in progress, completed, verified, delayed, escalated.
Management review	Whether the gap has been reviewed or approved by management.

Example gap analysis entries

ESG Topic	Gap Identified	Severity	Priority Action
Emissions	Scope 1 and Scope 2 emissions not yet calculated.	Medium	Collect electricity and fuel data, assign data owner, prepare GHG workbook.
Waste	Scheduled waste records exist, but waste contractor licences are not stored centrally.	High	Create waste contractor due diligence file and verify licence validity.
Forced Labour	Migrant worker recruitment fee checks are not formalised.	High	Conduct confidential worker interviews and establish fee declaration process.
Supplier Traceability	Natural rubber origin data is incomplete for upstream suppliers.	High	Prioritise high-volume suppliers and collect sourcing area information.
Anti-Corruption	ABAC Policy exists, but supplier anti-corruption clauses are not included in all contracts.	Medium	Update supplier onboarding and contract templates.
ESG Reporting	ESG data owners are not formally assigned.	Medium	Establish ESG Data Ownership Matrix.

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44.2 Assessing Severity, Urgency, and Resource Needs

After gaps are identified, the company should assess their severity, urgency, and resource needs. This helps management decide which gaps require immediate action, which can be addressed in phases, and which need budget or external support.

Severity assessment

Severity measures how serious the gap could be if left unresolved.

Severity Level	Description	Examples
Critical	May cause severe legal, human rights, environmental, safety, corruption, market access, or reputational impact. Immediate management attention is required.	Suspected forced labour, child labour, serious OHS hazard, major pollution incident, expired critical permit, bribery allegation, false ESG claim submitted to customer.
High	Significant ESG, compliance, customer, worker, supplier, or operational risk. Action is required within a defined short timeframe.	Missing supplier traceability for customer-facing natural rubber, incomplete scheduled waste evidence, repeated wage complaints, lack of HIRARC for high-risk machinery.
Medium	Moderate risk or evidence gap that may affect reporting quality, audit readiness, or continuous improvement.	Missing ESG data owner, incomplete training records, partial supplier questionnaire coverage, no formal energy target.
Low	Minor gap with limited risk, usually administrative or improvement-oriented.	Policy formatting issue, outdated template, minor record organisation gap.

Severity criteria

The company should consider the following when assigning severity.

Criterion	Guiding Question
Legal exposure	Could the gap breach a law, permit, licence, or regulatory requirement?
Human rights impact	Could workers, migrant workers, children, communities, or vulnerable groups be harmed?

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Environmental impact	Could the gap cause pollution, waste leakage, deforestation risk, biodiversity harm, or resource inefficiency?
OHS impact	Could the gap cause injury, illness, unsafe work, or emergency risk?
Customer and market access	Could the gap affect customer approval, exports, audits, EUDR readiness, or certification?
Financial impact	Could the gap cause penalties, remediation costs, rejected shipments, higher costs, or lost business?
Reputational impact	Could the gap damage trust with customers, regulators, financiers, workers, or communities?
Evidence and disclosure risk	Could the gap lead to inaccurate reporting, unsupported claims, or failed verification?
Likelihood	Is the issue already occurring, likely to occur, or only possible?
Remediability	Can the impact be corrected easily, or would harm be difficult to remedy?

Urgency assessment

Urgency measures how quickly the gap must be addressed.

Urgency Level	Timing	Examples
Immediate	Action required immediately or within days.	Serious safety hazard, major spill, forced labour allegation, expired critical permit, regulatory notice.
Short-term	Action required within 0–6 months.	Missing legal register, high-risk supplier data gap, incomplete OHS risk assessment, missing ABAC policy.
Medium-term	Action required within 6–18 months.	Improving Scope 3 data, expanding supplier ESG assessment, installing sub-metering, formalising career development review.
Long-term	Action required within 18–36 months or as part of strategic transformation.	Major renewable energy investment, full upstream traceability system, digital ESG dashboard, product carbon footprint system.

Companies may adjust these timelines based on their internal planning cycle, customer deadlines, regulatory requirements, or resource availability.

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Resource needs assessment

Resource needs should be assessed because some gaps can be closed quickly with internal effort, while others require budget, technical expertise, system upgrades, or supplier collaboration.

Resource Level	Description	Examples
Low	Can be completed internally with existing staff and basic templates.	Update policy, create register, assign data owner, collect missing bills.
Medium	Requires cross-functional work, training, management time, or moderate cost.	Develop supplier questionnaire, conduct HIRARC review, implement payroll correction log.
High	Requires significant budget, system changes, equipment, external expertise, or supplier engagement.	Install wastewater upgrade, conduct energy audit, implement digital traceability system, complete geolocation mapping.
External support required	Requires specialist knowledge or independent review.	GHG calculation support, legal review, transfer pricing documentation, EUDR due diligence, environmental testing, external assurance.

Severity, urgency, and resource matrix

Gap Example	Severity	Urgency	Resource Need	Priority Decision
No age verification process	Critical	Immediate / Short-term	Low to Medium	Implement immediately through HR recruitment controls.
Incomplete scheduled waste evidence	High	Short-term	Medium	Verify waste contractors and consolidate records.
No Scope 3 emissions calculation	Medium	Medium-term	Medium to High	Start with Scope 3 screening and priority categories.
No renewable energy feasibility study	Low to Medium	Long-term	High	Consider after energy baseline and efficiency actions.

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No formal stakeholder register	Medium	Short-term	Low	Create stakeholder map and engagement log.
Natural rubber geolocation incomplete	High	Short / Medium-term depending on customer scope	High / External support may be needed	Prioritise EU-linked or high-volume suppliers.

Root cause assessment

For significant gaps, the company should identify root causes. This prevents repeated corrective actions that do not solve the underlying issue.

Gap	**Possible Root Cause**
Missing ESG data	No data owner assigned; data not collected monthly; source documents scattered.
Incomplete supplier traceability	Supplier not briefed; no traceability template; upstream visibility limited; customer requirement new.
Repeated waste storage findings	Poor housekeeping; no inspection schedule; workers not trained; storage area insufficient.
Payroll corrections recurring	Manual data entry error; supervisor overtime approvals late; payroll review checklist missing.
OHS incidents recurring	HIRARC outdated; machine guarding incomplete; training ineffective; production pressure.
ABAC declarations missing	No annual declaration process; employees not trained; policy not communicated.
ESG report contains unsupported claims	No disclosure review process; evidence register incomplete; management approval weak.

Resource and budget planning

Gaps that require funding should be linked to budget planning. Examples include:

a. energy audit;

b. sub-metering;

c. wastewater treatment upgrade;

d. spill containment improvement;

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e. chemical storage upgrade;

f. PPE improvement;

g. worker accommodation improvement;

h. supplier audits;

i. traceability system;

j. ESG software or data system;

k. external consultant or assurance provider;

l. training programmes;

m. legal or tax review;

n. emissions calculation support; and

o. certification or verification costs.

Management should review whether actions are feasible within the current year or need phased implementation.

44.3 Prioritising Short-, Medium-, and Long-Term Actions

Once gaps are assessed, the company should prioritise actions into short-, medium-, and long-term improvement plans. This allows the company to address urgent risks quickly while building longer-term ESG maturity.

Prioritisation principles

Companies should prioritise actions based on:

a. legal and regulatory requirements;

b. worker safety and human rights impact;

c. environmental harm prevention;

d. customer or market access deadlines;

e. risk severity and likelihood;

f. stakeholder concern;

g. availability of evidence;

h. cost and resource needs;

i. feasibility of implementation;

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j. ability to produce quick improvements;

k. dependency on suppliers or external parties; and

l. contribution to long-term competitiveness.

Short-term actions

Short-term actions should address urgent, high-risk, or easy-to-close gaps. These are usually actions that can be completed within 0–6 months. Examples include:

Short-Term Action Area	**Examples**
Governance basics	Appoint ESG lead, assign data owners, approve ESG policy, create ESG Committee or management review process.
Legal and compliance	Establish legal register, update licence tracker, verify permit expiry dates, review scheduled waste records.
Evidence management	Create evidence register, organise bills and records, consolidate ESG data folders.
OHS controls	Review high-risk HIRARC, close urgent safety findings, conduct PPE checks, update emergency contacts.
Labour controls	Review employment contracts, payroll records, overtime approvals, wage complaint process.
Forced labour controls	Review passport access, recruitment fee risks, migrant worker orientation, grievance channels.
Child labour controls	Implement age verification checklist and young worker restrictions.
Supplier basics	Update supplier master list, issue Supplier Code of Conduct, identify priority suppliers.
Anti-corruption basics	Approve ABAC Policy, create gift and conflict registers, communicate reporting channel.
Reporting controls	Prepare reporting boundary statement, disclosure checklist, omission register, assumptions register.

Short-term actions should normally focus on **risk control, compliance, evidence, and accountability**.

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Medium-term actions

Medium-term actions usually require coordination, training, system improvement, supplier engagement, or moderate investment. These may be completed within 6–18 months.

Examples include:

Medium-Term Action Area	Examples
ESG data improvement	Monthly ESG data collection templates, KPI dashboard, data quality review process.
Environmental performance	Energy efficiency assessment, water balance, waste reduction plan, chemical storage improvements.
Emissions	Scope 1 and Scope 2 calculation, Scope 3 screening, emissions intensity tracking.
OHS maturity	Full HIRARC review, incident trend analysis, contractor safety management, emergency drill programme.
Labour maturity	Working hour trend analysis, wage review, supervisor training, grievance trend review.
Supplier due diligence	ESG questionnaires for priority suppliers, supplier risk scoring, supplier corrective action tracker.
Traceability	Natural rubber origin data collection, sourcing area register, batch traceability improvement.
Governance maturity	Internal audit checklist, ESG risk register review, disclosure approval workflow, management review calendar.
Training	ESG awareness, OHS refresher, ABAC training, supplier briefing, data owner training.
Stakeholder engagement	Stakeholder map, engagement plan, feedback log, community complaint process.

Medium-term actions should normally focus on **system strengthening, monitoring, and supplier engagement**.

Long-term actions

Long-term actions usually involve strategic investment, technology, deep supply chain engagement, certification, assurance, or performance transformation. These may take 18–36 months or longer.

Examples include:

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Long-Term Action Area	Examples
Climate transition	Renewable energy investment, low-carbon process improvements, product carbon footprint capability.
Advanced traceability	Digital traceability system, geolocation expansion, upstream verification, chain-of-custody certification.
Supplier transformation	Supplier capacity-building programme, supplier audits, smallholder engagement, responsible sourcing programme.
Circularity	Material recovery projects, recycled content initiatives, packaging redesign, waste-to-resource partnerships.
Water resilience	Water reuse system, advanced effluent treatment, flood or drought resilience planning.
OHS excellence	Behaviour-based safety programme, automation of high-risk tasks, advanced machine guarding upgrades.
Human rights due diligence	Formal human rights impact assessment, third-party labour audits, deeper recruitment corridor controls.
ESG assurance	Limited assurance over selected ESG indicators, external verification, assurance readiness system.
Governance digitalisation	ESG software, integrated data dashboard, digital evidence management, automated approval workflow.
Certification and market access	MSNR, FSC, PEFC, Preferred by Nature, ISO, or customer-specific certification where relevant.

Long-term actions should focus on **strategic resilience, competitiveness, assurance readiness, and market access**.

Action prioritisation matrix

A simple action prioritisation matrix may be used.

Priority Category	Criteria	Action Approach
Priority 1: Immediate Critical Action	Critical severity, legal breach, serious safety or human rights risk, customer deadline, major incident.	Act immediately, escalate to management, assign resources, track daily or weekly until controlled.
Priority 2: Short-Term Risk Control	High severity, high customer relevance, significant evidence gap, high audit risk.	Complete within 0–6 months, assign owner and evidence requirement.

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Priority Category	Criteria	Action Approach
Priority 3: Medium-Term System Improvement	Moderate risk, partial controls, data gaps, supplier coverage gaps, process improvement needed.	Complete within 6–18 months, integrate into ESG action plan.
Priority 4: Long-Term Strategic Development	Requires major investment, supplier transformation, digital systems, certification, or assurance.	Plan over 18–36 months, include in budget and strategic planning.
Priority 5: Monitor	Low risk, low materiality, not currently applicable, or dependent on future changes.	Review annually or when business context changes.

ESG improvement action plan

The outcome of prioritisation should be an **ESG Improvement Action Plan**.

Field	Description
Action ID	Unique reference number.
Linked gap ID	Gap addressed by the action.
ESG topic	Topic related to action.
Priority level	Priority 1, 2, 3, 4, or Monitor.
Action description	What will be done.
Expected outcome	What improvement is expected.
Responsible owner	Department or person responsible.
Supporting departments	Departments needed for implementation.
Resource need	Budget, training, external support, system, supplier engagement.
Timeline	Short-, medium-, or long-term target date.
KPI	How progress or success will be measured.
Evidence required	Records needed to prove completion.
Status	Not started, in progress, completed, delayed, verified.
Management review	Date reviewed and decision made.

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Example ESG improvement action plan

ESG Topic	Gap	Action	Priority	Owner	Timeline	Evidence
Governance	ESG data owners not assigned.	Create ESG Data Ownership Matrix.	Short-term	ESG Lead	3 months	Approved matrix.
Emissions	GHG inventory not prepared.	Calculate Scope 1 and Scope 2 emissions.	Short-term	EHS / Finance	6 months	GHG workbook.
Supplier Traceability	Natural rubber origin incomplete.	Collect origin data from top 10 suppliers by volume.	Medium-term	Procurement	12 months	Supplier origin forms.
OHS	HIRARC outdated for production lines.	Review and update HIRARC for high-risk machinery.	Short-term	EHS / Production	4 months	Updated HIRARC.
Anti-Corruption	No gift register.	Establish Gifts and Hospitality Register and brief employees.	Short-term	Compliance / HR	2 months	Register and training record.
Energy	No energy efficiency plan.	Conduct internal energy review and identify quick savings.	Medium-term	Facilities	9 months	Energy review report.
Assurance	Evidence pack not standardised.	Create assurance-ready evidence pack for ESG report.	Medium-term	ESG Lead	12 months	Evidence pack index.

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44.4 Linking Gaps to ESG Risks and Opportunities

Gaps should be linked to ESG risks and opportunities so that management can understand their business significance. A gap is not just an administrative issue; it may create risk or reveal an opportunity.

For example:

a. incomplete emissions data may create reporting risk, but also an opportunity to identify energy cost savings;

b. supplier traceability gaps may create market access risk, but also an opportunity to strengthen responsible sourcing;

c. OHS training gaps may create injury risk, but also an opportunity to improve productivity and worker trust;

d. waste data gaps may create compliance risk, but also an opportunity to reduce disposal costs and recover materials;

e. weak anti-corruption controls may create legal risk, but also an opportunity to improve procurement integrity.

Linking gaps to ESG risk categories

Gap	ESG Risk Link
No legal compliance register	Regulatory risk, permit expiry risk, audit readiness risk.
No Scope 1 and Scope 2 emissions calculation	Climate disclosure risk, customer response risk, energy management gap.
Incomplete waste contractor evidence	Environmental compliance risk, illegal disposal risk, customer audit risk.
No forced labour risk assessment	Human rights risk, customer audit risk, market access risk.
Incomplete supplier traceability	Deforestation risk, EUDR-oriented readiness risk, customer trust risk.
No ABAC training	Corruption risk, Section 17A readiness gap, supplier ethics risk.
No grievance mechanism	Worker rights risk, retaliation risk, unresolved impact risk.
No data ownership matrix	Reporting risk, evidence gap, inaccurate disclosure risk.

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Linking gaps to opportunities

Gap	Opportunity
Energy data not analysed	Identify energy savings and emissions reduction opportunities.
Waste not segregated	Increase recycling, reduce disposal cost, improve circularity.
Supplier data incomplete	Build stronger supplier relationships and improve customer readiness.
Training records weak	Improve worker competency and reduce audit findings.
OHS incidents recurring	Improve safety culture and reduce downtime.
Water data incomplete	Improve water efficiency and effluent control.
ESG governance informal	Strengthen accountability and customer confidence.
Materiality not documented	Improve reporting relevance and strategic focus.
Anti-corruption controls basic	Improve procurement integrity and reduce misconduct risk.

Risk and opportunity linkage process

Companies should follow this process:

Step	Action
1. Identify gap	Record the gap in the Gap Analysis Register.
2. Identify related ESG risk	Link the gap to an existing risk or create a new risk in the ESG Risk Register.
3. Identify opportunity	Determine whether closing the gap may create cost savings, efficiency, market access, customer trust, worker retention, or performance improvement.
4. Assess priority	Consider severity, urgency, resource need, and opportunity value.
5. Define action	Include corrective and improvement actions in the ESG Improvement Action Plan.
6. Assign owner	Assign risk owner and action owner.
7. Track KPI	Define metric to monitor progress.
8. Review management decision	Present high-priority gaps, risks, and opportunities to management.
9. Update reporting	Disclose material gaps, actions, and progress where relevant.

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Risk-opportunity linkage table

Companies may use the following table.

Gap ID	ESG Topic	Gap Description	Linked Risk	Linked Opportunity	Priority	Action
G-01	Energy	Energy intensity not tracked.	Cost and emissions risk.	Energy efficiency savings.	Medium	Track kWh per tonne of product.
G-02	Supplier Traceability	Upstream natural rubber origin incomplete.	Market access and deforestation risk.	Improved customer readiness and responsible sourcing.	High	Collect origin data from priority suppliers.
G-03	OHS	Machine guarding inspections incomplete.	Injury and compliance risk.	Safer operations and reduced downtime.	High	Implement monthly machine safety checklist.
G-04	Anti-Corruption	Gift register not implemented.	Bribery and conflict risk.	Stronger procurement integrity.	Medium	Establish gift register and train staff.
G-05	ESG Reporting	Data gaps not explained.	Misleading disclosure risk.	More credible reporting.	Medium	Create omission and data gap register.

Integrating gap analysis into management review

Management should review:

a. top critical and high-priority gaps;

b. gaps linked to legal compliance;

c. gaps linked to customer or market access;

d. gaps linked to human rights or worker safety;

e. gaps linked to environmental harm;

f. gaps linked to supplier traceability;

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g. gaps requiring budget or external expertise;

h. repeated gaps or recurring findings;

i. opportunities for cost savings or competitiveness;

j. action progress and overdue items; and

k. gaps that should be disclosed in ESG reporting.

Reporting gap analysis results

Companies do not need to disclose every internal gap publicly. However, material gaps that affect ESG performance, data quality, reporting boundary, or customer claims should be disclosed appropriately.

A report may state:

“The company conducted an ESG self-assessment and identified priority gaps relating to emissions calculation, supplier traceability, ESG data ownership, and supplier ESG assessment coverage. These gaps have been incorporated into the ESG Improvement Action Plan with assigned owners and timelines. The company will report progress in the next reporting cycle.”

Where gaps involve serious legal, environmental, human rights, safety, or corruption matters, the company should handle disclosure carefully, protect confidentiality where needed, and follow legal, customer, and management approval requirements.

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Minimum Implementation Outputs for Section 44

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

Output	Purpose
Gap Analysis Procedure	Defines how ESG gaps are identified, classified, assessed, prioritised, and tracked.
Gap Analysis Register	Records gaps, ESG topics, requirements, current status, root cause, severity, urgency, resource needs, actions, owners, due dates, and evidence.
Gap Type Classification Guide	Helps classify gaps as policy, procedure, implementation, evidence, data, supplier, compliance, training, governance, performance, or disclosure gaps.
Severity Assessment Matrix	Defines low, medium, high, and critical severity levels.
Urgency Assessment Matrix	Defines immediate, short-term, medium-term, and long-term action timing.
Resource Needs Assessment	Identifies whether actions require internal effort, budget, systems, training, supplier engagement, or external support.
Root Cause Analysis Template	Helps identify why significant gaps exist and how recurrence will be prevented.
ESG Improvement Action Plan	Converts gaps into prioritised actions with owners, timelines, KPIs, resources, and evidence requirements.
Short-, Medium-, and Long-Term Action Plan	Organises improvement actions by implementation timeframe.
Risk and Opportunity Linkage Table	Links each significant gap to ESG risks and potential business opportunities.
ESG Risk Register Update	Ensures high-priority gaps are reflected in ESG risk management.
Budget and Resource Request Record	Supports management decisions on actions requiring funding or external support.
Corrective Action Tracker	Tracks closure of gaps, audit findings, incidents, supplier findings, and management actions.
Management Review Record	Shows senior management review of significant gaps, priorities, resources, risks, and opportunities.
ESG Reporting Linkage Note	Explains which material gaps, limitations, or improvement actions should be disclosed in ESG reports or customer responses.

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Used properly, gap analysis helps rubber processors and manufacturers move from ESG assessment to practical improvement. It supports better prioritisation, clearer accountability, stronger evidence, reduced compliance and customer risk, and a more structured pathway towards ESG maturity and continuous improvement.

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45. ESG Action Plan

The ESG Action Plan converts self-assessment results and gap analysis findings into practical, time-bound improvement actions. It is the company's roadmap for strengthening ESG governance, improving environmental and social performance, closing evidence gaps, meeting customer expectations, and preparing for ESG reporting, verification, or certification.

For Malaysian rubber processors and manufacturers, the ESG Action Plan should be realistic and proportionate. It should recognise the company's size, resources, maturity level, customer requirements, legal obligations, supplier complexity, and operational risks. The action plan should not be a list of broad intentions. It should clearly state what will be done, who is responsible, when it will be completed, what resources are needed, and what evidence will prove completion.

The ESG Action Plan should be linked to:

a. ESG self-assessment results;

b. ESG gap analysis;

c. ESG Risk Register;

d. materiality assessment results;

e. legal and regulatory compliance register;

f. customer and certification requirements;

g. supplier due diligence findings;

h. stakeholder feedback and grievances;

i. audit findings and corrective actions;

j. ESG data gaps and evidence gaps; and

k. management review decisions.

The action plan should be reviewed regularly by management and updated as circumstances change. It should also support the company's ESG report by showing targets, progress, corrective actions, and continuous improvement.

45.1 Setting ESG Objectives and Targets

ESG objectives describe what the company wants to achieve. ESG targets translate those objectives into measurable or trackable commitments. Objectives and targets should be linked to material ESG topics, business risks, stakeholder expectations, and improvement priorities.

For example, "improve environmental performance" is too broad. A stronger objective would be: "Improve energy efficiency and reduce emissions intensity at the main manufacturing site." A measurable target could then be: "Reduce electricity intensity by 5% per tonne of product by 2027 compared with the 2026 baseline."

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Characteristics of good ESG objectives and targets

ESG objectives and targets should be:

Characteristic	Practical Meaning
Relevant	Linked to material ESG topics, risks, customer expectations, or compliance needs.
Specific	Clearly states what will be improved or achieved.
Measurable	Includes a KPI, completion evidence, or measurable outcome.
Achievable	Realistic based on available resources, data, capability, and timeframe.
Time-bound	Includes a target date or milestone.
Assigned	Has a responsible owner and supporting departments.
Evidence-backed	Completion can be proven through records, data, reports, or verification.
Reviewed	Progress is monitored and reviewed by management.

Types of ESG objectives

Companies may set different types of objectives depending on maturity level.

Objective Type	Example
Governance objective	Establish ESG governance structure, data ownership, and management review process.
Compliance objective	Ensure all licences, permits, and regulatory submissions are tracked and renewed on time.
Data objective	Improve ESG data collection for energy, emissions, water, waste, OHS, workforce, and suppliers.
Environmental performance objective	Reduce energy use, improve waste segregation, reduce water intensity, or improve chemical storage.
Social performance objective	Improve OHS training, wage controls, grievance handling, worker communication, or forced labour prevention.
Supplier objective	Improve supplier traceability, supplier ESG screening, and supplier corrective action closure.
Reporting objective	Prepare an evidence-backed ESG report and respond to customer ESG questionnaires more effectively.

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Objective Type	Example
Assurance readiness objective	Build evidence packs and data quality controls for customer verification or future assurance.

Target-setting examples

ESG Topic	Objective	Target
ESG Governance	Strengthen ESG accountability.	Appoint ESG lead and assign data owners for all material ESG topics by Q2 2027.
Energy	Improve energy efficiency.	Reduce electricity intensity by 5% per tonne of product by 2028 from the 2026 baseline.
Emissions	Build GHG reporting capability.	Calculate Scope 1 and Scope 2 emissions annually starting from reporting year 2027.
Water	Improve water data and efficiency.	Complete water balance and leak inspection programme by Q3 2027.
Waste	Improve waste segregation and recovery.	Increase waste diversion rate by 10% by 2028 from the 2026 baseline.
OHS	Reduce workplace safety risks.	Complete HIRARC review for all high-risk production areas by Q4 2027.
Workers' Rights	Improve payroll and working hour controls.	Implement payroll correction log and overtime review process by Q2 2027.
Forced Labour	Strengthen ethical recruitment.	Conduct recruitment fee checks for all migrant worker recruitment batches by Q3 2027.
Supplier Due Diligence	Improve supplier ESG coverage.	Obtain ESG questionnaires from 80% of priority suppliers by Q4 2027.
Anti-Corruption	Strengthen corruption risk controls.	Train all procurement, finance, HR, logistics, and management staff on ABAC by Q3 2027.
ESG Reporting	Improve disclosure readiness.	Prepare annual ESG report with evidence pack and management approval by Q2 2028.

Baseline and target year

Where quantitative targets are used, the company should define:

a. baseline year;

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b. baseline value;

c. target value;

d. target year;

e. scope or boundary;

f. calculation method;

g. data owner;

h. reviewer;

i. evidence required; and

j. review frequency.

For example:

Target Element	**Example**
Baseline year	2026
Baseline value	500 kWh per tonne of product
Target	Reduce to 475 kWh per tonne of product
Target year	2028
Boundary	Main manufacturing site
Data source	Electricity bills and production records
Data owner	Finance and Production
Reviewer	ESG Lead
Evidence	Energy tracker, production records, management review minutes

Qualitative targets

Not all early-stage ESG targets need to be numerical. Companies may also set qualitative or completion-based targets, especially where the first priority is to establish systems.

Examples include:

a. approve ESG Policy;

b. establish ESG Committee;

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c. prepare ESG Risk Register;

d. develop Supplier Code of Conduct;

e. complete supplier mapping;

f. implement grievance procedure;

g. create waste contractor due diligence file;

h. prepare GHG calculation workbook;

i. conduct OHS training for all production workers;

j. establish gifts and hospitality register; and

k. prepare ESG evidence pack.

Qualitative targets should still have owners, deadlines, and completion evidence.

45.2 Assigning Responsibility

Every ESG action must have a responsible owner. Without clear ownership, actions may be delayed, duplicated, or left incomplete. Responsibility should be assigned to the person or department best placed to implement the action and maintain evidence.

The ESG lead may coordinate the action plan, but the ESG lead should not be responsible for every action. ESG implementation requires cross-functional ownership.

Responsibility levels

Responsibility Level	Meaning
Action Owner	Person or department responsible for completing the action.
Supporting Department	Department that provides information, resources, technical input, or evidence.
Reviewer	Person responsible for checking whether the action and evidence are adequate.
Approver	Management or authorised person who approves completion, budget, policy, target, or disclosure.
Accountable Management	Senior manager, owner, Board, or ESG Committee responsible for ensuring progress and removing barriers.

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Typical responsibility assignment

ESG Action Area	Typical Action Owner	Supporting Departments
ESG governance structure	ESG Lead / Management	HR, EHS, Procurement, Finance, Production
ESG data ownership matrix	ESG Lead	All data owners
Legal compliance register	Compliance / ESG Lead	EHS, HR, Finance, Procurement
Energy tracker	Finance / Facilities	Production, Maintenance, ESG Lead
Emissions calculation	ESG Lead / EHS	Finance, Maintenance, Production
Water and effluent monitoring	EHS / Facilities	WWTP Operator, Production
Waste management improvement	EHS / Warehouse	Procurement, Production
Chemical register and SDS update	EHS / Warehouse	Procurement, Production
HIRARC review	EHS / OHS	Production, Maintenance
Payroll and working hour review	HR / Finance	Production, Management
Grievance mechanism	HR / ESG Lead	Compliance, Department Heads
Supplier ESG assessment	Procurement	ESG Lead, EHS, HR, Compliance
Natural rubber traceability	Procurement / Supply Chain	Warehouse, Production, ESG Lead
ABAC training	Compliance / HR	Procurement, Finance, Management
ESG report preparation	ESG Lead	All data owners, Management
Evidence management	ESG Lead	All departments

RACI approach for ESG actions

Companies may use a RACI structure to clarify roles.

RACI Role	Meaning
Responsible	Performs the work.
Accountable	Owns the final outcome.
Consulted	Provides input or technical advice.

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Informed	Receives updates on progress or outcome.

Example:

ESG Action	Responsible	Accountable	Consulted	Informed
Calculate Scope 1 and Scope 2 emissions	ESG Lead / EHS	General Manager	Finance, Maintenance	ESG Committee
Conduct supplier ESG screening	Procurement	Procurement Manager	ESG Lead, HR, EHS	Management
Update chemical storage controls	EHS / Warehouse	EHS Manager	Production, Procurement	Management
Implement ABAC training	HR / Compliance	Managing Director	Procurement, Finance	All staff
Prepare ESG report	ESG Lead	Senior Management	Data owners, Compliance	Board / Owner

Responsibility assignment record

The action plan should include clear responsibility fields.

Field	Description
Action owner	Person or department responsible for completion.
Accountable manager	Senior person accountable for the outcome.
Supporting departments	Departments needed for implementation.
Reviewer	Person who checks completion evidence.
Approver	Person or body that approves completion.
Escalation point	Person or committee to escalate delays, risks, or resource constraints.

Escalation of overdue actions

Actions should be escalated when:

a. the due date is missed;

b. resources are insufficient;

c. the action depends on another department or supplier;

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d. the risk becomes more severe;

e. a customer deadline is approaching;

f. legal compliance may be affected;

g. a serious incident or grievance occurs;

h. evidence is not available;

i. management approval is required; or

j. corrective action is repeatedly delayed.

Escalation should be documented in management review minutes or action tracker remarks.

45.3 Timeline and Milestones

Timelines and milestones help companies convert ESG goals into manageable steps. Without timelines, action plans may remain open-ended and difficult to monitor.

Actions should be organised into:

a. immediate actions;

b. short-term actions;

c. medium-term actions;

d. long-term actions; and

e. ongoing monitoring actions.

Recommended timeline categories

Timeline Category	Suggested Period	Typical Actions
Immediate	Now to 1 month	Serious safety issue, major compliance gap, urgent customer request, critical incident response.
Short-term	0–6 months	Assign ESG roles, create registers, update policies, collect missing data, close high-risk gaps.
Medium-term	6–18 months	Improve data systems, conduct supplier screening, implement training, develop targets, improve monitoring.
Long-term	18–36 months	Digital traceability, renewable energy investment, certification, advanced supplier engagement, assurance readiness.
Ongoing	Continuous	Monthly data tracking, management review, supplier monitoring, grievance handling, legal updates.

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Milestone planning

For larger actions, companies should break the action into milestones. This makes progress easier to track.

Example: **Calculate Scope 1 and Scope 2 emissions**

Milestone	Target Date	Evidence
Identify emission sources	Month 1	Scope 1 and Scope 2 source list
Collect electricity and fuel data	Month 2	Bills, invoices, fuel logs
Select emission factors	Month 3	Emission factor register
Prepare calculation workbook	Month 4	GHG workbook
Review data and assumptions	Month 5	Review checklist
Obtain management approval	Month 6	Approval record
Include in ESG report	Reporting cycle	ESG report section

Example: **Supplier ESG assessment for priority suppliers**

Milestone	Target Date	Evidence
Define priority supplier criteria	Month 1	Supplier categorisation matrix
Update supplier master list	Month 2	Supplier master list
Send Supplier Code of Conduct	Month 3	Supplier acknowledgements
Issue ESG questionnaire	Month 4	Email records, questionnaire tracker
Review responses and risk-rate suppliers	Month 6	Supplier risk matrix
Request corrective actions	Month 8	Supplier CAP tracker
Review closure progress	Month 12	Supplier progress report

Milestone status tracking

The company should use standard status categories.

Status	Meaning
Not started	Action has not begun.
In progress	Action has started and is within timeline.
Delayed	Action has started but is behind schedule.

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Completed	Action has been completed.
Verified	Completion evidence has been reviewed and accepted.
On hold	Action paused due to dependency, budget, customer scope, or management decision.
Cancelled	Action no longer required, with reason documented.

Timeline review

Timelines should be reviewed during management meetings. If deadlines are missed, the company should identify why and revise the action plan where justified.

Common reasons for delay include:

a. unclear ownership;

b. lack of budget;

c. supplier non-response;

d. missing data;

e. insufficient training;

f. system limitations;

g. competing operational priorities;

h. external consultant delay;

i. customer requirement changes;

j. regulatory uncertainty; or

k. management approval pending.

Delays should not simply be carried forward without explanation. The action plan should record the reason, revised deadline, and escalation status.

45.4 Budget and Resource Planning

ESG improvement requires resources. Some actions can be completed with existing staff and simple templates. Others may require budget, technical expertise, training, equipment, software, consultant support, supplier engagement, certification costs, or capital investment.

Budget and resource planning helps management make realistic decisions about what can be done immediately and what should be phased.

