MALAYSIAN TIMBER ASSOCIATION
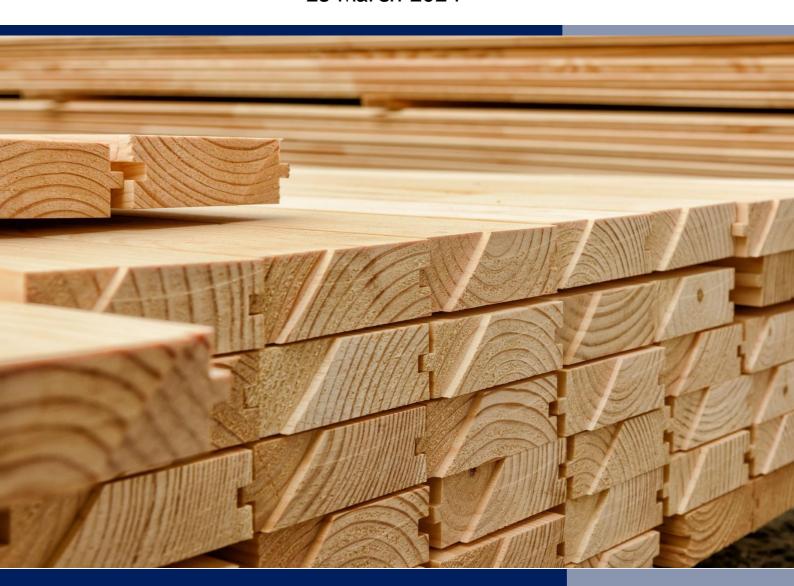
Environmental, Social, and Governance (ESG) Framework
For the Malaysian Timber Industry

Version 1

25 March 2024

Contents

1. About the ESG framework

In October 2023, the Malaysia Timber Association (MTA), representing the Timber Industry Association Coalition of Malaysia, engaged Control Union Malaysia to administer ESG (Environmental, Social, and Governance) training sessions for its coalition members across Malaysia's three regions. Additionally, Control Union was tasked with devising a customized ESG framework specifically tailored for the Malaysian timber industry.

The primary objective of this preliminary ESG framework for the Malaysian Timber Industry is threefold:

1. To establish an effective ESG program for the timber industry, complete with a proposed set of Key Performance Indicators (KPIs) designed specifically for this sector, encompassing criteria, indicators, and methods of implementation.
2. To facilitate industry-wide benchmarking, thereby enabling organizations to gauge their ESG performance against industry standards.
3. To enhance supply chain management practices by providing clarity on the environmental and social impacts associated with procurement decisions, thereby mitigating uncertainties.

In the development of this framework, Control Union drew upon various ESG frameworks for reference, notably including the GRI (Global Reporting Initiative) Sectoral Standard 13 and related GRI Disclosures, as well as the Simplified ESG Disclosure Guide (SEDG) for SMEs in Supply Chains, published by Capital Markets Malaysia in October 2023.

1. About Control Union

Control Union (CU) founded in 1920 in the Netherlands, specializes in inspection and certification of food, agriculture, animal feed, textiles, minerals, forest products, biomass, biofuels, tourism, and oil and gas-related equipment among many other sectors. Control Union (Malaysia) Sdn. Bhd. is the Malaysian subsidiary of Control Union operating in Malaysia since 1987, serving clients in both East and West Malaysia and around the world. With the recent accreditation for MTCS-FMC, CU is the only certification body to provide a one-stop-shop solution for all sustainability assurance needs of the Malaysian forestry Industry. Being a global leader in Forest Certification with servicing over 3000 satisfied clients globally, CU has extensive experience with verifying under local conditions if all requirements are met according to applicable scheme owners' standards. Verifying compliance with legal requirements is an important part of CU's regular forestry and timber audits. CU's experience in this field has led to frequent requests from clients to support them in meeting legal timber sourcing, processing, and importing requirements with CU being recognized by the European Commission as a Monitoring Organization since 2014 to assist European companies in meeting the EUTR (995/2010) Due Diligence requirements. In Malaysia, CU with its global and local accreditations and recognitions provides certification and assurance services for FSC, PEFC COC, MTCS, FMC, STLVS (Sarawak Timber Legality Verification System), CE Marking, Sustainable Tourism, ESG Assurance, Sustainable Biomass (SBP, GGL) and on Carbon Services (ISO 14064, ISO 14067, Carbon Neural, Plan Vivo, VCS, Gold Standard, CCB Standards). For more information, please visit CUC website.

1.2 About the Malaysian Timber Association (MTA)

The Malaysian Timber Association (MTA) stands as a pivotal entity within Malaysia, dedicated to representing and advancing the interests of the timber industry. Functioning as a unifying platform for timber-related enterprises, the MTA undertakes multifaceted roles aimed at advocating for industry concerns, fostering sustainable forestry practices, and facilitating collaborative efforts within the sector. Noteworthy for its global significance, the Malaysian timber industry ranks among the world's leading producers and exporters of timber and associated products, thereby amplifying the importance of the MTA's endeavors on both domestic and international fronts.

Key Functions of the Malaysian Timber Association include.

- Policy Advocacy: Collaborating with governmental bodies and policymakers, the MTA champions policies conducive to the sustainable growth of the timber industry, emphasizing environmental conservation and regulatory compliance.
- Industry Promotion: Actively promoting Malaysian timber products domestically and abroad, the association facilitates trade relationships and enhances market access for its constituents.
- Research and Development: Supporting research initiatives aimed at bolstering the productivity, sustainability, and competitiveness of Malaysia's timber industry forms a vital aspect of the MTA's endeavors.
- Training and Education: Through the organization of training programs and educational initiatives, the MTA endeavors to elevate the skills and knowledge base of industry professionals while advocating for best practices in forestry and timber processing.
- Information Sharing: Serving as a central hub for information dissemination, the MTA facilitates the exchange of insights among its members, offering updates on market dynamics, technological advancements, regulatory shifts, and other pertinent matters shaping the timber industry landscape.

In summary, the Malaysian Timber Association assumes a pivotal role in nurturing the growth and sustainability of Malaysia's timber industry, ensuring adherence to ethical and environmental standards while fostering industry advancement.

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2. Sector Overview

The timber processing sector in Malaysia constitutes a pivotal segment of the nation's economic framework, embodying a strategic industry that has undergone substantial policy interventions to foster transformation. Guided by the National Timber Industry Plan, the sector aspired to transition into a manufacturer and exporter of high-value-added products, setting forth an ambitious export target of USD 13 billion by 2020. However, encountering hurdles, the industry underwent a target revision in 2017 owing to stagnant growth, witnessing wood product exports amounting to USD 5.43 billion in 2020.

1. Official Data and Industry Challenges

Official statistics provided by the Malaysian Timber Industry Board (MTIB) offer insights into the timber processing sector's performance. These statistics, available through MTIB Statistics, furnish a comprehensive overview encompassing production levels, export values, and the industry's overall vitality. Challenges identified via a survey conducted among wood products manufacturers, inclusive of sawmillers, molding, furniture, and joinery manufacturers, underscored issues pertaining to raw material supply and workforce shortages as significant impediments.

2. Impact of Policy Framework

The National Timber Industry Plan aimed to propel the industry's transformation, prioritizing the production of high value-added goods. However, survey outcomes revealed challenges in realizing the plan's objectives, with industry growth predominantly reliant on incremental factor inputs rather than productivity enhancements. Key barriers such as uncertainty surrounding raw material supply and workforce constraints underscored the critical role of fostering business confidence in bolstering the efficacy of policy frameworks.

3. Goals for Industry Transformation

Despite encountered obstacles, Malaysia's timber processing sector retains its integral position within the nation's economic diversification and export-oriented strategies. The industry endeavors to augment its competitiveness and pivot towards high value-added manufacturing, exploring novel products and markets to foster sustainable expansion. Survey findings underscore the imperative of addressing constraints and nurturing an enabling business environment to instill confidence among industry stakeholders.

4. Sustainability and Global Market Dynamics

Aligned with global imperatives, Malaysia's timber processing sector increasingly prioritizes sustainability in forestry management practices. Acknowledging the significance of adhering to international standards and certifications for long-term viability, the Malaysian Timber Council (MTC) serves as a valuable resource, furnishing insights into trade dynamics, export trends, and market evolutions. These insights aid the industry's efforts in adapting to evolving consumer preferences and meeting global sustainability expectations.

5. Research and Innovation Initiatives

To surmount challenges and stimulate growth, the timber processing sector actively engages in research and innovation endeavors. Focus areas encompass productivity enhancement, product

diversification, and the adoption of advanced technologies to bolster operational efficiency. Collaborative initiatives between industry stakeholders, research entities, and governmental bodies are geared towards fostering innovation and supporting the industry's transition towards producing higher value-added goods.

2.6 Conclusion

Despite encountering hurdles, Malaysia's timber processing sector remains a pivotal contributor to the nation's economic progress. Manufacturing trajectory toward high-value-added manufacturing necessitates concerted actions to address constraints, fortify business confidence, and embrace sustainability principles. Such endeavors are pivotal in ensuring the industry's resilience and continued contribution to Malaysia's economic development endeavors.

3. Sector Activities and Business Relationships

Organizations wield significant influence over the economy, environment, and society through their activities and business relationships, thereby making either positive or negative contributions to sustainable development. When identifying material topics, organizations must consider the impacts of both their activities and their business relationships.

1. Activities

The impacts of an organization are contingent upon the nature of its activities. The following outlines key activities of the Timber Processing Sector as delineated in this Framework

- Production: Involves the harvesting and processing of timber from forests or plantations, encompassing the extraction of wood from trees and its subsequent preparation for utilization across various industries.
- Primary Processing: Encompasses initial processing steps such as debarking, sawing, and drying of timber to produce raw materials like lumber, veneer, or plywood.
- Secondary Processing: Entails further refinement of timber products through activities like planning, shaping, and treating to enhance quality and suitability for specific applications, as well as value-added activities like furniture crafting, paper manufacturing, or engineered wood production.
- Aggregation: Involves the consolidation of timber resources from multiple logging or harvesting operations, often managed by intermediary organizations, before distribution to downstream markets.
- Storage: Entails the preservation of timber an d processed wood products in warehouses or facilities to prevent deterioration, decay, or damage.
- Transportation: Involves the use of various transportation modes, including trucks, trains, or ships, to convey timber and wood products from production sites to processing facilities or end-users.
- Trading: Encompasses the buying and selling of timber and wood products, encompassing transactions between producers, distributors, and consumers.

2. Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs), integral to the United Nations' 2030 Agenda for Sustainable Development, provide a universal framework for addressing global challenges and

fostering sustainable development. In the timber industry context, these goals guide practices that harmonize economic, social, and environmental dimensions. Several SDGs are particularly pertinent to the timber industry.

SDG 8 - Decent Work and Economic Growth: Seeks to foster inclusive and sustainable economic growth, emphasizing job creation and equitable labor practices, with the timber industry ensuring safe working conditions, fair wages, and labor rights adherence.

SDG 9 - Industry, Innovation, and Infrastructure: Calls for the development of sustainable infrastructure, wherein the timber industry contributes through innovative technologies, sustainable forestry, and efficient supply chain management.

SDG 12 - Responsible Consumption and Production: Advocates for sustainable consumption patterns and natural resource management, with the timber industry contributing via responsible sourcing, waste reduction, and circular economy principles.

SDG 13 - Climate Action: Targets efforts to combat climate change, with sustainable forestry practices in the timber industry, including reforestation and carbon sequestration initiatives, aiding climate change mitigation and adaptation.

SDG 15 - Life on Land: Emphasizes the sustainable management and use of forests, aiming to combat deforestation and promote conservation, wherein the timber industry contributes through responsible logging practices and reforestation support.

SDG 17 - Partnerships for the Goals: Encourages collaborative endeavors between governments, businesses, and communities to achieve sustainable development, with the timber industry leveraging partnerships for knowledge sharing, technology transfer, and best practice implementation.

In summary, the Sustainable Development Goals furnish a comprehensive framework for the timber industry to align its practices with global sustainability imperatives. Through the integration of these goals into business strategies, the industry can contribute to a more sustainable, resilient, and inclusive future.

Table 1 below, presents connections between the likely material topics for the Timber sector and the SDGs. These linkages were identified based on an assessment of the impacts described in each likely material topic, and the targets associated with each SDG.

Table 1: Linkages between the likely material topics for Timber sectors and the SDGs

	SDG 1	SDG 2	SDG 3	SDG 4	SDG 5	SDG 6	SDG 7	SDG 8	SDG 9	SDG 10	SDG 11	SDG 12	SDG 13	SDG 14	SDG 15	SDG 16	SDG 17
Environmental Requirements																	
Topic 1 Emissions			●				●					●	●	●	●		
Topic 2 Energy							●					●	●				
Topic 3 Water and effluents						●						●		●			
Topic 4 Waste												●					
Topic 5 Materials		●							●			●					
Social Requirements																	
Topic 6 Local communities	●	●	●		●	●							●			●	
Topic 7 Non-discrimination and equal opportunity					●				●	●						●	
Topic 8 Forced or compulsory labor					●				●							●	
Topic 9 Child labor	●								●							●	
Topic 10 Freedom of association and collective bargaining									●							●	
Topic 11 Occupational health and safety			●						●								
Topic 12 Employment practices	●								●	●							

Topic	
Topic 13 Living income and living wage	● ● ● ●
Governance Requirements	
Topic 14 Governance structure and composition	● ● ● ● ●
Topic 15 Policy Commitments	● ●
Topic 16 Grievance mechanisms and its mechanisms for seeking advice and raising concerns	●
Topic 17 Compliance with laws and regulations	●
Topic 18 Supply Chain Traceability	● ● ● ● ● ● ● ● ● ●
Topic 19 Anti-corruption	●
Topic 20 Customer Privacy	● ● ● ●

4. Likely material topics

This section comprises the likely material topics for the Timber Industry. Each topic describes the sectors' most significant impacts related to the topic and lists disclosures that have been identified as relevant for reporting on the topic by Timber organizations. The organization is required to review each topic in this section and determine whether it is a material topic for the organization, and then to determine what information to report for its material topics.

Topic 1 Emissions

This topic focuses on emissions stemming from the timber industry, encompassing those associated with the manufacturing and processing of wood-based products. These emissions play a significant role in environmental degradation, leading to air pollution, climate change, and disruption of ecosystems. It is imperative to address and mitigate these emissions to promote sustainable forestry practices and work towards meeting global climate objectives.

