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COMPANIES COMMISSION OF MALAYSIA

BEST BUSINESS PRACTICE CIRCULAR 5/2013

Corporate Responsibility:
Guidance to Disclosure and Reporting

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OBJECTIVES

1. The objectives of this Best Business Practice Circular 5/2013 (BBPC) are:

- To promote the importance and relevance of corporate responsibility disclosure among companies and businesses in Malaysia with an emphasis that even the minimum voluntary disclosure can encourage innovation and improve the organization's value;

- To raise awareness on corporate responsibility disclosure in line with the increasing societal need and to provide understanding on the new framework for corporate responsibility disclosure under the new Companies Act; and

- To provide companies and businesses with an overview of available approaches, tools and resources together with leading standards to facilitate a well-balanced, accurate and reliable corporate responsibility disclosure.

INTRODUCTION

2. The Companies Commission of Malaysia (SSM) through its Corporate Responsibility Agenda (CR Agenda)[1] defines corporate responsibility as *"the commitment by corporations and businesses towards achieving sustainability in the social, economic and environmental conditions in furtherance to the pursuit of profitability"*. The CR Agenda sets out SSM's strategic framework and approach in relation to corporate responsibility with the main objective to inculcate a culture among Malaysian corporate players that values and recognizes that all corporate responsibility activities undertaken by them can create premium for corporations and businesses.

3. The CR Agenda does not place companies and businesses under an obligation to work on specific corporate responsibility activities. Instead, the CR Agenda propagates that companies and businesses should be able to carry out the activities without compromising the business focus and exist concurrently with the pursuit for profit. The CR Agenda also promotes the need for companies and businesses to become more transparent about their work on corporate responsibility and communicate their efforts to ensure that they reap the optimum benefits from their activities.

4. For ease of reference, this BBPC uses the term "corporate responsibility". Generally, corporate responsibility (CR) is a term synonymous with corporate social responsibility, sustainability and corporate citizenship. It is universally understood that all those terms refer to the same concept.

5. Likewise, this BBPC uses the term "disclosure" and "reporting" while the term "communication" is also used synonymously. Different organisations may employ different terminology based upon their corporate history, geographic location, the specific form and format of their disclosure combined with the needs and expectations of the target audience/stakeholder.

CORPORATE RESPONSIBILITY DISCLOSURE

What is corporate responsibility disclosure?

6. There is a wide diversity to corporate responsibility disclosure. Some enable organisations to have a stakeholder dialogue and to stimulate internal improvements. Other types of disclosure focuses more on accounting purposes with limited direct impact on external and internal stakeholder dialogues.

7. It is also undeniable that a myriad of stakeholders ranging from employees to shareholders to society with interest in the conduct and oversight, demands greater role and responsibility for companies and businesses to engage in good work parallel with the pursuit for profitability. These stakeholders can also play a big impact on the value of a company or a business.

8. Keeping in mind of the possibilities that it can produce, companies and businesses should not view disclosure as a communication tool only, as it could also be used for internal monitoring, measurement and for gap analysis.

9. In terms of data, it is best for the disclosure to relay narrative data rather than indicative data and subsequent disclosure should show progressivity of the project or initiative.

10. Companies and businesses should not only state the 'good' issues, 'bad' issues should also be disclosed; "What happened?" and "Why it happened?"; together with the countermeasures undertaken to address the issue; "What measures did the company take to ensure it does not happen again?"

11. In practice, some companies disclose annually, some every 18 months and some do it bi-annually. Some companies do decide to take a 'vacation from reporting' i.e. not to report for a particular year. This is especially so if for that particular year, the status quo of certain project remains unchanged or there is no significant progress to report.

Corporate Responsibility Disclosure in Malaysia

12. In Malaysia, disclosure of corporate responsibility by companies has steadily risen since 1999. Recognitions and awards such as the ACCA Malaysia Sustainability Reporting Awards ("ACCA MaSRA"[2]) has aided in spurring the practice of disclosure among the companies.

13. For the awarding of ACCA MaSRA 2011, 43 entries were considered, out of which 20 companies were shortlisted and ranked as top companies by the ACCA MaSRA judges. Out of these shortlisted companies, 15 published stand-alone sustainability report while the remaining companies published their disclosure as part of their annual reports.

14. In a report by ACCA[3], it was noted that among ASEAN countries, Malaysia has the highest number of reporters with a total of 49 companies producing 97 Sustainability Reports since 2002. The Report[4] found most companies that are reporting, have been consistently reporting over the past 3 to 4 years. For 20% of such companies, reporting began with a report on the environment, health or safety, which then developed into a more comprehensive Sustainability Report.

15. Following the global trends, the Report[5] also notes that the industry producing the highest number of reports are the electronic sector while the oil and gas industry produced the second highest. It should also be highlighted that the nature of industry for each country is important. Mining is a key sector for reporting for Indonesia and the Philippines, while in Malaysia large conglomerate companies publish reports according to their diversified interests.

THE CURRENT REPORTING AND DISCLOSURE FRAMEWORK IN MALAYSIA

Reporting by listed companies

16. For listed companies in Malaysia, the Bursa Malaysia Securities Berhad Main Market Listing Requirements (Listing Requirements) which was amended in September 2006, makes it mandatory for listed companies to provide a description of the corporate responsibility activities or practices undertaken by them. If there are no activities or practices undertaken in a reported year, the company must provide a statement to that effect.

17. Chapter 9, paragraph 9.25 (1) of the Listing Requirements provides the mandatory requirement where it states that –

    "(1) A listed issuer **must** set out separately in its **annual report**, the *items set out* in **Part A of Appendix 9C**."

