

# Bridging the ESG Gap: Insights from Southeast Asian MSMEs

Addendum Deck 2025



**CIIP**  
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Investing and Practices

**Research For Impact**  
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Prepared by RFI  
and funded by CIIP

# Study purpose and aims

The overall aim of this addendum is to provide additional analysis and data to supplement the report *Transforming for Sustainability: Driving Impact and Value through Supply Chain Action*. It includes insights on the adoption of ESG practices and principles among MSMEs (micro, small and medium enterprises) in Southeast Asia and implications for global supply chains.

To support the development of the report *Transforming for Sustainability: Driving Impact and Value through Supply Chain Action*, conducted by the Centre for Impact Investing and Practices with support from Khazanah Nasional Berhad, Research For Impact undertook a study from April to July 2024 involving more than 3,500 MSMEs in Indonesia, Malaysia, Singapore, and Vietnam. These MSMEs are current or potential international suppliers across four key sectors – consumer goods, electronics and electrical equipment, food and beverage (F&B), and tourism. Their perspectives are captured across the specific dimensions below. This addendum contains additional data, analysis, and insights not present in the main report. and was completed in December 2024 and updated in March 2025.

1

Current levels of awareness of ESG practices and key drivers

2

Current adoption of ESG policy and standards

3

Trends in ESG practice and reporting

4

Current levels of resourcing for ESG

5

Underlying motivations and challenges with respect to ESG

6

Future plans and support for ESG practices

# Mixed-methods design

## Survey



30-45 minute online/telephone/in-person quantitative survey of MSMEs administered to a senior manager, covering MSME characteristics, current ESG-related policies and standards, ESG-related practices, perceptions of barriers and facilitators, as well as future plans

## Roundtables



Qualitative, participatory sessions with MSME senior managers and sector-level community representatives to review preliminary survey findings and explore in depth MSME experiences and stakeholder perspectives

- Surveys and roundtables in each country were designed with a common protocol but adapted and conducted with the support of local partners, namely, Katadata Insight Center (Indonesia), EY Malaysia (Malaysia), Blackbox Research (Singapore), and Indochina Research (Vietnam).
- Core questionnaires and roundtable activities were iteratively designed based on a common conceptual framework, developed through an environmental scan of existing literature, to address the research aims.
  - Examples of literature reviewed: Bloomberg Media's Sustainable Future Study, Hong Kong University's Diagnostic Study for SME Sustainability Survey, Shalhoob and Hussainey (2023).

# Working definitions of 'MSME': Indonesia, Malaysia, Singapore

	Micro Enterprise	Small Enterprise	Medium Enterprise
Indonesia	Capital of less than or equal to IDR 1 billion OR annual sales less than or equal to IDR 2 billion	Capital of less than or equal to IDR 5 billion OR annual sales less than or equal to IDR 15 billion	Capital of less than or equal to IDR 10 billion OR annual sales less than or equal to IDR 50 billion
Malaysia	Sales turnover of less than RM 300,000 OR less than 5 employees	<p>Manufacturing: Sales turnover of less than RM 15 million OR less than 75 employees</p> <p>Services: Sales turnover of less than RM 3 million OR less than 30 employees</p>	<p>Manufacturing: Sales turnover of less than or equal to RM 50 million OR less than or equal to 200 employees</p> <p>Services: Sales turnover of less than or equal to RM 20 million OR less than or equal to 75 employees</p>
Singapore	Operating revenue not exceeding SGD 1 million	Operating revenue not exceeding SGD 10 million	Operating revenue not exceeding SGD 100 million OR no more than 200 employees

For more information, please see:

Indonesia - <https://www.aseanbriefing.com/news/indonesias-omnibus-law-new-protection-and-empowerment-measures-for-small-businesses/> or <https://leap.unep.org/en/countries/id/national-legislation/government-regulation-no-7-2021-concerning-facilitation>

Malaysia - <https://smecorp.gov.my/index.php/en/policies/2020-02-11-08-01-24/sme-definition>

Singapore - <https://www.singstat.gov.sg/-/media/files/publications/industry/ssn222-pg9-12.ashx>

# Working definition of 'MSME': Vietnam

	Micro Enterprise	Small Enterprise	Medium Enterprise
Total Revenue	<p>Agriculture, forestry, and fishing industry and construction: Less than or equal to VND 3 billion</p> <p>Trade and Services: Less than or equal to VND 10 billion</p>	<p>Agriculture, forestry, and fishing industry and construction: Less than or equal to VND 50 billion</p> <p>Trade and Services: Less than or equal to VND 100 billion</p>	<p>Agriculture, forestry, and fishing industry and construction: Less than or equal to VND 200 billion</p> <p>Trade and Services: Less than or equal to VND 300 billion</p>
Total Capital	Less than or equal to VND 3 billion	<p>Agriculture, forestry, and fishing industry and construction: Less than or equal to VND 20 billion</p> <p>Trade and services: Less than or equal to VND 50 billion</p>	Less than or equal to VND 100 billion
Employees with SI Registration	No more than 10	<p>Agriculture, forestry, and fishing industry and construction: No more than 100 employees</p> <p>Trade and services: No more than 50 employees</p>	<p>Agriculture, forestry, and fishing industry and construction: No more than 200 employees</p> <p>Trade and Services: No more than 100 employees</p>

# Sample size and inclusion/exclusion criteria

- The inclusion and exclusion criteria for the study were developed and applied to both components:

Inclusion	<ul style="list-style-type: none"><li>Engaged in business-to-business (B2B) activities</li><li>Meet respective country definitions of MSMEs</li><li>At least some involvement in international or export-related activities</li></ul>
Exclusion	<ul style="list-style-type: none"><li>Providing only ancillary services to the sector (e.g., marketing, logistics, distribution)</li><li>Exclusively serving other MSMEs in the local market</li></ul>
Exception	<ul style="list-style-type: none"><li>Business-to-consumer (B2C) MSMEs <u>in the tourism sector only</u> were included as a priority area</li></ul>

- The country-level survey sample size was determined based on a 95% confidence level and a maximum 5% margin of error given the estimated population size of the sectors of interest.
- Within-country guideline quotas for individual sector and MSME sizes were set using locally estimated sectoral and MSME-size market shares, with a minimum target of 30 MSMEs per group.
- Roundtable participants were purposively sampled to ensure representation of each sector, with additional inclusion of respondents from cross-sectoral platforms and associations.

# Data collection

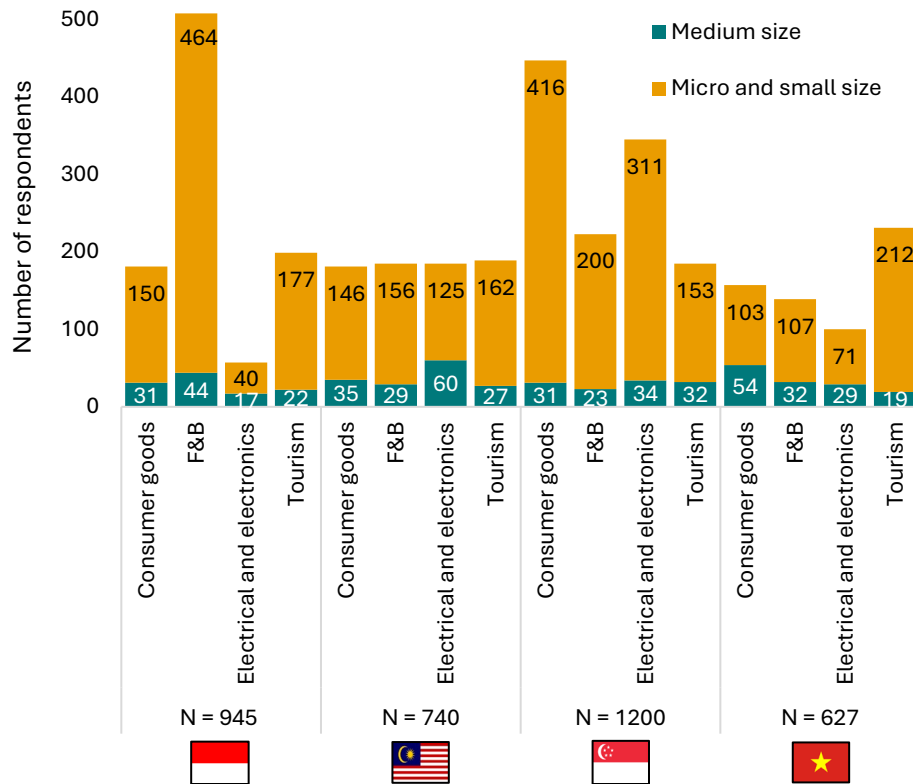
- Sampling was conducted from best-available sources including national databases, business associations, panels and referrals using a combination of modes adapted to country conditions.

	Survey	Roundtable
Indonesia (ID)	Face-to-face recruitment across 24 provinces with a high concentration of MSMEs, supported by online and telephone surveys for remote regions	Five roundtable discussions conducted in person across five cities (Bali, Jakarta, Medan, Semarang, and Surabaya), each with 7-9 participants
Malaysia (MY)	Online and telephone surveys, supplemented with in-person interviews at relevant trade fairs and events	A total of 13 discussions conducted online, with each session focused on a specific sector represented by a maximum of two participants
Singapore (SG)	Online survey of Blackbox Research's established panel of businesses	One roundtable discussion conducted in person with nine participants in Singapore
Vietnam (VN)	Mix of online, in-person, and telephone surveys in rural and urban areas, recruiting participants through business associations, national databases, and referral networks	Three roundtable discussions conducted in person in Ho Chi Minh City, each with six participants

- Standardized ex-post quality checks were conducted across all country survey datasets to verify the respondents' identities and their fulfilment of the screening criteria. Incomplete or anomalous entries were excluded from the final dataset. Roundtable transcripts were translated and transcribed fully for analysis.

# Survey and roundtable final samples

## Survey Final Sample



## Roundtable Final Sample

		Micro and small size	Medium size
Indonesia N = 39	Consumer goods	5	2
	F&B	17	
	Electrical and electronics	1	
	Tourism	14	
Malaysia N = 20	Consumer goods	5	
	F&B	5	
	Electrical and electronics		5
	Tourism	5	
Singapore N = 9	Consumer goods	2	1
	F&B	1	
	Electrical and electronics	3	
	Tourism		2
Vietnam N = 18	Consumer goods	2	2
	F&B	3	1
	Electrical and electronics	1	3
	Tourism	4	2



# Data analysis



- In overall and country-level reporting, **sectors within each country were directly sampled or reweighted proportionally** based on local partner estimates of the country's sectoral composition. For regional and sector-specific reporting, **countries were weighted in equal proportion** to ensure that the findings are not skewed by large economies. Total sample sizes are reported for each analysis. Where questions were relevant only to specific subgroups (e.g., MSMEs that had implemented ESG practices), the reported sample size corresponds to the sample size of that subgroup.
- Complete case analysis was employed to address missing responses, ensuring that only cases with full data across all relevant variables were included in the analysis.
- In the primary analyses, differences in MSME-level outcomes across individual variables of interest (e.g., the extent to which MSME practices vary across different countries in the sample) are statistically assessed using standard univariate t-tests and Chi-squared tests. For key hypotheses where multiple factors may influence a single outcome, relationships were further examined using multiple linear regression to account for the effects of other explanatory variables, which may independently predict MSME practices. This analysis was conducted in both linear probability models and models with continuous outcomes.
- Effects were reported using predictive margins, controlling for potential confounders, and reported as average predicted outcomes for MSMEs based on specific attributes (e.g., country, sector, or size), while holding other characteristics constant.
- Participatory qualitative engagements were conducted in each country, adapted to the local context, and conducted in the local language.
- Initial survey findings were incorporated into discussion prompts, and each session utilized structured discussions and thematic analysis to extract relevant findings.

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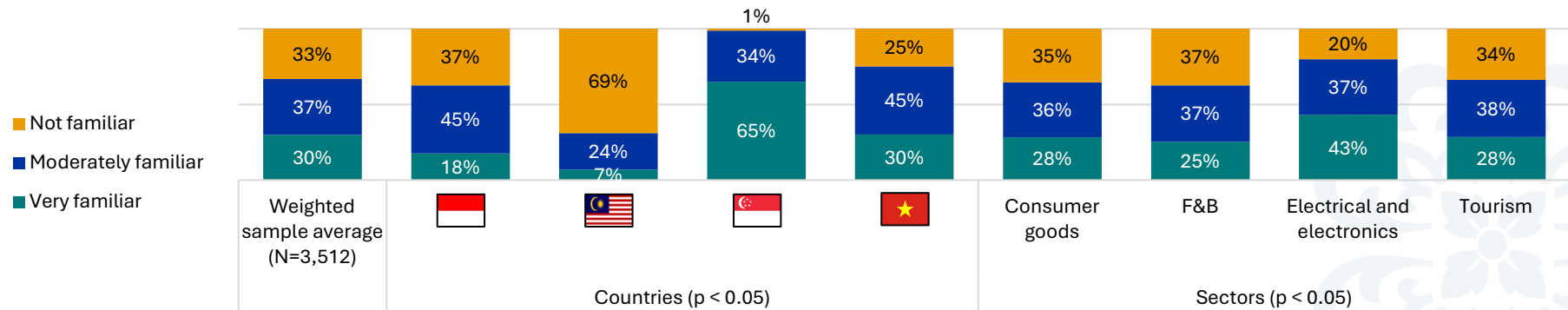
# Awareness



# 60-80% of MSMEs are familiar with ESG but to different extents

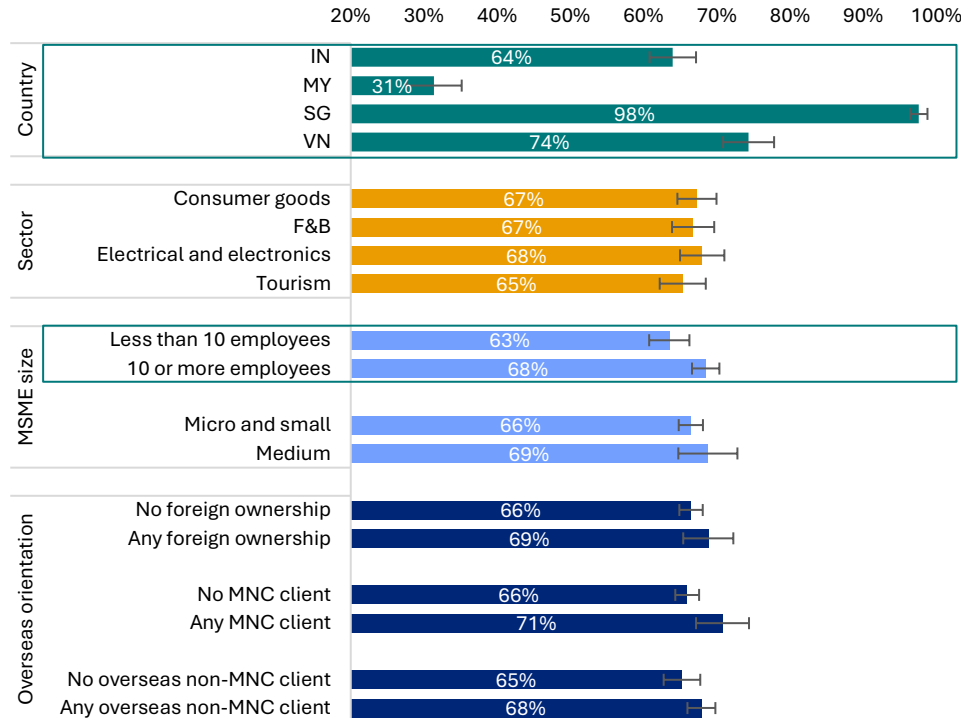
- On average, across the four countries studied, two thirds (67%) of the survey respondents indicate that they are familiar with the concept of sustainability/ESG for business, and 30% of them consider themselves to be ‘very familiar’ with it.
- Overall, MSME management teams in Singapore are the most familiar with ESG – almost all Singapore MSMEs indicate that their management has moderate to high familiarity with ESG in the business context, and the majority (65%) of them consider themselves ‘very familiar’ with the concept. In the other markets, the percentage of MSMEs that consider themselves ‘very familiar’ with ESG is at 30% or below.
- Across sectors at a regional level, variation is significantly less compared to the variation seen across countries. ESG awareness is the highest among MSMEs in the electrical and electronics sector (80% moderately/very familiar) compared to other sectors (62% – 66% moderately/very familiar).

Percentage of MSMEs reporting familiarity with sustainability/ESG



# Country and MSME size are the strongest predictors of ESG awareness

Predicted probability of reporting moderate/high awareness of ESG



- We considered a multitude of factors that could influence an MSME's level of ESG awareness and conducted multivariate regression analysis.
- The strongest predictors of ESG awareness are **country** and **MSME size**, with the most prominent influence being the country the MSME is operating in.
- All else being equal, MSMEs in Singapore are most likely to report moderate or high familiarity, while those in Malaysia are least likely to do so.
- MSMEs with fewer than 10 employees are less likely to report moderate or high familiarity with ESG.
- While having foreign ownership, multinational corporation (MNC) clientele or other overseas clients do not strongly predict ESG awareness once country and size are accounted for, they are still associated with somewhat greater awareness and can influence ESG awareness within countries. Similarly, sectoral effects are minimal in size and significance.

# Governments, then global stakeholders, drive awareness



MSMEs commonly cite government measures, including regulations, as a primary driver of ESG awareness.



Although the Indonesian government has yet to enforce strict rules on ESG, permits and certifications have already started to include some ESG requirements, and MSMEs may comply with these regulations without realizing the connection to ESG.



Government regulations on the reporting of company practices and the availability of government funding to support ESG initiatives have encouraged greater familiarity with ESG.



Having to comply with government regulations is the main motivator for MSMEs in Vietnam to become more aware of ESG as a concept.



In countries where different MSMEs cater to domestic and/or international clients, ESG awareness tends to be higher among those with a more international orientation.



Being part of global supply chains and having to cater to international clients and markets incentivize MSMEs to find out more about ESG, especially in markets such as Singapore.

MSME roundtable participants from all four countries often cited the European market and its ESG standards as a key driver of ESG awareness.



MSMEs located in Bali have a greater awareness of ESG due to their constant exposure to international markets.



MSMEs in Malaysia that are part of global supply chains highlight their international clients' requirements as the underlying reason for their ESG awareness.




Vietnamese MSMEs that are highly familiar with ESG are those that engage in exports, work with MNCs, or that must comply with international market requirements.

# ESG is most often linked to environmental or sustainability goals




Across all four countries, ESG is often equated to sustainability, and MSMEs are most familiar with ESG concepts and practices related to the environment component. Some MSMEs may be implementing practices without formally recognizing them as “ESG”.

Among MSMEs in Indonesia and Singapore, those that identify as being ‘moderately familiar’ with ESG are more likely to equate ESG with sustainability, whereas only those that identify as being ‘highly familiar’ have a better understanding of all three components of ESG.




Roundtable participants in Indonesia displayed greater familiarity with the concept of sustainability than of ESG, particularly in relation to the Sustainable Development Goals (SDGs). They attributed a higher awareness of the environmental component to it being more tangible than the other two components.




A few roundtable participants in Malaysia are familiar with environmental sustainability, to the point that they regularly implement environmental measures while remaining unaware of ESG as a concept.

“I initially thought it was like the SDGs. So, when I looked back at the survey questions, I thought, Oh, this is similar to sustainability.”  
(roundtable in Indonesia, F&B sector)



In Vietnam, even those who indicate familiarity with all three components of ESG strongly associate ESG solely with its environmental component, highlighting only terms such as ‘sustainability’, ‘emissions’ and ‘energy saving’ when asked to describe ESG.







Singapore MSMEs attribute the prominence of the environmental component to this aspect of ESG often being placed in the spotlight of the wider public discussion surrounding the environment and climate change.

“[W]hen you look at the news, we hear a lot about global warming, almost every other day. [We talk about] rising sea levels, El Niño, La Niña. We talk about the glaciers disappearing, photos comparing 30 years ago to now. A lot of focus is on the environment. But not really about social governance. That’s why E is on top, compared to S or G.”

(roundtable in Singapore, electrical and electronics sector)

# MSMEs across countries rely primarily on official sources for guidance

- There is generally a **high reliance on government bodies followed by industry associations**. Government bodies emerge as primary source of sustainability/ESG guidance among MSMEs across Indonesia, Malaysia, and Singapore. Social media is the second most often cited source by MSMEs in Indonesia and Malaysia, while Singaporean MSMEs commonly cite industry bodies and trade associations.
- The sources of guidance are more diverse in Vietnam, where MSMEs rely more on broadcast media and industry bodies and trade associations, followed by government bodies.



















































Percentage of MSMEs reporting any source of guidance or information on sustainability/ESG (N=2,479)	Weighted sample average				
Government bodies*	45%	54%	47%	41%	42%
Industry bodies and trade associations*	34%	21%	23%	32%	52%
Broadcast media (e.g., online news outlets, newspapers)*	28%	21%	17%	17%	52%
Social media (e.g., LinkedIn, content creators)*	26%	27%	39%	16%	35%
Other MSMEs or professional networks*	25%	24%	34%	16%	35%
Consulting firms*	23%	16%	7%	28%	26%
Corporate clients*	22%	25%	23%	12%	34%
Banks/financial institutions*	19%	17%	11%	23%	18%
Non-governmental organizations*	18%	13%	14%	16%	24%
Friend or family contacts*	16%	14%	25%	9%	24%

Note: The top three sources of information for each country are highlighted. An asterisk indicates  $p < 0.05$ , signifying that the source of guidance/information varies significantly by country.

A2. Where would your company typically get guidance or information on sustainability/ESG? Please select all that apply.

# These patterns are mirrored across the industry sectors

- Government bodies and industry bodies and trade associations are the two most commonly cited sources by MSMEs across all four industry sectors.
- While broadcast media ranks among the top three sources for MSMEs in the tourism sector, MSMEs in the other sectors show a more diverse reliance on other sources.

Percentage of MSMEs reporting any source of guidance or information on sustainability/ESG (N=2,479)	Weighted sample average	Consumer goods	F&B	Electrical and electronics	Tourism
Government bodies	 45%	 43%	 48%	 45%	 44%
Industry bodies and trade associations	 34%	 33%	 33%	 33%	 37%
Broadcast media (e.g., online news outlets, newspapers)*	 28%	 26%	 26%	 25%	 35%
Social media (e.g., LinkedIn, content creators)	 26%	 27%	 28%	 23%	 27%
Other MSMEs or professional networks*	 25%	 23%	 28%	 21%	 28%
Consulting firms*	 23%	 21%	 19%	 28%	 25%
Corporate clients	 22%	 23%	 24%	 20%	 21%
Banks/financial institutions*	 19%	 17%	 15%	 20%	 23%
Non-governmental organizations	 18%	 15%	 16%	 19%	 20%
Friend or family contacts*	 16%	 15%	 16%	 12%	 24%

Note: The top three sources of information for each industry sector are highlighted. An asterisk indicates  $p < 0.05$ , signifying that the source of guidance/information varies significantly by industry sector.

A2. Where would your company typically get guidance or information on sustainability/ESG? Please select all that apply.



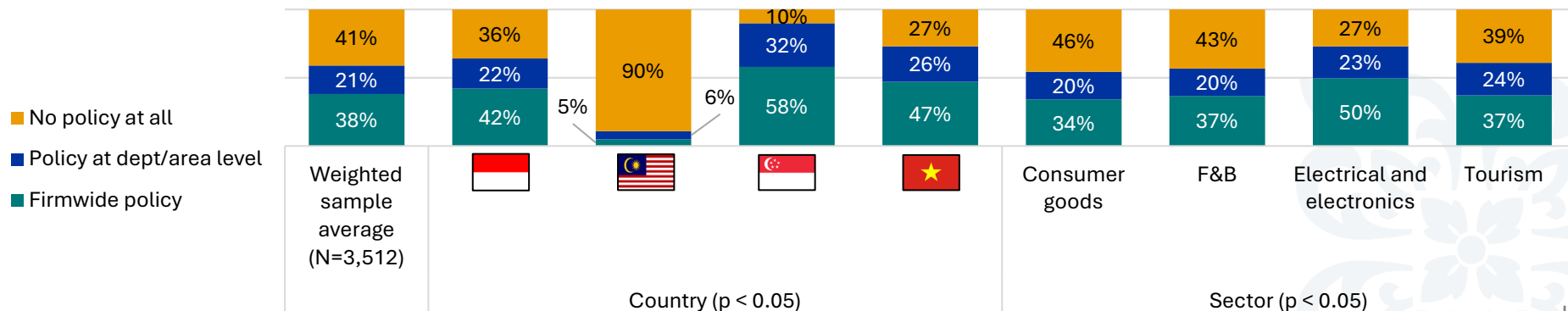
## 2 Policy and Standards



# About 60% have formal ESG policies but only 30% at firm-level

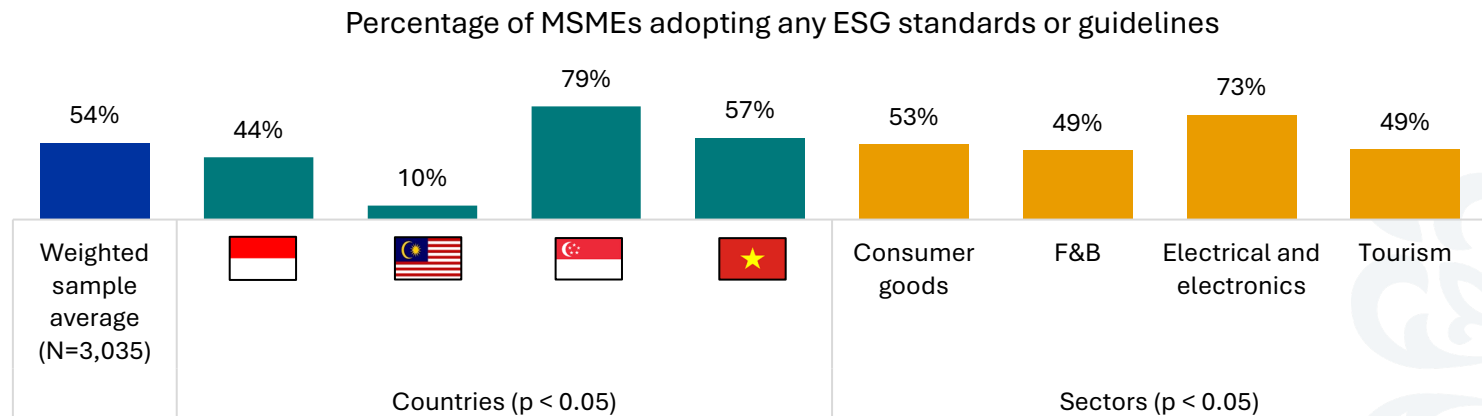
- A regional weighted average of about 60% of the MSMEs in the study have adopted some formal ESG policies or guidelines – whether firmwide, by specific departments, or in certain areas within the company. However, **just two in five (38%) of the MSMEs surveyed have adopted firmwide policies or guidelines to address ESG/sustainability.**
- As with ESG awareness, country differences outweigh sectoral differences. ESG policy adoption is highest among MSMEs in Singapore (where almost 60% have a firmwide policy and a further 32% have policies or guidelines at a lower level) and lowest in Malaysia, where only about 10% report any policy at all.
- By industry sector, ESG policy adoption is highest in the electrical and electronics sector (50% with a firmwide policy and 23% with any department or area-level policy) and lower in other sectors (34%–37% and 20%–24% respectively).

