Best Practices of Sustainability Reporting Among SMEs in the ASEAN Region

Safetyware Group Berhad: Sustainability Reporting as a Driver of Organisational Change

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Overview of Malaysia's SME and Sustainability Reporting Landscape

Small and medium-sized enterprises (SMEs) are vital to Malaysia's economic growth, accounting for approximately 97.2% of all business establishments and contributing significantly to employment, gross domestic product (GDP), and exports. The majority of SMEs operate in the services sector, particularly in retail, restaurants, transportation, and wholesale trade, while manufacturing remains the second-largest sector.

Despite their economic importance, Malaysia's exports are still dominated by large businesses, highlighting the challenges SMEs face in integrating into the global supply chain. According to the 2022 World Bank report, less than 5% of small businesses have exported more than 10% of their total sales. Key barriers include lower adoption of digital technologies and business innovations compared to SMEs in other ASEAN countries, limited technical and management capabilities, and reliance on informal funding sources that constrain growth potential.

Amidst the significant presence of SMEs in the economy, the government has not mandated them to measure or report their ESG impacts. Sustainability reporting remains compulsory only for publicly listed companies since 2016. However, the government and various agencies have introduced several guidelines to help businesses, including SMEs, start their reporting journey. For example, Capital Markets Malaysia's Simplified ESG Disclosure Guide (SEDG) and Bursa Malaysia's Sustainability Reporting Guide. The latter offers the fundamentals of sustainability reporting for businesses that can help SMEs learn the basics of reporting.

About Safetyware

Safetyware Group Berhad (henceforth "Safetyware"), a Malaysian mid-sized Personal Protective Equipment (PPE) manufacturer, integrates Environmental, Social, and Governance (ESG) principles to enhance employee welfare, environmental management, and community engagement. Established to strengthen workplace safety, the company provides a wide range of high-quality protective gear, from head-to-toe safety equipment to hygiene and environmental protection products.

Aligning with the Global Reporting Initiative (GRI), Malaysia's Department of Safety and Health (DOSH) regulations, and the UN Sustainable Development Goals (SDGs), Safetyware has made significant progress in several key focus areas. They are (1) occupational health and safety, (2) energy and emission reduction, (3) water and waste management, (4) diversity and inclusion, and community engagement.

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The company's inaugural sustainability report, published in 2023, highlights ESG progress over the year and sets targets for the next. The report uses GRI Standards with an "with reference" approach and the UN SDGs framework to demonstrate how a Malaysian mid-sized company measures and communicates its local impact through global standards and frameworks.

Figure 1.

Company Information (as per 31 December 2023)	
Name	Safetyware Group
Year of Establishment	2003
Structure	▪ 7 subsidiaries (Malaysia, Singapore, Australia, and China) ▪ 2 factories in Malaysia
Headquarter Address	Plot 237, Lengkok Perindustrian Bukit Minyak 3, Bukit Minyak Industrial Estate, 14100 Simpang Ampat, Penang, Malaysia.
Category	Medium-sized business
Market Coverage	Serving over 10,000 corporate customers and resellers in over 35 countries.
Yearly Revenue	35,109, 082 billion RM

Reporting Motivation

Four primary factors drove Safetyware's decision to embark on sustainability reporting:

- **Consumers' Demand**
  Safetyware's key clients, predominantly multinational corporations (MNCs), have increasingly mandated ESG compliance from their suppliers. By embracing sustainability reporting, Safetyware ensures its continued competitiveness in the global value chain, maintaining partnerships with European buyers who prioritize responsible sourcing and transparent ESG commitments. The most prominent ESG issues the MNCs seek for the company to disclose are environmental management and safety.

- **Company's Expansion of Value**
  As a leading PPE and safety product manufacturer in the Asia-Pacific region, Safetyware recognizes that its purpose extended beyond safeguarding communities through its products. The company seeks to integrate ESG (Environmental, Social, and Governance) considerations into its business model, making sustainability an intrinsic part of its corporate values. This alignment is a step toward greater business meaning and long-term resilience.

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- **Regulatory Changes**
  The evolving regulatory landscape in Malaysia prompted Safetyware to be proactive. Anticipating that sustainability reporting will soon become a standard practice, the company chose early adoption to stay ahead of compliance requirements. This strategic move aims to strengthen Safetyware's market position, particularly when other medium-sized businesses might struggle with adaptation.

- **Alignment with Environmental and Safety Management Goals**
  Since 2023, Safetyware has been working toward obtaining ISO 45001 (Occupational Health and Safety) and ISO 14001 (Environmental Management Systems) certifications. Sustainability reporting provides a structured framework for tracking and compiling relevant environmental and safety data. This approach not only streamlines compliance with ESG requirements but also facilitates progress toward ISO certification, efficiently addressing multiple goals simultaneously.

By reporting earlier than other medium-sized businesses, Safetyware positions itself as a forward-thinking industry leader, reinforcing its competitive advantage and long-term sustainability commitments.

> "We're not just looking at sustainability as a trend—
> we see it as a long-term commitment to better business practices."
> **Chief Compliance Officer, Agnes Tan**

Reporting Preparation and Process

Safetyware's sustainability reporting journey was spearheaded by Chief People Officer Agnes Tan, who actively participated in external sustainability reporting training programs. Her exposure to international best practices in ESG and sustainability reporting led her to review the GRI Standards, along with ISO 45001:2018 standards. She believed these three standards would provide robust guidance for strengthening the company's core focus on health and safety while creating opportunities to expand into broader areas, including employee welfare and environmental protection.

After reviewing those standards, Ms. Tan began to plan the milestones to start the reporting process, as follows:

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Forming a Cross-Department Sustainability Reporting Team

Assembled and led by Ms. Tan, the team comprised representatives from key departments to be involved in the reporting process. They came from Human Resources, Technical, Finance, Quality, Safety, and other departments, assisting Ms. Tan in compiling the information to fulfill the GRI Standards' requirements.

Conducting Stakeholder Engagement

The team identified Safetyware's main stakeholders, mapping their concerns based on available records and resources. For instance, as the company always conducted regular employee training and events, the team utilised the insights gathered from those events to know the key ESG areas the employees were most concerned about.

Figure 2.
Prioritised Stakeholder Groups and Sources of Insights

Stakeholder Groups	Source of Insights to Gather ESG Concerns
Employees	Employee training and events
Business Partners (incl. buyers)	Partner surveys and regular interactions
Customers	Customer feedback
Regulators	Results from regulatory audit and regular review of Bursa Malaysia's regulation

Aligning Stakeholders' Concerns with the GRI Standards' Disclosures

Using insights gathered from various sources, the team mapped the stakeholders' concerns to help inform which ESG topics are material to the company and aligned them with relevant GRI disclosures.

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Figure 3.
Examples of the Material Topics and Corresponding GRI Disclosures

Material Topics Based on the stakeholder's concerns as one of the approaches highlighted here)	GRI Disclosures
Energy and GHG Emissions Reduction *(Concerns from employees, regulators, and business partners)*	302-1 - Energy consumption within the organization 305-5 - Reduction of GHG emissions
Water and Waste Management *(Concerns from employees, regulators, and business partners)*	303-3 - Water withdrawal 306-2 - Management of significant waste-related impacts
Occupational Health and Safety *(Concerns from employees, regulators, and business partners)*	403-5 - Worker training on occupational health and safety 403-6 - Promotion of worker health 403-9 - Work-related injuries
Diversity and Inclusion *(Concerns from employees and business partners)*	405-1 - Diversity of governance bodies and employees
Community Engagement *(Concerns from employees)*	413-1 - Operations with local community engagement, impact assessments, and development programs

Assessing Available Data Sources

Based on the ESG concerns raised by stakeholders, the team identified relevant GRI Standards' disclosures to guide the measurement of progress. Following this, they reviewed potential data sources to track performance over time. Below is the list of data sources used to measure ESG performance.

Figure 4.
Examples of Data Sources

ESG Focus Areas	Data Sources
Electricity and GHG Emissions	▪ Electricity bills ▪ Solar panel usage meters
Occupational Health and Safety	▪ Record of work-related injuries and fatalities ▪ Record of safety training
Community Engagement	Attendance sheet used for Corporate Social Responsibility (CSR) programs.

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Waste Management	Monthly scheduled waste reports submitted to the Department of Environment
Diversity and Inclusion	▪ Employee data ▪ Record of maternity staff

Developing a Data Collection System

The team developed an Excel-based tracking system that served as a standardised template for each ESG disclosure and assigned responsibilities for relevant documents to facilitate information compilation. Ms. Tan then reviewed the compiled data by cross-checking it with the records to ensure accuracy and alignment with the requirements of the GRI Standards.

Figure 5.
List of Material Topics, GRI Disclosures, and Information Disclosed

Material Topics	GRI Disclosures	Information Disclosed in the Reports
Energy and GHG Emissions Reduction	302-1 - Energy consumption within the organization 305-5 - Reduction of GHG emissions	▪ Total energy consumption within the organisation generated by solar energy. ▪ Total emission reductions from energy efficient LED and equipment installed.
Water and Waste Management	303-3 - Water withdrawal 306-2 - Management of significant waste-related impacts	▪ Total water used from rainwater harvesting system that reduced the consumption of municipal water. ▪ Overview of waste management.
Occupational Health and Safety	403-5 - Worker training on occupational health and safety 403-6 - Promotion of worker health 403-9 - Work-related injuries	▪ Number of safety training programs for employees. ▪ Overview of employee health programs. ▪ Number of employee fatalities/injuries
Diversity and Inclusion	405-1 - Diversity of governance bodies and employees	▪ Number of female leaders in the Executive role and above.
Community Engagement	413-1 - Operations with local community engagement, impact assessments, and development programs	▪ Number and description of activities of tree planting and community empowerment
Governance and Compliance	2-27 - Compliance with laws and regulations	▪ Type of regulation complied.

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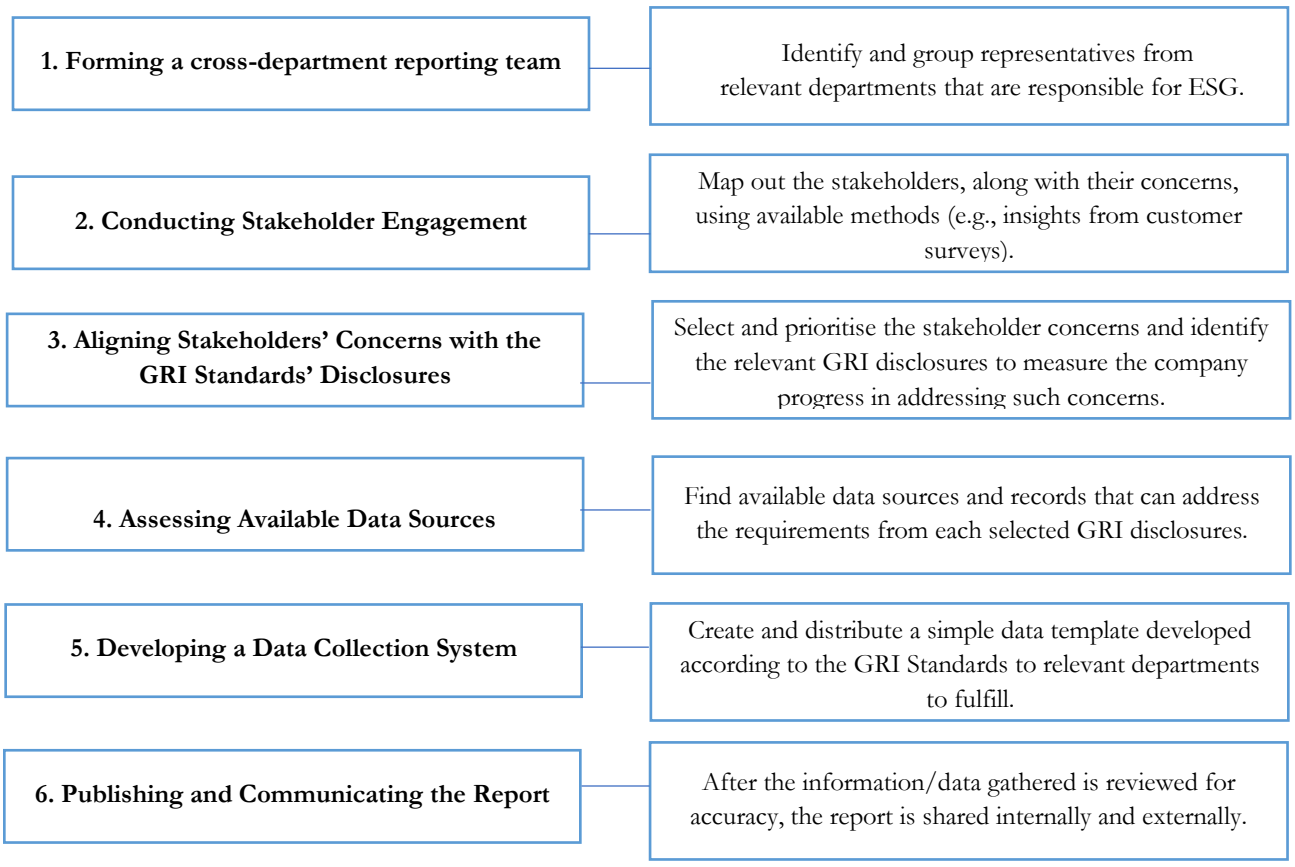
Publishing and Communicating the Report

Once the report was ready, Ms. Tan shared it internally with employees and management first to present the state of the company's ESG and the targets it was geared towards next year. The report was then made available on the company website and presented to clients and investors to highlight its ESG commitment.

