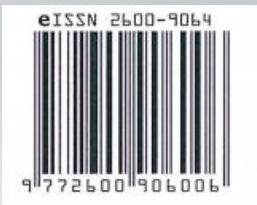


**Contributions and Initiatives Towards Environmental,
Social & Governance (ESG):
A Case Study on Kaneka (Malaysia) Sdn. Bhd.**

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Contributions and Initiatives Towards Environmental, Social & Governance (ESG): A Case Study on Kaneka (Malaysia) Sdn. Bhd.

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ABSTRACT

The Sustainable Development Goals (SDGs), introduced by all United Nations member states, encompass 17 key global objectives. These SDGs serve as the primary framework for implementing Environmental, Social & Governance (ESG) initiatives at Kaneka Malaysia. The Kaneka Corporation ESG Charter serves as the second framework, following the SDGs, for Kaneka Malaysia. It acts as a reference for initiating ESG programs and activities. Our ESG mission and vision is to drive environmental stewardship, cultivate strong stakeholder relationships, and maintain the highest ethical standards to ensure outstanding corporate governance. Our ESG initiatives are aimed at aligning with the government's four main strategies: Standard, Capacity Building, Financing, and Market Mechanisms. To enhance our alignment with global SDGs, Malaysia's sustainable strategies, and Kaneka Corporation's Charter, Kaneka Malaysia has established six key enablers: Carbon Neutrality, Environmental Compliance, Diversity, Work Culture, Safety & Integrity, and Governance. Kaneka Malaysia has identified 8 of the 17 United Nations SDGs where we believe we can make the most significant impact as part of our sustainability efforts. These are: Goal 3 - Good health & well-being; Goal 4 - Quality education; Goal 7 - Affordable & clean energy; Goal 8 - Decent work & economic growth; Goal 9 - Industry, innovation & infrastructure; Goal 12 - Responsible consumption & production; Goal 13 - Climate action, and Goal 14 - Life below water. Kaneka Malaysia is dedicated to publishing its first ESG Report by 2025 and is actively working towards this goal. At the same time, we are initiating research and information gathering to prioritize the development of ESG Standardization Frameworks. By concentrating on standardization, we aim to improve the reliability and comparability of our ESG disclosures. This effort will bolster our commitment to sustainability and strengthen our engagement with stakeholders.

Keywords: ASEAN, Environmental, Social & Governance (ESG), Sustainable Development Goals (SDGs).

Introduction

As the global emphasis on sustainability and corporate responsibility intensifies, companies are increasingly held accountable for their Environmental, Social, and Governance (ESG) practices. This paper examines Kaneka (Malaysia) Sdn. Bhd.'s approach to ESG, focusing on how the company integrates these principles into its operations and regional activities. It aims to provide a comprehensive analysis of the company's efforts to support Sustainable Development Goals (SDGs) and its broader engagement with Kaneka's initiatives across the ASEAN region. By investigating the ESG reporting standards and frameworks employed by Kaneka (Malaysia), both within Malaysia and throughout ASEAN, the paper will also address the challenges associated with standardizing ESG reporting. Through this analysis, the paper aims to shed light on Kaneka's role in advancing ESG and SDG objectives and provide insights into the broader implications for corporate sustainability practices in the ASEAN context.

Considering the initiatives by the Malaysian Government through the Ministry of Investment, Trade & Industry (MITI), we are currently in Phase 1.0: Just Transition (2024–2026). During this phase, the government is supporting industries in their Environmental, Social and Governance (ESG) journey by providing guidelines, capacity building, outreach programs, mentoring, and financing (MITI, 2024).

This initiative on ESG supports the 2030 Agenda for Sustainable Development, which aims for peace, prosperity, and sustainability for the planet both now and in the future. It focuses on the 17 Global Goals adopted by 193 countries, encompassing 169 targets and 248 indicators, to achieve a better and more sustainable future for all (MITI, 2024). Both ESG standards and the SDGs serve as interconnected guidelines for organizations aiming for sustainability. The term “sustainability” refers to development that meets the needs of the present without compromising the ability of future generations to meet their own needs (Brundtland Report, 1987).

