

# APEC Capacity Building Program on ESG for MSMEs within the APEC Economies

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APEC Small and Medium Enterprises Working Group

April 2026



**Asia-Pacific  
Economic Cooperation**





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# **APEC Capacity Building Program on ESG for MSMEs within the APEC Economies**

**APEC Small and Medium Enterprises Working Group**

**April 2026**

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Authored by  
Dr Meenachi Muniandy

Produced by  
People Prowess Sdn. Bhd.

For  
Asia-Pacific Economic Cooperation Secretariat  
35 Heng Mui Keng Terrace  
Singapore 119616  
Tel: (65) 68919 600  
Fax: (65) 68919 690  
Email: [info@apec.org](mailto:info@apec.org)  
Website: [www.apec.org](http://www.apec.org)

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## EXECUTIVE SUMMARY

The APEC Capacity Building Program on Environment, Social, and Governance (ESG) for Micro, Small, Medium Enterprises (MSMEs), held from 1–3 October 2025 in Kuala Lumpur, convened government agencies, sustainability experts, financial institutions, and multinational corporations (MNCs) to strengthen ESG readiness among MSMEs across the Asia-Pacific Economic Cooperation (APEC) region. The workshop addressed the rapidly evolving sustainability landscape, highlighted the mounting pressures on MSMEs from international regulations, and emphasized the importance of integrating ESG principles into business practices for long-term competitiveness. Participants explored the progress of Sustainable Development Goals (SDG) progress, economies governance structures, sustainable trade challenges, climate reporting standards, green financing mechanisms, and responsible business conduct frameworks.

Over the three days, speakers underscored the increasing global shift toward mandatory ESG reporting, with more than 35 jurisdictions now enforcing disclosure requirements covering over half of global gross domestic product (GDP). These frameworks—along with emerging rules such as the European Union’s Carbon Border Adjustment Mechanism (CBAM), European Union Deforestation Regulation (EUDR), and Corporate Sustainability Due Diligence laws—are reshaping supply chains and compelling MSMEs to strengthen data collection, emissions reporting, traceability, and labor practices to remain export- competitive. Case studies from Coca-Cola highlighted practical applications of ESG in operations, packaging innovation, waste management, and partnership-based environmental programs. Financial institutions, including CIMB, demonstrated how ESG is being integrated into risk assessment and financing decisions, showing pathways for MSMEs to access green and sustainability-linked financing when supported by credible data, reporting, and verification systems.

Technical sessions deepened understanding of sustainability governance, reporting frameworks, and greenhouse gas (GHG) accounting aligned with Intergovernmental Panel on Climate Change (IPCC) and GHG Protocol guidance. Participants learned to interpret sustainability disclosures and apply emission calculation methods, while recognizing practical obstacles such as limited data availability, reporting complexity, and resource constraints faced by MSMEs. The workshop also emphasized responsible business conduct through the International Labor Organization (ILO) Multinational Enterprises (MNE) Declaration and Malaysia’s National Action Plan on Business and Human Rights, reinforcing the need for MSMEs to strengthen labor standards, due diligence processes, and human rights safeguards to meet global expectations.

# 1. INTRODUCTION

## 1.1 BACKGROUND

Sustainable business practices have become relevant across some Asia-Pacific Economic Cooperation (APEC) economies due to increasing climate risks, evolving regulatory requirements, shifting investor expectations, and pressures from global supply chains. Yet many enterprises, particularly Micro, Small and Medium Enterprises (MSMEs) continue to face substantial challenges in understanding and applying ESG principles. These include limited access to international frameworks, reporting tools, and standardized implementation approaches. This workshop is designed to address key knowledge and implementation gaps by equipping participants with practical tools, case studies, and policy insights that support ESG integration, sustainable financing, and transparent reporting practices. Through expert-led sessions, group discussions and site visits, participants explored topics such as the United Nations Sustainable Development Goals (UN SDGs), green industrial parks, greenhouse gas (GHG) management, sustainability reporting standards, and carbon pricing mechanisms.

The three-day APEC Capacity Building Program on ESG for MSMEs, was held from 1–3 October 2025 in Kuala Lumpur, offers a structured learning journey covering sustainable development, ESG-driven export opportunities, green financing, and corporate ESG case studies. Participants were engaged in expert-led sessions on sustainability governance, reporting frameworks, green tax incentives, and internationally recognized guidelines such as the Intergovernmental Panel on Climate Change (IPCC) and the GHG Protocol. Practical exercises and a site visit to Coca-Cola further demonstrated real-world ESG applications. The detailed program is provided in Annex A.

As many MSMEs struggle to implement ESG practices due to resource constraints and complex regulatory requirements, this project seeks to bridge that gap by raising awareness and providing targeted training tailored to MSMEs' needs. The workshop convenes regulators, industry leaders, standards bodies, financial institutions, academia, and international organizations to discuss best practices, including the Global Reporting Initiative (GRI) and practical strategies for integrating ESG into corporate governance, disclosure processes, and value chains.

Beyond knowledge sharing, the program aims to foster peer learning and cross-economy collaboration, helping MSMEs adopt achievable ESG strategies suited to their scale and context. By the end of the workshop, participants are expected to have clearer pathways for

embedding ESG considerations into business decision-making and strengthening stakeholder confidence.

