

# RHB creates sustainable value through ESG investing

**AS THE COVID-19** pandemic continues to impact businesses and investments worldwide, the importance of environmental, social and governance (ESG) factors and ESG investing continues to grow. This has resulted in a significant increase in the demand for ESG investing where investors seek to further enhance investment resiliency.

In anticipation of developments in this space, RHB Banking Group embarked on its sustainability journey in 2018. Since then, the group has institutionalised its approach to sustainability and continues to take practical steps to embed ESG practices or considerations into its business and operations as part of its overall sustainability journey.

**INTERNALISING ESG**

RHB takes a holistic approach in its sustainability journey and is focused on minimising negative impacts and risks while identifying opportunities to create measurable positive influences on society and the environment. It also actively drives ESG across its lending, capital markets, advisory and investments, guided by the RHB Sustainability Framework and in line with its sustainability vision of Building a Sustainable Future.

In the past few years, the group has made significant progress, most notably in managing sustainability and enhancing sustainability governance. In July 2021, it set up a Group Sustainability Committee comprising senior management and chaired by the group managing director (GMD)/CEO to strategically drive the group's sustainability and climate change agenda. Additionally, four Sustainability Councils of key senior leaders have also been established to ensure successful implementation of the group's sustainability and climate-related matters. These are the Sustainable Banking Council, ESG Capital Markets and Advisory Council, Sustainable Insurance Council and the Responsible and Sustainable Practices Council.

RHB's sustainability initiatives are to create value and is aligned with the

needs of its internal and external stakeholders. On top of nurturing its employees by instilling awareness and capability building on sustainability matters and issues, the group takes into account the socioeconomic well-being of the local community and development of the nation.

**STEPPING UP AS AN ESG INVESTING STEWARD**

As Malaysia aspires to become a carbon-neutral nation as early as 2050, the government has announced plans to introduce long-term low-carbon emissions development strategies as well as a roadmap and national adaptation plan to reduce greenhouse gas emissions.

The group will continue to be guided by the international and industry standard best practices, which include exploring science-based methodology in its ESG integration. RHB's commitment is evident through the extension of RMS bil for its green financing activities to promote the transition to a low-carbon

and climate-resilient economy through lending, capital markets, advisory and investment by 2025. As at June 2021, RHB had made significant progress in this area, with RM3.3 bil in green financing being extended to clients, of which 20% was for renewable energy projects.

RHB's asset management arm has also launched various innovative products and services, including four ESG SRI-qualified funds — RHB i-Global Sustainable Disruptors Fund, which is a Shariah-compliant fund, RHB Global Impact Fund, RHB Sustainable Global Thematic Fund and RHB Asia Sustainable Leaders Fund, with about RM800 mil in combined assets under management (AUM). These funds allow investors to participate in long-term sustainability-focused investments centred on climate change, healthcare, empowerment and sustainable infrastructure.

Additionally, RHB also made notable strides in ESG within the area of investment banking by leading and arranging several key ESG/SRI sukuk/ bond programmes, including Malaysia's first sustainable sukuk on affordable housing via Cagamas' inaugural Asean SRI Sukuk and SME Bank Sustainability Sukuk, in which RHB Investment Bank was appointed as sole lead and lead arranger. RHB has also played a key role in the establishment of various sustainable/ SRI sukuk programmes with a combined value of RM1.65 bil since 2020.

"We believe it is important for us as a financial services provider to steer customers towards climate action and sustainable practices, creating actual impact and change in the real economy for sustainable development. These, in turn, contribute to financial inclusion and access, as well as sustainable investment.

"We strive to become a positive catalyst, leveraging our stewardship capabilities and strong value propositions in the ESG capital markets, advisory and investment spaces, as AUM for sustainable or ESG funds continue to grow rapidly, driven by investor interest," says RHB GMD and CEO Datuk Khairussaleh Ramli.

