

Advocating the ESG agenda, aiding SMEs and biz to adapt and adopt

Banks can offer financial incentives for RE installations and energy-efficient projects

by AKMAR ANNUAR

IN HIS recent Madani Economy announcement, Prime Minister (PM) Datuk Seri Anwar Ibrahim mentioned the need to internationalise local start-ups and small and medium enterprises (SMEs) by incorporating environment, social and governance (ESG) aspects into their business.

The government also recently launched the National Energy Transition Roadmap (NETR) to accelerate the country's energy transition, which will require the capital market to respond accordingly, where investment as well as funding solutions are expected to be immense.

Based on a report by Alliance Bank Malaysia Bhd in collaboration with UN Global Compact Network Malaysia and Brunei, as well as SME Corp Malaysia, 60% of SMEs believe that strengthening ESG practices can increase business opportunities and create long-term value.

However, only 28% of SMEs have adopted some elements of ESG practices in their businesses. More will need to be done in creating awareness.

Recently, the AmBank International ESG Conference 2023, themed "Shaping Today for Tomorrow", on Aug 15 concluded in Kuala Lumpur with a "dancing" Tesla, signifying the upcoming future of electric vehicles (EV) as a part of the nation's ESG agenda.

At the conference, the Securities Commission Malaysia (SC) MD Kamarudin Hashim said SMEs are faced with growing pressure to measure and manage their ESG risks.

"Being integral parts of the supply chains, there is growing demand for SMEs to demonstrate greater environmental stewardship and social responsibility from both customers and suppliers, particularly those seeking to secure contracts with large companies," he said.

Kamarudin added that the business case for sustainable operations is much stronger than ever and will become even more intense over time.

He shared that since the launch of the SRI Sukuk Framework in 2014, the cumulative issuances of SRI (sustainable and



The panellists for 'Greening the Value Chain - Unlocking New Opportunities Through Partnerships' namely (from left) SK Malaysia's Noh, TNB's Leo, AmBank Group's Sulaiman, Shell's Shairan and Huawei's Chong

responsible investment) sukuk stood at RM18.9 billion as at end of 2022, hence the SC has also seen more SRI sukuk issuances this year related to renewable-energy (RE) projects and green building.

"Market responses have thus far been encouraging," he said.

Collaboration is Key

Also present at the conference was Natural Resources, Environment and Climate Change of Malaysia (NRECC) Minister Nik Nazmi Nik Ahmad who shared the government's ESG plans and initiatives.

"Apart from strengthening existing policies to orient Malaysia on the right path in combating climate change, the ministry is developing our Nationally Determined Contributions (NDC) Roadmap and Long-Term Low Emissions Development Strategies (LT-LEDS), which chart key actions and plans needed to achieve Malaysia's climate action goals," he disclosed.

The minister noted that collaboration will be the key to achieving a green nation, encouraging financial institutions to collaborate with government agencies and civil society to drive sustainable development and support Malaysia's transition towards a green economy.

Nik Nazmi believes that banks can foster a culture of environmental responsibility, encouraging businesses and individuals to transition towards RE sources, offering financial incentives for RE installations and energy-efficient projects.

Quoting climatologist Michael E Mann, Nik Nazmi said while individual efforts like eating less meat and flying less are commendable, ultimately, the goal can only be reached if the government and corporate sector make the changes.

He pointed out that it must be understood that these initiatives will not win the climate war for Malaysians overnight as it will take time, patience and stability.

"Let us work with unwavering determination in ensuring a greener future for all of us and the generations to come. Let us start now. Ultimate bottom line is our survival on this planet," he added.



The panellists for 'Accelerating Climate Change Financing - Deep Dive into Innovative Financing' are (from left) World Bank's Reddy, Moody's Yasman and WWF's Ng

AmBank's Green Financing Aspirations

During the press conference at the event, AMMB Holdings Bhd (AmBank Group) group CEO Datuk Sulaiman Mohd Tahir disclosed that the group is eyeing a 6% growth in loan disbursements of up to RM7 billion for the financial year ending March 31, 2024 (FY24).

He said the projection was based on the bank's assets valued at RM130 billion last year, anticipating a GDP of 4.5%.

"We normally achieve slightly higher than the GDP. Let us say, for this year, it is a 6% loan growth on assets of RM130 billion. That would be roughly around RM6 billion to RM7 billion worth of growth in terms of the actual loan disbursed."

Moreover, Sulaiman shared that the group is looking to double its green financing in the FY24 from the RM2 billion given out last year.

EV financing totalled RM100 million, he added, saying that this would grow substantially this year in view of the entry of many prominent EV players into the country such as US-based Tesla Inc and China-based BYD Co Ltd.

