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# Sarawak ESG Insight

## Quarter 1, 2025



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# Foreword

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As we usher in the first quarter of 2025, it is with a deep sense of pride and purpose that we present the inaugural edition of the Sarawak ESG Insight under RXA Associates Sdn Bhd. The past year has been a transformative period for Malaysia marked by significant advancements and challenges that have reshaped our approach to sustainability. A major transformation was the introduction of the National Sustainability Reporting Framework (NSRF) which further strengthen the reporting requirements by listed and large non-listed companies in Malaysia to align to the International Sustainability Standard Board (ISSB) needs.

On Sarawak side, in 2024, our State had made remarkable sustainable progress in various areas. These include committed investment and policies to consider sustainable initiatives including in digitalisation, energy, and development that saw a substantial increase and diversion into the use of clean energy sources, carbon capture and storage (CCS), and the enactment of the Environmental (Greenhouse Gases Emission) Bill to lower carbon emissions. Further, the exchange of MoUs for biodiversity conservation among large corporate players initiated by Sarawak Forestry Corporation has ignite the progress towards the preservation of key habitats and the revitalisation of native species essential for the State's resiliency. The collaborative efforts between government, industry, and local communities and the introduction of the Sarawak Sustainability Blueprint further strengthened our resolve to build a sustainable future for all with Sarawak as the lead.

As we look ahead to 2025, we are filled with optimism and determination. This year promises to be a pivotal one for Sarawak, with several key initiatives set to take centre stage. These include the launch of key initiatives, policies and plans aiming to revolutionise the sustainability integration and consideration into all aspects of the public and private functions, further advancing how Sarawak taking sustainability more seriously.

# Foreword

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The theme for RXA Associates in 2025 focuses on "Sustainability through Innovation and Collaboration," which underscores the importance of embracing new technologies and fostering partnerships to achieve Sarawak's sustainable goals. With the support of our dedicated stakeholders and the collective efforts of our community, we are confident that Sarawak will continue to lead by example in the pursuit of sustainability.

As you delve into this document, we hope you find it to be a valuable resource that not only highlights Sarawak's ESG progress but also inspires further actions and discussions. Together, let us continue to work towards a greener, more resilient Sarawak for future generations.



**Ts. Bryan Paul**

Director

RXA Associates Sdn Bhd

# Global Risks Report 2025: How will the risks influence Sarawak's ESG Progress



**We see that majority of the long-term risks will be centralised on environmental issues.**

The World Economic Forum's Global Risks Report 2025, published on 15th of January this year, highlights growing uncertainties and risks that will impact economies, societies, and governance structures globally. Some of the key findings within this report include:

- **Deepening Geopolitical and Geo-economic Tensions** – Trade disputes, regional conflicts, and economic fragmentation continue to challenge global stability.
- **Climate and Environmental Risks** – Extreme weather events, biodiversity loss, and pollution remain top concerns, affecting economic stability and human security.
- **Technological Disruptions** – Risks associated with AI, cyber threats, and misinformation/disinformation are increasing, challenging governance and trust.
- **Economic Uncertainty** – Inflation, economic downturns, and lack of job opportunities threaten social stability.
- **Societal Polarisation and Human Rights Concerns** – Rising misinformation, digital surveillance, and socio-political divides contribute to instability.

Sarawak's ESG journey in 2025 is set against a backdrop of climate action, regulatory shifts, and evolving global trade dynamics. Given these situations, Sarawak's industries must now consider in aligning themselves with national and international sustainability goals to attract investments and remain competitive. The EU's Carbon Border Adjustment Mechanism (CBAM) and similar policies will push key sectors such as cement, energy, and plantations to improve emissions tracking and reduction.

Meanwhile, geopolitical tensions and supply chain fragmentation present new risks, requiring businesses to diversify trade partnerships and strengthen regional collaboration. Beyond environmental and economic factors, businesses must also prioritise social capital, enhancing workforce re-skilling, fair employment, and ESG-compliant manufacturing to support the State's green transition. In an era of rising AI, data privacy, and cybersecurity concerns, corporate governance must also evolve to consider these emerging risks influencing the way we do business.

