

**CHOOSE
MALAYSIA**



ESG, RESPONSIBLE BUSINESS AND TRADE OPPORTUNITIES

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Kingdom of the Netherlands



Responsible Business Conduct in Malaysia

Table of Contents

- 
- A hand is shown holding a black tablet. The tablet screen displays a table of contents with four items. The hand's thumb is pointing at the first item, '01 Terminologies & Context'.
- 01 **Terminologies & Context**
 - 02 **Why ESG is Relevant to Exporters?**
 - 03 **What Can We Do?**
 - 04 **Moving Forward**

Terminologies & Context

Terminologies & Context



SDGs

**Sustainable
Development
Goals (SDGs)**

Sustainability
Catch-all Phrase

ESG

**Environmental,
Social &
Governance (ESG)**

SDGs Measure?

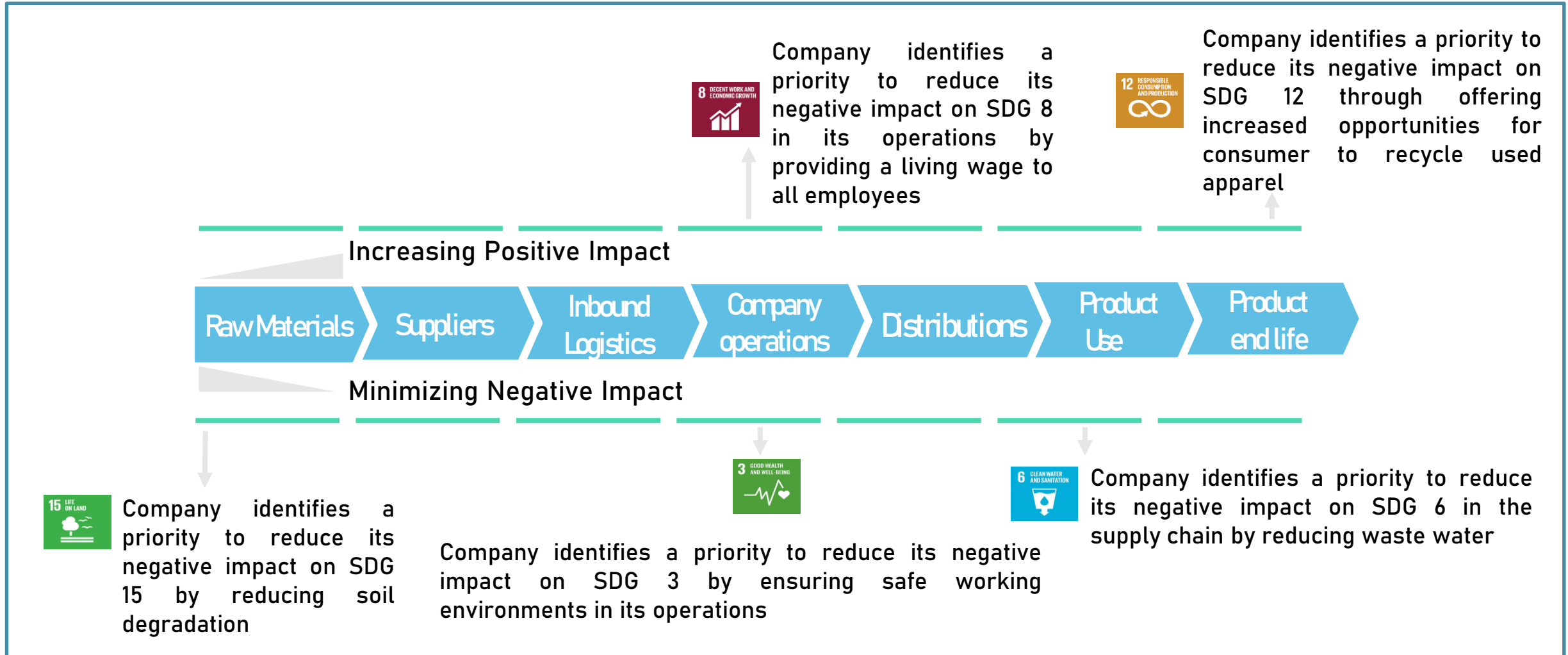
Government's
environment, social and
governance credentials

ESG Measures?

Businesses'
environment, social &
governance credentials

SDG – ESG Alignment

Case Study: Apparel company



Why ESG is Relevant to Malaysian exports?

Why ESG is Relevant to Exports?



