

Transcript of 'Malaysia's Sustainability Ambitions'

Season 2, Episode 28, Transforming Tomorrow

[Theme music]

Paul: Hello and welcome to Transforming Tomorrow, the podcast from the Pentland Centre for Sustainability in Business at Lancaster University Management School.

I'm Paul Turner.

Jan: And I'm Professor Jan Bebbington.

Paul: We're in Kuala Lumpur. It's 34 degrees. We're by the pool. And we're about to meet Jan's academic granddaughter.

Jan: Yes, for the next four weeks Transforming Tomorrow is in Malaysia. Bringing you a Southeast Asian perspective on sustainability.

Today we're talking all about this mega-diverse country, from its emerging economy and the efforts that its large petrochemical sector is undertaking to be more sustainable, the effects it has on the country's poor, and more accounting fun as well.

[Theme music]

Paul: So yes, Jan. As we've just said, we're in Malaysia.

Jan: We are indeed. It's a bit hotter, isn't it?

Jan: [laughing] Yes, it's hot in a nice way, especially 'cause we, we escaped a, uh, you know a cold spring to come over here and have a conversation with a group of folk who have different perspectives, but also perspectives in common with folk we've talked to before.

Paul: Yeah. So obviously the first person we're gonna speak to in Malaysia is someone from Northern Ireland who, um, graduated with their PhD from Newcastle.

So, you know, they're, they're the first person you think of, isn't it? When you come here.

Jan: Well, it's a, it's an international community and I'm really pleased that we, with our, our first guest, she is my academic granddaughter.

Paul: I, I'm worried that an academic granddaughter suggests she's gonna have picked up all the bad habits you've got and, uh, things like this, and you're gonna have passed on, because that's what grandparents tend to do. They pass on all the bad habits to the children.

Jan: No, just the fun habits...

Paul: ...fun habits, okay...

Jan: [jokingly] ...and the rest of it was her mother's fault.

Paul: Right? That's, yeah. That, that, that definitely sounds about right. Yes.

And uh, I also worry that maybe our guest has got all of your same attitudes towards accounting and benchmarking and things like that. I don't know if we'll find that out or not, but...

Jan: ...possibly...

Paul: ...yeah. Today we're joined by Dr. Ann Marie Sidhu, who is a chartered accountant with an expertise in sustainability reporting, and she works with business and government on meeting the challenges of SDGs.

Hello Ann Marie.

Ann Marie: Hello, uh, Jan and Paul. Pleasure to be here.

Paul: Yes, you're very welcome and thank you for welcoming us to your, your country. 'Cause it's such a lovely, lovely place to be at this time of year, it's not very often at this time of year I can, you know, go outside and just bake. Or boil or broil?

Ann Marie: [laughing] Broil.

Paul: [laughing] Broil. One of them? Um, can you tell us a little bit about yourself then Ann Marie, and, and how you came to be here in, uh, Kuala Lumpur and your working on corporate sustainability.

Ann Marie: As you've alluded to, I have a Northern Irish accent. I grew up in Northern Ireland, um, in quite a rural area. County Fermanagh, a beautiful area with lakes and forests and whatnot, and I've always, um, really been interested in nature.

How did I end up doing accountancy? That's a really good question. I think I probably fell into it as a result of my family making suggestions as to go into banking, finance, accounting and so on.

And, um, while I was at university, I became very actively involved with animal welfare. Uh, blood sports, anti-blood sports, uh, animal rights and so on.

In fact, I was the treasurer of the Anti-Blood Sports Society, so I've always been very aware of the environment, animals, uh, and how we should treat them and so on.

Of course, being in practice in Northern Ireland, I mean, I, I joined one of the big four. I think in those days it would've been the probably the big eight or the big six, I'm not too sure. And uh, there wasn't really much opportunity.

In fact, I was told, uh, this is not in keeping with the profession, so you better stop doing that kind of thing, you know? 'Cause there was a little bit of activism going on.

Uh, so, um, I met my husband at university and I ended up coming to Malaysia. Then in the late 1990s, uh, I continued to work for that big four firm, they transferred me over.

But it wasn't until the early two thousands I met, uh, somebody that Jan probably knows, Reg Matthews from...

Jan: ...oooh, yes....

Ann Marie: ...at that time he was the head of accounting in, uh, in CSU in Bathurst, in Australia. And we started talking about environmental accounting and so on. And, um, it piqued my interest and then I thought, okay, I'm gonna do, at that time I'd gone into academia and I thought I'd do a master's in, uh, environmental accounting.

Uh, but I thought, okay, I don't wanna do accounting, I wanna do something related to business. So I ended up doing environmental and business management. And, uh, because of my husband's job, we actually ended up moving around a lot, so, um, I didn't really have much of an opportunity to practice.

So, um, we ended up in Newcastle many years later as a result of being a trailing spouse. And, uh, I thought, okay, I'm gonna do a PhD in sustainability, something to do with sustainability accounting, reporting, and so on.