Percentage of MSMEs reporting firmwide policy or guidelines for addressing sustainability/ESG



# More than 50% have adopted some ESG standards or guidelines

- Among surveyed MSMEs that have implemented an ESG practice, 54% have adopted some ESG standard or guideline, but there are substantive and statistically meaningful differences in adoption rates between countries and sectors.
- Nearly 80% of MSMEs in Singapore have adopted some standard, compared to 57% in Vietnam and 44% in Indonesia and 10% in Malaysia.
- Unlike the adoption rate of ESG policy, the electrical and electronics sector (73%) leads among the industry sectors in terms of adopting ESG standards, followed by consumer goods at (53%) and both F&B and tourism sectors with the lowest adoption rate (49%).










































Note: A statistically significant variation in ESG standards/guidelines adoption across countries or industry sectors is indicated by "p < 0.05".

A8. Has your company adopted any standard(s) or guidelines for sustainability/ESG practices? Please select all that apply. [Refer to the next slide for the list of options]

# GRI, SASB and the new ISSB are the most common standards today

- GRI standards are the most widely adopted ESG standards overall, independent of country. Among MSMEs adopting any standard, GRI standards have high adoption shares of 26% to 39% in each country.
- SASB is the second most prevalent ESG standard adopted overall, with a share of about 40% in both Indonesia and Vietnam.
- Vietnamese MSMEs are most likely to take up multiple standards, including the recently introduced ISSB (45%).

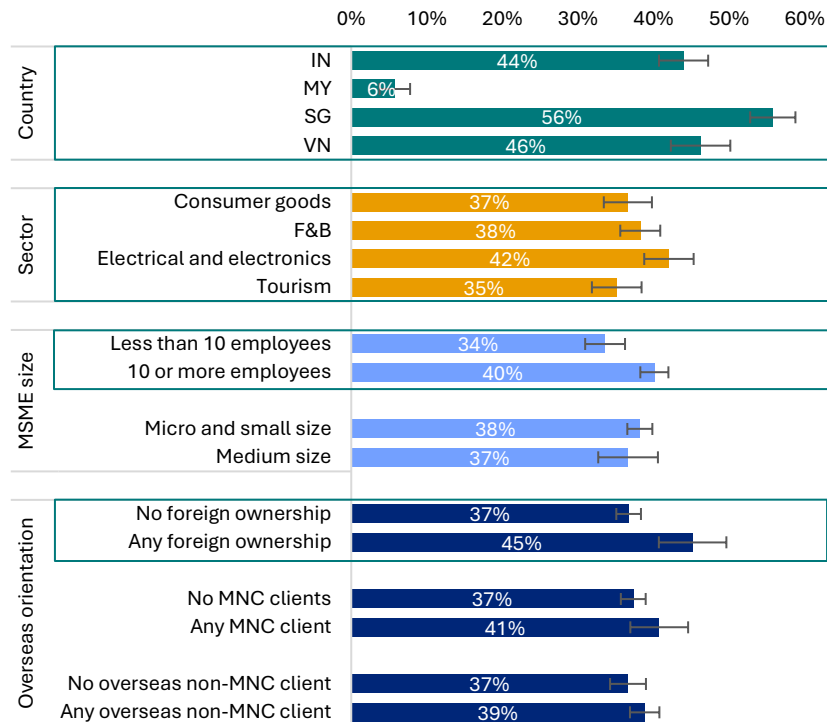
Percentage of MSMEs reporting adoption of any standards or guidelines (N=1,723)	Acronym	Year of issue	Weighted sample average				
Carbon Disclosure Project*	CDP	2000	 25%	 14%	 0%	 28%	 31%
International Integrated Reporting Council*	IIRC	2013	 16%	 15%	 5%	 10%	 26%
Global Reporting Initiative Sustainability Reporting Standards	GRI	2016	 35%	 39%	 26%	 33%	 34%
Task Force on Climate-Related Financial Disclosures*	TCFD	2017	 19%	 13%	 5%	 17%	 25%
Sustainable Accounting Standards Board's standards*	SASB	2018	 33%	 40%	 14%	 25%	 41%
IFRS Sustainability Disclosure Standards*	ISSB	2023	 28%	 23%	 14%	 21%	 45%
Simplified ESG Disclosure Guide*	SEDG	2023	 27%	 12%	 28%	 18%	 51%

Note: The most commonly adopted standard/guideline for each country is highlighted. Totals may not sum up to 100% due to multiple answers and other unspecified standards. An asterisk indicates  $p < 0.05$ , signifying that adoption varies significantly by country.

A8. Has your company adopted any standard(s) or guidelines for sustainability/ESG practices? Please select all that apply.

# Country, sector, MSME size, and foreign ownership predict ESG policy

## Predicted probability of having firmwide policy

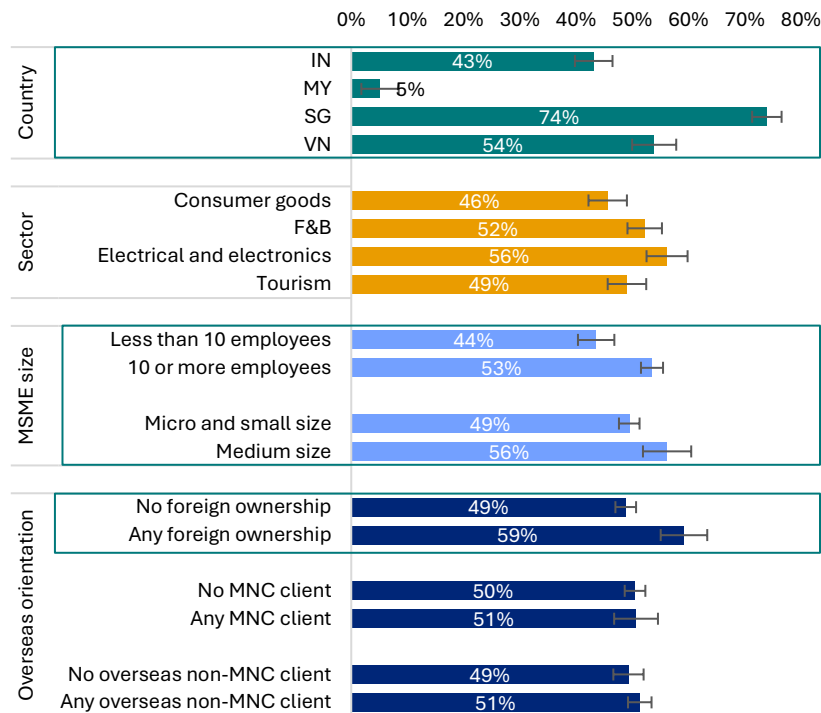


In a multivariate regression analysis, we find that:

- All else equal, MSMEs in Singapore are most likely to have a firmwide ESG policy (56%) compared to those in other countries (6–46%).
- MSMEs in the electrical and electronics sector are most likely to have a firmwide ESG policy (42%), although this difference is not consistently statistically significant across all four industry sectors.
- MSMEs with fewer than 10 employees are 6% less likely to have a firmwide ESG policy than their larger counterparts.
- Having an overseas orientation matters, primarily foreign ownership (which raises the chance of having a policy by 8% over equivalent peers) rather than the nature of the clientele.

# The same characteristics also strongly predict adoption of standards

Predicted probability of adopting any standard



The findings regarding the adoption of external ESG standards are very similar to those related to firmwide policy adoption:

- MSMEs in Singapore are most likely to have adopted an ESG standard (74%) compared to those in other countries (5–54%).
- MSMEs in the electrical and electronics sector are most likely to adopt an ESG standard, although this difference is not consistently statistically significant across all four industry sectors.
- MSMEs with fewer than 10 employees are 9% less likely to have adopted a standard compared to their peers while those that are medium-sized are 7% more likely to have adopted an ESG standard than their otherwise equal peers.
- Foreign ownership raises the chance of having adopted a standard by 10%, all else being equal.

# 3 Practices and Processes

## 21 ESG practices were reported and categorized into tiers

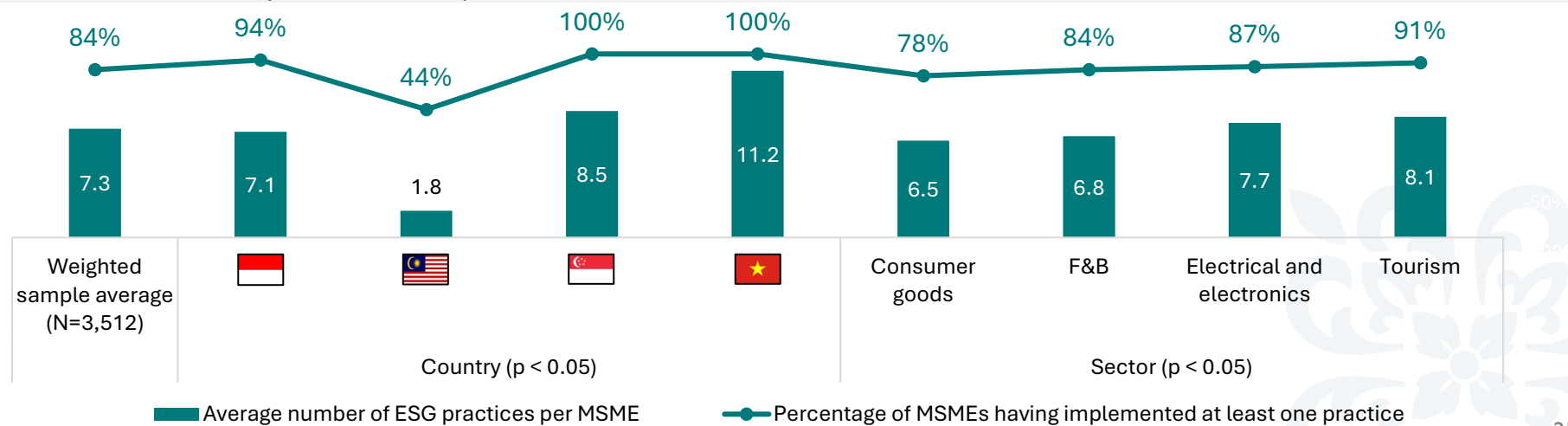
- After responding to questions on policy, survey respondents were asked to indicate which of 21 ESG-related practices they had already implemented, across the three pillars of Environmental, Social, and Governance.
- For analysis purposes, these practices were further ex-post categorized into three tiers – ‘basic,’ ‘good,’ and ‘progressive’ – reflecting a corresponding increase in implementation cost and expected impact.

	Environment (7)	Social (7)	Governance (7)
<b>Basic (10)</b> Risk mitigation and ‘do no harm’ measures	<ul style="list-style-type: none"> <li>Reduce water use</li> <li>Reduce and dispose of waste properly (including recycling)</li> <li>Reduce carbon and other greenhouse gas emissions</li> <li>Reduce energy use, including adopting renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>Ensure fair wages and working conditions without discrimination</li> <li>Provide employees with training and career development</li> <li>Safeguard employee health and safety</li> </ul>	<ul style="list-style-type: none"> <li>Maintain an independent board of directors</li> <li>Have anti-corruption safeguards</li> <li>Have a team to oversee compliance with laws and regulation</li> </ul>
<b>Good (7)</b> Substantive efforts, mostly outside core business	<ul style="list-style-type: none"> <li>Protect nature and biodiversity</li> <li>Source for sustainable suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Provide insurance coverage to employees</li> <li>Track and ensure customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Have women in senior management or leadership</li> <li>Have external auditor/audit committee</li> <li>Have cybersecurity or data protection safeguards</li> </ul>
<b>Progressive (4)</b> Full integration of ESG into strategy and operations	<ul style="list-style-type: none"> <li>Develop environmentally-friendly products (including recyclables)</li> </ul>	<ul style="list-style-type: none"> <li>Provide payment options and emergency advances to employees</li> <li>Support the well-being of local communities</li> </ul>	<ul style="list-style-type: none"> <li>Publish report on ESG practices</li> </ul>



# ESG practice implementation varies across countries and sectors

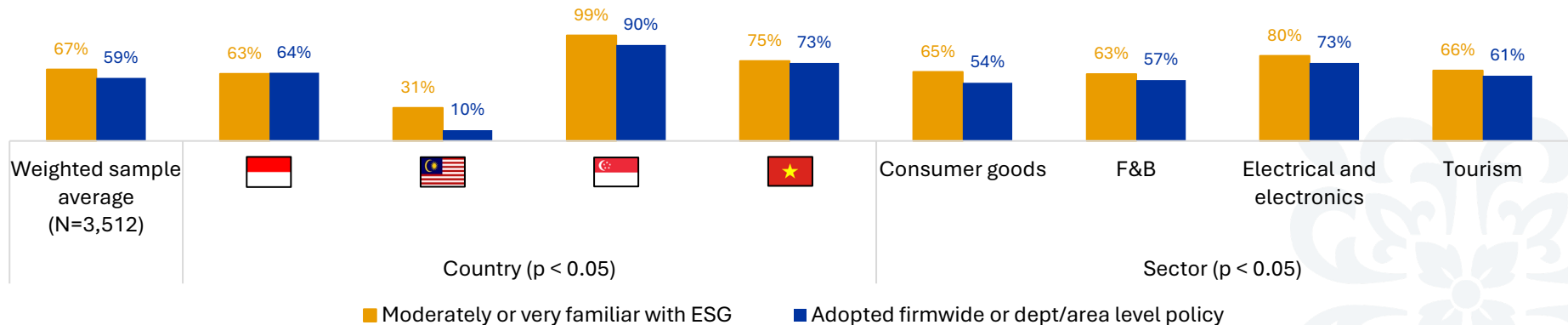
- The ESG journey is already underway for many MSMEs, even for those who may not have any formal policies or who may not even be aware that what they are doing can be considered part of ESG – ESG awareness and policy adoption are correlated with but not synonymous with practice implementation.
- Although only about 70% are aware of ESG and only about 60% have some form of policy in place, a regional weighted average of 84% of the survey respondents have already implemented at least one ESG practice. On average, MSMEs have implemented just over a third of the 21 listed practices (7.3).
- The differences between countries and between industry sectors are both statistically significant, although the variation between industry sectors is less pronounced than that between countries.



# Awareness and policy adoption are related but gaps exist



- Across countries and sectors, higher ESG awareness correlates with higher policy adoption ( $p < 0.05$ ). MSMEs in Singapore and Vietnam lead in both awareness and policy adoption. The electrical and electronics sector stands out as a leader despite relatively smaller variability across industry sectors.
- Overall, 67% of MSMEs report being at least moderately familiar with ESG, but 59% have adopted any level of policy. In Singapore, although awareness is almost universal, 10% of MSMEs have not yet adopted any policy. In Malaysia, the gap is even larger – 31% of MSMEs are familiar with ESG, but only 10% have a policy in place. This suggests that awareness may be a driver of policy adoption but is not necessarily sufficient as a catalyst on its own.

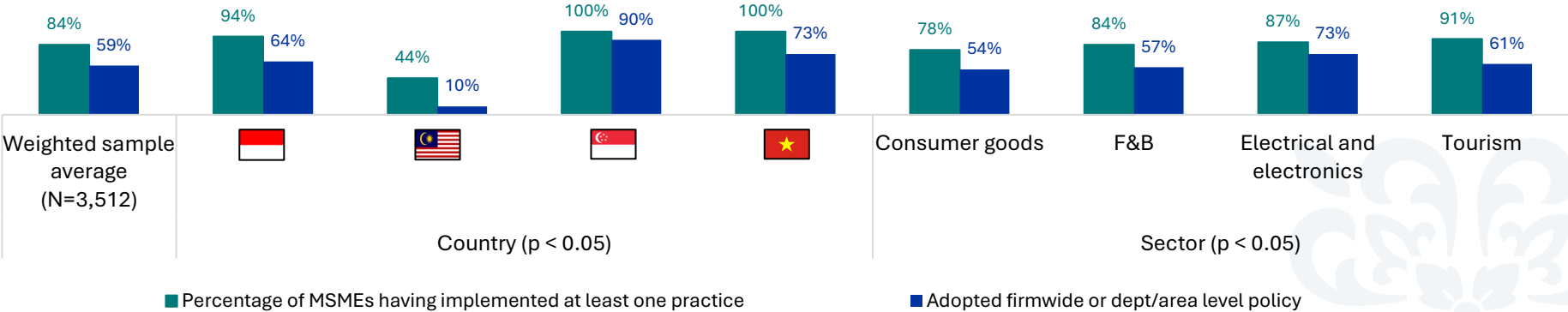


Note: A p-value below 0.05 indicates a statistically significant variation in ESG practice implementation across countries or industry sectors.  
 A1. How familiar is the management of your company with the concept of sustainability/ESG for business?  
 A6. Does your company have a firmwide policy or guidelines for addressing sustainability/ESG?

# Policy adoption does not always imply practice implementation



- MSMEs that have adopted an ESG policy are significantly more likely to implement a greater number of ESG practices ( $p < 0.05$ ).
- However, policy adoption is not a prerequisite for ESG practice implementation – 84% of MSMEs have implemented at least one ESG practice, which is more than the 59% of MSMEs that have adopted firmwide or department-level ESG policies.



Note: A p-value below 0.05 indicates a statistically significant variation in ESG practice implementation across countries or industry sectors.

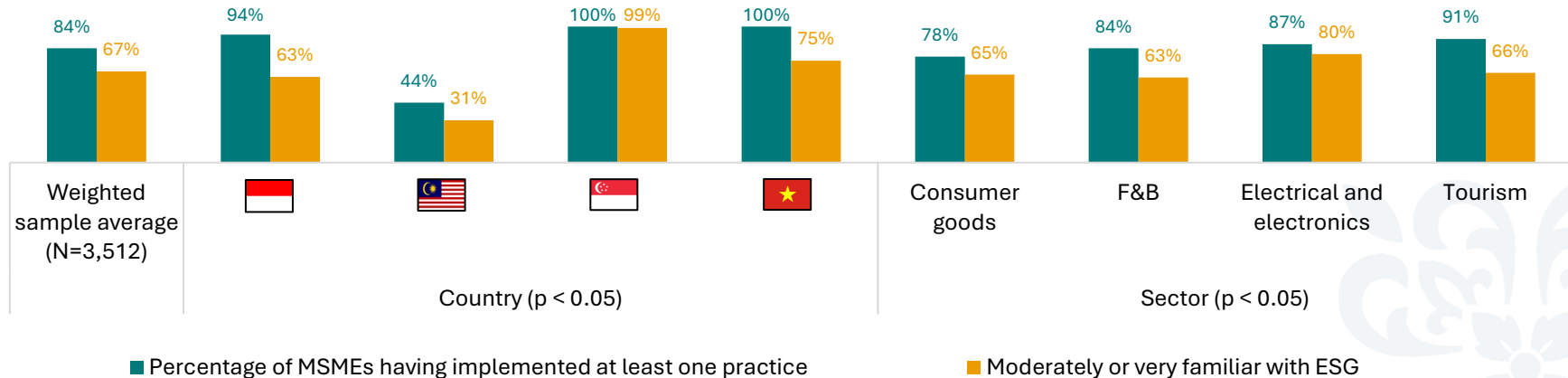
A6. Does your company have a firmwide policy or guidelines for addressing sustainability/ESG?

A3/A4/A5. Has your company taken any actions or adopted practices in the following areas to reduce its environmental impact / increase its social impact / ensure good governance? Please select all that apply.

# Nor does awareness necessarily imply practice implementation



- MSMEs that reported familiarity with ESG are more likely to have implemented a greater number of practices ( $p < 0.05$ ).
- However, awareness is not a prerequisite for implementing ESG practices – 84% of MSMEs have implemented at least one ESG practice, which is more than the 67% of MSMEs that reported being moderately or very familiar with ESG.



Note: A p-value below 0.05 indicates a statistically significant variation in ESG practice implementation across countries or industry sectors.

A1. How familiar is the management of your company with the concept of sustainability/ESG for business?

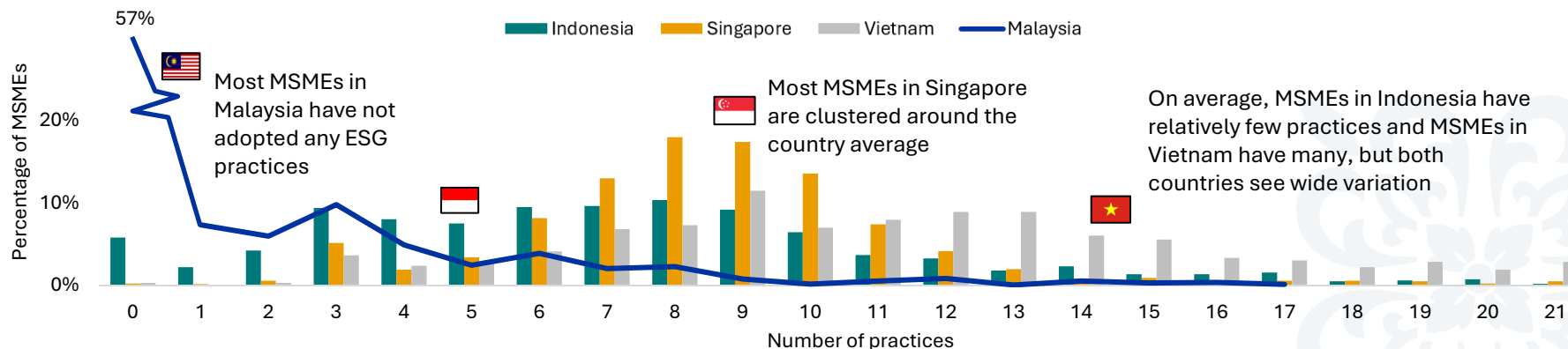
A3/A4/A5. Has your company taken any actions or adopted practices in the following areas to reduce its environmental impact / increase its social impact / ensure good governance? Please select all that apply.

# Frequency distributions suggest different country-level contexts

- Implementation varies across various market conditions. Notably, there are many very high performing firms in Vietnam that have implemented all 21 ESG practices.
- The majority of MSMEs in Malaysia are just starting their journey of practice.
- In Indonesia and Vietnam, the distribution of practices is relatively uniform with MSMEs along a continuum of practice, suggesting that implementation varies across a wide range of market conditions.
- In contrast, MSMEs in Singapore are largely clustered around the country average, suggesting a stronger country-level effect with few very low performers, but equally few very high performers.