1.1 Direct (Scope 1) GHG emissions

Indicator	Reporting Requirement	Scoring
1.1.1	Gross direct greenhouse gas (GHG) emissions, categorized as Scope 1 emissions, are measured in metric tons of carbon dioxide equivalent (CO2e).	4

Recommendations

- Consistent Application of Factors and Rates: Ensure consistent application of emission factors and Global Warming Potential (GWP) rates for disclosed data.
- Use IPCC GWP Rates: Utilize GWP rates from the IPCC assessment reports based on a 100-year timeframe.
- Selecting Approach for Consolidating Emissions: Choose a consistent approach for consolidating direct (Scope 1) and energy indirect (Scope 2) GHG emissions, selecting from equity share, financial control, or operational control methods outlined in the GHG Protocol Corporate Standard.
- Description of Standards and Methodologies: Describe the approach to selecting different standards and methodologies if subject to variations.
- Breakdown of Direct GHG Emissions: Provide breakdown of direct (Scope 1) GHG emissions by business unit or facility, country, type of source (stationary combustion, process, fugitive), and type of activity for transparency and comparability.
- Base Year Calculation: If applicable, disclose the base year for emissions calculation, along with rationale, emissions in the base year, and context for any significant changes triggering recalculations.

Guidance

- Sources of Emissions: Identify emissions sources including generation of electricity, heating, cooling, and steam; physical or chemical processing; transportation; and fugitive emissions.
- Methodologies for Calculation: Use methodologies such as direct measurement, mass balance calculations, site-specific data analysis, published criteria, direct GHG measurements, or estimations. Provide basis and assumptions for estimations if used.
- Updates in GWP Rates: Utilize latest GWP rates from IPCC assessment reports. Note that estimates of GWP rates may change over time with scientific developments.
- Recalculation Approach: Follow GHG Protocol Corporate Standard for recalculations of prior year emissions.
- Provide further details and guidance as outlined in the GHG Protocol Corporate Standard for comprehensive reporting of emissions.

1.2 Energy indirect (Scope 2) GHG emissions

Indicator	Reporting Requirement	Scoring
1.2.1	Gross location-based energy indirect (Scope 2) greenhouse gas (GHG) emissions are measured in metric tons of carbon dioxide equivalent (CO2e).	4

Recommendations

The reporting organization should:

- Apply emission factors and Global Warming Potential (GWP) rates consistently for the disclosed data.
- Use GWP rates from the IPCC assessment reports based on a 100-year timeframe.
- Choose a consistent approach for consolidating direct (Scope 1) and energy indirect (Scope 2) GHG emissions, selecting from the equity share, financial control, or operational control methods outlined in the GHG Protocol Corporate Standard.
- Describe the approach to selecting different standards and methodologies if subject to variations.
- Provide a breakdown of the energy indirect (Scope 2) GHG emissions by business unit or facility, country, type of source (stationary combustion, process, fugitive), and type of activity where it aids transparency or comparability over time.
- Disclose the base year for the calculation, if applicable, including the rationale for choosing it, emissions in the base year, and the context for any significant changes in emissions that triggered recalculations of base year emissions.

Guidance

Energy indirect (Scope 2) greenhouse gas (GHG) emissions encompass CO_2 emissions resulting from the consumption of purchased or acquired electricity, heating, cooling, and steam by an organization.

The GHG Protocol Scope 2 Guidance outlines two distinct methods for calculating Scope 2 emissions: location-based and market-based. The location-based method reflects the average GHG emissions intensity of grids where energy consumption occurs, primarily using grid-average emission factor data. In contrast, the market-based method reflects emissions from electricity specifically chosen by the organization, often derived from contractual instruments. These instruments include any contracts for the sale and purchase of energy bundled with attributes about energy generation or for unbundled attribute claims.

When calculating emissions using the market-based method, organizations may incorporate a residual mix if specific emissions intensity from contractual instruments is unavailable. This helps prevent double counting between consumers' market-based method figures. If a residual mix is not accessible, organizations can disclose this and use grid-average emission factors as a proxy.

Organizations can apply Quality Criteria outlined in the GHG Protocol Scope 2 Guidance to ensure contractual instruments convey accurate GHG emission rate claims and prevent double counting. For recalculations of prior year emissions, organizations can follow the approach outlined in the GHG Protocol Corporate Standard.

Emission factors can originate from various sources, including mandatory reporting requirements, voluntary reporting frameworks, or industry groups. It's essential to note that estimates of Global Warming Potential (GWP) rates may evolve over time with scientific research, and organizations should utilize the latest GWP rates from recent IPCC assessment reports. Additional details and guidance are available in the GHG Protocol Corporate Standard.

1.3 Other indirect (Scope 3) GHG emissions

Progress towards reducing Scope 3 greenhouse gas (GHG) emissions varies significantly depending on factors such as the organization's industry and geographical location. Scope 3 emissions generally encompass indirect emissions within the value chain of the reporting company. These emissions include both upstream and downstream activities such as purchased goods and services, transportation, waste management, and employee commuting.

Indicator	Reporting Requirement	Scoring
1.3.1	Progress toward reducing indirect Scope 3 GHG emissions from the baseline year is typically measured in metric tons of CO2 equivalent.	8

Recommendations

- Prepare a data template for collecting Scope 3 GHG emissions data from suppliers, third-party vendors, upstream and downstream activities, employee commuting, business travel, etc.
- Declare the baseline carbon footprint for Scope 3 emissions calculations.
- Develop an action plan to reduce Scope 3 GHG emissions.
- Report any reductions in indirect Scope 3 GHG emissions, and if subject to different standards and methodologies, describe the approach to selecting them.
- List other indirect (Scope 3) GHG emissions, categorized by upstream and downstream activities.
- Provide a breakdown of other indirect (Scope 3) GHG emissions by business unit or facility, country, type of source (e.g., stationary combustion, process, fugitive), and type of activity.
- Include the base year for the calculation, including the rationale for its selection, emissions in the base year, and any significant changes in emissions triggering recalculations.

Guidance

Other indirect (Scope 3) GHG emissions arise from activities not owned or controlled by the organization, including both upstream and downstream emissions.

- Examples of Scope 3 activities include extracting and producing purchased materials, transporting fuels in vehicles not owned by the organization, and end use of products and services.
- Process-related emissions during manufacturing and fugitive emissions in facilities not owned by the organization can also produce indirect emissions.
- Some organizations may have larger Scope 3 emissions from energy consumption outside the organization compared to their Scope 1 and Scope 2 emissions.
- Identify other indirect (Scope 3) GHG emissions by assessing their significance, potential for reduction, contribution to climate change-related risks, stakeholder importance, outsourcing trends, sector significance, and any additional relevance criteria.
- Use upstream and downstream categories and activities from the GHG Protocol Corporate Value Chain Standard for reporting emissions.
- Provide emissions figures for each category or activity in CO2 equivalent, or justify exclusions.

- Follow the GHG Protocol Corporate Value Chain Standard approach for recalculating prior year emissions.
- Use emission factors from mandatory reporting requirements, voluntary frameworks, industry groups, or the latest IPCC assessment reports.
- Combine other indirect emissions with Scope 1 and Scope 2 emissions to disclose total GHG emissions.

1.4 Reduction of GHG emissions

Indicator	Reporting Requirement	Scoring
1.4.1	Progress in calculating GHG emissions reduced as a direct result of reduction initiatives is typically measured in metric tons of CO2 equivalent.	4

Guidance

The reporting organization can prioritize disclosing reduction initiatives implemented during the reporting period that have the potential to significantly contribute to emissions reductions. Progress on these initiatives and their respective targets can be described in the reporting.

Reduction initiatives may include:

- Process redesign
- Equipment conversion and retrofitting
- Fuel switching
- Behavioral changes
- Offsetting emissions

The organization should select appropriate tools and methodologies for calculating GHG emissions reductions. Reductions can be reported disaggregated by individual initiatives or groups of initiatives. This disclosure can complement sections 1.1, 1.2, and 1.3 of the standard, aiding in monitoring emissions reduction progress relative to the organization's targets or regulatory requirements at international or national levels.

Topic 2 Energy

This topic explores the complexities of energy consumption, examining its various aspects across industries, households, and transportation. Energy is essential for driving economic activities, but its production and consumption can pose environmental challenges. This discussion will focus on the environmental impacts linked to energy usage, such as air pollution, climate change, and ecological disruptions. Given energy's critical role in global development, mitigating these adverse environmental effects becomes crucial. Adopting sustainable energy practices is not only essential for environmental conservation but also contributes to broader global sustainability goals.

2.1 Energy consumption within the organization

Indicator	Reporting Requirement	Scoring
2.1.1	Total Energy consumption within the organization	4
2.1.2	Total Energy consumption within the organization from renewable sources	8

Total energy consumption within the organization $=$

$+$ Nonrenewable fuel consumed

$+$ Renewable fuel consumed
$+$ Electricity, heating, cooling, and steam purchased for consumption
$+$ Self generated electricity, heating, cooling, and steam, which are not consumed
$-$ Electricity, heating, cooling, and steam sold

Recommendations

- Apply conversion factors consistently for the disclosed data.
- Utilize local conversion factors whenever possible to convert fuel to joules or other applicable units.
- Use generic conversion factors if local ones are unavailable.
- Describe the approach to selecting different standards and methodologies if applicable.
- Report energy consumption for a consistent group of entities, ideally aligning with those used in emissions disclosures.
- Provide a breakdown of energy consumption data by business unit or facility, country, type of energy source (non-renewable or renewable), and type of activity for enhanced transparency and comparability over time.

Guidance

- Electricity may be the primary form of energy consumption for some organizations, while others may also rely on sources such as steam or water from district heating or chilled water plants.
- Non-renewable fuel sources encompass fuels used in boilers, furnaces, turbines, vehicles, etc., both purchased and generated by the organization's activities (e.g., mined coal, gas from extraction).
- Renewable fuel sources include biofuels and biomass, whether purchased or sourced from within the organization.
- Consumption of non-renewable fuels typically contributes to direct (Scope 1) GHG emissions, while purchased electricity, heating, cooling, and steam contribute to energy indirect (Scope 2) GHG emissions.
-

2.2 Reduction of energy consumption

Indicator	Reporting Requirement	Scoring
2.2.1	The amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives can be measured in joules or multiples thereof.	8

Guidance

The reporting organization can prioritize disclosing reduction initiatives implemented in the reporting period that have the potential to significantly contribute to reductions. When reporting on this topic, the organization can describe these initiatives and their respective targets.

Reduction initiatives may include:

- Process redesign
- Conversion and retrofitting of equipment
- Behavioral changes
- Operational changes

The organization can report reductions in energy consumption by aggregating energy types or separately for fuel, electricity, heating, cooling, and steam. Additionally, the organization can provide a breakdown of reductions in energy consumption by individual initiatives or groups of initiatives.

Topic 3 Water and effluents

Recognized as a fundamental human right, access to clean water is crucial for human existence and prosperity. The quantity of water withdrawn and consumed by an organization, as well as the quality of its discharges, can significantly impact ecosystems and communities. This topic addresses the effects associated with the withdrawal and consumption of water, as well as the quality of water discharged.

3.1 Interactions with water as a shared resource

Indicator	Reporting Requirement	Scoring
3.1.1	The reporting organization should provide the following information: a. A detailed description of the organization's interaction with water, including the methods and locations of water withdrawal, consumption, and discharge. Additionally, it should outline any water-related impacts the organization has caused or contributed to, directly linked to its operations, products, or services, including impacts from runoff. b. An explanation of the approach used to identify water-related impacts, including the scope of assessments, their timeframe, and any tools or methodologies utilized for assessment. c. A description of how the organization addresses water-related impacts, including its engagement with stakeholders to manage water as a shared resource. Additionally, it should detail how the organization collaborates with suppliers or customers with significant water-related impacts. d. An overview of the process for establishing water-related goals and targets as part of the organization's water management approach. This should include an explanation of how these goals and targets align with public policy and the local context of areas facing water stress.	4

Guidance

An organization can influence both the quality and availability of water throughout its value chain. If significant water-related impacts are identified within the value chain, including activities conducted by the organization and entities upstream and downstream, reporting on these impacts is necessary.

The description of the organization's interaction with water can include specifics about the catchments where water is withdrawn, consumed, and discharged. It should also detail the purposes for which water is used in activities carried out by the organization and by entities upstream and downstream (e.g., for cooling, storage, product incorporation, crop irrigation).

Suppliers with significant water-related impacts may include those providing water-intensive commodities or services, located in water-stressed areas, or having substantial impacts on local water environments and communities.

If applicable, the organization can describe environmental impacts caused by runoff and the corresponding mitigation measures. For instance, runoff from organizational activities may carry high-nutrient and pollution loads, contributing to eutrophication and other adverse effects on local water bodies.

When assessing impacts, the organization should consider potential future changes in water quality and availability.

Tools and methodologies for identifying impacts may include life cycle assessments, environmental impact assessments, water footprint assessments, scenario analysis, and stakeholder engagement. If data are estimated or modeled rather than directly measured, the organization should explain its estimation or modeling methods.

3.2 Water withdrawal

Indicator	Reporting Requirement	Scoring

3.2.1	Total water withdrawal from all sources, measured in megaliters, and a breakdown of this total by the following sources, where applicable:
	  i. Surface water
	  ii. Groundwater
	  iii. Produced water
	  iv. Third-party water
		4

3.2.2	Total water withdrawal from all areas experiencing water stress, measured in megaliters, with a breakdown by the following sources, where applicable:
	  i. Surface water
	  ii. Groundwater
	  iii. Produced water
	  iv. Third-party water, with a breakdown by withdrawal sources listed in i-iii.
		4

Guidance

Water stress refers to the ability, or lack thereof, to meet the human and ecological demand for water, encompassing factors like availability, quality, and accessibility.

Publicly available and reputable tools for assessing water stress include the World Resources Institute's 'Aqueduct Water Risk Atlas' and the WWF's 'Water Risk Filter'.

Water stress in an area can be evaluated using indicators such as:

- Total annual water withdrawal relative to total available annual renewable water supply (baseline water stress)
- Ratio of water consumption to availability (water depletion), categorized as moderate, high, or very high depletion.

These indicators primarily consider water quantity and may not encompass factors like water quality or accessibility fully. Organizations can complement tool results with their assessments for more localized data, ideally measured at the catchment level.

If water is supplied by a third party, the organization must request information on withdrawal sources from the supplier. Additional details about third-party water, such as suppliers and volumes supplied, can be reported.

Types of water sources include:

    i.   Surface water: Naturally occurring water on the Earth's surface like lakes, rivers, and streams.
    ii.   Groundwater: Water held in and recoverable from underground formations.
    iii.   Produced water: Water entering the organization's boundary due to extraction, processing, or raw material use.
    iv.   Third-party water: Water supplied by municipal suppliers, utilities, or other organizations involved in water provision, transport, treatment, or disposal.

