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Page : 8

# UPENDING THE MONOPOLY OF ANY FORM

The rise of social considerations will become even more pronounced as the pandemic continues to result in more social imbalances

BY DATUK SERI ABDUL FARID ALIAS

**T** RANSFORMATIONAL CHANGE IS an event, or a series of events, that leads towards something completely new, usually with the need of letting go of something current for something better.

The environmental, social and governance (ESG) agenda, more specifically its intentions, demands transformational change. Transformational change can happen when it is initiated by a few, provided it gets the acceptance of the majority. However, it will be a contradiction for ESG to be exclusive when its core intention is to be inclusive in its approach, which is the reason for the existence of ESG in the first place.

A just transition is a move towards inclusive, forward progress for all of society and the economy. Sounds simple enough, right? That may be so if we were to take a static point of view and only focus on charting the way forward as if we were operating from a blank slate. But throw into the mix the undoing of policies and actions of humankind over the last 250 years since the onset of the Industrial Revolution, as well as conflicting interests and competitive behaviours of countries and organisations, and this is where matters start getting really complicated.

To me, a just transition for climate change can only really happen when there is a balance of power in setting the ESG agenda. It cannot be dictated by one group in a position of strength over others who are behind in the curve. This applies at any level — be it among countries, organisations, special interest groups or varying stakeholder groups.

A common example used is that advanced economies such as the UK, continental Europe and the US depended greatly on the usage of coal during the Industrial Revolution, which has been instrumental in them attaining developed

status. As such, it would be just if they lent a meaningful hand to ensure that developing nations today are supported in their need to move towards renewable energy usage and dependency, so as to not disadvantage developing countries from achieving economic and social progress.

However, the recent 2021 United Nations Climate Change Conference, or COP26, has spotlighted yet again that the pledges made by rich countries to provide US\$100 billion annually by 2020 to developing countries to help the latter cope with climate change has not been met. Developing nations are still in dire need of grants and private investments to help with their climate change agenda, given that their limited government funds

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would already be tied up with economic development needs and, more recently, to address social needs arising from the Covid-19 pandemic.

The climate change impact is real for many of these developing nations, which have been affected by drastic weather pattern changes that have caused severe floods and droughts, impacting lives. While new pledges by advanced economies were made at COP26, they remain precisely that — pledges. What we need are firm commitments and tangible implementation plans to start moving the just transition needle.







This pandemic, which has lasted two years, has brought to the forefront the social vulnerabilities and economic inequalities of lives and livelihoods around the globe. In Asean alone, the per capita GDP of the richest country is about 40 times higher than that of the poorest one, a clear indication of the different stages of economic development and capacities to respond.

For sustainable development to remain relevant and viable, equal importance must be placed on economic, social and environmental aspects given their inter-relatedness, and a just transition should focus on social inclusion and poverty eradication. But what we are seeing in the world today is a far cry from this. Greater emphasis is placed on environmental issues over social aspects.

While countries have different approaches and priorities, the overarching goal should be a just one. There is a need to consider the impact on employment — job creation and job loss, societal progress, income, displaced communities, accessibility and affordability, which all form part of the social equation, particularly within this region.

Given the nature of these issues and challenges, it is clear that tackling these collectively is not an option, but a necessity.

As the speed of recovery within countries differs because of income and generational gaps, businesses will need to keep a close eye on the macroeconomic environment and cautiously evaluate the dynamics within their targeted customer segments in providing strategic value-based solutions. As the world emerges from this pandemic, areas previously kept on the back burner, particularly from a social perspective, will inevitably find their way to mainstream activities.

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pronounced as the pandemic continues to unearth more social imbalances. Increasingly, investors too will be more discerning in their assessments, looking beyond superficial green-washing and investing in organisations that truly embody humane and societal-based practices in their business models and activities. This will undoubtedly apply to customers as well.

Within the next 20 years, it is estimated that emerging and developing markets will contribute to 75% of global GDP growth. A report by Oxford Economics projects that providing financial identities to the world's unbanked population could add US\$250 billion (RM1.05 trillion) to global GDP.

