

Media Title : The Star
Headline : SMEs benefit from ESG projects
Date : 11 May 2023
Section : News
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SMEs benefit from ESG projects

Efficiency is key in the sustainable space

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KUALA LUMPUR: Small and medium enterprises (SMEs) are getting acceptable returns in terms of environmental, social and governance (ESG) projects, says Alliance Bank Malaysia Bhd head of strategic partnerships and innovation Roy Heong.

“This seems to be apparent among those that operate along the supply chain of bigger corporate companies and those with financing facilities from financial institutions,” he said.

According to Heong, ESG is increasingly being viewed as a company-differentiator to secure a long-term outlook for the companies.

“There is progress on this front – the mindset is changing but not fully there yet. They are not viewing this purely from a compliance standpoint but many are using ESG as a way to differentiate themselves,” Heong told *StarBiz* on the sidelines of the #digital4ESG forum organised by Bursa Malaysia.

“They are also viewing it as a way to

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Roy Heong

enhance their business value and credentials. Our role is to make it easy for them to adopt this. Doing this successfully from this standpoint will see a lot more SMEs being willing to embark on this journey,” he added.

Heong said the additional costs in adopting ESG-friendly policies would be viewed through the lens of a cost-benefit analysis.

“While there are certainly costs involved, there is an understanding of what the return on investment (ROI) is like.

“Every business understands that there are costs involved in operations. The question here is whether the ROI rate is acceptable to that business.

“Increasingly, SMEs are finding out there

is an acceptable ROI to the ESG projects they implement.

“For example, the installation of solar panels will entail higher energy efficiencies and savings on electricity bills. So they become more efficient in operating as an organisation. This is definitely a benefit for any business,” Heong added.

CIMB Bank Bhd regional head trade finance of group transaction banking Azeem Jamshed Azmi said should be more education and awareness to enable the mindset-shift on matters pertaining to ESG among the SMEs.

“SMEs that are bidding for projects will need to answer more questions about ESG compared with five years ago,” said Azeem.