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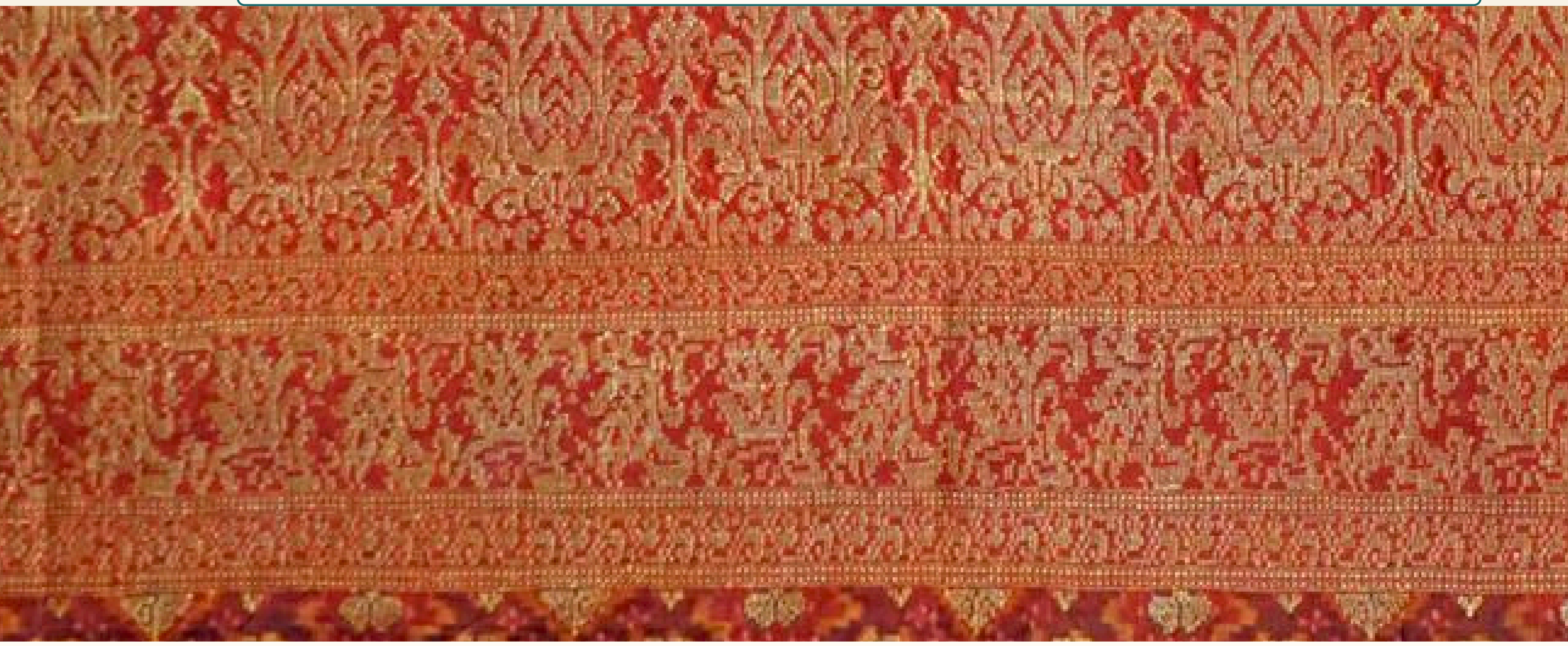

WHAT IS

THE LAW ON LEMONS?

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The Case for Lemon Law in Malaysia:
Are Consumers without effective protection?

Let's start with a defective car...

Imagine this: You finally save up enough money, buy a brand-new, dream car. It's shiny, sleek, and smelling like fresh leather. But within a few weeks, the brakes squeal, the engine coughs, and the blinking check engine light flickers - a tiny signal of bigger troubles ahead.
You send it in for repairs. Once. Twice. FOUR times.
Nothing truly fixes it.
And you begin to feel unsafe in it. You reach out to the Manufacturer, only to be met with silence, deflections, or even blame. You're now stuck financially, emotionally and ... legally.
It turns into a financial nightmare. And the worst part.....
There's no clear route to justice for consumers like YOU.
Welcome to the reality of thousands of Malaysians....until now.

Finally! ..akan datang... a way to tell your car dealer:
'If you sell me a Lemon, I can ask you for a Refund!'

What is Lemon Law?

It is a legal remedy for consumers who purchase a "lemon", which is, typically:

- **a new vehicle or expensive electronics, that is defective, in that:**
- **even after multiple repair attempts, fails to meet quality & performance standards &**
- **its substantial defects - affect its use, value, or safety, & also:**
- **has spent extended periods out of service;**

... which is why we desperately need Lemon Law not tomorrow, not in 5 years but NOW!

Peeling the Lemon
How to identify if your issues qualify as 'lemon'

What is Lemon Law?

Lemon Law is a legal remedy for consumers who purchase products, typically vehicles or expensive electronics that are defective, in that they:

- suffer from substantial defects affecting their use, value, or safety, and
- fail to meet quality and performance standards, even after multiple repair attempts.

The term "lemon", an American slang, refers to a product that is inadequate and flawed. The sourness of the lemon aptly reflects the intolerance towards the defective product.

Global Perspectives

The very first lemon law was enacted in Connecticut in 1982, followed by California's landmark legislation in 1983.
The purpose of the law? To provide consumers with a clear and effective avenue for redress when they unknowingly purchased a 'lemon vehicle'.

Presumption

The core idea behind it? The **presumption** that a vehicle qualifies as a 'lemon' if it meets specific criteria, such as:

1. repeated failed attempts at repairs or
2. extended periods spent out of service.

In such instances, consumers are typically entitled to a replacement vehicle or a refund of the purchase price.

The impact of these laws was significant, as they gradually spread across the United States. Today, all 50 states in the United States have enacted some form of Lemon Law although their provisions and remedies vary across jurisdictions.

Squeezing the Lemon

These laws have strengthened consumer protection, holding manufacturers accountable and encouraging improvements in product quality and warranty practices.

While existing laws provide protection for vehicle owners, they generally do not extend to appliances, electronics, or other consumer goods. Only a few U.S. jurisdictions have enacted broader definitions of "consumer product" under their Lemon Laws which include household appliances or electronics.

Only now, as late as 2025, this concept has evolved to encompass other durable consumer goods, including electronics and appliances. Despite this expansion, the same objective of safeguarding consumers from defective or sub-standard products remains unchanged. In jurisdictions that have adopted this law (including the United States, Singapore, South Korea, and the Philippines), consumers are entitled to request a replacement or a refund- if their lemon purchase cannot be satisfactorily repaired, within a reasonable time.

One crucial question remains:
What is the difference between the protection offered by this Lemon law and the guarantees provided by a Manufacturer's Warranty?

Lemon Law vs. Guarantees under Manufacturer's Warranty
Straight off, the difference between the two lies in the **remedy available** to consumers.
Under Lemon Law, the manufacturer may be required to give a <u>refund or replace a defective vehicle</u> if it cannot be satisfactorily repaired after multiple attempts.
Whereas for a Manufacturer's Warranty, it typically covers only the <u>repair or replacement of specific defective parts, not the entire product</u>.

A brief explanation on how Manufacturer's warranty (particularly for vehicles) works is:

- **Manufacturer's Warranty**
  - Only covers Repair or Replacement of **specific defective parts**.

    For instance: If your car's engine, transmission, or infotainment system fails due to a manufacturing defect, the manufacturer will repair or replace the faulty parts for free, including both the parts and labour costs. This is good.

Question: Would you be satisfied or reassured with a replacement of only those specific faulty parts, knowing full-well that the "new car" already shows signs of problems or worse still, has some other hidden faults unseen to the naked eye.

