



By YAP LENG KUEN

**D**EMAND for green financial products and services is on the uptrend with growing awareness of not just their economic but also environmental benefits.

Within two months since the relaunch of its SME Green Financing Scheme, RHB Bank had received over RM500mil in loan applications, and approved RM290mil in financing, as of May 2023.

In their transition journey, OCBC Bank Malaysia notes their questions on the cost and returns of investments as well as access to cheaper sources of funds.

Daily conversations with corporate clients at Maybank indicate that some are not ready to make the required decarbonising solutions, while others are looking for more incentives.

On the retail front, only 30% of Malaysian consumers have knowingly made use of sustainable banking products or services; about 81% were more satisfied with the services rendered compared to traditional bank offerings, according to a survey by a cloud banking platform.

### RHB to focus on SME green transition

The key focus for RHB in 2023 is to support its SME customers towards integrating sustainable practices into their business, through awareness programmes, advisory services and product offerings.

Through the Sustainable Financing Program (SFP), RHB Bank is targeting to provide RM1bil in green financing by 2025 for SMEs and retail customers.

The SFP promotes the adoption of renewable energy, green buildings and purchase of electric or hybrid vehicles.

Since it launched its green financing commitment in 2019, RHB has achieved RM8.9bil in green financing as of March 2023, exceeding its target by about 80%, said RHB Banking Group chief sustainability and communications officer Norazzah Sulaiman.

Under the five green financing schemes, SMEs are offered financing for renewable energy, construction, commercial property, working capital and capital expenditure.

The aim is to mobilise RM20bil in sustainable financial products and services, social impact financing and sustainability-linked loans, bonds and sukuk across the group's activities of lending and financing, capital market and advisory, investment asset management and insurance.

### OCBC on benefits of sustainable financing

One of the key benefits of sustainable financing is the opportunities for companies to enjoy lower borrowing costs.

This is if the environmental, social and governance (ESG)-related initiatives implemented by these companies have created a positive impact on the overall environment or social community, based on certain benchmarks, said OCBC Bank (Malaysia) managing director, senior banker and Investment Banking head, Tan Ai Chin.

Under Bursa Malaysia's #financing4ESG initiative, OCBC Malaysia

# Demand for green financing on the rise



will collaborate with the exchange to jointly identify listed companies which have embarked on a sustainable journey.

OCBC Malaysia will then offer tailored made sustainable financing to them.

As for other listed companies on Bursa Malaysia that have yet to be included in the FTSE4Good Bursa Malaysia index, OCBC Malaysia will work with the exchange to provide guidance on the criteria for their transition pathway to be eventually included in the index.

The FTSE4Good index highlights companies with a leading approach to ESG best practices and risks.

The OCBC Group has set a target of S\$50bil in sustainable financing by 2025, and already has a commitment of S\$44bil as at 2022.

### Maybank's strong support for green financing

Supporting renewable energy (RE) projects, Maybank had mobilised

RM535.70mil for solar and RM750mil for hydropower projects.

A total of RM2.06bil was given finance the construction of certified green buildings.

On the other hand, to finance the purchase of electric and hybrid vehicles, a total of RM1.21bil was disbursed and as at the first quarter of 2023, a total of RM38.8bil in sustainable finance had been mobilised.

Maybank has committed to mobilising RM80bil sustainable investment finance by 2025, said Maybank chief sustainability officer Shahrol Azuar Jimin.

Of the three pillars under its climate transition strategy, the second pillar focuses on accelerating investments in sustainable financing.

These include incentivising green projects, financing innovative technologies that help to reduce emissions, financing nature-based solutions and setting key performance indicators for sustainable or green financing.

Under the five focus areas of this strategy, are three related to green financing covering RE, food security, sustainable farming and electric vehicles. Other areas considered will be, among others, green infrastructure.

From 2017 to 2021, about US\$12.1bil in green and sustainable sukuk were issued globally, with Malaysia accounting for 21% of the total amount raised.

Corporates had been the main issuers of sustainable sukuk, accounting for 72% over the same period to finance, among other things, the energy and green buildings sectors.

### Public Bank intensifies climate change awareness

As a major hire purchase provider, Public Bank is targeting to mobilise RM33bil to finance energy efficient vehicles by 2025. Its commitment is to mobilise RM48bil in ESG-friendly financing by 2025, said Public Bank

managing director and chief executive officer Tay Ah Leo.

Public Bank provides preferential pricing for climate positive purposes; it collaborates with property developers in offering its special sustainable financing package to customers who purchase certified green properties.

Attractive profit rates and margin of financing are offered on the cost of solar packages.

As at the end of 2022, Public Bank has approved more than RM620mil under its green financing facilities.

Under Public Islamic Bank's special financing packages for solar panels, more than RM7bil has been provided, as at the end of 2022.

Meanwhile, a total of RM2.6mil has been approved under Bank Negara's low carbon transition facility.

On hire purchase, the group has mobilised more than RM30bil for the financing of energy efficient vehicles, as at the end of 2022.

It's important to note that sustainability is marathon, not a sprint.

Public Bank expects to roll out more green initiatives as it takes a supporting and nurturing role to customers in the transition to net zero carbon.

### UOB educates on sustainability practices

Private sector leadership is critical to avoid falling short of the national ambition of net zero by 2050.

UOB Malaysia is offering ESG workshops to help raise awareness of sustainability among small and medium-sized (SME) companies. This is in partnership with Malaysian Research Accelerator for Technology and Innovation.

A regional survey conducted by the bank this year revealed that 84% of Malaysian companies considered sustainability important but only 39% have started implementing sustainability practices, said UOB Malaysia chief executive officer Ng Wei Wei.

The UOB Group's sustainable financing portfolio reached S\$25bil in 2022; its goal is to achieve S\$30bil by 2025.

The U-Solar programme which was launched three years ago, has been expanded to include solar developers and contractors.

The U-Energy program that was introduced last year, has extended a green financing facility to IOI Corporation to help promote sustainable palm oil and strengthen the global sustainable palm oil supply chain.

The bank has allocated RM1bil to support SMEs in embracing sustainability, in partnership with Syarikat Jaminan Pembiayaan Perniagaan Malaysia (SJPP).

SJPP will guarantee up to 80% of the loans.

It has recently partnered the Sunway Group to support Sunway's subsidiaries and smaller businesses with its value chain in making the transition.

The lag in implementation of sustainable practices indicates the urgent need to catch up on this growing trend with the need for further awareness and education to close the gap.



Companies can enjoy lower borrowing costs, says OCBC Bank managing director, senior banker and Investment Banking head Tan Ai Chin.



UOB is offering ESG workshops on awareness for SMEs, says UOB Malaysia chief executive officer Ng Wei Wei.



SMEs will receive support through RHB offerings, says RHB Banking Group chief sustainability and communications officer Norazzah Sulaiman.



Maybank will commit RM80bil in sustainable investment finance by 2025, says Maybank chief sustainability officer Shahril Azuar Jimin.