



**MINISTRY OF
INVESTMENT, TRADE AND INDUSTRY**

SPEECH

BY

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**(DELIVERED BY YB LIEW CHIN TONG,
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**FOR THE LAUNCHING OF
NATIONAL INDUSTRY ESG FRAMEWORK**

**2 OCTOBER 2023 (MONDAY)
PERDANA HALL, MITI TOWER**

Yang Berusaha Tuan Hairil Yahri Yaacob, Secretary-General of MITI

Yang Berusaha Datuk Hanafi Sakri, Deputy Secretary-General (Industry) of MITI

CEOs and Heads of MITI Agencies,

Representatives from Ministries,

CEOs and Captains of Industries,

Distinguished guests,

Ladies and Gentlemen,

Salam Malaysia MADANI and a very good afternoon to all.

INTRODUCTION

1. I am honoured and proud to be part of this momentous occasion — the launch of the National Industry Environmental, Social and Governance (i-ESG) Framework by the Ministry of Investment, Trade, and Industry

(MITI). This event marks a significant milestone in our collective journey towards more sustainable and responsible business growth.

2. The i-ESG Framework represents a pivotal step in our commitment to help industries embrace ESG considerations in their operations. This will help them manage risks and build resilience, while also ensuring their continued access to ESG-sensitive customers and markets.

POSITIVE TRAJECTORY OF ECONOMIC RECOVERY BUT CHALLENGES REMAINS

Ladies and Gentlemen,

3. Allow me to set out the bigger picture first. The country has been on a positive economic growth trajectory since the global economy reopened, registering 8.7% GDP growth for 2022. The 1H2023 also saw Malaysia's economy recording 4.25% GDP growth. As such, despite current challenges, the government remains optimistic that Malaysia will meet the GDP growth projection of between 4% - 5% for 2023.
4. We are optimistic in terms of investment. For **1H2023, the amount of approved investment in various economic sectors was RM132.6billion, which represents 60.3% of our ten-year annual average of RM222.6 billion.** Most importantly, this time **Domestic Direct Investment (DDI) represents 52.2% (or RM69.3 billion) of total investments, reflecting our own people's renewed**

confidence in Malaysia's prospects. MITI and its main investment agency, MIDA, are working hard on achieving a stronger growth for approved investments in 2H2023.

6. **Malaysia's manufacturing sector** continues to be a cornerstone of our economy, contributing **23.6% to our GDP for 2Q2023**, the second largest contributor to the economy. It also accounts for **87.7%** of the nation's total exports in June 2023, employing roughly **27.5%** of Malaysia's workforce. In short, the manufacturing sector serves as a key engine of growth to drive the nation's next phase of economic expansion. To that end, it is **crucial that we develop policies to support sustainable manufacturing growth for our economy's long-term stability.**

THE NECESSARY TRANSITION TOWARDS SUSTAINABILITY

Ladies and Gentlemen,

7. Malaysia's commitment to sustainability is clear. Along with 192 other countries, Malaysia adopted the 2030 Agenda for Sustainable Development Goals (SDGs) in 2015, which was a significant step toward fostering a more sustainable, equitable, and resilient future for our planet. As a signatory to the 2015 Paris Agreement, Malaysia has committed to reducing greenhouse gases by 45% in 2030 and becoming carbon neutral (net zero emission) by 2050.

8. Closer to home, Malaysia's Twelfth Malaysia Plan (12MP) and MADANI Economy Framework have also prioritised sustainable development.
9. The reasons on why we must do all these, and more, are clear:
 - a. **89% of investors** have expressed a **strong preference for the mandatory implementation of globally consistent standards when it comes to ESG reporting**¹.
 - b. **84% of global consumers seek out responsible products from companies** that use socially responsible business practices².
 - c. And most importantly, roughly **90% of consumers would boycott a company if they learnt of irresponsible or deceptive business practices**³!
10. Aside from those, we also have market-related moves such as the EU's Carbon-Border Adjustment Mechanism (CBAM) and Mandatory Due Diligence on Human Rights, which could prove to be strong barriers for non-compliant Malaysian exporters. All these underscore **the need for our collective, whole-of-nation action to address globally-interlinked challenges and market barriers.**

¹ How do you transform data into insight? Eighth Global Corporate Reporting Survey, EY, 2021

