

Star ESG

ENVIRONMENTAL SOCIAL GOVERNANCE

Financial Sector focuses on ESG and Climate Change

No longer are financial institutions just involved in lending and borrowing activities. They now place ESG and climate finance among their top priorities. Regulators too have taken on the challenge to ensure that Malaysia is at the forefront of these upcoming global trends.

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SMEs and large corporations alike must join hands to embrace ESG to realise the country's ambition to achieve net zero GHG emissions by 2050 without disruptive effects. – SAMUEL ONG/The Star

By YAP LENG KUEN

FOR Malaysia to meet its net zero emissions by 2050, much of the estimated investments and funding needed – ranging between RM350bil to RM450bil – is expected to come from private sector sources.

It is evident that financial institutions (FIs) have a crucial role to play in the transition to a low-carbon world.

Considering that the biggest contributor to FIs' carbon footprint lies in Scope 3 emissions – also referred to as financed or indirect emissions related to financial products and services – it comes as no surprise that FIs are increasingly taking it seriously as part and parcel of achieving their net zero commitments.

More importantly, however, is how FIs can support and enable the transition to sustainability, especially in terms of measuring and mitigating exposures to climate-related risks in their loan and investment books.

“We expect that FIs, in collaboration with technical partners including climate experts, will have an important role in providing advisory support to their customers, particularly small businesses, in their transition efforts,” said Bank Negara Deputy Governor Datuk Jessica Chew.

In customers' efforts to reduce their greenhouse gas (GHG) emissions and green their operations, FIs can help realise the transition by supporting the ability of their customers to measure, track and report emissions reductions.

FIs can also help customers in working with relevant government agencies and private sector partners in building capacity to develop and execute credible transition plans.

As part of the financial services sector, insurers can then step in to complement traditional risk transfer solutions by helping customers to strengthen their climate resilience to reduce insurance risk.

Insurance coverage, for instance, could be increasingly conditional upon businesses taking efforts to render their physical facili-



We recognise that businesses are starting at different points and the aim is to help all businesses achieve a successful transition, not make it even harder for businesses to do so by abruptly excluding them from access to financing altogether.

DATUK JESSICA CHEW
Deputy Governor
Bank Negara Malaysia

ties and business operations more resilient to climate events.

The way forward for financing

New innovative forms of financing will be key to achieving the scale of financing required to meet Malaysia's climate ambitions.

Bank Negara is working with the industry to explore public-private partnerships for the development of innovative protection products and blended finance options that allow for alternative risk-sharing arrangements.

“Through this, we aim to create an ecosystem that is conducive for FIs to scale up transition finance sustainably,” said Chew.

A new financing approach – transition financing – is aimed at supporting companies that are trying to reduce GHG emissions.

As at September 2022, a total of 50 out of 122 FIs have set specific climate targets such as net zero or no coal commitments. A growing number of FIs now have dedicated functions and/or senior officers to drive their respective sustainability agenda.

There are more product offerings such as sustainability-linked loans, solar financing and sustainable trade finance solutions, with increasing amounts of financing committed by industry players.

Greater visibility, transparency

Starting July 2022, FIs have begun submitting half yearly reports to Bank Negara on Climate Change and Principle-based Taxonomy (CCPT) classifications of their exposures in terms of climatic impacts and risks. The CCPT is an early mover in establishing a transition taxonomy that supports a just and orderly transition.

“We recognise that businesses are starting at different points and the aim is to help all businesses achieve a successful transition, not make it even harder for businesses to do so by abruptly excluding them from access to financing altogether.

“This is achieved by including transition categories and preserving strong incentives for businesses to sustain progress in their transition efforts,” said Chew.

The CCPT's guiding principles are company- and sector-agnostic, which means that they are applicable to any economic activity and company, regardless of the sector it is involved in.

The economic activity or company must support climate change mitigation and/or adaptation, not cause significant harm to the environment or it must demonstrate credible remedial efforts to reduce climate or environmental risks and not involve illegal or prohibited activities.

Unlike other taxonomies, commitment and willingness to improve practices, demonstrated through credible remedial measures, are taken into account in classifying economic activities.

Beyond that, Chew stressed that Bank Negara is also doing more to improve the consistency of reporting and ensure that reporting is free of greenwashing practices.

This is mainly due to the fact that accusations of greenwashing practices are growing in tandem with the rising call from stakeholders for companies to align with ESG considerations. Greenwashing refers to advertising or marketing spins that make misleading or deceptive claims on a product or activity being environmentally friendly.

Beyond that, Chew said the availability of and access to credible data remains a key challenge. To do so, FIs will need to engage with their customers to obtain relevant information for risk assessment, reporting and disclosures.

To facilitate this process and ease the information burden on customers, an industry implementation group established under the Joint Committee on Climate Change (JC3) is developing a due diligence questionnaire together with the World Wide Fund for Nature (WWF) Malaysia and based on CCPT guiding principles, for adoption by FIs.

The questionnaire aims to help identify and capture pertinent information from cus-



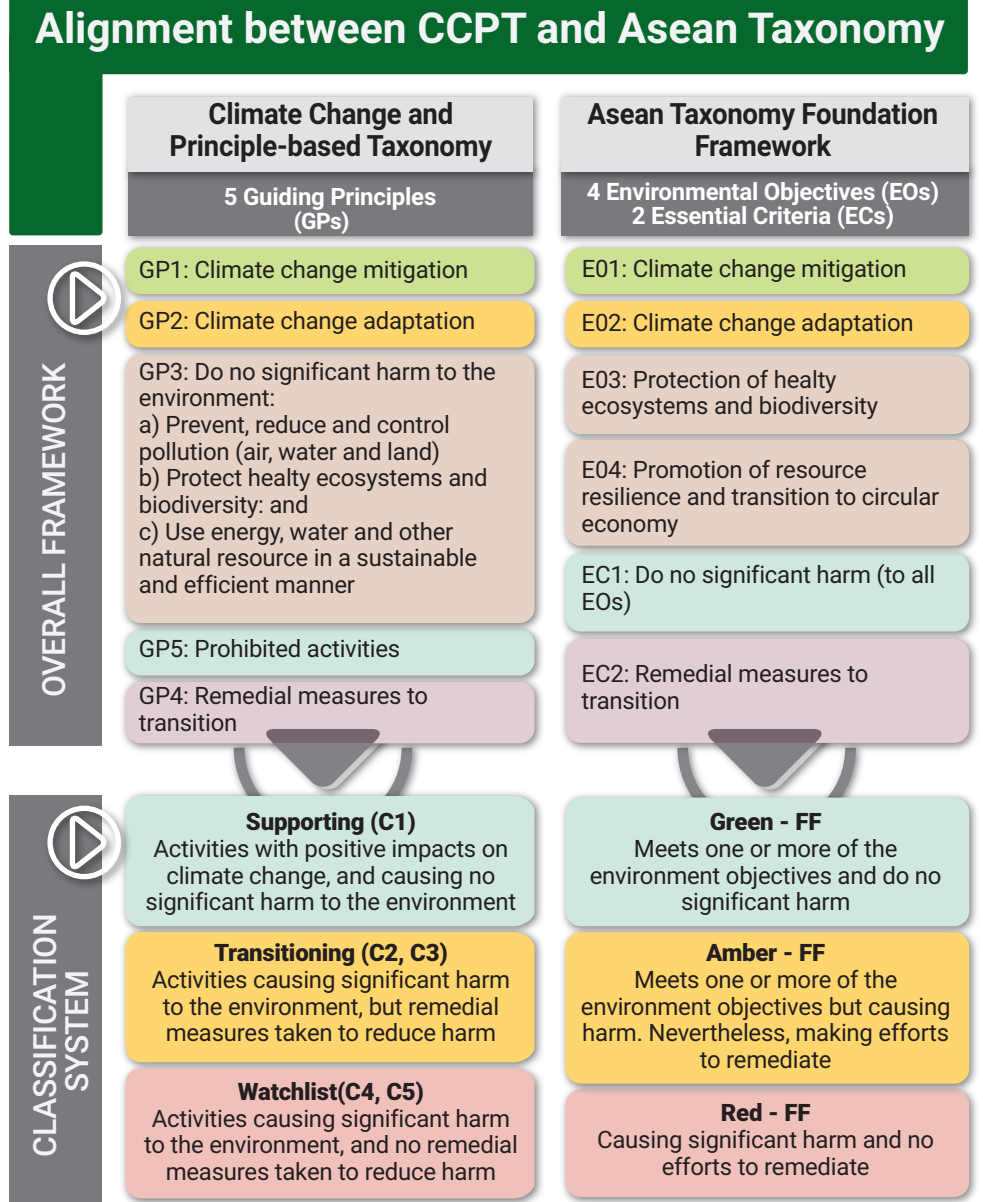
tomers and counterparties in a more consistent manner.

Bank Negara Malaysia has also set out targets in the Financial Sector Blueprint 2022-2026 to ensure steady progress in both “greening finance” and “financing green”.

“We aim to see significant progress in the practices of FIs to assess, measure, manage and disclose climate-related risks, as well as an increase in the share of financial flows towards climate supporting and transition activities,” said Chew.

Focus on SMEs

With small and medium enterprises (SMEs) accounting for approximately 97% of



Source: Bank Negara Malaysia

The CCPT and the Asean Taxonomy are closely aligned, be it in the overall framework or the classification system.



Bank Negara is working with the industry to explore public-private partnerships for the development of innovative protection products and blended finance options that allow for alternative risk-sharing arrangements. – IZZRAFQI ALIAS/The Star.

Sustainable Finance Landscape in Malaysia released earlier this year, the top three challenges identified in driving the sustainability agenda are poor data quality and availability, lack of incentives, as well as low awareness of green finance solutions in the market.

“A particular focus of Bank Negara is SMEs. We have launched dedicated funds to support SMEs in adopting low carbon or green business practices,” she added.

As part of its initiatives to drive the transition among SMEs, Bank Negara has introduced an RM1bil Low Carbon Transition Facility (LCTF) to match funds provided by FIs to help SMEs embrace sustainable and low carbon practices.

Separately, it has also allocated RM800mil under the High Tech and Green Facility to help SMEs and innovative start-ups in strategic green and technological fields.