1. International Policies



2. Stakeholder Pressure



3. Rising Consumer Expectations

Policies: Free Trade Agreement (FTAs)

Malaysia has signed 16 FTAs and implemented 14 FTAs (7 bilateral FTAs and 7 regional FTAs).

ASEAN-Korea Free Trade Agreement (AKFTA)

Article 11 (Environmental Industry): Economic development, social progress and environmental protection are key pillars of sustainable development.

2006

Malaysia-New Zealand Free Trade Agreement (MNZFTA)

Touched briefly in the “Preamble” chapter regarding awareness that economic development, social development and environmental protection are components of sustainable development and that free trade agreements can play an important role in promoting sustainable development..

2010

Malaysia-Chile Free Trade Agreement (MCFTA)

Article 9.5 (Environment): The aim of cooperation will be the prevention and/or reduction of contamination and degradation of natural resources and ecosystems and rational use of the latter; through developing and endorsing mutually agreed special programmes and projects dealing, inter alia, with the transfer of knowledge and technology.

2012

cont'd...

1993

ASEAN Free Trade Area (AFTA)

Article 2 (d)(2): To enhance technical joint cooperation to better manage, conserve, develop and market forest resources.

2008

Malaysia-Japan Economic Partnership Agreement (MJEPA)

Article 40 & 41: Both Governments agree to cooperate in protecting the environment and supporting sustainable development.

2011

Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA)

Brief mentions of preserving environmental safety.

Policies: Free Trade Agreement (FTAs)



Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

Chapter 23: The CPTPP “reaffirm the importance of promoting sustainable development” and social issues that can be classified as sustainable development-related topics, such as labour rights, gender equality or environmental protections.

Regional Comprehensive Economic Partnership (RCEP)

Article 18.6 (1)(c): The creation of RCEP’s ‘Committee on Sustainable Growth’. This article shows that the agreement recognises the importance of sustainable development.

2018

2020

2015

2019

2022

Malaysia-Turkey Free Trade Agreement (MTFTA)

Article 9 (10): Cooperation in addressing concerns that include climate change, conservation of natural resources, environmental awareness, etc.

ASEAN-Hong Kong Free Trade Agreement (AHKFTA)

Chapter 9, Article 3.2(c) mentioned that ‘In determining the appropriate level of contribution to the Work Programme, the Parties shall take into account the appropriate level of contribution to ensure the co-operation remains relevant and sustainable.

EU-Malaysia Partnership and Cooperation Agreement (EU-MY PCA)

Signed on 14 Dec 2022. Cooperation in multiple policy areas – environment, transport, trade and employment. Valid for five years.



ESG-related Policies & Targets



EU REGULATION ON PACKAGING AND PACKAGING WASTE

EU Regulations on packaging cover all types of packaging and packaging waste placed in the European market, effective 3 July 2021

EU CORPORATE DUE DILIGENCE DIRECTIVE

Companies are required to meet due diligence obligations with respect to human rights and environmental standards and provide for an enforcement mechanism with possible sanctions and civil liabilities for non-compliance, adopted 23 Feb 2022

CARBON BORDER ADJUSTMENT MECHANISM (CBAM)

Carbon tariff on carbon intensive products, such as cement, fertilizer, plastics and electricity, imported by the European Union, begin to operate from Oct 2023

2021

2022

2023



2012, 2015, 2018

ANTI – SLAVERY LAWS

USA, California Transparency in Supply Chains Act (TSCA) 2012
UK, Modern Slavery Act 2015,
Australia, Modern Slavery Act in 2018

2022

EU DEFORESTATION REGULATION

EUDR - the EU reached an agreement on a new law to prevent companies from placing commodities linked with deforestation and forest degradation, onto the EU market, or exporting them from the EU - 6 Dec 2022.

