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Most Malaysian SMEs receptive to ESG practices

► About 60% of small and medium firms believe their adoption creates long-term value: Alliance Bank study

KUALA LUMPUR: Alliance Bank Malaysia Bhd's inaugural annual environmental, social and governance survey report, "ESG Insights from Malaysian SMEs: Building A Better Future Together", reveals that three out of five Malaysian small and medium enterprises believe embedding ESG practices in their business will create long-term value, build a strong workforce and increase business opportunities.

The study was jointly commissioned with UN Global Compact Network Malaysia and Brunei (UNGCMYB) and SME Corporation Malaysia (SME Corp) to provide insights on the awareness, adoption and challenges of SMEs striving to integrate ESG factors into business practices in Malaysia. The study was developed using three approaches - in-depth interviews, a large-scale survey among 610 SMEs, and secondary research.

Alliance Bank group CEO Kellee Kam said, "As a bank that has a long-standing relationship with the SME sector, we understand the unique challenges businesses face. Locally, there is a lack of SME-centric frameworks and information to help small businesses on their ESG journey. As such, we launched this study to fill the gap in the market."

"We hope that our key findings, alongside our recommendations and tools prove useful to SMEs who are looking to start or enhance their ESG journey."

According to the study, ESG adopters cited improving productivity, cost savings and brand reputation as the key motivation for including ESG practices in their strategy. As for the non-ESG adopters, three key themes were identified for their hesitations towards adopting ESG - uncertainty about the impact of ESG, limited knowledge of ESG and financial constraints.

However, this group of SMEs highlighted that financial support from banks, sponsored



From left: Alliance Bank group chief strategy, marketing & business development officer Dr Aaron Sum Wei Wern, Faroze, Kam and Alliance Islamic Bank CEO Rizal IL-Ehzan Fadil Azim at the unveiling of the survey report.

training and learning opportunities and tax incentives will facilitate their ESG adoption.

UNGCMYB executive director Faroze Nadar said, "As the backbone of our economy - serving as key drivers of job creation and economic development - SMEs can be important change agents helping to achieve a sustainable future for all."

"Alliance Bank is a valued partner in pushing forward the ESG agenda in Malaysia. Through our collaboration, we have been able to provide much needed support to companies, especially in helping SMEs transition to a more resilient and sustainable future."

"Together, we are taking a pragmatic approach by providing tools that will help SMEs to ensure sustainability performance and better navigate today's ESG landscape."

SME Corp Malaysia CEO Rizal Nainy said, "Operating sustainably is not just a responsibility, it is an opportunity for SMEs to innovate and grow. By prioritising ESG practises, businesses

can build a competitive advantage and enhance their brand image.

"It is imperative for Malaysian SMEs to embrace ESG to remain relevant and competitive in the domestic and global market. SME Corp. Malaysia as the Central Coordinating Agency for SME development sees a need to develop a holistic ecosystem to drive the sustainability agenda for SMEs including microenterprises."

"The PKSlestari initiative by SME Corp. Malaysia envisages creation of the sustainability ecosystem of SMEs and I believe this report will complement this initiative, specifically in developing a policy framework to encourage and accelerate the adoption of ESG among SMEs."

As part of Alliance Bank's sustainability agenda, the bank aims to have RM10 billion in new sustainable banking business by FY2025. To date, the bank has recorded RM6.7 billion in new sustainable banking business.