"We are mindful of the role we play in driving change across all our key stakeholders. For instance, investors have shown growing concern over climate change and environmental issues and, as such, we have embedded a comprehensive ESG Scorecard and an ongoing review process into our asset management business to enhance the way we assess companies. Our proactive approach towards the mainstreaming of ESG investing creates value for our investors by facilitating them in making better-informed investment decisions," Khairussaleh adds.

**BUILDING A SUSTAINABLE FUTURE**

The momentum for ESG investing remains strong, especially for investors with a focus on stable returns, and those who are more aware of the environmental risks impacting businesses in the long term. RHB continues to support meaningful collaborations and facilitate knowledge sharing between asset managers, investors and financial institutions in deploying investment capital for the future growth of ESG investing. This is also achieved through ESG-themed investment forums to increase awareness of sustainable investments and assets.

"Continuous engagement and creating awareness are important factors in driving change, and should cut across all market segments. As such, we have been actively organising various ESG-related events in 2021 for the benefit of the investing community. The RHB ESG Forum — Envisioning A Better Future, for example, focused on the importance of nurturing a better understanding of ESG and exposed participants to insights from various ESG concerns, issues and potential solutions," says Khairussaleh.

In line with its holistic approach to ESG, RHB will continue to support economic activities that promote positive impact on the environment, job creation, and financial inclusion and literacy as it further enhances its position as a steward of ESG. The group's efforts in this are widely far-sighted, including its increased focus on opportunities for clean energy and green financing exemplified by its commitment in not pursuing opportunities or providing financing for new coal mine or coal power plant projects from 2022 onwards, in line with the RHB Sustainability Framework, principles and core pillars.

## NOTABLE ESG ACHIEVEMENTS

- 1

Solely led and arranged Cagamas Bhd's RM100 mil Asean SRI Sukuk to finance affordable housing.
- 2

Sole principal adviser, lead arranger and lead manager in the establishment of the Islamic Medium Term Notes programme of up to RM200 mil in nominal value (Asean Green SRI Sukuk Programme) for Pasukhas Green Assets Sdn Bhd (PGA). In 2020, PGA's RM17 mil Green Sukuk was awarded Best Asean Green SRI Sukuk by The Asset Triple A Islamic Finance Awards as well as Green Deal of the Year by Asian Banking & Finance Corporate & Investment Banking Awards 2020.
- 3

Sole principal adviser, sole lead arranger, joint lead manager, facility agent, shariah adviser and commodity trading participant for SME Bank's RM3 bil Sukuk Wakalah Programmes and its inaugural issuance of the country's first Sustainability Sukuk by a development financial institution (DFI) worth RM500 mil. Proceeds raised was utilised to finance the construction and development of eligible projects that meet the criteria set out in the Sustainability Guidelines/Framework and SME Bank's Sustainability Sukuk Framework.
- 4

Through its treasury and global markets business, RHB has adopted integrated ESG assessment for new investment applications and annual reviews for bond/sukuk portfolio investments, which are important to its stakeholders — equity investors and depositors.

## RATINGS & AWARDS

- The Cagamas SRI Sukuk was awarded Best Asean Sustainability SRI Sukuk – Quasi Sovereign by The Asset Triple A Islamic Finance Awards 2021 for Best in Sustainable Finance deals

• Best Asean Green SRI Sukuk by The Asset Triple A Islamic Finance Awards and Green Deal of the Year by Asian Banking & Finance Corporate & Investment Banking Awards 2020
- Remained a constituent in the FTSE4Good Bursa Malaysia Index as at June 2021

• Top 25% by ESG Ratings among public-listed companies in FTSE Bursa Malaysia EMAS as at June 2021

• RHB Bank Berhad scored 43/100 in the 2020 S&P Global Corporate Sustainability Assessment reflecting an improvement of 20 points over the last one year

• Maintained as AA rating (Leader) for MSCI ESG Ratings since September 2019

**RMS BIL BY 2025**

Drive growth of the green economy by encouraging customers to adopt more sustainable business practices, in line with the RHB Sustainability Framework

Launched the RHB Sustainability Financing Programme in September 2021, a Green Financing product bundling programme for both small and medium enterprises (SME) and retail customers.

