

PHILLIP MUTUAL BERHAD

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Malaysia's Pioneering Role in ESG Reporting for SMEs

While ESG reporting is frequently associated with listed companies, it is important to recognise the increasing awareness that ESG considerations are pertinent to businesses **regardless of the sizes**, including Small and Medium-sized Enterprises (SMEs). The Securities Commission (SC) of Malaysia, through its affiliate Capital Markets Malaysia (CMM), has introduced a Simplified ESG Disclosure Guide (SEDG) aimed at assisting SMEs in global supply chains with the disclosure of ESG data and information. Malaysia takes pride in being the global pioneer in implementing such a guide.

[As stated on the official website of the SEDG](#), it functions as a set of guidelines aimed at consolidating and simplifying the intricate array of global and local frameworks related to ESG considerations. Its primary purpose is to assist SMEs in meeting disclosure requests from various stakeholders, including customers, investors, banks, and regulators. Comprising 35 priority disclosures, the SEDG is in accordance with both local and global sustainability guidelines. Moreover, it is structured into Basic, Intermediate, and Advanced levels, tailored to address the diverse levels of sustainability maturity exhibited by each SME. There is, however, no mandatory adoption timeline for the disclosures.

Exhibit 1: SEDG Adopter Category and Commitment

 <p>Large Companies with Supply Chains</p> <p>Commitment to begin aligning suppliers' ESG disclosures to the SEDG</p>	 <p>Small or Medium-sized Enterprises (SMEs)</p> <p>Commitment to begin aligning ESG disclosures to the SEDG</p>	 <p>Financial Institutions</p> <p>Commitment to begin aligning suppliers' and customers' ESG disclosures to the SEDG</p>	 <p>Investors</p> <p>Commitment to begin aligning investee companies' ESG disclosures to the SEDG</p>
 <p>Regulators or Government Agencies</p> <p>Commitment to align new and existing ESG frameworks to the SEDG</p>	 <p>Trade Associations, Chambers of Commerce or Trade Commissions</p> <p>Commitment to promote and encourage the adoption of the SEDG within member companies</p>	 <p>ESG Reporting Platforms or Tools</p> <p>Commitment to provide the capability for companies to report on SEDG disclosures on the platform or tool</p>	 <p>Service Providers, Consultants or Non-Governmental Organisations (NGOs)</p> <p>Commitment to facilitate the adoption of SEDG within clients' ESG disclosures</p>

Source: SEDG's official website

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The SEDG was crafted by consolidating insights from a variety of sources, specifically adapted for SMEs. It incorporates inspiration from diverse global and local sustainability frameworks, guidance, benchmarks, and evaluations. The Guide thoroughly addresses a range of considerations within the realm of ESG.

1. Environmental: Emission; Energy; Water; Waste; and Materials
2. Social: Human Rights and Labour Standards; Employee Management; Diversity, Equity and Inclusion; Occupational Health and Safety; and Community Engagement
3. Governance: Governance Structure; Policy Commitments; Risk Management And Reporting; Anti-Corruption; and Customer Privacy

Our View

The government maintains its commitment to ESG-focused development programs, recognising them as essential enablers for Malaysia's transition from recovery to long-term reforms. These priorities underscore a strategic focus on sustainable practices and responsible governance in shaping the nation's developmental trajectory. Achieving lasting transformation requires the entire nation, encompassing both the public and private sectors, to unite behind a shared vision of sustainability. This underscores a collective responsibility for all.

Our investment portfolio focuses on quality companies that possess strong fundamentals, including stable earnings and a promising future outlook, and are led by capable management teams. Please click on the [link](#) to learn more or email us at phillipmutual@phillipcapital.com.my if you require any further information.

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