Jan: And that's where the, the granddaughter-grandparent thing comes from because if, 'cause your PhD students are, you, you work very closely with them and they're like your academic children, but then if your PhD student supervises someone else, that's your academic granddaughter.

So we have, uh, the, the wonderful Jane Gibbon, who was then at Newcastle and previously in Northumbria in common, um, and so, so we've known each other from that connection because your, your academic families sort of keep in touch with each other.

Paul: So I could imagine you could very easily have an academic great, great even granddaughter at the end, at the end of all of it.

Jan: [joking] You've just gone off my list of favourite people again, every time you get on it, you're off it again.

Paul: [laughing] I'm just saying that no, that you can have an academic granddaughter a lot younger in life than you could have an academic daughter.

Jan: Yes, that's true, that's true. It's only about four or five years between the generations, so that's true, yeah.

Paul: Yes. Great, great, great, great. You know, you could go about many, many generations, you know.

Jan: Well, it was so nice to hear Reg Matthew's name mentioned, because I haven't, um, um, I mean, he was, he, there was a bit of an outpouring of sort of some novel kind of accounting.

And then it all disappeared and there were a few people that kept it alive during the wilderness, of which Reg, Reg Matthews was the absolute example, and he was so gregarious, he would talk to lots of people around it.

Um, and so he was if you like, the start of a whole bunch of new things that, that brought new people to it and actually allowed the field to thrive again. So thank you for saying his name. I hadn't thought about him for ages.

So, when we think about sustainability accounting, reporting, all of these things brought in together, what do you, um, think is needed in order for both, um, businesses and also government, um, and the professions to actually succeed in achieving the Sustainable Development Goals and, and melding them together with accounting and reporting?

Ann Marie: Well, I think in the Malaysian context, one of the first things is awareness. We have probably, we could look at the government agencies, government ministries. We have corporate, which to my mind is made up of both public listed companies and SMEs. SMEs have a huge role to play.

If you look at this country, uh, 98% of the economy, it's from SMEs. And we really need to get them on the, the train as it were. They actually employ 50% of the workforce here as well.

Um, the other one would be the banking sector, financial institution sector. And of course, civil society. I think we need to have all of them coming together at the moment.

Is that happening? Yes, it is happening. I mean, corporates, Malaysia, uh, PLCs have been looking at sustainability reporting since 2015. They have to, it's mandatory. Uh, our public, uh, our Bursa, which is our stock exchange, has made it mandatory for them to do this reporting.

Uh, it's not mandatory for SMEs. Um, the government has been actively involved through various agencies, uh, you know, to look at, uh, net zero decarbonisation. We have many roadmaps dealing with energy transition.

Uh, and then they've also got, uh, with the Central Bank, they've asked, um, you know, banks to be involved in helping to green, uh, business activities through, you know, different greening finance initiatives. They've actually put money into a low carbon transition facility, something like 2 billion.

Um, we've had banks, big, some of the big banks, the big names have actually, um, decided that they're going to go into green financing. So they play a huge role in, in the Malaysian context.

And then of course, when it comes to, um, civil society, we're a little bit disjointed, I would say. Uh, we have only recently set up the UN SDG centre.

Uh, we have a UN SDG Council, which is chaired by the Prime Minister. And under that you have various working groups. And one of those working groups is civil society organisations. And there's about 30 well-known NGOs in there. Yeah, but that's only just started, like in less than a year ago.

Yeah. So we need all of them to work together, 'cause at the moment, everybody's doing their own thing. Yeah

Jan: And for the SDGs, uh, 'cause you've mentioned quite a few of them there, in terms of energy, energy transitions, et cetera, are there like distinctive either environmental, social aspects, um, for Malaysia that come to the fore when we're thinking about the, the general agenda items?

So any, everyone's on an energy transition and I know, um, they're sort of like greening the financial system and thinking about nature is big here as well, but are there other really distinctive Malaysian flavours?

Ann Marie: Yeah, well, I, I would think that social, uh, social related UN SDGs are very important, 'cause we still have quite a large B40, B40 stands for the bottom 40% and some, and to be in the bottom 40, you're only earning something like 4,800, ringgit a month for a family, which is nothing. That's about 800 pounds.

Paul: Is that referring to the bottom 40% globally then?

Ann Marie: No, here. Oh, here in Malaysia, the B40 for Malaysia...

Paul: ...mm-hmm...

Ann Marie: So, um, definitely we have issues there. You know, we talk about un SDG one and two, which is dealing with, uh, poverty and hunger.

Uh, we have probably eradicated, supposedly, uh, the statistic says we have eradicated hunger, it's down to below 1%, but, uh, if you go out to some of the areas in, in Malaysia, you will see that there are families that are struggling, especially with the cost of living.

So this is something that's tied into the energy transition because in Malaysia, um, oil and gas is heavily subsidised. Uh, at the petrol pumps. So, uh, when you remove those subsidies, which are worth billions, uh, it will affect that particular group.

