

GUIDELINES AND PROCEDURES FOR THE APPLICATION OF THE DOMESTIC INVESTMENT ACCELERATOR FUND (DIAF) – ESG ADOPTION

1. BACKGROUND

- 1.1. The **Domestic Investment Accelerator Fund (DIAF)** is a **matching grant for ESG adoption** that was introduced to support Malaysian-owned Small and Medium Enterprises (SMEs) and Mid-Tier Companies (MTCs) in the manufacturing and selected services sectors for the transition into ESG practices.
- 1.2. The **DIAF-ESG grant** is given on a **matching basis of 50:50 based on a case-to-case basis** with a **maximum reimbursable amount of RM500,000 per company** subject to the availability of the grant.
- 1.3. The main objectives of this grant are:
 - 1.3.1 To facilitate and assist SMEs and MTCs to transition into ESG practices through validation and verification of ESG adoption, certification, disclosures, as well as for the subscription of technology system/ software for the purpose of ESG tracking and data collections;
 - 1.3.2 To ensure Malaysian SMEs and MTCs remain relevant and competitive in the global supply chain and to have the opportunity to be part of the ecosystem for sustainable investment projects; and
 - 1.3.3 To enhance the SMEs' and MTCs' prospects for ESG-mandated funds from financial institutions, venture capital and private equity firms.

2. EFFECTIVE DATE OF APPLICATION

Applications received by the Malaysian Investment Development Authority (MIDA) from 24 April 2024 will be eligible for consideration for this grant. However, the approval of these applications is subject to the availability of funding and allocation by the Government of Malaysia and the prevailing policy in force.

3. ELIGIBLE EXPENDITURES

3.1. **Eligible expenditures** incurred related to the adoption of ESG practices based on the following activities:

3.1.1 Costs related to validation and verification, and/or certification for ESG adoption and/or tracking of carbon emissions and ESG disclosures; and

3.1.2 First year's subscription of system and/ or software for data collection and tracking of ESG adoption and/or GHG emissions.

3.2. **Non-eligible expenditures**:**

- a) Any expenditures on staff training and capacity building;
- b) Purchase or rental of land/building/office/vehicles/furniture;
- c) Rental/purchase of automation machine/ equipment/refurbish/ retrofitting;
- d) Maintenance and repair costs including renovation of the premise;
- e) Wages paid to employees;
- f) Employee benefits programs;
- g) Legal and stamp duty fees;
- h) Insurance;
- i) Collateral or loan including its interest payments;
- j) Office expenses and supplies including general-purpose computers & peripherals and mobile phones;
- k) Utility expenses;
- l) Research & development expenses;
- m) Advertising and marketing expenses; and
- n) Any other common item and/or any items that are not explicitly used for the approved training and/or certification projects.

***Note: The list is not exhaustive and will be reviewed from time to time.*

4. ELIGIBILITY CRITERIA:

4.1. The company must be incorporated under the Companies Act, 2016.

4.2. Effective equity ownership of the company must be at least 51% Malaysians.

4.3. The company possesses a valid Business Licence from the respective Local Authority.

4.4. The companies must engage/ undertake any of the following activities:-

4.4.1 **Manufacturing activities** where the company must possess a valid **Manufacturing Licence (ML)** from MITI or the **Confirmation Letter for Exemption from ML** from MIDA in compliance with the Industrial Coordination Act, 1975; or

4.4.2 **Services activities** that are governed/ supervised by relevant ministries/ agencies in the following areas: -

- a) Hotel and Tourism;
- b) Private Healthcare;
- c) Private Education;
- d) Oil & Gas Services;
- e) Global Establishment - Principal Hub/Global Services Hub;
- f) R&D Activities;
- g) Logistics Services; or
- h) Other Services: -
 - i. Ship Building Ship Repair;
 - ii. Green Technology Project - Business Purpose;
 - iii. Sterilisation Services;
 - iv. Digital Infrastructure; and
 - v. Maintenance, Repair & Overhaul for Aerospace.

4.4.3 The company has been **in operation** for at least **3 years**.

4.4.4 A company is categorised as SME or MTC based on the following criteria:

	Manufacturing	Services
SME	Sales turnover not exceeding RM50 million <u>or</u> Full-time employees not exceeding 200 persons	Sales turnover not exceeding RM20 million <u>or</u> Full-time employees not exceeding 75 persons
MTC	Sales turnover from RM50 million to RM500 million	Sales turnover from RM20 million to RM500 million

Note:

- *All SMEs and MTCs must be entities registered with the Companies Commission of Malaysia; and*
- *SMEs and MTCs with shareholders of more than 20% by Public Listed Companies on the main board, Multinational Corporations (MNCs), Public Listed Companies in the main board, Government Link Companies (GLCs), Government Link Investment Companies (GLICs), Government-owned Companies, Syarikat Menteri Kewangan Diperbadankan (MKDs) and State-Owned enterprises (if any) are NOT eligible.*