## What would be the impacts of these risks in Sarawak



### Environmental Sustainability (E)

- For climate resilience, Sarawak's biodiversity, city resiliency, energy security (particularly hydropower), and food security will be tested by increased climate volatility. Therefore, strategic conservation and adaptation efforts will be crucial.
- On pollution and resource management, there will be a need on strengthening policy and regulatory enforcement on waste and pollution to mitigate environmental degradation.



### Social Capital (S)

- Community engagement and trust will be tested by digital misinformation that could affect public perception of ESG initiatives. Hence, strengthening stakeholder engagement and transparent communication will be key.
- For labour market and economic inclusion, we foresee that Sarawak must address job creation, particularly in green industries and sustainable resource management, to combat economic uncertainties.

### Governance (G)



- With increasing ESG scrutiny, Sarawak-based companies must consider aligning their businesses with national and global frameworks like Bursa Malaysia's Sustainability Reporting Guideline, Simplified ESG Disclosure Guide (SEDG) for SMEs, i-ESG framework for Manufacturing Industries, IFRS S1 and S2, and/or GRI.
- Given geopolitical tensions and increasing regulatory pressures, it would be imperative for Sarawak's companies to strengthen their internal governance control measures that considers ethical and responsible criteria including on enforcing anti-bribery and anti-corruption policy, adherence to human rights principles and many more.

## How Business in Sarawak could then leverage on these risks?

### Strengthen the Company's Environmental Commitments

- Start by adopting practical Net-Zero strategies. This can be done by first measuring your emissions and setting appropriate reduction targets that suits your business. If the company have the funds, explore integrating technologies that could help in making the operation more efficient.
- Invest in climate resilience. The start of 2025 in Sarawak had been plagued by flooding incidents across multiple districts. Look at how the business can adapt towards climate change and how it can reduce the risks and support mitigation initiatives to reduce the chances of events exacerbated by climate.

### Enhance the Company's Economic Resilience

- Diversify the business value chains. Seek to reduce dependency on a single source supplier for supplies and encourage supporting local businesses that can provide similar products and services. Additionally, looks at integrating environmental and social criteria as part of the due diligence when selecting vendors.
- Leverage on available sustainable financing offered which include sustainability-linked loans, green bonds, and other monetary incentives and grants given by the government to fund ESG initiatives.
- Strengthen circular economy practices within the company by reducing waste, enhance recycling efforts, and explore cradle-to-cradle sourcing.

### **Invest in the Company's Social & Workforce Development**

- Expand on ESG-focused education and capacity building by partnering with universities, NGOs and training institutions for ESG and sustainability skills development.
- Enhance DEI (Diversity, Equity & Inclusion) initiatives within the organisation by ensuring fair hiring practices, promote hiring of people with disabilities (PWD), and promote women and indigenous communities in leadership roles.
- Strengthen community engagement by investing in local communities and supporting local development agenda.

### **Leverage Technology for the Company's ESG Compliance**

- Technology might offer more-sustainable options that balance both environmental impacts and profitability of a business. It helps in prioritising information requires for efficient decision-making of a company.
- Implement digital ESG monitoring in the business by utilising software, AI technology, and even IoT for real-time sustainability tracking. Currently, there are a wide range of software and technology providers available depending on the organisational needs.

***Companies should invest in, innovate around, and build strategic coalitions for issues that fall at the intersection of the (1) influence of their stakeholders, (2) science and technology, (3) purpose, and (4) business values - Harvard Business Review***

# National Sustainability Reporting Standard: What Sarawak's Companies Need to Know

The National Sustainability Reporting Framework (NSRF) is Malaysia's initiative to enhance corporate transparency and accountability in sustainability practices. Developed by the Advisory Committee on Sustainability Reporting (ACSR) and endorsed by the Ministry of Finance, the NSRF aligns with the International Sustainability Standards Board (ISSB)'s IFRS® Sustainability Disclosure Standards, specifically IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures).

