SUSTAINABILITY CLAIMS POLICY FRAMEWORK 30-30-30 GUIDANCE

30 CORE PRINCIPLES, 30 DAY IMPLEMENTATION, 30 RECOMMENDED TARGETS

A Policy Framework for Malaysian Businesses & Leaders to Help Demonstrate Greater Accountability in Communicating their Sustainability Principles, Plans and Performance.

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The intricate veins of a leaf **symbolize communication with integrity** through their precise, purposeful network, carrying water and nutrients to every cell without excess or concealment. Each vein mirrors **honest dialogue**: **transparent, consistent, and accountable** to the whole. Just as blocked veins weaken the leaf, distortion or **dishonesty fractures trust and harmony.** Roots deepen this metaphor, drawing sustenance from hidden soil and anchoring the entire plant, like inner values grounding every word. Together, veins and roots evoke communication that is both far-reaching and deeply rooted, where diverse channels honour one **life-giving truth and relationships thrive when every pathway stays open, clear, and guided by integrity.**

Table of Contents

Yang Berbahagia Dato' Henry Sackville Barlow
Chair of the Board, Climate Governance Malaysia
Message at the Launch of Malaysia's First Sustainability Claims Policy Guidance

CLIMATE GOVERNANCE MALAYSIA

Today marks an important milestone with the launch of Malaysia's First Sustainability Claims Policy Guidance—a practical resource designed to help businesses communicate their sustainability efforts with honesty, clarity, and credible evidence.

As sustainability expectations continue to evolve, organisations are increasingly assessed not only on their intentions but also on the quality, consistency, and verifiability of their sustainability claims. Regulators, investors, customers, and the wider public rightly expect claims to be supported by robust evidence and sound governance. Vague or unsubstantiated claims can expose organisations to legal, reputational, and commercial risks.

The Guidance encourages organisations, particularly listed companies, to develop and institutionalise their own sustainability claims policies that are tailored to their business operations and sustainability risks. By embedding governance and accountability into the claims process, organisations can ensure that their sustainability communications are accurate, defensible, and aligned with recognised good practices.

At its core, the Guidance promotes a straightforward principle: measure first, verify second, communicate third. It advocates for evidence-based sustainability claims, transparent disclosure of trade-offs where relevant, and appropriate third-party verification to strengthen stakeholder confidence.

Ultimately, this Guidance is about building trust. By supporting credible and transparent sustainability communications, it helps organisations protect their reputation, manage risk, and demonstrate that their sustainability commitments are genuine, measurable, and enduring.

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Malaysia's First Sustainability Claims Policy Guidance has been developed to address a growing and urgent reality: sustainability claims carry real consequences, and if they are not grounded in evidence, governance, and transparency, they can become a source of risk rather than a signal of leadership. This Guidance is intended to be **a practical framework** for organisations that want to communicate sustainability performance responsibly. It is built around a simple but necessary principle: **measure first, verify second, communicate third.** In other words, claims must arise from substantiated performance, not from aspiration, marketing language, or selective storytelling. The framework brings together **30 Core Principles, a 30-Day Implementation Guide, and 30 Recommended Targets towards 2030.** It is intended to help companies move from informal and inconsistent practices to a more **systematic approach that is evidence-based, repeatable, auditable, and aligned with Malaysian realities.**

One of the most important messages in this Guidance is that **listed companies must be guided by this policy framework to draft and institutionalise their own sustainability claims policy.** This is not procedural suggestion; it is a strategic necessity. Every listed company faces different business models, operating footprints, material issues, stakeholder pressures, and performance risks. A single national guidance document can set the standard, but each listed company must translate that standard into an internal policy that fits its own risk profile and governance structure.

The purpose of this Guidance is not to make communication more complicated. It is to make it more honest, more resilient, and more useful. When businesses institutionalise internal claims governance, they protect themselves from avoidable legal and reputational exposure, while also improving investor confidence, stakeholder trust, and operational clarity.

The broader vision is clear: **sustainability communication in Malaysia must evolve from broad, generic assertions to specific, verifiable, and accountable claims.** If this Guidance helps companies, especially listed companies, build internal systems that make that possible, then it will have served its purpose well. Thank you to everyone who contributed to this work and to everyone who chooses to put it into practice.

This framework is authored by IMPACTO Ethics Advisory, a non-profit initiative of IMPACTO Foundation in collaboration with IMPACTO Sdn Bhd, a certified B-Corp.

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This framework is a living document. Feedback, questions, or requests for clarification should be directed to [kish@impacto-foundation.org]

Our Near & Long-Term Objectives with a Multi-Stakeholder Approach

- **Pilot Company-Specific Programmes**
  Recruit major Malaysian listed companies for an independent greenwashing & socialwashing risk quotient and integrity assessment and drive adoption of a sustainability claims policy as well as pilot this framework implementation
- **Regulator Engagement**
  Engage and secure official endorsement or recognition from critical regulatory authorities, ideally incorporated into guidelines
- **Industry Association Partnerships**
  Aim for industry buy-in and self-regulation before government mandates kick-in through industry coalitions
- **Civil Society Toolkit Development**
  Empower bottom-up accountability while companies adopt top-down
- **Public Greenwashing Database**
  Institutionalise a repository where consumers can check claims; investors can screen risk; companies gain recognition for compliance
- **Regional ASEAN Adaptation**
  Aim for regional harmonization that simplifies cross-border supply chain verification and creates collective pressure on multinationals
- **Legislative Codification**
  Advocate for the framework principles to become **enforceable law** through amendments

INTRODUCTION

IN SUMMARY

This comprehensive framework guides Malaysian businesses in developing credible, verifiable, and culturally appropriate sustainability communications. It addresses the unique regulatory landscape, stakeholder expectations, and competitive environment of Malaysia's market while preventing misleading claims and building genuine stakeholder trust.

Specifically for Use of:

- Manufacturing and export-oriented enterprises
- Consumer-facing businesses
- Supply chain-dependent companies
- Businesses seeking ESG financing and international partnerships

PURPOSE & SCOPE

This framework establishes guidelines for Malaysian businesses to:

- Communicate sustainability initiatives with scientific rigor and responsibility towards its business and ecosystem stakeholders
- Align with Malaysian regulatory requirements (Environmental Quality Act 1974, Malaysian Code of Advertising, Securities Commission ESG Guidelines)
- Align with international expectations (IFRS Sustainability Disclosure Standards, TCFD recommendations, UN SDGs)
- Build market differentiation through authentic sustainability positioning
- Mitigate legal and reputational risks from unsubstantiated claims

APPLICABILITY

This framework may apply to all communications channels—marketing materials, sustainability reports, packaging, digital platforms, social media, investor presentations, and internal communications claiming environmental or social benefits.

DISCLAIMER

This document, including all examples and illustrations contained herein, is provided solely for the purpose of enhancing understanding and offering conceptual clarity. The examples and illustrations are intended for reference only and are not exhaustive, nor do they represent all possible material issues, circumstances, or interpretations. Any resemblance to actual organisations, entities, or situations, whether intentional or coincidental, is unintentional. The publishers and authors expressly disclaim any responsibility or liability arising from any such perceived resemblance or interpretation. This document serves as a general guidance resource. Organisations and users are advised to exercise independent professional judgement and adapt the principles, recommendations, or frameworks herein to suit their specific organisational context, governance structure, and operational requirements. Adoption or application of the contents of this document, whether in full or in part, shall be at the sole discretion and responsibility of the user or organisation.

INTRODUCTION

WHY MALAYSIAN CORPORATES SHOULD ADOPT THIS POLICY FRAMEWORK

Strategic and regulatory risk management
Malaysian corporates face overlapping scrutiny from environmental, consumer, advertising, securities, listing and banking regulators; this framework helps avoid fines, investigations and listing or credit-rating impacts by hard-wiring substantiation and legal review into every claim.

By systematising audits, evidence repositories and rapid response protocols, companies can respond quickly and confidently to regulator, media or NGO challenges, reducing litigation and reputational risk as and when sustainability issues arise.