So in fact, there should be more so equity in terms of people who can afford to pay for oil and gas. They should be made to pay, but everybody gets a subsidy. You know, uh, so social issues is one area I think, and of course, education is another one.

I think we need to spend more time in embedding sustainability into, we, we have a little bit of it in schools. I think universities need to be doing more of it. And I'm not talking about having standalone sustainability programmes. I'm

talking about embedding it into the whole curriculum, you know, for whether it's for engineering, accounting, and finance or whatever. Yeah.

Jan: I was really interested in, in your example about the fuel prices because that really sort of speaks to the just transition issue that, um, to decarbonise is one thing, but how do you decarbonise in a way that doesn't affect the poor more adversely than those who are, who've got a bit more money about them.

Ann Marie: Absolutely. And, and this is something the government is looking at the moment. Um, our oil and gas, our national, uh, company, oil and gas company's actually looking into this at the moment. How do we remove subsidies but still allow the B O, for example, to have, uh, you know, access to, you know, energy that is affordable?

This is some, and that's obviously a really difficult, uh, especially when a society has been living on subsidised, uh, energy for so long, yeah.

Paul: And it's interesting there that we often talk on this podcast about the wide range of sustainability, it's not just about decarbonisation, et cetera, but this shows how decarbonising can have an effect on all those other SDGs, especially in different economies than we might be used to back home in Western Europe.

Ann Marie: Yeah, absolutely. I, I think another area in Malaysia is the whole, I mean, Malaysia is one of the 12th mega-diverse countries in the world. Biodiversity is really important, and I don't think it's got the traction that it, uh, should be getting. I mean, we, we seem to have, in fact, we do have, the government has a climate first approach that's very clear.

So what about biodiversity? What about our water security? That's another area that maybe we need to be emphasising more. Malaysia is fortunate. I think we're the, probably the fifth or sixth, we have the most rainfall, uh, globally.

The problem is we have these different weather, weather patterns. So sometimes during the year we have some of our states which have droughts and we don't have water, so we have to go on water rationing and so on.

So water security should be another priority. It isn't just about energy. Uh, and of course, as I said, biodiversity as well. Um, you know, Malaysia has pristine forest, particularly in East Malaysia. Uh, of course we rely on palm oil, we rely

on rubber plantations and so on. So, you know, it, it, it's quite difficult, I suppose, for the government, if you think about it.

In the one hand, we're not a developed nation, so we need to have economic growth, we need to bring people up, uh, socioeconomically. But on the other hand, we're also depending on, you know, the GDP to grow with a lot of these products, you know. Uh, we, we have, uh, palm oil, which is one of our major exports.

So how do you balance, uh, you know, making sure that you take care of the needs of the people, but at the same time, you, you make sure that biodiversity isn't affected, and so on.

So it can be quite challenging, and which one comes first?

Paul: Many of our listeners might never have been to Malaysia, certainly before we made this trip, Jan, I'd never been to Malaysia, and they might not necessarily know what it's like here.

Uh, we're in Kuala Lumpur, which is the capital city, which looking out of the windows of the building we're in at the moment, our hotel, you can see many tower blocks around us, both commercial and residential, which might be what you expect.

What I didn't expect was all the lush greenery that was here, from the drive in from the airport, and then even all around the city, you've got palm trees everywhere, you've got a very tropical environment.

And whilst I had been looking at weather apps repeatedly whilst I was here, I couldn't quite believe the state of the thunderstorms. And you talk about the amount of rain that you get, we're currently not in a monsoon, uh, season or a wet season. There's still an awful lot of rain that comes down here.

Ann Marie: Yeah. The, the monsoon season's supposed to be at the end of the year, so it usually happens around October to December, and then this time February it starts getting drier, it's usually going into the dry season, yeah.

And uh, that's one of the things we've seen in terms of climate change is flooding, major flooding. You know, we've had major flooding in 2021, which, where people have, have actually died. Uh, and, you know, over 6 billion ringgit worth of damage was done.

Uh, we've had, again, flooding in 2022, 2023, in fact, a report was done by, um, the World Bank and Central Bank, uh, just recently, just in 2024 saying that Malaysia.

Because we need to focus, you know, other countries, like if you look at Europe, they're focusing on mitigation, we have to focus on adaption, because we need to get ready for all of these floods, yeah.

And, uh, the World Bank and Bank Negara, which is our central bank, are saying that, uh, Malaysia, 4% of our GDP is going to be affected because of floods. And then they also say, if we don't take care of our ecosystem, 6% of our GDP will go.

So it, it's, it's really something that is, you know, it's, it's hitting us in the face, you know, we can't run away from it, you know.

Jan: And I suppose in some ways that's quite different from maybe a more, uh, European-centric view of sustainable development, and the kind of folks that we've spoken to before on this podcast, which is why the, the great advantage of, of taking even further out on the road, is that the, the nature's already been denuded...

