



Network
Malaysia & Brunei

Module 1: Part 3

The Business Case for Sustainability and How to Start



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Module 1: Understanding the SDGs, UNGC 10 Principles and its importance Part 3

The Business Case of Sustainability and How to Start

- 1) Why are SMEs important?
- 2) The business case for sustainability
- 3) How to improve your business

In this module, we will look at why SMEs are important in driving sustainability within the private sector, the business case for sustainability as well as some steps you can take to improve your company's sustainability performance.

Why are SMEs Important to achieve the SDGs?



Why are SMEs Important if we want to achieve the SDGs?

Although defined as small to medium sized enterprises, SMEs are seen as the main actors of both national and regional development in many countries. In Malaysia, SMEs account for 97% of established firms and contributes up to 37.4% of the countries GDP as last reported in 2021. Collectively, SMEs can create significant impact and contribute to achieving the SDGs. This makes them an important stakeholder in driving sustainability within the private sector and addressing the SDGs in the country.

Targeting SMEs for Effective Action

70% .
of **pollution** is
contributed by SMEs

48% .
of the total **employment rate** in
Malaysia



For example, SMEs account for a whopping 48% of the total employment rates in Malaysia. By addressing SMEs in SDG efforts, we can more easily create better economic opportunities for almost half of Malaysia's employees, speeding up the progress towards SDG Goal 1, ending poverty.

Moreover, studies show that SMEs can contribute up to 70% of the pollution levels in developing economies. By encouraging SMEs to adopt green technology and other environment friendly strategies, we stand a chance to largely improve progress towards affordable and clean energy, SDG Goal 7.

These are just a few examples to show how crucial SMEs are in the SDGs.

The Business Case for Sustainability



The Business Case for Sustainability

You might be wondering, what is the point of being sustainable?

Whether it is the perceived cost of green adoption or feeling like your actions amount to little to no impact; sustainability can often be overwhelming.

However, we're here to address these concerns and demonstrate that sustainability is not only cost effective, but can also create better long-term value for your business.

Cost Savings

Just as there are hidden “**costs**” in continuing **unsustainable practices**, there are “**hidden savings**” from being **sustainable**. **Sustainability does not necessarily mean high expenditures.**



Cost Savings

While it's true that being sustainable can incur initial investment costs, these costs will be outweighed by the savings and opportunities that it brings in long run.

A prime example of this is Solar Power. Solar energy can significantly reduced your power usage and start saving on your electricity bills as soon as you install a solar system. Not only is solar power good for the environment, but you can also earn money by selling back excess power to the grid.

However, as mentioned, the installation and maintenance of solar panels can be quite expensive. But in the long run, will save and even make you money.

With these savings, businesses can improve resource allocation, streamline their operations better and boost profitability as well as efficiency.

Value Creation

Becoming sustainable is a **unique selling point** for businesses. **Consumers** are **more likely** to purchase products that **clearly market** their **sustainability**.



Value Creation

Becoming more sustainable also provides a unique selling point for your business.

As consumers begin to be more conscious about where their money goes, the appetite for socially and environmentally sustainable products is growing with more consumers willing to pay extra for sustainable products.

A survey by Statista and Rakuten Insight showed that 58.5% of the respondents are willing to pay more for products that are sustainably-produced/packaged and environmentally friendly"

Talent Acquisition and Retention

Sustainability can help **market your company's values and ethics** to **potential talents**, making them **more likely** to work **within your company**.



Talent Acquisition and Retention

Great talent can be difficult to find and keep.

Apart from creating a unique selling point for your potential business, sustainability can help in marketing your company's values and ethics to potential talent.

Employees who find your company's values similar to their own are more likely to apply, work and stay within your company. Not only can sustainability add more purpose to the work, but it will create a sense of kinship as everyone works towards a common goal.

Attracts Investment and Opens up Business Opportunities

Marketing your company's sustainability performance can **attract investments**, as well as **potential business**.

Increasing Sustainability Demands

100%

of **GLICS** have **ESG strategies** in place

20%

of **surveyed corporates** have committed to the **SDGs***

*UNGCMYB Sustainability Pulse Report 2022

Attracting Investment

As previously mentioned, there is now a growing demand for ESG evaluation within investors as well as financial institutions.

In fact, all Malaysian Government Linked Investment companies or GLICS have adopted ESG strategies.

According to a study by UNGCMYB, 20% of corporate respondents said they have committed to the SDGs.