> Sustainability reporting doesn't have to be overwhelming if you start small and keep it practical. By building on the data we already track, streamlining reporting across departments, and integrating ESG into our daily operations, we're making sustainability part of our business—not just a yearly report.
>
> **Chief Compliance Officer, Agnes Tan**

Below is the illustrative summary of the reporting process:

Figure 6.
Pathways to Sustainability Reporting



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Reporting Challenges and Solutions

Safetyware faced several challenges during the reporting process, calling for practical solutions to address them quickly. They included:

Inconsistent ESG Data Tracking

Initially, gathering consistent and accurate ESG data from different departments was a challenge. The team then developed a structured tracking system using the Excel Sheet to monitor the progress of data collection regularly.

Low Employee Engagement

Not all employees possessed a good understanding of ESG since the issue was relatively new to them. As a result, some were not enthusiastic about the reporting process and saw the data collection process as another workload. To address this, the team held awareness sessions to sensitise them with ESG knowledge and linked their participation in the reporting with their Key Performance Indicator (KPI).

Resource Constraints

Limited manpower and financial resources served as a barrier to comprehensive sustainability reporting. However, the team began to align sustainability reporting with attempts to obtain the ISO certifications, efficiently addressing multiple activities and goals simultaneously.

Post-Reporting Changes and Initiatives

High Engagement of Employees with ESG and GRI Standards

Safetyware's sustainability report enhances employees' knowledge of ESG, helping them better understand their role in supporting the company's sustainability efforts. As they become more knowledgeable about ESG principles, employees also learn to align their social and environmental initiatives with the GRI Standards. In practice, this means that employees actively select relevant GRI disclosures to measure ESG performance, set targets for improvement, and track progress to be reported in the next sustainability cycle.

For example, some employees proposed the idea of harvesting rainwater to reduce overall water consumption. Then, they applied GRI 303: Water and Effluents 2018 to measure its impact, tracking the amount of water saved and ensuring the data aligns with sustainability reporting standards. This initiative demonstrates how employees, empowered by sustainability reporting, take ownership of ESG focus and integrate it into their daily operations. Another example comes from the initiative of employees to start measuring waste channelled and gathered into the company's storage using the

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GRI 306: Waste 2020. Again, this demonstrates the strength of combining ESG awareness with the GRI Standards—ESG measurement and management are integrated into existing business practices.

Communication Strategies to Instill Awareness and Behavioral Change among Employee All ESG performance is not merely documented in the report—it translates into tangible actions within the company. In collaboration with other departments, the sustainability reporting team actively promotes awareness through campaigns using posters and videos displayed in the office. These materials educate employees on key ESG topics, such as proper recycling methods, energy-saving practices, and the importance of diversity and inclusion.

This initiative is part of the ongoing transformation driven by sustainability reporting. By continuously reinforcing ESG principles in the workplace, Safetyware ensures that sustainability becomes an integral part of the company's culture rather than just a compliance exercise.

Instilling ESG as Employees' Key Performance Indicators (KPI)

Superware promotes ESG governance by incorporating ESG into employees' KPIs. For instance, the company prioritizes occupational health and safety, aiming for zero accidents, and employees are scored based on their adherence to safety protocols, with points deducted for non-compliance.

Cost and Benefits of Sustainability Reporting

The primary cost was the time team members and departments invested in preparing the report. However, beyond the earlier post-reporting changes, Safetyware believes the benefits far outweigh these costs. The key advantages include:

- **Tangible Outcome (Cost Savings):** By precisely measuring energy consumption, installing solar panels, and implementing regular energy efficiency campaigns, Safetyware successfully reduced electricity costs. This structured approach, driven by sustainability reporting, has helped the company identify and eliminate unnecessary energy waste.

- **Securing Business Opportunities with MNCs:** ESG-focused multinational clients view Safetyware as a responsible and proactive company, strengthening existing partnerships. Additionally, the company has observed that some MNCs are beginning to prioritize Safetyware in their search for new business partners, recognizing its commitment to sustainability.

- **Stronger Brand Reputation:** As an early adopter of sustainability reporting, Safetyware has increasingly more confident about its its competitive edge among other mid-sized companies. This proactive move not only enhances brand credibility but also positions the company as a preferred sustainable supplier in the market.

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Future Reporting Strategy

In its first sustainability report, Safetyware set ambitious ESG targets for 2024, including "increasing solar energy usage by 20%" and "achieving 50% female leadership representation". According to Ms. Tan, the leader of the sustainability reporting team, these targets were initially formulated as part of a learning process. As ESG data was collected, the team benchmarked against industry peers to refine their goals. Now, these targets are undergoing further recalibration through the following reporting and organisational strategies:

- **Achieving ISO 45001: 2018 Certification**
  In the short term, Safetyware aims to obtain certifications in occupational health and environmental management while continuing to align its reporting with GRI Standards and UN SDGs. These certification and reporting processes are deeply interconnected, as they both require structured data collection and performance measurement. By leveraging this data, Safetyware plans to translate insights into concrete actions, such as expanding solar energy installations and strengthening recycling initiatives.

- **Expanding ESG-Focused Training and Networking**
  Safetyware is committed to deepening employees' understanding of ESG by offering targeted training programs and facilitating engagement in sustainability networks. This approach combines formal education with informal learning opportunities, exposing employees to both conceptual frameworks and practical solutions. By connecting with external ESG communities, employees can adopt best practices from other organizations, strengthening Safetyware's sustainability culture. This approach is geared towards preparing the employees to work on automating ESG data tracking system in the future.

- **Partnering with External Consultants**
  To enhance reporting quality and support its certification efforts, Safetyware plans to collaborate with external consultants. These experts will help align sustainability reporting with GRI, ISO standards, and Bursa Malaysia's ESG disclosure requirements. Additionally, consultants will assist in developing a more robust internal ESG data tracking system, ensuring long-term reporting accuracy and efficiency. This strategic move will provide Safetyware with a competitive edge in the industry.

In Short

Throughout its voluntary reporting process, Safetyware has not only utilized the GRI Standards to identify ESG topics and corresponding measurement indicators but has also continuously adjusted its operations to align with sustainability goals. The reporting team takes an iterative approach, ensuring that ESG integration is both strategic and practical.

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Several key factors have contributed to the success of Safetyware's sustainability reporting:

- **Start with What You Have**
  Safetyware leveraged its existing safety, compliance, and operational data as a foundation for ESG reporting, ensuring a smooth and efficient transition without unnecessary complexity.

- **Stakeholder Engagement is Everything**
  Customers, employees, and business partners increasingly expect Safetyware to improve their performance in specific ESG topics. Safetyware recognizes that meaningful engagement with these stakeholders is critical to shaping its ESG focus.

- **Keep It Simple**
  Instead of addressing every ESG aspect simultaneously, the company prioritized the material topics most aligned with the stakeholders' concerns.

- **ESG is a Business Tool, Not Just a Report**
  Sustainability reporting is not only a compliance exercise. Instead, it is a strategic tool for optimizing operations, improving efficiency, reducing costs, and fulfilling stakeholder expectations.

References

The World Bank. (2022). *Malaysian SME Program Efficiency Review*. Retrieved from https://documents1.worldbank.org/curated/en/099255003152238688/pdf/P17014606709a70f50856d0799328fb7040.pdf

Recommended Learning Resources

- **Capital Markets Malaysia's Simplified ESG Disclosure Guide (SEDG)**
  This tool provides a tailored guide for SMEs to disclose their ESG performance that aligns with global standards/frameworks and local reporting requirements. The sectoral guides feature specific ESG disclosure guidelines for SMEs from the significant sectors in Malaysia's economy, such as Energy, Transport and Logistics, Construction and Real Estate, Agriculture and Manufacturing.

- **UN Global Compact Network Malaysia's SME ESG Hub**
  This website provides free online ESG resources for SMEs to start planning, implementing, and communicating their ESG initiatives.

- **SME Corp Malaysia**
  As the central coordinating agency for SMEs under Malaysia's Ministry of Entrepreneur and Cooperatives Development, SME Corp Malaysia's website offers free and accessible guidance

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for SMEs to assess their competitiveness and digital and technology skills and apply for a grant.

- **Sync's Guide for Malaysian SMEs for Government Grants and Financing Programs**
  The webpage lists various government grants and financing aid programs for SMEs that have been available since 2024, along with the program descriptions and eligibility criteria.

- **Malaysia External Trade Development Corporation**
  As part of Malaysia's National Trade Promotion Agency, the organisation has introduced the Market Development Grant (MDG) for SMEs to assist exporters in promoting Malaysian products and services internationally. The application timeline and eligibility criteria are available on the webpage.

- **Malaysian Investment Development Authority**
  Besides free information on how to set up businesses in Malaysia, the website also includes information on various grant programs, including the Domestic Investment Accelerator Fund (DIAF) – ESG Adoption, which aims to help SMEs in the manufacturing and selected service sectors for the transition into ESG practices.

Workshop Questions

The following are potential discussion questions to be used to guide SMEs in preparing their pathways to sustainability reporting.

1. Safetyware adopted sustainability reporting ahead of regulatory requirements. What competitive advantages can early adopters of ESG reporting gain? To what extent would early adoption influence your organisation's competitive advantages?
2. Who are the most relevant stakeholders in Safetyware's sustainability reporting process? What are their main concerns? How would addressing these concerns help Safetyware achieve both business and sustainability objectives?
3. If you were responsible for selecting the most relevant disclosures for Safetyware, which would you prioritize and why? How would these disclosures shape the company's sustainability goals and future strategies?
4. Safetyware identified key ESG focus areas based on regulatory trends and customer requirements. Beyond compliance, how can ESG initiatives create long-term value for the company? What ESG focus areas would you prioritize for your own company, and in what way could they enhance your long-term value ?
5. Safetyware's sustainability reporting strategy aligns with ISO 45001 and ISO 14001. What are the advantages of integrating sustainability reporting with other management systems? What challenges might arise in merging sustainability data collection with certification requirements?
6. Ensuring data availability and credibility is essential in sustainability reporting. If external verification were not an option, what alternative methods could be used to ensure data accuracy? Learning from Safetyware's data checking, what internal processes could you strengthen to improve data availability and reliability over time?

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7. Beyond training, how can companies foster a culture where employees actively contribute to sustainability initiatives? What mechanisms could be introduced to ensure that employee-led sustainability efforts are sustained and impactful over time?

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Best Practices of Sustainability Reporting Among SMEs in the ASEAN Region

Rorokenes: Turning Sustainability Reporting into a Powerful Branding Strategy

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Overview of Indonesia's SME and Sustainability Reporting Landscape

Small and Medium Enterprises (SMEs) play a critical role in Indonesia's economy. Over 64 million SMEs in Indonesia have contributed around 60% to Indonesia's Gross Domestic Product (GDP) and absorb approximately 97% of the national workforce, underlining their significant contribution to employment and economic growth (Coordinating Ministry of Economic Affairs, 2022).

Indonesian SMEs primarily operate in the agriculture, food and beverage processing, textiles and garments, handicrafts, furniture, and information technology sectors (Statistics Indonesia, 2023). Creative industries such as fashion, crafts, and digital content are experiencing rapid growth, driven by increasing domestic and international demand, as well as the rapid penetration of technology in society.

Despite their positive contributions and potential impacts on the environment from their operations, sustainability reporting is not made mandatory for SMEs. The Financial Service Authority's Regulation on sustainability reporting only requires financial service institutions and publicly traded companies to disclose sustainability performance annually. Equally importantly, from GRI's engagements with local SMEs, many SMEs still have a limited understanding of sustainability and lack the capacity to measure the impacts. Further, their focus on business continuity often overshadows sustainability concerns. However, some local SMEs have started to develop sustainability reports for various strategic reasons, including branding and marketing purposes and attracting overseas markets or broader consumers.

About Rorokenes

As an Indonesian small business in Semarang, Rorokenes is well-known for its handcrafted leather goods and crafts. Its product lines include leather and woven leather bags mainly targeted at urban women aged between 28 (twenty-eight) and 45 (forty-five) years old.

Rorokenes has grown steadily over the last three years, recording IDR 3.5 billion in sales in 2023, up from IDR 2.08 billion in 2021. Currently, it employs 14 (forty) permanent staff and 22 (twenty-two) outsourced workers, predominantly from around Semarang, reflecting its mission to empower local community members.

Since 2021, Rorokenes has been reporting on its ESG performance and impact through sustainability reporting using the Global Reporting Initiative (GRI) Standards. In its reports, the brand highlights traditional Indonesian artistry in its designs while prioritizing product durability and sustainability impacts from its operations. These core values underpin the organization's sustainability framework, built around four interconnected pillars: environmental impact, gender equality, and employee welfare, product longevity and customer care, and local community empowerment.

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Figure 1.

Company Information (as per December 2023)	
Name	CV. Janitra Abadi Berkah (Rorokenes)
Year of Establishment	2014
Founder	Syanaz Nadya Winanto Putri
Address	Jl. Bukit Putri No. 17, Ngesrep, Semarang, Central Java, Indonesia
Category	Small Business
Permanent Employees	14 people (10 men and 4 women)
Workers (Outsourced)	22 people (5 men and 17 women)
Production Capacity	400 pieces of leather and woven-leather bags per month
Sales	5,000 pieces of bag (2021-2023)
Sales in Rupiah (IDR)	2023 – 3.5 billion 2022 – 2.91 billion 2021 – 2.08 billion

Reporting Motivation

Rorokenes's sustainability reporting is mainly driven by the founder's vision to create a business that balances profitability with positive ESG impacts. The founder, Syanaz Nadya Winanto Putri, is a staunch believer in business with impacts, constantly updating herself on the latest social and environmental issues. She actively seeks various capacity-building on sustainability organized by local and international organizations. She then transfers her knowledge to other SME peers and Rorokenes's employees. By doing so, she shares new developments and trends in the broader business landscape, including sustainability reporting, with her SME circle.