## **1.2 PROBLEM STATEMENT**

ESG compliance is rapidly becoming a prerequisite for global market access and participation in international supply chains. Some APEC economies therefore may face a need to support businesses, especially in developing economies—in adopting recognized international standards that embed ESG principles into their operations and align with global frameworks such as the SDGs, GRI, ISO standards, and the International Sustainability Standards Board (ISSB). This workshop will address these gaps by facilitating the exchange of best practices, showcasing successful models that integrate ESG through standards-based approaches, and promoting the use of voluntary sustainability standards and conformity assessment mechanisms. It will focus on actionable ESG integration strategies for businesses and highlight enabling policy and standardization mechanisms.

## **1.3 OBJECTIVES**

The key objectives of this Workshop are:

- a. to increase awareness of ESG standards among SMEs.
- b. to equip SMEs with knowledge for effective ESG reporting and implementation.
- c. to offer practical training on key ESG components.
- d. to facilitate knowledge sharing and policy development.

## **1.4 METHODOLOGY**

The workshop employed a multi-layered, experiential methodology that combined expert-led presentations, practical exercises, peer learning, and real-world exposure to ensure participants gained both conceptual understanding and actionable ESG capabilities (List of experts and photographs of the sessions are attached as Annex B and C, respectively). Each session was structured to introduce foundational knowledge—such as SDG progress, sustainable finance, governance, reporting frameworks, GHG accounting, and responsible business conduct—followed by interactive discussions that enabled participants to contextualize lessons for MSME environments. Hands-on components, including sustainability reporting analysis, emissions calculation examples, and case study evaluations, equipped participants with practical skills in data interpretation, decision-making, and ESG disclosure. The methodology also emphasized comparative learning, where participants examined actual sustainability reports and evaluated governance structures to deepen analytical skills. A site visit to Coca-Cola’s manufacturing facility further connected theoretical concepts to real industry practices, demonstrating how ESG principles are operationalized at

a scale. Overall, the workshop’s blended approach—integrating theory, practice, dialogue, and field observation—ensured a comprehensive, capacity-building experience tailored to the needs of MSMEs in the APEC region.

## 2. WORKSHOP SUMMARY

### 2.1 DAY ONE

#### 2.1.1 Session 1

##### *SDG: Introduction and Reflection* *(Mrs Nor Asmah bt. Mohd Noor, National SDG Centre)*

The session provided an overview of global progress on the 2030 SDGs, highlighting uneven advancement and significant gaps. As of 2025, only 18% of SDG targets are on track globally, with many showing stagnation or regression. Key challenges persist across multiple goals—rising poverty vulnerability, worsening hunger, continued maternal mortality, limited access to quality education, gender inequality, persistent child labor, digital divides, discrimination against people with disabilities, and escalating climate risks. The UN Secretary-General emphasized that achieving the SDGs remains possible but requires urgent, transformative action and the integration of SDG principles into government budgets and corporate ESG systems.

Malaysia’s SDG governance is structured through a three-tier system consisting of the National SDG Council, the SDG Steering Committee, and the SDG Technical Committee, ensuring strong political leadership and coordinated implementation. Malaysia performs significantly above global averages, with 49% of its targets on track. Notable achievements include improvements in maternal health, education completion rates, access to water and electricity, recycling performance, forest conservation, and public safety. However, 34% of targets remain off-track and 17% lack sufficient data, highlighting ongoing data collection challenges. Malaysia’s forward strategy aligns the SDGs with the 13th Malaysia Plan (RMK-13) and the Madani Economy Framework. The National SDG Roadmap progresses through three phases— from foundational efforts (2016–2020), to strengthening monitoring and target-setting (2021–2025), and ultimately to transformative action (2026–2030). Future priorities focus on social inclusion, human capital, resilient economic growth, green transition, governance reforms, and partnerships underpinned by data-driven decision-making to ensure Malaysia reaches the SDG finishing line by 2030.

## 2.1.2 Session 2

### *Sustainable Trade: Navigating the Future with ESG* (Mr. Jaishankar. S., MATRADE)

The presentation introduced sustainability as the principle of meeting present needs without compromising future generations, emphasizing the balance required between economic growth and responsible stewardship. ESG was highlighted as a key framework used by investors, regulators, and businesses to assess non-financial performance, manage risks, and remain resilient and competitive in a rapidly evolving global landscape. For Malaysian exporters, sustainability represents both a challenge and an opportunity. International policies, mandatory ESG reporting, and rising stakeholder expectations are reshaping global trade. With more than 35 jurisdictions now enforcing mandatory ESG disclosures, exporters face increasing demands for transparency in emissions, labor practices, and governance. Key regulations such as the EU's Carbon Border Adjustment Mechanism (CBAM) require exporters to account for embedded carbon in their products, while due diligence expectations necessitate stronger oversight of environmental and social risks across supply chains.

Stakeholder pressures—from regulators, investors, banks, buyers, and consumers—continue to intensify. Financial institutions are integrating ESG into lending decisions, while buyers and global brands increasingly prefer suppliers who demonstrate ethical, low-carbon, and transparent practices. This shift reinforces the need for Malaysian exporters to adopt ESG not only for compliance but also to remain competitive, reduce operational risks, foster innovation, attract investment, and build market trust. The EU's emerging regulations, including the Deforestation Regulation (EUDR) and the Corporate Sustainability Due Diligence Directive (CSDDD), further raise expectations for traceability, legal sourcing, and comprehensive due diligence. For Malaysia and APEC exporters, non-compliance risks loss of market access, while strong ESG performance enhances global competitiveness, strengthens supply chain resilience, and positions businesses to benefit from the expanding green economy.