A warranty, after all, only promises to fix what's broken but it doesn't guarantee that your "new" car is genuinely new, fault-free, or safe from recurring problems.

So consider this situation where you buy a new car today, and the very next day you discover multiple defects: - an oil leak, strange noises, and even a cracked windshield.

- **the need to prove the right to invoke a Warranty**: Even with a warranty, there are usually several conditions that must be met before you can actually qualify for a replacement of a defective part. These conditions, often buried within the fine print of the manufacturer's warranty, become yet another obstacle.

The core purpose of Lemon Law is:

1. to protect consumers when a manufacturer fails to fulfill its warranty obligations to repair defects from defective products that have warranties.
2. To safeguard buyers of durable products with a lifespan of more than six months primarily designed to cover motor vehicles. It is important to note that only in certain jurisdictions, does it include major electronic appliances, and everyday appliances such as televisions, smartphones, refrigerators.

The Malaysian Dilemma: Why We're Falling Behind

Even though consumers have been dealing with faulty vehicles for a long time, **Malaysia has yet to adopt a Lemon Law**, leaving Malaysian consumers, with vehicle grievances, to depend on a scattered system of existing statutes for protection. This has proven to be sorely insufficient***.***

Consumer Protection Act 1999 ("CPA 1999"): While it provides a general framework for defective goods, a closer examination reveals that its provisions are vague and may be inadequate to handle 'lemon related issues' effectively. A notable example lies in the definition of "**supplier"** under the CPA 1999, which is drafted too broadly and fails to account for specific scenarios such as **hire-purchase transactions**.

In such transactions, the **financier** typically refers to the bank or financial institution that provides financing for the vehicle purchase. That said, the **financier** now becomes the secured legal owner under the hire-purchase arrangement. Consequently, the financier is technically regarded as the party supplying the car to the consumer, even though the **car dealer** physically provides the vehicle.

This raises another important question:

Who is truly regarded as the 'supplier' when a defective vehicle is involved?

For instance, in a situation where a consumer purchases a new car under a hire-purchase arrangement and soon after delivery, several mechanical issues appear. The car dealer blames the manufacturer, the manufacturer

- refers the consumer back to the dealer, and the financier denies liability, stating that its role is limited to providing the loan. As both the dealer and financier attempt to shift responsibility, the consumer is ultimately left burdened with a defective vehicle and no clear route to redress.

Other Statutes: Similarly, other statutes such as the *Contracts Act 1950*, the *Sale of Goods Act 1957*, and the *Hire-Purchase Act 1967* are in place to safeguard consumer rights, such as ensuring fair contractual terms, imposing implied conditions of quality and fitness, and regulating hire-purchase arrangements but, unfortunately, **fail to address 'lemon' problems directly.**

This legal gap leaves consumers trapped and lost between manufacturers, dealers, suppliers and the law, ultimately forcing them to bear the full burden of defective purchases on their own: repeatedly repair costs while still bearing the burden of monthly car payments, or pursuing legal action independently without adequate protection. While the CPA 1999 covers 'Implied Guarantees', for instance, 'a product must be of acceptable quality and fit for purpose', the Enforcement, itself, is weak and ambiguous when it comes to serious or recurring defects. This is one consequence of having no clear procedures or penalties for repeated failures to repair defective goods.

Interim Measures and Future Plans for Malaysian Lemon Law

The Ministry of Domestic Trade and Cost of Living (*Kementerian Perdagangan Dalam Negeri*) ("the Ministry") has come out with an official status update on **15 October 2024** regarding the implementation of lemon law in Malaysia.

Current Temporary/Interim Measures:

- The Ministry has issued a directive instructing several financial institutions to come out with relevant initiatives and to create a special internal unit to govern the issue of the public's claim on faulty vehicles.
- At present, Bank Negara of Malaysia ("BNM") has directed financial institutions to issue consent letters, to assist consumers facing defective vehicle issues by enabling them to proceed with their report and claim with the Ministry:
  - For example, Bank Muamalat has publicly outlined, a detailed explanation of the purpose of this **consent letter** and the procedure for hire-purchase borrowers to obtain it.

- **Intent to Enact/Amend:** On **20th May 2025**, the Deputy Minister of the Ministry, Puan Fuziah Salleh affirmed that a paper on lemon law was submitted for policy approval at cabinet level.
  - A prevailing 5-month study concluded that there was, actually, '**no need to implement a specific legal framework** for Lemon Law but rather to **embed it in our existing Consumer Protection Act**'.

- However, when the first national budget - introduced under the 13th Malaysia Plan, titled "**The Fourth Madani Budget: The People's Budget**" - was tabled in Parliament by the **Prime Minister, Dato' Seri Anwar Ibrahim**, on **10th October 2025**, he stated, in his budget speech:
  - ".....Kerajaan akan meminda Akta Perlindungan Pengguna untuk memasukkan elemen 'Lemon Law' bagi melindungi hak pengguna yang sering tertindas."
    - *[Translation: 'The government will amend the Consumer Protection Act to include a 'Lemon Law' element to protect the rights of consumers who are often oppressed.']*

This declaration marks a significant policy commitment by the Government to strengthen consumer protection mechanisms. The mention of the 'Lemon Law' by the Prime Minister, indicates the administration's acknowledgment of recurring consumer injustices, particularly those arising from defective goods and vehicles.

Apa Itu Lemon Law?
Dalam Belanjawan 2026, kerajaan mengumumkan akan meminda Akta Perlindungan Pengguna 1999 bagi memasukkan elemen Lemon Law
Apa maksudnya?
Lemon Law akan melindungi pengguna yang membeli barangan rosak terutama barang yang berulang kali rosak walaupun sudah dibaiki!
Contohnya:
Beli kereta baru
→ Rosak.
→ Baiki.
→ Rosak lagi.
→ Baiki lagi.
Masih rosak juga!
Dengan Lemon Law, pengguna boleh tuntut:
Barang ganti baru, atau
Bayaran balik penuh (refund)
Langkah ini menunjukkan komitmen kerajaan untuk melindungi hak pengguna yang sering tertindas,
dan memastikan penjual serta pengeluar lebih bertanggungjawab terhadap kualiti produk.

[1]

More importantly, it indicates that the government intends to integrate Lemon Law principles within the existing CPA 1999, rather than creating a standalone statute.

This signals not only the government's awareness of consumer challenges but also its readiness to legislate tangible solutions aimed at ensuring fairness, accountability, and transparency in commercial transactions.

Thus, it can be inferred that the government's commitment is no longer merely rhetoric but is moving toward concrete legislative action. This initiative may therefore serve as a pivotal turning point in Malaysia's consumer law landscape, potentially introducing a long-awaited statutory protection for purchasers of defective products.

This approach underscores a practical understanding, as embedding Lemon Law provisions within the CPA 1999 ensures continuity, avoids legislative overlap, and strengthens enforcement under a familiar mechanism already accessible to consumers.

Raw Emotions Behind the Numbers

Consumers face an endless back-and-forth with dealerships saying that whatever the issue is: it is the manufacturer's responsibility. Contrarily, the manufacturers blame the consumers for misuse or wear and tear. Repairs offered by manufacturers are often temporary, stop-gap measures and not permanent, complete solutions. For decades, all this has left consumers always at the losing end with **manufacturers evading accountability**.

Real Life Situations of Lemon Issues & the Lack of clear Legislation

1. S. Nagakanni's Perodua Bezza (New Car):
On 17 October 2023, S. Nagakanni brought home her new Perodua Bezza, but it broke down just eight hours later. A service check revealed engine damage, and Perodua later said “foreign objects such as sugar” caused it. Nagakanni was told to either wait a few months or take another loan to purchase a replacement car. Dissatisfied, she shared her story on Facebook, where it went viral. Perodua then offered to either repurchase her car from her at full price and further, to let her buy a second one under the same loan term.
The takeaway from this case is telling: **it was ‘consumer action’, not legal accountability, that prompted the solution**. If there had been a clear law holding manufacturers accountable for defective products, consumers like Nagakanni would not have to ‘look to public pressure or social media to seek justice’.