5. PROJECT DURATION

- 5.1. Company can only commence the project upon receiving the **Acknowledgement Letter issued by MIDA**. The project must be completed within **12 months** from the date of the Acknowledgement Letter, which is the effective date of the grant period. Notwithstanding the above, the final decision of the application is subject to the deliberation of the National Committee of Investment (NCI).
- 5.2. **Any expenditures incurred prior** to the issuance of the Acknowledgement Letter by MIDA (the effective date of the grant period) **will not be eligible** for consideration or reimbursement.
- 5.3. Any unutilised allocation after 12 months from the effective date of the grant period will be automatically withdrawn. **Any request for an extension will not be entertained.**

6. APPLICATION PROCEDURES

The application procedures are as follows:-

- 6.1. **Company must undertake an ESG self-assessment** via the <https://sustainability.mida.gov.my> portal prior to submitting the application to MIDA, to determine the baseline level of ESG readiness or adoption. The assessment must meet the following requirements;
 - a) to answer **at least 50%** of the questions under each key Impact Area i.e. Governance, Workers, Community, Environment and Customers; and
 - b) to **complete** the Disclosure questionnaire.

Upon obtaining the result of the assessment, the company is to identify and engage any qualified & certified service providers/ vendors in order to obtain the necessary quotations for the eligible expenditures to be incurred in relation to the adoption of ESG practices as per the expenditures allowed in para 3.1.

- 6.2. The application for Domestic Investment Accelerator Fund (DIAF) for ESG adoption is to be submitted to MIDA via <https://investmalaysia.mida.gov.my/> together with the ESG self-assessment report generated from 6.1 (B impact performance report, improvement report & goal setting report), service providers/vendors' quotations and other relevant supporting documents.
- 6.3. **A non-refundable processing fee of RM3,000 is chargeable for each application.** Payment is to be made via the <https://investmalaysia.mida.gov.my/> portal prior to the submission of the application form. As the processing fee is not refundable, companies are strongly advised to thoroughly review the eligibility criteria and guidelines before submitting the application.
- 6.4. MIDA will issue an **Acknowledgment Letter** to the company upon receiving a duly completed application form together with all the required supporting documents. **Any incomplete information/application will be closed and returned to the company.**
- 6.5. The result of the application will be notified by MIDA after a decision by the National Committee of Investment (NCI). Approval of the Grant is at the sole discretion of the National Committee of Investment (NCI). The fulfilment of the eligibility criteria or other requirements set out in this Guideline does not in itself confer any right or entitlement on an applicant to be approved of the Grant. **The NCI Committee reserves the absolute right to approve or reject any application, taking into account the national policies and priorities of the country and its decision shall be final and binding.**
- 6.6. Successful applicants will receive an Offer Letter together with a copy of DIAF grant agreement and relevant documents. The signed (2) copies of the DIAF agreement (including stamping) must be returned to MIDA within **30 days** from the date of the Offer Letter. Failing which, the offer will be **automatically cancelled** and any **request for extensions will not be entertained.**
- 6.7. Disbursement of grant: -
- 6.6.1 The successful applicant has to undertake the approved project and submit the necessary claims for disbursement of the grant within the stipulated time as detailed in para 5.1;
- 6.6.2 Companies are required to re-do the ESG self-assessment via the <https://sustainability.mida.gov.my> portal after the completion of the project and submit the report together with the grant submission;
- 6.6.3 The grant submission must include, among other items, the ESG report prepared by approved service providers/vendors

according to the initial proposal. This report should outline the company's gap analysis and necessary findings;

6.6.4 MIDA will conduct an audit on the project expenditures and report the findings to the Jawatankuasa Penyelarasan & Pembayaran Geran (JPPG) for grant disbursement decisions;

6.6.5 MIDA will disburse the grant upon the approval by the JPPG to the successful company; and

7. TERMINATION OF GRANT

MIDA reserves the right to withdraw the grant if the applicant fails to execute the project as approved or if it was discovered that any or a part of the information provided during the application process was fraudulent in nature.