"On other industries, there will be green loans for building such as apartments and warehouses, as well as transport and logistics would also be prominent segment contributors this year," he said.

The AmBank International ESG Conference 2023 featured five panel discussions led by AmBank's leadership, alongside external sustainability champions from the SC, World Bank, the World Wildlife

Fund (WWF), Pantas Software Sdn Bhd and Huawei Technologies Malaysia Sdn Bhd, among others.

Funding Below Projection

During the panel discussion on "Accelerating Climate Change Financing - Deep Dive into Innovative Financing", World Bank senior financial sector specialist Rekha Reddy highlighted that the current funding for the climate sector is well below what the global bank projected.

"In dollar terms, the industry would have to increase annual spending globally by 3.5 trillion dollars per year, and that is 60% more than what is currently being spent today," she explained.

Moody's risk and finance analytics solutions specialist Yasman Moghaddam agreed with Reddy, emphasising that the flow of funding is very important.

"We need to start thinking about transforming the energy system, how we can essentially cope with losses and damages, and so on. We need to tackle and build resilience to combat physical risk impacts, particularly in this region," she elaborated.

Based on Moody's research, there is an increasing trend when it comes to green, social, sustainability and sustainability-linked bonds. Yasman said it is important to balance all of these aspects, claiming that new players in the market are saturated, at the same time also looking at the existing stakeholders and how they are being not just more cautious, but a lot more transparent.

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Sulaiman says AmBank Group aims to double its green financing in FY24 from the RM2b given out last year

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Meanwhile, WWF Greening Financial Regulation Initiative (GFRI) Asia-Pacific regional and technical lead and sustainable finance advisor (Malaysia) Adam Ng said the key word for green financing has always been "innovation".

"I think we are now facing a lot of transition washing and green washing allegations. We have seen some countries having litigation where several large corporations have been sued (due to lack of credibility) and this will only gain more traction," he commented.

Ng shared that WWF will roll out an assessment in Malaysia.

"We are looking into the top 20 to 30 largest companies in the Malaysian stock market and doing a kind of study based on biodiversity persecutors," he said.

WWF is also exploring collaborations with Malaysia's financial institutions, finding out whether a biodiversity or wildlife conservation sukuk could be issued for the country.

Partnership Opportunities

Meanwhile, the panel discussion on "Greening the Value Chain — Unlocking New Opportunities Through Partnerships" saw AmBank Group's Sulaiman joining four other panelists, namely Huawei Technologies (M) Sdn Bhd Digital Power VP Chong Chern Peng, Tenaga Nasional Bhd (TNB) chief sustainability officer Leo Pui Yong, SK Malaysia chief representative Noh Jae Sang and Shell Malaysia Trading Sdn Bhd MD Shairan Huzani.

Leo shared the three main areas that TNB is working on, with focus on putting the group's strategy into action. She explained



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that the first pillar of the utility's ESG plan is to accelerate TNB's generation of decarbonisation, seeing this as an important task, especially on how to decarbonise its coal plants.

"We also deploy our energy scale, which is aligned with our recent energy announcement," she added.

TNB is also looking into leveraging its hydro dam opportunities, looking at a 2,500MW hybrid of hydro and floating solar.

Together with Petroleum Nasional Bhd (Petronas), TNB is looking into possibilities on how to further decarbonise that and most importantly, expand its research and development (R&D) generations.

TNB is developing a flexible and cross border grid, which Leo stressed is crucial to ensure a flexible grid, in order to "attract" more RE.

"That is something that TNB is really working hard with the government to look into how to strengthen our grid to enable

70% of RE to come on board to the grid," Leo said, adding that TNB is looking into launching flexible solutions, including its grid scale storage.

On the other hand, Shairan said Shell has been powering lives and livelihoods through its products and activities, and by supporting an inclusive society.

"This strategy applies globally across 70 countries and I'm proud to say the same strategy is being applied in Malaysia too."

He gave an example on the many lives that have benefitted from having access to energy, such as the two communities in the interior of Sabah where Shell installed micro hydro-electricity.

Admitting that Huawei is considerably new in the energy industry with its newly set up of a digital power group, Chong said in the past, the company saw energy adoption or consumption or generation as more mechanical and electrical, rather than digital.

"So, how can we integrate these two very important factors and to enable a greener or lower carbon footprints?"

"This is where our main strategy lies. We focus our investment towards research in this area, and to create a very sustainable product path and roadmap for our partners and clients," he added.

Chong also revealed that Huawei is in transition of technologies that will require a localised mindset, hence they are working very closely with local partners.

"That is where sustainability comes into the picture in terms of trustworthiness, security, talent development and compliance awareness," he noted.