## Key Objectives of the NSRF

### 01

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#### **Standardised Sustainability Disclosures**

Establishing a consistent framework for companies to report on material sustainability risks and opportunities, ensuring the information is reliable, comparable, and decision-useful.

### 02

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#### **Complementary Reporting Frameworks**

Allowing the use of other reporting frameworks, such as the Global Reporting Initiative (GRI), to meet diverse stakeholder information needs.

### 03

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#### **Supply Chain Transparency**

Enhancing the flow of sustainability information across supply chains, promoting informed decision-making and responsible business practices.

| Implementation of the NSRF   |  | Timeline <sup>1</sup>   |                |  |   |      |   |
|--|--|---|----------------|--|---|------|---|
| Applicable entities  |  | 2025  | 2026           | 2027   | 2028  | 2029 | 2030  |
| Group 1  | Main Market listed issuers with market capitalisation of RM2 billion and above   | IFRS S1 and S2  |                | Full adoption: IFRS S1 and S2<br>Scope 3 GHG emissions disclosure  |   |      |   |
| Group 2  | Main Market listed issuers (other than listed issuers in Group 1)  |   | IFRS S1 and S2 |  | Full adoption: IFRS S1 and S2<br>Scope 3 GHG emissions disclosure |      |   |
| Group 3  | <ul style="list-style-type: none"> <li>ACE Market listed issuers</li> <li>Non-listed companies (NLCos) with annual revenue of RM2 billion and above<sup>2</sup></li> </ul> |   |                | IFRS S1 and S2   |   |      | Full adoption: IFRS S1 and S2<br>Scope 3 GHG emissions disclosure |
| <b>Assurance</b><br><small><sup>1</sup>Assurance framework will be subject to further consultation</small>   |  | <ul style="list-style-type: none"> <li>Aim for reasonable assurance for Scope 1 and Scope 2 GHG emissions starting 2027</li> <li>Accounting and non-accounting practitioners</li> </ul> |                |  |   |      |   |
| <b>Location of disclosures and timing of reporting</b>   |  | Applicable entities shall adhere to their respective regulator's requirements on location and timing of reporting.  |                |  |   |      |   |
| Reliefs and exemptions to facilitate adoption  |  |   |                |  |   |      |   |
| Additional transition reliefs commencing from the first annual reporting period of the respective applicable entities  |  | Group 1 & 2   | Group 3        | <b>Large NLCos whose holding company:</b> <ul style="list-style-type: none"> <li>already reports using ISSB-aligned standards or equivalent standards such as the European Sustainability Reporting Standards (ESRS)<sup>3</sup> may leverage on the holding company's sustainability- and climate-related disclosures.</li> <li>reports using other international standards and frameworks may be given exemption from reporting for three reporting periods, subject to the policy decision of the Registrar.</li> </ul> |   |      |   |
| <ul style="list-style-type: none"> <li>Permissible to disclose information on only climate-related risks and opportunities (in accordance with IFRS S2)</li> </ul> |  | 2 years   | 3 years        |  |   |      |   |
| <ul style="list-style-type: none"> <li>Permissible to focus climate-related disclosures specifically on principal business segments</li> </ul>                     |  |   |                |  |   |      |   |
| <ul style="list-style-type: none"> <li>Permissible to not disclose Scope 3 emissions, except for categories already required by respective regulators</li> </ul>   |  |   |                |  |   |      |   |

Implementation phases for public listed companies and large non-public listed companies for sustainability reporting.

The NSRF will become one of the driver for sustainability transformation across Sarawak's business landscape. Companies, especially those that are subjected to this regulation or even a vendor to the companies that are subjected to this regulation, now must consider on proactively aligning themselves with the ESG disclosures required to remain competitive, attract investments, and to comply. Therefore, early adoption of ESG principles will enhance business resilience, open new market opportunities, and secure long-term growth in the green economy.