Before being exposed to the GRI Standards, Rorokenes did its social initiatives—for example, hiring workers from local communities and campaigns on women's empowerment—with no clear guidance and measurable indicators. Only after participating in the GRI training for SMEs in 2021 did Putri begin to adopt the standards, allowing Rorokenes to identify their ESG impacts, focus more systematically, and communicate them regularly to the public.

In Indonesia, where sustainability reporting is required only for financial institutions and publicly traded companies, Rorokenes takes a proactive approach. Beyond treating it merely as a corporate publication, Rorokenes's sustainability report serves as a moral compass and strategic guidance to monitor, evaluate, and improve whether the business operates responsibly to the stakeholders and aligns with its core values.

> "For me, as a founder, business must have positive impacts, so it is not just about the profit itself. But, [it's also about] the responsibility a business has when it operates, whether [manifesting] in customer care and or in its business process."
> **Syanaz Nadya Winanto Putri, Founder of Rorokenes**

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Strategically, Putri emphasises the reporting's external and internal functions as following:

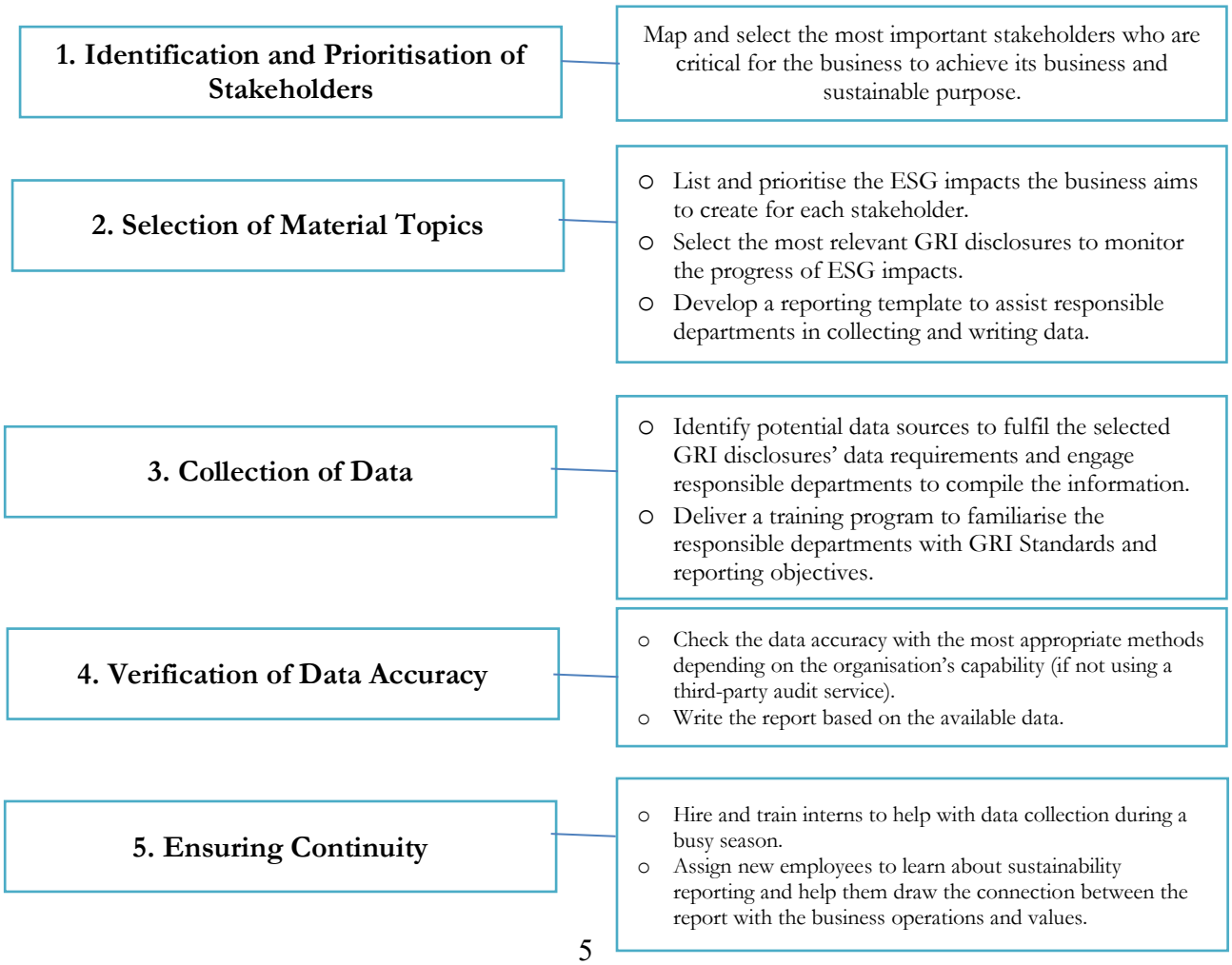
(1) Externally:
Sustainability reporting promotes transparency by informing the public about the business's progress in achieving its ESG impacts.

(2) Internally:
Sustainability supports the management in monitoring ongoing ESG and operational improvements, ensuring that performance continues to progress and does not fall behind compared to the previous year.

In this context, Rorokenes highlights the strength of sustainability reporting as a strategic tool to drive continuous improvements rather than merely communication or compliance tools. To date, it publishes a sustainability report annually from the financial years of 2021 to 2023.

> "[Sustainability reporting] is not just a report…Similar to sales or financial reports, they are a snapshot of whether our performance is better from the previous years… [and then helps] to enhance it in the forthcoming year."
> **Syanaz Nadya Winanto Putri, Founder of Rorokenes**

Figure 2.
Pathways to Sustainability Reporting



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Reporting Preparation

Rorokenes's first sustainability reporting began with identifying and prioritizing key stakeholders who could support the business in achieving its commercial and sustainability goals. This was followed by mapping the ESG (or material) topics that affected the stakeholders and equally aligned with the company's values.

Identifying Stakeholders

The founder, Putri, selected and prioritized the stakeholders Rorokenes could target as its market while educating and engaging them in its ESG mission. The main stakeholders and the rationale for selecting them were:

Figure 3.
Prioritised Stakeholder Groups

Stakeholder Groups	Rationale
Female Customers	Female customers represented the business's largest market.
Employees	Employees played a critical role in upholding and reinforcing Rorokenes's values and ensure the quality of the products.
Suppliers	Suppliers supported Rorokenes's sustainable practices through responsible sourcing that minimises environmental harm.

Based on the stakeholders mapping, Rorokenes identified potential topics and their impacts on each stakeholder.

Figure 4.
Impacts for Each Stakeholder Group

Stakeholder Groups	Impacts
Female Customers	○ The focus on female customers inspired Rorokenes to select gender equality and women's empowerment. ○ Beyond addressing customers' needs for stylish yet durable products, the business intended to leverage its social media platforms strategically—previously used only for product marketing—to educate potential and existing customers on pressing gender equality issues, particularly anti-sexual harassment and domestic violence prevention campaigns.
Employees	○ Fair remuneration was important for employee retention that helped Rorokenes to maintain its operations and product quality. ○ Training on sustainability was critical to equip the employees with applicable skills in sustainability.
Suppliers	Collaborating with responsible suppliers who provided legally obtained leather and wood helped Rorokenes to minimise environmental harm by integrating sustainability values into the supply chain.

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Mapping Material Topics

After finalizing the stakeholder list, Rorokenes mapped the ESG impacts the business aimed to create for each stakeholder, aligning them with and reinforcing the company's core values. These intended impacts are commonly referred to as "material topics." The following is the list of Rorokene's material topics and the defined sustainability objectives.

- **Environmental Impact**: Protecting the environment by sourcing sustainable materials and implementing a zero-waste strategy.
- **Gender Equality and Employee Welfare**: Ensuring fair wages, gender equality, and professional development that empower employees and local communities.
- **Product Durability and Customer Care**: Producing durable products accompanied by repair services to encourage customers to adopt sustainable consumption habits.
- **Local Community Engagement**: Collaborating with local artisans/ crafters and economically-disadvantaged women to foster women's economic empowerment and community development.

A set of indicators must be established to track progress in achieving the desired impacts over time. Rorokenes turned to and adopted specific disclosures from the GRI standards to help them monitor and disclose the progress of each material topic to the public. The GRI's disclosures below have been consistently used to disclose the impacts since Rorokenes's first sustainability report.

Figure 5.
Examples of the Material Topics and Corresponding GRI Disclosures

Material Topics	GRI Disclosures	Measurement Indicators Disclosed in the Reports
Environmental Impacts	306-3 Waste generated	Types of waste and how they are managed properly
Gender Equality and Employee Welfare	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	The list of remuneration for permanent employees that comply with the regulation
Product Durability and Customer Care	308-1 New suppliers that were screened using environmental criteria	The management approach to ensure the suppliers source legal and high-quality materials
Local Community Engagement	413-1 Operations with local community engagement, impact assessments, and development programs	The description of the community programs and the intended impacts

For Putri, who has been leading the reporting effort, the GRI Standards offer clear options, guidance, and measurement indicators of ESG impacts. However, at the same time, she also underscored the importance of adapting the standards to the industry contexts, which then allowed

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her to factor in the most relevant ESG topics in the craft industry, for example, responsible and legal sources of wood and leather. As such, GRI Standards can help businesses integrate ESG with industry requirements.

> "I don't use all the disclosures GRI Standards. [Instead] I apply the disclosures most relevant to my industry circumstances, concerns of the target markets, and the values intended to be created by Rorokenes."
> **Syanaz Nadya Winanto Putri, Founder of Rorokenes**

Reporting Process

Once the material topics and GRI disclosures were decided, Rorokenes identified the relevant data sources within each department and collaborated with them to gather the necessary information for the report. A reporting template was then provided to employees to assist them in compiling and structuring the information appropriately.

Identifying Data Sources

Internal Documentation/Bookkeeping

After deciding on the list of GRI disclosures, Putri began the report writing by identifying the departments most likely to provide the required data and information based on the GRI Standards. Thanks to Rorokenes's efficient bookkeeping processes, compiling the necessary information was relatively straightforward. Data sources such as employee payroll records (from the Administration Department), customer complaint logs (from the Marketing and Sales), material purchase invoices, or receipts from suppliers (from the Production) were readily available. Even the information of local community members engaged as its crafters (casual workers) was regularly compiled using an attendance sheet.

Employee Engagement in Data Collection

Certain information (e.g., data on waste generated) was not yet accessible when preparing the first sustainability report. This gap prompted Putri not simply to request employees to gather the missing data.

More than that, she invited and engaged them in the process. To engage the employees meaningfully, she advised them to review the GRI disclosure requirements relevant to their departments. When they faced difficulty understanding the standards, she simplified the reporting concepts and led by example.

For instance, she introduced a practical solution to address the GRI disclosure on waste, which requires organizations to categorize waste by type and management approach (e.g., waste diverted from disposal and waste diverted to disposal). She set up two trash bins—one for food waste and the other for leather waste (or other recyclable waste)—and explained how using these bins would help meet the reporting requirements. Employees have then been encouraged to recycle the leather scraps into new products and consistently measure the percentage amount of waste recycled in the reports. By doing so, she strategically used the data collection progress to facilitate the employees' behavioral changes.

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Data Verification

Although Putri has not verified the data through a third-party audit, she conducts a random screening using the most convenient methodology she was familiar with to assess accuracy during each reporting period. For example, she collaborated with the Production team to confirm the leather waste data by comparing the total material purchased against the number of products produced.

Figure 6.
Identification of Data Sources

Material Topics	GRI Disclosures	Data Sources	Responsible Department
Environmental Impacts	306-3 Waste generated	Receipts/Records: • Leather purchased • Leather used in production • Recycled leather scraps	Production
Gender Equality and Employee Welfare	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee payroll records	Administration
Product Durability and Customer Care	308-1 New suppliers that were screened using environmental criteria	Records of supplier assessments	Production
Local Community Engagement	413-1 Operations with local community engagement, impact assessments, and development programs	Attendance sheet of community members engaged as casual workers	Administration

Developing the Reporting Template and Training the Interns

Simplified and Customized Reporting Template

To ensure the continuity of the reporting process annually, Putri distributed a reporting template to all the internal departments after they were exposed to the GRI Standards. It features data tables and information/narratives (e.g., improvement strategy) to be filled for each respective GRI disclosure. Initially shared by GRI during a 2019 training session she attended, the template has evolved into a dynamic document adaptable to changing business circumstances and priorities.

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After the GRI training, Putri redesigned this template to reflect Rorokenes's material topics and the GRI disclosures selected.

Structured Report Contents Using GRI Standards

The GRI Standards have proven invaluable for Rorokenes in structuring and continuously improving the report content. Besides providing clear indicators to track and report progress, the standards offer key guidance for a business to show how it manages each ESG topic reported over time. Practically, this component enables the organisation to craft a coherent narrative about its strategies for managing and improving ESG performance in the coming years. As such, GRI disclosures contain not only quantifiable indicators but also key pointers to help the business tell its management approach and strategy for each disclosure in a structured narrative.

Integration of GRI Standards into Employee and Intern Training

To ensure the continuity of reporting in the years to come, Putri established a policy requiring new employees to review the GRI Standards and connect them with Rorokenes's core values. Notably, since 2022, she has regularly trained Rorokenes's interns on sustainability reporting and the GRI Standards. These interns, primarily undergraduate students from local universities, supported all departments in compiling data, enabling Rorokenes to complete its report even during the peak season.

