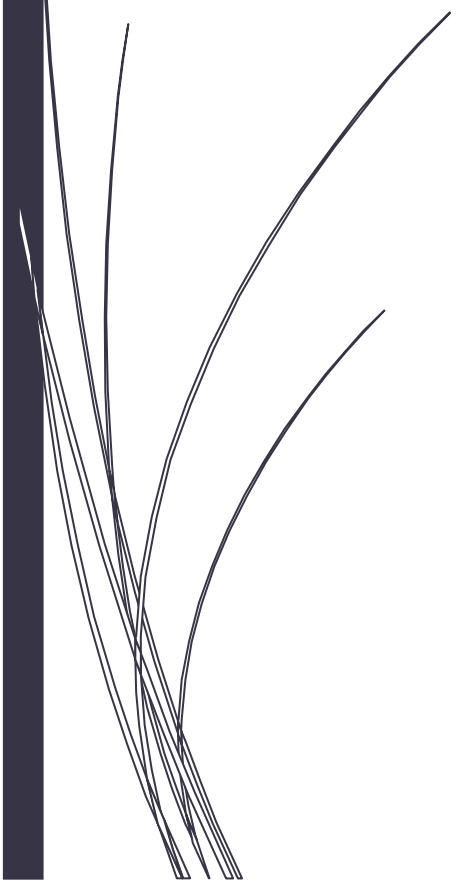
Guidance Notes for SMEs

(Transportation Sector)

In answering the due diligence questions for Guiding Principles 3 and 4 for SMEs

Note: This document is developed to assist financial institutions **("FIs")** in supporting small and medium enterprise **("SME")** clients to provide data and input in answering the CCPT Due Diligence Questions **("CCPT DDQ")**. The focus of this document is to provide additional clarifications, practical guidance and simplified approaches where needed, to further facilitate assessment of SME clients.



Introduction to Transportation Sector

Term	Impact of the Transportation Sector to Climate Change
Pollution	• Air Pollution: Vehicles emit pollutants such as nitrogen oxide **("NO")**, particulate matter **("PM")**, and volatile organic compounds **("VOCs")**, which contribute to smog formation and respiratory diseases. • Water Pollution: Runoff from roads and highways can carry pollutants like oil, heavy metals, and debris into water bodies, harming aquatic ecosystems. • Noise Pollution: Transportation vehicles, especially aircraft, automobiles, and trains, produce noise pollution that can disrupt wildlife habitats, affect human health, and degrade the quality of life for people living near transportation corridors.
Ecosystem & Biodiversity	• Significant loss of natural habitat/ biodiversity and ecosystem services from land access, land-use, and land-use change. • The location of the distribution centre in the community area will disrupt land access of the local community and cause congestion in the area.
Efficient Use of Resources	• Sourcing of old vehicles will affect the efficiency due to engines of older vehicles are less efficient than engines of newer vehicles and also may consume more fuel. • Natural resources such as metals, oils and natural gas are integral to transportation. The increasing demand for transportation in the economy may result in scarcity of these resources and increasing cost of transportation with limited supply and high demand for these resources. • The inefficiency of resource planning on supply and demand causes a shortage of drivers and leads to drivers' workload increasing beyond capacity, which will lead to an increased risk of accident or injury. • Inefficiencies of freight transport increase due to empty backhauling. • Poor vehicle maintenance leads to the inefficiency of vehicles.
GHG Emissions	• The transportation sector plays a significant role in global greenhouse gas **("GHG")** emissions, contributing to climate change. • The transportation sector encompasses various modes of transportation such as cars, trucks, airplanes, ships, and trains. These modes primarily rely on fossil fuels like gasoline, diesel, and aviation fuel, which release carbon dioxide **("CO_2")** and other GHGs such as methane **("CH_4")** and nitrous oxide **("N_2O")** when burned. • Heavy-duty vehicles such as commercial freight trucks and buses contribute to almost half of worldwide carbon dioxide emissions. • Purchase/ lease of obsolete, ageing, unsafe vehicle which will emit more GHG. Cars which are over 15 years old consume more fuel and emit more GHG than new cars. • Diesel engines vehicle cause black carbon emission, which is the second most important heat-trapping pollutant, persisting in the atmosphere for weeks, and have warming effects which are rapid and powerful.

