

ESG Readiness in Malaysia



Softech360 Sdn Bhd is a Malaysia headquartered organization offering wide range of services including Up-Skilling, data management, analysis, reporting, consulting & training professionally using technology. Softech360 is run by the promoters of Olivestouch Technologies Sdn Bhd which is the largest local Oracle Partner in Malaysia. We follow our "Soft" Methodology and offer Digital Solutions to the organizations seeking to adopt sustainable business practices for their business transformation and ESG related requirements.

Softech360

ESG Disclose



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What is ESG Readiness Assessment?

In today's rapidly evolving business landscape, companies are increasingly recognising the critical importance of ESG (Environmental, Social, and Governance) factors for their future resilience and growth. As the need to address sustainability issues becomes more urgent than ever, organisations must conduct a comprehensive evaluation of their current ESG compliance status before embarking on an ESG transition plan.

ESG readiness assessment is a process of evaluating an organization's preparedness to address issues of sustainability, social responsibility, and governance. It involves a systematic evaluation of the organization's policies, practices, and procedures in these areas, as well as its capacity to manage related risks and opportunities.

The assessment typically involves a comprehensive review of the organization's operations, including its supply chain, product development, and marketing strategies. It also evaluates the organization's reporting and disclosure practices, as well as its stakeholder engagement efforts.

The goal of an ESG readiness assessment is to identify areas of strength and weakness within the organization's ESG strategy and to develop a plan for improving performance in areas needing attention. By undertaking this process, organizations can better understand their ESG risks and opportunities, improve their sustainability performance, and enhance their reputation with stakeholders.

Tools for ESG Readiness Assessment:

There are a variety of tools and frameworks available to help organizations conduct ESG readiness assessments. These include the Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI), and the Task Force on Climate-related Financial Disclosures (TCFD), among others. Organizations can select the framework that best aligns with their needs and goals.

In Malaysia, the Bursa Malaysia ESG Framework provides a comprehensive and consistent set of guidelines and requirements for listed issuers to disclose their ESG matters in their annual reports. The framework also aligns with the international best practice of the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations, which help companies to assess and report on their climate change-related risks and opportunities.

The ESG Readiness Assessment Process (ESG Disclose Readiness Assessment):

In a world that highly values sustainable practices, understanding a company's ESG compliance status is of utmost importance when considering such a transition. By thoroughly assessing strengths and weaknesses, building strong stakeholder trust, proactively mitigating risks, and capitalizing on opportunities, companies can establish a solid foundation for a successful and impactful ESG journey.

In Malaysia, the forthcoming changes starting from December 2023, including the introduction of statutory ESG disclosures, company ESG ratings, and regulations by Bank Negara and Bursa Malaysia, will significantly impact compliance requirements for businesses and society. However, Malaysian companies face a notable challenge due to the scarcity of experienced and trained staff capable of assessing an organization's current ESG compliance status and effectively developing and implementing ESG initiatives that yield tangible outcomes for both companies and society at large. Consequently, this situation has resulted in confusion and operational difficulties for businesses striving to meet the new regulatory ESG requirements imposed upon them. However, understanding an organisation's current ESG compliance and adoption status is no longer a mere option; it has become an essential business necessity.

To address these challenges, the utilisation of innovative ESG software can streamline the process, reducing costs, time, and effort required to assess an organization's compliance with forthcoming regulatory ESG disclosures.

The ESG readiness assessment process involves evaluating a company's performance in the areas of environmental, social, and governance practices. The assessment is done by examining the company's policies, procedures, and practices and identifying areas where improvements can be made.

To comply with the Bursa Malaysia ESG Framework and the TCFD Recommendations, listed issuers need to adopt a systematic and strategic approach to ESG reporting. This involves identifying and prioritizing the material ESG matters that affect their business and stakeholders, establishing a sustainability governance structure that oversees the management and reporting of ESG matters, developing a sustainability strategy that aligns with their business objectives and addresses the material ESG matters, assessing their climate change-related risks and opportunities using a scenario analysis approach, setting targets and indicators for each material ESG matter and climate change-related risk or opportunity, and considering obtaining an internal review or external assurance for their sustainability statement to enhance its credibility and reliability.