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Types of ESG resources

Resource Type	Examples
Human resources	ESG lead time, HR staff, EHS staff, procurement staff, data owners, supervisors, management review time.
Training resources	ESG training, OHS training, ABAC training, supplier briefing, data owner training, supervisor training.
Technical resources	GHG calculation support, energy audit, water testing, soil testing, supplier traceability support, legal review.
Operational resources	Maintenance, meters, spill kits, chemical storage upgrade, PPE, waste segregation bins, signage.
Systems and tools	ESG data templates, digital dashboards, document management, traceability system, HR/payroll system improvements.
Supplier resources	Supplier audits, supplier training, traceability data collection, supplier corrective action follow-up.
Certification resources	MSNR, FSC, PEFC, Preferred by Nature, ISO, social audits, external verification.
Assurance resources	Internal audit, pre-assurance review, external assurance over selected indicators.
Capital expenditure	Renewable energy, wastewater treatment upgrade, energy-efficient equipment, ventilation, machine guarding.

Resource need categories

Resource Level	Description	Example
Low	Can be done internally with existing staff and documents.	Create ESG data ownership matrix.
Medium	Requires cross-functional work, training, or minor cost.	Conduct supervisor training or supplier ESG screening.
High	Requires significant budget, equipment, system change, or external technical support.	Install solar PV, upgrade wastewater treatment, implement digital traceability system.
External support required	Requires specialist knowledge or independent review.	GHG inventory methodology, legal review, EUDR due diligence, assurance readiness.

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Budget planning process

A practical ESG budget process should include:

Step	Action
1. Identify resource needs	Review each action and determine staff, budget, tools, training, and external support required.
2. Estimate cost	Estimate internal and external costs.
3. Classify urgency	Determine whether budget is needed immediately, short-term, medium-term, or long-term.
4. Link to risk	Connect budget request to ESG risk, compliance, customer requirement, or opportunity.
5. Assess benefit	Identify expected benefits such as cost saving, risk reduction, market access, compliance, or customer approval.
6. Prioritise	Approve high-risk and high-impact actions first.
7. Assign budget owner	Identify who controls or approves the budget.
8. Monitor spending	Track actual cost against approved budget.
9. Review results	Compare actual outcome with expected benefit.
10. Update next cycle	Include unfinished or strategic actions in next-year planning.

ESG budget table

ESG Action	Resource Needed	Estimated Cost	Budget Owner	Priority	Expected Benefit	Approval Status
Conduct energy audit	External energy consultant	RM [amount]	Facilities / Finance	Medium	Identify energy savings and emissions reduction.	Pending

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ESG Action	Resource Needed	Estimated Cost	Budget Owner	Priority	Expected Benefit	Approval Status
Improve chemical storage	Bunding, labels, cabinets, spill kits	RM [amount]	EHS / Finance	High	Reduce spill and compliance risk.	Approved
Supplier ESG assessment	Procurement staff time, questionnaire platform	RM [amount]	Procurement	High	Improve customer readiness and supplier risk management.	In progress
ABAC training	Training material and staff time	RM [amount]	HR / Compliance	Medium	Reduce corruption risk and improve Section 17A readiness.	Approved
ESG report preparation	ESG lead time and evidence review	RM [amount]	ESG Team / Management	Medium	Improve disclosure and customer response readiness.	Approved

Cost-benefit considerations

When reviewing ESG budget requests, management should consider:

a. legal compliance risk reduction;

b. avoidance of fines, penalties, or enforcement;

c. customer retention or market access;

d. energy, water, or waste cost savings;

e. reduced accident costs and downtime;

f. improved worker retention and morale;

g. improved supplier reliability;

h. improved audit readiness;

i. improved financing eligibility;

j. reduced reputational risk;

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k. improved operational efficiency; and

l. readiness for future reporting or assurance requirements.

Funding and support options

Companies may explore support options such as:

a. internal operating budget;

b. capital expenditure budget;

c. customer-supported improvement programmes;

d. government grants or incentives where available;

e. HRD Corp training claims where applicable;

f. industry capacity-building programmes;

g. bank financing or sustainability-linked financing;

h. supplier cost-sharing;

i. energy performance contracting;

j. technical support from industry bodies; and

k. phased implementation.

Companies should ensure that any funding, grant, donation, or sponsorship is managed transparently and in line with the company's anti-corruption and conflict of interest policies.

45.5 Monitoring and Progress Review

Monitoring and progress review ensure that the ESG Action Plan is implemented, not simply prepared. The company should track action status, evidence, delays, risks, budget, and outcomes.

The ESG Action Plan should be reviewed regularly by the ESG lead, action owners, department heads, senior management, and the ESG Committee where applicable.

Monitoring frequency

Review Frequency	Recommended Use
Monthly	High-risk actions, OHS findings, environmental incidents, customer deadlines, urgent corrective actions.
Quarterly	ESG action plan progress, supplier due diligence, KPI dashboard, data gaps, training progress.

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Semi-annually	Medium-term projects, budget use, policy updates, stakeholder feedback trends.
Annually	Overall ESG performance, maturity score improvement, target review, management approval, ESG reporting.
Incident-based	Major spill, serious OHS incident, forced labour concern, child labour concern, regulatory notice, corruption allegation.
Customer-request-based	Customer audit findings, ESG questionnaire gaps, traceability request, EUDR-oriented evidence request.

Progress review questions

During review, management should ask:

Question	Purpose
Are priority actions progressing according to timeline?	Tracks implementation discipline.
Are high-risk gaps being addressed first?	Ensures risk-based prioritisation.
Are action owners clear and active?	Confirms accountability.
Is evidence available for completed actions?	Confirms closure is verifiable.
Are any actions delayed?	Identifies barriers and escalation needs.
Are resources sufficient?	Supports budget and manpower planning.
Have risks changed?	Updates the ESG Risk Register.
Have customer or regulatory requirements changed?	Keeps action plan relevant.
Are targets still realistic?	Allows adjustment where necessary.
Are improvements reflected in ESG data?	Connects actions to measurable performance.
Should progress be disclosed?	Supports ESG reporting and customer communication.

Progress tracker

Companies should maintain an **ESG Action Plan Progress Tracker**.

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Field	Description
Action ID	Unique reference.
ESG topic	Topic linked to action.
Objective / target	Desired outcome.
Action description	Specific action to be completed.
Priority	Critical, high, medium, low, or monitor.
Responsible owner	Department or person responsible.
Supporting departments	Departments contributing to action.
Start date	Planned start date.
Due date	Target completion date.
Milestones	Key steps or interim deliverables.
Budget	Approved or estimated budget.
Status	Not started, in progress, delayed, completed, verified, on hold.
Progress update	Short update on current status.
Evidence required	Documents needed for closure.
Evidence received	Yes, no, partial, under review.
Risk or issue	Delay reason, resource issue, dependency, supplier issue, customer change.
Escalation needed	Yes or no.
Management decision	Action, approval, revised timeline, budget, closure, or escalation.
Closure date	Date action completed and verified.

Evidence-based closure

An action should not be marked complete unless evidence is available. Completion evidence may include:

a. approved policy;

b. updated SOP;

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c. training record;

d. register created;

e. data tracker completed;

f. supplier response received;

g. audit report;

h. management approval;

i. installation record;

j. invoice or purchase record;

k. photo evidence;

l. calculation workbook;

m. customer submission record;

n. corrective action closure record; or

o. KPI result.

Where an action is completed but effectiveness is not yet proven, it may be marked "completed, pending effectiveness review."

Effectiveness review

For significant actions, the company should check whether the action worked.

Action	**Effectiveness Check**
OHS training completed	Fewer repeat incidents, improved PPE compliance, supervisor observation confirms understanding.
Waste segregation improved	Waste contamination reduced, recycling records improved, storage inspection findings reduced.
Supplier ESG questionnaire issued	Supplier response rate increased, risk ratings completed, corrective actions assigned.
ABAC training delivered	Employees understand gift and conflict declaration requirements, register usage improves.
Energy efficiency project implemented	Electricity intensity reduced or equipment performance improved.
Grievance channel communicated	Workers know how to use the channel and grievance records are handled properly.

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Emissions workbook prepared	Scope 1 and Scope 2 data can be traced to source documents and reviewed.

Progress reporting

Progress should be reported internally and, where appropriate, in the ESG report.

A progress table may include:

ESG Objective	Target	Status	Progress During Reporting Period	Next Step
Strengthen ESG governance	Assign data owners for material topics.	Completed	Data ownership matrix approved by management.	Review annually.
Improve energy data	Track electricity monthly.	Completed	Energy tracker created and updated monthly.	Add energy intensity by production output.
Improve supplier due diligence	Screen 80% of priority suppliers.	In progress	45% of priority suppliers completed questionnaire.	Follow up remaining suppliers.
Strengthen OHS controls	Update HIRARC for high-risk areas.	In progress	6 of 10 areas reviewed.	Complete remaining areas by Q4.
Improve ESG reporting	Prepare evidence-backed ESG report.	Planned	Evidence register initiated.	Prepare first ESG report next cycle.

Management review and continuous improvement

The ESG Action Plan should be reviewed as part of management review. Management should approve major changes to targets, timelines, budget, or priorities.

The review should consider:

a. actions completed;

b. actions overdue;

c. high-risk gaps still open;

d. new gaps identified;

e. new customer or regulatory requirements;

f. budget used and budget needed;

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g. supplier progress;

h. stakeholder feedback;

i. incidents and grievances;

j. KPI trends;

k. evidence readiness;

l. reporting commitments; and

m. next-cycle priorities.

The action plan should be updated after each review. Closed actions should remain in the record for audit and reporting purposes.

Minimum Implementation Outputs for Section 45

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

Output	Purpose
ESG Objectives and Targets Register	Records ESG objectives, targets, baselines, target years, KPIs, boundaries, and evidence requirements.
ESG Action Plan	Converts gaps and risks into actions with owners, timelines, milestones, resources, and status.
ESG RACI Matrix	Clarifies who is responsible, accountable, consulted, and informed for key ESG actions.
ESG Responsibility Assignment Record	Assigns action owners, reviewers, approvers, supporting departments, and escalation points.
Short-, Medium-, and Long-Term Action Plan	Organises actions by urgency and implementation timeframe.
Milestone Tracker	Breaks larger ESG actions into manageable steps and interim deliverables.
ESG Budget and Resource Plan	Identifies budget, manpower, training, system, technical, supplier, and external support needs.
Budget Approval Record	Shows management approval of ESG-related expenditure or resource allocation.
ESG Action Plan Progress Tracker	Tracks action status, progress updates, delays, risks, evidence, and closure.
Evidence-Based Closure Checklist	Confirms actions are completed with proper supporting evidence.

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Effectiveness Review Record	Checks whether completed actions improved performance or reduced risk.
ESG KPI Dashboard	Tracks progress against targets, action closure, delays, and performance trends.
Management Review Minutes	Shows management review of objectives, targets, action progress, budget, risks, and corrective actions.
ESG Reporting Progress Table	Summarises progress for disclosure in ESG reports or customer responses.
Continuous Improvement Log	Records lessons learned, recurring issues, revised actions, and future improvement priorities.

Used properly, the ESG Action Plan helps rubber processors and manufacturers turn ESG commitments into measurable improvement. It supports accountability, resource planning, risk reduction, customer readiness, reporting credibility, and continuous progress across environmental, social, and governance topics.

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46. Continuous Improvement

Continuous improvement is the process of reviewing ESG performance, learning from implementation, strengthening controls, updating priorities, and improving data, systems, policies, supplier requirements, and reporting practices over time. ESG adoption should not be treated as a one-time exercise. It should become part of the company's annual management cycle, operational decision-making, customer readiness, and long-term competitiveness.

For Malaysian rubber processors and manufacturers, continuous improvement is important because ESG expectations will continue to evolve. Customers may request more detailed traceability, emissions data, labour due diligence, supplier evidence, product-related information, or assurance readiness. Regulatory requirements may change. New customer markets may create new due diligence expectations. Operational risks may also change due to new products, new suppliers, new equipment, new workers, site expansion, or changes in production volume.

Continuous improvement should be based on evidence. Companies should review what worked, what did not work, what remains incomplete, what risks have increased, and what improvements should be prioritised next. This process should connect the ESG self-assessment, gap analysis, ESG Action Plan, ESG Risk Register, stakeholder engagement, ESG data system, supplier due diligence, and annual ESG reporting process.

Continuous improvement should help the company:

a. strengthen ESG governance and accountability;

b. improve environmental, social, and governance performance;

c. close recurring gaps and corrective actions;

d. improve ESG data quality and evidence readiness;

e. update material ESG topics;

f. improve customer and regulatory readiness;

g. strengthen supplier engagement and traceability;

h. improve worker and stakeholder trust;

i. reduce risks and identify opportunities; and

j. prepare for future reporting, verification, and assurance expectations.

46.1 Annual Review of ESG Performance

The company should conduct an annual ESG performance review. This review should assess progress against material ESG topics, ESG objectives, targets, action plans, KPIs, incidents, grievances, supplier findings, stakeholder feedback, and reporting commitments.

The annual review should be led by senior management, the ESG Committee, owner, Board, or highest governance body, depending on company size and structure. The ESG lead should coordinate the review and prepare the necessary data, evidence, and analysis.

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Purpose of the annual ESG review

Purpose	Practical Outcome
Review ESG performance	Understand how the company performed across material ESG topics.
Review action plan progress	Check whether ESG actions were completed, delayed, or still open.
Review target achievement	Determine whether targets were met, missed, revised, or carried forward.
Review incidents and grievances	Identify recurring issues and root causes.
Review supplier progress	Assess supplier screening, traceability, corrective actions, and supplier gaps.
Review data quality	Identify missing data, estimates, evidence gaps, and methodology issues.
Review compliance	Check legal, permit, licence, customer, certification, and reporting obligations.
Review stakeholder feedback	Understand concerns raised by workers, customers, suppliers, communities, regulators, and financiers.
Identify improvement priorities	Set new ESG objectives, targets, resources, and actions.
Prepare for reporting	Ensure ESG disclosures are accurate, balanced, and evidence-backed.

Annual ESG review inputs

The annual ESG review should use the following inputs.

Input	Examples
ESG self-assessment results	Topic scores, maturity levels, applicability, evidence status, and gaps.
ESG Gap Analysis Register	Policy, procedure, data, evidence, supplier, compliance, training, and governance gaps.
ESG Action Plan	Completed, delayed, open, and verified actions.
ESG Risk Register	High and critical ESG risks, changing risks, emerging risks, and risk controls.

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Input	Examples
ESG KPI dashboard	Energy, emissions, water, waste, OHS, labour, training, supplier, governance, and compliance data.
Legal compliance register	Permit renewals, submissions, regulatory updates, non-compliance, and corrective actions.
Supplier due diligence records	Supplier assessments, traceability data, supplier corrective actions, supplier risk ratings.
Incident and grievance records	OHS incidents, environmental incidents, worker grievances, community complaints, whistleblowing reports.
Stakeholder feedback	Customer requests, supplier feedback, worker engagement, community complaints, regulator feedback.
Audit findings	Internal audits, customer audits, certification audits, social audits, regulatory inspections.
ESG report commitments	Targets, next steps, and improvement commitments made in previous reports or customer responses.

Annual ESG review agenda

A practical annual ESG review agenda may include:

Agenda Item	Review Questions
ESG governance	Are roles, responsibilities, data owners, and approval processes still effective?
Material topics	Are the current material topics still relevant? Have new topics emerged?
ESG performance	What were the main improvements, weaknesses, incidents, and trends?
ESG targets	Were targets met? If not, why? Should targets be revised?
Environmental performance	How did energy, emissions, water, waste, chemicals, and environmental compliance perform?
Social performance	How did OHS, wages, working hours, training, grievances, forced labour controls, and worker welfare perform?
Governance performance	How did supplier due diligence, ethics, anti-corruption, risk management, tax, and compliance controls perform?
Supplier performance	Are priority suppliers assessed? Are traceability gaps closing? Are supplier corrective actions effective?

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Agenda Item	Review Questions
Stakeholder feedback	What concerns or expectations were raised by customers, workers, suppliers, communities, regulators, or financiers?
Data quality	Which ESG data is complete, estimated, missing, or weak?
Corrective actions	Which actions are overdue or recurring? What root causes remain?
Resources	What budget, training, systems, or external support are needed?
Reporting readiness	Is the company ready to prepare the next ESG report or customer disclosure?
Next-year priorities	What are the top ESG improvement priorities for the next cycle?

Annual ESG performance review record

The company should prepare an **Annual ESG Performance Review Record**.

Field	Description
Review period	Year or reporting cycle covered.
Date of review	Date management review was conducted.
Participants	Management, ESG lead, department heads, data owners, Board or owner where applicable.
ESG topics reviewed	Material topics and any monitored topics.
Key achievements	Improvements, completed actions, target progress, certifications, data improvements.
Key gaps	Significant gaps, missing evidence, delayed actions, weak controls.
Incidents and grievances	Summary of material incidents, complaints, grievances, and corrective actions.
Supplier findings	Supplier assessment coverage, traceability progress, supplier gaps, CAP status.
Data quality issues	Missing data, estimates, boundary limitations, assumptions, methodology changes.
Risks and opportunities	New or changed ESG risks and improvement opportunities.
Decisions made	Approved actions, revised targets, budget, policy updates, supplier actions.
Responsible owners	Owners assigned for next actions.

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Field	Description
Next review date	Date of next review or interim review.
Approval	Management or Board / owner sign-off.

Annual ESG review outputs

The annual ESG review should result in clear outputs, such as:

a. updated ESG self-assessment scores;

b. updated materiality assessment;

c. updated ESG Risk Register;

d. updated ESG Action Plan;

e. revised ESG objectives and targets;

f. updated policies, SOPs, and supplier requirements;

g. updated training plan;

h. updated ESG data inventory;

i. updated evidence register;

j. budget and resource plan;

k. supplier engagement plan;

l. ESG reporting plan; and

m. management approval record.

46.2 Updating Material Topics

Material ESG topics should be reviewed at least annually and whenever the company's business context changes. A topic that was not material in one year may become material in the next year due to new customers, new regulations, supplier changes, new data, stakeholder concerns, or incidents.

For example, a company that starts supplying EU-linked customers may need to treat deforestation, traceability, geolocation, supplier due diligence, and natural rubber legality as higher-priority topics. A company that begins employing migrant workers may need to strengthen forced labour prevention, recruitment controls, passport access, accommodation, and grievance channels.

Triggers for updating material topics

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Material topics should be reviewed when any of the following occurs:

Trigger	Example
New customer requirement	Customer requests emissions data, EUDR-oriented evidence, forced labour prevention records, or supplier traceability.
New market or export destination	Company begins supplying a market with stronger sustainability or due diligence expectations.
Regulatory change	New or revised environmental, labour, OHS, tax, anti-corruption, reporting, or traceability requirement.
New supplier or raw material	New natural rubber supplier, chemical supplier, labour supplier, waste contractor, or high-risk supplier.
Change in sourcing area	Natural rubber sourcing moves to a new region or higher-risk area.
Site expansion or new facility	New production line, warehouse, wastewater treatment plant, worker accommodation, or land expansion.
Workforce change	Increase in migrant workers, contract workers, temporary workers, or shift work.
Incident or grievance	Serious OHS incident, wage grievance, spill, forced labour concern, community complaint, corruption report.
Audit finding	Customer audit, regulatory inspection, certification audit, internal audit, or supplier audit finding.
Performance trend	Rising energy use, waste generation, water use, emissions, injuries, grievances, or supplier non-conformities.
Stakeholder feedback	Workers, customers, suppliers, communities, financiers, or regulators raise a new concern.
Data availability	New data reveals a topic is more significant than previously understood.

Materiality update process

A practical process for updating material topics is shown below.

Step	Action
1. Review topic list	Review all 29 ESG topics and any emerging topics.
2. Review stakeholder input	Consider worker feedback, customer requests, supplier issues, community complaints, regulator updates, and financier expectations.
3. Review ESG data	Analyse KPIs, incidents, grievances, corrective actions, and supplier data.

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Step	Action
4. Review external context	Consider regulatory, market, reporting, certification, and customer developments.
5. Reassess topic significance	Score topics based on impact, likelihood, stakeholder concern, customer relevance, and business risk.
6. Reclassify topics	Confirm whether topics are high, medium, low, monitored, not applicable, or under review.
7. Validate with management	Present proposed updates to senior management or ESG Committee.
8. Update documents	Update materiality matrix, ESG Risk Register, ESG Action Plan, reporting scope, and evidence requirements.
9. Communicate changes	Inform relevant departments, data owners, suppliers, and stakeholders where needed.
10. Report updates	Explain material topic changes in ESG reports or customer submissions where relevant.

Materiality update record

Companies should maintain a **Materiality Update Record**.

Field	Description
Review date	Date of materiality review.
Previous material topics	Topics from previous cycle.
New material topics	Topics added or elevated.
Topics downgraded	Topics reduced in priority.
Topics removed or marked not applicable	Topics removed with explanation.
Trigger for change	Customer request, regulation, incident, supplier change, stakeholder feedback, data trend.
Evidence reviewed	Data, complaints, audit findings, customer letters, supplier records, legal updates.
Management decision	Approved, revised, deferred, or under review.
Action required	New KPI, policy update, training, supplier request, data collection, reporting change.

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Field	Description
Reporting implication	Whether ESG report structure or boundary changes.
Next review date	Scheduled reassessment date.

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Example materiality update table

Topic	Previous Status	Updated Status	Reason for Change	Action Required
Deforestation	Monitored	High materiality	New EU-linked customer requested natural rubber origin evidence.	Collect supplier origin and geolocation data where required.
Scope 3 Emissions	Low	Medium	Customer requested value chain emissions screening.	Conduct Scope 3 category screening.
Forced Labour	Medium	High	Company began using recruitment agents for migrant workers.	Implement agent due diligence and worker-paid fee checks.
Water	High	Medium	Water use reduced after process change, and no water stress identified.	Continue monitoring and maintain effluent controls.
Anti-Corruption	Medium	High	New agents and customs brokers engaged for export market.	Conduct third-party ABAC due diligence.

46.3 Updating Policies, SOPs, and Supplier Requirements

Policies, SOPs, and supplier requirements should be reviewed and updated regularly. ESG controls become weak when documents are outdated, inconsistent with current practice, or not communicated to the people who need to follow them. Updates may be needed due to changes in laws, customer requirements, ESG risks, supplier expectations, incidents, audit findings, operational changes, or company maturity.

Documents that should be reviewed

Document Type	Examples
ESG policies	ESG Policy, Environmental Policy, Human Rights Policy, OHS Policy, Responsible Sourcing Policy.
Governance policies	Code of Conduct, ABAC Policy, Conflict of Interest Policy, Whistleblowing Policy, Tax Policy.
Social procedures	Recruitment, age verification, ethical recruitment, wage and working hour controls, grievance, accommodation, DEI, training.

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Document Type	Examples
Environmental SOPs	Waste management, scheduled waste, chemical storage, spill response, water and effluent, energy, emissions data, hazardous substances.
OHS SOPs	HIRARC, PPE, machine safety, incident reporting, emergency preparedness, contractor safety.
Supplier documents	Supplier Code of Conduct, supplier questionnaire, traceability forms, supplier declaration, supplier corrective action template.
Reporting documents	ESG reporting procedure, data ownership matrix, evidence register, disclosure review checklist, omission register.
Compliance documents	Legal register, licence tracker, permit condition matrix, regulatory monitoring procedure.

Review frequency

Document Type	Suggested Review Frequency
ESG Policy and core policies	Annually or every two years, and when major changes occur.
Legal compliance register	At least annually and when regulatory updates occur.
SOPs for high-risk activities	Annually and after incidents, audit findings, process changes, or new equipment.
Supplier requirements	Annually and when customer, certification, EUDR, MSNR, or due diligence expectations change.
ESG reporting templates	Annually before reporting cycle begins.
Emergency procedures	Annually and after drills, incidents, site changes, or new hazards.
Training materials	Annually or when policies, laws, or procedures change.

Triggers for policy or SOP updates

Policies and SOPs should be updated when:

a. laws or regulations change;

b. customer requirements change;

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c. audit findings show gaps;

d. incidents or grievances reveal weaknesses;

e. new equipment, chemicals, processes, or sites are introduced;

f. new suppliers, contractors, agents, or sourcing areas are used;

g. new ESG topics become material;

h. data collection or reporting methods change;

i. certification or framework requirements change;

j. staff roles and responsibilities change;

k. digital systems are introduced; or

l. management review identifies improvement needs.

Policy and SOP update process

Step	**Action**
1. Identify need for update	Based on annual review, legal update, customer request, audit finding, incident, or gap analysis.
2. Assign document owner	Identify who is responsible for revision.
3. Review current document	Check whether it reflects current operations and requirements.
4. Consult relevant departments	Obtain input from HR, EHS, Procurement, Finance, Production, Compliance, or Management.
5. Update content	Revise requirements, roles, forms, controls, evidence, and escalation process.
6. Review and approve	Obtain management or authorised approval.
7. Communicate changes	Brief workers, supervisors, contractors, suppliers, or data owners where relevant.
8. Train users	Provide training where changes affect responsibilities or risks.
9. Replace old versions	Use document control to prevent outdated versions being used.
10. Monitor implementation	Check whether the updated document is being followed.

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Supplier requirement updates

Supplier requirements should be reviewed and updated when customer, regulatory, certification, or ESG due diligence expectations change. This is especially important for natural rubber suppliers, chemical suppliers, waste contractors, recruitment agents, logistics providers, and labour suppliers.

Supplier requirement updates may include:

a. revised Supplier Code of Conduct;

b. additional no-deforestation requirements;

c. natural rubber origin and geolocation data requests;

d. legality documentation requirements;

e. labour and human rights declaration updates;

f. child labour and forced labour prevention requirements;

g. recruitment fee and ethical recruitment controls;

h. chemical and restricted substance declarations;

i. waste contractor licence and disposal evidence requirements;

j. anti-corruption and conflict of interest declarations;

k. climate and emissions data requests;

l. grievance mechanism requirements;

m. supplier corrective action requirements; and

n. audit or verification rights.

Supplier communication of updates

When supplier requirements are updated, the company should:

a. notify affected suppliers;

b. explain the reason for change;

c. provide updated forms or templates;

d. set a response deadline;

e. provide training or briefing where needed;

f. track acknowledgements;

g. update supplier risk ratings;

h. request corrective actions where required;

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i. escalate non-responsive high-risk suppliers; and

j. retain communication evidence.

Document control

All updated policies and SOPs should be controlled.

Document Control Field	Description
Document title	Name of policy, SOP, form, or template.
Document owner	Person or department responsible.
Version number	Version 1.0, 2.0, etc.
Effective date	Date the document applies.
Approval date	Date approved.
Approved by	Authorised person or body.
Revision summary	What changed and why.
Next review date	Planned review date.
Distribution list	Employees, suppliers, contractors, data owners, management.
Obsolete document control	How old versions are removed or archived.

46.4 Training and Capacity Building

Training and capacity building ensure that workers, supervisors, managers, data owners, suppliers, and contractors can understand and implement ESG requirements. Continuous improvement depends on people knowing what to do, why it matters, how to do it, and what evidence to retain.

Training should be updated based on annual review results, material topic changes, policy updates, incidents, audit findings, stakeholder feedback, and new customer or regulatory requirements.

Training and capacity-building priorities

Target Group	Capacity-Building Focus
Board, owner, and senior management	ESG oversight, material risks, reporting expectations, targets, resource allocation, disclosure approval.
ESG lead and ESG team	ESG coordination, data systems, evidence management, framework mapping, reporting, assurance readiness.

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Data owners	KPI definitions, source documents, calculation methods, data quality checks, evidence requirements.
HR	Labour standards, recruitment, wages, working hours, forced labour, child labour, DEI, grievances, training records.
EHS / OHS	Environmental compliance, OHS, HIRARC, incidents, emissions, waste, water, chemicals, emergency response.
Procurement	Supplier due diligence, traceability, supplier ESG assessment, anti-corruption, supplier corrective actions.
Finance	Payroll data, tax practices, utility data, fuel records, ESG cost data, e-Invoice, evidence control.
Production and Maintenance	OHS, energy efficiency, waste reduction, machine safety, operational data, maintenance records.
Supervisors	Worker communication, respectful workplace, OHS leadership, overtime control, grievance escalation.
Workers	OHS, PPE, grievance channels, waste segregation, chemical safety, worker rights, energy and water awareness.
Suppliers and contractors	Supplier Code, traceability, labour standards, OHS, ABAC, environmental evidence, corrective actions.

Training update triggers

Training should be updated when:

a. policies or SOPs are revised;

b. new material topics are identified;

c. new data owners are assigned;

d. customer requirements change;

e. new equipment or chemicals are introduced;

f. new suppliers or contractors are engaged;

g. incidents or grievances occur;

h. audits identify training gaps;

i. ESG data quality issues recur;

j. supplier corrective actions require capacity building;

k. new regulatory requirements apply; or

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l. ESG reporting or assurance expectations increase.

Capacity-building methods

Method	Best Used For
Classroom training	Policy updates, labour standards, ABAC, ESG reporting, supplier due diligence.
Toolbox talks	OHS, chemical handling, waste segregation, energy and water awareness, incident reporting.
Practical demonstrations	Machine safety, PPE use, spill response, waste handling, emergency response.
On-the-job coaching	Supervisors, production workers, maintenance, data owners, new workers.
Supplier briefings	Supplier Code, traceability, EUDR-oriented data, labour expectations, ABAC requirements.
Workshops	Materiality review, ESG risk assessment, action planning, data quality improvement.
Digital learning	Basic ESG awareness, Code of Conduct, ABAC, reporting principles.
Peer learning	Sharing good practices across sites or departments.
External training	Technical topics such as GHG accounting, legal updates, tax, OHS, assurance, certification.

Annual ESG training plan

The company should prepare or update an annual ESG training plan.

Field	Description
Training topic	ESG awareness, OHS, ABAC, supplier due diligence, emissions data, grievance handling, etc.
Target audience	Workers, supervisors, data owners, suppliers, contractors, management.
Reason for training	Legal requirement, gap, incident, policy update, customer requirement, annual refresher.
Training method	Classroom, toolbox talk, online, practical, external course, supplier briefing.
Trainer	Internal or external trainer.
Frequency	Once, annually, refresher, upon onboarding, upon change, or incident-based.

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Field	Description
Evidence required	Attendance, materials, assessment, certificate, competency sign-off.
Responsible owner	HR, EHS, ESG Lead, Procurement, Compliance, department head.
Target date	Planned date.
Status	Planned, completed, delayed, repeated, under review.

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Training effectiveness

Training should be evaluated, especially where it addresses high-risk topics.

Training Area	Effectiveness Measure
OHS training	Reduced repeat incidents, improved PPE compliance, supervisor observation.
Waste training	Improved segregation, fewer storage findings, better recycling records.
ABAC training	More complete conflict and gift declarations, fewer policy breaches.
ESG data training	Fewer data gaps, improved evidence completeness, timely submission.
Supplier training	Improved supplier response rate, better traceability records, CAP closure.
Grievance training	Improved worker awareness, better case handling, reduced retaliation risk.
Payroll training	Fewer payroll corrections and clearer payslip communication.

Training records and effectiveness findings should feed into the next annual ESG review.

46.5 Digital Tools and ESG Data Systems

Digital tools and ESG data systems can improve data collection, evidence management, reporting efficiency, traceability, and audit readiness. However, companies should adopt digital systems progressively. A company should first understand its ESG data needs, data owners, evidence requirements, and reporting process before investing in complex systems.

For many SMEs, the first stage may be structured spreadsheets, shared folders, standard templates, and document control. Larger companies may adopt ESG software, digital dashboards, ERP integration, supplier portals, traceability platforms, or automated data collection tools.

Purpose of digital ESG tools

Digital tools can help companies:

a. centralise ESG data;

b. reduce manual errors;

c. improve data owner accountability;

d. track deadlines and reminders;

e. manage evidence files;

f. improve supplier due diligence;

g. manage customer questionnaires;

h. track corrective actions;

i. support traceability and chain-of-custody;

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j. improve ESG reporting efficiency;

k. strengthen audit and assurance readiness; and

l. protect confidential information through access controls.

Progressive digital maturity levels

Level	Description	Suitable Tools
Level 1: Manual	Data collected through paper records and separate files.	Physical files, logbooks, basic checklists.
Level 2: Structured spreadsheets	Data tracked using standard templates and controlled folders.	Excel / spreadsheet trackers, evidence folders, shared drives.
Level 3: Centralised digital system	ESG data, evidence, and action plans stored centrally.	Shared database, document management system, dashboard.
Level 4: Integrated systems	ESG data linked with ERP, HR, finance, maintenance, procurement, and production systems.	ERP integration, HR system, e-Invoice system, energy monitoring, procurement system.
Level 5: Advanced ESG platform	Automated ESG reporting, supplier portal, traceability, audit workflow, assurance-ready evidence.	ESG software, supplier platform, digital traceability system, data analytics dashboard.

Digital tools by ESG function

ESG Function	Possible Digital Tool
ESG data collection	Standard data templates, online forms, ESG software, dashboards.
Energy and emissions	Utility data tracker, emissions workbook, energy monitoring system, carbon accounting tool.
Water and effluent	Meter reading system, WWTP logs, laboratory result database.
Waste	Waste tracker, contractor reporting portal, scheduled waste records system.
Chemical management	Chemical inventory system, SDS database, restricted substance tracker.
OHS	Incident reporting system, HIRARC database, inspection app, training tracker.
HR and labour	HRIS, payroll system, attendance system, grievance tracking system.
Supplier due diligence	Supplier portal, ESG questionnaire platform, supplier risk dashboard, CAP tracker.

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ESG Function	Possible Digital Tool
Traceability	Batch tracking, chain-of-custody system, geolocation database, QR or barcode system.
Governance	Policy register, legal register, risk register, approval workflow, whistleblowing system.
Reporting	ESG report data pack, disclosure checklist, evidence register, framework mapping tool.