² IPSOS (2020), What Sustainability Means to Pack & Product Testing

³ Ziyne Boz, Et Al (2020), Consumer Considerations for the Implementation of Sustainable Packaging: A Review; <https://www.mdpi.com/2071-1050/12/6/2192/pdf>

HELPING SMES EMBRACE ESG OPPORTUNITIES VIA THE i-ESG FRAMEWORK

Ladies and Gentlemen,

11. On 1 September 2023, the Prime Minister of Malaysia, YAB Dato' Seri Anwar Ibrahim, launched Malaysia's New Industrial Master Plan 2030 ("NIMP2030"), which provides a national strategic direction for industrial development in Malaysia.
12. The four missions of NIMP are **i) advancing economic complexity ii) TechUP for a digitally vibrant nation iii) push for Net Zero and iv) safeguarding economic security and inclusivity.**
13. The mission of "Push for Net Zero" is the most relatable to the importance of ESG in reforming our industrial landscape. Its key aim is to decarbonise Malaysia's industries as much as possible. Taken together with other key government policies such as the New Energy Transition Roadmap (NETR), we also aim to have industries increasingly add Renewable Energy (RE) into their energy mix to help the nation achieve its net zero emission goal.
14. With these policy directions, we do expect bigger manufacturers to fall in line with their own transition and RE plans. However, **MSMEs in the manufacturing sector must not be left to fend for themselves in adopting and embracing sustainable practices.** The reason: **MSMEs may not have the capacity or technical knowledge on**

ESG, and they must be supported because **almost 98% of total business establishments in Malaysia are MSMEs**, employing **7.3 million of our workforce**. **Malaysian MSMEs also contribute 37.4% of the country's GDP**.

15. Currently, **MSMEs in the manufacturing sector contribute about 8% to GDP and 9% to exports**. In our endeavour to improve these number, we must first acknowledge two key reasons why MSMEs must be supported on their sustainability journey:

a. **Firstly, there is a lot of potential for MSMEs to grow** in the manufacturing and export sectors. A study titled Better Business, Better World⁴ has estimated that **sustainability as a new source of growth could generate at least US\$12 trillion worth of market opportunities and 380 million jobs by 2030**, almost 90% of which will be in developing countries. In Southeast Asia alone, green businesses present an estimated US\$200-billion opportunity by 2030⁵. **We can help our MSMEs tap into these opportunities by greening their operations and/or by capitalising on the green/circular economy** as a new growth sector. It is important that **ESG financing options** are offered to facilitate the transition of MSMEs.

⁴ Business and Sustainable Development Commission, 2017

⁵ McKinsey, 2022

- b. **Secondly, ESG criteria – including minimising impact to the environment and treating workers fairly – have become essential pillars that underpin the growth and resilience of industries worldwide.** ESG principles have already gained increasing prominence, with our MNC investors and trading partners increasingly incorporating these components into their operations, procurement and sourcing requirements. It is, therefore, **crucial to ensure that our MSMEs will not be shut out of ESG-sensitive supply chains** (for example, through bigger companies’ vendor ecosystem) **and ESG-sensitive markets** (the EU market is a clear case in point).

- 16. To that end, the NIMP2030 has specific and clear-cut action plans to build MSMEs’ capacities, to empower them to grow and be positioned higher in the global manufacturing value chain. NIMP2030 will not only create opportunities for MSMEs, but also safeguard their inclusivity in the growth of our manufacturing sector.

- 17. So, **while NIMP2030 sets out the ‘WHAT’ on ESG, the i-ESG Framework presents the ‘HOW’**, serving as a guide, a roadmap for businesses to integrate ESG considerations into their operations and a tool for regulators to ensure compliance and accountability. The i-ESG has **three key missions:**
 - a. To **support manufacturing firms to learn, be agile and adopt ESG practices;**
 - b. To **transform challenges into opportunities;** and

- c. To **foster symbiotic public-private partnerships** for value creation.
18. The framework also features four key supporting components – namely standards, financial support and incentives, capacity building and market mechanisms. These components are supported by **six (6) key enablers, namely stakeholder engagement, human capital and capabilities, digitalisation, technology, financing and incentives as well as policies and regulations.**