To help listed issuers prepare for ESG reporting, here are some questions that they can use to assess their readiness:

- Have you identified and prioritized the material ESG matters that affect your business and stakeholders? If yes, how did you do it and what are the results?
- Have you established a sustainability governance structure that oversees the management and reporting of ESG matters? If yes, what are the roles and responsibilities of the board, senior management and relevant committees or teams?
- Have you developed a sustainability strategy that aligns with your business objectives and addresses the material ESG matters? If yes, what are the key elements of your strategy and how do you measure and monitor its progress and outcomes?
- Have you assessed your climate change-related risks and opportunities using a scenario analysis approach? If yes, what are the scenarios, time horizons and assumptions that you used and what are the main findings?
- Have you set targets and indicators for each material ESG matter and climate change-related risk or opportunity? If yes, what are they and how do you track and report them?
- Have you considered obtaining an internal review or external assurance for your sustainability statement to enhance its credibility and reliability? If yes, what is the scope, level and provider of the review or assurance?

By following these steps, listed issuers can ensure that their ESG reporting is comprehensive, consistent, and credible. This will not only help them to meet the expectations of investors, regulators, and stakeholders, but also to enhance their resilience, competitiveness, and value creation in the long term.

Why ESG Reporting Matters?

ESG reporting is not only a compliance obligation but also a strategic opportunity for businesses to demonstrate their commitment to sustainability and create positive impacts on society and the environment. According to a Bloomberg report, Covid-19 has accelerated the adoption of ESG in Asia as investors recognize its importance in mitigating risks and enhancing returns. In Malaysia, 94% of the top 50 Public Listed Companies have ESG plans in place, indicating a high level of awareness and readiness among the leading corporates.

ESG reporting can also help businesses to access new sources of capital, such as green bonds or loans, which are increasingly popular among investors who seek both financial returns and environmental

benefits. For example, CIMB Group Holdings Bhd. issued Malaysia's first sustainability-linked bond in 2021, which raised US\$680 million for general corporate purposes aligned with its sustainability goals.

Moreover, ESG reporting can help businesses to improve their reputation and stakeholder relations by showcasing their positive contributions to society and the environment. For example, Petronas Dagangan Bhd. won the Best Sustainability Reporting Award at the National Annual Corporate Report Awards 2021, which recognized its efforts in promoting environmental stewardship, social responsibility, and good governance.

How to improve ESG reporting?

While ESG reporting has become more prevalent in Malaysia, there is still room for improvement in terms of quality, consistency, and comparability. According to a PwC Malaysia report, some of the common challenges faced by listed issuers include:

- Lack of clear guidance on materiality assessment
- Inadequate data collection and management systems
- Insufficient integration of ESG into business strategy and decision making
- Limited disclosure of targets, indicators, and performance
- Low adoption of external assurance or verification

To overcome these challenges, listed issuers can adopt the following best practices:

- Conduct a robust and stakeholder-inclusive materiality assessment to identify the most relevant and significant ESG matters for their business and reporting.
- Establish a data governance framework and leverage technology to collect, store, analyse and report ESG data in a reliable and efficient manner.
- Embed ESG into their business strategy and decision-making by linking ESG matters to their vision, mission, values, and objectives.
- Set SMART (specific, measurable, achievable, relevant and time-bound) targets and indicators for each material ESG matter and climate change-related risk or opportunity, and report on their progress and outcomes.
- Seek internal review or external assurance or verification for their sustainability statement to enhance its credibility and reliability, and disclose the scope, level and provider of the review or assurance.

ESG Readiness & SMEs in Malaysia:

Small and Medium size Enterprises (SMEs) in Malaysia face unique challenges in conducting ESG readiness assessments due to their limited resources and expertise in this area. However, there are resources available to help SMEs with this process. For example, the Securities Commission Malaysia has developed guidelines for ESG reporting, which can be used by SMEs to assess their ESG performance.

To conduct an ESG readiness assessment, SMEs should first identify the ESG factors that are relevant to their business. This could include factors such as energy consumption, waste management, labour practices, and board diversity. Once these factors have been identified, the enterprise should assess its performance in each area, using relevant metrics and benchmarks.