2. Noriya Mamat's Honda HR-V (New Car):
Similarly, in Terengganu, Noriya Mamat faced repeated issues with her new Honda HR-V, which had faulty headlights and emergency lights and a faulty blinking signal on the dashboard, leaving her stuck in a cycle of repairs. Despite repeated servicing and over 20 replaced components, she was still unable to fully rely on her car. She turned to Facebook to highlight her ordeal. The post caught public attention, prompting the Ministry of Domestic Trade and Cost of Living (KPDN) to intervene, bringing up the issue with Honda.
It was only after some discussion with Ministry authorities that Honda ‘managed to identify’ a faulty light sensor, replace the necessary parts, and finally return the car in proper, safe condition.

Like Nagakanni’s case, Noriya’s experience also illustrates that despite the seriousness of these two cases, consumers are often forced to take matters into their own hands and resort to such measures as ‘social media’ or public pressure.
A clear Lemon Law provision is, surely, long overdue along with its clear enforceable consumer protection provisions and without the Ministry having to involve themselves, intermittently, in unpredictable viral campaigns on an ad hoc basis.

An Existing Case Under Current Laws

The case of **FA Wagen Sdn Bhd v Poratha Corporation Sdn Bhd** serves as a good example of how the existing law strives to protect consumers of lemon issues.

- Poratha Corporation Sdn Bhd bought a new Volkswagen Polo Sedan in March 2013, however, within two months, it developed serious defects. Despite repeated servicing, the problems persisted, and the car was left at the service centre for a total of two-and-a half years. Poratha claimed for breach of Sections 32 and 33 of the CPA 1999 by FA Wagen's.

- The court found for Poratha, also citing Section 12 and Section 59 of the Sales of Goods Act 1957 (“**SOGA 1957**”). The judge called the car a “**lemon”** and awarded Poratha over **RM90,000 in damages**. It found that FA Wagen had breached the warranty by violating Section 12 of SOGA 1957 in the sale of a car of ‘unacceptable quality’ and because ‘it took 29 months to repair’.

While the **CPA 1999** is considered almost fully comprehensive in addressing consumer issues, this case demonstrates the need to incorporate specific, express provisions covering cases involving “**lemon**” problems in particular. Although the court was able to, nevertheless, reach a decision to resolve the issue, such a resolution is not always absolute. Such a proposed amendment would be significant in that it would directly strengthen the protection afforded to consumers facing defective goods.

The Pros of Lemon Law

1. **Empowers Consumers**: Lemon Law gives consumers legal muscle. You have the right to a working product, full stop.
2. **Forces Better Quality Control**: If manufacturers know that they will be held legally accountable, they will be more diligent. No more cutting corners, no more cheap parts hidden under fancy branding.
3. **Reduces Legal Uncertainty:** Lemon Law introduces much needed clarity: For instance, if your car is repaired X number of times and is still defective, you are entitled to a refund or replacement.
4. **Consumer Trust in the Economy:** A country with strong consumer laws attracts ethical business practices and encourages confidence in spending.
5. **Regional Competitiveness:** Singapore introduced its Lemon Law in 2012. The Philippines has also done the same. Malaysia cannot afford to lag behind.

The Cons and Why They're Not Good Enough

Some argue that Lemon Law might:

1. **Increase Costs for Businesses:** True, some manufacturers may need to improve quality control and service processes, possibly increasing operational costs. But that may be the price of doing business ethically.

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2. **Cause More Litigation:** Introducing Lemon Law may potentially lead to an initial rise in disputes. But with proper regulations and clear laws, frivolous lawsuits will be controlled and resolutions will be streamlined.

3. **Impact the 'Used Goods' Market:** The proposed law currently focuses on **new vehicles under warranty**. Any inclusion of used vehicles would likely be subject to additional conditions (which might include being sold by a licensed dealer or whether it is still under warranty).

A Malaysian version of Lemon Law should be clear, fair, and accessible, ideally incorporated within the existing consumer protection regulation. Key components might include:

- A reasonable, defined period before the Lemon Law comes into the picture for the aggrieved consumer;
- Minimum number of repair attempts (e.g. after 3 failed repair attempts or 30+ cumulative days in the workshop) before consumers can demand a replacement or refund.
- Legal coverage for both new and certified pre-owned goods, with reasonable exclusions clearly outlined.
- A fast-track dispute mechanism, possibly the Tribunal for Consumer Claims, with a higher claim limit- than the current RM50,000 ceiling.

Lemon Law is not merely a legal recourse:
It is a statement which, says, in effect,
'We hear you. Your rights matter.'
It acknowledges that people aren't just buyers; they are respected consumers who are given the right to trust businesses with their savings, and needs.
We Deserve Better. Malaysians deserve better.
It is high time for this.

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FOREST CITY: NEW HORIZON FOR ESTABLISHING A FAMILY OFFICE WITH UNPRECEDENTED TAX INCENTIVES

By: Datuk Dr Abdul Raman Saad | Senior Partner|
Zainursyazwani Zakaria |Associate |
Nurus Shafwa Fauzan | Associate |

For high-net-worth individuals (HNWI), the quest for a strategic base to nurture and protect their legacy is of paramount importance.

To support this, the Malaysian Government has launched an innovative **Single Family Office (SFO) Incentive Scheme**, offering an unparalleled suite of benefits designed to attract HNWI and their families from across the globe.

Here, just north of Singapore and in the heart of Southeast Asia's economic corridor, in the state of Johor - is

the *Forest City Special Financial Zone* (FC-SFZ)

- Malaysia's first designated 'SFZ' - established to support financial services, by drawing both local and foreign investments, focusing on high-value business activities such as the SFO Incentive Scheme.

Single Family Office (SFO) Incentive Scheme offers a complete package of government-backed tax incentives starting from the SFO, which is, fundamentally, an investment entity wholly owned or controlled by members of a single high-net-worth family, established to manage that family's assets, investment portfolio, and long-term financial interests.

Single Family Office (SFO) Structure under Forest City SFZ[1]

The SFO Incentive Scheme in Forest City SFZ is specifically designed for single families, that is, families comprising individuals who are lineal descendants of a single ancestor, including the spouse, biological children, stepchildren, and legally adopted children. It is open to both Malaysian and foreign nationals.

To qualify, families must establish two distinct but related corporate entities:

- **Single Family Office Vehicle (SFOV):** This entity is wholly owned by the single family and its primary purpose is to hold the assets and investments for the interest of members of the single family.

- **Single Family Office Management Company (SFO MC):** This entity is responsible for providing management services including but not limited to the management of assets held by the SFOV.

Single Family Office (SFO) Tax Incentive[3]

1. **0% Concessionary Tax Rate**

   At the core of this initiative is a powerful package of tax incentives designed to maximize wealth preservation and growth.
   The Single Family Office Vehicle (SFOV) is eligible for:

   > 0% Concessionary Tax Rate on all sources of statutory income as outlined in the Income Tax Act 1967, including Capital Gains Tax (CGT) and Foreign-Sourced Income (FSI). This Concessionary Tax Rate, set lower than the standard government rate, serves as a tax incentive targeted to encourage economic activities and advance strategic policy objectives within the Forest City SFZ.

   This tax incentive is available for an initial period of 10 years and can be extended for an additional 10 years from the date the SFOV first obtains a certification from the Securities Commission (SC) and subject to meeting specific conditions.