ESG Framework

Ministry of Investment, Trade & Industry (MITI) has introduced the i-ESG Framework to foster economically beneficial, environmentally sustainable and socially equitable manufacturing sector (MITI, 2024). This framework aligned with other national policies, Nationally Determined Contribution (NDC) Roadmap, Long-Term Low Emission Development Strategies (LT-LEDS), Malaysian Green Technology Master Plan, National Energy Policy, National Renewable Energy Policy & Action Plan, Low Carbon Mobility Blueprint, National Anti-Corruption Plan, National Community Policy, Business & Human Rights, National Women Policy, National Action Plan on Forced Labour, etc. (MITI, 2024).

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Kaneka Malaysia is one of the companies invited by MITI to participate in the Environment, Social, and Governance (ESG) “KENALESG” Outreach Programme in October 2023, as part of the Phase 1.0: Just Transition (2024–2026) initiative. The objective of this programme is to strengthen Malaysia’s sustainability agenda in the context of international trade, investment and industry by raising and strengthening awareness on sustainability reporting and ESG practices among the manufacturing sector in the country.

To support the initiative under the i-ESG Framework, Kaneka Malaysia participated in the ESG Readiness Self-Assessment using i-ESGReady during the Environmental, Social, and Governance (ESG) “KENALESG” Outreach Programme. According to MITI, this assessment helps companies understand and evaluate their current level of ESG adoption.

In conjunction with the i-ESG Framework, Kaneka Malaysia is working to adopt and adapt the 12 sub-strategies introduced by MITI internally. One of the main strategies, “Standard,” involves developing our first sustainability/ESG report by collecting and analyzing relevant data. Additionally, Kaneka Malaysia are transitioning towards net zero and carbon neutrality, actively pursuing initiatives to achieve this target by 2050, in alignment with Mission 3 of the New Industrial Master Plan (NIMP) 2030.

On the other hand, regarding the second main strategy, “Capacity Building,” Kaneka Malaysia has conducted internal awareness programs to engage staff and management on ESG topics. ESG Committee Members have been appointed to promote, coordinate, and manage these awareness and training programs. The Committee Members, selected from Assistant Managers and higher levels, are responsible for leading these initiatives.

Kaneka Malaysia has integrated ESG into the Operational Excellence Management System (OEMS) under Element 1: Leadership Management. ESG is addressed as a sub-element, specifically 1.3 ESG Management, within the OEMS procedure and standard. As part of this procedure, we are expanding our ESG efforts by establishing an ESG Committee, developing an ESG Master Plan and Roadmap, holding regular ESG Committee meetings, collecting, compiling data on past, current, upcoming ESG programs and activities. Our next step is to publish an official ESG report.

Methodology

This study utilizes both primary and secondary data. Primary data were collected through field observations at Kaneka (Malaysia) Sdn. Bhd., as well as through the analysis of official documents and data. Secondary data were gathered from the MITI Portal, the United Nations Department of

Economic and Social Affairs Sustainable Development Portal, and various internet news sources. These data and information serve as supporting documents and primary references for Kaneka Malaysia. The study focuses on data related to programs and activities from 2022 through the current year, 2024.

Literature Review on ESG Reporting Standards and Frameworks

According to Lauren Gibbons Paul (2023), ESG reporting is the process of sharing how well an organization is meeting its environmental, social, and governance goals. These reports, usually published once a year, include details on different metrics to show performance in these areas. They also highlight long-term goals and updates on major achievements (Lauren, 2023). Companies use ESG reporting frameworks to share how they handle sustainability and ethics within their environmental, social, and governance (ESG) programs. These frameworks help assess their practices, including environmental and social impacts, and identify related risks and opportunities. Referring to a 2023 business article from Board Room, as global markets place greater emphasis on sustainability and responsible practices, businesses aiming for growth must integrate environmental, social, and governance (ESG) factors to ensure their survival and success. Companies that genuinely commit to reducing their environmental impact, fostering positive stakeholder relationships, and enhancing their operational practices are more likely to attract investors and secure long-term success (Board Room, 2023).