For public listed and large non-public listed companies (with revenue of more than RM 2 billion), the regulation is clear in term of the mandatory sustainability reporting requirement. This include the need to integrate climate-related financial risks and opportunities, greenhouse gas (GHG) emissions, and transition strategies as part of the reporting requirement.

On value chains, for small medium enterprises (SMEs), this requirement will be essential for those supplying to the Bursa-listed firms and NLCos due to the disclosure needs for these organisations to report on their Scope 3 emissions fully by 2030. Recently, there have been an increase for Sarawak SMEs looking to have their companies ready for ESG as part of the vendors selections by larger organisations. Companies with poor ESG practices may stand out to lose contracts with large corporations and international buyers.

# Enhancing Value Chains Preparedness for ESG

In today's evolving business landscape, Environmental, Social, and Governance (ESG) practices are no longer just a corporate trend but a necessity for companies to remain competitive. With new regulations in Malaysia, market-driven compliance, and international markets requirements, businesses in Sarawak must adapt their value chains to meet these sustainability requirements—or risk losing market opportunities.



To address the Scope 3 needs, over 70 participants from Sarawak Energy's suppliers, Small and Medium-sized Enterprises (SMEs), and mid-tier companies participated in a program conducted by UNGC and Alliance Bank in 2024 to explore ESG practices and carbon reduction strategies.

## Companies

## ESG Initiative for Value Chains

### PETRONAS

PETRONAS has set their Net-Zero Carbon Emission (NZCE) goals by 2050 and these goals cut across its supply chain. Recently, RYA had received inquiries from few PETRONAS' vendors who seek to kickstart their ESG reporting and to improve their ESG rating as part of PETRONAS vendors due diligence process.

### GAMUDA Berhad

Through the GAMUDA's Green Plan 2025, one of the action pillar is to emphasise on sustainable procurement practices. This include encouraging their partners to adopt ESG as part of their business culture. To support this, GAMUDA had started ESG capacity building programs for its suppliers and vendors.

We are now seeing that ESG has become crucial for vendors and suppliers whereby apart from regulatory push, the trickle down expectations are also coming in from larger companies that have to comply with these regulations (market-driven practices). Only by embracing ESG initiatives, vendors not only contribute to non-financial aspects of their own business but also enhance their competitiveness in a market increasingly focused on sustainability.

# How Sarawak Businesses Can Prepare for ESG-Driven Value Chains?



## **Start measuring the company's ESG performance.**

Companies can start tracking their energy use, water consumption, waste management, employees-related information, and others ESG-topics that are align with minimum national reporting frameworks. Some of these information are already available to the company such as utilities bills, fuel-purchase receipts, HR-informations, etc.



## **Align with Large Buyers' ESG Policies.**

Study the ESG expectations of the company's value-chains especially those of public listed companies or multinational companies to ensure the company's supply chain are ESG compatible with their needs and requirements. Also take the opportunities to ask if the company could be considered as part of their ESG capacity building stakeholders if they have any.



## **Adopt Digital ESG Solutions**

Sometimes it is better to invest in technology that could help the company to measure ESG performances and to make operation more efficient. Use simple carbon calculators and AI-powered ESG tools for efficient compliance. There are many solutions out there that caters even for small companies with little investment yearly. Think of it as investment with return rather than cost!



## **Invest in Workforce & Supplier Training**

Train employees and suppliers on sustainable practices, ethical sourcing, and ESG risk management. Support the company's stakeholders in improving their knowledge on ESG and for them to then support the company readiness for ESG.