Capital access and investor confidence
Global and domestic investors increasingly rely on ESG disclosures and are wary of greenwashing; adopting this policy aligns claims with IFRS sustainability standards, TCFD and SC/Bursa expectations, strengthening credibility with lenders and capital markets.

A rigorous claims and verification system signals disciplined governance and data integrity, which supports better ESG ratings, lower cost of capital and eligibility for sustainability-linked financing instruments.

Market competitiveness and brand trust
Export-oriented and consumer-facing Malaysian corporates compete in markets where buyers, brands and regulators demand verifiable environmental and social performance; this framework enables compliant, differentiated, proof-backed positioning instead of generic “sustainability” claims and messaging.

Transparent treatment of trade-offs, stakeholder engagement and third-party validation builds long-term trust among customers, communities and employees, strengthening loyalty and resilience in the face of scrutiny or crises.

Supply chain resilience and stakeholder alignment
Systematic supplier standards, audits and escalation protocols protect companies from labour, environmental and human-rights controversies hidden deeper in the chain, which can otherwise disrupt production and damage regional and global relationships.

Regular stakeholder consultations and feedback loops ensure that what corporates claim—and invest in—actually reflect the priorities of Malaysian workers, communities, customers and NGOs, improving social licence to operate and reducing conflict risk.

Implementation practicality for Malaysian context
The framework is designed for phased implementation (quarterly and annual milestones), making it practical for large corporates and mid-sized businesses to adopt without overwhelming internal capacity.

Its explicit Malaysian legal references, cultural guidance and recommended verifier ecosystem reduce confusion and advisory costs, allowing corporates to operationalise credible sustainability claims more efficiently than building bespoke systems from scratch.

THE 30-30-30 FOUNDATIONAL RECOMMENDATIONS

This framework sets out 30 Core Principles, with a 30-Day Implementation Guide and 30 Recommended Targets towards 2030.

The idea is to empower Malaysian businesses to design and deliver credible, legally robust and stakeholder-trusted sustainability claims policy and framework, supported by a practical governance and verification system tailored to Malaysia's regulatory and cultural context.

30 CORE PRINCIPLES

01–10

- Anchor every sustainability claim in verifiable data and documented baselines, never in marketing or promotional aspirations.
- Use precise, quantified language (percentages, timeframes, scopes) instead of vague terms like "green" or "sustainable" or "socially responsible".
- Clearly distinguish what the company fully controls, what it only influences in the value chain, and what remains aspirational.
- Acknowledge both upstream and downstream impacts and be communicative about supply chain limits and gaps.
- Engage with local stakeholders (workers, communities, Indigenous groups, NGOs or the affected stakeholders) in shaping claims before going public
- Communicate both current performance and realistic improvement roadmaps, not seek "perfection" narratives.
- Align claims with Malaysian laws and codes (Environmental Quality Act, Consumer Protection Act, Advertising Code, Bursa and SC ESG rules)
- Ensure all claims are material to the business footprint; do not present small pilots or one-off initiatives or isolated programs as core sustainability achievements.
- Map and disclose trade-offs and unintended consequences (e.g., job impacts, habitat pressure, product risks) honestly.
- Benchmark performance against peers and use comparative language only when backed by documented external data.

30 CORE PRINCIPLES

11–20

- Treat time as a critical dimension in claims; specify baselines, periods and whether gains are structural or one-off.
- Require third-party verification for key metrics and certifications, and make verification evidence accessible to stakeholders.
- Classify claims (e.g., quantified impact, certification, investment, comparative, roadmap, harm-reduction) and meet explicit substantiation rules for each type.
- Prohibit vague, absolute, aspirational-as-current, or “industry-leading” claims without hard evidence.
- Establish clear internal governance with defined roles for board, sustainability lead, finance, legal, HR, operations and marketing.
- Run a structured, multi-step approval process for every material claim, from registration and data checks to legal sign-off and archiving.
- Integrate semi-annual stakeholder consultations and feed their priorities back into what is claimed.
- Conduct an annual portfolio-wide audit of claims, data, certifications, roadmaps and supply chain assurances.
- Adapt claim language for different audiences (investors, employees, communities, consumers) while keeping core data consistent.
- Avoid misleading visuals, over-“green” aesthetics and unearned use of indigenous or cultural imagery.

30 CORE PRINCIPLES

21–30

- Use a Malaysia-specific regulatory checklist before externalising any claim (environment, advertising, consumer, capital markets, labour, Indigenous rights, financial regulators).
- Apply a cultural sensitivity lens for nature, heritage and indigenous-linked claims, including consent, shared decision-making and benefit-sharing.
- Build tiered supply chain verification, matching rigor to control and risk, and avoid “100% ethical” or similar language where verification is partial or unverifiable.
- Embed sustainability criteria and audit rights into supplier contracts, with phased expectations and a clear remediation–probation–exit ladder.
- Maintain robust evidence repositories and defined response times for regulators, customers, media, NGOs and investors requesting proof.
- Put in place a transparent process for handling under-performance against public commitments, including root-cause analysis and revised timelines.
- Retract or suspend claims promptly when data, certifications or supply chain practices no longer support them.
- Review and update the framework at least annually in line with new regulations, standards, business changes and any claim failures.
- Institutionalise quarterly sustainability governance meetings to review new claims, feedback and verification gaps.
- Use a standardised claim registration template and supplier/stakeholder checklists so the process becomes repeatable, auditable and scalable.

30-DAY IMPLEMENTATION GUIDE

Key Implementation Principles:

- **Evidence precedes communication**
  Measure, verify, then speak
- **Specificity trumps generality**
  Replace "sustainable" with a "measure
- **Stakeholder engagement shapes legitimacy**
  Listen before communicating
- **Transparency on trade-offs builds credibility**
  Be balanced and honest about compromises
- **Continuous improvement over static claims**
  Show trajectory, not perfection
- **Third-party verification removes ambiguity**
  Let external auditors (and stakeholders) validate
- **Supply chain accountability is non-negotiable**
  Accept responsibility for upstream/downstream impacts

30-DAY IMPLEMENTATION GUIDE

Days 1–5: Mobilise and scope

- Appoint a small core team (Sustainability/ESG lead, Finance, Legal, Marketing/Comms, Procurement) and name an executive sponsor (CFO or CSO) to oversee sustainability claims governance.
- Define scope for Phase 1: which business units, which claim types (e.g., energy, waste, labour, sourcing) and which channels (reports, packaging, ads, website) are in scope for the first three months.
- Map current and planned sustainability claims across all channels and flag “high-risk” ones (vague, comparative, “industry-leading”, or lacking clear evidence).

Days 6–10: Baselines, gaps and priorities

- For 3–5 most material claim areas (e.g., emissions, water, safety, key certifications), confirm baselines, data owners, methodologies and existing third-party evidence; document any gaps.
- Run the 9-question readiness audit from the framework on these priority claims and decide which existing or planned claims must be paused, reworded, or can be fast-tracked.
- Select one “pilot flagship claim” (e.g., a verified energy, water or certification claim) to fully bring through the new process within 30 days.

Days 11–15: Design the governance minimum viable product

- Adapt the 7-step claims approval workflow into a simple SOP: claim registration form, data check, substantiation checklist, legal/regulatory check, stakeholder reasonableness check, executive sign-off, archiving.
- Define role accountabilities using the framework’s RACI: who checks data (Finance/Operations), who checks regulations (Legal), who frames language (Marketing), who signs off (CFO/CEO/CSO).
- Create basic templates: claim registration sheet, substantiation evidence list (by claim type A–F), regulatory checklist for Malaysian laws and advertising codes, and a shared digital folder for evidence.

Days 16–20: Pilot claim and supplier/stakeholder integration

- Run the pilot flagship claim end-to-end through the new SOP, including data verification, third-party evidence confirmation (if available), and a documented legal/regulatory check.
- Test simple stakeholder alignment: conduct 3–5 short interviews (e.g., internal staff, one key customer, one community or NGO contact) to confirm the claim is relevant and understandable; refine wording based on feedback.
- For at least your top 10–20 Tier-1 suppliers by spend, confirm existing ESG clauses, certifications and audit status; flag any gaps that could undermine current sourcing-related claims

30-DAY IMPLEMENTATION GUIDE

Days 21–25: Controls, training and visual standards

- Formalise a “no claim without evidence” control: any new external sustainability statement must have a completed registration template and uploaded evidence before publication.
- Introduce simple escalation rules for problematic claims (comparative, “most sustainable”, “100% green”, Indigenous imagery, “Zero labour exploitation” etc.), requiring extra-legal and sustainability review.
- Brief Marketing/Comms and brand agencies on the framework’s visual and language rules, including banned patterns (vague quantifiers, “eco-friendly” without specifics, misleading green imagery or Indigenous references).