Kaneka Malaysia is currently preparing its inaugural ESG report, which will adhere to leading global standards and frameworks for ESG and sustainability reporting. By following these guidelines, Kaneka Malaysia aims to ensure transparency, consistency, and comparability in our disclosures. The report will offer a comprehensive overview of Kaneka Malaysia's environmental, social, and governance performance, underscoring our commitment to sustainability and responsible business practices.

There are several globally recognized ESG reporting standards and frameworks, including the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD), European Sustainability Reporting Standards (ESRS), and the International Sustainability Standards Board (ISSB), among others. According to Janis Steinmann, Product Manager for Reporting, ESG, and XBRL at AMANA consulting, a part of the Lucanet Group (2024), the GRI framework is the leading global standard for sustainability reporting. It provides companies with a robust method for effectively disclosing their ESG impacts, addresses the needs of a diverse array of stakeholders, and is recognized and utilized across multiple jurisdictions worldwide (Janis, Lucanet, 2024).

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Referring to RSK (2022), while the GRI Standards are widely adopted in the ASEAN region, they are not the only international sustainability reporting frameworks influencing regional practices. The Task Force on Climate-related Financial Disclosures (TCFD) also plays a crucial role alongside GRI in shaping ESG reporting. Both frameworks must be adapted to fit regional specifics. For instance, TCFD reporting in ASEAN countries needs to address unique climate risks and the varying challenges of transitioning to zero-carbon economies across different regions (RSK, 2022).

A study conducted in 2022 by GRI ASEAN and the Centre for Governance and Sustainability at NUS Business School, led by Project Heads Allinnettes, Lawrence, and Yvonne, examined climate reporting practices among the top 100 companies by market capitalization listed on the stock exchanges of Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam. Out of the 600 top companies analysed, 420 had published sustainability reports that included climate-related disclosures. The study found that while various reporting frameworks were adopted, the GRI Standards and SDG frameworks were the most prevalent. Specifically, 85% of the reports used the GRI Standards, and 76% employed the SDG framework. In contrast, other frameworks, such as the IIRC and SASB, were used by fewer than 50% of the sampled companies (GRI ASEAN and the Centre for Governance and Sustainability at NUS Business School, 2022).

In 2023, Capital Markets Malaysia and the Securities Commission Malaysia introduced the Simplified ESG Disclosure Guide (SEDG), positioning Malaysia as the first country globally to offer SMEs in global supply chains a streamlined and standardized set of ESG disclosure guidelines. The SEDG includes 35 priority disclosures, aligned with both local and global sustainability standards. These disclosures are categorized into Basic, Intermediate, and Advanced levels to address varying degrees of sustainability maturity among SMEs (Capital Markets Malaysia, 2023).

Bursa Malaysia Securities Berhad (“Bursa Malaysia” or the “Exchange”) is introducing the Bursa Malaysia ESG Reporting Platform (“ESG Reporting Platform”) in 2023. This platform provides a centralized repository for disclosures adhering to the specific format required by Bursa Malaysia. At no extra cost, listed issuers will be able to access the ESG Reporting Platform through the Bursa LINK system, where they can create a summary performance table to include in their Sustainability Statements. This table will need to present indicators and data relevant to the issuer’s significant sustainability issues. Issuers can also consult Bursa Malaysia’s Illustrative Sustainability Reporting Guide (“ISR”) for visual guidance on the reporting requirements (Bursa Malaysia Berhad, 2024).

Contributions and Initiatives towards Environmental, Social and Governance (ESG)

1. Environmental

Kaneka Malaysia began its ESG initiatives some time ago. Within the main scope of Environmental, we have categorized our efforts into two sub-scopes: Carbon Neutrality, Pollution Control & Compliance and Product Safety. The Kaneka Malaysia Decarbonization Roadmap aims to achieve a 70% reduction in greenhouse gas (GHG) emissions by 2030, exceeding both Malaysia's national target of 45% (NDC, 2021) and Kaneka Corporation's target of 30% GHG reduction by the same year.