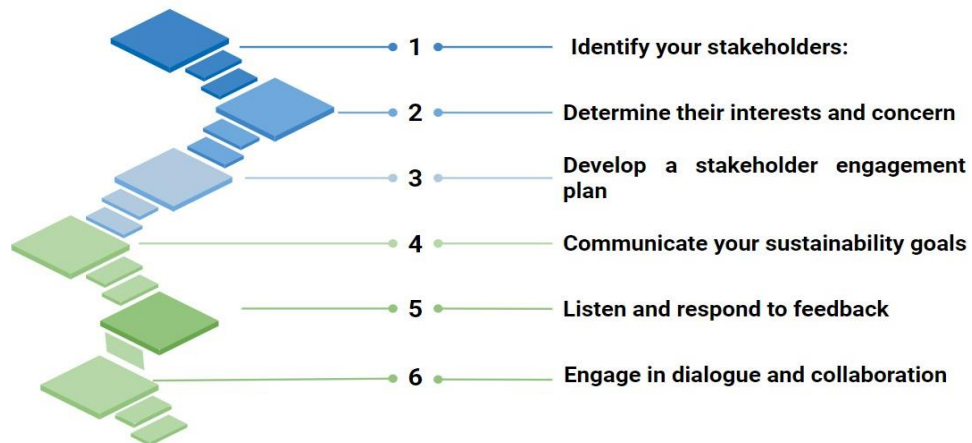
The assessment should also consider the company's stakeholders, including customers, employees, suppliers, and investors. This involves identifying their expectations and concerns regarding ESG issues and incorporating these into the assessment process.

Once the assessment is complete, the SME should develop an action plan to address any areas where improvements are needed. This could involve implementing new policies or procedures, investing in new technologies, or engaging with stakeholders to address their concerns.

Roadmap for ESG Readiness Reporting:

ESG Readiness Reporting is a step-by-step process which includes:

- Stakeholder Identification & Engagement
 - Internal Stakeholder (boards member, employee)
 - External Stakeholder (suppliers, customers, regulators, NGOs/civil society organisations (“CSOs”) feedback including expectations, concerns, complaints, etc)



- **Materiality Assessment as per the Industry & Business Category**

- **Materiality Assessment Process (Bursa Malaysia)**

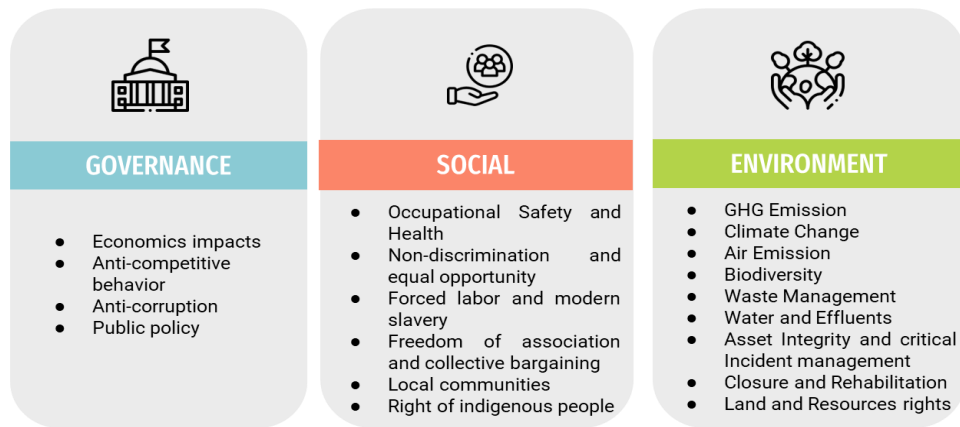
Phase 1: Identification of sustainability matters	Phase 2: Prioritisation of material sustainability matters	Phase 3: Review and validation of process and outcome
<ul style="list-style-type: none"> • Understand company's distinctive operating context • Identify key stakeholders and understand their needs and expectations pertaining to sustainability-related impacts • Derive preliminary list of sustainability matters 	<ul style="list-style-type: none"> • Apply materiality concept and undertake stakeholder engagement in prioritisation • Disclose prioritised material sustainability matters in a manner which illustrates the relative importance of each material sustainability matter 	<ul style="list-style-type: none"> • Subject the outcome of materiality assessment for validation and approval • Establish a review process for the materiality assessment process • Determine the frequency of undertaking the materiality assessment

- **Methods for Materiality Assessment include:**

- Survey/Questionnaires
 - Interview
 - Documents Analysis
 - Focus Group
 - Materiality Matrix

