PAC 671: INDUSTRIAL TRAINING FIELD REPORT

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1.0 Introduction

Figure 1: Ecovis Malaysia PLT

ECOVIS MALAYSIA PLT was founded in 1999 and has since then grown to be a leading international consultant. They are an accounting, audit, tax and legal firm that provides businesses with comprehensive professional services throughout their business life cycle. ECOVIS has more than 200 employees and they operate through 4 offices located in key areas of Malaysia which are Kuala Lumpur, Johor Bahru, Kota Kinabalu and Penang. Being a growing and progressive organization, Ecovis believes in creating a healthy working atmosphere. One of the important aspects of creating such a healthy environment is to develop their staff through training and development program.

The program highlights that the staff of the company are and will always remain the most valuable assets. Through this investment, ECOVIS equips its employees with the necessary skills and knowledge to perform at their highest level now and in the future, thus ensuring their career growth within the company. Their training and development program covers all aspects, from technical to professional.

From the technical point of view, the staff will be given various trainings based on their area of specialization. For accounting staff, it may include specialized courses on new and current accounting software, accounting in specific industries and the current International Financial Reporting Standards (IFRS). For auditors, it may include training on current auditing practices, risk assessment and internal controls. Likewise, tax staff could attend training programs on current tax law, tax planning and international tax aspects. Apart from these major fields of specialization, ECOVIS also provide training on aspects related to specific industries that its multi-branch client firms may be involved.

Apart from the technical aspects, the program also covers the necessary aspects which helps to make a complete professional. The staff can be sent for workshops and seminars that help them to develop as professionals. These trainings could include areas such as development of effective written and verbal communication skills, so that they can present their technical ideas in a clear, concise and professional manner to clients and fellow staff. Ecovis also offer leadership development programs so that the staff acquire the necessary leadership skills to inspire and manage teams. In a consulting business, the ability to solve problems and think critically is essential. Ecovis offering training thru various programs that help develop these abilities.

Apart from these internal training programs, Ecovis also recognize the importance of updating their knowledge to accommodate the rapid changes in the consulting profession. They provide financial assistance to attend professional certification courses such as the ACCA (Association of Chartered Certified Accountants) or the CPA (Certified Public Accountant) designation. Conferences and workshops related to its business can be another avenue for its employees to participate in continuous professional development and are exposed to latest developments and best practices in their respective fields. These conferences provide staff the opportunity to interact with professionals in the same field, listen to the experts thus remain updated and current in their chosen careers.

The staff of ECOVIS MALAYSIA PLT can reap numerous benefits by participating actively in the company's training and development program. They will gain important technical competencies that help them to perform their current job tasks more efficiently. Professional competencies develop confidence, communication and prepare them to assume leadership roles within the company.

By actively engaging in the training and development program offered by ECOVIS MALAYSIA PLT, employees unlock a multitude of benefits. They gain valuable technical skills that enhance their ability to perform their current duties effectively. The development of professional skills fosters confidence, improves communication, and prepares them for leadership roles within the organization. Continuing education through professional certifications and industry conferences ensures they remain updated on the latest industry knowledge and best practices. Ultimately, a commitment to employee development translates into a more skilled, motivated, and adaptable workforce. This, in turn, strengthens ECOVIS' position as a leading international consulting firm, allowing them to deliver exceptional service to their clients across the globe.

2.0 Summary of work done

During the initial weeks of my internship, I was introduced to the company's structure, services, and core team members. I met with my supervisor, Miss Rachel, and began learning the fundamentals of auditing, including tasks like sampling, sending account receivable and payable letters, and requesting bank confirmations. Training sessions on Ecovis's systems and audit services further prepared me for the responsibilities ahead.

As I progressed, I took on more complex tasks such as compiling and casting Audited Financial Statements (AFS), preparing various acknowledgment and dispatch letters, and following up on statutory audit documents with company secretaries. My involvement in preparing, printing, and dispatching AFS, along with extracting minutes of meetings, allowed me to understand the intricacies of audit documentation. I also participated in my first field trip to a client’s company, learning the process of vouching from client invoices.

In the middle of my internship, I focused on transferring data from previous financial statements to the new system, generating samples for auditing, and preparing EBCs. I continued to assist in extracting minutes, preparing and amending dispatch forms, and ensuring that statutory audit documents were accurately maintained in the system. My responsibilities also included writing conclusions and findings for audit execution and maintaining corporate information in the system.