To further support SMEs to pivot towards greener practices, the Greening Value Chain programme was launched in conjunction with the Finance Day at COP-27, the United Nations Climate Change conference. It aims to assist SMEs in implementing impactful long term change to green their operations, and remain competitive as part of global supply chains.

All in all, the sustainability journey ahead requires a lot of work and awareness building. The momentum is set and all must strive to deliver a better world.

Our water, our future

In protecting watersheds, Heineken Malaysia helps safeguard the source of all life for future generations

By CALYN YAP

calyn@thestar.com.my

PEOPLE all over the world tend to take water for granted because of how readily available it seems to be – until our taps run dry, that is.

For Malaysians, in particular, this usually occurs when water treatment plants close due to river pollution.

The immediate response to water cuts would be loud protestations and irate complaints across various social media and messaging platforms, where we point the finger of blame at the authorities or irresponsible factories and companies.

The root issue, however, is never addressed, as we rarely realise that all of us have to play our part in protecting our water supply.

Dire state of affairs

According to the Water Resilience Coalition, the world will face a 40% shortfall in freshwater supply within 10 years based on projected demand.

Closer to home, the Water Resources Study for 2015 to 2050 predicts that states in the north and south of the Peninsula – including Selangor, Penang and Melaka – may face water shortages in the near future, with experts attributing this to irresponsible human activities.

As the source of all life, water is a crucial, but finite, shared resource that must be protected.

Left unmanaged, the unsustainable use of water will leave permanent and irreversible damage to both human health and the environment. Hence the need to work towards maintaining healthy watersheds.

Also known as a catchment or river basin, a watershed is a geographical area from which water flows to a certain stream, river or body of water. Clean water, soil and air are needed for a healthy watershed that will contribute to a well-balanced, thriving ecosystem that benefits both nature and human activity.

For local economies, protecting healthy watersheds helps lower flood-related damages and capital expenditures for water treatment facilities, saving money and lives in the long run.

Towards healthy watersheds

A responsible brewer with the understanding that water is an essential ingredient in brewing, Heineken Malaysia holds the firm belief that it is crucial to safeguard water sources, as environmental sustainability is a key pillar of its global sustainability strategy, “Brew a Better World”.

This long-term commitment is reflected through its dedicated water initiatives to protect watersheds, which help contribute to the long-term sustainability of the water supply, in support of the United Nations Sustainable



Heineken Malaysia's management team, including (from left) managing director Roland Bala, sales director Vasily Baranov, Renuka and supply chain director Salima Bekoeva at the Raja Musa Forest Reserve.

Development's Goal #6 for clean water and sanitation.

To date, the company has channelled close to RM14mil in science-based water stewardship initiatives.

Heineken Malaysia corporate affairs and legal director Renuka Indrarajah said: “Our 2030 water strategy ‘Towards Healthy Watersheds’ looks beyond traditional water metrics and prioritises the health of local watersheds, especially in water-stressed areas.

“We recognise that all stakeholders need to work hand-in-hand to make our water stewardship goals a reality.

“Our water protection journey started in 2007, involving communities, government agencies and partners like Global Environment Centre (GEC), a leading environmental NGO, where we joined our efforts in accomplishing river rehabilitation, water conservation and

alternative water systems projects.”

Holistic water management

As a leader in water stewardship, Heineken Malaysia has a three-pronged approach to increase water efficiency, maximise water circularity and fully balance water used in its products.

To reduce water consumption and optimise usage, the company implements the globally developed Utilities Benchmark Model (UBM) that showcases efforts and initiatives to manage water more efficiently.

The UBM benchmarks the brewer's performance with top-performing breweries in the business, ensuring targets with the best sustainable outcomes. The UBM also factors in best practices, good housekeeping, maintenance and investments in technology.

Through these efforts, Heineken



HEINEKEN Malaysia

WATER CIRCULARITY

100%

Wastewater is treated before release

Maximise Reuse

Our 2030 goal is to increase reuse and recycling of wastewater



Maximising water circularity is one of the three approaches for Heineken Malaysia as a leader in water stewardship, with the other two being increasing water efficiency and fully balancing water used in its products.

Malaysia has effectively improved its water efficiency by 15.5% with an average water usage of 3.65 hectolitres since 2014, whilst targeting to reduce water consumption by a further 29% to 2.6 hectolitres per hectolitre of beer produced by 2030.

At the same time, it aims to treat, reuse and recycle all wastewater produced in the brewery. Before discharging its wastewater, the company treats 100% of the used water above the standards outlined by the Department of Environment.

The brewer also takes it a step further by continuously exploring new partnerships and ways to reuse and recycle wastewater in water-stressed areas.

Striking a balance

For every litre of water used in its products, Heineken Malaysia targets to balance 1.5 litres.

What this means is that the company balances the volume of water utilised for production through ongoing conservation programmes in water catchments and communities beyond its walls.

These are undertaken through its corporate social responsibility (CSR) arm SPARK Foundation, which focuses on external approaches to ensure responsible water management and water security.

Among its water balancing projects include:

> **Sungai Way's continued rehabilitation and conservation:**

Through the construction and enhancement of wetland islands, as well as initiatives to control pollution at source, the company aims to maintain river water quality for Sungai Way – a model urban river



Heineken Malaysia transformed the river next to the Sungai Way brewery from Class 4-5 (extremely polluted) to Class 3 (suitable for living organisms).

in an industrial zone, which acts as a best practice of industry-community partnership – at Class III or better.

Rubbish traps are also built and maintained through a smart partnership model, to trap solid waste flowing in the river.

> **Construction of a 305m clay dyke in peat swamp forest:** By doing so, water storage capacity will be increased, effectively raising the water table and contributing to the long-term sustainability of Sungai Selangor.

> **Installation and maintenance of rainwater harvesting systems:** These help mitigate water disruptions and help communities reduce the reliance on treated water for non-potable usage, as well as relieve pressure on water resources.

To date, there are 22 rainwater harvesting systems built for rural communities, which are linked to 10 community farming projects that supplement community income and food.

> **Reforestation of degraded peatland in Raja Musa Forest Reserve:** Reforestation helps reduce the risk of peat fires and increases the peatland's water table, contributing to the health of Sungai Air Hitam within the Sungai Selangor watershed.

Be part of the solution

These initiatives are made possible through the company's partnership with GEC, in order to ensure that Heineken Malaysia's use of water is environmentally sound and socially equitable.

The brewer's water stewardship initiatives are also quantified and verified independently by LimnoTech, a leading international environmental science and engineering firm.

“We are committed to ensuring all water used by Heineken Malaysia is balanced as we work towards healthier watersheds.

“We want to take this opportunity to call upon fellow Malaysian businesses to start looking into sustainable water management practices.

“With our collective action, we can be part of the solution that safeguards the sustainability of our water supply for all,” Renuka concluded.

For its efforts in protecting water sources, Heineken Malaysia has been recognised by the Sustainability & CSR Malaysia Awards 2022 as Company of the Year for Environmental Sustainability and Social Initiatives, as well as the Long-Standing Excellence in Sustainability Award, for its continued sustainability commitment and consistent efforts in giving back to society. This is in addition to clinching the Highly Commended Award for three consecutive years at the Sustainable Business Awards.

For more information, please visit Heineken Malaysia's website at www.heinekenmalaysia.com

Enabling sustainability across communities

With 90 years of giving to our communities, OCBC Bank is enabling individuals, SMEs and businesses to build a more sustainable future. Here's how it can involve you.



Individuals

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SMEs

We offer SMEs sustainable finance options through green loan proceeds for financing or re-financing (in whole or in part), new or existing projects under development, construction and operations. Our goal is to help you shift to greener business approaches and develop sustainably. To find out more, call us at 1300 88 7000.



Enterprises & Corporates

We offer enterprises and corporates sustainability-linked loans with interest rate adjustments that are pegged to a series of sustainable goals. We do this by incorporating your commitment to decarbonisation into a sustainability performance target that attracts lower interest rates. To find out more, call us at 1300 88 7000.



Find out about our commitment to sustainability at www.ocbc.com.my/group/sustainability

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simply
spot on

Giving wings to artisan dreams

MGB's omni-channel approach encourages global growth for M'sian talents

By CHOW ZHI EN
zhien.chow@thestar.com.my

EARLIER this year at the tail end of March, the nation's first artisanal mall finally opened its doors in the heart of Kuala Lumpur's bustling metropolis.

The Malaysia Grand Bazaar (MGB), a landmark hub that celebrates the rich culture and heritage of Malaysia, is a key component of the Bukit Bintang City Centre (BBCC) urban regeneration project – a joint venture between a tripartite consortium of Eco World, UDA Holdings Bhd and Employees Provident Fund (EPF) – and is connected to the Lucentia Serviced Residences, The Stride strata office and Mitsui Shopping Park LaLaport.

MGB was specifically carved out for locals within the Pudu regeneration project, as a space where homegrown businesses could be part of the rejuvenation of BBCC, while showcasing their art on an international stage.

It's not that Malaysia doesn't have high-calibre and talented artists. The sad matter of the fact is, our artists often lack the opportunity to "perform" in the global arena, largely due to high barriers of entry. These can include high start-up costs, logistics or even government regulations.

Lowering the barriers

"The biggest hurdle for small businesses looking to expand their market is the barrier of entry; be it financially or because of knowledge," said BBCC Development Sdn Bhd retail development head Michelle Liew.

Worse yet, the Covid-19 pandemic didn't help matters by bringing about an unavoidable economic downturn. The largest group of casualties? Small and medium enterprises (SMEs).

Unlike a chain, these SMEs don't have large cash reserves to tide them through the pandemic and often begin as a solely online shop because of the low-cost structure.

Representing over 90% of the nation's business establishments, as is the case in many other countries, SMEs mainly comprise home-based businesses, hobbyists and part-timers.

In the majority of cases, their art or craft is something produced on the side, perhaps by even participating at local art bazaars on weekends for exposure.

For merchants at MGB, the affordable rent, fully-fitted lots and marketing support provided by MGB is ideal, as it enables these artisans to further allocate resources and



Karya by MGB is a specially curated shop featuring authentic artisanal creations by local microbrands and art entrepreneurs.