JUST TRANSITION IS KEY: ADVOCATING A PHASED APPROACH

Ladies and Gentlemen,

19. At various international fora that I have been invited to in the past, including the World Economic Forum, I have repeatedly highlighted **the need for a just transition towards ESG for developing countries. Our businesses, particularly the MSMEs, cannot be held immediately accountable to standards that companies in developed markets have had a head start on** for at least a decade or longer.
20. Yes, we are playing catch up with developed markets, but I am confident that **with the i-ESG framework's phased approach, we can achieve our goals within seven years or less.** We will begin with the **"Just Transition" phase (Phase 1.0) from 2024 to 2026,**

followed by the **"Accelerate ESG Practices" (Phase 2.0) from 2027 to 2030.**

21. During **Phase 1.0**, manufacturing companies, including MSMEs, will be supported on starting their sustainability/ESG journey through the **self-readiness assessment, outreach, training/mentoring programmes, and financing options.**
22. Comprising of **i-ESGReady (a Readiness Assessment Programme)**, and **iESGStart (a practical guide with step-by-step instructions, illustrative examples and templates)**, Phase 1.0 is meant to be a valuable reference for manufacturing businesses to begin their sustainability journey.
23. For MSMEs, identifying gaps and introducing appropriate operational policies and support systems are extremely important to ensure their continued participation in ESG-compliant PLCs and MNCs' vendor ecosystems, as well as continued access to ESG-sensitive export markets.
24. The **i-ESG Phase 1.0 lays the groundwork** and fosters the development of a robust ecosystem to help **ensure companies' readiness to meet the more rigorous demands of Phase 2.0 from 2027 to 2030.** This phased, progressive approach represents the 'just transition' that we need to help Malaysian companies and MSMEs fulfil the growing demand for sustainable products, and the requirements for ESG reporting in export markets. This also reflects the MADANI

Economy's commitment to inclusivity, ensuring that no one is left behind, particularly in the pursuit of ESG objectives.

25. I would also like to add that so far, **MITI has conducted various outreach and awareness programmes called "Kenal ESG" in Kuala Lumpur (200 companies), Penang (190 companies) and Johor (130 companies) to introduce them to the i-ESG Framework.** We also plan to conduct similar sessions in Sarawak, Kelantan Terengganu and Pahang in 2023, while other states will be covered in the first quarter of 2024.

26. I am pleased to add that **the i-ESG framework will also serve as a guide to the National SDG Centre in planning its roles and operations.** As the focal point for the implementation of SDG goals and ESG principles in Malaysia, the Centre's primary roles are to advocate and promote the adoption of sustainable practices as well as monitor the development of SDGs in Malaysia. Given that embracing ESG must be a whole-of-nation effort, **MITI will play its part in helping industries and MSMEs adopt ESG principles in their operations to ensure such targets are aligned to the nation's SDG goals.**

CLOSING

Ladies and Gentlemen,

27. MITI strongly believes that the transition towards sustainability and meeting Malaysia's aspiration to become net zero nation by 2050 will bring numerous benefits for the economy in terms of sustainable growth and job creation.
28. The commitment to ESG principles in Malaysia's national development agenda also reflects our recognition that **embracing sustainability is not just something we must do to safeguard growth and profits, but most importantly, it is also the right, moral thing to do for the sake of our people and planet.**
29. In the 1970s, Milton Friedman talked about the purpose of a corporation. He argued that a corporation had only one purpose — to make profits for its shareholders. For over three decades, this was the prevailing logic in the global economic system.
30. But after the Global Financial Crisis in 2008, and especially after the COVID-19 pandemic, the world has come to realise that **corporations cannot focus solely on making money** without being responsible to anyone else. These days, even business-linked advocacy groups like the World Economic Forum and the US-based Business Roundtable talk about a stakeholder economy.
31. **The stakeholder economy redefines the role of a corporation:** while companies remain responsible to their shareholders, they must also **take into account the impact of their activities on their customers, their workers, and the climate. This is where environmental, social, and corporate governance (ESG) comes in.**

ESG is framed within this context — that corporations are not there just to make money, but they also have to be responsible to their stakeholders.

32. Finally, my heartfelt gratitude to all those who have played a role in bringing this framework to fruition. Thank you, too, to all the guests who have joined us today to celebrate this milestone in the manufacturing sector's sustainability journey. As we embark on this journey together, we are, in fact, paving the way for a more responsible and prosperous future for our industries and Malaysia.
33. On that note, I am pleased to launch the National Industry ESG Framework, together with the i-ESGReady and i-ESGStart guiding manuals.

Thank you.