First application for certification must be received by SC no later than 31 December 2034.

2. **One-Off Stamp Duty Exemption and One-Off Capital Gains Tax Exemption**

To further facilitate the establishment of a family office, the scheme also provides:

- a one-off stamp duty exemption on the transfer of qualifying assets[4] and
- a one-off Capital Gains Tax (CGT) exemption on the disposal of shares of a company incorporated in Malaysia, which is not listed on the stock exchange, to the SFOV.

These exemptions are applicable within one year from the date of a verification letter from the Securities Commission Malaysia (SC), which has been tasked with coordinating the scheme.

3. **Exclusion From the SFO Tax Incentive**

It is important to note that the SFO Management Company (SFO MC), which is the entity responsible for managing the SFOV's assets, is a separate corporate vehicle and this entity will be subject to prevailing Malaysian corporate tax rates.

Key Requirements for the SFOV Tax Incentives

To qualify for the tax incentives, a Single Family Office Vehicle (SFOV) must meet the following substance requirements.[5]

1. **Physical Office in Pulau 1, Forest City SFZ**

The SFOV must be:

a Malaysian-incorporated company; and
operate from a dedicated office of at least 450 sq. ft. in Pulau 1, Forest City SFZ.

2. **Employees of SFOV**

(a) For the first 10 years

- Employ at least 2 full time employees (FTE) who are Malaysian tax resident with a minimum gross monthly salary of RM10,000.
- One of the FTE must be an investment professional.

(b) For the subsequent 10 years

- Employ at least 4 full time employees (FTEs) who are Malaysian tax resident with a minimum gross monthly salary of RM10,000.
- One of the FTEs must be an investment professional.

3. **Annual Operating Expenditure (OPEX)**

Local OPEX refers to expenses incurred as a result of payment to Malaysian-incorporated companies or local tax residents, i.e. employee's remuneration or management fees paid to the SFO MC.

(a) For the first 10 years

- Incur a minimum annual local OPEX of RM500,000.

(b) For the subsequent 10 years

- Incur a minimum annual local OPEX of RM650,000.

4. **Assets Under Management (AUM)**

(a) For the first 10 years

- SFOV must maintain a minimum AUM of RM30 million.
- Invest at least 10% of its AUM or RM10 million (whichever is lower) in local eligible and promoted investments.
- The remaining 90% of AUM can be invested in any of the permitted investments such as units in a unit trust fund established in Malaysia & approved or authorized by SC.

(b) For the subsequent 10 years

- SFOV must maintain a minimum AUM of RM50 million. Invest at least 10% of its AUM or RM10 million (whichever is higher) in local eligible and promoted investments.
- The remaining 90% of AUM can be invested in any of the permitted investments.

Single Family Office (SFO): A Scheme Gaining Strong Momentum[6]

Since the launch of the SFO scheme in September 2024, the Securities Commission Malaysia has reported that the initiative has received strong interest from local eligible families.

As of September 2025, the regulator had already granted 5 conditional approvals received more than 20 expressions of interest.

This enthusiasm is echoed by industry leaders:

- Malayan Banking Bhd (Maybank) notes that client interest has "exceeded our expectations";
- CGS International Securities Malaysia is actively working on about 20 SFO proposals;
- While the initial uptake is primarily local, interest from foreign families, particularly from China and Taiwan, has begun to flow in.

References / Endnotes

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Your Trusted Legal Partner: ARSA

Navigating the legal and regulatory intricacies of establishing a Single Family Office requires the guidance of an experienced legal partner. Established in 1979, Abdul Raman Saad & Associates (ARSA) is a full-service commercial law firm located in Johor Bahru, Melaka and Petaling Jaya, Selangor.

Our team, of experienced solicitors, possess a comprehensive understanding of the Malaysian legal landscape including an important aspect of succession planning, be it shariah compliant or non-shariah compliant, in determining the best approach to wealth distribution, from the present generation to subsequent generations – and, in addition to that, the specific requirements of the Forest City SFO Incentive Scheme, especially because we have a physical presence in Johor Bahru, itself.

Reflecting the global interest in this initiative, ARSA has received inquiries from many interested parties from Middle Eastern countries, in particular Saudi Arabia and Kuwait, as well as from Bangladesh, Indonesia and Australia.

We provide comprehensive legal support to guide your family through every stage of establishing a Single Family Office. To that end, our dedicated services include:

- **Strategic Structuring.** Advising on the optimal legal structure for your Single Family Office Vehicle (SFOV) and Management Company (SFO MC), including options for Shariah-compliant structuring, to align with your family's long-term goals.

- **Estate Planning, Tax, Trusts & Hibah.** Succession planning and wealth succession methodology.

- **Company Incorporation.** Handling the complete incorporation and registration process for both the SFOV and SFO MC in Malaysia.

- **Application & Liaison.** Assisting with the preparation and submission of the SFO application to the Securities Commission Malaysia (SC) and acting as your legal representative in liaising with the authorities.

- **Immigration.** Advising on permanent residency requirements and Malaysia My Second Home Program.

- **Legal Documentation.** Drafting all necessary corporate documents, including company constitutions, shareholder agreements, and service contracts.

- **Ongoing Compliance.** Providing continuous advice on corporate governance and regulatory compliance to ensure your family office maintains its eligibility for the scheme's incentives.

SHOULD YOU HAVE A QUERY OR REQUIRE ANY FURTHER INFORMATION, PLEASE CONTACT:

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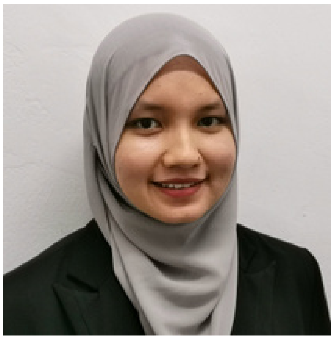

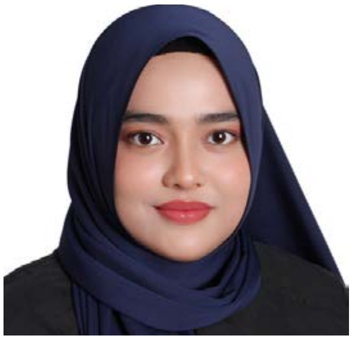

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The OPR cut

What happens WHEN INTEREST RATES ARE CUT: MONEY MOVES FASTER and GDP Grows

By: Lew Chung Han | Partner |
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On 9 July 2025, Bank Negara Malaysia ("BNM") announced an interest rate cut of 25 basis points, effectively reducing the current interest rate for borrowing from 3.00% to 2.75%. It sent a strong signal that rippled across lending, saving and spending decisions affecting consumers. On 6 November 2025, the Monetary Policy Committee of BNM reaffirmed that this reduction will hold.

Such a cut, triggers profound reactions from consumers wanting to capitalize on opportunities or those, who want to recalibrate their investment strategies. Essentially, two quick questions pop up:

- Shall I borrow? After all, the cost of *Borrowing* has decreased by 0.25%. In short, such a reduction favors Borrowers because it is cheaper to borrow money, Borrowing becomes affordable.
- Shall I spend? After all, the Income earned on *Savings* has been reduced: giving less incentive to 'Savers' as they will receive diminished returns on deposit accounts which, therefore, encourages withdrawal-and-spending.

Whichever, BNM's strategic initiative was taken to stimulate domestic economic growth, encouraging the influx of money supply, while boosting the GDP. The cornerstone is that higher Consumer Spending and Borrowing power will drive more investment and expansion. All in, it forecasts that, ultimately, there will be more money in an active economy.

