



Companies small or large must embrace ESG integration for a sustainable, profitable future.

Future-proofing economic growth through sustainability

Mida leads the way to facilitate, promote sustainable investment to champion the nation's green agenda

In addressing the need to shape a more sustainable world, environmental, social and governance (ESG) considerations are seen as key resolutions for industries to grow sustainably and responsibly.

It is thus imperative for businesses to adopt a tangible, practical plan whilst embedding these principles - from investment to sustainable innovation.

In line with the global recognition and emphasis on green growth, the Malaysian Government is committed to drive sustainability and inclusivity as outlined in the Twelfth Malaysia Plan (12MP).

The commitment is to achieve net-zero greenhouse gas (GHG) emissions by 2050 earliest, solidifying the national green technology agenda, which consists of a range of initiatives and policies that aim to increase the use of environment-friendly approaches in every sector.

This is in order to reduce the reliance on fossil fuels and environmental impact.

Companies are encouraged to embrace ESG elements, because it is an increasing denominator in determining company valuation, as well as influencing investors' and consumers' confidence, said Malaysian Investment Development Authority (Mida) chief executive officer Datuk Wira Arham Abdul Rahman.

The agenda will not only spur Malaysia's economy and social well-being, but also drive the services sector, as well as motivate companies to acquire assets that have been identified as green.

As the Government's principal agency for the promotion of investment in the manufacturing and services sectors in Malaysia, Mida facilitates companies in the manufacturing and selected services sectors towards adopting and adapting technology and automation, incorporating green and sustainable processes, as well as undertaking higher value-added activities such as research and development.

Aspiring for sustainable growth

Growing sustainability-centric policies such as the Carbon Border Adjustment Mechanism and wider interest in carbon pricing are putting Malaysia's exports at risk, which can cascade into losses in the national gross domestic product (GDP) and a prolonged decrease in employment opportunities, amidst expectations of a global recession.

In response to shifting focus towards sustainability, Mida believes that Malaysia needs to adopt a two-pronged approach.

First, a defensive approach that aims to support Malaysia's local ecosystem in transitioning to meet national and global commitments to net zero in the next few decades.

Second, an offensive approach to ensure the right enablers are established to facilitate new green growth ecosystems that will become the economic engines of tomorrow's economy.

Ultimately, the transition towards sustainability and meeting Malaysia's commitment to be net zero by 2050 has net benefits for the economy in terms of GDP and job creation.

With investments being one of the main forces driving the economy, it is imperative that a strong progressive policy is developed to attract foreign investment, which will in turn spur domestic investment and bolster supply chain linkages.

To achieve this, Malaysia continues to maintain an open-door policy to ensure a robust and vibrant economic ecosystem, boosting competitiveness and improving the ease of doing business.

The country is aggressively embracing ESG principles as part of the global megatrends by rolling out pragmatic investment strategies and criteria for institutions and economies, which also includes rapid technological breakthroughs and broad digitalisation. The New Investment Policy (NIP) outlines significant strategies to reinvigorate and catalyse Malaysia's investment ecosystem to achieve sustainable economic growth; provide high-quality and high-tech employment opportunities; improve people's lives and livelihoods and secure shared prosperity.

Among the NIP's strategic thrusts is the formulation of a unified investment strategy and the ESG agenda, including actions such as:

- > Develop sector-level sustainability roadmaps with policies to holistically support ecosystem transition.
- > Develop mechanisms to strengthen accountability among industry players and government.
- > Coordinate market forces to support ecosystem transition.
- > Strengthen ESG disclosure requirements for companies.
- > Set a clear transition plan for phased adoption of new ESG disclosure requirements.

These will help strengthen industry response on sustainability trends, enhance clarity on milestones and goals for companies to accelerate the transition to sustainability, alongside enhancing Malaysia's global competitiveness.

Mida is integral in supporting the nation's agenda in attracting high-quality investments from foreign and domestic companies into Malaysia through various investment strategies and policy initiatives, in addition to helping companies tackle ESG challenges to boost corporate profits and economic growth.

Sustainable, green investment

Green service providers play an important role in facilitating the uptake of green technology.

Companies are thus encouraged to invest in harnessing renewable energy (RE) sources, including solar, biomass, biogas and mini-hydro and to use energy efficiency (EE) equipment and qualifying green services.

There are many untapped opportunities for services-related to RE, EE, support services for electric vehicles (EV) such as EV charging stations, the operation of EV charging stations and maintenance, certification and verification, as well as green townships.

The National Automotive Policy (NAP) 2020 emphasised the need for adoption of Energy Efficient Vehicles (EEV) including EV in line with Malaysia's commitment to reduce carbon emissions under the UN Framework Convention on Climate Change.

The NAP has also outlined several specific initiatives to strengthen the EEV and EV ecosystem that will spur technology transfer and develop the know-how for the local automotive industry to thrive.

In addition, the Low Carbon Mobility Blueprint (LCMB) 2021-2030 was introduced by the Government of Malaysia to focus on vehicle fuel economy and emission improvement, EV and low emission vehicle adoption, alternative fuel adoption and GHG emission and energy reduction via mode shifts.

Through Mida, the Government offers the Green Investment Tax Allowance and Green Income Tax Exemption (GITE) to encourage companies to invest in RE.

In addition, the agency has proactively taken the initiative to ensure investors have access to the right infrastructure, proper facilities and skilled talent to cater to the requirements of businesses.

Among the initiatives and assistance provided by Mida to industries include the Pioneer Status, Investment Tax Allowance, Industry4WRD Intervention Fund and Automation Capital Allowance.

Mida's aim is to continue engaging

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Malaysian Investment Development Authority

and facilitating purpose-driven companies in building sustainable supply chains, taking actionable initiatives for net zero commitments, empowering talent management and improving ESG reporting.

It is also working with the United Nations Development Programme in developing the SDG Investor Map for Malaysia, which is an essential tool that will help investors identify investment opportunities that contribute to the sustainability agenda and deliver significant returns.

Towards green financing

From 2017 to September 2022, Mida has approved investments amounting to RM16.2bil in 2,845 green projects and services.

A total of 60 green services projects with RM0.3bil proposed operational expenditure under the GITE was approved for RE, EE, green buildings, as well as green certification and verification.

From January to September this year, a total of RM1.18bil of investments was approved for green technology, with green projects accounting for more than RM1.17bil in 559 projects, creating 551 jobs.

On the bilateral investment and trade front, Malaysia and Singapore have concluded a framework of cooperation in the digital and green economy in August 2022.

In this regard, aligning with the Twelfth Malaysia Plan, the agreed areas of cooperation are part of the Government's initiative to expedite the adoption of ESG and green economy transition for the local manufacturing sector, especially among small and medium enterprises (SMEs).

This is because SMEs must embrace the ESG agenda to gain access to greater opportunities and financing, whereby the Government will prioritise capability enhancement to facilitate SME compliance with ESG targets.

Similarly, multinational corporations should continue to serve as lighthouses to the SMEs in the ESG integration process.

As Malaysia grows its economy post-pandemic, it will continuously promote and demonstrate its commitment towards ESG values through its policies, regulations, as well as decision-making - with Mida continuing to be proactive in supporting the Government's aspirations in vigorously leading the way to facilitate and promote sustainable investments.