18. Part A of Appendix 9C (paragraph 29) of the Listing Requirements states –

    "(29) A **description of the corporate social responsibility activities** or **practices** undertaken by the listed issuer and its subsidiaries or if there are none, a statement to that effect."

19. Chapter 16 paragraph 16.19(1)(a)(iv) of the Listing Requirements imposes monetary fine for any non-compliance under the Listing Requirements. It states that –

    "Without prejudice to any of the powers granted to the Exchange under any written law in relation to the enforcement of these Requirements, the types of action or penalty that the Exchange may take or impose for a breach of these Requirements include any one or more of the following:
    ...
    (iv) **imposition of a fine not exceeding RM1 million**."

Reporting by Small Medium Enterprises

20. Apart from the Listing Requirements which imposes mandatory reporting of CR activities for listed companies, there is no reporting requirement for other companies including Small and Medium Enterprises (SMEs).

21. According to the SME Corporation Malaysia, SMEs constitute about 99.2% of total business establishments in Malaysia with the Gross Domestic Product (GDP) contribution of 32% (2010), 59% of employment (2010) and 19% of exports (2010) and is generally defined as follows:

    a) For manufacturing sector: sales turnover of less than RM25 million or full-time employees of less than 150 persons.

b) For services and other sectors: sales turnover of less than RM5 million or full-time employees of less than 50 persons.

In many developed and developing countries, SMEs play a big role in the economic activities. To that end, any amount of social or environmental initiative that SMEs undertake is significant and makes a vital contribution to society.

22. SMEs in the supply chain to multinationals or large companies are also likely be made to adhere to certain supply chain standards in relation to CR policies adopted by the larger company. Large companies with global supply chains constantly look for ways to mitigate and reduce the risks that may arise from negative developments in their supply chains.

23. Unlike large companies, SMEs cannot be expected to compile extensive and comprehensive disclosure on corporate responsibility based on the fact that SMEs do not have sufficient resources to do so.

24. In many ways, SMEs' approach in achieving sustainable businesses are usually straightforward having close link with their customers, employees and suppliers, thus providing better understanding on the needs of their surrounding communities and the environment.

25. In a report by ACCA[6], out of 500 SMEs surveyed, only 16 have published report on the environmental perspective and 7 have published on the social perspective. The medium of choice for reporting for all the SMEs that have reported is through their corporate websites.

26. For SMEs with limited resources of time, manpower, expertise and funds, focus must be to the most simplest and effective means of disclosure.

NEXT AGENDA FOR MALAYSIA

Introduction of new provision in the new Companies Act

27. Proposals are underway to introduce a provision which will be included in the new Companies Act to encourage non-financial reporting that includes reporting on corporate responsibility initiatives in the form of a business review of the Directors' Report.

28. Similar to the United Kingdom's framework, the new proposals emulate the requirement under the Companies Act 2006 (UK) for all companies, other than small companies, to produce a Business Review. This review must include additional information, to the extent necessary for an understanding of the business, trends affecting the future development of the business, information on the environmental, employee, social and community matters affecting the company, and the essential contractual arrangements.

29. SSM will also explore the possibilities to recognise CR related initiatives by companies that adhere to this voluntary reporting requirement.

Malaysian Standards on Social Responsibility

30. The Department of Standards Malaysia has given mandate to SIRIM Berhad as one of the Standards Development Agencies ("SDA") under the provisions of the Standards of Malaysia Act 1996, to develop a Malaysian Standard for Social Responsibility which is based on the ISO 26000 but adapted to the local social and environment culture.

31. In line with the mandate, SIRIM Berhad has established a Technical Committee on Social Responsibility ("TC on SR") which directly reports to the Industry Standards Committee ("ISC") on Organisational Management.

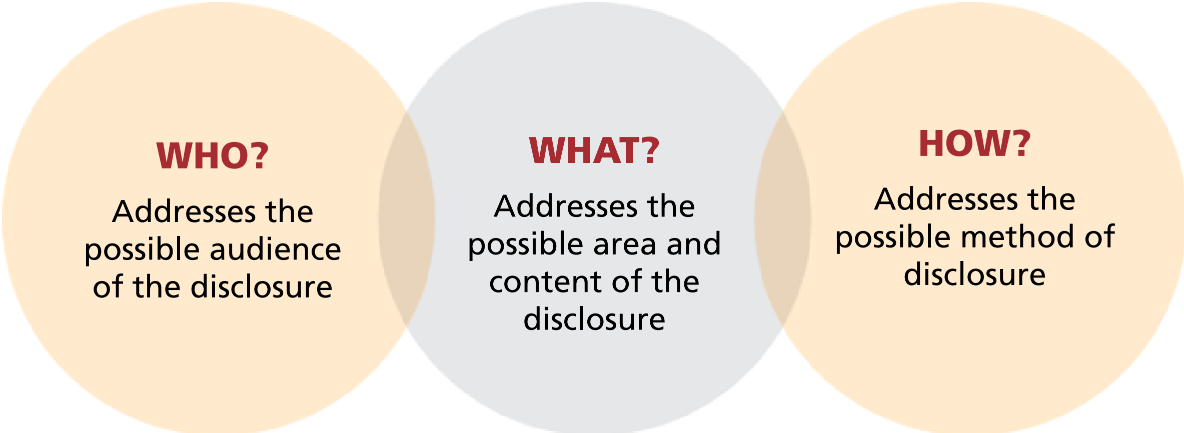
32. The TC on SR comprises of representatives from the following organisations:

    i) Companies Commission of Malaysia (SSM);
    ii) Malaysian Employers Federation;
    iii) Malaysian International Chamber of Commerce and Industry (MICCI);
    iv) Ministry of Human Resource;
    v) Ministry of Natural Resources and Environment (NRE);
    vi) Economic Planning Unit;
    vii) SME Corp. Malaysia;
    viii) SMI Association;
    ix) Malaysian Standards Users Association;
    x) Transparency International (M);
    xi) Attorney General Office;
    xii) Ministry of Domestic Trade, Co-operatives and Consumerism (KPDNKK);
    xiii) Malaysian Trade Union Congress;
    xiv) Jabatan Kebajikan Masyarakat (*'Department of Social Welfare'*);
    xv) Universiti Sains Malaysia;
    xvi) Universiti Teknologi MARA;
    xvii) Federation of Malaysian Manufacturers;
    xviii) Ministry of Science, Technology and Innovation;
    xix) Ministry of International Trade and Industry;
    xx) Department of Standards Malaysia;
    xxi) SUHAKAM (*'Human Rights Commission of Malaysia'*)
    xxii) Individual capacity expert – Chairman; and
    xxiii) SIRIM Berhad – Secretariat.

33. The terms of reference of the TC on SR are as follows: -

    - supports the work of ISC in international standardisation activities (formulate views and comments on issues and draft international standards).
    - supports the ISC in coordinating participation in international/regional standardization.
    - may establishes working groups to undertake specific tasks.
    - recommends the adoption of international standards as Malaysian standard.
    - develops and reviews the Malaysian standard.
    - approves release of Draft Malaysian Standard ("DMS") for public comment.
    - reviews comments and make necessary revision to DMS in light of comments received.
    - submits DMS to the respective ISC for approval as Final DMS.

FUNDAMENTALS OF CORPORATE RESPONSIBILITY DISCLOSURE



Who?

34. Companies and businesses do not operate in a vacuum. Stakeholders are increasingly interested in understanding the approach and performance of organisations in managing issues that impact the community and the environment including the potential value creation and business risk mitigation.

35. "Stakeholder" is defined broadly as "any group or individual who can affect or is affected by the achievement of the organisation's objectives."[7]

36. As a general rule, depending on the activities, the disclosure should address the following stakeholders (not exhaustive):

    i) Customers;
    ii) Board of directors;
    iii) Employees;
    iv) Shareholders;
    v) Local community;
    vi) Business partners;
    vii) Consumer associations;
    viii) Suppliers;
    ix) Investors;
    x) Trade unions;
    xi) Public authorities; and
    xii) Relevant not-for-profit organisations.

What?

37. Once the stakeholders are identified, companies and businesses can further refine their disclosure by categorising their initiatives under the following four (4) major categories: -

Marketplace content	This content shows how companies and businesses have integrated responsible business conduct into their practice and operation. Examples would include efforts to improve: support to the local businesses or suppliers, customer retention and satisfaction, product safety, quality of product/service, fair pricing, marketing and advertising ethics and consumer education.
Workplace content	This content focuses on the improvements made by the company towards working benefits and support. Examples include actions to improve: wages, pensions and other employee benefits, health and safety at the workplace, nursing mother's facility, staff training and development, equal opportunity employment, diversity, internal corruption policy and work/life balance.
Community content	This content concentrates on any company supported volunteer activities by owners or employees, charitable donations or sponsorships in which the company promotes economic development. Examples are efforts made to improve: local infrastructure, community engagement and development or security and community healthcare or education.
Environment content	This content relates to the company's efforts to protect and preserve the natural resources and environment. Examples include initiatives to: use renewable energy, reduce air and water pollution, reduce use of hazardous chemicals, reduce effluents and waste generation, monitor energy usage, monitor and reduce greenhouse gas and other emissions and maintain biodiversity.

Sample of Environmental Reporting

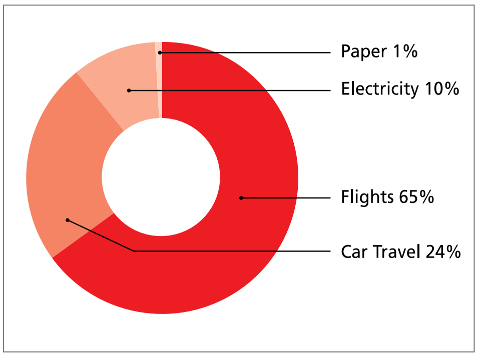
Helikonia is a boutique consultancy based in Malaysia. The company's direct environmental impacts are relatively small. The company rents premises, so has little or no control over the centralised air conditioning or switching to LED lights. Electricity and paper accounts for only 11% of carbon emissions. The company does not keep track of water and waste, but does actively recycle.

The biggest environmental footprint is air and car travel, which accounts for 89% of the company's carbon emissions. With clients based in Europe and Latin America, emissions from air travel are the largest contributor.

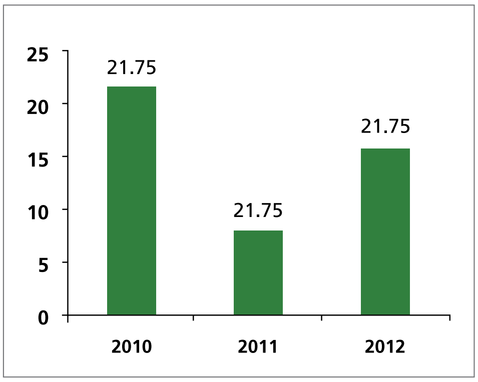
The second highest impact is car travel. As the office is based in the city, staff try to walk to meetings as much as possible. As most of the company's clients are in the suburbs where there is no public transport, it is inevitable that staff have to use car transport.