2023

THE GERMAN SUPPLY CHAIN DUE DILIGENCE ACT

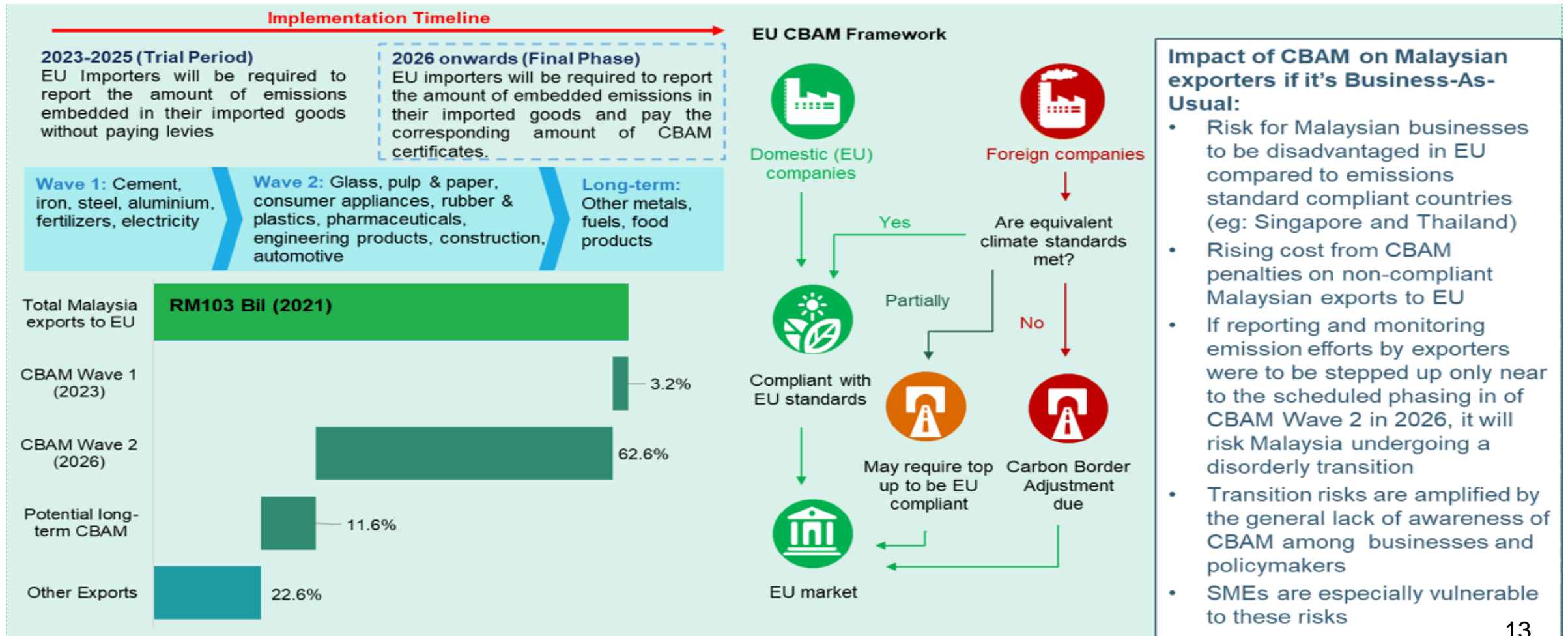
German companies are required to establish risk management systems, remedy human rights violations, establish grievance processes and report on their progress, effective 1 Jan 2023

2025 MALAYSIAN TARGETS

31% of renewable energy (RE) share in the national installed capacity mix by 2025. Reduce carbon intensity (against GDP) by 45% before 2030.