3.3 Water discharge

Indicator	Reporting Requirement	Scoring

3.3.1	Total water discharge to all destinations, measured in megaliters, with a breakdown by the following types of destination, where applicable:
	    i. Surface water
	    ii. Groundwater
	    iii. Third-party water, including the volume sent for use to other organizations, if applicable.
		4

3.3.2	Priority substances of concern for which discharges are treated include: i. The definition of priority substances of concern and any international standard, authoritative list, or criteria used for their identification. ii. The approach used for setting discharge limits for priority substances of concern. iii. The number of incidents of non-compliance with discharge limits.	4

Recommendations

The reporting organization should include the following additional information in their reports:

The number of instances where discharge limits were exceeded.

A breakdown of total water discharge to all areas in megaliters, categorized by the level of treatment, and explanation of how treatment levels were determined.

The percentage of suppliers experiencing significant water-related impacts from discharge, who have established minimum standards for effluent quality.

Guidance

Understanding the negative impacts of water discharge on receiving water bodies is facilitated by quantifying the volume of discharge.

The relationship between water discharge volume and negative impacts is complex. A higher volume of discharge does not necessarily mean greater negative impacts, as these depend on both discharge quality and the sensitivity of the receiving water body. Thus, an organization with high discharge volume, stringent treatment, and quality standards can have positive impacts.

To identify areas of significant water-related impacts and prioritize actions, reporting organizations should provide facility-specific data for areas facing water stress.

In this standard, "substances of concern" are those posing irreversible harm to water bodies, ecosystems, or human health.

Discharge limits for such substances can be regulatory or internally defined by the organization. In regions lacking regulations, organizations should establish their own limits.

"Discharge consent" refers to permission granted for a set discharge amount. Organizations should disclose any unauthorized discharges exceeding these limits and outline plans to reduce them.

Reporting discharge by treatment level reflects an organization's commitment to improving water quality. Organizations should explain the rationale behind treatment level decisions.

Water treatment, employing physical, chemical, or biological processes, aims to remove solids, pollutants, and organic matter. Treatment standards should consider both regulatory requirements and broader environmental impacts.

Timber Industry Water Treatment:

- Wood processing involves chemicals like preservatives, adhesives, and coatings, necessitating water treatment to prevent contamination.
- Effluent from timber processing must meet environmental standards, requiring treatment to remove pollutants.
- Water treatment removes suspended solids generated during wood processing to prevent their release into water bodies.
- pH adjustment is necessary to counteract changes caused by wood processing chemicals and maintain water quality.
- Water treatment in the timber industry manages cooling water quality to ensure efficient equipment operation.
- Algal growth prevention through water treatment is essential for maintaining water clarity.
- Water treatment facilitates recycling and reuse, reducing freshwater demand and effluent discharge.
- Compliance with environmental regulations is ensured through water treatment, promoting sustainable timber production practices.

Topic 4 Waste

Waste refers to anything that a holder discards, intends to discard, or is required to discard. When inadequately managed, waste can have negative impacts on the environment and human health, which can extend beyond the locations where waste is generated and discarded. This topic covers impacts from waste and the management of waste.

4.1 Waste generation and significant waste-related impacts

Indicator	Reporting Requirement	Scoring
4.1.1	The reporting organization must provide the following details in relation to the organization's noteworthy current and potential impacts regarding waste:	4

| | i. A description of the inputs, activities, and outputs that directly cause or may cause these impacts. | |
| | ii. Clarification on whether these impacts stem from waste produced within the organization's operations or from waste generated upstream or downstream in its value chain. | |

Recommendations

The reporting organization should provide a process flow outlining the inputs, activities, and outputs contributing to significant waste-related impacts or with the potential to do so.

Guidance

The quantity, type, and quality of waste produced by an organization result from various stages in its product and service lifecycle, including extraction, processing, material procurement, design, production, and distribution. Mapping how materials flow within the organization's value chain can reveal where waste originates. This comprehensive understanding can aid in identifying opportunities for waste prevention and adopting circularity measures, moving towards managing waste as a resource rather than merely mitigating its negative effects after generation.

When reporting, the organization can specify input and output types, encompassing raw materials, process materials, waste, by-products, products, or packaging.

Assessment and reporting on inputs, activities, and outputs contributing to significant waste-related impacts can consider several criteria:

- Quantity of inputs used in production that will become waste.
- Quantity of waste outputs generated by the organization or downstream entities.
- Hazardous characteristics of inputs and outputs.
- Properties or design characteristics limiting recovery or product lifespan.
- Known negative threats associated with specific materials upon disposal.
- Activities leading to significant waste generation or hazardous waste production.

The organization must report inputs received from upstream entities and outputs provided to downstream entities in its value chain. For instance, if the organization procures hazardous components from suppliers and incorporates them into products carrying these characteristics, it must report these components as inputs contributing to waste-related impacts. Similarly, if the organization sells products generating significant packaging waste to consumers, it must report this packaging as an output with potential waste-related impacts.

The process flow can also aid in reporting other aspects required by this Standard, such as actions to prevent waste generation, waste composition, recovery operations, and disposal methods.

4.2 Management of significant waste related impacts

Indicator	Reporting Requirement	Scoring
4.2.1	The reporting organization is required to provide the following information: a. Details of actions, including circularity measures, implemented to prevent waste generation within the organization's own activities and throughout its value chain, both upstream and downstream.	4

		Additionally, descriptions of efforts to manage significant impacts resulting from generated waste should be included.	
	b.	If the organization's waste generated within its own activities is handled by a third party, a description of the methods used to ascertain whether the third party manages the waste according to contractual or legislative requirements.	
	c.	Description of the processes employed for the collection and monitoring of data related to waste.	

Guidance

An organization can contribute to waste-related impacts through its own activities, such as when its operations generate waste outputs. It can also play a role in waste-related impacts through actions in its value chain, both upstream and downstream. For instance, criteria in procurement policies leading to waste generation upstream or decisions limiting product lifespan downstream.

Even if the organization doesn't directly cause waste-related impacts upstream or downstream, its operations, products, or services may be connected to such impacts through its business relationships within the value chain. For instance, if third parties hired by the organization perform inadequate recovery or disposal operations.

Understanding the organization's involvement in negative impacts is crucial for determining its response. Actions, including circularity measures, to prevent waste generation and manage significant impacts from waste can involve:

Input material choices and product design:

- Enhancing materials selection and product design for longevity, repairability, modularity, and recyclability.
- Decreasing reliance on raw and finite materials by sourcing secondary or renewable materials.
- Substituting hazardous inputs with nonhazardous alternatives.

Collaboration in the value chain and business model innovation:

- Implementing procurement policies favoring suppliers with robust waste prevention and management practices.
- Engaging in industrial symbiosis where the organization's waste becomes inputs for another entity.
- Participating in extended producer responsibility schemes or product stewardship programs.
- Adopting new business models like product service systems.
- Establishing product take-back schemes and reverse logistics processes.

End-of-life interventions:

- Developing and enhancing waste management facilities, including waste collection and sorting.
- Recovering products, components, and materials through reuse and recycling.

- Educating consumers about sustainable consumption practices like product sharing, reuse, and recycling.

4.3 Waste generated.

Indicator	Reporting Requirement	Scoring
4.3.1	Total weight of waste generated in metric tons, and a breakdown of this total by composition of the waste.	4

Guidance

The total weight of waste generated, when contrasted with the weight of waste that the organization directs to recovery and disposal, can show the extent to which the organization manages its waste-related impacts.

The composition of the waste generated can help identify recovery or disposal operations appropriate to the type of waste and to the specific materials present in the waste.

4.4 Waste diverted from disposal

Indicator	Reporting Requirement	Scoring
4.4.1	The reporting organization should provide: • The total weight of waste diverted from disposal, measured in metric tons. • A breakdown of this total by the composition of the waste.	4

Recommendations

Report the total weight of hazardous waste and non-hazardous waste separately diverted from disposal in metric tons.

Provide a breakdown of this total by the following recovery operations:

i. Preparation for reuse
ii. Recycling
iii. Other recovery operations

For each recovery operation, report a breakdown of the total weight in metric tons of hazardous waste and non-hazardous waste diverted from disposal:

i. Onsite
ii. Offsite

Guidance

An organization's choice of waste management operations reflects its approach to addressing significant waste-related impacts. These choices are guided by the waste management hierarchy, which prioritizes operations from most to least preferable. The hierarchy starts with waste prevention, followed by recovery operations like preparation for reuse, recycling, and other recovery methods.

Waste prevention is the most preferred option as it avoids environmental and health impacts. The organization can quantify waste prevented by measuring the reduction in waste generation resulting from actions reported under "Management of significant waste-related impacts." It should exclude reductions due to decreased production capacity from this calculation. Waste

prevented can be reported for the organization's activities and for entities upstream and downstream in its value chain.

4.5 Waste directed to disposal

Indicator	Reporting Requirement	Scoring
4.5.1	The reporting organization should provide: • The total weight of waste directed to disposal, measured in metric tons. • A breakdown of this total by the composition of the waste.	4

Recommendations

Report the total weight of hazardous waste and non-hazardous waste separately directed to disposal in metric tons.

Provide a breakdown of this total by the following disposal operations:

i.   Incineration (with energy recovery)
ii.   Incineration (without energy recovery)
iii. Landfilling
iv.   Other disposal operations

For each disposal operation, report a breakdown of the total weight in metric tons of hazardous waste and non-hazardous waste directed to disposal:

i.   Onsite
ii.   Offsite

Guidance

Disposal is the least preferred option in the waste management hierarchy due to its adverse impacts on the environment and human health. Landfills can lead to contamination of land and water through leachate, while methane emissions from organic waste contribute to climate change. Uncontrolled burning of waste also contributes to air pollution.

Disposal hinders the recirculation of materials in the environment and economy, rendering them unavailable for future use.

Topic 5 Materials

The materials utilized in the production and packaging of an organization's products and services can vary widely, ranging from non-renewable resources like minerals and metals to renewable resources such as wood or water. Both renewable and non-renewable materials can further be categorized as either virgin or recycled input materials.

The choice and quantity of materials employed by the organization provide insights into its reliance on natural resources and the impact it has on their availability. Additionally, the organization's commitment to resource conservation can be gauged by its strategies for recycling, reusing, and reclaiming materials, products, and packaging.

5.1 Materials used by weight or volume

Indicator	Reporting Requirement	Scoring
5.1.1	List the materials and total weights used to produce and package the company's primary products and services in metric tonnes by: i. non-renewable materials used ii. renewable materials used.	4

Recommendations

- When compiling the information as specified in the Disclosure, the reporting organization should:
- Include the following material types in the calculation of total materials used:
- Raw materials: Natural resources used for converting into products or services, like wood.
- Associated process materials: Materials necessary for the manufacturing process but not part of the final product, such as lubricants for machinery.
- Semi-manufactured goods or parts: All materials and components other than raw materials that contribute to the final product.
- Materials for packaging: Including paper, cardboard, and plastics.
- For each material type, report whether it was purchased from external suppliers or sourced internally (e.g., through captive production or extraction activities).
- Indicate whether the data are estimated or sourced from direct measurements. If estimation is necessary, report the methods used.

Guidance

Ensure that the reported usage data represent the materials in their original state and refrain from further data manipulation, such as presenting it as 'dry weight'.

5.2 Recycled input materials used

Indicator	Reporting Requirement	Scoring
5.2.1	The percentage of recycled input materials utilized in the production of the organization's main products and services.	4

If the measurements of material weight and volume are provided in different units, the organization has the option to convert these measurements into standardized units.

Recycled input material refers to material replacing virgin materials, which are acquired from internal or external sources, and excludes any by-products and non-product outputs (NPO) produced by the organization.

5.3 Reclaimed products and their packaging materials

Indicator	Reporting Requirement	Scoring
5.3.1	The percentage of reclaimed products and their packaging materials for each product category.	4

Guidance

When compiling the specified information:

- Exclude any rejected or recalled products.
- Optionally, report recycling or reusing of packaging materials separately.

"Reclaimed" refers to collecting, reusing, or recycling products and their packaging materials when they reach the end of their useful lives.

Note 1: Collection and treatment can be done by the product manufacturer or by a contractor.

Note 2: Reclaimed items may include products and their packaging materials collected by or for the organization, separated into raw materials or components, and/or reused by the organization or others.

In simpler terms, recycled wood is broken down and used differently, while reclaimed refers to using something again in its original form for the same purpose or a new one.

5.4 Certified input materials and packaging materials

Indicator	Reporting Requirement	Scoring
5.4.1	The organization should report the percentage of certified input materials and packaging materials used in the production of its primary products and services.	4
5.4.2	Describe improvement projects to get suppliers certified to internationally recognized standards that trace the path of products through the supply chain to ensure that all sourced volume is certified.	4

When compiling the information specified in the Disclosure, the reporting organization should include the following materials used and specify them separately:

Raw Materials: These are natural resources used for conversion to products or services, such as wood.

- Certification Standards: Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC) / Malaysian Timber Certification Scheme (MTCS)
- Guidance for Users: Look for FSC or PEFC/MTCS certification on wood products to ensure they come from responsibly managed forests.

Associated Process Materials: These are materials needed for the manufacturing process but are not part of the final product, like lubricants for manufacturing machinery.

- Certification Standards: Such as European Union Ecolabel
- Guidance for Users: Products displaying the European Union Ecolabel indicate environmentally friendly manufacturing processes.

Semi-Manufactured Goods or Parts: These encompass all forms of materials and components other than raw materials that are part of the final product.

- Certification Standards: Such as European Union Ecolabel
- Guidance for Users: Choose products displaying the European Union Ecolabel for assurance in sustainable semi-manufactured goods.

Materials for Packaging Purposes: These are materials used for packaging, including paper, cardboard, and plastics.

- Certification Standards: FSC or PEFC/MTCS certified for paper-based materials, Global Recycling Standard (GRS) for plastics.
- Guidance for Users: Seek FSC or PEFC/MTCS certification for paper-based packaging and look for the Global Recycling Standard (GRS) for assurance in recycled plastics.

Note to Users: When making purchasing decisions, consider products with certifications such as FSC, PEFC/MTCS, and the European Union Ecolabel, as these indicate a commitment to environmentally responsible sourcing and manufacturing practices. For packaging materials, prioritize those with FSC or PEFC/MTCS certification for paper-based options and look for the Global Recycling Standard (GRS) for plastics to support sustainable and circular economy initiatives. This reporting disclosure aims to empower users to make informed choices aligned with environmental sustainability and responsible resource management.