## 2.1.3 Session 3

### *Sustainable Finance Overview and Insights* (Mr. Azmir Abdullah, CIMB)

The presentation outlined CIMB Group's position as a leading Malaysian and ASEAN financial institution that has embedded sustainability as a core strategic priority. CIMB's ESG journey began in 2018 through stakeholder engagement and has since expanded with progressively ambitious commitments to sustainable finance—from MYR30 billion in 2021 to MYR100 billion by 2024, ultimately achieving MYR117 billion mobilized by the end of 2024. The bank has also

completed 2030 decarbonization targets for six high-emitting sectors and initiated financial literacy and community-empowerment programs such as “JagaDuit.” CIMB’s sustainability framework is anchored in three pillars: Sustainable Action (reducing operational footprint), Sustainable Business (financing low-carbon and inclusive growth), and Corporate Citizenship (supporting communities and responsible practices). ESG considerations are incorporated into CIMB’s risk management, including sustainability due diligence and alignment with Bank Negara Malaysia’s Climate Change Principle-Based Taxonomy (CCPT). The bank assesses environmental impacts, biodiversity risks, resource use, and GHG emissions when evaluating financing decisions.

CIMB has reinforced its commitment to Net Zero by 2050 with 2030 decarbonization pathways for sectors such as power, palm oil, cement, oil & gas, and real estate. It also applies minimum ESG standards, exclusion lists, human rights assessments, and sector-specific safeguards. Aligning with global frameworks like the UN Global Compact and the ILO, CIMB emphasizes strong labor practices and supports Malaysia’s National Action Plan on Business and Human Rights (NAPBHR). The presentation highlighted increasing ESG disclosure requirements in Malaysia: listed companies must adopt IFRS S1 and S2 disclosure standards, while large non-listed firms will fall under the National Sustainability Reporting Framework (NSRF) by 2027. SMEs, though not directly regulated, will face growing ESG data demands from supply chain partners and banks.

CIMB’s sustainable finance offerings cater to corporations, SMEs, and individuals. A flagship initiative— CIMB GreenBizReady™—serves as an ESG-readiness platform offering training, advisory, certification, networking, and access to financing facilities such as the High Tech & Green Facility (HTG), Low Carbon Transition Facility (LCTF), Green Technology Financing Scheme (GTFS 4.0), and Sustainability-Linked Financing (SLF). The SLF journey includes coaching, emissions measurement and reduction actions, financing, and performance verification to unlock interest rebates. A case study of CIMB’s own operational decarbonization demonstrated a structured hierarchy of avoiding, reducing, substituting, and offsetting emissions, supported by energy efficiency measures and green electricity procurement. CIMB’s initiatives have received regional recognition and produced real impacts through partnerships with SMECorp Malaysia and success stories from SMEs benefiting from green financing schemes. Commercial banking examples showcased real-world sustainable finance in action, including developing Southeast Asia’s first LEED Gold industrial park, partnering with GENTARI to build the ASEAN EV ecosystem, and supporting AEON in embedding ESG standards across supply chains. Overall, CIMB’s sustainability strategy illustrates how

financial institutions can drive systemic ESG adoption across industries, supply chains, and communities.

#### **2.1.4 Session 4**

##### ***Coca-Cola's Malaysia - ESG Journey (Mr. Khairul Anwar Ab Gahani, Coca-Cola)***

The presentation outlined Coca-Cola's long-standing presence in Malaysia since 1936 and its evolution into a modern, sustainability-driven manufacturer. The company's state-of-the-art Enstek Plant demonstrates advanced automation and integrated systems that support high-speed production and efficient distribution across Brunei Darussalam; Malaysia; and Singapore. Coca-Cola emphasized that ESG principles are central to its global and local strategy, guiding regulatory compliance, risk management, operational excellence, and long-term value creation. Coca-Cola's sustainability goals are aligned with global priorities, including 100% water replenishment, sustainable sourcing of agricultural inputs, empowering women economically, protecting human rights, reducing sugar content, improving waste management, and pursuing climate action consistent with the 1.5°C pathway. Its packaging sustainability journey is built on three principles—Design, Collect, and Partner—with major efforts to increase recycled content, lightweight packaging, deploy package-less innovations, and adopt 100% rPET for selected bottles. Initiatives such as “Transparent is the New Green” and award-winning Sprite packaging underscore Coca-Cola's commitment to circularity.

To address post-consumer waste, Coca-Cola collaborates extensively with recyclers and communities, supporting bottle-to-bottle recycling, large-scale collection partnerships, and behavioral change campaigns including KITAREcycle, Recycle Me!, and education-focused programs. Broader partnerships—such as MAREA, community-based cleanup efforts, and the Ocean Cleanup project at Sungai Klang—demonstrate Coca-Cola's multi-stakeholder approach to environmental stewardship. Overall, the presentation highlighted Coca-Cola Malaysia's integrated sustainability strategy, which spans operational efficiency, packaging innovation, waste management, community engagement, and ecosystem partnerships. These efforts reflect the company's commitment to embedding ESG across its value chain and driving positive environmental and social outcomes while ensuring long-term business resilience.