# Sarawak Sustainability Blueprint

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In October 2024, Sarawak introduced the Sarawak Sustainability Blueprint, a comprehensive roadmap designed to harmonise economic growth with environmental preservation. This blueprint emphasises two critical dimensions: **Green Transition** and **Economic Equity**, aiming to establish a robust framework within 10 Key Strategic Thrusts encompasses topics ranging from Energy Transition up to Integrated Tourism Development which seeks to lead Sarawak's green economy transformation and build a sustainable, prosperous, and resilient future aligning to the Post-Covid Development Strategy 2030 (PCDS 2030).

## 01

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### Energy Transition

Reducing emissions and enhancing connectivity across Sarawak and beyond.

## 02

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### Sustainable Agriculture and Food Security

Enhancing food security while safeguarding Sarawak's natural resources.

## 03

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### Sustainable Mobility

Initiatives to develop eco-friendly transportation systems, reducing carbon emissions.

## 04

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### Circular Economy

Encouraging the reuse and recycling of resources to minimise waste.

## 05

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### Sustainable Manufacturing

Implementing environmentally friendly processes in the manufacturing sector.

## 06

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### Sustainable Mining

Adopting practices that minimise environmental impact in mining activities.

## 07

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### Sustainable Stewardship of Natural Assets

Efforts to conserve and enhance Sarawak's natural resources.

## 09

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### Inclusive Social Equity

Initiatives aimed at improving the well-being of local communities.

## 08

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### Sustainable Cities

Planning and developing urban areas with a focus on sustainability.

## 10

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### Integrated Tourism Development

Promoting tourism that is environmentally responsible and sustainable.

Anchored by three goals namely, (1) **economic growth and prosperity**, (2) **environmental stewardships**, and (3) **healthy, resilient, and inclusive community**, the blueprint not only addresses current environmental challenges but also proactively anticipates future needs related to climate resilience and the green economy. The key strategic thrusts are inter-dependence and by fostering synergies among sectors, Sarawak aims to enhance efficiency in resource planning and implementation, ensuring that every effort contributes meaningfully to the State's sustainability goals.

## What are the Sectors covered?

- |                |                                   |
|----------------|-----------------------------------|
| 1. Utilities   | 6. Manufacturing                  |
| 2. Oil and Gas | 7. Mining                         |
| 3. Transport   | 8. Tourism                        |
| 4. Agriculture | 9. Waste                          |
| 5. Forestry    | 10. Real Estates and Construction |

# How Sarawak Businesses Can Then Prepare for this new blueprint?

The Sarawak Sustainability Blueprint sets in a way a new direction for the state's economy, balancing economic growth with environmental responsibility as envisioned under the Post-Covid Development Strategy 2030 (PCDS 2030). Businesses in Sarawak—whether in energy, agriculture, manufacturing, construction, tourism, or SMEs—will need to look at adapting their operations to align with the State's sustainability ambition. This shift will have significant implications, requiring companies to start adapting to evolving regulations, market expectations, stakeholders' demands, and environmental standards.

To prepare for these changes, businesses in Sarawak should start incorporating ESG into their operations by first measuring their own sustainability performance and aligning them with frameworks such as the Simplified ESG Disclosure Guide (SEDG) for SMEs or Bursa Malaysia and GRI for larger organisations. Also consider on investing in efficient technologies and equipment that will help ensure long-term viability. Additionally, companies should up-skill their workforce in sustainability practices and explore available green financing options, such as government incentives like MIDA's Domestic Investment Acceleration Fund (DIAF) and sustainability-linked loans and bonds, to support their transition.

1



Start measuring the company's ESG performances against known framework.

2



Invest in energy-efficient solutions and adopt low-carbon technologies.

3



Up-skill workforce in sustainability by building capacity on green skills, digital transformation, and ESG best practices.

4



Leverage green financing through government incentives, green bonds, and sustainability-linked loans.

# About RXA Associates

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RXA Associates is a boutique consultancy firm dedicated to advancing the Environmental, Social, and Governance (ESG) as well as sustainable development through full-spectrum advisory, consultancy, comprehensive carbon management solutions, technologies offering and specialised ESG training to our clients. Founded with the mission to foster a sustainable future, we leverages deep industry expertise, global networks, and innovative approaches to help businesses and organisations (profit, government, and non-profit) to integrate sustainability into their core operations, ensuring compliance, enhancing reputation, and driving long-term value proposition.