Appendix I

Please submit Appendix I and Appendix II together with the DIAF-ESG Application through the InvestMalaysia Portal (<https://investmalaysia.mida.gov.my/EIP/InvestMalaysia.aspx>)

(A) ELIGIBILITY CRITERIA CHECKLIST (Please tick the checkbox)	
Incorporated under the Companies Act, 2016	☐
A company is categorised as SME or MTC	☐
Effective equity of the company must be at least 51% owned by Malaysians.	☐
The company possesses a valid Business Licence from a Local Authority	☐
The company must engage in the following activities: 1. Manufacturing activity in compliance with the Industrial Coordination Act, 1975; <u>OR</u> 2. Services activities that is governed/supervised by relevant ministries/agencies in the following area: a) Hotel and Tourism; b) Private Healthcare; c) Private Education; d) Oil & Gas Services; e) Global Establishment - Principal Hub/Global Services Hub; f) R&D Activities; g) Logistics Services; or h) Other Services: - i. Ship Building Ship Repair; ii. Green Technology Project - Business Purpose; iii. Sterilisation Services; iv. Digital Infrastructure; and v. Maintenance, Repair & Overhaul for Aerospace.	☐ ☐
The company has been in operation for at least 3 years	☐
Undertake an ESG self-assessment via the https://sustainability.mida.gov.my portal i. to answer at least 50% of the questions under each key Impact Area i.e. Governance, Workers, Community, Environment and Customers; and ii. to complete the Disclosure questionnaire.	☐ ☐
The company is part of the local supply chain of Multinational Companies (MNCs) and/or anchor companies. ☐ Yes ☐ No	☐

(B) DOCUMENT CHECKLIST (Please tick the checkbox)																																					
ESG self-assessment report (B impact performance report, improvement report & goal setting report) from the https://sustainability.mida.gov.my portal	☐																																				
Quotations for the: i) Costs related to validation and verification, and/or certification for ESG adoption and/or tracking of carbon emissions and ESG disclosures; and ii) First year's subscription of system and/ or software for data collection and tracking of ESG adoption and/or GHG emissions.	☐ ☐																																				
Documentary evidence and summary of the latest 3 Years Audited Financial Statement 1) <i>Audited Account info (Profit/Loss)</i> 2) <i>Ratio of Current Asset and Liabilities (Debt-Equity Ratio)</i> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>Year</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Revenue</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Profit (loss) before tax</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Tax Contribution</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Net Profit (loss)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Fixed Assets</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Current Assets</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Current Liabilities</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Current Ratio</td> <td></td> <td></td> <td></td> </tr> </table>	Year				Revenue				Profit (loss) before tax				Tax Contribution				Net Profit (loss)				Fixed Assets				Current Assets				Current Liabilities				Current Ratio				☐
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A copy of the latest Company Profile (e-Info) by the Companies Commission of Malaysia (SSM)	☐																																				
A copy of a valid Business Licence from the Local Authority	☐																																				
A copy of a valid Manufacturing Licence (ML) OR a copy of a Confirmation Letter Exempted from ML from MIDA under Industrial Coordination Act, 1975 (Applicable for manufacturing company only)	☐																																				

A copy of a valid Licence/ Permit/ Support letter from relevant ministries/ agencies that govern the activities. (Applicable for services company only)	☐
A copy of Approval Letter on Incentives/ Grants by MIDA or Other Government Agencies (if any) , i.e :- • Taraf Perintis (<i>Pioneer Status</i>) ☐ • Investment Tax Allowance (ITA) ☐ • Reinvestment Allowance (RA) (7A/7B) ☐ • Special Reinvestment Allowance ☐ • <i>Pre-Package</i> ☐ • <i>Grant</i> ☐ • <i>Increase of Export</i> ☐ • Green Investment Tax Allowance (GITA) ☐ • Automation Capital Allowance (ACA) ☐ • Exemption of income under the P.U.(A) 112/2006, Income Tax Act 1967 ☐ • Exemption of income under the P.U.(A) 113/2006, Income Tax Act 1967 ☐ • Others (Please State: _____)	☐
ESG Service Provider/Vendor's Credentials in terms of certificates and/or supporting evidence including but not limited to: i. Company's certifications related to ESG; ii. Number of personnel involved in the project and their qualifications (attach a copy of professional qualification certificates); iii. Previous projects related to ESG services; iv. A copy of the latest Company Profile (e-Info) by the Companies Commission of Malaysia (SSM) and v. Clients' testimonials	☐
Supporting documents for the proposed projects (if applicable)	☐

Company Declaration on Client Classification and ESG Self-Assessment

1. Is your company a part of the local/ international supply chain of Multinational Companies (MNCs) and/or Anchor Companies?

Yes ☐ No ☐

If yes, please provide a list of MNC and Anchor Company clients from the past 2 years:

- i)
- ii)
- iii)

2. Please indicate if your clients require the ESG and/or Carbon Reporting/ Disclosure/ Compliance in order to be part of their Global Value Chain:

Yes ☐ No ☐

If yes, please indicate the type of reporting needed:

- i)
- ii)
- iii)

3. What are the direct and indirect impacts of the DIAF-ESG grant on the company's business?

4. Please provide the details of your ESG Self-Assessment.

Date of Report	Score