

Star

ESG

ENVIRONMENTAL SOCIAL GOVERNANCE

Towards a sustainable, responsible future

With the global focus tuned in to ESG, how is Malaysia faring on the sustainability scale?



Getting on the ESG bandwagon

Compiled by JOY LEE

SUSTAINABILITY has become an agenda that is front and centre for many over the past year.

Governments, investors, businesses and consumers are placing more importance on environmental, social and governance (ESG) issues in their decision making processes in light of greater awareness of their impact on the planet and society.

This growing interest in ESG can be seen in many ways. For example, the number of Google searches of the term "ESG" has grown exponentially in the last couple of years and various

stakeholders are increasingly asking for more transparency on ESG information.

Investors want better ESG disclosures to help them understand more about how a company performs, makes decisions and creates value. This will help them understand the external impact of a company's actions, both in absolute terms and in comparison to other companies, and guide where they put their money.

According to analysis by Bloomberg, ESG assets soared to an unprecedented US\$37.8 trillion (RM160.57 trillion) by the end of 2021 and are projected to grow to

US\$53 trillion (RM225.13 trillion) by 2025.

Consumers, on the other hand, want to understand the impact that their choices are having on the world. More consumers want to buy sustainably and are willing to pay a premium for sustainable products and services. The latest edition of the EY Future Consumer Index suggests that 43% of global consumers want to buy more from organisations that benefit society and expect more ESG information from producers to help them make better choices.

Likewise, employees or potential employees are making an effort to understand whether

their employers are driving greater equality, empowerment, better working conditions and safer and more sustainable communities.

Companies, meanwhile, are responding to such demands by reshaping their strategies and aligning their objectives to the United Nations' Sustainable Development Goals (SDG).

Corporations are increasingly positioning themselves for a more sustainable future, bolstered by initiatives like the Securities Commission Malaysia's Sustainable and Responsible Investment (SRI) Roadmap.

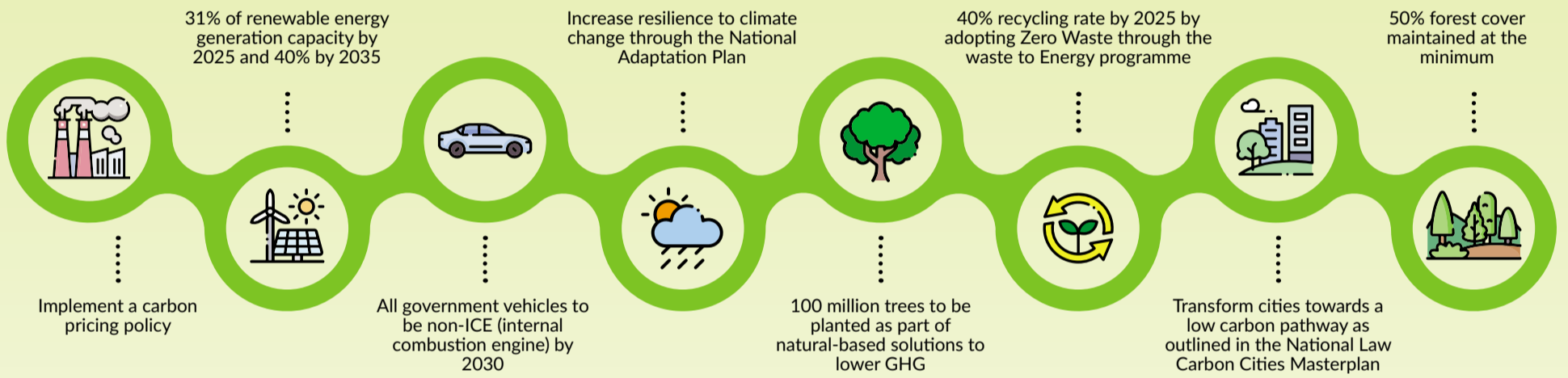
In Malaysia, the government

has also pledged to be a carbon neutral country by 2050 and increase conservation of natural areas to maintain at least 50% forest cover over total land area.

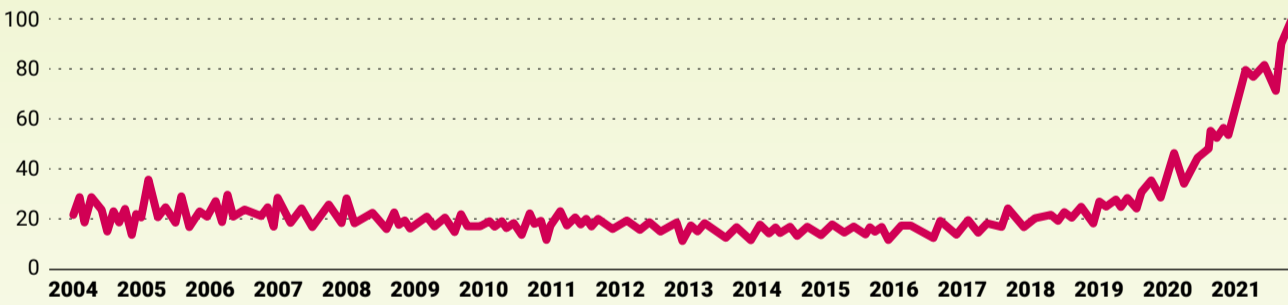
Various initiatives concerning carbon pricing, renewable energy, electric vehicles and low-carbon mobility will be rolled out under the 12th Malaysia Plan.

With a better understanding of ESG and greater commitment, individuals, corporates, entrepreneurs, non-governmental organisations, investors, regulators and the government can collectively play a part in developing and building a better and more sustainable Malaysia.

Malaysia aspires to achieve net zero emissions target with the following measures

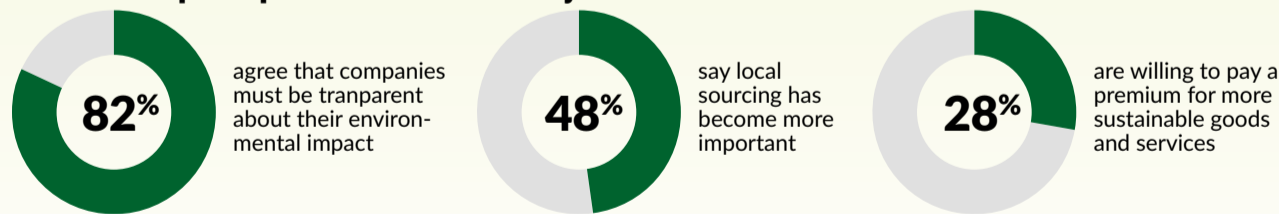


Google searches for the term "ESG" globally

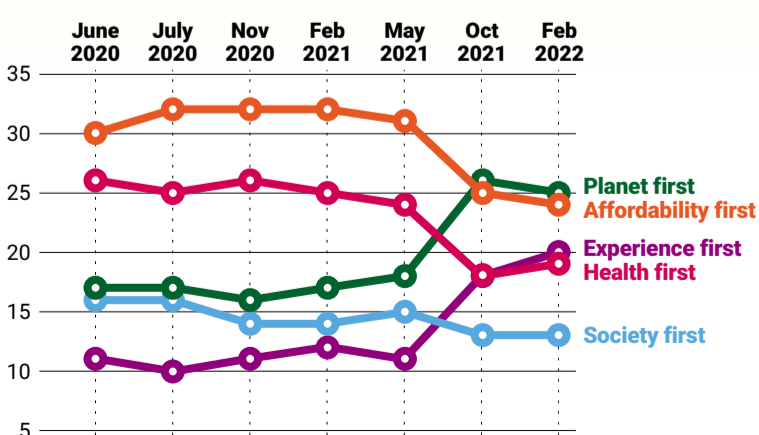


Note: Numbers represent search interest relative to the highest point on the chart for the given region and time. A value of 100 is the peak popularity for the term. A value of 50 means that the term is half as popular. A score of 0 means there was not enough data for this term.

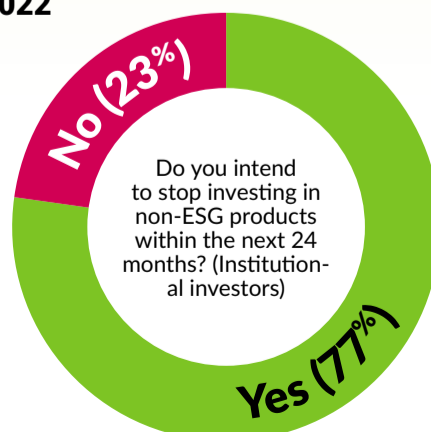
Consumers' perception on sustainability



"Planet first" make up the largest percentage of consumer segments (%)



Institutional investors plan to stop investing in non-ESG products by 2022



Examples of ESG considerations



Number of companies adopting climate policies in selected Asean countries

Country	Top 20 PLCs adopting net zero policies	Top 20 PLCs adopting TCFD	Science based targets initiative
Indonesia	1	1	3
Malaysia	5	8	9
Philippines	2	8	2
Singapore	7	10	14
Thailand	7	9	8
Vietnam	0	0	4

How UEM Sunrise builds communities

The community developer's sustainability blueprint focuses on Liveability, Affordability, Sustainability and Resilience

By CHOW ZHI EN

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WHETHER or not to incorporate sustainability into a business strategy nowadays is no longer an option.

A values-driven approach that focuses on environment, social and governance (ESG) values is vital to long-term competitive success whilst protecting the environment and relevant communities.

While large corporations have historically been the biggest contributors to climate change, they are now making significant changes in their operations and strategies that reduce their carbon footprint.

For instance, businesses have moved to using ethically sourced materials, cutting down on energy consumption, and streamlining shipping practices as steps in the right direction.

That said, ESG values cover a broad spectrum and every single business decision can be traced back to how it can impact these values. It is essential for organisations to break down these macro-level visions and ambition into something that can be embedded into their daily operations and processes.

Sustainability Blueprint 1.0

Charted in UEM Sunrise's Sustainability Blueprint 1.0 is their path towards building a low carbon future by 2030 with the eventual goal of reaching carbon neutrality by 2050.

To achieve a low carbon future by 2030 means UEM Sunrise will better manage its carbon and water footprint and increase energy efficiency across all operations.

The community developer will also create positive social impacts in the communities where they are present while providing a safe and healthy workplace for their workforce.

A number of their developments are already piloting this approach outlined by their blueprint which will also lead UEM Sunrise to rethink how they look at property development.

Notably, in UEM Sunrise's Sustainability Blueprint 1.0 are four guiding principles that serve as pillars – Liveability, Affordability, Sustainability and Resilience.

Liveability: Building for everyone

Clearly, real estate and infrastructure are closely related. The real estate industry is a major consumer of energy. Therefore, the construction of sustainable buildings, equipped with new eco-friendly materials or smart technologies will not only help the environment but also boost the return of the respective real estate investment over time.

This is perhaps the most crucial pillar for any property developer in the market, that is creating liveable cities and communities.