Due Diligence Questions: GP3 – No Significant Harm to the Environment	
No	**Guidance Notes**
GP3 – General	
1.1 Risk identification (General)	

a)	Use existing internal databases or any other publicly available sources to screen for the Client's related legal/ negative news vis-à-vis climate/ environment related issues (e.g., media publications such as newspapers, specialised climate/environmental news sites, NGO reports).
	
	• The Client is to provide details of the nature of any adverse incident, and whether there is/was any corresponding regulatory action (e.g., enforcement/ prosecution/ quantity of fine/ pending court decision/ pending appeal by the Client), to be backed by documentary evidence; and
	• The FI is recommended to verify the Client's information through the following websites:
	  ○ **https://www.doe.gov.my/en/court-case-list/**; and/or
	  ○ **https://www.doe.gov.my/penguatkuasaan/paparan-kes-mahkamah/**
	
	Indicate if there are any matching records and data in the database(s). Any discrepancies with the Client's statements should be explained by the Client and documented accordingly.

1.2 Risk management (General)	
a)	The Client should list down measures being taken to address any climate/ environmental concerns. This should include obtaining necessary legal approvals and/or permits under the jurisdiction where it operates.
GP3 – Pollution	
2.1 Risk identification (Pollution)	
a)	The Client's business operations may contribute to the pollution should the following are observed: - • The Client's business activities are using/releasing hazardous materials listed in EQA 1974*; • The Client produces reports to DOE for hazardous substances, waste, or water pollution that resulted from their operations**. • During transportation operations, the Client's vehicles emit pollutants such as carbon dioxide, nitrogen oxides, particulate matter, and volatile organic compounds, contributing to air pollution and climate change. • Accidental spills or leaks of gasoline, diesel, or other fuels from transportation vehicles or infrastructure • Construction and maintenance activities for transportation infrastructure, such as roads and bridges which lead to habitat destruction, soil erosion, and disruption of natural drainage patterns, impacting local environments. • The Client's transportation activities generate waste like used oil and tires, which can harm the environment if not disposed of properly. • The sounds of the Client's vehicles on the road can be disruptive, affecting both local wildlife and nearby communities. *Note:* ** Information regarding the use/ release of materials listed in EQA 1974 can be obtained from the EHS Officer.* *** Companies involved in the use and release of hazardous chemicals or materials typically fall under the purview of the DOE.*

2.2 Risk management (Pollution)	
a)	The following can be the mitigation measures undertaken by the Client in addressing the identified pollution in 2.1(a): • The Client has existing standard operating procedures **("SOPs")**, policies or other control measures in place to manage the risks identified in 2.1(a). Documentary evidence of the SOP /policy/ control measure documents should be provided; • The Client has established SOP/ policy/ control measure documents (e.g., OSH SOP, ISO related certificates); • The Client has obtained approval documents obtained for relevant authorities**. • The Client has obtained relevant certifications**. • Invest in fuel-efficient vehicles or alternative fuel technologies to reduce emissions. • Implement regular vehicle maintenance to ensure optimal engine performance and emission control. • Conduct regular inspections and maintenance of fuel storage tanks and pipelines. • Provide training for staff on spill response procedures and proper clean-up techniques. • Invest in low-carbon or zero-emission vehicle technologies such as electric or hydrogen fuel cell vehicles. • Promote the use of renewable energy sources for powering transportation infrastructure. *Note:* ** The SOPs/ policies/ control measures provided by the Client should address the risks relating to the Client's management of hazardous chemicals and materials, waste and water, and may include the following processes:* • *Waste management policy and procedure;* • *Scheduled waste disposal and collection tracker;* • *Standard procedures for safe handling, storage and disposal of waste; and* • *Emergency response plan for spillages and/or leakages of waste, and related SOPs.* *** Please refer to the listed acts and regulations that are relevant to transportation sectors as references.*
GP3 – Ecosystem & Biodiversity	
3.1 Risk identification (Ecosystem & Biodiversity)	
a)	Environmentally sensitive areas **("ESAs")** or key biodiversity areas **("KBAs")** typically refer to geographic regions or locations that are recognised for their high ecological significance and the presence of diverse and often unique species of flora and fauna. Such areas are considered important for the conservation of biodiversity due to the richness and variety of life forms they support. To identify whether the Client's operations located in or near ESAs and KBAs**,** FIs can make use of tools such as **Integrated Biodiversity Assessment Tool ("IBAT")** and **Global Forest Watch**. Maps of ESAs can be referred to those published in the **National Physical Plan 3 and 4 (page 94)**. Alternatively, FIs may conduct any online (e.g., Google Earth Pro) and offline map search to determine if the following example types of ESAs or KBAs are near the Client's business location(s) (e.g., within a 10 kilometre radius): - • Marine and coastal biodiversity • Mangrove forests • Coral reefs • Marine parks • Critical coastal erosion areas • Turtle landing sites • Highlands and forested wetlands • Economic and ecological significance