MGB is located beside Zepp KL, a 2,500-capacity concert hall by Sony Music Entertainment Japan and has a 4,000sqft double volume centre court.

focus where it matters – their craft.

There's even a dedicated space dubbed Karya, where artisans, micro-brands, start-ups and art entrepreneurs can join the physical retailing space by renting a cart, instead of a whole shop lot.

Melding art with business

MGB saw and adapted to the boom of e-commerce during Covid-19 and the lockdowns by giving something of added value to its physical tenants using the MGB Global platform.

MGB Global is where local artists can reach international markets, either through e-commerce via Malaysia Grand Bazaar's own Shopify (www.malaysiagrandbazaar.com) or through their dedicated marketplaces on Amazon, eBay and Etsy.

Going international and breaking into that market is deceptively simple.

Liew outlined three hurdles in opening an e-shop on marketplaces like Amazon: "You could open an Amazon account yourself, but you're still subject to their subscription fees of RM2,000 a month, whether or not you make a sale, which makes it quite prohibitive for micro businesses.

"Second is the commission Amazon takes (up to 18%) and finally, the biggest barrier is shipping and fulfilment. There's a lot of red tape and penalties that can be incurred if a merchant fails to meet Amazon's criteria."

Through an umbrella, that is MGB Global, small businesses can leverage on the services their team provides. From platform advertising to digitalisation, or customer support to even logistics planning; these are just some of the few services that go into running a successful international e-commerce shop.

Meanwhile, local brands like Bingka KL and RAAQUU have received positive reception in the United States (US) market.

A ceramic art brand, which was founded in 2020 by expert Malaysian ceramic artist Adil Abdul Ghani, RAAQUU uses a Japanese technique called 'raku' firing that gives each piece a unique pattern with unpredictable colours. Bingka KL, on the other hand, is known for their contemporary silk-screen printed products with a retro twist.

Through MGB and MGB Global, more local artists and homegrown businesses can expand into a physical presence, while keeping operating costs low and also obtaining exposure overseas with international recognition for their arts and crafts.

Ultimately, it's about giving MGB's local talents an omni-channel solution by combining the best of physical and online retailing, while focusing on the huge potential of the US market.

By CALYN YAP
calyn@thestar.com.my

BY now, it is common knowledge that small and medium enterprises (SMEs) are the backbone of Malaysia's economy.

While figures may vary from year to year, it is fairly safe to say that SMEs account for more than 97% – approximately one million – of total business establishments locally, with these smaller businesses hiring almost 50% of the country's labour force.

This means that successfully transitioning SMEs towards greener practices will undeniably play a key role in realising the nation's ambition to achieve carbon neutrality by 2050.

Small Medium Enterprise Development Bank Malaysia Bhd (SME Bank) CEO Datuk Dr Aria Putera Ismail said, "Post Covid-19 pandemic, SMEs are mainly focusing on their business survival, of which cashflow is the key issue, while other non-business matters that are not for near-term benefits are neglected.

"ESG is an opportunity to not just have a deeper understanding of risks but to seek brand enhancement, engage customers, partner with new suppliers, streamline operations, attract talents, ensure greater preparation for unforeseen issues (such as pandemics) and improve financial performance.

"If SMEs are not adapting to the times, their competitiveness and viability will be affected and they will not be able to be part of the supply chain for bigger corporations (especially when it comes to exports). They will also significantly lose market share, meaning that instead of expanding business, they will be losing opportunities.

"Eventually, they will face difficulties in getting not only capital from investors, but also financing from financial institutions, not only from development financial institutions (DFIs), but also other financial institutions as well."

Incremental improvement

SME Bank sustainability and strategic management head Zakiah Mat Esa added that to ensure net-zero greenhouse gas emission by 2050, awareness needs to spread to SMEs.

"They need to at least start to measure their own carbon emissions, at least for Scope 1 and Scope 2, so that they know where they are and can move towards achieving carbon neutrality.

"We acknowledge that ESG is a long journey and somehow the SMES have to start right now, if not yesterday.

"As there is a very steep learning curve, financial institutions like us, need to play our roles in assisting and facilitating them in this transition process. The very first step is to make them understand, aware and willing to embark into this journey," she stated.

SME Association of Malaysia national president Ding Hong Sing acknowledged the growing importance of ESG, pointing out that external pressure from more developed economies such as the European Union and the United States are influencing the adoption of ESG among smaller companies.

European countries are now starting to



SMEs that are looking to embark on their ESG journeys can look to CEDAR for help.

Getting SMEs will require aid

put embargo on countries and companies that are not ESG-compliant and are considering higher taxation or carbon credits when trading. This means in the near future, SMEs will not be able to export if they do not embark on ESG.

However, he highlighted the plight of SMEs, which are slowly recovering their businesses as they emerge from the lingering shadows of the Covid-19 pandemic.

He said, "SMEs face challenges in transitioning to being ESG compliant. Not only do we lack information and awareness on ESG matters due to a lack of access to knowledge networks, we do not have sufficient resources to tackle ESG adoption at one go.

"There must be a gradual timeline for SMEs to adopt ESG based on a scale, with full adoption within the next five years instead of being immediate, as we will really need time to shore up our understanding and implement the proper processes."

Standard for sustainability

The Standards and Industrial Research Institute of Malaysia (Sirim), via Sirim Qas International and Sirim STS Sdn Bhd, launched a scheme to enhance social accountability and operations of organisations in Malaysia in May 2022.

This standard, Sirim 50, was developed as a basis for providing training and consultancy services, as well as a guide for the auditing and inspection of employers in the country.

Its aim is to help companies manage their community impact on issues such as workforce needs, workers' rights and workplace safety – and therefore, help them demonstrate their commitment to the welfare of workers and communities, in addition to enhancing competitiveness and contributing to business growth and productivity.

The requirements outlined in Sirim 50 are consistent with international social standards such as SA 8000 and ISO 26000.

In introducing the new standard, Sirim seeks to help advance the sustainability efforts of Malaysian companies in line with Goal 8 of the United Nations Sustainable Development Goals (UNSDGs) 2030 on decent work and economic growth.

The launch of Sirim 50, according to Sirim president and group chief executive Datuk Dr Ahmad Sabirin Arshad, aligns with the group's commitment to assist companies in Malaysia incorporate ESG principles into their operations.

"ESG is pivotal as it affects a company's reputation and relationship with stakeholders. I strongly urge all companies to implement the Sirim 50 standard," he said.

Doing more for SMEs

But there are small steps that reflect posi-

SMEs onboard the ESG journey

in ESG to shift the needle in Malaysia's ambition to achieve carbon neutrality by 2050



tive developments for the SME sphere, as more ecosystem players are aware that smaller businesses will require assistance, both in terms of funding and capacity building, to embark on the ESG journey.

In late September this year, for instance, Sirim sought an RM15mil allocation to empower SMEs next year, with Dr Ahmad Sabirin noting that the funds were needed to assist micro enterprises and SMEs through research and development, as well as certification efforts.

According to a Sept 28 report by *StarMetro*, Dr Ahmad Sabirin shared that Sirim offers various grants and schemes to help businesses in need, including helping some 20,000 SMEs nationwide with a sum of about RM100mil during the Covid-19 pandemic.

"Such efforts have helped them increase their productivity and revenue, where about RM7bil was generated. This enabled some businesses to perform better amid the pandemic," he said.

He further shared his belief that Sirim has a huge role to play in pushing for industrial growth through the application of technology, alongside its plans to continue helping

SMEs as part of the agency's people-centric, SME-centric and frontier technology approach.

Towards capacity building

For SME Bank, it seeks to bridge the divide of knowledge and capacity for SMEs when it comes to helping them integrate ESG principles into their operations.

This is in addition to providing access to funding through a variety of financing initiatives.

SME Bank has developed and launched two financing programmes for SMEs, where the bank provides profit rate incentives in the final year of financing tenure to customers that maintain as ESG compliant throughout the financing tenure.

"The intended objective here is not only to reward them with the incentive, but most importantly to inculcate ESG awareness and discipline them throughout their ESG journey," he stressed.

The bank reintroduced the Young Entrepreneur Fund 2.0 (YEF2.0) to assist and support young entrepreneurs to elevate their businesses to a higher level and remain via-

SMEs will need aid in the form of both funding and capacity building to enable a smooth transition to adopting greener practices and being ESG-compliant, in a way that meets global best practices and standards.

ble post Covid-19 pandemic, in addition to offering the Industrialised Building System (IBS) Promotion Fund 2.0 (IBS2.0) to support eligible IBS contractors, manufacturers and installers in line with SDG12 to ensure sustainable consumption and production patterns, by promoting sustainability from a controlled production environment and minimisation of waste generation.

SME Bank also participated in Bank Negara Malaysia's Low Carbon Transition Facility (LCTF), under which Bank Negara has allocated RM1bil to support SMEs in adopting sustainable and low-carbon practices. Participating financial institutions will match the LCTF with their own funds.

Dr Aria said, "There are a lot of initiatives we have done via financing and beyond financing. Financing is where, taking into account the environmental, social, as well as governance perspectives, we want to make sure that every single dollar that we finance the SMEs will create a multiplier effect.

"We want to make sure that all business establishments, especially SMEs, can grow further and comply with ESG for their long-term business operations."

As part of the second phase of inculcating

an ESG culture into its DNA within its three-year Sustainability Roadmap, which SME Bank embarked on last year, the bank has conducted various internal and external initiatives to educate not only its employees, but also its SME customers on the importance of ESG and to deepen their understanding.

Moreover, SME Bank – including its relationship managers and the team at its fully-owned subsidiary, the Centre for Entrepreneur Development and Research Sdn Bhd (CEDAR), among others – has been aggressively engaging SMEs by running awareness sessions in various states across the country.

"We have received a very positive response from SMEs. Based on a survey recently conducted by the bank, more than 90% of our customers have indicated that they are willing to embrace sustainability in their business operations.

"Right now, we need to focus on sustaining that momentum.

"For example, what are the things that SMEs need, be it financial support or the need to sit down with them to brainstorm a plan on how they can partake in the ESG initiatives run by SME Bank," said Dr Aria.