Most of UEM Sunrise's developments are universally designed with age-friendly elements. These include roads, pedestrian network, proximity to amenities, connectivity quality and access to services.

These new adaptive homes for agile and flexi-living come after the effects of Covid-19 and how it changed the way we live and work. Homes now need to account for modern life that is easily configured to its occupants' changing needs and lifestyles.

Flexibility becomes an important design consideration.

UEM Sunrise addresses this through design elements like removable partitions and "plus one" spaces for occupants to change and enhance their living spaces as they wish.

Unique to our culture on this side of the world is multigenerational living.

Understanding this, the community developer will cater to the needs of different age groups, from young millennials to families and the silver-liner population.

A range of options for one customer



Located in KL's premier international enclave, Solaris Parq marries successful and forward-thinking sustainable businesses in a people-centric environment with lifestyle spaces that enhance the office experience.



UEM Sunrise's vision of 'Building Communities of the Future with You and for You' is grounded in creative placemaking. This comes in the form of master planning that not only includes the 'hardware' like landmarks, streetscape, safety and security, accessibility and urban amenities, but also the 'software' and 'heartware' where the 'life' in these spaces will be built.

means a range of options for everyone, leading to a diverse and inclusive neighbourhood within the developments.

But, a neighbourhood is only as good as its community.

UEM Sunrise's vision of 'Building Communities of the Future with You and for You' is grounded in creative placemaking.

This comes in the form of master planning that not only includes the "hardware" like landmarks, streetscape, safety and security,

Suzi Chua's 'The Malayan tiger' is currently on display at the KAIA Heights sales gallery under the K'artulistiwa initiative. Part of the proceeds will directly go into supporting conservation efforts for the Malayan tiger and Bornean sun bear.



The hUb app series signifies UEM Sunrise's commitment in creating a more digitalised and customer-centric experience.

environmental sustainability, namely energy efficiency, water efficiency, environment protection and indoor environmental quality.

The challenge for property developers then is to ensure that the comfort of the residents and communities is preserved without damaging the surrounding environment.

Sustainability features are assessed throughout a project's lifecycle including the design, tender, construction and maintenance stages to ensure that they are being implemented as planned.

Walking the talk, five of their projects in the Klang Valley achieved Green Building certifications in 2020:

- > Solaris Parq The Suites (Green RE Bronze)
- > Solaris Parq The Office (Green RE Bronze)
- > Solaris Parq Retail (Green RE Bronze)
- > Residensi Solaris Parq (Green RE Bronze)
- > KAIA Heights, Equine Park (Green RE Silver)
- > Allevia Mont'Kiara (Green RE Gold)

Resilience: Pandemic ready

In pursuit of resiliency, UEM Sunrise has introduced features in their products that are adapted to this new normal including the provision of disinfection and sanitisation zones at the main entrance of each unit prior to entering the living area and a dedicated collection area to minimise physical contact.

As the work from home (WFH) arrangement continues, UEM Sunrise is also providing co-working spaces in most of their stratified developments as an alternative where residents can enjoy working in a conducive working environment, easily accessible from their homes.

Additionally, the developer has created two hUb-themed applications: hUb Home and hUb Mall.

The hUb Home app serves as a marketplace that provides residents with a wide range of services by professionals to assist with their daily chores and errands.

The hUb Mall app is a multi-service platform whereby users can get news, upcoming announcements as well as promotions from various stores at UEM Sunrise's creative retail space, Publika Shopping Gallery. Not only that, users can also earn hUb Mall points for every purchase and redeem them for attractive rewards.

Driving investment value

Investors nowadays are increasingly aware and proactive in investing their capital in businesses that govern and operate in an ethical and sustainable manner.

The slow initial pick-up in adopting ESG standards was due to the misguided conception that focusing on positive (or sustainable) initiatives would reduce financial return.

Covid-19 turned that misconception on its head.

UEM Sunrise's Sustainability Blueprint sets the framework to operationalise sustainability – ensuring its

entrenchment throughout the organisation, as well as aligning with global movements and the government's plan to advance green growth for sustainability and resilience as detailed in the 12th Malaysia Plan.

As one of the handful of property developers who are constituents of the FTSE4 Good Bursa Malaysia Index (F4GBM), UEM Sunrise is looking at the long-term success that meets the needs of their stakeholders while honouring the principles of sustainability.



By YAP LENG KUEN

MALAYSIA may be in the infant stage of adopting environmental, social and governance (ESG) practices, but we are flourishing among our Asean counterparts.

The nation's ambition to achieve carbon neutrality by 2050 highlights a progressive position relative to other Asean countries.

This ambition is supported by five pillars in deploying renewable energy (RE) managing carbon emissions, water and waste; driving the development of sustainable cities; and accelerating the green economy.

Companies are also actively pursuing their ESG programmes. Multinational corporations have set energy consumption as a key area in their ESG commitment.

Green energy

Large local companies, at the launch of the Green Electricity Tariff in November 2021, are opting for electricity supply from RE sources generated from solar and hydro power.

A dedicated category for the commercial and industrial sector allocation of 300MW of solar quota under the Net Energy Metering (NEM) Nova programme was fully taken up, only after three months of its inception in April, 2021.

NEM Nova is a programme for commercial and industrial users of electricity to install solar photovoltaic systems for self-consumption and allows excess electricity to be exported to the national grid at system marginal price.

Government-linked companies are exploring the green energy option with major real estate developers.

To achieve sustainable city status, the low carbon city framework under the 12th Malaysia Plan targets to decarbonise over 30 cities first, followed by another 120.

Electric vehicle (EV) incentives were proposed under Budget 2022 to support the implementation of the low carbon mobility blueprint, including the full exemption of import and excise duties and sales tax for EVs.

Malaysia aims to deliver 31% of RE in the national capacity mix by 2025, and 40% by 2035.

Policy developments to mainstream sustainability themes augur well for the advancement of ESG in Malaysia. – Arina Kok

“A mindset shift is important to move corporate Malaysia to self-regulation and better internalisation of ESG principles.

– Michele Kythe Lim”

How Malaysia scores on the ESG chart

Government policies are pivotal in the drive to be a leading Asean nation in embracing ESG practices



“Better speed of implementation is needed to transition to a low-carbon energy system through solar, hydro, bioenergy and new sources,” said Ernst & Young Consulting Sdn Bhd Malaysia Climate Change and Sustainability Leader and Partner, Arina Kok.

Malaysia also plans to introduce a hydro-geology and technology roadmap, which will widen the sources of green energy.

Carbon neutrality

A key theme of the 12th Malaysia Plan is ‘advancing sustainability’, which outlines its aspirations to become a carbon neutral country by 2050, and puts Malaysia as among the earliest in Asean to support this climate action.

Malaysia is the only Asean country to introduce a voluntary carbon market in its Budget 2022, setting a platform for carbon credit trading between green asset owners and other entities transitioning towards low-carbon practices.

The national policy on climate change, initiated in January 2022, covers three strategic thrusts to align collective action to deliver Malaysia's nationally determined contributions towards achieving the aims of the Paris Agreement – an international treaty on climate change that aims to limit global warming.

Sustainable sukuk

In terms of green financing, Malaysia issued the world's first sovereign US-denominated sustainability sukuk in 2021, through US\$800mil 10-year trust certificates.

As of November 2021, Malaysia accounts for US\$3.9bil of issuance value or 56% of the total Asean sustainable and responsible investing (SRI) sukuk issuance.

In Budget 2022, the government proposed the issuance of up to RM10bil of sustainable sukuk for eligible social or environment-friendly projects.

Malaysia Boleh

Public-listed companies in Malaysia are doing well compared to Asean countries, coming in second highest on the MSCI All Country Index (ACWI) ESG Leaders Index, which consists of large and midcap companies across developed and emerging markets, according to a report by PwC Malaysia

and Capital Markets Malaysia.

Malaysia accounts for 28 companies within this index, while Thailand leads with 29 companies.

In the Science-Based Targets Initiative (SBTI), nine Malaysian companies are committed to emission reduction targets grounded in climate science; Malaysia comes in after Singapore (14).

At Bursa Malaysia, a consultation paper is underway, to improve the quality of sustainability disclosures and meet the information needs of capital market stakeholders.

Currently, the FTSE4Good Bursa Index highlights companies with a leading approach to address ESG risks. The FTSE4Good Bursa Malaysia Shariah Index caters to investor demand for ESG and sharia-compliant solutions, while ESG scores are made available through the FTSE Russell ESG ratings.

The Corporate Governance (CG) Watch 2020 has found that the Malaysian CG code is more aligned on sustainability than that of most Asian countries, said Institute of Corporate Directors Malaysia (ICDM) president and CEO, Michele Kythe Lim.

The code recommends that Malaysian boards “anticipate and address material ESG risks and opportunities” as an integral part of their fiduciary duty.

Later this year, the second International Directors Summit organised by ICDM will address four key areas – networked thinking risk mindset; digital culture; stakeholder co-creation’ and long-term innovation.

Securities Commission (SC) Malaysia will introduce a new sustainability-focused onboarding programme – the Leading For Impact Programme – for directors of listed companies.

The SC has also developed a public consultation paper on the Principles-Based SRI Taxonomy in 2021, that enables capital market participants to identify economic activities that are aligned with ESG objectives, and make informed decisions for fund-raising and investments.

Malaysia is at an advanced stage on policy and regulatory actions in sustainability risk management and disclosures, development of the sustainability index and deployment of sustainability finance, said a recent report by Ernst & Young.

“These policy developments to mainstream sustainability themes augur well for the advancement of ESG in Malaysia,” said Kok.

For the long haul

While Malaysia is doing relatively well compared to our peers in the region, sustainability is not a destination but a journey.

“Malaysia's regulatory framework is strong but a mindset shift is important to move corporate Malaysia to self-regulation and better internalisation of sustainability and ESG principles,” said Lim.

To address the current ESG skill gaps among Malaysian boards, it is important to build ESG-competent boards and directors, as well as a pipeline of ESG-competent director talents.

The work ahead is heavy especially to stay in the forefront of ESG developments, but these are the upcoming trends that governments and consumers internationally are looking to.



A key theme of the 12th Malaysia Plan is ‘advancing sustainability’, which outlines our aspiration to become a carbon neutral country by 2050.

By **ZUNAIRA SAIED**
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THE government has set a series of credible commitments towards attaining environmental, social and governance (ESG) goals.

Over the next three years, the government aims to deliver on renewable energy (RE) capacity of 31%, and 40% by 2035 in line with the Malaysia Renewable Energy Roadmap.

By 2030, the government has also pledged various initiatives to be implemented on the three pillars of ESG, which are environmental, social and governance, reflecting its major commitment to achieve the national aspiration goals.

From the environmental perspective, Malaysia has vowed to reduce 45% of its economy-wide carbon intensity against its gross domestic product (GDP) in the next eight years.