The Overnight Policy Rate ("OPR") is the 'operative term'.: BNM's key policy interest rate that influences lending, financing, and deposit rates set by Malaysian banks. The cut in OPR by BNM, is a timely use of this monetary policy tool to spur domestic economic activity, amidst the present geopolitical uncertainties - which start with banks and trickles down to bank customers.

IMPACT OF LOWER INTEREST RATE ON CONSUMER BEHAVIOR

A Critical Factor shaping Greater Consumption

The decision by BNM to cut interest rates acts as a powerful lever that creates momentum driving business investment and the pace of economic growth, at this particular time of uncertainty.
It incentivizes the broad spectrum of the public to invest, driving demand and expenditure in numerous sectors of the economy, to stay competitive and capitalize on opportunities.

In easy terms, changes in interest rates have a great impact on consumer behavior, affecting every aspect of daily life.

It sets the pace for Borrowing money and Spending, financing becomes more attractive: 'Interest rate cuts' influences how you view big ticket items, for instance, the cost of financing a home is lowered, your car, payment by credit card; It affects how to proceed with your life or life style upgrades: you take out a loan at lower interest rates to buy that bigger house, renovations; or if you take your money out of Savings, it is because of weakened returns on fix deposits or accounts, interest rates are now 'so low' & therefore, this may be a good time to step-up investments & take a bit of risk for bigger returns later. …. This boosts disposable income.

In short, such increase in consumption leads to the appeal for products and services, creating a good landscape for businesses to expand, & consumer spending. For businesses – a competitive interest rate cut improves affordability to take out loans, variable-rate loans benefit all borrowers plus new ones, working capital, expansion of projects, and buying new equipment or assets. Property Developers feel more comfortable committing to the launch of new developments - as available cash loosens up.

Naturally, borrowers must remain vigilant for pullbacks & changing patterns. For now, the interest rate cut is a welcome draw.

HIRE-PURCHASE LOANS: ABOLISHING RULE of 78 of the Hire-Purchase Act 1967

Restructuring interest rate calculation methodology:
Creating a fairer interest rate calculation system in hire-purchase financing:
Interest payments go down, as you pay up.

Consumers will now be able to save more money upon early settlement of their hire-purchase loans with the Bank because the inflexible interest computation method under Rule of 78, of the Hire Purchase Act 1967, will be abolished.

The current computation under Rule of 78, prescribes an 'unfair', flat interest rate calculation method that:

- firstly, "front-loads" a disproportionate amount of interest on hire purchase (HP) loans, and
- secondly, interest payable (per month etc.) is *fixed* at the outset of the loan, in that it does not decrease –as the outstanding principal loan is being paid off.
  - Therefore, the *simple* interest remains consistent, unadjusted, throughout the full length of the principal loan, no matter how reduced the outstanding loan amounts may be.

That said, this calculation method makes early settlement of hire-purchase loans less rewarding for borrowers, giving little significant savings.
This is about to change.

The unsatisfactory rule has long been debated upon and, finally, on October 9, 2025, the Dewan Rakyat passed the Hire-Purchase (Amendment) Bill 2025, which seeks to amend the use of flat-rate and Rule of 78 on the interest computation methodology for hire-purchase loans.

'**Effective Interest Rate**' shows the true cost of borrowing each year, giving consumers more protection & a more accurate view of what they pay over time.

The introduction of a new, more transparent method, the 'effective interest rate' (EIR), with its reducing, net-balance-due method, will apply to all new hire-purchase loans for contracts which are signed after the new amendment is comes into effect, tentatively in early 2026.

HIRE PURCHASE - abolishing Rule of 78
- allowing for significant savings on early settlement

This marks the first formal use of EIR in hire-purchase financing. For fixed-term loans, EIR reflects the total cost of financing; and for variable-term loans, it is calculated using a reference rate set by the bank.

Further, the government has set new ceilings on hire-purchase interest rates: (i) loans up to five years will be capped at 17% per annum; (ii) while loans longer than five years will be limited to 16%; and (iii) variable-rate loans remain capped at 17%.

This new revised cost computation methodology, based on calculating the net balance due, is meant to provide a more accurate representation of the true cost of borrowing for hire-purchase financing, allowing for significant savings on early settlement. Moreover, this creates a fairer interest rate calculation system in hire-purchase financing, one that is more aligned with the fairness of other consumer lending products, like home loans.

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The Scam Epidemic
From Phishing to Human Trafficking: A Wake-Up Call for Malaysia

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The Bangsar South raid that shocked the country

400 individuals were arrested in Malaysia's biggest cyber-security crackdown on 28th August 2025, when the Royal Malaysia Police (PDRM) raided a call centre in Bangsar South, Kuala Lumpur. The 400 individuals are believed to be linked to a scam call syndicate, including online scams and online gambling.

The news of the raid shocked the country because it revealed the sheer scale and sophistication of online fraud operations. It was nothing short of a reflection of the rise of online scams, a problem that has been violently pervasive in our society and affecting every level of society; growing quietly but relentlessly.

The Bangsar South raid is part of Malaysia's broader anti-scam effort. By mid-2025, authorities had apprehended over 11,800 people in similar incidents, resulting in financial losses totaling RM 1.5 billion (USD 355 million). However, the Bangsar South example stands out due to its size, worldwide reputation, and connection to a corporation with a global brand presence.

Definition of Cyber Security and Cyber Security Threat. According to the Cyber Security Act 2024 (Act 854), "cyber security" means the state in which a computer or computer system is protected from any attack or unauthorized access, and because of that state – (a) the computer or computer system continues to be available and operational; (b) the integrity of the computer or computer system is maintained; and (c) the integrity and confidentiality of information stored in, processed by or transmitted through, the computer or computer system is maintained; while 'cyber security threat' is defined as an act or activity carried out on or through a computer or computer system, without lawful authority, that may imminently jeopardize or may adversely affect the cyber security of that computer or computer system or another computer or computer system.

This article is a call for greater protection against cyber security threats such as malware[1], ransomware, phishing attacks, credential theft and abuse, insider threats, AI attacks, crypto jacking and distributed denial-of-service (DDoS) assaults.

The vulnerability of Malaysia's cyber security, coupled with the rapid growth of scams raises a pressing need for more robust protections of the cyber space.

Whilst there is a robust legal framework in place i.e. the Cyber Security Act 2024, coupled with a comprehensive national strategy which demonstrates proactive planning by the Government:

- Malaysia still lacks skilled and trained cybersecurity professionals in comparison to regional peers like Singapore;
- Additionally, there is a generally low cybersecurity awareness among the public, despite the high internet user rate, making users susceptible to scams & social engineering, where attackers use psychological tactics to manipulate and exploit users into divulging their personal & valuable information.

Some current laws governing cyber crimes in Malaysia include the Computer Crimes Act 1997, the Communications and Multimedia Act 1998 and the Penal Code. Criminal acts in the cyber space include hacking without authorized access[2], spreading malware or viruses, DDoS whereby legitimate users are not able to access services to websites or software, phishing/smishing/vishing whereby scammers impersonate other people to steal sensitive information including login credentials, personal identification and financial information.

VICTIMS OF CYBERCRIME

Victims cut across all segments of society.

1. Malaysia registered 12,110 occurrences of internet scams in the first three months of 2025 alone.
2. These cases involved fraudulent activities such as fake e-commerce offers, bogus loans, and nonexistent investment schemes, resulting in losses totaling RM573.7 million.[3]
3. A total of 35,368 cybercrime incidents involving online financial schemes were recorded in 2024, according to data from the Royal Malaysia Police (PDRM).
4. This is a 2.53 percent increase over 2023, with RM1.58 billion in losses.

For individuals, the young & old are susceptible, having weaker protection as scammers frequently create fake e-commerce websites or Telegram investment groups offering unrealistic returns. Victims deposit money into legitimate-looking interfaces before the scammers disappear entirely.
Of note is that a complicated password is inadequate protection: Attacks can happen with or without knowledge of account log-in details.