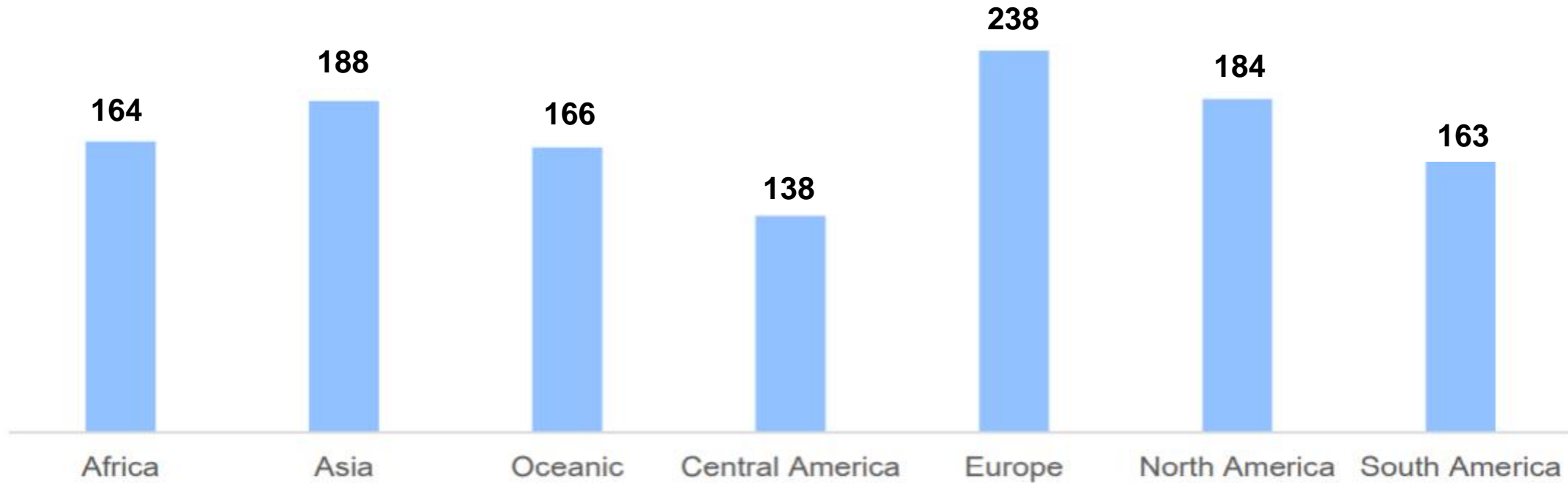
Policies: ESG-related Regulations

CBAM



Stakeholder Pressure – Government

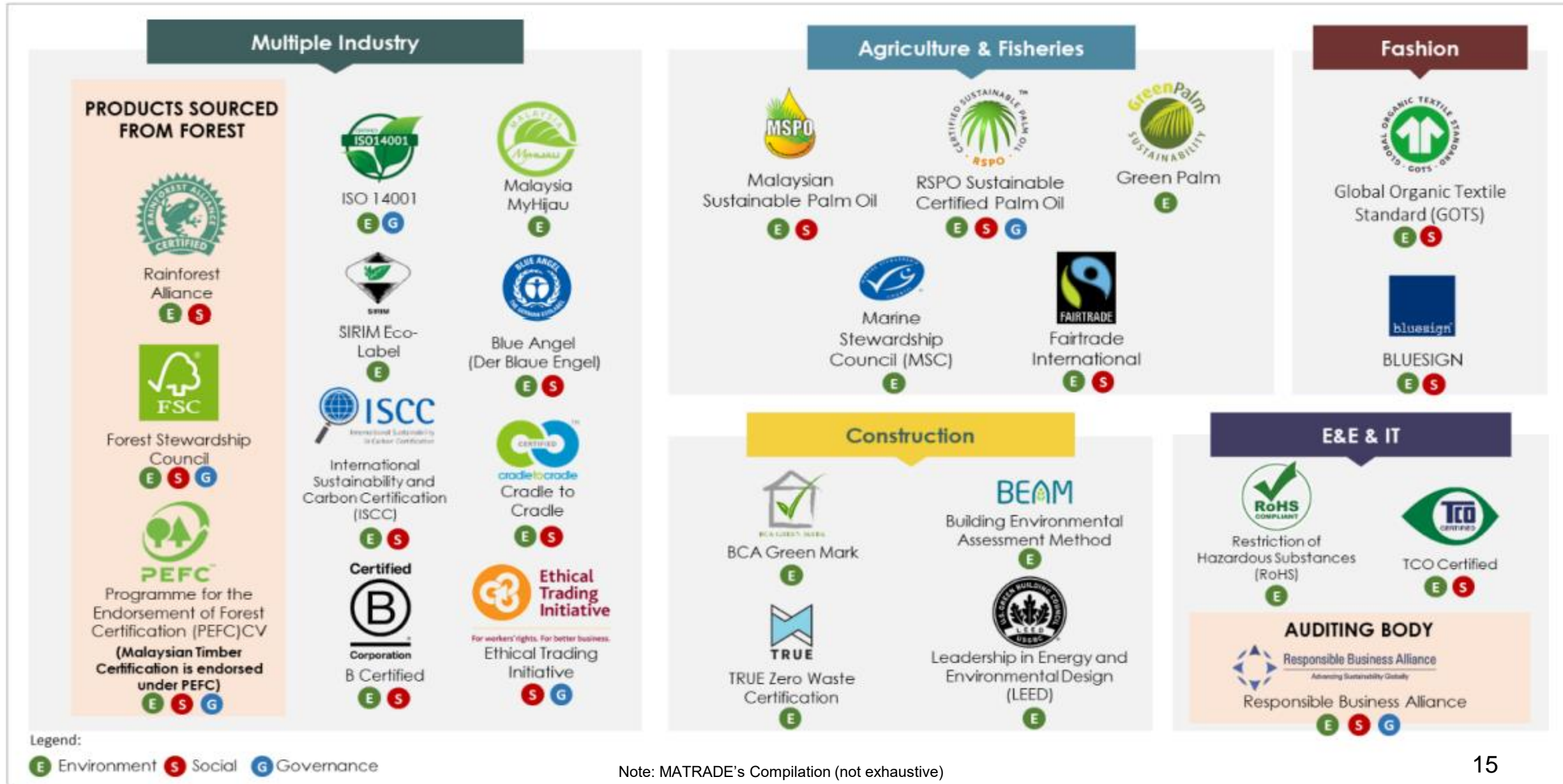
Sustainability Standards by Export Destinations (Region), 2023