Towards the later weeks, I learned to use Auto-count system to track client payments and engaged in detailed vouching for various financial elements. I prepared signing pages, confirmation letters, and followed up on audit statutory documents. I assisted audit admin in converting, printing, and filing working papers to be sent to LHDN. Additionally, I handled client communications, ensuring the timely follow-up on audit fees and bank confirmations, and prepared various dispatch and acknowledgment letters. Overall, these experiences enhanced my understanding of audit practices and the importance of precise documentation and effective communication in the audit field.

3.0 Strengths & Weaknesses of Training

Being one of audit trainee at Ecovis Malaysia PLT is one of the most transformative and significant decision I've ever made. It is because Ecovis have provides a lot of chances for any individual that work with them to explore the unparalleled opportunities to excel and reach their full potential within the audit field. My journey as an audit trainee has been shaped by the company’s training and remarkable aspects of development program. Here are some strengths and disadvantages along with suggestion to improve both trainee and programs effectiveness.

Strengths:

Mentorship and Practical Application

ECOVIS training programs highlighted on mentorship and the application of information in real-world situations is one of its greatest features. Qualified auditors with many years of experience are pair up with the trainee as mentor to guide the trainee and help them to get to know the real-world insight of audit field. This mentoring style doesn't just focus on theory; it also includes hands-on learning experiences. Trainees get to observe real audits, assist with paperwork under supervision, and perform basic audit tests. This method ensures that trainees can bridge the gap between academic knowledge and real-world auditing by solidifying learning through practical application.

Exposure to Different Industries

A strong training program at a renowned consulting firm like ECOVIS understands the complexity of its clients. They diligently ensure that we gain insight into the intricate nuances of auditing various industries. This might involve insightful discussions with industry experts or in-depth analyses of real-life case studies spanning diverse sectors. Moreover, the opportunity to collaborate with audit teams servicing clients across a spectrum of industries enriches our learning experience. This holistic approach not only broadens our understanding but also primes us for the dynamic challenges ahead in our careers.

Support for Professional Development

A solid program doesn't just focus on technical stuff, it understands the importance of being well-rounded. At ECOVIS, they have workshops or seminars to help us improve our communication, critical thinking, and problem-solving skills. These skills are super important for doing well in auditing. Plus, they might even lead us finding resources to get certifications like ACCA or CPA. Having those certifications shows how serious we are about our careers and makes us stand out to future employers.

Weaknesses:

Limited Scope:

Intern training usually focuses a lot on basic stuff like foundational knowledge and simple audit procedures, along with some admin work. But while that's important, it doesn't always give you the full picture of what auditing is really like out there. It would be cool if the program could enhance its effectiveness by integrating case studies or simulations that mirror the industries served by ECOVIS. By immersing interns in scenarios that replicate real-world challenges, we can gain valuable insights into the unique complexities faced by auditors within each industry.

Time Constraints

Balancing training sessions with our regular workload can be tough. Sometimes, when we're swamped with deadlines and audits, it's hard to find time for training. By making sure we have enough time for training is super important to get the most out of the program. It might help if we push for dedicated training slots or look into flexible learning options, like online modules we can do outside of our busiest work hours. That way, we can still get the training we need without it getting in the way of our other responsibilities.

Inconsistent Training Quality

How well we learn during training often relies on the trainer's expertise and teaching approach. Some trainers excel at making complex concepts easy to grasp and keeping us engaged. However, there are instances where trainees aren't directly taught by their managers and instead focus solely on tasks assigned by senior staff. Encountering a trainer whose style doesn't resonate can indeed pose challenges to learning. As a trainee, I believe it's my responsibility to seek out additional resources or guidance from other experienced colleagues if necessary. It's understandable that ECOVIS may not be able to standardize teaching styles across all managers, given the diverse range of companies and complexities they handle.

To sum up, my time as an audit trainee at ECOVIS Malaysia PLT has been truly rewarding. The program's advantages include professional development support, exposure to many industries, and mentoring. There is still room for improvement, though, in areas like broadening the program's scope, handling time constraints, and guaranteeing a constant level of training quality. ECOVIS may improve its training program and enhanced trainees for success in the auditing field by addressing these shortcomings.