Days 26–30: Institutionalise and communicate internally

- Hold a short “claims governance launch” session for senior management and key functions, walking through the SOP, roles, and pilot claim as a concrete example.
- Approve a 6–12 month roadmap: schedule semi-annual stakeholder consultation rounds, annual claim portfolio audit, progressive supplier verification expansion and priority areas for new, better-substantiated claims.
- Publish a brief internal policy note or intranet page summarising: the purpose of the Sustainability Claims Framework, mandatory approval steps, who to contact, and penalties for bypassing the process (e.g., withdrawal of non-compliant claims).

30 RECOMMENDED TARGETS

Avoiding greenwashing and social washing can be translated into 30 concrete, time-bound targets across data, governance, verification, communication, and stakeholder practice.

These 30 recommended targets can be embedded into your 2026–2030 sustainability roadmap and governance framework to systematically prevent both green and social washing while improving credibility with regulators, investors, customers, and communities

30 RECOMMENDED TARGETS

Data, Baselines and Scope (1–7)

- By end-2026, establish quantified baselines (pre-2023 where possible) for all material environmental and social KPIs used in claims, with written measurement methodologies.
- From FY2027, only publish quantitative claims where at least three consecutive years of data exist or the claim is explicitly labelled as “first-year result” with no trend implied.
- By 2026, implement a central claims register capturing for each claim: KPI, baseline, boundary (org/value chain), data sources, assumptions, and verification status.
- By 2027, ensure 100% of ESG claims specify organisational and value-chain scope (e.g., Scope 1–2 only; Tier 1 suppliers only; Malaysia operations only).
- By 2026, stop using unquantified generic labels such as “green”, “eco-friendly”, “ethical”, or “industry-leading” unless accompanied by clear metrics and benchmarks.
- From 2027, require that any “carbon neutral”, “net-zero”, or “zero harm” claim discloses what scopes and impact categories are excluded and how offsets are used.
- By 2027, systematically differentiate structural performance improvements (e.g., infrastructure investments) from one-off or cyclical factors and disclose that split in major claims.

Substantiation and Third-Party Verification (8–14)

- By 2027, obtain independent third-party verification for all key quantitative environmental and social claims in annual reports and major campaigns (emissions, energy, water, waste, wages, safety).
- By 2028, ensure at least 85% of procurement spend is covered by direct sustainability audits or accredited certifications; prohibit “fully sustainable/ethical supply chain” language unless coverage is 100% and verified.
- From 2026, require documented substantiation packs (evidence files) for every high-impact claim before release, including audit reports, certifications, and calculations.
- By 2027, ensure all comparative claims (“lower emissions than peers”, “leading in sector”) are supported by cited, dated benchmarks and a reproducible calculation methodology.
- From 2026, mandate that any process-certification-based claim (e.g., FSC, SA8000) references specific certification scope, validity dates, and percentage of volume actually covered.
- By 2027, appoint an internal “Claims Verification Lead” (within sustainability or finance) accountable for coordinating third-party verifications and evidence archiving.
- From 2026, maintain an external evidence webpage or repository where summaries of verification reports and key certificates are accessible to stakeholders within defined response timelines.

30 RECOMMENDED TARGETS

Governance, Approvals and Controls (15–21)

- By mid-2026, implement the full 7-step claim review protocol for 100% of external ESG claims (registration, data check, substantiation audit, legal review, stakeholder reasonableness, executive sign-off, documentation).
- From FY2026, conduct an annual ESG claims audit (internal or third-party) and publish a high-level summary of findings, corrections, and improvements.
- By 2027, formalise that CFO, General Counsel, and CMO must sign off on all "headline" ESG claims used in investor communications, major marketing campaigns, and sustainability reports.
- By 2026, integrate claim-review checkpoints into the corporate risk register and internal audit plan to treat misleading claims as a material compliance and reputational risk.
- From 2027, link part of senior management KPIs or variable pay to accuracy and timely correction of ESG claims, not just to ESG performance levels.
- By 2026, establish a formal process and threshold for retraction and suspension of claims (e.g., data errors, certification loss, methodology change), with standard public templates for notices.
- From FY2026, report annually on all ESG claims that were corrected, retracted, or suspended during the year and the root causes identified.

Stakeholder, Trade-Off and Cultural Integrity (22–26)

- Starting 2026, run at least two structured stakeholder consultations per year (employees, suppliers, customers, communities/NGOs) focused on which ESG issues and claims they consider credible and material.
- By 2027, ensure that the majority of externally highlighted ESG claims (e.g., front-page report items, ad taglines) align with top-ranked stakeholder priorities, or clearly explain why not.
- From 2026, include a short "trade-off and limitations" note alongside all major claims (e.g., impacts on jobs, land use, biodiversity, or costs) to avoid one-sided positive narratives.
- By 2026, adopt and enforce visual standards that ban misleading imagery (pristine forests, indigenous motifs, heavy "green" aesthetics) where these do not truthfully represent operations or partnerships.
- From 2027, require explicit, documented Free, Prior and Informed Consent (FPIC) and benefit-sharing before making any claims referencing indigenous communities, cultural practices, or heritage.

30 RECOMMENDED TARGETS

Training, Communication and Incident Handling (27–30)

- By end-2026, train 100% of marketing, product, investor relations, and HR communications staff on prohibited claim patterns and the internal claims review process, with biennial refreshers thereafter.
- From 2026, create internal “ESG Claim Writing Guidelines” that give approved phrase banks and red-flag language lists to standardise accurate, non-misleading wording.
- By 2027, establish a public, easily accessible channel (email/webform) for stakeholders to challenge or request evidence for claims, with defined response timelines (e.g., 5–10 business days).
- From 2026, require that any under-performance versus stated ESG targets greater than 10% is publicly disclosed within 30 days, including root-cause analysis, revised timelines, and mitigation actions.

KEY OPERATING PRINCIPLES OF THE POLICY FRAMEWORK

EVIDENCE-FIRSTAPPROACH

Claims flow from measurable action, not marketing aspirations or promotional value. Evidence/data synthesis always precedes communication planning.

SUPPLY CHAIN ACCOUNTABILITY

Define and accept responsibility for upstream and downstream impacts. Acknowledge where control is limited; partner with suppliers on improvement rather than merely green/social washing their practices.

STAKEHOLDER ACTIVISM

Engage stakeholders and involve affected communities, workers, indigenous groups, and environmental organisations in framing claims before external communication. "Claim No Impact without Involving Those Affected" principle.

FROM GENERICS TO SPECIFICS

Avoid umbrella terms and “motherhood” statements. Replace "sustainable" with "30% reduction in scope 1 emissions (2023-2025)." Specificity prevents ambiguity and defensibility challenges.

BALANCED TRANSPARENCY

Communicate both the good and bad about the current performance AND realistic improvement roadmaps. Businesses improving from baseline or the bad are more credible; those claiming perfection can be suspicious.

BUILDING THE "TRUST" ARCHITECTURE

Before drafting ANY sustainability claim, conduct this 9-point Pre-Communication Readiness Assessment / Self Audit.

Outcome: if you score low on more than 3 questions, delay external communication. Address gaps first.

PRE-COMMUNICATION READINESS ASSESSMENT

Question 1: Baseline Documentation

Do we have documented baseline metrics (pre-year of assessment or pre-intervention) that allow year-on-year comparison?

Red flag: Claims like "Most sustainable supplier in Asia" without baseline data that proves improvement trajectory.

Best practice: Establish baseline (e.g., 2024 levels) for all material metrics. Document measurement methodology.