> "I assigned every new employee to read and understand Rorokenes's values and tasked them to identify which GRI disclosures could address to disclose the respective values. As a result, when the employees speak to the customers, they can provide relevant, correct information about our business."
> **Syanaz Nadya Winanto Putri, Founder of Rorokenes**

Costs and Benefits of Reporting

Reporting costs can be viewed as investments, depending on how the organization links them to its sustainability and business goals. By treating reporting costs as investments, Rorokenes's commitment to ESG and sustainability reporting has led to cost savings in marketing, a stronger branding strategy, and excellent talent retention.

Treating Costs as Investments

For Putri, employee training in report preparation is an investment in organizational and behavioral change rather than an expense. She uses the GRI Standards not only to identify relevant disclosures that align with the business's core values but also to design training content that empowers employees to support the implementation of these values while cultivating the right mindsets and attitudes. If this progress is sustained, she believes it will become ingrained as a habit among employees, ultimately transforming the organizational culture. In this context, the long-term, intangible benefits far outweigh the 'costs.'

Cost Savings for Marketing and Branding

Rorokenes markets its products across various social media platforms, using stories behind the products and gender equality campaigns as key elements to strengthen its brand positioning. While many Indonesian businesses typically hire costly social media influencers to promote their

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products online, Rorokenes chooses a unique approach. The company transforms the content of its sustainability reports into social media posts by highlighting impactful and positive stories, such as the business's contributions to women's empowerment and its efforts to minimize environmental impact through its products.

Equally important to highlight is how Rorokenes redirects the cost savings from branding to support community empowerment programs. In 2023, the business offered free pap smears to 70 women in Semarang, aiming to raise awareness about female reproductive health while providing positive health benefits to economically disadvantaged women.

> "This pap-smear program demonstrates that a small business is also capable of doing a corporate social responsibility activity…[The impact is] then it creates customer loyalty."
> **Syanaz Nadya Winanto Putri, Founder of Rorokenes**

More Focused Branding Strategy

Branding requires continuous efforts to strengthen a business's values, identity, and market position to differentiate it from competitors. With the help of the GRI Standards and the experience in identifying stakeholders and material topics, Rorokenes became more focused on its key ESG areas, preventing the business from spreading itself too thin and engaging in superficial activities. In other words, focusing on a select few but important ESG topics enables the organization to become an expert in those areas, creating a stronger perception from the public around Rorokenes's brand personality and business impacts.

> "We actually wanted to do all [topics in the GRI Standards]. But, of course, we can't do them all. It is much better for us to be experts in a few areas, but we are committed to creating changes and understanding those issues deeply. [This approach] is also better for soliciting evidence to demonstrate such changes."
> **Syanaz Nadya Winanto Putri, Founder of Rorokenes**

Good Talent Retention

As part of its ESG commitment, Rorokenes hires outsourced local crafters from the community, including economically disadvantaged men and women. To produce high-quality outputs, these crafters require time-intensive training, meaning Rorokenes must invest resources for their skill development.

Retention rates are crucial for the business to save on training and hiring costs and maintain product quality. By addressing employees' concerns, guided by the GRI Standards, talent retention has remained high to date. According to Putri, sustainability reporting has helped her focus on key areas addressing employees' shared welfare concerns (e.g., fair remuneration and health insurance coverage) and contributed to the local communities' economic development. For instance, under the 'Asmaradana' program, Rorokenes hired a group of economically disadvantaged women with disabled children to work as outsourced weavers. This arrangement provided flexible work hours, allowing them to care for their children while earning a living.

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> "From 2019 to 2024, there is only one crafter resigned. The others stay, meaning I don't have to train [new employees] from zero constantly."
> **Syanaz Nadya Winanto Putri, Founder of Rorokenes**

Future Reporting Strategy

To attract investors, Rorokenes is currently working to have its impacts certified by an independent third party. Verified and substantial evidence will enhance trust among investors and across a broader range of stakeholders and strengthen the brand in the market.

Getting Certified in the Short Run

Rorokenes has not yet exported its products to overseas markets, limiting its exposure to global sustainability reporting regulations. Besides continuing reporting annually, Rorokenes aims to obtain certification from a legit organisation in the short term, particularly for its domestic content level and gender equality performance. For the former, as required by the Indonesian government, every business must be certified for its use of locally sourced materials and products in goods and services. This is part of the policies designed to promote local economic development. Regarding gender equality, Rorokenes recognizes the need to validate its performance to ensure that its measurements and disclosures are supported by more substantial evidence independently assessed by a third party.

Attracting Investors and Strengthening ESG Branding

Striving for certification is part of Rorokenes's long-term vision. In the next 10 (ten) years, the company aims to attract investors who can help expand its operations and markets. As investors increasingly consider ESG factors in their decisions, Rorokenes expects its ESG branding strategy and sustainability reporting to continuously strengthen its market position, showcase its impacts and transparency, and ultimately attract investors to support its growth and positive contributions to the environment and society.

In Short

Throughout its voluntary reporting process, Rorokenes has utilized the GRI Standards to map out its ESG key focus areas and frame the disclosures as part of the branding strategy. Doing so saves branding and marketing costs while allowing the company to maintain good talent retention and build more concrete training programs for its employees that increase their sense of belonging and personal value alignment with Rorokenes.

Several secrets for the success of Rorokenes's sustainability reporting include:

- **Clear leadership direction**
  By identifying stakeholders and their concerns, the founder can map out and prioritize the ESG topics most relevant to the stakeholders and the business. With this clear focus, she can define the organization's purpose and brand positioning, informing how the business designs its innovative programs and operations (e.g., engaging local communities as casual workers).

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- **More focused value proposition**
  Strongly linked to clear leadership direction, the focused ESG key areas or material topics serve as the business's value proposition. Rorokenes strategically uses the list of GRI disclosures to identify issues and measurement indicators relevant to addressing stakeholders' concerns, turning these disclosures into a value proposition as part of their branding strategy.

- **Effective bookkeeping process**
  Rorokenes leverages its existing bookkeeping process to meet the reporting data requirements, as reporting requires data collection. Employee payroll records, customer complaint logs, and attendance sheets of community members engaged are among the documents they strategically utilize to fulfill the report.

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Recommended Learning Resources

- **Sustainable Investment Guideline**
  This guideline is a free, accessible framework that can be used by micro, small, and medium enterprises (MSMEs) to large businesses to transform into sustainable businesses.
- **UKMIndonesia.Id**
  This is an official platform providing comprehensive information, resources, and opportunities for MSMEs on business insights, legal permits, funding access, export-import strategies, and government programs to support entrepreneurs in enhancing their business capabilities.
- **Ministry of Finance's Export E-Learning for MSMEs**
  The e-Learning Export Course for MSMEs offers open-access training to help MSMEs understand export processes. It covers key topics like export procedures, documentation, financing, and strategies to expand into international markets.
- **Ministry of Cooperatives and SMEs' Learning Centre**
  The platform offers free access to up-to-date learning materials, and mentoring programs to help MSMEs grow.
- **Bisa Ekspor**
  This website is an educational platform that helps Indonesians become successful exporters. It offers practical export training, access to international buyer databases, export capital support, and mentorship from experienced professionals.
- **E-Learning "Empowering ASEAN SMEs through Sustainable Practices"**

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The free e-learning course is designed to help MSMEs understand and communicate their ESG impacts. The course covers sustainability basics, the use of GRI Standards for reporting, and strategies for managing sustainability risks to gain a competitive edge.

- **List of Government Grants for MSMEs**
  This webpage outlines various government grants and programs available to support MSMEs, including startup incubator programs, microloans, tax incentives, and credit restructuring schemes. It also explains the eligibility criteria and application processes.

***

Workshop Questions

The following are potential discussion questions to be used to guide SMEs in preparing their pathways to sustainability reporting:

1. Who are the most relevant stakeholders whose concerns you intend to address in the sustainability report? What are their concerns? Why would addressing their concerns help your organisation achieve your business and sustainability objectives?
2. Which GRI disclosures are most appropriate to address these stakeholders' concerns? How would the reporting requirements (notably the data required to be disclosed) from each disclosure help you to frame your organisation's sustainability purpose/goals/ strategy?
3. What are the most relevant ESG focus areas based on your stakeholders' concerns and corresponding GRI disclosures?
4. Rorokenes leverages existing bookkeeping practices to address the data requirements. Do you see this as a viable strategy for your organisation? Why or why not? If so, how would you approach identifying the data sources? If not, what other approach might you use to obtain the data required?
5. Rorokenes demonstrates a number of costs and benefits of sustainability reporting. What costs are likely to be incurred in the reporting process? What benefits stand out as likely or desirable for your organisation? How would you shift your perspectives to treat these 'costs' as 'investments'? If such a shift in perspective is not possible, how would you ensure the benefits outweigh the costs?
6. Rorokenes internally reviewed and verified the data accuracy. Do you consider this a feasible strategy for your organisation, especially when you haven't engaged in a third-party audit? In what ways would you ensure the data is verified before the report is published?
7. Rorokenes has successfully designed internal employee training related to their key ESG focus areas and the GRI standards. What potential training topics could help your organisation address its ESG focus areas? What employee behavioural changes do you aim to achieve through these training initiatives?
8. What are the features of a successful sustainability reporting program, as demonstrated by Rorokenes? What strength could you build on to develop a successful program in your organisation? What challenges do you foresee, and how would you address them?

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Best Practices of Sustainability Reporting Among SMEs in the ASEAN Region

Tandu Food Hub: Harnessing Cost Savings and Driving Impacts through Sustainability Reporting

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Overview of The Phillippines' MSME and Sustainability Reporting Landscape

Micro, Small, and Medium Enterprises (MSMEs) play a significant role in the Philippines' economy. According to the Department of Trade and Industry (DTI) Philippines (2023), the country has over 1.2 million business enterprises, with MSMEs constituting 99% of this total. Many of these MSMEs operate in sectors such as wholesale and retail trade, repair of motor vehicles and motorcycles, manufacturing, and accommodation and food service activities.

Despite their positive contributions and potential impacts on the environment and society from the growing MSMEs, sustainability reporting remains non-mandatory for these enterprises. However, sustainability reporting is crucial as it helps MSMEs assess and communicate their environmental and social impacts, enhancing their ability to attract consumers, investors, and international buyers. The Securities and Exchange Commission mandates sustainability reports only for publicly traded companies. Nevertheless, awareness is steadily growing among MSMEs, with GRI providing ongoing training and support to assist them in their reporting journey.

This case study highlights the success story of a food and hospitality MSME that developed its first sustainability report after participating in GRI training. Held in July 2024, the Sustainable Practices and Reporting Kickoff (SPARK) training, organized by GRI and DTI, provided practical assistance to help MSMEs develop their sustainability reports.

About Tandu Food Hub

Tandu Food Hub (henceforth "Tandu"), based in Virac, Catanduanes, in the Phillippines, is a micro business and community-driven enterprise dedicated to sustainable food service and hospitality. Founded and operated by Dr. Ivan Gil Balmadrid, the company operates from the 3rd floor of Catanduanes Midtown Inn, offering a welcoming space for locals and visitors to enjoy diverse culinary experiences. Currently, it employs ten (10) permanent employees, consisting of an equal number of female and male individuals. As the business is located on an island vulnerable to typhoons, Dr. Balmadrid is committed to running an enterprise that is not only environmentally resilient but also actively plays its part in mitigating environmental risks.

Committed to environmental, social, and governance (ESG) or sustainability impacts, Tandu integrates employee welfare into its core business strategy by providing employment opportunities and fair wages to local workers in accordance with local regulations. Equally, it also contributes to protecting the environment by shifting to solar energy, reducing food waste, and collaborating with local suppliers to reduce energy consumption in procurement and distribution. Through its strategic blend of hospitality and ESG, the business has become a model for sustainable enterprise with continuous improvements. Its future improvement strategies include a long-term plan to use electric vehicles for delivery and a shift to sustainable packaging, among others, to produce lasting sustainability impacts.

A summary of Tandu's relevant business information can be found in the figure below.

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Figure 1.

Company Profile (as per June 2024)	
Name	Tandu Food Hub
Year of Establishment	2023
Address	3rd Floor Catanduanes Midtown Inn, San Jose, Virac, Catanduanes, the Phillippines
Category	Micro Business
Permanent Employees	14 people (7 men and 7 women)
Revenue (in Peso)	4, 807, 836.00 (June 2023- June 2024)

Reporting Motivation

The absence of enforced sustainability and sustainability reporting regulations for micro, small, and medium businesses in the Philippines does not deter Tandu from taking action. Personal motivation and the founder's belief are the primary drivers of its sustainability initiatives. Dr. Ivan Gil Balmadrid attributes his sustainability awareness to his father, a passionate advocate for solid waste management on the island. Solid waste remains a pressing issue in the country due to the significant volume of waste generated annually and inadequate management infrastructure, often leading to open dumping and burning. Inspired by his father's dedication and active efforts in tackling this challenge, Dr. Balmadrid developed a strong sense of responsibility and a commitment to pursuing goals aligned with his father's environmental mission.