Ann Marie: ...yeah...

Jan: ...so there's not a sense of, of, you know, particular worry about that, although people are trying to restore ecosystems. And, and as you say it, it is on the mitigation with adaptation only just now dawning on, on folk and some of that adaptation is much more slow and about technical and about soils loss or whatever...

Ann Marie: ...mm-hmm...

Jan: ...but if it's every afternoon in a city, then if you like, it's much more on public consciousness and much more to the forefront of thinking. It's, it's quite a particular change, I think.

Ann Marie: Yeah. Ab, absolutely. Um, you know, it, it's affecting the everyday...

Jan: ...yeah...

Ann Marie: ...the everyday for, for many of us. Even, you know, you're in the middle of KL, it has been flooded a few months ago...

Jan: ...yeah...

Ann Marie: ...and cars are just floating down in the middle of the, the road, you know, so this is a reality. It's not something that's far away, you know, for, for many of the citizens here.

Jan: In keeping with the, the thinking about the EU and, and Europe, but then also what's happening in Malaysia. Some of the legislation being passed within the EU are about due diligence and supply chains.

And, um, unlike, um, other countries, Malaysia still has a, a productive sector in terms of, you know, industry and, and, uh, you know, manufacturing. Do those kind of things that are being talked about in the EU and regulated affect people's thinking in Malaysia about how they're going to conduct business?

Ann Marie: Um, it may not affect the man on the street, as it were, but it definitely affects businesses. Um, probably the most, the, the most recent one would've been CBAM, the Carbon Border Adjustment Mechanism...

Jan: ...oh, yeah...

Ann Marie: ...many companies very upset about this. Uh, it hasn't, uh, come into play. It's not coming into play fully until 2026.

But, um, you know, they had to get their documentation ready and so on, and they're basically saying, you know, you have a tariff on steel, aluminium, these kind of exports, because you must remember Malaysia is a major exporting country, you know. Our GDP is coming from exports, and we export electronics, steel, uh, agricultural products and so on.

So CBAM major. Then you have CSRD, which is a Corporate Sustainability Reporting Directive, which is where the Europeans are doing the, you know, European sustainability reporting standards.

So if you have like subsidiaries here from, from EU multinationals, they're definitely coming and asking them questions. Where's your ESG data? We already have clients that, you know, they're looking into this. We've even done training on ESRs, you know, so it's unusual for a Malaysian company coming and asking you, can we have training on European sustainability reporting standards? But that's happening.

The other area. You mentioned due diligence, which is, you're probably alluding to the Corporate Sustainability Due Diligence Directive, which isn't fully in play yet. They're gonna give about three years for implementation.

Definitely a big impact here because we are part of a global supply chain. And, uh, even when you talk about supply chains, we've even had, uh, issues with this long before CSDDD came in. Uh, for example, um, our rubber glove industry had a lot of issues back in 2021 when the, uh, customs border patrol in the US refused to allow our, uh, products to go into the US because of alleged, I'm gonna say alleged, although they were, alleged, uh, forced labour issues or modern slavery issues.

So, um, at these six companies were caught under that and it took the government about two years to try and sort out that issue. Uh, we've had cases where, for example, you've had, and I will mention the company, it's public information, Dyson, you know Dyson, UK Company?

Jan: Oh, yeah, yeah, yeah.

Ann Marie: Headquartered now in Singapore. Uh, they had a subcontractor in Malaysia, Johor Bahru, where they were manufacturing all the, the lovely things that they manufacture and export.

This, uh, company, which was a subsidiary of a publicly listed company in Malaysia, uh, had, uh, migrant workers. Also allegations of forced labour.

And, uh, the, the workers actually took a case against this company, uh, not this company, but against Dyson, okay? Uh, Dyson was not involved. Yeah, so you can see here when, when it comes to the supply chains, you can have where, and this is the, the speak that GRI uses, they talk about you're either, um, you know, you are actually causing the, the issue, whatever that issue might be, in this case, forced labour. You are contributing to the issue because of your actions, or you're directly linked.

So in this case you can see that, uh, Dyson was only directly linked, uh, and they sued them in the, in, in the UK court. Uh, of course the UK judges said, why are you coming here? We have, uh, you have courts in Malaysia, go back there. But actually they've had an appeal. And now the judges have said, yes, go ahead.

So that's ongoing at the moment, and that's not the only case. There was one with, um, our local producers here exporting to the US and the workers here are suing the US companies.

Jan: Oh, wow.

Ann Marie: Uh, Kimberly-Clark is one of them. I can't remember the, the, some of the other ones.

But, so you can see here where supply chain's incredibly important and it's not, if you're just directly linked, if something's gonna go wrong, it'll probably go wrong in the supply chain, not necessarily in your, your own operations, you know?

Paul: I think if there's one thing we learned from the episodes we've done on modern slavery and on supply chains...