4.0 Self-Reflection

My internship at ECOVIS Malaysia PLT's audit department has been an eye-opening experience. Transitioning from theory to practice, I've gained a newfound appreciation for the intricacies of financial statement verification. Initially, tasks like reviewing records solidified my understanding of financials. Afterward, I was involved in audits, focusing on internal controls and risk assessment. Preparing working papers honed my research and analytical skills, and collaborating with senior auditors provided invaluable insights into the bigger picture.

The internship wasn't without challenges. Complex concepts required extra effort, but the supportive environment encouraged me to ask questions. Overcoming these hurdles instilled a sense of perseverance and the importance of continuous learning. My proudest moments include successfully completing tasks, receiving positive feedback, and witnessing the impact our work has on ensuring financial accuracy.

As the internship concludes, I'm filled with gratitude. Not only have my accounting skills strengthened, but I've also gained valuable soft skills like communication, teamwork, and time management. These, coupled with practical experience, will serve as a strong foundation for my future career in accounting. This internship has been transformative, and I'm confident the knowledge and skills I've acquired will propel me towards success.

SECTION B

1.0 Obstacles to rollout Environmental, Social, and Governance (ESG) Reporting

Environmental, Social and Governance (ESG) reporting has become known as a fundamental aspect of corporate accountability and sustainability practices worldwide. In Malaysia, the importance of ESG reporting is increasingly recognized as businesses and regulators strive to align with global standards and meet the growing expectations of investors, consumers, and other stakeholders. ESG reporting provides a comprehensive framework for assessing a company's impact on the environment, its commitment to social responsibility, and the robustness of its governance structures. According to CFA Institute 2008, ESG primarily describes three central areas of sustainability. ESG is interpreted broadly and frequently with ethical connotations and is generally considered to be non-financial or intangible factors refers as Behavior . As the Malaysian economy continues to integrate into the global market, the adoption of ESG reporting is seen as a critical step towards enhancing transparency, fostering sustainable business practices, and ensuring long-term economic resilience.

The history of ESG (Environmental, Social, and Governance) in Malaysia began in 2006 when the Malaysian government required all companies to disclose their corporate social responsibility (CSR) in their annual reports, published at the end of the year on December 31 (Bursa Malaysia, 2006). Initially, this disclosure was voluntary regarding the content. Despite the growing awareness and regulatory support for ESG reporting in Malaysia, several significant obstacles hinder its widespread adoption. The absence of a standardized reporting framework creates inconsistencies and challenges in the comparability and reliability of ESG disclosures. This lack of uniformity can lead to confusion among stakeholders and limit the effectiveness of ESG reporting as a tool for informed decision-making.

A recent discussion with a shareholder of my client highlighted the practical implications of ESG challenges. Despite the company's strong ESG report, the shareholder was confused by investment losses amidst positive ESG performance. This scenario underscores the growing focus on ESG alongside traditional financial metrics. While strong ESG practices promote sustainability and long-term resilience, they do not always directly translate into immediate financial gains. This emphasizes the need for a nuanced understanding of ESG reporting: it is a critical component of corporate performance, but must be balanced with traditional financial analysis. Recognizing the complementary nature of ESG and financial performance is essential for informed, strategic decisions in the evolving business landscape.

2.0 Discussion of Issues

2.1 Overview of ESG Framework in Malaysia

The development of the ESG (Environmental, Social, and Governance) ecosystem in Malaysia is still in its relatively early stages. Although initial efforts towards corporate social responsibility (CSR) began in 2006, the first formal regulatory initiatives focused specifically on ESG were introduced in 2014.

In Malaysia, ESG reporting is influenced by various standards and regulatory bodies:

Standard/ Regulatory Body	Bursa Malaysia	Securities Commission Malaysia (SC)	Global Reporting Initiative (GRI)
Focus	Sustainability reporting for listed companies	Integration of ESG into investment decision-making	Comprehensive guidelines for sustainability reporting
Framework	Sustainability Reporting Guide	Sustainable and Responsible Investment (SRI) Sukuk Framework	GRI Standards
Key Features	Mandates ESG disclosures, focuses on impacts and practices of listed companies	Promotes sustainable financing through ESG integration in investment decisions	Provides structured guidelines covering economic, environmental, and social aspects
Reporting	Sustainability Statement, Specific ESG disclosures	Annual impact reports, Structured process for SRI Fund certification	Freely accessible GRI Standards
Goal	Transparency, Resilience, Sustainability	Transparency, Accountability, Alignment with global best practices	Transparency, Credibility, Utility, Stakeholder needs.