CEDAR, which used to be a training arm, is now taking on a greater role when it comes to ESG implementation.

It introduced ESG modules in its advisory services as part of efforts to inculcate ESG tenets into companies, in collaboration with the United Nations Global Compact (UNGC), as a signatory member of UNGC.

At the same time, the CEDAR team has been empowered to assist SMEs in coming up with a plan to transition to ESG-compliant operations, including areas where they may need to consider some modification or review on the business model, as well as what they need to start their ESG journey.

On how SMEs can start, he advised, "The first step is understanding where the company stands and what they need to achieve. SMEs should start by identifying the areas that they can focus on in implementing ESG.

"If they need some guidance – and although talent is still lacking – we encourage them to engage with us, as we have a team that can guide them on what needs to be done and what needs to be prioritised, so we can set goals and create a plan within their capabilities."

Steps towards sustainability

IN advocating for the environmental, social and governance (ESG) agenda for the nation's smaller companies, the Small Medium Enterprise Development Bank Malaysia Bhd (SME Bank) embarked on its three-year Sustainability Roadmap in 2021.

The bank's sustainability agenda is also aligned with Bank Negara Malaysia's Performance Measurement Framework, which emphasises the importance of development financial institutions incorporating additionalities as part of business operations to promote greater development outcomes and strengthen accountability as public institutions.

There are three phases to the roadmap, with the bank's sustainability journey anchored on the three pillars of responsible banking, responsible business practices and creating social impact, said its chief executive officer Datuk Dr Aria Putera Ismail.

The first phase focused on ESG initiation and streamlining business focus, policy and guidelines, with Dr Aria sharing, "We reached a key milestone in our sustainability

journey evidenced by the establishment of our RM3bil Sustainability Sukuk Programme, our first non-government guarantee Sukuk Wakalah Programme, which was accorded AAA ratings by the Malaysian Rating Corporation Bhd (MARC).

In August 2021, it successfully issued its maiden RM500 million Sustainability Sukuk that was oversubscribed by 3.56 times (bid-to-cover) at a very competitive pricing.

What is more important, he stressed, was the participation of global investors into the ringgit sukuk issued by the bank.

The second phase revolves around SME Bank's efforts to inculcate or institutionalise ESG principles into its DNA by creating ESG culture across the bank, where staff will act as sustainability ambassadors by advocating sustainability practices to customers moving forward.

"This involves knowledge sharing sessions on ESG for them to be cognisant of the importance of ESG on business," he said.

In continuing its ESG journey,

SME Bank has recently established its customised Sustainable Development Goal (SDG) Framework, which is an overarching framework that sets out its sustainability vision, mission, goals, strategy and approach, as well as governance in all its financing and non-financing activities – aligned with the United Nations (UN) Sustainable Development Goals.

The bank has conducted materiality assessment with the relevant stakeholders and managed to identify material matters, including key risk areas that need to be strategically managed and mitigated. The final materiality matrix has been completed and presented to the board in late October.

Moreover, SME Bank's compliance to integrating the Task Force on Climate-related Financial Disclosures (TCFD) recommendations has been captured as part of the bank's SDG Framework key strategies and will start in its annual reporting from 2024 onwards.

This came on the back of the successful issuance of the second tranche of its Sustainability Sukuk in Aug 2022, which registered a



The initial steps, such as the roadmap, is the foundation that SME Bank will continue to build on for longer-term objectives to be achieved, said Dr Aria.

total book order of RM536mil, exceeding the initial desired size of RM300mil with a competitive profit rate.

"I'm happy to share that SME Bank also participated in a survey/interview conducted by the Global Ethical Finance Initiative (GEFI), a collaboration with UN Environment Programme Finance Initiative, or in short UNEP FI for the publication on Guide for Malaysian Banks supporting SMEs in the Sustainable Recovery from Covid-19, as a guide so that other banks can emulate the same. It's

something we feel is quite a remarkable achievement when it comes to the bank's ESG journey," he said.

The release of SME Bank's first sustainability sukuk progress report on the inaugural Sustainability Sukuk followed closely in September 2022, as per its Sustainability Sukuk Framework requirement.

Lastly, the third phase will take place next year, which will cover ESG adoption and continuous improvement towards sustainability.

Financial sector focuses on *ESG* and climate change

The evolving role of financial institutions in driving the sustainability agenda

By YAP LENG KUEN

THE role of financial institutions (FIs) has evolved from just being an intermediary for borrowing and lending to being the driver of capital in the transition towards a green and sustainable future.

Intense pressure from key stakeholders, including regulatory authorities and investors, has prompted businesses to rapidly integrate sustainable practices into their decision-making processes.

Channelling capital to where it matters

The demand for sustainable finance will continue to grow, driven by, among other things, the focus on value-based investing, increasing demand for infrastructure and heightened awareness of climate change.

The rapid progress in sustainable and climate financing presents a challenge in capacity to FIs and regulators, to ensure that Malaysia is well-positioned at the forefront of sustainable and climate finance.

This refers to financing transactions that incorporate environmental, social and governance (ESG) and climate-related risks into the overall credit risk assessment and financing decision-making process.

These types of financing are targeted to facilitate the sustainability initiatives of an organisation and its transition into a low-carbon world.

Amidst the focus on ESG and sustainability, funding that has been discontinued includes, among other things, the financing of new coal-fired power and thermal coal mine projects, while the stance on 'No Deforestation, No Peat and No Exploitation' has also been adopted.

RHB to support SMEs

Moving forward, the RHB Banking Group will work towards supporting small and medium enterprises (SMEs).

"This is being done through creating awareness and understanding of ESG as well as the benefits of integrating ESG aspects into their businesses for sustainable growth," said RHB group chief sustainability and communications officer

Norazzah Sulaiman.

Under the sustainability financing program (SFP) for SME and retail customers, RHB's target is to grant RM1bil in new financing by 2025.

As at end of September, 2022, RHB has extended more than RM380mil through the SFP.

A total of seven socially responsible investing (SRI)-authorised funds had been launched by RHB Asset Management, with assets under management of RM1.24bil, as at September 2022.

RHB was the sole lead arranger and manager for Cagamas' issuance of RM300mil two-year Asean sustainability bond in October 2021.

In December the same year, it structured and executed Malaysia's first Green Cross-Currency Interest Rate Swap transaction, set against ESG-linked key performance indicators to hedge a US\$100mil two-year sustainable loan.

It was also the sole principal adviser, sole lead arranger, joint lead manager, facility agent, adviser and commodity trading participant for SME Bank's RM3bil Sukuk Wakalah Programme, the country's first sustainability sukuk by a development FI.

The group has launched its five-year (2022-2026) Sustainability Strategy and Roadmap, based on three key pillars: sustainable and responsible financial services, embedding good practices, as well as enriching and empowering communities.

Under the first pillar, the group's role is to integrate ESG considerations into its business and decision-making processes, while nurturing customers towards achieving sustainable growth.

The group aims to mobilise RM20bil in sustainable financial services; as at September 2022, the group's year-to-date achievement is RM11bil across its lending and financing, capital market and advisory, wealth management, as well as investment and insurance businesses.

Of this amount, about 40% is in green financing, 31% in social impact financing and 29% in ESG-linked activities.

Managing its own carbon emissions is core to achieving its aspiration to be carbon neutral by 2030, added Norazzah.

The group targets to achieve a 45% in reduction in carbon emissions intensity per employee by 2026, against a 38% in baseline year 2016; the group is close to achieving its 2022 target of 42%.

As at June, 2022, RHB's coal exposure has been reduced to about 0.9% of its total non-retail loans or financing.

OCBC stresses on education

There are additional costs incurred in implementing ESG initiatives without reaping immediate financial gains.

The challenge for FIs is to educate their clients on the cost-benefit of embracing sustainability.

"OCBC Bank (Malaysia) is highly encouraged by the commitment and enthusiasm shown by its top tier clients, primarily the government-linked companies and large conglomerates, for sustainable financing," said OCBC Bank (Malaysia) managing director, senior banker and head of investment banking Tan Ai Chin.

This follows the signing of a memorandum between OCBC Bank (Malaysia) and Alliance Bank Malaysia with Bursa Malaysia to introduce sustainable financing to public-listed companies.

OCBC's sustainable finance commitments stood at S\$34bil, as at December 2021, surpassing its initial target of S\$25bil

by 2025; a new height has been set for S\$50bil in its portfolio of sustainable finance assets by 2025.

Among notable transactions are the world's first Islamic multi-currency sustainability-linked financing for the Axiata Group and the inaugural sustainability-linked bond issuance by Sunway REIT.

These financing instruments incentivise customers via lower financing costs in return for achieving pre-determined sustainability targets of reducing their overall carbon emissions.

Failure by customers to meet the minimum threshold in the reduction of carbon emissions shall lead to a 'penalty' in the form of higher financing costs.

OCBC is a signatory to the Equator Principles and Poseidon Principles – globally recognised frameworks that provide standardised guidelines to assess, as well as manage ESG and climate-related risks in project financing and ship financing respectively.

Among the challenges is to convince investors to prioritise the sustainability agenda over targeted-investment returns as part of the investment decision-making process.

The appetite for sustainable financing instruments – SRI bonds and sukuk – has not been translated into a more competitive yield offered by investors compared to plain vanilla bonds or sukuk issuances, said Tan.

The recently launched SRI-linked Sukuk Framework by the Securities Commission should serve as a fresh catalyst for a more diversified type of ESG sukuk issuance in Malaysia.

It is a challenge to gauge the level of acceptance of these issuances, given the profit rate adjustment feature, especially if it involves a step down in profit rates when the agreed sustainability targets are achieved.

Bank Islam pursues green financing

As it aspires to facilitate a just climate transition, Bank Islam is developing targeted products that include low-carbon financing for SMEs and ESG-linked financing for corporates.

Currently, it is focussed on companies engaged in renewable energy (RE) and sectors with direct climate mitigative capacity, or positive social impacts.

"Bank Islam has approved RM2.62bil in green financing projects in RE, sustainable waste management, sustainable public transportation and green manufacturing," said Bank Islam Malaysia group CEO Mohamed Muazzam Mohamed.

It targets to increase its green financing portfolio to RM4bil by 2025.