Selecting a digital ESG system

Before selecting a tool, companies should consider:

a. What ESG data needs to be collected?

b. Which topics are material?

c. Which departments will use the system?

d. What evidence must be stored?

e. What customer requests must be supported?

f. Does the company need supplier portal functions?

g. Does the company need traceability or geolocation functions?

h. Can the system link with existing ERP, HR, payroll, finance, or production systems?

i. Is the system easy for SMEs or data owners to use?

j. Does it support confidentiality and access control?

k. Can data be exported for ESG reporting?

l. Does it maintain version history and audit trails?

m. What is the cost and implementation effort?

n. What training is needed?

o. Who will maintain the system?

Digital data controls

Digital systems should include controls for:

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Control Area	Requirement
Access rights	Users should access only data relevant to their roles.
Data ownership	Each data point should have an assigned owner.
Version control	Changes should be tracked.
Audit trail	System should show who entered, changed, reviewed, or approved data.
Evidence upload	Source documents should be linked to data points where possible.
Review workflow	Data should be reviewed before approval.
Confidentiality	Sensitive worker, supplier, customer, geolocation, payroll, and investigation data should be restricted.
Backup	Data should be backed up and protected from loss.
Data validation	Units, mandatory fields, date formats, and calculation formulas should be controlled.
Export function	Data should be exportable for reporting, audits, or customer requests.

Cautions on digital tools

Companies should avoid the following mistakes:

a. buying software before defining ESG data needs;

b. collecting too much data without clear purpose;

c. relying on digital dashboards without source evidence;

d. giving broad access to confidential data;

e. failing to train data owners;

f. failing to validate imported data;

g. assuming software automatically ensures compliance;

h. using inconsistent units or definitions across systems;

i. not maintaining backup and version control; and

j. not integrating digital tools into management review.

Digital tools should support the ESG Management System, not replace management accountability.

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46.6 Future Enhancement of the Guidelines

The MRC ESG Guidelines should be treated as a living document. As ESG expectations evolve, the Guidelines should be reviewed and enhanced periodically to remain practical, relevant, and aligned with the needs of Malaysian rubber processors and manufacturers.

Future enhancements should be based on user feedback, implementation experience, regulatory developments, customer expectations, technology changes, reporting practices, and lessons from self-assessment and ESG reporting cycles.

Why the Guidelines should be enhanced over time

The Guidelines may need to evolve because:

a. ESG reporting standards may change;

b. customer requirements may become more detailed;

c. EUDR-oriented and other due diligence requirements may become clearer through implementation;

d. natural rubber traceability tools may improve;

e. climate, emissions, and product carbon footprint expectations may increase;

f. supply chain human rights due diligence expectations may become more demanding;

g. Malaysian policy and regulatory frameworks may develop further;

h. digital ESG tools and verification methods may improve;

i. SMEs may need more practical templates and examples;

j. sector-specific data, benchmarks, and case studies may become available; and

k. industry feedback may identify areas needing clarification.

Sources of feedback for future enhancement

Future guideline reviews should consider feedback from:

Source	Feedback to Collect
Rubber processors and manufacturers	Practicality, clarity, implementation challenges, SME needs, data gaps.
Customers and buyers	ESG evidence needs, audit findings, traceability expectations, reporting requests.
Suppliers and smallholders	Feasibility of data collection, supplier capacity, traceability challenges.

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Source	Feedback to Collect
Regulators and agencies	Legal updates, policy direction, compliance expectations, capacity-building needs.
Industry bodies	Sector trends, training needs, market access concerns, shared tools.
Auditors and certification bodies	Common non-conformities, evidence gaps, verification expectations.
Financial institutions	ESG data needed for financing, climate risk, governance, and risk assessment.
Workers and worker representatives	Labour, OHS, grievance, training, and welfare issues.
Communities and civil society	Community, environmental, human rights, and land-related concerns.
ESG practitioners and consultants	Technical gaps, framework alignment, assurance readiness, implementation tools.

Future enhancement areas

The Guidelines may be strengthened in future through:

Enhancement Area	Possible Improvement
Sector-specific templates	Ready-to-use templates for data inventory, supplier screening, emissions calculation, gap analysis, and action planning.
SME implementation pathway	Simplified minimum requirements and phased maturity roadmap for SMEs.
Digital tools	Standard spreadsheet tools, digital checklist, evidence register, KPI dashboard, and supplier tracker.
Traceability guidance	More detailed natural rubber traceability, geolocation, chain-of-custody, and EUDR-oriented evidence guidance.
Climate guidance	More detailed Scope 3 screening, product carbon footprint, transition planning, and climate risk tools.
Supplier due diligence	Supplier risk scoring, audit checklist, corrective action templates, supplier training modules.
Human rights guidance	More detailed ethical recruitment, migrant worker protection, grievance remediation, and supplier labour due diligence tools.

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Enhancement Area	Possible Improvement
Environmental metrics	Sector-specific energy, water, waste, effluent, and emissions indicators.
Assurance readiness	Evidence pack templates, internal verification checklists, and assurance preparation guidance.
Case studies	Examples from rubber processors, latex processors, product manufacturers, SMEs, and exporters.
Framework mapping	Updated alignment with GRI, SDGs, NSRF, Bursa, MITI i-ESG, MSNR, EUDR, GPSNR, TCFD, TNFD, FSC, PEFC, and customer frameworks.
Training materials	ESG awareness modules, supervisor training, supplier training, data owner training, and Board or management briefings.

Guideline review cycle

The Guidelines should be reviewed periodically.

Review Type	Suggested Timing	Purpose
Minor review	Annually	Update terminology, examples, templates, and minor clarifications.
Major review	Every 2–3 years	Review structure, topics, indicators, framework alignment, and sector relevance.
Trigger-based review	When major changes occur	Update guidance in response to major regulatory, customer, market, or framework changes.
Pilot feedback review	After implementation by selected companies	Identify practical challenges and improve usability.
Post-reporting cycle review	After companies prepare ESG reports	Improve reporting guidance, data templates, and evidence requirements.

Version control for Guidelines

Any future enhancement should be version-controlled.

Version Control Field	Description
Guideline title	Name of guideline document.

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Version number	Version 1.0, 1.1, 2.0, etc.
Issue date	Date version is issued.
Review date	Date next review is planned.
Prepared by	Team or body responsible for drafting.
Reviewed by	Stakeholders or reviewers consulted.
Approved by	Approving authority.
Summary of changes	Key revisions from previous version.
Superseded version	Previous version replaced.
Transition guidance	How companies should apply new changes.
Feedback channel	How users can submit comments for future updates.

Transition guidance for future updates

When the Guidelines are updated, companies should be given practical transition guidance. This may include:

a. what changed;

b. which sections are affected;

c. whether new topics or indicators were added;

d. whether any indicators were removed or merged;

e. which companies are most affected;

f. what evidence requirements changed;

g. when companies should begin applying the update;

h. how to treat prior-year reporting;

i. whether templates have been updated; and

j. what training or briefing will be provided.

Feedback mechanism for guideline improvement

A simple feedback mechanism should be maintained to support continuous improvement of the Guidelines. Feedback may be collected through:

a. user survey;

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b. implementation workshops;

c. customer feedback;

d. supplier feedback;

e. ESG report review findings;

f. training evaluation forms;

g. pilot company interviews;

h. industry roundtables;

i. technical working groups; and

j. dedicated email or feedback form.

Feedback should be reviewed and categorised as:

Feedback Category	**Examples**
Clarification needed	Users find wording unclear or difficult to interpret.
Template needed	Users need forms, checklists, registers, or examples.
SME simplification	SMEs need phased or simplified guidance.
Technical detail needed	More detail needed for emissions, EUDR, traceability, OHS, or supplier due diligence.
Framework update	External framework or regulation changed.
Sector-specific example needed	More rubber industry examples needed.
Reporting difficulty	Users find certain indicators hard to report.
Evidence challenge	Users need clearer verifier expectations.
Training need	Users need training materials or capacity-building support.

Long-term improvement vision

Over time, the Guidelines can support a stronger ESG ecosystem for the Malaysian rubber industry by:

a. improving consistency of ESG expectations across companies;

b. reducing confusion around customer and framework requirements;

c. supporting SMEs with practical implementation tools;

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d. strengthening traceability and responsible sourcing;

e. improving environmental performance and climate readiness;

f. protecting workers and strengthening social compliance;

g. improving supplier due diligence;

h. supporting market access and buyer confidence;

i. improving financing and investment readiness;

j. strengthening evidence-based reporting; and

k. positioning the Malaysian rubber industry as a credible and responsible contributor to sustainable global supply chains.

Minimum Implementation Outputs for Section 46

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

Output	**Purpose**
Annual ESG Performance Review Record	Documents annual review of ESG performance, targets, risks, incidents, gaps, and improvement priorities.
Updated ESG Self-Assessment Scorecard	Shows revised maturity scores and progress from the previous cycle.
Updated Materiality Assessment	Confirms whether material ESG topics have changed.
Materiality Update Record	Documents new, removed, upgraded, downgraded, or monitored topics and reasons for change.
Updated ESG Risk Register	Reflects new, changing, or reduced ESG risks.
Updated ESG Action Plan	Carries forward open actions and adds new priorities for the next cycle.
Policy and SOP Review Register	Tracks review status, updates, approvals, and next review dates for ESG documents.
Supplier Requirement Update Record	Tracks changes to Supplier Code, questionnaires, traceability forms, declarations, and supplier evidence requirements.
Supplier Communication and Acknowledgement Records	Shows suppliers were informed of updated expectations.
Annual ESG Training Plan	Defines updated training needs for workers, supervisors, data owners, management, suppliers, and contractors.

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Output	Purpose
Training Effectiveness Review	Assesses whether training improved behaviour, data quality, compliance, or performance.
ESG Data System Review	Reviews whether current data tools, templates, folders, or digital systems remain suitable.
ESG Digitalisation Roadmap	Plans phased improvement of ESG data systems, dashboards, supplier portals, or traceability tools.
Guideline Feedback Log	Records user feedback, implementation challenges, requested clarifications, and improvement suggestions.
Guideline Version Control Record	Tracks updates to the Guidelines, issue date, changes, approvals, and transition guidance.
Continuous Improvement Log	Captures lessons learned, recurring issues, improvement actions, and next-cycle priorities.
Management Review Minutes	Shows leadership review and approval of continuous improvement actions.
ESG Reporting Improvement Plan	Identifies improvements for the next ESG report, including data quality, omissions, evidence, and framework mapping.

Used properly, continuous improvement helps rubber processors and manufacturers move from basic ESG compliance to stronger ESG maturity. It ensures that ESG management remains current, practical, evidence-based, and responsive to changing customer, regulatory, market, environmental, social, and governance expectations.

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PART 9: Appendices and Tools

Appendix A: ESG Checklist

The ESG Checklist is a practical self-assessment tool for Malaysian rubber processors and manufacturers. It helps companies assess the applicability, implementation status, maturity level, evidence availability, and improvement needs for each ESG topic in these Guidelines.

The checklist should be used together with:

a. the ESG Management System described in Part 2;
b. the ESG topic guidance in Parts 4, 5, and 6;
c. the ESG reporting guidance in Part 7;
d. the self-assessment and improvement planning process in Part 8; and
e. the company's legal compliance register, supplier due diligence files, ESG Risk Register, evidence register, and ESG Action Plan.

The checklist may be used for:

a. internal ESG self-assessment;
b. ESG gap analysis;
c. customer questionnaire preparation;
d. supplier audit readiness;
e. management review;
f. ESG report preparation;
g. certification or verification preparation;
h. financing or lender ESG requests;
i. annual ESG action planning; and
j. continuous improvement tracking.

The checklist is not intended to replace legal compliance obligations, customer-specific requirements, certification requirements, or technical assessments. Companies should adapt it based on their size, operations, workforce, supplier exposure, reporting boundary, customer expectations, and regulatory requirements.

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How to Use the ESG Checklist

Applicability safeguard — The Checklist covers the full 29-topic reference set, but not every topic is automatically mandatory for every organisation. Record applicability and materiality decisions, explain exclusions, retain matters under review, and always comply with applicable legal, regulatory and contractual duties.

Companies should complete the checklist at least annually. It may also be updated after major changes, such as new customers, new suppliers, new products, new facilities, new equipment, regulatory changes, incidents, audit findings, or changes in reporting requirements.

For each checklist item, companies should record:

Field	Description
ESG Topic	The relevant Environmental, Social, or Governance topic.
Requirement / Good Practice	The expected control, process, record, or practice.
Applicability	Direct, Indirect, Partial, Customer-triggered, Regulatory-triggered, Not Applicable, or Under Review.
Current Status	Not Started, Initial, Basic, Implemented, Managed, Advanced, or Not Applicable.
Evidence Available	Yes, Partial, No, Not Applicable, or Confidential.
Evidence / Verifier	Documents, records, data, registers, reports, approvals, or other evidence.
Gap Identified	Description of missing or weak area.
Priority	Critical, High, Medium, Low, or Monitor.
Action Required	Corrective or improvement action.
Owner	Responsible department or person.
Due Date	Target completion date.
Status / Remarks	Open, In Progress, Completed, Verified, Delayed, or Under Review.

Suggested Maturity Rating

The following maturity levels may be used when completing the checklist.

Score	Maturity Level	Description
0	Not Started	Topic is applicable, but no formal action, records, or evidence are available.
1	Initial Awareness	Topic is recognised, but controls are informal, incomplete, or not consistently documented.
2	Basic Implementation	Basic policy, procedure, data, or evidence exists, but coverage is limited.
3	Implemented and Documented	Controls are implemented, records are maintained, and evidence is available for most requirements.
4	Managed and Monitored	KPIs, risks, corrective actions, and management review are in place.
5	Advanced / Verification-Ready	Practices are mature, evidence is complete, targets are monitored, and the topic is ready for customer verification or assurance.

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Score	Maturity Level	Description
N.A.	Not Applicable	Topic does not apply based on documented screening.
U.R.	Under Review	Applicability or data is not yet confirmed.

A1. Environmental Checklist

The Environmental Checklist covers the ten Environmental topics in these Guidelines. Companies should apply the checklist based on their operations, environmental risks, legal obligations, customer requirements, and supply chain exposure.

A1.1 Environmental Management Overview

Checklist Item	Suggested Evidence / Verifier
Environmental policy or commitment is approved and communicated.	Environmental Policy, ESG Policy, management approval, worker briefing records.
Environmental legal requirements are identified and tracked.	Legal register, permit register, compliance tracker, renewal records.
Environmental risks are assessed for operations and suppliers where relevant.	Environmental risk assessment, ESG Risk Register, supplier risk assessment.
Environmental data owners are assigned.	ESG data ownership matrix, department responsibility matrix.
Environmental incidents and complaints are recorded and investigated.	Incident register, complaint log, investigation reports, corrective action tracker.
Environmental performance is reviewed by management.	Management review minutes, ESG Committee minutes, KPI dashboard.
Environmental evidence is retained for reporting and audits.	ESG Evidence Register, environmental evidence file, document control record.

A1.2 Environmental Topic 1: Deforestation

Checklist Item	Suggested Evidence / Verifier
No-deforestation commitment is established where natural rubber or forest-linked materials are used.	ESG Policy, Responsible Sourcing Policy, Supplier Code of Conduct.
Natural rubber suppliers are identified and mapped.	Supplier master list, natural rubber supplier register, purchase records.
Sourcing area, origin, or geolocation information is collected where required.	Supplier declaration, sourcing map, geolocation records, customer data forms.
Supplier legality and land use evidence is requested where relevant.	Supplier declaration, land legality records, certification evidence.
EUDR-oriented evidence is prepared where relevant to customer or market exposure.	EUDR evidence file, origin records, legality evidence, risk assessment.
Deforestation risk is assessed for relevant sourcing areas.	Supplier risk assessment, no-deforestation risk review, satellite or third-party evidence where available.

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Checklist Item	Suggested Evidence / Verifier
Traceability gaps are recorded and improvement actions are assigned.	Gap register, supplier corrective action tracker, ESG Action Plan.

A1.3 Environmental Topic 2: Sustainable Land Use and Natural Ecosystem Conservation

Checklist Item	Suggested Evidence / Verifier
Land use legality is confirmed for company sites.	Land title, lease, site approval, local authority licence, land use permit.
Site expansion or land disturbance is assessed for environmental and social risks.	Project risk assessment, approval records, environmental review, site plans.
Supplier land use risks are screened where natural rubber sourcing is relevant.	Supplier questionnaire, supplier declaration, sourcing area map.
Sensitive areas, buffer zones, waterways, or protected areas are identified where relevant.	Site map, environmental risk assessment, supplier screening records.
Controls are implemented to avoid harm to natural ecosystems.	SOPs, site inspections, drainage controls, supplier requirements.
Land-related grievances or disputes are recorded and addressed.	Grievance register, community complaint records, supplier corrective actions.

A1.4 Environmental Topic 3: Biodiversity

Checklist Item	Suggested Evidence / Verifier
Biodiversity risks are screened for own sites and relevant sourcing areas.	Biodiversity screening, site map, supplier risk assessment.
Nearby sensitive habitats, rivers, wetlands, forests, or protected areas are identified where relevant.	Environmental risk assessment, maps, local authority records.
Operational controls prevent pollution affecting biodiversity.	Waste records, effluent reports, spill controls, chemical storage inspection.
Supplier biodiversity risks are assessed where natural rubber or land-linked sourcing is material.	Supplier questionnaire, sourcing area records, certification evidence.
Biodiversity-related incidents, complaints, or findings are recorded.	Incident log, complaint register, corrective action tracker.
Biodiversity protection or mitigation actions are reviewed.	Management review minutes, ESG Action Plan, monitoring records.

A1.5 Environmental Topic 4: Emissions

Checklist Item	Suggested Evidence / Verifier
Scope 1 emissions sources are identified.	Fuel records, generator logs, boiler records, vehicle records, refrigerant logs.
Scope 2 electricity consumption is collected.	Electricity bills, meter readings, utility statements.
Relevant Scope 3 categories are screened where material.	Scope 3 screening worksheet, supplier data, logistics data, waste records.
GHG calculation methodology is documented.	GHG workbook, emission factor register, methodology note.

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Checklist Item	Suggested Evidence / Verifier
Emissions data is reviewed before disclosure.	Data review checklist, management approval, ESG evidence pack.
Emissions intensity is calculated where useful.	Production records, emissions intensity calculation.
Emissions reduction initiatives are identified.	Energy efficiency project register, maintenance records, renewable energy assessment.
Climate-related risks and transition considerations are reviewed.	ESG Risk Register, climate risk screening, management review minutes.

A1.6 Environmental Topic 5: Material Use and Circularity

Checklist Item	Suggested Evidence / Verifier
Major raw materials and packaging materials are identified.	Material register, purchase records, inventory records.
Material consumption is tracked where material.	Material usage records, production records, yield reports.
Scrap, rejects, offcuts, and residues are monitored.	Scrap records, rejection reports, waste register, production records.
Material efficiency or yield improvement actions are implemented.	Process improvement records, quality reports, corrective actions.
Reuse, recycling, recovery, or circularity opportunities are assessed.	Recycling records, recovery records, circularity assessment, supplier engagement.
Claims relating to recycled content or circularity are evidence-backed.	Supplier declarations, customer approvals, product specifications, test reports.
Packaging reduction or reusable packaging options are reviewed where relevant.	Packaging records, supplier communication, procurement review.

A1.7 Environmental Topic 6: Hazardous Substances

Checklist Item	Suggested Evidence / Verifier
Hazardous substance or chemical register is maintained.	Chemical register, inventory list, purchase records.
Current SDS are available and accessible.	SDS file, SDS review record, supplier submissions.
Chemical containers are labelled properly.	Inspection checklist, photos, storage audit records.
Chemicals are stored with segregation, containment, and access control where required.	Chemical storage inspection, bunding records, site photos.
New chemicals are reviewed before purchase or use.	Chemical approval form, SDS review, restricted substance screening.
Restricted or prohibited substances are identified where relevant.	Restricted substance list, supplier declarations, customer requirement matrix.
Spill prevention and response procedures are available.	Spill response SOP, spill kit inspection, drill records.
Chemical spills or incidents are recorded and investigated.	Spill log, incident reports, corrective action tracker.
Chemical waste and scheduled waste are properly managed.	Waste register, consignment notes, contractor evidence.
Workers handling chemicals are trained.	Training records, toolbox talks, competency records.

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A1.8 Environmental Topic 7: Energy

Checklist Item	Suggested Evidence / Verifier
Energy sources are identified.	Energy source register, electricity bills, fuel invoices.
Electricity consumption is tracked.	Utility bills, meter readings, energy tracker.
Fuel consumption is tracked by type.	Fuel invoices, generator logs, boiler logs, vehicle logs.
Energy data boundary is defined.	Boundary statement, site list, meter list.
Energy intensity is calculated where relevant.	Production records, energy intensity calculation.
Major energy-consuming equipment or processes are identified.	Equipment list, maintenance records, energy audit.
Energy efficiency opportunities are assessed.	Energy assessment, opportunity register, maintenance records.
Energy-saving actions are implemented and tracked.	Project register, before-after data, invoices, savings calculation.
Renewable energy opportunities are assessed where feasible.	Solar feasibility study, renewable energy records, contracts.
Energy data is reviewed by management.	KPI dashboard, management review minutes.

A1.9 Environmental Topic 8: Soil Health

Checklist Item	Suggested Evidence / Verifier
Soil contamination and degradation risks are screened.	Soil risk screening checklist, environmental risk assessment.
High-risk soil areas are identified.	Site map, chemical storage map, waste storage map, drainage map.
Chemical, fuel, and waste storage prevents soil contamination.	Storage inspection records, bunding records, spill records.
Drainage, stormwater, and erosion risks are monitored where relevant.	Drain inspection records, erosion control records, photos.
Soil-related incidents, leaks, staining, or complaints are recorded.	Incident log, complaint register, corrective action records.
Soil testing or professional assessment is conducted where required.	Soil test reports, consultant reports, authority correspondence.
Supplier soil and land degradation risks are screened where relevant.	Supplier questionnaire, sourcing area map, supplier declaration.

A1.10 Environmental Topic 9: Water

Checklist Item	Suggested Evidence / Verifier
Water sources are identified.	Water source register, water bills, permits where applicable.
Water withdrawal is tracked.	Water bills, meter readings, water tracker.
Water consumption or discharge is calculated where applicable.	Water balance, discharge records, methodology note.
Water intensity is calculated where relevant.	Production records, water intensity calculation.

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Checklist Item	Suggested Evidence / Verifier
Water stress assessment is conducted for relevant sites.	Water stress assessment, WRI Aqueduct output where used, local water data.
Wastewater and effluent sources are mapped.	Drain map, wastewater source map, discharge point map.
Effluent treatment system is operated and monitored.	WWTP logs, maintenance records, treatment records.
Effluent quality is tested according to requirements.	Laboratory test reports, sampling records, compliance register.
Effluent exceedances or abnormal discharges are recorded and addressed.	Exceedance report, incident record, corrective action tracker.
Water reduction, reuse, or recycling opportunities are assessed.	Water optimisation project register, reuse records, action plan.

A1.11 Environmental Topic 10: Waste

Checklist Item	Suggested Evidence / Verifier
All waste streams are identified and classified.	Waste inventory, waste classification register.
Scheduled waste is classified using applicable codes.	Scheduled waste register, classification record, SDS, process information.
Waste quantities are tracked by type and destination.	Waste tracker, weighing records, invoices, consignment notes.
Waste is segregated at source where practical.	Bin labels, photos, inspection checklist, training records.
Waste storage areas are labelled, contained, and inspected.	Waste storage inspections, site layout, photos.
Scheduled waste storage is controlled.	Scheduled waste inventory, storage checklist, labels, eSWIS records where applicable.
Waste contractors are screened and approved.	Contractor licence, approval records, vendor assessment.
Waste treatment, recycling, recovery, or disposal evidence is retained.	Disposal certificates, recycling records, consignment notes, invoices.
Waste reduction and recovery initiatives are implemented.	Waste reduction project register, scrap reduction records.
Waste-related incidents or complaints are recorded and addressed.	Incident register, complaint log, corrective action tracker.

A2. Social Checklist

The Social Checklist covers the eleven Social topics in these Guidelines. Companies should apply it to employees, migrant workers, contract workers, temporary workers, outsourced workers, contractors, suppliers, and communities where relevant.

A2.1 Social Management Overview

Checklist Item	Suggested Evidence / Verifier
Human rights commitment is approved and communicated.	Human Rights Policy, ESG Policy, Code of Conduct, management approval.

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Checklist Item	Suggested Evidence / Verifier
Labour standards are documented and implemented.	Labour Standards Procedure, Employee Handbook, HR SOPs.
Workforce profile is maintained.	Worker master list, HR system, payroll records.
Grievance channels are available and communicated.	Grievance procedure, posters, briefing records, grievance register.
Social compliance data is collected and reviewed.	HR records, payroll records, training records, grievance dashboard.
Social risks are reviewed by management.	Human rights risk register, management review minutes.
Social evidence is retained securely.	HR evidence file, confidential records control procedure.

A2.2 Social Topic 1: Human Rights and Social Impact

Checklist Item	Suggested Evidence / Verifier
Human rights policy or commitment is in place.	Human Rights Policy, ESG Policy, Supplier Code of Conduct.
Human rights risk assessment is conducted.	Human rights risk register, assessment worksheet.
Rights-holders and vulnerable groups are identified.	Stakeholder map, workforce profile, supplier risk assessment.
Social impacts on workers, suppliers, and communities are identified.	Social impact assessment, grievance records, engagement records.
Prevention and mitigation measures are implemented.	HR SOPs, supplier controls, training records, OHS records.
Remedy process is available where harm occurs.	Remediation procedure, corrective action tracker, case records.
Supplier and contractor human rights risks are screened where relevant.	Supplier questionnaire, Supplier Code acknowledgement, audit reports.
Human rights grievances are recorded and addressed.	Grievance register, investigation records, remedy records.

A2.3 Social Topic 2: Diversity, Equity, and Inclusion

Checklist Item	Suggested Evidence / Verifier
DEI or non-discrimination policy is established.	DEI Policy, Human Rights Policy, Employee Handbook.
Equal opportunity is applied in recruitment, training, promotion, and work allocation.	Recruitment records, training records, promotion records, shift rosters.
Non-discrimination and anti-harassment controls are implemented.	Code of Conduct, anti-harassment procedure, grievance records.
Gender equality is monitored where relevant.	Workforce data, training participation, promotion records, payroll review.
Inclusive communication is provided to relevant worker groups.	Translated materials, posters, worker briefings.
Facilities and welfare arrangements support worker dignity and inclusion.	Facility inspections, accommodation records, worker feedback.
DEI-related grievances are recorded and addressed.	Grievance register, investigation records, corrective action tracker.
Supervisors are trained on respectful workplace conduct.	Supervisor training records, toolbox talks.

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A2.4 Social Topic 3: Workers' Rights

Checklist Item	Suggested Evidence / Verifier
Employment terms and conditions are documented.	Employment contracts, appointment letters, worker acknowledgements.
Workers receive onboarding and explanation of key rights.	Onboarding checklist, worker handbook, briefing records.
Working hours are recorded accurately.	Attendance records, timecards, shift rosters.
Overtime is approved, recorded, and paid.	Overtime approval forms, payroll records, payslips.
Rest days, public holidays, and leave are tracked.	Leave records, rest day schedule, public holiday records.
Wages and benefits are paid accurately and on time.	Payroll register, bank transfer records, payslips.
Deductions are lawful, transparent, and documented.	Deduction register, worker authorisations, payslips.
Workers can raise wage, working hour, and employment concerns.	Payroll query log, grievance register.
Contract and outsourced worker rights are monitored where relevant.	Contractor agreements, contractor worker records, supplier declarations.

A2.5 Social Topic 4: Occupational Health and Safety

Checklist Item	Suggested Evidence / Verifier
OHS policy is approved and communicated.	OHS Policy, worker briefing records, management approval.
OHS roles and responsibilities are assigned.	OHS responsibility matrix, appointment records.
HIRARC is conducted for relevant tasks and areas.	HIRARC register, risk assessment worksheets.
Safe work procedures are available for high-risk tasks.	SOPs, work instructions, operator acknowledgements.
PPE requirements are defined and implemented.	PPE matrix, PPE issuance records, inspection records.
Machine safety controls are implemented.	Machine inspection records, guarding records, maintenance logs.
Chemical safety controls are implemented.	SDS, chemical register, chemical storage inspection, training records.
OHS training is provided.	OHS training matrix, attendance records, certificates.
Incidents and near misses are reported and investigated.	Incident register, investigation reports, corrective action tracker.
Emergency preparedness is maintained.	Emergency response plan, drill records, first aid records.
Contractor OHS is controlled.	Contractor induction, permit-to-work, contractor incident records.

A2.6 Social Topic 5: Child Labour

Checklist Item	Suggested Evidence / Verifier
Child labour prohibition is documented.	Human Rights Policy, Labour Standards Policy, Supplier Code of Conduct.

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Checklist Item	Suggested Evidence / Verifier
Minimum age requirement is defined.	Recruitment procedure, age verification SOP.
Age verification is conducted before hiring.	Identity documents, age verification checklist, worker master list.
Young workers, apprentices, trainees, or interns are controlled where applicable.	Young worker register, training agreement, approved task list.
Persons under 18 are prohibited from hazardous work.	Restricted task list, HIRARC, supervisor briefing records.
Recruitment agents and contractors are required to prevent child labour.	Agent contracts, contractor declarations, supplier clauses.
Suppliers are screened for child labour controls where relevant.	Supplier questionnaire, supplier declaration, audit reports.
Child labour remediation procedure is available.	Remediation procedure, case template, escalation process.
Suspected or confirmed cases are investigated and remediated.	Confidential case records, corrective action tracker, remedy evidence.

A2.7 Social Topic 6: Forced or Compulsory Labour

Checklist Item	Suggested Evidence / Verifier
Forced labour prohibition is documented.	Human Rights Policy, Forced Labour Policy, Supplier Code of Conduct.
Forced labour risk assessment is conducted.	Forced labour risk register, worker interviews, grievance review.
Recruitment channels are mapped.	Recruitment agent list, labour supplier list, contractor list.
Recruitment fees and related costs are prohibited and checked.	Ethical Recruitment Policy, worker-paid fee declaration, interview records.
Recruitment agents are screened and controlled.	Agent due diligence file, agent contracts, corrective actions.
Workers have freedom of movement.	Accommodation rules, worker interviews, security instructions.
Workers retain possession or free access to passports and identity documents.	Passport policy, document access log, safekeeping consent where applicable.
Wages are not withheld and deductions do not create debt bondage.	Payroll records, deduction register, payslips.
Migrant workers receive orientation in understandable format.	Orientation materials, translated documents, attendance records.
Forced labour-related grievances are recorded and addressed.	Grievance register, investigation records, remediation records.
Suppliers and contractors are screened for forced labour risks.	Supplier questionnaire, contractor agreement, audit reports.

A2.8 Social Topic 7: Rights of Indigenous Peoples

Checklist Item	Suggested Evidence / Verifier
Indigenous Peoples' rights commitment is included where relevant.	Human Rights Policy, Responsible Sourcing Policy, Supplier Code.

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Checklist Item	Suggested Evidence / Verifier
Applicability screening is conducted.	Indigenous Peoples screening checklist, site map, sourcing area map.
Customary land, local rights, or cultural sensitivities are identified where relevant.	Stakeholder map, land due diligence file, cultural sensitivity register.
FPIC relevance is assessed where activities may affect Indigenous Peoples.	FPIC screening form, engagement plan, management review.
Engagement is culturally appropriate where relevant.	Meeting minutes, community records, translated materials.
Supplier Indigenous rights and land risks are screened where natural rubber sourcing is relevant.	Supplier questionnaire, supplier declaration, sourcing area records.
Land or cultural grievances are recorded and addressed.	Grievance register, corrective action records, remedy evidence.
Sensitive cultural and land information is protected.	Confidential records control procedure, restricted files.

A2.9 Social Topic 8: Local Communities

Checklist Item	Suggested Evidence / Verifier
Community stakeholders are identified where relevant.	Community stakeholder map, site map, engagement register.
Community impacts are screened.	Community impact assessment, environmental risk assessment.
Community engagement is planned where material.	Community Engagement Plan, engagement calendar.
Complaint and feedback channels are available.	Complaint procedure, community contact notice, complaint register.
Community complaints are recorded, investigated, and closed.	Complaint log, investigation records, corrective action tracker.
Environmental impacts affecting communities are monitored.	Effluent reports, waste records, odour or noise records, incident reports.
Traffic, drainage, waste, odour, or accommodation concerns are addressed where relevant.	Inspection records, action plans, community feedback records.
Community benefit activities are documented where implemented.	Community benefit plan, approval records, activity records.

A2.10 Social Topic 9: Freedom of Association and Collective Bargaining

Checklist Item	Suggested Evidence / Verifier
Freedom of association commitment is documented.	Human Rights Policy, Labour Standards Policy, Employee Handbook.
Worker representation channels are identified.	Worker representation register, committee records, union correspondence where applicable.
Collective bargaining rights are respected where applicable.	Collective agreement, bargaining records, industrial relations records.

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Checklist Item	Suggested Evidence / Verifier
Worker consultation mechanisms are available.	Worker meetings, safety committee minutes, welfare committee records.
Workers are protected from retaliation.	Non-retaliation policy, grievance records, investigation records.
Supervisors are trained not to interfere with lawful worker representation.	Supervisor training records, HR briefing records.
Representation-related grievances are recorded and addressed.	Grievance register, corrective action tracker.
Migrant, contract, or outsourced workers can access communication channels where relevant.	Translated materials, contractor worker briefings, grievance records.