Figure 1: Difference opinion of ESG

Bursa Malaysia's proactive stance on ESG (Environmental, Social, and Governance) reporting marks a significant shift towards sustainable business practices in the financial sector. The introduction of the FTSE4Good Bursa Malaysia Index highlights its commitment to promoting organizations with strong ESG frameworks and transparency in reporting. This aligns with global trends in responsible investing and encourages listed companies to integrate sustainability into their core strategies. Using Bursa Malaysia's Sustainability Reporting Guide and tools, companies can effectively navigate ESG reporting complexities, enhancing their reputations, attracting conscientious investors, and contributing to sustainable development.

The Securities Commission (SC) of Malaysia emphasizes ESG reporting in its Guidelines on Sustainable and Responsible Investment (SRI) Funds. These guidelines require issuers to disclose their sustainability strategies, policies, and fund portfolios in their annual and interim reports. For SRI Funds with impact investing strategies, annual impact reports are mandatory, providing transparency and comparability.

The Global Reporting Initiative (GRI) also plays a crucial role by providing comprehensive GRI Standards to guide organizations in reporting their ESG impacts. Collaborations with entities like the European Financial Reporting Advisory Group (EFRAG) and the International Sustainability Standards Board (ISSB) aim to harmonize global sustainability reporting standards, fostering trust and accountability. This collective effort enhances transparency, accountability, and investor confidence, contributing positively to sustainable development goals.

These disclosures span various aspects including climate-related risks and opportunities, governance practices, social impacts, environmental footprints, and supply chain management. Leading international frameworks such as GRI, SASB, and the IIRC provide guidance on these disclosures, enabling companies to adopt standardized approaches that meet regulatory requirements and stakeholder expectations. By adhering to these frameworks, organizations can not only mitigate risks associated with non-disclosure but also demonstrate their commitment to sustainable development and responsible business practices, thereby enhancing their reputations and attractiveness to investors focused on ESG criteria.

2.2 Challenges in Implementation

As stakeholders demand more openness regarding organizations' sustainability practices and impacts, Environmental, Social, and Governance (ESG) reporting has grown in importance within the accounting industry. ESG reporting is becoming more popular in Malaysia due to investor interest and regulatory obligations. On the other hand, there are **significant obstacles** due to the absence of standardized reporting standards and the difficulty of measuring and disclosing ESG data

2.2.1 Lack of Standardized Frameworks

Environmental, Social, and Governance (ESG) reporting is increasingly recognized as vital for companies to demonstrate their commitment to sustainable practices and responsible corporate citizenship. However, several challenges hinder the effectiveness and comparability of ESG disclosures across companies globally. One major challenge is the **lack of standardized frameworks** for ESG reporting. By referring to Tan's study in the Malaysian Journal of Accounting (2023), is the absence of standardized frameworks.

The lack of universally accepted guidelines for ESG reporting leads to inconsistencies and limits comparability across companies. This not only complicates stakeholders' ability to assess and benchmark ESG performance but also undermines the credibility and transparency of reported data. Currently, there is no universally accepted set of guidelines or metrics that companies must adhere to when disclosing their ESG performance. This results in a wide variety of reporting methodologies and formats, making it challenging for investors, stakeholders, and regulators to accurately assess and compare ESG practices among different organizations.

The absence of standardization also compromises the reliability and transparency of ESG data, as stakeholders may struggle to interpret and trust non-standardized disclosures. For example, two companies might report their carbon emissions differently, one using absolute numbers and the other using intensity metrics. Without a standard approach, stakeholders might struggle to understand the true ESG impact of each company.

Furthermore, the lack of standardization compromises the transparency of ESG disclosures. Stakeholders, including investors, employees, customers, and regulators, may find it challenging to trust non-standardized reports. Discrepancies in reporting can lead to skepticism about the accuracy and completeness of the disclosed information. This lack of trust can hinder stakeholders' ability to make informed decisions based on ESG data.

Moreover, regulatory compliance also adds complexity to ESG reporting efforts. Companies must navigate evolving regulatory requirements imposed by various jurisdictions and international bodies. Compliance with these regulations often involves additional reporting obligations, disclosure requirements, and scrutiny from regulatory authorities. Keeping pace with regulatory changes and ensuring adherence to emerging ESG reporting standards can be resource-intensive and challenging for companies, particularly those operating in multiple jurisdictions or sectors with diverse regulatory landscapes.