Considering the social and governance factors of ESG, another key target the government has set is to eliminate forced labour practices.

It is worthy to note that its target to eradicate forced labour practices is not limited to the operations of local companies but also across the global supply chain.

For labour practice improvements, Malaysia became the second country in Asean to formally ratify the International Labour Organisation (ILO) Protocol 29, a protocol that looks at forced labour convention.

In November last year, Malaysia also became a pathfinder country under the UN Sustainable Development Goals (SDG) Alliance 8.7 – a global alliance to accelerate efforts to eradicate forced labour, modern slavery and child labour around the world.

These efforts signifies the government's commitment towards combating and eliminating all forms of forced labour in the country.

Furthermore, the country also plans to formulate the 'National Energy Policy' under the 12th Malaysia plan, in addition to conducting feasibility studies on carbon pricing, carbon tax and an emissions trading scheme.

This is also aligned with one of the key highlights of Budget 2022, whereby the formation of Malaysia's first voluntary carbon market (VCM) will be developed by Bursa Malaysia.

In the long run, Malaysia is also aiming to achieve net zero GHG (greenhouse gas) emissions by 2050.

It can be seen that with all these serious commitments, the government has played a key role to spearheading the ESG journey from a policy making perspective which then sets the right tone for the industry.

However, the outcome of these commitments remains to be seen as some implementation requirements are still being developed.

According to PwC Malaysia partner Nik Shahrizal Sulaiman, the crucial role the government plays will also have a knock-on effect on the whole industry, particularly to the government-linked companies (GLCs).

"GLCs play a significant role in the economic supply chain. Therefore if our largest companies adopt ESG, these requirements will eventually shape and impact the whole industry as well," he says.

Nik Shahrizal stresses that it is crucial for Malaysia to be aligned in its ESG commitments and keep pace with its major trading partners including China, Japan, South Korea and the European Union that have net zero targets.

However, he says that the private sector, regulators and consumers also need to play their role in addressing ESG, pointing out that it is not just the responsibility of the government or GLCs.

That said, Ernst & Young Consulting Sdn Bhd Malaysia climate change and sustainability services leader and partner Arina Kok says there is a need for wider collaboration between the government and community stakeholders, including the "private sector, education and health institutions, NGOs and, the people" in the design and implementation of the green economy initiatives.

She recommends state governments to also be engaged in policy design from the outset to deliver green initiatives in their respective areas.

Government firm on ESG direction

GLCs need to lead the way in driving the nation's commitments

"For example, local state governments can be involved in housing retrofits, creating electric vehicle (EV) infrastructure and delivering pilot projects before scaling up nationally," she suggests.

There should also be government-industry collaborations that can set out specific policy measures and initiatives, desired outcomes, timelines and necessary resources, Kok says.

"By publishing these plans, governments can broadcast how they are working towards environmental goals and set out the roles of the main players," she explains.

To avoid the risk of failure, Kok proposes the government to set out careful consideration of the design and implementation of green initiatives.

Meanwhile, she says governments can also do more to educate people on the impact of their lifestyle choices, nudging them towards more sustainable consumption and behaviours.

Citing an example, she says the government can inform the community to make ethical investments, gradually switching to "clean energy" from energy-efficient electronics and vehicles to mindful household consumption of food and durables.

But for a start, KPMG Malaysia head of sustainability advisory Phang Oy Cheng believes it is only logical for GLCs to get onboard and set a trend for ESG performance management.

"In fact, GLCs should be encouraged to

lead the way in ESG performance management and reporting.

"For example, majority of government-owned organisations in Thailand lead the way in ESG performance and reporting, many of which are among the top three performers in their sectors in the Dow Jones Sustainability Indices (DJSI)," she says.

As such, Phang adds companies must move beyond the idea that ESG is only for compliance reporting requirements, as per the Bursa Malaysia's listing requirements.

"ESG serves a fundamental role in data collection or corporate review by investors and stakeholders such as customers, potential partners and governmental agencies internationally.

"Having good ESG performance, reporting standards and demonstration of ESG risk management is no longer just a nice to have but is instead now an integral part of business risk management.

"Business owners and professional managers need to understand and ensure their organisations are up to speed with regards to ESG requirements," explains Phang.

Internally, companies must also move beyond the idea of compartmentalising job scopes and begin collaborating with other departments because ESG cuts across all business functions and is beyond the purview of a single department, she opines.

Most importantly, Phang says the

government needs to ensure that policies, programmes and initiatives touted are well-supported both financially and institutionally.

Should GLCs play their role effectively in addressing ESG, Deloitte Malaysia sustainability and climate leader Kamarul Baharin says it will likely accelerate the adoption of the ESG practices in the corporate world.

"Stakeholders or investors of GLCs could keep pushing for GLCs to consider ESG in their decision making and embed ESG into their governance and strategies in order to accelerate the ESG agenda," he adds.

However, Kamarul says pushing the ESG agenda could be an uphill task with conflicting demand for the government to press more urgent issues than ESG.

"As we grow our economy post-pandemic, there could be other urgent needs for the allocation of funds and resources.

"The ESG agenda is a long-term commitment that may not give short-term outcome – it may take a back seat to give way to more pressing issues facing the country," he explains.

Nonetheless, Kamarul highlights that the government should continuously promote and demonstrate its commitment towards ESG values through its policies, regulations, and decision making.

"They should lead the way more vigorously by adopting ESG goals within its operations and public services," he says.

Nik Shahrizal: 'Government's role will have a knock-on effect on the whole industry, particularly GLCs.'



Kamarul: 'The ESG agenda is a long-term commitment.'



Phang: 'GLCs should lead the way in ESG performance management and reporting.'



Powering ahead to a greener world

Future proofing of TNB business through Sustainability Pathway 2050

Blyth Offshore Demonstrator Ltd (BODL) – TNB's first foray into off-shore wind assets with a strong partner – is an offshore wind farm company in the UK with EDF Renewables (EDFR) with installed capacity of 41.5MW and further development rights of up to 58.4MW.

IN recent years, Tenaga Nasional Bhd (TNB) is proud to have contributed to the environmental agenda – enabling energy transition as well as uplifting society.

The element of sustainability has been embodied in the electric utility company's mission statement: "Together we brighten lives through innovative and sustainable solutions towards a better world."

This is a clear testament of TNB's quest and strategic direction to enhance its sustainability standings.

Sustainability Pathway 2050

TNB's Sustainability Pathway 2050 reflects the company's aspiration to achieve net zero emissions by 2050.

This objective is underpinned by a commitment to reduce 35% of its emissions intensity as well as 50% of its coal generation capacity by 2035.

TNB had earlier committed to no longer investing in greenfield coal plants after Jimah East Power which was commissioned in 2019, while honouring the power purchase agreement (PPA) of existing plants.

At the core of this pathway is future proofing of TNB's business, as it is critical to balance this transition with the company's financial sustainability and ensuring that shareholder value continues to be well-protected.

TNB plans to expand its renewables portfolio, and to date, has 3576.46MW domestic and international renewable energy (RE) capacity and is targeting to have 8,300MW by 2025.

In Peninsular Malaysia, TNB is developing the Nenggiri hydroelectric dam in Gua Musang, Kelantan.

Aside from supplying 300MW of green energy and contributing to flood management, the main reservoir will supply clean water that can be used for irrigation, while creating new employment and economic opportunities.

TNB also secured a new 50MW large scale solar (LSS) plant at Kuala Muda, Kedah, which is scheduled to commence operations at the end of 2023.

Expanding these opportunities beyond Malaysian shores, TNB's international subsidiary Vantage RE Ltd has a 49% equity investment in Blyth Offshore Demonstrator Ltd (BODL), an offshore wind farm company in the UK with EDF Renewables (EDFR), with installed capacity of 41.5MW and further development rights of up to 58.4MW.

This is TNB's first foray into off-shore wind assets with a strong partner, building on TNB's technological expertise.

The focus of TNB's international business will be to further grow its overall RE portfolio and serve as the pathfinder for green technologies which it can eventually adopt in Malaysia.

"As we move to adoption of new technologies, it is important to be prudent and find the right timing on green tech investments, carbon capture, etc, to ensure economic feasibility," TNB said in a statement.

To help customers lead a more sustainable lifestyle, TNB's retail business subsidiaries will be focused on 'beyond electricity' initiatives such as rooftop solar solutions.

Under the Incentive-Based Regulatory framework, TNB has planned to invest RM6.9bil a year from 2022 to 2024 to develop the grid as one of the key enablers of energy transition. This is with the aim of becoming a smart utility with a 85% score on the Smart Grid Index (SGI).

The adoption of new technologies such as the energy storage system to enhance grid's flexibility and address the intermittency issue in RE is one of the initiatives that TNB is holistically looking at.

As part of helping customers to lead a more sustainable lifestyle, TNB's retail business subsidiaries will be focused on "beyond electricity" solutions such as rooftop solar solutions, energy audits, and digital marketplace for renewable energy certificates.

By doing so, TNB is empowering consumers to have the choice to opt for renewable energy, through offering rooftop solar solutions from TNB subsidiary GSPARX Sdn Bhd and the Green Electricity Tariff (GET) programme which is a government initiative backed by mREC.

The response has been encouraging. By early 2022, GSPARX with its zero upfront cost option has helped TNB customers to install a total of 120MW of rooftop solar while the GET annual quota of 4,500,000MWh has been fully subscribed.

GSPARX is also collaborating with the Langkawi Development Authority (LADA) to reduce its carbon emissions through the

installation of a 373.86kWp solar photovoltaic (PV) system at the Dermaga Tanjung Lembung Complex.

"We are also increasingly interacting with our customers digitally, whereby TNB now has more than 5.7 million myTNB app users.

"In tandem, we have rolled out more than two million smart meters to help consumers to better manage their energy consumption and implement energy efficiency initiatives.

"We recently also launched the TNBtemujanji online appointment booking for TNB services at the nearest Kedai Tenaga outlet, in view of customers' convenience and in supporting the new normal post Covid-19 pandemic," said TNB.

Support for government's climate change agenda

Malaysia recently declared its target of becoming a carbon-neutral nation by as early as 2050.

This reinforces Malaysia's Nationally Determined Contributions (NDCs) to reduce greenhouse gas emissions intensity by 45% by 2030 relative to 2005 levels.

"TNB's Sustainability Pathway signifies our commitment to the nation's RE plan to increase the share of Malaysia's RE capacity to 31% by 2025 and 40% by 2035.

"Sustainability is a long-term journey and we believe that collaboration and the concerted effort among governments, regulators, industry players and consumers are key to this goal."



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Better. Brighter.

By CALYN YAP
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EMERGING from the aftermath of the Covid-19 pandemic which has imparted harsh lessons to people all over the world, global sentiments on bringing about a sustainable, responsible future are stronger than ever.

Rapidly developing in tandem is the approach towards environmental, social and governance (ESG), leading to the emergence of new trends driving the ESG space in 2022.