A2.11 Social Topic 10: Training and Development

Checklist Item	Suggested Evidence / Verifier
Training and development policy or commitment is established.	HR Policy, Training Policy, ESG Policy.
Training needs assessment is conducted.	TNA worksheet, training needs matrix, department input.
Annual training plan is prepared.	Training plan, training calendar, training budget.
Training matrix is maintained by role and department.	Training matrix, refresher tracker.
New worker induction is conducted.	Induction checklist, attendance records, worker handbook.
ESG, OHS, labour, environmental, and governance training are provided where relevant.	Training materials, attendance records, toolbox talks.
Technical and job-specific skills training is provided.	Competency assessments, supervisor sign-off, certificates.
Training hours are tracked.	Training register, attendance records, training hours calculation.
Training effectiveness is assessed for high-risk topics.	Quiz results, competency checks, supervisor observation.
Career development reviews are conducted where applicable.	Performance review records, development plans, skills matrix.

A2.12 Social Topic 11: Pay and Equal Remuneration

Checklist Item	Suggested Evidence / Verifier
Pay and remuneration policy is established.	HR Policy, Pay Policy, Employee Handbook.
Minimum wage compliance is monitored.	Wage register, payroll records, legal review.
Wages are paid on time.	Payroll calendar, bank transfer records, payslips.
Payroll calculations are supported by attendance and overtime records.	Attendance records, overtime approvals, payroll register.
Payslips are provided and understandable.	Payslip records, worker briefings.
Deductions are lawful and documented.	Deduction register, authorisations, payroll review.
Benefits and allowances are documented.	Benefits and Allowances Register, employment contracts, payroll records.
Equal pay principles are applied.	Job descriptions, wage structure, pay review worksheet.

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Checklist Item	Suggested Evidence / Verifier
Pay differences are based on objective criteria.	Job grades, performance records, competency records, approval records.
Wage grievances and payroll corrections are tracked.	Payroll correction log, grievance register, closure evidence.
Contractor or outsourced worker wage controls are monitored where relevant.	Contractor agreements, wage declarations, audit reports.

A3. Governance Checklist

The Governance Checklist covers the eight Governance topics in these Guidelines. Companies should apply it to governance structures, management oversight, supplier due diligence, business ethics, risk management, tax, anti-corruption, stakeholder engagement, and regulatory compliance.

A3.1 Governance Management Overview

Checklist Item	Suggested Evidence / Verifier
ESG governance structure is defined.	Governance chart, ESG Committee Terms of Reference, organisation chart.
ESG roles and responsibilities are assigned.	ESG RACI matrix, data ownership matrix, appointment records.
Legal compliance register is maintained.	Legal register, licence tracker, compliance calendar.
ESG risks are identified and reviewed.	ESG Risk Register, management review minutes.
Policies and procedures are controlled.	Policy register, document control procedure, approval records.
Ethical conduct expectations are communicated.	Code of Conduct, ABAC Policy, training records.
Grievance and whistleblowing channels are available.	Grievance procedure, whistleblowing procedure, case register.
ESG performance is reviewed by management.	Management review minutes, KPI dashboard, action tracker.

A3.2 Governance Topic 1: Supply Chain Traceability and Due Diligence

Checklist Item	Suggested Evidence / Verifier
Responsible sourcing commitment is established.	Responsible Sourcing Policy, ESG Policy, Supplier Code of Conduct.
Supplier master list is maintained.	Supplier register, vendor list, procurement records.
Suppliers are categorised by material, service, criticality, and ESG risk.	Supplier categorisation matrix, spend analysis, supplier risk rating.
Natural rubber suppliers are mapped where relevant.	Natural rubber supplier list, purchase records, origin data.
Traceability records link supplier, purchase, batch, production, and shipment where required.	Purchase orders, delivery orders, batch records, inventory records, shipment records.
Chain-of-custody controls are implemented where claims or certifications apply.	Chain-of-custody SOP, segregation records, mass balance records.

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Checklist Item	Suggested Evidence / Verifier
Supplier ESG assessments are conducted.	Supplier questionnaire, supplier declaration, audit reports.
Supplier legal compliance documents are collected where relevant.	Supplier licences, permits, certifications, approvals.
High-risk suppliers are subject to enhanced due diligence.	Supplier risk matrix, audit report, site visit records.
Supplier corrective actions are tracked.	Supplier CAP tracker, closure evidence, management review.
Supplier data confidentiality is controlled.	Confidentiality procedure, access control records.

A3.3 Governance Topic 2: Corporate Governance

Checklist Item	Suggested Evidence / Verifier
ESG oversight is assigned to Board, owner, or senior management.	Board minutes, owner approval, management review records.
ESG Committee or equivalent management review mechanism exists.	ESG Committee Terms of Reference, meeting minutes.
ESG lead or coordinator is appointed.	Appointment record, job description, responsibility matrix.
Department-level ESG roles are assigned.	ESG RACI matrix, data ownership matrix.
ESG policies are reviewed and approved.	Approved policies, version control records.
Material ESG topics are reviewed and approved.	Materiality assessment, approval record.
ESG targets and action plans are approved.	ESG Action Plan, target register, management sign-off.
ESG disclosures are reviewed before external release.	Disclosure checklist, approval records, evidence pack.
Governance-related training is provided.	ESG governance training records, data owner training records.
Governance effectiveness is reviewed annually.	Annual governance review record, management minutes.

A3.4 Governance Topic 3: Business Ethics

Checklist Item	Suggested Evidence / Verifier
Code of Conduct is established and approved.	Code of Conduct, management approval, version control.
Code applies to employees, directors, suppliers, contractors, and business partners where relevant.	Code wording, Supplier Code, contractor clauses.
Code is communicated and acknowledged.	Employee acknowledgements, supplier acknowledgements, training records.
Conflict of Interest Policy is implemented.	Conflict policy, declaration forms, conflict register.
Gifts, hospitality, donations, and sponsorships are controlled.	Gifts register, donation register, approval records.
Ethical procurement controls are implemented.	Procurement SOP, quotation comparison, approval records.
Accurate records and truthful reporting are required.	Code of Conduct, disclosure review checklist, internal audit records.

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Checklist Item	Suggested Evidence / Verifier
Confidential information is protected.	Confidentiality procedure, access control records.
Ethics concerns can be reported safely.	Whistleblowing procedure, grievance channels, case register.
Ethics cases are investigated and corrected.	Investigation records, corrective action tracker, disciplinary records.

A3.5 Governance Topic 4: Transparency and Risk Management

Checklist Item	Suggested Evidence / Verifier
ESG Risk Register is maintained.	ESG Risk Register, risk scoring matrix.
ESG risks are assigned to owners.	Risk register, responsibility matrix.
High and critical risks are escalated to management.	Escalation records, management review minutes.
Internal controls are defined for ESG data and processes.	Internal control matrix, SOPs, approval matrix.
ESG data owners, reviewers, and approvers are identified.	Data ownership matrix, disclosure approval matrix.
Data quality checks are conducted before disclosure.	Data review checklist, calculation review records.
ESG claims are substantiated before external use.	Claim review checklist, evidence pack.
Omissions, estimates, and assumptions are documented.	Omission register, assumptions register.
Evidence is organised and retrievable.	ESG Evidence Register, evidence files.
Internal audit or self-assessment is conducted where applicable.	Internal audit report, self-assessment checklist.

A3.6 Governance Topic 5: Tax Practices

Checklist Item	Suggested Evidence / Verifier
Tax commitment or policy is documented.	Tax Policy, Finance Policy, ESG Policy.
Tax responsibilities are assigned.	Tax responsibility matrix, finance roles, external advisor engagement.
Tax Compliance Register or tax calendar is maintained.	Tax register, filing tracker, payment tracker.
Corporate tax filings and payments are completed and retained.	Tax computation, submission receipts, payment records.
Employer tax obligations are managed.	MTD records, Form E, C.P.8D, EA / EC statements, payroll tax records.
e-Invoice applicability and readiness are assessed.	e-Invoice assessment, implementation plan, system records.
Related-party transactions and transfer pricing are assessed where applicable.	Related-party register, transfer pricing documentation.
Tax records are retained securely.	Tax evidence file, record retention register.
Tax risks are reviewed by management.	Tax Risk Register, management review minutes.
Tax-related concerns can be reported.	Whistleblowing procedure, ethics case register.

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A3.7 Governance Topic 6: Anti-Corruption

Checklist Item	Suggested Evidence / Verifier
ABAC Policy is established and approved.	ABAC Policy, Code of Conduct, management approval.
Top-level commitment is demonstrated.	Signed statement, Board minutes, management communication.
Corruption risk assessment is conducted.	Corruption Risk Register, risk assessment worksheet.
Third-party corruption risks are assessed.	Supplier due diligence checklist, agent screening records.
Gifts, hospitality, donations, and sponsorships are controlled.	Gifts register, approval records.
Conflicts of interest are declared and managed.	Conflict register, declaration forms, recusal records.
Procurement integrity controls are implemented.	Procurement SOP, approval matrix, supplier evaluation.
ABAC training is provided to relevant employees.	Training records, attendance, training materials.
Suppliers and contractors are informed of anti-corruption expectations.	Supplier Code, contract clauses, supplier acknowledgements.
Reporting channels are available.	Whistleblowing procedure, hotline records, posters.
Allegations are investigated and corrective actions are tracked.	Investigation reports, case register, corrective action tracker.

A3.8 Governance Topic 7: Stakeholder Engagement

Checklist Item	Suggested Evidence / Verifier
Stakeholder engagement commitment is established.	ESG Policy, Stakeholder Engagement Policy.
Stakeholders are identified and mapped.	Stakeholder register, stakeholder map.
Vulnerable or under-represented stakeholders are considered.	Vulnerability screening, worker group mapping, community screening.
Stakeholder Engagement Plan is prepared where relevant.	Engagement plan, engagement calendar.
Worker, customer, supplier, regulator, and community engagement is documented.	Engagement log, meeting minutes, customer tracker, supplier records.
Stakeholder feedback is recorded and assigned to owners.	Feedback log, corrective action tracker.
Feedback is escalated where high-risk or material.	Escalation records, management review minutes.
Stakeholder input informs materiality and risk management.	Materiality assessment, ESG Risk Register updates.
Grievance and complaint channels are linked to engagement.	Grievance registers, complaint records.
Engagement trends are reviewed by management.	KPI dashboard, management review minutes.

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A3.9 Governance Topic 8: Regulatory Risk and Public Policy

Checklist Item	Suggested Evidence / Verifier
Regulatory monitoring procedure is established.	Regulatory Monitoring Procedure, legal register.
Regulatory responsibilities are assigned.	Roles matrix, department responsibility records.
Legal and regulatory compliance register is maintained.	Legal register, compliance tracker.
Regulatory updates are monitored and assessed.	Regulatory update log, applicability assessment.
Licences, permits, approvals, and certificates are tracked.	Licence and Permit Register, renewal calendar.
Permit conditions and submissions are monitored.	Permit condition matrix, monitoring reports, submission records.
Non-compliance is recorded and corrected.	Non-compliance register, corrective action tracker.
Customer and export market requirements are monitored.	Customer requirement matrix, EUDR evidence file where relevant.
Public policy engagement is controlled and recorded where relevant.	Public Policy Engagement Register, meeting minutes, submissions.
Public official interactions follow ABAC controls.	Public official interaction log, gift register, ABAC records.
Political contributions, donations, and sponsorships are controlled.	Donation register, approval records, policy.

A4. Evidence and Verifier Checklist

The Evidence and Verifier Checklist helps companies confirm whether each ESG disclosure, self-assessment score, customer response, or reported KPI is supported by reliable evidence.

Companies should not mark a checklist item as fully implemented unless appropriate evidence is available.

A4.1 Evidence Quality Categories

Evidence Quality	Description	Examples
Strong Evidence	Official, complete, traceable, and externally verifiable.	Utility bills, permits, licences, lab reports, consignment notes, payroll records, signed contracts, certificates.
Moderate Evidence	Internal records or supplier documents that are useful but may need review.	Registers, checklists, supplier declarations, meeting minutes, training attendance records.
Supporting Evidence	Helps support the claim but should not normally stand alone for material disclosures.	Photos, emails, screenshots, briefing notes, informal records.
Weak Evidence	Not sufficient on its own for external reporting.	Verbal confirmation, undocumented practice, unsigned forms, incomplete notes.
Confidential Evidence	Evidence exists but cannot be publicly disclosed in detail.	Payroll records, worker identity records, medical records, grievance case files, supplier contracts, geolocation data.

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A4.2 General Evidence Checklist

Evidence Check	Yes / No / Partial / N.A.	Remarks
Is the evidence available for the reporting period?		
Does the evidence cover the correct site, supplier, product, or worker group?		
Is the evidence complete?		
Is the evidence current and valid?		
Is the evidence signed, approved, or traceable where required?		
Does the evidence match the reported data?		
Are units, dates, and quantities consistent?		
Are assumptions and estimates documented?		
Has the data owner reviewed the evidence?		
Has management approved the disclosure where required?		
Is the evidence stored in the ESG Evidence Register?		
Is confidential information protected?		
Can the evidence be retrieved for customer or auditor review?		

A4.3 Environmental Evidence Checklist

Data / Disclosure Area	Minimum Evidence Expected
Energy consumption	Electricity bills, fuel invoices, meter readings, generator or boiler logs.
Renewable energy	Solar generation records, contracts, certificates, inverter reports, invoices.
Scope 1 emissions	Fuel records, refrigerant logs, emission factor register, GHG workbook.
Scope 2 emissions	Electricity bills, emission factor register, GHG workbook.
Scope 3 screening	Scope 3 category screening, supplier data, logistics records, waste records.
Water withdrawal	Water bills, meter readings, permits where applicable.
Water discharge and effluent	WWTP logs, discharge records, laboratory test reports, permit conditions.
Water stress	Water stress assessment, local water information, risk assessment.
Waste generated	Waste register, weighing records, vendor reports, invoices.
Scheduled waste	Scheduled waste inventory, consignment notes, eSWIS records where applicable, contractor evidence.
Waste recovery or recycling	Recycling records, recovery certificates, vendor reports, invoices.
Chemical management	Chemical register, SDS, storage inspections, training records.
Restricted substances	Supplier declarations, customer requirement matrix, test reports where required.
Spills and incidents	Spill log, incident report, investigation record, corrective action evidence.
Deforestation and traceability	Supplier origin records, sourcing area maps, geolocation where required, legality evidence, supplier declarations.
Biodiversity and land use	Site maps, supplier screening, land records, environmental risk assessment.

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A4.4 Social Evidence Checklist

Data / Disclosure Area	Minimum Evidence Expected
Workforce profile	Worker master list, HR records, payroll records.
Employment terms	Employment contracts, appointment letters, worker acknowledgements.
Working hours	Attendance records, timecards, shift rosters, overtime approvals.
Wages	Payroll register, payslips, bank payment records, wage review records.
Deductions	Deduction register, authorisations, payslips.
Benefits and allowances	Benefits register, payroll records, policy, employment contracts.
Grievances	Grievance procedure, grievance register, investigation records, closure evidence.
OHS risk assessment	HIRARC, risk assessment worksheets, SOPs.
OHS incidents	Incident register, investigation reports, medical or first aid records where relevant, corrective actions.
OHS training	Training matrix, attendance records, certificates, competency checks.
PPE	PPE matrix, issuance records, inspection records.
Machine safety	Machine inspection records, maintenance logs, guarding records.
Child labour prevention	Age verification records, worker master list, young worker register where applicable.
Forced labour prevention	Recruitment agent records, worker-paid fee checks, document access logs, worker interviews.
Migrant worker protection	Orientation records, translated materials, permits, accommodation records.
DEI	Non-discrimination policy, workforce data, training records, grievance records.
Local communities	Community stakeholder map, complaint register, engagement log, corrective actions.
Training and development	Training plan, training attendance, training hours tracker, skills matrix.

A4.5 Governance Evidence Checklist

Data / Disclosure Area	Minimum Evidence Expected
ESG governance	Governance chart, ESG roles matrix, ESG Committee minutes, management review records.
Corporate governance	Board or owner approvals, management charters, responsibility matrix.
Supplier due diligence	Supplier master list, supplier risk matrix, questionnaires, declarations, supplier CAPs.
Traceability	Purchase records, delivery orders, batch records, origin records, production records, shipment records.
Code of Conduct	Approved Code, employee acknowledgements, training records.
Conflict of interest	Conflict Policy, declaration forms, conflict register, mitigation records.
Gifts and hospitality	Gifts register, approval records, donation or sponsorship register.
ABAC	ABAC Policy, corruption risk assessment, training records, third-party due diligence, case register.
Whistleblowing	Whistleblowing procedure, reporting channel communication, case register.
ESG Risk Register	Risk scoring matrix, risk register, management review.
Disclosure governance	Disclosure checklist, evidence pack, approval records.
Tax practices	Tax compliance register, tax filings, payment records, employer tax records, e-Invoice assessment.

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Data / Disclosure Area	Minimum Evidence Expected
Regulatory compliance	Legal register, licence register, permits, regulatory updates, non-compliance register.
Stakeholder engagement	Stakeholder register, engagement plan, feedback log, management review.
Public policy engagement	Public policy engagement register, meeting records, submissions, ABAC review.

A4.6 Evidence Gap Tracker

ESG Topic	Evidence Required	Evidence Available	Gap	Action Required	Owner	Due Date	Status
Energy	Electricity bills and fuel records	Partial	Missing fuel logs for generators	Create generator fuel log	Maintenance		
OHS	HIRARC for all high-risk tasks	Partial	HIRARC missing for new line	Conduct HIRARC review	EHS		
Supplier Due Diligence	Supplier ESG questionnaires	Partial	Only top suppliers assessed	Expand to priority suppliers	Procurement		
Anti-Corruption	Gift register	No	Register not created	Establish register and brief staff	Compliance		

A5. Applicability and Omission Explanation Template

This template helps companies explain whether ESG topics are applicable, partially applicable, under review, or not applicable. It should also be used to explain why certain data or disclosures are omitted.

Companies should avoid leaving items blank or writing only “N.A.” without explanation. Every omission should be clear, honest, and reviewed.

A5.1 Applicability Classification Template

ESG Topic	Applicability Classification	Reason	Boundary	Evidence	Review Date
Deforestation	Direct / Indirect / Partial / Customer-triggered / Regulatory-triggered / Not Applicable / Under Review		Own operations / Suppliers / Customers / Product / Site		
Water	Direct / Partial / Not Applicable / Under Review		Site / Process / Supplier		
Forced Labour	Direct / Indirect / Partial / Not Applicable / Under Review		Workforce / Recruitment Agents /		

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ESG Topic	Applicability Classification	Reason	Boundary	Evidence	Review Date
			Contractors / Suppliers		
Supplier Due Diligence	Direct / Indirect / Partial / Customer-triggered / Under Review		Priority suppliers / All suppliers / Selected categories		

A5.2 Applicability Categories

Classification	Use When	Example Explanation
Directly Applicable	Topic applies to own operations, workforce, sites, or management system.	"Energy is directly applicable because the company uses electricity and fuel in manufacturing operations."
Indirectly Applicable	Topic applies through suppliers, contractors, customers, logistics, or waste contractors.	"Deforestation is indirectly applicable through natural rubber suppliers."
Partially Applicable	Topic applies only to selected sites, products, suppliers, worker groups, or processes.	"Water applies to the main manufacturing site but not to the sales office."
Customer-triggered	Topic applies because customers request data, evidence, or compliance.	"EUDR-oriented traceability is customer-triggered for selected EU-linked products."
Regulatory triggered	Topic applies because of law, permit, licence, or compliance obligation.	"Scheduled waste controls are regulatory-triggered because chemical waste is generated."
Not Currently Applicable	Topic does not apply based on current operations, materials, workforce, suppliers, or customers.	"Migrant worker-specific indicators are not applicable because the company did not employ migrant workers during the reporting period."
Under Review	Applicability is uncertain because information is incomplete or business conditions are changing.	"Supplier geolocation applicability is under review pending customer scope confirmation."
Managed Under Another Topic	Topic is covered under a related section to avoid duplication.	"Soil contamination risk is managed under Hazardous Substances, Waste, and Water controls."

A5.3 Omission Explanation Template

Field	Description
ESG Topic	Topic affected by omission.
Indicator / Disclosure Item	Specific data point, indicator, or disclosure omitted.
Expected Disclosure	What would normally be reported.
Reason for Omission	Not applicable, unavailable, incomplete, confidential, legal restriction, boundary limitation, under development, or managed elsewhere.
Explanation	Clear explanation of why the item is omitted.
Available Partial Information	Any data or narrative that can still be disclosed.

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Risk of Omission	Low, medium, high, or critical.
Improvement Action	Action to address omission.
Responsible Owner	Department or person responsible.
Target Date	Date by which the gap may be resolved.
Management Approval	Name or role of approving person.
Review Date	Date for reassessment.

A5.4 Example Omission Explanations

Situation	Suggested Explanation
Scope 3 emissions not calculated	"Scope 3 emissions have not yet been calculated because supplier and logistics data is incomplete. The company will conduct Scope 3 screening and prioritise purchased materials, logistics, and waste in the next reporting cycle."
Supplier geolocation incomplete	"Geolocation data is currently available for selected natural rubber suppliers only. The company will prioritise high-volume and customer-facing suppliers for further data collection where required."
No renewable energy used	"The company did not consume renewable energy during the reporting period. Renewable energy opportunities will be reviewed as part of future emissions reduction planning."
No migrant workers	"Migrant worker-specific indicators are not applicable because the company did not employ migrant workers during the reporting period. This will be reassessed if workforce composition changes."
No worker accommodation	"Accommodation-related indicators are not applicable because the company does not provide, arrange, or manage worker accommodation."
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."
Wage data 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 formal ESG report	"The company did not publish a public ESG report during the reporting period. ESG data was prepared for internal review and customer responses."
Topic managed elsewhere	"Chemical waste is disclosed under Waste and Hazardous Substances. This avoids double-counting and ensures the topic is reported under the most relevant sections."

A5.5 Omission Review Checklist

Review Question	Yes / No / Remarks
Is the omission reason clearly stated?	
Is the omission justified based on current operations, data, confidentiality, or applicability?	
Could the omission mislead stakeholders if not explained?	
Is partial information available and disclosed where appropriate?	
Is the omission linked to a data gap or evidence gap?	
Is there an improvement action where the omission relates to missing data?	
Has a responsible owner been assigned?	
Has a target date been set where applicable?	

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Review Question	Yes / No / Remarks
Has management reviewed or approved the omission?	
Will the omission be reassessed in the next reporting cycle?	

Minimum Implementation Outputs for Appendix A

At the end of Appendix A, each company should aim to have the following completed tools:

Output	Purpose
Completed Environmental Checklist	Assesses implementation and evidence for all Environmental topics.
Completed Social Checklist	Assesses implementation and evidence for all Social topics.
Completed Governance Checklist	Assesses implementation and evidence for all Governance topics.
Evidence and Verifier Checklist	Confirms whether ESG disclosures and self-assessment scores are supported by records.
Applicability Matrix	Documents which ESG topics are applicable, partially applicable, indirect, customer-triggered, regulatory-triggered, not applicable, or under review.
Omission Explanation Register	Explains missing, unavailable, confidential, not applicable, or partial disclosures.
Evidence Gap Tracker	Identifies missing or weak evidence and assigns corrective actions.
Self-Assessment Scorecard	Records maturity scores, evidence status, gaps, and priorities.
Gap Analysis Register	Converts checklist findings into prioritised improvement items.
ESG Action Plan	Assigns owners, timelines, resources, and evidence requirements for improvement actions.
Management Sign-Off Record	Confirms management review and approval of checklist results, omissions, gaps, and action plans.

Used properly, Appendix A helps companies turn the Guidelines into a practical implementation and reporting tool. It allows rubber processors and manufacturers to assess ESG readiness, identify evidence gaps, explain omissions, prioritise improvements, and build a stronger foundation for credible ESG reporting and customer assurance.

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Appendix B: Framework Alignment Matrix

Appendix B provides a practical alignment matrix showing how the MRC ESG Guidelines support relevant Malaysian, regional, and international ESG frameworks, regulations, standards, certification schemes, and reporting expectations. The purpose is to help Malaysian rubber processors and manufacturers understand how the 29 ESG topics in these Guidelines can be used to organise evidence for customer requests, ESG reports, certification reviews, supplier due diligence, financing submissions, and regulatory readiness.

This appendix is an **alignment tool**, not a legal opinion, certification guarantee, or substitute for formal compliance assessment. Companies should verify the latest requirements that apply to their products, customers, markets, suppliers, and reporting obligations before making formal claims.

The alignment matrix may be used to:

a. map ESG topics to framework requirements;
b. identify evidence needed for customer or audit requests;
c. avoid duplicating ESG data collection;
d. strengthen traceability, due diligence, and reporting readiness;
e. prepare framework-specific evidence packs;
f. explain why certain topics are material;
g. support ESG report framework mapping; and
h. identify gaps for continuous improvement.

B1. MSNR Alignment

The Malaysian Sustainable Natural Rubber, or **MSNR**, initiative is relevant to companies that source, process, trade, manufacture, or supply products containing Malaysian natural rubber. MSNR should be treated as a key local reference for sustainable natural rubber, traceability, legality, responsible sourcing, and supply chain evidence. The Malaysian Rubber Board's MSNR portal identifies MSNR as an initiative supporting sustainable natural rubber practices and supply chain traceability. (msnr.lgm.gov.my)

For midstream and downstream rubber companies, MSNR alignment should focus on supplier mapping, natural rubber traceability, sourcing records, legality evidence, responsible production, environmental controls, labour standards, and evidence readiness.

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B1.1 MSNR alignment matrix

MSNR-Relevant Area	Related MRC ESG Topics	Practical Alignment for Companies	Suggested Evidence / Verifiers
Sustainable natural rubber sourcing	Deforestation; Sustainable Land Use; Biodiversity; Supply Chain Traceability and Due Diligence	Identify natural rubber suppliers and collect sourcing information progressively.	Supplier master list, purchase records, supplier declarations, origin records, sourcing area register.
Traceability	Deforestation; Supply Chain Traceability; Regulatory Risk	Maintain records linking supplier, purchase, batch, production, and shipment.	Purchase orders, delivery orders, batch records, inventory records, shipment records, customer traceability forms.
Legal compliance	Regulatory Risk and Public Policy; Corporate Governance; Tax Practices	Track relevant licences, permits, approvals, and regulatory obligations.	MRB-related licence records where applicable, legal register, licence and permit tracker, renewal records.
Environmental responsibility	Emissions; Energy; Water; Waste; Hazardous Substances; Soil Health	Demonstrate operational environmental controls in processing or manufacturing.	Energy bills, water records, effluent reports, waste records, chemical register, spill records.
Social responsibility	Human Rights; Workers' Rights; Child Labour; Forced Labour; OHS; Pay	Maintain labour, safety, wage, recruitment, and grievance controls.	Employment contracts, payroll records, OHS records, age verification, grievance records, training records.
Supplier due diligence	Supply Chain Traceability; Human Rights; Forced Labour; Child Labour; Anti-Corruption	Screen suppliers for legal, environmental, social, traceability, and governance risks.	Supplier ESG questionnaire, Supplier Code acknowledgement, supplier risk matrix, corrective action tracker.
Evidence readiness	ESG Reporting; Evidence Management; Transparency and Risk Management	Organise evidence for customer, certification, or verification requests.	ESG Evidence Register, MSNR evidence file, traceability pack, disclosure review checklist.

B1.2 MSNR implementation guidance

Companies should not claim MSNR alignment without evidence. A practical MSNR evidence file should include:

a. natural rubber supplier list;
b. purchase records and transaction records;
c. supplier licence or registration evidence where applicable;
d. sourcing area information;
e. traceability records;
f. supplier declarations;
g. supplier ESG assessment results;

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h. legality and no-deforestation evidence where relevant;
i. labour and OHS evidence for own operations;
j. environmental compliance records;
k. customer submissions; and
l. management approval records.

B1.3 MSNR gap indicators

Common Gap	Improvement Action
Natural rubber suppliers are not fully mapped.	Create a natural rubber supplier register and classify suppliers by volume, risk, and customer relevance.
Origin data is incomplete.	Request origin or sourcing area information from priority suppliers first.
Purchase records are not linked to production batches.	Strengthen receiving, inventory, batch, and shipment traceability.
Supplier declarations are not standardised.	Use a standard supplier declaration covering legality, traceability, no-deforestation, labour, and ethics.
Evidence is scattered across departments.	Create a dedicated MSNR or natural rubber traceability evidence file.

B2. EUDR Alignment

The EU Deforestation Regulation, or **EUDR**, is relevant where rubber or rubber products are placed on, made available in, or exported from the EU market, or where customers request EUDR-oriented evidence. The European Commission's Access2Markets page states that Regulation (EU) 2025/2650 further postponed the application of EUDR obligations until 30 December 2026 for large operators and 30 June 2027 for natural persons and micro and small enterprises. (EU Trade)

For rubber companies in Malaysia, EUDR alignment is mainly a **supply chain traceability and due diligence issue**. Companies may not be the EU operator themselves, but they may still be asked by EU-linked customers to provide origin, geolocation, production, legality, and risk mitigation evidence.

B2.1 EUDR alignment matrix

EUDR-Relevant Area	Related MRC ESG Topics	Practical Alignment for Companies	Suggested Evidence / Verifiers
Product scope assessment	Regulatory Risk; ESG Reporting; Supply Chain Traceability	Identify whether products supplied to customers contain EUDR-relevant natural rubber.	Product list, HS code review, customer scope confirmation, material composition records.
Commodity and product traceability	Supply Chain Traceability; Deforestation	Trace natural rubber from direct supplier to origin or sourcing area where required.	Supplier records, purchase records, batch records, origin declarations, geolocation records.

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EUDR-Relevant Area	Related MRC ESG Topics	Practical Alignment for Companies	Suggested Evidence / Verifiers
Geolocation evidence	Deforestation; Sustainable Land Use; Supply Chain Traceability	Collect GPS points, polygons, estate boundaries, smallholder group data, or sourcing area information where required.	Geolocation files, maps, supplier submissions, data confidentiality records.
No-deforestation evidence	Deforestation; Biodiversity; Sustainable Land Use	Assess whether rubber was produced on land not subject to deforestation after the relevant cut-off date under EUDR requirements.	Supplier declaration, sourcing area risk assessment, satellite or third-party evidence where available.
Legality evidence	Regulatory Risk; Supplier Due Diligence	Collect evidence that rubber was produced in accordance with applicable laws in the country of production.	Supplier declarations, licences, permits, land use records, legal compliance evidence.
Risk assessment	Transparency and Risk Management; Supplier Due Diligence	Assess risk by origin, supplier, traceability gaps, land use, deforestation exposure, and evidence quality.	EUDR risk assessment, supplier risk matrix, sourcing area classification.
Risk mitigation	Supplier Corrective Action; ESG Action Plan	Address missing evidence, high-risk sourcing, supplier non-response, or inconsistent records.	Supplier CAP, mitigation records, supplier engagement logs, management review.
Due diligence statement support	ESG Reporting; Evidence Management	Provide evidence to customers or EU operators where requested.	Customer evidence pack, product-supplier linkage, due diligence file, disclosure approval.
Record retention and audit readiness	Evidence Management; Disclosure Governance	Maintain records for customer verification, audit, or future assurance.	EUDR evidence file, document control record, evidence register.

B2.2 EUDR evidence file

A company that supplies EU-linked customers should prepare an EUDR-oriented evidence file containing:

a. product scope assessment;
b. customer requirement matrix;
c. natural rubber supplier list;
d. transaction records;
e. batch and production records;
f. country, region, and sourcing area information;
g. geolocation records where required;
h. production date or period;
i. supplier legality declarations;
j. no-deforestation declarations;
k. sourcing area risk assessment;

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l. supplier risk mitigation records;
m. supplier corrective action records;
n. confidentiality controls; and
o. management approval for customer submissions.

B2.3 EUDR gap indicators

Common Gap	Improvement Action
Company does not know whether products are EUDR-relevant.	Conduct product and customer scope assessment.
Direct supplier is known, but upstream origin is unknown.	Prioritise high-volume and EU-linked suppliers for origin data collection.
Geolocation data is unavailable.	Start phased geolocation collection for priority suppliers and document limitations.
Supplier legality evidence is incomplete.	Issue supplier legality and traceability declaration template.
EUDR claims are made without evidence.	Apply disclosure review and claim substantiation before customer submission.

B3. CSDDD Alignment

The EU Corporate Sustainability Due Diligence Directive, or **CSDDD**, requires in-scope companies to address human rights and environmental due diligence across operations, subsidiaries, and global value chains. The European Commission states that Directive 2024/1760 entered into force on 25 July 2024 and aims to foster sustainable and responsible corporate behaviour in companies' operations, subsidiaries, and global value chains. (European Commission)

Many Malaysian rubber companies may not be directly in scope, but they may be affected indirectly through EU customers or multinational buyers that request human rights, environmental, supplier due diligence, grievance, and remediation evidence.

B3.1 CSDDD alignment matrix

CSDDD-Relevant Area	Related MRC ESG Topics	Practical Alignment for Companies	Suggested Evidence / Verifiers
Due diligence policy	Human Rights; Environmental Management; Corporate Governance; Supplier Due Diligence	Establish ESG, human rights, environmental, and responsible sourcing commitments.	ESG Policy, Human Rights Policy, Environmental Policy, Supplier Code of Conduct.
Risk identification	Human Rights Risk Assessment; Environmental Risk Assessment; ESG Risk Register	Identify human rights and environmental risks in own operations and supply chain.	Human rights risk register, environmental risk assessment, supplier risk matrix.