Question 2: Control vs. Influence Boundary

What aspects of this claim do we directly control vs. influence through partners vs. aspire toward?

Honest categorisation example for a dairy manufacturer

- Direct control (100%): Our factory's water treatment systems, employee safety protocols, waste sorting
- Influenced (50-70%): Upstream suppliers' pesticide use, chemical treatment standards, labor practices (through audit requirements, payment of fair wages)
- Aspirational/None (0%): Raw material regeneration timelines, farmer income improvements beyond direct supply chain

Communication rule: Only claim control where you have direct operational authority. For influenced areas, specify conditions and constraints (of the company and its partners)

Question 3: Third-Party Validation

Can any credible external party verify this claim independently?

Acceptable validators for different claims

- Emissions reductions → Energy auditor, accredited environmental consultant, certification body (ISO 50001, etc.)
- Fair labor practices → SA8000 auditor, Fair Labor Association, international labor monitoring organisations
- Material sourcing → Forest Stewardship Council (FSC), Marine Stewardship Council (MSC), Rainforest Alliance
- Carbon neutrality → Accredited carbon offset verifier, not internal calculation

Communication rule: Reference specific verifier and audit date. Link to publicly available audit summary.

Question 4: Materiality Threshold

Does this claim represent a material portion of our business impact, or is it the outcome from an isolated program or initiative?

Example discrimination

- Material: "100% of production waste diverted from landfill" (affects 30%+ of manufacturing operations)
- Immaterial: "Office recycling program diverts 80% of paper waste" (affects 1% of total waste; should not anchor brand positioning)

Communication rule: Immaterial initiatives can be mentioned but not featured as primary sustainability positioning. Prominence should reflect material impact.

PRE-COMMUNICATION READINESS ASSESSMENT

Question 5: Unintended Consequences Mapping

What negative externalities or trade-offs does this initiative create that we should in all fairness acknowledge?

Examples requiring acknowledgment

- Sourcing FSC-certified palm oil" → Acknowledge that palm oil production still creates habitat pressures; position as harm-reduction approach, not solution
- Reducing packaging weight by 30%" → Acknowledge if structural integrity reduction affects product shelf-life or breakage rates
- Automation of manufacturing" → Acknowledge job displacement if not retrained; speak to retraining investment

Communication rule: Proactively discuss trade-offs. Stakeholders already know nothing is perfect; transparency on compromises builds credibility.

Question 6: Peer Comparison Baseline

How do we perform vs. industry average and top performers?

Data gathering

- Research competitor reports, industry benchmarks (e.g., Global Reporting Initiative database, industry associations)
- Avoid making comparative claims without documented evidence
- Position progress relative to trajectory, not false humility or false superiority

Example framing

- ✗ Industry-leading emissions reduction" (undefined vs. whom)
- ✓ Emissions intensity 15% below 2021 peer average per Malaysia Energy Commission data; targeting 25% below average by 2027"

Communication rule: Comparative claims require cited peer data and timeframe specificity.

PRE-COMMUNICATION READINESS ASSESSMENT

Question 7: Supply Chain Risk Mapping

Are there significant supply chain segments where we cannot verify sustainability credentials?

Common blind spots for Malaysian businesses
- Tier 2+ suppliers in complex value chains (subcontractors, raw material secondary refiners)
- Overseas operations with limited audit access
- Informal sector suppliers in certain regions

Honest approach
- Name specific supply chain segments
- Describe verification mechanisms you have in place
- Identify gaps explicitly
- Share improvement roadmap with timelines

Communication rule: Clearly establish coverage. "We can verify sustainability standards for 85% of direct material inputs through annual audits. We are implementing blockchain tracking for remaining 15% by Q3 2026."

Question 8: Temporal Sustainability

Is this improvement sustainable, or is it one-time efficiency gain or a single symbolic initiative masquerading as ongoing commitment?

Example discrimination
- Sustainable: Multi-year investment in renewable energy infrastructure; structural organisational change
- One-time: Inventory liquidation reducing total waste volume; temporary operational slowdown due to market conditions

Communication rule: Distinguish between structural improvements and temporary factors. If temporary factor contributed, quantify portion.

Question 9: Stakeholder Alignment

Have we confirmed this claim resonates with our key stakeholders' actual priorities, not our perception of their priorities?

Validation method
- Conduct brief stakeholder interviews (employees, suppliers, customers, local communities)
- Ask: "What sustainability issues matter most to you?" and "What would make you believe our commitment?"
- Compare their priorities to your claims

Communication rule: If stakeholder priorities don't align with your claims, adjust either claims (to address actual priorities) or stakeholder engagement strategy (to build understanding of why you chose different priorities).

CLAIMS PROCESS & SUBSTANTIATION

Type of Claims	Substantiation required	Evidence
Quantified Output Claims "We reduced water consumption by 25% (2020-2025)"	» Baseline year measurement methodology documented » Annual measurement reports for all intervening years » Physical evidence of interventions (equipment upgrades, process changes with installation dates) » Third-party verification of measurement protocols » Accommodation of any production volume changes (intensity metrics, not absolute where volume varies)	Publicly share audit summary with methodology; full audit available to investors/partners on request
Process Certification Claims "100% of coffee sourced from Rainforest Alliance certified farms"	» List of suppliers with certification numbers and expiration dates » Documentary evidence of purchase agreements specifying certification requirement » Annual audit confirmation of maintained certification status » Acknowledgment of non-certified suppliers (if any), with transition plan	Share certification registry links; engage auditor for third-party verification of purchase claims
Investment/Infrastructure Claims "Invested RM 8.5 million in solar energy installation; avoiding 2,500 MWh annual grid electricity consumption"	» Audited project budget with timeline » Engineering specifications for installed capacity » Third-party engineering verification of expected generation (not promotional projections) » Actual generation data for minimum 12 months post-installation » Current generation data updated annually	Share project timeline; link to audited generation reports from system monitoring
Comparative Claims "Manufacturing emissions 30% lower than sector average (per Malaysian Energy Commission 2024 data)	» Explicit peer group definition (company size, product category, geography) » Cited benchmark source with publication date and link » Independently verifiable calculation methodology showing how you reached 30% figure » Acknowledgment of calculation assumptions	Provide calculation worksheet; reference benchmark source

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Commitment/Roadmap Claims "Target 50% renewable energy by 2030 (baseline 2022: 8%)"	» Explicit action plans (not just aspirations) describing how 50% will be achieved » Budget allocation confirmed by board/executive decision » Interim milestones (e.g., 20% by 2027) with specific projects identified » Third-party science-based validation of feasibility (e.g., Science-Based Targets initiative validation) » Annual public reporting on progress vs. milestones; explanation of any variance	Publish formal roadmap with signatures from CEO/board; link to governance decision minutes; annual progress reports
Harm-Reduction Claims "Eliminated single-use plastic from employee cafeteria packaging; 80% waste reduction achieved"	» Baseline waste composition data (before intervention) » Post-intervention waste composition data (same measurement methodology) » Specification of what "waste reduction" means (weight? volume? landfill diversion?) » Acknowledgment that initiative affects portion of total company footprint » If percentage affected is small, position as pilot not brand-defining initiative	Share waste audit reports; specify percentage of company footprint affected

PROHIBITED CLAIM CLICHES

Malaysian businesses must avoid these claim structures, even if they feel honest

Prohibited Cliches	Why	Alternative
Vague quantifiers "Significantly reduced," "substantially improved," "dramatically cut"	Unverifiable; triggers regulatory scrutiny	Reduced from 850 to 630 tons annually (26% reduction, 2022-2025)"
Absence-of-data claims "Our products are safe/sustainable" without testing	Shifts burden to consumers or stakeholders to disprove	Tested to ISO X standard; full test report available at [link]"
Industry-leading without comparison "Most sustainable choice in category"	False unless competitors verified with same methodology	"33% lower emissions than three major competitors per independent lifecycle analysis (2024)"
Compound claims unclear attribution "Sustainable, ethical, and eco-friendly"	Which aspect? How verified?	Separate claims: "Fair Trade certified," "Carbon neutral (Scope 1-2)," "Recyclable in 95% of Malaysian facilities

PROHIBITED CLAIM CLICHES

Malaysian businesses must avoid these claim structures, even if they feel honest

Prohibited Cliches	Why	Alternative
Aspirational as current "Going carbon neutral" "Toward net zero	Misleading about current performance	Currently 40% carbon neutral; targeting 100% by 2035 through [specific initiatives]"
Timeframe ambiguity "Recently improved," "consistently sustainable"	What period? How measured?	Improved 15% from FY2023 to FY2024; sustained improvement three consecutive years"
Supplier claims without verification "Ethically sourced" "Responsibly sourced	Have you verified or assumed?	Audited annually per SA8000 standard; 87% of direct suppliers currently certified"
Sector-generic certification "Eco-certified	Which certification? By whom?	ISO 14001 certified; FSC forest stewardship certified" (name specific standards)

Operational "Governance" System

Robust governance of sustainability claims is essential to ensure they are accurate, verifiable, and legally compliant, thereby protecting stakeholders from greenwashing and safeguarding organizational trust and long-term value.