“Over the last two years, market commentators’ concerns about the Covid-19 pandemic derailing the global ESG momentum turned out to be misplaced as the pandemic’s widespread disruption to the global economic and social fabric has affirmed the need to prioritise sustainable, inclusive and green growth,” said Sunway University economics professor Prof Dr Yeah Kim Leng, who is also a senior fellow at the Jeffrey Sachs Centre on Sustainable Development.

“The pandemic has focused attention on the ‘social’ dimension not only in national recovery and rebuilding strategies, but also among institutional investors and the corporate community, thereby placing the ESG mandate firmly centre-stage in complementary national development and business policies and strategies.

“Overall adoption of ESG-driven approaches in investment, financing, business reengineering, supply chain reconfiguration and organisational cultural change will continue to intensify along with the development of global standards.”

Focus on climate change

Of core importance is climate change, which has emerged as the top concern within the ESG agenda.

The 2022 United Nations Intergovernmental Panel on Climate Change (IPCC) report paints a troubling picture of climate change as a threat to human well-being and health of the planet, as it declared the need to drastically reduce greenhouse gas (GHG) emissions within the next three years to avoid the worst impacts of climate change.

The world faces unavoidable multiple climate hazards over the next two decades with global warming of 1.5°C.

Exceeding this warming level would result in additional severe impacts that can be irreversible. These include the quick escalation of risks in areas such as biodiversity loss, drought and floods, as well as food security, among others.

The goal set out in the 2015 Paris Agreement to limit global warming to 1.5°C, compared to pre-indus-

trial levels, was further reinforced after the 2021 United Nations Climate Change Conference (COP26) in Glasgow, Scotland, with higher expectations for COP27 to be held in Egypt in November this year.

“The focus of ESG worldwide has shifted to climate change, which is viewed as an even bigger existential threat to humanity than the pandemic,” said Prof Yeah.

Rising importance of biodiversity

Closely tied to climate change is an increased focus on protecting biodiversity and natural capital from ecosystem collapse.

Biodiversity loss is among the most severe risks on a global scale, according to the IPCC report and the World Economic Forum (WEF) Global Risks Perception Survey 2021-2022, while the WEF’s Nature Risk Rising report revealed that more than half of the world’s total gross domestic product is moderately or highly dependent on nature and its services.

“We expect increasing scrutiny on industries whose core activities are dependent on nature. This includes oil and gas, power and utilities and construction and property sectors, as well as the financial services industry,” said PwC Malaysia chief strategic operations officer and net zero lead partner Pauline Ho.

Heading the risks, the upcoming second phase of the UN Biodiversity Conference (COP 15) in Kunming, China, is aimed at creating a global biodiversity framework, which would outline a roadmap for global action to maintain and protect biodiversity.

This comes on the back of the 2021 launch of the Task Force on Nature-related Financial Disclosures (TNFD), which is expected to take the same course as the 2015 Task Force on Climate-Related Financial Disclosures (TCFD) for financial institutions and corporations.

The goal of the TNFD is to develop a risk management and disclosure framework for organisations to report and act on evolving nature-related risks, with the objective of ultimately supporting the shift of global financial flows towards nature-positive outcomes.

Ho pointed to a 2019 National Capital Finance Alliance report that highlights the need for financial institutions to integrate natural capital risk management into wider enterprise risk management frameworks as asset, client and portfolio levels.

“Investing in rapid natural capital risk assessments will enable banks to improve their foresight by uncovering risks they were previously unaware of, such as systemic risk in bank portfolios,” she said.

Meanwhile, KPMG Malaysia head of sustainability

Accelerating the adoption of better values

Global focus drives rapid development in ESG approach and trends

advisory Phang Oy Cheng said that importantly, the TNFD does not intend to create a new standard, but will instead align with and draw from existing initiatives, standards and metrics relevant to nature-related risks and opportunities.

“To be ready to adapt to the new TNFD standards of disclosure, financial institutions, asset managers and corporates in Malaysia should proactively start identifying their short, medium and long-term exposure to nature-related risks in their current value chains and portfolios.

“Then, they should begin to consider appropriate metrics, targets and internal reporting mechanisms and be particularly wary of assets that are at risk of becoming ‘stranded’ during the transition towards nature-positive economies,” she advised.

The net zero imperative

Chief among efforts to decrease GHG emissions is the race towards net zero, with governments and organisations worldwide pledging to reach net zero emissions by 2050.

According to S&P Global, however, these commitments lack interim emission reduction targets or plans to curb indirect emis-



Companies must take action to incorporate ESG into their organisations. It is one thing to recognise the gaps in a company’s practices and another to formalise ambitions via commitments, said Ho.



Disruptions to the global supply chain as a result of movement restrictions and lockdowns at the height of the Covid-19 pandemic have thrown into stark relief the necessity for resilient supply chains.

sions that occur along the supply chain. Hence, the challenge would be “to develop concrete, near-term plans and begin to act to address emissions across the full value chain.”

PwC Global CEO Survey 2022, for one, shows that although 47% of Malaysian chief executive officers believe that climate change is a risk impacting their company in the next 12 months, only 39% included environmental and social incomes in their long-term corporate strategy.

“Extreme weather events such as the recent once-in-100 years’ flood and new and updated commitments made globally at COP26 reinforced the need for nations to move faster in achieving decarbonisation goals,” said Ho.

She stressed that while there is awareness of climate change as an issue among Malaysian companies, it has not been sufficiently operationalised or embedded in the business strategy.

“Organisations will firstly need to engage their key

stakeholders to define their material issues before embarking on any major shifts in their businesses. Some immediate actions that can be taken include recognising what this commitment means for the business, developing a roadmap with short-term and longer-term actions together with progress reporting and monitoring,” she added.

Phang said that although some companies have made good progress, the majority that have net zero commitments have yet to publish their progress to date.

She opined: “Malaysian companies face obstacles such as the inability to tie their net zero initiatives to their GHG emissions; inability to demonstrate their investment plans for net zero; inability to understand the various new technologies available and how to plan for adoption of these new technologies in relation to net zero and how carbon emissions can be reduced in the long term.

“Companies embarking on net zero have not considered the impact of an internal carbon price to demonstrate financial viabilities of the various reduction options considered.”

ply chain risks in their strategic plans, but the smaller firms that are part of the regional value chains or production networks will be subject to the decisions of global players that control the supply chains,” said Yeah.

He added that while a more distributed and fragmented supply will likely increase relocation costs, the higher costs could be offset by lower transport and storage costs, as well as reduced risks of supply chain disruptions in the longer term.

To protect against supply chain disruptions, Ho said that there is a need to dive into the operations and perform extensive analyses.

“Adopting circular economy thinking with a view towards restoring and regenerating the environment will help organisations ensure that environmental and social sustainability are embedded in all stages along the supply chain in the production of goods.”

This, she said, can be done – within the organisation and across the supply chain – through risk assessments incorporating best practices, defining the characteristics that are required of suppliers, monitoring and managing ESG risks, measuring the financial cost and potential impact of energy consumption, as well as understanding and responding to any exposure to human rights risks.

Increased social focus

Social issues in the supply chain are fast gaining visibility, especially when it comes to efforts to curb human rights abuse and improve labour conditions.

Phang stressed that sustainable supply chains are based on understanding ESG risks and opportunities within the supply chain.

“Companies that take the time to understand these risks and opportunities will be able to work with their supply chain to ensure sustainability, for example, on decarbonisation efforts or human rights risk mitigation.

“Companies should also put in the effort to embed ESG principles such as ethical and sustainable thinking principles within their supply chain. Efforts on supplier diversity programmes and the development of a management framework to monitor progress

should also be considered,” she said. Concurring with her view, Ho said that investing in a just transition is crucial in supporting all participants in the company value chain.

“The pandemic made it clear that there are also some structural issues to be addressed by certain sectors such as health and pay conditions of plantation and manufacturing workers,” she added.

There will also be more focus in the areas of diversity, equity and inclusion (DE&I) as diversity has also been included in the 2021 update to the Malaysian Code on Corporate Governance (MCCG), which provides that all boards should comprise at least 30% women directors in three years or less.

Besides gender, Ho said that global data from the PwC Hopes and Fear Survey 2021 shows that there are other issues surrounding equity and inclusion that the pandemic has made more apparent. The report reveals that 50% of workers say that they have faced discrimination at work, 22% were passed over because of their age, 14% have experienced gender discrimination, 13% report missing out on opportunities as a result of ethnicity and 13% report discrimination on the basis of social class or background.

“Whilst the data is not for Malaysia specifically, it does show that there’s a real need to open up genuine, fully inclusive conversations on how to build more diverse and purpose-led workplaces,” she said.

“Organisations need to hold a mirror to themselves and consider if they are doing the right thing, which is also good for business. A conscious effort needs to be taken to move the dial in this space.”

For Phang, implementing a robust DE&I strategy is essential to drive the future success of any organisation, as ESG considerations have become more critical to business success across all sectors.

With inclusion and diversity being key pillars within ESG frameworks, she noted that investors, shareholders, employees and customers are looking at how organisations are implementing DE&I strategies when making decisions.

“Gender and ethnic diversity will continue to be embraced, while the emphasis on inclusive growth in the government’s post-pandemic economic recovery and rebuilding programmes are expected to have spillover effects on private firms and government-linked companies,” Yeah added.

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Greater clarity, shift to accountability

At the same time, the progression of global standards will continue to intensify and impact Malaysian organisations as they

expand beyond the country to establish a global footprint and become a part of the global supply chain.

A recent development is the creation of the International Sustainability Standards Board (ISSB), established at COP26, to enable the harmonisation of various reporting and disclosure standards – a welcome move.

Via ISSB, the International Financial Reporting Standards Foundation has begun to introduce the concept of ESG financial reporting, meaning that Malaysia will be required to localise these requirements in future.

Locally, Bursa Malaysia is currently enhancing its Sustainability Reporting Framework and Sustainability Reporting Guide, having released a consultation paper on the proposed changes in March.

Apart from that, there is MCCG’s 2021 update and the introduction of taxonomies such as Bank Negara’s Climate Change and Principle-based Taxonomy and the Securities Commission’s upcoming Sustainable and Responsible Investment Taxonomy.

The Joint Committee on Climate Change has also supported the proposal for financial institutions to make mandatory TCFD-aligned climate-related financial risk disclosures from 2024.

As the ESG space continues to grow, there is an emerging shift from disclosure and transparency towards accountability, with new emphasis on impact measurement that will foster greater accountability.

Yeah believes the move is a global trend motivated in part by studies that reported minimal impact of ESG initiatives on addressing global concerns and meeting sustainability goals, alongside greenwashing claims.

In addition, data on increasing investor pressure on boards reinforces the need for ESG issues to be managed effectively at the highest levels of an organisation, said Ho.