Ann Marie: ...yeah...

Paul: ...it's that everything is linked and you need...

Ann Marie: ...yeah...

Paul: ...to be mindful of what's going on...

Ann Marie: ...absolutely...

Paul: ...not just within the walls of your own company, but in all those suppliers, so up and down the, the supply chain because with the reporting regulations that are being put in place, you're, you're gonna be found out.

Jan: And when it comes to being an export-led country and you're in a global supply chain context, then, then you are linked to regulation wherever it happens.

So do you, have we ever told our listeners about the carbon border adjustment mechanism?

Paul: It sounds like the kind of thing that if you started speaking about it, Jan, I switched off, went and made a cup of tea, and uh came back when you'd finished.

[Jan laughs]

But no, I don't believe we have spoken about it.

Jan: Well, the very short aside. The idea, and it's again, a European initiative, uh, is, and Europe of course, can regulate its own markets, if you are making, uh, any product with that's more energy intensive than what it would be made in Europe, then you pay an extra carbon tax.

So, hence it's, it's like a tariff on, on raw material imports. And I heard somebody who was very involved in the policy making speak about it. And he was saying, and I, I hope this is for Malaysian business, this comes true. He said he, he hopes and anticipates that very few people, if any, will ever pay the tax, because the fact that the tax mechanism is there is then driving and helping decarbonisation elsewhere.

And that was the intent of it. Even though, it could technically...

Ann Marie: ...yeah, so it's driving, but it's driving things such as, uh, carbon credits and, uh, I have my own views on carbon credits, but, uh, and I won't quote them here, but, uh, you know, it is, it is creating a market for that kind of thing as well, you know, so it has its pros and cons.

Paul: Yeah. We have someone in the Management School who we haven't had on as a guest there, a guy called Emre Tarim, who's written some papers about carbon credits and trading them and the carbon markets and the pros and cons, there, I think there's, fair to say, there's definitely a whole lot of cons in there as well...

Jan: ...yeah...

Paul: ...And in all senses of the word con as well. Uh, now, I dare say [chuckles] the way that, uh, carbon credits, uh, can be used, it's, it's interesting and I guess if you've got a country, like here, the petrochemical industry is so big. Um, we're a mile away from the Petronas Towers, Petronas, you know, that's a, a massive company here in Malaysia.

In there they have a whole museum, science-y type place, which is all about learning about the great things that can be done thanks to, so, you know, the, the...

Jan: ...I'm going to go and look...

Paul: ...oh...

Jan: ...I think it looks very interesting...

Paul: ...I, I think it's meant for kids, but you go for it... [joking] Um, you'll fit right in.

Uh. But yeah, when you've got these rules, it's gonna be harder for, you know, for maybe countries like this to adapt to them when you've got such a petrochemical-based economy in lots of ways.

Ann Marie: But, but Petronas is actually working. They have a plan to move away, joining with Tenaga Nasional, which is our only, uh, energy supplier to, um, decarbonise number one, and also to move more towards renewable energy.

The solar industry is really pick, solar panel industry is really picking up in Malaysia and, um, the government had come up with incentives, even for private individuals to have solar panels on their, I mean, we're a, we're a hot country, we've got sun.

So, uh, to put solar panels, we even have, uh, the idea of having floated, there's one place where we have floating solar panels on...

Paul: ...ah, yeah...

Ann Marie: ...on water bodies, because of course, land is an, is an issue. So all of these initiatives are actually underway.

Paul: And we spoke about this with Alona Armstrong ,about a year ago on the podcast, and the various uses of on land and on water solar panels and the, the environmental benefits that can bring as well, and you know, both in terms of nature and in terms of heat absorption and stuff, and yeah.

And, we've spoken, before we started recording the podcast about the potential, there might be lots of rare earth metals here in Malaysia as well. And if you're gonna be, uh, becoming a big producer of solar panels, then rare earth metals, I dare say, are gonna be quite valuable for you to be able to make those solar panels in the first place.

Ann Marie: Absolutely. But that comes back to what I said before about we need to grow, economically grow, we need to lift people up. But on the other hand, you know, we cannot destroy our, um, biodiversity and, and there are some issues surrounding that. We definitely need, uh, clearer regulations on this whole area, yeah.

Paul: It's, it's always a balance, to be kept there, you don't want to do so much good by switching over to solar panels from fossil fuels, only to have destroyed all the rainforests, et cetera, in order to dig up the rare metals that you needed to make the solar panels. It's not easy this sustainability lark, is it?

Ann Marie: No, it's not. No, absolutely not.

Jan: And we've talked about how Europe affects Malaysia, but what, what examples or lessons do you think Malaysia can, can tell, um, European, UK companies.

So, so what, what things could you pass back through our listeners?

Ann Marie: Well, if you, if you look at some of our, our companies, bigger companies, like in the banking sector, some of the big plantation companies, the way they approach sustainability, it's not like a, a tick-box exercise.