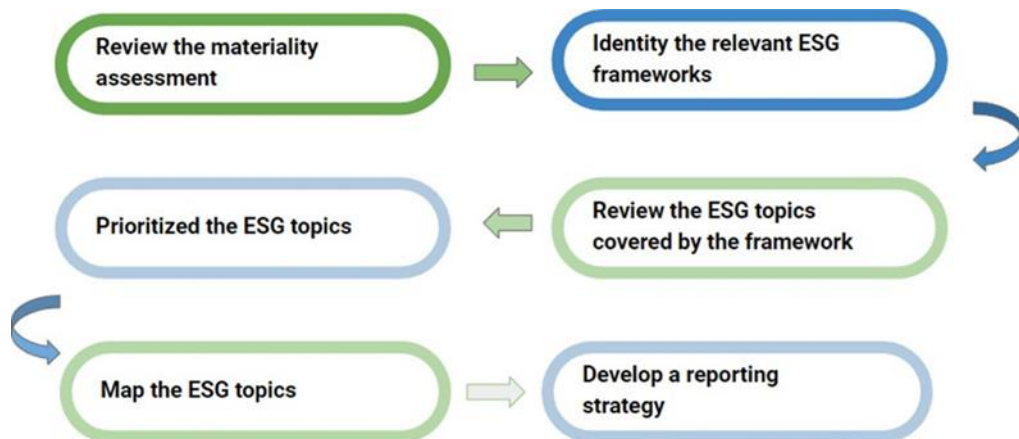
- **Data Source Identification & Collection**

- Collect data on the sustainability issues that are most material to your organization.
 - Topics for data collection include:



- **Choosing the Appropriate Reporting Framework**

- Based on the materiality assessment and the sustainability data collected, a reporting framework can be chosen that aligns with the organization's goals and values, and the organisation can disclose the data accordingly.
- Identify ESG Topics and Framework



- **Target and Progress**

- **Set KPIs and Progress**



- Assign specific tasks to each stakeholder to achieve the targets and goals. Tasks may include data collection, analysis, implementation of sustainability initiatives, monitoring and reporting progress, and stakeholder engagement.
- Performance Target
 - Qualitative targets are defined as targets that describe desired states in the future, typically expressed in terms of a “general commitment to improve” but with no accompanying quantitative yardstick provided.
 - Quantitative targets are defined as targets that describe desired states in the future, expressed in quantitative or measurable terms.
 1. Performance targets for reported indicators
 2. Reporting of progress against performance targets
 3. Linking performance targets to Remuneration
- Team Identification (who will participate?)
 - Finance
 - Legal
 - Sustainability
 - Environmental
 - Safety and Health Management team
 - Human Resources
 - Communication and Media Operations
 - Supply Chain

How can Softech360 help as an IT Consulting company?

As an IT consulting company, **Softech360** along with its Technology Partner, **ESG Disclose** can assist enterprises in ESG readiness assessment in the following ways:

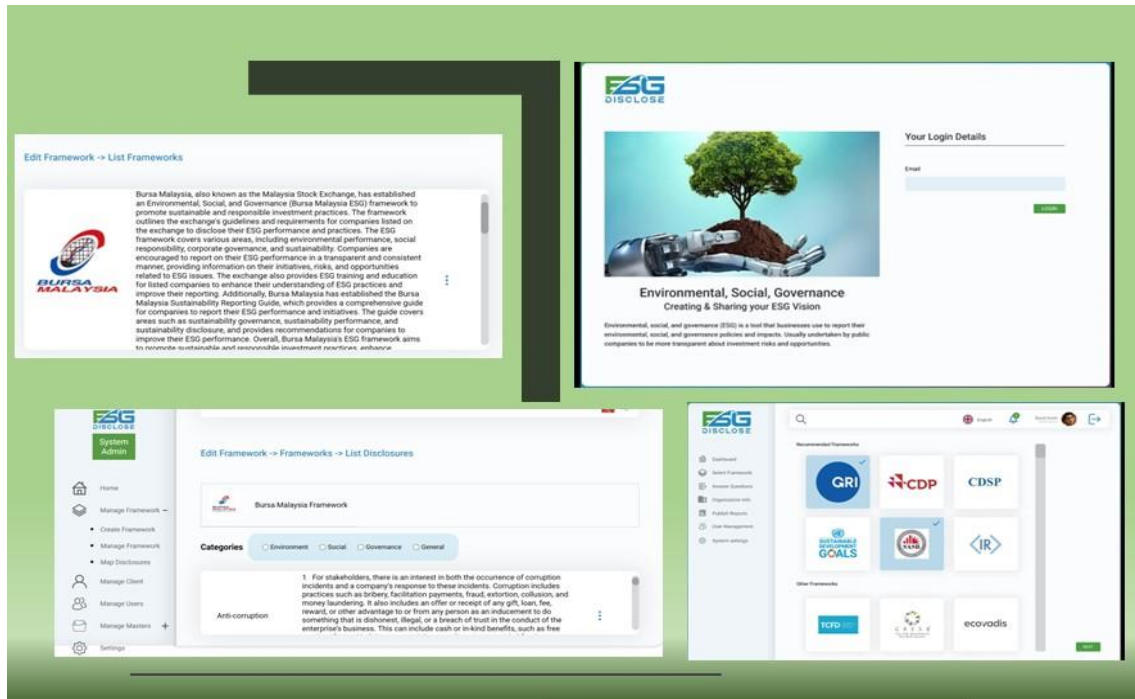
- **Data collection and analysis:** This can help the company identify the correct data sets and collect & analyse data via tools related to their environmental impact, social responsibility, and corporate governance practices. This data can be used to identify areas where the company needs to improve its ESG performance.
- **Technology solutions:** We implement technology solutions that can help SMEs improve their ESG practices. An innovative ESG software is provided by our technology partner **ESG Disclose**. The use of such software serves as a valuable tool to expedite and facilitate the evaluation and readiness of an organization to meet ESG standards. Additionally, it aids in identifying key