Bank Islam utilises established guidelines issued by Bank Negara, especially the Climate Change Principles-based Taxonomy, to classify financing exposures and financed entities in accordance with their climate risk.

As it is guided by shariah values, Bank Islam is also a practitioner of value-based intermediation, where the Association of Islamic Banks in Malaysia has issued sector guides to help assess the sustainability

'The role of Agrobank is to help accelerate Malaysia's ESG and climate change agenda,' says Tengku Ahmad Badli Shah.



'OCBC Bank (Malaysia) is highly encouraged by the commitment and enthusiasm shown by its top tier clients for sustainable financing,' says Tan.



'We have to expand sustainability efforts on environment and climate change,' says BSN's Jay Khairil Jeremy.



'RHB Banking Group will support SMEs through creating awareness and understanding of ESG as well as the benefits of integrating ESG aspects into their businesses for sustainable growth,' says Norazzah.

practices of entities in sectors such as palm oil, oil and gas and manufacturing.

The main challenge in climate financing is to establish systems and processes to ensure that the best available data relies on Bank Islam's internal operational footprint, as well as its financed emissions arising from its exposure in various sectors.

For 2023, Bank Islam plans to increase direct engagements with customers on their climate transition plans and address ESG-related concerns that arise from its due diligence process.

Bank Islam has implemented systems to ensure that ESG due diligence and screening are considered in financing approvals.

Considering the current economic climate, Bank Islam is concerned about the additional costs in undertaking the transition, in the near term.

This is both in terms of material or product supply availability and the immediate effect on available funds for requisite investments.

BSN expands environmental role

Bank Simpanan Nasional (BSN), which is strong on the social front, plans to strike a good balance between environmental, social and governance aspects.

"We have to expand sustainability



efforts on environment and climate change," said BSN chief executive Jay Khairil Jeremy Abdullah.

He added, "From the oversight perspective, the need for us to have the governance, structure and processes in place, is in tune with what we do as a bank, as we are so highly regulated."

BSN is very much a retail bank; it is not in the league of those giving out big corporate loans, that are cautious on companies in terms of their carbon emissions.

Nevertheless, BSN has a part to play in fighting climate change.

The onus is on the bank to find that niche, which is the journey it is embarking on, to close that gap, said Jay Khairil.

As a development FI and a pure retail bank, the challenge for BSN is to steer a course in terms of carbon emissions and the sustainability agenda and integrate them in line with ESG standards.

BSN also works together with like-minded partners such as financial technology start-ups, which are aware of ESG considerations and are transitioning to perform better.

Agrobank to carve its niche

Agrobank is in the midst of integrating sustainable finance throughout its existing program offerings and supporting clients' efforts to obtain certifications in sustainability.

It is encouraging the adoption of sustainable practices throughout the agricultural value chain through sustainability-linked programmes and products.

Within its own operations, Agrobank will continue to promote environment-friendly, more specifically, energy efficient practices, to inculcate a sustainability mindset among its employees.

"The role of the bank is to help accelerate Malaysia's ESG and climate change agenda, in line with our development mandate to promote sound agricultural development and uplift the well-being of the agricultural community," said Agrobank president and CEO Tengku Datuk Ahmad Badli Shah Raja Hussin.

Among the challenges is the issue of costs; sustainable solutions for the agriculture sector are costly as some of them involve new technologies that are not commercialized yet.

Unlike large corporations, small and medium scale as well as micro enterprises, or even entrepreneurs, struggle to implement these sustainable solutions due to lack of motivation or incentives.

102.19	+6.04	+3.01	9	90.17	15	55.69	516.00	41	17.35	105.30
34.18	-1.35	-4.57	45	12.00	9	178.95	90.17	63	38.91	31.10
158.04	-7.02	-3.72	87	86.53	6	432.16	12.00	72	58.79	150.30
387.32	+9.03	+3.96	98	18.76	3	175.95	86.53	38	13.42	307.32
673.54	+14.28	+2.54	252	54.32	73	99.16	15.31	43	302.18	220.15
652.09	-11.32	-2.13	86	98.65	8	34.18	90.17	15	408.15	140.70
401.76	+9.45	+1.96	15	8.43	15	458.04	5.07	21	65.12	302.18
215.68	+8.35	+3.32	24	3.76	19	387.32	32.87	78	3.76	150.30
158.92	+6.29	+1.03	39	65.12	7	673.54	47.35	145	17.1	140.70
102.18	-13.84	-3.45	54	17.6	3	552.09	13.29	145	17.1	140.70
			63	15.31	2	401.76	45.36	89	15.31	140.70
					9	215.68	30.91	76	90.79	15.10

"That said, we see great potential in the agriculture sector and we aspire to enhance our product offerings to support our agricultural communities in their sustainability journey," said Ahmad Badli Shah.

Persuading clients to come onboard the sustainability journey is another challenge.

Many clients, especially smallholders, still see sustainability and profitability as competing goals, especially when it comes to agricultural practices.

This is where they must decide between sustainable and conventional farming.

Agrobank strives to provide more insights on the benefits of joining the sustainability journey.

Besides incorporating sustainability into its corporate strategy, Agrobank has included sustainability targets in its internal operations and for its customers.

"We envisage our sustainability strategy will allow us to continue to carve our niche in the agriculture industry through our continuous efforts to support customers especially those who are keen to come onboard the sustainability journey," added Ahmad Badli Shah.

Rise of ESG, SRI & Islamic finance

Amidst these rapid developments in ESG and sustainability, Malaysia has maintained its number one position in the Islamic Finance Development Indicator for the second straight year.

'Bank Islam has approved RM2.62bil in green financing projects,' says Mohd Muazzam.



Malaysia leads in the SRI sukuk issuance among the Asean6 countries, accounting for US\$3.9bil of issuance value or 56% of the total Asean SRI Sukuk issuance, as of November 2021.

Between 2016 and 2020, the Asean6 markets saw significant increase, at a compound annual growth rate (CAGR) of 198%, in the issuance of sustainable bonds and sukuk for financing growth.

These were aligned with ESG principles, with an issuance value at about US\$29.8bil, as of November 2021.

The issuance of sustainability-themed shariah-compliant sukuk had grown at a CAGR of 278%, and reached about US\$7bil in November 2021.

As part of the innovation journey, the first US dollar sovereign sustainability Sukuk was issued by the Government of Malaysia in April 2021, aligned with the Asean Sustainability Bond Standards.

Companies in Malaysia have easy access to sustainable financing; more than 90% of FIs have at least one sustainable financing product offering, as stipulated in the Joint Committee on Climate Change (JC3) Report on the Sustainable Finance Landscape in Malaysia.

The sustainability journey ahead is expected to be filled with milestones in innovative financing, further cementing Malaysia's position among the top in the region.

THE SUSTAINABLE FINANCE LANDSCAPE

Sustainable finance

Any financial process that integrates ESG principles to drive sustainable development and economic growth.

Asean's growing sustainable debt market

54.4bil

Green, social and sustainability (GSS) bonds

US\$54.5bil (2016-2021)

From US\$30.4bil (2016-2020)

24bil

US\$24bil (2021) Up 76.5% y-o-y from US\$13.6bil in 2020

27.5bil

US\$27.5bil sustainability-linked bonds and loans, 2021

JC3 Report on the Sustainable Finance Landscape in Malaysia

Released in April 2022, the report assessed the sustainability practices and product offerings in the financial sector, based on a November 2021 JC3 survey among banking, insurance and asset management respondents.

Key highlights:

92%

Although 92% of respondents have a sustainability strategy in place, only 42% have made commitments on net zero

73% of banking respondents have made some commitments to ban or phase out financing of coal-related activities

73%

83%

83% of respondents have a sustainability framework in their organisation, but only 46% have reflected climate risk in their risk appetite statement

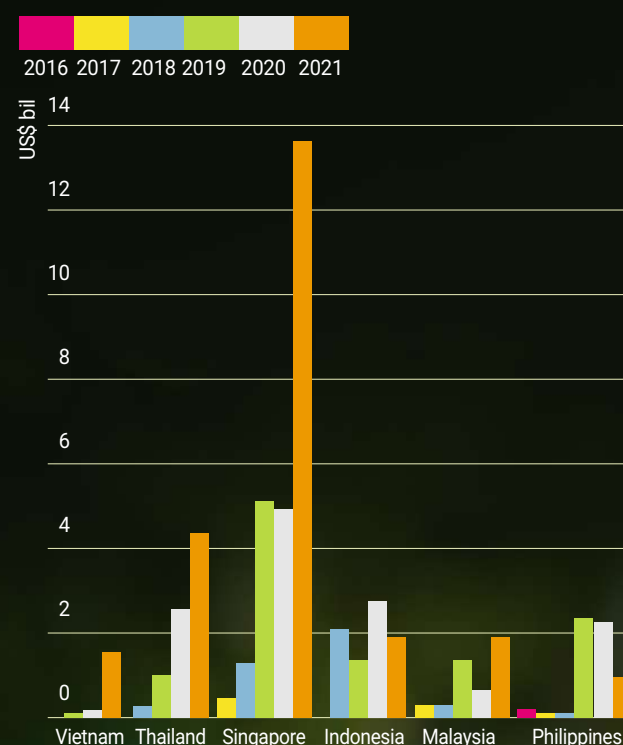
21% of respondents have a third-party verification process on their sustainability reports

21%

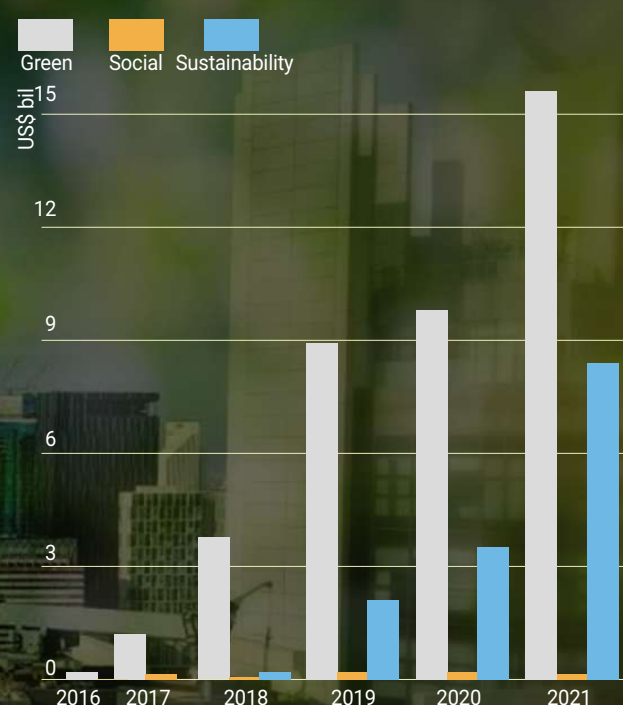
95%

95% of respondents cited data quality or availability as one of the key challenges in driving the sustainability agenda