Topic 6 Local communities

Local communities consist of individuals residing or employed in areas influenced or potentially influenced by an organization's operations. It is anticipated that the organization conducts community engagement efforts to comprehend the susceptibilities of local communities and how they might be impacted by the organization's activities. This encompasses examining socioeconomic, cultural, health, and human rights repercussions on these communities.

6.1 Operations with local community engagement, impact assessments, and development programs

Indicator	Reporting Requirement	Scoring
6.1.1	The organization should report the percentage of its operations that have implemented local community engagement, impact assessments, and/or development programs, including the use of: i. Social Impact Assessments: This includes gender impact assessments, conducted through participatory processes. ii. Environmental Impact Assessments: These assessments should be conducted, along with ongoing monitoring of environmental impacts. iii. Public Disclosure: Results of both environmental and social impact assessments should be publicly disclosed. iv. Local Community Development Programs: These programs should be established based on the identified needs of local communities. v. Stakeholder Engagement Plans: Plans should be developed based on stakeholder mapping to engage relevant stakeholders effectively. vi. Broad-Based Consultation: This involves establishing local community consultation committees and processes that include vulnerable groups. vii. Worker Representation Bodies: These include works councils, occupational health and safety committees, and other worker representation bodies established to address impacts on workers. viii. Formal Local Community Grievance Processes: Processes should be in place to address grievances raised by local communities. The organization should provide information on the percentage of its operations that have implemented each of these measures as part of its reporting.	12.5 100% - 5 80% - 4 60% - 3 40% - 2 20% - 1

Guidance

A crucial aspect of managing impacts on people in local communities involves thorough assessment and planning to understand both current and potential effects, coupled with robust engagement with local communities to grasp their expectations and needs. Incorporating various elements into local community engagement, impact assessments, and development programs is essential, aiming to consistently apply these organization-wide.

Organizations are encouraged to foresee and prevent negative impacts on local communities whenever possible. However, when avoidance is not feasible, or residual impacts persist, organizations should handle these impacts appropriately, including addressing grievances and providing compensation to affected local communities.

Establishing a prompt and efficient stakeholder identification and engagement process is vital for organizations to comprehend the vulnerability of local communities and potential impacts of their activities. Engaging stakeholders during both initial planning stages and ongoing operations helps establish communication channels between the organization's departments (e.g., planning, finance, environment, production) and key community interest groups. This facilitates consideration of community stakeholders' perspectives in decision-making and enables timely addressing of potential impacts on local communities.

Organizations can employ various tools to engage communities effectively, including social and human rights impact assessments. These assessments encompass diverse approaches for identifying stakeholders and community characteristics, considering factors such as ethnic background, indigenous heritage, gender, age, migrant status, socioeconomic status, literacy levels, disabilities, income, infrastructure availability, or specific health vulnerabilities within stakeholder communities.

Moreover, organizations are expected to recognize the diverse nature of local communities and take targeted actions to identify and engage vulnerable groups. This may entail implementing tailored measures to facilitate the effective participation of vulnerable groups, such as providing information in alternative languages or formats for those with limited literacy or access to printed materials. Where necessary, organizations should establish additional or separate processes to prevent, minimize, mitigate, or compensate for negative impacts on vulnerable or disadvantaged groups.

Topic 7 Non-discrimination and equal opportunity

Freedom from discrimination is not only a human right but also a fundamental aspect of work environments. Discrimination can lead to unequal treatment of individuals or hinder fair opportunities based on individual merit. This topic encompasses the effects of discrimination and an organization's policies and practices concerning equal opportunity.

7.1 Diversity of employees

Indicator	Reporting Requirement	Scoring
7.1.1	The organization should report the percentage of individuals within its governance bodies in each of the following diversity categories: i. Gender: This includes the representation of men and women within the governance bodies.	5.0

	ii. Age Group: This involves categorizing individuals based on age, including those under 30 years old, those between 30 and 50 years old, and those over 50 years old. iii. Other Indicators of Diversity: This may encompass representation from minority or vulnerable groups, depending on relevance to the organization's context. For each category, the organization should provide the percentage of representation within its governance bodies as part of its reporting.	
7.1.2	The organization should report the percentage of employees per employee category in each of the following diversity categories: i. Gender: This includes the breakdown of employees by gender, distinguishing between male and female employees. ii. Age Group: This involves categorizing employees based on age, including those under 30 years old, those between 30 and 50 years old, and those over 50 years old. iii. Other Indicators of Diversity: This may include representation from minority or vulnerable groups, as relevant to the organization's context. For each diversity category, the organization should provide the percentage of employees within each employee category as part of its reporting.	2.5

Guidance

Governance bodies within an organization may include the board of directors, management committee, or similar bodies for non-corporate entities. Additionally, organizations may identify other indicators of diversity relevant for their reporting, as part of their own monitoring and recording practices.

This disclosure offers a quantitative measure of diversity within an organization and can be compared with sectoral or regional benchmarks. Comparing diversity within governance bodies with overall employee diversity provides insights into equal opportunity practices.

The information reported in this disclosure aids in assessing which issues may be particularly relevant to certain segments of governance bodies or employees, contributing to a better understanding of diverse dynamics within the organization.

7.2 Ratio of basic salary and remuneration of women to men

Indicator	Reporting Requirement	Scoring
7.2.1	The reporting organization is required to provide: a. The ratio of basic salary and remuneration between women and men for each employee category, categorized by significant locations of operation. b. The definition used to determine what constitutes 'significant locations of operation'.	2.5

Guidance

In compiling the information outlined in Disclosure 7.2.1, organizations should calculate remuneration based on the average pay for each gender grouping within each employee category.

Organizations should actively review their operations and decisions to promote diversity, eliminate gender bias, and support equal opportunity. These principles should guide recruitment, opportunities for advancement, and remuneration policies. Ensuring equality in remuneration is crucial for retaining qualified employees.

7.3 Incidents of discrimination and corrective actions taken

Indicator	Reporting Requirement	Scoring
7.3.1	The reporting organization is required to provide the total number of incidents of discrimination that occurred during the reporting period and the status of these incidents and actions taken, including: i. Incidents reviewed by the organization; ii. Remediation plans being implemented; iii. Remediation plans that have been implemented, with results reviewed through routine internal management review processes; iv. Incidents no longer subject to action.	2.5

Guidance

When compiling the information specified in Disclosure 7.3.1, the reporting organization should include incidents of discrimination based on various grounds such as race, color, sex, religion, political opinion, national extraction, or social origin as defined by the International Labour Organization (ILO). This should encompass incidents involving both internal and external stakeholders across all operations during the reporting period.

In this context, an 'incident' refers to a legal action or complaint lodged with the reporting organization or competent authorities through formal processes, or instances of non-compliance identified by the organization through established procedures. These procedures can include audits, monitoring programs, or grievance mechanisms.

An incident is considered resolved or no longer subject to action when it is fully addressed, completed, or no further action is required by the organization. For instance, this could include cases that have been withdrawn or situations where the circumstances leading to the incident have ceased to exist.

ILO instruments recognize discrimination on various grounds, including race, color, sex, religion, political opinion, national extraction, and social origin. Discrimination can also occur based on other factors such as age, disability, migrant status, HIV and AIDS, gender, sexual orientation, genetic predisposition, and lifestyle choices.

Having policies in place to prevent discrimination and ensuring their effective implementation are fundamental expectations of responsible business conduct.

Topic 8 Forced or compulsory labor

Forced or compulsory labor refers to work or service that is extracted from individuals under the threat of penalty, and where individuals have not volunteered themselves willingly. Freedom from forced labor is not only a human right but also a fundamental right at work.

8.1 Forced or Compulsory Labour

Indicator	Reporting Requirement	Scoring
8.1.1	The reporting organization should provide detailed information on how it manages forced or compulsory labor concerning 11 International Labour Organisation (ILO) indicators at its own operations and those of its suppliers:	12.5

	a. Description of Impact: The organization should describe any negative impacts on workers' human rights resulting from forced or compulsory labor. b. Organization's Involvement: Report on any activities or business relationships within the organization's operations or supply chain that contribute to these negative impacts. This includes identifying any direct or indirect involvement in forced labor practices. c. Policies and Commitments: Outline the organization's policies and commitments aimed at preventing and addressing the abuse of vulnerability and deception leading to forced labor. This should include any explicit statements or guidelines regarding the prohibition of forced labor and the protection of workers' rights. d. Actions Taken: Detail the preventive measures, remediation actions, and cooperation efforts undertaken by the organization. This may involve initiatives to improve working conditions, provide training and awareness programs, establish grievance mechanisms, or collaborate with stakeholders to address forced labor issues effectively. e. Tracking Effectiveness: Explain the processes, goals, and indicators used to track the effectiveness of the organization's efforts in combating forced labor. This should include metrics for monitoring progress, assessing the impact of interventions, and identifying areas for improvement. Insights on lessons learned from past experiences should be provided, along with how these lessons have been incorporated into operational policies to enhance future efforts.	

Guidance

Checklist for Forced Labor Situation Analysis:

Abuse of Vulnerability: Assess if workers are being exploited due to their vulnerable status, such as migrants, refugees, or those with limited education or resources.

Deception: Determine if workers have been misled or deceived about the terms and conditions of their employment, including wages, working hours, or living conditions.

Restriction of Movement: Investigate if workers are being physically or psychologically restricted from leaving their place of work or residence.

Isolation: Identify if workers are isolated from the outside world, including limited contact with family, community, or authorities.

Physical and Sexual Violence: Look for evidence of physical or sexual violence against workers, which may include signs of abuse, injuries, or trauma.

Intimidation and Threats: Assess if workers are subjected to intimidation or threats, either directly or indirectly, to compel them to work under coercive conditions.

Retention of Identity Documents: Determine if workers' identity documents, such as passports or identification cards, are being withheld by employers or recruiters.

Withholding of Wages: Investigate if workers are not receiving their rightful wages or are being paid less than promised, including unauthorized deductions or delays in payment.

Debt Bondage: Identify if workers are trapped in a cycle of debt, where their wages are insufficient to repay loans or advances provided by employers or recruiters.

Abusive Working and Living Conditions: Assess the working and living conditions of workers, including overcrowded housing, lack of sanitation, unsafe working conditions, and inadequate access to healthcare.

Excessive Overtime: Determine if workers are being forced to work long hours beyond legal limits, without adequate rest or compensation.

By systematically analyzing these indicators, organizations can identify and address instances of forced labor within their operations and supply chains, thus fulfilling their responsibility to respect human rights and contribute to the eradication of forced labor globally.

Indicator	Coverage Areas	Details
Abuse of vulnerability	Food C drinks	- Free flow of drinking water in the production area and hostels - Food and drinks price soled in canteen is reasonable - Food and drink sold is safe and meet regulatory standards - Workers are provided options to dine internally or free to purchase food externally.
	Medical treatment	- Workers are not required to pay for medical treatment unless it is stated in the employment contract and the amount to be borne by workers is minimal and reasonable. - Workers are not required to pay deposits to be admitted in hospitals.
	Fairness in compensation	No discrimination on wages and benefits between local and foreign in the same category (ie. basic salary, allowances, increment, bonuses, etc)
	Discrimination	- No discrimination between foreign (direct hire), foreign (outsource) and local workers in the same category with regards to fair employment practices, promotion opportunities, learning and development opportunities, treatment of workers in general, wages, benefits and others. - All mechanisms and elements of fair employment including wages, benefits and treatment of workers is in place.
	Freedom of association (collective bargaining)	Workers Representative Election and Collective Bargaining is implemented.
	Personal choices	Workers are not prevented from practicing their personal or religious believes.

		▪ Workers are not prevented from eating or consuming food or products that are not prohibited by the prevailing laws such as khaini or pan parag. ▪ Alcohol consumption policy should be defined and communicated. ▪ Employees should be free to cook their choice food if kitchen facilities are allowed other than what is prohibited by prevailing laws.
	Access to legal remedies	▪ Workers are free to contact respective embassies without any interference or limitations. ▪ Workers are not prevented from contacting the local authorities or to join workers union internally or externally.
	Contract, Pay slip, Handbook to be in native language	▪ Workers are provided with company handbook, pay slip in their native language and have been given adequate briefing on all provisions of employment. ▪ Employment contracts are provided to workers in their native language and employment contracts are still valid and still in force.
	Termination C repatriation cost	▪ Repatriation cost is borne by the Facility. No collections of any deposit or fines are imposed. ▪ No fines or penalty for early termination of contract. ▪ Reasonable notice of termination period is enforced.
	Leaves C Holidays	▪ Workers are able to apply leaves at their preference and return to home country for holidays. ▪ No collections of any deposit or fines are imposed.
	Grievance C Reporting Mechanism	▪ Grievance reporting mechanism is available ▪ Workers are aware and given adequate briefing on the reporting and grievance handling mechanism ▪ Grievance reporting and whistle blowing policy is in place.
	Legal standing of direct hired workers and workers of on-site vendors.	▪ Workers hired or engaged under any mechanism or programmes must be fully legalised to work before they are engaged to work in the Company. ▪ Workers to be employment shall not be placed in waiting without food,

		accommodation and money for personal upkeep and survival while the legalization process is completed. ▪ Potential workers who fail to secure legal approval to work shall be accorded the same treatment given to existing workers and shall be repatriated as soon as reasonably possible and no fines or deposits to be collected. ▪ Potential workers and those who are subsequently engaged must be accorded the same treatment and conditions extended to workers hired from source countries and must be free from debt bondage.
Deception	Wages (including OT Premium)	▪ Workers are paid salary and wages in accordance with the Malaysian Employment Act 1955. ▪ If piece rate system is used, the piece rate systems used is in accordance with Employment act 1955 provisions. ▪ All workers understand OT calculation mechanism
	Working conditions	▪ Company provides conducive, safe and respectable work environment for all workers. ▪ All health, safety and environment practices as in compliance with relevant provisions of the laws. ▪ Employees are provided with necessary personal protective equipment (PPE) that is adequate, safe (meet the proper standards prescribed by the laws), free of cost and in good condition. ▪ Workers are trained and educated on safe work environment and are aware of their rights and reporting mechanism.
	Type of work	▪ Workers are employed in the position they were interviewed for and not assigned to other roles such as cleaners/housekeeping, guards, etc. ▪ Workers are not asked or forced to perform any tasks that are not part of their initial employment agreement even if they are lawful tasks if that task becomes an integral part of their job scope unless for valid and reasonable reasons.