2.2.2 Measurement of ESG Impacts

Another significant challenge in ESG reporting lies in the **measurement of ESG impacts**, particularly in social and governance factors. Unlike financial metrics that are typically quantitative and standardized, ESG factors often involve qualitative and subjective assessments. This subjectivity complicates the development of universally comparable metrics and undermines the ability to benchmark and analyze ESG performance across industries and regions effectively.

> *"ESG Impact is Hard to Measure – But it's Not Impossible"*
> *– Jennifer Howard-Grenvile (Prof at Cambridge Judge Business School)*

As for the environmental dimension, companies were required to disclose information regarding how their operations may affect their surrounding environmentally. As for the social dimension, companies were expected to disclose information on how their operations give an impact on social aspect especially their employees For example, evaluating the social impact of a company's diversity and inclusion initiatives or assessing the governance quality of its board of directors can vary widely based on interpretation and context.

Governance factors include the quality of a company's leadership, board structure, executive compensation, shareholder rights, and ethical practices. Companies were expected to have some good governance structure to handle sustainability matters. For instance, evaluating the governance quality of a company's board might require considering factors such as board diversity, independence, and expertise. However, these assessments can be subjective and influenced by personal biases or differing standards of what constitutes good governance. This subjectivity makes it challenging to establish standardized metrics that can be applied consistently across companies and regions.

This subjectivity complicates the development of universally comparable metrics, undermining the ability to benchmark and analyze ESG performance across industries and regions effectively. The variability in ESG reporting methodologies and the reliance on subjective assessments also impact the reliability and transparency of ESG data. Stakeholders may find it difficult to trust and interpret non-standardized disclosures, which can undermine confidence in the reported information and hinder efforts to promote sustainable business practices.

2.2.3 Data availability and quality present

Integrating ESG (Environmental, Social, and Governance) metrics with traditional financial reporting is a complex process that highlights the significant challenge of **data availability and quality**. For many companies, particularly smaller ones with limited resources, collecting comprehensive and reliable ESG data is a major obstacle. Such issues make it challenging to align ESG metrics seamlessly with traditional financial data, potentially resulting in inconsistencies in the integrated reports.

Data availability and quality present further obstacles in ESG reporting, particularly for smaller companies with limited resources. Data availability and quality present is challenge of ESG Collecting comprehensive and reliable ESG data requires robust data management systems and access to diverse data sources (EY, 2023). Many companies struggle to gather sufficient ESG data due to challenges such as fragmented data sources, data privacy concerns, and the high costs associated with data collection and verification. Consequently, the completeness and accuracy of ESG disclosures may vary significantly, impacting the credibility and usefulness of reported information for stakeholders making informed decisions. The real challenge, however, is not just the unwillingness of companies to share data but also the lack of skilled talent to collect and analyze ESG data.

To build a sustainability culture within organizations, companies need to invest in developing sustainability skills. However, according to the Pulse Survey, investment in sustainability competencies among Malaysian firms is low. Both large corporations and SMEs (Small and Medium Enterprises) allocate only a small portion of their revenue to developing these skills. Interestingly, the survey indicates that more SMEs claim to invest in sustainability-related competencies compared to larger corporations. This could be because SMEs tend to have a broader definition of 'sustainability' than larger corporations.