Source : ITC Sustainability Map

- With the rising importance of sustainability in international trade, **the global value chains are increasingly governed by sustainability standards.**

Stakeholder Pressure – Government



Stakeholder Pressure – Buyers

Fortune 500 companies

THE CLIMATE TARGETS OF FORTUNE 500 COMPANIES

CLIMATE TARGET TYPE



CARBON NEUTRAL

Achieved when a company completely offsets its greenhouse gas emissions.



RENEWABLE 100% (RE100)

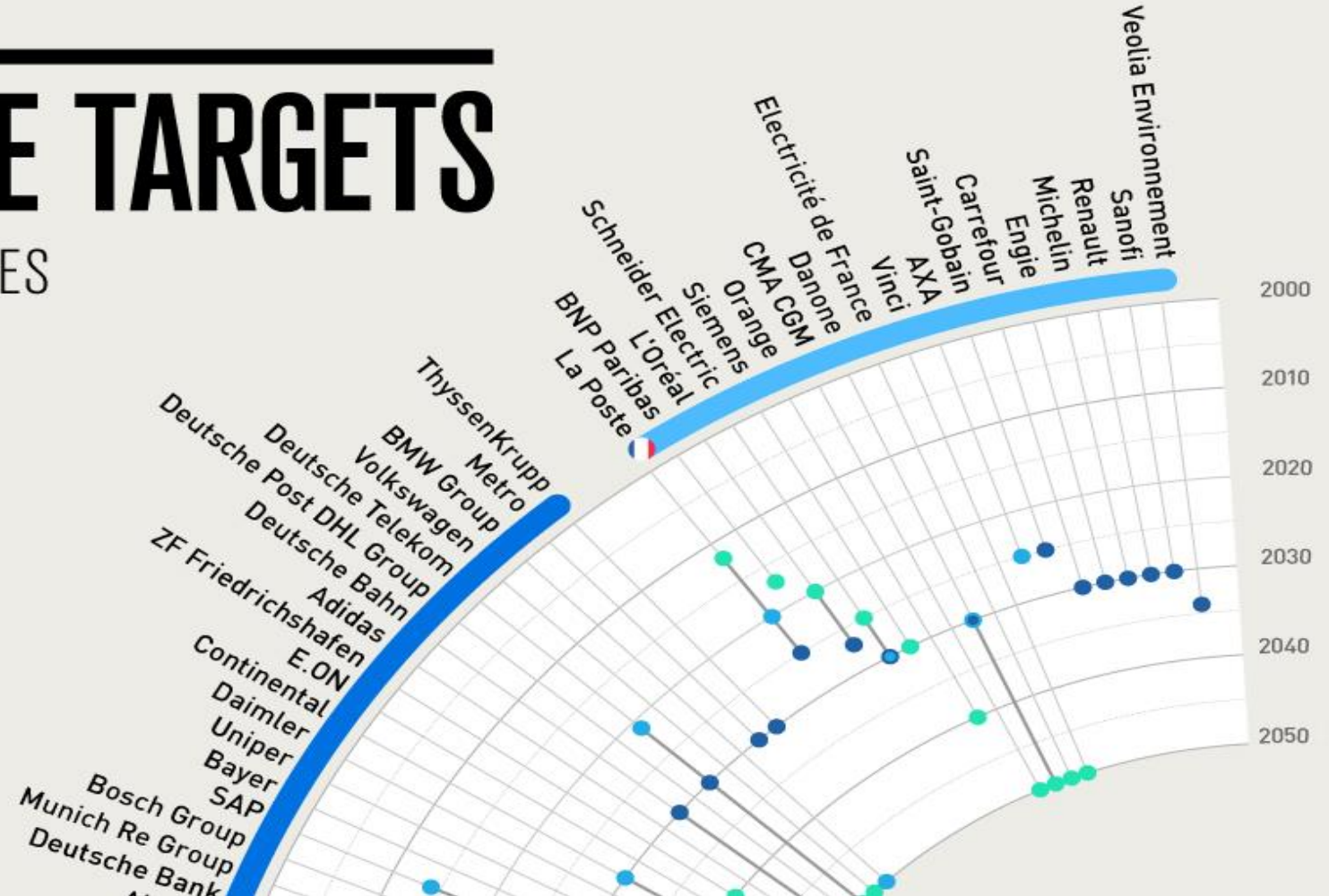
Achieved when a company relies on 100% renewable energy.