The company's total carbon emissions have increased over the past three years but as a percentage of revenue it is still about the same. Helikonia's target is to be carbon neutral by 2014. This will be achieved by being more efficient in commuting and to offset the remainder through participating in carbon offset programmes.

CARBON FOOTPRINT 2012 (CO_2e by type)



ESTIMATED CARBON FOOTPRINT (mt of CO_2e)



How?

38. Companies or businesses **may** adopt one or more of the following mediums in disclosing their corporate responsibility initiatives:

    (a) Dedicated section in the annual report.
    (b) Stand-alone report on sustainability, environment or social.
    (c) Corporate website.
    (d) CD-ROMS with back-up information.
    (e) Employees newsletter either published or via the corporate intranet.
    (f) Summary hard copy report with full report on corporate website.
    (g) Information packs.
    (h) Product labels.

39. Companies and businesses are advised to give due consideration on the best medium and most effective communication to reach their respective stakeholders. Costing also plays an important part in selection of the medium. Taking into account the available fund, each of the following approaches have different cost profiles and companies and businesses need to strike a balance between incurring excessive production and distribution costs.

40. The different methods highlighted below further elaborate on the issues that should also be considered in deciding on the best medium:

1. PRODUCT LABELS AND PACKAGING	• Utilising product labels or packaging is an excellent approach to inform customers that you are committed to responsible business and may set your products apart from those of your competitors. • Customers are usually interested to know if the product is biodegradable, made with recycled materials, organic or free range; made locally, made abroad with fair trade labour; proportion of the profit supports community charities or non-profit organisations.
2. THE INTRANET	• This approach makes use of the intranet (controlled access website for internal use) to inform and update employees about corporate responsibility initiatives. • An intranet encourages two-way communication between the employer and the employee allowing for employee feedback and participation.
3. CORPORATE WEBSITE	• Disclosure on the corporate website are extremely useful as it offers information to every target audience and it is easy and cheap to update. • The disclosure using this approach could be minimal or maximal and segmented where possible, depending on the initiative.
4. STAND-ALONE WEBSITE	• Disclosure on a stand-alone website is maximal with the whole website dedicated to information relating to corporate responsibility initiatives. • Expertise on designing and maintaining the website is crucial as accessibility and readability (available in different languages, where appropriate) should be valued into the consideration. Facilities should also be included to encourage stakeholder dialogue e.g. feedback mechanisms including contacts for further information or chat forums.
5. CORPORATE ANNUAL REPORT	• Most listed companies in Malaysia are adopting this approach in line with the requirement of Bursa Malaysia. • The initiative is usually found in a whole page or a section of a page in this Report. • The disclosure is minimal and the highlight is shared with the financial reporting of the Annual Report.
6. ENVIROMENTAL REPORT	• Report on issues relating to environmental performance in production and services; environmental performance in production (waste, energy consumption); environmental performance of how the organisation is operated (transport, energy usage). • Environmental disclosure is convenient than the other sole reporting as the parameters are clearly defined and the metrics are straightforward. • An explanation to stakeholders is advantageous when disclosure is made solely with highlights on efforts for the environment.
7. SOCIAL REPORT	• Report on issues relating to equality for women, minorities or indigenous population; industrial health and safety; community engagement and development; employment issues such as turnover training opportunities. • A social report can draw highlight on the involvement and contributions to projects of value to the greater community. • An explanation to stakeholders is advantageous when disclosure is made solely with highlights on efforts in the social context.
8. ECONOMIC REPORT	• Report on issues relating to direct and indirect local/regional/national economic impacts (wages, investments, purchasing); economic value added to various stakeholders through operations. • An economic report can also include corporate responsibility initiatives by businesses under the supply chain which has an indirect economic impact to the company. • An explanation to stakeholders is advantageous when disclosure is made solely with highlights on efforts in the economic context.
9. SUSTAINABILITY REPORT	• A sustainability report highlights the economic, environmental and social performance of an organization and can be made available in hard (published) or soft (CD-ROM, PDF copies available for download from the corporate website) copy. • This approach is an excellent initial reporting and should be progressive when produced for the second time as the level of reporting increases and initiatives are multiplied.
10. SUSTAINABILITY REPORT WITH GRI C+ (conforming to GRI Guideline 3.1)	• This Report is aligned at GRI Level C+ which includes a minimum of ten (10) performance indicator including at least one (1) from economic, social or environmental. • Level C+ Report is externally assured either by the GRI, certification firm (e.g. SIRIM), CSR consultancy firm, individual business unit or internal auditors.
11. SUSTAINABILITY REPORT WITH GRI A+ (conforming to GRI Guideline 3.1)	• This Report is aligned at GRI Level A+ which includes report on each core and sector supplement indicator with due regard to materiality principle by either reporting the indicator or explaining reason for its omission. • Level A+ Report is externally assured and verified either by the GRI, certification firm (e.g. SIRIM), CSR consultancy firm or stakeholder panel.

BUSINESS CASE FOR DISCLOSURE

41. The central issue in the recent years is not what the companies and businesses can gain by disclosing issues on corporate responsibility but what will the company stand to lose if the company does not disclose its CR initiatives.

42. Disclosure of social and environmental information, including climate-related information, can facilitate engagement with stakeholders and the identification of material sustainability risks. It is also an important element of accountability and can contribute to building public trust in the operations of companies and businesses. Stakeholders can also evaluate performance over time within a company and between other companies.

43. Disclosure provides opportunities for companies to benchmark and assess performance against regulations, norms, codes, performance standards and voluntary initiatives. This in turn provides companies with credibility, reliability and relevance of data and performance information.