It's more like they look at it as something they have to embed into their strategy. They're looking long term. 'Cause they know that they're not going to be around if they don't do this. That's one of the things. So I think there's some lessons, very valuable lessons in there.

Another area would be that, uh, Malaysia, we are, uh, in terms of Islamic finance, we're at the forefront...

Jan: ...yeah...

Ann Marie: ...globally. And um, now we've started issuing Islamic bonds. It's called sukuk. So we have green financing through, because it's based on principles of fairness and justice, which are very aligned with the UN SDGs. So I think Malaysia would be a good example of where, a country where they take, yes, which is what effectively is a Western concept, sustainable development and UN SDGs, and then they, they sort of like align it with the values or the principles that you have in, in this country.

Uh, another area which is probably more negative than something I mentioned before is, um, you have to get your house in order. Something may happen, you know, you don't wait for regulations. Um, we saw that with our rubber glove, uh, companies, uh, just before Covid or around Covid time, that just came out of, uh, you know, and that was some, an outside pressure the US just decided, you know, and it was because of an NGO that brought this up, you know, so people are watching you, people are scrutinising what you're doing.

You need to be careful when you're reporting. I mean, this comes back to the issue of greenwashing. We do have, um, at the moment, there is no, uh, requirement to do assurance in Malaysia. It's a recommendation by the stock exchange if you're a listed company, but it's not a requirement, although we're moving in that direction. I think by 2027, it will become mandatory, at least for carbon emissions, that they'll have to be assured.

So one of the things I think we can learn from those kind of episodes, you know, is that your supply chains are really important, and you need to get your house in order. Because if anything's going to go wrong, it's going to go wrong there. It's gonna go wrong in a subsidiary, you know, in another assaying country, not necessarily in Malaysia. It's going to go wrong somewhere in your supply chain with your suppliers, you know?

So that, that to me would be a big lesson, yeah.

Paul: So much that ties in with so many things that we've spoken about already, and that we we're going to be speaking about in future episodes.

So you talk about how there's stuff going on, about how the stuff is getting embedded within how companies act, but how it's not yet regulation. Ties back to what we did about how norms become like rules and laws and that, et cetera.

You talked about sustainability not being a tick-box exercise. And it's interesting, we're gonna be talking in one of our upcoming episodes about PRME, which is the Principles of Responsible Management Education. And that started out as very much show us what you are doing, and write it in a report, and just to actually emphasise what you're doing so it's built into what you are doing.

That's actually going more towards the, uh, now we don't want, that's a bit too complicated to assess, let's have a tick-box exercise. We'll be discussing that, uh, dare when we discuss that in one of our future episodes here in Malaysia with Stephen Homer.

Jan: Yes, I think we shall.

What I really liked about what you said is that, and it's not actually about the reporting, the reporting comes out the far end of a process. And I suppose it's a distinction between, um, management, accounting and then reporting. And um, and I know that we were chatting about this before the podcast as well, is that... from how you've described it, it's more embedded.

Because the manufacturing sites are here, the need to account, the need to have data, the need to be in control of your operations.

So that's pretty encouraging because if you're only reporting, then I think it, it ends up, you know, disassociated as a sort of an activity that's not connected to anything.

But if you're actually involved in the manufacturing of, of proper things with proper people, then I think it does end up being much more substantive in that respect.

Ann Marie: Yeah. But, but I should say we're not talking about all companies. We're talking about some of the big players, yeah...

Jan: ...yeah...

Ann Marie: ...where they see the need and they're getting ahead of the curve.

We still have a lot of listed companies that, um, because we have something like 900 listed companies...

Jan: ...yeah...

Ann Marie: ...so we have many of the lower tier companies, uh, they, they, if you look at their reporting and compare it to somebody in the top 100, there's a big disparity, you know, so some of them need to do a lot more work.

Uh, and as I also said, the SMEs, they, they form a huge percentage of our, of our economy, so we really need to get them on board. Um, but one of the good things I've seen, uh, working with clients is that some of the SMEs, they see the value in that.

Uh, they know they have to because they're exporting, for example, and they know that somebody's going to come and start asking them about their ESG, uh, performance and so on.

But we're, I'm not by any means saying all companies are embedding, uh, sustainability, but some of the bigger ones are... would be moving to Malaysia.

Jan: [inaudible, Jan and Ann Marie speaking at the same time] ...moving to Malaysia forthwith!

Paul: I almost want you to say keystone actors here, Jan. Just because I feel that every episode you say keys, if the big boys are doing it, and the smaller company's gonna have to follow their example if they want to keep having their piece of the pie, because otherwise the, the big boys are gonna take all the action.

Uh, that, especially if there's people from other countries coming in who have these regulations in place that maybe the little ones don't previously pay attention to.