		▪ Worker shall not be asked to perform tasks that can pose risk to their health and safety.
	Housing C living conditions	▪ Workers are provided with decent housing and living conditions and provided with basic necessary facilities. ▪ The accommodation and living conditions is dignified and workers are provided with privacy including where communal facilities are provided.
	Job location	▪ Workers are placed in the right location specified in their employment contract and work permit.
	Outsourced workers	▪ The Facility shall not use outsourced workers concept except for cleaning and security services. And all workers hired by on-site vendors shall comply with the relevant provisions of employment act and laws of Malaysia.
	Identity of employer (work permit C contract issued)	▪ Workers are placed in the right legal entity specified in their employment contract and work permit. ▪ Subcontract/outsourced workers employment are in line with immigration laws if they are employed at the facility.
Restriction of movement	Camera C guards	▪ Workers movements are not monitored ▪ Surveillance cameras are not installed in dorms, washroom/toilet or workers private areas.
	Freedom of movement	▪ Workers are free to move, and no restrictions are imposed on their movement.
	Freedom to stay outside of hostel	▪ Workers are allowed to stay on their own at their choice.
Isolation	Location of factory	▪ If location of factory is away from local community, transport is provided to workers for purposes such as purchase of goods, communicate/reach out to authorities, etc.
	Absence of transportation	▪ Transport shall be provided for work or hostel location that is away from local community and the transport availability shall be free of charge and made available for regular movement.

	Possession of mobile phones	• Workers are allowed to safekeep their mobile phones and personal locker is provided. • No restriction of mobile phone usage except for in restricted areas such as production lines.
	Able to contact family/help	• Workers are free to contact family members or for help. No restriction is put in place as to when they can use their mobile phones.
Physical and sexual violence	Physical/sexual violence	• Workers are not subject to physical/sexual violence by people of authority or fellow co-workers • Necessary preventive and redressal mechanism is put in place for workers to report without fear • Relevant policies are established and adequately communicated to workers.
	Physical harassment/Intimidation and climate of fear	• Workers are not subject to physical harassment or intimidation while in employment by any parties including fellow co-workers. • Climate of fear shall not be imposed on the workers as a way to control or condition the workers. • Necessary preventive and redressal mechanism is put in place for workers to report without fear • Relevant policies are established and adequately communicated to workers.
	Corporal Punishment	• No corporal punishment shall be imposed on any workers for any wrongdoings or misconduct or for refusal to carry out lawful or unlawful instructions.
	Using drugs to control workers	• Workers are not subjected to involuntary use of drugs
	Physical abduction/kidnapping	• No physical abduction or kidnapping of workers including making treats to workers as a way to frighten and condition/control them.
Intimidation and threats	Intimidation C threats in all circumstances/situations	• Workers are not subject to intimidation and threats in order to pressure them to work beyond their will or as a way to frighten and condition/control them.
	Denunciation to authorities.	• Worker shall not be subjected to being denounced to the authorities unless if

		they have committed an act that is inconsistent with the laws of the country.
	Loss of wages or benefits.	▪ Workers shall not be threatened with loss of wages or benefits for failing to observe or carry out the instructions by person of authority or in any conditions. ▪ Wages or benefits shall not be withheld or withdrawn from workers without any valid and lawful reasons.
	Confinement	▪ Worker shall not be confined against their will for any reasons whatsoever.
	Loss of housing, food or drinks	▪ Workers shall not be threatened with loss of housing, food or drinks for failing to observe or carry out the instructions by person of authority or in any conditions. ▪ Housing, food or drinks shall not be withheld or withdrawn from workers without any valid and lawful reasons.
	Worsening of working conditions	▪ Workers shall not be subjected to worsening of working conditions be it deliberately or without any intentions and immediate action shall be taken to protect the welfare of the workers.
	Psychological coercion by insulting and undermining workers	▪ Workers shall not be subjected to psychological coercion of any forms in order to control or condition them.
Retention of identity documents	Retention of passport/certificates/contract/valuable possessions by Facility/agents	▪ Workers shall safeguard their own passport and personal documents ▪ Work permit and passport renewal period should be reasonable and not lengthy. Workers to be periodically briefed if any delay to such renewal occurs. ▪ Academic certificates should not be retained by Facility or its agents as a surety for workers to complete their contract (Indonesian and other nationality).
Withholding of wages	Wages are paid as contracted and in line with employment and legal regulations	▪ Earned wages shall not be withheld by the Facility. ▪ Wages for workers who resigned must be paid no later than the following date of their resignation. ▪ Workers who abscond shall receive their earned wages less payment in lieu of notice period and shall be credited to

		their last known bank account. A copy of the policy report and salary slip shall be retained for record purposes. ▪ Monies due to workers that is not paid to workers shall be declared to Unclaimed Monies Act 1965 and necessary steps to be followed. Workers to be briefed on claim process if they did not receive their earned wages.
	Wages paid on time without any conditions/penalty	▪ Earned wages shall be paid no later than 7 days after the wage period. Overtime payment shall be paid no later than the next wage period and workers shall be briefed on the payment timeline. ▪ No penalties shall be assessed on workers for late payment of wages.
	Notice Period	▪ Workers are able to leave with short notice without any fines or penalties or wages withheld.
	Final Salary	▪ Workers are paid their final salary before they depart from Malaysia. ▪ Facility have set up proper tax management and tax clearance mechanism so that it does not burden the worker with undue or unjustified tax and final salary is released on time. ▪ Facility have set in place reasonable separation process so that workers are paid wages up to their last contract day and are not subjected to unnecessary delay in their repatriation which put the workers in financial stress.
Debt bondage	Wage advances/loans	▪ Advance and loans (if any) are in line with the provisions of the Employment Act 1955.
	Wage deduction/Excessive Wage Deduction (ie. on food, etc)	▪ No deductions shall be made on wages except for lawful deductions with approved deduction permits by Labour Department. ▪ Wages for hours not worked shall be communicated and addressed clearly in the payslip.
	Recruitment Fee Repayment	▪ Workers are not subjected to any recruitment fee in order to seek employment. ▪ Remediation of recruitment fee to be carried out within 30 days if it is

		discovered that workers have paid money/fee to gain employment.
	Manipulation of accounts	▪ Manipulation of accounts is not done in order to deceive or short-change workers. ▪ All permitted transactions involving money shall we adequately documented and communicated to workers. Workers shall be free to seek clarification any time and necessary procedures to be in place to provide workers a mechanism to seek clarification.
	Other fee/penalties	▪ No fee or penalties shall be imposed on workers other than those mandated by the law.
	Uniform, working toll and other fees (other than those legally allowed)	▪ Workers are provided with sufficient working tools such as uniforms, safety shoes, personal protective equipment and other things that is necessary to perform their tasks. ▪ Replacement tools shall be provided at a reasonable price without any cost imposed on their workers. ▪ Workers shall not be required to pay any deposits or fee to upkeep the working tools provided.
Abusive working and living conditions	Degrading, humiliating or dirty conditions.	▪ Workers are provided safety, hygiene and human work conditions and work environment. ▪ Place of work shall be in line with proper conditions provided to local workers and comply with local regulations.
	Compliance to Act 446	▪ All workers' accommodation/hostel complies with Act 446 and possess a called Act 446 certificate.
	Overcrowded and unhealthy living conditions without any privacy	▪ Living conditions provided are not overcrowded and healthy for workers. ▪ Communal bathing facilities are prohibited. ▪ Reasonable level of privacy shall be provided to workers.
	Substandard working conditions often involve severe breaches of labour law.	▪ Substandard working conditions are prohibited. ▪ Local regulations shall be complied with and strictly followed.
	Hazardous conditions	▪ Adequate safety measures and 5S practices are in place.

		▪ Employees are not subjected to hazardous work conditions/environment. ▪ Where applicable and subject to task assigned and place of work, adequate and proper PPE shall be provided for free and to be always in usable condition. ▪ Local health, safety and environment regulations pertaining to hazardous work shall be complied with.
	Health and safety risk to workers	▪ Tasks assigned to workers do not pose risk, harm or danger to the workers in the near or long term unless it is in accordance with prevailing laws and adequate preventive measures are implemented. ▪ Hazard Identification, Risk Assessment and Risk Control (HIRARC) is done for task assigned that is difficult, dangerous and poses risk to health and safety. ▪ Ergonomic assessment is carried out for tasks that pose ergonomic hazard and ergonomic register to be maintained. ▪ Workers shall not continue to be placed in hazardous work/task if their health and safety is at risk. ▪ Regular health monitoring shall be done for workers who are at risk (or already at risk) due to work assigned in the past or current.
	Distance from facility to hostel	▪ The distance from hostel to the facility is withing reasonable distance without jeopardizing workers safety and security particularly during night and wee hours of the morning. Facilities are provided to transport workers during difficult weather ie. rain or thunderstorm. ▪ Workers are not charged for the cost of transportation. ▪ The transport provided has all valid operating permits and fulfils the legal provisions. Conditions of the bus is proper and decent. ▪ The travel time between factory and hostel is reasonable so as not to affect the workers rest time as provided for in the employment contract.
Excessive overtime	Workers work under some form of threat	▪ Workers are free from any form of threats and intimidation to perform their work or assigned tasks.

	Excessive overtime, denial of breaks and days off, etc	▪ Workers shall not be denied breaks or off/rest days as stipulated in their employment contract. ▪ Break time shall comply with the Employment Act 1955.
	Overtime is voluntary	▪ Overtime work shall be voluntary, and workers are free to decide if they wish to do overtime or otherwise. ▪ Workers are adequately briefed on work hours, overtime provisions and their rights on overtime work.
	Workers do not work overtime more than is allowed by law	▪ Work hours including overtime is limited to 60 hours per week (or every 7 days) in line with international standards.
	Workers are provided with at least one (1) rest day	▪ Workers are provided with one (1) rest day each week with at least 30 hours rest as per EA 1955.
	Work hours (including OT) are limited to 60 hours per week	▪ Work hours including overtime is limited to 60 hours per week (or every 7 days) in line with international standards.
	Paid minimum wage and OT rates as per the law	▪ Overtime rates are paid per the Employment Act 1955. ▪ Where workers are employed at a peace rate, daily rate, or tasks, the provisions stipulated in the Employment Act is strictly observed.
Others	On-site Vendor	▪ All on-site vendors such as cleaners, guards, and canteen workers are accorded the same treatment as prescribed in the Employment Act 1955 and the internal standards imposed on the supply chain of the facility. ▪ Employment-related documents are provided in line with the standards imposed on direct-hire workers. ▪ Regular audits are done on on-site vendors to ensure their compliance and adequate corrective and preventive measures are taken to address gaps that may exist.

Topic 6 Child labor

Child labor refers to any type of work that takes away a child's childhood, potential, and dignity, and it can hinder their growth by disrupting their education. It's considered a violation of human rights and can have long-lasting negative effects on children. Putting an end to child labor is a basic principle and right in the workplace.

6.1 Operations and suppliers at significant risk for incidents of child labor

Indicator	Reporting Requirement	Scoring
9.1.1	The reporting entity must provide the following details: a. Operations and suppliers identified as having notable risks regarding: i. Child labor occurrences; ii. Employment of young individuals in dangerous tasks. b. Operations and suppliers identified as having notable risks regarding child labor, categorized by: i. Type of operation (e.g., manufacturing plants) and supplier; ii. Countries or regions where operations and suppliers are at risk. c. Actions undertaken by the organization during the reporting period aimed at supporting the eradication of child labor.	12.5

Guidance

The process outlined in this disclosure for identifying operations and suppliers reflects the reporting organization's approach to assessing risks related to child labor and young workers.

A "young worker" is defined as someone above the minimum working age but younger than 18 years old. In Malaysia, according to the Children and Young Persons (Employment) (Amendment) Act 2018, a "child" is defined as someone under the age of 15 years.

It's important to note that this disclosure doesn't require specific numerical reporting on child labor incidents or the number of young workers. Instead, it seeks information on operations and suppliers deemed to pose significant risks related to child labor or the exposure of young workers to hazardous tasks.

Child labor is governed by the International Labour Organization (ILO) Conventions 138 and 182. Convention 138 establishes a minimum working age of 15 years or the age of completing compulsory education, with exceptions for countries with less developed economies and educational systems where a minimum age of 14 may apply.

Under Convention 138, there are provisions for light work for persons aged 13 to 15 that doesn't harm their health or development, and doesn't interfere with their schooling or vocational training.

The priority is to eliminate the worst forms of child labor outlined in Article 3 of Convention 182, which includes slavery, trafficking, forced labor, prostitution, and work harmful to children's health, safety, or morals. Convention 182 sets priorities for states, but organizations are expected not to use it to justify any form of child labor.

Child labor leads to a workforce lacking skills and health, perpetuating poverty and hindering sustainable development. Hence, abolishing child labor is essential for both economic progress and human welfare.

Topic 10 Freedom of association and collective bargaining

Freedom of association and collective bargaining are human rights and fundamental rights at work. They include the rights of employers and workers to form, join, and run their own organizations without prior authorization or interference, and to collectively negotiate working conditions and terms of employment. This topic covers an organization's approach and impacts related to freedom of association and collective bargaining.

10.1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk

Indicator	Reporting Requirement	Scoring

10.1.1	The reporting organization is required to provide the following details:
	a. Confirmation of a published statement acknowledging freedom of association and the right to collective bargaining, available in national languages (English and/or Bahasa Malaysia). This statement should be explained to all workers in a language they understand and visibly put into practice.
	b. Identification of operations and suppliers where workers' rights to exercise freedom of association or collective bargaining might be compromised or are under significant risk. This includes categorization by:
	   i. Type of operation (e.g., manufacturing plants) and supplier.
	   ii. Countries or regions where operations and suppliers are deemed at risk.
	c. Description of actions taken by the organization during the reporting period to uphold the rights of workers to exercise freedom of association and collective bargaining.
		12.5

Guidance

This disclosure focuses on an organization's efforts to conduct due diligence regarding any adverse impacts its operations may have had on the human rights of workers, particularly concerning their ability to form or join trade unions and engage in collective bargaining. This includes policies and procedures related to the organization's business relationships, including those with its suppliers, as well as the process of identifying operations and suppliers where these rights may be at risk.

The aim is to highlight actions taken by the organization to support these rights across its various operations. It's important to note that the disclosure doesn't require the organization to express a specific judgment on the quality of national legal systems.

Collective agreements can be established at different levels, including within the organization itself, at specific sites, within industries, and even nationally where this is customary. Such agreements may cover distinct groups of workers based on their roles or locations.

Organizations are expected to respect workers' rights to freedom of association and collective bargaining and are also expected not to benefit from or contribute to violations of these rights through their business relationships, such as with suppliers.

Topic 11 Occupational health and safety

Ensuring healthy and safe working conditions is acknowledged as a fundamental human right. Occupational health and safety practices focus on preventing physical and mental harm to workers while also promoting their overall well-being. This area encompasses issues related to the health and safety of workers.