SCIENCE BASED TARGETS (SBT)

Emissions are reduced in line with the need to keep global warming below 2 degrees Celsius.

Source: Fortune, Natural Capital Partners



Global Value Chain (GVC)

DIRECT EXPORTER

INDIRECT EXPORTER

Increasingly governed by sustainability standards, global buyers and consumers are shifting their purchasing preferences to companies that demonstrate sound ESG standards.

What Can We Do?

What Can We Do?

CRISIS

危機

(DANGER) (OPPORTUNITY)

What Can We Do?

Sustainable Export Agenda

**Safeguard Supply
(Current Exports)**

**Leverage On Demand
(Future Exports)**

**Risk of Being Frozen Out of
Global Supply Chain**

Access to Green Economy

ESG Compliance

BURSA'S Guidelines: 11 Indicators

1

Anti-Corruption

- Percentage of employees received training on anti-corruption
- Percentage of operations assessed for corruption-related risks
- Confirmed incidents of corruption and action taken

2

Community/Society

- Total amount invested in the community where the target beneficiaries are external to the listed issuer
- Total number of beneficiaries of the investment in communities

3

Diversity

- Percentage of employees by gender and age group, for each employee category
- Percentage of directors by gender and age group

4

Energy Mgmt

- Total energy consumption

6

Labour practices & standards

- Total hours of training by employee category
- Percentage of employees that are contractors or temporary staff
- Total number of employee turnover by employee category
- Number of substantiated complaints concerning human rights violation

5

Health/Safety

- Number of work-related fatalities
- Lost time incident rate
- Number of employees trained on health and safety standards

7

Supply Chain Mgmt

- Proportion of spending on local suppliers

8

Data Privacy & Security

- Number of substantiated complaints concerning breaches of customer privacy and losses of customer data

9

Water

- Total volume of water used

10

Waste Mgmt

- Total waste generated, and a breakdown of the following:
 - (i) total waste diverted from disposal
 - (ii) total waste directed to disposal

11

Emissions Mgmt

- Scope 1: tonnes of CO₂e
- Scope 2: tonnes of CO₂e
- Scope 3 tonnes of CO₂e (at least for the categories of business travel and employee commuting)