Jan: And if they're doing that one really hopes that there is some sort of SME development initiatives. 'Cause otherwise you, you know, a big company says to a small company, and now you're gonna do this, but I'm not gonna pay you for the time or the mechanisms or whatever. So it's, yeah, it has to be again just...

Ann Marie: ...there, there are, there are, um, for example, the stock exchange has set up this, um, it's called GVC, Greening the Value Chain. So it's actually helping SMEs to enable sustainability practices within SMEs so that they can trade with, uh, listed companies. And that's within the country itself, we're not talking about exports, okay.

Uh, we, we also have, um, you know, many initiatives. For example, one of our ministries, in fact, they, they came up with the very first ministry that has a sustainability report last year. Uh, 'cause they asked us to assure it.

They've actually come up with, 'cause they deal with manufacturing companies, you know, manufacturing SMEs, and they've actually come up with what they call is IESG, which is actually a simplified version of, uh, sustainability reporting standards.

'Cause the idea is that, you know, if you use something like GRI, it's for really large companies, which is not true, we know GRI can be used by small companies too, but, um, and then we have other initiatives by the capital markets, Malaysia, they've come up with simplified ESG disclosure requirements.

So there are moves to do this to help the SMEs, but I think the, the main problem for many of the SMEs. They need to see the business case. And I know we don't sometimes, like talking about this idea of business case, we should be doing it out of the goodness of our, our hearts. And that's just not gonna happen.

So they need to know why, what value is in, uh, you know, implementing, uh, sustainability in their businesses, you know, and sometimes, uh, that is not so clear to them. You know, they see it as a cost, you know.

Paul: As we alluded to back at the start, you are Jan's academic granddaughter.

So before we come to the end, I just want to know about your experience with regards to sustainability reporting, sustainability accounting over the course of your career.

Um, what you've seen there that's changed. Over that time, how you've seen it develop and what, you know, your thoughts are, where it might go in the future.

Ann Marie: Okay. Um, when I started thinking, or looking at this a way back, I won't say how long ago then you'll figure out my age. But many decades ago, or a few decades ago, um, Malaysian companies were only focusing on CSR.

It was just basically, uh, something they gave money to or went and painted a, an orphanage or built a community hall or something like that. There was very little discussion about their actual activities or, you know, it, it definitely wasn't part of their operations.

And I think I would say in the last 10 years, this space has sort of grown rapidly, and I think it's because of the stock exchange here, making it mandatory, you know, that you have to come up with a sustainability statement. So really rapid progress.

And I think it's become part of the public's vernacular as well. Now, what a member of the public might think about sustainability or how they might view it might be very different from, from a company, but it's something that is, it's, it's out there.

Uh, in terms of the press, you see the articles that are published, uh, the business press, you know. You open up the press at any day, you'll find lots of information on sustainability. Um, you look at certain professions like the legal profession, the accounting profession. Like our, for example, our last two conferences, the, the, the local profession called the Malaysian Institute of Accountants, uh, the themes were on sustainability. Uh, all, a lot of the training they're doing is on sustainability.

Uh, the government are very active with all the different initiatives that they're having. Uh, corporates, we have, um, a lot of support, um, from Bursa, from the Securities Commission, uh, from Capital Markets Malaysia, even helping, you know, SMEs.

So in the last 10 years, it's growing. Where is it going to go in the future? I think a lot of it is going to be dictated by outside pressures. Uh, we have our own agenda internally, but a lot of it is coming from the outside. We see what, what another, other countries are doing. Uh, you know, what Hong Kong is doing, Singapore is doing, uh, you know.

For example, just to give you an example here in Malaysia, the stock exchange works very closely with, uh, FTSE4Good, which is one of the ranking agency or rating agencies. And in fact, from 2024 it said that all companies that are listed must have some sort of, uh, rating, okay?

So they're all going through that process. So we have an index where they issue, uh, I know, uh, rankings for June, I think it is in December. So they're working, uh, very closely, so they want to see what their ESG performance is, whether it's good or bad, they want to see it. Yeah?

So you can see that kind of, it, it, these are all outside influences that are coming in, you know? Um, it's a, it's a small world, I suppose, so we can't, uh, and because we're an export nation, we have no choice but to look to outside, yeah.

Jan: In this series of the podcast we've been asking everyone as our sort of lucky last question is, what's inspiring them, because it's very easy to get bogged down and sort of feel a bit overwhelmed by all the various challenges.

So I wonder for you, um, in Malaysia in particular, um, in sustainability accounting, reporting, and in advising businesses about it, what are you finding inspiring at the moment?

Ann Marie: For me, it's the small organisations. It's the ones that do not have to do anything on sustainability.

And I've come across quite a few. Some of them have come to us, but I've come across somewhere, you know, I, I'll give you an example. Um, this young man inherits, uh, a manufacturing, it's wood manufacturing, furniture manufacturing, which exports, uh, from his parents and he decides I want it to be sustainable.