Sustainability Claims Governance Structure

Hierarchy, Roles & Accountability

Board / Senior Leadership

Chief Sustainability Officer (or equivalent)
- ├─→ Sustainability Data Integrity (Measurement, Baseline, Verification)
- ├─→ Claims Review & Legal Compliance (Marketing, HR, Operations)
- ├─→ Supply Chain Accountability (Procurement, Partner Engagement)
- └─→ Stakeholder Communication (IR, Marketing, Community Relations)

Claims Development & Approval Process

Annual Audit & Verification

Public Disclosure

Roles	Accountability
CFO/Finance Director	Audit data accuracy; segregation of genuine improvements from temporary factors; budget verification
Head of Operations / COO / Departmental HODs	Baseline documentation; measurement protocol implementation; intervention tracking; supply chain verification where applicable
General Counsel / Legal & Compliance Department	Regulatory compliance (Consumer Protection Act, Advertising Code, ASA guidelines); competitive comparison substantiation; contract review with auditors
Chief HR Office	People/Labor-related claims verification (employee safety, wage equity, benefits); stakeholder interviews for validation
Head of Sustainability/CSO	Claim framing simplicity; avoiding prohibited patterns; stakeholder comprehension testing
CEO/Board	Accountability for material misstatements; approval of commitments; resource allocation for roadmap fulfilment

CLAIMS APPROVAL PROCESS

7-Step Review Protocol (before ANY public disclosures or communication)

01

Claim Registration
- Document claim in standardised template (see Resource A)
- Assign unique identifier
- Record claim category
- Flag any comparative elements

02

Data Source Verification
- Confirm baseline documentation exists
- Verify measurement methodology documented
- Validate data quality and audit trail
- Identify any data gaps or assumptions

03

Substantiation Audit
- Check against type-specific requirements
- Request missing evidence (third-party audits, certifications, etc.)
- Document any supply chain verification gaps
- Calculate materiality (% of business affected)

04

Legal-Regulatory Compliance
- Check against prohibited patterns
- Verify Consumer Protection Act compliance
- Confirm Marketing Code substantiation requirements met
- Assess competitive claim accuracy (if applicable)

05

Stakeholder Reasonableness Check
- Sustainability/Comms team assesses whether claim language will be correctly interpreted by intended audience
- Conduct comprehension testing if claim uses technical terminology
- Verify claim addresses stakeholder-identified priorities (from Stakeholder Priority Alignment)
- Flag any trade-offs requiring transparent acknowledgment

06

Executive Sign-Off
- CFO confirms financial/data accuracy
- General Counsel confirms regulatory compliance
- CSO confirms disclosure and communications appropriateness
- CEO confirms alignment with organisational commitments

07

Documentation & Filing
- Archive all approval sign-offs
- Store supporting evidence (reports, certifications, audit summaries)
- Create public-facing evidence repository with access links
- Schedule audit/verification follow-up if roadmap-based claim

STAKEHOLDER PRIORITY ALIGNMENT

A Half-Yearly Stakeholder Input Process

Malaysian businesses should consider conducting brief stakeholder consultations (April and October) with four key groups:

Groups of Stakeholders	Discussion Points
Employee Representatives (15-20 participants) » Manufacturing floor workers » Supply chain/procurement staff » Sales & customer interface staff » HR/management	» What sustainability issues matter most to you in your work?"- » What would make you believe our sustainability claims?" » What sustainability gaps do you notice in our operations?"
Supply Chain Partners (8-12 participants) » Direct material suppliers » Packaging suppliers » Logistics partners » Subsidy/component providers	» What are your sustainability pressures and priorities?" » How clearly do you understand our sustainability expectations?" » Where is our verification/auditing process helpful vs. burdensome?"
Customer/Consumer Representatives (10-15 participants) » B2B customers (for B2B businesses) » Retail representatives (for packaged goods) » End-consumer focus group (for consumer brands)	» What sustainability information influences your purchasing?" » Which of our claimed initiatives matter to you? » What sustainability information would change your loyalty?"

Groups of Stakeholders	Discussion Points
Community/NGO Representatives (5-8 participants) » Local environmental NGOs » Labor rights organisations » Community leaders from operating regions » Academic researchers in relevant fields	» What are the material environmental/social issues in our operating region?" » How visible are our operations' impacts?" » What third-party verification would build your trust?"
Process Output » Synthesise priority themes (e.g., "water security ranked #1 by 3 of 4 groups") » Compare with current claim portfolio (are we communicating priorities stakeholders care about?) » Adjust claims or launch new initiatives to address identified stakeholder priorities » Document feedback; share responses publicly (building transparency) » Identify any credibility gaps (what stakeholders doubt us on)	» Synthesise priority themes (e.g., "water security ranked #1 by 3 of 4 groups") » Compare with current claim portfolio (are we communicating priorities stakeholders care about?) » Adjust claims or launch new initiatives to address identified stakeholder priorities » Document feedback; share responses publicly (building transparency) » Identify any credibility gaps (what stakeholders doubt us on)

ANNUAL AUDIT & VERIFICATION CYCLE

Mandatory Annual Review (Fiscal Year End)

Data Restatement Review

- All historical performance data re-validated
- Any restatements due to methodology changes documented transparently
- Third-party auditor confirms no material misstatements

Claim Portfolio Assessment

- Each claim category spot-checked for ongoing substantiation
- Evidence updated/refreshed (e.g., new certifications confirmed, updated measurements obtained)
- Any lapsed certifications or verification credentials identified and remediated

Regulatory Compliance Scan

- Legal team reviews all active claims against updated regulations
- Any new ESG reporting standards (Bursa Malaysia, SC) incorporated
- Comparative claims re-verified against current peer data

Supply Chain Re-Verification

- Re-audit material suppliers against stated sustainability standards
- Any new suppliers assessed for alignment
- Non-compliant suppliers: remediation plan or replacement plan documented

Roadmap Fidelity Check

- Commitment-based claims compared to actual progress
- Milestones achieved on schedule or reasons documented
- If variance >10% from plan, public explanation provided
- Revised roadmap published if circumstances materially changed

Stakeholder Feedback Integration

- Feedback from stakeholder consultations analysed
- Claims portfolio adjusted if stakeholder priorities shifted
- New sustainability initiatives planned to address identified gaps

Audit Output

- Annual Verification Report (internal document; summary published)
- Claim Corrections/Restatements (if any)
- Updated Roadmap (if revised)
- Third-Party Auditor Sign-Off

Communication

“Protocols”

Effective communication protocols for sustainability claims are vital to ensure transparency, accuracy, and substantiation of statements, mitigating risks of greenwashing while building stakeholder trust and regulatory compliance.

CLAIMS TRANSLATION

Claim Translation for Different Audiences

The below illustration exemplified how the same core data can be articulated differently for different stakeholders, making it meaningful to them.