Environment

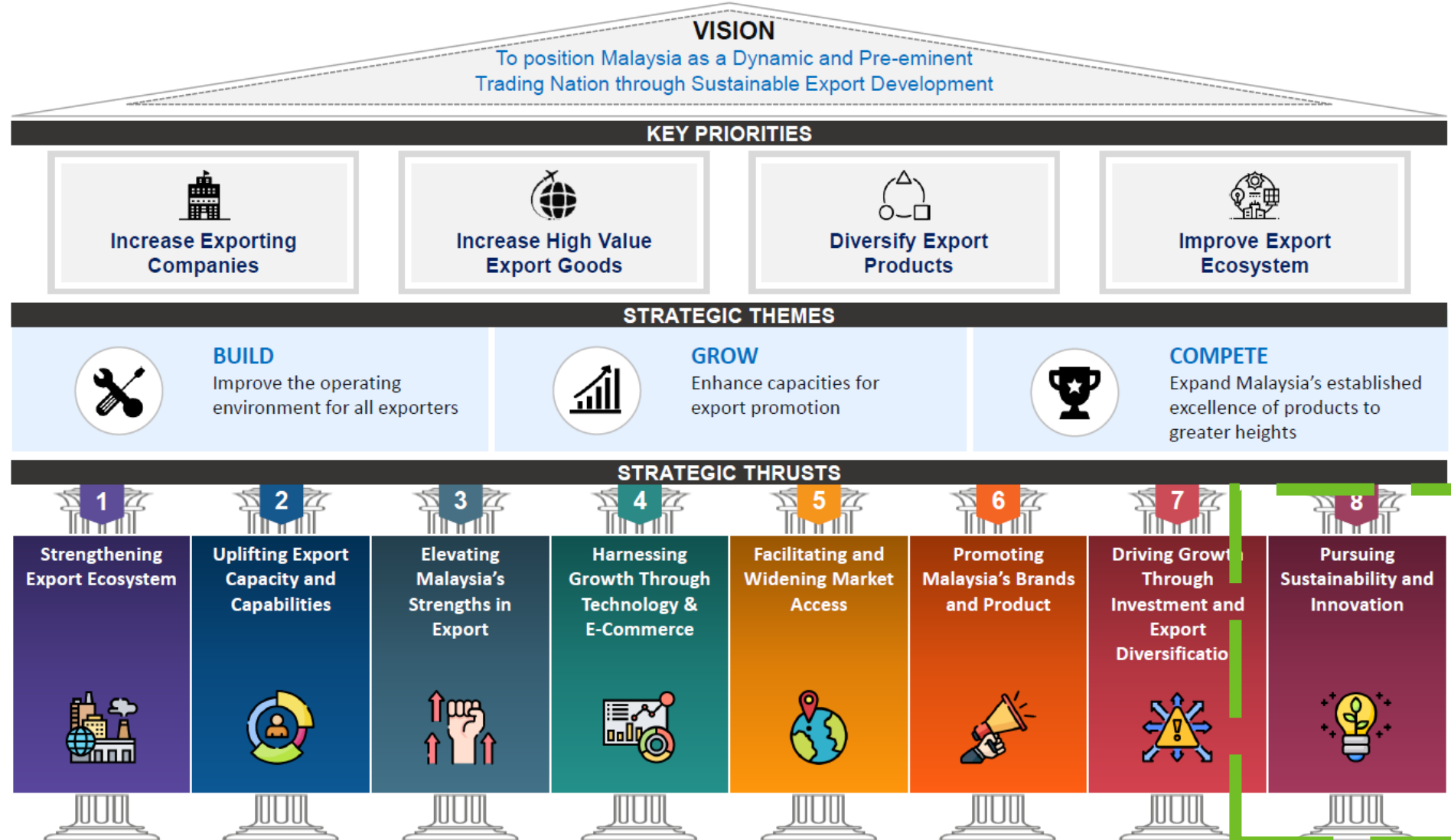
Social

Governance

Moving Forward

Collaboration - Innovation

National Trade Blueprint (NTBp)