This means SMEs have an opportunity to tap potential investors or business opportunities if they can demonstrate that they have adopted ESG and aligned the strategy with SDGs.

Improves Resilience and Innovation

Sustainability can help you find **niche uses** in **technological and commercial assets**, providing opportunities for **greater innovation**.



Improving Resilience and Innovation

SMEs are often considered the driving force behind innovation for economic growth and job creation.

Because SMEs work outside dominant business structures that delay prompt action and reaction, they have the flexibility to innovate and explore different solutions to address shifting consumer needs.

And by implementing sustainable practices into your business, you can potentially future proof your company's resilience against environmental and economic setbacks.



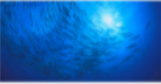
Okay, Where do I Start?



Academy

FAST-TRACK YOUR SUSTAINABILITY STRATEGY AND SKILLS
with the UN Global Compact's digital learning platform

What's trending on the Academy
A sample of our different course offerings

 Implementing a principles-based approach to sustainable oceans... 45m 00s On-Demand Course	 The Net-Zero Standard 20m 00s On-Demand Course	 Future-proofing your small and medium-sized enterprise 1h 00m On-Demand Course	 Deepening human rights due diligence 3 courses Learning Plan	 How to assess and boost your corporate water resilience 1h 15m On-Demand Course
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Learn

Start learning and gain knowledge on sustainability

Assess

Commit

Engage

Set Targets

Communicate

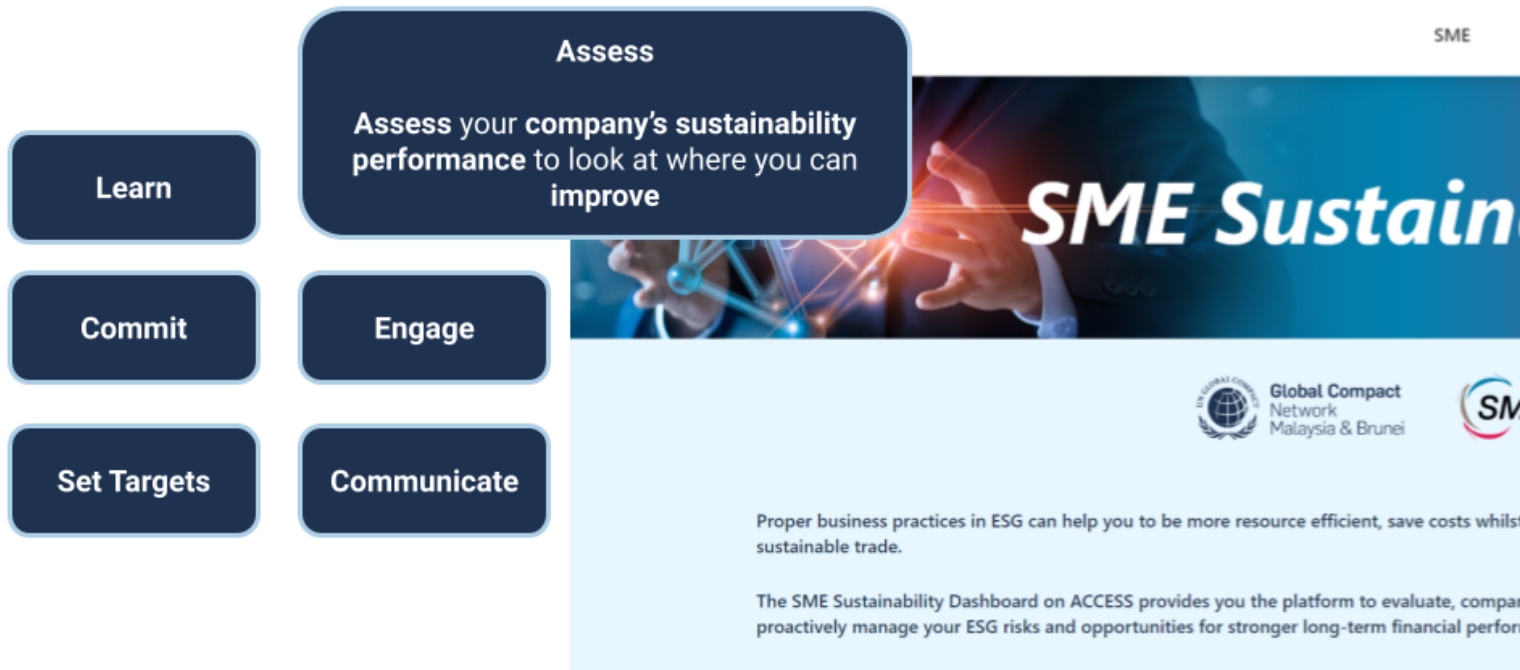
Okay, How do I Start?