44. Companies may also receive external recognition for their performance in a particular related corporate responsibility performance. This recognition adds advantage and may relate to market positioning and perceived brand value. Companies may also be included within sustainability indices, such as the Dow Jones Sustainability Index or FTSE4Good.

GLOBAL TREND ON CR DISCLOSURE

45. There are many reporting guidelines and standards available that could be used and adopted for disclosure. An overview of selected guidelines and standards are provided below and this selection is not exhaustive and does not represent the only guidelines and standards available.

Global Reporting Initiative (GRI)

What?

> ***"The GRI Reporting Framework is intended to serve as a generally accepted framework for reporting on an organization's economic, environmental, and social performance. It is designed for use by organizations of any size, sector, or location. It takes into account the practical considerations faced by a diverse range of organizations – from small enterprises to those with extensive and geographically dispersed operations. The GRI Reporting Framework contains general and sector-specific content that has been agreed by a wide range of stakeholders around the world to be generally applicable for reporting an organization's sustainability performance."***
>
> *GRI Reporting Guidelines 3.1*[8]

46. The Global Reporting Initiative (GRI) produces a comprehensive Sustainability Reporting Framework that is widely used around the world, to enable greater organizational transparency. The Framework, including the Reporting Guidelines, sets out the Principles and Indicators organizations can use to report their economic, environmental, and social performance. GRI is committed to continuously improving and increasing the use of the Guidelines, which are freely available to the public.[9]

47. GRI was developed through a process of multi-stakeholder consultation and has been designed so that companies of any size, across all industry sectors and geographic locations can go through the same reporting process and produce comparable reports. It sets out the Principles and Indicators that organisations can use to measure and report their economic, environmental and social performance with core indicators and supplementary indicators.

How?

48. GRI released the most recent set of guidelines, G3.1, in March 2011. G3.1 is an updated and completion of G3 which was the third generation of GRI's Sustainability Reporting Guidelines. As an updated version, G3.1 contains additional guidance on gender, human rights and local communities. Companies can report using either G3 or G3.1. However, GRI recommends that new reporters to use G3.1, as it enables better transparency on a wider range of issues.

49. G3.1 is structured in 2 parts: -

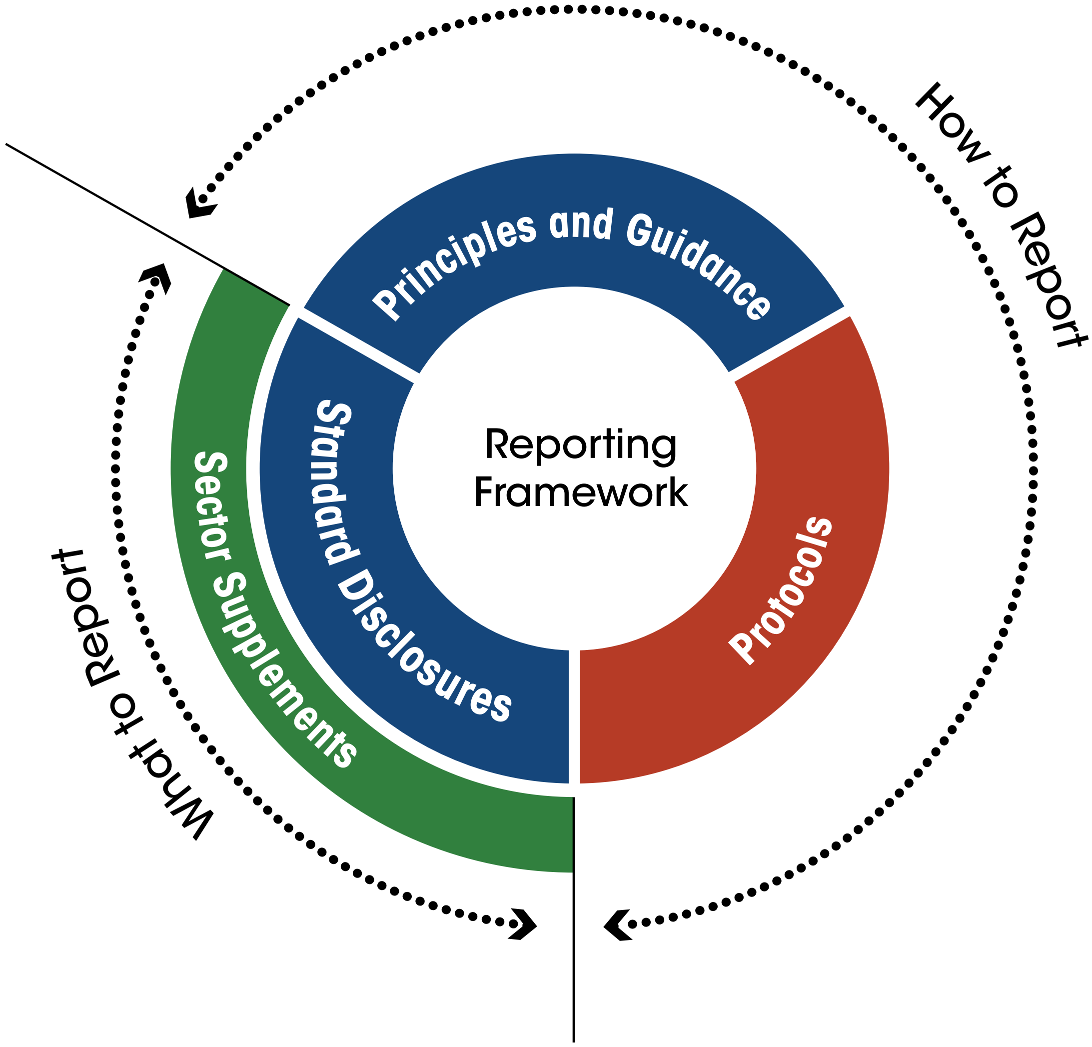
a) Part 1 contains the following: -

i) The Reporting Principles:	defines the quality and content of the report. Each of the Principles consists of a definition, an explanation and a set of tests for the organization to assess its use of the Principles.
ii) The Reporting Guidance:	provides definition for content, quality and boundary of the report describes actions and options that can be taken when deciding what to report. The Guidance also provides general interpretation and use of the GRI Reporting framework. Guidance is provided for defining content and setting report boundary.