“I believe there will be increasing accountability with the update to the MCCG, making it very clear on the need for embedding ESG into business strategies and aligning them with the performance measures of boards and senior management,” she said.

Ho also noted a rise in new ESG growth areas – for instance mergers and acquisitions activities involving ESG sectors, new entrants such as renewable energy operators, increasing investments into the waste sector, as well as the emergence of new circular economy opportunities in the commodities sector and nature-based solutions.

Moving forward, it is certain that the onus will be on how leaders and companies can evolve their strategies to keep pace with the rapidly changing ESG space to achieve a more sustainable, responsible future.



“The pandemic’s widespread disruption to the global economic and social fabric has affirmed the need to prioritise sustainable, inclusive and green growth.”
— Prof Dr Yeah Kim Leng

Closely tied to climate change, biodiversity loss is among the biggest threats to human well-being and health of the planet.

Countries and organisations are facing challenges in turning net zero pledges into short-term action.

IOI Kickstart is an accelerator and collaboration programme that aims to offer a springboard for inspiring start-ups in Malaysia.

Driving sustainability through action

IOI Properties Group takes the lead in creating a better future

By CALYN YAP
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ALTHOUGH environmental, social and governance (ESG) considerations is currently taking centre stage, IOI Properties Group (IOIPG) embarked on its journey much earlier on. Taking the lead to incorporate sustainable living and seamless connectivity in its vibrant integrated developments — such as IOI Resort City in Putrajaya and the next-gen smart city IOI Rio in Bandar Puteri Puchong — the group has been upholding ESG principles aligned to the United Nations Sustainable Development Goals since 2017.

This is evident in its Sustainability Strategic Framework, which builds upon its vision of 'Trusted', mission and core values. There is also the Sustainability Policy that serves as a business operating guideline to mitigate adverse risks and enhance its positive impact on the economy, environment and society.

Purpose-driven for the future

Bound by a common aspiration to achieve its core purpose of creating a sustainable future, the group's four sustainability goals are:

- > Delivering excellence: Achieve prominence in product and service excellence and deeply embed reliability, quality and sustainable growth into all aspects of the business.

- > Caring for the environment: Uphold environmental ethics through green efforts, including energy management, water conservation, emissions and waste reduction, as well as urban biodiversity conservation; and care for the environment towards sustainability for future generations.

- > Creating value for employees: Maintain a healthy, safe and fair work culture with emphasis on employee engagement and encourage employee participation in the organisation's transformational journey of sustainability.

- > Developing sustainable communities: Enhance social well-being via community initiatives such as social responsibility commitments, community investments, employee volunteerism and community development programmes for positive long-term impacts to society.

To achieve the sustainability core purpose and goals, IOIPG has four sustainability strategic themes that all programmes and initiatives are anchored on.

The themes include mindset change, inspiring women, young urbanites and urban green. As such, IOIPG's efforts in driving sustainability across all of its business segments of property development, property investment, as well as hospitality and leisure have resulted in recognition via global sustainability ratings.

From 2018 to 2020, IOIPG achieved a 4-star grading band in its ESG ratings assessed by FTSE Russell under the FTSE4Good Index Bursa Malaysia, meaning that it numbers among the top 25% among public-listed companies on the FTSE Bursa Malaysia EMAS Index.

IOIPG also received an A rating in the MSCI ESG Ratings assessments in 2022.

This ties in with IOIPG's vision to be Trusted, a brand that is trusted not only by its customers, but also by all its other stakeholders, including employees, business partners, shareholders and the communities in which it operates.

Doing its part

Under the sustainability goal of caring for the environment and the urban green theme, IOIPG has set five to eight-year targets in the areas of biodiversity, water, energy, waste management and carbon emission reduction to pave its path forward.

To improve energy efficiency, IOIPG has established a group-wide energy policy targeted at reducing operational costs and GHG emissions, which includes measures such as regular maintenance of energy management systems in its managed buildings and periodic audits.

A key area of concern is greenhouse emissions (GHG).

In this, the group seeks to mitigate its impact on climate change by reducing its GHG emissions, including intensifying initiatives such as using solar energy to reduce energy consumption from the grid; as well as ensuring that its office buildings and high-rise developments in its investment portfolio are green building-certified, done as of 2014.

Moving forward, IOIPG is adopting Task Force on Climate-Related Financial Disclosures (TCFD) recommendations.

The IOI Central Boulevard Towers in Singapore is also designed to achieve the Green Mark platinum certification, while its developments in Xiamen achieved a Green Building Certified 1-Star for both its commercial and residential projects.

IOIPG has also been tracking its energy and water consumption for the past three years, with a five-year intensity reduction target at locations other than construction sites, be it at hotels, malls, golf clubs or managed offices.

It targets 10% reduction in energy consumption intensity by its financial year (FY) ending June 30, 2028, while 10% intensity reduction for water consumption is targeted by FY2025.

IOIPG has made a commitment to utilise renewable energy such as solar power to reduce its energy consumption from the grid by 15% to 20% at its malls and at its Rio offices. Via these efforts, it has retrofitted photovoltaic panels on the rooftops with a combined capacity of 4.2MWh of renewable energy.

Sustainable living environments

IOIPG is committed to retaining the urban biodiversity of its developments and adjacent areas through the provision of urban parks and landscaping.

The group targets to preserve 5% of trees of every valuable species (with reference to International Union for Conservation of Nature (IUCN)-Red List of Threatened Species or native species) in its developments prior to project commencement; as well as to provide a conducive habitat within its development to sustain the biodiversity over time.

Among one of the many parks that manifest this approach to urban biodiversity conserva-

The IOI-Active Citizens Programme, including the Clean Up Challenge, aims to raise awareness among its employees to take a more active and participative role in creating impact on the community.



Bargain Basement is a social enterprise by Yayasan TSLSC that collects used items from donors and sells them for charity.



IOI Rio's fundamental concept is sustainable living, which underpins every aspect of the development, ranging from building construction to resource management.

(Right) IOIPG in 2021 introduced KITACycle, a recycling centre with a weigh-and-pay system that earns cashback for recyclables.



(Below) IOIPG collaborated with B'dari for a one-of-a-kind art piece made from 1,800 used plastic mineral bottles that was curated by artist Artsy Daphy.



IOIPG received an A rating in the MSCI ESG Ratings assessments in 2022 and moving forward, it will be adopting the TCFD recommendations.



Caring for the Environment

Uphold environmental ethics through **Green Efforts** e.g. energy management, water conservation, emissions and waste reduction; and urban biodiversity conservation as well as care for the environment towards sustainability for future generations.

Developing Sustainable Communities

Enhance social well-being via **Community Initiatives** i.e. social responsibility commitments, community investments, employee volunteerism and community development programmes for positive long-term impacts to society.

Delivering Excellence

Achieve prominence in **Product & Services Excellence** in order to deliver our desired outcome of being Trusted; and deeply embed reliability, quality and sustainable growth into all aspects of our business.

Creating Value for Our Employees

Maintain a healthy, safe and fair **Work Culture** with emphasis on employee engagement; and to encourage employee participation in the organisation's transformational journey of sustainability.

tion is Bandar Puteri Town Park, situated in Bandar Puteri Puchong, which the group invested more than RM1.4mil to refurbish.

The park's refurbishment includes solar-powered lighting, an 80m boardwalk, canopied social spaces, hanging bridges, outdoor fitness stations, integrated playgrounds, a nature trail and a secret garden.

With 55% of its land dedicated for infrastructure and amenities provision, IOIPG builds water reservoirs, sewerage treatment plants, roads and drainage systems, schools, community halls and sports facilities to cater for the communities it operates in.

This includes the group's funding of RM91.71mil for infrastructure upgrading and enhancement projects at Bandar Puteri Puchong.

Empowering people and communities

It goes beyond practising the 'refuse, reduce, reuse, repurpose and recycle' philosophy internally by working with partners in educational initiatives as a rallying call for the surrounding communities.

These are specifically focused on advocating a circular economy to divert waste from landfills through waste minimisation, which it believes is the key to reducing waste generation.

IOIPG initiated the IOI-Active Citizens Programme with the British Council with the aim of raising awareness among its employees and communities to take more active and participative roles in creating impact on society.

Its initiatives also tie in with its key theme on inspiring women, combining efforts in women empowerment with waste minimisation, such

as through the collaboration with Universiti Kebangsaan Malaysia's Faculty of Pharmacy to upcycle used cooking oil into eco-friendly multi-purpose detergent.

Linked to the key theme of nurturing young urbanites is IOI Kickstart, a three-year accelerator and collaboration programme offering a springboard for inspiring start-ups.

By collaborating with Arus Oil, IOIPG carried out a collection drive where used cooking oil was collected from the community. In May 2022, a webinar series will be launched to con-

tinue these efforts.

Moreover, the group collaborated with B'dari, curated by artist Artsy Daphy, for a one-of-a-kind art piece made from 1,800 used plastic mineral bottles.

This is in addition to introducing KITACycle in 2021, which is a recycling centre with a weigh-and-pay system that earns cashback for recyclables.

IOIPG also works closely with Yayasan Tan Sri Lee Shin Cheng's social enterprise and retail store called Bargain Basement, in order to encourage the public to donate their pre-loved and unused items.

These items are then sold at minimal cost with net proceeds channelled to charity organisations.

To date, Bargain Basement has donated in excess of RM500,000 from the store's proceeds to beneficiaries such as the Alzheimer's Disease Foundation Malaysia, the Autism Cafe Project and Dignity for Children Foundation, among many others.

Among one of the many parks that manifest this approach to urban biodiversity conservation is Bandar Puteri Town Park, which the group invested more than RM1.4mil to refurbish.

IOIPG's vision to be Trusted, a brand that is trusted not only by its customers, but also by all its other stakeholders.

IOI PROPERTIES
Trusted.



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By **THOMAS HUONG**
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THERE is an urgent need for board members of Malaysian public-listed companies to improve environmental, social and governance (ESG) competencies as the lack of attention to ESG issues is increasingly drawing the ire of global corporations, asset managers, and financial institutions.

In the past two years, a number of listed and non-listed Malaysian companies in the glove manufacturing, plantation and electronics manufacturing service (EMS) sectors have hogged the limelight for alleged ESG issues, and this has proved to be costly to their financial performance as their products suffered bans in certain markets and clients cut ties.

According to research Institute of Corporate Directors Malaysia (ICDM) which conducted in collaboration with Russell Reynolds Associates and Bursa Malaysia in the third quarter of 2020, ESG expertise is amongst the most needed but least present competencies on Malaysian boards.

ICDM president and CEO Michele Kythe Lim said sustainability and ESG matters will continue to gain traction, and it must be a matter of priority for boards and companies.

"If a company chooses to ignore ESG, they may risk going obsolete. ESG adoption is not only an expectation of the regulators, shareholders and other stakeholder groups are also increasingly holding companies accountable on ESG considerations," she told StarESG.