## Our Services

### ESG and Sustainability Consultancy

- We offer comprehensive ESG advisory and consultancy services designed to help businesses and organisation integrate sustainable practices into their operations.

### Carbon Management

- We provide expert guidance and solutions in carbon management to help businesses meet their carbon reduction targets.

### Project-as-a-Service (PaaS)

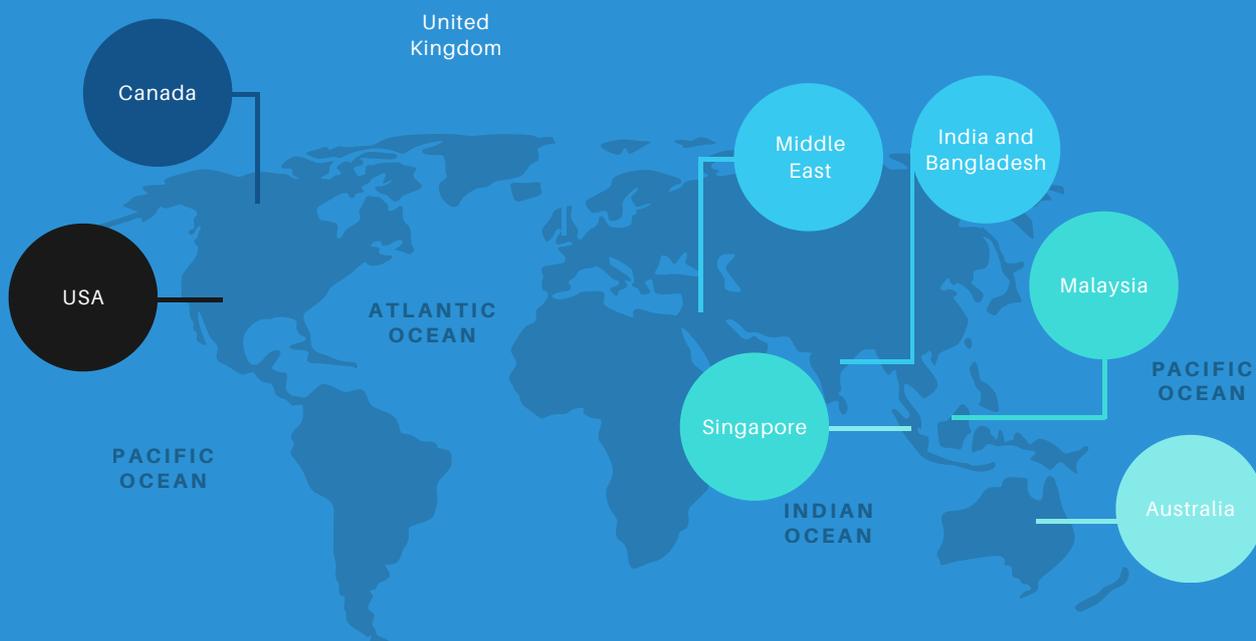
- Apart from the usual advisory and consultancy, our company works with some of the world best industry partners to support private company or even government in their sustainability journey.

### ESG Training

- Our training programs are designed to equip organisations with the necessary skills and knowledge to implement and manage ESG initiatives effectively.

### ESG Rating

- One unique service by RXA Associates is that our Principals come from and are with experience in ESG rating services. In this case, ESG rating is important for companies that wanted to secure investment from institutional and financial investors.



**Our Footprints alongside Our Partners**

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## Our Key Members



**Prestly Ng**  
Managing Director



**Dr. Yong Leong Kong**  
Director & Partner



**Andreson Sibat Belayong**  
Director & Partner

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Connect with Us and Let's Contribute to the  
ESG transformation in Sarawak.

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