**ESG FUNDS WITH A COMBINED AUM OF APPROXIMATELY RM800 MIL**

RHB i-Global Sustainable Disruptors Fund (Shariah-compliant)

RHB Global Impact Fund

RHB Sustainable Global Thematic Fund

RHB Asia Sustainable Leaders Fund

**BOND/SUKUK**

RM1.65 bil worth of green/ sustainable/SRI Sukuk for clients in the capital markets and advisory segment

Distributed over RM1 bil of structured investments on underlying ESG graded companies by FTSE4Good Bursa Malaysia

Moving forward, ESG investments are expected to remain a key factor that influences investors' decision-making with the potential to cut across multiple asset classes, including global and local currency equities and bonds. To meet investors' growing appetite for profitable returns along with impactful investments, RHB will be introducing more ESG products and services in related investments.

Through effective stewardship and continuous engagement on ESG matters with various stakeholders, RHB Banking Group will continue to deliver sustainable outcomes in line with its aspirations towards ensuring a sustainable future for future generations.

# Sustainable investment cheat sheet for retail investors

Most of the sustainable investment products available, such as green bonds and private equity, are geared towards institutional investors. However, there are options for retail investors.

List of local sustainable and responsible investment (SRI) funds							
FUND NAME	ISLAMIC FUND	FUND SIZE xM	% RETURN (as at Oct 15, 2021)				
			3 MONTHS	6 MONTHS	1 YEAR	3 YEARS	5 YEARS
InterPac Social Enterprise and Responsibility Fund		1.64	3.85	14.68	10.80	35.70	35.70
BIMB ESG Sukuk Fund	✓	193.31	-0.71	0.32	-0.86	10.30	10.30
Public e-Islamic Sustainable Millennial Fund	✓	218.69	5.00	22.19	31.72		
Singular Value Fund		259.42	3.88	9.39	34.24	102.12	102.12
Singular Asia Flexible Fund		540.84	-2.04	-4.79	-2.92	47.44	47.44
Maybank Global Sustainable Equity-I Fund *	✓	459.05	1.39	12.28	20.20		
AmlIslamic Global SRI	✓	0.05	-2.11	4.37	8.51	15.04	15.04
United-i Asia ESG Income Fund	✓	3.08	-0.44	-1.64			
RHB i-Global Sustainable Disruptors Fund	✓	310.55	4.40	22.59			
Maybank Global Sustainable Technology Fund		166.00	4.84	20.69			
Public e-Carbon Efficient Fund		447.93	3.31	16.11			
Affin Hwang SGD Bond Fund		19.19	-1.76	-0.47			
BIMB-ARABESQUE Global Shariah Sustainable Equity Fund	✓	24.16	3.83	12.35			
RHB Global Impact Fund		4.85	-3.54	5.06			
TA Global Absolute ESG Alpha Fund		12.60	2.48	20.40			
RHB Sustainable Global Thematic Fund		23.29	4.68	20.31			
Makmur myWakaf Fund	✓	11.08	1.67	2.42			
Nomura Global Sustainable Equity Fund		0.09	-2.55				
United-i ESG Series - Conservative Income Fund	✓	261.15	-0.09	0.63	0.79		
MIDF Amanah ESG Mustadamah Fund	✓	0.08	7.81				
United ESG Series - Conservative Bond Fund		507.79	0.10	0.87	1.35		
Principal Global Sustainable Growth Fund		2.30					
RHB Asia Sustainable Leaders Fund		0.00					
Sustainable Series - Climate Tech Fund		0.00					
ASEAN Equity Fund	✓	8.34	7.39	8.90	17.45		

SOURCE: SECURITIES COMMISSION MALAYSIA, LIPPER ASIA LTD