Example: Core Date for a Water Efficiency Initiative

- Synthesise priority themes (e.g., "water security ranked #1 by 3 of 4 groups")
- Compare with current claim portfolio (are we communicating priorities stakeholders care about?)
- Adjust claims or launch new initiatives to address identified stakeholder priorities
- Document feedback; share responses publicly (building transparency)

- Identify any credibility gaps (what stakeholders doubt us on)
- Invested RM 2.3M in water recycling system (2023)
- Reduced freshwater intake from 450,000 m³ to 320,000 m³ annually (29% reduction)
- Recycled water now represents 62% of manufacturing process water System paid back investment through water cost savings in 36
- months

Audience	Articulation / Disclosure	Why
Investors/ Analysts	"Our capital investment in advanced wastewater recycling infrastructure has achieved 29% reduction in freshwater consumption intensity (normalised for production volume), improving operating margins through 36-month payback on RM 2.3M CAPEX. Water recycling now represents 62% of process water, reducing supply chain risk for our water-dependent manufacturing operations in Selangor, Pahang regions where water stress is projected to increase 18% by 2030 per World Bank data."	Risk mitigation, financial ROI, strategic positioning

CLAIMS TRANSLATION

Claim Translation for Different Audiences

Audience	Articulation / Disclosure	Why
Employees	"We installed a new water recycling system that's already working! Here's what it means: We're using 30% less fresh water from the government supply, which saves us money we can invest back into your benefits and facility improvements. The system treats wastewater so we can reuse it—pretty cool engineering! It also means we're reducing pressure on Selangor's water supply, supporting the communities we operate in."	Pride in contribution, local community benefit, operational transparency
Local Community/ NGOs	"Our manufacturing facility has implemented advanced wastewater treatment and recycling, reducing our draw on regional freshwater supplies from 450,000 cubic meters to 320,000 cubic meters annually. This reduces pressure on the Selangor water distribution network during the dry season. We're recycling 62% of our process water internally. The system has zero discharge: treated wastewater that cannot be recycled is treated to exceed Department of Environment discharge standards before release. We welcome water security advocates to tour the facility and conduct independent verification of performance."	Local impact transparency, invitation for external scrutiny, collaborative problem-solving
End Consumers (Packaging)	"Made by a manufacturer committed to water conservation. This product comes from a facility that recycles 62% of its manufacturing water, reducing strain on regional water supplies."	Brand differentiation, consumer decision-making, simplicity

VISUAL & PHOTOGRAPHY STANDARDS

Prohibition on Misleading Visual Representation

Visual Standards

DO NOT use

- Pristine forest imagery for product when raw materials from plantations (not natural forests)
- Corporate headquarters in natural setting as visual backdrop if facilities are in industrial zones
- Green color palette disproportionate to actual environmental benefit
- Indigenous cultural imagery to suggest "natural harmony" without specific Indigenous partnership or benefit-sharing

DO use

- Actual facility photographs (even if industrial)
- Truthful representation of supply chain (plantation vs. forest distinction)
- Visual hierarchy that matches materiality (small initiative = smaller visual prominence)
- Explicit partnerships with Indigenous communities; sharing decision-making in imagery choice

Photography Standards

- All imagery must represent actual initiatives or facilities
- If facility photo edited for clarity/lighting, disclose editing
- Stock photography acceptable only if labeled; avoid generic imagery for specific claim,
- Certification logos used only if currently certified

HANDLING UNMET COMMITMENTS

Roadmap Variance Management

Immediate Actions (within 30 days of recognition) if performance lags behind publicly stated commitment.

Scenario: Committed "50% renewable energy by 2030" (baseline 2022: 8%) but only achieved 15% by 2025 vs. planned 25%**

Root Cause Analysis

- Document what changed: supply chain delays? regulatory barriers? cost overruns? technical challenges?
- Differentiate between controllable factors (management decisions) vs. external factors (policy changes)
- Quantify impact: "Grid connection delays caused 6-month installation postponement, pushing 4 MW solar online date from Q2 2025 to Q4 2025"

Revised Timeline

- Recalculate achievable 2030 renewable target given updated project timeline
- Example revised scenario: "Revised target: 42% renewable energy by 2032 instead of 50% by 2030"
- Be conservative (under-promise, over-deliver)

Public Disclosure of Variance

- Issue press release or announcement titled explicitly "Progress Update on 2030 Renewable Energy Commitment"
- Explain in plain language what happened and why
- Share revised timeline transparently
- Explain how you're mitigating impact (faster deployment of other projects? demand reduction strategies?)

-Example disclosure language:
"We committed to 50% renewable energy by 2030. As of 2025, we've achieved 15% (ahead of our 2025 target of 12%) but below our original 2025 plan of 25%. This was due to a 6-month grid connection delay for our Johor solar installation and higher-than-expected utility rate escalation reducing CAPEX availability. We've revised our target to 42% by 2032, prioritising grid stability and cost-effective deployment. We've accelerated our demand-reduction program to partially offset the renewable capacity delay."

HANDLING UNMET COMMITMENTS

Stakeholder Communication

- Explain variance to investors in quarterly earnings call
- Communicate revised timeline to employees
- Update suppliers on revised schedule (affects their planning)
- Inform NGO/community partners who may be tracking performance

Governance Accountability

- Document management decisions that contributed to variance (if any)
- Board/sustainability committee reviews accountability
- No personnel changes required for external factors, but management changes if controllable negligence is evident

Key Principle: Honesty about variance builds credibility more than inflated promises. Stakeholders expect challenges; they don't expect cover-ups.

When to Retract or Suspend Claims

RETRACT immediately if:

- Core data underlying claim discovered to be inaccurate
- Third-party auditor finds methodological error
- Certification lost/revoked
- Supply chain practices discovered to violate stated standards

Example retraction:

We previously claimed 'FSC-certified supply chain,' but audit discovered 18% of suppliers' certifications had expired and not been renewed. We have suspended this claim pending re-certification of suppliers (targeted Q2 2026). We apologise for the lapse in verification rigor and have implemented quarterly certification renewal tracking

SUSPEND (don't retract, but pause communication) if:

- Claim undergoing third-party verification; results pending
- Scope changes requiring methodology revision
- Supply chain disruption causing temporary inability to verify

Example suspension:

We are temporarily suspending communication of our 'water reduction' performance while we transition to ISO 14001 compliance measurement methodology (effective Q1 2026). Restated data will be available in Q2 2026, incorporating 3-year rolling average to reduce single-year volatility."

“Malaysia-Specific” Guidance

Malaysia businesses need to work on curbing greenwashing through standardized, verifiable disclosures, enhancing investor confidence, attracting green financing, and bolstering its reputation as a leader in ASEAN's sustainable economy

Malaysian Regulatory Context

Regulation	Implication for Claims
Environmental Quality Act (1974)	Claims about waste reduction, emissions management must comply with Department of Environment enforcement standards
Malaysian Code of Advertising (2010)	Advertising Standards Authority requires substantiation for all environmental claims; penalties up to RM100,000
Securities Commission ESG Guidelines (2023)	Listed companies' sustainability disclosures face investor scrutiny; unsubstantiated claims affect credit ratings
Consumer Protection Act (1999)	False sustainability claims violate consumer protection obligations; liable for compensation
Corporate Governance Code (2021)	Transparency and accountability expectations for ESG disclosures; audit committee review required
Bursa Malaysia Listing Requirements	Mandatory ESG reporting; inconsistency between claims and disclosed data triggers listing status risks

Business Implication: Malaysian businesses making sustainability claims may face convergent regulatory pressure from environmental, advertising, securities, and consumer protection authorities.