i. Carbon Neutrality

Starting with 2019 as the baseline for carbon reduction at approximately 175 kiloton of carbon dioxide equivalent (ktCO₂e), Kaneka Malaysia is progressing according to its roadmap. By 2021, we achieved a 30% greenhouse gas (GHG) reduction, equivalent to about 53 kiloton (kt), through the migration to low GHG emission energy providers. We are currently working towards a 36% reduction by 2025, aiming for a further 62 kt reduction through projects such as Solar PV, heat recovery, energy efficiency, and process innovation. By 2030, Kaneka Malaysia targets a 70% GHG reduction, approximately 122 kt, by advancing renewable energy (phase 1), promoting green mobility, energy provider GHG reduction enhancement, and implementing carbon offset measures. Ultimately, our goal is to achieve net zero emissions by 2050 through the continued implementation of renewable energy (phase 2) and carbon capture technologies.

Kaneka Malaysia has implemented seven energy transition levers under the Carbon Neutrality scope, which includes Scope 1, Scope 2, and Scope 3 emissions. These levers are: renewable energy, energy efficiency, process innovation, green supply chain, green mobility, carbon capture, and carbon offset. For an overview of the Carbon Neutrality scope: Scope 1: The carbon reduction target is approximately 50 ktCO₂e per annum. This includes renewable energy at about 60%, process innovation at 4%, and carbon capture at 36%. Scope 2: The reduction target is approximately 101 ktCO₂e per annum. This involves renewable energy at 37%, energy efficiency at 5%, and green supply chain at 58%. Scope 3: The reduction target is approximately 24 ktCO₂e per annum, with carbon offset contributing 99% and green mobility contributing 1%.

ii. 1.2 Pollution Control & Compliance

Several flagship catalyst projects to be highlighted in this paper under the Pollution Control & Compliance scope include: e-Waste (SW110) - addressing electronic waste management;

UCO initiative - engaging with the Department of Environment (DOE) for used cooking oil recycling; Balok River Adoption Program (BRAP) - collaborating with Gebeng Industrial Companies for river clean-up and conservation; Gebeng Emergency Mutual Aid (GEMA) - providing mutual emergency support with Bomba and Gebeng Industrial Companies; emergency management and fire-fighting training/awareness - engaging with Bomba for enhanced emergency preparedness and response; 3R initiative - promoting reduction, reuse, and recycling for domestic waste, scheduled waste, and product scrap, in collaboration with DOE and Solid Waste and Public Cleansing Management Corporation (SWCorp); zero Single-Use Plastic - Supporting Malaysia's Roadmap towards Zero Single-Use Plastics (2018 – 2030).

iii. 1.3 Product Safety

Another key element of our Environmental focus is Product Safety, where Kaneka Malaysia is committed to ensuring the safety and reliability of our products. We accomplish this by establishing clear objectives for product security and meticulously overseeing our quality assurance processes across the company. Compliance with laws and regulations is a fundamental priority, and we adhere to various standards, including International Organization for Standardization (ISO) 18001:2007 for Occupational Health and Safety (OH&S), ISO 9001:2015 for Quality Management Systems (QMS), ISO 14001:2015 for Environmental Management Systems, HALAL certification, Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), Restriction of Hazardous Substances Directive (RoHS), the International Electrotechnical Commission (IEC) standards, Chemical Information Sharing and Exchange under Reporting Partnership (chemSHERPA) by Joint Article Management Promotion-consortium (JAMP), and the UL 94 V-0 plastics flammability standard established by Underwriters Laboratories (UL). By aligning with these standards and certifications, Kaneka Malaysia demonstrates its commitment to product safety, environmental stewardship, and regulatory compliance, ensuring that our products are not only effective and reliable but also safe for users and the environment.

