

**SURUHANJAYA SYARIKAT MALAYSIA**

**BEST BUSINESS  
PRACTICE CIRCULAR  
6/2017 ON**

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**BUSINESS  
REVIEW REPORT:  
GUIDANCE TO  
DISCLOSURE  
AND REPORTING**

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Menara SSM@Sentral  
No. 7 Jalan Stesen Sentral 5  
Kuala Lumpur Sentral  
50623 Kuala Lumpur, Malaysia  
Tel: +603-2299 4400  
Fax: +603-2299 4411

[www.ssm.com.my](http://www.ssm.com.my)

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## FOREWORD

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Responsible businesses are at the heart of society. Companies that understand their links with the communities and mindful of the impact of their operations on the social community, economy and environment, are most likely to prosper in the long-term.

The business review reporting is an evolutionary step towards better business reporting. In today's business environment, it is widely recognized that business review report has an essential role to play in providing a broader perspective on business performance alongside the financial statements. In addition to the provisions relating to Directors' Report which set out the obligation to report on the financial performance of the company within a financial year, the Companies Act 2016 also encourages companies to voluntarily prepare a business review report.

To this end, the SSM's Best Business Practice Circular (BBPC) 6/2017 on Business Review Report: Guidance to Disclosure and Reporting, being the latest series of regulatory initiatives is aimed at improving the relevance of narrative reports for shareholders and other stakeholders. Through this BBPC, SSM aims to help a company's journey towards better business reporting.

This BBPC attempts to provide useful recommendations for companies to write a business review report in a holistic manner by providing the stakeholders or readers to the report, information on the company's current and future undertakings, the risks involved as well as the company's policy and practices relating to the corporate responsibility issues.

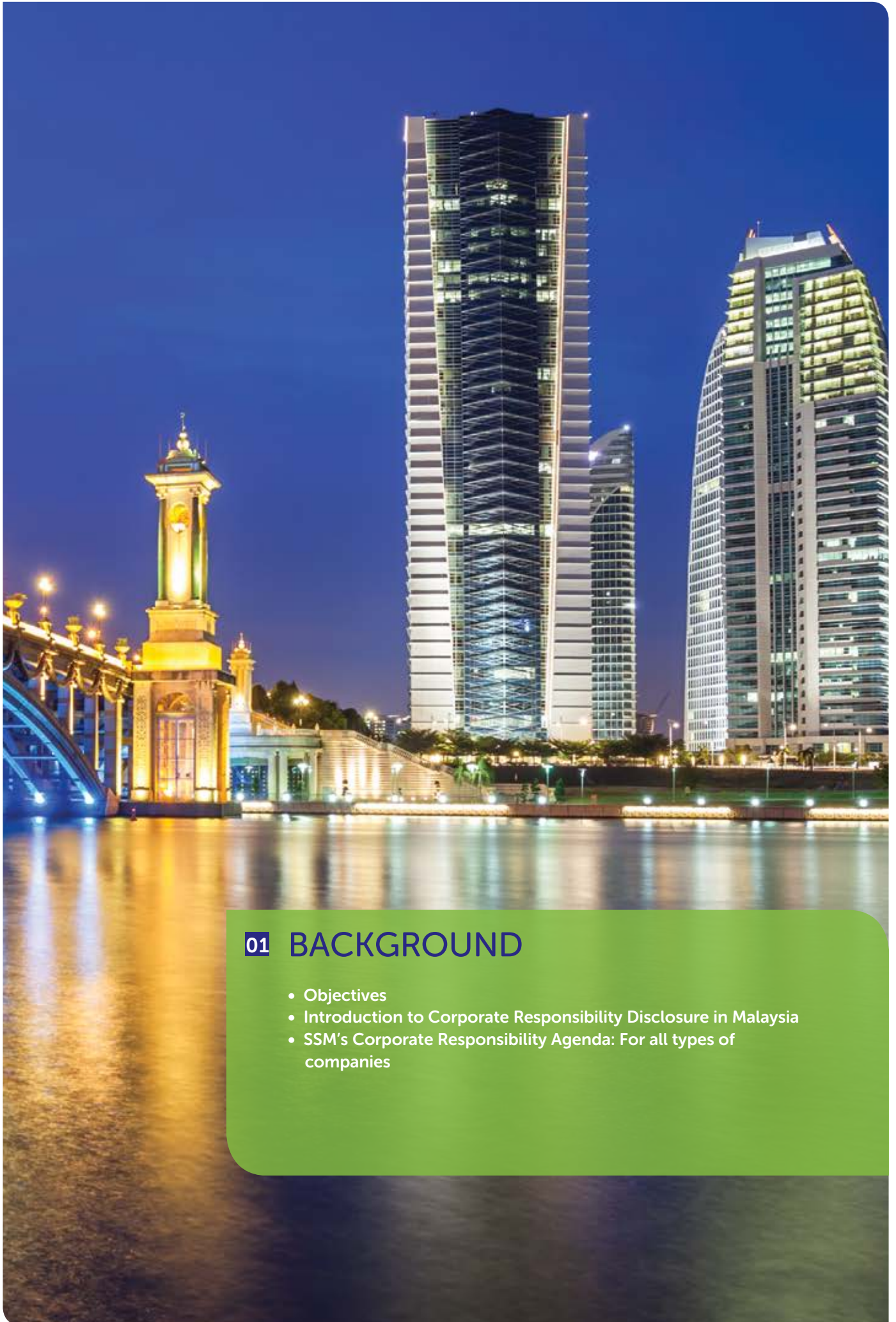
The BPPC comprised of three parts. The first part will explain on the Corporate Responsibility Disclosure in Malaysia and how SSM's Corporate Responsibility Agenda as well as the Companies Act 2016 contributes towards promoting Corporate Responsibility initiatives for all types of companies in Malaysia. The second part of the BBPC will explain on the overview, objectives and benefits of business review reporting, as well as in providing guidance on writing a business review report. Whilst the 3<sup>rd</sup> part will provide the model template to demonstrate the overall report with two areas which have been carefully selected for companies to report on their policies and initiatives involving corporate responsibility. The two areas cover reporting on environmental issues in business and another, is with reference to human rights in business.

The selection of these two important areas reflects SSM's commitment in promoting corporate responsibilities for adoption by all companies in their day to day operations. Apart from environment matters, in featuring reporting on human rights in business, SSM hopes to inculcate this new culture for Malaysian companies to build their clear commitment to carry out human rights due diligence processes as promoted by the United Nations Guiding Principles (UNGP) and recommended for adoption by Malaysian companies under SUHAKAM's National Action Plan on Business and Human Rights.

SSM believes that human rights in business is a comprehensive approach that could be adopted by Malaysian companies under their corporate responsibilities commitment and this may form part of items to be disclosed under item 2(d) of Part II of the Fifth Schedule of the Companies Act 2016 where policies, commitments and initiatives on the nature of actions taken or committed to be taken to should be extended to also cover potential human rights impacts on business operations to be disclosed under the Business Review Report.

Although the compliance towards preparation and lodgement of a business review report is voluntary, SSM is a strong believer that this non-binding policy is a major breakthrough in attaining valuable corporate disclosures for all types of companies to communicate their pursuits towards achieving sustainable businesses and being honest about the challenges faced. Being able to report on the company's performance and impacts on the three (3) elements (social community, economy and environment) gives companies the opportunity to leverage on the unlimited benefits to be derived not only by the corporate community but Malaysia as a nation in pursuing green growth for sustainability and resilience under the 11th Malaysia Plan.

**YBhg. Dato' Zahrah Abd Wahab Fenner**  
Chief Executive Officer  
Suruhanjaya Syarikat Malaysia



## 01 BACKGROUND

- Objectives
- Introduction to Corporate Responsibility Disclosure in Malaysia
- SSM's Corporate Responsibility Agenda: For all types of companies

## BACKGROUND

### OBJECTIVES

This Best Business Practice Circular (BBPC) 6/2017 is issued primarily to provide guidance to companies in preparing the business review report in line with the provision relating to Directors' Report under the Companies Act 2016. In preparing the business review report, companies will be providing a response to the growing expectations for corporate disclosures and reporting specifically on areas that provide an understanding on the business carried out by the companies, its prospects and risks as well as information on the company's policy and practices relating to corporate responsibility issues.

The objectives of this BBPC are clustered into 3 fundamental areas (**Diagram 1**):

**Diagram 1: The objectives of BBPC on Business Review Report: Guidance to Disclosure and Reporting**



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## INTRODUCTION TO CORPORATE RESPONSIBILITY DISCLOSURE IN MALAYSIA

Corporate social responsibility has traditionally been understood as business values that are comprised of voluntary actions above and beyond the laws and regulations, while business strategy is generally enhancing profit through its activities. If corporate social responsibility contributes to enhancing business strategy, this will encourage a company to incorporate these elements into its business development strategy.

In Malaysia, the element of Corporate Social Responsibility (“CSR”) was incorporated into the 9<sup>th</sup> Malaysian Plan and is seen an integral part of the strategic objectives of the National Integrity Plan towards achieving vision 2020. The initiatives of the Government and its agencies in particular led to the launch of “Silver Book” in May 2005 which enlisted the CSR principles and guidelines for Government-linked companies (GLCs) (Putrajaya Committee on GLC High Performance [PCG], 2005) with the objective to assist GLCs in incorporating CSR into their business agenda.<sup>1</sup> Subsequently, the initiative of CSR was continued in the 10<sup>th</sup> Malaysia Plan (2011 to 2015) with the purpose of striking a balance between industry, society and valuing the environment and measuring the carbon emission towards achieving a developed nation.

The 11<sup>th</sup> Malaysia Plan (2016-2020) is the final journey to achieve vision 2020 as a developed nation and it contains a thrust on “*Pursuing Green Growth for Sustainability and Resilience*” which emphasises the tackling of global environmental and climate challenges.<sup>2</sup>

Bursa Malaysia’s requirement for public listed company (PLCs) to disclose their CSR initiatives in their annual financial report in 2007 saw the emergence of CSR in the corporate environment in Malaysia. The most prestigious award for CSR, the Prime Minister’s Corporate Social Responsibility Award by the Ministry of Women, Family and Community Development was introduced to recognise companies that have contributed to the community through their CSR programmes.

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Companies and corporations are encouraged to adopt a variety of voluntary Corporate Responsibility (CR) initiatives such as:

- codes of conduct on measures to improve environmental management systems and occupational health and safety;
- company ‘triple bottom line’ reporting on financial, social and environmental aspects;
- participation in certification and labelling schemes;
- dialogue with stakeholders and partnerships with NGOs; and
- increase support for community development projects and programs with the public and stakeholders by conducting awareness programmes.

Corporate responsibility is a positive business practice in having a sustainable business. It is integrating social values when making business decisions incorporating the key concept of the triple bottom line elements of Profit, People and Planet as presented in the **Diagram 2**.

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<sup>1</sup> The Silver Book: Achieving Value through Social Responsibility. The Silver Book is one the initiatives identified by the Putrajaya Committee on GLC High Performance in GLC Transformation manual launched in 2005.

<sup>2</sup> 11<sup>th</sup> Malaysia Plan: Economic Planning Unit (EPU).



Diagram 2: The Triple Bottom Line Elements



## SSM'S CORPORATE RESPONSIBILITY AGENDA: FOR ALL TYPES OF COMPANIES

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The implementation of the corporate responsibility agenda by SSM was initiated through the publication and issuance of the Corporate Responsibility Agenda (CR Agenda) in 2009. In this publication, CR has been defined 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 SSM CR Agenda which was issued to promote the adoption of corporate responsibility initiatives over and above compliance to the corporate governance requirements **by all types** of companies in Malaysia.

Recognising the dynamics of the global trends and to ensure the long term growth of the CR Agenda in Malaysia, in 2015 SSM amended Section 17(d) of the Companies Commission of Malaysia Act 2001 as follows:

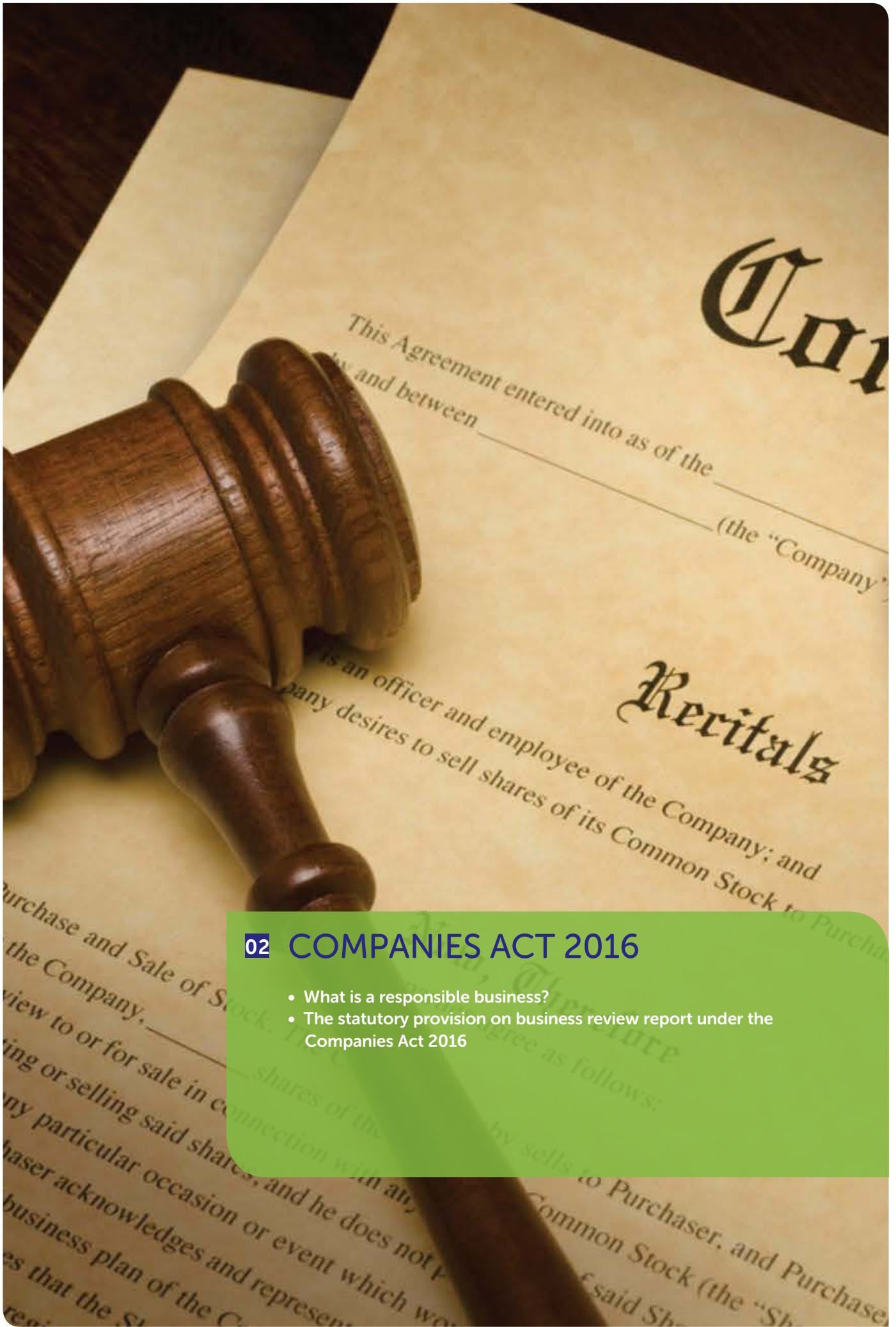
*"(d) to encourage and promote proper conduct amongst directors, secretaries, managers and other officers of a corporation, and self- regulation by corporations, companies, businesses, industry groups and professional bodies in the corporate sector in order to ensure that all corporate and business activities are conducted in accordance with established norms of good corporate governance; and to encourage and to promote corporate responsibility<sup>3</sup> and business sustainability"*

CR may be deemed as an extension of efforts to foster strong corporate governance culture in ensuring the sustainability of business through adoption of best business practices since both influence elements of accountability and transparency. The function of government, business and society are interdependent in promoting CR.

CR reporting generally assists stakeholders in identifying the impact of the company.

<sup>3</sup> The term corporate responsibility is synonymous with corporate social responsibility.

**PART 1**



## 02 COMPANIES ACT 2016

- What is a responsible business?
- The statutory provision on business review report under the Companies Act 2016

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## COMPANIES ACT 2016

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### WHAT IS A RESPONSIBLE BUSINESS?

Every business is different in nature and incorporated in particular for the purpose of gaining profit. A responsible business which has been defined as “practical ways to accelerate solutions for a more sustainable world while increasing business and industry growth”<sup>4</sup> should have some of the following features:

- Law abiding
- Respects human rights
- Avoid corruption
- Good tax payer
- Respects its employees
- Preserve environment
- Conducts business responsibly
- Transparent
- Values and engages with the stakeholders
- Treats its customers responsibly

### THE STATUTORY PROVISION ON BUSINESS REVIEW REPORT UNDER THE COMPANIES ACT 2016

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The Companies Act 2016 has introduced a provision to strengthen the framework in promoting CR disclosure in the form of a business review report.

The preparation and submission of business review report coupled with the Financial Statement to the Companies Commission of Malaysia (SSM) is applicable to ALL types of companies and is to be complied with on a voluntary basis.

Section 253(3) of the Companies Act 2016 stipulates that the business review report will form part of the directors’ report and that its contents include matters as set out in Part II of Fifth Schedule.

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<sup>4</sup> Defined by Responsible Business (<http://www.responsiblebusiness.com>).

## Contents of directors' report

253. (1) A directors' report for a financial year in relation to a company shall contain—
- (a) the name of every person who was a director of the company—
    - (i) during the financial year; and
    - (ii) during the period commencing from the end of the financial year and ending on the date of the report;
  - (b) the principal activities of the company in the course of the financial year including its subsidiaries; and
  - (c) the matters set out in the Fifth Schedule.
- (2) This section shall have effect in relation to a directors' report required to be prepared under section 252 as if a reference to the company in subsection (1) or (2) were a reference to—
- (a) the company; and
  - (b) the subsidiary undertakings included in the consolidated financial statements for the financial year.
- (3) The directors' report prepared under section 252 may include a business review as set out in Part II of Fifth Schedule or any other reporting as prescribed.

### Fifth Schedule (Section 253) Part II Contents of business review

1. Each report prepared under section 252 may include a business review.
2. The business review may, to the extent necessary for an understanding of the development, performance or position of the company's business, contain—
  - (a) a fair review of the company's business;
  - (b) a description of the principal risks and uncertainties facing the company;
  - (c) a balanced and comprehensive analysis of—
    - (i) the development and performance of the company's business during the financial year;
    - (ii) the position of the company's business at the end of that year, consistent with the size and complexity of the business; and
    - (iii) the key performance indicators of the company;
  - (d) information about—
    - (i) environmental matters, including the impact of the company's business on the environment;
    - (ii) the company's employees; and
    - (iii) social and community issues, including information about any policies of the company in relation to those matters and the effectiveness of those policies; and
  - (e) subject to paragraph 7 of this Part, information about persons with whom the company has contractual or other arrangements which are essential to the business of the company.
3. If the review does not contain any of the information mentioned in paragraphs 2(a), (b), (c) and (d), it shall state which of the information it does not contain.
4. The review may, where appropriate, include references to, and additional explanations of, amounts included in the company's financial statements.
5. In relation to a group directors' report this Part has effect as if the references to the company include references to its subsidiary included in the consolidation.
6. Nothing in this Part requires the disclosure of information about impending developments or matters in the course of negotiation if the disclosure would, in the opinion of the directors, be prejudicial to the interests of the company.
7. Nothing in subparagraph (2)(e) requires the disclosure of information about a person if the disclosure would, in the opinion of the directors, be prejudicial to that person and contrary to the public interest.
8. For the purposes of this Part, "key performance indicators" means factors by reference to which the development, performance or position of the company's business can be measured effectively.

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The main objectives of the Business Review should consist of the following:

- A fair review of the company's business.
- A description of the principal risks and uncertainties facing the company.
- Likely future developments.
- Particulars of important matters related to the company's business that have occurred during this financial year.

The information disclosed to the stakeholders is essential as it provides additional information apart from the financial analysis. The review also assists the stakeholders to evaluate on how the board of directors, in performing their duty to promote the success of the company, play a significant impact on whether the company is in line with the international trends to promote corporate responsibility and human rights in business.

A stack of colorful folders in various colors (orange, green, blue, red, yellow, white, light green, pink) is shown in a close-up, slightly blurred perspective. A silver pen with a black tip is visible in the foreground, resting on a grey surface. The background is a plain, light-colored wall.

## 03 BUSINESS REVIEW REPORT PURSUANT TO THE COMPANIES ACT 2016

- Why the need for a business review report?
- How to develop reporting & analysing risks and opportunities?
- Who is responsible to report?
- Method of business review report

# BUSINESS REVIEW REPORT PURSUANT TO THE COMPANIES ACT 2016

## WHY THE NEED FOR A BUSINESS REVIEW REPORT?

The crucial part of a business review to a company is identifying its stakeholders and producing information that is relevant and important to them. Apart from providing information to its existing members or shareholders, there is growing expectation that the board of directors have an obligation to communicate important matters to their other stakeholders. Further, a good business review report should attempt to provide comprehensive information on the company that is not covered under the financial statements and meant for its stakeholders (Table 1).

**Table 1: List of Comprehensive Information for reporting**

Stakeholders	Information needs and expectation
Investors	<ul style="list-style-type: none"> <li>Allows investors to be informed about what the company has done during the year in question, how well risks to the environment and society, and related risks to the business, are being managed, and the way forward for the company.</li> <li>Information disclosed may be used for investment decision making process, risk assessment, investment returns and engagement with the company.</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Allows the employees to understand the company's strategy and its process of decision making as it affects both the responsibilities and the rights and welfare of employees.</li> <li>Enable to ascertain whether the company is a stable employer and upholds corporate responsibility.</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Customers to be informed about the credibility of the company, including how well it meets the environmental and social expectations.</li> <li>Most of the customers want to know if the products they purchase are environmentally friendly and produced with respect for people's human rights.</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Suppliers needs to be informed about the credibility of the company.</li> <li>Assists suppliers to understand the risks and opportunities that may affect their business.</li> <li>Helps suppliers understand the demands that can be expected from the company as part of its supply chain.</li> <li>Helps supply chain workers understand the company's efforts to ensure its purchasing practices enable respect for human rights, including its labour rights.</li> </ul>
Environment	<ul style="list-style-type: none"> <li>Operation efficiency with conservation of resources.</li> <li>Sustainable business practices.</li> <li>Protecting environment prove to be good business strategies e.g. carbon emissions, environmental spillage</li> </ul>
Community	<ul style="list-style-type: none"> <li>Individuals or groups concerned on the environment and the impact of the company on environmental matters or society.</li> <li>Assists the community in evaluating on how well the company understands and makes efforts to avoid potential impacts on human rights and welfare.</li> <li>Provides a basis for communities to engage with the company as an information source on local trends, developments and company impacts.</li> <li>Enables communities also to see how the company is supporting local development, through employment opportunities, sourcing from local suppliers and supporting community projects.</li> </ul>



Stakeholders	Information needs and expectation
Others	<ul style="list-style-type: none"> <li>• Basis for understanding companies’ values, principles, attitudes, performance and goals.</li> <li>• Matters pertaining to environmental performance, human rights including equal opportunities and customer related issues.</li> </ul>

Therefore, a business review report not only reflects a fair review of the business of a company but it also encompasses the significant events that have occurred during the financial year as well as the likely future development of the business.

It should also be highlighted that the corporate responsibility report component in the business review report is not only limited to philanthropy activities but includes information on the company’s commitment towards its stakeholders to conduct business operations in an economically, socially, environmentally sustainable, transparent and ethical manner.

## HOW TO DEVELOP REPORTING & ANALYSING RISKS AND OPPORTUNITIES?

Relevant information needs to be reported to stakeholders. The following questions listed in **Table 2** may assist in the preparation of your report:

**Table 2: List of Useful Questions in Preparation of the Business Review Report**

Information To Be Reported

- Apart from members/shareholders, who are your principal stakeholders for receiving information?
- What are your objectives in reporting performance to your stakeholders?
- What are your stakeholders’ expectations of performance, accountability and transparency?
- Which are the arising issues or matters that are material to your organisation?
- What are the current relationships your organisation has with stakeholders and how do you want the reporting and transparency to contribute to such relationship?

Analyse Risks and Opportunities

- What information should not be revealed to protect confidentiality of contractual agreements, competitive position and proprietary knowledge?
- Do you have systems and resources to collect information in order provide a quality and informative report?
- What are the environmental and social challenges faced in your operations?
- How can transparency improve your competitive position?
- What are the risks and the impact that has arisen or may arise with the stakeholders?

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## WHO IS RESPONSIBLE TO REPORT?

The board of directors is responsible for the financial report and directors' report that may include the business review report. To prepare the report, the directors need to determine the achievement of the company and its future direction which includes both successes and failures that are essential in discharging their duties in the best interest of the company.

The board of directors are responsible to the content and the manner of writing the business review report. Although there is no standard context as to the writing, the board of directors are to ensure the transparency in disclosing the events, trends, opportunities and risks that could affect the performance and impact to the company and stakeholders. Analysis of the past and the way forward of the company may be included as part of the business review report.

## METHOD OF BUSINESS REVIEW REPORT

The business review report may be created in the form of:

(a) **Narrative**

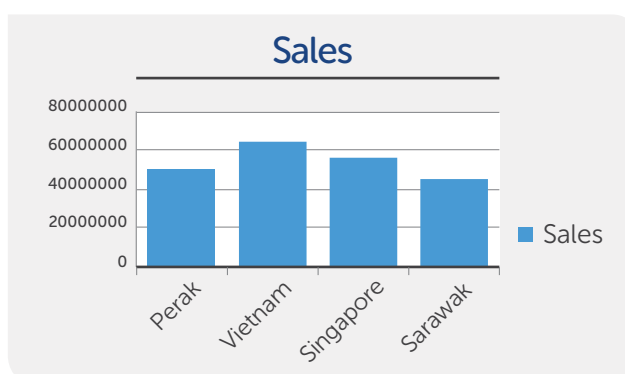
- **Example:** Our first manufacturing plant was opened in 2013 in Perak. The fourth plant opened in Vietnam is expected to increase its sales by 10% while the plant in Singapore will see an increase in sales of only 5%.

(b) **Summary**

- **Example:** Sales of the manufacturing plants that are in operation

Perak	50,000,000
Vietnam	65,000,000
Singapore	56,000,000
Sarawak	45,000,000

(c) **Charts with explanation and reference; or**



(d) **Any relevant format deemed fit**

It will be ideal for the board of directors to discuss with the shareholders, management and their relevant stakeholders (if necessary) and come to a consensus on the following matters:

- Who will be responsible in preparing and coordinating the report?
- What information is to be included for the analysis of the past and way forward?
- How to distribute the annual report to the shareholders and essential stakeholders?
- The manner of reporting.
- Budget.
- Timeline to prepare the draft report and finalise.