## **2.2 DAY TWO**

### **2.2.1 Session 5**

#### ***Sustainability Governance (Mr. Prathab, ESGRight Sdn. Bhd.)***

The presentation explained how Malaysia defines and governs SMEs, emphasizing that the economy uses a principles-based rather than law-based approach to guide good practices and sustainability. The speaker, representing ESG Right Malaysia—a leading GRI-certified sustainability training provider—highlighted the importance of governance, ethical leadership, and corporate citizenship in strengthening SMEs, which form the backbone of Malaysia’s economy. Key governance frameworks discussed included the Malaysian Code on Corporate Governance (MCCG), originally introduced in 1998 and last updated in 2021, and the Draft 2024 SME Governance Code, structured around five principles: strategic decision-making, culture, risk management, sustainability, and transparency. The presentation also outlined Malaysia’s SME classifications and emphasised the need for clear roles between boards and management, formal structures as companies grow, and the integration of sustainability Key Performance Indicators (KPIs) alongside business KPIs. It concluded that strong governance, leadership, and sustainability practices are essential for SME resilience, competitiveness, and long-term value creation.

### **2.2.2 Session 6**

#### ***Sustainability Reporting Framework (Mr. Prathab, ESGRight Sdn. Bhd.)***

The session provided participants with a comprehensive understanding of sustainability reporting, emphasizing its role in helping organizations disclose how they manage economic, environmental, and social impacts. The facilitator explained that effective sustainability reporting identifies material topics—issues that matter most to stakeholders and long-term corporate performance. Bursa Malaysia’s 2023 Sustainability Reporting Guidelines were introduced, detailing 11 key material matters such as anti-corruption, diversity and inclusion, labor and human rights, supply chain sustainability, energy and emissions management, and data privacy. The facilitator stressed that reporting is more than a compliance exercise; it reflects a company’s ethical maturity and resilience. A hands-on group exercise required participants to review and compare the sustainability reports of Maybank and RHB. They assessed governance structures, board and committee roles, sustainability leadership, corporate policies, and the clarity of disclosures. Participants concluded that Maybank’s report was more comprehensive, transparent, and aligned with best practices—particularly regarding governance and policy disclosures—earning an average score of 8/10. RHB’s report received

a slightly lower score of 7/10 due to less detailed governance information and occasional reliance on external documents.

Conceptually, the facilitator reinforced that sustainability is essential for corporate survival in the context of climate change, carbon emissions, and environmental degradation. Referencing Malaysia's 2022 emissions of 367.7 million tons of CO<sub>2</sub>e, he emphasized the urgency of transitioning toward sustainable practices. He connected sustainability reporting to the UN SDGs and used illustrative analogies—such as comparing the atmosphere to human skin—to highlight the planet's vulnerability. The session also drew on global success stories like the Montreal Protocol to demonstrate the impact of coordinated environmental action. The session concluded by revisiting the Brundtland Commission's definition of sustainability, reminding participants that reporting should reflect authentic commitment rather than box-ticking. Overall, the session strengthened participants' ability to interpret sustainability reports, understand material issues in Malaysia's context, and evaluate ESG performance and transparency. It effectively combined conceptual learning with practical analysis to deepen understanding of corporate sustainability practices.

### **2.2.3 Session 7**

#### ***Insights on Malaysia's Green Incentives (Mrs. Sabihah Salleh, MGTC)***

The presentation traced the institutional evolution of the Malaysian Green Technology and Climate Change Corporation (MGTC), which began in 1998 as the Malaysian National Energy Centre before expanding into green technology in 2010 and subsequently incorporating climate change functions in 2021. Today, under the Ministry of Natural Resources and Environmental Sustainability (NRES), MGTC leads Malaysia's efforts to drive green growth, climate mitigation, and sustainable lifestyles. Its mandate aligns closely with Malaysia's Nationally Determined Contribution (NDC) to reduce GHG emissions intensity by 45% by 2030, while also aiming to generate MYR100 billion in green technology GDP and create 230,000 green jobs. MGTC's work spans green industry development, low-carbon mobility, green incentives and financing, multi-stakeholder collaborations, and economy-wide public awareness programs. Policies such as the Green Technology Master Plan (GTMP), National Climate Change Policy, National Energy Policy, and the National Energy Transition Roadmap form the strategic ecosystem guiding these efforts. The GTMP identifies six priority sectors—including energy, transport, and manufacturing—as key to achieving Malaysia's decarbonization targets.

The agency implements programs under the Sustainable Consumption and Production (SCP) framework, including green industry development, the MyHIJAU eco-labeling system, Government Green Procurement (GGP), and major financing mechanisms such as the GTFS and the Green Investment Tax Allowance (GITA). Platforms like IGEM, the Low Carbon Cities Framework, the National Energy Awards, and community-based initiatives further supported outreach and capacity building. The MyHIJAU program consolidates all green certifications into a unified recognition system to verify eco-labels, prevent greenwashing, and facilitate access to green procurement and tax incentives. With 20,000 certified products to date, MGTC aims to expand this to 50,000 by 2030. GITA and GTFS were highlighted as key financial tools enabling companies to adopt green technologies, with thousands of projects supported—resulting in billions of MYR in investments, thousands of green jobs, and substantial annual emissions reductions. Despite successes, challenges remain, including accelerating MyHIJAU registration, increasing awareness among SMEs as well as state and local authorities, strengthening safeguards against greenwashing, and ensuring overall policy alignment with Malaysia’s Net Zero 2050 commitment. Overall, the presentation underscored MGTC’s central role as the driver of green technology adoption, climate action implementation, and multi-stakeholder collaboration to build a low- carbon and sustainable Malaysian economy.