2. Social

Within the main scope of Social, Kaneka Malaysia has categorized its efforts into three sub-scopes: Diversity, Work Culture, and Safety & Integrity.

i. Diversity

In the area of diversity, Kaneka Malaysia has implemented a range of programs, including ESG Awareness Roadshows and the Shared Values Campaign (SENSE-Safety,

Environment, Nurture, Sustainability, Ethics) for all stakeholders; Run, Run, Run! The Kaneka Malaysia Championship for employees and management (to appoint and select Kaneka Malaysia's representatives for the Kaneka Global *Eکیدen*, an annual running event in Japan); engagement with hospitals and health institutions through Wellness Programs and Blood Donation Days; collaboration with universities on research projects, internships, industrial visits and endowment; outreach to primary and secondary schools through Science Awareness Talks, Carbon Neutral Project, The 'Sekolah Anak Angkat' initiative to build relationships with schools and CSR monetary donation to three selected schools per year; collaboration with Gebeng Industrial Support Group (GISG) on ESG programs, including 3R initiatives, beach clean-ups, and educational fairs with universities and state agencies.

ii. Work Culture

Meanwhile in term of work culture area, Kaneka Malaysia is trying to move forwards by implementing comprehensive technology transformation and digitalization involves a series of key initiatives and projects, including: enhancing security protocols, establishing secure remote access, streamlining global security tools, and developing systems such as Raw Material Management System (RMMS), Operation Management System (OMS), and SAP S/4Hana integration. Additionally, this includes advancing data visualization and analysis with Power BI dashboards, automating data processes through Robotic Process Automation (RPA), optimizing Industrial Engineering (IE) practices, integrating SAP S/4 HANA, managing global assets with a Global Asset Information Management System (AIMS), collaborating with vendors to reduce utility consumption and work with customers to achieve higher product quality and implementing a Computerized Maintenance Management System (CMMS). The scope also covers using Minitab for Statistical Process Control (SPC), deploying the Process Information Management System (PI System) for real-time data analysis, managing human capital with Human Capital Management System (HCMS), streamlining claims with e-Claims Deskera, and incorporating unmanned systems. Each project contributes to a cohesive and integrated digital transformation strategy.

In addition, Kaneka Malaysia is proactively driving continuous improvement initiatives and projects, particularly within its operations and manufacturing teams. This includes conducting Small Group Activities (SGA), organizing *Kaiizen* (a Japanese word means improvement) events, managing *Monozukuri* activities, providing Lean Champion Training, establishing Value Stream Mapping (VSM), and enhancing the Quality Management System (QMS), among other efforts.

iii. Safety & Integrity

In the area of Safety & Integrity, Kaneka Malaysia, guided by the tagline 'Safety First,'

prioritizes the safety of all stakeholders, processes, and the environment above all else. This commitment ensures that safety considerations are at the forefront of all operations and decision-making. Numerous initiatives have been implemented to emphasize the importance of safety and health including the integrating medical surveillance and annual check-ups, conducting yearly audiometric tests, implementing medical intervention programs for ergonomic issues, and engaging in Control of Industrial Major Accident Hazards (CIMAHA) activities with local communities, nearby schools, neighbouring plant and Gebeng Emergency Mutual Aid (GEMA), among other efforts.

3. Governance

Move to the main scope of Governance, which encompasses the sub-scopes of Anti-Bribery and Anti-Corruption (ABAC), Financial and Corporate Governance, and Compliance.

i. Anti-Bribery and Anti-Corruption (ABAC)

This includes implementing rigorous policies and procedures to prevent bribery and corruption, such as establishing an Anti-Bribery and Anti-Corruption (ABAC) Risk Framework and continuously reviewing and updating the Anti-Bribery Management System (ABMS).

ii. Financial and Corporate Governance

To ensure transparent and accountable financial management, Kaneka Malaysia organizes several key activities, including annual financial year-end closing with external auditor for statutory audits (SSM), annual returns, and financial reporting filing requirements with Suruhanjaya Syarikat Malaysia (SSM) through the company secretary; company annual tax computation with tax consultant for annual tax filing with the Inland Revenue Board (IRB); reporting employees' remuneration and company manpower movement for the year to the IRB; monthly submission and payment of imported service tax to the Royal Malaysian Customs Department (RMCD); Transfer Pricing Documentation (TP Doc) preparation with external consultant; monitoring compliance with company tax incentive conditions; implementing e-Invoice systems; and assessing the impact of the Global Minimum Tax implementation scheduled for 2025.

iii. Compliance

To comply with all relevant legal and regulatory requirements and maintain effective internal control measures, Kaneka Malaysia undertakes the following key activities, including bi-annual Compliance Committee Meetings (CCM) for self-assessment of compliance status; annual compliance with Japan Sarbanes-Oxley (JSOX) requirements through internal

control self-assessment reviews, with submissions to Kaneka Corporation; establishing and maintaining Risk Management practices; enhancing Kaneka's internal controls through regular internal audit reviews and updating the Delegation Authority Table (DAT) to reflect current and best practices; promoting a business culture of integrity and ethics by providing training and raising awareness among employees on legal matters, compliance policies, procedures, and Anti-Bribery and Anti-Corruption (ABAC) practices.