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CSDDD-Relevant Area	Related MRC ESG Topics	Practical Alignment for Companies	Suggested Evidence / Verifiers
Prevention and mitigation	OHS; Workers' Rights; Forced Labour; Waste; Water; Hazardous Substances	Implement controls to prevent harm to people and environment.	SOPs, training records, inspection records, payroll records, environmental monitoring.
Supplier due diligence	Supply Chain Traceability; Supplier ESG Assessment	Screen suppliers, contractors, recruitment agents, waste contractors, and logistics providers.	Supplier questionnaire, audit reports, supplier CAPs, Supplier Code acknowledgements.
Grievance and complaints	Human Rights; Local Communities; Stakeholder Engagement; Business Ethics	Provide channels for workers, suppliers, communities, and other stakeholders to raise concerns.	Grievance procedure, whistleblowing procedure, complaint register, case records.
Remediation	Human Rights; Forced Labour; Child Labour; Community Impacts	Provide or support remedy where the company causes or contributes to harm.	Remediation records, payroll corrections, worker remedy, supplier corrective actions.
Monitoring effectiveness	Transparency and Risk Management; ESG Action Plan	Track whether due diligence controls and corrective actions are effective.	KPI dashboard, management review, corrective action tracker.
Reporting and communication	ESG Reporting; Disclosure Governance	Communicate due diligence approach, risks, actions, limitations, and progress where requested.	ESG report, customer questionnaire, due diligence evidence pack.

B3.2 Practical CSDDD readiness actions

Companies should prioritise:

a. human rights policy;
b. environmental policy;
c. supplier code of conduct;
d. human rights and environmental risk register;
e. forced labour and child labour controls;
f. OHS and wage compliance records;
g. grievance and remediation procedure;
h. supplier due diligence process;
i. supplier corrective action tracker;
j. stakeholder engagement records;
k. anti-corruption and business ethics controls; and
l. evidence-backed reporting.

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B3.3 CSDDD gap indicators

Common Gap	Improvement Action
Human rights due diligence is not documented.	Conduct human rights risk assessment and identify vulnerable groups.
Supplier social and environmental risks are not assessed.	Introduce supplier ESG questionnaire and risk scoring.
Grievance mechanism exists but is not communicated.	Communicate channels to workers, suppliers, contractors, and communities where relevant.
Remediation process is unclear.	Develop remediation procedure for wage, recruitment, child labour, forced labour, and community cases.
Customer due diligence requests are handled ad hoc.	Prepare due diligence evidence pack and assign data owners.

B4. GPSNR Alignment

The Global Platform for Sustainable Natural Rubber, or **GPSNR**, provides a policy framework for sustainable natural rubber production and sourcing. The GPSNR policy framework is intended to help member companies establish or update strong supply chain sustainability commitments for natural rubber production and sourcing. (Sustainable Natural Rubber)

For Malaysian rubber processors and manufacturers, GPSNR alignment is most relevant where companies source natural rubber, supply buyers that are GPSNR members, or are asked to demonstrate responsible sourcing, traceability, no-deforestation, human rights, labour, and community controls.

B4.1 GPSNR alignment matrix

GPSNR-Relevant Area	Related MRC ESG Topics	Practical Alignment for Companies	Suggested Evidence / Verifiers
Sustainable natural rubber policy	Corporate Governance; Supplier Due Diligence; Deforestation	Adopt responsible sourcing and no-deforestation commitments for natural rubber.	Responsible Sourcing Policy, Supplier Code, ESG Policy.
No deforestation and ecosystem protection	Deforestation; Sustainable Land Use; Biodiversity	Identify and reduce sourcing risks linked to deforestation, ecosystem conversion, or sensitive areas.	Supplier declarations, sourcing maps, risk assessment, corrective actions.
Human rights and labour rights	Human Rights; Workers' Rights; Child Labour; Forced Labour; Pay; OHS	Apply labour and human rights controls to own operations and supplier due diligence.	HR records, payroll, age verification, recruitment records, OHS records, supplier screening.
Community and Indigenous Peoples	Local Communities; Rights of Indigenous	Identify community, land, customary rights, and	Stakeholder map, supplier land declaration,

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GPSNR-Relevant Area	Related MRC ESG Topics	Practical Alignment for Companies	Suggested Evidence / Verifiers
	Peoples; Stakeholder Engagement	grievance risks in sourcing areas.	community grievance records.
Traceability and transparency	Supply Chain Traceability; ESG Reporting; Evidence Management	Map natural rubber supply chain and disclose current traceability status honestly.	Supplier master list, origin data, batch records, evidence pack.
Supplier engagement	Supplier ESG Assessment; Corrective Action and Supplier Improvement	Engage suppliers on sustainability expectations and corrective actions.	Supplier briefings, CAP tracker, supplier training records.
Monitoring and reporting	Transparency and Risk Management; ESG Reporting	Track progress, data gaps, and improvement actions.	ESG KPI dashboard, management review, ESG report.

B4.2 GPSNR evidence file

A GPSNR-oriented evidence file may include:

a. responsible natural rubber sourcing policy;
b. supplier code of conduct;
c. natural rubber supplier register;
d. supplier origin and traceability records;
e. no-deforestation declaration;
f. human rights and labour screening;
g. supplier ESG questionnaire;
h. community and land-related screening;
i. supplier corrective action plans;
j. stakeholder engagement records;
k. ESG risk register; and
l. reporting disclosure on traceability coverage and limitations.

B4.3 GPSNR gap indicators

Common Gap	Improvement Action
No responsible natural rubber sourcing policy.	Develop policy covering deforestation, legality, human rights, labour, community, and supplier controls.
Natural rubber traceability is limited to direct supplier only.	Progressively collect origin and sourcing area information.
Supplier labour risks are not assessed.	Include child labour, forced labour, wage, OHS, and grievance questions in supplier assessment.
Community and Indigenous Peoples issues are not screened.	Add land, customary rights, and community risk questions for relevant suppliers.
Traceability claims are unclear.	Report traceability level accurately and explain gaps.

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B5. FSC, PEFC, and PBNC Alignment

This section covers alignment with **FSC**, **PEFC**, and **Preferred by Nature Certification Programme**, or **PBNC**. These schemes are most relevant where the company sources, processes, trades, manufactures, or claims certified forest-linked materials, natural rubber-linked certified materials, chain-of-custody controlled materials, or sustainability-verified products.

FSC chain-of-custody certification verifies that forest-based materials produced according to FSC standards are credibly used along the product path from forest to finished goods, and FSC requires certified material identification, tracking, and recordkeeping. (Forest Stewardship Council) PEFC chain-of-custody certification is available to companies that manufacture, process, trade, or sell forest-based products, and requires procedures for purchasing, tracking, manufacturing, sale, and recordkeeping of certified materials. (pefc.org) Preferred by Nature describes its certification as risk-based, performance-focused, adaptable, and aligned with applicable aspects of the SDGs and EUDR; its programme also includes chain-of-custody, traceability, and due diligence system materials. (Preferred by Nature)

B5.1 FSC alignment matrix

FSC-Relevant Area	Related MRC ESG Topics	Practical Alignment for Companies	Suggested Evidence / Verifiers
Chain of custody	Supply Chain Traceability; Evidence Management	Track certified material from purchase to production and sale.	FSC supplier certificates, purchase records, batch records, sales records, CoC SOP.
Certified material identification	Supplier Due Diligence; Traceability	Identify certified and non-certified material status at receiving and storage.	Receiving checklist, material labels, inventory records, segregation records.
Recordkeeping	Evidence Management; Disclosure Governance	Retain purchase, production, sale, and claim records.	Document control records, evidence register, CoC records.
Labour requirements	Workers' Rights; Child Labour; Forced Labour; OHS; DEI	Maintain worker rights and labour controls relevant to certification expectations.	Employment records, age verification, OHS training, grievance records.
Claims control	Business Ethics; Disclosure Governance	Control FSC claims, labels, trademarks, and customer statements.	Claim approval record, label use approval, sales documentation.

B5.2 PEFC alignment matrix

PEFC-Relevant Area	Related MRC ESG Topics	Practical Alignment for Companies	Suggested Evidence / Verifiers
Chain-of-custody scope	Corporate Governance; Supply Chain Traceability	Define products, sites, processes, and materials covered by PEFC claims.	Scope statement, product list, site list, CoC procedure.

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PEFC-Relevant Area	Related MRC ESG Topics	Practical Alignment for Companies	Suggested Evidence / Verifiers
Purchasing and supplier control	Supplier Due Diligence	Verify PEFC-certified suppliers and material claims.	Supplier certificate, supplier declaration, purchase records.
Tracking and manufacturing	Traceability; Evidence Management	Track certified material through inventory and production.	Batch records, stock movement records, mass balance records.
Sales and claims	Business Ethics; ESG Reporting	Ensure claims are accurate and supported.	Sales invoices, claim records, approval records.
Personnel training	Training and Development	Train relevant buyers, warehouse, production, sales, and data owners.	Training records, competency evidence.

B5.3 PBNC alignment matrix

PBNC-Relevant Area	Related MRC ESG Topics	Practical Alignment for Companies	Suggested Evidence / Verifiers
Sustainability framework	All Environmental, Social, and Governance topics	Use MRC topics to organise evidence for broad sustainability performance.	ESG checklist, topic evidence files, risk register.
Risk-based due diligence	Supply Chain Traceability; Transparency and Risk Management	Assess supplier, commodity, origin, and product risks.	Supplier risk matrix, due diligence file, risk assessment.
EUDR alignment	Deforestation; Land Use; Traceability; Regulatory Risk	Prepare legality, deforestation, geolocation, and risk mitigation evidence where relevant.	EUDR evidence file, supplier declarations, origin records.
Chain of custody and traceability	Supplier Traceability; Evidence Management	Track verified or certified product status through company processes.	CoC procedure, batch records, segregation records, claim approvals.
ESG reporting credibility	ESG Reporting; Disclosure Governance	Use evidence-backed disclosures and controlled claims.	Evidence pack, disclosure checklist, management approval.

B5.4 FSC, PEFC, and PBNC gap indicators

Common Gap	Improvement Action
Certified and non-certified materials are not segregated.	Create material identification and segregation procedure.
Supplier certificates are not checked for validity.	Verify supplier certificates and store in supplier compliance file.
Sales claims are made without claim approval.	Establish claim review and approval process.
Chain-of-custody records do not link purchase to sale.	Strengthen batch, inventory, production, and sales record linkage.
Staff responsible for certified material handling are not trained.	Train procurement, warehouse, production, QA, and sales personnel.

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B6. GRI Alignment

The Global Reporting Initiative, or **GRI**, is a widely used impact reporting framework. GRI describes the GRI Standards as global best practice for reporting publicly on economic, environmental, and social impacts, while the Universal Standards are effective for reporting from 1 January 2023. (Global Reporting Initiative) (Global Reporting Initiative)

The MRC ESG Guidelines do not require companies to report "in accordance with" GRI unless they choose to do so and meet the relevant requirements. For many rubber companies, especially SMEs, it may be more appropriate to state that the ESG report is "prepared with reference to selected GRI disclosures."

B6.1 GRI alignment matrix

GRI Area	Related MRC ESG Topics	Practical Alignment for Companies	Suggested Evidence / Verifiers
GRI 2: General disclosures	Corporate Governance; Stakeholder Engagement; ESG Reporting	Report organisation profile, governance, policies, stakeholder engagement, reporting practices.	Company profile, governance chart, policies, stakeholder register, reporting boundary.
GRI 3: Material Topics	Materiality; ESG Reporting; Gap Analysis	Determine and disclose material topics and management approach.	Materiality assessment, material topic list, management approach disclosures.
GRI 201 / Economic topics	Tax Practices; Business Ethics; Anti-Corruption	Disclose economic governance where material.	Tax records, anti-corruption records, procurement controls.
GRI 205: Anti-corruption	Anti-Corruption; Business Ethics	Report corruption risk assessment, training, incidents, and actions where material.	ABAC Policy, training records, risk register, case register.
GRI 302: Energy	Energy; Emissions	Report energy consumption and energy intensity where data is available.	Electricity bills, fuel records, energy tracker.
GRI 305: Emissions	Emissions; Climate Disclosure	Report Scope 1, Scope 2, and relevant Scope 3 emissions where available.	GHG workbook, emission factor register, energy data.
GRI 303: Water and Effluents	Water	Report water withdrawal, discharge, consumption, and water-related impacts where material.	Water bills, WWTP logs, effluent reports, water balance.
GRI 306: Waste	Waste	Report waste generated, diverted, and directed to disposal where data is available.	Waste register, consignment notes, recycling records.
GRI 403: OHS	Occupational Health and Safety	Report OHS management, hazards, incidents, training, and worker participation.	HIRARC, incident records, training records, safety committee minutes.

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GRI Area	Related MRC ESG Topics	Practical Alignment for Companies	Suggested Evidence / Verifiers
GRI 404: Training	Training and Development	Report training hours, training programmes, and development reviews where applicable.	Training register, attendance records, training hours calculation.
GRI 405 / 406: DEI and Non-discrimination	DEI; Pay and Equal Remuneration	Report workforce diversity, equal opportunity, and discrimination cases where material.	Workforce data, grievance records, DEI training.
GRI 408 / 409: Child and Forced Labour	Child Labour; Forced Labour	Report operations and suppliers at risk and controls implemented.	Age verification, forced labour risk assessment, supplier screening.
GRI 413: Local Communities	Local Communities; Indigenous Peoples	Report community engagement, impacts, complaints, and actions.	Community engagement log, complaint register.
GRI 414 / 308: Supplier Assessment	Supply Chain Traceability and Due Diligence	Report supplier environmental and social screening and findings.	Supplier questionnaire, supplier risk matrix, CAP tracker.

B6.2 GRI content index template

GRI Disclosure	Disclosure Title	MRC ESG Guideline Section	Report Location	Status
GRI 2-1	Organisational details	Company Profile		Reported / Partial / Omitted
GRI 2-9	Governance structure	Corporate Governance		
GRI 2-23	Policy commitments	Governance and Topic Policies		
GRI 2-29	Stakeholder engagement	Stakeholder Engagement		
GRI 3-1	Process to determine material topics	Materiality		
GRI 3-2	List of material topics	Materiality		
GRI 302	Energy	Environmental Topic 7		
GRI 303	Water	Environmental Topic 9		
GRI 306	Waste	Environmental Topic 10		
GRI 403	OHS	Social Topic 4		
GRI 205	Anti-corruption	Governance Topic 6		

B6.3 GRI gap indicators

Common Gap	Improvement Action
Materiality process is not documented.	Prepare materiality methodology, stakeholder input record, and management validation.
Topic management approach is missing.	Use topic disclosure template covering policy, responsibilities, controls, KPIs, and actions.
Quantitative data lacks boundary or methodology.	Add reporting boundary, units, assumptions, and calculation notes.

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Common Gap	Improvement Action
GRI content index claims full reporting but data is partial.	Mark disclosure as partial and explain limitation.
Supplier assessment data incomplete.	Report priority supplier scope and improvement plan.

B7. SDG Alignment

The Sustainable Development Goals, or **SDGs**, are 17 global goals under the UN 2030 Agenda for Sustainable Development, adopted by all UN Member States in 2015. The UN describes the SDGs as an urgent call for action in global partnership, covering people, planet, prosperity, peace, and partnership. (Sustainable Development Goals)

Companies should use SDG mapping carefully. SDG alignment should reflect actual actions, impacts, and evidence, not broad branding. Rubber companies should map only SDGs that relate to material ESG topics and company activities.

B7.1 SDG alignment matrix

Relevant SDG	Related MRC ESG Topics	Practical Company Contribution	Suggested Evidence / KPIs
SDG 3: Good Health and Well-being	OHS; Hazardous Substances; Water; Waste	Improve worker safety, chemical controls, first aid, emergency response, and pollution prevention.	OHS incidents, HIRARC, training, PPE, chemical storage records.
SDG 5: Gender Equality	DEI; Pay and Equal Remuneration; Workers' Rights	Promote equal opportunity, non-discrimination, anti-harassment, and fair pay.	Workforce data, grievance records, pay review, training records.
SDG 6: Clean Water and Sanitation	Water; Waste; Soil Health; Hazardous Substances	Improve water efficiency, effluent treatment, spill prevention, and pollution control.	Water withdrawal, effluent reports, WWTP logs, spill records.
SDG 7: Affordable and Clean Energy	Energy; Emissions	Improve energy efficiency and assess renewable energy options.	Energy use, energy intensity, renewable energy records.
SDG 8: Decent Work and Economic Growth	Workers' Rights; Forced Labour; Child Labour; OHS; Training; Pay	Support fair employment, lawful wages, safe work, ethical recruitment, and skills development.	Contracts, payroll, working hours, training hours, grievances.
SDG 10: Reduced Inequalities	DEI; Human Rights; Migrant Worker Protection	Support inclusion, non-discrimination, migrant worker communication, and grievance access.	Workforce profile, translated materials, grievance closure records.
SDG 12: Responsible Consumption and Production	Material Use; Waste; Hazardous Substances; Supplier Due Diligence	Improve material efficiency, waste recovery, chemical management, and responsible sourcing.	Waste data, recycling rate, chemical register, supplier screening.

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Relevant SDG	Related MRC ESG Topics	Practical Company Contribution	Suggested Evidence / KPIs
SDG 13: Climate Action	Emissions; Energy; Climate Disclosure	Calculate emissions, improve energy efficiency, and assess climate risks.	Scope 1 and 2 emissions, energy tracker, climate risk screening.
SDG 15: Life on Land	Deforestation; Land Use; Biodiversity; Indigenous Peoples	Support no-deforestation, ecosystem protection, land rights awareness, and supplier traceability.	Supplier origin data, no-deforestation declarations, biodiversity screening.
SDG 16: Peace, Justice and Strong Institutions	Business Ethics; Anti-Corruption; Governance; Regulatory Compliance	Strengthen ethics, anti-corruption, whistleblowing, accurate records, and compliance.	ABAC training, conflict register, gift register, whistleblowing records.
SDG 17: Partnerships for the Goals	Stakeholder Engagement; Supplier Due Diligence; Public Policy	Engage customers, suppliers, industry bodies, regulators, and communities.	Engagement log, supplier briefings, industry participation records.

B7.2 SDG reporting caution

Companies should avoid simply placing SDG icons in the report without evidence. Each SDG claim should be linked to:

a. material ESG topic;
b. company action;
c. KPI or evidence;
d. reporting boundary;
e. progress or limitation; and
f. future improvement plan.

B7.3 SDG gap indicators

Common Gap	Improvement Action
Too many SDGs are mapped without evidence.	Map only SDGs linked to material ESG topics and company actions.
SDG mapping is not linked to KPIs.	Add indicators such as energy intensity, waste diversion, OHS training, or supplier screening.
SDG claims are generic.	Explain specific company contribution and limitations.
SDG mapping ignores negative impacts.	Report both contributions and material risks or gaps.

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B8. NSRF, TCFD, TNFD, and i-ESG Alignment

This section consolidates alignment with Malaysia's **National Sustainability Reporting Framework**, or **NSRF**, climate-related disclosure expectations under **TCFD** and **IFRS S2**, nature-related expectations under **TNFD**, and MITI's **i-ESG Framework** for the manufacturing sector.

The NSRF provides a phased approach to sustainability reporting and allows companies to gradually adopt ISSB standards, with a climate-first approach and transition reliefs such as additional time for more complex reporting, including Scope 3 GHG emissions. (Securities Commission Malaysia) TCFD recommendations are structured around governance, strategy, risk management, and metrics and targets. (TCFD) TNFD recommendations are structured around governance, strategy, risk and impact management, and metrics and targets, and include engagement with Indigenous Peoples, local communities, and affected stakeholders in nature-related assessment. (TNFD) IFRS S1 and IFRS S2 require disclosures on governance, strategy, risk management, and metrics and targets for sustainability-related and climate-related risks and opportunities. (IFRS Foundation) MITI's i-ESG Framework aims to build and strengthen systems that encourage and enhance ESG practices in Malaysia's manufacturing sector. (MITI)

B8.1 NSRF alignment matrix

NSRF-Relevant Area	Related MRC ESG Topics	Practical Alignment for Companies	Suggested Evidence / Verifiers
Governance	Corporate Governance; Transparency and Risk Management	Disclose ESG oversight, roles, data ownership, and approval processes.	Governance chart, ESG Committee minutes, data ownership matrix.
Strategy	Materiality; ESG Action Plan; Continuous Improvement	Explain ESG risks, opportunities, targets, and business relevance.	Materiality assessment, ESG Risk Register, ESG Action Plan.
Risk management	Transparency and Risk Management; Regulatory Risk; Supplier Due Diligence	Identify, assess, prioritise, monitor, and escalate ESG risks.	ESG Risk Register, regulatory register, supplier risk matrix.
Metrics and targets	ESG Reporting; Data Collection; Environmental and Social KPIs	Track ESG data and progress against targets.	KPI dashboard, data inventory, GHG workbook, target register.
Climate-first reporting	Emissions; Energy; Climate Transition Considerations	Start with Scope 1 and Scope 2 emissions, energy use, and climate risk screening.	Energy records, fuel records, emissions workbook, climate risk review.
Transition relief and readiness	ESG Action Plan; Evidence Management	Improve data quality and phase in complex reporting such as Scope 3.	Data gap register, assumptions register, improvement plan.

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B8.2 TCFD / IFRS S2 climate alignment matrix

Climate Disclosure Area	Related MRC ESG Topics	Practical Alignment for Companies	Suggested Evidence / Verifiers
Governance	Corporate Governance; Emissions; Energy	Define who oversees climate, emissions, energy, and transition risks.	ESG governance chart, management review, climate risk agenda.
Strategy	Emissions; Energy; Water; Supply Chain; Regulatory Risk	Identify how climate risks and opportunities may affect operations, supply chain, costs, and customers.	Climate risk screening, energy review, customer requirement matrix.
Risk management	ESG Risk Register; Regulatory Risk; Supplier Due Diligence	Assess physical risks, transition risks, customer risks, and energy cost risks.	ESG Risk Register, climate risk register, supplier risk assessment.
Metrics and targets	Emissions; Energy; ESG Action Plan	Track Scope 1, Scope 2, relevant Scope 3, energy intensity, and reduction targets.	GHG workbook, energy tracker, target register, emissions intensity calculation.
Physical risks	Water; OHS; Local Communities; Soil Health	Assess flooding, heat, water stress, extreme weather, and operational disruption.	Water stress assessment, incident records, emergency plan.
Transition risks	Emissions; Regulatory Risk; Customer Requirements	Assess carbon data requests, energy transition, product carbon footprint, and market access.	Customer ESG requests, emissions data, action plan.
Climate opportunities	Energy; Emissions; Material Use; Waste	Identify energy efficiency, renewable energy, resource efficiency, and low-carbon products.	Energy audit, project register, cost saving calculation.

B8.3 TNFD nature alignment matrix

Nature Disclosure Area	Related MRC ESG Topics	Practical Alignment for Companies	Suggested Evidence / Verifiers
Governance	Corporate Governance; Biodiversity; Land Use	Define oversight of nature-related risks and dependencies.	ESG governance records, biodiversity screening, management review.
Strategy	Deforestation; Sustainable Land Use; Biodiversity; Water	Assess how land, water, ecosystems, and supplier sourcing affect business.	Sourcing maps, water stress assessment, biodiversity risk screening.
Risk and impact management	ESG Risk Register; Supplier Due Diligence; Environmental Management	Identify, assess, and manage nature-related impacts and dependencies.	ESG Risk Register, supplier screening, incident records.
Metrics and targets	Deforestation; Biodiversity; Water; Waste; Soil	Track supplier traceability, water use, waste, spills, land use, and biodiversity actions.	Traceability records, water data, waste data, spill records.

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Nature Disclosure Area	Related MRC ESG Topics	Practical Alignment for Companies	Suggested Evidence / Verifiers
Location of nature-related issues	Deforestation; Land Use; Indigenous Peoples; Local Communities	Identify where nature-related risks occur, including own sites and sourcing areas.	Site maps, sourcing area maps, supplier geolocation, community records.
Indigenous Peoples and local communities	Rights of Indigenous Peoples; Local Communities; Stakeholder Engagement	Engage affected communities and consider land, culture, livelihood, and access issues.	Stakeholder map, engagement records, grievance register.

B8.4 MITI i-ESG alignment matrix

i-ESG-Relevant Area	Related MRC ESG Topics	Practical Alignment for Companies	Suggested Evidence / Verifiers
Manufacturing sector ESG adoption	All 29 ESG topics	Use the Guidelines as a practical ESG implementation roadmap for rubber manufacturers.	ESG Checklist, self-assessment, action plan.
Environmental improvement	Energy; Emissions; Water; Waste; Hazardous Substances	Strengthen resource efficiency, pollution prevention, emissions tracking, and environmental compliance.	Energy tracker, GHG workbook, water and waste records.
Social responsibility	Workers' Rights; OHS; Human Rights; Training; Pay	Improve worker safety, labour standards, fair pay, training, and grievance access.	HR records, OHS records, training records, grievance register.
Governance and compliance	Corporate Governance; Business Ethics; Anti-Corruption; Regulatory Risk	Strengthen policies, risk management, compliance, ethics, and oversight.	Code of Conduct, ABAC Policy, legal register, governance records.
Capacity building	Training and Development; ESG Data Systems; Continuous Improvement	Build ESG competency among management, data owners, workers, and suppliers.	Training plan, attendance records, data owner training.
Market readiness	Supplier Due Diligence; ESG Reporting; EUDR Alignment	Improve customer response, export readiness, traceability, and reporting credibility.	Customer request tracker, evidence pack, supplier due diligence records.

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B8.5 NSRF, TCFD, TNFD, and i-ESG gap indicators

Common Gap	Improvement Action
Climate governance is not defined.	Add climate and emissions review to ESG governance and management review agenda.
Scope 1 and Scope 2 emissions are not calculated.	Collect fuel and electricity data and prepare GHG workbook.
Scope 3 is not screened.	Conduct Scope 3 screening and prioritise purchased materials, logistics, waste, and natural rubber sourcing.
Nature-related risks are not assessed.	Screen own sites and sourcing areas for water, biodiversity, deforestation, and community risks.
ESG data is not reliable enough for NSRF-aligned reporting.	Establish data inventory, data owners, quality checks, and evidence packs.
i-ESG adoption is not linked to action planning.	Use self-assessment results to develop ESG Action Plan and training plan.

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B9. Consolidated Framework Alignment Matrix

The following matrix summarises how the 29 ESG topics support the major frameworks and requirements covered in this appendix.

MRC ESG Topic	MSNR	EUDR	CSDDD	GPSNR	FSC / PEFC / PBNC	GRI	SDG	NSRF / TCFD / TNFD / i-ESG
Deforestation	High	High	Medium	High	Medium / High where certified or verified sourcing applies	Medium	SDG 15	TNFD, i-ESG
Sustainable Land Use	High	High	Medium	High	Medium	Medium	SDG 15	TNFD
Biodiversity	Medium	Medium	Medium	High	Medium	Medium	SDG 15	TNFD
Emissions	Medium	Low / Medium	Medium	Medium	Low / Medium	High	SDG 13	NSRF, TCFD, IFRS S2, i-ESG
Material Use and Circularity	Medium	Low / Medium	Medium	Medium	Medium	Medium	SDG 12	i-ESG
Hazardous Substances	Medium	Low	Medium	Medium	Medium	Medium	SDG 3, 12	i-ESG
Energy	Medium	Low	Medium	Medium	Low / Medium	High	SDG 7, 13	NSRF, TCFD, IFRS S2, i-ESG
Soil Health	Medium	Medium	Medium	Medium	Medium	Medium	SDG 15	TNFD
Water	Medium	Low / Medium	Medium	Medium	Medium	High	SDG 6	TNFD, i-ESG
Waste	Medium	Low	Medium	Medium	Medium	High	SDG 12	i-ESG
Human Rights and Social Impact	Medium	Low / Medium	High	High	Medium / High	High	SDG 8, 10, 16	NSRF, i-ESG
DEI	Low / Medium	Low	Medium	Medium	Medium	Medium	SDG 5, 10	i-ESG
Workers' Rights	Medium	Low	High	High	Medium / High	High	SDG 8	i-ESG
OHS	Medium	Low	High	High	Medium / High	High	SDG 3, 8	i-ESG
Child Labour	Medium	Low / Medium	High	High	Medium / High	High	SDG 8, 16	i-ESG
Forced Labour	Medium	Low / Medium	High	High	Medium / High	High	SDG 8, 16	i-ESG

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MRC ESG Topic	MSNR	EUDR	CSDDD	GPSNR	FSC / PEFC / PBNC	GRI	SDG	NSRF / TCFD / TNFD / i-ESG
Rights of Indigenous Peoples	Medium	Medium	High	High	High where land or forest certification applies	Medium	SDG 10, 15, 16	TNFD
Local Communities	Medium	Low / Medium	High	High	High where land or forest certification applies	High	SDG 11, 16	TNFD
Freedom of Association	Medium	Low	High	High	Medium / High	Medium	SDG 8, 16	i-ESG
Training and Development	Medium	Low	Medium	Medium	Medium	Medium	SDG 4, 8	i-ESG
Pay and Equal Remuneration	Medium	Low	High	High	Medium	Medium	SDG 5, 8, 10	i-ESG
Supply Chain Traceability	High	High	High	High	High	Medium / High	SDG 12, 15, 17	NSRF, TNFD, i-ESG
Corporate Governance	Medium	Medium	High	Medium	Medium	High	SDG 16	NSRF, TCFD, TNFD, i-ESG
Business Ethics	Medium	Medium	High	Medium	Medium	Medium	SDG 16	NSRF, i-ESG
Transparency and Risk Management	High	High	High	High	High	High	SDG 16, 17	NSRF, TCFD, TNFD, i-ESG
Tax Practices	Low / Medium	Low	Medium	Low / Medium	Low	Medium	SDG 16	NSRF, i-ESG
Anti-Corruption	Medium	Medium	High	Medium	Medium	High	SDG 16	NSRF, i-ESG
Stakeholder Engagement	Medium	Medium	High	High	High	High	SDG 17	NSRF, TCFD, TNFD, i-ESG
Regulatory Risk and Public Policy	Medium	High	High	Medium	Medium	Medium	SDG 16, 17	NSRF, i-ESG

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B10. Framework Alignment Evidence Pack

Companies should maintain a **Framework Alignment Evidence Pack** where customers, regulators, financiers, certification bodies, or internal management require cross-framework evidence.

Evidence Pack Section	Contents
Framework applicability assessment	Which frameworks apply directly, indirectly, customer-triggered, or not currently applicable.
Framework alignment matrix	Mapping of MRC topics to MSNR, EUDR, CSDDD, GPSNR, FSC, PEFC, PBNC, GRI, SDG, NSRF, TCFD, TNFD, and i-ESG.
Topic evidence files	Evidence by ESG topic.
Supplier due diligence files	Supplier questionnaires, declarations, certificates, risk ratings, CAPs.
Traceability evidence	Purchase records, batch records, origin, geolocation, chain-of-custody records.
ESG reporting evidence	ESG report, GRI index, SDG mapping, assumptions, omissions, approvals.
Climate and emissions evidence	Energy records, fuel records, GHG workbook, Scope 3 screening, climate risk review.
Nature-related evidence	Biodiversity, water, land use, deforestation, Indigenous Peoples, and community screening.
Human rights due diligence evidence	Human rights risk assessment, grievance records, remediation records, supplier labour screening.
Governance evidence	ESG governance, Code of Conduct, ABAC, risk register, compliance register, management review.
Disclosure approval records	Management approval, disclosure review checklist, claim substantiation record.

Minimum Implementation Outputs for Appendix B

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

Output	Purpose
Framework Applicability Assessment	Determines which frameworks apply directly, indirectly, through customers, or not currently.
Framework Alignment Matrix	Maps the 29 ESG topics to MSNR, EUDR, CSDDD, GPSNR, FSC, PEFC, PBNC, GRI, SDGs, NSRF, TCFD, TNFD, and i-ESG.
MSNR Evidence File	Supports sustainable natural rubber and traceability evidence.
EUDR-Oriented Evidence File	Supports customer requests on origin, geolocation, legality, no-deforestation, and due diligence.
CSDDD Readiness File	Supports human rights and environmental due diligence requests from customers.
GPSNR Alignment File	Supports sustainable natural rubber sourcing and supplier responsibility.
FSC / PEFC / PBNC Chain-of-Custody File	Supports certified or verified material handling, traceability, and claim control.
GRI Content Index	Maps ESG report contents to selected GRI disclosures where relevant.
SDG Mapping Table	Links material ESG topics to relevant SDGs with evidence.

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Output	Purpose
NSRF / TCFD / TNFD / i-ESG Alignment Record	Supports climate, nature, governance, risk management, and manufacturing ESG readiness.
Framework Gap Register	Records missing data, evidence, controls, or supplier information required for alignment.
Framework Action Plan	Assigns owners, timelines, and evidence requirements to close framework alignment gaps.
Management Approval Record	Confirms review and approval of framework mapping, claims, omissions, and customer submissions.

Used properly, Appendix B helps rubber processors and manufacturers connect the MRC ESG Guidelines to the frameworks and requirements most relevant to market access, customer confidence, responsible sourcing, ESG reporting, certification readiness, regulatory preparedness, and continuous improvement.

Appendix C: ESG Policy Templates

The following templates may be adapted by companies, project developers, contractors, suppliers, and other organizations implementing the ESG Guidelines. Each template should be reviewed and approved by senior management and, where appropriate, the Board of Directors.

Users should replace all bracketed text, such as **[Company Name]**, with organization-specific information.

C1. ESG Policy

ESG Policy of [Company Name]

Document owner: [ESG Manager / Sustainability Manager / Compliance Officer]
Approved by: [Board of Directors / Managing Director / Chief Executive Officer]
Effective date: [Date]
Review frequency: [Annually / Every two years]
Version: [Version number]

1. Purpose

[Company Name] is committed to conducting its business in a responsible, ethical, transparent, and sustainable manner. This ESG Policy sets out our commitment to managing environmental, social, and governance risks and opportunities across our operations, projects, supply chains, and business relationships.

