

Advancing ESG & Sustainability Through Anti-Corruption Practices

In response to the Prime Minister's goal for Malaysia to reach the 25th position in the Corruption Perceptions Index (CPI) by 2033, Transparency International Malaysia (TI-M) President, Dr. Muhammad Mohan recently emphasised the need for a holistic change, which requires cooperation from all sectors, including the public and private sectors, non-governmental organisations (NGOs) and political leaders¹. The CPI is the leading global indicator of public sector corruption, and Malaysia's CPI score for 2023 stands at 50, placing the country 57th out of 180 nations². However, its relevance extends into the private sector, where anti-corruption efforts are equally critical.

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The Legal Landscape

In Malaysia, the primary legislation addressing corruption is the Malaysian Anti-Corruption Commission Act 2009 (“**MACC Act**”) effective since 1 January 2009. Part IV of the MACC Act prescribes various offences and penalties applicable to both public officials and private individuals. Notably, Section 17A, which came into effect on 1 June 2020, imposes corporate liability on any commercial organisation if any person associated with it (including employees) engages in corrupt conduct for the organisation’s benefit. Any director, controller, officer, or partner of such commercial organisation, or person concerned in the management of its affairs at the time of commission of the offence, may also be deemed to have committed that offence unless they can prove that:

- The offence was committed without their consent or connivance; and
- They exercised due diligence to prevent such commission, as they ought to have exercised, having regard to the nature of their function in that capacity and to the circumstances.

Mitigating legal Risks, Aligning with ESG goals

With increasing Malaysian Anti-Corruption Commission investigations making headlines, it is a timely reminder for Malaysian companies and business to implement adequate procedures to prevent associated persons or organisations from engaging in corrupt conduct.



[1] <https://www.bernama.com/tv/news.php?id=2331139>

[2] <https://www.transparency.org/en/countries/malaysia>

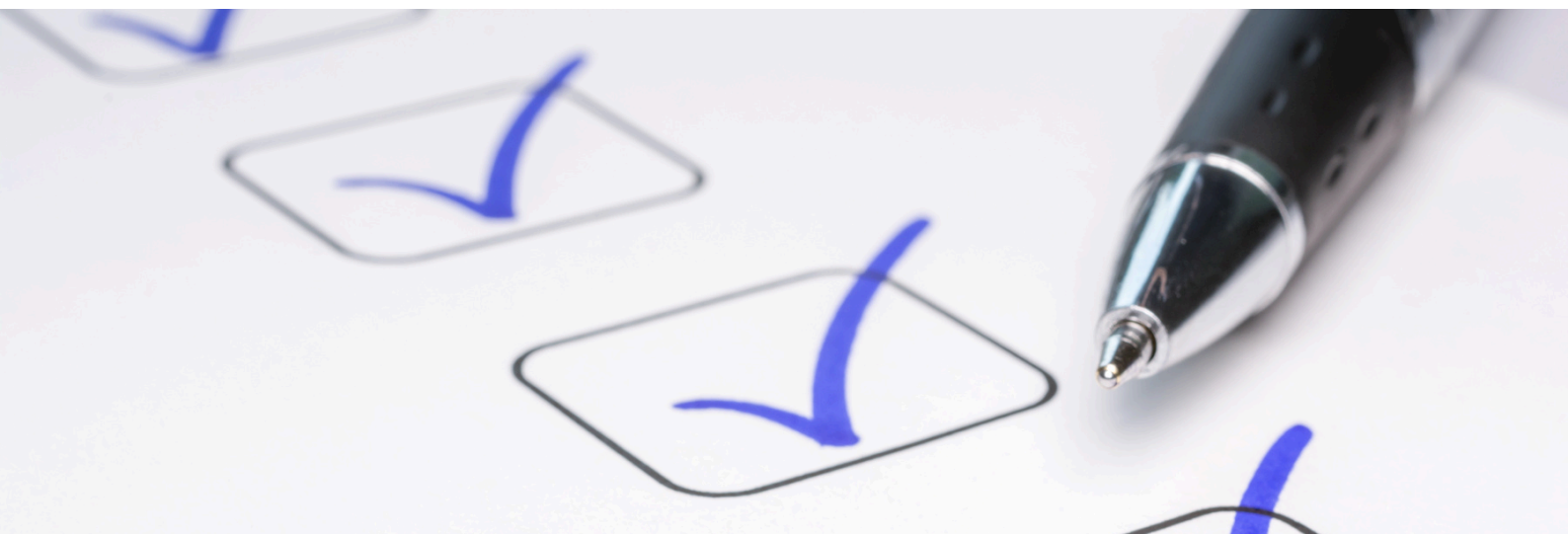
They may, among others, implement clear anti-corruption policies, provide comprehensive trainings, conduct regular internal risk assessments, perform thorough due diligence on third parties, establish strong internal controls and monitoring systems, set up whistleblowing mechanisms, appoint a dedicated compliance officer or committee for better oversight, and/or regularly review and update operational procedures.

These measures, however, do not solely aim to mitigate legal risks. They also align with broader ESG and sustainability goals, as corporate corruption is a key concern in the Governance pillar of the ESG framework and poses a threat to sustainable development. Target 16.5, a component of Goal 16 of the United Nations (“UN”) Sustainable Development Goals (“SDGs”), aims to substantially reduce corruption and bribery in all forms by 2030³.

Transparency and Accountability

Beyond implementing anti-corruption measures, companies and businesses are encouraged to engage in transparent disclosure as part of their ESG and sustainability strategies. For instance:

- For companies committed to advancing Goal 16 of the UN SDGs, the Blueprint for Business Leadership on the SDGs recommends monitoring and reporting on progress of the action against corruption to ensure continuous and public accountability⁴.



[3] <https://www.un.org/sustainabledevelopment/development-agenda/>

[4] <https://blueprint.unglobalcompact.org/sdgs/sdg16/#:~:text=Leading%20businesses%20will%20critically%20examine,rights%2C%20and%20reduce%20violent%20conflict.>

[5] https://www.bursamalaysia.com/sites/5bb54be15f36ca0af339077a/content_entry5ce3b5005b711a1764454c1a/5ce3c83239fba2627b286508/files/bursa_malaysia_sustainability_reporting_guide-final.pdf?1570701456

[6] <https://sedg.capitalmarketsmalaysia.com/wp-content/uploads/2023/10/SEDG-Full-Guide.pdf>

- Bursa Malaysia’s Sustainability Reporting Guide for Main and ACE Market listed issuers recommends disclosing the percentage of employees who have received training on anti-corruption and the percentage of operations assessed for risks related to corruption in their respective Sustainability Statement⁵.
- Capital Market Malaysia’s Simplified ESG Disclosure Guide (SEDG) for SMEs in Supply Chains recommends reporting any confirmed incidents of corruption, any employee trainings provided on the company’s anti-bribery and anti-corruption policy, and/or any significant risks related to corruption within the enterprise⁶.

The Way Forward

Looking ahead, adopting robust anti-corruption practices offer more than just legal compliance or alignment with Malaysia’s CPI goals. It also aligns with the ESG framework and advances global sustainability goals. Leveraging these practices will contribute to a more ethical and transparent business environment, driving long-term value for companies and businesses, as well as broader sustainable development.

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