**PART 2**

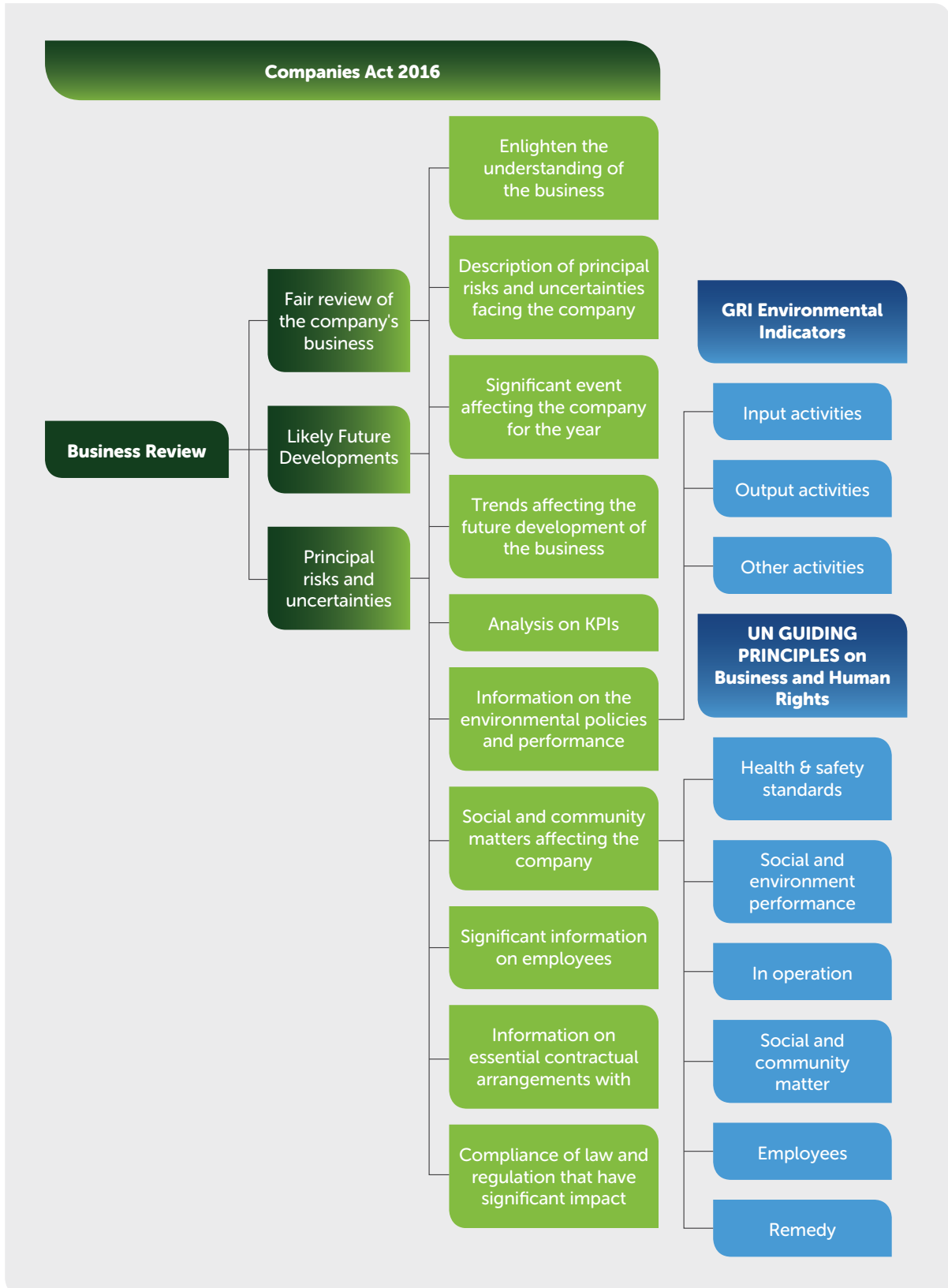


**04** OVERVIEW OF BUSINESS REVIEW  
REPORT

## OVERVIEW OF BUSINESS REVIEW REPORT

In summary, the information that is expected by the stakeholders under the business review report could be identified as below BUT NOT exhaustive (Diagram 3):

**Diagram 3: An Overview of the Business Review Report**





**05** BENEFITS OF BUSINESS REVIEW REPORT

## BENEFITS OF BUSINESS REVIEW REPORT

The reporting of business review is a complementary report that will serve as an integral form of communication by a company not only to its members and stakeholders, but also to its stakeholders. It is also to inform the members/shareholders of the company and stakeholders as to how the directors have performed their duty to achieve the objectives and promote the success of the company.

The benefits of such reporting are rapidly increasing and could help to demonstrate a company's effort in conducting its business responsibly and contribute to the sustainable development of local and global communities. Some of the benefits to the company and society are listed in **Table 3**.

**Table 3: List of Benefits of Business Review Report**

COMPANY	BENEFIT/IMPACT
Branding/Brand differentiation →	Brand defines a company and helps build trust and loyalty among customers.
Win new business →	Builds public image and becomes the preferred choice of customers.
Customer loyalty →	Customer retention and also enables to access to new customers.
Attract and retain employee →	Good reputation help companies improve staff retention, satisfaction and productivity, therefore reducing costs and disruption to the business.
Competitive advantage →	Integrate corporate responsibility features into the business strategy to be sustainable for future generations.
Costs savings →	Contribute to the environment particularly through recycling products or wastage and ensure resource efficiency.
Building value chain relationships →	Creating efficiencies and value creation of suppliers to achieve high level of customer satisfaction.
Enhance business reputation →	Enhance employee recruitment and make the company a trusted partner for businesses and investors as well as in local and global communities
Maximize social impact of investment →	Promotes respect of company in the marketplace and this may result in higher sales, funding or business opportunities and also enhance employee loyalty.
Reduce non-financial risk/ Risk management →	Enhance good governance where current and future risks that affect stakeholders are identified and recommend appropriate control mechanisms to mitigate risks and turn risk into opportunities.
Better infrastructure and welfare facilities →	Identify the needs of employees and stakeholders and integrate their needs with strategic aims and business goals.
Improved quality of life →	Contribution of business to economic development improves the quality of life of the employees and families and also community at large.



## 06 WRITING A BUSINESS REVIEW REPORT

- What is the content of the business review report?
- How to write a good business review report?
- Nature of information to be disclosed in the business review report
- Guidance on what to disclose



## WRITING A BUSINESS REVIEW REPORT

### WHAT IS THE CONTENT OF THE BUSINESS REVIEW REPORT

The content of the business review report must be clear and precise. This is important as the purpose of this report is to inform the stakeholders or parties about the company’s current and future undertakings, the risks involved and its position in the society. The stakeholders and parties who are the prospective users of this report are generally interested to find out the overall business of the company and whether such business is declining or succeeding.

### HOW TO WRITE A GOOD BUSINESS REVIEW

One of the elements of good business review report is that the contents must be easily understood. Companies may, for easier reference split the report into various dedicated sections as provided in **Diagram 4**.

**Diagram 4: List of Sections for a Good Business Review Report**



Companies may consider adopting best practices as set out in **Table 4**, when preparing a business review report:

**Table 4: List of Best Practices to be Adopted**

Description	Disclosure
Concise	<ul style="list-style-type: none"> <li>Report only on pertinent matters that is important and have impact to the stakeholders</li> </ul>
Clear	<ul style="list-style-type: none"> <li>Write in a form that is easily understood by any stakeholder.</li> <li>The intended purpose of the information, to whom it is directed.</li> </ul>
Words	<ul style="list-style-type: none"> <li>Use simple words and avoid using jargons.</li> </ul>
Layout	<ul style="list-style-type: none"> <li>A good layout which is informative in the form of narrative, list, table, charts and figures.</li> </ul>
Comprehensive	<ul style="list-style-type: none"> <li>Define all essential aspects of company's business.</li> <li>Provide sufficient information of issues to enable stakeholders to assess the performance of the company.</li> </ul>
Consistency	<ul style="list-style-type: none"> <li>There are numerous existing reporting standards to support the consistency of narrative and metrics in non-financial disclosure such as the Integrated Reporting Framework, The Global Reporting Initiatives G4 Framework and the United Nation Guiding Principles Reporting Framework.</li> <li>Reporting should contain core information that is consistent with other organisational disclosures.</li> <li>Directors are also required to decide temporary comments to be included for short or long period.</li> </ul>
Accuracy	<ul style="list-style-type: none"> <li>The figures and calculation should be factually correct and rounding the results of calculation and ratios may not reflect the actual result.</li> <li>Should state a true, complete and balanced view of the actual situation, activities and processes.</li> </ul>
Timely	<ul style="list-style-type: none"> <li>Stakeholders value reports that are provided timely either online or printed.</li> <li>Information should reflect current conditions and reported within a reasonable timeframe.</li> </ul>
Organised	<ul style="list-style-type: none"> <li>The presentation of information should be decided by the directors and the information may be segregated to sections.</li> <li>Information should be presented in context to enable significant analysis.</li> </ul>
Comparisons	<ul style="list-style-type: none"> <li>Highlight actual results compared to the projected and discuss in depth important differences if any.</li> <li>Report on core information that is consistent and comparable.</li> </ul>
Impartial	<ul style="list-style-type: none"> <li>Present actual performance without bias in selection and presentation of data.</li> <li>Include success, problems, poor performance and improvements.</li> </ul>
Relevant	<ul style="list-style-type: none"> <li>Reporting should contain information required or expected by the stakeholders.</li> <li>Meets the needs to form opinion and decision making.</li> </ul>
Reliable and verifiable	<ul style="list-style-type: none"> <li>Information disclosed should be reliable and verifiable.</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>The plan and success should be measured from the perspective of finance, assets, operating and also short, medium and long term priorities for business.</li> </ul>
KPIs	<ul style="list-style-type: none"> <li>The method to measure KPIs could be in the form of qualitative or quantitative and based on a legitimate data that is provided in the business objectives.</li> <li>Each KPI should also be commented on the target against actual achievement and its significance to the business concerned whether be financial or performance in future. A detailed analysis will be ideal.</li> </ul>

## NATURE OF INFORMATION TO BE DISCLOSED IN THE BUSINESS REVIEW REPORT

The business review report should be a comprehensive disclosure with the description of the principal risks and uncertainties facing the company. The purpose of this review is to enable the stakeholders to assess the overall performance of the companies' business and how the directors have performed their duties in the company.

This reporting is beneficial to regulators, investors, government agencies, finance institutions, customers and clients, consumers, employees, society and other relevant stakeholders.

The business review report prepared should be consistent and provide:

- an analysis of business from the view of the directors;
- consistent with the scope of the financial statements;
- complement and supplement the financial statements as to state the corporate disclosure;
- should be comprehensible; and
- balanced with negative and positive views.

## GUIDANCE ON WHAT TO DISCLOSE

The guidance below serves as the intended information that is to be disclosed. However, the content of reporting is **not confined** to the content intended and the matters disclosed could be harmonised with the **nature of business** wherever necessary. All information listed to be **disclosed is on a voluntary basis only**.

### Section 253 – Fifth Schedule Reference

Item 2(a)

A fair review of the company's business.

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#### What to Disclose

- The review should include an analysis of the business.
- The review must state the operation of the business, be it positive or negative in order to understand its structure and organisation.
- The matters that can be discussed are in which industry the company competes with and the value chain from the perspective of the products, the services, the customers, the business processes and structure.
- The inputs by the company to operate and the outputs it generates that creates values contributing to its strategic objectives.

#### Salient points to report

- The industry within which it operates, its products or services and their stakeholders.
- The strategic objectives of the organisation for short, medium and long term.
- The strategies that will be implemented to achieve the objectives
- The allocation of resources to implement strategy.
- Competitive advantage that creates value such as innovation and development of intellectual capital.
- To what extent environmental and social considerations are embedded in the organisation's strategy.

## Section 253 – Fifth Schedule Reference

### Item 2(b)

A description of the principal risks and uncertainties facing the company

#### What to Disclose

- The information pertaining to financial and non-financial information that are relevant to the stakeholders to evaluate the future of the business.
- The Act provides to inform the stakeholders the identified risks and uncertainties facing the business.
- The description of the principal risks and the mitigating factors.
- The description of the principal risks and uncertainty must be sufficient to allow the stakeholders to understand and evaluate the nature of the risks or uncertainty and how it would affect the business.
- The principal risks and the uncertainties disclosed must be consistent with the way it was discussed within the business. The information must be consistent pertaining to the operation, strategic priorities, capital management, financial risks and even the KPIs that are been monitored.

#### Salient points to report

- Risks and opportunities that affects the continued availability of the business, quality, affordability and capitals relevant for short, medium and long term.
- Market risks, credit risks, liquidity risks, interest rate risk, currency risks.
- Adverse economic conditions.
- Risks and opportunities related to the company's impacts on the environment and on people, including human rights impacts.
- Steps to mitigate key risks or create opportunities.

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## Section 253 – Fifth Schedule Reference

### Item 2(c)(i)

A balanced and comprehensive analysis of –  
The development and performance of the company's business during the financial year

#### What to Disclose

- The directors should consider stating information that are relevant and material to the stakeholder towards the achievement of long term business objectives.
- The matters discussed should be those that have affected development, performance and position of the business during the financial year.
- The qualitative and quantitative aspects of the performance.
- If relevant explain the source of the information and how it supports to assess the significant features of the development and performance.

#### Salient points to report

- Quantitative indicators as to target placed in context, risks and opportunities
- Qualitative indicators will also be important where metrics are not available or appropriate
- Effects on capitals value chain for short, medium and long term.
- How the organisation responded to the legitimate needs and interests of the stakeholders.
- The description of past and current performance in line with going forward.

## Section 253 – Fifth Schedule Reference

## Item 2(c)(ii)

A balanced and comprehensive analysis of –  
The position of the company's business at the end of that year, consistent with the size and complexity of the business

## What to Disclose

- Complement the financial statements and describe overall corporate disclosure.
- The directors should consider stating information pertaining to:
  - Description of the capital structure
  - Cash inflows and outflows during the financial year
  - Treasury policies and objectives
  - Liquidity of the business, both in the financial year under review and the future
- Provide comments in previous reviews and describe whether such comments have been borne out by current events.