11.1 Occupational health and safety management system

Indicator	Reporting Requirement	Scoring
11.1.1	The reporting organization must provide the following details for both employees and workers who are not employees but whose work and/or workplace is under the organization's control: a. Statement regarding the implementation of an occupational health and safety management system, including: i. Whether the system is in place due to legal requirements, along with a list of those requirements if applicable. ii. Whether the system is based on recognized risk management and/or management system standards/guidelines, including a list of those standards/guidelines if applicable. b. Description of the extent to which workers, activities, and workplaces are covered by the occupational health and safety management system. Additionally, an explanation of any workers, activities, or workplaces that are not covered, and reasons for their exclusion if applicable.	2.5

Guidance

Disclosure 11.1.1 necessitates that the reporting organization enumerates any legal obligations adhered to during the implementation of its occupational health and safety management system. Recognized standards and guidelines for such systems encompass international, national, and industry-specific benchmarks.

In reporting on the occupational health and safety management system, the organization may also detail:

- The occupational health and safety professionals responsible for managing the system, specifying whether they are internal employees or external consultants.
- The approach taken for the continual improvement of the management system, elucidating the iterative process employed to enhance overall occupational health and safety performance.

11.2 Hazard identification, risk assessment, and incident investigation

Indicator	Reporting Requirement	Scoring
11.2.1	The reporting organization shall report the following information for employees and for workers who are not employees but whose work and/or workplace is controlled by the organization: a. A description of the processes used to identify work-related hazards and assess risks on a routine and non-routine basis, and to apply the hierarchy of controls in order to eliminate hazards and minimize risks, including: i. how the organization ensures the quality of these processes, including the competency of persons who carry them out;	2.5

| | ii. how the results of these processes are used to evaluate and continually improve the occupational health and safety management system.

b. A description of the processes for workers to report work-related hazards and hazardous situations, and an explanation of how workers are protected against reprisals.
c. A description of the policies and processes for workers to remove themselves from work situations that they believe could cause injury or ill health, and an explanation of how workers are protected against reprisals.
d. A description of the processes used to investigate work-related incidents, including the processes to identify hazards and assess risks relating to the incidents, to determine corrective actions using the hierarchy of controls, and to determine improvements needed in the occupational health and safety management system. | |

Guidance

When detailing the processes utilized for identifying hazards, assessing risks both routinely and non-routinely, and implementing the hierarchy of controls, the reporting organization has the option to:

- Specify whether these processes adhere to legal requirements and/or recognized standards/guidelines.
- Describe the frequency and scope of routine processes undertaken.
- Explain the triggers for non-routine processes, such as modifications in operating procedures or equipment, incident investigations, worker complaints or referrals, changes in workflow or personnel, and results from surveillance of the work environment and worker health (including exposure monitoring for factors like noise, vibration, and dust).
- Elaborate on how barriers to the implementation of these processes are eliminated for workers who may be more vulnerable to work-related injury or ill health, such as those facing language barriers or with visual or hearing impairments. This could involve providing occupational health and safety training and information in easily understandable languages.

Protecting workers from reprisals involves establishing policies and procedures to shield them from intimidation, threats, or actions that could negatively affect their employment or work engagement, including termination, demotion, loss of compensation, disciplinary measures, and any other unfavorable treatment. Workers may encounter reprisals for opting to withdraw from work situations they believe could cause harm or for reporting hazards or risky conditions to their representatives, employers, or regulatory bodies.

The disclosure also encompasses workers' rights to refuse or halt unsafe or unhealthy work. Workers possess the right to withdraw from work situations they deem hazardous to themselves or others' health and safety.

11.3 Worker participation, consultation, and communication on occupational health and safety

Indicator	Reporting Requirement	Scoring

11.3.1	The reporting organization must provide the following details for both employees and workers who are not employees but whose work and/or workplace is controlled by the organization:
	    a. Description of the processes facilitating worker participation and consultation in developing, implementing, and evaluating the occupational health and safety management system. This includes methods for providing access to and communicating pertinent information on occupational health and safety to workers.
	    b. If formal joint management-worker health and safety committees are in place, a description of their roles, how often they meet, their decision-making powers, and reasons, if any, why certain workers are not represented on these committees.
		2.5

Guidance

When detailing the processes for worker participation in occupational health and safety, the reporting organization can include information on various aspects:

- Formal participation as mandated by legal requirements.
- Participation facilitated through engagement with officially recognized workers' representatives.
- Direct participation, particularly involving affected workers, such as involving all workers directly in occupational health and safety decisions, especially in smaller organizations.
- Utilization of committees and how these committees are established and operated.
- Involvement in the occupational health and safety management system, including participation in hazard identification, risk assessment, application of control measures, incident investigations, audits, and decisions regarding contractors and outsourcing.
- Identification and removal of obstacles to participation, such as providing training and protection against reprisals.

Additionally, when describing the processes for providing access to and communicating relevant information on occupational health and safety to workers, the organization can mention whether it shares information about work-related incidents and the subsequent actions taken.

Joint management-worker health and safety committees are a common form of worker participation in occupational health and safety. These committees often involve direct participation from workers across various job levels, and workers' representatives, if present, may also partake in these joint activities, potentially having decision-making authority on occupational health and safety matters and other workplace issues.

If formal joint management-worker health and safety committees exist, the organization can provide details about their operational level within the organization, their dispute resolution mechanism, chairing responsibilities, and measures taken to protect committee members against reprisals. Moreover, the disclosure requires an explanation of whether and why any workers are not represented by these committees, without needing to specify which workers are or aren't committee members.

11.4 Worker training on occupational health and safety

Indicator	Reporting Requirement	Scoring

11.4.1	The reporting organization is required to provide the following information for both employees and workers who are not employees but whose work and/or workplace is controlled by the organization: a. A description of any occupational health and safety training offered to workers. This should encompass general training as well as training tailored to address specific work-related hazards, hazardous activities, or hazardous situations.	2.5

Guidance

When describing the occupational health and safety training provided, the reporting organization can include detailed information on several aspects:

- Assessment of training needs, including how these needs are identified and determined.
- Design and delivery of the training, which may cover the content or topics addressed, the qualifications of the trainers, the target audience of workers receiving the training, the frequency of training sessions, and whether the training is conducted in a language easily understood by the workers.
- Whether the training is provided free of charge and during paid working hours. If not, whether it is mandatory for workers to attend, and if they are compensated for their time.
- Evaluation of the effectiveness of the training, including methodologies used to assess the impact and outcomes of the training sessions.

11.5 Work-related injuries

Indicator	Reporting Requirement	Scoring

11.5.1	The reporting organization must provide the following information:
	a. For all employees:
	   i. The total number and rate of fatalities resulting from work-related injuries.
	   ii. The total number and rate of high-consequence work-related injuries (excluding fatalities).
	   iii. The total number and rate of recordable work-related injuries.
	   iv. The primary types of work-related injuries observed.
	   v. The total number of hours worked by employees.
	
	a. For all workers who are not employees but whose work and/or workplace is controlled by the organization:
	   i. The total number and rate of fatalities resulting from work-related injuries.
	   ii. The total number and rate of high-consequence work-related injuries (excluding fatalities).
	   iii. The total number and rate of recordable work-related injuries.
	   iv. The primary types of work-related injuries observed.
	   v. The total number of hours worked by these workers.
	
	b. Identification of work-related hazards posing a risk of high-consequence injury, including:
	   i. The methodology used to identify these hazards.
	   ii. Specific hazards that have caused or contributed to high-consequence injuries during the reporting period.
	   iii. Measures taken or in progress to eliminate these hazards and mitigate risks using the hierarchy of controls.
		2.5

	d. Description of any actions taken or in progress to eliminate other work-related hazards and reduce risks using the hierarchy of controls.	
	e. Explanation of whether and why any workers have been excluded from this disclosure, including the types of workers excluded.	
	f. Any additional contextual information necessary to comprehend how the data have been compiled, such as standards, methodologies, and assumptions used in the process.	

Guidance

This disclosure focuses on work-related injuries as a measure of the harm experienced by workers, rather than as an indicator of safety.

It's important to note that an increase in the number or rate of reported incidents doesn't necessarily mean there were more incidents than before. It could signify an enhancement in the recording and reporting of incidents. If the rise in reported incidents is due to the organization's efforts to improve reporting and recording of fatalities, injuries, and illnesses, or due to the expansion of the management system to cover more workers or workplaces, the organization can provide an explanation and report on these actions and their outcomes.

Types of work-related injuries can include death, amputation of a limb, laceration, fracture, hernia, burns, loss of consciousness, and paralysis, among others.

Terms such as "high-potential work-related incident" refer to incidents with a high likelihood of causing a severe injury, while "high-consequence work-related injury" denotes an injury resulting in fatality or a prolonged recovery period exceeding six months.

Topic 12 Employment practices

Employment practices refer to the way an organization generates job opportunities, outlines employment agreements, and sets working conditions for its workforce. This extends to encompassing the employment and working conditions throughout the organization's supply chain.

12.1 Ethical Recruitment

Indicator	Reporting Requirement	Scoring
12.1.1	The reporting organization should provide the following information regarding its policies or commitments regarding worker recruitment: • Whether the organization has an ethical recruitment policy, and if available publicly, a link to this policy. • Whether these policies and commitments address the issue of recruitment fees. • Whether these policies and commitments explicitly prohibit the withholding of identity documents, such as passports. • Whether workers are provided with written contracts in a language comprehensible to them under these policies. • Whether these policies and commitments extend to the employment agencies utilized for worker recruitment. • How instances of non-compliance with these policies and commitments are detected and remedied.	5

Guidance

Job information can be scarce in the labor market, creating a challenge where employers know the skills they require but struggle to find suitable candidates, while workers are aware of their skills but not where demand exists. Intermediaries such as recruiters help bridge this information gap. However, the reality is that the recruitment market often operates with significant imperfections. Migrant workers in basic jobs commonly face various abuses, including paying excessive fees to recruiters, being misled about employment terms, dealing with fraudulent documents, having passports or IDs confiscated, and being subjected to physical or emotional violence and threats. The International Labour Organization's (ILO) General Principles and Operational Guidelines for Fair Recruitment urge member states to enact appropriate laws and policies to safeguard the rights of migrant workers.

12.2 Worker compensation

Indicator	Reporting Requirement	Scoring
12.2.1	The reporting organization should provide details on its approach to worker compensation, which includes: • Whether compensation is structured based on bonuses and piece rates, and any deductions or withholdings made from the compensation. • The organization's method for providing in-kind payments, including the proportion of remuneration paid in kind at major operational sites.	2.5

Guidance

Policies and Practices on Work Relationships: These encompass formal employment arrangements, utilization of workers from external agencies, and the prevalence of temporary or part-time work. Describing these policies and practices should include aspects like anti-discrimination measures, compensation structures, promotion policies, privacy regulations, employee development initiatives, and industrial relations protocols.

Work within Legal Frameworks: Typically involves recognized employment relationships with identifiable and legally acknowledged employers.

Conditions of Work: Encompass various factors such as compensation, working hours, breaks, vacation entitlements, disciplinary procedures, maternity benefits, workplace conditions, and occupational health and safety standards. It also includes aspects like the quality of living quarters if provided, and welfare amenities such as access to safe drinking water, cafeteria facilities, and medical services.

Adequate Remuneration: Refers to wages and benefits that meet both legal and industry-set minimum standards, ensuring they are adequate to cover the basic needs of workers and their families while also allowing for discretionary income. Actions to rectify inadequate remuneration may involve:

- Engaging in discussions with suppliers regarding the correlation between prices paid and wages provided to workers.
- Modifying procurement strategies.
- Supporting collective bargaining efforts to establish fair wages.

- Assessing the use of overtime, its mandatory nature, and whether it is compensated at premium rates.

Compensation for Work-Related Injuries: When permanent incapacity or death arises from a work-related injury, compensation should be provided in periodic payments. Lump sum payments may be considered, either wholly or partially, if deemed appropriate by the competent authority, ensuring they are properly utilized by the recipient or their dependents.

12.3 Situations where work undertaken within the supply chain does not take place within appropriate institutional and legal frameworks

Indicator	Reporting Requirement	Scoring
12.3.1	The reporting organization should provide details on its approach to addressing situations within the supply chain that deviate from appropriate institutional and legal frameworks. This includes: Instances where individuals working for suppliers do not receive the social and labor protections mandated by national labor laws. Situations where working conditions in the organization's supply chain fail to meet either international labor standards or national labor regulations. Cases of disguised employment relationships, where workers within the organization's supply chain are inaccurately classified as self-employed or lack a legally recognized employer. • Situations where work performed within the organization's supply chain lacks legally recognized contractual agreements.	2.5

Recommendations

The reporting organization should provide details on the following:

- Its policies or practices governing the relationships under which work is conducted for the organization.
- Measures taken to identify and rectify instances where work carried out within its supply chain occurs outside appropriate institutional and legal frameworks.
- Steps taken to identify and rectify instances where individuals employed by suppliers do not receive the social and labor protections mandated by national labor laws.
- Efforts made to identify and rectify situations where working conditions within its supply chain fail to meet either international labor standards or national labor regulations.
- Measures taken to identify and address situations where work performed within its supply chain is inadequately compensated.
- Actions taken to identify and address cases of disguised employment relationships, where workers within its supply chain are falsely categorized as self-employed or lack a legally recognized employer.
- Efforts made to identify and address instances where work performed within its supply chain, particularly work conducted at home, lacks legally recognized contractual agreements.

12.4 New employee hires and employee turnover

Indicator	Reporting Requirement	Scoring

12.4.1	The reporting organization is required to provide the following information: • Total number and rate of new employee hires during the reporting period, categorized by age group, gender, and region. • Total number and rate of employee turnover during the reporting period, categorized by age group, gender, and region.	2.5

Guidance

An organization may categorize its workforce into the following age groups:

- Under 30 years old
- 30-50 years old
- Over 50 years old

Analyzing the number, age, gender, and geographic distribution of new employee hires can provide insights into the organization's recruitment strategy and its ability to attract diverse and qualified talent. This data can indicate efforts to promote inclusive recruitment practices based on age and gender, as well as the effective utilization of labor and talent across different regions.

A high turnover rate among employees can suggest levels of dissatisfaction or uncertainty within the organization. It may also indicate significant changes in the organization's operational structure. Disparate turnover rates across age or gender groups could highlight workplace compatibility issues or potential inequities. Turnover affects the organization's human and intellectual capital, potentially impacting productivity. Additionally, turnover incurs direct costs, such as reduced payroll or increased expenses for employee recruitment.

Topic 13 Living income and living wage.

Living income and living wage are terms used to denote an income or wage level that enables individuals and their households to afford a decent standard of living. This encompasses essential needs such as nutritious food, clean water, adequate housing, education, healthcare, and provisions for unexpected expenses.

