

## **CONCEPT PAPER**

### **ESG AWARENESS PROGRAMME FOR MSMES UNDER SWISS MULTINATIONAL COMPANIES' SUPPLY CHAIN**

#### **BACKGROUND**

Countries that account for over 90% of global Gross Domestic Product (GDP) have committed to net-zero targets following the UN Climate Change Conference in Glasgow in 2021. Meanwhile, major trading partners are beginning to enact measures to compel more sustainability and responsibility within the whole supply chain. From the aspect of international trade, the introduction of trade and investment policies by Malaysia's trading partners that emphasise compliance with the Environmental, Social and Governance (ESG) principles has necessitated the Malaysian Government to take proactive policy measures to ensure that our companies meet these requirements. Malaysia's leadership in driving ESG in the manufacturing industries is timely as businesses need to be equipped with the ability to comply to the trade and investment policies that emphasise compliance to sustainability and ESG principles by the trading partners.

The need to adapt into an evolving world means that sustainability or ESG is no longer an option but a necessity for businesses to stay relevant. Therefore, it is important to continue to invest and expand ESG opportunities in the country, with businesses, government and civil society to work together in achieving Global Goals. ESG has been identified as a key overarching theme for Malaysia's New Investment Policy (NIP) and the New Industrial Master Plan 2030 (NIMP 2030) with the goal of minimising downside risk from non-compliance with ESG practices while maximising the capture of ESG-related opportunities.

On 2 October 2023, the Ministry of Investment, Trade and Industry (MITI) launched the National Environmental, Social and Governance Industry Framework (i-ESG Framework) for the manufacturing sector in Malaysia. The Framework is a key enabler for the Push for Net Zero Mission, which is one of the four (4) missions under the New Industrial Master Plan 2030 (NIMP2030). Consisting of four (4) pillars – standards, financing, capacity building and market mechanism – as well as 17 strategies, 50 deliverables and six (6) key enablers, the i-ESG Framework is intended to provide invaluable guidance and driving 'Just Transition' towards ESG-compliance, especially for Micro, Small, and Medium Enterprises (MSMEs).

Taking in consideration of MADANI Economy's commitment to inclusivity, particularly in ensuring that no one is left behind, the implementation of i-ESG Framework will be done in phases. This framework will begin with the "Just Transition" (Phase 1.0) from 2024 to 2026, followed by the "Accelerate ESG Practices" (Phase 2.0) from 2027 to 2030.

Phase 1.0 prepares the groundwork and fosters the development of a robust ecosystem to help manufacturing companies embark on their ESG journey. During Phase 1.0, manufacturing companies, including MSMEs, will be supported on starting their sustainability/ESG journey through the self-readiness assessment (i-ESGReady), outreach (*KenalESG*), training/mentoring programmes (iESG Clinics/iESGMentor as well as financing options. The second phase (Phase 2.0) of the Framework is geared towards accelerating ESG practices. Strategies for the Phase 2.0 will be carefully crafted to align with both national and international ESG requirements.

In the engagements with government agencies, the business community, and civil society, one of the issues identified was the inadequacy of capacity-building and training for companies and their supply chains in the adoption of ESG and undertake activities such as producing sustainability report. Companies have expressed concerns that while some of the larger companies may have the resources and capacity to adopt ESG, smaller companies down the supply chain may not have the same amount of capacity and resources to comply. There were requests to conduct training programmes for companies. As such, MITI in collaboration with the Embassy of Switzerland is organising an awareness programme for MSMEs in the manufacturing sector which are under the supply chain of Swiss Multinational Companies (MNCs).

## **OBJECTIVES OF THE EVENT**

The objectives of the event are as follows:

- (i) To provide an overview of the government's initiative on driving the adoption of ESG agenda through the i-ESG framework;
- (ii) To increase and enhance companies' awareness and understanding of sustainability reporting;
- (iii) To enable the sharing of best practices in adoption of ESG and sustainability reporting between MNCs and MSMEs along their supply chain;
- (iv) To understand the ESG requirements of the MNCs for the MSMEs to remain relevant in the business; and
- (v) To gauge the effectiveness of the self-assessment of the i-ESG framework among companies in the manufacturing sector.

## **TARGET PARTICIPANTS**

About 100 company representatives from the corporate sustainability / ESG division to participate in this event.

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**22 APRIL 2024 (THURSDAY)**

**TENTATIVE PROGRAMME**

<b>Time</b>	<b>Session</b>
8.30 am – 9.00 am	Registration and coffee
9.00 am – 9.20 am	Welcoming Remarks by YBhg. Datuk Hanafi Sakri, Deputy Secretary General (Industry), Ministry of Investment, Trade and Industry
	Welcoming Remarks by Embassy of Switzerland/ Swiss-Malaysian Chamber of Commerce (SMCC)  (TBD)
9.20 am – 9.50 am	National Industry Environmental, Social and Governance Framework by Dr. M. Jessica, Senior Director of the i-ESG Division, MITI
9.50 am – 10.20 am	Knowledge Sharing Session 1: Energy Management (by MNC 1) (20 min presentation and 10 min Q&A)
10.20 am – 10.50 am	Coffee Break
10.50 am – 11.20 am	Knowledge Sharing Session 2: Emission Management (by MNC 2) (20 min presentation and 10 min Q&A)
11.20 am – 11.50 pm	Knowledge Sharing Session 3: Labour Practices (by MNC 3) (20 min presentation and 10 min Q&A)
11.50 am – 12.25 pm	Knowledge Sharing Session 4: Supply Chain Management (by MNC 4) (20 min presentation and 10 min Q&A)
12.25 pm	Lunch
	End of programme

Note: Topic of Knowledge Sharing Session TBD by MNCs