b) Part 2 specifies the base content that should be included in a report for 3 different types of disclosure as follows: -

i) Strategy and profile:	Disclosures setting for the overall organizational performance within the context the organization's strategy, profile and governance.
ii) Management approach:	Disclosures setting to address a given set of topics in order to provide context for understanding performance in a specified area.
iii) Performance indicators:	Indicators are organized into 3 categories: Economic, Environment and Social. The Social category is further broken down by sub-categories for Labor, Human Rights, Society and Product Responsibility. The GRI subjects preparers to self-declare the level to which they have applied the GRI Reporting framework via the GRI Application Levels system upon finalisation of their report. The reporting criteria have varying levels of expertise, allowing companies to report to different levels (level C for beginners, to Level A for the most experienced; each level reflects an increasing application or coverage). Companies can also self declare a "plus" (e.g. C+ or B+ or A+) if they have utilised an external assurance for their report.

Figure 1 - G3 Reporting Network



(https://www.globalreporting.org/resourcelibrary/G3.1-Guidelines-Incl-Technical-Protocol.pdf), retrieved 3 April 2013.

Additional Information

50. There are many advantages to the GRI with the most obvious advantage is its flexible model providing possibilities for companies to start with a limited number of indicators and extend the report over time to include more indicators and achieve a higher level of reporting.

51. The new GRI Guideline G4, which has been under development since 2010, was launched on 22 May 2013 and among others, also introduced guidance on integrated reporting.

Website

https://www.globalreporting.org/Pages/default.aspx

The United Nations Global Compact

What?

> ***"The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. By doing so, business, as a primary driver of globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere."***
>
> ***UN Global Compact***[10]

52. The United Nations Global Compact (Compact) was first presented in 1999 by the former United Nations (UN) Secretary-General, Kofi Annan. The Compact was created for the purpose of promoting corporate citizenship among the private sector. The UN intended to involve the private sector in solving the major social and environmental challenges that arose from globalisation. The Compact has been designed to provide companies with the opportunity to contribute through voluntary initiatives within their organisations and their supply chains.

53. The core of the Compact are ten (10) principles derived from internationally agreed conventions and treaties on human rights, labour standards, environmental protection and anti-corruption. Companies are to align these principles as an integral part of business strategy and operation.

54. The Compact is a voluntary initiative; it is not a code of conduct, standard or a system for verification.

How?

55. On top of making a commitment to make the Compact's principles as part of the business strategies, companies are required to issue an annual Communication on Progress (COP), a public disclosure to stakeholders on progress implementing the principles in their business operations and in supporting broad UN development goals.

56. All business participants are required to post an electronic version of their COP on the Compact website including a link to their sustainability report and to share it widely with their stakeholders.

Additional Information

57. The Compact's website provides practical tools including reporting tools and a basic COP template to assist companies in communicating their progress.

Website

http://www.unglobalcompact.org/

ISO 26000

What?

> ***"This International Standard is intended to assist organizations in contributing to sustainable development. It is intended to encourage them to go beyond legal compliance, recognizing that compliance with law is a fundamental duty of any organization and an essential part of their social responsibility. It is intended to promote common understanding in the field of social responsibility, and to complement other instruments and initiatives for social responsibility, not to replace them."***
>
> ***ISO 26000: 2010 (E)***

58. ISO 26000 Guidance on Social Responsibility is a voluntary guidance standard for use by any organisation. It was organised by the International Organisation for Standardisation (ISO) and created with feedbacks from industries, trade unions, governments, consumer groups and non-governmental organisations representing 92 countries and 42 international organisations such as Consumers International and International Organisation of Employers. For consistency with other major standards and initiatives , ISO has also entered into special agreements with the International Labour Organisation (ILO), the Global Compact, the GRI and the Organisation for Economic Co-Operation and Development (OECD). As a result, ISO 26000 is probably the most inclusive and wide ranging sustainability standard with regards to the issues it covers.

59. The contents of ISO 26000 cover a similar range of topics to that in the GRI Reporting Guideline and the UN Global Compact Principles.

60. ISO 26000 is a guidance designed to apply to all types of organisations including governments and NGOs. Its scope was set to be deliberately wider than only applicable to companies and therefore intended to be broader than a standard for corporate social responsibility (CSR) alone.

How?

61. Although ISO 26000 does not explicitly offer guidance on social responsibility disclosure, it does provide a structure for companies to organise their communication and activities, which can be measured and presented in a report.

Additional Information

62. The ISO website provides information to obtain a copy of the standard together with related resources catered for the implementation of the standard.

Website

http://www.iso.org/iso/home/standards/iso26000.htm

Sustainability Reporting on Children's Rights

All companies; large, medium or small – have an impact on children's human rights. Children are defined in the Malaysian Child Act of 2011 as all persons under the age of 18. The company may affect children directly or indirectly as customers or consumers of its products and services; as children of employees; as members of the community where the company operates; or even as workers of the company consistent with the prohibition set out under the Children and Young Persons (Employment) (Amendment) Act 2010. The Act raised the minimum age of employment from 14 to 15 years of age, and prohibited children and young persons below 18 years from engaging in hazardous work.