	In addition to the above, FIs may refer to Reference List of Protected Areas (https://www.mybis.gov.my/one/pamaps.php) to identify whether the Client's business operations has impacted the ESAs and KBAs.
b)	Examples of tools and sources that can be used to assess whether the Client's operations have negative impacts on biodiversity and the surrounding ecosystem include: • Exploring Natural Capital Opportunities, Risks and Exposure Tool **("ENCORE")** (**url:** https://encorenature.org/en)***** • WWF's Biodiversity Risk Filter **(url:** https://riskfilter.org/biodiversity/home**)** • High Conservation Value **("HCV")** assessment • High Carbon Stock **("HCS")** assessment • International Union for Conservation of Nature **("IUCN")** red list species • On-site/desktop biodiversity assessment • Environmental Impact Assessment **("EIA")** report • Erosion and Sedimentation Control Plan **("ESCP")** • Strategic Environmental Assessment **("SEA")** and Cumulative Effects Assessments • Guidance Document for Fuel Burning Equipment and Air Pollution Control Systems DOE ** Please note that when using the tools (a) above, please select the 'Impacts' (alludes to the ways in which the Client's activities impact ecosystem services and natural capital) option as opposed to the 'Dependencies' option (used for GP4.1 & GP4.2).*
3.2 Risk management (Ecosystem & Biodiversity)	

a)	The Client may put in place the internal measures, which may include any one or more of the following (non-exhaustive): -
	• Produce and expand production exclusively on lands that were deforested or converted prior to a specified/ stipulated cut-off date.
	• Rehabilitate degraded land and preserve ecosystem services through responsible production practices on already converted land via the following: -
	  ○ planting native vegetation/ wildflowers/ grasses
	  ○ restoring agricultural lands into uplands/ wetlands
	  ○ reintroducing species
	• Adopt No Deforestation, Peat and Exploitation **("NDPE")** Policy.
	• Ecosystem restoration initiatives including but not limited to these:
	  ○ planting native trees/ wildflowers/ grasses
	  ○ planting/ replanting the trees
	  ○ reintroduce native species
	  ○ remove invasive species
	  ○ restore agriculture/ mining land into wetlands or forest
	  ○ restoring forest to open grassland
	  ○ removing dams for river connectivity
	  ○ clean up trash along rivers and coasts

