



From left: The Edge Communications chief commercial officer Sharon Teh, Pekat Goup Bhd executive director Chin Soo Mau, Yinson Holdings Bhd head of corporate sustainability Renard Siew, UOB Malaysia country head of wholesale banking Andy Cheah, Ng Zafrul, Ho, Ernst & Young Malaysia partner of climate change and sustainability Arina Kok, BMW Group Malaysia head of corporate communications and sustainability Sashi Ambihalpahan, ESG editor Tan Zhai Yun and The Edge Malaysia managing editor Anna Taing

Building a more competitive and resilient green economy

BY TAN ZHAI YUN

Minister of Investment, Trade and Industry Tengku Datuk Seri Zafrul Abdul Aziz's keynote speech at the inaugural *The Edge Malaysia* ESG Forum 2023, themed "Financing for a green future", was packed with information about the government's strategy to drive economic growth in the coming years.

Zafrul presented preliminary plans of the New Industrial Master Plan 2030 (NIMP 2030), which will be finalised by end-August, and how it will make Malaysia's economy more resilient. One of the ways this will be achieved is by decarbonising the economy through sustainable practices.

"How can you make industries resilient? One way is to build competitiveness. Although we did well in the past to industrialise, a lot of empirical data points to [how the] manufacturing value chain is largely stuck in low-value segments," Zafrul said at the event, which was organised by *The Edge Malaysia* in collaboration with UOB Bank Malaysia and BMW Group Malaysia.

For instance, in the semiconductor industry, Malaysian companies are mostly in the assembly and testing stages rather than in design, which limits their ability to capture high-revenue manufacturing, he said.

It is important, therefore, to help Malaysian companies move up the value chain and better equip them with the ability to counter operational challenges such as geopolitical risks that disrupt supply chains, resource scarcity that threatens energy security, and

climate change disasters that risk the survival of humanity, he added.

"This is where I hope NIMP 2030 comes into play. It is aimed at accelerating holistic and broad-based growth to [realise] Malaysia's vision of achieving high economic capacity, a highly skilled and high-income workforce, well-developed industries, as well as balanced, inclusive and sustainable development."

Zafrul gave the example of helping the semiconductor industry move into chip design, for instance, and use this capability to join the electric vehicle (EV) supply chain, while encouraging the participation of small and medium enterprises (SMEs) in Malaysia.

"Along with this, banks or financial institutions can consider financing areas such as green manufacturing technology, eco-friendly industrial waste management, ESG talent development and even develop productivity initiatives. This will enable us to achieve broad-based growth that will move the needle for complexity, employment, greener manufacturing and better wages," he said.

NIMP 2030 will adopt a mission-based approach and drive industrial transformation in four ways: advancing economic complexity by guiding innovation; embracing technology and digital transformation; striving for a net zero future; and ensuring economic security, including by supporting SMEs.

To achieve net zero carbon emissions, NIMP 2030 will establish clear pathways for manufacturing industries to transition and catalyse new green growth areas, among other things.

Projects that could be undertaken

include the manufacturing of local EVs, for which the government is in discussions with Perusahaan Otomobil Kedua Sdn Bhd (Perodua), and setting up carbon capture, usage and storage solutions, which is currently being done in collaboration with Petroliaam Nasional Bhd (Petronas).

The minister said a national ESG framework for the manufacturing industry will be published by the end of the year. It will encourage more industries to report on their sustainable business operations. One of the Ministry of Investment, Trade and Industry's goals is to increase the number of micro enterprises and SMEs in the manufacturing sector that are producing sustainability reports to 60% by 2030, from 16% now.

"It is important to support SMEs in the transition. Otherwise, they may just be shut out of the ESG-sensitive markets," he said.

Zafrul stressed that this transition to a lower-carbon economy should not be seen as just a risk. "We need to push a different narrative on ESG and green manufacturing. For all industries, it

is both a responsibility as well as an opportunity," he said.

SUSTAINABLE FINANCING IS CRUCIAL

The event, held at the Mandarin Oriental Kuala Lumpur, saw more than 150 participants from various industries. The opening remarks were given by The Edge Media Group publisher and group CEO Datuk Ho Kay Tat and UOB Malaysia CEO Ng Wei Wei.

There is intense pressure on businesses and industries to transition to a lower-carbon future, said Ho. Companies that do not comply risk being cut out of supply chains and markets.

"Of late, the sense of urgency has increased, as the physical impacts of climate change, such as extreme temperatures and weather events, are becoming more common. Transitioning to a low-carbon future is therefore a necessity to secure our future well-being," he said.

But the shift will not be easy and may be expensive. "To address the challenges, green financing is vital to help Malaysian companies get started on their journey. The good news is that plenty of incentives and solutions are already available," said Ho.

Meanwhile, Ng said more than 60% of Malaysia's trade partners and more than 8,000 corporations globally have announced their commitment to net zero by 2050. The governments with climate targets are expected to enforce stricter ESG requirements, which Malaysian exporting companies must comply with.

"As we speak, we are already seeing more corporations and multinational companies engaging their supply chains as part of their transition towards [a] low-carbon [economy]. While progress has been made, much more needs to be done," she said.

"Brown sectors are increasingly having to ramp up their investments and efforts to transition to cleaner technology and business models. One key catalyst would be the sectoral decarbonisation pathways with clear timelines, milestones and supporting policies to support real economy players in these sectors."



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