## **2.3 DAY THREE**

### **2.3.1 Session 8**

#### *Aligning IPCC Guidelines with ESG Framework (Ir. Ts. Dr. Tan Ee Sann, UNITEN)*

The presentation emphasized the critical role of GHG reporting, ESG integration, and Malaysia’s climate commitments in strengthening transparency, competitiveness, and long-term sustainability. It outlined Malaysia’s institutional architecture for climate reporting, including the roles of UNITEN R&D as the external consultant for estimating emissions in the Energy and IPPU sectors, and the formal reporting structure through the Biennial Transparency Report (BTR), submitted to the United Nations Framework Convention on Climate Change (UNFCCC) every two years. Oversight bodies such as Malaysia Climate Change Action Council (MyCAC), National Steering Committee on Climate Change (NSCCC), and National Technical Committee on Climate Change (NTCCC) coordinate Malaysia’s climate governance and reporting efforts. ESG reporting was highlighted as increasingly essential due to rising stakeholder expectations, stricter regulatory requirements, and the growing need for companies to demonstrate accountability and alignment with SDGs. Robust ESG practices support market access, cost savings, financing opportunities, and improved

brand reputation. The session also detailed the GHG Protocol's Scope 1, 2, and 3 emission categories and the use of IPCC methodologies, which underpin international consistency in reporting. Malaysia's adoption of the TACCC principles—Transparency, Accuracy, Consistency, Comparability, and Completeness—strengthens credibility and enables more effective policymaking, technology access, and trade competitiveness. Malaysia's BTR findings identify the energy sector as the dominant source of emissions, followed by waste, Industrial Process and Product Use (IPPU), and agriculture, while the Land Use, Land-Use Change, and Forestry (LULUCF) sector remains a carbon sink, though declining due to deforestation. Emission calculations utilize tiered methods: Tier 1 default factors, Tier 2 economies level data, and Tier 3 facility-level data, with Malaysia shifting toward more accurate Tier 2 approaches as data improves. A practical example demonstrated the calculation of emissions from plastic toy production, illustrating how activity data and emission factors generate precise results.

The presentation noted the importance of aligning IPCC methodologies with ESG frameworks to enhance credibility, improve decision-making, and strengthen long-term sustainability outcomes. However, challenges remain, including limited data availability, complex facility-level assessments, insufficient expertise, and resource constraints among SMEs. Future trends include more standardized and automated reporting systems, digital integration, and increased focus on Scope 3 emissions across supply chains. Overall, the presentation underscored that strong ESG and GHG reporting not only fulfils international obligations but also enhances credibility, competitiveness, and access to climate finance. Accurate GHG inventories support realistic emissions reduction planning, while continuous improvement and closer alignment of ESG with IPCC guidelines are essential for achieving long-term sustainability performance.

### **2.3.2 Session 9**

#### ***GHG Protocol G Carbon Footprint Management (Dr Ann Marie Sidhu, ESGRight)***

The presentation offered a comprehensive overview of the global climate crisis and Malaysia's pathway toward achieving net-zero emissions. Globally, 2024 was recorded as the warmest year in history, with temperatures rising 1.55°C above pre-industrial levels. Seven of the nine established planetary boundaries have been transgressed, intensifying global climate and environmental risks that disproportionately affect regions like Southeast Asia. The region faces severe vulnerability to floods, heatwaves, and landslides while emissions continue to rise, illustrating the tension between economic growth and environmental sustainability. Malaysia's

climate response is guided by the National Climate Change Policy 2.0, built on five pillars: policy alignment, strategic frameworks, market instruments, regulatory integration, and international cooperation. Like over 190 economies, Malaysia has pledged net zero emissions by 2050, requiring significant reductions and sequestration of GHG. The presentation explained the GHG Protocol—developed by World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD)—as the world’s leading standard for measuring emissions across Scopes 1, 2, and 3. Effective carbon accounting follows principles of accuracy, completeness, relevance, consistency, and transparency and includes defining boundaries, identifying emission sources, calculating emissions, verifying results, and continual improvement.

A key focus was the critical role of MSMEs in Malaysia’s transition: although they represent over 99% of businesses, they face major constraints including limited technical knowledge, high administrative burdens, and restricted access to green finance. Yet, carbon action is essential for MSMEs to remain competitive, fulfil supply chain requirements, and access global markets. Public-listed companies act as anchor entities driving supply chain decarbonization, supported by financial institutions that are increasingly aligning lending with ESG and climate principles. However, MSMEs need clearer guidance, tools, and financing pathways to participate effectively.

Real-world case studies demonstrated cost-saving and emissions-reducing technologies adopted by Malaysian manufacturers, such as solar thermal systems replacing boilers and efficiency upgrades to lighting, cooling, compressed air, and motor systems. The presentation also touched on carbon credits— each representing one ton of CO<sub>2</sub>—as a growing mechanism for addressing residual emissions within voluntary carbon markets. While uptake remains low, demand is expected to increase as companies progress toward net-zero goals. Overall, the presentation underscored that Malaysia’s net-zero transition depends not only on policy frameworks and corporate actions but also on empowering MSMEs with knowledge, financial support, and practical solutions to reduce emissions across entire value chains.