Earning quick income or misplaced trust in digital platforms often make individuals easy targets. Such scams can expose the victims to serious crimes, including identity theft, phishing and even human trafficking.

Human Trafficking.

- In Malaysia, many individuals have fallen victim to job advertisements and fraudulent job websites offering work abroad with lucrative salaries and attractive benefits.
- Once lured, the traffickers use photos, personal details and private messages to blackmail or threaten the victims into compliance.
- Many victims end up trapped in abusive environments, coerced into labour, particularly in online scam operations. In 2024, a reported total of 707 Malaysians were rescued from overseas job scam syndicates.

Impersonation scams. The elderly are highly susceptible to impersonation scams, such as the “Macau Scam”, a scheme in which victims receive phone calls from individuals claiming to be law enforcement officers, court officials, or bank representatives.: (i) The callers typically allege that the victim’s bank account has been involved in criminal activities such as money laundering or tax evasion; (ii) To ‘clear their name’, victims are instructed to transfer funds into a socalled "safe account" for verification or investigation purposes; (iii) In reality, the money is siphoned directly into accounts controlled by the syndicate. The psychological manipulation involved, fear, and urgency, makes this scam especially effective among senior citizens, particularly those aged 51 and above, who may have limited exposure to digital information and current developments of cyber security threat.[4] Small and medium-sized enterprises (SMEs) are also at risk. Social engineering attacks and malware reveal that cybercriminals do not discriminate. Instead, they exploit different weaknesses depending on the age, digital literacy, and financial situation of their victims. Even the younger generation, who may be more digitally literate, are equally vulnerable and fall for downloads for free games, accepting a friend request from strangers or a "get rich quick" type of scam.

Coercion & 'Trafficked Persons'

In recent years, cyber security threats have increasingly been linked to human trafficking. Victims are often lured through fraudulent job advertisements on social media or messaging platforms, promising high-paying positions in customer services, marketers or human resource specialists. According to the United Nations Office on Drugs and Crime (UNODC), individuals, coerced into these scams, meet the legal definition of 'trafficked persons', upon proof of three elements:
***the act, the means and the purpose*.**

The Act: The first act brings an individual into the trafficking situation. (i) In the context of online scams operations, the act typically begins with deceptive recruitment through job advertisements on social media or employment platforms such as *Indeed*, *JobStreet*, *Hiredly*, *FastJobs* and many more. (ii) After applying for the said jobs, the victims undergo several levels of interviews, offer letters and even visa arrangements which seem legitimate. (iii) Many are then transported, sometimes through smuggling routes, into neighboring countries where compounds are located such as Cambodia, Laos or Myanmar. Housed in guarded buildings, their passports are confiscated & movements, restricted.

The Means: This element involves the use of force, coercion, deception, fraud, abuse of power or abuse of vulnerability to control victims. (i) Those working in scam centers often report being deceived about the nature of their employment and the consequences if they refuse;

(ii) Once confined, they are threatened with violence, fines or debt if they fail to meet daily "scam targets". Many are deprived of food, communication or medical care and subjected to physical abuse, electrocution or public humiliation.

(iii) Their dependency is reinforced by debt bondage, where victims are told they must repay recruitment, travel or accommodation costs before being released, effectively trapping them in servitude.

The Purpose: The defining purpose of trafficking is exploitation. (i) In these scam compounds, victims are coerced into performing fraudulent online activities such as operating fake investment platforms, romance scams or cryptocurrency frauds to generate illicit profits for criminal syndicates. (ii) Some are even resold between operators and in extreme cases, subjected to sexual exploitation as punishment or debt repayment. (iii) They work in dire conditions as the ultimate goal is exploitative.[5]

The convergence of digital fraud and human exploitation underscores how technology, when left unregulated, can become a powerful tool for criminal syndicates. It also exposes the vulnerabilities within our legal, technological and social frameworks that traffickers continue to exploit.

Op Khas conducted in 2024 by the Bukit Aman Commercial Crime Investigation Department (CCID)

One of the clearest illustrations of how widespread these threats are can be seen from the results of *Op Khas 83/2024* by the Bukit Aman Commercial Crime Investigation Department (CCID) conducted in 2024. CCID arrested 426 individuals including 146 Malaysians involved in multiple syndicates. The raids dismantled a series of illicit operations, among them nine fake investment scams, nine job scams, and 12 online gambling operations[6], underscoring the scale and sophistication of cybercrime in the country.

THE CYBER SECURITY ACT 2024

The Cyber Security Act 2024 (Act 854) marks a major step in strengthening Malaysia's digital defences. It establishes the National Cyber Security Committee as the central enforcement body, defines the powers of the National Cyber Security Agency's (NACSA) Chief Executive, & sets out the duties of National Critical Information Infrastructure (NCII) sector entities.

Through the NCII mechanism, the Act identifies & protects essential digital systems across key sectors like finance, energy, transport, and healthcare. NACSA's Chief Executive is empowered to issue directives, conduct investigations, compel compliance with risk assessments and audits.

One of the most significant features of the Act is the introduction of a licensing regime for Cyber Security Service Providers (CSSPs). Any entity offering or advertising cyber security services must hold a valid license issued by NACSA. Operating without such license constitutes an offence punishable by a fine of up to RM500,000 or imprisonment of up to 10 years, or both, as prescribed under section 27(5) of the Act. It also authorizes NACSA officers to conduct searches, seizures and investigations with powers comparable to those of law enforcement officers under the Criminal Procedure Code. These provisions enable proactive enforcement.

The Cyber Security (Risk Assessment, Audit and Reporting) Regulations 2024 and related subsidiary laws further operationalized the Act. Under these rules, NCII entities must perform annual cyber security risk assessments and independent audits at least once every two years or more frequently if directed by NACSA.

Cyber incidents must be reported within six hours of detection, followed by detailed report within 14 days. Failure to comply with these obligations, will result in a fine of up to RM500,000 or imprisonment of up to 10 years, depending on the severity and nature of the breach. Offenders who fail to conduct audits or submit reports may also face penalties of up to RM200,000 and/ or 3 years of imprisonment.

The Personal Data Protection Act 2010 (Act 709) (PDPA) was introduced to govern the processing of personal data in commercial transactions. (i) Recent amendments, effective from the 1st of June 2025, introduce stricter guidelines on data breach notifications and the appointment of Data Protection Officers (DPOs), who act as the central point of contact for data protection matters, liaising with regulators, overseeing data processing activities and managing data breaches. (ii) These changes aim to enhance transparency and accountability in data handling practices. (iii) Noncompliance of guidelines can result in fines of up to RM1 million or imprisonment of up to 3 years, aligning Malaysia's regime with international standards such as the EU's GDPR and Singapore's PDPA.

Complementing these laws, **the Computer Crimes Act 1997 (Act 563)** criminalizes offences such as unauthorized access, hacking and computer content modification, with penalties up to 5 years' imprisonment or RM50,000 in fines for basic hacking offences.

THE WAY FORWARD

As Malaysia strengthens its digital defences under the Act, it is imperative that the nation's response to cyber security threats evolve beyond mere legal enforcement. A truly resilient cyber security ecosystem requires institutional coordination, technological innovation and public empowerment.

Cross-agency integration between NACSA, PDRM, Bank Negara Malaysia and the National Scam Response Centre (NSRC) must be deepened to allow faster intelligence sharing, streamlined reporting and consistent investigative standards. The establishment of a centralized cyber incident response platform could further ensure real-time coordination during major cyber security threats or large-scale scam operations.