Contributions and Initiatives towards Sustainable Development Goals (SDGs)

Kaneka Malaysia has selected 8 out of the 17 United Nations Sustainable Development Goals (SDGs) where we believe our sustainability efforts can have the greatest impact. These goals are aligned with Kaneka Malaysia core values and strategic objectives, reflecting the commitment to advancing environmental stewardship, social responsibility, and economic growth.

1. Environmental

The Environmental scope of Kaneka Malaysia's sustainability efforts aligns with several United Nations Sustainable Development Goals (SDGs). By aligning our environmental initiatives with these SDGs, Kaneka Malaysia demonstrates its commitment to addressing global environmental challenges and contributing to a more sustainable future.

Goal 7 - Affordable and Clean Energy: Kaneka Malaysia is committed to advancing energy efficiency and investing in renewable energy sources. Our initiatives include implementing energy-saving technologies and optimizing energy use across our operations to reduce our carbon footprint and support the transition to clean energy.

Goal 12 - Responsible Consumption and Production: We focus on minimizing waste and enhancing resource efficiency through initiatives such as recycling programs, sustainable sourcing, and reducing the environmental impact of our production processes. Our aim is to promote a circular economy and ensure responsible management of resources.

Goal 13 - Climate Action: Kaneka Malaysia actively works to mitigate climate change by setting and pursuing ambitious greenhouse gas (GHG) reduction targets. We engage in activities such as improving energy efficiency, reducing emissions, and supporting projects that contribute to carbon neutrality.

Goal 14 - Life Below Water: Our environmental practices include measures to prevent pollution and manage waste effectively to protect marine ecosystems. We ensure that our operations adhere to stringent regulations to minimize any potential impact on aquatic environments and

promote sustainability in our supply chain.

2. Social

Kaneka Malaysia's social sustainability programs are closely aligned with several United Nations Sustainable Development Goals (SDGs). By integrating these goals into our initiatives, we demonstrate our dedication to making a significant impact on the well-being of our employees, fostering the development of our local communities, and setting higher standards within our industry.

Goal 3 - Good Health and Well-being: Kaneka Malaysia is dedicated to promoting the health and well-being of our employees and communities. We implement comprehensive health and safety programs, including regular health screenings, ergonomic assessments, and mental health support initiatives. Additionally, we engage in community health outreach and support local health programs.

Goal 4 - Quality Education: We are committed to fostering education and skill development through various programs. This includes offering training and development opportunities for our employees, supporting educational initiatives in local communities, and collaborating with educational institutions to enhance learning opportunities and career readiness.

Goal 8 - Decent Work and Economic Growth: Kaneka Malaysia focuses on creating a safe and inclusive work environment that promotes economic growth. We ensure fair labor practices, provide opportunities for career advancement, and support workforce development. Our initiatives include competitive compensation, employee development programs, and efforts to drive innovation and productivity in our operations.

Goal 9 - Industry, Innovation, and Infrastructure: We invest in technological innovation and infrastructure to drive industry advancement. Kaneka Malaysia is committed to enhancing our manufacturing capabilities, investing in cutting-edge technologies, and fostering a culture of innovation. Our efforts support the development of sustainable and efficient industry practices, contributing to overall economic growth and infrastructure improvement.

3. Governance

Additionally, governance plays a crucial role across all Sustainable Development Goals (SDGs), as it provides the framework for effective implementation and monitoring. Strong governance ensures transparency, accountability, and integrity, which are essential for achieving the SDGs. It

involves establishing clear policies, robust systems, and ethical practices to guide decision-making and operational effectiveness. By embedding good governance into all aspects of our operations, we can ensure that our efforts are aligned with global standards, resources are used efficiently, and progress towards each goal is tracked and achieved effectively.