## Salient points to report

- Provide all quantitative and qualitative information of capital consistency and cash flows with the business
- Describe capital flow - financial capital, manufactured capital, intellectual capital, human capital, community and social capital, natural capital and others related.

## Section 253 – Fifth Schedule Reference

## Item 2(c)(iii)

A balanced and comprehensive analysis of –  
The key performance indicators of the company

## What to Disclose

- The information on KPIs should be clear and understandable.
- It should state how the KPIs were evaluated with the source of data and calculation.
- The influence of KPIs on the performance of the business in achieving its objective.
- The disclosure by the directors should indicate the elements of effective measuring of development, performance and position of the business.
- The information regarding the KPIs may include:
  - Defined its calculation method
  - The need/requirement of such KPIs
  - The comments on future targets
  - The adjustment of information
  - The performance of previous financial year and its corresponding with the current year
  - Any indicators that are changed

## Salient points to report

- KPIs that combine financial implications or significant effects on capital, revenue, environment (e.g. energy usage) and society including human rights.
- Regulations that affected the performance or non-compliance of laws that significantly affect the operation.

## Section 253 – Fifth Schedule Reference

**Item 2(d)(i)**

Information about-  
Environmental matters, including the impact of the company's business on the environment

### What to Disclose

- How the business achieved success through their environmental promotion.
- The impact of business on the environment and society including human rights.
- Value added information pertaining to environment and the business related such as water use, energy use, waste, emissions management and ozone depleting elements.
- Measure the direct benefits and risks of climate change which affect the company's credibility in the market.
- Environmental and society including human rights risks that are material to the operations and supply chains as early identification of such risks may generate new business opportunities.

### Salient points to report

- Quantitative and qualitative information in particular significant factors that affect external environment and the mitigation.
- Aspects of environmental that can create value to the operation of business.
- Resources shortages and environmental challenges.
- Policies and compliance with the relevant law and regulations such as on energy, environment, standard etc.
- This information could also be made for public viewing through the website of the company.

For further understanding on Business Review Reporting on environmental matters, refer to **Appendix 1**.

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## Section 253 – Fifth Schedule Reference

**Item 2(d)(ii)**

Information about-  
The company's employee

### What to Disclose

- The turnover of employees in the business and the risks.
- Human capital training costs and the prospect of return of investment.
- Working conditions or place of work, including health, safety, occupational related diseases, injury and loss.
- Knowledge, strength of the employee and competitors.
- Customer or client's view of an employee.
- Facilities for the employees such as funding, equipment, transportation etc.
- Corporate practice pertaining to human rights such non-discrimination, child labour, forced labour and freedom of association and collective bargaining.

### Salient points to report

- Quantitative and qualitative information in particular significant factors that affect employees and the mitigation of impacts on their rights and welfare
- Matters pertaining to turnover, health, education, recruitment, training and values of employees to the business
- How a culture to respect human rights is embedded in business
- Violation of human rights in business, if any.

## Section 253 – Fifth Schedule Reference

Item 2(d)(iii)

Information about-  
Social and community issues

## What to Disclose

- The impact of business on the communities, including on their human rights.
- Information of company policies related to social and community issues, including human rights.
- Recruitment and its impact on local communities.
- Investment towards the benefit of the community.
- Education to improve the quality of the community.
- Risks to human rights, including labour rights, in the company's supply chain.
- Impacts on local communities' human rights and welfare.
- Impacts on indigenous people's rights locally or internationally.
- Social risks, including human rights risks, that are material to the operations and supply chains as early identification of such risks may generate new business opportunities.

## Salient points to report

- The adherence to the guiding principles for reporting as set out in GRI G4 Framework, International Bill of Human Rights and the core International Labour Organisation (ILO) conventions including:
  - The commitment of the company in respect of human rights
  - The company identifies and addresses its impacts on local communities and society, including human rights impacts.
  - The salient risks to people in local communities and broader society, including to their human rights, associated with the company's activities and business relationships.
- Method of identification of issue including any input from stakeholders.
- Indicate any severe impacts on people in local communities or broader society, including impacts on their human rights, and how they have been addressed.
- The policy of the company in addressing risks to people in local communities and broader society and how is it implemented.
- The approach of the company to identifying and engaging with community stakeholders and others in society who may be affected through the company's activities or business relationships.
- Identify the trend and changes related to salient risks to people.
- Describe the processes of decision making and actions taken to address risks to people in local communities and broader society, including to their human rights.
- How risks to people affected the business, such as operational disruptions, delays in productivity, reputational harm; and efforts to avoid and address risks brought business opportunities.
- State the examples of issues managed effectively.
- How the company resolved complaints pertaining to impacts on people in local communities or broader society.

For further understanding on Business Review Reporting on human rights, refer to **Appendix 2**.

## Section 253 – Fifth Schedule Reference

### Item 2(d)

Information about-  
... including information about any policies of the company in relation to those matters and the effectiveness of those policies

#### What to Disclose

- Objectives and strategies towards corporate responsibilities in addressing environmental, social and community issues including responsibility to respect human rights practices.

#### Salient points to report

- Specific process that are used for strategic decision and risk management in addressing corporate responsibility issues.
- Implementation strategies of the company.

## Section 253 – Fifth Schedule Reference

### Item 2(e)

Subject to paragraph 7 of this Part, information about persons with whom the company has contractual or other arrangements which are essential to the business of the company.

#### What to Disclose

- Parties who have contractual agreement or arrangement, on the distribution and supply chain networks that are essential to the stakeholders.

#### Salient points to report

- State the contractual parties relating to distribution and supply chain networks that are linked to the operations and crucial to stakeholders.

In the event the review does not state any of the information as required under 2(a), (b), (c) and (d) then the review shall remark which of the information is not available.



**PART 3**



**07** MODEL TEMPLATE OF BUSINESS REVIEW REPORT

## MODEL TEMPLATE OF BUSINESS REVIEW REPORT

The set of questions in Table 5 may assist a company company when preparing a business review report. However, the information to be disclosed is not exhaustive and may be subject to the nature of business carried out by the company. The questions as listed below act as guidance only and preparers must attempt to disclose information which is relevant to the stakeholders.

**Table 5: Model Template for Business Review Report**

Questions	Information To Be Disclosed
REPORTING OF BUSINESS REVIEW PURSUANT TO SECTION 253 (3) OF THE COMPANIES ACT 2016	
Company name	<i>Name of company and registration no.</i>
For the year	<i>The year of the business review.</i>
Mission statement & Values o Objective of your company towards corporate responsibility. o Company values.	<i>Relate the mission statement and company values.</i>
Business overview or objective o What do you provide/activities or your core business (identify your industry)? o What is the size of your company? o What is the structure and activities of the company? o What are your customers needs (identify your customer)?	<i>Brief description of the company and what it does. Could include information like company vision and mission, philosophy, number of employees, location, years in business, any awards won, etc.</i>
CEO and/or chairman's opinion o How did your company perform for the year? o What are the main highlights in the business? o What are achievements for the year? o What are the challenges for the year? o What are the future sustainability? o What is way forward?	<i>A general view of the company from overall perspective such as performance, finance, employee etc.</i>
Stakeholders o List the main stakeholders and that have impact on your business. o Relationship with other association, organisation, governmental organisations etc. o State the contractual agreements available with the suppliers, customers etc. and the impact to business.	<i>Describe the impact of the stakeholders to the business.</i>

## Questions

## Information To Be Disclosed

### Operational highlights

- o What was the demand of your product or services?
- o What are the products or services in development or existing?
- o What was the operating costs and profit margin?
- o Who are your suppliers (optional)?
- o Who are your competitor (optional)?
- o What patents, copyrights and trademarks owned and applied?

*Narrate business operational activities such as business activities, human resources, corporate responsibility and ethical behaviour, information equipment, labour relations, important contracts, type of related information etc.*

### Financial review on position and financial risks.

Describe:

- o Key revenue.
- o Key financial results.
- o Costs and expenses.
- o Depreciation and amortization.
- o Net finance costs.
- o Net profit.
- o Non-current assets.
- o Current assets.
- o Current liabilities.
- o Non-current liabilities.
- o Financial liquidity.
- o Financial projections.
- o Explain to stakeholders how the performance and financial position of the company have affected the development of business.
- o Other relevant information on financial matters.

*Narrate matters to organisation's finances such as including explanation of year end debt, capital structure, funding and repayment schedule, quantification of debt covenants, gearing and leverage, reconciliation of year end net debt position against prior year and etc.*

### Risks and uncertainties facing the company

- o Review and highlight risks from all levels i.e. management, operation, financial matters/risks.
- o How the risks and uncertainties affected the business?
- o How was the risks and uncertainties mitigated/ managed?

*Describe how the risks and uncertainties had affected the performance of the business and financial matters/risks such as overall risks management objectives on financial statements, identify key financial risks, liquidity cash flow, credit, interests rate, quantitative information and etc.*

*What are the strategies and policies been developed to mitigate such uncertainties and risks.*

### Business review (include each activity)

- o What are the success or failure in achieving target?
- o What are the problems faced in business?
- o How are the problems resolved and managed?

*Narrate business conduct and compliance, challenges in relations towards to business practice and stakeholders.*

Questions	Information To Be Disclosed
<p>Trends affecting the business development</p> <ul style="list-style-type: none"> <li>o What are the main trends and factors that are likely to affect the future development, performance and the position of the business?</li> <li>o Provide appropriate information on the market environment in which the company operates, strategic priorities, development and performance.</li> <li>o Provide relevant information of drivers shaping the future growth in which the company operates i.e. macro-economic, competitive or regulatory trends and factors shaping the business.</li> <li>o Identify the products or projects that are in pipeline and expected market response and future trends and factors that are supported by quantitative evidence.</li> <li>o How is the performance of the company in the wider market context?</li> <li>o Reveal how the performance of the divisions/ parts of business.</li> </ul>	<p><i>Ascertain the trends and factors that have been considered in business planning and strategies that are likely to affect the future development, performance and position of the business. The objective is to help the stakeholders to assess how the directors have performed their duty.</i></p>
<p>Environmental matters</p> <ul style="list-style-type: none"> <li>o What is the impact of business towards the environment?</li> <li>o What are the policies available in respect of environment and its effectiveness?</li> <li>o Disclose matters related to emission, wastage, energy efficiency etc. and the actions taken to address such matter supported by quantifiable evidence, targets, strategy etc.</li> </ul>	<p><i>Describe the impact of business towards the environment i.e. living and non-living natural system such as land, air, water, emissions, effluents and waste.</i></p> <p><i>How effective were the available policies (if any) on environmental matters or if none will the company propose to have related policies.</i></p>
<p>Employees</p> <ul style="list-style-type: none"> <li>o What is the impact of business towards the employees?</li> <li>o What are the policies available in respect of employees and its effectiveness?</li> <li>o Disclose employees policies on employment of disabled persons, health, safety, welfare of employees, recruitment, training, benefits, performance bonuses and etc. and how it contribute to the performance and development of the business.</li> <li>o Quantitative analysis of employees' gender diversity and their designation in the company.</li> </ul>	<p><i>Describe the matters that have affected the employees and impact to the business.</i></p> <p><i>How effective were the available policies (if any) or if none will the company propose to have related policies.</i></p>

Questions	Information To Be Disclosed
<p>Social and communities</p> <ul style="list-style-type: none"> <li>o What is the impact of the business towards the society or community?</li> <li>o What are the policies available in respect of society and community and also its effectiveness?</li> </ul>	<p><i>Describe how society and community have affected the company's strategies and performance of the business.</i></p> <p><i>How effective were the available policies (if any) or if none will the company propose to have related policies.</i></p>
<p>Key performance indicators (KPIs)</p> <ul style="list-style-type: none"> <li>o What are the key KPIs or focal KPIs?</li> <li>o Which KPIs are common?</li> <li>o Provide explanation why such KPI is included or considered focal KPIs.</li> <li>o Numbers of KPIs.</li> <li>o How effective were the KPIs?</li> <li>o How often the KPIs were reviewed?</li> <li>o How was the KPIs used with the business plan?</li> <li>o Which measures relied on as indicators should be identified and clear company policies and strategic priorities should be in place?</li> <li>o KPIs should include the basis of evaluation, quantified data, targets or milestones, qualitative, quantitative and any other relevant information.</li> <li>o How KPIs relate to the employees incentive plans?</li> </ul>	<p><i>Key performance indicators (KPIs), both financial and non-financial, needed to explain a company's progress towards its stated goals, for all of these types of narrative reporting such as sales, customers, employees performance etc.</i></p> <p><i>KPIs are reference to the development, performance of the company's business that could be measured effectively.</i></p>
<p>Corporate governance</p> <ul style="list-style-type: none"> <li>o Was the business conducted with integrity and fairness?</li> <li>o Was all transactions made with the necessary disclosures and decisions, complying with all the laws?</li> <li>o Was there clarity on how to fulfil its objectives?</li> <li>o Was clear responsibility and accountability of the task assigned to the management?</li> <li>o Was the board balance in size and was there independent directors?</li> <li>o Did the board discharge its duties and responsibilities effectively?</li> <li>o Were the shareholders objectives and needs considered and act to the common good of all shareholders?</li> </ul>	<p><i>Corporate governance is the relationships which determine corporate direction and performance.</i></p> <p><i>Corporate governance is the control of management in the best interests of the company with the accountability to the shareholders management, customers, suppliers, financiers, employees, government and the community.</i></p>