1. Learning and Capacity Building

Start learning by completing the eLearning courses on the UNGC Global Academy. There is also an SME sustainability eLearning course available co-developed by UNGC MYB and Taylors university.

This course is a further deep dive into strategy sustainability approaches for SMEs from a Malaysian perspective.

Okay, Where do I Start?



2. Assessing your performance

Assess your current sustainability performance and know where your business stands and how far you have to go. SMEs can begin their journey by assessing the sustainability aspects of their business practices and measuring their performance against ESG criteria.

You can also take the ACCESS ESG self-assessment to assess your company's sustainability performance, identify the gaps and look into which areas of ESG you can start with.

Okay, Where do I Start?



3. Commit and Adopt a principles-based approach

SMEs can commit to the 10 UNGC Principles and incorporate them into your business model. By respecting and supporting universal principles, SMEs can play an important role in helping to realize the SDGs.

Explore the 10 Principles are here:

globalcompact.ca/about/ungc-10-principles/

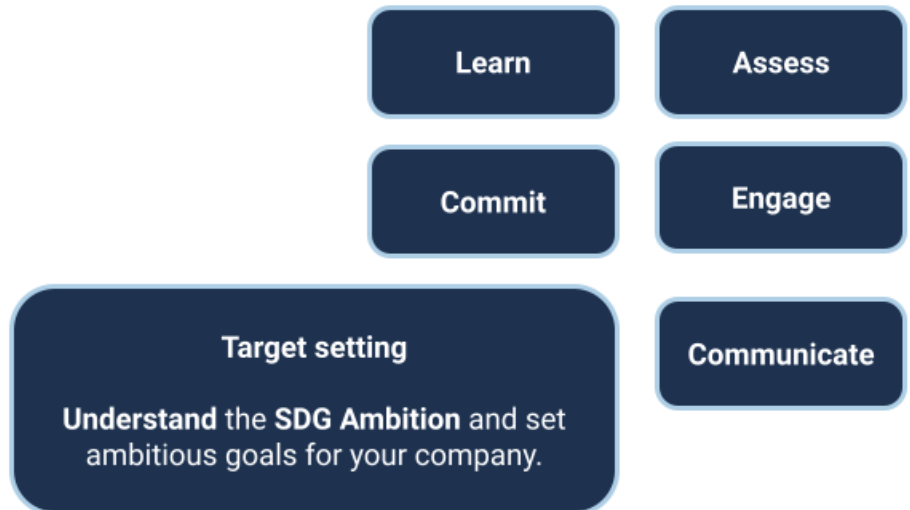
Okay, Where do I Start?



4. Engaging Stakeholders

Stakeholder engagement is an essential part of the sustainability assessment process. SMEs need to know who their stakeholders are and talk with them to find out what matters to them. Some common examples of stakeholders are customers, suppliers, employees and investors, but it is important to find out who else is affected (either positively or negatively) by your business.

Okay, Where do I Start?



5. Target Setting and Progress Measurement

Define realistic targets to measure progress on the issues that matter to your business and stakeholders.

Furthermore, you can read up on the SDG Ambition benchmarks to understand how your company can set ambitious goals towards contributing to the SDGs.

Explore the SDG Ambitions here:

www.sdghub.com/project/ambition-guides/

unglobalcompact.org/library/5790

Okay, Where do I Start?



6. Communicate with Your Stakeholders

Finally, it is important to report and communicate your sustainability achievements towards your stakeholders. By informing them of your sustainability plans and actions, SMEs can use this to position their value-add initiatives.

Do take the time to visit the links and explore the avenues that are available to you!

Conclusion

“SDGs are a **global, multi-stakeholder** set of goals to **incorporate sustainability** into the **global markets**, with **local stakeholders** taking note of **these issues** and **taking decisive action** towards **resolving sustainability related issues**.”

Conclusion

As we can see, SMEs are crucial in the road to achieving the SDGs. And while small, they play a major role in shifting social and economic development towards SDGs.

In the next modules, we will learn the specific issues and how it ties back to the SDGs as well as the actions taken by various stakeholders in addressing them.

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