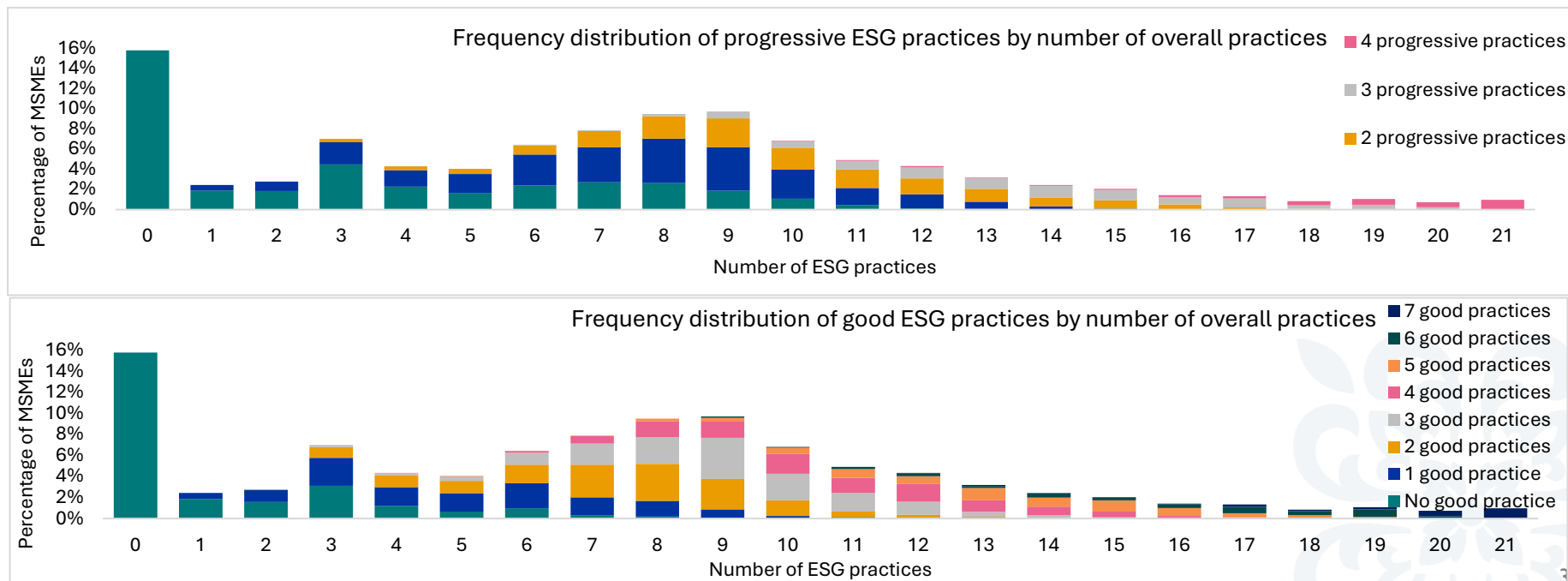
## Frequency distribution of the number of ESG practices by country

The chart shows the percentage of MSMEs in a country implementing a given number of practices

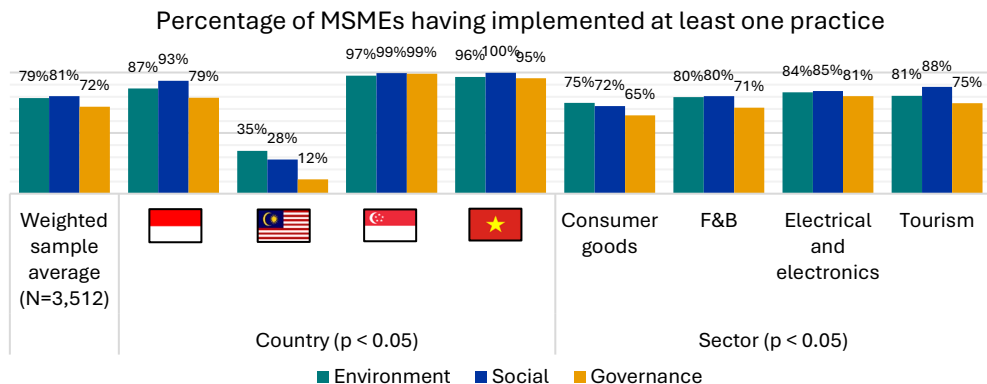


# Overall, ESG practices are predominantly basic, with few outliers

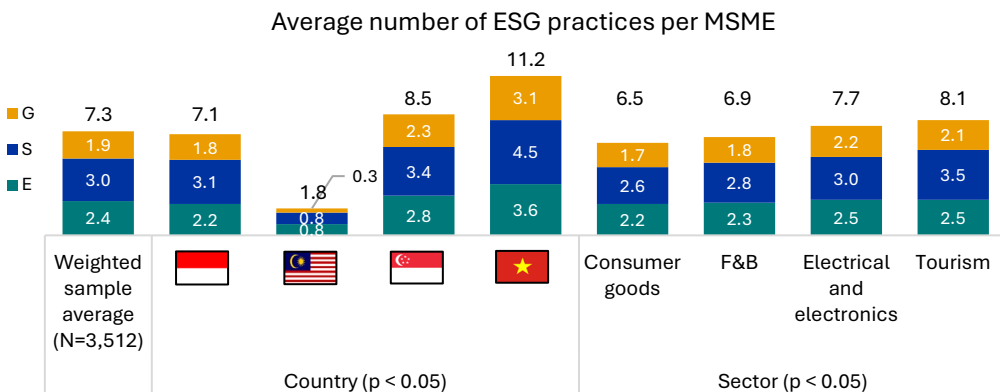
- MSMEs are most likely to implement 'basic' practices, reporting an average of only 3.9 (out of 10 possible) 'basic' practices, alongside 2.2 (out of 7) 'good' practices and 1.1 (out of 4) 'progressive' practice.
- Many MSMEs do not implement any of the four progressive practices; MSMEs that do implement progressive practices are those that are already far advanced in their implementation. A similar trend is observed with good practices.



# Social practices outnumber environmental and governance measures



Among the 21 ESG practices, social practices were the most commonly implemented. The average number of social practices (3.0) exceeds the environmental (2.4) and governance (1.9) practices consistently across countries and sectors.





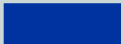
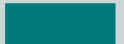
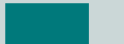
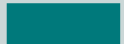
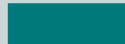


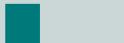
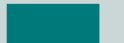
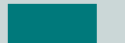

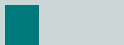


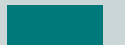

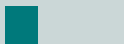
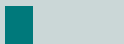
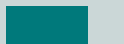





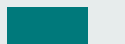












There is some variation across countries. MSMEs in Singapore and Vietnam are taking action to address all three components of ESG. Across industry sectors, MSMEs in the E&E sector stand out for their actions across all three ESG pillars, especially when compared to the F&B and consumer goods sectors, which have implemented fewer governance than environmental and social measures.

One notable exception is Vietnam, where MSMEs consider the environmental pillar to be of the highest priority, with governance being ranked second, followed by the social component. This may be related to the fact that many social practices are more extensively legislated in Vietnam and hence regarded as a requirement rather than a strategic choice.

# Waste management is a top environmental focus for all countries

Environmental measures have high rates of implementation, with **79% of MSMEs having implemented at least one environmental practice**. MSMEs in Singapore and Vietnam are the most likely to report undertaking environmental practices (97% and 96% respectively). Many MSMEs have also taken action **to reduce water consumption, energy consumption (including the adoption of renewable energy), as well as carbon and other greenhouse gas emissions**.

Percentage of MSMEs (N=3,512)		Weighted sample average				
None*		21%	13%	65%	3%	4%
<b>Percentage of MSMEs reporting implementation of any environmental practice (N=2,854)</b>						
Basic	Reduce and dispose of waste properly (including recycling)*	 68%	 64%	 48%	 66%	 80%
	Reduce water use*	 46%	 38%	 20%	 54%	 51%
	Reduce energy use, including adopting renewable energy*	 39%	 19%	 25%	 44%	 55%
	Reduce carbon and other greenhouse gas emissions*	 35%	 19%	 16%	 47%	 43%
Good	Source for sustainable suppliers*	 33%	 34%	 30%	 22%	 47%
	Protect nature and biodiversity*	 31%	 34%	 21%	 22%	 41%
Progressive	Develop environmentally-friendly products (including recyclables)*	 46%	 50%	 52%	 34%	 57%





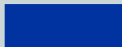
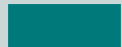

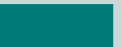
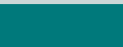
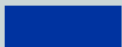
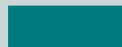
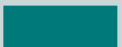
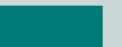
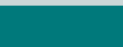
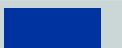
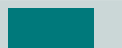
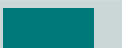

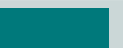




















Note: An asterisk indicates  $p < 0.05$ , signifying that practice implementation varies significantly by country.

A3. Has your company taken any actions or adopted practices in the following areas to reduce its environmental impact? Please select all that apply.



# Social practices may be led by local social and labour protection laws

MSMEs generally highly prioritise social measures. 81% of all MSMEs surveyed have implemented at least one social practice, higher than environment (79%) and governance practices (72%). The mandated social and employee protection landscape in each country plays an important role in the level of social practices, such as the provision of employee insurance in Vietnam. Practices not covered by such policies, such as the well-being of local communities and ensuring financial protection for employees, are less common.








































Percentage of MSMEs (N=3,512)		Weighted sample average				
None*		19%	7%	72%	1%	0%
<b>Percentage of MSMEs reporting any social practice (N=2,919)</b>						
Basic	Safeguard employee health and safety*	 68%	 65%	 47%	 67%	 78%
	Ensure fair wages and working conditions without discrimination*	 68%	 67%	 66%	 61%	 74%
	Provide employees with training and career development*	 56%	 49%	 53%	 50%	 66%
Good	Track and ensure customer satisfaction*	 55%	 50%	 35%	 53%	 68%
	Provide insurance coverage to employees*	 46%	 29%	 24%	 45%	 70%
Progressive	Support well-being of local communities*	 39%	 41%	 32%	 31%	 47%
	Provide payment options and emergency advances to employees*	 36%	 28%	 19%	 37%	 46%

Note: An asterisk indicates  $p < 0.05$ , signifying that practice implementation varies significantly by country.

A4. Has your company taken any actions or adopted practices in the following areas to reduce its social impact? Please select all that apply.

# Governance practices vary – but ESG reporting is low everywhere

While environmental and social efforts have more tangible and outward benefits — such as cost reductions and direct impacts on revenue and profit — **governance is seen by some MSMEs to be inward-facing and is least understood in practice.** However, key governance practices have still been adopted, especially in Singapore and Vietnam, where at least one of the seven governance practices surveyed is implemented by 99% and 95% of MSMEs, respectively. Consistent with strong regulatory mandates, many MSMEs in Vietnam (70%) have teams to oversee legal and regulatory compliance. MSMEs in Malaysia and Singapore prioritise engaging external auditors or audit committees, while Indonesian MSMEs prioritise anti-corruption safeguards.

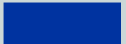
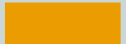

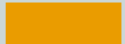































	Percentage of MSMEs (N=3,512)	Weighted sample average				
	None*	28%	21%	88%	1%	5%
<b>Percentage of MSMEs reporting any governance practice (N=2,621)</b>						
Basic	Have anti-corruption safeguards*	 49%	 62%	 26%	 49%	 42%
	Have a team to oversee compliance with laws and regulation*	 44%	 38%	 37%	 24%	 70%
	Maintain independent board of directors*	 26%	 26%	 29%	 14%	 38%
Good	Have women in senior management or leadership*	 45%	 47%	 45%	 32%	 56%
	Have cybersecurity or data protection safeguards*	 43%	 22%	 18%	 50%	 56%
	Have external auditor/audit committee*	 40%	 24%	 53%	 53%	 37%
Progressive	Publish report on ESG practices*	 16%	 9%	 10%	 13%	 26%

Note: An asterisk indicates  $p < 0.05$ , signifying that practice implementation varies significantly by country.

A5. Has your company taken any actions or adopted practices in the following areas to ensure good governance? Please select all that apply.

# By sector, tourism most reflects progressive environmental practices

Across the four industry sectors, MSMEs in the tourism sector are most likely to be addressing environmental practices by developing environmentally friendly products (52%), as well as protecting nature and biodiversity (39%). MSMEs in the E&E sector are more likely to be engaged in efforts to reduce energy use.

	Percentage of MSMEs (N=3,512)	Weighted sample average	Consumer goods	F&B	Electrical and electronics	Tourism
	None*	21%	25%	20%	16%	19%
<b>Percentage of MSMEs reporting implementation of any environmental practice (N=2,854)</b>						
Basic	Reduce and dispose of waste properly (including recycling)	 68%	 67%	 69%	 67%	 65%
	Reduce water use	 46%	 46%	 44%	 41%	 46%
	Reduce energy use, including adopting renewable energy*	 39%	 38%	 27%	 51%	 44%
	Reduce carbon and other greenhouse gas emissions*	 35%	 36%	 28%	 47%	 31%
Good	Source for sustainable suppliers	 33%	 34%	 34%	 27%	 36%
	Protect nature and biodiversity*	 31%	 29%	 29%	 26%	 39%
Progressive	Develop environmentally-friendly products (including recyclables)*	 46%	 50%	 47%	 36%	 52%

Note: An asterisk indicates  $p < 0.05$ , signifying that practice implementation varies significantly by industry sector.

A3. Has your company taken any actions or adopted practices in the following areas to reduce its environmental impact? Please select all that apply.

# Progressive social practices are equally low among sectors

While social practices are strongly influenced by cross-cutting national policies, the data also show that differences across sectors are less pronounced than those across countries. For instance, concerns such as employee health and safety are equally important to all sectors, whereas community support and financial inclusion are less so.




































	Percentage of MSMEs (N=3,512)	Weighted sample average	Consumer goods	F&B	Electrical and electronics	Tourism
	None*	19%	28%	20%	15%	12%
<b>Percentage of MSMEs reporting any social practice (N=2,919)</b>						
Basic	Safeguard employee health and safety	68%	68%	65%	69%	70%
	Ensure fair wages and working conditions without discrimination*	68%	67%	70%	61%	70%
	Provide employees with training and career development	56%	57%	53%	58%	56%
Good	Track and ensure customer satisfaction*	55%	54%	50%	51%	65%
	Provide insurance coverage to employees*	46%	48%	37%	47%	54%
Progressive	Support well-being of local communities	39%	38%	40%	35%	39%
	Provide payment options and emergency advances to employees	36%	34%	34%	34%	40%

Note: An asterisk indicates  $p < 0.05$ , signifying that practice implementation varies significantly by industry sector.

A4. Has your company taken any actions or adopted practices in the following areas to reduce its social impact? Please select all that apply.

# Governance practices are relatively similar across sectors

Governance measures are more likely to be implemented by MSMEs in the E&E and tourism sectors than in the consumer goods or F&B sectors. Indeed, data protection is an emerging area, especially in Singapore and Vietnam.

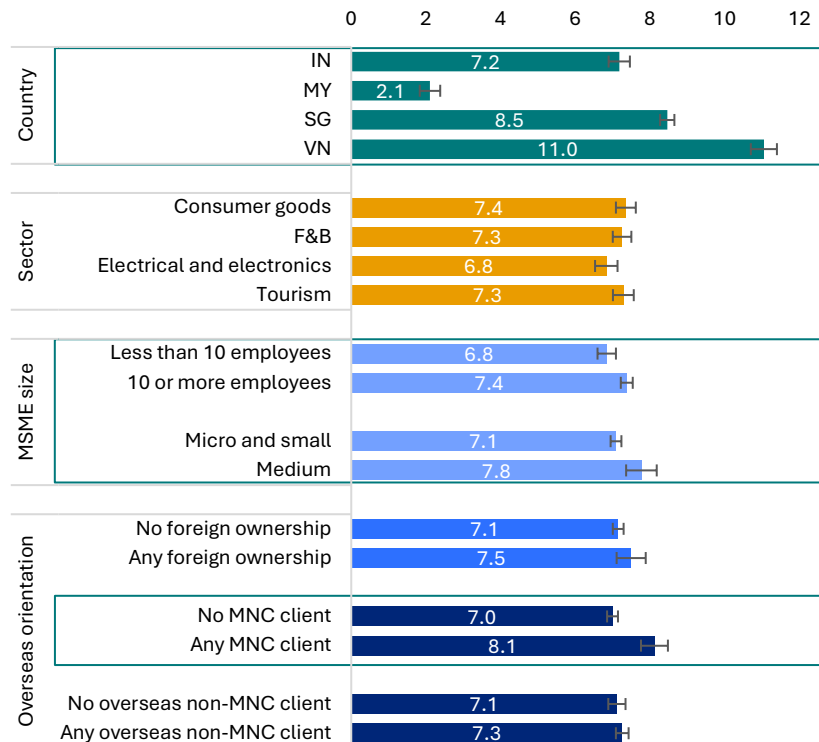
	Percentage of MSMEs (N=3,512)	Weighted sample average	Consumer goods	F&B	Electrical and electronics	Tourism
	None*	28%	35%	29%	19%	25%
<b>Percentage of MSMEs reporting any governance practice (N=2,621)</b>						
Basic	Have anti-corruption safeguards	 49%	 49%	 52%	 45%	 48%
	Have a team to oversee compliance with laws and regulation*	 44%	 39%	 41%	 43%	 53%
	Maintain independent board of directors	 26%	 24%	 26%	 26%	 27%
Good	Have women in senior management or leadership*	 45%	 45%	 44%	 39%	 49%
	Have cybersecurity or data protection safeguards*	 43%	 45%	 31%	 48%	 53%
	Have external auditor/audit committee*	 40%	 44%	 35%	 48%	 34%
Progressive	Publish report on ESG practices*	 16%	 14%	 15%	 17%	 21%

Note: An asterisk indicates  $p < 0.05$ , signifying that practice implementation varies significantly by industry sector.

A5. Has your company taken any actions or adopted practices in the following areas to ensure good governance? Please select all that apply.

# Apart from country, MNC clients are a strong predictor of practices

Predicted number of ESG practices



- In a multivariate setting, country effects remain the strongest predictor of practice as well as of standards. Vietnamese MSMEs have the highest number of predicted practices, all else being equal.
- MSMEs in the electrical and electronics sector tend to have implemented fewer ESG practices overall, but sectoral effects are not significant when controlling for other factors.
- Larger MSMEs are more likely to have a higher number of practices, although the size of this effect is relatively small.
- Having an overseas orientation in the form of MNC clients increases the level of practice (MNC clients are associated with 1.1 more practices).
- However, there are no statistically significant differences associated with having non-MNC clients or foreign ownership (unlike previous findings on policy adoption).

# Environmental measures for sustainability

*Environmental measures have the highest rate of implementation, motivated by business profit and sustainability.*

# Environmental measures tend to be highly salient to MSMEs



Environmental measures are often the most immediately discussed despite usually being ranked second in the order of implementation priority amongst MSMEs.

- Basic environmental measures such as waste management and reducing water usage are the most commonly cited as implemented across all four countries. Reducing energy use is also widely practised.
- A common aspiration is to reduce one's carbon footprint.
  - In particular, Singaporean MSMEs consider the management of carbon emissions to be important, although they lament the difficulty in measurement and voice the need for support in this area.
- Certain industry sectors are impacted by the requirement to comply with regulations, such as food safety and testing for the F&B sector and waste management for companies involved in manufacturing.

Despite high overall rates of implementation, a majority of the environmental measures implemented are considered only 'basic'.

- Among the different environmental measures implemented by the roundtable participants, only protection of biodiversity by the MSMEs in the tourism sector in Singapore and Malaysia falls under the category of 'good' practices.
- This practice is prioritized by MSMEs in tourism, who risk having a negative direct impact on biodiversity. Conversely, conservation of biodiversity can bring continued profits and positive benefits to their industry.
- MSMEs in the other three industry sectors do not have direct interactions with biodiversity, so biodiversity protection is not usually prioritized.



# Both regulatory and market incentives matter

- Compliance with regulations and market appeal are key motivations for the implementation of environmental measures.
- MSMEs are also keen to appeal to consumers, who are increasingly aware of ESG and sustainability concerns.
  - Example: Use of eco-friendly packaging by MSMEs in the consumer goods sector
- The tourism sector is subject to less stringent regulations (as it is not involved in manufacturing), but they are especially motivated to increase their competitive edge over business rivals, provide higher quality service, and ensure business sustainability.
- Some MSMEs in the tourism sector, such as those in Vietnam, recognize their potential impact on the environment, e.g., from touring activities as well as from waste and pollution generation by accommodation and transportation, and conversely also the value of activities such as promotion of ecotourism, protection of biodiversity, and the reduction of waste from accommodation.
- Roundtable participants underscore that apart from those required by regulation, environmental measures that are costly to implement or that do not lead to higher profits are likely to be deprioritized with respect to implementation.

*“In our environment, we think forward. As development progresses, the environment continues to evolve. How can we maintain our environment to remain stable and pristine amidst rapid development in [an area in Bali]? For instance, there are many beach clubs using glass as a construction material excessively, which affects the environment. That is why I am building an environmentally friendly business which hopefully could make a small difference.”*

*(roundtable in Indonesia, tourism sector)*



*“When entering nature, we ensure that they understand the importance of carrying out all their waste for us to handle at the end, ensuring no waste is left behind. The accommodation facilities are basic, such as simple shelters, tents, wooden houses, and we use renewable energy or solar power. Water is sourced from streams for cooking and washing. The key point is that before the journey begins, we communicate the importance of protecting the environment to all participants.”*

*(roundtable in Vietnam, tourism sector)*

# Social measures for stakeholders


*Depending on the country, sector, and context, social measures such as efforts to boost staff retention, ensure customer satisfaction and support for the local community are implemented to support business success.*

# The social component of ESG is seen as crucial for business success


Social measures are most highly prioritized by MSMEs in recognition of the importance of their staff and customers.

- In addition to legal compliance, social measures are seen to increase the likelihood of staff retention and reduce the risk of disruption to their business, thus benefitting the MSMEs themselves.
- Measures commonly implemented by MSMEs across all four industry sectors are guaranteeing staff health and safety as well as the provision of fair wages.
- Similarly, MSMEs see customer satisfaction to be essential for business survival; those that interact directly with their customers, such as those in the tourism sector, consider the social component particularly crucial.
  - Conversely, MSMEs that do not generally have direct interaction with customers, such as those in the electrical and electronics sector, accord it lower priority.


*“The employee is needed to serve the customer. We have to make them happy, so that the customer can be happy. Not happy employees, not happy customers.”  
(roundtable in Singapore, electrical and electronics sector)*



In Vietnam, the social component of ESG is considered the lowest priority for implementation, because it is not mandatory to do so and there are no regulations to enforce the practice.



Amongst MSMEs in Malaysia, existing regulations stipulating these measures are a significant driver of implementation.



However, F&B and consumer goods MSMEs in Malaysia report that they deprioritize providing insurance coverage, training and career development for employees, because most of their employees are part-time or seasonal workers.

# But the focus tends to be on immediate stakeholder needs



Social measures are also prioritized by MSMEs in recognition of the importance of their community.

The community aspect of the social component of ESG is observed when:

- An MSME has a strong link to the community where it is established, or
- Community work is seen as part of Corporate Social Responsibility (CSR) rather than ESG

For MSMEs in Indonesia, employing local community members stands out as a top priority. Except for those in Jakarta, all MSMEs report actively hiring their neighbors as employees and take pride in this practice.



In Malaysia, MSMEs in the electronics and tourism sectors adopt measures that support local communities, including providing training programs for youth, supporting local schools, and implementing food security measures. They see these measures as 'giving back' and consider them part of their CSR activities.



A majority of the social measures implemented are considered only 'basic'.

Among the social measures implemented by the roundtable participants, only two are classified as 'good', which address key stakeholders.

## (1) Tracking of customer satisfaction

- Understanding and ensuring customer satisfaction directly improves business.
- In fact, Singaporean MSMEs in the electrical and electronics sector admit to deprioritizing this measure because they do not interact directly with the end users of their products.

## (2) Support of local communities

- MSMEs – primarily those in Indonesia and Malaysia – also opt to support local communities.
- These MSMEs are usually located in close proximity to surrounding residential areas and are guided by CSR principles.

# Governance measures for business success

*Governance measures are often the least understood in practice, although there may be some implemented because of their importance for business success.*

# For MSMEs in some contexts, governance may end up coming last



The governance component of ESG is the least understood in practice, though some noteworthy measures are still adopted.



MSMEs in Indonesia find the governance component of ESG to be the least intuitive because it has less obvious impact compared to the tangible benefits offered by environmental and social measures (such as cost reduction and direct impact on revenue and profit).

- They find the governance component challenging to implement, because implementing governance measures tends to be a matter of decision-making. As many MSMEs in Indonesia are family-owned, this decision-making process is still driven primarily by the owner's family, which results in less stringent governance practices.
- One of the governance measures focuses on women in leadership, which is fairly common among MSMEs in Indonesia, often because many MSMEs begin as family-owned home industries where women assume leadership roles.

"In my case, 90% of the employees must be women [doing cooking and baking]. The availability is such... in my area, most of the unemployed individuals are women. They want to work to supplement their income. Additionally, the operations are led by my wife, which helps to establish a strong connection between the workers."

*(roundtable in Indonesia, F&B sector)*



In Malaysia, both the quantitative and qualitative data clearly show that MSMEs are not aware of ESG governance practices, nor do they practise, prioritise, or desire to implement them.

- This is particularly true amongst the smaller-sized companies whose owners and CEOs still retain oversight over operations. This leads them to perceive less need to establish policies or structures for good company governance, including oversight and ethical conduct.
- Despite being less familiar with the governance component of ESG, MSMEs in Indonesia and Malaysia still implement some measures, particularly when they are inevitable due to the nature of the company's work and/or setup.
  - MSMEs in Malaysia that are government-linked or have strong ties to government associations tend to have clearer governance structures, stronger financial controls, and more compliant ESG reporting.
  - Similarly, medium-sized MSMEs tend to do so too, particularly those that engage in exports or that are vendors to large businesses, as they are required by their clients to observe good governance.

# Governance is prioritized when seen as supportive of business

Governance practices are more widely adopted when MSMEs deem them critical to maintaining stable and efficient operations.