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The purpose of this policy is to provide a clear framework for integrating ESG considerations into decision-making, risk management, operations, procurement, stakeholder engagement, and reporting.

2. Scope

This policy applies to:

- *All employees, directors, officers, and managers of [Company Name].*
- *All operations, facilities, offices, projects, and business activities controlled by [Company Name].*
- *Contractors, suppliers, consultants, joint venture partners, and other third parties acting on behalf of or providing goods and services to [Company Name].*

Where [Company Name] does not have full operational control, we will seek to influence our business partners to apply ESG standards consistent with this policy.

3. ESG Commitments

[Company Name] commits to:

Environmental Responsibility

We will:

- *Comply with applicable environmental laws, regulations, permits, and standards.*
- *Identify, assess, and manage environmental risks and impacts.*
- *Use energy, water, land, and raw materials efficiently.*
- *Prevent pollution and reduce emissions, waste, and harmful discharges.*
- *Support climate change mitigation and adaptation where relevant.*
- *Protect biodiversity, ecosystems, and natural resources.*
- *Promote responsible waste management, including reduction, reuse, recycling, and safe disposal.*

Social Responsibility

We will:

- *Respect internationally recognized human rights.*
- *Provide safe, healthy, and fair working conditions.*
- *Prohibit forced labour, child labour, human trafficking, harassment, and discrimination.*
- *Respect workers' rights to fair wages, reasonable working hours, freedom of association, and collective bargaining where permitted by law.*
- *Engage meaningfully with affected communities and stakeholders.*
- *Avoid, minimize, and manage adverse impacts on communities, livelihoods, land, culture, and vulnerable groups.*
- *Maintain accessible grievance mechanisms for workers, communities, and other stakeholders.*

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Governance Responsibility

We will:

- *Conduct business with integrity, accountability, and transparency.*
- *Prohibit bribery, corruption, fraud, extortion, money laundering, and conflicts of interest.*
- *Maintain accurate records and internal controls.*
- *Protect confidential information, personal data, and company assets.*
- *Promote responsible procurement and supplier management.*
- *Encourage reporting of concerns without fear of retaliation.*
- *Monitor ESG performance and report relevant information to stakeholders where appropriate.*

4. ESG Risk Management

[Company Name] will integrate ESG risk identification and management into its business processes, including:

- *Project planning and approval.*
- *Investment decisions.*
- *Procurement and supplier selection.*
- *Contractor management.*
- *Environmental and social impact assessments.*
- *Operational risk assessments.*
- *Emergency preparedness and response.*
- *Monitoring, audits, and management reviews.*

ESG risks will be assessed based on their potential severity, likelihood, affected stakeholders, legal requirements, and reputational impact.

5. Stakeholder Engagement

[Company Name] will engage with stakeholders in a timely, inclusive, transparent, and culturally appropriate manner. Stakeholders may include employees, contractors, suppliers, customers, regulators, local communities, Indigenous Peoples or ethnic groups, civil society organizations, investors, and other affected parties.
Stakeholder engagement will be used to understand concerns, share information, receive feedback, manage impacts, and strengthen trust.

6. Grievance and Reporting Mechanisms

[Company Name] will maintain channels for employees, communities, suppliers, and other stakeholders to raise concerns related to ESG matters.
Reports may be made through:

[Email address]
[Telephone hotline]
[Online reporting platform]
[Community liaison officer]
[Suggestion box or local office]

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[Company Name] prohibits retaliation against any person who raises a concern in good faith.

7. Roles and Responsibilities

- *The Board of Directors or senior management is responsible for oversight of ESG performance.*
- *The ESG Manager or designated responsible person is responsible for coordinating ESG implementation, monitoring, reporting, and training.*
- *Managers are responsible for applying this policy in their departments and ensuring that employees and contractors understand their responsibilities.*
- *Employees, contractors, and suppliers are responsible for complying with this policy and reporting actual or suspected violations.*

8. Training and Communication

[Company Name] will communicate this policy to employees, contractors, suppliers, and relevant business partners. Training will be provided based on role, risk exposure, and operational needs.

9. Monitoring and Review

[Company Name] will monitor ESG performance through appropriate indicators, audits, inspections, incident reviews, stakeholder feedback, and management reviews.
This policy will be reviewed at least [annually / every two years] or when there are significant changes in law, operations, ownership, project activities, or ESG risks.

10. Approval

Approved by: _____
Name: [Name]
Title: [Title]
Date: [Date]

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C2. Human Rights Policy

Human Rights Policy of [Company Name]

Document owner: [Human Resources Manager / ESG Manager / Compliance Officer]
Approved by: [Board of Directors / Managing Director / Chief Executive Officer]
Effective date: [Date]
Review frequency: [Annually / Every two years]
Version: [Version number]

1. Purpose

[Company Name] is committed to respecting human rights in all areas of its business. This Human Rights Policy sets out our commitment to identifying, preventing, mitigating, and addressing adverse human rights impacts connected to our operations, projects, products, services, and business relationships.

2. Scope

This policy applies to all employees, directors, officers, contractors, suppliers, consultants, security providers, labour agents, and other business partners acting for or on behalf of [Company Name].

3. Core Human Rights Commitments

[Company Name] commits to respecting internationally recognized human rights, including the rights of workers, local communities, vulnerable groups, women, children, migrant workers, Indigenous Peoples or ethnic groups, and persons with disabilities.
We will seek to avoid causing or contributing to adverse human rights impacts. Where impacts occur, we will take appropriate action to provide or support remedy.

4. Labour and Working Conditions

[Company Name] commits to:

- *Prohibit forced labour, bonded labour, prison labour, human trafficking, and all forms of modern slavery.*
- *Prohibit child labour and comply with legal minimum working age requirements.*
- *Provide fair wages, benefits, and working hours in accordance with applicable law.*
- *Provide safe and healthy working conditions.*
- *Prohibit harassment, intimidation, abuse, and discrimination.*

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- *Respect workers' rights to freedom of association and collective bargaining where permitted by law.*
- *Ensure recruitment practices are fair and transparent.*
- *Prohibit recruitment fees charged to workers.*
- *Ensure migrant workers are treated fairly and are not required to surrender passports, identity documents, or personal property as a condition of employment.*

5. Non-Discrimination and Equal Opportunity

[Company Name] provides equal opportunity and prohibits discrimination based on gender, age, race, ethnicity, nationality, religion, disability, marital status, pregnancy, political opinion, union membership, social origin, or any other status protected by law. Employment decisions will be based on merit, qualifications, performance, and business needs.

6. Community Rights and Impacts

[Company Name] will seek to avoid, minimize, and manage adverse impacts on local communities. This includes impacts related to land, livelihoods, access to natural resources, health and safety, cultural heritage, community cohesion, and vulnerable groups.
Where land acquisition, resettlement, livelihood restoration, or restrictions on land and resource access are relevant, [Company Name] will follow applicable law and responsible international practice.

7. Security and Human Rights

Where security personnel are used, [Company Name] will require them to act lawfully, responsibly, and proportionately. Security arrangements must respect human rights and avoid unnecessary force, intimidation, or abuse.
Security providers must be trained on expected conduct and must be subject to appropriate oversight.

8. Human Rights Due Diligence

[Company Name] will conduct human rights due diligence appropriate to the size, nature, and risk profile of its activities. This may include:

- *Identifying actual and potential human rights risks.*
- *Assessing impacts on workers, communities, and vulnerable groups.*
- *Integrating findings into management plans and procedures.*

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- *Tracking actions and outcomes.*
- *Communicating how risks and impacts are managed.*
- *Providing or supporting remedy where appropriate.*

9. Grievance Mechanism

[Company Name] will maintain accessible channels for workers, communities, and other stakeholders to raise human rights concerns. Grievance channels will be designed to be fair, transparent, confidential where needed, and free from retaliation.
Reports may be submitted through:

[Email address]
[Telephone hotline]
[Community liaison officer]
[Human Resources department]
[Online platform]

10. Supplier and Business Partner Expectations

[Company Name] expects suppliers, contractors, and business partners to respect human rights and comply with this policy or equivalent standards. Human rights expectations will be included in procurement, contracting, supplier screening, and monitoring processes.

11. Training and Communication

[Company Name] will communicate this policy to employees, contractors, suppliers, and relevant stakeholders. Training will be provided to employees and contractors whose roles involve higher human rights risks, such as human resources, procurement, security, community relations, project development, and site management.

12. Monitoring and Review

This policy will be reviewed at least [annually / every two years] or when significant changes occur in operations, legal requirements, stakeholder expectations, or human rights risks.

13. Approval

Approved by: _____
Name: [Name]
Title: [Title]
Date: [Date]

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C3. Supplier Code of Conduct

Supplier Code of Conduct of [Company Name]

Document owner: [Procurement Manager / ESG Manager / Compliance Officer]
Approved by: [Board of Directors / Managing Director / Chief Executive Officer]
Effective date: [Date]
Review frequency: [Annually / Every two years]
Version: [Version number]

1. Purpose

[Company Name] is committed to responsible procurement and expects its suppliers, contractors, subcontractors, consultants, agents, and other business partners to operate ethically, legally, safely, and sustainably.

This Supplier Code of Conduct sets out the minimum standards expected of all suppliers doing business with [Company Name].

2. Scope

This Code applies to all suppliers, contractors, subcontractors, consultants, agents, intermediaries, service providers, and business partners providing goods or services to [Company Name].

Suppliers are responsible for ensuring that their own employees, subcontractors, and supply chains comply with this Code.

3. Legal Compliance

Suppliers must comply with all applicable laws, regulations, permits, licenses, contractual requirements, and industry standards in the countries where they operate.

Where this Code sets a higher standard than local law, suppliers are expected to follow this Code unless doing so would violate applicable law.

4. Business Ethics

Suppliers must conduct business with honesty, fairness, integrity, and transparency.

Suppliers must not engage in:

- *Bribery or corruption.*
- *Fraud, extortion, or embezzlement.*

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- *Money laundering.*
- *Tax evasion.*
- *Bid rigging or anti-competitive conduct.*
- *Conflicts of interest that are not disclosed.*
- *Falsification of records or documents.*

Suppliers must maintain accurate business records and provide truthful information to [Company Name].

5. Gifts, Hospitality, and Conflicts of Interest

Suppliers must not offer gifts, hospitality, entertainment, payments, favours, or other benefits intended to improperly influence business decisions.

Any actual or potential conflict of interest involving [Company Name] employees, directors, officers, or representatives must be disclosed promptly to [Contact Department / Email].

6. Labour and Human Rights

Suppliers must respect human rights and provide fair working conditions.

Suppliers must:

- *Prohibit forced labour, bonded labour, human trafficking, and modern slavery.*
- *Prohibit child labour and comply with legal minimum age requirements.*
- *Provide wages, benefits, and working hours in accordance with applicable law.*
- *Provide workers with clear information about employment terms.*
- *Prohibit discrimination, harassment, abuse, and intimidation.*
- *Respect freedom of association and collective bargaining where permitted by law.*
- *Ensure migrant and temporary workers are treated fairly.*
- *Avoid charging recruitment fees to workers.*
- *Ensure workers are not required to surrender identity documents as a condition of employment.*

7. Occupational Health and Safety

Suppliers must provide a safe and healthy workplace and take reasonable steps to prevent work-related injuries and illnesses.

Suppliers must:

- *Comply with applicable OHS laws and standards.*
- *Identify and manage workplace hazards.*

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- *Provide appropriate training, supervision, and protective equipment.*
- *Maintain safe equipment, machinery, vehicles, and facilities.*
- *Prepare for emergencies.*
- *Report and investigate incidents.*
- *Ensure workers have the right to stop unsafe work without retaliation.*

8. Environmental Management

Suppliers must conduct operations in an environmentally responsible manner.

Suppliers must:

- *Comply with environmental laws, permits, and standards.*
- *Prevent pollution and reduce emissions, waste, and discharges.*
- *Use energy, water, raw materials, and natural resources efficiently.*
- *Manage hazardous substances safely.*
- *Protect biodiversity and ecosystems where relevant.*
- *Support waste reduction, reuse, recycling, and responsible disposal.*
- *Report environmental incidents that may affect [Company Name], project sites, communities, or regulatory compliance.*

9. Community and Land Impacts

Where suppliers' activities may affect local communities, land, livelihoods, cultural heritage, or natural resources, suppliers must manage those impacts responsibly and in accordance with applicable law and contractual requirements.

Suppliers must treat community members respectfully and must not engage in intimidation, unlawful land use, or activities that harm community health and safety.

10. Confidentiality, Data Protection, and Intellectual Property

Suppliers must protect confidential information, personal data, intellectual property, and business information belonging to [Company Name], its customers, employees, and business partners.

Suppliers must not misuse or disclose confidential information without authorization.

11. Monitoring and Audit

[Company Name] may assess supplier compliance with this Code through questionnaires, document reviews, site visits, audits, interviews, or other reasonable methods.

Suppliers must cooperate with such assessments and provide accurate information.

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12. Corrective Actions

Where non-compliance is identified, suppliers must take timely corrective action. [Company Name] may suspend or terminate business relationships where suppliers fail to correct serious or repeated violations.

13. Reporting Concerns

Suppliers must report actual or suspected violations of this Code to [Company Name] through:

[Email address]
[Telephone hotline]
[Online reporting platform]
[Procurement contact]

[Company Name] prohibits retaliation against anyone who raises a concern in good faith.

14. Supplier Acknowledgement

Supplier name: _____
Representative name: _____
Title: _____
Signature: _____
Date: _____

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C4. Anti-Bribery and Anti-Corruption Policy

Anti-Bribery and Anti-Corruption Policy of [Company Name]

Document owner: [Compliance Officer / Legal Counsel / ESG Manager]
Approved by: [Board of Directors / Managing Director / Chief Executive Officer]
Effective date: [Date]
Review frequency: [Annually / Every two years]
Version: [Version number]

1. Purpose

[Company Name] is committed to conducting business with integrity and in compliance with applicable anti-bribery and anti-corruption laws. This policy sets out the standards that all employees, directors, officers, contractors, suppliers, agents, consultants, and business partners must follow.

2. Scope

This policy applies to:

- *All employees, directors, officers, and managers of [Company Name].*
- *All subsidiaries, branches, offices, projects, and operations controlled by [Company Name].*
- *Contractors, suppliers, consultants, agents, intermediaries, joint venture partners, and other third parties acting for or on behalf of [Company Name].*

3. Policy Statement

[Company Name] prohibits bribery and corruption in any form.

No person acting for or on behalf of [Company Name] may offer, promise, give, request, accept, or authorize anything of value to improperly influence a business decision, obtain or retain business, secure an improper advantage, or reward improper conduct.

This prohibition applies to dealings with both public officials and private parties.

4. Definitions

***Bribery** means offering, giving, requesting, receiving, or authorizing anything of value to improperly influence a decision or action.*

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Corruption *means abuse of entrusted power for private gain.*

Anything of value *may include cash, gifts, meals, travel, entertainment, discounts, loans, employment opportunities, donations, sponsorships, political contributions, favours, or other benefits.*

Public official *may include government officials, employees of state-owned enterprises, political candidates, political party officials, customs or tax officials, police, military personnel, judges, regulators, and employees of public international organizations.*

5. Gifts, Hospitality, and Entertainment

Gifts, hospitality, and entertainment must be reasonable, lawful, infrequent, transparent, and directly related to legitimate business purposes.

They must not:

- *Be offered or accepted to improperly influence a decision.*
- *Be excessive or inappropriate.*
- *Involve cash or cash equivalents.*
- *Create a conflict of interest.*
- *Violate law, contract terms, or the recipient's own policies.*
- *Be hidden, misreported, or recorded inaccurately.*

Pre-approval is required for gifts, hospitality, or entertainment above [insert threshold] or involving public officials.

6. Facilitation Payments

[Company Name] prohibits facilitation payments, even where such payments may be customary in a location. Facilitation payments are small unofficial payments made to speed up or secure routine actions, such as processing permits, customs clearance, inspections, utilities, or official documents.

Where an employee believes there is an immediate threat to personal safety, the employee should prioritize safety and report the incident as soon as possible to [Compliance Officer / Manager].

7. Political Contributions

[Company Name] does not make political contributions unless they are lawful, transparent, approved in advance by [Board / CEO / Compliance Officer], and accurately recorded.

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Employees must not use company funds, assets, resources, or working time for political activities without authorization.

8. Charitable Donations and Sponsorships

Charitable donations and sponsorships must be lawful, transparent, properly approved, and made for legitimate purposes.

They must not be used to disguise bribery, improperly influence a decision, or obtain an unfair business advantage.

All charitable donations and sponsorships must be documented and recorded accurately.

9. Third Parties and Intermediaries

[Company Name] may be held responsible for improper conduct by third parties acting on its behalf. Therefore, risk-based due diligence must be conducted before engaging agents, consultants, brokers, lobbyists, customs agents, distributors, joint venture partners, or other intermediaries.

Third parties must:

- *Be selected based on legitimate business needs.*
- *Be subject to appropriate due diligence.*
- *Agree to anti-bribery and anti-corruption obligations.*
- *Be paid reasonable compensation for legitimate services.*
- *Maintain accurate records.*
- *Avoid improper payments or influence.*

10. Conflicts of Interest

Employees and business partners must avoid conflicts of interest and must disclose actual, potential, or perceived conflicts promptly.

Examples include:

- *Personal or family relationships with suppliers, customers, public officials, or business partners.*
- *Outside employment or business interests that affect company duties.*
- *Personal financial interests in a company doing business with [Company Name].*
- *Accepting benefits that may influence business judgment.*

11. Books, Records, and Internal Controls

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[Company Name] will maintain accurate books, records, accounts, invoices, and supporting documents.

Employees and third parties must not:

- *Create false, misleading, incomplete, or artificial records.*
- *Hide payments or transactions.*
- *Misclassify expenses.*
- *Use off-book accounts.*
- *Approve payments without proper documentation.*

12. Reporting Concerns

Employees, suppliers, contractors, and other stakeholders must report suspected bribery, corruption, fraud, conflicts of interest, or violations of this policy.

Reports may be made through:

[Email address]
[Telephone hotline]
[Online reporting platform]
[Compliance Officer]
[Line manager]

[Company Name] prohibits retaliation against any person who raises a concern in good faith.

13. Investigation and Discipline

[Company Name] will review and, where appropriate, investigate reported concerns. Violations of this policy may result in disciplinary action, contract termination, legal action, or reporting to authorities where required.

14. Training and Communication

[Company Name] will provide anti-bribery and anti-corruption training to employees and relevant third parties based on role and risk exposure. This policy will be communicated to employees, contractors, suppliers, agents, and relevant business partners.

15. Monitoring and Review

[Company Name] will monitor compliance with this policy through risk assessments, due diligence, audits, management reviews, transaction testing, and reporting mechanisms.

This policy will be reviewed at least [annually / every two years].

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16. Approval

Approved by: _____
Name: [Name]
Title: [Title]
Date: [Date]

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C5. Environmental Policy

Environmental Policy of [Company Name]

Document owner: [Environmental Manager / ESG Manager / Operations Manager]
Approved by: [Board of Directors / Managing Director / Chief Executive Officer]
Effective date: [Date]
Review frequency: [Annually / Every two years]
Version: [Version number]

1. Purpose

[Company Name] recognizes that responsible environmental management is essential to sustainable business performance. This Environmental Policy sets out our commitment to preventing pollution, conserving natural resources, protecting biodiversity, managing environmental risks, and improving environmental performance.

2. Scope

This policy applies to all operations, facilities, projects, employees, contractors, suppliers, and business activities under the control of [Company Name].

Where contractors or suppliers perform work for [Company Name], they are expected to comply with this policy and applicable environmental requirements.

3. Environmental Commitments

[Company Name] commits to:

- *Comply with applicable environmental laws, regulations, permits, licenses, and standards.*
- *Identify, assess, and manage environmental risks and impacts.*
- *Prevent pollution and minimize adverse environmental impacts.*
- *Use energy, water, land, raw materials, and natural resources efficiently.*
- *Reduce greenhouse gas emissions where practicable.*
- *Manage waste responsibly using the waste hierarchy: avoid, reduce, reuse, recycle, recover, and dispose safely.*
- *Manage hazardous materials and chemicals safely.*
- *Protect biodiversity, ecosystems, habitats, and natural resources.*
- *Prevent illegal deforestation, wildlife harm, and unauthorized land disturbance.*
- *Prepare for and respond to environmental incidents and emergencies.*
- *Promote environmental awareness among employees, contractors, and suppliers.*

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- *Monitor and improve environmental performance over time.*

4. Environmental Risk Management

[Company Name] will identify and manage environmental risks throughout the project and business lifecycle, including planning, design, procurement, construction, operation, maintenance, closure, and decommissioning where relevant.

- *Environmental risk assessments may consider:*
- *Air emissions and dust.*
- *Greenhouse gas emissions and energy use.*
- *Water use, wastewater, and stormwater.*
- *Soil and groundwater contamination.*
- *Noise and vibration.*
- *Waste and hazardous waste.*
- *Chemicals and hazardous substances.*
- *Biodiversity, habitats, and protected areas.*
- *Land use and land disturbance.*
- *Community health and environmental nuisance.*
- *Climate-related physical risks such as flooding, drought, heat, storms, and erosion.*

5. Pollution Prevention

[Company Name] will seek to prevent pollution at source. Where prevention is not possible, we will reduce, control, treat, or safely manage emissions, discharges, and waste.

Pollution controls may include operational procedures, engineering controls, maintenance, inspections, monitoring, spill prevention, emergency response, and employee training.

6. Resource Efficiency and Climate

[Company Name] will seek opportunities to improve energy efficiency, reduce fuel consumption, reduce water use, improve material efficiency, and lower greenhouse gas emissions.

Where relevant, [Company Name] will consider climate risks and opportunities in planning, design, operations, and business continuity.

7. Water Management

[Company Name] will use water responsibly and seek to avoid adverse impacts on water quality, water availability, aquatic ecosystems, and community water users.

Water-related measures may include:

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- *Efficient water use.*
- *Wastewater treatment and monitoring.*
- *Stormwater management.*
- *Spill prevention.*
- *Protection of rivers, lakes, wetlands, groundwater, and drainage systems.*
- *Engagement with affected water users where relevant.*

8. Biodiversity and Natural Resources

[Company Name] will seek to avoid, minimize, restore, and, where appropriate, offset adverse impacts on biodiversity and ecosystem services.

Activities in or near protected areas, critical habitats, forests, wetlands, rivers, or culturally significant landscapes must be assessed and managed carefully.

9. Waste and Hazardous Materials

[Company Name] will manage waste and hazardous materials in a safe, legal, and environmentally responsible manner.

Hazardous materials must be stored, labelled, handled, transported, and disposed of properly. Employees and contractors working with such materials must receive appropriate training and protective equipment.

10. Emergency Preparedness and Response

[Company Name] will establish procedures to prevent, prepare for, and respond to environmental emergencies, including spills, leaks, fires, floods, extreme weather events, and accidental releases.

Environmental incidents must be reported, investigated, corrected, and documented.

11. Contractor and Supplier Requirements

Contractors and suppliers must comply with applicable environmental laws, permits, site rules, and contractual environmental requirements. [Company Name] may monitor contractor and supplier environmental performance through inspections, audits, reports, or corrective action plans.

12. Training and Awareness

[Company Name] will provide environmental training and awareness programs appropriate to employee and contractor roles. Training may cover waste management, spill prevention,

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emergency response, resource efficiency, environmental permits, biodiversity protection, and incident reporting.

13. Monitoring and Reporting

[Company Name] will monitor environmental performance using relevant indicators, which may include:

- *Energy consumption.*
- *Fuel consumption.*
- *Water withdrawal and discharge.*
- *Waste generation and recycling.*
- *Greenhouse gas emissions.*
- *Environmental incidents.*
- *Permit compliance.*
- *Biodiversity management actions.*
- *Corrective action completion.*

Performance will be reviewed by management and communicated to stakeholders where appropriate.

14. Continuous Improvement

[Company Name] will set environmental objectives and targets where appropriate and will seek continuous improvement in environmental management and performance.

15. Approval

Approved by: _____
Name: [Name]
Title: [Title]
Date: [Date]

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C6. Occupational Health and Safety Policy

Occupational Health and Safety Policy of [Company Name]

Document owner: [OHS Manager / HSE Manager / Operations Manager]
Approved by: [Board of Directors / Managing Director / Chief Executive Officer]
Effective date: [Date]
Review frequency: [Annually / Every two years]
Version: [Version number]

1. Purpose

[Company Name] is committed to providing a safe and healthy workplace for employees, contractors, visitors, and others who may be affected by our activities. This Occupational Health and Safety Policy sets out our commitment to preventing work-related injuries, illnesses, incidents, and unsafe conditions.

2. Scope

This policy applies to all employees, contractors, subcontractors, suppliers, consultants, visitors, facilities, vehicles, equipment, project sites, and operations under the control of [Company Name].

3. OHS Commitments

[Company Name] commits to:

- *Comply with applicable occupational health and safety laws, regulations, permits, and standards.*
- *Identify hazards and assess OHS risks before and during work.*
- *Eliminate hazards where possible and reduce risks through appropriate controls.*
- *Provide safe systems of work, equipment, tools, facilities, and working conditions.*
- *Provide adequate training, supervision, information, and instruction.*
- *Provide appropriate personal protective equipment where required.*
- *Maintain emergency preparedness and response arrangements.*
- *Report, investigate, and learn from incidents, near misses, unsafe acts, and unsafe conditions.*
- *Consult workers and encourage participation in OHS matters.*
- *Ensure workers have the authority to stop unsafe work without retaliation.*
- *Promote physical and mental well-being at work.*
- *Continuously improve OHS performance.*

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4. Hazard Identification and Risk Control

[Company Name] will identify hazards and assess risks associated with its activities. Risk controls will follow the hierarchy of controls:

1. *Eliminate the hazard.*
2. *Substitute with a safer alternative.*
3. *Apply engineering controls.*
4. *Apply administrative controls and safe work procedures.*
5. *Use personal protective equipment.*

OHS risks may include, where relevant:

- *Working at height.*
- *Electrical hazards.*
- *Machinery and equipment.*
- *Vehicles and mobile equipment.*
- *Lifting operations.*
- *Confined spaces.*
- *Excavations.*
- *Fire and explosion risks.*
- *Hazardous substances.*
- *Noise, dust, heat, and vibration.*
- *Manual handling and ergonomics.*
- *Slips, trips, and falls.*
- *Fatigue and working hours.*
- *Remote work or travel risks.*
- *Workplace violence, harassment, or psychosocial risks.*

5. Roles and Responsibilities

Senior management is responsible for providing leadership, resources, and oversight for OHS performance.

Managers and supervisors are responsible for ensuring that work is planned and performed safely.

Employees and contractors are responsible for following OHS requirements, using equipment properly, attending training, reporting hazards, and stopping work where there is serious or imminent danger.

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The OHS Manager or designated responsible person is responsible for coordinating OHS programs, inspections, incident investigations, training, reporting, and continuous improvement.

6. Worker Consultation and Participation

[Company Name] will consult workers and, where applicable, worker representatives on OHS matters. Workers will be encouraged to participate in hazard identification, risk assessment, incident reporting, inspections, toolbox talks, and safety improvement activities.

7. Training and Competency

[Company Name] will ensure that employees and contractors are competent to perform their work safely. Training may include:

- *Site induction.*
- *Job-specific safety training.*
- *Emergency response.*
- *First aid.*
- *Fire safety.*
- *Safe use of tools, machinery, and equipment.*
- *Hazardous materials handling.*
- *Permit-to-work requirements.*
- *Working at height, confined spaces, lifting, electrical safety, or other high-risk activities where relevant.*

Training records will be maintained.

8. Contractor Safety Management

Contractors must comply with this policy, applicable laws, site rules, and contractual OHS requirements.

[Company Name] will manage contractor OHS performance through prequalification, induction, supervision, inspections, incident reporting, audits, and corrective actions.

9. Emergency Preparedness and Response

[Company Name] will establish and maintain emergency procedures appropriate to its activities and risks. Emergency arrangements may include:

- *Fire response.*
- *Medical emergencies and first aid.*

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- *Evacuation procedures.*
- *Spill or hazardous substance response.*
- *Natural disasters and severe weather.*
- *Security incidents.*
- *Rescue procedures for high-risk work.*

Emergency drills will be conducted periodically, and lessons learned will be used to improve preparedness.

10. Incident Reporting and Investigation

All injuries, illnesses, near misses, unsafe conditions, and OHS incidents must be reported promptly.

[Company Name] will investigate incidents to identify root causes and corrective actions. The purpose of investigations is to prevent recurrence, not to assign blame.

Corrective actions will be tracked until completion.

11. Health and Well-Being

[Company Name] will seek to protect worker health and well-being by managing occupational health risks. This may include controls for exposure to noise, dust, chemicals, heat, fatigue, ergonomic risks, communicable diseases, stress, harassment, and other health-related hazards.

12. Stop Work Authority

All employees and contractors have the right and responsibility to stop work if they believe it presents a serious or imminent risk to health or safety.

No worker will be disciplined, dismissed, or retaliated against for stopping unsafe work or reporting a safety concern in good faith.

13. Monitoring and Performance Review

[Company Name] will monitor OHS performance using relevant indicators, which may include:

- *Injuries and illnesses.*
- *Lost time incidents.*
- *Near misses.*
- *Unsafe conditions.*
- *Safety observations.*
- *Training completion.*

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- *Inspection findings.*
- *Corrective action closure.*
- *Emergency drill results.*
- *Contractor safety performance.*

OHS performance will be reviewed regularly by management.

14. Continuous Improvement

[Company Name] will set OHS objectives and targets where appropriate and will continually improve its OHS management system, culture, and performance.

15. Approval

Approved by: _____
Name: [Name]
Title: [Title]
Date: [Date]

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Appendix D: ESG Reporting Templates

This appendix provides practical templates for collecting ESG data, assessing material topics, logging stakeholder engagement, tracking ESG KPIs, preparing ESG reports, and managing corrective actions. The templates are framework-neutral and may be mapped to GRI, IFRS Sustainability Disclosure Standards, ESRS, or internal reporting requirements. GRI emphasizes reporting on material topics, related impacts, and how they are managed; IFRS S1 structures sustainability-related financial disclosures around governance, strategy, risk management, and metrics and targets; and the EU CSRD/ESRS approach uses double materiality, covering both financial materiality and impact materiality. (Global Reporting Initiative)

D1. ESG Data Collection Template

Purpose

The ESG Data Collection Template is used to gather consistent, traceable, and verifiable ESG information from relevant departments, sites, business units, suppliers, or project teams. It should be completed at least annually, and more frequently where monthly or quarterly ESG monitoring is required.

D1.1 Data Submission Information

Field	Details to Complete
Reporting organization / business unit	
Site / location	
Reporting period	
Data owner	
Department / function	
Date submitted	
Reviewed by	
Date reviewed	
Version number	
Supporting evidence attached?	Yes / No
Comments	

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D1.2 ESG Data Collection Table

ESG Category	Indicator / Data Point	Unit	Reporting Period Value	Baseline Value	Data Source	Calculation Method	Evidence / File Reference	Data Owner	Review Status	Notes
Environmental	Energy consumption	kWh / MWh			Utility bills / meter readings				Pending / Reviewed	
Environmental	Fuel consumption	Litres / kg / m^3			Fuel receipts / logs				Pending / Reviewed	
Environmental	Scope 1 GHG emissions	tCO_2e			Fuel use / refrigerants	Emission factor x activity data			Pending / Reviewed	
Environmental	Scope 2 GHG emissions	tCO_2e			Electricity bills	Grid factor x electricity use			Pending / Reviewed	
Environmental	Water withdrawal	m^3			Water bills / meters				Pending / Reviewed	
Environmental	Waste generated	kg / tonnes			Waste contractor reports				Pending / Reviewed	
Environmental	Waste recycled / reused	kg / tonnes / %			Waste contractor reports				Pending / Reviewed	
Social	Total employees	Number			HR system				Pending / Reviewed	
Social	New hires	Number			HR records				Pending / Reviewed	
Social	Employee turnover	%			HR records	Departures / average headcount			Pending / Reviewed	
Social	Training hours	Hours			Training records				Pending / Reviewed	
Social	Lost-time injuries	Number			HSE incident log				Pending / Reviewed	

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ESG Category	Indicator / Data Point	Unit	Reporting Period Value	Baseline Value	Data Source	Calculation Method	Evidence / File Reference	Data Owner	Review Status	Notes
Social	Community investment	Currency			Finance / CSR records				Pending / Reviewed	
Governance	Board meetings held	Number			Board records				Pending / Reviewed	
Governance	Code of conduct training completion	%			Compliance / HR records	Completed / assigned employees			Pending / Reviewed	
Governance	Confirmed ethics incidents	Number			Whistleblowing / compliance log				Pending / Reviewed	
Governance	Supplier ESG assessments completed	Number / %			Procurement records	Assessed suppliers / target suppliers			Pending / Reviewed	
Governance	Regulatory non-compliance cases	Number			Legal / compliance records				Pending / Reviewed	

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D1.3 Data Quality Checklist

Checkpoint	Yes / No / N/A	Comments
Data covers the full reporting period		
Data source is clearly identified		
Calculation method is documented		
Supporting evidence is attached or referenced		
Units are consistent with the KPI definition		
Any estimates are clearly marked		
Restatements from previous years are explained		
Data has been reviewed by the responsible manager		

D2. Materiality Assessment Template

Purpose

The Materiality Assessment Template is used to identify, assess, and prioritize ESG topics that are most important to the organization and its stakeholders. Where required, the template may be adapted for double materiality by assessing both impact materiality and financial materiality.