risks and gaps in the organization's current strategy and operations, enabling companies to take targeted actions and ensure alignment with ESG principles. By embracing technology solutions, businesses can navigate the complexities of ESG compliance more efficiently, allowing them to focus on driving positive environmental and social impact while maintaining long-term financial sustainability.

- **Training and awareness:** We can provide training and awareness programs to SMEs to help them understand the importance of ESG practices and how to implement them effectively. This can also include coaching on how to communicate ESG performance to stakeholders. We have two programs for business managers, one is a high-level session for awareness about ESG & Sustainability and the other is a deep-dive training session including a workshop. This ESG training workshop is designed for managers at all levels who are interested in integrating sustainable practices into their business operations and decision-making.
- **Compliance with regulations:** We can also help organisations to ensure compliance with ESG regulations and guidelines in Malaysia. This can include monitoring changes in regulations and recommending appropriate actions to comply with them.

In conclusion, as an IT consulting company, we can play a crucial role in ESG readiness assessment for Organisations operating in Malaysia, can provide technical expertise, recommend technology solutions, provide training and awareness, and ensure compliance with regulations. This can help businesses to improve their sustainability performance and gain a competitive advantage in the market.

Introducing the Bursa MY ESG Disclosure Readiness Assessment Tool:



ESG GAP ANALYSIS & READINESS

To help inform your next steps / action on your business / organisations ESG Journey.

- 1 We will introduce and deploy an ESG Gap Analysis & Readiness assessments to you.
- 2 This will help us understand some key data points for your businesses ESG readiness.
- 3 We will use these data points to create a report based on standards such as Bursa Malaysia / GRI for your business / organisation.
- 4 Within 1 month (during this programme period) we will provide you a report and debrief you on your ESG Gap Analysis and Readiness.

Introducing the Bursa My ESG Disclosure Readiness Assessment, a powerful tool meticulously designed by our team of ESG subject matter experts (SMEs). Specifically aligned with the Bursa Malaysia Disclosures, this assessment guides users through a comprehensive set of questions required for compliance with Malaysia's formal ESG Disclosure regulations starting from December 2023.



Distinguished as the sole automated software solution of its kind in Malaysia, our tool empowers clients to evaluate their current ESG initiatives, data collection processes, and preparedness to meet Bursa Malaysia's requirements. With our solution, there is no need to engage costly ESG consulting firms or assemble a team of consultants to manually conduct a gap analysis of your existing ESG practices.

In a matter of days, the tool takes you through a simple, seamless process of asking you to answer the Bursa ESG Disclosures, aiding you by providing examples of data you need to input to meet the disclosures. This information is further analysed by our team of ESG SMEs to produce a gap analysis report highlighting areas which will need to be addressed before December 2023.

The unique Bursa MY ESG Disclosure Readiness Assessment Tool is brought to you by:



Why this Partnership is Important?

Softech360 and ESG Disclose's joint venture enables clients to have a seamless resource for identifying gaps in their ESG reporting. Softech360 and ESG Disclose uniquely provide education, training, and technology to address these gaps.