REGULATORY COMPLIANCE CHECKLIST

Before external communication of ANY sustainability claim, confirm compliance

- **Consumer Protection Act (1999):**
  Claim not misleading; substantiation available if customer requests (PPC hotline: 1-300-888-999)
- **Malaysian Advertising Code (2010):**
  Claim verifiable; if monetary claims, substantiated by independent evidence
- **Advertising Standards Authority:**
  If claim is comparative (vs. competitors), competitor names/methodology disclosed or removed
- **Environmental Quality Act (1974):**
  Emission/waste/water claims consistent with Department of Environment records (for licensed facilities)
- **Bursa Malaysia (if listed):**
  ESG claims consistent with quarterly sustainability disclosures; no material divergence
- **Securities Commission ESG Guidelines (2023):**
  Governance structure for claim verification documented; audit trail maintained
- **Labor Codes (Employment Act 1955, Occupational Safety & Health Act 1994):**
  Labor-related claims verified by HR records; union consultation if applicable
- **Indigenous Affairs:**
  If claim references Indigenous communities/lands, Free Prior Informed Consent (FPIC) documentation available
- **BNM ESG Expectations (Central Bank):**
  If financial institution, ESG claims aligned with climate risk reporting requirements

Compliance Verification : General Counsel must sign- off confirming above checklist complete

CULTURAL SENSITIVITY CHECKS

Malaysian businesses operating in/sourcing from regions with Indigenous or cultural significance should:

Involve Stakeholder Voices

- Partner with Indigenous community leaders in framing claims about "traditional practices," "sustainable harvesting," "cultural preservation"
- Provide written decision-making authority (not just consultative role)
- Share financial benefit from claimed cultural heritage (profit-sharing arrangements, employment)

Rainforest/Biodiversity Claims

- Avoid "pristine nature" imagery if sourcing from plantation or managed landscapes
- Distinguish between "conservation" (protecting existing forests) vs. "reforestation" (replanting) vs. "habitat restoration" (ecological recovery)
- Acknowledge tension: sustainable harvesting still requires deforestation/disturbance; frame as "harm reduction" not "no impact"

Avoid Appropriation

- Do not market "Indigenous wisdom" or "ancient tradition" without explicit Indigenous co-branding and approval
- Do not use Indigenous imagery without permission and compensation
- Do not claim "protecting Indigenous livelihoods" without employment data, wage equity data, community investment

Example Compliant Claim:
"In partnership with Orang Asli communities of Pahang, we source sustainable rattan through co-managed forest harvesting. Orang Asli harvesters receive 35% premium over market rate; 12 Orang Asli youth trained annually in sustainable forestry practices; annual profit-sharing of 8% of net revenue directed to community education fund. We acknowledge sustainable rattan harvesting still requires forest disturbance; we invest 3% of revenue in forest restoration in partnership with Forestry Department."

Example Non-Compliant Claim:
"Sourced from ancient Indigenous traditions of sustainable harvesting" (too vague; lacks specific community attribution; no benefit-sharing mentioned)

TIERED SUPPLY CHAIN MAPPING & VERIFICATION REQUIREMENTS

Most Malaysian manufacturing businesses operate multi-tier supply chains. Verification rigor should match control and materiality:

Supplier Tier	Control Level	Verification Approach	Communication Clarity
Tier 1 (Direct)	80-100%	Annual on-site audit + quarterly data submission	100% of direct suppliers audited annually for [specific standards]"
Tier 2 (Subcontractors/Component Suppliers)	40-70%	Supplier self-certification + spot audit (20% annually)	80% of Tier 2 suppliers require ISO 14001 certification; verification through annual audits of 20% sample"
Tier 3+ (Raw Material/Commodity Suppliers)	0-40%	Certification body verification OR industry association standards	Commodity suppliers required to meet [certification]; verified through [certification body]"

TIERED SUPPLY CHAIN MAPPING & VERIFICATION REQUIREMENTS

Most Malaysian manufacturing businesses operate multi-tier supply chains. Verification rigor should match control and materiality:

Key Principle: Do not claim "100% ethical supply chain" if you can only verify 60-70%. Instead: "85% of procurement spend verified through direct audit; remaining 15% through supplier certification and spot audits (20% annually).

Supplier Engagement Protocol: supplier sustainability requirements should be:

- Written into contracts with specific standards, audit rights, remediation timelines
- Clearly communicated to suppliers (in English + local language if applicable) with support for compliance
- Reasonably resourced (don't impose requirements without technical or financial support if supplier is small/resource-constrained)
- Progressively implemented (e.g., 12-month grace period for certification if new standard; phased timelines)
- Third-party verified at least for Tier 1 suppliers

Non-Compliance Escalation:

- First audit fail: 90-day remediation plan with technical support
- Second fail: Supplier placed on probation; reduced purchase orders
- Third fail: Supplier replacement; old supplier transitioned off over 6-month window

Communication: "We require [standard]. We support compliance through [training/audits/financial assistance]. Non-compliance results in [remediation → probation → replacement]."

TIERED SUPPLY CHAIN MAPPING & VERIFICATION REQUIREMENTS

Most Malaysian manufacturing businesses operate multi-tier supply chains. Verification rigor should match control and materiality:

Claim Type	Verifier Options	Accreditation Check
Carbon/GHG Emissions	Big4 auditors (Deloitte, EY, KPMG, PwC); specialised firms (DNV, TÜV Rheinland); Universiti Malaya Department of Environmental Science	ISO 14064-2 accredited; KPMG has DBP carbon verification approva
Water Management	Universiti Teknologi Malaysia; Universiti Sains Malaysia Environmental Engineering; LCSB (Langkawi Institute for Sustainable Development); private environmental consultants	Check for ISO 14001 accreditation; Ministry of Energy & Water Affairs partnership
Labor Standards	ILO accredited auditors; SA8000 certification bodies; Fair Labor Association assessors	Registry: Fair Labor Association > Find Auditors; ILO website for accredited auditors
Supply Chain Sustainability	Forest Stewardship Council (FSC); Marine Stewardship Council (MSC); Rainforest Alliance; Fairtrade International	Check latest certification status on respective registries
Waste Management	ISO 14001 auditors; EPU (Environmental Planning Unit) consultants; waste management industry associations	ISO 14001:2015 accreditation required

VERIFICATION EVIDENCE REPOSITORIES

Where to store substantiating evidence (for regulatory or stakeholder requests)

Critical Documents to Archive:

- Baseline data & measurement protocols (methodology specificity)
- Annual measurement reports (unchanged measurement approach year-to-year)
- Third-party audit certificates and executive summaries
- Supplier audits and certifications
- Board/governance decisions on commitments
- Stakeholder consultation notes (showing priority alignment)
- Roadmap milestones and progress documentation
Variance explanations (for underperformance reasons)

Storage/Access Framework:

- Internal: Confidential drive accessible to Sustainability Officer, CFO, General Counsel, CEO
- External/Stakeholder: Public repository (website or third-party platform) with:
- Summary evidence documents (non-confidential)
- Links to third-party certifications (public registries)
- Annual verification summaries
- Contact email for stakeholder verification requests

Response Protocol to Verification Requests:

- Customer: 10 business days to provide evidence summary
- Media inquiry: 5 business days (or "we will provide by [date]" response)
- Regulator (KPDNKK, DOE, ASA): 3-5 business days (urgent)
- NGO/Academic: 15 business days if non-commercial

ANNUAL POLICY REVIEW & CONTINUOUS IMPROVEMENT

Policy Update Triggers

This framework should be reviewed annually and updated if:

- Regulatory changes (new Bursa Malaysia standards, SC ESG guidance updates, ASA code updates)
- Industry standard evolution (new ISO standards, sector-specific frameworks)
- Materiality shifts (stakeholder priorities change; new environmental/social risks emerge)
- Organisational changes (new product lines, new geographic operations, M&A)
- Demonstrated claim failures (any retracted claims; repeated variance from roadmap)

Annual Policy Refresh

- Update prohibited claim cliches if new deceptive practices emerging in market
- Revise verification requirements if new auditing standards available
- Add emerging topics (e.g., if water stress becomes critical, add water claim specificity)
- Prune outdated guidance

Continuous Improvement Process

- Quarterly Sustainability Governance Meetings:
- Review new claims proposed (approve/recommend modification)
- Assess stakeholder feedback (any credibility concerns?)
- Monitor peer company communications (competitive positioning)
- Identify emerging verification gaps

USEFUL RESOURCES

A: Sustainability Claims Template
Use this standardised form for all new claims before approval

B: Supply Chain Audit Checklist
Use for all Tier 1 supplier sustainability audits

C: Stakeholder Consultation Guide
Half Yearly stakeholder engagement process

USEFUL RESOURCES

A: Sustainability Claims Template

Use this standardised form for all new claims before approval

SUSTAINABILITY CLAIMS REGISTRATION FORM

Claim ID: [Auto-generated] | **Date Proposed**: [MM/DD/YYYY]
Proposing Department: [Sustainability/Marketing/Operations/HR/Other]
Target Audiences: [Investors/Consumers/Employees/Supply Chain/Community]

CLAIM TEXT:
[Exact wording as it will appear in communication]

CLAIM CATEGORY: [A-F from Section 3.1]
☐ Type A (Quantified Output) | ☐ Type B (Process Certification)
☐ Type C (Investment/Infrastructure) | ☐ Type D (Comparative)
☐ Type E (Commitment/Roadmap) | ☐ Type F (Harm-Reduction)

SUBSTANTIATION EVIDENCE:
Baseline Documentation: ☐ Yes ☐ No ☐ In Progress (date: __)
Third-Party Verification: ☐ Yes ☐ No ☐ In Progress (date: __)
Materiality (% of business affected): ___%
Supply Chain Verification Gaps: [Describe if any]

COMPLIANCE CHECKS:
☐ Consumer Protection Act (substantiation available)
☐ Malaysian Advertising Code (verified, if comparative)
☐ Environmental Quality Act (consistent with DOE records, if applicable)
☐ Bursa Malaysia ESG Guidelines (if listed company)
☐ Securities Commission Standards (if applicable)
☐ No prohibited patterns from Section 3.