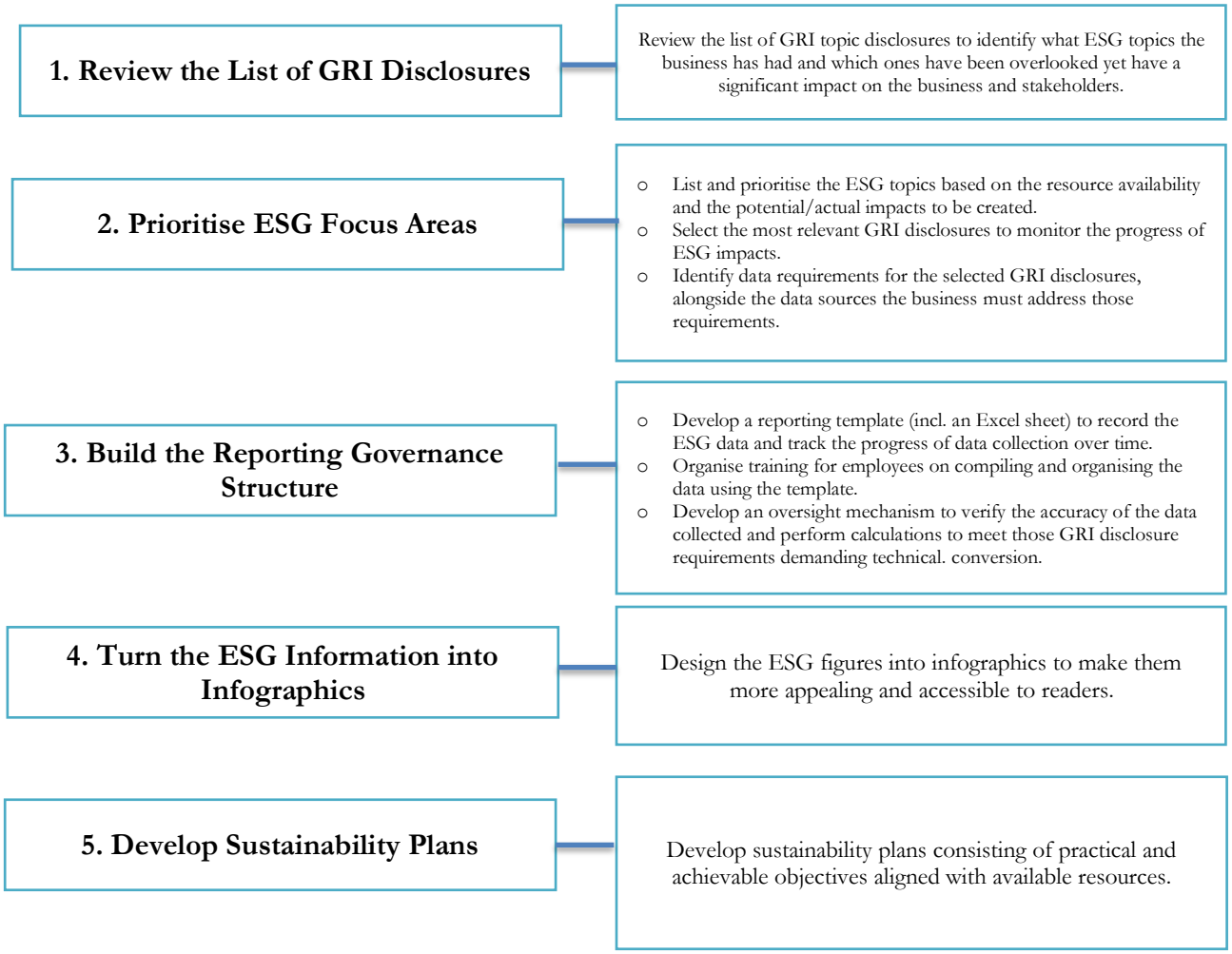
Besides the inspiration from his father's exemplary role, the climate vulnerability of Catanduanes province also plays a pivotal role in driving Dr. Balmadrid to prioritize sustainability in his business. Often referred to as the "Land of Howling Winds," Catanduanes is one of the most typhoon-prone provinces in the Philippines, frequently exposed to powerful storms. This vulnerability has inspired him to identify and work on key aspects of his business that can mitigate these risks while enhancing its resilience to persistent climate-related challenges.

> "Since we came from a very typhoon-stricken area…we're kind of more aware of the environmental and climate change impact…It's real for us, and it's not just an idea. [Focusing on sustainability] touches on the resiliency aspect of the business. So, that's why sustainability is close to our hearts."
> **Dr. Ivan Gil P. Balmadrid – Founder of Tandu**

The figure below showcases Tandu's journey in developing its first sustainability report. The process began with reviewing the GRI Standards, identifying the most relevant ESG focus areas, and establishing a governance structure to streamline data collection, report writing, and report design.

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Figure 2.
Pathways to Sustainability Reporting



Reporting Preparation

When identifying its key ESG impacts to develop the first sustainability report in June 2024 (for the reporting period of June 2023 – June 2024), Tandu strategically utilized the Global Reporting Initiative (GRI) Standards to identify potential ESG topics where they could make a greater impact. This was made possible after Tandu's manager attended the sustainability reporting for small and medium enterprises (SMEs) organized by GRI in the Phillippines, in collaboration with the Department of Trade and Industry (DTI).

Attending a Sustainability Pilot Program

Assigning the manager to attend GRI's Sustainability Reporting training was the first step for Tandu in starting its reporting journey. In July 2024, GRI ASEAN and the Philippines' DTI organized the Sustainable Practices and Reporting Kickoff (SPARK) pilot program, which supported 15 (fifteen) SMEs and 23 (twenty-three) micro enterprises in the country, with Tandu being one of them. The training did not only provide participants with an in-depth understanding of the GRI Standards or best practices for micro, small, and medium enterprise reporting. Instead,

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GRI and DTI also offered a reporting template. Serving as a practical guide, it could be conveniently tailored depending on the businesses' sector and organisational circumstances to help them start their reporting process. Other than participating in the pilot program, Tandu received no external support for its first sustainability report.

Mapping Material Topics

After being exposed to the GRI Standards during the training, Tandu reviewed the GRI Standards' list of disclosures. For Dr. Balmadrid, these topic disclosures prompted him to reflect on how and to what extent the business has implemented them and the future impacts they could generate in those areas. While reviewing the GRI Standards, Dr. Balmadrid realized that the environmental aspect had been relatively overlooked compared to Tandu's social impact, which had been achieved and would be maintained so far (e.g., through equal representation of male and female employees and compliance with local regulations on remuneration and wages).

Situated in a typhoon-prone area, he recognized that a stronger emphasis on environmental topics could create positive impacts on Tandu's surroundings and enhance the business's resilience.

> The GRI standards provide a valuable framework for understanding what a small business can and should address, offering an opportunity to recognize aspects that are often not considered.
> **Dr Ivan Gil P. Balmadrid – Founder of Tandu**

Resource constraints do not necessarily prevent Tandu from doing the right thing. From the list of GRI Standards' disclosures, Dr. Balmadrid strategically selected and prioritized ESG topics based on two primary considerations:

1. The areas where they could make the most significant impact.
2. Those where the business currently has the capacity and resources to take action.

An example of water management issues would help provide a concrete illustration. Although located in an area with water scarcity, Tandu does not have complete control of the water management handled by the hotel where the restaurant is located. With limited control and resources to recycle wastewater, Tandu focused on measuring and increasing its water consumption efficiency and disclosing it in the report as one of its key ESG areas and actions. As such, sustainability actions could be tailored to the organizational contexts.

> While doing the reporting, you look into these [GRI disclosures] more and review them and see how you can improve more on these parameters….This is what I learned doing the reporting journey. [The reporting process] makes you…take a back step in doing a business, especially in a small business.
> **Dr Ivan Gil P. Balmadrid – Founder of Tandu**

The following is the list of the ESG issues that have become Tandu's key focus areas or material topics, along with the GRI disclosures used in the report:

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Figure 3.
Examples of Material Topics and Corresponding GRI Disclosures

Aspect	Material Topics	GRI Disclosures
Environmental	**Energy**	302-1 Energy consumption within the organisation
	Emission	305-2 Energy indirect (Scope 2) GHG emissions
	Waste	306-3 Waste generated 306-4 Waste diverted from disposal 306-5 Waste directed to disposal
	Water	303-5 Water consumption
Social	**Employment**	401-1 New employee hires and employee turnover
	Health and Safety	403-5 Worker training on occupational health and safety 403-9 Work-related injuries
Economy	**Economic Performance**	201-1 Direct economic value generated and distributed

Identifying Data Sources

Once the material topics and GRI disclosures were finalized, Dr. Balmadrid identified the relevant data sources Tandu needed to address each disclosure's requirements. Recognizing that some requirements were challenging for a first-time reporter, he developed three categories to determine which requirements could be addressed immediately and which would require more time and effort. These categories include:

1) **Basic**
   For the requirements that can be fulfilled in the short term.
2) **Intermediate**
   For those that can be fulfilled in the medium term.
3) **Advanced**
   For those requiring a longer time due to the lack of existing data sources and the need to establish the most appropriate data collection methods. Usually, Balmadrid utilized estimations in the first sustainability report while working to enhance data management processes for greater accuracy in the next reporting period.

> What I did [in the early stage of reporting] was first look at all the standards…It's quite…user-friendly. I mean, the standards list, the disclosures, [alongside] the descriptions and the recommended data sources [of each disclosure].
> **Dr Ivan Gil P. Balmadrid – Founder of Tandu**

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Below is the illustration of the data sources to address the corresponding GRI disclosures' requirements, along with their respective category:

Figure 4.
Examples of Material Topics, Corresponding GRI Disclosures, and Data Sources

Aspect	Material Topics	GRI Disclosures	Data Sources	Category
Environmental	**Energy**	302-1 Energy consumption within the organisation	Electricity bills	Basic
			Purchase receipts of Liquefied Natural Gas (LNG), gasoline, and diesel	Intermediate
			Solar Panel's metre records	Intermediate
	Emission	305-2 Energy indirect (Scope 2) GHG emissions	Personal computation using the purchase receipts of third-party generated electricity (electricity purchased)	Basic
			Personal computation using diesel used in owned and controlled equipment	Intermediate
			Personal computation using self-generated energy from solar panels	Intermediate
	Waste	306-3 Waste generated	Actual weighted waste record	Basic
		306-4 Waste diverted from disposal	Actual weighted solid waste generated and recyled/ reuseable	Intermediate
		306-5 Waste directed to disposal	Actual weighted solid waste generated and landfilled	Intermediate
	Water	303-5 Water consumption	Purchased water bills	Basic
			Surface water usage's metre record	Intermediate
Social	**Employment**	401-1 New employee hires and employee turnover	Organisation's record of employees hired and resigned	Basic

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	Health and Safety	403-5 Worker training on occupational health and safety 403-9 Work-related injuries	Manual tracking of formal and informal training provided for employees by hours and gender	Intermediate
Economy	**Economic Performance**	201-1 Direct economic value generated and distributed	• Income statements • Receipts of sales of goods and services • Payslips • Records of employee benefits contribution	Basic

Reporting Process

Once the ESG key areas (often called "material topics") and GRI disclosures were finalized, Tandu started the reporting process. It encompassed three critical steps: 1) training middle management to compile data for sustainability reporting; 2) redesigning the reporting template and governance to streamline data collection and processing and; 3) transforming the data into engaging infographics. Lastly, sustainability plans for future improvements were developed by considering the organization's capacity and resources.

Training Middle Management

A series of training and coaching sessions were conducted for middle management. This group, comprising dining and kitchen staff familiar with overall operations, has both the access and capability to compile the identified data sources. The training was conducted by Dr. Balmadrid, the manager, and the assistant manager (who oversees the dining and kitchen staff). Its objective was to provide the staff with a foundational understanding of sustainability reporting and the practical steps in recording and collecting data for each ESG topic to support the organization's sustainability reporting goal (e.g., by properly archiving electricity bills and monitoring the amount of water usage monthly).

Redesigning the Reporting Template and Establishing a Governance Structure

Dr. Balmadrid redesigned the GRI reporting template and developed an Excel sheet to track and streamline the data compilation process based on the data required by each GRI disclosure.

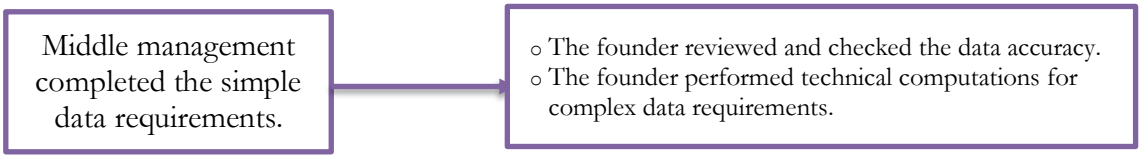
This process of data collection encompassed the following steps:

- Dining and kitchen staff completed these documents promptly when the requirements involved straightforward data, such as the total number of employees hired.

- Dr. Balmadrid reviewed the accuracy of the compiled data and performed the necessary computations to meet the GRI disclosure requirements for those requiring technical conversion. For example, after obtaining the employee training data, he calculated the average training hours for female employees, as prescribed in the standards.

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Figure 5.
Reporting Governance Structure



Turning Data into and Designing Infographics

Once all the data was compiled, Dr. Balmadrid conducted a second round of accuracy and consistency checks to ensure the presented data aligned with the GRI Standards. With support from the staff, he then transformed the final figures into infographics, making the data visually appealing, engaging, and accessible to readers. However, the use of infographics did not hinder his ability to present the sustainability plan in a clear and concise narrative in the form of bullet points. This simple narrative format allowed Tandu to showcase its sustainability plan effectively, which was developed based on its current capacity and resources.

Developing Sustainability Plans

Generally, the plan focused on practical and achievable objectives aligned with available resources. Rather than pursuing large-scale solutions, such as installing electric vehicles for supply purchases, which were not feasible due to the company's small scale, Tandu's plan emphasizes more manageable actions that can be scaled up as the business grows.

The first strategy – Installing Renewable Energy Sources
The business has installed solar panels to gradually reduce reliance on purchased electricity, making it the first solar-powered restaurant in the province. By harnessing solar energy, it aims to lower operational costs and minimize its carbon footprint. The initial installation has been successful, and the company intends to scale up the solar panel system to reduce reliance on non-renewable energy.

The second strategy – Bulk Purchasing for Energy Efficiency
Tandu orders supplies in bulk to enhance energy efficiency and reduce greenhouse gas (GHG) emissions. Bulk purchasing reduces costs and minimizes packaging waste and transportation emissions, contributing to a more sustainable operation.