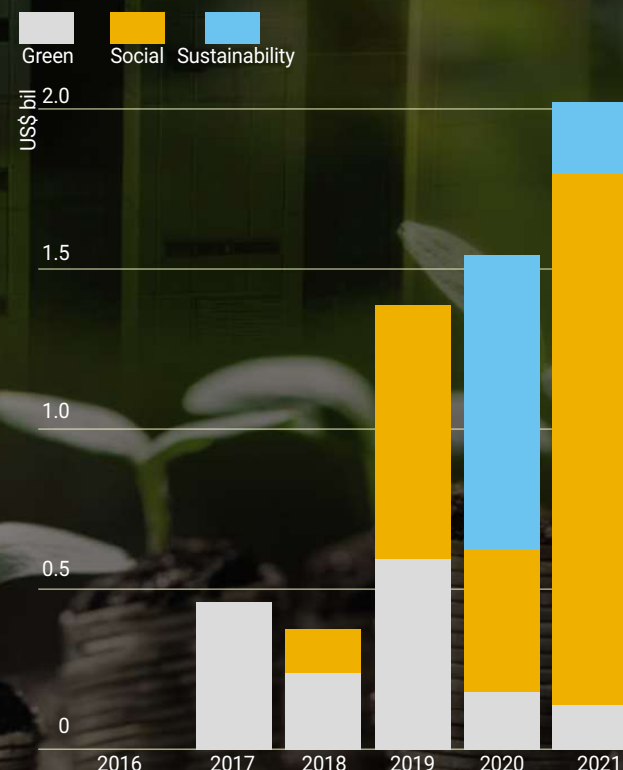
Annual GSS issuance from ASEAN-6 countries



Annual GSS issuance from ASEAN-6 countries



The 2021 sovereign sukuk boosted sustainability volumes in malaysia



Oct 26

● **Sunview Group Bhd** has secured a RM93.8mil contract from **Advancecon Holdings Bhd** for the development of a 26 megawatt photovoltaic (PV) plant in Kuala Langat, Selangor. The end-to-end solar PV system construction player said its wholly-owned subsidiary, Fabulous Sunview Sdn Bhd, had secured the contract from **LSS TPG Sdn Bhd**, a wholly-owned unit of Advancecon Holdings Bhd.

● **Tenaga Nasional Bhd's (TNB)** expansion plans, which are in line with its commitment to achieve net-zero emissions by 2050, will be the group's main growth catalyst in the quarters ahead, says Kenanga Research.

The research house said the utility giant had recently announced two new power plant projects, namely the repowering of its Sungai Perak hydro power plant and a greenfield 2,100 megawatt (MW) combined cycle gas-fired power plant in Kapar.

Oct 28

● Malaysia will be **Thamlev USA Ltd's** manufacturing base in South-East Asia for the production of electric bikes outside the United States.

The new site will expand on Thamlev's existing manufacturing capacity and will help raise the profile and development of the electric vehicle (EV) sector in Malaysia.

● **Tenaga Nasional Bhd (TNB)** has tied up with **Gamuda Land** to build two electron stations for electric vehicle (EV) charging at the latter's property development projects in Selangor

The companies had inked a memorandum of understanding to develop Malaysia's first electron stations at Gamuda Cove in southern Klang Valley and Gamuda Gardens in northern Klang Valley for communities in the projects and visitors to the water theme park at Gamuda Cove.

The MoU is set to pave the way for TNB and Gamuda Land to collaborate towards increasing the usage of EVs.

– **TNB chief strategy and ventures officer Datuk Megat Jalaluddin Megat Hassan**



Oct 29

● **Petroleum Nasional Bhd (PETRONAS)** is expanding its partnership with state-owned **Petroleum Sarawak Bhd (Petros)**, inking two agreements on collaboration opportunities under the Sarawak Gas Roadmap, which PETRONAS said will help accelerate both parties' shared aspirations to sustainably grow the Sarawak's energy industry.

The first is a heads of agreement (HoA) to expand the usage of natural gas within the state for supply of 60 million standard cubic feet per day of gas by 2026 to the proposed 400 megawatt combined cycle gas turbine power station in Miri.

The Malaysian giant energy company has also inked a joint collaboration agreement (JCA) with Petros that would see them working closely together to establish carbon capture and storage (CCS), hence, positioning Sarawak as a regional sequestration hub.

Oct 31

● **Sustainable finance** is fast gaining traction and is set to become the future mainstream financing instrument in corporate Malaysia at a time when the global economy is facing recessionary risk, according to industry experts.

With the various initiatives in place, they concurred that amid challenges, it would further spur the growth of sustainable finance and attract sustainable investments.

Sustainable finance relates to investment decisions that consider the environmental, social and governance (ESG) factors of an economic activity or project.

Over the past three years, Malaysia for

ESG

in the news

As a long-term partner of Sarawak, PETRONAS continues to play its role in developing a sustainable and progressive oil and gas industry in the energy transition landscape, through world-class projects, such as the Kasawari gas development that includes the application of carbon sequestration technologies.

– **PETRONAS executive vice-president and chief executive officer of upstream Datuk Adif Zulkifli**



example, has seen consecutive years of growth in the volume of sustainable debt issuances. In 2021, Malaysia saw a 306% increase from 2020, with a volume of RM8.425bil in such issuances.

This upward trend has continued and year-to-date, the nation has achieved a record RM10.64bil in sustainable debt issuances. This figure is anticipated to rise further.

● **Sarawak** targets to reduce carbon dioxide (CO2) emissions by 600,000 tonnes per annum by 2030. This will be achieved by electrifying the state's mobility fleet, according to Sarawak Premier Tan Sri Abang Johari Tun Openg.

"In order to fulfil our commitment to lower carbon emissions and decrease our reliance on fossil fuel, Sarawak has ambitiously aligned our post-Covid 19 development strategy to expand on our initial strategic economic blueprint under the **Sarawak Corridor of Renewable Energy** launched in 2008," he said in a recent keynote address at the Singapore Energy Summit in conjunction with the Singapore International Energy Week (Oct 25).

● **BayWa r.e. Malaysia**, a unit of Germany-based renewable energy giant BayWa r.e. AG, is eyeing more local residential, commercial and industrial sectors as it looks to deepen its presence amid the competitive renewable energy (RE) market.

Apart from this, the company intends to intensify its greenfield development of solar farms as one of its strategies to fuel its revenue growth since making its presence in the country in 2017.

Its managing director Niranpal Singh said despite the saturated solar renewable energy business, there is a huge demand on the whole for solar distribution in Malaysia.

● **Bank Islam Malaysia Bhd** aims to boost its syariah – environmental, social, and governance (ESG) assets to RM4bil by the end of 2025 from RM2.62bil in June 2022.

The value in June was 16.4% higher compared to the RM2.25bil recorded a year earlier, the bank said in a statement to announce the launch of its ESG Risk Management Framework.

Group chief executive officer Mohd Muazzam Mohamed said that, as part of the group's broader aspirations to be the leading Islamic financier in Malaysia, it has implemented approaches to consider the ESG risk profile of its customers as part of its financing origination process.

Nov 1

● **RHB Bank Bhd** plans to introduce its digital banking platform as early as the second half of next year, according to its top executive, as the country's fifth biggest

lender looks to hold back a tide of financial technology (fintech) startups.

The bank and its partner Boost, an arm of communications giant **Axiata Group Bhd**, could invest as much as RM1bil in the venture, said RHB chief executive officer Mohd Rashid Mohamad in an interview.

Boost and RHB were among five groups that won digital bank licences from Bank Negara in April. The others chosen include ventures led by Singaporean tech firms Grab Holdings Ltd and Sea Ltd.

Nov 2

● **Sunway Construction Group Bhd (SunCon)** has secured two letters of award for engineering, procurement, construction, and commissioning (EPCC), as well as building works, totalling about RM460mil.

In a filing with Bursa Malaysia, SunCon said it had secured a contract worth RM185mil from Sharp Ventures Solar Sdn Bhd to conduct EPCC works for a 50-megawatt solar photovoltaic energy-generating facility in Kapar, Klang.

Nov 3

● **Bursa Malaysia Bhd** has signed a memorandum of understanding (MoU) with the **London Stock Exchange Group (LSEG)** to expand environmental, social and governance (ESG) collaboration between the two exchanges and explore new areas of opportunity.

Under the MoU terms, Bursa Malaysia and FTSE Russell, LSEG's global multi-asset index and benchmark provider, will expand its coverage of ESG scores to include all public listed companies (PLCs) on the Main and ACE Markets.

The signing of the MoU signifies another important step in the exchange's efforts to facilitate greater quality of ESG disclosure among Malaysian PLCs, which is in line with the exchange's aspiration to elevate them as regional leaders in the ESG space

– **Bursa Malaysia chief executive officer Datuk Muhammad Umar Swift**



Nov 4

● **IHH Healthcare Bhd** plans to focus on transitioning its hospitals to green hospitals, with the aim of reducing its carbon footprint and gaining investor confidence.

At its 'HealthcareInsider' webinar series, IHH Healthcare group managing director and chief executive officer Kelvin Loh noted that the healthcare industry contributed about 5% of the world's carbon emissions.

"We'll tackle this head on and convert our hospitals progressively towards being green," Loh said at the webinar titled *Sustainability: Building Trust and Enhancing Stakeholder Value*.

Nov 8

● **Jentayu Sustainables Bhd's** soon to be acquired **Telekosang Hydro One Sdn Bhd (Telekosang Hydro)** has started operations on Nov 5.