In the context of worker compensation, this topic focuses on the organization's approach to ensuring that its employees receive compensation that aligns with the concept of living income or living wage. It involves examining whether the organization's remuneration practices are sufficient to meet the basic needs of its workers and their families, promoting their well-being and financial stability.

13.1 Commitments related to living income and living wage

Indicator	Reporting Requirement	Scoring
13.1.1	g. The organization's commitments related to providing a living income or paying a living wage should be clearly described. This includes any policies, statements, or initiatives aimed at ensuring that workers receive compensation that enables them to afford a decent standard of living. h. The methodology used for defining living income or living wage at significant locations of operation should be outlined. Additionally, it should be reported whether this process involved consultation with and participation of local stakeholders, such as trade unions and employer organizations. This ensures that the determination of living income or	12.5

		living wage is contextually relevant and takes into account local cost-of-living factors and societal norms.	
	i.	The reporting organization should describe how its sourcing, pricing, and remuneration policies take living income or living wage into account. This includes explaining how the organization ensures that its suppliers pay living wages to workers involved in the production process. Furthermore, it should be clarified how living income is considered when setting product prices, demonstrating a commitment to fair compensation practices throughout the supply chain.	
	j.	The tools and systems used to monitor wages paid by suppliers should be detailed. This involves explaining how the organization tracks and verifies that suppliers adhere to living wage standards. Robust monitoring mechanisms help ensure transparency and accountability in the supply chain, ultimately contributing to the realization of decent living wages for workers.	

Guidance

A decent living wage refers to the compensation provided to a worker for their regular work hours in a specific location. This wage is designed to enable the worker and their family to afford a decent standard of living.

Calculation of a decent living wage takes into account various elements necessary for a basic standard of living, including but not limited to:

- Food: Access to nutritious and sufficient food for the worker and their family.
- Water: Access to clean and safe drinking water.
- Housing: Affordable and adequate housing that meets basic living standards.
- Education: Access to quality education for the worker's children.
- Healthcare: Access to healthcare services to maintain physical and mental well-being.
- Transport: Means to commute to work and access essential services.
- Clothing: Adequate clothing to meet basic needs and weather conditions.
- Other Essential Needs: Provision for unforeseen circumstances or emergencies.

Ensuring that workers receive a decent living wage is crucial for promoting their well-being, reducing poverty, and fostering economic stability within communities. It reflects a commitment to fair compensation practices and upholding human rights standards in the workplace.

Topic 14 Governance structure and composition

The governance structure and composition refer to the organizational framework and the arrangement of individuals within it. This encompasses how the institution is structured, the roles and responsibilities of key stakeholders, and the diversity and expertise represented within its governance bodies. This disclosure aims to provide transparency and insight into the organization's decision-making processes, ensuring its ability to address challenges, capitalize on opportunities, and maintain ethical standards.

The narrative outlines the policies, practices, and mechanisms established to cultivate a governance structure that prioritizes accountability, integrity, and sustainability. It delves into

how the organization considers factors such as diversity, independence, and competence when forming its governing bodies, underscoring its dedication to sound governance principles and responsible business practices.

14.1 governance structure, composition, knowledge, roles

Indicator	Reporting Requirement	Scoring

14.1.1	The reporting organization is required to provide the following information:
	
	• Description of its governance structure, including the committees of the highest governance body.
	• List of the committees of the highest governance body responsible for decision-making and overseeing the management of the organization's impacts on the economy, environment, and people.
	• Description of the composition of the highest governance body and its committees, including:
	
	   i. Differentiation between executive and non-executive members.
	   ii. Evaluation of independence among members.
	   iii. Tenure of members on the governance body.
	   iv. Number of other significant positions and commitments held by each member, along with the nature of these commitments.
	   v. Gender representation within the governance body.
	   vi. Representation of under-represented social groups.
	   vii. Assessment of competencies relevant to the impacts of the organization among governance body members.
	   viii. Inclusion of stakeholder representation within the governance structure.
		5

14.1.2	The organization should provide the following details:
	
	a. Description of how the highest governance body delegates responsibility for managing the organization's impacts on the economy, environment, and people, including:
	   i. Specification of whether it has appointed any senior executives tasked with the responsibility for managing impacts.
	   ii. Specification of whether responsibility for managing impacts has been delegated to other employees within the organization.
	
	b. Description of the process and frequency for senior executives or other employees to report back to the highest governance body on the management of the organization's impacts on the economy, environment, and people.
		5

14.1.3	a. The organization should describe the processes implemented by the highest governance body to prevent and mitigate conflicts of interest. This involves detailing the measures put in place to identify, address, and manage conflicts of interest effectively. Processes may include establishing conflict of interest policies, conducting regular assessments, and implementing procedures for disclosing and managing conflicts when they arise. b. The organization should report whether conflicts of interest are disclosed to stakeholders. This includes providing transparency on conflicts related to cross-board membership, cross-shareholding with suppliers and other stakeholders, the existence of controlling shareholders, and transactions involving related parties. Disclosures should include information on the nature	2.5

	of the conflict, the parties involved, any transactions or relationships affected, and the steps taken to address or mitigate the conflict.	
14.1.4	The organization should report on the measures taken to enhance the collective knowledge, skills, and experience of its highest governance body regarding sustainable development. This involves detailing initiatives, programs, or activities aimed at educating, training, or providing relevant information to governance body members on sustainable development topics.	2.5

14.1.5	Assessment of the Top Governance Body's Performance
	
	The organization should:
	  a. Explain how it assesses the top governance body's performance in supervising the organization's impact on the economy, environment, and society.
	  b. Indicate whether these assessments are conducted independently and how often they occur.
	  c. Detail any actions taken in response to these evaluations, such as adjustments to the composition of the top governance body and organizational procedures.
		2.5

Guidance

- The organization can include additional indicators of diversity in describing the composition of the highest governance body and its committees. These indicators may include age, ancestry and ethnic origin, citizenship, creed, disability, or any other relevant indicators of diversity for reporting purposes.
- 'Independence' in governance refers to conditions that enable members of the highest governance body to exercise impartial judgment, free from any external influence or conflicts of interest.
- A position or commitment held by a member of the highest governance body is considered significant when it requires a substantial amount of time and attention, potentially compromising the member's ability to fulfill their duties within the organization. This may include holding multiple board memberships across different organizations.
- Competencies relevant to the impacts of the organization encompass skills and expertise that are pertinent to addressing the impacts commonly associated with the organization's sectors, products, and geographic locations.

Topic 15 Policy Commitments

Policy commitments for responsible business conduct serve as foundational principles that steer an organization's behaviors and choices, integrating ethical standards and sustainability values into its fundamental operations. These commitments entail a holistic perspective on responsible business conduct, addressing all aspects of the organization, including its activities and relationships with stakeholders.

15.1 Statement on sustainable development strategy

Indicator	Reporting Requirement	Scoring
15.1.1	The organization is required to report a statement from the highest governance body or most senior executive of the organization regarding the relevance of	5

	sustainable development to the organization and its strategy for contributing to sustainable development.	

Guidance

The organization should provide descriptions of the following:

- Short, Medium, and Long-Term Vision and Strategy: Outline the organization's vision and strategy for managing its impacts on the economy, environment, and people, including human rights considerations, across all its activities and business relationships.
- Purpose, Business Strategy, and Business Model: Explain how the organization's purpose, business strategy, and business model are geared towards preventing negative impacts and fostering positive impacts on the economy, environment, and people.
- Short and Medium-Term Strategic Priorities: Detail the organization's short and medium-term strategic priorities aimed at contributing to sustainable development, and highlight how these priorities align with authoritative intergovernmental instruments.
- Broader Trends Affecting the Organization: Discuss the broader trends such as macroeconomic, social, and political factors impacting the organization, along with its strategy for contributing to sustainable development in light of these trends.
- Key Events, Achievements, and Failures: Provide an overview of the significant events, achievements, and failures associated with the organization's contribution to sustainable development during the reporting period.
- Performance Against Goals and Targets: Offer an assessment of the organization's performance against its goals and targets related to material topics during the reporting period.
- Main Challenges, Goals, and Targets: Describe the organization's main challenges, goals, and targets concerning its contribution to sustainable development for the upcoming year and the following three to five years.

15.2 Policy commitments

Indicator	Reporting Requirement	Scoring

15.2.1	The organization is required to:
	
	- Describe its policy commitments for responsible business conduct, including:
	   i. Reference to authoritative intergovernmental instruments that the commitments align with.
	   ii. Specification of whether the commitments include conducting due diligence.
	   iii. Indication of whether the commitments include applying the precautionary principle.
	   iv. Explanation of whether the commitments include respecting human rights.
	
	- Detail its specific policy commitment to respect human rights, including:
	
	   i. Identification of the internationally recognized human rights covered by the commitment.
		10

	ii. Clarification of the categories of stakeholders, including at-risk or vulnerable groups, that receive particular attention in the commitment. • Provide links to the policy commitments if publicly available. If the policy commitments are not publicly available, explain the reason for this. • Report the level at which each of the policy commitments was approved within the organization, specifying whether this is the most senior level. • Report the extent to which the policy commitments apply to the organization's activities and its business relationships. • Describe how the policy commitments are communicated to workers, business partners, and other relevant parties.	

Guidance

This disclosure pertains to the organization's policy commitments for responsible business conduct, including its commitment to respect human rights. These commitments may be articulated in a standalone policy document or integrated within other policy documents such as codes of conduct.

The organization should report on the expectations, values, principles, and behavioral norms outlined in these policy commitments. Additionally, the organization can provide insights into how these policy commitments were developed, including the internal and external expertise that informed their creation. Furthermore, the organization may reference other standards or initiatives in which it participates to further underscore its commitment to responsible business conduct.

The precautionary principle, as articulated in Principle 15 of the UN Rio Declaration on Environment and Development, states that lack of full scientific certainty should not hinder the adoption of cost-effective measures to prevent environmental degradation in situations where there are threats of serious or irreversible damage.

This principal advocates for early action to prevent and mitigate potential negative impacts in instances where conclusive scientific evidence is lacking, but there are reasonable grounds to anticipate serious or irreversible harm. Although primarily associated with environmental protection, the precautionary principle can be applied across various domains, including health and safety. The organization can elaborate on the specific areas where it applies the precautionary principle.

Topic 16 Grievance mechanisms and its mechanisms for seeking advice and raising concerns.

This disclosure encompasses both grievance mechanisms established by the organization and mechanisms for individuals to seek advice and raise concerns about responsible business conduct in the organization's operations and business relationships.

16.1 Processes to remediate negative impacts.

Indicator	Reporting Requirement	Scoring
16.1.1	The organization is required to: • Detail its commitments to providing for or cooperating in the remediation of negative impacts that the organization has identified it has caused or contributed to. • Explain its approach to identifying and addressing grievances, including any grievance mechanisms established or participated in by the organization. • Outline other processes through which the organization provides for or cooperates in the remediation of negative impacts that it has identified it has caused or contributed to. • Describe the involvement of stakeholders, who are the intended users of the grievance mechanisms, in the design, review, operation, and improvement of these mechanisms. • Explain how the organization tracks the effectiveness of the grievance mechanisms and other remediation processes, and provide examples of their effectiveness, including stakeholder feedback.	10

Guidance

This disclosure encompasses the operation of grievance mechanisms and other remediation processes within the organization. Grievance mechanisms allow stakeholders to voice concerns and seek redress for the organization's potential or actual negative impacts on them, including violations of their human rights. These mechanisms are distinct from whistleblowing mechanisms, which enable individuals to report wrongdoing or legal breaches in the organization's operations or business relationships, regardless of personal harm.

Grievance mechanisms encompass any formalized, state-based or non-state-based, judicial or non-judicial processes through which stakeholders can raise grievances and seek remedy for adverse impacts caused by the organization. This disclosure includes details on the operation and effectiveness of both grievance mechanisms and other remediation processes employed by the organization.

16.2 Mechanisms for seeking advice and raising concerns

Indicator	Reporting Requirement	Scoring
16.2.1	The organization is required to describe the mechanisms available for individuals to: i. Seek advice on implementing the organization's policies and practices for responsible business conduct. ii. Raise concerns about the organization's business conduct.	5

Guidance

This disclosure encompasses the organization's procedures for individuals to seek guidance and raise concerns regarding responsible business conduct within the organization's operations and business relationships. Examples of such mechanisms include confidential interviews during site visits, escalation processes through management levels, hotlines, reporting channels for non-compliance with laws and regulations, and whistleblowing mechanisms.

These mechanisms empower individuals to report instances of wrongdoing or legal breaches within the organization's operations or business relationships, irrespective of whether they are personally affected. They are distinct from grievance mechanisms, which enable stakeholders to address and seek redress for potential or actual adverse impacts caused by the organization.

If the organization's grievance mechanisms and mechanisms for seeking advice and raising concerns about responsible business conduct operate similarly, a single description can be provided for both, clarifying the covered mechanisms.

The organization may report:

- The intended users of the mechanisms, how they operate, and which level or department within the organization oversees them.
- Whether the mechanisms are administered independently of the organization (e.g., by a third party).
- The process for investigating concerns raised.
- Whether requests for advice and raised concerns are treated confidentially.
- Whether the mechanisms allow for anonymous usage.

Additionally, the organization can report on the effectiveness of these mechanisms, including:

- Information on how intended users are informed about and trained on using the mechanisms.
- The accessibility of the mechanisms, including operational hours per day or days per week and availability in multiple languages.
- Measures taken by the organization to respect users' human rights and protect them from reprisals (e.g., ensuring non-retaliation for raising concerns).
- User satisfaction levels with the mechanisms and their outcomes.
- The number and types of advice requests received during the reporting period, along with the percentage of answered requests.
- The number and types of concerns raised during the reporting period, including the percentage of addressed and resolved concerns or those found to be unsubstantiated.

Topic 17 Compliance with laws and regulations

Adherence to laws and regulations is fundamental to an organization's ethical framework and its commitment to responsible corporate behavior. This disclosure underscores the organization's unwavering commitment to complying with local, national, and international laws and regulations across its operations. It reflects the organization's acknowledgment of its duty as a responsible corporate citizen and its pledge to uphold legal standards in every facet of its operations and business engagements.