Questions	Information To Be Disclosed
<p>Corporate responsibility</p> <ul style="list-style-type: none"> <li>o What are the policy toward employees?</li> <li>o What/How was the relationship with your stakeholders?</li> <li>o How did you preserve/protect the environment?</li> <li>o What has been the challenges in corporate social responsibility?</li> <li>o What influenced your choice of corporate responsibility?</li> <li>o Who and how many participate in corporate responsibility activities?</li> <li>o How is CR going to innovate to meet the challenges in its supply chain and its own business?</li> <li>o How is the business and emission growth?</li> <li>o How will CR go beyond reducing negative impacts to make a positive impact?</li> <li>o Charities, donations and other support in kind i.e. asset, resources etc.</li> </ul>	<p><i>Corporate responsibility is a process for companies to integrate social, environmental, and ethical and human rights concerns into their operations and core strategy with close collaboration with their stakeholders, shareholders, management, customers, suppliers, financiers, employees, government and the community.</i></p>
<p>Values created</p> <ul style="list-style-type: none"> <li>o What are the policy toward employees and customers?</li> <li>o What/How was the relationship with your stakeholders?</li> <li>o How did you preserve/protect the environment?</li> <li>o How was business profits pursued in line with corporate responsibility objectives?</li> <li>o How were stakeholders true needs realised through corporate responsibility and company?</li> <li>o Health and safety of the workplace.</li> </ul>	<p><i>The primary objective of any business entity is value creation. Value creation is the performance or actions that increase the worth of goods, services, stakeholders, shareholders, management, customers, suppliers, financiers, employees, government and the community.</i></p>

Questions	Information To Be Disclosed
<p>Sustainability</p> <ul style="list-style-type: none"> <li>o What are the costs and resources involved?</li> <li>o What are our environment footprint?</li> <li>o To what extent our products are green?</li> <li>o Where are we in comparison to our competitors?</li> <li>o How to become a greener company in future?</li> <li>o How engaged and educated are our employee?</li> <li>o Who are our stakeholders and what do they think of our performance?</li> <li>o Which groups can we partner with?</li> <li>o What are our key sustainability matrices?</li> <li>o How do we improve our goal?</li> <li>o How do we innovate our products and offer greener products and services?</li> <li>o How wastage managed i.e. recycling etc.?</li> </ul>	<p><i>Sustainability relates to practices that contribute to the quality of life of both employees and communities that could be impacted by the company's operations such as working conditions. Environmental sustainability relates to practices that contribute to the quality of the environment on a long-term and etc.</i></p>
<p>Human rights associated with business</p> <ul style="list-style-type: none"> <li>o How is respect for human rights publicly communicated by your company?</li> <li>o How does your company demonstrate the importance it attaches to implementing and managing human rights?</li> <li>o Have you identified your salient human rights? How and what are they?</li> <li>o When and how are human rights issues escalated from operational to higher levels within the company?</li> <li>o How is your approach towards respect for human rights made known to staff, and how are staff equipped to implement this?</li> <li>o How do you communicate to your suppliers, and business partners to respect for human rights and its implementation?</li> <li>o How do you engage with local stakeholders to understand how your business can impact people, positively or negatively?</li> <li>o How is the management of human rights issues tracked within the company?</li> <li>o What is the company's human rights policy and approach towards accountability?</li> <li>o How does the company assess the actual and potential human rights impacts?</li> <li>o What has the company found as a result of those assessments and what steps has it taken to ensure respect for them?</li> <li>o How do you enable effective remedial methods, including but not limited to, implementing complaints management mechanism?</li> </ul>	<p><i>Human rights are defined as rights inherent to all human beings, regardless of nationality, place of residence, sex, national or ethnic origin, colour, religion, language, or any other status. They represent forced or compulsory labour, child labour, working conditions, wages &amp; benefits, non-discrimination, freedom of association, collective bargaining etc.</i></p>



Questions	Information To Be Disclosed
Accounts and auditors view o Describe fair view on accounts. o Describe the finding by the auditor.	<i>Review to assess business operations towards business objective, risk management etc.</i>
Statistics OR Market findings o Provide statistics for past years. o What are current market findings?	<i>Statistical involves collecting and scrutinizing every data and summarize how the data relates to the subject matter. Statistical analysis is to identify trends to create a more positive objective to stakeholders.            Market findings are an analysis of the industry and corporate responsibility analysis.</i>
Prepared by	
Date	

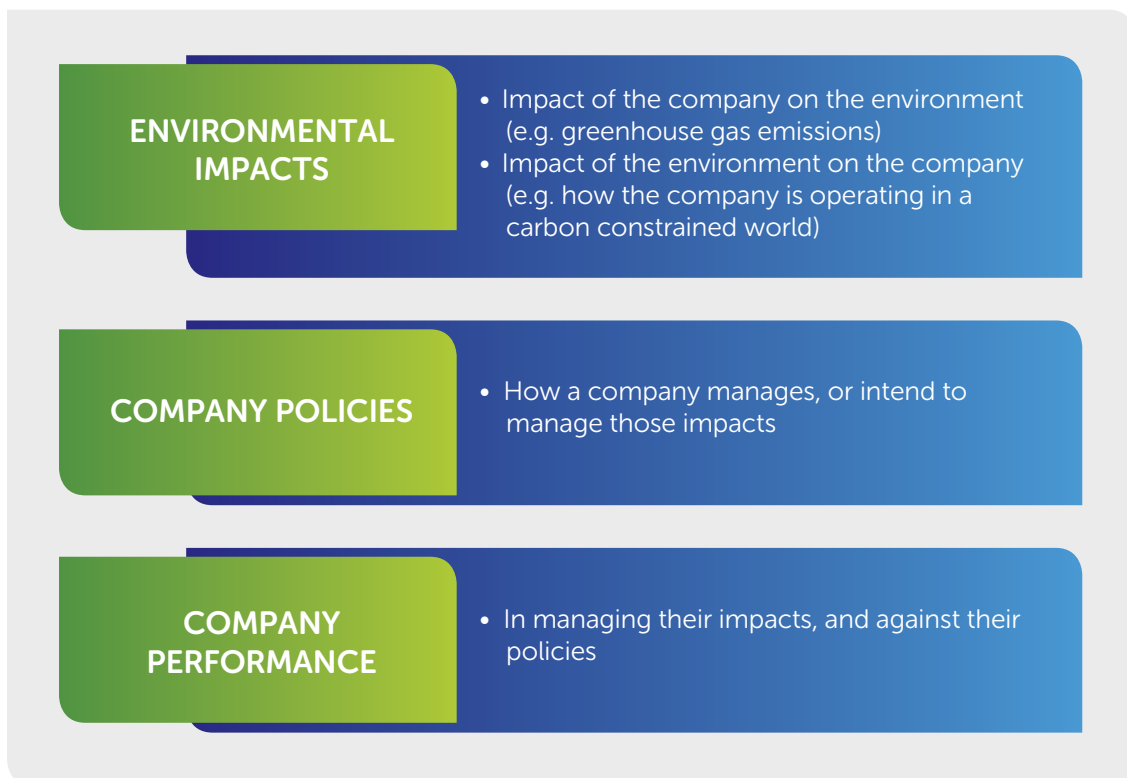
# APPENDICES

## APPENDIX 1: ENVIRONMENTAL MATTERS IN BUSINESS

### WHAT IS ENVIRONMENTAL REPORTING?

Business review reporting on environment matters is a report by companies on their environmental performance using Key Performance Indicators (KPI). **Diagram 5** depicts the information relating to “environmental matters” according to the Environmental Key Performance Indicators: Reporting Guidelines in UK.

**Diagram 5: List of Key Environmental Matters**



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### HOW IS THE ENVIRONMENT REGULATORY REPORTING IN MALAYSIA?

The Department of Environment (DOE) under the purview of the Ministry of Natural Resources & Environment (NRE) is the main authority for the prevention and control of environmental pollution under the Environmental Quality Act 1974 (EQA). There is no provision under EQA that requires companies to provide environmental disclosures in their annual reports. In the event of non-compliance, Section 37 of the EQA authorizes the Director General of DOE to request for environmental information from companies. This information will then be disclosed to the public in the Malaysia Environmental Quality Report.

### PRINCIPLES OF REPORTING BY THE UK ENVIRONMENTAL KEY PERFORMANCE INDICATORS: REPORTING GUIDELINES

As a general guide, the UK Environmental Key Performance Indicators: Reporting Guidelines suggested the following common principles that a company can apply when collecting and reporting the environmental matters <sup>6</sup>.

<sup>6</sup> Environmental Key Performance Indicators Reporting Guidelines for UK Business

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- **Transparency**

Transparency is one of the crucial factor in producing a credible report. The value of the quantitative data (internal processes, systems and procedures) will be greatly enhanced if accompanied by a description of how and why the data are collected. Particular issues which could be relevant to this principle are:

- The level of public disclosure;
- Responsibility towards the environment/sustainable development exists;
- Clear definition of the company's restriction to which the report applies, and
- An explanation of internal processes to manage and report risk.

- **Accountability**

A company can be accountable to a variety of different people for its behaviour. In a financial sense directors are ultimately accountable to the owners of the company. Particular issues which could be relevant to this principle are:

- The definition, level and nature of stakeholder engagement;
- The existence and quality of a third party assurance statement;
- Integration of environmental reporting within the Annual Report and Accounts, and Business Review;
- The existence and success of a communications strategy; and
- The extent to which information is specifically identified and tailored to the needs of institutional investors.

- **Credibility**

It is essential that any reporting is placed in context, to link the specific impacts and understanding of the company to the wider movement by society to embed the principles of sustainable development. Particular issues which could be relevant to this principle are:

- Understanding of the concept of sustainable development and how it applies to the business;
- A company's procurement policy and efforts to manage the impacts of its supply chains and products; and
- The existence and description of an externally certified (or other) environmental management system (EMS), and other data collection, measurement and management procedures.

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## **GUIDANCE AND STEPS IN REPORTING THE COMPANY'S ENVIRONMENTAL IMPACT**

This section covers the general guide and five (5) steps to be taken in order to report on the company's key environmental impacts<sup>7</sup>.

### **Step 1 Determine the company's boundaries**

The company can define which operations it wants to report. If the company is straight-forward, i.e. a simple company structure and owns 100% of the assets that it operates, the company would report on the impacts from everything that it owns and operates. However, a different approach is needed for a company with a more complex structure in which some entities may be part-owned, or owned but not operated and vice-versa as described in **Table 6**.

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<sup>7</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/206392/pb13944-env-reporting-guidance.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206392/pb13944-env-reporting-guidance.pdf)

**Table 6: Description of a Company's Controlling Boundaries**

Financial control boundary	The company reports on all sources of environmental impact over which it has financial control. The company has financial control over an operation if it has the ability to direct the financial and operating policies of the operation with a view to gaining economic benefits from its activities.
Operational control boundary	The company reports on all sources of environmental impact over which it has operational control. The company has operational control over an operation if the company or one of its subsidiaries has the full authority to introduce and implement its operating policies at the operation.
Equity share boundary	The equity share reflects the extent of the rights a company has to the risks and rewards from an operation based on its equity interest. Equity share will therefore be the same as the ownership percentage.

**Step 2 Determine the period for which the company should collect data**

A company may want to align the 12-month period to its accounting period and therefore it should report data collected for the period corresponding with its financial year. This refers to the year-end-date, not the date of the publication of the directors' report. Detail explanation as per [Table 7](#).

**Table 7: A sample for the company's first reporting year**

The company's usual financial year	The first reporting year
1 January to 31 December	1 January 2017 to 31 December 2017
1 April to 30 March	1 April 2017 to 30 March 2018

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However, the company may also report data collected for a different 12 month period to its financial year (with explanation in the directors' report). For example, company A historically reports emissions data on a calendar year basis whereas their financial year is April to March. In this example company A could either continue to report emissions on a calendar basis or switch to reporting emissions on a financial year. If the company report emissions for a different period to its financial year, the majority of its emission reporting year should still fall within the period in directors' report.

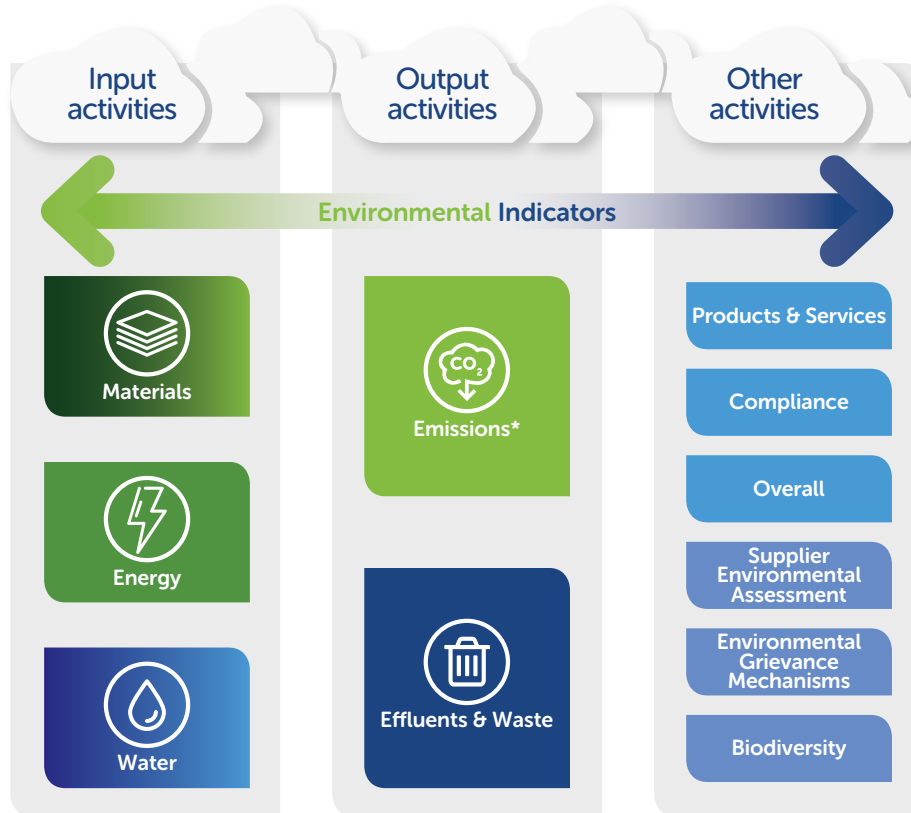
**Step 3 Determine the key environmental impacts for the company**

The environmental dimension of sustainability concerns a company's impacts on living and non-living natural systems, including land, air and water. To determine the key environmental impacts, the company must understand its input, output and other activities. Based from these activities, the company can then determine the environmental indicators which will drive the company's performance and the impacts to the environment. All this is explained in [Table 8](#) and [Diagram 6](#).