The run-of-river hydropower plant is now generating and supplying electricity to Sabah's power grid system, the company said in a statement.

This initial operation date paves the way for Jentayu Sustainables, formerly Ip Muda

Bhd, to eventually conclude its acquisition of Telekosang Hydro, and this will support the group's aspiration to be a major green energy player in the country, it said.

● **Tenaga Nasional Bhd (TNB)**, Malaysia's state-owned electric utility, is exploring selling a minority stake in a planned renewable energy unit to help fund its expansion into the sector, according to people with knowledge of the matter.

The Kuala Lumpur-listed power firm has asked banks to submit proposals and could raise US\$300mil to US\$1bil (RM1.42bil to RM4.74bil) from potential investors, the people said.

Nov 10

● It is still a bumpy road ahead for a significantly higher and more meaningful uptake in the **electric vehicle (EV)** adoption in Malaysia.

This is due to the various factors that are affecting the current EV manufacturing supply chain internationally, coupled with the high acquisition costs of such vehicles locally since these are imported and priced in US dollars, say industry observers.

However, they generally opined that there have been some progress on the infrastructure front with several parties such as **Tenaga Nasional Bhd (TNB)**, which is building chargers along key highways nationwide.

Nov 12

● **Kelington Group Bhd** will invest RM45mil to build its second carbon-dioxide gas recovery plant, dubbed as "P2", in Kerteh, Terengganu, as its existing plant has already hit an operating capacity of over 80%.

With the new plant, which will be built by its subsidiary **Ace Gases Sdn Bhd**, Kelington will produce an additional 70,000 tonnes of liquid carbon dioxide per year.

● **Solarvest Holdings Bhd's** unit has been appointed by **Tenaga Nasional Bhd (TNB)** as the sub-contractor for engineering, procurement, construction and commissioning (EPCC) works at a 50MW large-scale solar (LSS) photovoltaic project in Bukit Selambau, Kedah.

Solarvest, via its subsidiary Atlantic Blue Sdn Bhd, entered into an EPCC sub-contract worth RM46.75mil with TNB's subsidiary, TNB Engineering Corp Sdn Bhd.

Nov 15

● **G Capital Bhd's** 74.64%-owned subsidiary, **Kundur Hydro R E Sdn Bhd (KHRE)** is in a renewable energy power purchase agreement (Reppa) with **Tenaga Nasional Bhd (TNB)**.

In a statement, G Capital said the feed-in approval, in respect of the 2.0 MW high-head mini-hydropower plant situated on Sungai Geroih in the vicinity of Kampar District, Perak, was only granted by the Sustainable Energy Development Authority Malaysia to KHRE in May this year.

Nov 17

● **Sunway Bhd** is rated as among the top performers in the environmental, social and governance (ESG) space in Malaysia, based on a recent report.

Supported by a wide range of initiatives, the company has achieved an overall score of 3.4 points out of a possible 4.0, according to a study by RHB Research.

The score was the highest among property stocks under the brokerage's coverage.

Nov 18

● **Kejuruteraan Asastera Bhd (KAB)** is eyeing sturdy growth in its sustainable energy solutions (SES) segment, which is supported by potential concession revenue of over RM500mil until 2046.

The engineering and energy solution provider expects the revenue generation to come from its growing asset portfolio in clean energy generation, renewable energy generation and the provision of energy-efficient solutions.

This is apart from its existing contracts in Malaysia and Thailand, as well as ongoing acquisitions.

Advancing prosperity for all

Bank Islam's ESG risk management framework to protect the well-being of people and the planet

By CALYN YAP

calyn@thestar.com.my

AS part of Bank Islam Malaysia Bhd's (Bank Islam) broader aspirations to be the leading Islamic financier in Malaysia, the bank has further demonstrated its commitment towards banking sustainability with the launch of its environmental, social and governance (ESG) risk management framework in late October this year.

Aimed at enhancing the bank's board oversight on ESG and climate matters, the framework, which was initiated in the third quarter of 2021, is intended to introduce a fit-for-purpose ESG and climate risk management framework – a timely endeavour, as it comes ahead of the recently concluded November 2022 United Nations Climate Change Conference (COP27) in Egypt.

Bank Islam group chief executive officer Mohd Muazzam Mohamed said, "As part of our broader aspirations to be the champion in shariah-compliant ESG total financial solutions in Malaysia, we have implemented approaches to consider the ESG risk profile of our customers, as part of our financing origination process.

"This move aims to improve our customers' sustainability, as it aligns with regulators' key global and local efforts in building a resilient financial system."

Positive values, positive impacts

Bank Islam will embed ESG risk considerations in its credit assessment process and leverage climate risk stress-testing to enhance its capabilities in addressing the impacts of climate change on the bank and its customers.

The move is a step forward in the right direction, as for financial institutions, in particular, Scope 3 emissions – otherwise known as financed or indirect emissions related to financial products and services such as loans – are the major contributor to the sector's carbon footprint.

While the ESG risk management framework is in progress, Bank Islam has taken steps to assess new financing applications for ESG risks with elevated concerns on ESG based on industry-specific context.

Bank Islam has been among the pioneers in adopting Bank Negara Malaysia's value-based intermediation (VBI) initiative since its introduction in 2018, which essentially champions sustainability practices as it focuses on creating positive value and impact on the economy, community and environment.

Taking a broader view, there are many similarities between VBI and ESG principles, most notably the focus on responsible stewardship and social inclusion.

As the nation's largest provider of shariah-compliant financial products and services, Bank Islam ranks among Malaysia's top leaders in social capital products.

The bank also aspires to double its shariah-ESG assets to RM4bil by the end-2025 from RM2.62bil recorded in June 2022, up 16.4% compared to RM2.25bil in the same period last year, with its shariah-ESG funds expected to grow in tandem within the same period.

He adds, "Beyond developing our assessment scorecards and mechanisms for ESG and climate risk, we will also support our customers in their transition to low carbon development and contribute to Malaysia's net-zero ambitions as part of their VBI initiatives."

Championing ESG through VBI

Among the key drivers of Bank Islam's ESG agenda is the bank's investment arm BIMB Investment Management Bhd (BIMB Investment).

A leading shariah-ESG investment management company in Malaysia, BIMB Investment's commitment is anchored in delivering risk-adjusted sustainable investment performance to investors.



Mohd Muazzam (left), representing the bank's social responsibility arm AMAL, with Sedulur founder Abdul Rahman Nikman to mark the collaboration of the two parties to execute five initiatives to empower the community at Mabul Island, Semporna, Sabah.



AMAL partnered with ReefCheck Malaysia to check on the growth of sea grass and corals around Mabul island and the effectiveness of the new sanitation system, while supporting sustainable projects such as hydroponic farming with Jasin Correctional Centre in Melaka.



For one, it is the first bank-backed Islamic asset manager in the region to be a signatory of the United Nations-supported Principles for Responsible Investment.

The investment management company has six shariah-ESG-compliant funds totaling over RM620mil assets under management (AUM) as of 30 September, with one of its flagship products being the BIMB-Arabesque i Global Dividend Fund 1 (BiGDF1).

This shariah-ESG global equity fund integrates Islamic values and ESG principles – while leveraging artificial intelligence, machine learning and big data technology – to deliver sustainable performance and potential risk-adjusted returns.

For its contributions and achievements in the region's ESG, sustainability and asset management landscape, BIMB Investment has received many accolades over the years.

Most notably, it has been recognised as the ESG Asset Manager of the Year for the third time at the recent The Asset Triple A Award held in Kuala Lumpur.

Sustainable living in communities

Driven by ESG and VBI aspirations, Bank Islam is also going beyond offering financial

products and services to uplift and empower local communities.

Its corporate social responsibility arm, AMAL Bank Islam (AMAL), recently rolled out a community service and sustainability programme at Mabul Island, Semporna, in Sabah.

It aimed to establish holistic, sustainable living in the community by incorporating green technology and eco-friendly applications and supporting its economy and welfare.

AMAL's collaboration with the non-profit organisation Persatuan Kebajikan Sedulur (Sedulur) saw the implementation of five initiatives to empower the community.

The effort includes installing solar panels at a school for stateless children called Sekolah Saudara Borneo and constructing a new and proper sanitation system for the school and homes on stilts to protect the growth of seagrass and marine life in the designated area.

It partnered with ReefCheck Malaysia to gauge the effectiveness of the installed sanitation system by monitoring the condition of the seagrass and the biodiversity of marine life around Mabul Island.

To boost the local economy, AMAL also supplied equipment to local shopkeepers

and small businesses around the island and upgraded the island's community square, complete with solar lights, which acts as a central area for the community.

AMAL also went on to form a strategic partnership with Yayasan Sabah College of Technology (YSCT) to provide much-needed assistance to the Pusat (AMAL) Latihan dan Amali Orang Kelainan Upaya (OKU) Sabah in Tuaran, a training institute focused on enabling differently-abled individuals to acquire new skills to supplement their livelihood.

The bank provided cash contributions to assist in the rebuilding efforts for its carpentry workshop, which was damaged by a flood last year.

At the same time, YSCT provided a group of lecturers and student volunteers to aid in fixing the electrical and wiring of the centre, enabling the workshop to restart its operations.

Mohd Muazzam further said, "Bank Islam is committed to supporting projects that protect the prosperity of people and the planet. Aligned with our vision as a bank that advances prosperity for all, we will continue to incorporate community empowerment and sustainability in all our business strategies while respecting planetary boundaries."



Grow a sustainable future with BIMB Investment.

BIMB Investment Management Berhad is Malaysia's leading Shariah-ESG investment management company. A wholly owned subsidiary of Bank Islam Malaysia Berhad, BIMB Investment is a licensed Islamic fund management company registered with the Securities Commission Malaysia.

Incorporated on 14 September 1993 and commenced its operations on 20 June 1994, BIMB Investment is committed in delivering risk-adjusted sustainable investment performance to investors. BIMB Investment has seven Shariah-ESG funds, totalling over RM800 million assets under management (AUM) as at 31 October 2022.

The award-winning BIMB Investment is the first bank-backed Islamic Asset Manager in the region to be a signatory of the United Nations-supported Principles for Responsible Investment (UNPRI).