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D2.1 Material Topic Register

ESG Topic	Description	Actual / Potential Impact	Positive / Negative Impact	Affected Stakeholders	Business Area / Value Chain Stage	Existing Controls / Programs	Source of Input	Notes
Climate change and emissions								
Energy management								
Water management								
Waste and circularity								
Biodiversity / land use								
Occupational health and safety								
Labor practices								
Diversity, equity, and inclusion								
Human rights								
Community impact								
Business ethics and anti-corruption								
Data privacy and cybersecurity								
Responsible procurement								

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D2.2 Materiality Scoring Template

Use a 1–5 scoring scale unless another approved scoring method is used.

Score	Meaning
1	Very low relevance or impact
2	Low relevance or impact
3	Moderate relevance or impact
4	High relevance or impact
5	Very high relevance or impact

ESG Topic	Stakeholder Importance Score	Impact Materiality Score	Financial Materiality Score	Risk Level	Opportunity Level	Overall Priority	Material? Yes / No	Rationale
				Low / Medium / High	Low / Medium / High	Low / Medium / High		
				Low / Medium / High	Low / Medium / High	Low / Medium / High		
				Low / Medium / High	Low / Medium / High	Low / Medium / High		

Suggested formula:

Overall Priority = average of stakeholder importance, impact materiality, and financial materiality scores.

Organizations may adjust the weighting where required by regulation, investor expectations, lender requirements, or internal risk management procedures.

D2.3 Materiality Matrix Summary

Priority Level	Criteria	Required Action
High priority	High impact, high stakeholder importance, or high financial relevance	Include in ESG strategy, KPIs, targets, and report narrative
Medium priority	Moderate impact or emerging relevance	Monitor, manage through existing controls, and review annually
Low priority	Limited current relevance or impact	Track if needed and reassess during the next materiality cycle

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D2.4 Material Topic Approval Record

Item	Details
Date of assessment	
Assessment period	
Participants involved	
Stakeholder groups consulted	
Final list of material topics approved by	
Date approved	
Next review date	
Key changes from previous assessment	

D3. Stakeholder Engagement Log

Purpose

The Stakeholder Engagement Log records engagement activities, issues raised, organization responses, and follow-up actions. It supports transparent reporting and helps demonstrate how stakeholder input has informed ESG priorities, actions, and disclosures.

D3.1 Stakeholder Identification Table

Stakeholder Group	Examples	Main Interests / Concerns	Engagement Method	Engagement Frequency	Internal Owner
Employees	Full-time, part-time, contract workers	Safety, wages, benefits, training, culture	Surveys, meetings, training sessions		
Customers / clients	Buyers, users, service recipients	Product quality, safety, responsible sourcing	Feedback forms, meetings, complaints channels		
Suppliers / contractors	Vendors, logistics providers, outsourced service providers	Contract terms, payment, ESG requirements	Supplier assessments, meetings, audits		
Local communities	Residents, community groups, local leaders	Jobs, environmental impact, community support	Consultations, grievance channels, forums		
Investors / lenders	Shareholders, banks, development partners	ESG risks, performance, compliance	Reports, briefings, due diligence requests		
Regulators / government	Ministries, agencies, local authorities	Legal compliance, permits, reporting	Formal submissions, inspections, meetings		

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Stakeholder Group	Examples	Main Interests / Concerns	Engagement Method	Engagement Frequency	Internal Owner
NGOs / civil society	Advocacy groups, community organizations	Human rights, environment, transparency	Consultations, partnerships, written feedback		

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D3.2 Engagement Activity Log

Date	Stakeholder Group	Stakeholder Name / Organization	Engagement Method	Topic Discussed	Key Concerns Raised	Organization Response	Follow-Up Action	Responsible Person	Due Date	Status	Evidence Reference
			Meeting / Survey / Email / Workshop / Site visit							Open / In progress / Closed	
			Meeting / Survey / Email / Workshop / Site visit							Open / In progress / Closed	
			Meeting / Survey / Email / Workshop / Site visit							Open / In progress / Closed	

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D3.3 Stakeholder Feedback Summary

Stakeholder Group	Main Feedback Themes	ESG Topic Linked	Management Response	Included in Materiality Assessment?	Included in ESG Report?
				Yes / No	Yes / No
				Yes / No	Yes / No
				Yes / No	Yes / No

D4. ESG KPI Tracker

Purpose

The ESG KPI Tracker monitors ESG performance against baselines, annual targets, and long-term commitments. It should be updated regularly and reviewed by management.

D4.1 KPI Register

KPI ID	ESG Category	KPI Name	Definition	Unit	Baseline Year	Baseline Value	Current Year Target	Current Period Result	Progress vs Target	Status	KPI Owner	Data Source	Reporting Frequency
E-01	Environmental	Energy consumption	Total energy consumed during reporting period	kWh / MWh						On track / Watch / Off track			Monthly / Quarterly / Annual
E-02	Environmental	GHG emissions	Total Scope 1 and Scope 2 emissions	tCO_2e						On track / Watch / Off track			
E-03	Environmental	Water withdrawal	Total water withdrawn from all sources	m^3						On track / Watch / Off track			

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KPI ID	ESG Category	KPI Name	Definition	Unit	Baseline Year	Baseline Value	Current Year Target	Current Period Result	Progress vs Target	Status	KPI Owner	Data Source	Reporting Frequency
E-04	Environmental	Waste diversion rate	Waste reused, recycled, or recovered as percentage of total waste	%						On track / Watch / Off track			
S-01	Social	Lost-time injury frequency rate	Lost-time injuries relative to hours worked	Rate						On track / Watch / Off track			
S-02	Social	Training hours per employee	Total training hours divided by average headcount	Hours / employee						On track / Watch / Off track			
S-03	Social	Employee turnover rate	Departures divided by average headcount	%						On track / Watch / Off track			
S-04	Social	Community investment	Value of community programs and contributions	Currency						On track / Watch / Off track			
G-01	Governance	Code of conduct training completion	Employees completing required ethics training	%						On track / Watch / Off track			
G-02	Governance	Supplier ESG screening coverage	Target suppliers screened for ESG risks	%						On track / Watch / Off track			

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KPI ID	ESG Category	KPI Name	Definition	Unit	Baseline Year	Baseline Value	Current Year Target	Current Period Result	Progress vs Target	Status	KPI Owner	Data Source	Reporting Frequency
G-03	Governance	Confirmed compliance incidents	Confirmed breaches of laws, policies, or codes	Number						On track / Watch / Off track			

D4.2 KPI Status Definitions

Status	Definition	Required Action
On track	KPI is meeting or exceeding the target	Continue implementation and monitor
Watch	KPI is slightly below target or shows negative trend	Identify cause and agree improvement action
Off track	KPI is significantly below target or target is unlikely to be achieved	Escalate to management and prepare corrective action plan

D4.3 KPI Review Record

Review Date	KPI Reviewed	Key Finding	Decision / Action Required	Responsible Person	Due Date	Status

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D5. ESG Report Outline Template

Purpose

The ESG Report Outline Template provides a standard structure for preparing an annual ESG or sustainability report. The outline may be adapted depending on the reporting framework, industry, stakeholder expectations, and regulatory obligations.

D5.1 Recommended ESG Report Structure

Section	Suggested Content
Cover page	Report title, reporting year, organization name, publication date
About this report	Reporting period, reporting boundary, reporting frameworks used, contact point, assurance status
Message from leadership	Statement from Board Chair, CEO, Managing Director, or senior executive
Organization profile	Business overview, locations, products/services, ownership structure, value chain
ESG governance	Board oversight, management responsibilities, ESG committees, policies, internal controls
ESG strategy	ESG priorities, material topics, goals, strategic links to business planning
Materiality assessment	Methodology, stakeholder groups consulted, material topics, changes from prior year
Stakeholder engagement	Engagement approach, stakeholder groups, key concerns raised, responses
Environmental performance	Energy, emissions, water, waste, biodiversity, pollution prevention, climate-related risks and opportunities
Social performance	Workforce, health and safety, training, diversity and inclusion, human rights, community engagement
Governance performance	Ethics, compliance, anti-corruption, risk management, data privacy, responsible procurement
ESG KPI performance table	Current year data, prior year comparison, targets, progress, explanations for major changes
Corrective actions and improvement plans	Key gaps, actions taken, pending actions, responsible owners, timelines
Future commitments	ESG targets, improvement priorities, next reporting cycle plans
Reporting index	Mapping to selected standards, indicators, or internal requirements
Appendices	Methodologies, calculation notes, definitions, assurance statement, detailed data tables

D5.2 ESG Report Preparation Checklist

Checklist Item	Completed?	Owner	Evidence / Notes
Reporting period confirmed	Yes / No		
Reporting boundary confirmed	Yes / No		
ESG data collected from all relevant departments	Yes / No		
Material topics reviewed and approved	Yes / No		
Stakeholder engagement summary completed	Yes / No		
KPI results reviewed by data owners	Yes / No		
Major changes from previous year explained	Yes / No		

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Checklist Item	Completed?	Owner	Evidence / Notes
Claims supported by evidence	Yes / No		
Legal / compliance review completed	Yes / No		
Senior management approval obtained	Yes / No		
External assurance completed, if applicable	Yes / No / N/A		
Final report approved for publication	Yes / No		

D5.3 Report Sign-Off Record

Role	Name	Department	Signature / Approval	Date
ESG report preparer				
ESG data reviewer				
Finance reviewer				
Legal / compliance reviewer				
Senior management approver				
Board / committee approver, if applicable				

D6. Corrective Action Plan Template

Purpose

The Corrective Action Plan Template is used to document ESG gaps, non-compliance issues, underperforming KPIs, audit findings, stakeholder complaints, incidents, or management review outcomes. It supports accountability by assigning actions, deadlines, owners, and verification requirements.

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D6.1 Corrective Action Summary

Field	Details to Complete
Corrective Action Plan ID	
Date opened	
Source of issue	Audit / KPI review / Incident / Complaint / Management review / Regulatory finding / Other
ESG category	Environmental / Social / Governance
Site / department	
Issue owner	
Severity level	Low / Medium / High / Critical
Target closure date	
Current status	Open / In progress / Overdue / Closed
Approved by	

D6.2 Corrective Action Plan Table

Issue / Finding	Root Cause	Immediate Correction	Corrective Action	Preventive Action	Responsible Person	Required Resources	Due Date	Status	Evidence of Completion	Verification Method	Verified By	Closure Date
								Open / In progress / Overdue / Closed		Document review / Site inspection / Data review / Interview		
								Open / In progress / Overdue / Closed		Document review / Site inspection / Data review / Interview		

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D6.3 Root Cause Analysis

Root Cause Category	Questions to Consider	Findings
People	Was the responsible person trained? Were roles clear?	
Process	Was there an approved procedure? Was it followed?	
Systems	Were tools, systems, or records adequate?	
Resources	Were budget, staffing, or equipment sufficient?	
Supplier / third party	Did a contractor or supplier contribute to the issue?	
Management oversight	Was monitoring or review sufficient?	

D6.4 Closure Checklist

Closure Requirement	Yes / No / N/A	Comments
Corrective action completed		
Preventive action implemented		
Evidence reviewed and accepted		
KPI or control updated, if needed		
Relevant personnel informed or trained		
Procedure or policy updated, if needed		
Effectiveness verified		
Issue formally closed by authorized person		

D6.5 Corrective Action Effectiveness Review

Review Date	Action Reviewed	Result	Further Action Required?	Reviewer	Comments
		Effective / Partially effective / Not effective	Yes / No		
		Effective / Partially effective / Not effective	Yes / No		

Appendix D Control Requirements

All completed Appendix D templates should be retained as ESG reporting evidence. Records should be stored in a secure location, version-controlled, and made available for internal review, management approval, audit, or external assurance where applicable. Data owners are responsible for accuracy, completeness, timeliness, and maintaining supporting evidence for all submitted ESG information.

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Appendix E: Evidence Guide

Purpose

This appendix defines the types of evidence that may be used to demonstrate compliance with the MRC ESG Guidelines. Evidence should be accurate, current, complete, traceable, and available for review upon request. Evidence may be maintained in physical or electronic form, provided it is controlled, protected from unauthorized changes, and retained for the required period.

Evidence should show not only that a policy or procedure exists, but also that it has been implemented at the relevant site, department, supplier, or management level.

E1. Examples of Acceptable Evidence

Acceptable evidence may include records, documents, approvals, system outputs, photographs, meeting notes, contracts, reports, certificates, or other materials that demonstrate ESG implementation and performance.

Evidence should generally meet the following criteria:

Criterion	Description
Relevant	Directly supports the ESG requirement being assessed.
Current	Reflects the most recent applicable period, unless historical evidence is requested.
Complete	Includes all required pages, signatures, dates, names, locations, and supporting details.
Traceable	Can be linked to a specific site, supplier, department, activity, or reporting period.
Verifiable	Can be checked against source records, systems, interviews, observations, or third-party documentation.
Controlled	Stored in a way that prevents unauthorized alteration or loss.

Examples of acceptable evidence include, but are not limited to:

ESG Area	Examples of Acceptable Evidence
Governance	ESG policies, codes of conduct, board or management meeting minutes, approval records, risk registers, internal audit reports, compliance certifications.
Environmental Management	Environmental permits, monitoring reports, emissions data, energy and water consumption records, waste disposal manifests, environmental impact assessments, corrective action records.
Climate and Energy	Greenhouse gas inventories, utility bills, fuel consumption records, renewable energy certificates, energy efficiency project records, climate risk assessments.
Labor and Human Rights	Employee handbooks, contracts, wage records, working hour records, grievance logs, training attendance sheets, human rights risk assessments, recruitment procedure documents.
Health and Safety	Risk assessments, incident reports, safety inspection records, emergency drill records, PPE issuance logs, training records, occupational health monitoring records.

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ESG Area	Examples of Acceptable Evidence
Community and Stakeholders	Stakeholder engagement plans, consultation records, community grievance logs, social investment records, meeting minutes, evidence of follow-up actions.
Supply Chain	Supplier ESG questionnaires, supplier codes of conduct, audit reports, corrective action plans, procurement records, supplier training records, certification documents.
Management Systems	Procedures, internal controls, audit schedules, management review minutes, corrective action trackers, performance dashboards, documented objectives and targets.

Evidence may also include photographs or screenshots where appropriate. These should include dates, locations, descriptions, and the name or role of the person responsible for the record where possible.

E2. Document Control and Retention

All ESG-related evidence should be subject to document control and retention requirements to ensure records remain reliable and available for internal or external review.

E2.1 Document Control Requirements

Controlled documents should include, where applicable:

Control Element	Expected Information
Document title	Clear name of the policy, procedure, record, report, or form.
Document owner	Department, role, or person responsible for maintaining the document.
Version number	Version or revision reference.
Effective date	Date the document became active.
Review date	Date of last review and next scheduled review, where applicable.
Approval	Signature, email approval, workflow approval, or meeting approval record.
Change history	Summary of major changes between versions.
Access control	Identification of who can view, edit, approve, or archive the document.

Uncontrolled copies should be clearly marked where appropriate. Obsolete documents should be removed from active use or clearly identified as superseded.

E2.2 Retention Requirements

ESG evidence should be retained for a defined period based on legal, regulatory, contractual, operational, and audit requirements.

Unless a longer period is required by law, contract, permit, financing agreement, or customer requirement, ESG evidence should normally be retained for at least **five years**.

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Certain records may require longer retention, including:

Record Type	Retention Consideration
Environmental permits and licenses	Retain while valid and for the required period after expiry or replacement.
Incident and investigation records	Retain according to legal, insurance, and internal requirements.
Employee records	Retain according to labor law and privacy requirements.
Supplier audit records	Retain for the duration of the supplier relationship and applicable review period.
Management approvals	Retain with the related policy, program, investment, or decision record.
ESG performance data	Retain to support trend analysis, reporting, assurance, and external disclosure.

E2.3 Storage and Protection

Records should be stored securely to prevent loss, damage, unauthorized access, or unauthorized alteration. Electronic evidence should be backed up and protected through appropriate access permissions. Physical records should be stored in secure locations and protected from damage, theft, fire, water, or deterioration.

Confidential, personal, commercially sensitive, or legally privileged information should be handled according to applicable privacy, confidentiality, and information security requirements.

E3. Site-Level Evidence

Site-level evidence demonstrates that ESG requirements are implemented at the operational level. Evidence should be specific to the site being assessed and should reflect actual practices, not only corporate-level policies.

Examples of site-level evidence include:

Site-Level Topic	Examples of Evidence
Site governance	Site ESG responsibility matrix, organization chart, local ESG committee minutes, local compliance registers.
Environmental compliance	Site permits, inspection reports, environmental monitoring results, waste manifests, wastewater discharge records, air emissions records.
Resource use	Electricity bills, fuel records, water meter readings, production-normalized resource use data, energy-saving project records.
Waste management	Waste segregation records, hazardous waste storage inspections, waste contractor licenses, disposal certificates, recycling records.
Health and safety	Job safety analyses, safety inspection checklists, training records, incident logs, emergency response plans, evacuation drill reports.

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Site-Level Topic	Examples of Evidence
Labor practices	Site attendance records, wage records, working hour records, worker grievance records, employment contracts, worker communication materials.
Training	Attendance sheets, training materials, competency assessments, induction records, refresher training records.
Corrective actions	Audit findings, corrective action plans, evidence of closure, responsible persons, due dates, verification records.
Community impacts	Local stakeholder engagement records, complaints and grievance logs, community meeting notes, response actions.

Site-level evidence should clearly identify the location, reporting period, responsible department, and applicable activity. Where one corporate policy applies to multiple sites, each site should maintain evidence showing local implementation.

For example, a corporate health and safety policy may be supported by site-level risk assessments, toolbox talk records, emergency drill logs, inspection checklists, and incident follow-up records.

E4. Supplier Evidence

Supplier evidence demonstrates that ESG expectations are communicated to suppliers and that supplier performance is assessed, monitored, and managed according to risk.

Supplier evidence may include:

Supplier Evidence Type	Examples
Supplier onboarding	Supplier registration forms, ESG screening results, due diligence questionnaires, risk classification records.
Contractual requirements	Supplier code of conduct acknowledgments, ESG clauses in contracts, purchase order terms, policy acknowledgments.
Supplier assessment	ESG self-assessments, audit reports, desktop review records, third-party verification reports, certification records.
Corrective action	Supplier corrective action plans, follow-up records, closure evidence, escalation records.
Training and engagement	Supplier ESG training records, attendance sheets, guidance materials, supplier meeting minutes.
Performance monitoring	Supplier scorecards, non-conformance logs, delivery and quality records linked to ESG risks, periodic review records.
High-risk suppliers	Enhanced due diligence records, site visit reports, worker interview summaries, evidence of remediation.

Supplier evidence should be proportionate to supplier risk. Higher-risk suppliers, locations, materials, or services may require more detailed evidence, such as audits, independent verification, corrective action tracking, or management review.

Supplier evidence should demonstrate that:

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1. ESG requirements were communicated to the supplier.
2. The supplier acknowledged or accepted those requirements.
3. Supplier ESG risks were assessed.
4. Follow-up actions were taken where gaps were identified.
5. Corrective actions were verified before closure where applicable.

Supplier evidence should be retained in a centralized or accessible system so that procurement, compliance, ESG, legal, and relevant business teams can review supplier status when needed.

E5. Management Approval Evidence

Management approval evidence demonstrates that ESG policies, objectives, programs, reports, investments, corrective actions, and key decisions have been reviewed and approved by the appropriate level of management.

Examples of acceptable management approval evidence include:

Approval Type	Examples of Evidence
Policy approval	Signed policy, electronic approval workflow, board or executive committee minutes, email approval from authorized leader.
ESG targets and plans	Approved ESG strategy, annual objectives, budget approval, management review records.
Corrective actions	Approved corrective action plan, assigned responsibilities, due dates, closure sign-off.
ESG reporting	Approved ESG report, data certification, management representation letter, disclosure committee minutes.
Risk management	Approved ESG risk register, risk assessment sign-off, mitigation plan approval.
Investments and projects	Capital expenditure approval, project charter, business case approval, implementation sign-off.
Supplier decisions	Supplier approval, suspension, termination, remediation approval, escalation committee decision.

Management approval evidence should show:

Required Element	Description
Decision made	Clear description of what was approved, rejected, escalated, or deferred.
Approver	Name, role, department, or committee responsible for approval.
Date	Date of approval or decision.
Basis for decision	Supporting information used, such as risk assessment, audit result, budget, performance data, or legal requirement.
Conditions	Any conditions, follow-up actions, deadlines, or limitations attached to the approval.
Record of communication	Evidence that the decision was communicated to relevant personnel or departments.

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Where approval is provided through email, electronic workflow, or meeting minutes, the record should clearly identify the approver and decision. Verbal approvals should be documented as soon as practical through minutes, email confirmation, or a formal approval record.

Management approval should be retained with the related ESG document, program, project, report, or corrective action file.

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Appendix F: SME Starter Pack

Purpose

This SME Starter Pack provides a practical, low-cost starting point for small and medium-sized enterprises that are beginning ESG implementation. It is designed to help SMEs meet minimum ESG expectations, collect basic ESG data, screen suppliers, and build a first-year improvement plan without requiring complex reporting systems.

SMEs should apply this appendix in a proportionate way, based on their size, sector, workforce, supply chain role, and risk level.

F1. Minimum ESG Requirements for SMEs

SMEs are expected to meet the following minimum ESG requirements as a baseline. These requirements are intended to be practical, achievable, and evidence-based.

F1.1 ESG Governance and Responsibility

Minimum Requirement	Practical Evidence
Assign one person responsible for ESG coordination.	Name of ESG focal point, job title, contact details.
Approve a short ESG commitment statement.	Signed statement by owner, director, or senior manager.
Keep basic ESG records.	Simple folder, spreadsheet, or register for ESG documents and data.
Review ESG progress at least once per year.	Meeting note, annual checklist, or management review record.

F1.2 Legal and Regulatory Compliance

Minimum Requirement	Practical Evidence
Hold valid business registrations, licenses, and permits.	Copies of registration documents, operating permits, sector licenses.
Comply with applicable labour, environmental, tax, health, and safety laws.	Compliance checklist, inspection records, payment records, permits.
Report serious legal, environmental, labour, or safety incidents to relevant authorities where required.	Incident reports, authority correspondence, corrective action records.

F1.3 Environmental Management

Minimum Requirement	Practical Evidence
Track electricity, fuel, and water use where relevant.	Utility bills, fuel receipts, simple monthly spreadsheet.

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Minimum Requirement	Practical Evidence
Manage waste responsibly.	Waste collection receipts, segregation records, recycling records.
Prevent pollution, illegal dumping, and unsafe burning.	Site inspection notes, staff instructions, waste disposal records.
Store chemicals, oils, fuels, and hazardous materials safely.	Labels, storage area photos, safety data sheets, spill kit record.
Respond to spills or environmental incidents.	Spill response procedure, incident log, corrective actions.

F1.4 Labour and Human Rights

Minimum Requirement	Practical Evidence
Do not use forced labour, bonded labour, or child labour.	Worker age records, employment contracts, recruitment records.
Provide fair wages and working hours in line with applicable law.	Payroll records, attendance records, overtime records.
Provide written or clearly communicated employment terms.	Contracts, offer letters, worker handbook, notice board.
Prohibit discrimination, harassment, and abuse.	Workplace policy, grievance record, staff briefing note.
Provide a simple grievance channel for workers.	Complaint box, phone number, contact person, grievance log.

F1.5 Occupational Health and Safety

Minimum Requirement	Practical Evidence
Identify key workplace health and safety risks.	Simple risk assessment or hazard checklist.
Provide safe working conditions and necessary personal protective equipment.	PPE records, photos, training records.
Train workers on safe work practices.	Attendance list, toolbox talk records, induction records.
Record workplace injuries, accidents, and near misses.	Incident log, accident report, corrective action record.
Keep emergency arrangements in place.	Fire extinguisher record, evacuation map, emergency contacts.

F1.6 Business Ethics and Governance

Minimum Requirement	Practical Evidence
Prohibit bribery, corruption, fraud, and conflicts of interest.	Code of conduct, ethics statement, staff briefing.
Keep accurate business and financial records.	Invoices, receipts, tax records, accounting records.
Protect confidential customer, worker, and business information.	Access controls, confidentiality instruction, data storage practice.
Avoid misleading claims about ESG performance.	Review of marketing claims, evidence for ESG statements.

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F1.7 Supply Chain Management

Minimum Requirement	Practical Evidence
Identify key suppliers and subcontractors.	Supplier list with location, product or service, and contact details.
Screen high-risk or critical suppliers using a simple supplier form.	Completed supplier screening forms.
Communicate minimum ESG expectations to suppliers.	Supplier code, purchase order clause, email notice.
Take corrective action where supplier ESG risks are identified.	Corrective action plan, follow-up record.

F2. First-Year ESG Roadmap

The first year should focus on building basic systems, collecting reliable data, and addressing the most important risks. SMEs do not need to complete everything at once. The roadmap below provides a staged approach.

F2.1 First-Year Objectives

By the end of the first year, an SME should aim to have:

1. A named ESG focal point.
2. A short ESG commitment statement.
3. Basic ESG records and data collection.
4. A simple legal and ESG compliance checklist.
5. A basic health and safety risk assessment.
6. A worker grievance process.
7. A supplier list and screening process for key suppliers.
8. A first annual ESG progress summary.
9. A practical improvement plan for the next year.

F2.2 12-Month Roadmap

Period	Main Actions	Expected Output
Months 1–2	Appoint ESG focal point. Prepare ESG commitment statement. Identify applicable legal requirements.	ESG focal point assigned; ESG statement approved; basic compliance list prepared.
Months 3–4	Collect baseline data on energy, fuel, water, waste, workers, accidents, and suppliers.	Basic ESG data spreadsheet created.
Months 5–6	Conduct simple environmental, labour, and health and safety risk review.	Risk checklist completed; top ESG risks identified.

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Period	Main Actions	Expected Output
Months 7–8	Create or update simple policies: labour, health and safety, anti-bribery, grievance, waste management.	Core policies or workplace instructions approved.
Months 9–10	Start supplier screening for key suppliers and subcontractors. Communicate minimum ESG expectations.	Supplier list completed; screening forms collected for priority suppliers.
Months 11–12	Review progress, close urgent gaps, prepare first ESG summary, and set next-year targets.	Annual ESG summary and Year 2 action plan completed.

F2.3 Suggested First-Year ESG Targets

SMEs may choose a small number of practical targets, such as:

ESG Area	Example First-Year Target
Energy	Track monthly electricity use and identify one energy-saving action.
Water	Track water use and repair visible leaks.
Waste	Separate recyclable waste where possible.
Safety	Record all workplace incidents and conduct at least one safety briefing per quarter.
Labour	Ensure all workers have clear employment terms.
Grievance	Establish a simple worker complaint channel.
Supplier Management	Screen all critical suppliers or the top 10 suppliers by spend.
Governance	Conduct one anti-bribery and ethics briefing for staff involved in purchasing, sales, or finance.

F3. Basic ESG Data List

SMEs should start with a limited set of data points that are easy to collect and useful for decision-making. Data can be recorded monthly, quarterly, or annually depending on the size and capacity of the business.

F3.1 Environmental Data

Data Point	Unit	Frequency	Possible Source
Electricity consumed	kWh	Monthly	Electricity bills, meter readings
Fuel consumed by vehicles or generators	Litres	Monthly	Fuel receipts, logbooks
Water consumed	m^3 or litres	Monthly	Water bills, meter readings
Waste generated	kg, bags, bins, or tonnes	Monthly or quarterly	Waste collection records
Recycled waste	kg, bags, bins, or tonnes	Monthly or quarterly	Recycler receipts, internal records
Hazardous waste generated, if applicable	kg or litres	Monthly or quarterly	Disposal records

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Data Point	Unit	Frequency	Possible Source
Environmental incidents or spills	Number	As incidents occur	Incident log
Use of chemicals, oils, or hazardous materials	Type and quantity	Quarterly	Purchase records, inventory

F3.2 Social and Labour Data

Data Point	Unit	Frequency	Possible Source
Total number of workers	Number	Monthly or quarterly	HR records, payroll
Number of permanent workers	Number	Quarterly	HR records
Number of temporary, casual, or contract workers	Number	Quarterly	HR records, contractor records
Number of female and male workers, where legally appropriate to collect	Number	Quarterly	HR records
Worker turnover	Number or %	Quarterly or annually	HR records
Working hours and overtime	Hours	Monthly	Attendance records
Training hours	Hours	Quarterly	Training attendance sheets
Workplace injuries	Number	As incidents occur	Incident log
Lost-time injuries	Number	As incidents occur	Incident log
Worker grievances received	Number	Quarterly	Grievance log
Worker grievances resolved	Number	Quarterly	Grievance log

F3.3 Governance and Business Conduct Data

Data Point	Unit	Frequency	Possible Source
Valid licenses and permits	Number/status	Annually	Compliance file
Legal or regulatory fines	Number and value	As incidents occur	Legal or finance records
Anti-bribery or ethics training completed	Number of workers trained	Annually	Training records
Confirmed bribery, fraud, or corruption incidents	Number	As incidents occur	Investigation records
Supplier screening forms completed	Number and % of priority suppliers	Quarterly or annually	Procurement records
Customer or product complaints	Number	Monthly or quarterly	Complaint log
Data privacy or confidentiality incidents	Number	As incidents occur	Incident log

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F3.4 Simple ESG Data Template

Month/ Quarter	Electricity	Fuel	Water	Waste	Injuries	Grievances	Supplier Forms Completed	Notes/ Actions
Q1								
Q2								
Q3								
Q4								

F4. Simple Supplier Screening Form

This form may be used for new suppliers, critical suppliers, subcontractors, labour providers, logistics providers, waste contractors, and other suppliers with higher ESG risk.

F4.1 Supplier Information

Item	Response
Supplier name	
Business registration number	
Address	
Main contact person	
Contact details	
Product or service supplied	
Number of workers	
Main operating locations	
Date of screening	
Completed by	

F4.2 ESG Screening Questions

Suppliers should answer each question honestly and provide supporting evidence where available.

No.	Question	Yes/No/N/A	Evidence or Comment
1	Does the supplier hold valid business registrations, licenses, and permits?		
2	Has the supplier received any major legal, labour, environmental, safety, or tax penalties in the last three years?		
3	Does the supplier prohibit child labour, forced labour, bonded labour, and human trafficking?		
4	Does the supplier verify worker age before employment?		
5	Are workers paid in line with applicable wage laws and agreed payment terms?		
6	Are working hours and overtime managed in line with applicable law?		
7	Does the supplier provide a safe and healthy workplace?		

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No.	Question	Yes/No/N/A	Evidence or Comment
8	Are workers provided with necessary personal protective equipment?		
9	Does the supplier record workplace accidents and injuries?		
10	Does the supplier have a process for workers to raise complaints or concerns?		
11	Does the supplier manage waste responsibly and avoid illegal dumping or burning?		
12	Does the supplier safely store chemicals, fuel, oils, or hazardous materials, if applicable?		
13	Has the supplier had any major environmental spills, pollution incidents, or community complaints in the last three years?		
14	Does the supplier prohibit bribery, corruption, fraud, and conflicts of interest?		
15	Does the supplier protect confidential information received from customers or business partners?		
16	Does the supplier use subcontractors for the goods or services provided?		
17	If subcontractors are used, does the supplier communicate ESG requirements to them?		
18	Is the supplier willing to correct ESG gaps identified during screening or monitoring?		

F4.3 Risk Rating

Risk Level	Description	Recommended Action
Low	Supplier has no major ESG concerns and provides basic evidence.	Approve and review periodically.
Medium	Some ESG gaps are identified, but the supplier is willing and able to improve.	Approve with corrective action plan and follow-up date.
High	Serious ESG concerns are identified, or evidence is missing for high-risk issues.	Escalate to management before approval. Require corrective action before continuing or expanding business.
Critical	Evidence of child labour, forced labour, serious safety danger, major pollution, bribery, fraud, or illegal activity.	Do not approve, suspend, or disengage unless immediate corrective action and legal remediation are verified.

F4.4 Supplier Declaration

The supplier confirms that the information provided in this form is accurate to the best of its knowledge and agrees to cooperate on reasonable ESG improvement actions where required.

Name	Position	Signature	Date

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F4.5 Internal Review

Item	Response
Reviewed by	
Review date	
Risk rating	Low / Medium / High / Critical
Required corrective actions	
Follow-up date	
Approval decision	Approved / Approved with conditions / Not approved
Management approval, if required	

F5. Practical Implementation Checklist

SMEs may use this checklist to monitor ESG implementation. The checklist should be reviewed at least once per year.