This presents long-term growth potential for businesses operating in these markets. We need to leverage the strength and potential of the Malaysian financial industry to accelerate sustainable and inclusive economic growth. This means accelerating the mobilisation of capital to where it is needed most and providing businesses with a sustainable and responsible transition and solutions. This includes digitalisation as one of the means of



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enhancing financial access and inclusion — focusing on the “S”, or social, in ESG.

At Maybank, we anchor everything that we do to our mission of humanising financial services and it continues to be our guiding force. Against the backdrop of overwhelming challenges that are impacting lives and livelihoods today, our responsibility to uphold this mission by embedding our core values within our activities, influencing our stakeholders and enabling the communities that we serve towards a better and more sustainable future, has become even more apparent.

Premised on this overarching purpose,

our M25 Plan that was launched last year fully embeds sustainability as one of the three strategic priorities of the group. This was also the reason why Maybank created the SME Digital Financing and Sama-Sama Lokal initiatives, to expand our services to the unbanked segment.

We believe how we integrate sustainability practices into our organisation will determine our own future. As an organisation that calls Asean its home ground, we recognise we have the ability and responsibility to direct capital away from activities that harm the environment and society to those that support sustainable development. In doing so, we need to assist our clients to transition towards sustainable practices as we realise that they are at varying degrees of their sustainability journey. It is this awareness about humanity, community and our commitment towards doing the right thing that resonates with our greater purpose of humanising financial services.

As a member of the community, we understand our responsibility when it comes to balancing profits with building resilience for the future. It requires understanding the ecological and societal impacts of our actions, which is essentially what sustainability is about — embodying a just transition by meeting the needs of the present without compromising the needs of the future.

To us, it means placing “S” at the heart of what we do. It is not about ticking boxes, nor is it about the race for high ESG scores but, more importantly, it is about the responsibility we have towards our customers and communities now and in the future. This effectively means supporting the responsible transition to a low carbon economy by creating a state where no one is left behind. This involves embracing inclusivity and enabling easy access to financial solutions.

To do this right, we need to collectively develop a strong institutional framework that is guided by social consensus and is implementable at all levels through clear goals and pathways as a road map to achieving sustainability objectives. We believe the corporate sector can play a key role in enabling a just transition in this region and a more just society will be evident in 2022.

At Maybank, we are embarking on a journey to ensure a fair and just transition approach is taken as we have extensive exposure in all 10 Asean countries and globally across multiple business lines. Here, our products and services serve the needs of our communities across the



economic and social divide. One of our three strategic sustainability pillars is built upon our goal for a responsible transition and reflects our commitment towards mobilising sustainable finance.

In Asean today, coal and gas remain the primary fuel source for power generation for most countries. To completely stop the financing of existing coal assets without a transitional plan in place could cause a significant disruption to power supply and an immediate halt to the economic progress of the developing countries that we serve.

Doing so would be irresponsible, in my view. So we are working with our clients, other organisations and countries to find solutions to mitigate greenhouse gas emissions and explore the use of cleaner, more efficient and

environmentally friendly energy sources. This provides the opportunity to transition responsibly and positively in the near to medium term, without impeding development needs.

In this respect, over the past two years, we have initiated many industry scrums for high ESG risk sectors that focus not only on identifying risks but also on ways of mitigating such risks as well as exploring opportunities within these sectors. The process includes engagement

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with clients in an effort to embark on specific transition strategies and targets, while partnering with key industry stakeholders towards a responsible transition. This approach forms the baseline in developing a response towards these industries and guides us in transitioning our clients as they move in the direction of sustainable practices.

Acknowledging that a transition journey requires effort from both internal and external stakeholders, we have also embarked on capacity-building initiatives for our board and senior management as well as our relationship managers. This is to enable all segments within the institution to be equipped with the necessary skills and knowledge to guide our clients and the industry towards a responsible transition.

If the pandemic has taught us anything about surmounting our economic, social and environmental challenges, it is that all of us are responsible as individuals, businesses and governments to take ownership of our future. In order to ensure a just transition in which no one is left behind, a whole-of-nation approach is required.

As drivers, regulators and investors in our marketplace, much of that responsibility comes down to us. This is our moment to act and be the difference that we want to see in the world around us. ■

**Datuk Seri Abdul Farid Alias is group president and CEO of Maybank**