Many sustainability reporting frameworks include children's rights issues to a certain extent but often this is limited to community investments and child labour. Recognizing the need for explicit guidance about what it means for business to respect and support children's rights, UNICEF, together with Save the Children and the UN Global Compact, led a process to develop the children's rights and business principles (CRBP) (http://childrenandbusiness.org/) and also assist companies in implementing these principles.

Pursuant to the CRBP, UNICEF has developed a number of guidance tools for companies, including a child rights specific reporting framework, which will be launched in the second half of 2013. These guidance tools complements existing sustainability reporting frameworks, and offers specific guidance on how to report on material child rights issues using the GRI 3.1 reporting indicators, but can also be used for a stand-alone report on children's rights.

The additional tools and guidance for implementing children's rights into corporate policy, operations and planning processes can be found on UNICEF's CSR web portal (www.unicef.org/csr).

INTERNATIONAL EMERGING TRENDS

63. Several new advancements in reporting including the integrated reporting and supply chain reporting has paved its way into the realm of corporate responsibility reporting and is becoming increasingly crucial in certain sectors. Important aspects of these reporting are highlighted in the paragraphs below.

Integrated Reporting

64. The King Report on Governance for South Africa 2009 (King III) defined integrated reporting as "a holistic and integrated representation of the company's performance in terms of both its finance and its sustainability."

65. The International Integrated Reporting Committee (IIRC), which includes in its membership the International Accounting Standards Board (IASB), the International Federation of Accountants (IFAC), the Financial Accounting Standards Board (FASB), the Global Reporting Initiative (GRI), the Prince's Accounting for Sustainability Project, and the World Business Council for Sustainable Development (WBCSD), is currently developing guidance on an international framework for an integrated report.

66. Currently, the IIRC has set the content elements and guiding principles of the Integrated Report. Essentially, it should cover the six (6) content elements of organizational overview and external environment, governance, opportunities and risks, strategy and resource allocation, business model, performance and future outlook using the five (5) guiding principles under strategic focus and future orientation, connectivity of information, stakeholder responsiveness, materiality and conciseness, reliability and completeness and consistency and comparability.

Supply chain reporting

67. For many years, companies have placed requirements on their supply chain to comply with corporate responsibility requirements. "Supply chains" is a collective term for all components involved in sourcing, production and distribution of products and services used by companies to provide customers with their product or service.

68. Initially, the requirements were most apparent for consumer branded companies wanting to ensure that their products and brands are not connected to issues related to animal cruelty, child labour, deforestation or toxic waste dumps either through upstream or downstream supply chains.

69. Recently, companies are considering environmental and social impact beyond their internal operations and are pushing suppliers on a wider range of issues; some may not be directly related to the products or services they sell.

70. Upstream supply chain usually involves the supplier of goods and services such as raw materials, supplier operations and labour policies. Downstream supply chain relates to the points of sale involving retail outlets and product marketing and distribution.

71. Managing supply chain responsibility adds advantage to the company operations. The most obvious advantage would be the management of risk for good business practice and reduce exposure to increased cost and time delays. Other advantages include adding value through efficiency in resource and energy use.

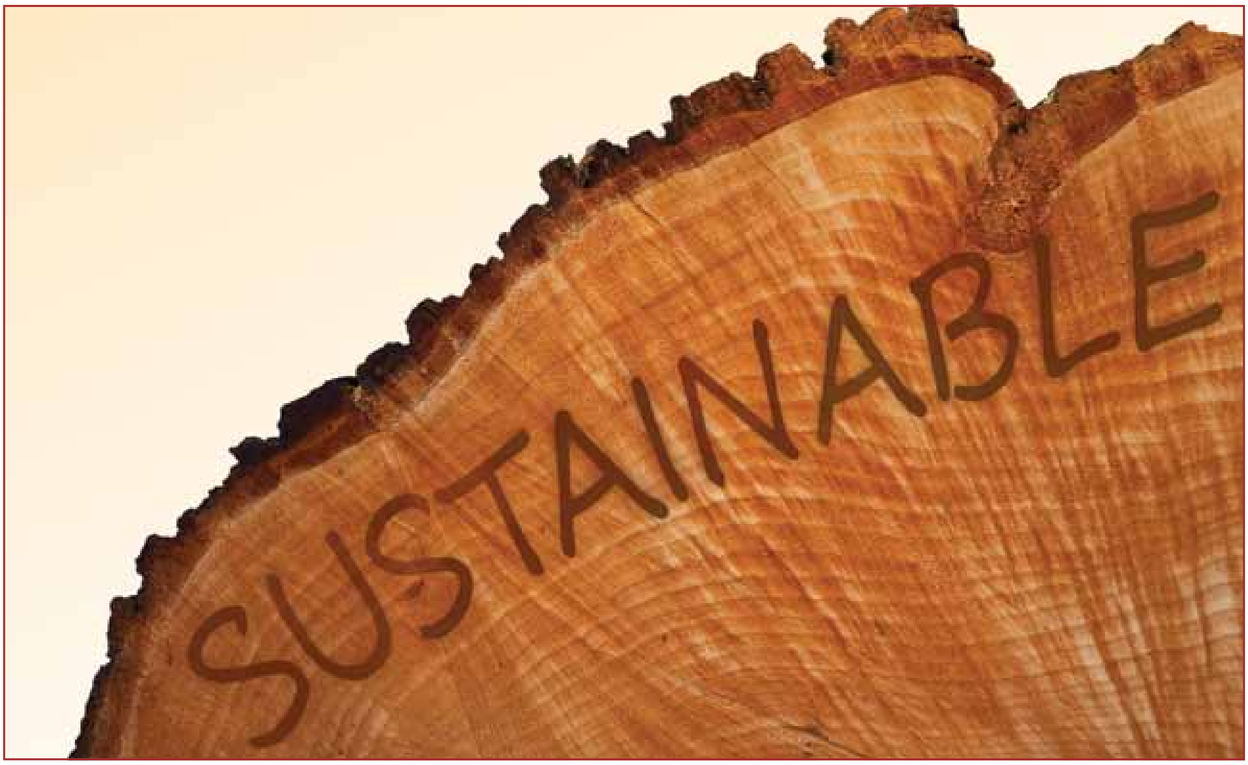
72. Recently, the GRI has convened a Supply Chain Disclosure Working Group to develop recommendations to improve supply chain disclosure in the reporting guidelines which is included in the GRI Guidelines G4.