- Singaporean MSMEs are generally very aware of the governance component of ESG, and they implement relevant measures although they do not perceive this component to be particularly high priority relative to the other two ESG components.
- Audit, cybersecurity and data protection, and anti-corruption safeguards are more commonly implemented, as they are perceived to be important for business success by ensuring customers' trust (cybersecurity) and preventing misconduct amongst staff (anti-corruption).



- The main motivation of Vietnamese MSMEs is to ensure that the business runs well. This is particularly true among industries with complex supply chains and regulatory requirements, such as the electrical and electronics and F&B sectors. In MSMEs across all four industry sectors, the governance component is seen as second in priority to the environmental component.
- However, in smaller companies, good governance may be deprioritised in favour of saving costs and managing workloads.
- Governance issues also become more pronounced when a company grows and transitions from a family business model to a more formal structure, requiring the establishment of a different decision-making process.

Most governance practices implemented are also still “basic”.





Among the measures implemented by the roundtable participants, the two most often observed ones that go beyond ‘basic’ practices are:

**(1) Having women in leadership roles:** Implementation is enabled because some MSMEs are established by women, particularly in the case of family businesses.

**(2) Ensuring cybersecurity:** This measure is often cited as increasingly important to retain consumers' trust in the MSME.

# Singapore and Vietnam lead in ESG data collection

- Among MSMEs that have implemented any ESG practice, 24% do not collect any data related to sustainability/ESG practices. This issue is particularly pronounced in Malaysia, where 78% of MSMEs report no data collection, compared to only 2% in Singapore.
- Among MSMEs that do collect data, MSMEs in Singapore and Vietnam show higher levels of data collection across various ESG practices compared to other countries. Workplace health and safety and waste management (including recycling) are the most frequently collected data across countries, while governance-related data is collected relatively less often by MSMEs in Indonesia and Malaysia.

	Percentage of MSMEs with any ESG practice (N=3,035)	Weighted sample average				
	My company does not collect any data*	24%	31%	78%	2%	16%
<b>Percentage of MSMEs reporting any data collection on its current sustainability/ESG practices (N=2,382)</b>						
Environment	Waste management (including recycling)*	48%	40%	43%	52%	50%
	Water use*	36%	29%	23%	42%	36%
	Sustainable sourcing and production*	35%	38%	27%	26%	43%
	Energy use*	33%	26%	29%	33%	37%
	Carbon emissions and other greenhouse gases*	27%	11%	14%	40%	27%
Social	Workplace health and safety*	52%	41%	35%	58%	56%
	Fair labour practices*	41%	27%	30%	49%	44%
	Community and social impacts*	22%	20%	19%	17%	29%
Governance	Audit and compliance measures*	29%	11%	13%	45%	25%
	Anti-corruption measures taken*	28%	13%	9%	38%	29%
	Cybersecurity measures taken*	27%	7%	4%	40%	32%
	Participation of women in leadership*	24%	12%	9%	24%	35%

Note: The top three types of data collected for the weighted sample and each country are highlighted. An asterisk indicates  $p < 0.05$ , signifying that ESG data collection varies significantly by country.

B5. Does your company regularly collect any data on its current sustainability/ESG practices? Please select all practices for which data is regularly collected.



# The F&B and tourism sectors are less likely to be collecting data

- Nearly three times as many MSMEs with any ESG practices in the F&B (28%), tourism (27%), and consumer goods (25%) sectors do not collect data, compared to those in the electrical and electronics (10%) sector.
- Among MSMEs that do collect data, those in the F&B sector report lower levels of data collection for governance practices. Data collection on energy use is notably more common in the electrical and electronics sector, while waste management data (including recycling) is collected less frequently by MSMEs in the tourism sector.





	Percentage of MSMEs with any ESG practice (N=3,035)	Weighted sample average	Consumer goods	F&B	Electrical and electronics	Tourism
	My company does not collect any data*	24%	25%	28%	10%	27%
<b>Percentage of MSMEs reporting any data collection on its current sustainability/ESG practices (N=2,382)</b>						
Environment	Waste management (including recycling)*	48%	56%	47%	48%	38%
	Water use*	36%	40%	36%	29%	37%
	Sustainable sourcing and production*	35%	36%	38%	29%	34%
	Energy use*	33%	33%	27%	41%	32%
	Carbon emissions and other greenhouse gases*	27%	30%	20%	34%	26%
Social	Workplace health and safety*	52%	55%	46%	56%	53%
	Fair labour practices*	41%	44%	35%	40%	48%
	Community and social impacts	22%	21%	21%	20%	26%
Governance	Audit and compliance measures*	29%	31%	22%	36%	28%
	Anti-corruption measures taken*	28%	31%	22%	30%	30%
	Cybersecurity measures taken*	27%	28%	19%	33%	32%
	Participation of women in leadership*	24%	23%	19%	24%	32%

Note: The top three types of data collected for the weighted sample and each industry sector are highlighted. An asterisk indicates  $p < 0.05$ , signifying that ESG data collection varies significantly by industry sector.

B5. Does your company regularly collect any data on its current sustainability/ESG practices? Please select all practices for which data is regularly collected.

# Most are putting the data to use, but tracking and reporting is varied

- While more than 90% report taking some action with the data, there is diversity in tracking and reporting, both across countries and level of practices.
- The largest share of all MSMEs that collect data are putting it to use internally for target-setting and performance monitoring (53% and 57% respectively), while fewer are reporting to stakeholders (34%) and publicly (21%).
- Only about 80% report data only internally without third-party verification, and only 41% are using technology to manage this process.































Percentage of MSMEs collecting data (N=2,383)	Weighted sample average				
Not taking any action*	7%	6%	31%	1%	12%
<b>Percentage of MSMEs reporting any steps taken to track and report firmwide sustainability/ESG practices (N=2,250)</b>					
Setting targets*	53%	57%	29%	56%	48%
Monitoring performance over time*	57%	68%	62%	53%	53%
Using technology to manage data and reporting*	41%	36%	19%	34%	55%
Reporting performance to stakeholders*	34%	30%	31%	29%	44%
Engaging third-party verification or certification*	21%	15%	13%	17%	31%
Disclosing performance publicly (e.g., on website, annual reports)*	21%	13%	13%	13%	39%

Note: An asterisk indicates  $p < 0.05$ , signifying that ESG tracking and reporting varies significantly by country.

B6. Does your company take any of the following steps to track and report firmwide sustainability/ESG practices? Please select all that apply.

# Across industry sectors, fewer strong differences emerge

- Compared to country differences, patterns in tracking and reporting are relatively more consistent across industry sectors, with few meaningful differences between sectors.
- Tourism MSMEs, however, are significantly more likely to report third-party verification and public disclosures than MSMEs in other sectors.








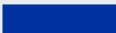



































Percentage of MSMEs collecting data (N=2,383)	Weighted sample average	Consumer goods	F&B	Electrical and electronics	Tourism
Not taking any action	7%	6%	8%	5%	9%
<b>Percentage of MSMEs reporting any steps taken to track and report firmwide sustainability/ESG practices (N=2,250)</b>					
Setting targets	 53%	 54%	 51%	 50%	 58%
Monitoring performance over time	 57%	 58%	 60%	 53%	 54%
Using technology to manage data and reporting*	 41%	 39%	 37%	 40%	 48%
Reporting performance to stakeholders*	 34%	 30%	 37%	 36%	 34%
Engaging third-party verification or certification*	 21%	 20%	 17%	 18%	 28%
Disclosing performance publicly (e.g., on website, annual reports)*	 21%	 17%	 20%	 19%	 31%

Note: An asterisk indicates  $p < 0.05$ , signifying that ESG tracking and reporting varies significantly by industry sector.

B6. Does your company take any of the following steps to track and report firmwide sustainability/ESG practices? Please select all that apply.

# Certifications, unlike standards, are limited to a few MSMEs

Although 84% of MSMEs have implemented ESG practices and 54% of those have adopted ESG standards, only 10% report having obtained any ESG certification. While a large fraction of the certifications pertain to waste management or workplace health and safety (46% and 43% respectively), nearly half are comprehensive ESG certifications (45%), particularly among Vietnamese MSMEs (57%).

	Percentage of MSMEs reporting any certifications (N=363)	Weighted sample average			
Environment	Comprehensive ESG certifications* E.g., B-Corp	 45%	 26%	 39%	 57%
	Waste management certifications* E.g., UL Environment Zero Waste Claim Validation	 46%	 38%	 40%	 54%
	Water footprint certifications* E.g., ISO 14046	 36%	 23%	 33%	 43%
	Sustainable product certifications E.g., Greenseal	 31%	 29%	 28%	 34%
	Carbon neutral certifications* E.g., Carbonneutral®	 28%	 14%	 27%	 35%
Social	Workplace quality and health/safety certifications* E.g., ISO 45001, Mivie, WELL	 43%	 31%	 37%	 52%
	Fair labour certifications* E.g., Fair Labor Accreditation	 27%	 17%	 15%	 39%
	Community impact certifications* E.g., Social Enterprise certification	 20%	 23%	 12%	 25%
Governance	Ethical governance certifications* E.g., ISO 9001	 33%	 22%	 29%	 42%
	Cybersecurity or data protection certifications* E.g., Cyber Essentials	 25%	 8%	 25%	 31%

Note: Malaysia has been omitted from this table because only one MSME reported having certifications. An asterisk indicates  $p < 0.05$ , signifying that ESG certification varies significantly by country.

B7. Has your company obtained any sustainability/ESG-related certifications to date? Please select all that apply.

# Sectoral differences may lead to different priorities for certification

Overall, MSMEs in the consumer goods sector are least likely to report certifications, while tourism MSMEs are most likely to hold at least one type of ESG certification. This is true both of comprehensive certifications and individual water footprint and carbon neutral certifications, as well as community impact certifications.

	Percentage of MSMEs reporting any certifications (N=363)	Weighted sample average	Consumer goods	F&B	Electrical and electronics	Tourism
Environment	Comprehensive ESG certifications* E.g., B-Corp	45%	31%	44%	48%	57%
	Waste management certifications E.g., UL Environment Zero Waste Claim Validation	46%	36%	46%	46%	55%
	Water footprint certifications E.g., ISO 14046	36%	32%	39%	27%	43%
	Sustainable product certifications* E.g., Greenseal	31%	18%	29%	32%	43%
	Carbon neutral certifications* E.g., Carbonneutral®	28%	15%	25%	26%	44%
Social	Workplace quality and health/safety certifications* E.g., ISO 45001, Mivie, WELL	43%	34%	37%	49%	51%
	Fair labour certifications* E.g., Fair Labor Accreditation	27%	15%	25%	24%	41%
	Community impact certifications* E.g., Social Enterprise certification	20%	9%	10%	25%	34%
Governance	Ethical governance certifications* E.g., ISO 9001	33%	25%	27%	43%	40%
	Cybersecurity or data protection certifications* E.g., Cyber Essentials	25%	19%	15%	25%	37%

Note: An asterisk indicates  $p < 0.05$ , signifying that ESG certification varies significantly by industry sector.

B7. Has your company obtained any sustainability/ESG-related certifications to date? Please select all that apply.

## 4 Current Resources for ESG

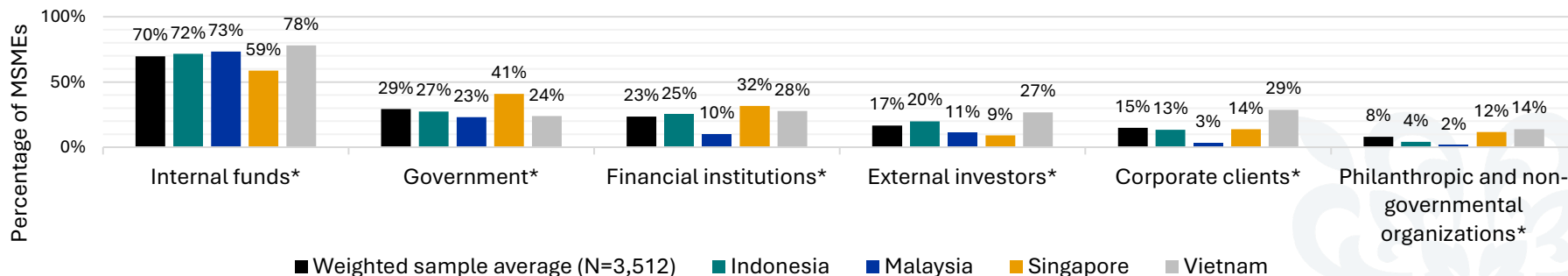
# Sources of funding

*ESG efforts are predominantly self-funded  
and budgets for sustainability/ESG projects are rarely dedicated.*

# ESG is predominantly self-funded

- On average, 70% of the MSMEs surveyed draw on internal funds as a primary source of funding for ESG, with Singaporean MSMEs being least likely (59%) and Vietnamese MSMEs mostly like to do so (78%).
- More than 40% of Singaporean MSMEs access government funding for ESG – significantly above the average of 30%. Vietnamese MSMEs are more likely to seek funding from external investors.
- Malaysian MSMEs are least likely to draw on outside financing for ESG, including that from financial institutions, external investors, corporate clients, or philanthropic and non-governmental organisations.

Main sources of funding for sustainability/ESG-related projects by country



Note: Totals may not sum up to 100% due to multiple answers. An asterisk indicates  $p < 0.05$ , signifying that the funding source varies significantly by country.

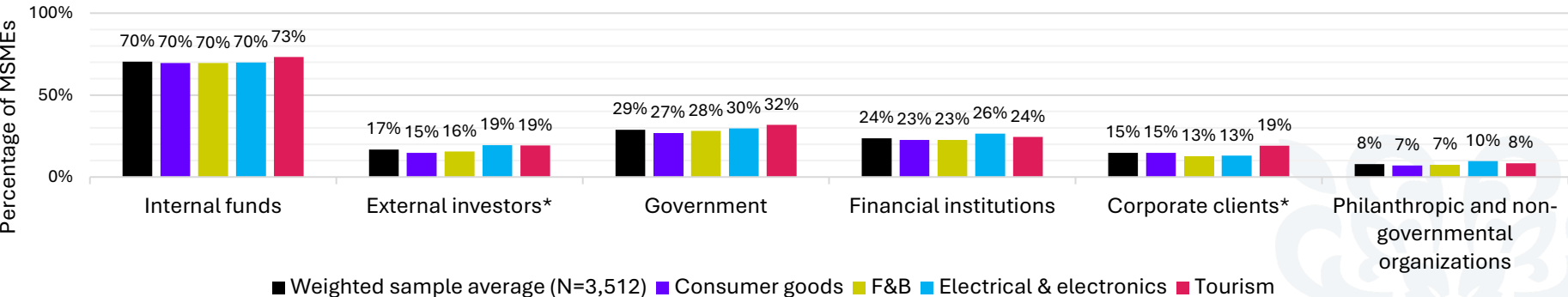
B12. What are the main sources of funding for your company's sustainability/ESG-related projects? If you do not currently support any such projects, please tell us where you would be most likely to seek funding for future potential projects. Please select up to 3 options that apply.



# MSMEs in tourism are more likely to be funded by clients and donors

- There is less variation in funding sources across industry sectors than across countries.
- There are no statistically significant differences between industry sectors in the use of funds from the government, financial institutions, and philanthropic and non-governmental organizations.

Main sources of funding for sustainability/ESG-related projects by sector

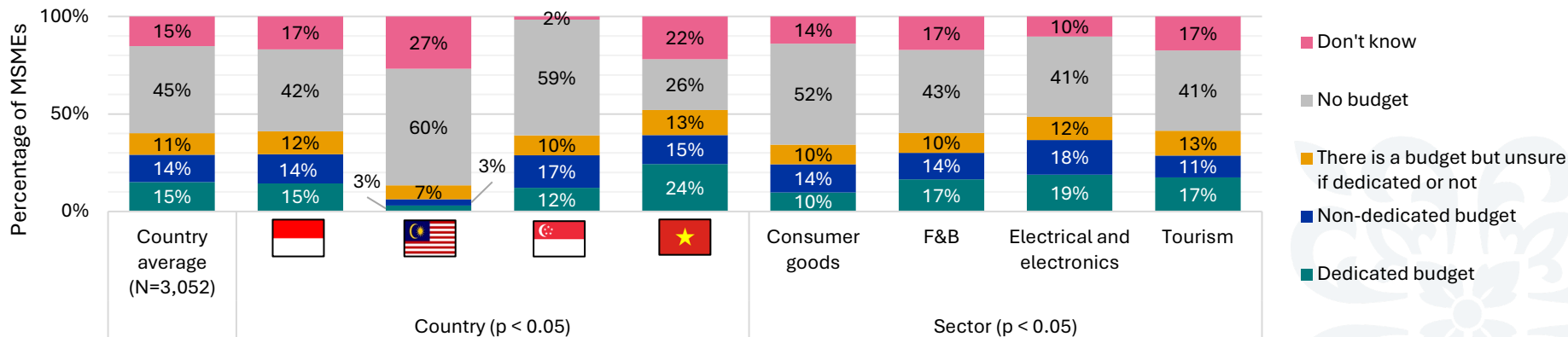


Note: Totals may not sum up to 100% due to multiple answers. An asterisk indicates  $p < 0.05$ , signifying that the funding source varies significantly by industry sector.  
B12. What are the main sources of funding for your company's sustainability/ESG-related projects? If you do not currently support any such projects, please tell us where you would be most likely to seek funding for future potential projects. Please select up to 3 options that apply.

# Internal funds are rarely earmarked for ESG

- Although the previous results show that ESG is primarily internally funded in some way, **MSMEs often lack a dedicated budget for ESG**, as only 15% of all MSMEs report having a dedicated budget for sustainability or ESG practices.
- The majority of MSMEs have yet to make a clear financial commitment to sustainability practices, with many either lacking a budget or certainty regarding ESG.
- The variation across countries is greater than that between industry sectors – 24% of Vietnamese MSMEs report having a dedicated ESG budget, the highest among the countries.

Does your company have a dedicated budget for sustainability/ESG policies or practices?

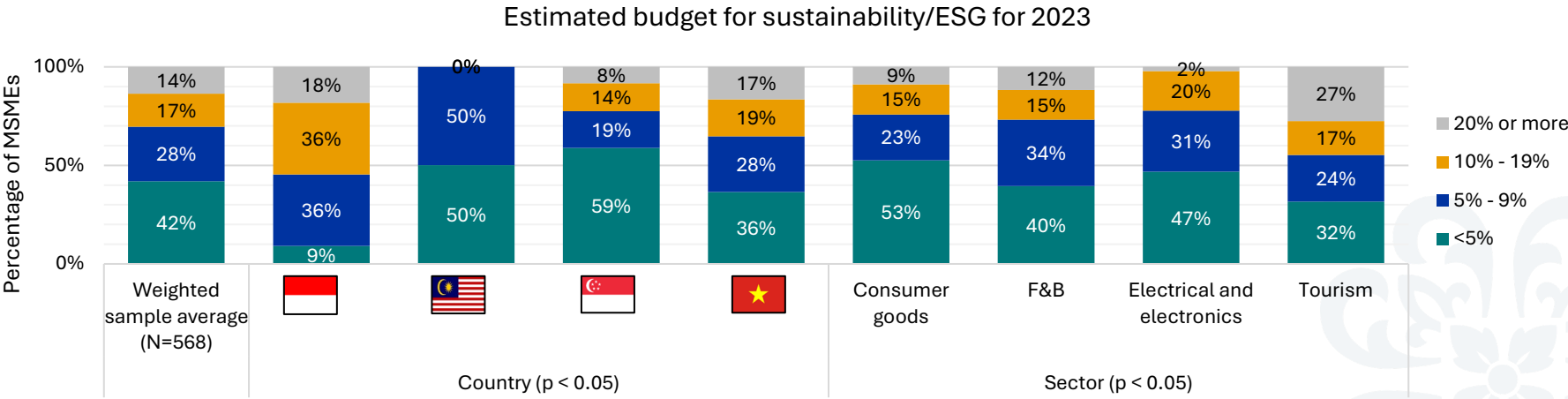


Note: A statistically significant variation in the distribution of budget types across countries or industry sectors is indicated by "p < 0.05".

B10. Does your company have a dedicated budget for sustainability/ESG policies or practices? This may cover the cost of undertaking projects related to sustainability/ESG practices as well as other indirect costs such as administration, planning, training.

# Most MSMEs currently have only modest internal ESG allocations

- Even among MSMEs that report having a budget for sustainability/ESG, the allocation is generally modest.
- Across sectors, Singaporean and Malaysian MSMEs report having relatively lower shares of their total revenue invested in ESG-related practices, while Vietnamese and Indonesian MSMEs report larger shares.
- Large investments are more prevalent in the tourism sector.



Note: A statistically significant variation in estimated levels of budget across countries or industry sectors is indicated by “ $p < 0.05$ ”.

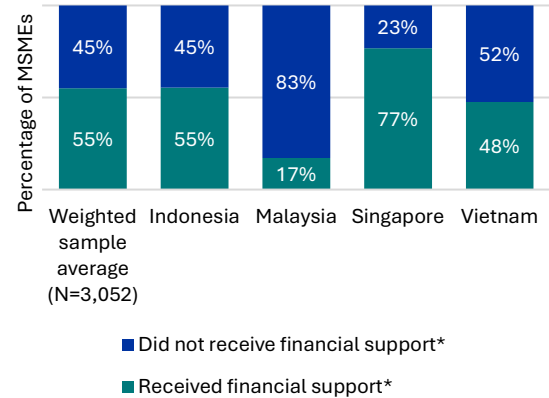
B11. About how large was this budget for sustainability for 2023, in terms of % of total revenue? You may not be sure but please give us your best estimate.

# Financial and in-kind support

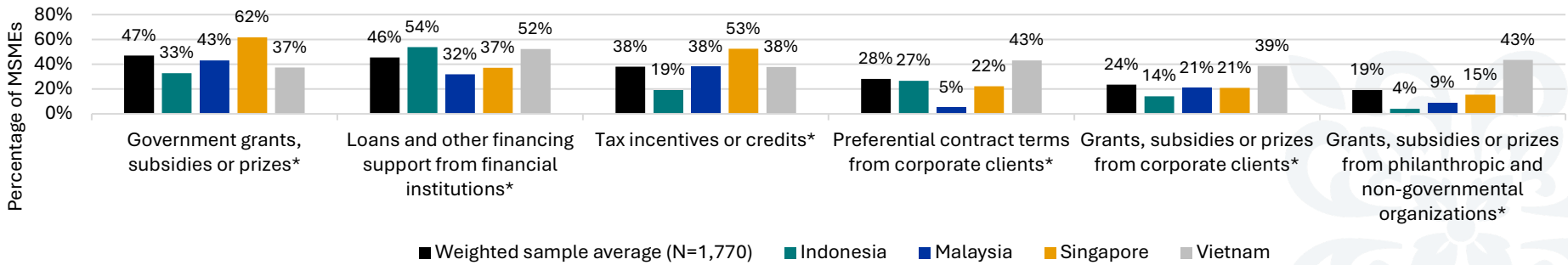
*Half of the MSMEs that have adopted ESG policy or practices have received assistance to adopt sustainability/ESG policies or practices.*

# Many MSMEs have received targeted financial incentives to adopt ESG

- 55% of MSMEs that have adopted ESG policy or practices have received some form of financial support. Reflecting both direct funding as well as other supports such as tax-incentives and preferential contracting, this level of support ranges widely from 17% in Malaysia to 77% in Singapore.
- About half have accessed either government assistance or loans from financial institutions. Government support is particularly common in Singapore and Vietnam, whereas MSMEs in Indonesia and Vietnam often turn to financial institutions. Notably, Vietnamese MSMEs tap into a broader range of funding sources, including corporate clients, philanthropic and non-governmental organizations.

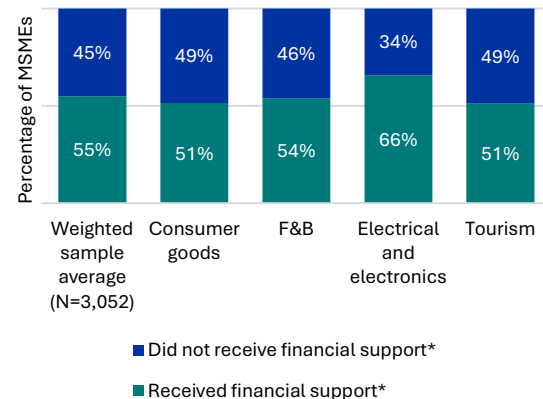


Recipients' sources of financial support by country

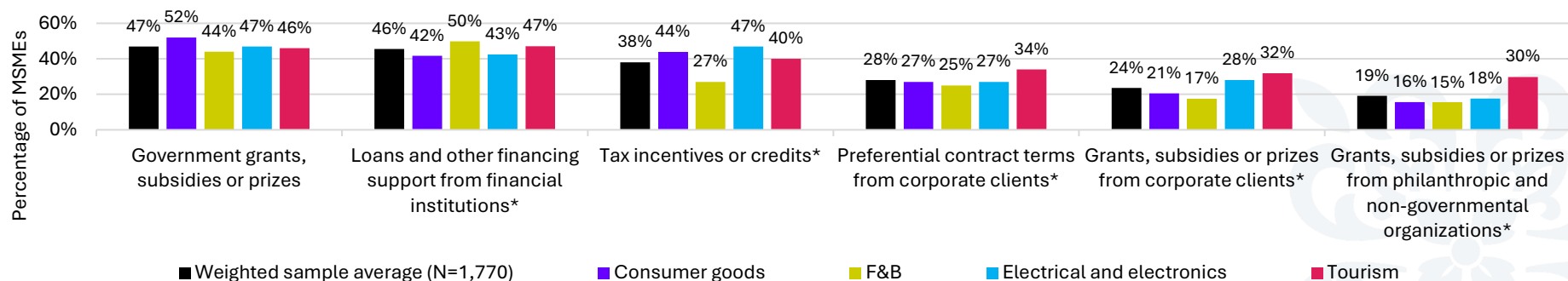


# Tourism MSMEs draw on a wider range of such incentives

- Support from governments and financial institutions is relatively uniform across sectors, with no statistically significant differences observed. However, other types of financial support show notable variation.
- MSMEs in the F&B sector are less likely to receive fewer sources of support overall while those in the tourism sector are significantly more likely to benefit from financial support provided by tax incentives, corporate clients, philanthropic and non-governmental organizations.