For the above reason, the sustainability plans serve as a strategic direction for the organization, guiding the business to reach specific, clear goals in the long run and helping it to consistently think of the most feasible actions to progress gradually towards the goals.

> Realistically, since we're a small business, we're actually limited by our resources…So, I tried to focus on things that we could do easier than build up on that…That's the general thinking [on how I developed our sustainability plan].
> **Dr. Ivan Gil P. Balmadrid – Founder of Tandu**

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Figure 6.
Examples of Tandu's Sustainability Plan

Material Topics	Sustainability Plans
Energy	Decrease reliance on purchased electricity Increase reliance on renewable energy
Emission	Decrease emissions from fossil fuel
Waste	Install food waste processor and composting system Shift to sustainable packaging to reduce waste
Local community	Participate in coastal clean up, tree planting, and first island brewdown (an annual coffee competition held to celebrate the island's rich coffee culture)

Costs and Benefits of Reporting

Reporting for the first time required Tandu to invest in time and resources. In the initial stage, the founder reviewed the GRI Standards, mapped potential data sources, and designed a template for data collection. Training the kitchen and dining staff to compile and monitor operational data also demanded dedication from the founder, managers, and employees, potentially disrupting daily operations. Further, analyzing current performance to develop sustainability plans and transforming data into engaging infographics consumed considerable effort and resources. Despite these intangible costs, Tandu has found that the benefits of implementing the GRI Standards far outweigh the challenges.

Cost Savings of Reporting

Since the GRI Standards provide metrics to measure an organization's ESG performance, the measurement process can be linked to cost-saving efforts. In short, the metrics can be strategically used to track the efficiency of their resource usage, identify areas of inefficiency, and implement mitigation strategies accordingly.

For example, by systematically tracking energy consumption and emissions, Tandu identified inefficiencies in its supply chain, particularly in delivery processes, that led to excessive energy use. In response, Tandu reorganized its procurement strategy to purchase supplies in bulk, resulting in significant cost savings and reduced energy consumption.

The snapshot above highlights that reporting is more than just data collection. When done properly, with a strong commitment to driving change, the reporting process also involves measuring performance and reviewing overall operations. These actions enable businesses to uncover creative ways to generate ESG impacts while simultaneously reducing costs as a result.

Reputation Enhancement

Tandu discovers that sustainability reporting helps them craft a unique narrative about their business, setting them apart from competitors. This branding narrative is informed by their progress, supported by their consistent tracking and documentation of ESG performance, ensuring the accountability and credibility of the stories they share publicly.

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For example, after successfully installing solar panels, the Tandu team shared this milestone on its social media accounts. This allowed them to build their reputation as the first micro-business on the island to generate electricity using solar energy partially.

Future of Reporting Strategy

Tandu anticipates significant growth opportunities as more investors and government entities increasingly provide financial and non-financial support to micro, small, and medium enterprises. By continuing to assess and disclose these impacts in line with international standards, Tandu expects that improvements in ESG impacts and profit- margins reported over time will attract additional investors and loans to invest in and expand the restaurant's positive impacts. At this stage, Tandu's commitment to sustainability is not influenced by any external regulations, locally and internationally.

Continuous Improvements and Cost-Savings

Identifying inefficiency hotspots enables Tandu to uncover significant cost-saving opportunities across its operations. The most pressing issue to address in the coming years is food waste. Alongside energy consumption during procurement (see above), Tandu has recognized that reducing food waste by using vegetables and other ingredients more efficiently could significantly boost profit margins. Further, the company plans to start recycling packaging waste as part of its broader cost-saving and sustainability efforts. These ongoing improvements stem from the reporting process, enabling Tandu to continually reflect on and enhance its operations.

Attracting Sustainability-Related Investment and Loans

By consistently measuring and disclosing progress on ESG impacts and profit margins, Tandu aims to attract investments, grants, and loans from international agencies and local governments. Its sustainability report, coupled with impactful storytelling on social media, is expected to bolster its reputation. This will position Tandu as an appealing partner for investors and government bodies, advancing shared goals in sustainability transformation.

In Short

Throughout its sustainability reporting journey, Tandu used the GRI Standards to measure and evaluate its performance while identifying inefficiencies to improve its operations. Despite challenges in meeting some reporting data requirements, the business has established a reporting governance system. This system enables employees to actively compile data from relevant sources, with the founder overseeing and reviewing the collected information to ensure reporting quality. Notably, limited resources have not hindered Tandu from developing its sustainability plans, which serve as a direction that offers a clear sense of purpose and goals.

Several secrets for success in sustainability reporting include:

- **Strategic approach to data collection**
  By categorizing the reporting data requirements into "basic," "intermediate," and "advanced" levels based on complexity and feasibility, Tandu is able to prioritize and fulfill immediate and short-term reporting requirements. For these intermediate and advanced requirements, estimations were used in the first report, with plans to establish and improve data management processes for greater accuracy in the future.

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- **Streamlined reporting governance**
  Tandu has developed an effective reporting governance structure, where data collection is delegated to the kitchen and dining staff while the founder and middle managers review the data to ensure accuracy and perform technical computations when necessary. This approach provides robust quality control throughout the reporting process.

- **Connecting data with overall operations and cost-savings attempt**
  Tandu links the measured impacts to its overall operations, enabling the identification of inefficiencies and areas for improvement. This approach helps Tandu reduce costs and shape its sustainability plans based on the organization's impacts, current capacity, and available resources.

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Recommended Learning Resources

- **Philippine Trade Training Center – Global MSME Academy (PTTC-GMEA)**
  This platform offers free online courses to help managers of small businesses better understand the process of exporting from the Philippines.
- **Tech Up - MSME**
  This customised mentoring program is designed to support MSMEs within supply chain financing ecosystems. The program focuses on enhancing digital capabilities and financial literacy.
- **E-Learning "Empowering ASEAN SMEs through Sustainable Practices"**
  The free e-learning course is designed to help MSMEs understand and communicate their ESG impacts. The course covers sustainability basics, the use of GRI Standards for reporting, and strategies for managing sustainability risks to gain a competitive edge.
- **DTI's Guide to Build A Small Business**
  This webpage includes a series of free guidebooks on how to start a small business in the Philippines.
- **DTI's Small Business Corporation - MSME Financing Programs**
  This webpage provides information on various financing schemes for MSMEs, along with the requirements and procedures.
- **Phildev's 11 Government Funding Opportunities for Startups in the Philippines**
  This webpage offers information on the government funding sources for startups.

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Workshop Questions

The following are potential discussion questions to be used to guide SMEs in preparing their pathways to sustainability reporting:

1. Which of Tandu's preparation activities helped them to be successful in starting the reporting process? Is this activity applicable to your organisation? If not, how do you start your reporting process?
2. Tandu has utilised the GRI Standards to identify overlooked EESG topics in their business and make the final list of ESG material topics based on the impact they would generate and the organisation's resources/capability. Do you see this as a viable step for your organisation in identifying the material topics? If not, what other approaches and considerations might you use to determine the material topics?
3. Tandu has developed the system to categorise which data requirements could be addressed immediately and which would require more time and effort to fulfil. Do you see this approach applies to your organisation? How do you ensure that the data requirements that require more time and effort would be fulfilled in the medium or long run?
4. Tandu demonstrates a clear reporting governance that allows it to check the data accuracy and quality. How would you set up your reporting governance that can ensure quality control of the information collected?
5. Tandi demonstrates several cost reductions arising from implementing sustainability reporting. Which cost reductions stand out as likely to happen in your organisation? What are the key enabling factors in your organisation that make such cost reductions possible? What challenges do you anticipate arising and why? Are there ways to address these challenges?
6. Tandu manages to develop its sustainability plans to provide a clear direction and purpose for the long run. What considerations would you take into account when creating your sustainability plans?
7. Tandu turns the impacts reported into stories or content for its social media to enhance its reputation. What are other creative and strategic approaches to turn your future report into a branding strategy? Who is your target audience? Why do you want to reach them?
8. What are the features of a successful sustainability reporting process, as demonstrated by Tandu? What strengths could you build on to develop a successful program in your organisation? What challenges do you foresee arising, and how would you address them?

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THE DEVELOPMENT OF SMES SUSTAINABILITY REPORTING CASE STUDY IN VIETNAM

ISSUED ON
December 2024

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TEXTILE & GARMENT MARKET CONTEXT

Vietnam has established itself as one of the world's leading manufacturing and exporting powerhouses, recognized for its robust and diverse industrial base such as electronics, agriculture, textiles and garments, and furniture, etc. The country's competitive edge lies in its high-quality products, innovation, efficiency, flexibility in order quantities, and sustainability, earning top scores among surveyed countries.



Figure 1 Vietnam Trade Volume (in USD) in the first 6 months of 2024 – Souce: GSO of Vietnam

Within this landscape, the footwear, textile and garment sector holds a prominent position, ranking in top 10th in exports to major markets like the US, Japan, and Canada, (2023, UN Comtrade data). In the polyester filament sector, exports accounted for over 51% of Vietnam's total filament export structure in 2023. Sustainability has become an increasingly vital focus for the industry, with export markets demanding information on recycled content, recyclability, and product longevity.

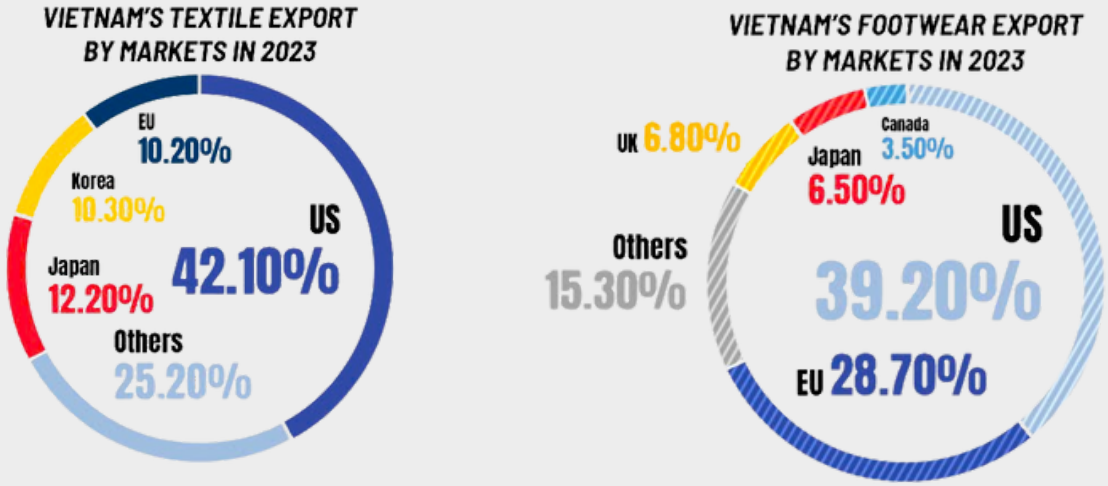


Figure 2 Vietnam's Textile and Footwear Export by Markets in 2023 (UN Comtrade)

SUSTAINABILITY REPORTING MARKET CONTEXT

Since 2016, listed companies in Vietnam have been required to disclose certain environmental and social information in their annual reports, as stipulated by Circular 155 of the Ministry of Finance. These regulations have become increasingly comprehensive and stringent through the introduction of the Securities Law 2019, Decree 155/2020/ND-CP, Circular 96/2020/TT-BTC, and Circular 116/2020/TT-BTC, making ESG disclosure and sustainability reporting no longer unfamiliar to Vietnamese listed companies.

Circular 96/2020/TT-BTC (Appendix II, IV) requires environmental impact assessment, management of raw materials, energy consumption, water consumption, compliance with laws on environmental protection , policies related to employees, reports related to responsibility to local communities, reports related to green capital market activities according to the guidance of the State Securities Commission

Securities Law 2019 regulation on corporate governance and information disclosure

Decree 155/2020/ND-CP detailing a number of articles of the Securities Law 2019

Circular 155/2015/BTC requires that listed companies have to provide details in their annual reports on how they take into account social and environmental

Circular No. 116/2020/TT-BTC guiding a number of articles on public company governance as prescribed in the Government's **Decree No. 155/2020/ND-CP**

Disclosing sustainability information through Sustainability Reports allows companies to manage their impacts more structurally by identifying and assessing them. This also brings benefits ranging from enhanced reputation and trust to attracting stakeholder interest and engagement.

With the diverse range of sustainability reporting standards available, the Global Reporting Initiative (GRI) is considered the most preferred standard by the Vietnamese business community, with over 50% of companies reporting in accordance with it.