GP3 – Efficient Use of Resources	
4.1 Risk identification (Efficient Use of Resources)	
a)	Clients with high dependencies on water/ energy/ other natural resources must show good resource management within their business to ensure sustainability of the natural resources. Sectoral data/ trends can be used as a benchmark or basis in assessing the significance of water/ energy/ other natural resource consumption within the Client's business operations. The tools below can be used to identify and assess the Client's dependence on specific natural capitals based on its sector as well as geographic location: - • Exploring Natural Capital Opportunities, Risks and Exposure Tool ("ENCORE", url: **https://encorenature.org/en**); and • WWF's Biodiversity Risk Filter (url: **https://riskfilter.org/biodiversity/home**) *Please note that, when using the tools above, please select the 'Dependencies' (alludes to the ways and extent to which the Client's activities rely on certain resources/ natural capital) option as opposed to the 'Impacts' option (used for GP3.1 & GP3.2).* *Note: Resource efficiency refers to sustainable use of natural resources such as land, minerals, water, fuels, timber, fertile soil, clean air and biodiversity. Common use in overall industry context is the use of fuel (energy) and water. Where possible, the Client should measure and compare the use of essential resources against an appropriate benchmark (e.g., a recognised local or international standard or industry best practice).* *For more information pertaining to green certifications that are relevant to SMEs, please refer to:* ***https://www.jc3malaysia.com/esg-jumpstart-for-smes*****.** The following examples are the non-exhaustive indicators that the Client's business operations lack or adopt non-efficient use of resources: - • The Client's business does not practice 3R concept in the business activities (i.e., REDUCE, REUSE, RECYCLE). • Aging fleets or poorly maintained vehicles may have lower fuel efficiency, leading to increased fuel consumption and higher operating costs. Inefficient use of energy resources can also contribute to higher emissions. • Inadequate transportation infrastructure, such as congested roadways, outdated ports, or limited rail capacity, can lead to inefficiencies in cargo movement, delays, increased fuel consumption. • Limited availability or accessibility of alternative fuels (e.g., biofuels, electricity, hydrogen) and emerging technologies (e.g., electric vehicles, fuel cells) can hinder efforts to transition to more sustainable and resource-efficient transportation options. • Poor route planning, inefficient vehicle scheduling, and suboptimal load distribution can lead to underutilisation of transportation assets and wasted fuel.
4.2 Risk management (Efficient Use of Resources)	
a)	The measures which can be undertaken by the Client to mitigate the risks identified in 4.1(a), may include but not limited to: - • Improvements to Business Processes: - ○ Procure/ use/ adopt machines/ appliances with the latest technology adoption to improve efficiency. ○ Mechanisms to minimise the amount of materials required to produce a unit of product. ○ Reduce the use of scarce materials/ resources by replacing them with alternative materials or resources that are more abundant.

	• Incorporate Elements of Circularity (Circular Economy): -
	  o Put in place an arrangement to collect used products from customers/ consumers.
	  o Use highly recyclable materials in the products.
	  o Increase the use of recycled content in products.
	  o Reuse the least contaminated water from the final wash for the next-to-last wash.
	  o Reduce or minimise the amount of materials required to produce a unit of product.
	• Improvement to the product quality: -
	  o Use improved/ better materials to prolong the lifespan of products.
	• The Client adopts other innovative or feasible resource conservation measures as following (not limited to these): -
	  o Harvest rainwater to meet water requirements.
	  o Minimise the use of water for processing by reusing and recycling it in two or more successive stages.
	  o Reuse/ recycle of rejected/ defected end products.
	  o Practice recycle/ reuse of material.
	• The purchase of raw material is sourced from the sustainable supplier to avoid over-exploitation and resource depletion. For example, for those business that make use of a large amount of wood/ timber, to purchase from suppliers that produce timber sustainably.
	• The Client has considered for obtaining relevant certifications such as ISO 14001: Environmental Management System **("EMS")**, SIRIM Eco-Labelling Scheme, ISO14067 Product Carbon Footprint Certification Scheme etc.

GP3 – GHG Emissions	
5.1 Risk identification (GHG Emissions)	
a)	Below are various activities in the transportation sector contribute to GHG emissions: - • Driving cars, trucks, buses, and motorcycles burns fossil fuels, emitting carbon dioxide and air pollutants. • Transporting goods via trucks, trains, ships, and airplanes emits carbon dioxide and other GHGs due to fuel combustion. • Operating commercial and private airplanes burns jet fuel, emitting carbon dioxide and other GHGs at high altitudes. • Operating cargo and passenger ships burns heavy fuel oil, emitting carbon dioxide and air pollutants. • Operating diesel and electric trains emits carbon dioxide and pollutants (even electric trains indirectly contribute to emissions based on the energy source used). • Operating buses and trains, emits carbon dioxide and pollutants, though generally less per passenger compared to private vehicles. • Building and maintaining roads, bridges, airports, and ports emits carbon dioxide from heavy machinery and materials. • Producing and refining gasoline, diesel, and jet fuel emits carbon dioxide and other GHGs. • Manufacturing cars, trucks, buses, airplanes, ships, and trains requires energy and raw materials, leading to emissions. • Transporting and storing fuels emits carbon dioxide, including potential leaks and spills. • Vehicles idling in traffic or at stops emit carbon dioxide unnecessarily. • Operating ground support equipment at airports burns fuel and emits carbon dioxide and pollutants. For a comprehensive assessment on whether the Client's core activities produce GHG emissions, please apply the below tools: • Exploring Natural Capital Opportunities, Risks and Exposure Tool **("ENCORE")**.