### 2.3.3 Session 10

#### *Introduction to the Responsible Business Conduct (RBC) through the Framework of the ILO MNE Declaration (Mr. Kevin Cassidy, International Labor Organization)*

The presentation explored the global evolution of responsible business conduct (RBC), highlighting its increasing relevance within international sustainability and human rights agendas. It emphasized how global trade and investment frameworks are shifting to incorporate ESG principles, reinforcing the need for businesses to pursue growth that is socially responsible, environmentally sound, and aligned with global labor standards. International instruments, particularly the ILO Multinational Enterprises (MNE) Declaration—were presented as key references guiding enterprises in adopting ethical labor practices and advancing sustainable development. The presentation also reviewed emerging legal and regulatory frameworks, including the EU’s CSDDD and similar laws in Canada; France; Germany; and the United States. These regulations mandate companies to conduct human rights and environmental due diligence across their supply chains, reflecting the growing expectation for transparency and accountability. Malaysia’s own progress was highlighted through the launch of its NAPBHR in August 2024, which prioritizes labor rights, elimination of forced labor, non-discrimination, fair wages, and social dialogue, aligning with international conventions such as the ILO Forced Labor Protocol.

The speaker underscored that responsible business is not only a moral duty but also a strategic advantage, enhancing access to markets and finance, attracting talent, improving productivity, and strengthening competitiveness. The ILO MNE Declaration—unique in being jointly adopted by governments, employers, and workers—was presented as a comprehensive framework promoting decent work, human rights, equality, occupational safety, and sound industrial relations. The ILO supports implementation through practical tools such as the ILO Helpdesk for Business, company–union dialogue mechanisms, economies’ focal points, and enterprise self-assessment tools. Case studies from Viet Nam and Zambia demonstrated how the MNE Declaration facilitates practical improvements in corporate social responsibility, labor relations, and tripartite collaboration. The session linked these efforts to the Guiding Principles on Business and Human Rights and the SDGs, emphasizing shared responsibilities between states and enterprises to “Protect, Respect, and Remedy” human rights. The presentation concluded that advancing responsible business conduct depends on coordinated efforts across governments, employers, and workers, and that integrating human rights and labor principles into corporate governance is essential for inclusive, sustainable economic growth.

### **3. KEY INSIGHTS FROM THE WORKSHOP**

#### **3.1 ESG REPORTING REQUIREMENTS**

Mandatory ESG reporting is rapidly becoming the global norm, with more than 35 jurisdictions— representing over half of global GDP—now requiring companies to disclose sustainability performance, climate-related risks, and governance practices. These regulatory shifts, driven by frameworks such as the EU Corporate Sustainability Reporting Directive (CSRD), the ISSB standards, and regional due diligence laws, are creating a new baseline of transparency and accountability across international markets. As multinational corporations adapt to these requirements, they are extending ESG expectations throughout their supply chains, which directly impacting the operations of MSMEs. Increasingly, MSMEs will be required to provide emissions data, demonstrate compliance with labor standards, ensure traceability of raw materials to address deforestation or human rights risks, and adopt circular economy practices to reduce waste and resource intensity. These requirements are no longer limited to large exporters; they now affect smaller suppliers who contribute to upstream production processes. Failure to meet these evolving expectations may jeopardize MSMEs' ability to participate in regional and global value chains. Therefore, proactive preparation— through capacity building, access to affordable reporting tools, and alignment with emerging ESG standards—is essential to safeguard MSME competitiveness in a fast-changing international regulatory landscape.

#### **3.2 BARRIERS AND CAPACITY GAPS**

Participants highlighted several constraints that continue to limit MSMEs' ability to adopt ESG practices effectively. First, many MSMEs lack sufficient knowledge of ESG standards and frameworks, making it difficult for them to understand requirements such as sustainability reporting, due diligence obligations, and emissions disclosure. This knowledge gap creates uncertainty and reduces confidence in implementing ESG measures. Second, data collection and reporting capabilities remain weak; many MSMEs do not have standardized systems or tools to gather, track, and verify ESG or GHG-related data, resulting in inconsistencies and low-quality reporting. Third, MSMEs face significant barriers in accessing affordable green financing. High collateral requirements, perceived credit risks, and limited familiarity with sustainability-linked finance often prevent smaller enterprises from obtaining the capital needed for green upgrades or compliance efforts. Fourth, awareness of government incentives—including tax benefits, green grants, and financing schemes—is generally low, meaning MSMEs frequently miss opportunities that could reduce the financial burden of transitioning to sustainable practices. Finally, many MSMEs operate with minimal governance

structures and lack clear sustainability KPIs, making it challenging to integrate ESG into strategic decision-making or demonstrate accountability to stakeholders. Together, these constraints highlight the need for potential targeted capacity-building, simplified tools, and supportive policy interventions to enable MSMEs to meaningfully participate in regional and global supply chains.

### **3.3 GREEN FINANCE REQUIREMENTS**

Banks and financial institutions—such as CIMB—are increasingly embedding ESG considerations into their credit assessments, lending policies, and risk management frameworks, reflecting global trends toward sustainable finance and responsible investment. These institutions now offer products such as sustainability-linked financing, green loans, and transition facilities that reward companies for measurable improvements in areas like emissions reduction, energy efficiency, and adoption of certified ESG practices. However, MSMEs often struggle to meet the accompanying requirements, which typically include structured data collection, regular sustainability reporting, and third-party verification of performance indicators. Many MSMEs lack the technical capacity, digital systems, and financial resources needed to produce reliable carbon emissions data or to comply with standardized reporting platforms used by banks. Verification costs—while relatively modest—may still pose a barrier for smaller enterprises.