Regional cooperation within ASEAN should also be intensified. Given that many cyber security threat networks operate transnationally across Cambodia, Laos, Myanmar and the Philippines, Malaysia must take a leading role in advocating for a binding ASEAN Cyber Security Cooperation Framework. This would strengthen extradition procedures, intelligence exchanges and joint operations against across borders syndicates.

Corporate accountability and cyber governance need reinforcement. Organizations handling sensitive data should be legally obligated to perform regular penetration testing, vulnerability assessments and staff cyber security training. The government could also introduce mandatory cyber insurance requirements for critical sectors to mitigate financial risks following data breaches or ransomware.

Lastly, Public campaigns should go beyond technical advice to include psychological literacy which can help citizens recognize manipulation tactics. Integrating cyber security modules in schools, tertiary institutions and professional licensing programs would foster a generation that is both digitally literate and security conscious.

CONCLUSION

The Bangsar South raid and the alarming surge in online scams highlight that cyber threats today are not just technological problems but national security concerns. These crimes have evolved from simple fraud into complex, cross-border operations that exploit victims financially, psychologically, and even physically.

Malaysia's introduction of the Cyber Security Act 2024, together with the Personal Data Protection Act (PDPA) and the Computer Crimes Act 1997, marks a major step toward building a safer and more resilient digital environment.

Ultimately, cybersecurity must become a shared responsibility between the government, private sector, and the public. Malaysia can build a trusted and secure cyberspace that protects its citizens, strengthens its economy, and restores confidence in the nation's digital future.

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Sustainability is no longer Optional: it's the 'New Baseline' – an Imperative

Malaysia's i-ESG Framework for Manufacturing Companies: Staying the Course Amid Global ESG Headwinds

By: Nurus Shafwa Fauzan | Associate | shafwa@arsa.com.my

The Opportunity Ahead.

**The road to 2030 is paved with opportunities.
For Malaysian manufacturers, the message is clear: start Sustainability Practices: assessing, adapting and implementing ESG regime *now*, or risk being left behind …isolated and, eventually, fined.**

For investors, the shift is already well underway. Sustainability is no longer optional: Multinational corporations increasingly require suppliers to prove Responsible Sourcing, low-carbon operations, and transparent governance. Those who can show verifiable ESG performance will attract capital; those who cannot, will be screened out.

The i-ESG Framework [or "National Industry Environmental, Social, and Governance Framework"] is Malaysia's strategic response to this global reset. It is not simply a compliance manual… It is about tapping into a US$ 12 trillion opportunity globally that benefits the planet, people and brings profits.

Consider the electrical and electronics sector: manufacturers that adopt renewable energy and waste-reduction measures not only lower costs but also gain preferential status with international clients, who have started asking questions on sustainability practices.

With strategy tools like the 'i-ESG Ready' and 'i-ESG Starter Kit' which helps businesses assess their ESG Readiness and provides practical guidelines for implementing Sustainable Practices, even the smallest players can start their ESG journey and build a foundation for sustainable growth.

Even When the World Wavers, Malaysia Must Not

At a Global Financial Markets roundtable hosted by the Economic Cooperation and Development (OECD) in Paris, a U.S. representative called ESG:

*"**a Marxist march through corporate culture**".*

A statement that drew headlines not only for its novelty, but also for what it signified:

'a deliberate retreat from climate ambition by the world's largest economy.'

This remark, echoed by political shifts in Washington, captures a wider backlash against ESG investing. The rhetoric sought to delegitimize ESG by casting it as 'Ideological', rather than a practical solution. The implications signaled weaker global momentum, shifting investment flows, and sustainability itself becomes politicized.

Yet for Malaysia, retreat is not an option. ESG is a global necessity.

As a trade-dependent and climate-vulnerable economy, Malaysia's prosperity is tied to global confidence, market access, and investor trust. To step back now would be to risk losing all three.

Instead, Malaysia must double down with conviction and clarity through the i-ESG Framework for Manufacturing Companies, an initiative designed to push sustainability from compliance into competitiveness.

What *The i-ESG Framework* Means

Launched by the Ministry of Investment, Trade & Industry (MITI) in 2023 and now entering its next phase of implementation in 2025, the i-ESG Framework redefines the manufacturing sector.

Here's a closer look at: What this means for manufacturers, investors and the economy and what must be done by 2030:

Imagine a financial opportunity worth US$ 12 trillion or approximately RM56 trillion -globally. This is the potential market linked to the i-ESG Framework, a system designed to guide businesses toward adopting globally recognised sustainable practices.

But what is the i-ESG Framework, and what does it mean in practical terms?

- i-ESG Framework stands for "National Industry Environmental, Social, and Governance Framework" -adopted to transform Malaysia's manufacturing sector to stay in step with global leaders in 'Sustainability'.
- The framework is a guide for companies, especially smaller ones, to adopt practices that meet international ESG standards. These standards are essential in today's interconnected economy, namely:

1. **Environmental**: when making company decisions and adopting ecologically compatible conduct, technology and methods, seek an equilibrium between economic objectives and environmental considerations - for example:
    a. the installation of renewable energy solutions such as solar panels, to power facilities, and
    b. replace old machinery with more energy-efficient models.

2. **Social**: contribute to 'meaningful change' by utilizing local resources and strengthening employees, suppliers, customers and communities - for instance using source materials from local suppliers to support the community.

3. **Governance**: implement best practice governance principles to operate an ethical business trusted by stakeholders, such as regularly publishing reports on sustainability efforts.

Why Now?

Malaysia's push towards sustainability is part of a broader commitment it made as a signatory to the **2015 Paris Agreement**, which is to:

- prevent global temperatures from rising more than **2°C** above pre-industrial levels; and
- limit the temperature increase even further to **1.5°C**.
- At the recent 30th Conference of the Parties to the United Nations Framework Convention on Climate Change (**COP30**) in Belem, Brazil, two new initiatives were launched including the "Global Implementation Accelerator" and "Belem Mission to 1.5". These initiatives are designed to help countries and companies within to accelerate the implementation of their climate commitments, including reducing emissions and strengthening adaptation plans, with the goal of keeping the target of limiting global warming to 1.5°C within reach.

As such, the country has set ambitious targets:

- reducing Greenhouse Gas emissions such as carbon dioxide from fossil fuel

- combustion, methane from agricultural and waste activities, & nitrous oxide from industrial and chemical processes by 45% by 2030; and
- achieving net-zero emissions by 2050 as stated in the New Industrial Plan 2030.

While the NIMP 2030 outlines the goals of ESG, the i-ESG Framework:

- provides the necessary *steps to achieve* them:
  - to foster symbiotic public-private partnership for value creation.
- acts as a detailed guide for businesses, facilitating the incorporation of ESG into their operations:
  - support manufacturing companies to learn & adopt ESG practices.
- stand as a critical tool for regulators, ensuring compliance:
  - to transform challenges into opportunities, like converting manufacturing waste into reusable materials.

Breaking Down the i-ESG Framework

At its core, the i-ESG Framework rests on 4 core pillars for companies to carry out:

1. **Benchmarks:** establishing clear ESG benchmarks.
2. **Financing**: facilitating financial resources to support ESG initiatives.
3. **Capacity building**: implement training programs, technical assistance and consultancy services.
4. **Market mechanisms**: creating systems that reward ESG compliance.

These pillars are supported by 17 strategies, 50 expected outcomes & 6 key resources (enablers), tailored to boost the manufacturing sector, particularly micro, small & medium enterprises (MSMEs). The i-ESG Framework unfolds in two phases:

1. Phase 1.0 (2024-2026)
"Just Transition" is about laying the groundwork:

(a) It introduces the i-ESG Ready assessment tool: a self-evaluation that helps companies gauge their current ESG practices and readiness by asking questions like: i)“Whether the organisation tracks its energy use?” and ii. “Does it provide upskilling programmes for workers?” Based on their answers, it gets a *Score* highlighting areas to improve on, from sustainability reporting to operational adjustments such as reducing energy bills by switching to energy-efficient lighting or giving suggestions for upskilling programmes.