Recipients' sources of financial support by industry sector

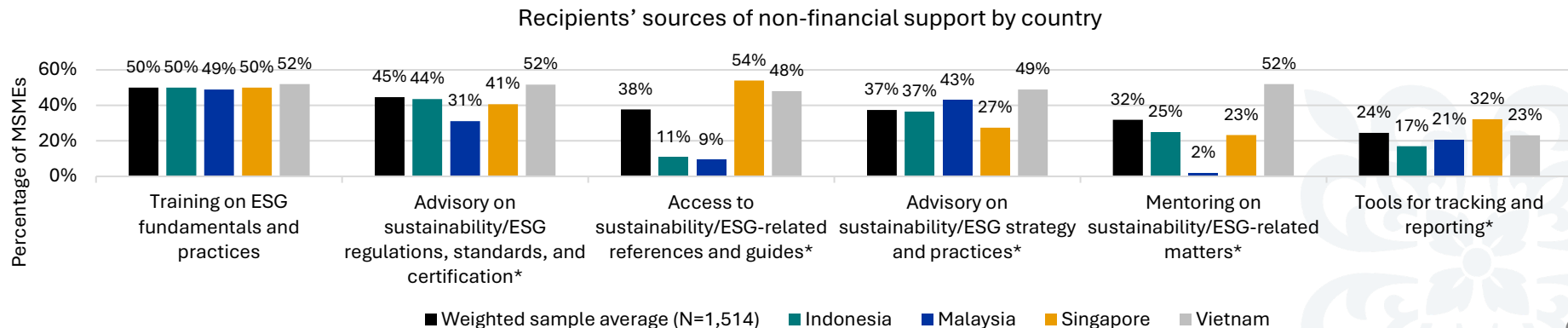
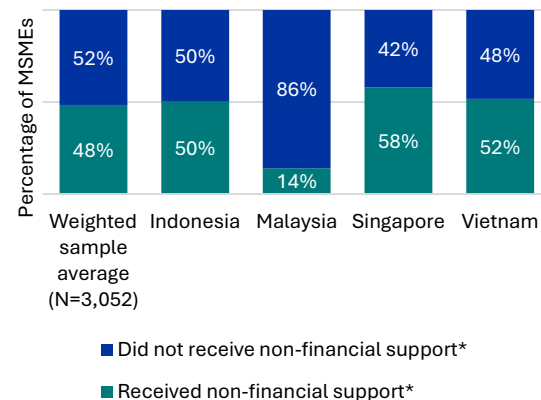


Note: Totals may not sum up to 100% due to multiple answers. An asterisk indicates  $p < 0.05$ , signifying that the support received varies significantly by industry sector.

B13. To date, has your company received any of the following types of financial support to help you adopt sustainability/ESG policies or practices? Please select all that apply.

# About half of MSMEs received in-kind support, with some clear gaps

- 48% of MSMEs that have adopted ESG policy or practices report having received non-financial support. This ranges widely from 14% in Malaysia to 58% in Singapore.
- Among those that received non-financial support, 50% benefited from training while up to 45% received advisory support.
- About 40% have access to guides and approximately 30% received mentoring, with large disparities across the countries in their access to references and guides, as well as mentoring.
- Finally, a much lower proportion overall (24%) had access to tools for tracking and reporting.

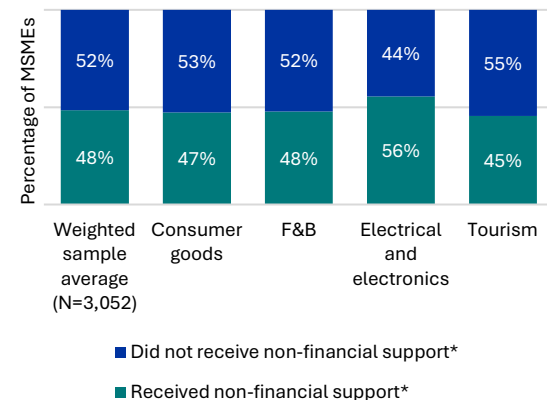


Note: Totals may not sum up to 100% due to multiple answers. An asterisk indicates  $p < 0.05$ , signifying that the support received varies significantly by country.

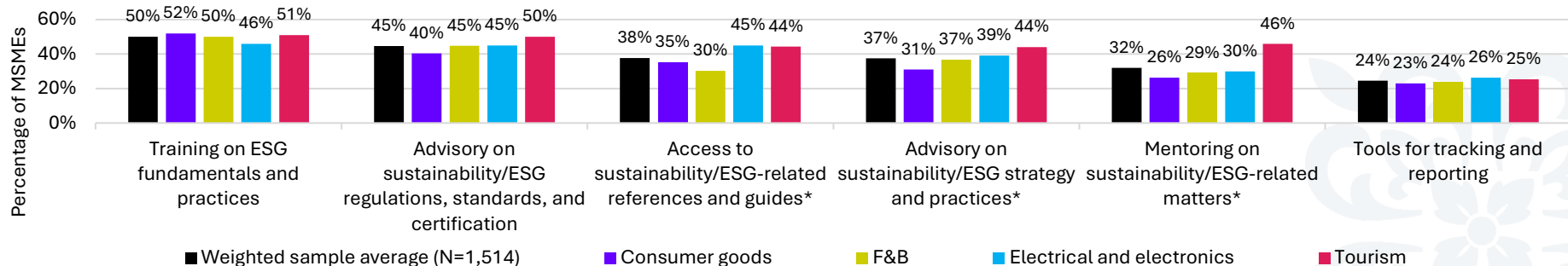
B14. To date, has your company received any of the following types of non-financial support to help you adopt sustainability/ESG policies or practices? Please select all that apply.

# Tourism MSMEs may be more exposed to advice and mentoring

- Overall non-financial support levels show less variation across sectors, ranging from 45% in tourism to 56% in the electrical and electronics sector.
- Support for training, advisory on regulations/standards/certification, and tools for tracking and reporting remain relatively uniform across sectors, with no statistically significant differences observed.
- However, those in the tourism sector have greater access to mentoring and advisory on sustainability/ESG strategy and practices.



Recipients' sources of non-financial support by industry sector



Note: Totals may not sum up to 100% due to multiple answers. An asterisk indicates  $p < 0.05$ , signifying that the support received varies significantly by industry sector.

B14. To date, has your company received any of the following types of non-financial support to help you adopt sustainability/ESG policies or practices? Please select all that apply.



# Human resources and skills

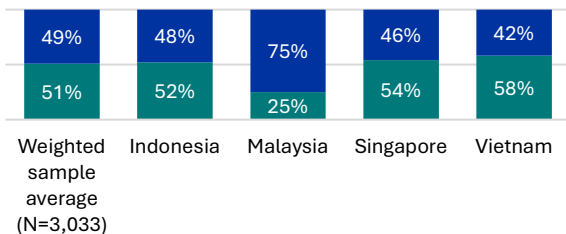
*MSMEs lack dedicated ESG personnel, face a critical skills gap, and encounter challenges in hiring for ESG roles.*

# Only half of MSMEs have dedicated human resources for ESG

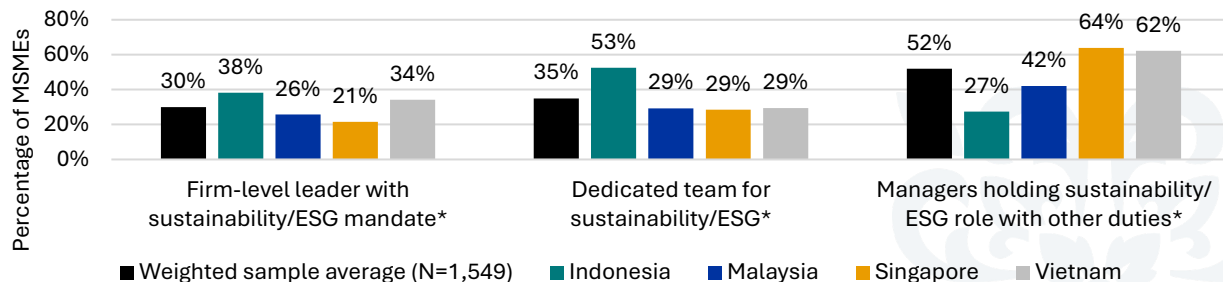
- Among MSMEs that have implemented any ESG practice, 51% report having staff with either partial or full responsibility for sustainability/ESG efforts. In Malaysia, this figure drops significantly to 25%.
- Only 30% overall have a firm-level leader with an ESG mandate, with this number being highest in Indonesia and Vietnam (38% and 34%) compared to Malaysia and Singapore (26% and 21%). Indonesian MSMEs have a higher-than-average proportion of ESG teams (53%) as compared to those in Malaysia, Singapore and Vietnam, where MSMEs rely on managers balancing sustainability/ESG responsibilities alongside other roles.

Does your MSME have staff who are partly or fully dedicated to its sustainability/ESG efforts?\*

■ Yes ■ No



Types of staff dedicated to sustainability/ESG efforts by country



Note: Totals may not sum up to 100% due to multiple answers. An asterisk indicates  $p < 0.05$ , signifying that the staff roles vary significantly by country.

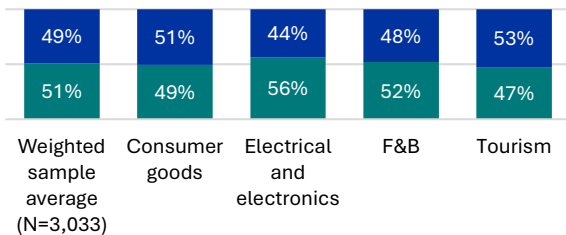
B1. Does your company have staff that are partly or fully dedicated to its sustainability/ESG efforts? Please check all that apply.

# Sectoral differences in human resource allocations are less marked

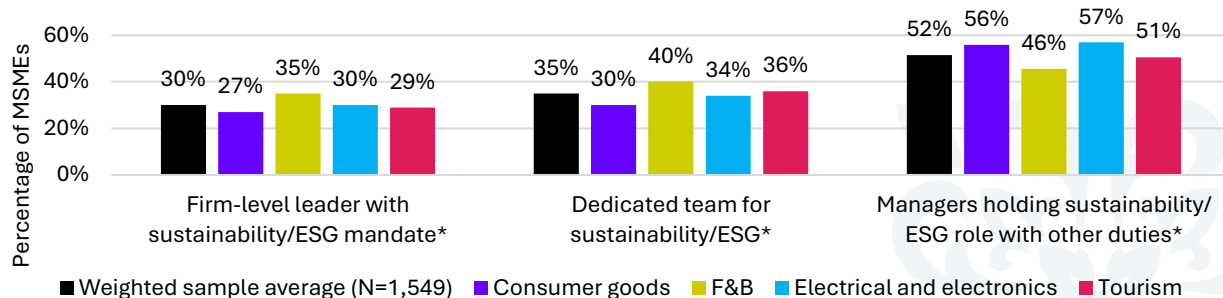
- There is no statistically significant difference across industry sectors in whether staff are partially or fully dedicated to MSMEs' sustainability/ESG efforts.
- Some differences emerge in the types of staffing arrangements by sector. The F&B sector has the highest proportion of MSMEs with firm-level leaders with sustainability/ESG mandates (35%) and dedicated sustainability/ESG teams (40%).
- In contrast, MSMEs in the consumer goods and electrical and electronics sectors are more likely to rely on managers who balance sustainability/ESG responsibilities alongside other roles.

Does your MSME have staff who are partly or fully dedicated to its sustainability/ESG efforts?\*

■ Yes ■ No



Types of staff dedicated to sustainability/ESG efforts by industry sector




















































Note: Totals may not sum up to 100% due to multiple answers. An asterisk indicates  $p < 0.05$ , signifying that the staff roles vary significantly by industry sector.

B1. Does your company have staff that are partly or fully dedicated to its sustainability/ESG efforts? Please check all that apply.

# Almost all MSMEs keen to advance ESG face a critical skills gap

- 95% of MSMEs who have an interest in advancing ESG report lacking one or more necessary skills to do so. At the same time, the range of skills they require is highly diverse.
- Sustainable process and product design (33%) is the most commonly cited need across all countries, although other priorities vary.














































Percentage of MSMEs (N=3,512)	Weighted sample average				
My company is not interested in advancing sustainability/ESG*	22%	10%	71%	1%	6%
Not lacking in any of the above skills*	5%	7%	10%	1%	3%
<b>Percentage of MSMEs reporting any skills required but are lacking among current staff (N=2,693)</b>					
Sustainable process and product design*	 33%	 36%	 47%	 30%	 32%
Human resources based on sustainable/ESG principles*	 29%	 43%	 19%	 9%	 39%
Supplier management based on sustainable/ESG principles	 28%	 25%	 32%	 27%	 30%
Impact assessment and reporting*	 26%	 15%	 34%	 35%	 23%
Sustainability/ESG-related legal and compliance*	 24%	 15%	 29%	 23%	 32%
Sustainability/ESG-related risk management*	 22%	 17%	 13%	 15%	 33%
Sustainability in built environment (e.g., green building)*	 21%	 19%	 17%	 15%	 32%
Environmental engineering*	 21%	 28%	 10%	 14%	 23%
Outreach and communications*	 13%	 11%	 18%	 3%	 25%

Note: The top three skill gaps for each country are highlighted. An asterisk indicates  $p < 0.05$ , signifying that the skill gap varies significantly by country.

B2. In order to advance sustainability/ESG at your company, what skills would your company need that are lacking among current staff? Please select up to 3 options.

# Process and product design is a priority skill gap for all sectors

Sustainable process and product design is also a consistent gap in all four sectors, although again, other priorities vary.

Percentage of MSMEs (N=3,512)	Weighted sample average	Consumer goods	F&B	Electrical and electronics	Tourism
My company is not interested in advancing sustainability/ESG*	22%	26%	22%	15%	19%
Not lacking in any of the above skills*	5%	6%	6%	3%	5%
<b>Percentage of MSMEs reporting any skills required but are lacking among current staff (N=2,693)</b>					
Sustainable process and product design	 33%	 38%	 33%	 33%	 32%
Human resources based on sustainable/ESG principles*	 29%	 24%	 31%	 18%	 39%
Supplier management based on sustainable/ESG principles	 28%	 28%	 28%	 26%	 28%
Impact assessment and reporting*	 26%	 30%	 21%	 29%	 23%
Sustainability/ESG-related legal and compliance*	 24%	 23%	 30%	 20%	 25%
Sustainability/ESG-related risk management*	 22%	 20%	 19%	 20%	 28%
Sustainability in built environment (e.g., green building)	 21%	 21%	 20%	 20%	 23%
Environmental engineering*	 21%	 20%	 26%	 20%	 16%
Outreach and communications*	 13%	 8%	 14%	 8%	 24%

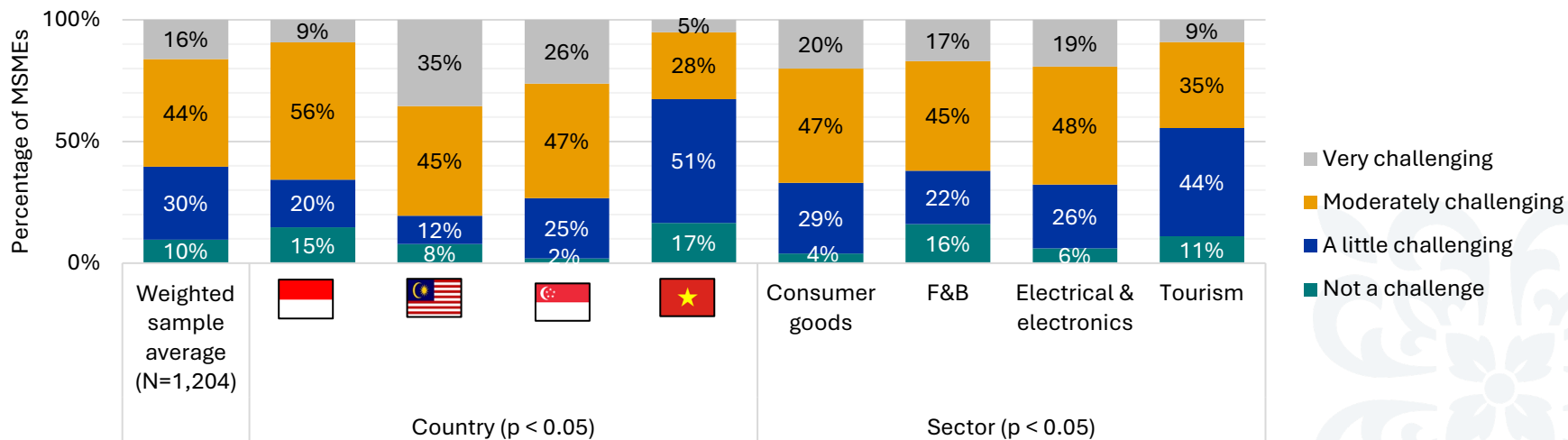
Note: The top three skill gaps for each industry sector are highlighted. An asterisk indicates  $p < 0.05$ , signifying that the skill gap varies significantly by industry sector.

B2. In order to advance sustainability/ESG at your company, what skills would your company need that are lacking among current staff? Please select up to 3 options.

# 60% of MSMEs face challenges in hiring for ESG roles

- Across the countries and industry sectors, the majority of MSMEs report facing moderate to significant challenges in hiring staff for sustainability/ESG roles, with the exception of Vietnam.
- MSMEs in Vietnam face the least hiring difficulty among the four countries, with only 33% of MSMEs finding it moderately or very challenging, compared to about 65-80% in other countries.

Extent of challenges in hiring new staff to work on sustainability/ESG



Note: A statistically significant variation in the reported challenges across countries or industry sectors is indicated by "p < 0.05".

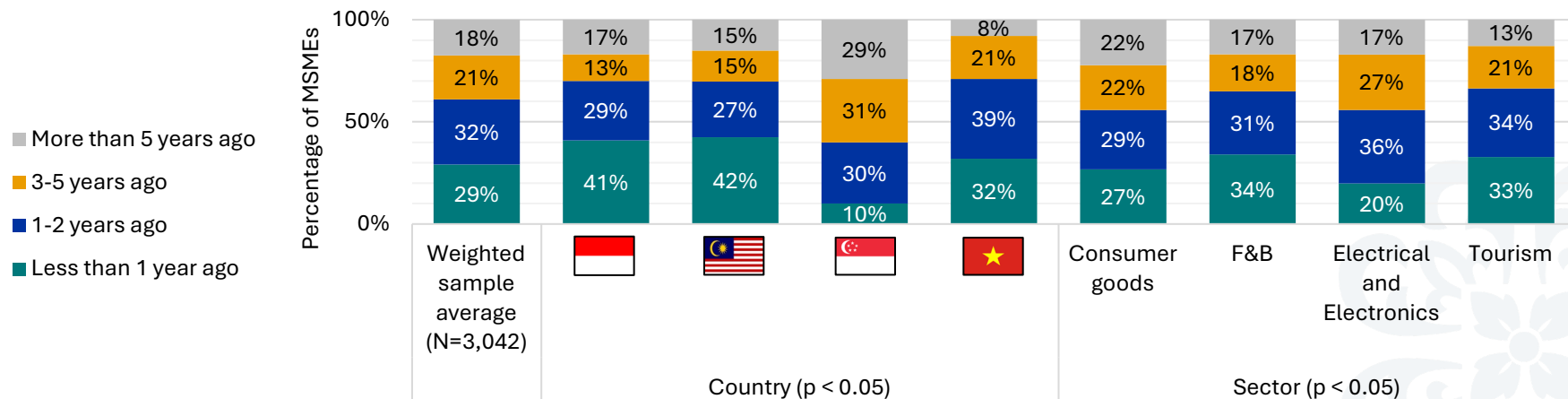
B4. How challenging is it for your company to hire new staff to work on sustainability/ESG?

# 5 Motivations and Challenges

# Most MSMEs began their ESG journeys within the last two years

- On average, about 60% of the MSMEs started adopting ESG policies or implementing ESG practices within the last two years (2022–2025), while 40% of them began three years ago or earlier.
- The exception is Singapore, where the majority (60%) of MSMEs are early adopters/implementers, having adopted their first ESG policy or practice three or more years ago. Other countries are now catching up. About 70% of the MSMEs in Indonesia, Malaysia, and Vietnam first adopted ESG policies/practices within the past two years.
- MSMEs in the F&B and tourism sectors are more likely to be recent adopters/implementers compared to the consumer goods and electrical and electronics sectors.

Time since first adoption of sustainability/ESG policies or implementation of practices







Note: A statistically significant variation in the time since first adopting ESG policies/practices across countries or industry sectors is indicated by " $p < 0.05$ ".

A7. When did your company first begin adopting ESG policies or practices?



# Cost saving, market demand, and regulation are initial motivations

- Overall, 39% of MSMEs identify costs and efficiency as a reason for starting their ESG journey. Attention to commercial considerations contrasts with responses regarding meeting current regulatory requirements – across all countries, less than 35% of respondents indicated that regulatory adherence was a primary motivation.
- MSMEs in different countries also report varied reasons for adoption: in Indonesia, talent (53%) is the main driver, while Malaysian and Vietnamese MSMEs are motivated by the prospect of gaining new clients or entry into new markets (37% and 33% respectively). In Singapore as well as Vietnam, government/regulatory requirements are also a key driver (31% and 35% respectively).



















































Percentage of MSMEs reporting any motivation (N=2,843)	Weighted sample average				
Lowering costs and increasing long-run efficiency*	39%	44%	36%	31%	42%
Meeting increased demand for sustainable products and services*	33%	43%	33%	20%	37%
Improving branding and reducing reputational risk*	30%	35%	34%	22%	34%
Meeting current government/regulatory requirements*	28%	19%	16%	31%	35%
Keeping and attracting talent*	27%	53%	13%	14%	23%
Gaining new clients/entering new markets with ESG requirements*	27%	21%	37%	26%	33%
Strong company culture and leadership commitment*	18%	8%	27%	14%	27%
Attracting new investors seeking ESG-related opportunities*	16%	11%	9%	18%	22%
Securing financial incentives (e.g., financial support schemes, tax rebates)*	15%	6%	7%	23%	15%
Following industry ESG best practices*	14%	6%	16%	22%	13%

Note: The top three motivations for each country are highlighted. An asterisk indicates  $p < 0.05$ , signifying that motivation varies significantly by country.

A9. Which of the following were the most important reasons for your company's decision to adopt sustainability/ESG practices? Please select up to 3 options.

# Motivations are less likely to vary significantly across sectors

There is less variation across industry sectors than across countries. Most show relatively consistent priorities, with the top motivation for all industry sectors being cost reduction and increased efficiency. Most are also seeking to meet increased demand for sustainable products and services and to improve their branding while reducing reputational risk.

Percentage of MSMEs reporting any motivation (N=2,843)	Weighted sample average	Consumer goods	F&B	Electrical and electronics	Tourism
Lowering costs and increasing long-run efficiency*	 39%	 40%	 43%	 34%	 35%
Meeting increased demand for sustainable products and services*	 33%	 33%	 37%	 24%	 35%
Improving branding and reducing reputational risk*	 30%	 30%	 33%	 24%	 32%
Meeting current government/regulatory requirements*	 28%	 27%	 23%	 32%	 29%
Keeping and attracting talent*	 27%	 24%	 32%	 19%	 32%
Gaining new clients/entering new markets with ESG requirements*	 27%	 31%	 25%	 30%	 25%
Strong company culture and leadership commitment*	 18%	 15%	 15%	 19%	 25%
Attracting new investors seeking ESG-related opportunities*	 16%	 16%	 14%	 22%	 15%
Securing financial incentives (e.g., financial support schemes, tax rebates)*	 15%	 18%	 11%	 17%	 14%
Following industry ESG best practices*	 14%	 16%	 12%	 17%	 13%

Note: The top three motivations for each country are highlighted. An asterisk indicates  $p < 0.05$ , signifying that motivation varies significantly by industry sector.

A9. Which of the following were the most important reasons for your company's decision to adopt sustainability/ESG practices? Please select up to 3 options.

# External pressure predicts overall practice, but culture predicts depth

Investors, demand, and regulatory considerations are associated with the largest increases in overall practice.

However, when it comes to the most progressive practices, best practice as well as company culture and leadership commitment are also associated with positive change.