Kaneka Malaysia will continuously implement a range of ESG initiatives to align with Sustainable Development Goals, aiming for a better future. This commitment reflects our dedication to adhering to established standards and practices, ensuring that our efforts contribute effectively to global sustainability objectives. Our efforts will focus on not only meeting but exceeding the expectations set by these standards, ensuring that our initiatives contribute meaningfully to both local and global sustainability objectives. Through these measures, Kaneka Malaysia seeks to create lasting value, support the transition to a more sustainable economy, and reinforce our role as a responsible corporate leader.

Engagement with Kaneka ASEAN on ESG and SDGs

In addition to Kaneka Malaysia, the Kaneka presence in the ASEAN region includes Kaneka Singapore, Kaneka Vietnam, Kaneka Thailand, Kaneka Foods Indonesia, and Kaneka Philippines. Kaneka Malaysia's vision to become the Center of Excellence for ASEAN is reinforced by our headquarters through the Manufacturing Global Center Division of Kaneka Corporation. Beginning in June 2024, we will be tasked with supporting ASEAN manufacturing activities, thereby strengthening our role in the region.

As noted, within the Social scope for continuous improvement, Kaneka Malaysia manages the internal team involved in *Monozukuri* activities and the annual competition, which is organized by Kaneka Corporation (HQ) in Japan. The term *Monozukuri* is a Japanese concept that signifies the art of manufacturing. Kaneka Malaysia has won the *Monozukuri* Competition several times, which has led Kaneka Corporation (HQ) to request our assistance for Kaneka teams in Thailand, Vietnam, Singapore, and Indonesia. Kaneka Malaysia will support Kaneka teams across the ASEAN region by sharing success stories, auditing processes, and offering recommendations for improvement. This collaboration also provides Kaneka Malaysia with valuable insights from our ASEAN counterparts, fostering collective enhancement of practices.

Some of Kaneka Malaysia's initiatives that began in 2023 and will continue in the coming years include safety assessments and consultancy led by our Safety, Health, Environment, and Quality (SHEQ) Division Head at Kaneka Foods Indonesia, as well as ESG and Safety Audits conducted by our Manufacturing Division Heads at Kaneka Thailand and Kaneka Foods Indonesia. Additionally,

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the Kaneka Malaysia *Monozukuri* team is actively planning and organizing a series of collaborative projects, including improvement initiatives, digitalization efforts, and more, to be carried out with Kaneka Indonesia in 2024, Kaneka Singapore in 2025, and Kaneka Thailand in 2026. These projects aim to enhance manufacturing practices, share best practices, and drive continuous improvement across the ASEAN region, leveraging our expertise to foster innovation and achieve operational excellence in each location.

A potential collaboration with Kaneka in the ASEAN region could focus on ESG Reporting Standardization. We seek to understand their insights on ESG Reporting, including their current status and future plans. Whether they are just beginning, planning to start, or have already published their reports, we can exchange perspectives and ideas on the ESG Reporting framework. This discussion will support our main research topic for our upcoming paper on ESG Reporting Standardization.

To support Kaneka Malaysia's vision of becoming the Center of Excellence for ASEAN, we are committed to actively pursuing opportunities to establish and strengthen collaborative partnerships with Kaneka across the ASEAN region. By working closely together, we aim to enhance our mutual capabilities and drive innovation. Our focus will be on developing joint initiatives that promote sustainability, operational excellence, and technological advancement. We will engage in open dialogue to align our goals, share insights, and leverage each other's strengths. Through these collaborative efforts, we seek to foster long-term relationships that contribute to continuous improvement, create value for all stakeholders, and support Kaneka Malaysia's ambition to lead and excel in the ASEAN market.