F5.1 Governance Checklist

No.	Action	Status	Evidence/Notes
1	ESG focal point assigned.	Not started / In progress / Done	
2	ESG commitment statement approved by management.	Not started / In progress / Done	
3	Basic ESG records are stored in one place.	Not started / In progress / Done	
4	Business registrations, licenses, and permits are current.	Not started / In progress / Done	
5	Anti-bribery and ethics expectations are communicated to relevant workers.	Not started / In progress / Done	
6	ESG progress is reviewed by management at least annually.	Not started / In progress / Done	

F5.2 Environmental Checklist

No.	Action	Status	Evidence/Notes
1	Monthly electricity use is recorded.	Not started / In progress / Done	
2	Fuel use is recorded where relevant.	Not started / In progress / Done	
3	Water use is recorded where relevant.	Not started / In progress / Done	
4	Waste is collected, stored, and disposed of responsibly.	Not started / In progress / Done	
5	Recyclable waste is separated where practical.	Not started / In progress / Done	
6	Hazardous materials are labelled and stored safely.	Not started / In progress / Done	
7	Spill prevention and response arrangements are in place.	Not started / In progress / Done	
8	Environmental incidents are recorded and corrected.	Not started / In progress / Done	

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F5.3 Labour and Human Rights Checklist

No.	Action	Status	Evidence/Notes
1	Worker age is verified before employment.	Not started / In progress / Done	
2	Employment terms are clearly communicated.	Not started / In progress / Done	
3	Wage, attendance, and overtime records are kept.	Not started / In progress / Done	
4	Discrimination, harassment, and abuse are prohibited.	Not started / In progress / Done	
5	Workers have a simple way to raise complaints.	Not started / In progress / Done	
6	Worker grievances are recorded and followed up.	Not started / In progress / Done	
7	Labour providers or subcontracted workers are included in basic ESG checks where relevant.	Not started / In progress / Done	

F5.4 Health and Safety Checklist

No.	Action	Status	Evidence/Notes
1	Main workplace hazards are identified.	Not started / In progress / Done	
2	Workers receive basic safety induction or training.	Not started / In progress / Done	
3	Required PPE is provided and used.	Not started / In progress / Done	
4	Fire extinguishers, exits, and emergency contacts are available.	Not started / In progress / Done	
5	Accidents, injuries, and near misses are recorded.	Not started / In progress / Done	
6	Corrective actions are taken after safety incidents.	Not started / In progress / Done	
7	High-risk work is supervised and controlled.	Not started / In progress / Done	

F5.5 Supplier Management Checklist

No.	Action	Status	Evidence/Notes
1	Key suppliers and subcontractors are listed.	Not started / In progress / Done	
2	High-risk or critical suppliers are identified.	Not started / In progress / Done	
3	Supplier screening forms are completed for priority suppliers.	Not started / In progress / Done	
4	Minimum ESG expectations are communicated to suppliers.	Not started / In progress / Done	
5	Supplier ESG concerns are recorded and followed up.	Not started / In progress / Done	
6	Critical ESG issues are escalated to management.	Not started / In progress / Done	

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F5.6 Annual ESG Review Checklist

At the end of each year, the SME should complete a short review.

Review Question	Response
What were the main ESG actions completed this year?	
What ESG data was collected?	
Were there any environmental incidents?	
Were there any workplace injuries or safety concerns?	
Were any worker grievances received?	
Were any supplier ESG risks identified?	
What corrective actions were completed?	
What gaps remain?	
What are the top three ESG priorities for next year?	

F5.7 Suggested Next-Year Priorities

After completing the first-year review, SMEs should select a small number of realistic priorities for the next year. Examples include:

Area	Possible Priority
Energy	Reduce electricity use through maintenance, efficient lighting, or equipment controls.
Water	Reduce water loss through leak repair and better monitoring.
Waste	Increase recycling and improve hazardous waste disposal.
Safety	Strengthen machine guarding, PPE use, emergency preparedness, or driver safety.
Labour	Improve contracts, attendance records, grievance handling, or worker training.
Supply Chain	Expand supplier screening to more suppliers or higher-risk categories.
Governance	Improve recordkeeping, anti-bribery controls, or data protection practices.

SME Starter Pack Record List

Each SME should keep the following records where relevant:

Record	Minimum Retention Suggestion
ESG commitment statement	Current version
ESG focal point record	Current version
Business licenses and permits	Current version plus previous version
Utility bills and fuel records	At least 3 years
Waste disposal records	At least 3 years
Incident and accident records	At least 3 years
Worker contracts or employment terms	Duration of employment plus required legal period
Wage, attendance, and overtime records	At least 3 years or legal requirement
Training records	At least 3 years
Grievance records	At least 3 years
Supplier list and screening forms	Duration of relationship plus at least 3 years
Corrective action records	At least 3 years

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Simple SME ESG Statement Template

The following short statement may be adapted by SMEs:

"We are committed to operating our business responsibly, safely, and ethically. We will comply with applicable laws, respect workers' rights, provide safe working conditions, manage environmental impacts responsibly, avoid bribery and corruption, and work with suppliers to improve ESG practices over time. We will review our ESG performance regularly and take practical steps to improve."

Approved by	Position	Signature	Date

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Appendix G: References

This appendix provides key references for implementing the MRC ESG Guidelines. The list is non-exhaustive and should be read together with the latest consolidated laws, subsidiary legislation, licence conditions, customer requirements, and market-entry rules applicable to each company, site, product, and export market.

G1. Malaysian Laws and Regulations

G1.1 Corporate governance, reporting and market disclosure

1. **Companies Act 2016 [Act 777]** — corporate governance, directors' responsibilities, statutory records, financial reporting and company administration. (SSM)
2. **Bursa Malaysia Listing Requirements and Sustainability Reporting Guide** — sustainability statement and listed-issuer disclosure requirements, where applicable. Bursa Malaysia's 2024 enhancements also align sustainability reporting with IFRS Sustainability Disclosure Standards. (Bursa Malaysia)
3. **Malaysian Code on Corporate Governance 2021** — board leadership, effective audit and risk management, integrity in corporate reporting, and stakeholder communication. (Securities Commission Malaysia)
4. **National Sustainability Reporting Framework (NSRF)** — Malaysia's national framework using IFRS S1 and IFRS S2 as the baseline sustainability disclosure standards, with phased implementation and assurance requirements. (Securities Commission Malaysia)
5. **Malaysian Anti-Corruption Commission Act 2009 [Act 694], including Section 17A** — corporate liability for corruption and requirements for adequate anti-bribery procedures. (Social Policy Research Malaysia)
6. **Whistleblower Protection Act 2010 [Act 711]** — protection of whistleblowers who disclose corruption or other misconduct. (Social Policy Research Malaysia)
7. **Personal Data Protection Act 2010 [Act 709]** — regulation of personal data processing in commercial transactions. (PDP)

G1.2 Environmental protection, pollution control and waste management

1. **Environmental Quality Act 1974 [Act 127]** — Malaysia's core law on pollution prevention, abatement and environmental protection. (Jabatan Alam Sekitar - JAS)
2. **Environmental Quality (Scheduled Wastes) Regulations 2005** — management, notification, storage, handling, treatment, recovery and disposal of scheduled wastes. (Jabatan Alam Sekitar - JAS)
3. **Environmental Quality (Clean Air) Regulations 2014** — air-emission control requirements for relevant industrial operations. (Jabatan Alam Sekitar - JAS)

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4. **Environmental Quality (Industrial Effluents) Regulations 2009** — control and monitoring of industrial effluent discharges. (Jabatan Alam Sekitar - JAS)
5. **Environmental Quality (Sewage) Regulations 2009** — requirements for sewage discharge and treatment where applicable. (Jabatan Alam Sekitar - JAS)
6. **Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 2015** — EIA requirements for prescribed activities. (Jabatan Alam Sekitar - JAS)
7. **Solid Waste and Public Cleansing Management Act 2007 [Act 672]** — solid-waste and public-cleansing management requirements in applicable jurisdictions. (SWCorp)

G1.3 Occupational safety, health and employee welfare

1. **Occupational Safety and Health Act 1994 [Act 514], as amended** — duties of employers and self-employed persons to ensure safety and health at work, including expanded requirements following the 2022 amendments. (JKKP Official Portal)
2. **Employment Act 1955 [Act 265]** — employment terms, wages, working hours, rest days, leave and related labour protections for applicable employees. (JTKSM)
3. **Labour Ordinance of Sabah [Sabah Cap. 67] and Labour Ordinance of Sarawak [Sarawak Cap. 76]** — employment requirements for operations in Sabah and Sarawak, including recent amendment legislation. (JTK Sabah)
4. **Minimum Wages Order 2024** — statutory minimum wage requirements. (Gaji Minimum)
5. **Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 [Act 446]** — requirements for employee housing, accommodation and facilities, where provided by employers. (JTKSM)
6. **Children and Young Persons (Employment) Act 1966 [Act 350]** — restrictions and protections relating to employment of children and young persons. (JTKSM)
7. **Anti-Trafficking in Persons and Anti-Smuggling of Migrants Act 2007 [Act 670]** — prevention and combating of human trafficking and migrant smuggling. (Rights Mapping and Analysis Platform)
8. **Industrial Relations Act 1967 [Act 177] and Trade Unions Act 1959 [Act 262]** — industrial relations, dispute handling, collective bargaining and trade-union matters. (JPPM)

G1.4 Rubber, medical-device and product regulatory references

1. **Malaysian Rubber Board (Incorporation) Act 1996 [Act 551]** — establishment, functions and powers of the Malaysian Rubber Board. (FAOLEX)
2. **Malaysian Rubber Board licensing and permit requirements** — applicable licences and permits for buying, storing, selling, processing, packing or exporting rubber. (LGM)
3. **Medical Device Act 2012 [Act 737] and Medical Device Regulations 2012** — registration and market-placement requirements for rubber products classified as medical devices, such as certain gloves. (Medical Device Authority (MDA))

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G2. International Frameworks and Standards

G2.1 Sustainability, climate and biodiversity frameworks

1. **United Nations Sustainable Development Goals (SDGs)** — 17 global goals under the 2030 Agenda for Sustainable Development. (Sustainable Development Goals)
2. **Paris Agreement** — international climate treaty covering climate mitigation, adaptation and finance. (UNFCCC)
3. **Kunming-Montreal Global Biodiversity Framework** — global biodiversity framework and monitoring approach for halting and reversing biodiversity loss. (Convention on Biological Diversity)
4. **Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal** — international framework to protect human health and the environment from hazardous and other wastes. (Basel Convention)

G2.2 Human rights, labour and responsible business conduct

1. **UN Guiding Principles on Business and Human Rights (UNGPs)** — "Protect, Respect and Remedy" framework for business-related human-rights due diligence. (OHCHR)
2. **UN Global Compact Ten Principles** — principles on human rights, labour, environment and anti-corruption. (UN Global Compact)
3. **ILO Declaration on Fundamental Principles and Rights at Work** — fundamental labour principles, including freedom of association, elimination of forced labour and child labour, non-discrimination, and safe and healthy working environment. (International Labour Organization)
4. **OECD Guidelines for Multinational Enterprises on Responsible Business Conduct** — recommendations covering disclosure, human rights, employment, environment, anti-bribery, consumer interests, competition and taxation. (OECD)

G2.3 Sustainability reporting, climate disclosure and GHG accounting

1. **IFRS S1 — General Requirements for Disclosure of Sustainability-related Financial Information** and **IFRS S2 — Climate-related Disclosures** — global baseline standards for sustainability-related financial disclosures. (IFRS Foundation)
2. **GRI Standards** — impact-reporting standards for reporting organisational impacts on the economy, environment and people. (Global Reporting Initiative)
3. **GHG Protocol Corporate Accounting and Reporting Standard** and **GHG Protocol Corporate Value Chain (Scope 3) Standard** — corporate GHG inventory and value-chain emissions accounting. (GHG Protocol)

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4. **Task Force on Climate-related Financial Disclosures (TCFD) Recommendations** — climate disclosure framework structured around governance, strategy, risk management, and metrics and targets. (TCFD)

G2.4 Management-system and technical standards

1. **ISO 14001 — Environmental Management Systems** — requirements for environmental management systems and continual improvement. (ISO)
2. **ISO 45001 — Occupational Health and Safety Management Systems** — framework for managing OH&S risks and improving safety performance. (ISO)
3. **ISO 14064-1 — Greenhouse Gases** — organisational-level quantification and reporting of GHG emissions and removals. (ISO)
4. **ISO 26000 — Social Responsibility** — guidance on social responsibility and responsible organisational conduct. (ISO)
5. **ISO 50001 — Energy Management Systems** — framework for improving energy performance and energy management. (ISO)
6. **ISO 9001 — Quality Management Systems** — quality management requirements supporting consistent product and service delivery. (ISO)

G3. Voluntary Sustainability Standards

1. **SA8000 Standard** — social certification standard for fair and decent treatment of workers. (SAI)
2. **Sedex Members Ethical Trade Audit (SMETA)** — social audit methodology assessing labour, health and safety, environment and business ethics against the ETI Base Code, ILO standards and local law. (Sedex)
3. **CDP Disclosure System** — environmental disclosure platform covering climate, water, forests and related environmental data. (CDP)
4. **Science Based Targets initiative (SBTi) Corporate Net-Zero Standard** — guidance for companies to set science-based net-zero targets. (Science Based Targets Initiative)
5. **FSC Certification for Natural Rubber** — certification for responsibly sourced natural rubber and chain-of-custody traceability. (Forest Stewardship Council)
6. **PEFC Certification** — forest and tree-based product certification supporting traceability to sustainably managed forests. (PEFC)
7. **ISCC Certification** — certification system for responsible sourcing, traceability and deforestation-free practices across supply chains. (ISCC System)
8. **Rainforest Alliance Sustainable Agriculture Standard** — agricultural sustainability certification framework for farms and supply chains. (knowledge.rainforest-alliance.org)
9. **EcoVadis Sustainability Ratings** — evidence-based ratings covering environment, labour and human rights, ethics and sustainable procurement. (index.ecovadis.com)

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10. **ISEAL Credibility Principles** — principles for credible and effective sustainability standards systems. (ISEAL Alliance)

G4. Sector-Specific References

G4.1 Malaysian rubber industry references

1. **Malaysian Rubber Council (MRC) sustainability resources** — including MRC sustainability pages on EU regulations, Malaysian Sustainable Natural Rubber (MSNR), ESG guidance for rubber processors and manufacturers, the Low Carbon Transition Roadmap, and STRIDE Fund. (MRC Official Website)
2. **Malaysian Rubber Board (MRB/LGM) licensing, permit and regulatory guidance** — applicable to rubber buying, selling, storage, processing, packing, import and export activities. (LGM)
3. **Standard Malaysian Rubber (SMR) scheme and MRB product certification references** — technical and quality references for rubber grades and selected rubber products. (LGM)
4. **Malaysian Sustainable Natural Rubber (MSNR)** — Malaysian sustainability initiative for natural rubber traceability and sustainable sourcing. (Malaysian Sustainable Natural Rubber)
5. **Global Platform for Sustainable Natural Rubber (GPSNR) Policy Framework** — sector framework for natural-rubber sustainability commitments and supply-chain policies. (Sustainable Natural Rubber)
6. **SPOTT Natural Rubber ESG Transparency Assessments** — benchmark of natural-rubber companies' public disclosure on ESG policies and practices. (SPOTT.org)

G4.2 Export-market and customer compliance references

1. **EU Deforestation Regulation (EUDR)** — covers rubber and certain derived products; operators and traders must prove products are not linked to recent deforestation or forest degradation, with application dates beginning 30 December 2026 for large and medium operators and 30 June 2027 for micro and small operators. (Environment)
2. **EU Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS)** — relevant for companies in scope or suppliers to customers requiring ESRS-aligned sustainability data. (Finance)
3. **EU Corporate Sustainability Due Diligence Directive (CSDDD)** — due-diligence reference for human-rights and environmental impacts across operations, subsidiaries and global value chains. (European Commission)
4. **EU Medical Device Regulation (MDR) 2017/745** — relevant for rubber products classified as medical devices in the EU market. (EUR-Lex)
5. **EU Personal Protective Equipment Regulation 2016/425** — relevant for rubber products classified as PPE. (EUR-Lex)
6. **US FDA medical-glove requirements and guidance** — relevant for medical gloves placed in the US market, including 510(k) and performance-related requirements. (U.S. Food and Drug Administration)

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G4.3 Product and quality references for rubber products

1. **ISO 13485 — Medical Devices Quality Management Systems** — quality management standard for organisations involved in medical-device design and manufacture. (ISO)
2. **ISO 11193-1 — Single-use Medical Examination Gloves** — specification for rubber gloves used in medical examination and related procedures. (ISO)
3. **ASTM D3578 — Standard Specification for Rubber Examination Gloves** — requirements for natural rubber examination gloves. (ASTM International | ASTM)
4. **Relevant Malaysian Standards, ISO, ASTM, EN and customer specifications** — to be applied according to product category, including gloves, tyres, latex foam, engineered rubber products, industrial hoses, seals, gaskets, footwear and other rubber products.

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Appendix H: Glossary

Purpose. This glossary defines key terms used in the MRC ESG Guidelines. Where a term is defined differently under applicable law, regulation, contract, permit, or financing requirement, the stricter or more specific requirement should apply.

Affected Community — Individuals or groups who may experience actual or potential environmental, social, health, safety, cultural, livelihood, or economic impacts from MRC's activities, assets, projects, contractors, suppliers, or business relationships.

Affected Stakeholder — Any person, group, institution, or organization whose rights, interests, resources, livelihood, or well-being may be affected by MRC's operations or value chain.

Anti-Bribery and Corruption, or ABC — Policies, procedures, controls, training, and reporting channels designed to prevent bribery, kickbacks, facilitation payments, fraud, conflicts of interest, improper gifts, and other corrupt conduct.

Assurance — An independent review of ESG information, systems, controls, or disclosures. Assurance may be limited or reasonable, depending on the level of evidence tested and the assurance standard used.

Baseline — The starting point against which future ESG performance is measured. A baseline may relate to emissions, water use, waste generation, workforce composition, safety performance, community impacts, or other ESG indicators.

Biodiversity — The variety of living organisms, species, habitats, ecosystems, and ecological processes in a particular area or across the planet.

Board — MRC's highest governing body, or the body with ultimate oversight responsibility for ESG strategy, risk, performance, compliance, and disclosure.

Business Partner — Any party with which MRC has a business relationship, including joint venture partners, agents, distributors, consultants, contractors, suppliers, lenders, customers, government-linked counterparties, or service providers.

Carbon Credit — A tradable unit generally representing one metric tonne of carbon dioxide equivalent reduced, avoided, or removed from the atmosphere under a recognized carbon standard. Carbon credits should not replace direct emissions reductions.

Carbon Dioxide Equivalent, or CO_2e — A common unit used to express the climate impact of different greenhouse gases by converting them into the equivalent amount of carbon dioxide based on their global warming potential.

Carbon Offset — The use of carbon credits or verified removals to compensate for residual emissions. Offsets should be used only after reasonable efforts to avoid, reduce, and substitute emissions have been made.

Circular Economy — A business and resource-use model that aims to reduce waste, extend product life, reuse materials, repair assets, and recover value from products and resources at the end of use.

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Climate Adaptation — Actions taken to prepare for, respond to, or reduce harm from actual or expected climate impacts, such as flooding, heat, drought, storms, water scarcity, or supply-chain disruption.

Climate Mitigation — Actions taken to reduce greenhouse gas emissions or increase carbon removals, including energy efficiency, renewable energy, process improvements, low-carbon transport, and land-use protection.

Climate-Related Risk — A risk arising from climate change. This includes physical risks, such as floods or heat stress, and transition risks, such as regulation, technology change, market shifts, litigation, or reputational pressure.

Code of Conduct — A written statement of required ethical, legal, environmental, social, labor, human rights, safety, and governance standards for employees, directors, contractors, and, where applicable, business partners.

Community Grievance Mechanism — A process through which affected communities and external stakeholders can raise concerns, complaints, or requests related to MRC's activities and receive a timely, fair, and documented response.

Compliance Obligation — Any legal, regulatory, contractual, permit-based, financing, customer, industry, or voluntary commitment that MRC must or has agreed to follow.

Conflict of Interest — A situation in which a person's private interest, relationship, financial benefit, or external role could improperly influence, or appear to influence, their decisions or duties for MRC.

Contractor — A third party engaged by MRC to perform work or services, whether on-site or off-site, including subcontractors under that party's control.

Corrective Action — A step taken to fix a non-conformance, incident, weakness, audit finding, complaint, or gap in ESG performance or controls.

Corrective Action Plan, or CAP — A documented plan that identifies corrective actions, responsible owners, deadlines, evidence requirements, and verification steps.

Corporate Sustainability Reporting Directive, or CSRD — An EU directive requiring certain companies to report sustainability information under European Sustainability Reporting Standards. Companies subject to the CSRD report according to ESRS. (Finance)

Data Owner — The person or function responsible for collecting, validating, maintaining, approving, and retaining specific ESG data.

Data Quality — The reliability of ESG data, including its accuracy, completeness, consistency, timeliness, traceability, and ability to be verified.

Decarbonization — The process of reducing greenhouse gas emissions from operations, products, services, energy use, transport, supply chains, and investments.

Diversity, Equity, and Inclusion, or DEI — Policies and practices that support fair treatment, equal opportunity, non-discrimination, accessibility, and inclusive participation across the workforce and business relationships.

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Double Materiality — A materiality approach that considers both how sustainability matters affect an organization's financial position, performance, or prospects, and how the organization affects people, the environment, and society. This approach is central to ESRS reporting. (Finance)

Due Diligence — A risk-based process to identify, prevent, mitigate, monitor, and account for actual or potential adverse impacts. The OECD Guidelines describe due diligence as addressing impacts across operations, supply chains, and business relationships. (OECD)

Environmental and Social, or E&S — A combined term covering environmental matters, social matters, labor, community, health, safety, human rights, land, cultural heritage, biodiversity, pollution, and resource-use issues.

Environmental and Social Impact Assessment, or ESIA — A structured assessment used to identify, evaluate, avoid, minimize, mitigate, manage, and monitor potential environmental and social impacts of a project, asset, or activity.

Environmental, Health, and Safety, or EHS — Management of environmental protection, occupational health, workplace safety, emergency preparedness, pollution prevention, and incident response.

Environmental Management System, or EMS — A formal system of policies, procedures, roles, controls, monitoring, and improvement processes used to manage environmental risks and performance.

ESG — Environmental, Social, and Governance. ESG refers to the management, measurement, and disclosure of environmental impacts, social responsibilities, and governance practices.

ESG Committee — A designated governance body or management committee responsible for overseeing ESG strategy, implementation, risk review, performance monitoring, and reporting.

ESG Incident — An event or condition that results in, or could result in, harm, non-compliance, reputational damage, stakeholder grievance, financial loss, environmental impact, injury, rights impact, or breach of ESG requirements.

ESG KPI — A key performance indicator used to measure ESG performance, such as greenhouse gas emissions, energy intensity, water withdrawal, waste diversion, injury rate, training completion, employee turnover, grievance closure, or supplier screening coverage.

ESG Risk — The possibility that an environmental, social, or governance issue may affect MRC's people, communities, environment, operations, assets, finances, legal compliance, reputation, or business relationships.

ESG Risk Register — A documented tool used to record ESG risks, causes, potential impacts, likelihood, severity, controls, risk owners, mitigation actions, and monitoring status.

European Sustainability Reporting Standards, or ESRS — The sustainability reporting standards used by companies subject to the CSRD. The standards cover environmental, social, and governance topics, including climate change, biodiversity, and human rights. (Finance)

GHG Inventory — A quantified record of greenhouse gas emissions for a defined organization, project, product, facility, or reporting boundary.

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Greenhouse Gas, or GHG — A gas that contributes to climate change by trapping heat in the atmosphere. The GHG Protocol Corporate Standard covers carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride, and nitrogen trifluoride. (GHG Protocol)

GHG Protocol — A widely used global framework for measuring and reporting greenhouse gas emissions. The Corporate Standard covers corporate GHG accounting and reporting, including Scope 1, Scope 2, and Scope 3 emissions. (GHG Protocol)

Governance — The structures, responsibilities, policies, controls, decision-making processes, ethics, accountability mechanisms, and oversight systems used to direct and manage MRC.

Greenwashing — Misleading, exaggerated, unsupported, selective, or false claims about environmental or sustainability performance.

Global Reporting Initiative Standards, or GRI Standards — Sustainability reporting standards that help organizations understand and report their impacts on the economy, environment, and people. (Global Reporting Initiative)

Grievance — A concern, complaint, claim, or allegation raised by an employee, contractor, community member, supplier, customer, regulator, civil society organization, or other stakeholder.

Hazardous Material — A substance or material that may pose risks to health, safety, property, or the environment due to its chemical, physical, biological, flammable, corrosive, toxic, reactive, or infectious characteristics.

Hazardous Waste — Waste that may harm people or the environment and requires special handling, storage, transport, treatment, disposal, or regulatory control.

Human Rights — Basic rights and freedoms to which all people are entitled, including rights related to dignity, equality, non-discrimination, safe working conditions, freedom from forced labor and child labor, privacy, livelihood, health, culture, and access to remedy.

Human Rights Due Diligence, or HRDD — A process to identify, prevent, mitigate, track, and communicate how an organization addresses actual and potential human rights impacts. The UN Guiding Principles on Business and Human Rights are based on the "Protect, Respect and Remedy" framework. (OHCHR)

IFC Performance Standards — Environmental and social standards used in project finance and investment contexts. They guide clients on identifying, avoiding, mitigating, and managing environmental and social risks and impacts, including stakeholder engagement and disclosure. (IFC)

Impact — An actual or potential effect on people, the environment, society, the economy, or MRC's business. Impacts may be positive or negative, direct or indirect, short-term or long-term.

Incident Investigation — A structured process to determine what happened, why it happened, what impacts occurred or could have occurred, and what corrective or preventive actions are needed.

Indigenous Peoples — Distinct social and cultural groups with collective attachment to ancestral territories, natural resources, traditions, governance systems, languages, or cultural identity, whether or not they are formally recognized under national law.

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Internal Control — A process, procedure, review, approval, segregation of duties, system check, or evidence trail used to reduce risk and support reliable ESG performance, compliance, and reporting.

International Sustainability Standards Board, or ISSB — The standard-setting board under the IFRS Foundation that develops IFRS Sustainability Disclosure Standards. IFRS S1 covers general sustainability-related financial disclosures, and IFRS S2 covers climate-related disclosures. (IFRS Foundation)

Just Transition — A transition to a lower-carbon and more sustainable economy that considers workers, communities, livelihoods, affordability, access, and fairness.

Key Performance Indicator, or KPI — A measurable indicator used to track performance against ESG objectives, targets, risks, obligations, or improvement plans.

Materiality — The process of determining which ESG topics are important enough to manage, prioritize, monitor, or disclose because of their impact on MRC, stakeholders, the environment, society, or enterprise value.

Material Topic — An ESG topic that has been identified as significant through a materiality assessment, risk assessment, stakeholder engagement process, legal requirement, or management decision.

Mitigation Hierarchy — A preferred order of action for managing negative impacts: avoid impacts where possible, minimize impacts that cannot be avoided, restore or rehabilitate affected conditions, and offset or compensate only for residual impacts where appropriate.

MRC — The organization adopting these ESG Guidelines, including its relevant business units, facilities, projects, controlled entities, and employees. This definition should be replaced with MRC's formal legal definition where required.

Nature-Related Risk — A risk arising from an organization's dependencies or impacts on nature, ecosystems, biodiversity, water, land, oceans, or ecosystem services. TNFD recommendations address nature-related disclosures through governance, strategy, risk and impact management, and metrics and targets. (TNFD)

Net Zero — A state in which greenhouse gas emissions are reduced as far as reasonably possible and any residual emissions are balanced by permanent removals. Science-based net-zero approaches prioritize deep reductions in direct and indirect value-chain emissions before neutralizing residual emissions. (Science Based Targets Initiative)

Non-Conformance — A failure to meet a law, regulation, permit, contract, policy, procedure, standard, target, or other ESG requirement.

Operational Control — The ability of MRC to direct operating policies, procedures, and management practices at a facility, asset, project, or activity. Operational control is often used to define ESG and emissions reporting boundaries.

Permit — An authorization, license, approval, consent, registration, or certificate issued by a government authority or regulator that allows an activity subject to specified conditions.

Policy Commitment — A formal statement approved by management or the Board that sets MRC's ESG expectations, responsibilities, principles, and minimum requirements.

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Remediation — Action taken to correct, compensate for, restore, or otherwise address harm caused or contributed to by MRC or its business relationships.

Renewable Energy Certificate, or REC — A market-based instrument representing the environmental attributes of electricity generated from renewable sources. RECs must be credible, traceable, retired, and matched to the relevant reporting period and market where applicable.

Residual Emissions — Emissions that remain after feasible avoidance, reduction, substitution, efficiency, and decarbonization measures have been implemented.

Resource Efficiency — The efficient use of energy, water, raw materials, land, and other resources to reduce cost, waste, pollution, and environmental impact.

Risk — The effect of uncertainty on objectives. ESG risk may be assessed by considering likelihood, severity, duration, reversibility, regulatory exposure, financial impact, and stakeholder concern.

Root Cause Analysis — A method used to identify the underlying causes of an incident, non-conformance, grievance, or performance failure so that corrective actions address the source of the problem rather than only the symptoms.

Science-Based Target — A greenhouse gas reduction target aligned with climate science. The Science Based Targets initiative states that near-term targets focus on rapid emissions reductions and long-term targets support net-zero pathways. (Science Based Targets Initiative)

Scope 1 Emissions — Direct greenhouse gas emissions from sources owned or controlled by MRC, such as fuel combustion in company vehicles, boilers, generators, or process emissions.

Scope 2 Emissions — Indirect greenhouse gas emissions from purchased or acquired electricity, steam, heat, or cooling consumed by MRC. The GHG Protocol Scope 2 Guidance supports measurement and reporting of these emissions. (GHG Protocol)

Scope 3 Emissions — Other indirect greenhouse gas emissions in MRC's value chain that are not included in Scope 2, such as purchased goods and services, transport, business travel, waste, use of sold products, leased assets, and investments. The GHG Protocol Scope 3 Standard provides a methodology for accounting and reporting these emissions. (GHG Protocol)

Stakeholder — Any person, group, organization, institution, or authority that may affect, be affected by, or have an interest in MRC's activities, performance, decisions, or impacts.

Stakeholder Engagement — The process of identifying stakeholders, sharing relevant information, seeking input, responding to concerns, documenting feedback, and incorporating stakeholder views into decision-making where appropriate.

Supplier — A third party that provides goods, materials, equipment, labor, or services to MRC.

Supplier Code of Conduct — A document setting minimum ESG, legal, ethical, labor, human rights, safety, environmental, and governance expectations for suppliers and their subcontractors.

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Sustainability Report — A public or internal report describing ESG strategy, governance, risks, impacts, targets, performance, initiatives, and progress over a defined reporting period.

Sustainable Procurement — Purchasing practices that consider ESG risks, lifecycle impacts, supplier conduct, human rights, environmental performance, safety, quality, cost, and long-term value.

Task Force on Climate-related Financial Disclosures, or TCFD — A climate disclosure framework structured around governance, strategy, risk management, and metrics and targets. The IFRS Foundation notes that the TCFD completed its work, with ISSB Standards marking the culmination of that work. (IFRS Foundation)

Taskforce on Nature-related Financial Disclosures, or TNFD — A disclosure framework for nature-related dependencies, impacts, risks, and opportunities, structured around governance, strategy, risk and impact management, and metrics and targets. (TNFD)

UN Global Compact — A voluntary corporate sustainability initiative based on ten principles covering human rights, labor, environment, and anti-corruption. (UN Global Compact)

Value Chain — The full range of activities, relationships, and resources connected to MRC's products, services, and operations, including upstream suppliers, internal operations, logistics, customers, product use, end-of-life treatment, and business relationships.

Vulnerable Group — A group or individual that may face a higher risk of harm, exclusion, discrimination, or reduced ability to access benefits or remedies due to age, gender, disability, poverty, ethnicity, migration status, livelihood dependence, legal status, health, language, or social marginalization.

Whistleblowing — Reporting suspected misconduct, illegal activity, unethical behavior, retaliation, fraud, corruption, human rights abuse, environmental harm, safety violations, or breaches of MRC policies.

Zero Tolerance — A position that certain conduct is prohibited and may result in disciplinary action, contract termination, reporting to authorities, or other consequences. Examples may include bribery, retaliation, forced labor, child labor, harassment, serious safety violations, and falsification of ESG data.

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Appendix I: Abbreviations

Abbreviation	Full Term
ADB	Asian Development Bank
AoI	Area of Influence
BCP	Biodiversity Conservation Plan
BMP	Biodiversity Management Plan
CBO	Community-Based Organization
CEMP	Contractor Environmental Management Plan
CHMP	Cultural Heritage Management Plan
CIA	Cumulative Impact Assessment
CoC	Code of Conduct
CSR	Corporate Social Responsibility
E&S	Environmental and Social
EHS	Environment, Health and Safety
EIA	Environmental Impact Assessment
ESAP	Environmental and Social Action Plan
ESCP	Environmental and Social Commitment Plan
ESG	Environmental, Social and Governance
ESIA	Environmental and Social Impact Assessment
ESMS	Environmental and Social Management System
ESMP	Environmental and Social Management Plan
ESS	Environmental and Social Standards
FPIC	Free, Prior and Informed Consent
GBV	Gender-Based Violence
GHG	Greenhouse Gas
GIIP	Good International Industry Practice
GRC	Grievance Redress Committee
GRM	Grievance Redress Mechanism
H&S	Health and Safety
HR	Human Resources
HRDD	Human Rights Due Diligence
HSE	Health, Safety and Environment
ILO	International Labour Organization
IFC	International Finance Corporation
IP	Indigenous Peoples
IPP	Indigenous Peoples Plan
KPI	Key Performance Indicator
LMP	Labour Management Procedures
M&E	Monitoring and Evaluation
MRC	Malaysian Rubber Council
NGO	Non-Governmental Organization
O&M	Operation and Maintenance

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Abbreviation	Full Term
OHS	Occupational Health and Safety
PAP	Project-Affected Person
RAP	Resettlement Action Plan
SEP	Stakeholder Engagement Plan
SIA	Social Impact Assessment
SMP	Social Management Plan
SOP	Standard Operating Procedure
TOR	Terms of Reference
UNGPs	United Nations Guiding Principles on Business and Human Rights
WB	World Bank
WBG	World Bank Group

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