Motivation for MSME's decision to implement ESG practices	No. of ESG practices	Diff.	No. of progressive ESG practices	Diff.
Attracting new investors seeking ESG-related opportunities	8.3 9.9	1.6	1.2 1.6	0.4
Meeting increased demand for sustainable products and services	8.1 9.6	1.5	1.2 1.5	0.3
Meeting current government/regulatory requirements	8.2 9.6	1.4	1.2 1.4	0.2
Securing financial incentives	8.4 9.7	1.3	1.3 1.4	0.1
Lowering costs and increasing long-run efficiency	8.1 9.3	1.2	1.2 1.4	0.2
Improving branding and reducing reputational risk	8.2 9.2	1.0	1.2 1.4	0.2
Following industry ESG best practices	8.4 9.3	0.9	1.2 1.5	0.3
Strong company culture and leadership commitment	8.3 9.5	1.2	1.2 1.5	0.3
Gaining new clients / entering new markets with ESG requirements	8.3 9.3	1.0	1.2 1.4	0.2
Keeping and attracting talent	8.4 8.9	0.5	1.3 1.3	<0.1 (NS)

■ Average number of ESG practices or progressive ESG practices when a specific motivation is not selected.

■ Average number of ESG practices or progressive ESG practices when a specific motivation is selected.

Diff. The difference in the number of ESG practices or progressive ESG practices between cases where a specific motivation is selected versus not selected. The difference is statistically significant (p < 0.05) unless labelled as "NS" (not significant).

# MSMEs roundtables emphasize motivation based on business interest

Profit generation, reduction of cost and risk to the MSME, as well as business development and sustainability are key motivations to implement certain ESG measures.

- As the market is increasingly aware of ESG and sustainability practices, as reflected through customers' sentiments and preferences, implementing certain ESG practices enhances the company's branding, making it more competitive and attractive to customers, thus raising the likelihood of higher revenue generation.
- Some ESG practices are also cost-saving measures for MSMEs, including more efficient resource use, reduction of waste and water usage, and energy conservation.
- Other ESG measures, usually related to the social component, are seen to reduce risk and therefore implemented. For example, MSMEs in Indonesia that employ local community members do so not only because the practice enhances community ownership, thereby safeguarding against theft, but also because it reduces friction and fosters respect.

*"Once my company disposed of waste illegally by dumping it directly into a river. This had a significant impact, resulting in the death of crops in seven villages. Consequently, these villages took legal action against the company."*

*(roundtable in Indonesia, F&B sector)*

Staff have started to look for ESG values in the company they work for.

- Some MSMEs in Indonesia and Singapore have started to recognize that embracing environment-lite ESG principles can improve their reputation and appeal to a younger, environmentally conscious workforce, so that they become a company of choice for future staff.
- MSMEs are also increasingly keen to promote fair wages and a good working environment for their staff – these are perceived as good business practices as they promote staff retention and thus the company's long-term survival.

*"Today's employees don't care about the money anymore, they are willing to spend a little bit more if it sounds useful, feels good. It feels good to do something about sustainability. I want to use recyclable materials, so on and so forth."*

*(roundtable in Singapore, electrical and electronics sector)*

# Regulations and requirements are top-of-mind for most

Compliance with regulations can be a strong driver of ESG implementation, but motivation is higher when doing so serves business interests.

Complying with the existing regulations is a strong motivating factor for MSMEs in Vietnam to implement ESG measures. Products and services that meet the legal standard are likely to be approved and licensed to the market more swiftly. Through compliance, companies avoid penalties that can damage their reputation while maintaining good relationships with the authorities for easier navigation of the local regulatory landscape.



Similarly, for MSMEs in Indonesia, government regulations are the second most significant driver behind ESG practices. However, it is important to note that compliance is higher when doing so ultimately serves business interests. This is particularly apparent outside of Jakarta where enforcement is less stringent. While regulatory compliance may serve as the initial prompt for MSMEs to observe ESG measures, their long-term implementation is driven by the economic benefits offered by these practices.



*“When a Jakarta event banned the use of plastic bottles, I introduced eco-friendly packaging. For some time, we had two types of packaging, but later, economically, it made sense to focus on the environmentally friendly option.”*  
(roundtable in Indonesia, F&B sector)

International market entry requirements may outweigh local government regulations.

In Malaysia, there is less discussion about compliance with government regulations because there is greater focus on meeting market requirements.

MSMEs that export overseas or that are suppliers to larger companies are motivated to implement some ESG measures when these practices are required for market entry.



Similarly in Singapore, MSMEs emphasize that government regulations are not a significant motivating factor for ESG implementation, noting that they would keep postponing implementing measures stipulated by regulations for as long as possible.

While there is compliance with requirements, Singaporean MSMEs prioritize those that allow them to grow their business, particularly (and similarly to Malaysia) when they are mandated as requirements of entry to a global market.



*“You get fined. In all my career, I have interacted with a lot of different companies. About 75% of them, they don’t react until the last minute, when you need [it urgently]. So that’s why regulation is not really motivation.”*  
(roundtable in Singapore, electrical and electronics sector)

# However, culture and leadership are strong underlying forces

Corporate leadership is a significant determining factor in ESG implementation, particularly when there is low awareness, a less stringent regulatory environment, or when more advanced ESG practices are to be adopted.

In Malaysia, MSME owners who have educated themselves about environmental sustainability or ESG tend to seek to establish businesses that define environmental consciousness as a core company value.

In particular, this was observed in the tourism sector, specifically those offering ecotourism.



In Indonesia, there is some motivation amongst MSMEs to adopt ESG practices to foster a new corporate culture in anticipation of broader ESG adoption in the future. This preparation aims to ensure business sustainability in an increasingly competitive market landscape.



Some MSMEs in Singapore act on decisions made at the highest level of leadership to adopt higher-level ESG practices or assign a specific individual to ensure compliance, with motivation to implement measures with the good of the planet and future generations in mind.







*"It depends on the scale of the company, or money. For me, I'm the founder. I can make a lot of these decisions. It's also my passion and desire."*

*(roundtable in Singapore, consumer goods sector)*

# Awareness, cost and expertise are top challenges for adoption

- MSMEs' views on the main challenges to adopting ESG practices suggest an acceptance that ESG is here to stay. The focus was not on the “whys”, but rather, the “hows”. Limitation in internal expertise ranked as the top challenge. In addition, MSMEs in Vietnam highlighted the difficulties encountered in sourcing sustainable suppliers and in accessing external skills/expertise.
- Consistent with the data on current practices, the top three challenges to adopting sustainability/ESG reported by MSMEs across all four countries are limited in-house skills/expertise, low awareness of sustainability/ESG, and high cost of implementation.



















































Percentage of MSMEs reporting any challenge to sustainability/ESG adoption (N=2,900)	Weighted sample average				
Limited in-house skills/expertise*	38%	43%	30%	38%	36%
Low awareness of sustainability/ESG*	36%	45%	47%	32%	29%
High cost of implementation*	36%	35%	47%	39%	29%
Difficulty sourcing sustainable suppliers*	26%	23%	17%	26%	36%
Benefits are not immediately seen*	23%	18%	17%	31%	22%
External skills/expertise are not accessible or affordable*	22%	23%	13%	18%	29%
High cost of certifications*	18%	18%	12%	18%	21%
Client base does not value it*	17%	8%	26%	20%	20%
Leadership has other priorities*	14%	5%	12%	10%	24%
Heavy reporting and compliance burdens*	12%	6%	5%	13%	21%

Note: The top three challenges for each country are highlighted. An asterisk indicates  $p < 0.05$ , signifying that the specific challenge varies significantly by country.

A10. What are the main challenges to the adoption of sustainability/ESG faced by your company? Please select up to 3 options.

# These challenges are similar across industry sectors

MSMEs across all four industry sectors encounter the same barriers as those identified at the country level.

Percentage of MSMEs reporting any challenge to sustainability/ESG adoption (N=2,900)	Weighted sample average	Consumer goods	F&B	Electrical and electronics	Tourism
Limited in-house skills/expertise	 38%	 40%	 40%	 33%	 36%
Low awareness of sustainability/ESG*	 36%	 38%	 40%	 29%	 35%
High cost of implementation	 36%	 38%	 37%	 33%	 34%
Difficulty sourcing sustainable suppliers*	 26%	 31%	 26%	 24%	 24%
Benefits are not immediately seen*	 23%	 24%	 19%	 27%	 24%
External skills/expertise are not accessible or affordable*	 22%	 20%	 21%	 21%	 26%
High cost of certifications	 18%	 17%	 19%	 18%	 18%
Client base does not value it*	 17%	 17%	 14%	 21%	 23%
Leadership has other priorities*	 14%	 12%	 11%	 14%	 19%
Heavy reporting and compliance burdens	 12%	 13%	 10%	 13%	 14%

Note: The top three challenges for each industry sector are highlighted. An asterisk indicates  $p < 0.05$ , signifying that the specific challenge varies significantly by industry sector.

A10. What are the main challenges to the adoption of sustainability/ESG faced by your company? Please select up to 3 options.



# MSMEs highlight challenges with awareness and short-termism



## Prioritization of immediate business needs over long-term ESG investments

ESG investments often yield only long-term benefits, which creates uncertainty and hesitation amongst business leaders who find it hard to justify these investments without clear, short-term financial gains.

*“For me, I think it comes back down to people need to see immediate benefits. People need to see the benefit for themselves as thinking of children etc. is way too far to project. How to think of future if got no money to procreate? There needs to be a tangible and immediate benefit. And right now I don’t think there is one? And people can’t see that. And that’s the problem.”*

*(roundtable in Singapore, consumer goods sector)*

Due to limited resources and capital, MSMEs tend to prioritize immediate business needs, even if they agree with the principles of ESG and sustainability. This is especially true amongst those who are still struggling for survival.

*“There’s no level playing field nor template that says ‘when you do this, this is what you are saving for the future, for the downstream [or] what is then incorporated’. We are harnessing solar energy, right? But we don’t see the report, from the telcos, for example, to see how much energy is being harnessed, how much is being saved, how much carbon footprint is actually being reduced.”*

*(roundtable in Singapore, electrical and electronics sector)*



## Limited perception of the relevance of ESG among leadership

ESG compliance and adoption still requires an internal shift of mindset, at the very least amongst MSME leadership to chart and lead the way towards ESG implementation.

Some MSMEs are still set in their ‘old ways’ and prefer to do ‘business as usual’, so this shift is particularly challenging. Some MSMEs in Malaysia do not see the need to understand more about ESG, because they perceive ESG as relevant only to medium and large companies.

*“ESG is too high-up, not relevant to issues on the ground.”*  
*(roundtable in Malaysia, tourism sector)*

*“I asked a colleague, ‘what is ESG?’ and then he was like ‘what is ESG?’ and we both had no idea. People think that they know what is ESG but they don’t really understand it.”*  
*(roundtable in Singapore, tourism sector)*

# Scarcity of financial and human resources is a strong limiting factor



## High financial cost of ESG implementation

The high cost of implementing ESG practices is a significant challenge for many businesses, with expenses stemming from several key areas:

1. Having to resource better quality but more expensive ESG-compliant materials
2. Investing in necessary technologies or infrastructure
3. Retraining staff to keep up with the newest technological developments
4. High licensing fees to obtain specific product labels



## Stretched human resource capacity

The shortage is particularly acute in MSMEs where roles are often multifunctional, leaving little capacity for specialized tasks. MSMEs in Singapore and Malaysia are particularly critical about ESG-related processes taking up considerable time for their already stretched staff.

*“With MSMEs, the resources to track and allocate the resources to do ESG and the cost get higher the smaller the company, fewer personnel. Having 1-3 personnel dedicated to ESG, it’s very difficult.”*

*(roundtable in Malaysia, electrical and electronics sector)*



## Gaps in knowledge and expertise

There is a general lack of understanding and expertise in ESG amongst MSME managers and stakeholders, including difficulty in finding qualified consultants and navigating unclear, complex ESG frameworks. This gap leads to confusion and ineffective implementation of ESG practices.

This occurs both in countries with lower awareness (such as Malaysia) as well as in countries with almost 100% awareness (such as Singapore), which reinforces the point that awareness does not imply understanding.

*“We know why we should do sustainability, but don’t know how.”*

*(roundtable in Malaysia, F&B sector)*

*“For my company, I was not employed for this role or to take on this portfolio, but [it was assigned to me as I] can do this based on [my past] interactions with a lot of different things. They didn’t specifically go out and hire someone.”*

*(roundtable in Singapore, electrical and electronics sector)*

# Costly ESG investments may not be rewarded

## Price sensitivity and market pressure does not reward ESG compliance

MSMEs note significant contradictions in the current market sentiment which complicate ESG implementation. For example, despite increasing awareness and demand amongst customers for ESG-compliant products and services, customers are still largely price-sensitive and are not willing to pay more to offset the MSMEs' investment in ESG, leaving MSMEs to bear the increased costs by themselves.

*"Customers are interested in eco-friendly products until [they] see the price."  
(roundtable in Malaysia, consumer goods sector)*





## Heavy reporting and compliance burdens with other complexities

- MSMEs consider some of the reporting standards, licensing, and processes to receive support for ESG to be burdensome, because they entail complicated administrative processes.
- In Indonesia, MSMEs often encounter government rules that fail to differentiate between MSMEs of different sizes or even between MSMEs and large corporations. Treating MSMEs as if they have the same capabilities and resources as large corporations creates undue burden on them.
- Regulatory alignment between the central and local governments in Indonesia is often lacking. This disparity creates gaps between MSMEs located near the central government and those under local jurisdictions.
- The enforcement of regulations in Indonesia is perceived as insufficient, particularly in regions outside the capital city. This lack of enforcement and absence of penalties diminishes the motivation for MSMEs to comply with existing regulations.

*"We are aware of the regulations, but if others around us are not complying, why should we?  
Additionally, as there are no punishments, I do not see any downside. Why bother?"  
(roundtable in Indonesia, F&B sector)*

# Specific challenges in data collection hinder and deter ESG reporting

- The main challenge for MSMEs is the difficulty in or cost of collecting timely and accurate new data. Other common barriers are the lack of industry- wide standards, and the lack of affordable, appropriate technology to facilitate compliance and reporting.
- Country analysis showed that the absence of industry-wide sustainability/ESG standards is another commonly cited barrier in Indonesia, Malaysia, and Vietnam, impacting approximately two in five MSME respondents.

Percentage of MSMEs reporting any challenge in tracking and reporting sustainability/ESG practices (N=2,553)	Weighted sample average				
Difficult/costly to collect timely, accurate new data*	45%	35%	49%	53%	46%
Lack of industry-wide sustainability/ESG standards*	35%	41%	43%	28%	37%
Lack of affordable, appropriate technology*	35%	29%	41%	37%	36%
Lack of affordable, appropriate training*	33%	34%	45%	30%	32%
Not compatible with/cannot use existing data collection*	31%	22%	18%	46%	24%
Difficult to verify data*	22%	22%	32%	12%	30%
Complicated sustainability/ESG reporting platforms*	19%	14%	17%	15%	28%
Difficult to engage stakeholders*	17%	16%	6%	8%	29%

Note: The top three challenges for each country are highlighted. An asterisk indicates  $p < 0.05$ , signifying that the specific challenge varies significantly by country.

B8. What challenges does your company face related to tracking and reporting its sustainability/ESG practices? Please select up to 3 options that apply.

B9. What challenges prevent your company from collecting data on its sustainability/ESG practices? Please select up to 3 options that apply.

# Affordable, appropriate technology may benefit most sectors

- Difficulties in data collection, multiple standards, and access to technology are common across sectors, as is incompatibility with existing data collection. **Therefore, affordable, appropriate technology may benefit most sectors.**
- The lack of standardised guidelines, high costs of data collection and the presence of multiple and sometimes conflicting data collection frameworks often impede the ability of MSMEs to measure, much less improve, the quality of their ESG policy implementation. This is a primary driver of the gap between awareness and practice. For instance, MSMEs in Singapore consider the management of carbon emissions to be important but are dissuaded by difficulty in measurement. **There is thus an urgent need for a reliable, unified source of ESG information.**

Percentage of MSMEs reporting any challenge in tracking and reporting sustainability/ESG practices (N=2,553)	Weighted sample average	Consumer goods	F&B	Electrical and electronics	Tourism
Difficult/costly to collect timely, accurate new data*	45%	49%	42%	49%	42%
Lack of industry-wide sustainability/ESG standards*	35%	31%	35%	36%	41%
Lack of affordable, appropriate technology	35%	35%	35%	32%	38%
Lack of affordable, appropriate training*	33%	32%	35%	27%	36%
Not compatible with/cannot use existing data collection*	31%	35%	27%	35%	28%
Difficult to verify data	22%	19%	23%	22%	24%
Complicated sustainability/ESG reporting platforms*	19%	18%	17%	19%	24%
Difficult to engage stakeholders	17%	16%	16%	16%	21%

Note: The top three challenges for each industry sector are highlighted. An asterisk indicates  $p < 0.05$ , signifying that the specific challenge varies significantly by industry sector.

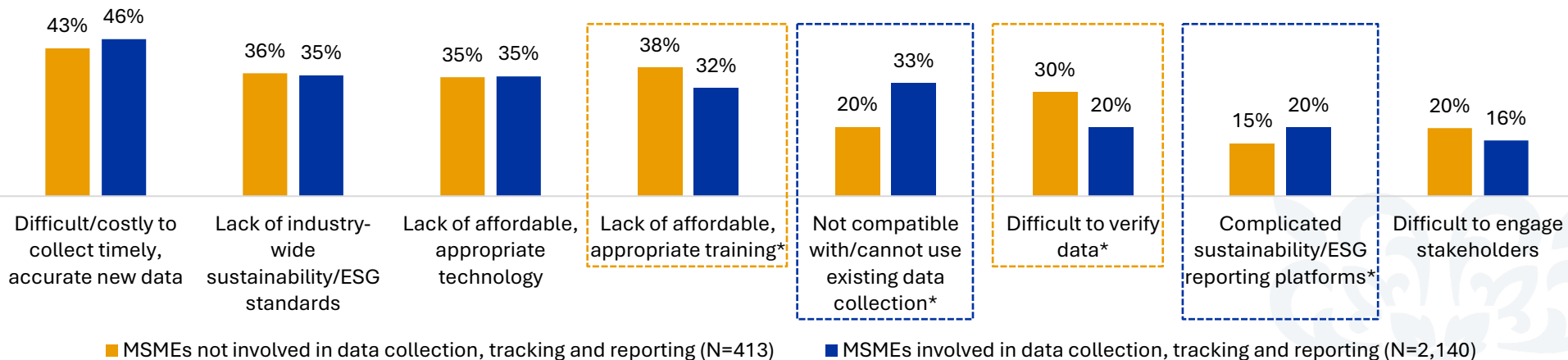
B8. What challenges does your company face related to tracking and reporting its sustainability/ESG practices? Please select up to 3 options that apply.

B9. What challenges prevent your company from collecting data on its sustainability/ESG practices? Please select up to 3 options that apply.

# Getting started and changing course requires different capabilities

- MSMEs that have **yet** to collect data or track and report sustainability/ESG practices are more likely to report a lack of affordable, appropriate training and difficulties with data verification as barriers preventing them from doing so.
- Those that are **currently** tracking and reporting cite fewer challenges and are more concerned with data non-compatibility and managing complicated reporting platforms.

Among MSMEs reporting any challenge:



Note: An asterisk indicates  $p < 0.05$ , signifying that the specific challenge varies significantly between the two groups.

B8. What challenges does your company face related to tracking and reporting its sustainability/ESG practices? Please select up to 3 options that apply.

B9. What challenges prevent your company from collecting data on its sustainability/ESG practices? Please select up to 3 options that apply.

# Challenges arise from the lack of clear, standardised guidelines



The lack of standardised guidelines and the presence of multiple frameworks are key barriers to MSME understanding and knowledge of ESG.

MSMEs in our roundtables identify the fundamental reason for their poor knowledge of ESG to be the lack of standardized guidelines. The existence of multiple, sometimes conflicting, frameworks causes confusion, which leads to their implementation of ESG measures being sporadic and variable.

*“There is not enough standards or places where people can educate themselves about it.”  
(roundtable in Singapore, electrical and electronics sector)*



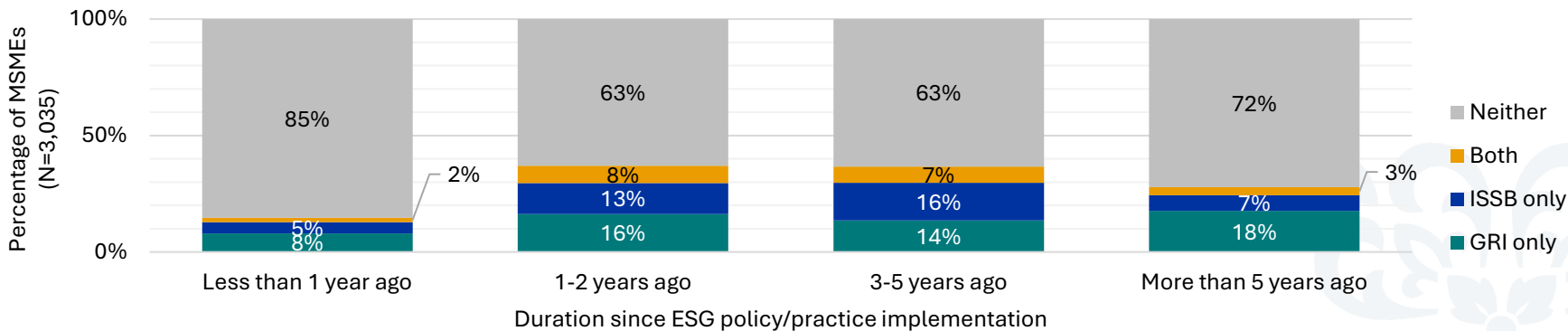
Training programs are potentially helpful but may be underutilized.

- To increase one's understanding and knowledge of ESG, training programs can be considered.
- Such training programs might be particularly useful in Indonesia, as MSMEs often rely on local workforce that is readily available and affordable but who typically have limited skills and tend to come from relatively lower educational backgrounds. Training can help upskill this workforce while improving their understanding of ESG.
- However, MSME owners may be unwilling to transfer knowledge or to entrust their employees to attend third-party training sessions, because of their uncertainty regarding the benefits of doing so.

# A combination of these challenges can lead to strong inertia

- MSMEs that started their ESG journey more than 5 years ago are most likely to remain on **GRI standards only** (18%), whereas fewer of those adopt **ISSB only** (7%) and even fewer adopt **both GRI and ISSB** (3%), although standards have shifted to ISSB.
- However, MSMEs that are more recent implementers of ESG policies/practices are more likely to be on **ISSB only** (13–16%) compared to those that remain on **GRI only** (14–16%) and those with **both GRI and ISSB** (7–8%).
- Most newly implementing firms (less than 1 year) have yet to adopt either standard (85%).

Adoption of GRI and ISSB standards by duration of ESG implementation



Note: The adoption of GRI and ISSB standards is statistically significantly different across the duration since ESG implementation ( $p < 0.05$ ).





A7. When did your company first begin adopting ESG policies or practices?

A8. Has your company adopted any standard(s) or guidelines for sustainability/ESG practices? Please select all that apply.



# Bureaucracy is a common barrier to receiving government support

- Time-consuming, complex application processes and restrictive or unclear eligibility are the most common barriers to MSMEs seeking government support, with the majority of MSMEs in Malaysia indicating these issues.
- A lack of awareness of available options is a common barrier among MSMEs in Malaysia, Singapore, and Vietnam.
- A higher proportion of MSMEs in Vietnam also highlight that government support may not meet their needs and that there are disbursement issues, which is consistent with higher levels of pursuit of nongovernmental support in Vietnam.




































Percentage of MSMEs reporting any barrier (N=2,697)	Weighted sample average									
Time-consuming, complex application*		51%		53%		71%		44%		51%
Restrictive or unclear eligibility*		42%		45%		62%		35%		39%
Support given does not meet specific needs or scale of MSMEs*		31%		29%		20%		26%		41%
Burdensome compliance processes*		29%		27%		25%		33%		28%
Lack of awareness of options*		29%		18%		39%		30%		34%
High initial costs or hidden expenses*		29%		32%		26%		19%		37%
Delayed or inconsistent disbursement*		18%		13%		9%		13%		31%

Note: The top three barriers for each country are highlighted. An asterisk indicates  $p < 0.05$ , signifying that the specific barrier varies significantly by country.

C10. What challenges might a company like yours face when seeking government support for sustainability/ESG? Please select up to 3 options that apply.

# Barriers to government support do not vary across sectors

- While industry-specific challenges exist, they are generally more consistent across sectors, suggesting that improvements in overall government processes would benefit MSMEs across all industries.
- This may reflect that government support may primarily be linked to national schemes and policies, and hence differences manifest at the country rather than sectoral level.

Percentage of MSMEs reporting any barrier (N=2,697)	Weighted sample average		Consumer goods		F&B		Electrical and electronics		Tourism	
Time-consuming, complex application*		51%		53%		52%		46%		54%
Restrictive or unclear eligibility		42%		39%		45%		40%		42%
Support given does not meet specific needs or scale of MSMEs		31%		32%		30%		27%		33%
Burdensome compliance processes		29%		28%		28%		31%		32%
Lack of awareness of options*		29%		33%		26%		28%		28%
High initial costs or hidden expenses*		29%		23%		30%		26%		34%
Delayed or inconsistent disbursement*		18%		16%		17%		16%		23%

Note: The top three barriers for each industry sector are highlighted. An asterisk indicates  $p < 0.05$ , signifying that the specific barrier varies significantly by industry sector.