Find out more at
<https://bimbinvestment.com.my/>



Disclaimer: The award grantor is an independent third party and not related to the company

By CALYN YAP
calyn@thestar.com.my

GOVERNANCE is a key aspect in the check-and-balance process and is critical to the proper functioning of any organisation.

Governance is the third pillar of the environmental, social and governance (ESG) considerations, the concept of which began in 2004 when the then United Nations (UN) secretary-general Kofi Annan invited financial institutions to develop guidelines and recommendations on how to better integrate environmental, social and corporate governance into the financial sector, according to the Jeffrey Sachs Center on Sustainable Development at Sunway University.

This led to 20 financial institutions preparing the 'Who Cares Wins: Connecting Financial Markets to a Changing World', which in turn led to the launch of the UN-backed Principles of Responsible Investment in 2006.

Closer to home, ESG adoption among public-listed companies (PLCs) was very much driven by Bursa Malaysia.

In 2007, Bursa Malaysia required PLCs to have a sustainability statement in their annual reports to disclose their ESG efforts and followed up by launching the 2015 Sustainability Reporting Guideline to guide PLCs.

It also launched the FTSE4Good index in 2014 to assess the ESG performance of the top 200 largest PLCs.

"Clearly, ESG is an important driver of growth for the financial sector. However, ESG not only benefits companies in the financial sector. It also benefits companies in the real economy.

"Many studies in corporate finance have shown that ESG investments will lead to higher

Good governance, measurable impact

ESG Positive Impact Awards 2022 affirms the importance of governance

company values in the long-run.

"This is because high ESG companies have been found to accumulate valuable intangible capital such as better branding and reputation, higher levels of employee satisfaction and lower levels of regulatory risk," it said.

With customer and supply chain pressures driving the ESG message down the supply chain, as well as increasing investor belief that companies that perform well on ESG are better positioned and more prepared for uncertainty in the long term, companies are more likely than ever to embrace the agenda.

That said, bribery and corruption can affect progress for companies, said Anti-Bribery Anti-Corruption (ABAC) Center of Excellence group chief executive officer (CEO) Zafar I. Anjum.

"Unfortunately, bribery and corruption can undermine a company's ESG policies and processes – the perceived risks of bribery and corruption can also lead to a trust deficit in a company. This could happen if investors and shareholders feel its processes and systems are not sufficiently geared to prevent bribery and corruption."

He stressed that only the implementation of a robust anti-bribery and anti-corruption programme can reflect positively on a company's ESG compliance, as it would "lead to corporate growth, foreign investment, international recognition, the establishment of a global baseline of standards and, in turn, propel the nation's economy."

Role of recognition

When it comes to how awards programmes such as the ESG Positive Impact Awards play a role in Malaysia's ESG journey, the Jeffrey Sachs Center on Sustainable Development said that it contributes in two ways.

By including small and medium enterprises (SMEs) as participants of the awards, it said, the awards programme extends ESG principles from PLCs to these smaller companies. This is an important move, as the majority of the country's business establishments are SMEs.

"In addition, the awards will showcase ESG best practices of participants from various economic sectors. These best practices are objectively assessed and selected by expert judges.

"Through this process, ESG best practices can be widely disseminated so that they can be adopted by the wider business community in Malaysia, thus scaling up the benefits of ESG business practices for all segments of the Malaysian public," it said.

ABAC Center's Zafar, on the other hand, said that the ESG Positive Impact Awards recognise the successes and cement the credibility of Malaysian businesses.

"It will encourage businesses to do better and learn from each other. Malaysia's ambition to achieve carbon neutrality by 2050 highlights a progressive position relative to other Asean countries.

"The ESG Positive Impact Awards

will play a key role in this journey; they will become a catalyst for leadership and set trends for wider adoption of the ESG among industry leaders and professionals in the ecosystem," he said.

Go boldly, but with purpose

On advice to those seeking to embark on their ESG journeys, the Jeffrey Sachs Center on Sustainable Development noted that ESG is a business imperative.

It stated, "ESG is an investment, not charity. This is because companies must continuously create value to compete and remain relevant in the market. Therefore, ESG strategies have to return value to the company in the long-run.

"Malaysian businesses have to be discerning in choosing their ESG strategies. Companies must be constantly aware that ESG strategies and business strategies are inter-linked, hence they have to be formulated in an integrated manner with a long-term view to deliver the optimum value to company shareholders and benefits to society."

The ESG Positive Impact Awards 2022 is organised by Star Media Group Bhd, with OCBC Bank (Malaysia) Bhd as main sponsor.

Ernst & Young is the advisor of the awards programme, while working partners include ABAC Centre of Excellence, Business Council for Sustainable Development (BCSD) Malaysia, Climate Governance Malaysia, Earthworm Foundation, Green



Submit now for the ESG Positive Impact Awards 2022



StarESGAwards.com.my

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Growth Asia Foundation, Institute for Democracy and Economic Affairs (IDEAS), Malaysia Green Building Council, Malaysian Green Tech and Climate Change Centre, Malaysian Institute of Corporate Governance, Jeffrey Sachs Centre, Sustainable Development Solutions Network (SDSN), as well as the Malaysian Research Accelerator for Technology and Innovation (MRANTI).

Submit now for the ESG Positive Impact 2022 Awards. To find out more, visit <https://staresgawards.com.my/>.

ESG Positive Impact Awards 2022

GOVERNANCE

● Governance, Reporting and Transparency

Recognising an organisation with effective corporate and sustainability governance, audit and risk management, integrity, as well as transparency in reporting, while keeping a meaningful relationship with stakeholders.



OTHER AWARDS

● Supply Chain Management

Recognising organisations that have created a progressive and comprehensive strategy to improve the adoption of best ESG practices in their supply chains, which has demonstrably led to a positive impact on the sustainability of the supply chain.



● Innovative Partnership

Recognising organisations that have developed progressive and innovative partnerships, which have led to positive and sustainable impacts on communities and/or the environment. This can be demonstrated in strong, long-term partnerships (more than 2 years) that are mutually beneficial with tangible outcomes/impacts to society and/or the environment.



● Transformation

Recognising an organisation that has transformed its business to promote sustainable development in a manner that ensures long-term economic and financial, social, environmental and institutional sustainability.





NOT SURE IF YOU QUALIFY FOR THE AWARDS?

The ESG Positive Impact Awards aims to recognise notable ESG achievements by Malaysian organisations of all sizes. From complex applications like solar technology, to simply ensuring gender equality among board members, your enterprise might already qualify for the awards without you realising it.

Whether you're an SME or a large conglomerate, this is your chance to inspire your peers, reassure your stakeholders and get recognised as one of Malaysia's leading ESG champions.



Get all the answers at our submission clinic
at 3PM on December 2, 2022 (Friday).



REGISTER
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Managing your money: Do it right

Tips to start an emergency fund

1) Take stock of your current financial situation

You have to know where your money is going. Keep a tab on your income (after taxes) and how much you spend monthly.

2) Cut back on expenses

Identify your fixed and discretionary expenses. Look for expenses that you are able to cut out of your monthly budget, such as expensive meals, cafe-hopping and spontaneous purchases.

3) Set a target and stick to it

Try using the free PIDM's interactive SPK Calculator to understand your income and expenses and how much you can save up.

It's recommended to save up enough to cover six months' worth of your expenses in your emergency fund.

4) Store your fund

> Some factors to consider include how fast you can withdraw your money, the amount you can withdraw, plus the dividends and profit you stand to gain over time.

> Options that you can explore include savings or fixed deposit accounts, or an Amanah Saham Nasional Bhd (ASNB) account, which allows eligible investors to buy into a unit trust fund with a fixed price of RM1 per unit.

Compiled by RUBY LIM
rubylim@thestar.com.my

YOU don't need a windfall to improve your finances.

Better money management is all it takes to reduce your spending and achieve financial goals that bring security and peace of mind.

Based on a study conducted by Perbadanan Insurans Deposit Malaysia (PIDM) and the Behavioural Insights Team (BIT), 55% out of 1,424 Malaysians have less than RM10,000 in available savings to draw on in the event of an emergency. This suggests that many Malaysians may not be adequately equipped to withstand financial shock.

You would definitely want to avoid being in a situation where you constantly worry about money.

But don't overwhelm yourself with extreme methods immediately. Explore these tips one step at a time to start getting your money under control.

Is insurance necessary?

One of the most common topics that young adults avoid is insurance.

But insurance is important to protect your long-term financial security, in case of unexpected events like accidents or critical illnesses that could affect the ability to make an income and pay for expenses.

The two main types are life insurance and medical insurance, which come with affordable options to suit your needs.

Other saving methods to explore

1) Challenge yourself to a **no-spend weekend**

2) Try saving challenges like the **52-week money challenge**

3) **Limit spending** using the envelope budgeting method by separating your money into envelopes

4) Use the 10-10-10-70 budgeting method by PIDM. Divide your monthly income into four: **10% for savings, 10% for emergencies, 10% for insurance and 70% for your expenses.**

Keep in mind

Managing your money doesn't need to be difficult. The key is to be consistent. If you stay committed, you will not only end up with good finance management skills, but also more money in your pocket.

Source: Perbadanan Insurans Deposit Malaysia (PIDM)
iDah Ramli@TheStargraphics

PACKING MATERIAL

An eco-friendly substitute for bubble wrap to wrap fragile items before storage or postage.

GLASS / MIRROR CLEANING

Scrunch up a few sheets and scrub glass or mirror surfaces with your favourite glass cleaner.

STAIN PROTECTION

Layer any surfaces with the sheets to prevent messes such as a paint job, potting or eating session.

FRUIT AND VEGETABLE WRAP

Wrap fruits and vegetables with the sheets to store and extend the lifespan of these greens.

Tips to recycle your old newspapers

Not sure what to do with your stack of old newspapers? You might be surprised by the number of uses these sheets have. Try some of these suggestions – and do your bit for the environment!

ODOUR REMOVAL

Crumple up the sheets and stuff them into smelly shoes. Leave them overnight and say goodbye to bad odour.

PAPIER-MÂCHÉ

This fun craft activity for both adults and kids uses just newspapers and glue.