This widespread GRI adoption directly informs the methodology of sustainability indices like the Vietnam Sustainability Index (VNSI) and the Corporate Sustainability index (CSI100). These indices leverage the GRI framework, incorporating its key indicators to evaluate ESG performance, promote transparency, and provide crucial data for investors and stakeholders seeking to understand the sustainability practices of reputable companies in Vietnam

CENTURY SYNTHETIC FIBER CORPORATION (STK)

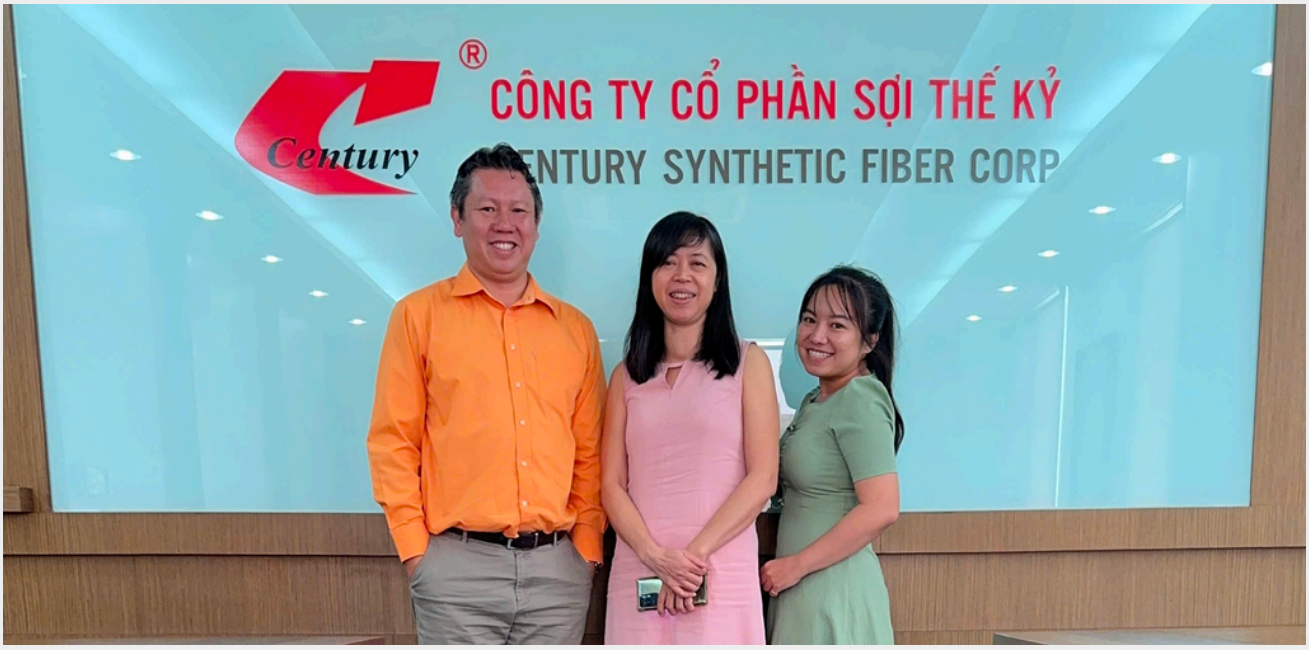
This case study of Century Synthetic Fiber Corporation, one of the pioneering companies in implementing sustainability reporting in Vietnam since 2015, reveals a long journey of continuous effort and improvement. Exploring Century Synthetic Fiber's journey will provide practical lessons and experiences for other companies embarking on their own paths toward sustainable development.

CENTURY SYNTHETIC FIBER CORP.
世紀纖維股份有限公司

ABOUT STK

Century Synthetic Fiber Corporation (Soi The Ky – STK), established in 2000 and headquartered in Ho Chi Minh City, Vietnam, is a leading manufacturer and trader of high-quality polyester filament yarns with an annual capacity of over 60,000 tons. Their product range includes Partially Oriented Yarn (POY), Drawn Texturized Yarn (DTY), and Fully Drawn Yarn (FDY), which serve as essential inputs for knitting mills producing fabrics and other raw materials for high-end footwear and sportswear manufacturers.

Officially listed on the Ho Chi Minh Stock Exchange under the ticker STK on September 30, 2015, the company is recognized for its strategic focus on premium, eco-friendly products such as recycled and colored yarn. The company also operates with a strong commitment to combining economic success with environmental protection and social responsibility. Through modern facilities, a professional workforce, and contemporary management practices, STK delivers high-quality products and excellent services to its customers.



SUSTAINABILITY AT CENTURY SYNTHETIC FIBER CORPORATION

STK has leveraged the growing global demand for sustainable materials. Recycled yarn, made from post-consumer plastic bottles (4.6 billion plastic bottles in 2023), has been a key growth driver, with the company aiming to increase its revenue share from recycled yarn to 60–70% by 2026–2027. These initiatives underscore STK's commitment to sustainability and innovation. The company has also developed colored yarn using dope dyeing technology, which reduces water usage by 89% and minimizes toxic chemical discharge, aligning with Zero Discharge of Hazardous Chemicals (ZDHC) commitments. Additionally, since 2015, STK has been publishing its Sustainable Development Report, further highlighting its dedication to sustainable practices.

STK's sustainability reporting journey can be divided into three key stages:

Stage 1: Initiation and Foundation (2015–2017)

STK's commitment to sustainability began with a strong foundation, as evidenced by its early adoption of the GRI G4 standards and third-party assurance. This demonstrates a serious approach to transparency and credibility in its sustainability efforts. In addition, their early focus on areas like carbon footprint calculation, stakeholder engagement, and risk management set the groundwork for long-term sustainability integration.

However, the company faced challenges, such as limited maturity in addressing broader global sustainability contexts, as the reporting primarily centered on compliance rather than adopting a strategic, forward-thinking approach.

Stage 2: Standardization and Alignment with GRI Standards (2018–2020)

The second stage marks a major milestone for STK, as their transition to GRI Standards. This stage supported by the GRI Training within the Corporate Sustainabililty & Reporting for Competitive Business program (CSRCB) highlight the materality matrix focus and start the integration with business strategy. Involved also, the introduction of internal audit mechanisms which improved the reliability and accuracy of reported data. For the first time, there was a focus on circular economy principles and renewable energy initiatives showcasing its ability to adapt to evolving market expectations.

However, gaps remained in the long-term strategic integration of sustainability across all aspects of the business, indicating room for growth in embedding these practices into its core operations.

Stage 3: Integration and Strategic Maturity (from 2021 up to now)

The ongoing stage emphasizes the advanced integration of sustainability into STK's core business strategies, addressing global sustainability challenges. A defining feature of this stage is the seamless incorporation of sustainability into the business strategy through initiatives such as GHG emissions evaluation, smart factory projects, and the development of the 2025 sustainability strategy.

While the company has made significant progress, addressing broader supply chain sustainability and achieving net-zero goals remain long-term challenges. Notably, Scope 3 emissions data have yet to be measured or disclosed, signaling an area for future development.

Its Annual Report in 2024, ranked among the Top 20 Best Annual Reports in the Non-Financial Sector, further solidifying its leadership in sustainability reporting.



THE SUSTAINABILITY TEAM

Having received training on Sustainable Development, SKT demonstrates a clear understanding of the concept, integrating it into almost all company policies and regulations. Examples include the Employee Compensation and Benefits Policy, the Environmental Policy aligned with the GRS 4.0 (Global Recycling Standard), the Supplier Assessment and Selection Policy, and the Occupational Health and Safety Policy.

Currently, the Business Development Department plays a central coordinating role, linking departments such as Production, HSE (Health, Safety, and Environment), Human Resources, Finance, Accounting, and the factory to gather information related to economic, environmental, and social aspects. Following this, they develop a detailed plan outlining the timeline, methodology, and necessary resources for report completion.

The Business Development Department requests relevant data and indicators from other departments (e.g., recycling rate, CO2 emission reduction, labor law compliance rate...). They are responsible for writing the majority of the report's content, particularly sections on STK's sustainability strategy, vision, and commitments.

While this centralized approach offers benefits such as reducing the burden on other departments and specializing the reporting process, it also presents a potential limitation in terms of data evaluation and a comprehensive assessment of the company's sustainability performance.

ANNUAL SUSTAINABILITY REPORTING SCHEDULE

Since joining the CSRCB Program of GRI in 2019, STK has received systematic training on the sustainability reporting process and has continued to implement it to this day. The reporting process involves gathering stakeholder feedback, conducting analyses and assessments, identifying and refining material topics, defining data collection processes for those topics, consolidating the data, and publishing the report in the second quarter of each year, in line with Stock exchange (HOSE) requirements and company reporting practices.



Ms. Nguyen Phuong Chi
Strategy Director of STK

Starting in 2019, GRI provided training to our team on the Materiality Matrix. This process directly connected with our core values, leading STK to identify three fundamental elements for our sustainability strategy: economic performance, environmental protection, and social responsibility", said Ms. Nguyen Phuong Chi, Strategy Director of STK.

PROCESS TO DETERMINE MATERIAL TOPICS

STEP 1 Identifying critical matter that can affect STK's sustainable development	• Surveying and researching information regarding the fiber, garment and textile sectors. • Making risk assessment of disease outbreaks in the world. • Analysing import and export data, assessing the competitive situation in key markets. • Recognizing and analyzing opinions collected from meetings/communication chanels with interested parties.
STEP 2 Selecting important matters which are concerns of interested parties	• Selecting major matters of interested parties. • Consulting the Board of Management and the Board of Directors on major matters. • Balancing and ensuring interest of interested parties. • Identifying major matters in accordance with the Company's development objectives and strategies. • The Company's key matters are classified into three domains: Economic, Environmental and Social.
STEP 3 Finalizing the list of key matters	• Constructing matrix of key matters. • Identifying matters which have the highest level of concern and impact for STK. • Determining the priority level for implementing key matters.
STEP 4 Review	• Continuously reviewing key matters after issuance of report. • Receiving contributions of interested parties. • Improving and establishing the matrix of key matters more accurately.

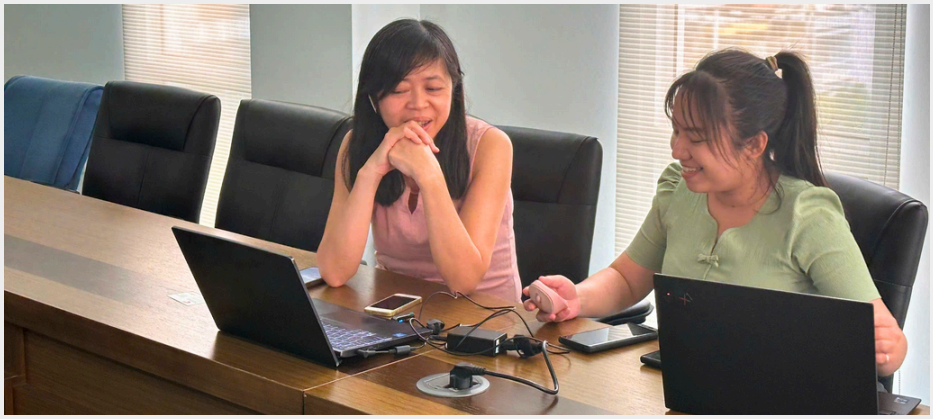
Furthermore, to enhance report quality, STK regularly benchmarks against sustainability reports of leading domestic companies, particularly within the textile industry, and The Department of Business Development has proactively assigned personnel to participate in in-depth seminars and courses on greenhouse gas (GHG) inventory and sustainable development to improve capacity and update the latest trends. Ongoing stakeholder engagement is maintained throughout the year through various departmental channels to allow for timely adjustments as needed.

The following is the list of the ESG issues that have become STK's key focus areas or material topics:

	FOCUSING MATTERS	KEY MATTERS	GRI DISCLOSURES
Economy	Ensuring the stable economic development of the Company. Developing further markets and cooperating with interested parties. Enhancing selling of recycled yarn and high value-added yarns. Increasing the average income of employees and supporting the local economic development.	2023 Economic performance Indirect economic impacts Market presence Anti-corruption	GRI201 - Economic Performance 2016 GRI 202 - Market Presence 2016 GRI 203 - Indirect Economic Impacts 2016 GRI 205 - Anti-corruption 2016
Environment	Effectively using materials and energy resources Saving electricity and water in operating activities of the Company Using renewable energy Reducing greenhouse emissions and developing recycled-reused materials. Ensuring a healthy and safe working environment for employees.	Greenhouse gas emissions and Carbon footprint Materials Water Energy Emissions Effluent and waste Environmental compliance	GRI 301 - Materials 2016 GRI 302 - Energy 2016 GRI 303 - Water and Effluents 2018 GRI 305 - Emissions 2016 GRI 306 - Effluents and Waste 2016 GRI 306 - Waste 2020 GRI 308 - Supplier Environmental Assessment 2016
Labor - Community	Ensuring employee benefits. Ensuring employee welfare policies and health protection Ensuring stable employment for employees. Creating a safe, transparent, and fair working environment. Ushering promotion and developing opportunities for employees.	Stable Employment Training Promotion and career development opportunities Customer health and safety Local community	GRI 401 - Employment 2016 GRI 403 - Occupational Health and Safety 2018 GRI 404 - Training and Education 2016 GRI 416 - Customer Health and Safety 2016 GRI 413 - Local Communities 2016

Regarding data collection and evaluation, STK currently integrates ESG factors into the individual KPIs of each department. Annually, each department self-assesses and proposes KPIs for the following year, which BOD then reviews and approves. This bottom-up approach ensures the practicality and achievability of targets, but it can also limit the company's strategic vision. To mitigate this, the role of the Corporate Development department, especially the Strategy Director and people in charge of sustainable development, becomes crucial. They act as a bridge, advising the BOD on vision and trends, enabling them to adjust the proposed KPIs accordingly. Simultaneously, the leadership team makes commitments and vision statements to guide all levels within the organization during operations and KPI proposals.

The majority of STK's data is ensured to be transparent and accurate through the Internal Audit department. Moreover, as a supplier of raw materials, STK undergoes frequent audits by customers, partners, and other stakeholders within the value chain. This contributes significantly to the accuracy of the data disclosed by STK.



COSTS AND BENEFITS OF REPORTING

STK's nearly decade-long journey with sustainability reporting has provided the company with a clear understanding of its costs and benefits. This is why STK continues to prioritize and invest in sustainability reporting, going beyond mere compliance.

Cost savings

Implementing sustainability reporting requires companies to establish a robust system for continuous monitoring, tracking, and data collection. While initially undertaking sustainability reporting to meet regulatory requirements, STK realized its value extended far beyond compliance, particularly after experiencing customer audits. This significantly reduces the time and effort required, especially given the large volume of existing and potential customers.