Challenges in Standardizing ESG Reporting

Kaneka Malaysia plans to undertake an in-depth study and research on ESG Reporting Standardization by focusing on Malaysia, examining how companies there approach ESG reporting and which frameworks and standards they use. Once we have a thorough understanding of the Malaysian landscape, we will broaden our study to include the entire ASEAN region. This phase will involve comparing practices across different countries to identify common trends and variations.

Our research will review the most commonly adopted standards and frameworks, assessing their effectiveness and relevance. We will analyse which practices are considered best-in-class and how they are implemented by companies. This will help us identify successful strategies and areas for

improvement. After gaining insights from Malaysia and the ASEAN region, we will expand our scope to an international level. This will involve comparing our findings with global practices and standards to provide a comprehensive overview of ESG Reporting Standardization. The goal is to develop a well-rounded understanding of best practices and offer recommendations for companies looking to enhance their ESG reporting efforts.

Establishing a universal ESG reporting standard is challenging due to diverse regulatory environments, industry-specific needs, and varying regional contexts. Different countries have their own regulations, and industries face unique ESG impacts, from environmental issues like water scarcity or air pollution to social concerns shaped by cultural and socio-economic factors. Additionally, varying levels of data availability and reporting practices across regions further complicate the development of a one-size-fits-all standard. As such, creating a global ESG reporting framework requires balancing global consistency with the flexibility to address these regional and sector-specific differences effectively.

According to a 2021 World Economic Forum article, a survey by Diligent and OCEG found that fewer than half of organizations have a formal ESG program, and less than 10% are very confident in their ESG capabilities. Additionally, over half of the organizations do not publish any ESG metrics, and only 9% use software for ESG data collection and reporting. These results suggest that many organizations struggle with managing and using ESG data effectively (World Economic Forum, 2021).

An article from Bedford Consulting (2024) highlights that the ESG landscape is becoming increasingly complex. As a result, organizations are encountering challenges with consistent reporting, managing multiple reporting frameworks, assessing the impact of ESG initiatives, and identifying and quantifying ESG risks (Bedford Consulting, 2024).

Meanwhile, another article from Watchwire by Tango (2023) points out that the ESG landscape faces significant challenges, spanning from reporting strategies to ideological issues. These complexities include the absence of standardized practices, a swiftly changing environment, data inaccuracies, greenwashing, political backlash, and the rise of the anti-ESG movement (Watchwire by Tango, 2023).

As Larry Bradley (2022) notes, ESG disclosures need to be easily comparable across companies to enable meaningful comparisons for investors and stakeholders. Aligning global ESG standards is crucial, particularly for companies operating in multiple regions. For example, a US company with operations in the EU or one with dual listings faces significant challenges if it must report under

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different standards, requiring considerable effort in managing systems, processes, and governance. It is essential to avoid discrepancies between standards, and regulators are focusing on achieving alignment with interoperability as a key goal. While progress is being made, ongoing collaboration is crucial to ensure ESG reporting remains effective and valuable for all.

Thus, from the articles, the key similarities in challenges that organizations should focus on include: standardization and frameworks, consistency in reporting, data accuracy, external pressures and impact assessment. One of the primary challenges we aim to explore further is standardization and frameworks. This is a crucial area of focus, as many companies, including Kaneka Malaysia, are preparing to publish their first ESG reports. It is essential to adopt best practice frameworks that are easy to comply with and align with both national and international standards.

Conclusion

In conclusion, by sharing Kaneka Malaysia's contributions toward ESG and SDGs, we aim to demonstrate our commitment to aligning with global intentions and government requirements in these critical areas. Our efforts reflect a dedicated approach to sustainability, transparency, and corporate responsibility, ensuring that our practices not only meet but exceed both local and international standards. Through these initiatives, we strive to contribute positively to the global sustainability agenda and support the advancement of meaningful environmental and social outcomes.

Our next research study will focus on a more detailed examination of ESG reporting standardization. We will delve into the various frameworks and standards utilized across different regions and industries, analysing their effectiveness and challenges. Our research will aim to identify best practices, frameworks, and standards, while also proposing recommendations for achieving greater consistency and transparency in ESG reporting. By examining these complexities, we strive to provide valuable insights that can aid in the development of more universally applicable standards, ultimately benefiting companies and stakeholders worldwide.

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