Lim pointed out that having strong ESG competencies on the board is crucial in a company's journey towards sustainability as the board possesses an immense influence on a company's mindset and behaviours when dealing with ESG.

However, she noted that it is not just about creating the right ESG strategies, but also building the right culture to ensure ESG strategies are carried out effectively.

"Boards and senior management must be prepared to make the hard yet critical decision to shift their business model and direction – this needs to be internalised at all levels and integrated seamlessly into the core business and culture. Companies need to look at ESG and sustainability holistically and as corporate risks which need to be proactively addressed and managed," explained Lim.

She highlighted that ICDM is on a mission to support board directors in broadening their mindset and expanding their skill sets to effectively address risks associated with ESG issues, and to find a balance between business growth and social sustainability and take on the role as stewards of that balance.

"As the business ecosystem continues to evolve, it is imperative for a paradigm shift to a progressive, sustainability-driven governance model for a more resilient business – and setting up the right ESG policies and procedures will be that first step to the right direction," said Lim.

Regarding the key ESG targets and steps for Malaysian boards to commit to, Lim pointed out that ESG is more than just fulfilling regulatory requirements, rather it is to be driven by company values. It should be a proactive exercise done with the objective to establish and guide long-term sustainability and success.

"There is also recognition that greater capacity building is needed to drive effective internalisation of ESG principles in their companies," she said.

Lim noted that according to the 2022 Asean Board Trends Report by ICDM, as a stepping stone, it is imperative for companies and boards to cultivate a forward-looking mindset and the right organisational culture to turn risks into growth opportunities to drive long-term sustainability through the sustainability-driven governance model, which consists networked-thinking risk mindset, agility and digital culture, stakeholder co-creation and, continual innovation.

She added that boards will need to adopt a holistic and long-term view on its business model and governance, talent, dynamics and culture, including prioritising sustainability and ESG considerations, as well as enhancing competency in this area.

"Setting up ESG policies and procedures

Increasing need for ESG competencies in boardrooms



Non-compliance of ESG issues can be very damaging to companies especially those in the manufacturing and export sectors.
– Paul W. Chan

will be the first step to the right direction – no matter how small. Companies can start by doing a risk-based assessment to evaluate its position, and gradually integrate three pillars of ESG into their corporate strategy and operations. Specifically, start-ups and companies with smaller capitalisation may have an advantage as they can pivot their businesses faster due to their size, agility, innovation capability as well as speed to market," said Lim.

She also emphasised that it is clear that ESG can no longer be an afterthought, "like how corporations used to approach corporate social responsibility."

"ESG must be integrated into the core business strategy, driven by the board, and embedded within every unit of the organisation," said Lim.

She highlighted that as the national institute of directors, ICDM will continue on its efforts to professionalise board practices and culture in corporate Malaysia.

"It is evident that regulators are calling for greater emphasis on ESG awareness amongst leaders and boards within corporate Malaysia. We aim to support the measures taken by regulators to progress the country's sustainability journey and strengthening our overall ESG performance," said Lim.

"Through our public and bespoke development programmes, we aspire to strengthen the director talent pipeline by developing ESG-competent boards and directors, while closing the ESG skill gap found in current Malaysian board members," she added.

Developing ESG-competent boards and directors will be a key priority of ICDM in the coming years.

Late last year, ICDM worked with Bursa Malaysia in enhancing the Mandatory Accreditation Programme (MAP) to provide directors with foundational knowledge on the role of ESG in value creation.

Later this year, ICDM's International Directors Summit (IDS) will return for the second year, from Sept 26 to 28, 2022.

The key theme of this year's IDS will centre

around ESG, namely "sustainability-driven governance" and addressing four key areas enabling sustainable value creation, namely, networked thinking risk mindset, digital culture, stakeholder co-creation and long-term innovation.

Meanwhile, Malaysian Alliance of Corporate Directors (MACD) president and co-founder Paul W. Chan pointed out that the trending expectation of investors, and the investee companies is in the allocation of funds into socially responsible investments.

He pointed out that while the ESG concerns of specific investors vary, all need comprehensive information to help them make investment decisions.

"They want insights into the company's posture on ESG topics and the associated issues and risks, as well as plans and responses. Institutional investors have, for example, become highly concerned with global climate change issues," he said.

"As the scope of these issues continues to expand, so do the board's oversight duties and fiduciary responsibilities," said Chan, a chartered accountant who had served as the president of ACCA Malaysia and Malaysian Institute of Chartered Secretaries and Administrators (ICSA), and secretary-general of Malaysian Institute of Corporate Governance (MICG).

"With respect to increasing responsibilities of boards of Malaysian public-listed companies to appropriately discharge their fiduciary duties, it is imperative for boards to embrace, enhance improve and advance their competencies in ESG oversight," said Chan, who is also vice president (1) of the Federation of Public Listed Companies (FPLC).

Global institutional asset managers are very critical and vocal on such ESG issues nowadays.

"Non compliance of ESG issues can be very damaging to companies especially those in the manufacturing and export sectors. As global market players, the earnings and stock prices could be adversely affected when global investors make negative statements against the company," said Chan.

Chan also explained that more Malaysian businesses are moving towards adopting Integrated Reporting (IR) as a more comprehensive corporate reporting framework to enhance their communication with key stakeholders and to attract capital.

In the 2017 Malaysian Code on Corporate Governance (MCCG 2017) report, the Securities Commission (SC) had encouraged large companies to adopt Integrated Reporting (IR) based on a globally recognised framework.

Large companies are (as previously defined in Sustainability Reporting) those on the FTSE Bursa Malaysia with market capitalisation of

RM2bil and above, at the start of the companies' financial year.

IR is the main report from which all other detailed information flows, such as annual financial statements, governance and sustainability reports.

It is a concise communication about how a company's strategy, performance, governance and prospects lead to long-term sustainable integrated value creation.

"IR improves the quality of information available to investors and promotes greater transparency and accountability on the part of the company," the SC noted.

Meanwhile, at COP26, (November 2021 United Nations climate change conference), the International Sustainability Standard Board (ISSB) was established to develop a comprehensive global baseline or sustainability disclosures for capital markets.

The IFRS (International Financial Reporting Standard) Foundation and VRF (Value Reporting Foundation – a merged entity of International Integrated Reporting Council [IIRC] and Sustainability Accounting Standard Board [SASB]) were tasked to develop the global baseline standard.

"The target is to come up with a framework and standards by June 2022. As IFRS has been adopted by most of the global capital markets, it is expected the ISSB, when formalised, would eventually be adopted likewise," said Chan, who is also the Global Ambassador of IIRC, United Kingdom.

Chan said in the future, financial auditors will need to "pull out all the stops" to go beyond financial reporting.

"What is in discussion, is potentially a new generation of ESG auditors that could well emerge. They may not necessarily be financial professionals – they could be engineers or other professionals with skill sets in complex process audits.

"It is appropriate and timely that stakeholders and institutions of higher learning invest resources in research and development, in the new corporate reporting framework to serve the growing corporate market."

"There is a significant paradigm shift in corporate reporting beyond the traditional financials to encompass the intangibles and non-financials, such as ESG, United Nation's Social Development Goals (SDG) and climate change. One thing is certain, the fiduciary duties and responsibilities of the board have definitely expanded," said Chan.

Regarding boardroom diversity, Chan said in an era of rapid technology changes and digital-powered businesses, there is a need to focus more on "digital skill sets and experience diversity" in boardrooms.

"Things are changing so rapidly that technology is encroaching into every space in industries," he said.

Paving a path to net zero

SUPPORTING the Paris Agreement goals on climate change to prevent the worst effects of global warming, Standard Chartered recently announced its ambitious new interim 2030 targets for the most carbon-intensive sectors and its methodology for a pathway to net zero by 2050.

The bank also aims to catalyse finance and partnerships to scale impact, capital and climate solutions to where they are needed most, including mobilising US\$300bil in green and transition finance by 2030.

As Standard Chartered Malaysia chief executive officer and managing director Abrar Anwar said, companies that are responsible for the bulk of the world's emissions are typically financed either by or through banks.

Achieving a just transition — one where climate objectives are met without depriving developing countries of the opportunity to grow and prosper — will require capital and specialised support.

In fact, 85% of companies claim that the barriers are high levels of investment and issues with returns and the commercial viability of transitioning to net zero.

This is where Standard Chartered comes in, as it is uniquely placed to help by directing capital to markets with the greatest opportunity to adopt low-carbon technology and some of the toughest transition financing and climate challenges.

"Progress doesn't have to cost the planet. The need for a just transition to an inclusive, net-zero economy brings with it a huge opportunity for innovation and growth for our clients and our bank," said Abrar.

Leading decarbonisation

Standard Chartered's net-zero approach is to cut financed emissions, mobilise capital and accelerate solutions to support a just transition in its markets. The bank will do this by focussing on three areas, namely:

> Accelerating sustainable finance:

With more than 91% of its sustainable finance assets located in emerging markets — where the need for funding is the greatest and could bring the most impact — Standard Chartered has committed to funding and facilitating US\$75bil of sustainable infrastructure, clean technology and renewables between 2020 and 2025.

It also has a Transition Finance Framework that sets out how its transition finance will be governed and a set of well-defined principles to help guide its clients to a low-carbon pathway, alongside a new dedicated Transition Acceleration Team to support clients in high-emitting sectors and launch sustainable products.

> Reducing emissions:

Standard Chartered will measure, manage and ultimately reduce the emissions related to its operations and the financing of its clients, with the goal of reaching net zero carbon emissions from its operations by 2030 and from its financing by 2050.

The bank has already covered nearly two-thirds of its in-scope financed emissions, while targets for the remaining carbon-intensive sectors will be announced before the first quarter of 2024, in line with current guidelines from the Net Zero Banking Alliance.

This is in addition to targets to reduce its energy usage and report its yearly progress in detail, as part of the Task Force on Climate-Related Financial Disclosures process.

> Managing financial risks:

To better quantify the risks, such as those associated with climate change, Standard Chartered partnered with Baringa to measure, manage and report climate-related transition risks. It also partnered with Imperial College London to understand the science and unlock solutions for climate risk management to help prepare its clients and support their transition.

With the bank sharing its methodology transparently in a white paper to help collective learning and encourage discus-

sion and debate, Abrar stressed that its emissions calculations will be further refined as standards and methodologies evolve, alongside improvement in data quality and availability.

"In Malaysia, we have embarked on a journey to include sustainable investing into our advisory framework and solutions to help clients embrace net zero and ESG (environmental, social and governance) principles.

"As we reduce the emissions associated with our financing activities to net zero, we will also tackle financial barriers to the transition, including by making more green and transition finance available. This will help clients on a path to net zero, while maximising the benefits of a just transition for people and communities," said Abrar, adding that the bank has seen

a 10-fold increase in ESG-integrated assets under management since the start of 2021.

Driving momentum

While seeking ways to help clients in their move to net zero, the bank also focuses on driving innovation.