Mr. Ngo Dinh Bao
Corporate Development Specialist

> *The data in our current sustainability report satisfies 60-80% of customer audit requirements.*

Furthermore, data tracking helps STK identify areas for improvement. Typically, during the Sustainability Report preparation, STK identified inefficiencies in the company's energy consumption. While they implemented initiatives to reduce annual energy usage, resulting in some cost savings, they lacked specific targets for energy savings.

For example, they didn't set a goal like "reducing lighting energy consumption by x% in 2024 compared to 2023." This absence of specific targets hinders the evaluation and comparison of initiative effectiveness, making it difficult to determine the true impact of different approaches and prioritize the most effective ones. In 2025, the Utility department is developing energy-saving targets for each area. Direct electricity savings will reduce production costs, enhancing STK's market competitiveness.

Besides that, reduced electricity consumption means reducing greenhouse gas (CO2) emissions, supporting Sustainable Development Goals (SDGs) and environmental commitments.

Additionally, STK recognizes that sustainability reporting helps mitigate future legal risks by ensuring they stay abreast of evolving regulatory requirements.

Increased transparency and credibility with stakeholders and attract sustainable costumers

Despite not actively promoting its sustainability report and data, STK has received positive feedback from investors and shareholders regarding trust and credibility simply by publishing the report on its website. The sustainability report has also contributed to STK earning national recognition, such as being listed among the "Top 100 Sustainable Businesses in Vietnam" (CSI 100) and has garnered praise from other domestic companies.



Mr. Dang Trieu Hoa
General Managing Director of STK.

Most top brands have commitments and have carried out more robust communication campaigns about their responsibility towards the environment, human rights, and society. Therefore, Vietnamese companies meeting ESG standards will have an excellent opportunity to become strategic supply partners for these brands, helping businesses reach out to development and integration as soon as market conditions are ripe. STK is still showing flexible adaptation, good resilience, and the ability to meet customer needs. For instance, we are attracting high-value-added recycled fiber orders from Japanese customers and continuing to expand our customer portfolio, adding 50 new customers in 2023.

SECRETS FOR SUCCESS

When asked about the most crucial elements contributing to their success in sustainable development, STK identified two key factors: proactive learning and thorough preparation.

Proactive learning

From the outset, even when market demands were unclear and regulatory requirements less stringent, STK proactively conducted independent sustainability reporting. This allowed them to engage with customers more effectively, fostering greater understanding of the company's operations. This early adoption also served as a springboard, propelling STK to maintain and advance its sustainability efforts to their current level. Since 2021, with initiative and vision, STK has also begun to monitor, evaluate and publish the results of its ESG KPIs. This also shows their proactiveness.



Evaluating the results of implementing the sustainable development strategy of STK

Environmental	Economic	Social
The average rate of reusing of POY paper tubes	The revenue	Employee turnover rate
The rate of using circulating water of the total amount of water used	Profit after tax	Failed recruitment rate
Target water consumption m3/kg of yarn	Maintaining the average salary increase	Meeting human resource needs
Target electricity consumption Kw/kg yarn	Paying a minimum dividend of 15%/par value	Salary Budget Management
Increasing/decreasing the carbon footprint of electricity	Year-end bonus of 1-month average salary for employees	
The proportion of recycled yarn in total sales revenue		

Thorough preparation

According to GRI's guidance, during the reporting process, STK also recognized the meaning and value of analyzing the context of sustainable development and researching the concerns of stakeholders. It helps STK see the overall picture of the business and proactively prepare for future developments.



STK has shown their commitment to sustainability through the continuous and effective improvements over years

Overcome challenges

After almost 10 years of implementing sustainability reporting, progressing from G4 to GRI Standards 2016 and now GRI 2021, STK has accumulated valuable insights. In the initial reporting phases, relying primarily on self-understanding the guidelines and referencing examples, the focus was on data disclosure rather than fully grasping the strategic management potential of sustainability reporting. While early materiality assessments followed the GRI methodology, they lacked a robust, objective foundation.

A turning point came with participation in the CSRCB project. This fostered a deeper understanding of the value of sustainability reporting and introduced a more scientific approach. Consequently, material topics were prioritized more effectively. While the number of topics remained consistent or even increased (with over 20 topics now evaluated in the materiality matrix), the approach to addressing them evolved significantly. Key material topics are now explored in greater depth, with detailed analysis of governance aspects, while other topics are reported through concise data disclosure.

For organizations with a long history of reporting, a key challenge is avoiding stagnation and routine. STK has proactively addressed this by continually developing initiatives to enhance report detail, engagement, and readability. Each year's report incorporates fresh perspectives and information while adhering to the fundamental reporting principles of Accuracy, Balance, Clarity, Comparability, Completeness, Sustainability context, Timeliness, and Verifiability.

Beyond the factors previously discussed, customer demands present a significant challenge. Given the high priority placed on stakeholder engagement, particularly with customers, STK prioritizes addressing their requirements. The company's customer base, largely situated in European and American markets, places a strong emphasis on green manufacturing, human resources, occupational health and safety, employee well-being, fair treatment, and respect for human rights. The sustainability report has proven instrumental in streamlining communication with customers, addressing 60-80% of their information needs.

Supply chain control presents another complex challenge for textile companies like STK. While the company has established criteria, evaluation processes, and audits for suppliers, achieving data collection consistency and standardization remains a hurdle. This also complicates STK's efforts to conduct Life Cycle Assessments (LCAs) for its products. However, recognizing these challenges and understanding their implications is a positive step. It allows STK to strategically adjust its approach towards tighter and more integrated supply chain management. Identifying desired outcomes and pinpointing bottlenecks is crucial for effective strategy formulation.

IN SHORT

Century Synthetic Fiber Corporation (STK) demonstrates the benefits of proactive sustainability reporting. Recognizing the growing importance of sustainability, STK early on adopted GRI standards and prioritized stakeholder engagement. This proactive approach led to improved customer relationships, streamlined audits, and enhanced credibility.

STK's journey demonstrates that proactive learning, thorough preparation, and a commitment to continuous improvement are crucial for successful sustainability reporting. Their experience offers valuable lessons for other companies seeking to integrate sustainability into their operations and enhance long-term value.

MOVING FORWARD

To address evolving market trends and demands, STK plans to expand and update its reporting practices for greater flexibility. They intend to explore ESRS and IFRS standards to develop a comprehensive, integrated report that meets various reporting requirements. Furthermore, in line with digital transformation trends, STK aims to digitize its data systems and reporting processes for increased efficiency and time savings, ultimately enhancing the effectiveness of their sustainability reporting. However, with their current capabilities they are still in need of more comprehensive and in-depth training on ESG, reporting, strategies, and practices. They are looking for more programs like CSRCB in Vietnam to help improve business capacity and keep up with market trends.

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SME Sustainability Reporting in ASEAN: Consolidated Analysis: Key Drivers, Challenges, Benefits, and Ways Forward

Overview

Based on four case studies of SME sustainability reporting in Indonesia, Malaysia, the Philippines, and Vietnam, this paper highlights common patterns in key drivers, challenges, and benefits experienced by these SMEs. While identifying those similarities, the analysis also considers the differences among the SMEs, specifically related to their sizes, industrial sectors, and target consumers. The patterns identified here are inseparable from those unique characteristics of SMEs. These characteristics influence how they place specific 'values' and 'functions' in sustainability reporting beyond regulatory compliance. I

Sustainability Reporting in Small Enterprises

Two small companies—Rorokenes (Indonesia) and Tandu Food Hub (the Philippines)—developed their sustainability reports based on their founders' personal motivations. In both countries, there is no regulation requiring small businesses to report. Rorokenes's founder is deeply engaged in social activism and prioritizes gender equality, while Tandu's founder draws inspiration from his father's commitment to environmental preservation. These personal values were then translated into the material topics of their sustainability reports.

Although both organizations eventually address a wide range of sustainability topics, they place distinct emphasis on specific areas—Rorokenes on gender equality and local community empowerment and Tandu on energy efficiency. This focused approach strengthens its branding strategies and enables it to develop expertise in these issues over time.

Their small size, alongside the limited resources, posed similar challenges with similar strategies in addressing them:

Challenges	Strategies to Overcome
Employees' lack of knowledge on sustainability reporting and the reporting standards (e.g., the GRI Standards) which contributes to low engagement initially	The founders provide training and hands-on assistance to help employees understand the standards and compile relevant information.
Inconsistency of sustainability data	▪ The founders develop a simple Excel-Sheet data template based on the GRI Standards and review the data compiled for accuracy. ▪ Data sources are drawn from existing company records (e.g., employee data, electricity bills, etc.).

Both companies highlight brand reputation and cost savings due to organization's key actions on sustainability related issues (such as energy consumption and marketing initiatives) as the primary benefits of sustainability reporting. However, their future reporting strategies diverge, closely aligning with their respective industries.

As a handicraft business using forestry products subject to heightened public scrutiny, Rorokenes plans to obtain third-party certification to validate its sustainability performance, enhancing its appeal to investors and export markets. Meanwhile, as a hospitality business, Tandu Food Hub aims to focus

on waste recycling to reduce packaging costs and secure government loans or grants to scale its impact-driven operations.

Sustainability Reporting in Medium Enterprises

Two medium-sized companies—Century Synthetic Fabric Corporation (STK/ Vietnam) and Safetyware Group Berhad (Malaysia)—are listed in the respective country's capital market. STK developed the report initially to comply with the Vietnam Stock Exchange on mandatory sustainability reporting, while Safetyware Group Berhad is mainly driven by their European Multinational Corporation (MNC) buyers requirement on mandatory reporting regulation, and its future goals to obtain environmental and safety certifications from an independent organization.

While external factors exert a strong influence, these companies leverage the reporting process and insights gained to enhance their organizational sustainability practices. They integrate sustainability as a key performance indicator (KPI) across the responsible departments and provide sustainability-related training to all employees, fostering continuous improvement. However, during the initial phase of reporting, both companies encountered similar challenges, which they overcame using comparable strategies.

Challenges	Strategies to Overcome
Continuously assessing and adapting to evolving stakeholder concerns	Both utilise ongoing stakeholder engagements throughout the year through various departmental channels to allow for timely adjustments addressing evolving concerns from the stakeholders.
Low engagement of employees and inconsistency in data collection	Both integrate sustainability performance and data collection into each department's KPI, driving employees to be more engaged in sustainability related matters

STK and Safetyware recognize cost savings from energy consumption as a key benefit of sustainability reporting, made possible through data tracking and corresponding efficiency initiatives. Beyond efficiency, as medium-sized companies producing personal protective equipment (PPE) for B2B markets, they see a greater opportunity to secure business partnerships—particularly with MNCs that prioritize sustainability considerations in their purchasing decisions.

Both companies have different future reporting strategies. Safetyware aims to improve the quality of its GRI reporting while obtaining ISO environmental and safety certifications and digitizing its data tracking system. This strategy could help the company to meet the demands of MNC buyers for validated sustainability performance. Meanwhile, STK plans to digitize its data system and integrate GRI with the European Sustainability Reporting Standards (ESRS) and the International Sustainability Standards Board (ISSB) standards to ensure compliance with various reporting regulations. Despite these differences, their emphasis on certification and reporting underscores the critical role of maintaining B2B partnerships with MNCs as a key driver. Notably, STK's strategy shows the interoperability between GRI, ESRS, and ISSB standards, presenting a cohesive approach that enhances sustainability reporting that facilitates comparability across global frameworks.

Conclusion

These case studies highlight that there is no one-size-fits-all solution, as organizations of different sizes and backgrounds have varying motivations and strategies. For small companies, sustainability initiatives often originate with the founders and management team, emphasizing the importance of governance and leadership, even in smaller businesses. In contrast, medium-sized companies are more inclined to adopt sustainability practices to comply with regulations and meet the demands of large or multinational companies.

Additionally, the four case studies illustrate the potential of sustainability reporting to drive sustainability within business strategies and operations. While this study does not aim to generalize the findings, all case studies demonstrate how reporting has contributed to business transformation in different ways, offering valuable insights for SMEs with diverse structures.

Workshop/ Training Questions and Answers

Small companies

1. **What are the main challenges small enterprises face when they first start sustainability reporting? How do they usually address those challenges?**
   The key challenges usually are 1) a lack of employee knowledge about ESG reporting standards and 2) inconsistent or lack of ESG data.

   Small enterprises address these issues by: 1) providing training for employees, and 2) using simple data templates based on the GRI Standards to help employees compile the information accordingly.

2. **Beyond compliance, what are the main feasible benefits of sustainability reporting for small enterprises which do not export their products overseas?**
   The primary benefits include: 1) enhanced brand reputation, 2) cost savings, particularly in energy consumption and marketing, 3) more focused branding strategy by using ESG information to highlight their competitiveness.
3.
4. **How do small enterprises usually choose and prioritise the focus areas (material topics) for their sustainability reports?**

   They base their focus areas on the following considerations:

   3) Personal values of their founders.
   3) Salient issues in the surrounding environment (e.g., social inequality in the community or environmental vulnerability).
   3) Strongest links to their main products (e.g., legally sourced materials for the handicraft sector or waste management for the hospitality sector)



Medium-sized companies

5. **What motivates medium-sized enterprises to conduct sustainability reporting?**
   Several key motivations include:

   1) Regulatory enforcement (if they are listed in the respective country's Stock Exchange)
   2) Demands from their customers (usually Multinational Company buyers)
   3) Commitment to enhance their values and competitiveness
   4) Ambition to obtain a specific environmental and social certification to ensure accountability of their performance in those areas.

6. **How do medium-sized enterprises ensure continuous improvement in sustainability reporting?**
   They integrate ESG performance into each department's key performance indicators (KPIs) and provide ESG training for employees. This approach enhances engagement and ensures consistent ESG data collection.