**Table 8: List of Key Environmental Impacts and Categories**

Activities	Category
Input	Elements or units used to make the products/services.
Output	Elements or units produced when making the products/services.
Other	Other elements or units that needs to be considered in producing the products/services.

**Diagram 6: List of Operational Activities Based from the Environmental Indicators from GRI.**

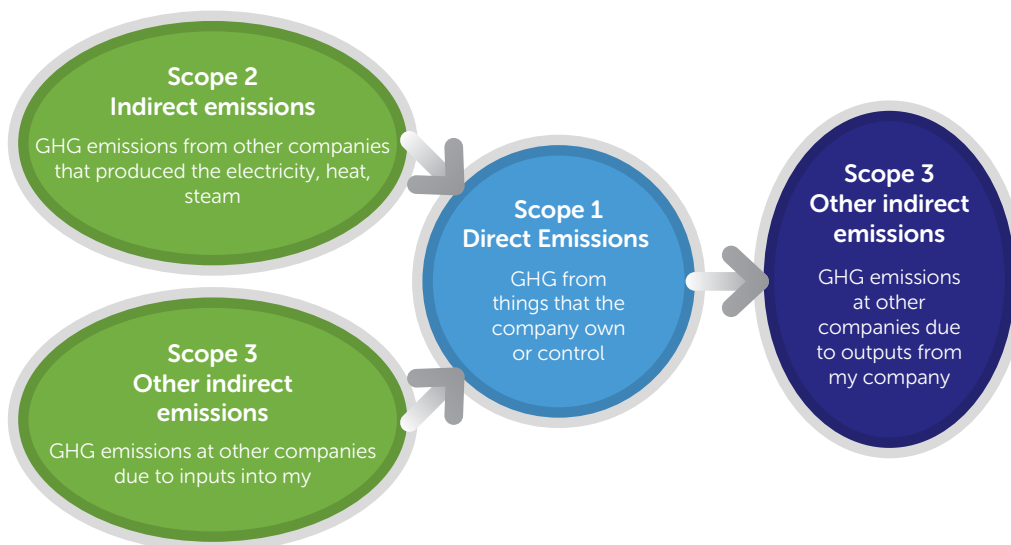


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Not all of the Environmental Indicators will be relevant (material) to the company. The company should identify which are the most relevant and explain why they are relevant and how they are defined. To do so, the company may refer to the National Environment Policy, Climate Change Policy and Environmental Quality Act 1974 as the basis of its environmental management <sup>8</sup>.

\*Scope is a classification of the operational boundaries where GHG emissions occur. Scope classifies whether GHG emissions are created by the company itself, or are created by other related companies, for example, electricity suppliers or haulage companies. Further information to understand the Scopes in **Diagram 7**.

**Diagram 7: Understanding the Scopes**



<sup>8</sup> Malaysia has such policies and Act. May refer to <http://www.nre.gov.my/en-my/Environment/Pages/default.aspx>

### Step 4 Measure

There are a number of ways to collect and manage data at a corporate level i.e. through direct entry of data; or a completed standard spreadsheet templates and emailed to a central point where data can be processed. It is recommended to use a standardised reporting format to ensure that data received from different business units and operations is comparable. Ideally, the environmental report should be streamlined with the company's existing reporting processes.

The company's efforts to collect the best quality data should be focused on the most important sources.

**Diagram 8** depicts the assessment that a company can use to collect the data:

**Diagram 8: Assessments That Can Be Used By a Company**



### Environmental Management Systems (EMS)

One of the ways to measure good data management is by putting in place an Environmental Management System (EMS). It is the most widely used data management system as it helps all types and sizes of companies to meet their own environmental and sustainability targets. If a company has an accredited EMS, it should state the type and whether it covers the entire company or just part in its reporting.

The Department of Standards Malaysia (Standards Malaysia) is the National and Accreditation Body under the Ministry of Science, Technology and Innovation (MOSTI) which established the MS ISO 14001: 2015 (EMS) standard to accredit companies to a systematic approach in protecting the environment, preventing pollution (air, water, land, noise and nuisance), and improving their environmental performance. The benefits of having EMS in a company is listed in **Table 9**.

**Table 9: List of Benefits from MS ISO 14001:2015 Certifications**

No.	Benefit	Description
1	EMS helps companies to comply with legal requirements as specified in Environment Quality Act 1974 (Act 127) and the relevant regulations.	It provide companies with the benefit of fulfilling business and social responsibility on environmental management.
2	EMS complement Green Supply Chain Management (GSCM).	It improves the capability to implement the relevant requirements in GSCM.
3	EMS promote continual improvement.	Provide companies with the competitive edge to compete in the market place and for those who have succeeded, to become more successful and resilient.
4	EMS look into the needs of the company's human resource.	Increase staff morale, competencies in environmental aspects and commitment.

With proper implementation of the system, the company will save more on:

- Product materials due to better product input processing, substitution, and recycling of by-products and waste;
- Energy consumption, costs for emissions, discharges, waste handling, transport and disposal;
- Relevant audits (customer, supplier etc.); and
- Environmental liabilities.

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Complying with the standards will provide the company with the tributes for competitive edge and therefore increasing its profitability.

The company may also look into alternative approach of structured assessment from the Global Reporting Initiatives/UNEP (GRI) or from the World Business Council for Sustainable Development Corporate Ecosystem Valuations for its environmental performance.

### **Step 5 Verification & Report**

Although the Companies Act 2016 does not require the company to independently verify the collected data, it will be beneficial to both internal decision-making and for external stakeholders to do so. The information presented should be balance and transparent as it is essential to produce a credible report. Achievements can be celebrated but avoid glossing over negative environmental impacts or poor performance against target.



## APPENDIX 2: HUMAN RIGHTS IN BUSINESS

### PRINCIPLES OF RESPECTING HUMAN RIGHTS IN BUSINESS

SSM promotes the culture of respecting human rights as an integral part of the items listed under item 2 (d) of the Fifth Schedule of the Companies Act 2016 as its part of social responsibility that relates to employees and also environmental responsibility amongst the local business and corporate community. This means encouraging them to have a clear commitment to respect human rights, to carry out human rights due diligence processes as promoted under the United Nations Guiding Principles (UNGP), and to contribute to remedy when their actions or decisions contribute to harm human rights. Companies are therefore encouraged to disclose their respective policies, commitments and initiatives on the nature of actions taken to prevent potential human rights impacts as part of their business review report.

### WHAT ARE HUMAN RIGHTS?

Human rights are defined as rights inherent to all human beings, regardless of nationality, place of residence, sex, national or ethnic origin, colour, religion, language, or any other status. These rights are guaranteed under the law in the form of treaties, customary international law, general principles and other sources of international law.

However, the international human rights treaties generally do not impose direct legal obligations on business enterprises. The duty is on States to transpose the international human rights law into their domestic law and enforcement.

The increasing demand for corporate accountability with respect to human rights led to the unanimous endorsement by all countries of the UN Guiding Principles of Business and Human Rights in 2011. **Diagram 9** depicts the sectors demanding for reports on human rights are:

**Diagram 9: List of Sectors Interested on Human Rights Reports**



In 2010, the Human Rights Commission of Malaysia (SUHAKAM) began to formally conduct studies on the issue of business and human rights. It was noted that Government plays a significant role in educating business entities on the need to respect human rights. As a result of this, SUHAKAM recommended for the Government to formulate a National Action Plan (NAP) on Business and Human Rights. In March 2015, SUHAKAM launched the Strategic Framework on NAP on Business and Human Rights and the Strategic Framework was presented to the Government as a recommendation towards the setting of the policy direction in promoting Business and Human Rights for adoption by the Malaysian corporate and business community.

## UNITED NATIONS GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS (UNGPs)

The United Nations Human Rights Council endorsed the United Nations Guiding Principles on Business and Human Rights (UNGPs) in 2011. The UNGPs are the global standard that sets the respective duties of states and responsibilities of business to ensure that companies respect human rights in their own operations and their business relationships.

The UNGPs consist of a set of 31 principles that are clustered under 3 pillars (**Diagram 10**).

**Diagram 10: UNGP's Pillars on Business Human Rights**



**Pillar I** describes that the duty to protect citizens from human rights abuses by corporations lies with the State. It requires the State to take appropriate measures to prevent, investigate, punish and redress human rights abuse by companies with effective policies, legislation, regulations and adjudication.

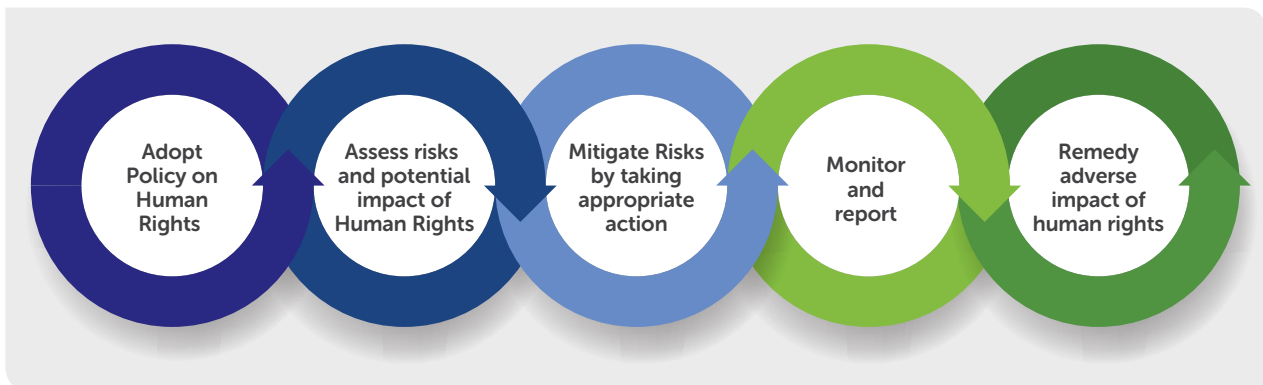
**Pillar II** provides that companies have a responsibility to respect human rights notwithstanding whether they have a domestic legal obligation to do so. This means that they should take steps to avoid causing or contributing to adverse human rights impacts through their own activities, and seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products, or services by their business relationships, even if they have not contributed to those impacts. Where local laws or customs conflict with human rights principles then businesses should seek ways to honour the principles of internationally-recognized human rights.

**Pillar III** provides the duty and responsibility of States and companies to enable access to remedy for adverse human rights impacts. This principle focuses on ensuring that people harmed by businesses are afforded adequate effective remedies through judicial and non-judicial avenues.

The Guiding Principles clearly describe that companies should have in place **(Diagram 11):**<sup>9</sup>

- A statement of their policy commitment to respect human rights.
- A human rights due diligence process to:
  - assess their actual and potential human rights impact;
  - integrate the findings and take action to prevent or mitigate potential impacts;
  - track their performance;
  - communicate their performance;
- Processes to provide or enable remedy to those harmed, in the event that the company causes or contributes to a negative impact.

**Diagram 11: Implementation Process**



<sup>9</sup> UN Guiding Principles Reporting Framework with implementation guidance.

## IMPLEMENTING HUMAN RIGHTS IN BUSINESS

Some instances where companies respect human rights through their daily activities are listed in [Table 10](#):

**Table 10: Implementing Human Rights and the Community**

Workplace	Community
<ul style="list-style-type: none"> <li>• provide safe working stations</li> <li>• non-discrimination of work practices against employees</li> <li>• non-employment of forced labour or child labour</li> <li>• provide basic needs of health, education, housing if possible</li> <li>• provide reasonable space for religious observance and practices of employees</li> </ul>	<ul style="list-style-type: none"> <li>• prevent forcible displacement of communities</li> <li>• avoid damaging economic livelihoods of local communities</li> <li>• allow community to express views that affect the communities which they are part of</li> <li>• ensure that land titles are not disputed by local communities with usage rights and traditions</li> <li>• ensure water usage does not reduce communities' access to clean drinking water</li> </ul>

As a regulator, SSM promotes the State's Duty to protect under Pillar 1 of the UNGPs and encourages all companies to conduct independent assessments of human rights risks and impacts associated with their operations and value chains.

Examples of how a business may be involved with negative human rights impacts are provided in [Appendix 3](#). However the examples may vary depending on the nature of business.

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## REPORTING OF HUMAN RIGHTS IN BUSINESS

SSM encourages companies to use international non-financial reporting frameworks that include human rights criteria, such as the GRI Sustainability Reporting Framework and the UN Guiding Principles Reporting Framework, as guidance in preparing their business review report.

To help companies to disclose human rights information of interest and value to their shareholders and other stakeholders, the UN Guiding Principles Reporting Framework was launched in February 2015, providing the first comprehensive guidance for companies to report on how they respect human rights. The UNGP Reporting Framework was developed through a two-year process of global, multi-stakeholder consultations, with a particular focus in Southeast Asia, including in Malaysia. It has been recognized by the UN Working Group on Business and Human Rights as "an opportunity for convergence [in human rights reporting] around a tool that is based directly on the Guiding Principles", and by the author of the UN Guiding Principles, Prof. John Ruggie as "an indispensable tool that companies have been waiting for" and "the logical next step for the Guiding Principles".

The UNGP Reporting Framework consists of eight overarching questions and four information requirements. Further supporting questions help companies improve their human rights reporting over time.