C10. What challenges might a company like yours face when seeking government support for sustainability/ESG? Please select up to 3 options that apply.

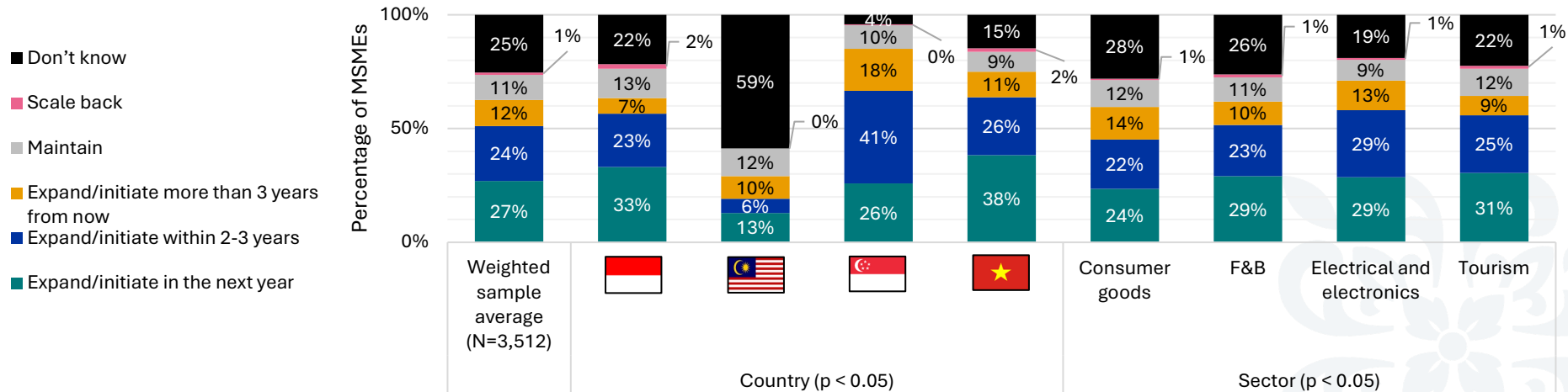
## 6 Future Directions



# More than 60% of MSMEs have future plans to expand ESG

- In Indonesia, Singapore, and Vietnam, 63%-85% of MSMEs reported some plans to expand or begin new sustainability or ESG practices while more than half plan to do so within the next three years. MSMEs in the electrical and electronics and tourism sectors report slightly higher interest in expanding their ESG practices.
- Only a small fraction (about 10%) of MSMEs intend to maintain their current ESG status, with a notable proportion uncertain about their future plans. A very small percentage (2% or less) of MSMEs with existing ESG practices intend to scale back.

Future plans for sustainability/ESG policies or practices

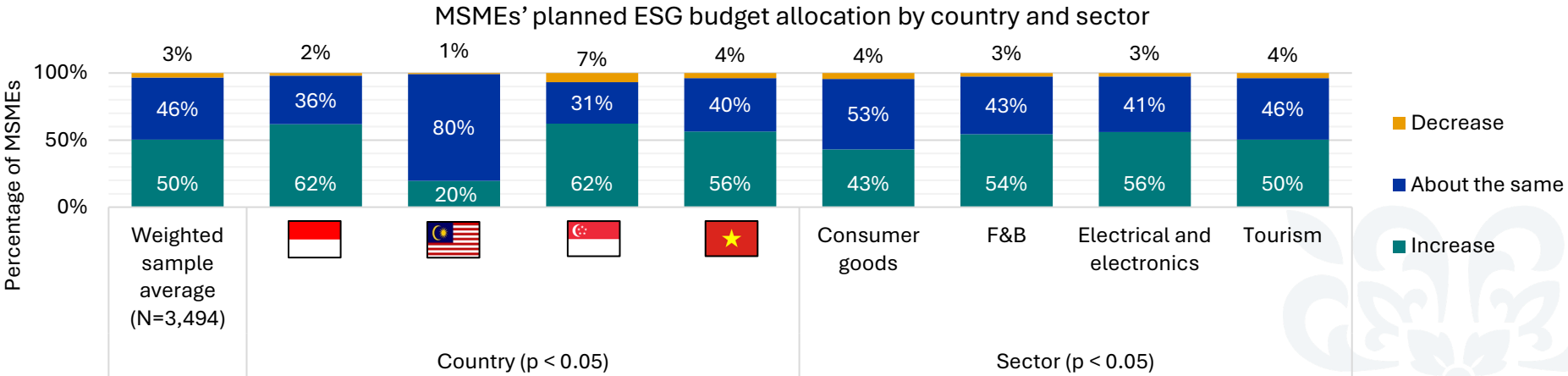


Note: A statistically significant variation in plans across countries or industry sectors is indicated by "p < 0.05".

C1. Does your company aspire to further increase or initiate new sustainability/ESG policies or practices in the future?

# In line with this, MSMEs are looking to increase budget allocations

- Among MSMEs with current or planned future ESG practices, there is a strong trend towards increasing ESG budgets, suggesting that MSMEs have accepted the need to do more with respect to ESG.
- A sizeable fraction of MSMEs in Indonesia (62%), Singapore (62%), and Vietnam (56%) plan to raise budgets over the next three years, which is also the case for a small but significant share of MSMEs in Malaysia (20%).
- Fewer than 5% overall intend to reduce their spending.



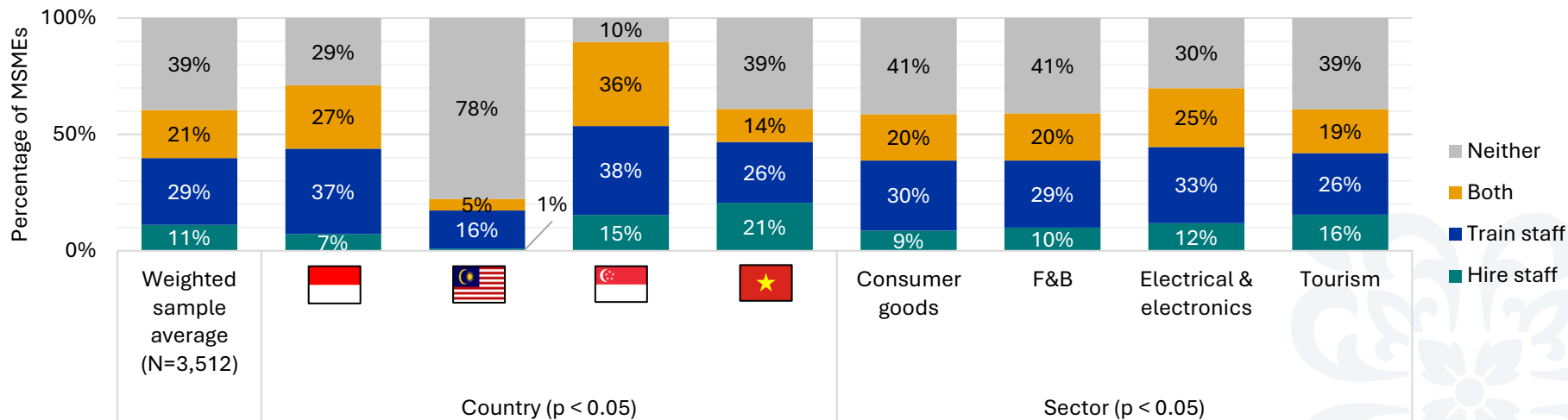
Note: A statistically significant variation in the planned ESG budget allocation across countries or industry sectors is indicated by “p < 0.05”.

C5. [This question is not asked if company has no plans to adopt and is currently not adopting any practices] Thinking about three years from now (2027), do you think your company budget for sustainability/ESG is likely to increase, decrease or stay the same?

# The majority plan to increase capacity but prefer training to hiring

- There is a preference for internal expertise, as 60% of all MSMEs in our study aim to expand their staff capacity for ESG efforts in the next 12 months.
- Among those that plan to do so, the preference is to train an existing staff, compared to hiring or a combination of both.

Plans to hire or train staff for sustainability/ESG work in the next 12 months





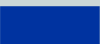
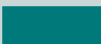
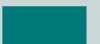
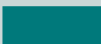
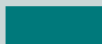



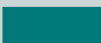
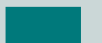













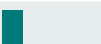




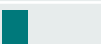








Note: A statistically significant variation in the staff hiring/training plans across countries or industry sectors is indicated by "p < 0.05".

B3. In the next 12 months, do you plan to hire or train staff to work on sustainability/ESG?

# Waste management will remain a leading environmental priority

- Waste management continues to be a top priority among MSMEs reporting environmental practices (58%).
- There is increasing interest to move beyond waste management, to increasing use of renewable energy use and reducing greenhouse gas emissions.








































Percentage of MSMEs (N=3,494)		Weighted sample average				
None*		19%	10%	65%	1%	3%
<b>Percentage of MSMEs reporting future priorities in environmental impact (N=2,892)</b>						
Basic	Reduce and dispose of waste properly (including recycling)*	 58%	 57%	 49%	 59%	 60%
	Reduce energy use, including adopting renewable energy*	 41%	 20%	 32%	 58%	 44%
	Reduce carbon and other greenhouse gas emissions*	 34%	 20%	 21%	 56%	 29%
	Reduce water use*	 33%	 32%	 18%	 39%	 32%
Good	Protect nature and biodiversity*	 25%	 32%	 25%	 12%	 30%
	Source for sustainable suppliers*	 24%	 23%	 27%	 15%	 33%
Progressive	Develop environmentally-friendly products (including recyclables)*	 37%	 42%	 49%	 20%	 49%

Note: An asterisk indicates  $p < 0.05$ , signifying that the specific priority varies significantly by country.

C2. What are your company's top future priorities in the area of environmental impact? Please select up to 3 options that apply.

# Labor-related practices continue to be the key social concern

MSMEs will continue to be highly focused on maintaining fair wages, health and safety, and employee training and development as leading priorities for their future ESG agenda.

Percentage of MSMEs (N=3,494)		Weighted sample average				
None*		20%	7%	73%	1%	1%
<b>Percentage of MSMEs reporting future priorities in social practice (N=2,886)</b>						
Basic	Ensure fair wages and working conditions without discrimination*	 54%	 60%	 63%	 45%	 54%
	Safeguard employee health and safety*	 54%	 60%	 49%	 48%	 56%
	Provide employees with training and career development*	 45%	 42%	 61%	 47%	 42%
Good	Track and ensure customer satisfaction*	 31%	 28%	 24%	 26%	 42%
	Provide insurance coverage to employees*	 31%	 24%	 16%	 28%	 44%
Progressive	Support well-being of local communities*	 23%	 21%	 28%	 20%	 25%
	Provide payment options and emergency advances to employees*	 16%	 14%	 9%	 17%	 17%








































Note: An asterisk indicates  $p < 0.05$ , signifying that the specific priority varies significantly by country.

C3. What are your company's top future priorities in the area of social impact? Please select up to 3 options that apply.



# Compliance teams have become a top future priority for governance

Having a team to oversee compliance with laws and regulation has risen in priority from second to first, mainly driven by MSMEs in Singapore, although ESG reporting remains low even as a future priority.





























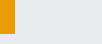




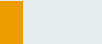

	Percentage of MSMEs (N=3,494)	Weighted sample average				
	None*	27%	19%	86%	1%	7%
<b>Percentage of MSMEs reporting any governance practice (N=2,637)</b>						
Basic	Have a team to oversee compliance with laws and regulation*	 52%	 37%	 47%	 60%	 58%
	Have anti-corruption safeguards*	 44%	 56%	 32%	 48%	 32%
	Maintain independent board of directors	 28%	 24%	 24%	 29%	 30%
Good	Have cybersecurity or data protection safeguards*	 36%	 19%	 19%	 41%	 48%
	Have external auditor/audit committee*	 34%	 21%	 39%	 54%	 24%
	Have women in senior management or leadership*	 33%	 37%	 40%	 28%	 33%
Progressive	Publish report on ESG practices*	 18%	 10%	 16%	 10%	 34%

Note: An asterisk indicates  $p < 0.05$ , signifying that the specific priority varies significantly by country.

C4. What are your company's top future priorities in the area of good governance? Please select up to 3 options that apply.

# Future ESG priorities are also mostly consistent across sectors

Most environmental priorities are commonly held across the four industry sectors, with the exception of protecting nature and biodiversity, which is significantly higher for MSMEs in the F&B and tourism sector.

	Percentage of MSMEs (N=3,494)	Weighted sample average	Consumer goods	F&B	Electrical and electronics	Tourism
	None*	19%	26%	19%	15%	16%
<b>Percentage of MSMEs reporting implementation of any environmental practice (N=2,892)</b>						
Basic	Reduce and dispose of waste properly (including recycling)*	 58%	 61%	 59%	 50%	 56%
	Reduce energy use, including adopting renewable energy*	 41%	 41%	 32%	 54%	 42%
	Reduce carbon and other greenhouse gas emissions*	 34%	 38%	 25%	 46%	 32%
	Reduce water use	 33%	 31%	 35%	 32%	 30%
Good	Protect nature and biodiversity*	 25%	 19%	 29%	 15%	 32%
	Source for sustainable suppliers	 24%	 23%	 25%	 19%	 27%
Progressive	Develop environmentally-friendly products (including recyclables)	 37%	 37%	 38%	 34%	 42%

Note: An asterisk indicates  $p < 0.05$ , signifying that the specific priority varies significantly by industry sector.

C2. What are your company's top future priorities in the area of environmental impact? Please select up to 3 options that apply.

# Future ESG priorities are mostly consistent across sectors

Social priorities are also commonly held across sectors.




































	Percentage of MSMEs (N=3,494)	Weighted sample average	Consumer goods	F&B	Electrical and electronics	Tourism
	None*	20%	28%	20%	15%	14%
<b>Percentage of MSMEs reporting any social practice (N=2,886)</b>						
Basic	Ensure fair wages and working conditions without discrimination*	54%	52%	58%	48%	55%
	Safeguard employee health and safety*	54%	53%	57%	53%	50%
	Provide employees with training and career development	45%	44%	45%	45%	46%
Good	Track and ensure customer satisfaction*	31%	31%	26%	27%	40%
	Provide insurance coverage to employees*	31%	32%	27%	30%	35%
Progressive	Support well-being of local communities	23%	21%	25%	21%	23%
	Provide payment options and emergency advances to employees	16%	15%	15%	14%	18%

Note: An asterisk indicates  $p < 0.05$ , signifying that the specific priority varies significantly by industry sector.

C3. What are your company's top future priorities in the area of social impact? Please select up to 3 options that apply.

# Future ESG priorities are mostly consistent across sectors

Sectoral variation in future priorities with respect to governance practices is also relatively low.





	Percentage of MSMEs (N=3,494)	Weighted sample average	Consumer goods	F&B	Electrical and electronics	Tourism
None*		27%	36%	28%	20%	23%
<b>Percentage of MSMEs reporting any governance practice (N=2,637)</b>						
Basic	Have a team to oversee compliance with laws and regulation*	 52%	 57%	 46%	 56%	 52%
	Have anti-corruption safeguards*	 44%	 45%	 49%	 40%	 42%
	Maintain independent board of directors	 28%	 25%	 29%	 26%	 30%
Good	Have cybersecurity or data protection safeguards*	 36%	 39%	 27%	 39%	 42%
	Have external auditor/audit committee*	 34%	 39%	 28%	 44%	 29%
	Have women in senior management or leadership*	 33%	 29%	 36%	 29%	 36%
Progressive	Publish report on ESG practices	 18%	 16%	 17%	 20%	 21%

Note: An asterisk indicates  $p < 0.05$ , signifying that the specific priority varies significantly by industry sector.

C4. What are your company's top future priorities in the area of good governance? Please select up to 3 options that apply.

# Future motivation for ESG is shifting from regulation to markets

Motivations for future ESG efforts were a mix of an increasing acknowledgement of the potential to reap business benefits, and more tempered expectations of regulatory requirements. **Reducing costs and increasing long-run efficiency** remains the overall primary motivation for future ESG efforts. The **potential to gain new clients** is an even more powerful motivator, while meeting regulatory requirements increased in importance in Indonesia and Malaysia but fell in Singapore and Vietnam.

Percentage of MSMEs reporting any motivation (N=2,898)	Weighted sample average				
Lowering costs and increasing long-run efficiency	38%	40%	33%	39%	36%
Meeting increased demand for sustainable products and services*	35%	39%	43%	31%	35%
Gaining new clients / entering new markets with ESG requirements*	32%	28%	46%	24%	39%
Keeping and attracting talent*	31%	50%	13%	29%	22%
Improving branding and reducing reputational risk*	30%	29%	37%	25%	34%
Meeting government/regulatory requirements*	22%	19%	21%	21%	26%
Attracting new investors seeking ESG-related opportunities*	19%	13%	14%	17%	29%
Securing financial incentives (e.g., financial support schemes, tax rebates)*	16%	8%	11%	19%	23%
Strong company culture and leadership commitment*	13%	7%	17%	11%	20%
Following industry ESG best practices*	13%	5%	11%	18%	17%



















































Note: The top three motivations for each country are highlighted. An asterisk indicates  $p < 0.05$ , signifying that the specific motivation varies significantly by country.

C6A. What are the main benefits related to adopting sustainability/ESG practices that you foresee your company gaining in the future? Please select up to 3 options that apply.

C6B. What are the main factors that would motivate your company to adopt sustainability/ ESG practices in the future? Please select up to 3 options that apply.

# These changes in motivation are clear, regardless of sector

While fundamental cost and revenue drivers remain top issues, keeping and attracting talent has emerged as a key motivation for ESG implementation across all four industry sectors.

Percentage of MSMEs reporting any motivation (N=2,898)	Weighted sample average	Consumer goods	F&B	Electrical and electronics	Tourism
Lowering costs and increasing long-run efficiency	 38%	 38%	 40%	 35%	 35%
Meeting increased demand for sustainable products and services	 35%	 36%	 37%	 32%	 36%
Gaining new clients / entering new markets with ESG requirements	 32%	 35%	 32%	 29%	 31%
Keeping and attracting talent*	 31%	 28%	 34%	 23%	 34%
Improving branding and reducing reputational risk	 30%	 30%	 30%	 29%	 32%
Meeting current government/regulatory requirements	 22%	 21%	 21%	 23%	 23%
Attracting new investors seeking ESG-related opportunities*	 19%	 20%	 17%	 25%	 16%
Securing financial incentives (e.g., financial support schemes, tax rebates)*	 16%	 15%	 15%	 18%	 19%
Strong company culture and leadership commitment*	 13%	 12%	 11%	 12%	 19%
Following industry ESG best practices*	 13%	 15%	 10%	 15%	 14%








































Note: The top three motivations for each industry sector are highlighted. An asterisk indicates  $p < 0.05$ , signifying that the specific motivation varies significantly by industry sector.

C6A. What are the main benefits related to adopting sustainability/ESG practices that you foresee your company gaining in the future? Please select up to 3 options that apply.

C6B. What are the main factors that would motivate your company to adopt sustainability/ ESG practices in the future? Please select up to 3 options that apply.

# Government support can be impactful but must match local needs

- The majority of MSMEs in Singapore and Vietnam find tax deductions or credits to be the most impactful form of government support (54% and 52% respectively). In Indonesia, streamlined permits or approvals (58%) are seen as the most impactful, while in Malaysia, it is grants, subsidies, or prizes (85%).
- A higher proportion of MSMEs in Singapore indicate that simplified and harmonized regulatory frameworks and requirements (47%) would be impactful, while those in Vietnam emphasize the importance of training (42%), advisory (34%), and technology support (26%).

Percentage of MSMEs indicating preference for any form of support (N=2,784)	Weighted sample average				
Tax deductions or credits*	 49%	 39%	 49%	 54%	 52%
Streamlined permits/approvals for sustainability/ESG-related projects*	 45%	 58%	 19%	 37%	 49%
Grants, subsidies or prizes*	 38%	 23%	 85%	 38%	 34%
Simplified/harmonized regulatory frameworks and requirements*	 35%	 31%	 13%	 47%	 31%
Specialized training and upskilling on ESG fundamentals and practices*	 30%	 32%	 21%	 21%	 42%
Advisory/consultancy related to sustainability/ESG*	 22%	 20%	 8%	 16%	 34%
Technology such as digital tools to enable reporting and compliance*	 17%	 15%	 6%	 13%	 26%




































Note: The top form of support preferred by each country is highlighted. An asterisk indicates  $p < 0.05$ , signifying that the specific preferred support varies significantly by country.

C9. Which types of government support would most impact your company's decisions to consider further increasing its sustainability/ESG practices?

Please select up to 3 options that apply.

# Across sectors, tax deduction or credits are most preferred

- MSMEs across all sectors find tax deductions or credits (47–51%) to be the most impactful form of government support.
- Also, across the board, streamlining permits and approvals, as well as direct financial transfers, are the next most highly desired form of support. In the consumer goods, F&B and tourism sectors, streamlining permits and approvals are even more frequently desired than grants/subsidies (42-50% versus 35-40%), unlike the electrical and electronics sector, in which MSMEs are equally likely to prefer either type of support (37%).

Percentage of MSMEs indicating preference for any form of support (N=2,784)	Weighted sample average	Consumer goods	F&B	Electrical and electronics	Tourism
Tax deductions or credits	 49%	 50%	 48%	 51%	 47%
Streamlined permits/approvals for sustainability/ESG-related projects*	 45%	 42%	 50%	 37%	 45%
Grants, subsidies or prizes	 38%	 39%	 35%	 37%	 40%
Simplified/harmonized regulatory frameworks and requirements	 35%	 37%	 33%	 37%	 31%
Specialized training and upskilling on ESG fundamentals and practices*	 30%	 28%	 27%	 28%	 37%
Advisory/consultancy related to sustainability/ESG*	 22%	 20%	 19%	 21%	 27%
Technology such as digital tools to enable reporting and compliance*	 17%	 14%	 15%	 18%	 20%

Note: The top form of support preferred by each industry sector is highlighted. An asterisk indicates  $p < 0.05$ , signifying that the specific preferred support varies significantly by industry sector.

C9. Which types of government support would most impact your company's decisions to consider further increasing its sustainability/ESG practices?

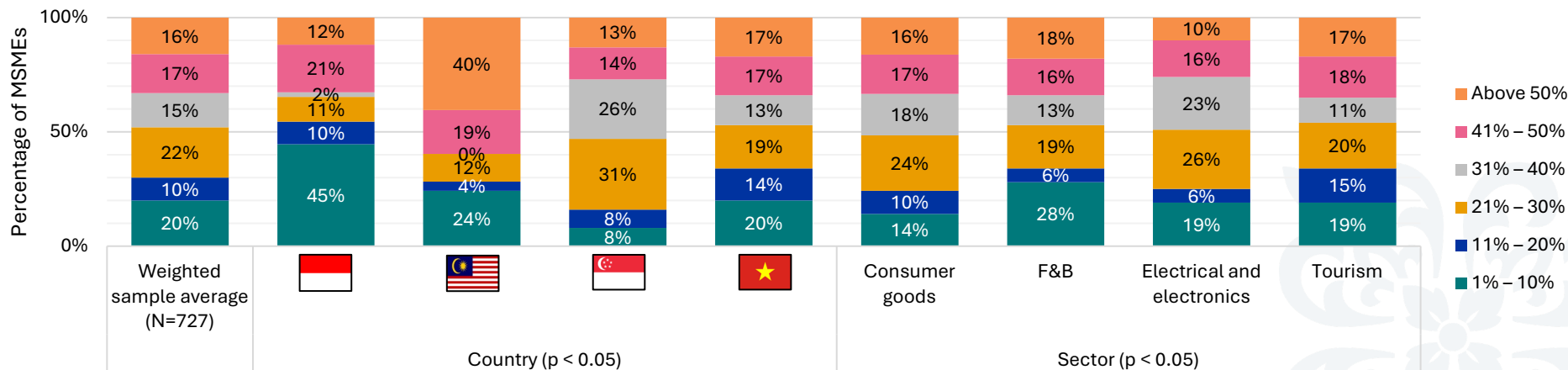
Please select up to 3 options that apply.



# Levels of government support required for change vary by country

- When asked an optional question about how much government subsidy would be needed to impact their decision to undertake an ESG project, MSMEs gave responses that varied significantly by country (but not sector).
- MSMEs in Indonesia would be willing to accept lower levels of subsidy, with the largest share (45%) accepting a fairly minimal government subsidy of 1–10%. MSMEs in Singapore tend to cluster around the range of 21–40%, while those in Vietnam display a relatively balanced distribution across different subsidy levels. In contrast, MSMEs in Malaysia show a stronger inclination towards higher subsidies, with 40% requiring a subsidy level above 50%.

Minimum level of government subsidy desired (as a percentage of total project cost)



Note: A statistically significant variation in the desired level of support across countries or industry sectors is indicated by "p < 0.05". Responses marked as "don't know" were excluded from the analysis.

C13. Suppose a government subsidy program for sustainability/ESG projects were to become available. What minimum level of support would incentivize your company to consider undertaking an additional substantial sustainability/ESG-related project within the next 1-2 years? Please state in % of total project cost.

# MSMEs still see governments in the role of overall ESG stewardship

Government leadership is important to achieve the behavioral change critical to support ESG implementation.