### **3.4 RESPONSIBLE BUSINESS CONDUCT**

Global markets are increasingly shaped by stringent human rights and environmental due diligence legislation, requiring companies—regardless of size—to demonstrate responsible supply chain practices and compliance with international labor and environmental standards. Instruments such as the ILO MNE Declaration and Malaysia's NAPBHR underscore the growing expectation that enterprises integrate respect for workers' rights, fair labor conditions, and environmental stewardship into their business operations. For MSMEs, this means strengthening internal governance systems, improving transparency across their supply chains, and adopting clear policies on issues such as forced labor, discrimination, occupational safety, and environmental impacts. These frameworks emphasize that responsible business conduct is no longer voluntary or merely reputational—it is becoming a prerequisite for maintaining access to international markets, meeting investor expectations, and fulfilling the due diligence requirements imposed by major trading partners. Strengthening labour standards, implementing traceability mechanisms, and institutionalizing governance

structures will therefore be essential for MSMEs to remain competitive, credible, and aligned with emerging global norms.

## **4. POLICY RECOMMENDATIONS**

### **4.1 STRENGTHEN REPORTING READINESS**

Some APEC economies could support MSMEs by introducing practical and accessible tools that ease the burden of ESG and carbon reporting. This includes developing simplified reporting templates that help smaller businesses understand and document their sustainability performance without the complexity of corporate-level disclosures. Governments could also establish digital reporting platforms tailored for MSMEs, enabling streamlined data submission and reducing administrative barriers. To ensure data credibility, subsidies or financial assistance for third-party verification would help MSMEs meet the assurance requirements increasingly demanded by regulators and supply chain partners. Finally, these initiatives could promote alignment with internationally recognized standards—such as the IPCC guidelines, the GHG Protocol, and NSRF reporting frameworks—to ensure consistency, comparability, and global market acceptance of MSME disclosures.

### **4.2 PROMOTE SUPPLY CHAIN READINESS FOR GLOBAL REGULATIONS**

Some APEC economies could support MSMEs in navigating increasingly complex international regulations, including the EU's CBAM, which imposes carbon-based tariffs on emissions-intensive exports, and EUDR, which requires products to be fully traceable and verified as deforestation-free. In addition, emerging CSDD laws in major markets mandate companies to assess and address human rights and environmental risks throughout their supply chains. These regulatory shifts directly affect MSMEs that supply to global buyers, which may benefit from clear guidance, technical assistance, and practical tools to help firms assess compliance gaps, strengthen documentation, and adopt necessary sustainability practices. Without such support, MSMEs risk losing competitiveness and market access as global sustainability requirements continue to tighten.

### **4.3 STRENGTHEN GOVERNANCE AND RESPONSIBLE BUSINESS CONDUCT**

To align with international labor standards and evolving expectations for responsible business conduct, some APEC economies could encourage wider adoption of SME-focused governance codes, such as Malaysia's SME Governance Code, to strengthen accountability, ethical leadership, and transparency among smaller enterprises. At the same time, economies should promote the integration of Responsible Business Conduct (RBC) principles from the

ILO MNE Declaration, ensuring that MSMEs incorporate fair labor practices, social dialogue, and respect for workers' rights into their operations. Strengthening capacity for human rights due diligence across supply chains is equally essential, as global markets increasingly require companies—large and small—to demonstrate proactive efforts to identify, prevent, and address risks related to labor conditions, discrimination, and environmental impacts. Together, these measures would enhance MSME competitiveness.

#### **4.4 FOSTER PUBLIC-PRIVATE PARTNERSHIPS AND INDUSTRY COLLABORATION**

The workshop demonstrated the strong value of engaging in multinational corporations such as Coca-Cola, alongside financial institutions and government agencies, in advancing MSME ESG readiness. Building on this momentum, economies could scale these partnerships by establishing industry–government ESG accelerators that bring together key actors to co-develop solutions and strengthen regional capacity. Additionally, joint demonstration projects can showcase practical, real-world applications of sustainable technologies and reporting practices, helping MSMEs understand how ESG principles translate into operational improvements. Regional circular economy pilots could further encourage innovation, resource efficiency, and cross-border collaboration, enabling some economies to trial scalable models that support sustainability transitions across supply chains.

## **5. CONCLUSION**

By the end of this three-day workshop, participants are expected to develop a stronger appreciation of how ESG principles can enhance business resilience and competitiveness from some economies' perspectives. The combination of conceptual learning, interactive discussions, and practical field exposure ensures that MSMEs are not only informed but also empowered to implement actionable strategies. The workshop clearly demonstrates that MSMEs need structured support, accessible tools, and coherent policy frameworks to succeed. For some economies, industry could transform ESG from compliance burden to a driver of innovation, competitiveness and growth.

## 6. ANNEXES

### 6.1 ANNEX A: WORKSHOP TENTATIVE PROGRAM

#### Capacity Building Programme on Environment, Social and Governance (ESG) for MSMEs in the APEC Economies

1-3 October 2025

Sheraton Imperial Hotel, Kuala Lumpur

#### Day 1 (1 October 2025)

08.30 – 09.30	Registration
09.30 – 10.00	<b>Session 1: Understanding SDGs</b> SDG Centre
10.00 – 11.15	<b>Session 2: Export Opportunities for ESG-Compliant SMEs</b> Malaysia External Trade Development Corporation (MATRADE)
11.15 – 11.30	Tea Break
11.30 – 12.30	<b>Session 3: Green Financing</b> CIMB Bank
12.30 – 14.30	Lunch
14.30 – 15.30	<b>Session 4: Coca Cola's ESG Journey</b> Coca Cola (Bottlers) Malaysia Sdn. Bhd.
15.30 – 16.30	Discussion and Wrap up of Day 1