	Please note that when using the tools (a) above, please select the 'Impacts' (alludes to the ways in which the *Client's activities impact ecosystem services and natural capital) option as opposed to the 'Dependencies' option (used for GP5.1 & GP5.2).* ** For the implementation of CCPT classification and 2024 CCPT reporting requirement for SMEs, FIs must prioritise the identified 6 high carbon emitting sectors, namely agriculture, construction, manufacturing, energy, transport & waste management.*
5.2 Risk management (GHG Emissions)	

a)	The measures which can be undertaken by the Client to reduce GHG emissions or as part of its decarbonisation strategy in mitigating the identified impact of GHG emissions in 5.1(a), may include but not limited to: -
	• Support the adoption of low-emission and zero-emission vehicles, such as electric, hydrogen fuel cell, and hybrid vehicles, through incentives, subsidies, and infrastructure development.
	• Enhance the fuel efficiency of conventional vehicles through technological advancements, including engine improvements, lightweight materials, aerodynamics, and advanced transmissions.
	• The Client adopts energy efficiency practices (i.e., reduce GHG emissions by managing methane leaks, venting and flaring and adopting lower or no emission fuels such as liquefied petroleum gas, natural gas, hydrogen, e-fuels/synthetic fuels, biofuels and ammonia).
	• The Client adopts renewable energy in its operations such as the following: -
	  ○ Solar
	  ○ Wind
	  ○ Geothermal
	  ○ Hydropower
	  ○ Biomass

Due Diligence Questions: GP4 – Remedial Measures	
No	**Guidance Notes**
Plans undertaken for remediation of significant harm to the environment	
b)	In assessing whether the Client has clearly defined remedial measures and realistic timeline for completion to address the harm identified in GP3, FIs may enquire the following questions (non-exhaustive): - • Any time-bound targets set and specific steps to achieve the planned remedial measures. • The suitability of the remedial measures with the Client's business activities and strategy. • Sufficient resources (e.g., cash flow, expertise, data, technology) to execute the planned remedial measures in accordance with the timeline.
c)	In assessing whether the Client has proper tracking mechanism on the effectiveness of the planned remedial measures, the Client needs to provide timely progress updates on its milestones for achieving the targets set and to report any deviations during the execution of the remedial measures.

The following are the main and relevant acts and regulations and standards for the Transportation Sector (non-exhaustive): -

Relevant Act and Regulations	Applicable Standards
• Highway Authority Malaysia (Incorporation) Act 1980 • Goods Vehicle Act 1983 • Road Transport Act 1987 • Environmental Quality Act 1974 • Environmental Quality (Clean Air) Regulations 2014 • Environmental Quality (Refrigerant Management) Regulations 1999 • Environmental Quality (Control of Emission from Diesel Engines) (Amendment) • Regulations 2000 - Malaysia Ambient Air Quality Standard • National Physical Plan 3 (2016 - 2020) • National Land Code • Land Acquisition Act 1960 • Environmental Quality Act 1974 • Land Public Transport Act 2010 • Electricity Regulation (Amendments) 2013	• Minimum Energy Performance Standards (MEPS) • ISO 14001: The ISO 14001 is the general international standard for environmental management systems. In its application towards transport companies, the oversight level allows them to control their environmental facets, resulting in legal compliance and a lower environmental impact. • ISO 50001: the ISO 50001 is an energy management standard that helps transportation companies optimise their energy efficiency using a framework. Reduced energy consumption results in a lower carbon footprint, decreased operating costs and better efficiency. • IATF 16949: the International Automotive Task Force (IATF) is an international standard for automotive quality management systems. While similar to the ISO 9001, the standard has additional aspects and requirements made specifically for the automotive industry.