



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.

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	<ul style="list-style-type: none">▪ 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 utilize 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:

- lack of employee knowledge about ESG reporting standards and
- inconsistent or lack of ESG data.

Small enterprises address these issues by:

- providing training for employees, and
- 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:

- enhanced brand reputation
- cost savings, particularly in energy consumption and marketing
- more focused branding strategy by using ESG information to highlight their competitiveness

3. 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:

- Personal values of their founders

- Salient issues in the surrounding environment (e.g., social inequality in the community or environmental vulnerability)
- 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

4. What motivates medium-sized enterprises to conduct sustainability reporting?

Several key motivations include:

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

5. 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.