The following ([Diagram 12](#)) are the questions included in the UNGP Reporting Framework to help companies improve their human rights narrative reporting: <sup>10</sup>

<sup>10</sup> Source: UN Guiding Principles Reporting Framework with implementation guidance

Diagram 12: UNGP's Reporting Framework

## THE UN GUIDING PRINCIPLES REPORTING FRAMEWORK

### PART A: GOVERNANCE OF RESPECT FOR HUMAN RIGHTS

#### POLICY COMMITMENT

#### **A1** What does the company say publicly about its commitment to respect human rights?

- A1.1** How has the public commitment been developed?
- A1.2** Whose human rights does the public commitment address?
- A1.3** How is the public commitment disseminated?

#### EMBEDDING RESPECT FOR HUMAN RIGHTS

#### **A2** How does the company demonstrate the importance it attaches to the implementation of its human rights commitment?

- A2.1** How is day-to-day responsibility for human rights performance organized within the company, and why?
- A2.2** What kinds of human rights issues are discussed by senior management and by the Board, and why?
- A2.3** How are employees and contract workers made aware of the ways in which respect for human rights should inform their decisions and actions?
- A2.4** How does the company make clear in its business relationships the importance it places on respect for human rights?
- A2.5** What lessons has the company learned during the reporting period about achieving respect for human rights, and what has changed as a result?

### PART B: DEFINING THE FOCUS OF REPORTING

**B1** **Statement of salient issues:** State the salient human rights issues associated with the company's activities and business relationships during the reporting period.

**B2** **Determination of salient issues:** Describe how the salient human rights issues were determined, including any input from stakeholders.

**B3** **Choice of focal geographies:** If reporting on the salient human rights issues focuses on particular geographies, explain how that choice was made.

**B4** **Additional severe impacts:** Identify any severe impacts on human rights that occurred or were still being addressed during the reporting period, but which fall outside of the salient human rights issues, and explain how they have been addressed.

### PART C: MANAGEMENT OF SALIENT HUMAN RIGHTS ISSUES

#### SPECIFIC POLICIES

#### **C1** Does the company have any specific policies that address its salient human rights issues and, if so, what are they?

- C1.1** How does the company make clear the relevance and significance of such policies to those who need to implement them?

## STAKEHOLDER ENGAGEMENT

### **C2** What is the company's approach to engagement with stakeholders in relation to each salient human rights issue?

- C2.1** How does the company identify which stakeholders to engage with in relation to each salient issue, and when and how to do so?
- C2.2** During the reporting period, which stakeholders has the company engaged with regarding each salient issue, and why?
- C2.3** During the reporting period, how have the views of stakeholders influenced the company's understanding of each salient issue and/or its approach to addressing it?

## ASSESSING IMPACTS

### **C3** How does the company identify any changes in the nature of each salient human rights issue over time?

- C3.1** During the reporting period, were there any notable trends or patterns in impacts related to a salient issue and, if so, what were they?
- C3.2** During the reporting period, did any severe impacts occur that were related to a salient issue and, if so, what were they?

## INTEGRATING FINDINGS AND TAKING ACTION

### **C4** How does the company integrate its findings about each salient human rights issue into its decision-making processes and actions?

- C4.1** How are those parts of the company whose decisions and actions can affect the management of salient issues, involved in finding and implementing solutions?
- C4.2** When tensions arise between the prevention or mitigation of impacts related to a salient issue and other business objectives, how are these tensions addressed?
- C4.3** During the reporting period, what action has the company taken to prevent or mitigate potential impacts related to each salient issue?

## TRACKING PERFORMANCE

### **C5** How does the company know if its efforts to address each salient human rights issue are effective in practice?

- C5.1** What specific examples from the reporting period illustrate whether each salient issue is being managed effectively?

## REMEDIATION

### **C6** How does the company enable effective remedy if people are harmed by its actions or decisions in relation to a salient human rights issue?

- C6.1** Through what means can the company receive complaints or concerns related to each salient issue?
- C6.2** How does the company know if people feel able and empowered to raise complaints or concerns?
- C6.3** How does the company process complaints and assess the effectiveness of outcomes?
- C6.4** During the reporting period, what were the trends and patterns in complaints or concerns and their outcomes regarding each salient issue, and what lessons has the company learned?
- C6.5** During the reporting period, did the company provide or enable remedy for any actual impacts related to a salient issue and, if so, what are typical or significant examples?

The UNGP Reporting Framework can be used by all types of companies and the questions are cross referenced with relevant indicators from the Global Reporting Initiative as well as various industry codes and other initiatives. Companies are asked to focus their reporting on their 'salient' human rights impacts: those human rights at risk of the most severe potential negative impacts through their activities and business relationships. The reporting on human rights is highly recommended to be included in the business review report as part of the company's reporting under item 2(d) Part II, Fifth Schedule of the Companies Act 2016.

## APPENDIX 3: INTERNATIONALLY RECOGNIZED HUMAN RIGHTS AND EXAMPLES OF HOW BUSINESS MIGHT IMPACT THEM: <sup>11</sup>

RELEVANT HUMAN RIGHTS	BRIEF EXPLANATION OF THE RIGHTS	EXAMPLES OF HOW BUSINESS MIGHT BE INVOLVED WITH AN IMPACT ON THE RIGHTS
Right of self-determination	<ul style="list-style-type: none"> <li>• A right of peoples, rather than individuals.</li> <li>• Peoples are entitled to determine their political status and place in the international community.</li> <li>• It includes the rights to pursue economic, social and cultural development, to dispose of a land's natural resources and not to be deprived of the means of subsistence.</li> <li>• A particular right of indigenous peoples to self-determination has been specifically recognized by the international community.</li> </ul>	<ul style="list-style-type: none"> <li>• Engaging in business activities on land that has traditional significance to the peoples that inhabit an area when that land was acquired by Government without due consultation with the local population.</li> <li>• Any activity that might have impacts on indigenous peoples' lands, whether through acquisition, construction or operation, may give rise to impacts on their right to self-determination.</li> </ul>
Right to life	<ul style="list-style-type: none"> <li>• Right not to be deprived of life arbitrarily or unlawfully.</li> <li>• Right to have one's life protected, for example, from physical attacks or health and safety risks.</li> </ul>	<ul style="list-style-type: none"> <li>• The lethal use of force by security forces (State or private) to protect company resources, facilities or personnel.</li> <li>• Operations that pose life-threatening safety risks to workers or neighbouring communities through, for example, exposure to toxic chemicals.</li> <li>• The manufacture and sale of products with lethal flaws.</li> </ul>
Right not to be subjected to torture, cruel, inhuman and/or degrading treatment or punishment	<ul style="list-style-type: none"> <li>• An absolute right, which applies in all circumstances.</li> <li>• Torture has been held to involve a very high degree of pain or suffering that is intentionally inflicted for a specific purpose.</li> <li>• Cruel and/or inhuman treatment also entails severe suffering.</li> <li>• Degrading treatment has been held to involve extreme humiliation of the victim.</li> </ul>	<ul style="list-style-type: none"> <li>• Conducting business in countries where State security or police forces protecting company assets do not respect this right.</li> <li>• Failure to foster a workplace that is free from severe forms of harassment that cause serious mental distress.</li> <li>• Manufacture and sale of equipment misused by third parties for torture or cruel treatment or for medical or scientific experimentation without their consent.</li> </ul>

<sup>11</sup> Source: The table is taken from the Implementation Guidance to in the UN Guiding Principles Reporting Framework. It draws on the publication by the UN Office of the High Commissioner for Human Rights, International Business Leaders Forum and *the Castan Centre for Human Rights Law, Human Rights Translated: A Business Reference Guide (2008)*, which is an excellent source of additional information and guidance for companies.

RELEVANT HUMAN RIGHTS	BRIEF EXPLANATION OF THE RIGHTS	EXAMPLES OF HOW BUSINESS MIGHT BE INVOLVED WITH AN IMPACT ON THE RIGHTS
Right not to be subjected to slavery, servitude or forced labour	<ul style="list-style-type: none"> <li>Slavery exists when one human effectively owns another.</li> <li>Freedom from servitude covers other forms of severe economic exploitation or degradation, such as in the trafficking of workers or debt bondage.</li> <li>Rights to freedom from slavery and servitude are absolute rights.</li> <li>Forced or compulsory labour is defined by the ILO as all work or service that is extracted under menace of any penalty and for which the person has not voluntarily offered themselves.</li> <li>Providing payment does not mean that work is not forced labour if the other aspects of the definition are met.</li> </ul>	<ul style="list-style-type: none"> <li>Businesses may unknowingly benefit through their supply chains from the labour of workers who have been trafficked and are forced to work as slaves, for example, on agricultural plantations. Women and children may be subject to particularly severe impacts in such situations.</li> <li>A company may be involved in the transportation of people or goods that facilitates the trafficking of individuals.</li> <li>Forced labour can arise in any sector where an employer puts workers in a position of debt bondage through company loans or the payment of fees to secure a job and/or where the company withholds workers' identity documents. This is a particular risk in the case of migrant workers, a recognized vulnerable group.</li> </ul>
Rights to liberty and security of the person	<ul style="list-style-type: none"> <li>These rights involve the prohibition of unlawful or arbitrary detention.</li> <li>'Lawful' detention is understood to mean that it must be authorized by an appropriate government body, such as the courts, and be capable of being challenged by the detainee.</li> <li>'Arbitrary' detention is always prohibited.</li> <li>Security of the person includes protection from physical attacks, threats of such attacks, or other severe forms of harassment, whether or not a person is detained.</li> </ul>	<ul style="list-style-type: none"> <li>Threatening staff with physical punishment or tolerating severe harassment of some employees, for example, of trade union members or members of a minority ethnic group.</li> <li>A company whose supplier routinely allows sexual abuse of female workers to go unaddressed in their workplace.</li> </ul>
Right of detained persons to humane treatment	<ul style="list-style-type: none"> <li>This right requires detention authorities to take special measures for the protection of detainees (such as separating juveniles from other detainees).</li> </ul>	<ul style="list-style-type: none"> <li>Companies involved in the construction, operation or maintenance of detention facilities (such as a prison or immigration detention facility) where detainees are mistreated.</li> </ul>
Right not to be subjected to imprisonment for inability to fulfil a contract	<ul style="list-style-type: none"> <li>This right applies where a person is incapable of meeting a private contractual obligation.</li> <li>It restricts the type of punishment that the State can impose.</li> </ul>	<ul style="list-style-type: none"> <li>Companies may be linked to such an impact where this right is not protected by the State, for example, where a small local supplier is genuinely unable to meet their contractual obligations and the company takes action against them.</li> </ul>



RELEVANT HUMAN RIGHTS	BRIEF EXPLANATION OF THE RIGHTS	EXAMPLES OF HOW BUSINESS MIGHT BE INVOLVED WITH AN IMPACT ON THE RIGHTS
Right to freedom of movement	<ul style="list-style-type: none"> <li>Individuals who are lawfully in a country have the right to move freely throughout it, to choose where to live and to leave.</li> <li>Individuals also have the right not to be arbitrarily prevented from entering their own country.</li> </ul>	<ul style="list-style-type: none"> <li>Relocation of communities because of company operations where that is conducted in an arbitrary or unreasonable manner, without adequate notice, consultation (and, at least in the case of indigenous peoples, consent), or compensation.</li> <li>Employers withholding workers' identification documents.</li> </ul>
Right of aliens to due process when facing expulsion	<ul style="list-style-type: none"> <li>Aliens (meaning foreigners) who are legally present in a country are entitled to due process (meaning fair legal procedures) before being forced to leave.</li> </ul>	<ul style="list-style-type: none"> <li>Where companies rely on migrant workers (either directly or through a third-party agency), there may be a risk of their operations being linked to such an impact.</li> </ul>
Right to a fair trial	<ul style="list-style-type: none"> <li>Required in both civil and criminal proceedings, this includes the right to a public hearing before an impartial tribunal.</li> <li>Additional protections are required in criminal proceedings.</li> </ul>	<ul style="list-style-type: none"> <li>A business tries to corrupt the judicial process by destroying relevant evidence or by seeking to bribe or otherwise influence judges or witnesses to take certain actions or make certain statements.</li> </ul>
Right to be free from retroactive criminal law	<ul style="list-style-type: none"> <li>The State is prohibited from imposing criminal penalties for an act that was not illegal when it was committed, or from imposing higher penalties than those that were in force at the time.</li> </ul>	<ul style="list-style-type: none"> <li>Companies may be linked to such an impact, for example, where political dissidents protest about some aspect of a company's operations and the State creates new, punitive measures to prosecute them.</li> </ul>
Right to recognition as a person before the law	<ul style="list-style-type: none"> <li>All individuals are entitled to 'legal personality', or independent legal recognition.</li> </ul>	<ul style="list-style-type: none"> <li>Companies may be linked to such an impact, for example, where they benefit from a State-led land acquisition process that pays compensation only to male heads of households because the property of married women is treated as belonging to their husbands under domestic law.</li> </ul>