17.1 Compliance with laws and regulations

Indicator	Reporting Requirement	Scoring
17.1.1	The organization is required to: a. Provide a report on the total number of significant instances of non-compliance with laws and regulations during the reporting period, along with a breakdown of this total by: 　i.　　Instances resulting in the imposition of fines.	15

| | | ii. Instances resulting in the imposition of non-monetary sanctions.

b. Report the total number and monetary value of fines paid for instances of non-compliance with laws and regulations during the reporting period, including a breakdown of this total by:

    i. Fines for instances of non-compliance occurring in the current reporting period.

    ii. Fines for instances of non-compliance occurring in previous reporting periods.

c. Describe the significant instances of non-compliance encountered during the reporting period.

d. Explain the methodology employed in determining which instances of non-compliance are deemed significant. | |

Guidance

This disclosure pertains to instances where the organization failed to adhere to applicable laws and regulations, offering insights into management's ability to ensure compliance with established performance standards. Laws and regulations may originate from various entities, including local, regional, and national governments, regulatory bodies, and public agencies.

These laws and regulations encompass:

- International declarations, conventions, and treaties.
- National (federal), and state regulations.
- Mandatory voluntary agreements negotiated with regulatory bodies as an alternative to implementing new regulations.
- Voluntary agreements (or covenants) either directly entered by the organization or made applicable to organizations within a territory through legislation or regulation by public agencies.

This disclosure encompasses significant instances of non-compliance resulting in administrative or judicial sanctions and fines being contested during the reporting period.

Non-monetary sanctions may involve restrictions imposed by governments, regulatory bodies, or public agencies on the organization's activities or operations, such as the revocation of trading licenses or licenses for operation in heavily regulated sectors. They may also include directives to halt or rectify unlawful activities. The organization may reference fines reported in audited consolidated financial statements or financial information filed publicly, including fines under appeal, potentially recorded as balance sheet reserves.

In the absence of significant instances of non-compliance with laws and regulations or the payment of fines during the reporting period, a brief statement confirming this fact suffices for disclosure purposes.

Topic 18 Supply chain traceability

Traceability refers to the capability to track the source, origin, or production conditions of raw materials and finished products. It serves as a crucial tool for identifying and mitigating potential adverse impacts associated with an organization's products, encompassing various sectors and supply chain dynamics.

Supply chains in many sectors, including timber, are often intricate, spanning international borders and involving products from diverse locations. These products may be associated with various negative impacts on the economy, environment, and society, including informal operations where impacts are frequently undocumented.

Implementing traceability mechanisms allows organizations to pinpoint the origins of their products and the entities involved in their supply chain. This enables the identification and withdrawal of non-compliant products while enhancing transparency regarding the value creation process and its distribution among stakeholders.

Tracing product origins can present challenges, particularly in sectors like timber where traceability practices vary in their implementation. Depending on the product, organizations may be able to trace it back to its specific source or geographic area. Additionally, suppliers may possess certifications and assurance schemes from third-party entities, linking their products to production sites adhering to defined environmental, economic, and social performance standards.

18.1 Supply chain traceability

Indicator	Reporting Requirement	Scoring
18.1.1	The organization should provide an explanation of the reasoning behind and the approach taken in tracing the source, origin, or production conditions of products obtained by the organization, including raw materials and purchased production inputs.	2.5
18.1.2	Detail the extent of traceability established for each sourced product, indicating whether tracing is feasible at the national, regional, or local level, or down to a specific point of origin.	5
18.1.3	Disclose the overall percentage of timber traceable to the Forest Management Unit (FMU) level, demonstrating the organization's ability to track timber origins and production conditions within designated forest management areas.	5

Guidance

Traceability plays a pivotal role in the timber industry, serving multiple purposes that uphold sustainability, legality, and accountability. Here are key reasons why traceability is indispensable for timber products:

i.   Preventing Illegal Logging: Traceability aids in verifying the origin of timber, facilitating the identification and prevention of illegal logging activities that contribute to deforestation and environmental harm.

ii.   Enforcing Regulations: Traceability supports the enforcement of forestry regulations, ensuring that timber products originate from legal and sustainable logging operations.

iii. Promoting Sustainable Forest Management: Traceability enables the monitoring of logging practices, ensuring sustainable harvesting and responsible forest management for long-term ecological balance.

iv.   Complying with Certification Standards: Traceability systems align with certification programs like the Forest Stewardship Council (FSC), enhancing the marketability of timber products by demonstrating compliance with sustainable forest management standards.

v. Building Consumer Trust: Traceability provides transparency in the supply chain, fostering consumer trust in products sourced sustainably and responsibly.

vi. Facilitating Market Access: Many markets and retailers require proof of legality and sustainability, and traceability aids in meeting these requirements for market access.

vii. Risk Management: Traceability helps businesses identify and mitigate risks associated with illegal or unsustainable logging, safeguarding their reputation and reducing legal liabilities.

viii. Enhancing Supply Chain Efficiency: Traceability improves supply chain management by offering accurate information about timber product origins, processing, and transportation.

ix. Ensuring Quality Control: Knowing the timber source enables companies to implement better quality control measures, reducing the risk of including illegal or substandard wood in the supply chain.

x. Ensuring Regulatory Compliance: Traceability assists companies in meeting legal requirements related to timber sourcing, fulfilling reporting obligations, and avoiding legal penalties.

xi. Facilitating Government Oversight: Governments can utilize traceability systems to monitor and regulate the timber industry, ensuring adherence to environmental and social standards.

In essence, traceability in the timber industry is vital for promoting sustainability, preventing illegal practices, meeting market demands for responsible products, and safeguarding the long-term health of forests. It serves as a crucial tool for stakeholders to uphold ethical and environmental standards throughout the timber supply chain.

Topic 16 Anti-corruption

Anti-corruption efforts encompass an organization's strategies to mitigate involvement in corrupt practices. Corruption encompasses activities such as bribery, fraud, extortion, collusion, money laundering, or the exchange of inducements for dishonest or unlawful actions. This area examines the potential for corruption and its associated consequences.

Corruption within the timber industry can undermine governmental efforts to combat issues like deforestation. Moreover, it heightens the likelihood of adverse impacts on workers, communities, and government revenue. Organizations involved in corrupt practices may gain unfair advantages in competitive markets.

According to Malaysia's 2023 Corruption Perceptions Index (CPI), the country's score increased to 50, indicating a perceived increase in actions against corruption. Over the past three years, Malaysia's score dropped by 6 points from 53, signifying a concerning trend away from combating corruption, supporting human rights, and upholding democratic values in the public sector.

MADANI Economy (2023), the latest economic framework aimed at bolstering Malaysia's economy, sets goals to elevate the country's ranking in the Corruption Perceptions Index to the top 25 within the next decade. Concurrently, the National Anti-Corruption Plan (2019-2023) reflects the populace's aspirations for a more transparent, accountable, and integrity-driven nation.

16.1 Managing anti-corruption.

Indicator	Reporting Requirement	Scoring
19.1.1	The reporting organization should provide the following information: • Details of the organization's risk assessment procedures for corruption, including the criteria utilized in the assessment such as location, activity, and sector. • Explanation of how the organization identifies and manages conflicts of interest that may arise among employees or individuals connected to the organization's activities, products, or services. This should include coverage of conflicts of interest for the highest governance body. • Measures taken by the organization to ensure that charitable donations and sponsorships (both financial and in-kind) made to other entities are not utilized as a form of disguised bribery. Recipients may include not-for-profit organizations, religious institutions, private entities, and events. • Description of the extent to which communication and training on anti-corruption are tailored for governance body members, employees, business partners, and other individuals identified as being at high risk of involvement in corrupt activities. • Information on the timing and frequency of anti-corruption training provided to governance body members, employees, business partners, and other individuals at high risk of corruption incidents. This includes details such as whether training is provided to new employees upon joining the organization or when establishing relationships with new business partners, and the frequency of training sessions (e.g., annually or biannually). • Disclosure of the organization's participation in collective actions aimed at combating corruption, including the strategy employed for collective action activities, a list of the collective action initiatives in which the organization participates, and a description of the key commitments associated with these initiatives.	7.5

Guidance

This disclosure evaluates the extent to which an organization implements its risk assessment processes. Risk assessments serve to evaluate the likelihood of corruption incidents occurring within and involving the organization, aiding in the development of anti-corruption policies and procedures.

This disclosure may involve conducting a dedicated risk assessment focused solely on corruption or integrating corruption as a risk factor within broader risk assessments.

The term "operation" denotes a singular facility utilized by the organization for the manufacturing, storage, and/or distribution of its goods and services, or for administrative functions. Within a single operation, there may exist multiple production lines, warehouses, or other activities. For instance, a sole factory might produce various products, or a single retail outlet could host multiple retail operations overseen by the organization.

16.2 Confirmed incidents of corruption and actions taken

Indicator	Reporting Requirement	Scoring
19.2.1	The organization's reporting should include the following details:	7.5

	• The overall count and specifics of verified incidents related to corruption. • The total count of confirmed incidents resulting in employee dismissals or disciplinary actions due to corruption. • The total count of confirmed incidents leading to the termination or non-renewal of contracts with business partners due to corruption-related violations. • Details of any public legal cases concerning corruption filed against the organization or its employees during the reporting period, along with the resolutions of such cases.	

Guidance

Stakeholders are keen on understanding both the incidence of events and how organizations handle them. Public legal matters related to corruption may involve ongoing investigations, prosecutions, or concluded cases. The term "business partners" encompasses various entities such as suppliers, agents, lobbyists, intermediaries, joint venture partners, consortia partners, governmental bodies, customers, and clients.

Topic 20 Customer Privacy

Customer privacy stands as a cornerstone commitment, embodying the ethical principles and conscientious business conduct of any organization. This disclosure underscores the firm's steadfast pledge to uphold the privacy and confidentiality of customer data across all its endeavors. It signifies the organization's acknowledgment of the paramount significance of maintaining customer trust, upholding individual rights, and abiding by legal and regulatory provisions governing data security.

This disclosure encompasses matters concerning customer privacy, encompassing instances of customer data loss and breaches of privacy. Such occurrences may arise from failure to comply with existing laws, regulations, or voluntary standards pertaining to the safeguarding of customer privacy.

20.1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

Indicator	Reporting Requirement	Scoring
20.1.1	The organization's reporting should include the following details: The overall count of verified complaints received regarding infringements on customer privacy, divided into: i. Complaints reported by external sources and validated by the organization. ii. Complaints lodged by regulatory bodies. The total number of instances where leaks, thefts, or losses of customer data have been identified. If the organization hasn't encountered any substantiated complaints, a concise acknowledgment of this circumstance is satisfactory.	10.0

Guidance

This disclosure serves as an assessment of the effectiveness of management systems and protocols concerning the protection of customer privacy.

Safeguarding customer privacy is a widely acknowledged objective outlined in both national regulations and organizational guidelines. According to the OECD Guidelines for Multinational Enterprises, entities are required to uphold consumer privacy standards and employ reasonable measures to safeguard the personal data they handle. To uphold customer privacy, organizations must limit the collection of personal data, gather information through lawful means, and maintain transparency regarding data collection, usage, and security protocols. Furthermore, organizations are obligated to refrain from disclosing or utilizing personal customer information for unauthorized purposes and must promptly inform customers of any alterations to data protection policies or procedures.

6. References

Global Sustainability Standards Board (GSSB) 2024, GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022 (1 January 2024)

Simplified ESG Disclosure Guide (SEDG) for SMEs in Supply Chains 2023, Capital Markets Malaysia.

Annex 1 Scoring Methodology

This section explains the scoring and calculation on a percentage basis which includes the element of Environmental, Social, and Governance material topics divided equally.

Topic	Score	Percentage
Environmental Aspects		
Topic 1 Emissions		
1.1.1	4	1.3332
1.2.1	4	1.3332
1.3.1	8	1.3332
1.4.1	4	1.3332
Topic 2 Energy		
2.1.1	4	1.3332
2.1.2	8	2.6664
2.2.1	8	2.6664
Topic 3 Water and effluents		
3.1.1	4	1.3332
3.2.1	4	1.3332
3.2.2	4	1.3332
3.3.1	4	1.3332
3.3.2	4	1.3332
Topic 4 Waste		
4.1.1	4	1.3332
4.2.1	4	1.3332
4.3.1	4	1.3332
4.4.1	4	1.3332

4.5.1	4	1.3332
Topic 5 Materials		
5.1.1	4	1.3332
5.2.1	4	1.3332
5.3.1	4	1.3332
5.4.1	4	1.3332
5.4.2	4	1.3332
Total Score	100	33.33 %
Social Aspects		
Topic 6 Local communities		
6.1.1	12.5	4.16625
Topic 7 Non-discrimination and equal opportunity		
7.1.1	5.0	1.6665
7.1.2	2.5	0.83325
7.2.1	2.5	0.83325
7.3.1	2.5	0.83325
Topic 8 Forced or compulsory labor		
8.1.1	12.5	4.16625
Topic 9 Child labor		
9.1.1	12.5	4.16625
Topic 10 Freedom of association and collective bargaining		
10.1.1	12.5	4.16625
Topic 11 Occupational health and safety		
11.1.1	2.5	0.83325
11.2.1	2.5	0.83325
11.3.1	2.5	0.83325
11.4.1	2.5	0.83325
11.5.1	2.5	0.83325
Topic 12 Employment practices		
12.1.1	5	1.6665
12.2.1	2.5	0.83325
12.3.1	2.5	0.83325
12.4.1	2.5	0.83325
Topic 13 Living income and living wage		
13.1.1	12.5	4.16625
Total Score	100	33.33 %
Governance		
Topic 14 Governance structure and composition		
14.1.1	5	1.6665
14.1.2	5	1.6665
14.1.3	2.5	0.83325
14.1.4	2.5	0.83325
14.1.5	2.5	0.83325
Topic 15 Policy Commitments		
15.1.1	5	1.6665
15.2.1	10	3.333
Topic 16 Grievance mechanisms and its mechanisms for seeking advice and raising concerns		
16.1.1	10	3.333
16.2.1	5	1.6665

Topic 17 Compliance with laws and regulations		
17.1.1	15	4.9995
Topic 18 Supply chain traceability		
18.1.1	2.5	0.83325
18.1.2	5	1.6665
18.1.3	5	1.6665
Topic 19 Anti-corruption		
19.1.1	7.5	2.49975
19.2.1	7.5	2.49975
Topic 20 Customer Privacy		
20.1.1	10	3.333
Total Score	100	33.33 %

The Malaysian Timber Association (MTA) is a national collation of timber organisation from Peninsular Malaysia, Sabah and Sarawak, represented by the following councils and associations:

1. Malaysian Furniture Council (MFC)
2. The Malaysian Panel-Products Manufacturers' Association (MPMA)
3. Malaysian Wood Industries Association (MWIA)
4. Malaysian Wood Moulding & Joinery Council (MWMJC)
5. Association of Malaysian Bumiputra Timber & Furniture Entrepreneurs (PEKA)
6. Sarawak Timber Association (STA)
7. Sabah Timber Industries Association (STIA)
8. Timber Association of Sabah (TAS)
9. The Timber Exporter's Association of Malaysia (TEAM)

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