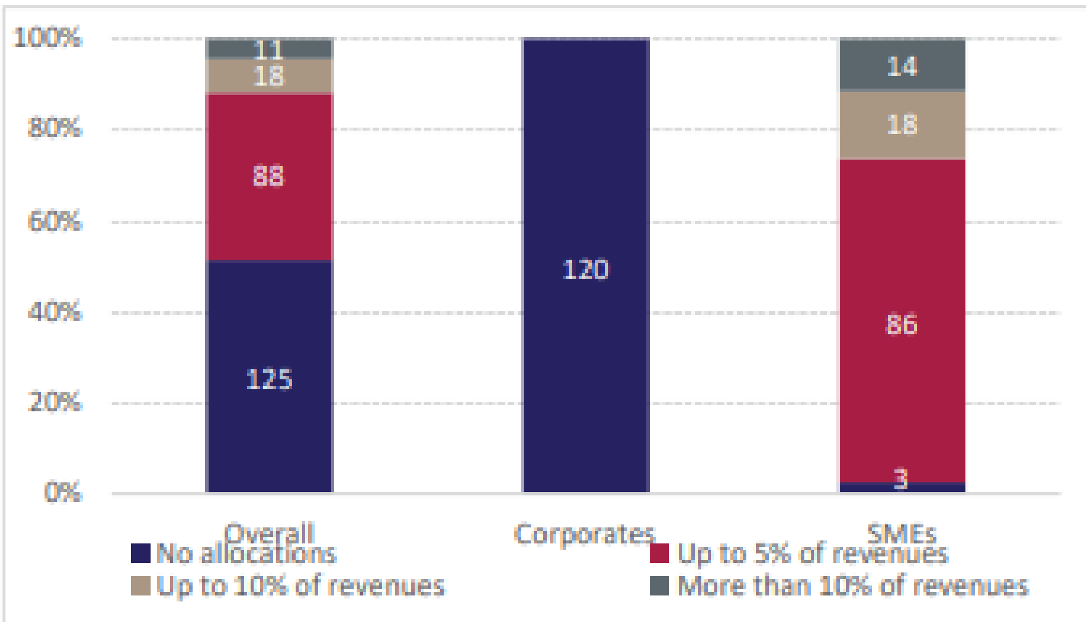

Figure 2: Investment of Sustainability Competencies.

2.2.4 Stakeholder Engagement and Communication

One of the key challenges in ESG reporting is **managing relationships with a diverse array of stakeholders**, which is crucial for achieving long-term sustainability goals. For chief executives and boards, disconnect with investor's presents a dilemma: can their company perform well for investors and pursue a clear ESG strategy at the same time? (PWC, 2022). Engaging effectively with various stakeholders, including investors, employees, customers, communities, NGOs, and regulatory bodies, can be difficult due to their differing interests and expectations. Each group requires tailored communication strategies, making it challenging to address all their needs simultaneously while maintaining a coherent ESG reporting framework.

Another complication arises from the varying levels of knowledge and understanding among stakeholders regarding ESG issues. Different stakeholders may have diverse levels of familiarity with ESG topics, reporting frameworks, and related terminology. Simplifying and presenting complex ESG data in a way that is both accessible and relevant to these stakeholders requires significant effort in interpretation and contextualization, which cannot be accomplished quickly.

Finally, concerns about transparency and trust are significant hurdles in ESG reporting. Stakeholders increasingly expect accurate and reliable ESG data, and any deficiencies in data management, verification processes, or communication can lead to skepticism about the authenticity of the information provided. Ensuring that ESG reports are transparent and trustworthy is essential, but challenging, as it requires robust systems to prevent issues like greenwashing and to maintain stakeholder confidence.

3.0 Recommendation

3.1.1 Adopt Standardized ESG Reporting Frameworks

Addressing the challenges of ESG reporting in Malaysia requires a multifaceted approach, beginning with the **adoption of standardized reporting frameworks**. Malaysian companies are encouraged to implement well-established guidelines such as the Global Reporting Initiative (GRI) Standards or the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD). These frameworks provide structured methodologies that ensure the consistency and comparability of ESG disclosures across different organizations. By following these standards, companies can enhance the transparency of their ESG practices, thereby fostering greater trust among stakeholders. Consistent reporting helps stakeholders make more informed decisions and allows for easier comparison between companies, contributing to a more transparent and accountable corporate environment.

In addition to adopting standardized frameworks, it is essential for companies to invest in capacity building and training programs focused on ESG reporting. Many organizations may lack the necessary skills and knowledge to effectively gather, analyze, and report ESG data. By providing comprehensive training programs and resources, companies can develop the internal expertise needed to produce high-quality ESG reports. This investment in capacity building ensures that companies are better equipped to meet reporting standards and communicate their ESG performance clearly and accurately. Moreover, fostering a culture of continuous learning and improvement in ESG practices can drive long-term sustainability and corporate responsibility.

Regulatory support and guidance are also critical components in facilitating effective ESG reporting practices in Malaysia. Regulatory bodies such as Bursa Malaysia and the Securities Commission Malaysia (SC) play a vital role in setting clear and updated guidelines on ESG reporting requirements. By providing detailed regulations and support mechanisms, these bodies can help companies navigate the complexities of ESG reporting and align with global standards. Creating a supportive regulatory environment not only encourages widespread adoption of ESG reporting practices but also contributes to sustainable development and greater transparency within the corporate sector. By working collaboratively with regulatory bodies, Malaysian companies can enhance their ESG reporting capabilities and demonstrate their commitment to sustainability and corporate governance.