RELEVANT HUMAN RIGHTS	BRIEF EXPLANATION OF THE RIGHTS	EXAMPLES OF HOW BUSINESS MIGHT BE INVOLVED WITH AN IMPACT ON THE RIGHTS
Right to privacy	<ul style="list-style-type: none"> <li>Individuals have a right to be protected from arbitrary, unreasonable or unlawful interference with their privacy, family, home or correspondence and from attacks on their reputation.</li> <li>The State is allowed to authorize restrictions on privacy in line with international human rights standards, but 'arbitrary' restrictions are always prohibited.</li> </ul>	<ul style="list-style-type: none"> <li>Failing to protect the confidentiality of personal data held about employees or contract workers, customers or other individuals.</li> <li>Requiring pregnancy testing as part of job applications.</li> <li>Providing information about individuals to State authorities, without that individual's permission, in response to requests that are illegal under national law and/or not in line with international human rights standards.</li> <li>Selling equipment or technology that can be used to track or monitor individuals' communications and movements to a State with a poor human rights record.</li> </ul>
Rights to freedom of thought, conscience and religion	<ul style="list-style-type: none"> <li>Individuals have a right to choose, practise and observe their chosen religion or belief, to be an atheist or not to follow any religion or belief.</li> <li>It includes the right to worship and to observe rituals, such as the wearing of particular clothing.</li> </ul>	<ul style="list-style-type: none"> <li>A company's policy prevents workers from wearing clothing or other symbols that express their faith, even though these do not interfere with legitimate safety or performance issues.</li> <li>A company does not allow its workers to seek reasonable time off for their religious holidays.</li> </ul>
Rights to freedom of opinion and expression	<ul style="list-style-type: none"> <li>The right to hold opinions free from outside interference is an absolute right.</li> <li>Individuals have a right to seek, receive and impart ideas in whatever media or form. The State is allowed to authorize restrictions in line with international human rights standards.</li> </ul>	<ul style="list-style-type: none"> <li>Operating in a country where workers are routinely prevented by law from expressing their opinions in the public domain.</li> <li>Censoring online or other content at the demand of the State where those requests are illegal under national law and/or not in line with international human rights standards.</li> <li>Engaging in litigation against individual workers, community members or other stakeholders who have spoken critically about the company where there is an extreme imbalance in the parties' means to fund a legal case.</li> </ul>
Rights to freedom from war propaganda, and freedom from incitement to racial, religious or national hatred	<ul style="list-style-type: none"> <li>These rights prohibit certain speech that is not protected by the right to freedom of expression.</li> <li>Individuals are prohibited from advocating racial, religious or national hatred that amounts to an incitement to discrimination, hostility or violence.</li> </ul>	<ul style="list-style-type: none"> <li>Companies that provide the platform or technology for individuals to express hatred against a particular religious group and to incite others to take certain action against them.</li> </ul>

RELEVANT HUMAN RIGHTS	BRIEF EXPLANATION OF THE RIGHTS	EXAMPLES OF HOW BUSINESS MIGHT BE INVOLVED WITH AN IMPACT ON THE RIGHTS
Right to freedom of assembly	<ul style="list-style-type: none"> <li>Individuals have the right to peacefully assemble for a specific purpose or where there is a public discussion, to put forward ideas or to engage in a demonstration, including marches.</li> <li>The State is allowed to authorize restrictions in line with international human rights standards.</li> </ul>	<ul style="list-style-type: none"> <li>Situations where public or private security services protecting company assets forcibly prevent or breakup peaceful demonstrations by the local community against a company's operations.</li> </ul>
Right to freedom of association	<ul style="list-style-type: none"> <li>Protects the right to form or join all types of association, including political, religious, sporting/recreational, and non-governmental and trade union associations. (See also the right to form and join trade unions below.)</li> <li>The State is allowed to authorize restrictions in line with international human rights standards.</li> </ul>	<ul style="list-style-type: none"> <li>A company operates in an area where the State seeks to undermine a local political party that opposes the company's activities by bringing false accusations against its leaders.</li> <li>(See also the examples below under the right to form and join trade unions.)</li> </ul>
Rights of protection of the family and the right to marry	<ul style="list-style-type: none"> <li>The concept of a family varies. This includes the rights to enter freely into marriage and to start a family.</li> </ul>	<ul style="list-style-type: none"> <li>Company policy discriminates against women on the basis of their marital or reproductive status.</li> <li>(See also the examples below under the right to a family life).</li> </ul>
Rights of protection for the child	<ul style="list-style-type: none"> <li>A child has the right to be registered, given a name and to acquire a nationality.</li> <li>Children must be protected from sexual and economic exploitation, including child labour.</li> <li>ILO standards prohibit hazardous work for all persons under 18 years. They also prohibit labour for those under 15, with limited exceptions for developing States.</li> </ul>	<ul style="list-style-type: none"> <li>Business activities that involve hazardous work (such as cutting sugar cane or mining) performed by persons under the age of 18.</li> <li>Where child labour is discovered, a company can negatively impact other rights (such as the rights to an adequate standard of living, or security of the person) if they fail to take account of the best interests of the child in determining the appropriate response. For example, simply dismissing the child (or cutting the contract with the relevant supplier) may result in the child having to find alternative, more dangerous forms of work (such as prostitution).</li> </ul>
Right to participate in public life	<ul style="list-style-type: none"> <li>Citizens have the right to take part in the conduct of public affairs, including the rights to vote and be elected in free and fair elections, and the right of equal access to positions within the public service.</li> </ul>	<ul style="list-style-type: none"> <li>Failing to give time off to workers for the purpose of voting.</li> <li>Bribery of political figures or other improper uses of company influence may distort the electoral process or otherwise impede free and fair elections.</li> </ul>

RELEVANT HUMAN RIGHTS	BRIEF EXPLANATION OF THE RIGHTS	EXAMPLES OF HOW BUSINESS MIGHT BE INVOLVED WITH AN IMPACT ON THE RIGHTS
Right to equality before the law, equal protection of the law, and rights of non-discrimination	<ul style="list-style-type: none"> <li>Individuals have a right not to be discriminated against, directly or indirectly, on various grounds, including race, ethnicity, sex, language, religion, political or other opinion, national or social origin, property, and birth or other status (such as sexual orientation or health status, for example, having HIV/AIDS).</li> <li>This right applies to the enjoyment of all other rights.</li> <li>The State is allowed to make distinctions where they are in line with international human rights standards.</li> <li>ILO standards provide further guidance on the content of the right.</li> </ul>	<ul style="list-style-type: none"> <li>Indirectly discriminating in the recruitment, remuneration or promotion of workers, for example, by offering a training programme that enhances an individual's chance of promotion at a time that is reserved for religious observance by a particular group.</li> <li>A company offers compensation to men and women in a situation where its operations or products have had negative impacts on their health in a way that discriminates against women (such as by failing to recognize the particular harm to their reproductive health).</li> </ul>
Rights of minorities	<ul style="list-style-type: none"> <li>Members of ethnic, religious or linguistic minorities are entitled to enjoy their own culture, practice their religion and speak their language.</li> </ul>	<ul style="list-style-type: none"> <li>Failing to make reasonable adjustments for workers who wear a traditional form of headgear where that does not pose a legitimate safety or performance issue.</li> <li>Using land in a manner that undermines the traditional way of life of a minority group, for example, by preventing them from ceremonial activities.</li> </ul>
Right to work	<ul style="list-style-type: none"> <li>Individuals are entitled to the opportunity to make a living by work which they freely choose or accept. The work must be 'decent work', meaning that it respects their human rights.</li> <li>The right includes the prohibition of arbitrary dismissal and the rights to just and favourable conditions of work and to form and join trade unions, discussed below.</li> </ul>	<ul style="list-style-type: none"> <li>Arbitrarily or unfairly dismissing a worker, even if permissible under local law.</li> <li>Hindering or failing to provide reasonable career advancement aspirations for workers.</li> <li>(See also the examples under the rights to just and favourable conditions of work and to form and join trade unions.)</li> </ul>

RELEVANT HUMAN RIGHTS	BRIEF EXPLANATION OF THE RIGHTS	EXAMPLES OF HOW BUSINESS MIGHT BE INVOLVED WITH AN IMPACT ON THE RIGHTS
Right to enjoy just and favourable conditions of work	<ul style="list-style-type: none"> <li>Individuals have the right to fair remuneration and equal remuneration for work of equal value. Remuneration must enable them, and their families, to have a decent living.</li> <li>The right includes safe and healthy conditions of work, equality of opportunity for promotion, and a right to rest, leisure and holidays.</li> <li>ILO standards provide further guidance on the content of the right.</li> </ul>	<ul style="list-style-type: none"> <li>Failing to address a pattern of accidents highlighting inadequate workplace health and safety.</li> <li>A company's purchasing practices repeatedly allow changes to the terms of product orders without any changes to price or delivery time, creating pressure on its suppliers, who then demand excessive overtime from their workers.</li> <li>Using cleaning staff that are employed by a third-party company and are paid extremely low wages with no or very limited entitlements to sick pay or leave.</li> </ul>
Right to form and join trade unions and the right to strike	<ul style="list-style-type: none"> <li>Individuals have the right to form or join trade unions of their choice.</li> <li>Trade unions must be permitted to function freely, subject only to limitations that are in line with international human rights standards.</li> <li>Workers have the right to strike, in conformity with reasonable legal requirements.</li> <li>ILO standards provide guidance on the content of the right, for example, that workers have the right to bargain collectively with their employers and that workers should not be discriminated against because of trade union membership.</li> </ul>	<ul style="list-style-type: none"> <li>Creating barriers to the formation of trade unions among employees or contract workers.</li> <li>Refusing or failing to recognize legitimate workers' associations with which the company can enter into dialogue in countries that prohibit trade unions.</li> </ul>
Right to social security, including social insurance	<ul style="list-style-type: none"> <li>This right obliges the State to create and maintain a system of social security that provides adequate benefits for a range of issues (such as injury or unemployment).</li> </ul>	<ul style="list-style-type: none"> <li>Denying workers their contractually agreed employment injury benefits.</li> <li>Offering a private social security scheme that has discriminatory eligibility criteria.</li> </ul>
Right to a family life	<ul style="list-style-type: none"> <li>Protection should be given to families during their establishment, and whilst the parents are responsible for the care and education of dependent children.</li> <li>The right includes special protections for working mothers.</li> <li>The right also includes special protections for children.</li> </ul>	<ul style="list-style-type: none"> <li>Company practices hinder the ability of workers to adopt a healthy work–life balance that enables them to adequately support their families (such as requiring workers to live on site in dormitories for extended periods of time without providing adequate periods of leave to enable them to spend time with their families).</li> <li>(See also the examples in relation to the rights of protection for the child above.)</li> </ul>

RELEVANT HUMAN RIGHTS	BRIEF EXPLANATION OF THE RIGHTS	EXAMPLES OF HOW BUSINESS MIGHT BE INVOLVED WITH AN IMPACT ON THE RIGHTS
Right to an adequate standard of living	<ul style="list-style-type: none"> <li>• This right includes access to adequate housing, food, clothing, and water and sanitation.</li> <li>• Individuals have a right to live somewhere in security, dignity and peace and that fulfils certain criteria (such as availability of utilities and accessibility).</li> <li>• Food should be available and accessible to individuals, in sufficient quality and quantity, to meet their nutritional needs, free from harmful substances and acceptable to their culture.</li> <li>• The right to water and sanitation was recognized as a distinct right in 2010. Individuals are entitled to sufficient, safe, acceptable, physically accessible and affordable water for personal and domestic use and to sanitation services that fulfil certain criteria (such as being safe, physically accessible, and providing privacy and dignity).</li> </ul>	<ul style="list-style-type: none"> <li>• Poor-quality housing or dormitories provided to workers.</li> <li>• Failing to provide adequate sanitation facilities for workers in a company-owned factory.</li> <li>• The expansion of a company's operations significantly reduces the amount of arable land in an area, affecting local community members' access to food.</li> <li>• Business activities pollute or threaten existing water resources in a way that significantly interferes with local communities' ability to access clean drinking water. In such situations, there may be particular negative impacts on women and girls, who are responsible for water collection in many communities.</li> </ul>
Right to health	<ul style="list-style-type: none"> <li>• Individuals have a right to the highest attainable standard of physical and mental health.</li> <li>• This includes the right to have control over one's health and body, and freedom from interference.</li> </ul>	<ul style="list-style-type: none"> <li>• Pollution from business operations can create negative impacts on the health of workers and/or surrounding communities.</li> <li>• The sale of products that are hazardous to the health of end users or customers.</li> <li>• Failure to implement appropriate health and safety standards leads to long-term negative impacts on workers' health.</li> </ul>
Right to education	<ul style="list-style-type: none"> <li>• All children have the right to free and compulsory primary education.</li> <li>• The right also includes equal access to education and equal enjoyment of educational facilities, among other aspects.</li> </ul>	<ul style="list-style-type: none"> <li>• The presence of child labour in a business or in its supply chain, where those children are unable to attend school.</li> <li>• Limiting access to, or damaging, educational facilities through construction, infrastructure or other projects.</li> </ul>

RELEVANT HUMAN RIGHTS	BRIEF EXPLANATION OF THE RIGHTS	EXAMPLES OF HOW BUSINESS MIGHT BE INVOLVED WITH AN IMPACT ON THE RIGHTS
<p>Rights to take part in cultural life, to benefit from scientific progress, and protection of the material and moral rights of authors and inventors</p>	<ul style="list-style-type: none"> <li>• Individuals have a right to take part in the cultural life of society and enjoy the benefits of scientific progress, especially disadvantaged groups.</li> <li>• This includes protection of an individual author's moral and material interests resulting from any scientific, literary or artistic production.</li> <li>• This protection extends to the rights of indigenous peoples to preserve, protect and develop indigenous and traditional knowledge systems and cultural expressions.</li> </ul>	<ul style="list-style-type: none"> <li>• Activities involving resource extraction or new construction (such as laying a pipeline or installing infrastructure networks) could impact this right by separating groups from areas of cultural importance and knowledge, or by damaging their cultural heritage.</li> </ul>

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**SURUHANJAYA SYARIKAT MALAYSIA**  
**COMPANIES COMMISSION OF MALAYSIA**  
( Agensi di bawah KPDNKK )

### **Suruhanjaya Syarikat Malaysia**

 Menara SSM @ Sentral  
No. 7 Jalan Stesen Sentral 5  
Kuala Lumpur Sentral  
50623 Kuala Lumpur  
Malaysia

 (+6.03) 2299 4400

 (+6.03) 2299 4411

 [www.ssm.com.my](http://www.ssm.com.my)