



RISING SIGNIFICANCE OF ESG AMONG MALAYSIAN SMEs



The sustainability agenda has been accelerated for Malaysian small and medium enterprises (SMEs) and with the buying trend moving toward eco-friendly alternatives, many companies are realising the importance of adopting sustainable practices in their operations. Additionally, the introduction of Bursa Malaysia's enhanced sustainability disclosure requirements in September 2022 changed the reporting landscape for both Main Market and ACE Market listed companies. This call to action sparked a domino effect throughout the supply chain, especially for SMEs, as they contribute 37.4% of Malaysia's GDP and are expected to support their larger customers' ESG targets. About 60% of SMEs believe that adopting environmental, social and governance (ESG) principles will enhance their capabilities and performance in meeting these business opportunities, according to the ESG insights report on Malaysian SMEs jointly commissioned by Alliance Bank, UN Global Compact Network Malaysia & Brunei (UNGCMYB) and SME Corporation Malaysia.

The study noted that 3 out of 5 SMEs recognised that ESG can help them create long-term value, a strong workforce and open up new market opportunities for growth, thus improving their overall financial standing and productivity.

ESG adopters cited improving productivity, cost savings from energy and waste efficiencies as well as brand reputation as the top three reasons behind Malaysian SMEs adopting ESG practices in their strategy.

The Business Case for ESG & Why It Matters?

Develop Competitive Differentiator

- Sustainable practices can improve SME's competitiveness
- Improve brand reputation as ESG becomes increasingly important to customers, investors, regulators and companies

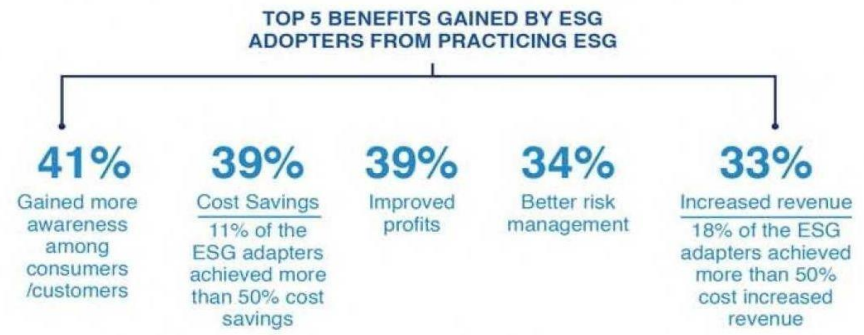
Unlock New Business Opportunities

- Tap into new supply chain opportunities
- Become or remain relevant to multinationals in export oriented industries (European Union, USA, Asia Pacific, etc)

Generate Profits while Saving the Planet

- Cost savings generated from improving efficiencies
- Improved customer loyalty
- Enhance long term sustainability of the business

It is evident that ESG practices can be turned into a competitive advantage to create long term value and unlock new business potentials for SMEs to innovate and grow. The top five benefits identified by ESG adopters were increased awareness among customers, cost savings, improved profits, better risk management and increased revenue. As the value recognition of ESG is notable, 58% of non-ESG adopters have expressed interests in adopting ESG practices for business benefits.



The trend is clear; that commitment to sustainable practices and the triple bottom line (people, planet and profit) have shown to create positive impact on the social, economic and environmental dimensions while producing superior financial returns and better business performance for ESG adopters among SMEs.

KEY TAKEAWAYS	
ESG ADOPTERS	NON-ESG ADOPTERS
SMEs that have adopted elements of ESG or have included ESG practices into their strategy.	SMEs that have yet implemented ESG practices into their businesses.
Challenges	Barriers
<ul style="list-style-type: none">Resource constraintsUnclear vision/directivesLack of know-how	<ul style="list-style-type: none">Uncertainty over impact of ESGLimited ESG knowledgeFinancial constraints
Motivation	Support Needed
<ul style="list-style-type: none">Improved productivityObtain cost savingsEnhance brand reputation	<ul style="list-style-type: none">Financial support from banksTraining opportunitiesTax incentives



“Early adoption puts companies ahead of their competition and better equips them for success in the long run. Together with our key ESG partners, we aim to create a more sustainable future for businesses and communities alike.”

Kellee Kam
Group Chief Executive Officer, Alliance Bank

“As the backbone of our economy, SMEs can be important change agents helping to achieve a sustainable future for all. Together with Alliance Bank, we are taking a pragmatic approach by providing tools to help SMEs better navigate today's ESG landscape.”

Faroze Nadar
Executive Director, UNGCMYB

“It is imperative for Malaysian SMEs to embrace ESG to remain relevant and competitive in the domestic and global markets. I believe this report will complement the PKSlestari initiative by SME Corp. Malaysia specifically in developing a policy framework to encourage and accelerate the adoption of ESG among SMEs.”

Rizal Nainy
Chief Executive Officer, SME Corp Malaysia

Top 3 Motivations for Non-ESG Adopters

52%

Help to improve productivity

50%

To meet market demand

46%

Market expansions/ attract new customers

Alliance Bank launched this joint survey to encourage businesses to kickstart their journey towards sustainability and provide guidance on how to turn ESG practices into a source of competitive advantage and success.

Scan the QR code to download your copy today!

Visit alliancebank.com.my for further information and to discover more interesting insights in helping SMEs better navigate their sustainability journey, don't miss our next article in the upcoming **September 2023** issue!