- MSMEs believe that addressing the current binding constraint of awareness and knowledge gaps in ESG practices and implementation requires proactive measures from the government:
  - To provide information and disseminate knowledge
  - To establish clear standards and guidelines for ESG practices, including a unifying framework that culminates in certification (including to distill and clarify the often-conflicting information)
  - To support capacity and knowledge building through the education of consumers and training of MSMEs
- For MSMEs, there is a need for training/upskilling, particularly for practical, hands-on training that addresses their specific operational challenges and industry contexts.
- For consumers, there is a need for education that would lead to behavior change, such as reducing their own waste and being willing to pay higher prices for ESG-compliant products and services.







# Government support is critical for implementing change at scale

MSMEs perceive the government to be well positioned to offer financial incentives, recognition and rewards, as well as opportunities for business development.

- The government is well positioned to offer appropriate financial incentives that are not burdensome and easily accessible to MSMEs, such as tax reductions and tax refunds (both of which are seen as equally attractive).
- Grants and subsidies for specific ESG practices would help to reduce cost and lower the barrier to adopt ESG measures. Malaysian MSMEs note that the usefulness of the funding support depends not only on the quantum, but also on the timing and speed of fund disbursement.
- There could be initiatives to help MSMEs lower business costs, for example, to reduce the waste disposal fees of companies that adhere to sustainable waste management practices.
- MSMEs suggest that the government can further provide recognition and reward for sustainable practices, e.g., in the form of awards or public recognition for companies that have successfully adopted and maintained ESG measures.
- MSMEs in Indonesia additionally identify that the government could provide critical support for business development by facilitating connections and fostering relationships with corporate clients through initiatives such as business matchmaking events or procurement platforms. The government could thus help MSMEs secure contracts that support their growth and sustainability goals.

# Corporate clients can also shape ESG implementation

- Most MSMEs rate preferential contracting as the most impactful form of desired future support from corporate clients, including longer-term contracts, higher prices and other favorable terms of procurement.
- Notably, MSMEs in Malaysia are more likely to be incentivized by financial support in the form of grants, subsidies or awards (59%) while those in Vietnam have relatively high interest in training (36%), technology (22%), and advisory/consultancy (25%).

Percentage of MSMEs reporting any form of incentive (N=2,327)	Weighted sample average				
Longer-term contracts guaranteeing steady business*	50%	65%	38%	40%	48%
Higher prices for sustainable products or services*	37%	36%	23%	42%	38%
Preferential payment terms such as shorter payment cycles*	27%	22%	13%	31%	33%
Guaranteed minimum purchase volumes*	25%	19%	26%	24%	32%
Bonuses or incentives for meeting sustainability targets*	23%	23%	24%	28%	19%
Grants, subsidies or awards*	20%	16%	59%	18%	15%
Specialized training and upskilling on ESG fundamentals and practices*	20%	19%	11%	12%	36%
Technology such as digital tools to enable reporting and compliance*	13%	10%	5%	12%	22%
Advisory/consultancy related to sustainability/ESG*	13%	9%	6%	11%	25%

Note: The top form of support preferred by each country is highlighted. An asterisk indicates  $p < 0.05$ , signifying that the specific preferred support varies significantly by country.

C8. Which types of incentives from a corporate client would most impact your company's decisions to consider further increasing its sustainability/ESG practices?

Please select up to 3 options that apply.

# Across sectors, longer-term contracts are most impactful

- MSMES in all sectors report that demand-side incentives from corporate clients are most likely to change behavior in the longer-term, most significantly long-term contracts (39-55%).
- In particular, MSMEs in the tourism sector are more inclined towards grants, subsidies or awards (35%).

Percentage of MSMEs reporting any form of incentive (N=2,327)	Weighted sample average	Consumer goods	F&B	Electrical and electronics	Tourism
Longer-term contracts guaranteeing steady business*	50%	49%	55%	44%	39%
Higher prices for sustainable products or services	37%	41%	37%	35%	29%
Preferential payment terms such as shorter payment cycles	27%	29%	27%	27%	22%
Guaranteed minimum purchase volumes	25%	26%	25%	26%	16%
Bonuses or incentives for meeting sustainability targets*	23%	26%	20%	24%	30%
Grants, subsidies or awards*	20%	16%	20%	22%	35%
Specialized training and upskilling on ESG fundamentals and practices	20%	19%	20%	18%	26%
Technology such as digital tools to enable reporting and compliance*	13%	12%	12%	16%	14%
Advisory/consultancy related to sustainability/ESG*	13%	13%	11%	16%	13%

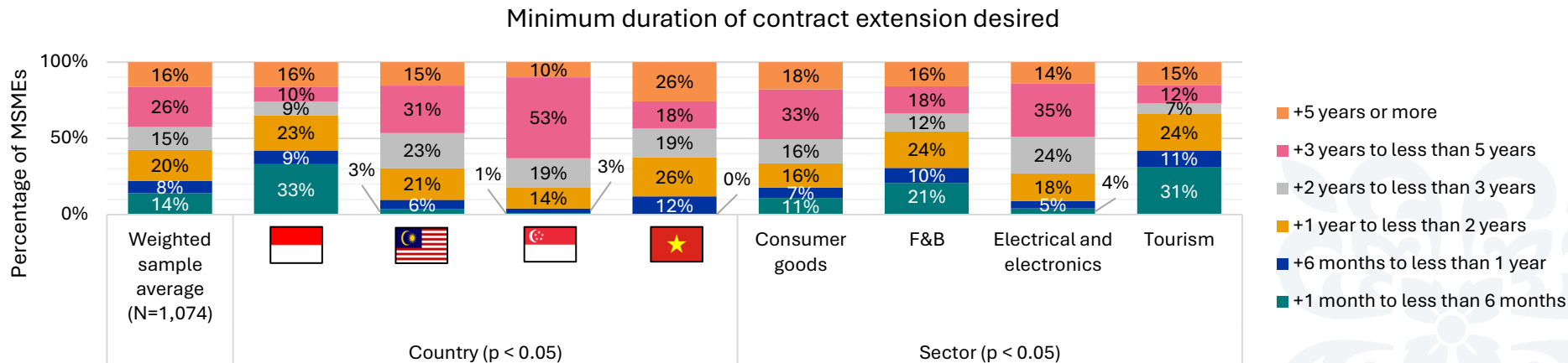
Note: The top form of support preferred by each industry sector is highlighted. An asterisk indicates  $p < 0.05$ , signifying that the specific preferred support varies significantly by industry sector.

C8. Which types of incentives from a corporate client would most impact your company's decisions to consider further increasing its sustainability/ESG practices?

Please select up to 3 options that apply.

# The level of incentives needed varies by both country and sector

- When asked about what contract extension would be required to incentivize change, the largest share of MSMEs in Malaysia (31%) and Singapore (53%) feel that a contract extension would need to be **more than 3 years to less than 5 years** to entice suppliers to adopt sustainability/ESG practices. In contrast, a significant share of MSMEs in Indonesia (33%) would require much shorter contract extensions of **1 to 6 months**, while some Vietnamese firms were most likely to require extensions of **5 years and over** (26%).
- MSMEs in the consumer goods and electrical and electronics sectors tend to require longer contract extensions, with the highest proportions favoring **more than 3 years to less than 5 years** (33% and 35% respectively). In contrast, MSMEs in the F&B and tourism sectors would respond to shorter extensions, potentially reflecting sectoral differences.



Note: A statistically significant variation in the desired level of support across countries or industry sectors is indicated by " $p < 0.05$ ". Responses marked as "don't know" were excluded from the analysis.

C12. Suppose that a typical corporate client is offering longer-term contract extensions to suppliers who adopt sustainability/ESG practices. What is the minimum contract extension would be needed for your company to consider taking this up as a supplier?

# MSMEs look to corporate partners to shape market conditions



## Payment of higher purchase prices for MSME products

- Roundtable participants reiterate that willingness on the part of corporate clients to pay a higher price for ESG-compliant products would be a good enabler for MSMEs to implement ESG measures.
- Alternatively, MSMEs in Vietnam suggest that large suppliers could reduce their product prices as a form of support for ESG implementation. However, the MSMEs are equally concerned about the potential financial strain on suppliers and whether such reductions would significantly support ESG implementation.



## Preferential contracting from corporate clients













































- MSMEs suggest that longer-term contracts (i.e., five years or longer) would be attractive support for ESG. However, some MSMEs recognize the difficulty of longer-term contracts particularly if the price is locked in, which, depending on market changes, might benefit one party and disadvantage the other. MSMEs in Singapore suggest that preconditions be used to adjust the price, so as to create some level of fairness.
- Indonesian MSMEs note that these arrangements benefit smaller MSMEs that often lack the scale and financial stability required to commit to lengthy contracts, leading them to focus on shorter-term agreements which lack stability and opportunities for growth.

Other measures to steady revenue streams and maintain staff levels would also help with ESG implementation.

- MSMEs suggest that corporate clients could pre-pay orders and prioritize order volumes, especially during the off-season, to generate steady revenue streams and maintain staff levels, providing a stable financial foundation for ESG initiatives.
- Additionally, corporate clients can offer grants, e.g., through a competition of CSR programs, as a form of direct financial support for ESG-compliant MSMEs.
- Lastly, MSMEs note that corporate clients could support ESG adoption through technology transfer and training. This support is particularly crucial for industries such as the electrical and electronics sector, where the adoption of new technologies and practices has the potential to significantly enhance sustainability efforts.

# Financial institutions can play different roles within each country

- While MSMEs see a role for the financial sector beyond lending, **lower interest rates for loans for companies meeting ESG standards** and **lower interest rates for sustainability-related loans** are the top types of support from financial institutions that would influence the increased adoption of sustainable practices by MSMEs.
- MSMEs across different countries have distinct needs for support from financial institutions. In both Malaysia and Singapore, the top forms of support that would impact MSMEs' decisions to further their sustainability/ ESG practices are lower interest rates and grants/subsidies/prizes. Notably, MSMEs in Indonesia value simplified applications (43%) and zero collateral (37%) while those in Singapore value advisory support (33%), and those in Vietnam, training (44%) and technological support (30%).

Percentage of MSMEs reporting any form of support (N=2,724)	Weighted sample average				
Lower interest rates for loans for companies meeting sustainability/ESG standards*	 40%	 22%	 27%	 50%	 49%
Lower interest rates for sustainability/ESG-related loans*	 39%	 42%	 28%	 37%	 42%
Grants, subsidies or prizes*	 39%	 25%	 82%	 49%	 28%
Simplified applications/faster approval for sustainability/ESG-related loans*	 31%	 43%	 17%	 18%	 37%
Specialized training and upskilling on ESG fundamentals and practices*	 26%	 23%	 15%	 15%	 44%
Zero collateral requirement for sustainability/ESG-related loans*	 23%	 37%	 17%	 14%	 22%
Advisory/consultancy related to sustainability/ESG*	 23%	 15%	 5%	 33%	 23%
Technology such as digital tools to enable reporting and compliance*	 18%	 12%	 7%	 14%	 30%

Note: The top form of support preferred by each country is highlighted. An asterisk indicates  $p < 0.05$ , signifying that the specific preferred support varies significantly by country.

C7. Which types of support from financial institutions would most impact your company's decisions to consider further increasing its sustainability/ESG practices?

Please select up to 3 options that apply.



# The impact of support from financial institutions also varies by sector

- MSMEs across sectors share a common need for financial incentives such as lower interest rates and grants/ subsidies/prizes, but sector-specific variations highlight different priorities.
- The tourism sector focuses more on training (38%) and technological support (22%) while the F&B sector prioritizes simplified applications (36%) and zero collateral loans (29%).

Percentage of MSMEs reporting any form of support (N=2,724)	Weighted sample average	Consumer goods	F&B	Electrical and electronics	Tourism
Lower interest rates for loans for companies meeting sustainability/ESG standards*	40%	44%	34%	46%	38%
Lower interest rates for sustainability/ESG-related loans	39%	38%	40%	37%	39%
Grants, subsidies or prizes*	39%	44%	37%	37%	40%
Simplified applications/faster approval for sustainability/ESG-related loans*	31%	27%	36%	25%	32%
Specialized training and upskilling on ESG fundamentals and practices*	26%	20%	23%	23%	38%
Zero collateral requirement for sustainability/ESG-related loans*	23%	22%	29%	18%	20%
Advisory/consultancy related to sustainability/ESG*	23%	23%	17%	29%	24%
Technology such as digital tools to enable reporting and compliance*	18%	16%	17%	17%	22%

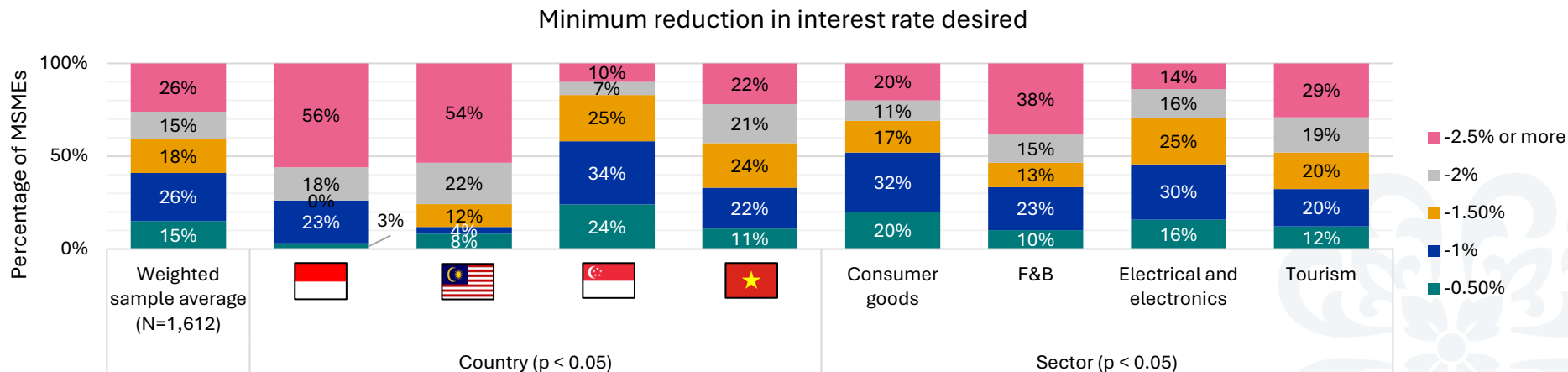
Note: The top form of support preferred by each industry sector is highlighted. An asterisk indicates  $p < 0.05$ , signifying that the specific preferred support varies significantly by industry sector.

C7. Which types of support from financial institutions would most impact your company's decisions to consider further increasing its sustainability/ESG practices?

Please select up to 3 options that apply.

# The discount required from financial institutions varies significantly too

- When asked to consider how much interest rate discounts would be needed to motivate investment in ESG, MSMEs in Indonesia and Malaysia require very significant interest rate reduction of **-2.5% or more**. Singaporean MSMEs are more interest-rate sensitive, with their answers clustered around a reduction of **-0.5% to -1.5%**. The answers from Vietnamese MSMEs display a more even distribution across the range of **-1% to -2.5% or more**.
- Sectoral responses are more widely distributed, with MSMEs in the F&B and tourism sectors require interest rate reductions of **-2.5% or more**, whereas MSMEs in the consumer goods and electrical and electronics sectors lean toward moderate reductions of **-0.5% to -1.5%**.



Note: A statistically significant variation in the desired level of support across countries or industry sectors is indicated by "p < 0.05". Responses marked as "don't know" were excluded from the analysis.

C11. Suppose that a financing scheme is offering lower interest rates on loans for sustainability/ESG related projects. What minimum reduction in interest rates (p.a.) would be needed for your company to consider taking up such projects?

# MSMEs see a role for the financial sector as supporting beyond lending



## Lower-interest loans are attractive, but not to all

While MSMEs would be interested in preferential interest rates from green loans and other instruments, the preferred rates varied:

- The desired reduction in interest rate ranged from 2-3% in Singapore to 30% in Vietnam.
- Malaysian MSMEs consider a loan attractive if the interest rate is less than 3%.
- Indonesian MSMEs prefer an interest rate that is lower than 3% per annum for supermicro loans under Rp 10 million and ranging from 6% to 9% per annum for loans up to Rp 100 million (micro loan) and Rp 500 million (small loan).

Notably, some MSMEs are generally reluctant to incur any debt at all to implement ESG measures, because there is no immediate guarantee of return on investment from taking the loan. Furthermore, MSMEs in Indonesia report being averse to taking loans also because the practice is seen as religiously usurious.

## Other direct support is welcome

- MSMEs prefer financial support that directly provides immediate and tangible benefits for implementing ESG practices, such as a grant or a subsidy to offset the upfront cost of equipment and operational expenses required to implement ESG practices.



## Simplified access to financial support

- MSMEs in Malaysia highlight additional challenges in accessing loans for small enterprises, such as stipulations that the company be 3 years or older to apply and in possession of 2-3 years of audited financial statements.
- Simplifying access to financial support would make it easier for small enterprises to qualify for financial support without facing complex and restrictive barriers.
- Furthermore, a longer repayment period could be considered to reduce the risk of taking the loan and to alleviate stress with respect to MSME revenue targets and prioritization of short-term expenditure.

*"[Applying for loans] is a very long process. More than 6 months to get operation loan, cut the figure low. Can't do anything but pay salary and other petty things, so can't get back the money, but still have to repay loan. If can get big amount can redo facilities and attract more customers."*

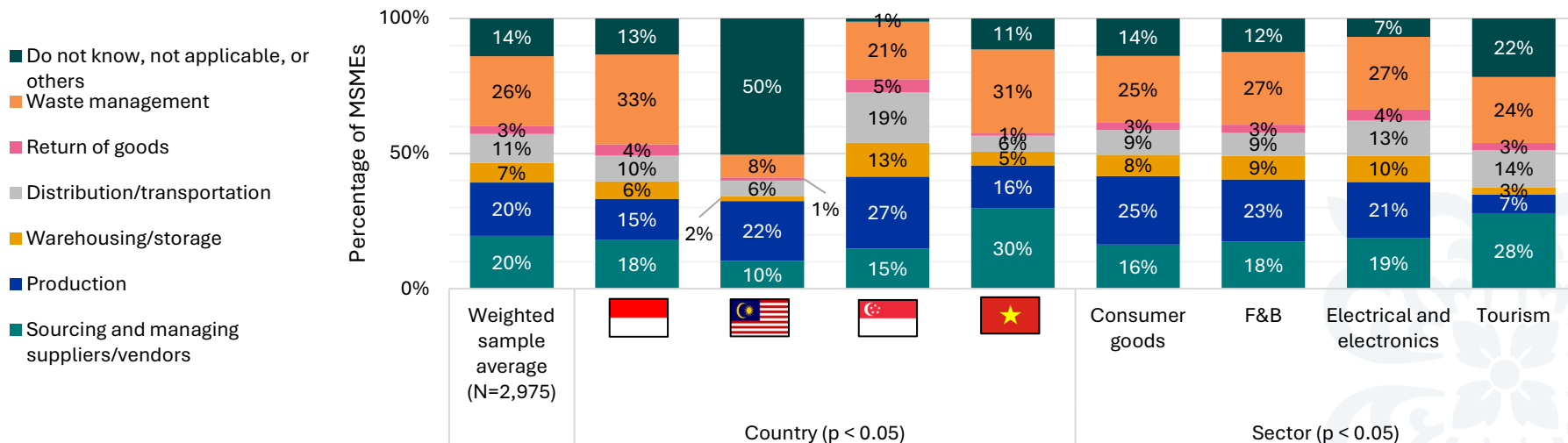
*(roundtable in Malaysia, tourism sector)*

# Annex: Supply chain challenges

# Environmental concerns in MSME supply chains largely relate to waste

- Supply chain challenges for MSMEs implementing environmental practices are most likely to manifest in the area of waste management (reported by nearly 30%), sourcing and managing suppliers/vendors (20%), and production (20%).
- Singaporean MSMEs are more likely to focus on distribution/transportation issues (19%), while Vietnamese MSMEs face challenges when sourcing and managing suppliers/vendors (30%).
- Some challenges are clearly sector-specific. For instance, MSMEs in the tourism sector also face challenges sourcing and managing suppliers/vendors (28%), but fewer report issues with production (7%) and warehousing/storage (3%).

Supply chain challenges in implementing environmental practices

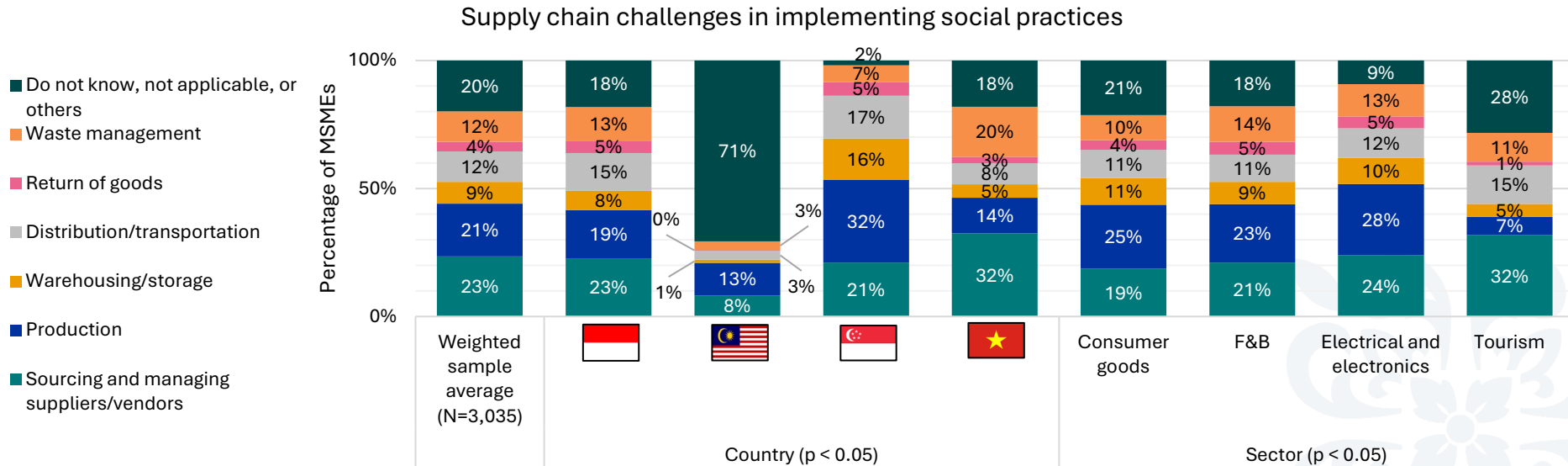


Note: A statistically significant variation in supply chain challenges across countries or industry sectors is indicated by "p < 0.05".

A11. Thinking about your company's entire supply chain, where do you face the most challenges with respect to environmental impact, such as managing emissions?

# Social concerns focus on production and supplier sourcing/management

- MSMEs across all categories identify sourcing and managing suppliers/ vendors (23%) and production (21%) as the main obstacles to implementing social practices.
- The relative weight of these challenges suggests that MSMEs face issues not only with managing their own practices but also potentially in identifying and influencing the practices of others in their supply chain networks.

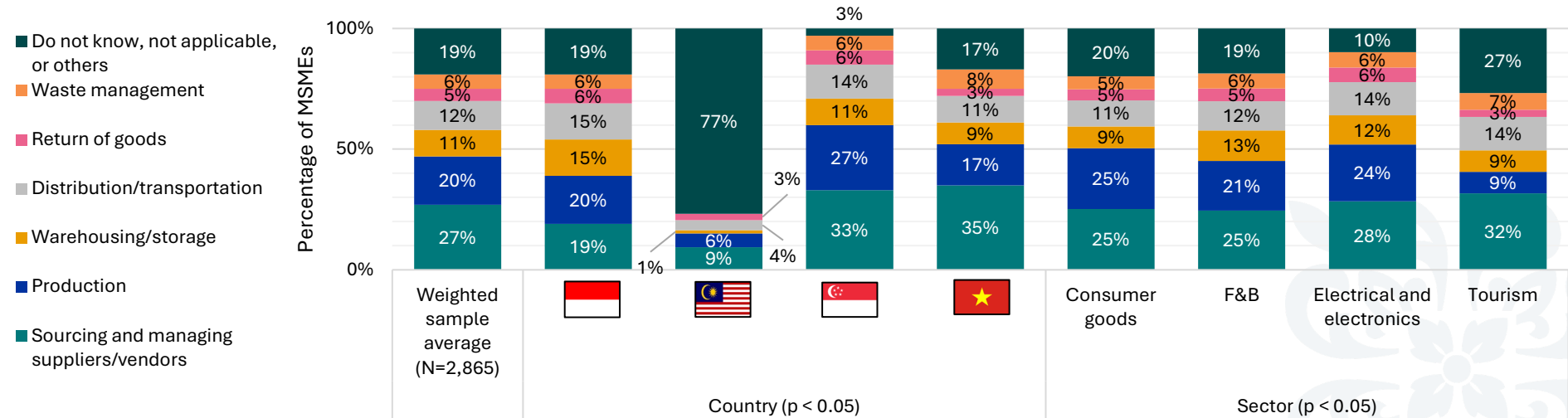


Note: A statistically significant variation in supply chain challenges across countries or industry sectors is indicated by "p < 0.05".

# Governance concerns also relate to both production and suppliers

- Like the challenges related to social practices, governance-related challenges are most likely to manifest both in production (20%) and sourcing and managing suppliers/vendors (27%) as compared to other parts of the MSME supply chain.
- Notably, MSMEs are least able to identify where governance challenges arose in the supply chain (as compared to environmental and social practices).

Supply chain challenges in implementing governance practices



Thank You





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