3.1.2 Leveraging Technology

In addition of standardizing reporting framework, **leveraging technology such as artificial intelligence (AI) and data analytics** can significantly improve the measurement and reporting of ESG impacts. AI can help in analyzing large volumes of qualitative data and converting it into quantifiable metrics, reducing subjectivity and enhancing the accuracy of ESG assessments. For instance, AI algorithms can analyze text from corporate reports, social media, and other sources to gauge sentiments and identify patterns related to social and governance issues. Additionally, Blockchain technology can be used to enhance the transparency and traceability of ESG data, ensuring that the information is reliable and verifiable. Blockchain provides distribution and trust to serve ESG needs and should be provided as a utility, to focus on value instead of technology (EY, 2021)

By combining standardized frameworks with advanced technological tools, companies can overcome the subjectivity and variability issues in ESG reporting. This approach can lead to more accurate, comparable, and trustworthy ESG disclosures, thereby enhancing stakeholder confidence and promoting sustainable business practices.

3.1.3 Investing In Capacity Building and Training Programs

In order to handle data availability and quality present, **investing in capacity building and training programs** for accounting professionals is crucial. This initiative would enable them to better understand ESG reporting standards and best practices, thereby improving the quality and accuracy of ESG disclosures. By enhancing the skills and knowledge base of professionals involved in ESG reporting, companies can ensure that their disclosures meet international standards and effectively communicate their sustainability efforts.

According to the IFRS Foundation’s Partnership Framework for Capacity Building, establishing a global standard for sustainability-related financial disclosures requires integrating sustainability into the core curriculum for all post-secondary business students. Additionally, it involves offering resources to current members of professional bodies to help them continually enhance their skills and knowledge in this area.

Next, developing robust data management systems is essential the challenge. Malaysian companies should invest in technologies and processes that facilitate comprehensive data collection, verification, and analysis for ESG reporting purposes. This will help ensure the availability of reliable ESG data, which is fundamental for stakeholders to make informed decisions and assessments of companies' sustainability performance.

Furthermore, companies in Malaysia should work towards integrating ESG metrics with financial reporting. This involves aligning ESG disclosures with traditional financial reporting frameworks, leveraging technology to streamline reporting practices, and implementing necessary process adjustments. By integrating ESG considerations into financial reporting, companies can provide a holistic view of their performance and risks to investors and other stakeholders.

3.1.4 Identify and Understand Key Stakeholders

According to EY Global Institutional Investor Survey, 2022, 91% of investors surveyed say that nonfinancial performance has played a pivotal role in their investment decision-making over the past 12 months, either frequently or occasionally. It proves that ESG is important as financial performance for the investors and it is important for companies to produce ESG that can be understand by investor easily and not only for investor but other stakeholders too.

In order to produce an excellent ESG Report, it is crucial to **identify and understand key stakeholders.** A valuable first step is conducting a stakeholder mapping exercise to pinpoint all individuals, groups, and organizations with an interest in the company's sustainability performance. Stakeholders should be divided into internal groups, such as senior management and board members, and external groups, including customers, suppliers, investors, distributors, and regulators. Understanding what is most critical to these stakeholders and what they prioritize is essential for effective engagement and reporting.

Developing a comprehensive engagement strategy is another important step. This strategy should outline the objectives, methods, and frequency of stakeholder engagement, beginning early in the ESG reporting process and continuing on an ongoing basis. Effective engagement involves including stakeholders in decision-making, soliciting their input, providing regular progress updates, and establishing clear communication channels. Consistent and meaningful engagement ensures that stakeholders feel involved and informed, which can enhance the credibility and effectiveness of ESG reporting.

ESG is a communication tool that plays an important role in convincing skeptical observers that the company’s actions are sincere. So, tailoring communication to meet the specific needs of stakeholders is also vital. Presenting complex ESG information clearly and concisely, avoiding jargon, and providing succinct explanations can help stakeholders better understand the data. Utilizing visuals and infographics to convey complex data effectively and highlight key insights can also enhance comprehension. It is important to be mindful of audience relevance, recognizing the specific interests and perspectives of different stakeholders such as investors, customers, employees, regulators, NGOs, and the local community. By delivering targeted communications that resonate with each group, companies can ensure their ESG messages are more impactful and trusted.