End of Day 1

#### Day 2 (2 October 2025)

08.30 – 9.30	Arrival & Recap of Day 1
09.30 – 10.30	<b>Session 5: Sustainability Governance</b> ESGRight Sdn. Bhd.
10.30 – 10.45	Tea Break
10.45 – 11.45	<b>Session 6: Sustainability Reporting &amp; Frameworks</b> ESGRight Sdn. Bhd.
11.45 – 12.45	<b>Session 7: Green Tax Incentives</b> Malaysian Green Tech and Climate Change Corporation (MGTC)
12.45 – 14.30	Lunch
14.30 – 17.00	<b>Site Visits</b> Multinational Corporation (Coca Cola) (On-site observation, company briefing and Q&A session)

End of Day 2

#### Day 3 (3 October 2025)

08.30 – 9.00	Arrival & Recap of Day 2
09.00 – 10.00	<b>Session 8: IPCC Guidelines for ESG Reporting</b> UNITEN
10.00 – 11.00	<b>Session 9: GHG Protocol &amp; Carbon Footprint Management</b> By Speaker from ESGright
11.00 – 11.15	Tea Break
11.15 – 12.15	<b>Session 10: Introduction to the Responsible Business Conduct (RBC) through the Framework of the ILO MNE Declaration</b> International Labour Organization (ILO)
12.15 – 12.45	<b>Wrap-Up Session &amp; Closing Remarks</b>
12.45 – 14.30	Lunch

End of Day 3

## 6.2 ANNEX B: LIST OF EXPERTS AND PRESENTERS

No	Experts and Presenters	Organizations	Topics
1	Nor Asmah bt. Mohd Noor Deputy Director 1	SDG Centre	Understanding Sustainable Development Goals
2	S. Jaishankar Senior Director of Export Promotion & Market Access Division	Malaysia External Trade Development Corporation (MATRADE)	Export Opportunities for ESG-Compliant SMEs
3	Azmir Abdullah Regional Head Sustainable Finance Group Commercial & Transaction Banking	CIMB Bank	Green Financing
4	Khairul Anwar Ab Gahani Public Affairs, Communications & Sustainability Director	Coca Cola (Bottlers) (M) Sdn. Bhd.	Coca Cola's ESG Journey
5	Prathab. V. Principal Consultant	ESGRight Sdn. Bhd	Sustainability Governance
6	Prathab. V. Principal Consultant	ESGRight Sdn. Bhd	Sustainability Reporting & Frameworks
7	Sabihah Saleh Director of Green Growth Division	Malaysian Green Tech & Climate Change Corporation (MGTC)	Green Tax Incentives
8	Ir. Ts. Dr. Tan Ee San Department of Mechanical Engineering	Universiti Tenaga Nasional (UNITEN)	IPCC Guidelines for ESG Reporting
9	Dr Ann Marie Sidhu Director Sustainability Reporting and Advisory	ESGRight Sdn. Bhd	GHG Protocol & Carbon Footprint Management
10	Kenny Cassidy	International Labor Organization	Introduction to the Responsible Business Conduct (RBC) through the Framework of the ILO MNE Declaration

### 6.3 ANNEX C: SELECTED PHOTOGRAPHS









## 6.4 ANNEX D: LIST OF ABBREVIATIONS

Abbreviation	Full Term / Description
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
BTR	Biennial Transparency Report
BNM / CCPT	Bank Negara Malaysia / Climate Change Principle-Based Taxonomy
CBAM	Carbon Border Adjustment Mechanism
CCPT	Climate Change Principle-Based Taxonomy
CIMB	Commerce International Merchant Bankers
CSDDD	Corporate Sustainability Due Diligence Directive
CSRD	Corporate Sustainability Reporting Directive
CO <sub>2</sub> e	Carbon Dioxide Equivalent
CSR	Corporate Social Responsibility
EUDR	European Union Deforestation Regulation
ESG	Environment, Social and Governance
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
GDP	Gross Domestic Product
GGP	Government Green Procurement
GITA	Green Investment Tax Allowance
GTFS	Green Technology Financing Scheme
GTMP	Green Technology Master Plan
HTG	High Tech & Green Facility
ILO	International Labour Organization
IPCC	Intergovernmental Panel on Climate Change
IPPU	Industrial Processes and Product Use
IFRS	International Financial Reporting Standards
IGEM	International Greentech & Eco Products Exhibition and Conference Malaysia
ILO MNE	International Labour Organization Multinational Enterprises
ISSB	International Sustainability Standards Board
LCTF	Low Carbon Transition Facility
LEED	Leadership in Energy and Environmental Design
LULUCF	Land Use, Land-Use Change and Forestry
MATRADE	Malaysia External Trade Development Corporation
MGTC	Malaysian Green Technology and Climate Change Corporation
MCCG	Malaysian Code on Corporate Governance
MNE	Multinational Enterprises
MSME / SME	Micro, Small and Medium Enterprises / Small and Medium Enterprises
MyCAC	Malaysian Climate Action Council

## **6.5 ANNEX E: LIST OF PRESENTATION SLIDES**

1. SDG Centre
2. MATRADE
3. CIMB
4. Coca Cola
5. ESGRight (Governance)
6. MGTC
7. UNITEN
8. ESGRight (GHG Emissions)