He said, "The drive to innovate also matters. We can find many ways to invest and get clients to invest in projects and mechanisms that have a sustainability objective."

Locally, Standard Chartered has already collaborated with a number of partners and clients to execute such transactions.

These include execut-

ing Malaysia's first fast-moving consumer goods ESG-linked derivative transaction for Etika Group of Companies in 2022, as well as Malaysia's first ESG-linked cross-currency interest rate swap with RHB Bank; the world's first MYR denominated sustainability-linked derivative transaction and Asia's largest ESG-linked derivative transaction by notional value with CIMB Bank and the bank's first green trade finance facility to support Amplus Solar, among others.

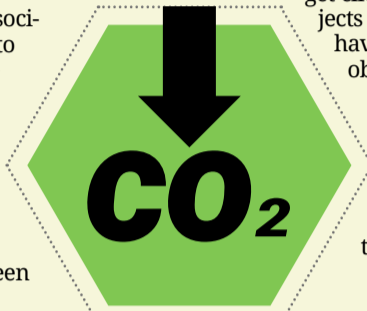
According to Standard Chartered's 'The US\$50 Trillion Question', investors are increasingly considering ESG issues when making decisions and trillions of dollars are expected to flow into ESG funds over the next three years.

In Malaysia, there is also rising awareness and interest among investors for investments that target climate changing, which could result in divestment from carbon-intensive companies at a time when investment is most needed.

"Companies that delay their transition journey are risking much more than missing net-zero targets — the longer action is deferred, the greater the disruption.

"This will play out in the form of the more obvious physical risks brought by climate change, but also the effects of a more disorderly transition, which could impact financial markets and the provision of capital."

"It has never been more important to act now, as the consequences of inaction are dire," Abrar opined.

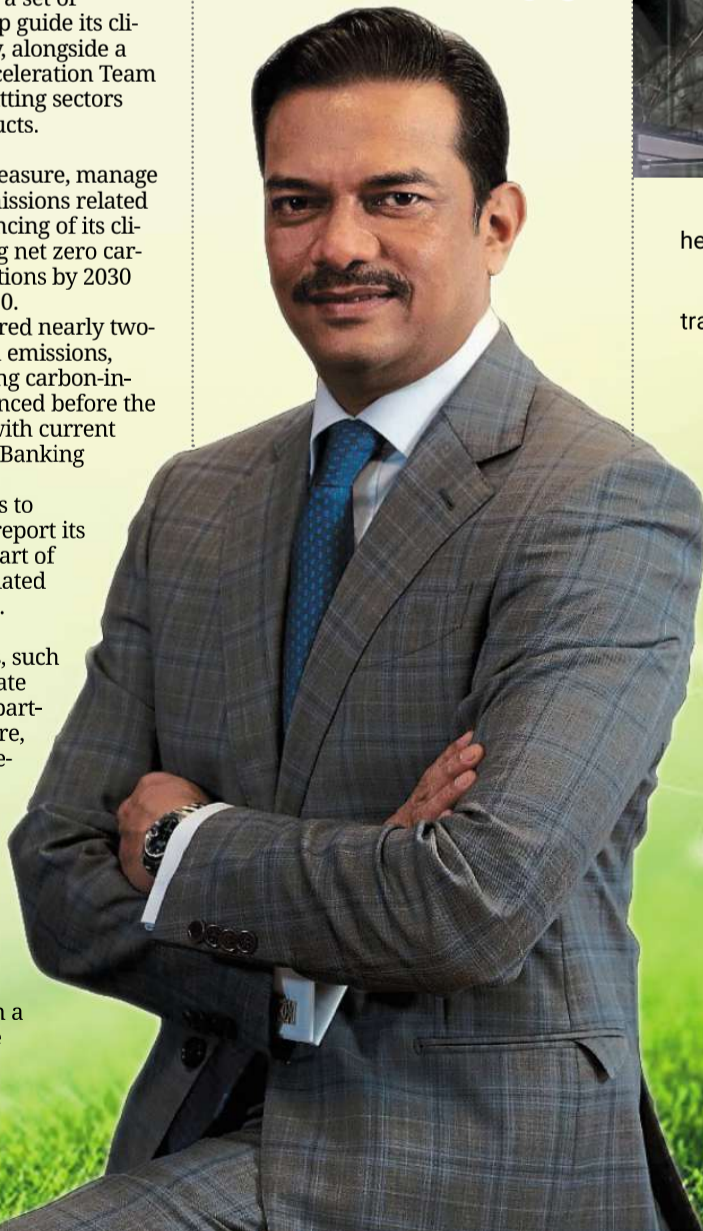


"In Malaysia, Standard Chartered has embarked on a journey to include sustainable investing into its advisory framework and solutions to help clients embrace net zero and ESG principles," — Abrar Anwar



Standard Chartered is uniquely placed to help by directing capital to markets with the greatest opportunity to adopt low-carbon technology and some of the toughest transition financing and climate challenges.

Companies responsible for the bulk of the world's emissions are typically financed either by or through banks and achieving a just transition will require capital and specialised support.



NET ZERO



Making smart green choices

As awareness grows on the importance of protecting the environment, more people are mindful of the green impact of their purchases

CHERYL ANNE LOW, 43,
businesswoman

"I choose companies that practise sustainability. I research their policies and practices and find out the measures undertaken as proof of their efforts.

"I'm 'allergic' to greenwashing (misleading claims about a company's environmental practices). It's not just packaging but a company's overall footprint, business practices and promise to consumers. It boils down to having respect for consumers and the environment."

The co-founder of Petaling Jaya-based Nude the Zero Waste Store hopes greenwashing companies will stop making misguided pledges.

"It would be meaningful to embrace environmental protection at its core. Every step and action that we take affects the environment, and the degradation of the forests, extinction of wildlife, and

pollution of our oceans. We need to be conscious of our environment and our planet."

Low refuses single-use plastic and advocates reusable items to lessen her carbon footprint. She always brings her tiffin carriers to pack food.

She opts to stay in hotels guided by their love for the environment.

"I applaud hotels that have stepped away from providing disposable plastic mineral water bottles. Their small step means choosing to stay relevant and understand the current pulse while being kind to the environment."

"I think some hotels want to move towards sustainability but don't know how to. It boils down to the guiding principles of hotel management and their business practices."



CHRIS CHIA, 42,
marketing manager

"I have always been recycling, saving energy and reducing water use from a very young age. Sustainable policies and standards definitely play an important role in my decision-making as a consumer and even as a professional."

"I would even go to the extent of making sure a company that I am working with abides by sustainable standards. "Why? Obviously because climate change (and its effects) is one clear sign telling us human beings that we are destroying Mother Nature."

When it comes to retail purchases, Chia says, "I have stopped getting plastic bags from any supermarkets or food stores."

"I always have my grocery fabric tote bags or I will carry a big bag to make sure I have some space to grab a thing or two. Even for takeaways, I will bring my own containers. And of course, I use metal straws too."

Chia urges Malaysians to think green in their daily lives.

"Let's start being sustainable with the necessities such as food, water and energy. I hope Malaysians will stop wasting food."

Stop wasting water by letting the water run while not in use and switch off any lights or air conditioner when not using them as well. All these are a good start to being environmentally responsible."

CHAN LI JIN, 52,
urban farming advocate

Chan Li Jin feels that corporations need to steer away from greenwashing practices and instead, implement more comprehensive campaigns that better reflect what sustainability really means.

In terms of sustainable packaging, she says that changing from using plastic wrappers to paper wrappers when in fact there's a thin layer of plastic embedded within is not advisable.

"I can understand that it's not practical (without the layer of plastic), so they might as well be upfront about it and try other options."

"Recently though, I'm beginning to see a slow rise in packaging-free shops. It certainly looks like a good attempt towards inculcating sustainable practices in society."

"Still, it'll take perhaps one to two generations before we see it turning mainstream because we'll need these kind of shops to be as common as the (chain grocery/retail stores that are around)."

Chan's suggestion is for manufacturers or all large companies to have a sustainability department dedicated to environmental issues.

"The key message is someone's trash can sometimes be another person's treasure. The sustainability department will look at all aspects of their business operations, especially on how to recycle or repurpose



their waste into something new instead of throwing them away.

"Work with zero-waste or environmental NGOs to make it happen. A few years ago, for example, a factory selling upholstery fabrics gave me loads of fabric samples and scraps – totally new but useless to them – because the boss didn't want them to go to waste."

"I had them distributed among several NGOs dealing with refugees and B40 communities. On our end, my volunteers and I sewed over a hundred cushions and distributed them to taxi drivers and the blind community at the Brickfields/Sentral area in KL."

"Ultimately, it boils down to the clarion call of the 2014 People's Climate March – to change everything, we need everyone. We need a top-down approach and political will. It is everyone's responsibility – manufacturers, retailers, consumers – and not just the manufacturers."



KHOR SUE YEE, 30,
Zero Waste Malaysia co-founder

"I would like to see more Malaysian companies being environmentally responsible externally and internally. In addition, I wish organisations would adopt a sustainability mindset for their employees."

"Aside from that, I encourage companies to consider homogeneous material instead of mixed material in their brand packaging," said Khor.

She adds that a company's sustainability policies influence her decisions as a consumer.

"I believe our buying power can decide if companies will alter their sustainability policies for the greater good. For instance, if I support brands that provide zero-waste options, I am indirectly voicing out to other brands that I will support them if they offer sustainable policies too."

"When making retail purchases, I will try to buy items without packaging as much as possible. For example, I prefer to buy fresh produce from the wet market or neighbourhood with minimal packaging."

She encourages consumers to be more mindful of their sustainable practices.

"I avoid purchasing new outfits because fast fashion is an issue. Instead, I shop at second-hand stores and participate in clothes swaps."



HUNG BEE LING, 36,
Hara Makers co-founder

"As I'm involved in an environmental community project (particularly in plastic waste), and through our regular activities and research, I know how harmful pollution is in our society."

"For me, today's disasters result from poor law enforcement, which has allowed the uncontrolled increase of pollution. It will make a massive difference if manufacturers make sustainability a part of their design process."

She is well aware of the issue with fast fashion, and she shops only when necessary.

"I don't do a lot of shopping. And when I do, I usually buy my clothing at thrift shops. I'm a huge DIY-er, so I make my own soap and skincare products. I usually source local handmade products, so that I can easily shop without packaging. I try to go zero waste as much as possible."

She hopes more companies and hotels will adopt green practices and work together with local communities to improve the quality of the environment.

"I do see an increased number of hotels embracing sustainable and green principles, such as the use of renewable energy technologies, energy- and water-saving devices, and slowly phasing out plastic bottles of toiletries. Hopefully, more hotels will make environmentally friendly practices their priority with more awareness."