I will mention the name. It's called the Green Factory. You can go and look it up. And, uh, he's actually taken old furniture, repurposing it, recycling it, uh, even the ends, making it into things like ashtrays and, you know, uh, card holders. And, and he has a very young team of people and they're all really passionate.

We, we've actually trained some of them on GRI 'cause he wanted to know about GRI reporting. Even though they don't have to do, uh, reporting. So these, I've come across so many. I went to a university conference where they

had, uh, all the young engineers coming up with all these projects, sustainability projects, and some of the ideas are amazing.

So to me, the young, the next generation, our generation have really messed things up, I think, you know, and, uh, if you look at people even older than me, uh, when you talk to 'em about sustainability, they often see it as something that has to be done, you know, directors and so on.

Uh, but I think the younger generation, they will change things for definite. Uh, and some of the things that they're doing, you know, for example, I came across a small company, they're making, uh, garbage bags. And you know what they were making, they were making it out of starch. It was totally biodegradable, and they work 'cause I bought them.

Uh, you know, they're doing all sorts of, uh, things that are really meaningful without having to do them, you know, regulations not forcing them to do that.

So, so I see, um, that that's what inspires me, you know. Uh, sometimes there are things I see that doesn't inspire me, but that definitely inspires me and the young people, the enthusiasm they have.

Paul: Thank you for joining us. That's been a wonderful conversation and it's always nice to meet a new member of Jan's family.

[Everyone laughs]

Ann Marie: It's good to meet you also.

[Theme music]

Paul: I have to say as far as academic granddaughters go, you could have done a far worse.

Jan: Oh [laughs] very proud. We're very proud, her father and I. [laughs]

There was some really, there was some new terms in there, which I thought were really interesting.

So the, the fact that the, the U40 is just something that clearly must be talked about, that seemed like a, like a shorthand that's used, that's understood, which we haven't had anyone else on the, the podcast to, to speak in that way before.

Paul: In the UK we'd just say people living in poverty, we wouldn't refer to them as the 40%, the U40. Um, I guess because in our country you don't want

to put a percentage figure on it 'cause politicians would have a field day with that if you were in opposition.

Um, but here it seems to be more engrained, if you will, that that is a concept, um, which may speak to the part of the world we're in, that there are such big divides between the haves and the have nots.

Jan: But also that it's a, it's a divide that needs to be addressed as clearly within the, the context of, of things as well.

So I found that really engaging

Paul: [loudly] CBAM!

Jan: [softer] CBAM... [laughs]

Paul: CBAM. Uh, I thought that that was a sound effect from Batman. Uh, but no, it turns out that that's a thing as well, yes. Not that we haven't talked about before, but I loved that CBAM.

Jan: Yeah. But, but there was quite a European sense in terms of the kind of, and a North American one as well.

And if you're an exporting country, then you are open to other countries regulation because you have to get your goods, your goods and products into those other countries.

Paul: Yes, cause it wasn't just CBAM, there were lots of other acronyms that were thrown out there. And I was particularly pleased that Ann Marie did a good job of explaining what all of them meant as she was saying them, because otherwise I would've had an alphabet soup written down on my piece of paper from this episode.

Yeah, and it is really fascinating to see how companies react over here to what is happening back home in Europe, and the regulations that are coming in that affect them directly or indirectly.

Or sometimes don't even affect them, but they recognise that they need to do something because it might affect them in the future.

Jan: And then for me, the third and final thing that I found really quite exciting is the extent to which some of the companies, not all by any stretch of the imagination, but some, particularly the big ones, this isn't a tick-box. They're actually doing something really holistic.

Paul: Yes. Yeah. And then engraining it within their strategy and the fact that I, I think this must be a lot of the companies that Ann Marie is working with must have that attitude that, they're not just there for, oh, we've got this regulation that says we need to do X percent of our work, conforms to this particular regulation. Can you just sort that out for us? They're actually looking to do it properly.

Jan: No, I know, I thought that was very encouraging.

So how are we going to be encouraged in the next episode?

Paul: We're not just here for one show. We're gonna do a few more and we're heading out to Sunway University, which is on the outskirts of Kuala Lumpur and it's a partner University with Lancaster.

And we're gonna be speaking to a few different academics there researchers in sustainability who've got so many new and varied insights.

And the first one that we're gonna be speaking to is Mahendhiran Sanggaran Nair, who is a very high ranking Prof at uh, Sunway, and he's gonna be talking to us about lots of interesting things.

Jan: That'll be good, and you'll need to now be on your best behaviour.

Paul: I am on my best behaviour. You want to see me on my worst behaviour.

Um, yes, he's gonna be talking to us about projects that they have, going back to that 40% group, projects that are very much affecting them, but also sustainability across the region more generally too.

It's gonna be a very fascinating talk, so thank you very much for joining us on our first podcast here in Malaysia.

We will have more to come. In the meantime, thank you very much for listening. I'm Paul Turner.

Jan: And I'm Professor Jan Bebbington.

[Theme music]