Other international emerging trends

73. In 2011, the Plastic Disclosure Project ("PDP") was launched under the Clinton Global Initiative to track disclosure by companies of their plastic use and their strategies for reducing its environmental impact.

74. Similarly, this follows on the successful Carbon Disclosure Project ("CDP") representing 551 institutional investors, with a combined USD71 trillion fund under management. The CDP, an international, not-for-profit organisation, was launched to accelerate solutions to climate change and introduce water management where relevant information is included as the core of business, policy and investment decisions. CDP provides a global system for companies and cities to measure, disclose, manage and share vital environmental information such as their greenhouse gas emissions, water management and climate change strategies.

75. Recently, CDP and the GRI have signed a memorandum of understanding (MOU) that will observe both organisations to work together and align areas of their reporting frameworks.



IMPLEMENTATION BENEFITS

76. By disclosing and reporting on CR initiatives through any of the mediums available, companies and businesses stand to gain many advantages and create a direct and positive impact on their overall business objectives. In the current global trend, companies and businesses that disclose and report demonstrate better governance and transparency.

77. SSM encourages companies and businesses in Malaysia to carry out and integrate CR initiatives into their business strategies and operations. The possible internal and external benefits for companies that disclose and report their CR initiatives are as follows: -

a) Demonstrate transparency

Companies that disclose make a commitment to manage its environmental, social and economic impacts and in doing so demonstrate greater transparency and accountability establishing firm basis for stakeholder dialogue.

b) Create financial value

Disclosure process involves the collection, collation and analysis of data on resource and materials usage, and the assessment of business processes. This process in turn helps companies to better identify opportunities for cost savings and revenue generation through efficient use of resources and materials.

c) Increase competitive advantage

Corporate responsibility related performances are increasingly being used by companies to distinguish their brands, products and services from other companies. There is a growing awareness among consumers, for instance, that the products have been manufactured under responsible conditions.

d) Encourage innovation

Disclosure may stimulate companies to have a competitive advantage and creativity, thereby enhancing its competitiveness.

e) Motivate and align existing staff and attract new talent

Awareness on corporate responsibilities plays an important aspect to retaining and attracting talents in the company. This can also enhance employee loyalty and reduce staff as employees, especially in oil and chemical industries are concerned that the potential employers have in place sound responsible conduct policies.

f) Enhance reputation

Disclosure can help play an important role in managing stakeholder perceptions and help to protect and enhance corporate reputation.

g) Reduce corporate risk

Disclosure may facilitate more rigorous management system and decision making processes and assists companies to have a better understanding of the nature of risks it faces and the possible consequences of inaction.

h) Attract favourable financing conditions

A growing number of investors include corporate responsibility considerations into their decision making processes. Disclosure provides a mechanism to ensure that the company is providing this stakeholder group the necessary information for assessment and ratings.

REFERENCES

1 The Agenda was launched in 2009 and explains the concept, objective and the implementation route towards advocating CR for the benefit of SSM's stakeholders and the corporate and business community in Malaysia. A copy of the Agenda is available online at http://www.ssm.com.my/cr_agenda. Pursuant to the CR Agenda, SSM had produced several publications to encourage companies and businesses to pursue initiatives for corporate responsibility. These CR publications can be downloaded at http://www.ssm.com.my/CRAgenda/BBPC_en.

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3 ACCA, *"The Rise of the Report and the Regulator"*, 2010.

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8 Reporting Guidelines Version 3.1, GRI website, https://www.globalreporting.org/reporting/latest-guidelines/g3-1-guidelines/Pages/default.aspx, accessed January 2013.

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CORPORATE RESPONSIBILITY AGENDA

Driving Business Beyond Profitability

SSM's CR logo symbolizes the triple bottom line approach which encapsulates the three major dimensions of sustainability – economic, social, and environmental. The explanation pertaining to the abstract icons is as follows: -

- The human icon appearing at the extreme left represents the human society.
- The avian icon appearing at the extreme right symbolises the environment.
- The green colour connotes the environment.
- The PETRONAS twin tower icon in the middle symbolises the pinnacle of economic success.
- The circular shape of the icons connotes sustainability and universal outlook.

REGISTRAR OF COMPANIES/BUSINESSES

COMPANIES COMMISSION OF MALAYSIA

2 July 2013

NOTE

This BPPC does not create any legal obligation for companies and businesses to comply and merely outlines the best practices to be adopted at the option of such companies/businesses. SSM encourages the adoption of this BPPC towards ensuring business sustainability.

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