MAREENA YAHYA KERSCHOT, 49,
Sampah Menyampah co-founder

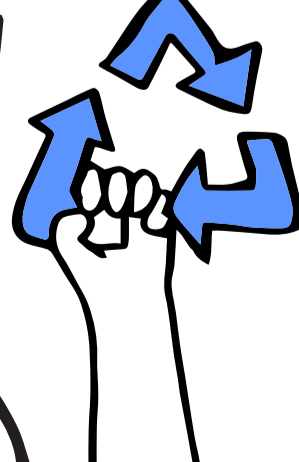
"I never order takeaway food because most of them are wrapped in multiple layers of plastics. I always have tiffin carriers and containers in my car for buying food. My two children get hand-me-down clothes, or we buy second-hand items. I also like clothes swapping as it's sustainable and cheap."

"I refill most of my beauty products, which are made using natural ingredients."

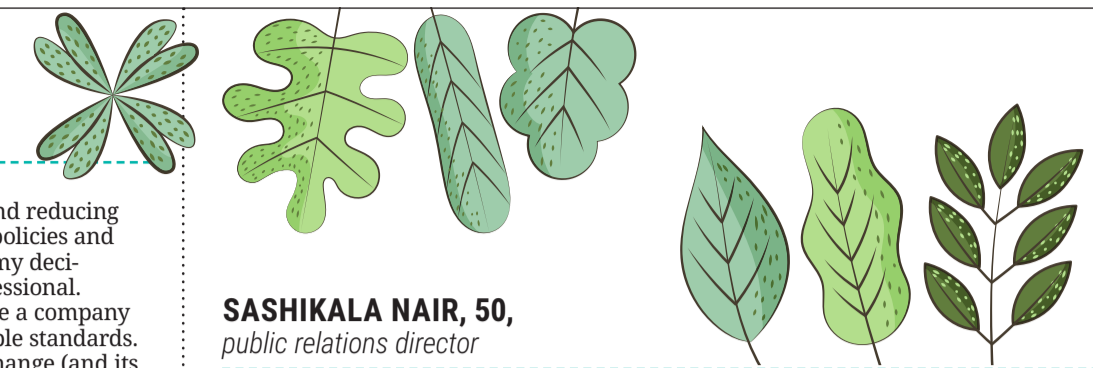
The mother of two is pleased more local hotels are taking extra measures towards sustainability.

"There are lots of hotels in Malaysia that practice sustainability by trying to reduce the need to use plastic toiletry bottles, plastic straws and reduce food waste. My husband and I do consider eco-friendly hotels when travelling but we mostly book our holidays using online homestay apps. At these homestays, we can control the usage of electricity, and we only use what we need. It's for environmental purposes," said Mareena, who is a yoga instructor.

"Our government needs to get serious about climate change. We need to legislate it and get serious about its implementation. Go plastic bag- and plastic straw-free. Then move towards the key performance index for eco-sustainability programmes in offices."



Graphics: Freepik



SASHIKALA NAIR, 50,
public relations director

Sashikala was exposed to sustainable practices from young.

"My late grandmother and my mother till today, eat vegetables grown in their gardens and buy clothing, tools and other household goods handmade in our hometown in Negri Sembilan."

"In fact, for more than 20 years, my maternal grandparents ran a dairy farm. In a small town like ours, there was only one way to get our vegetables and produce and that was by going to a local farm."

"I learnt from a young age that the reason my family bought local was to support our neighbours because we got to meet them and

also support and help their businesses survive, which in turn helped to feed their families and pay their bills. Our neighbours reciprocated by locally purchasing our

dairy for generations. "For me, it is a huge deal to buy local for this reason alone. I encourage everyone to shop locally, even if it is selectively, periodically or seasonally. When you shop local, you come across fresher food, better service, and best of all, have the satisfaction of knowing you are helping your neighbours and local community."

Sashikala feels that these days, more local manufacturing and electronic companies are adopting and incorporating concepts such as the United Nations Sustainable Development Goals (SDGs) into their business portfolios.

"Notwithstanding institutional changes (such as Bursa Malaysia's mandatory reporting on ESG) that are partly driving the local sustainability movement within these sectors, credit must be given to players in these sectors for working hard to go beyond meeting regulatory compliance to incorporating elements of holistic sustainability into their business portfolios."

"I believe that our environment is in dire need of protection. Climate change, the increasing heat, reducing resources, carbon emissions and the frequency of natural disasters are just alarming."

"We really need companies to be aware of this and put in the effort to create a bigger impact and awareness. Many are still ignorant of plastic use or recycling but when policies are in place, the acceptance will follow suit."

"Some companies give discounts for items you bring back or when you bring your own bags. That is a form of savings that consumers won't mind."

"I try to make every purchase decision a responsible one and avoid wasteful consumption. And I do prefer shops and outlets that incorporate sustainability ideas," says Noraini, who shops from a skincare store that recycles empty bottles and tubes.

"The two clothing stores that I frequent have recycling programmes for used clothing either for re-wear or donation, repurposing or recycling."

"I believe that would help to reduce the amount of fabrics in our landfills. Also, we are doing good by donating and giving the clothes a second life and to people who need them."

"For grocery shopping, I go to this local shop which gives boxes for groceries instead of plastics. I would sometimes return the boxes or flatten them for recycling. I prefer stores that use paper or reusable bags."

"When it comes to buying coffee, it's best to use your own reusable cup or tumbler that would also give you a couple of ringgit off. Another good initiative by food delivery providers is adding the 'no cutlery required' option when placing our online orders."

"I usually carry a foldable shopping bag, a collapsible cup and reusable cutlery in my handbag with a container and sometimes tiffin in my car for takeaways."



NORAINI NARODDEN, 42,
architect and entrepreneur

"Everyone has different motivations, be it saving energy, reducing waste or protecting the environment, but everyone should contribute actively towards the preservation of the earth we live in."

"Brands have followings and their green policies can influence how we next decide on where to stay, which service to use and what to purchase."

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Save water save lives

Compiled by RUBY LIM
rubylim@thestar.com.my

WATER is essential for life. Without water, all living things – be it humans, animals or plants – cannot exist.

Although it is the most basic necessity for us to live, most people still take water for granted because of easy access with just a turn of the tap.

After all, since 71% of the earth is covered with water, there seems to be an endless supply. Why should we conserve water at all?

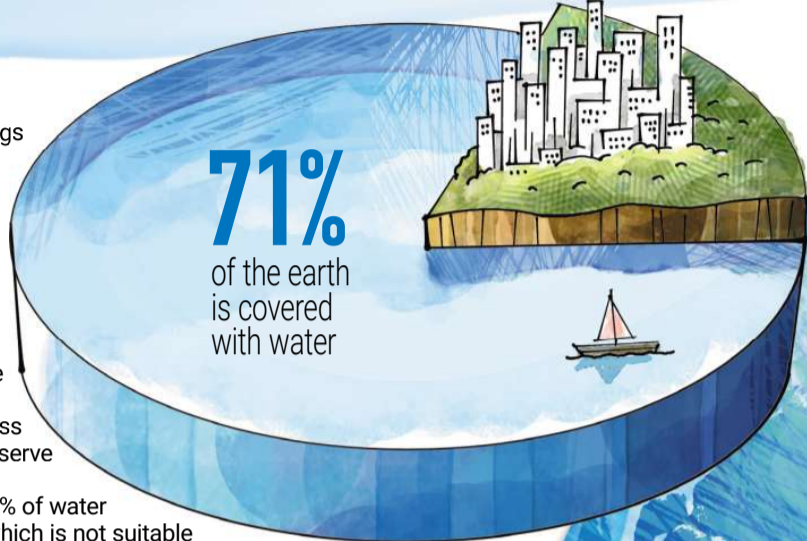
But did you know that 97% of water on the earth is salt water, which is not suitable for consumption? Only 3% is fresh water, of which 2.5% is water stored in glaciers, ice caps and soil, among others. That leaves only 0.5% available for drinking.

With such a small percentage of all the water on the earth to fulfill the needs of a steadily growing population, it is our responsibility to help conserve this precious resource for generations to come.

Reflecting this need for global action on water is the United Nations Sustainable Development Goal through Goal Six: Clean Water and Sanitation for All.

The 2020 statistics reported by the National Water Services Commission (SPAN) showed that consumption per capita in Peninsular Malaysia and Labuan has spiked to 244 litres per capita per day (LCD), up from 230 litres LCD in 2019 and 225 LCD in 2018, which is over 45% of the 165 litres recommended by the World Health Organisation, up from 230 litres (LCD) in 2018 and 225 LCD in 2017.

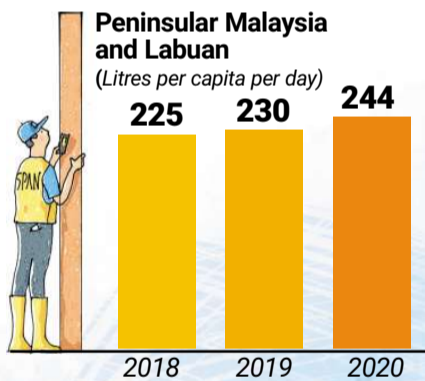
Conserving water isn't hard. Don't think that what you do doesn't matter as we can all make changes in our lifestyles to reduce our water usage. It's all about the little, everyday things. The trick is making water conservation a way of life, not just something we think about once in a while.



0.5%
available for drinking only

2.5%
is water stored in glaciers, ice caps and soil, among others

97%
of water on the earth is salt water



Here are a few tips to help you save more water at home



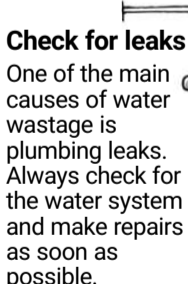
Turn off the tap when it's not in use.

A running tap uses up to nine liters of water per minute. Turn that tap off while performing your daily tasks, be it brushing teeth or rinsing dishes.



Cut your showers short

Speed things up in the shower. Turn off the tap when shampooing your hair or soaping up.



Check for leaks

One of the main causes of water wastage is plumbing leaks. Always check for the water system and make repairs as soon as possible.



Washing machine usage

To save water and energy, always run your washing machine on a full load.



Recycle water

Water can be used more than once. For instance, water from rinsing rice can be used to water plants, while water from baby showers can be used to flush toilets.

Collect rainwater
Reuse rainwater for watering plants, car wash and cleaning outdoors.



Reduce water in toilet tanks

Fill pebbles into a plastic bottle and fill it with water. Place it into the toilet tank. Less water is needed to fill the tank, so less water is being flushed



Use water-efficient accessories or appliances

Install a water thimble in a tap aerator or showerhead to lessen water flow by at least 15%, reducing at least 1,000 litres each month.



Gardening tips

Use a watering can instead of a water hose. Water the garden in the morning or late in the evening to maximise the amount of water that reaches the plant roots.



Wash dishes smartly

For greasy dishes, fill one basin with water and detergent and clean the dirty dishes. In another basin, fill with just water and use it to rinse after soaping them.

Stay tuned for our next issue for more tips and tricks on how you can do your part to protect the earth and the community.