- Identify gaps in ESG reporting:
Softech360 and ESG Disclose use a variety of data sources to identify gaps in a client's ESG reporting. This includes data from the client's operations, as well as data from third-party sources.
- Provide education and training:
Softech360 and ESG Disclose offer a variety of educational and training resources to help clients understand ESG reporting requirements and best practices.
- Provide technology:
Softech360 and ESG Disclose offer a suite of software tools that can help clients automate their ESG reporting process.

This partnership provides clients with a comprehensive solution for improving their ESG reporting. By working with 360 and ESG Disclose, clients can gain the insights they need to make informed decisions about their ESG strategy.

Author Profiles



Farah Wahida
Sustainability
(ESG) Practitioner,
Softech360

Farah Wahida binti Jamaludin is a Certified Green Project Manager, and a Sustainability (ESG) Practitioner, Consultant, and Business Development for Softech360. She actively promotes the company's services, manages stakeholder communication, and identifies new business opportunities. She is also part of the Executive Committee member of the Sustainable Business Network Association Malaysia (SustNET). She is a skilled professional who excels in driving ESG initiatives and delivering effective training sessions.

Among the trainings conducted by her this year is on ESG Strategy for Top Management and Sustainability & ESG for SME's. She is also a trainer for Executive Master in Sustainable Practices, a program under UiTM Institute of Business Excellence (IBE).

She is Certified as an HRD Corp Trainer and Certified by City & Guilds for Teaching, Training and Assessing Learning. She also holds an MBA from UNIRAZAK and a Degree in Telecommunication Engineering from University of Malaya. She recently completed a course on Reporting with GRI Standards 2021 Update from GRI.

As a Sustainability Specialist at Mydin Mohamed Holdings Berhad, she successfully managed the Energy & Waste Sustainability Reporting Project, integrating ESG metrics and aligning Mydin's ESG strategy with business goals and stakeholder expectations. She provided guidance to the Facility Management Team and ensured compliance with ESG requirements and best practices. Additionally, Farah was a Sustainability Analyst at GPM Global, USA, where she contributed to the Petronas PDD GPM360 Certification by analyzing the impact of sustainable projects using the P5 Impact Analysis and preparing comprehensive reports for certification submission.



Ifrah Bukhari
Business Analyst,
Softech360

Ifrah Bukhari is a certified Business Analyst with a strong background in IT consulting and business analysis. With a focus on sustainable business practices, Ifrah has also gained certifications in ESG Risks and Opportunities, ESG and Climate Change, and ESG Risk Identification and Materiality. These certifications demonstrate her comprehensive understanding of environmental, social, and governance aspects in business operations.

Currently employed as a Business Analyst at Softech360, Ifrah plays a pivotal role in driving ESG reporting and consulting services.

With her vast experience in IT consulting, Ifrah possesses a deep understanding of the challenges faced by organizations in adopting sustainable practices. Through her work, she enables clients to navigate these challenges, identifying opportunities for improvement and implementing effective strategies to achieve their ESG goals.

In addition to her professional accomplishments, Ifrah is a published author, having contributed multiple research articles. Her ability to bridge the gap between IT and sustainability allows her to provide comprehensive solutions that drive long-term value for organizations. She continues to drive the adoption of sustainable practices, enabling organizations to achieve their ESG goals and contribute to a more sustainable future.



Nadeem Shakoor
Co-Founder,
ESG Disclose


With an extensive 25-year background in the international software industry, Nadeem has garnered valuable expertise working with prominent entities in the Energy, IT, Government, and various other sectors. Over the past decade, Nadeem has played a pivotal role in the development of AI and Machine Learning solutions for Compliance, Auditing, ESG, and CSR domains. He possesses a strong acumen for commercial operations and risk management, along with a vast global network and substantial experience in the Technology, Finance, and IT industries. In 2021, Nadeem successfully exited from Audit XPRT, which was acquired by a Global PLC. Furthermore, Nadeem co-founded Eduworks UK in 2013, an innovative AI software company that served elite global clients. EDUK was later acquired in 2016.


Nadeem embarked on his career in the 1990s, focusing on implementing risk management strategies for high-hazard industries like energy and mining. This experience cultivated an appreciation for data assurance and risk mitigation through the use of technology.


Nadeem assumed leadership roles, including heading the Global EHS risk practice at Wipro Technologies, where he spearheaded the development of a global risk performance platform for a major energy company. During his tenure, he played a pioneering role in automating competencies through algorithms, enabling the assessment of individual risks associated with task performance.

Thank You

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