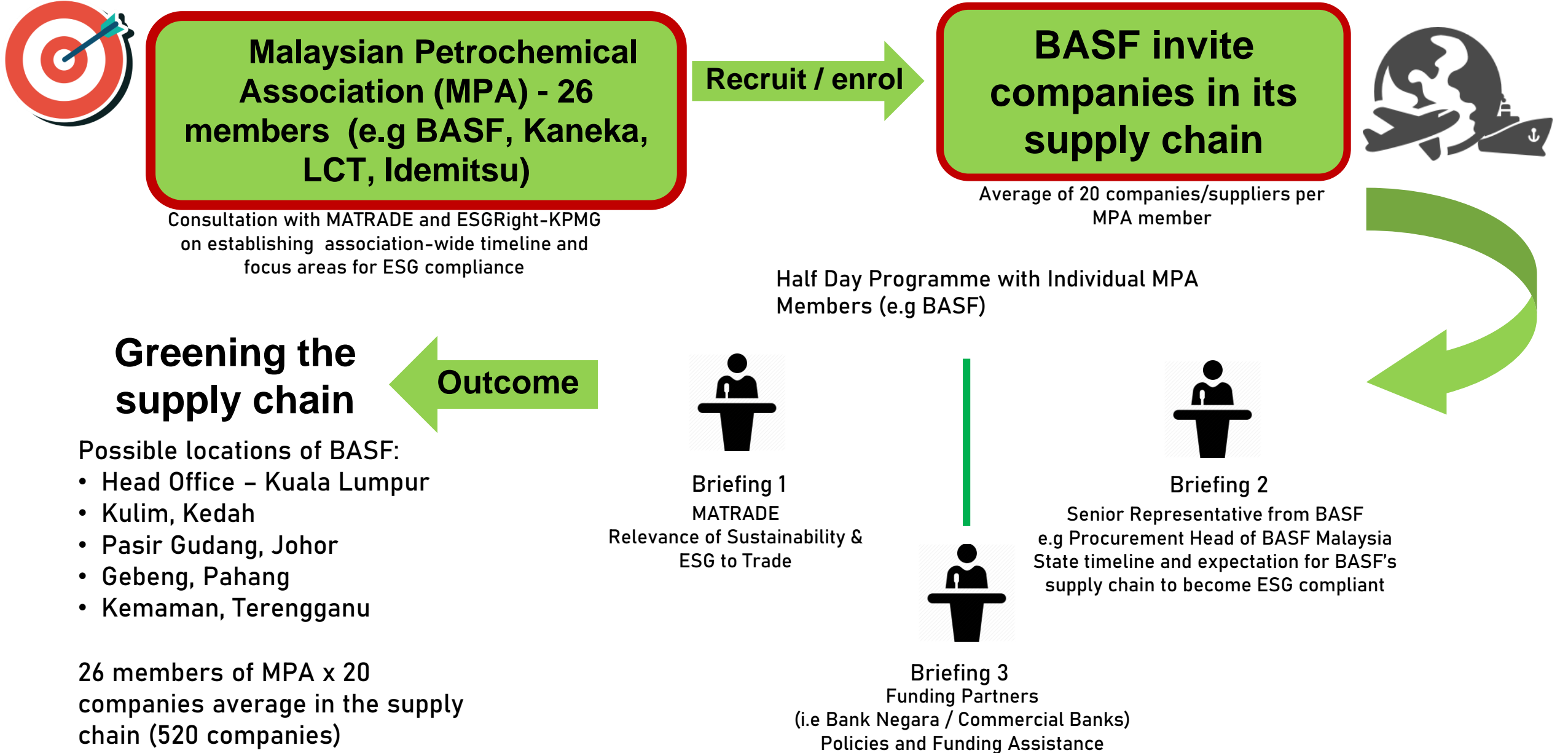


Opportunities for Collaborations

SUSTAINABLE DEVELOPMENT GOALS



Greening of Export Supply Chain Initiative (GxSCI)



Funding Matching



ESG-specific Funding

No.	Name	Agency
1	Low Carbon Transition Facility (LCTF)	BNM/Banks
2	High Tech & Green Facility (HTG)	BNM/Banks
3	SRI Sukuk	SC
4	Green Technology Financing Scheme	MGTC
5	Sustainable & Green Biz Financing (SGBF)	MIDF
6	ESG Financing for Sustainable Mobility	MIDF

ESG-specific Incentives

No.	Name	Agency
1	MyHijau Mark	MGTC
2	Green Income Tax Exemption (GITE)	MGTC
3	Green Income Tax Allowance (GITA) - Assets	MGTC
4	Green Income Tax Allowance (GITA) - Project	MIDA
5	Green Income Tax Allowance (GITA) - Services	MIDA

Enablers – Standards Certification

No.	Name	Agency
1	High Impact Strategic Fund (HISF)	MIDA
2	Services Export Fund	MATRADE

Enablers – Digital & Technology

No.	Name	Agency
1	SME Automation55 & Digitalisation Facility (ADF)	BNM/Banks
2	Soft Loan Scheme for Automation and Modernisation (SLSAM)	MIDF
3	Applied Innovation Fund	MOSTI
4	Technology Development Fund	MOSTI
5	Soft Financing for Digital and Technology (SFDT)	MIDF
6	Industry4WRD Intervention Fund	MIDA
7	SIRIM-Fraunhofer Programme	SIRIM
8	SME Technology Transformation Fund (STTF)	SME Bank

Enablers – Capacity Building

No.	Name	Agency
1	RiSE4WRD for Industry4WRD	HRD Corp
2	High Impact Strategic Fund (HISF)	MIDA
3	Green Academy Training	MGTC
4	Action Centre for Sustainable SMEs (ACCESS)	SME Corp

National Environment, Social and Governance (ESG) Policy Framework

SDGs (17 goals and 169 targets)

12th Malaysia Plan (Theme 3)

Advancing Sustainability

National Investment Aspirations (NIA)

Harmonised investment strategy and policies aligned to NIA

- i. **Establish a unified view** on value of investment that is regulatory aligned across key stakeholders

In-dept sectoral roadmaps to guide transition towards national sustainability targets

- i. **Develop sector-level sustainability roadmaps** with policies to holistically support ecosystem transition
- ii. **Develop mechanisms to strengthen accountability** among industry players and government
- iii. **Coordinate market forces** to support ecosystem transition

Clear standards and strengthened regulations for ESG disclosures

- i. **Strengthen ESG disclosure** requirements for companies
- ii. **Set clear transition plan** for phased adoption of new ESG disclosure requirements

i-ESG Framework

4 Components

Standards

Capacity Building

Financing

Market Mechanisms

6 Enablers

Stakeholder
Engagement

Digitalisation

Technology

Skills

Access to Financing
& Incentives

Policies & regulations

THANK YOU

Your Link To World Markets

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