By implementing these recommendations can help Malaysian companies overcome the challenges associated with ESG reporting, enhance their credibility in sustainability practices, and meet the growing expectations of stakeholders for transparent and reliable ESG disclosures.

In Malaysia, the landscape of Environmental, Social, and Governance (ESG) reporting reflects both progress and persistent challenges, as highlighted by recent literature and studies. Effective ESG reporting is increasingly recognized for its potential to enhance corporate reputation, manage risks more effectively, and attract sustainable investment. KPMG Malaysia's report titled "The State of Sustainability Reporting in Malaysia" underscores these benefits, emphasizing that robust ESG disclosures can significantly bolster stakeholder relationships and investor confidence (KPMG Malaysia, 2022). Moreover, Malaysia has a high rate of sustainability reporting among its top 100 companies (N100), with 99% of these companies reporting on sustainability matters in 2022 and 94% of Malaysian N100 companies include sustainability information in their annual financial reports, placing Malaysia among the top 10 countries. Malaysia also one of the leading adopters of stock exchange guidelines for sustainability reporting. This is significant given the diversity of reporting standards globally and the movement towards more harmonized non-financial reporting

4.0 Conclusion

In conclusion, the landscape of ESG reporting in Malaysia presents both opportunities and challenges as businesses navigate towards greater transparency and sustainability. While regulatory bodies like Bursa Malaysia and the Securities Commission are taking proactive steps to promote ESG disclosure practices, significant obstacles such as the lack of standardized frameworks, data quality issues, and the integration of ESG metrics with financial reporting persist. These challenges underscore the importance of adopting internationally recognized standards, investing in capacity building, enhancing data management capabilities, and seeking regulatory guidance to improve the quality and reliability of ESG disclosures.

Moving forward, Malaysian companies should prioritize these recommendations to not only comply with regulatory expectations but also to enhance stakeholder trust, manage risks effectively, and attract sustainable investments. By embracing standardized frameworks such as the Global Reporting Initiative (GRI) Standards and fostering a culture of continuous improvement in ESG reporting practices, businesses can position themselves as leaders in corporate sustainability. This proactive approach not only strengthens their resilience in the face of global economic shifts but also contributes to the broader goals of sustainable development and responsible business conduct. As ESG reporting evolves globally, Malaysia has the opportunity to set a benchmark for transparency and accountability in corporate governance, ensuring that businesses thrive while contributing positively to societal and environmental well-being.

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Appendices

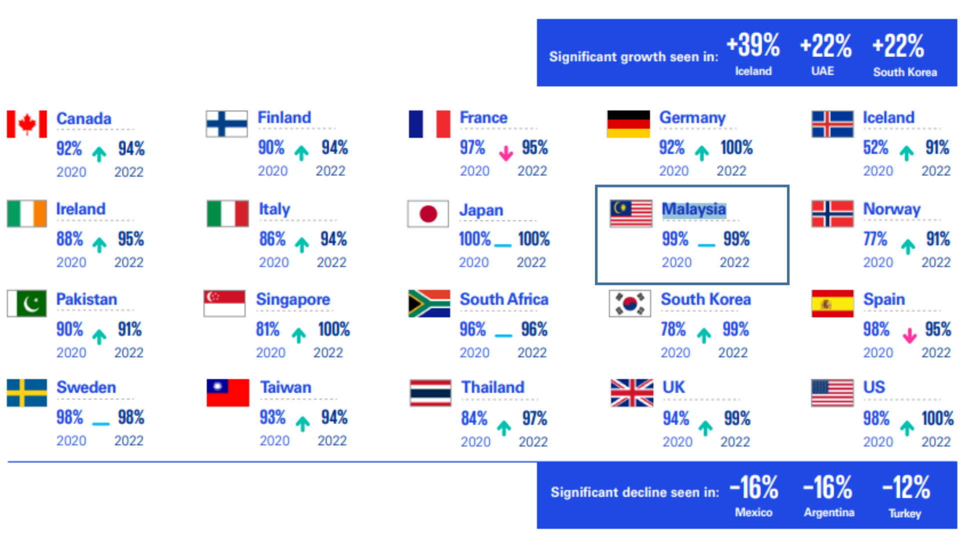

Figure 4: Countries, territories and jurisdictions with sustainability reporting rates higher than 90 percent (2022)