(b) To make the transition smoother, the i-ESG Starter Kit offers step-by-step guides, for example, it explains i. how to reduce waste or ii. how to prepare a basic sustainability report.

(c) Outreach programs ie KenalESG, educates companies on ESG principles ie how a factory might save money by upgrading to more efficient equipment.

2. Phase 2.0 (2027-2030):

"Acceleration Phase" includes stricter benchmarks, such as requiring manufacturers such as those in electrical & electronics, iron & steel, aluminium, cement, fertiliser and other energy-intensive industries to reduce carbon emissions by specific percentages or adopt 100% renewable energy. For example, meeting higher standards for environmental management or adopt fair-trade policies in their supply chains.

The Stakes for Manufacturing Sector

MSMEs form the backbone of Malaysia's manufacturing sector, contributing 8% to the Gross Domestic Product (GDP) and 9% to exports. Should they not adapt to ESG practices, they risk being sidelined as larger companies and multinational corporations increasingly demand sustainable practices from their supply chains.

Nestlé. For instance, global manufacturing giant Nestlé has shown how prioritising ESG can transform a company: Nestlé committed to reducing carbon emissions, essentially the harmful gases released during production and energy use 20% by 2025 and achieving net-zero by 2050.. To achieve this, Nestlé is transitioning to renewable energy, promoting sustainable supply chains with farmers, reducing packaging waste, improving energy efficiency in its operations and investing in carbon removal projects like reforestation.

A notable study titled *Better Business, Better World* suggests that sustainability could create at least 380 million jobs in Asia by 2030. In SEA alone, green businesses, like sustainable agriculture, waste management and circular manufacturing are project a US$ 200 billion opportunity by 2030.

Malaysia’s Push for Sustainable Economic Growth Through ESG Initiatives

Budget 2025 continues to upholds the tax deduction of up to RM50,000 annually (for YA 2024 to YA 2027) for qualifying ESG-related expenditures, as formalised in the Income Tax Rules gazetted in June 2025.

- To qualify, companies must undertake initiatives such as developing and publishing sustainability reports, conducting climate risk assessments to identify and mitigate potential environmental impacts, and transitioning to e-invoicing systems that improve transparency & reduce carbon footprints.

- **Tax incentives**. Companies must take tangible steps such as investing in solar panel installations, upgrading machinery to energy-efficient models or adopting waste-to-energy solutions.
- **Tax Breaks**. Extends tax breaks for managing Sustainable and Responsible Investment (SRI) funds through YA 2027. Businesses must actively support impactful projects, such as financing renewable energy plants, affordable housing developments or other sustainable initiatives to qualify. Similarly, support continues for SRI sukuk (Islamic bonds) and ASEAN Sustainability-Linked Bonds, which companies can issue to fund green initiatives such as sustainable transport systems or energy-efficient infrastructure.
- **Environmental-tax deductions**. Companies could get additional tax deductions for contributing to tree planting and other conservation efforts approved by the Forest Research Institute Malaysia (FRIM), making corporate social responsibility (CSR) plans.

Malaysia's Budget 2026 Goes Green

Malaysia's 2026 Budget is with RM2.38 billion allocated to the Ministry of Natural Resources and Environmental Sustainability. The country will introduce a carbon tax next year, and providing an incentive of up to 60% for eligible green technology projects in the energy, transport, and manufacturing sectors.

There is RM1 billion allocated for the Green Technology Financing Scheme (GTFS 5.0), government guarantees for waste, water, transport, and manufacturing projects, and major investments in solar, biogas, and small hydro power.

For The carbon tax to work, the government must (a) enforce emissions reporting transparently, (b) verify data independently, and (c) impose penalties without fear or favour.

Why Investors Should Take Note

For investors, the i-ESG Framework is more than a local initiative; it is an entry point into a rapidly expanding global market. In the first half of 2025 alone, RM88.3 billion was channelled into projects aligned with the National Investment Aspirations (NIA) including in green growth which are expected to create almost 34,000 new jobs.

- **Easier Financing**. Businesses that fail to adopt ESG practices may face challenges accessing funding.
- **ESG reporting**. There is also a global trend towards mandatory ESG reporting and Malaysia is aligning with this movement.

Global Headwinds: The Trump Factor.
President Trump described ESG investing as a "*way to attack American business*", and calling climate change a "*hoax*", "*scam*" and "*con*".

Two recent developments are of particular relevance:

1. **President Trump's energy and climate policies could slow decarbonisation by 64%.**

- A new report by the Rhodium Group warns that policy changes under the Trump administration including >withdrawal from the Paris Agreement, >deletion of the Biden-era social cost of carbon, and >declaration that a "national energy emergency" deemed to be caused by "the harmful and shortsighted policies of the previous administration" may reduce the pace of U.S. greenhouse gas (GHG) emissions reductions by up to 64%. Average annual reductions of 1.1% could slow to about 0.4% per year between 2025 and 2040.

2. **Anti-ESG rhetoric at OECD.**

- The U.S. representative stated that "*the United States is no longer going to support these policies, even tacitly*"

What Malaysia Should Do Now in Response to Global Shocks

In light of recent anti-ESG pressures, here are strategic actions to strengthen the i-ESG framework:

(1) Reinforce ESG messaging and public communications

- Accelerate the transition from voluntary to mandatory sustainability transformation plans, particularly for large manufacturers and export sectors.

- Clarify enforcement, penalties, incentives, & timelines so that firms can plan.
- Ensure that ESG disclosures are verifiable, & integrate third-party assurance or audit mechanisms.

(2) Deepen Public-Private Partnerships

The recent ESG Public-Private Partnership (PPP) initiative which is a joint effort by Microsoft, MDEC, FMM, and MIDA to help Malaysian manufacturers adopt sustainable responsible business practices should involve small firms as well:

- Use more digital tools and AI to track emissions, monitor supply chain risks.
- Provide financial support or subsidies to help small businesses adopt ESG technology so they are not left out.
- Promote "ESG as a service" by supporting local consultants, software companies, and platform providers that can help MSMEs meet ESG requirements.

(3) Mobilise green finance strategically

In uncertain global capital markets, Malaysia must act as a trusted destination:

- Increase issuance of green sukuk, transition bonds or sustainability-linked bonds, particularly tied to i-ESG benchmarks.
- Encourage domestic banks and development finance institutions to provide "transition loans" lower interest rates for firms that commit to ESG roadmaps.

(4) Assert export defensibility through ESG

With global trade regimes evolving, ESG compliance is increasingly a gatekeeper Malaysia should:

- Develop ESG "export passports" or certification tied to i-ESG, that confirm a firm meets internationally acceptable ESG norms.
- Assist manufacturers to align with regulations like the EU Deforestation Regulation, Carbon Border Adjustment Mechanism (CBAM), and other ESG mandates in import markets.
- Work through diplomatic channels (trade agreements, ASEAN platforms) to harmonize ESG standards and reduce fragmentation.

Finally: The Time to Act is Now

The net-zero target is fast approaching. We are at the precipice - to meet the ambitious promises made in COP30 and the 2015 Paris Agreement.

As some nations retreat from decarbonisation, Malaysia must not be swayed. The risks of climate inaction, supply chain exclusion, and investor scepticism are much greater than the cost of making the transition. By reinforcing regulatory certainty, mobilising green finance, deepening public-private partnerships, and driving export readiness, Malaysia can transform ESG into a catalyst for resilience & growth. If our industries embrace sustainability today, we not only strengthen our economy but also protect the Malaysia our future generations deserve.

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