STAKEHOLDER ALIGNMENT:
Relevant to stakeholder priorities from latest survey? ☐ Yes ☐ No
If no, justification: [Why prioritize this despite low stakeholder interest?]

TRADE-OFFS ACKNOWLEDGED:
List any negative externalities or compromises users should understand:
1. [Trade-off 1] | 2. [Trade-off 2]

SIGN-OFFS:
☐ CFO (data accuracy):____________ Date:__
☐ General Counsel (compliance): ____________ Date:__
☐ CSO (communication/disclosure clarity): ____________ Date:__
☐ CEO (strategic alignment): ____________ Date:__

APPROVAL STATUS: ☐ Approved ☐ Approved with modifications ☐ Denied
Modifications Required: [If applicable]
Public Communication Timeline: [Target publication date]
Verification Re-check Date: [When will evidence be re-verified?]

USEFUL RESOURCES

B: Supply Chain Audit Checklist

Use for all Tier 1 supplier sustainability audits

SUPPLIER SUSTAINABILITY AUDIT CHECKLIST

Supplier Name: _____________ **Audit Date:** ________
Location: _____________ **Auditor:** _____________

ENVIRONMENTAL PERFORMANCE:
☐ Current environmental permits on file and valid
☐ Waste management system documented (segregation, disposal, recycling %)
☐ Water usage documented (consumption, discharge, treatment)
☐ Energy consumption documented (source: grid/renewable/mixed)
☐ Emissions monitoring in place (if required by regulations)
☐ Pollution incidents: [None / describe: ______________]
☐ Environmental compliance violations: [None / describe: ______________]

Remediation Plan (if conditional/fail): [Details & timeline]

Auditor Signature: _____________ **Date:** ________
Supplier Acknowledgment: _____________ **Date:** ________

LABOR STANDARDS:
☐ Employment contracts in local language; workers have copies
☐ Wage compliance: meets legal minimum; documented payroll
☐ Working hours: complies with Employment Act (not exceeding limits without OT premium)
☐ Occupational safety inspection: [Pass / Fail / Areas requiring improvement]
☐ Employee safety training documentation available
☐ Child labor verification: [Confirmed: No children employed / Risk areas]
☐ Forced labor verification: [Confirmed: No forced labor / Risk areas]

SUPPLY CHAIN VISIBILITY:
☐ Sub-supplier list provided (if applicable)
☐ Sub-suppliers meet equivalent standards to parent supplier: [Yes / No / Partial]
☐ Traceability documentation for critical inputs: [Yes / Partial / No]

PROCESS IMPROVEMENT:
☐ Supplier has sustainability improvement plan: [Yes / No / In development]
☐ Timeline for next improvements: ______________
☐ Financial/technical support needed from customer: [None / Describe: ______________]

AUDIT FINDINGS:
Critical non-compliance (immediate remediation required): [None / Describe]
Major non-compliance (90-day remediation plan): [None / Describe]
Minor areas for improvement (next audit cycle): [List]

OVERALL RATING: ☐ Pass ☐ Conditional Pass (pending remediation) ☐ Fail

Remediation Plan (if conditional/fail): [Details & timeline]

Auditor Signature: _____________ **Date:** ________
Supplier Acknowledgment: _____________ **Date:** ________

USEFUL RESOURCES

C: Stakeholder Consultation Guide

Half Yearly stakeholder engagement process

STAKEHOLDER PRIORITY CONSULTATION

[COMPANY NAME] | [ROUND: Jan 2025 / July 2025]

PARTICIPANT GROUP: [Employees / Supply Chain / Customers / Community/NGO]
FACILITATOR: [Name]
DATE: __________ LOCATION/PLATFORM: __________
PARTICIPANTS: [# participants] ANONYMOUS: ☐ Yes ☐ No

DISCUSSION QUESTIONS:

- "What sustainability or social responsibility issues matter most to YOU (in your role/community)? [Open response - document themes]
- "Which of [Company]'s current sustainability efforts do you find most credible/important?"
  [Open response - document why]
- "Where do you see gaps—what should [Company] be doing that it currently isn't?"
  [Open response - document priority areas]
  "What would make you BELIEVE our sustainability commitments more?"
- [Open response - document credibility factors: third-party audit? transparency? investment? employee involvement?]
- "Have you ever been skeptical of a company's sustainability claims? What made you doubt them?" [Open response - document common red flags]

KEY THEMES IDENTIFIED:
Theme 1: [e.g., "Water security in Selangor region"] - # participants mentioning: ___
Theme 2: [e.g., "Fair wages for workers"] - # participants mentioning: ___
Theme 3: [e.g., "Local community investment"] - # participants mentioning: ___

CREDIBILITY FACTORS REQUESTED:
[e.g., "Independent audits," "Employee testimonials," "Transparent reporting," "Executive accountability"]

PRIORITY GAPS IDENTIFIED:
[e.g., "No action on plastic waste," "No visible employee sustainability involvement," "Supplier conditions unknown"]

FACILITATOR SUMMARY:
Highest priority sustainability issue this group cares about: ______________
Current weakness in company credibility (most mentioned concern): ______________
One action that would most improve trust (per feedback): ______________

COMPANY RESPONSE PLAN:
[How will company address identified priorities/credibility gaps?]

Follow-Up Communication: [How/when will participants learn of company's response?]

In Conclusion

This framework represents 18+ months of research, consultation, and refinement. But it's not "our" framework - it's meant to belong to Malaysian sustainability ecosystem.

The ultimate success metric isn't adoption of this specific document—it's transformation of sustainability communications culture. If five years from now, Malaysian companies instinctively substantiate claims, engage stakeholders genuinely, and acknowledge trade-offs transparently, then framework succeeded even if no one explicitly cites it.

Greenwashing and social washing aren't just marketing problems—they're trust deficits that undermine genuine sustainability progress. Every misleading claim makes consumers cynical, investors cautious, and authentic sustainability leaders less credible.

We believe Malaysian businesses are capable of better. This framework is our contribution to making "better" systematic, scalable, and standard.

SUSTAINABILITY CLAIMS POLICY FRAMEWORK 30-30-30 GUIDANCE

30 CORE PRINCIPLES, 30 DAY IMPLEMENTATION, 30 RECOMMENDED TARGETS

A Policy Framework for Malaysian Businesses & Leaders to help Demonstrate Greater Accountability in Communicating their Sustainability Principles, Plans and Performance.

IMPACTO Ethics Advisory

... works hand-in-glove with IMPACTO Foundation to help businesses cultivate a sustainable, trustworthy, and legally compliant operational environment grounded in ethical principles.

Our services include:

- Development and implementation of codes of sustainability claims policies as well as code of conduct / ethics that set clear expectations for employee behavior and organisational practices.
- Assessment of current published communications (typically a Sustainability Report) of the organisation to arrive at Greenwashing and Socialwashing Risk Quotient & Integrity Score.
- Coaching on the Malaysian Sustainability Claims Policy Framework.

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