

Media Title : The Edge  
Headline : EMPOWERING COLLECTIVE PROGRESS: RHB ACCELERATES SMEs' LOW-CARBON TRANSITION  
Date : 6 November 2023  
Section : ESG  
Page : 92



# EMPOWERING COLLECTIVE PROGRESS: RHB ACCELERATES SMEs' LOW-CARBON TRANSITION

THE ESG AND CLIMATE AGENDA is becoming increasingly important across all industries as the climate crisis intensifies, with stakeholders becoming more aware of its importance and regulators strengthening their commitment to addressing ESG concerns. While larger companies have been able to progressively integrate ESG into their businesses, many small and medium enterprises (SMEs), have struggled to cope due to lack of technical skills, knowledge, and clear regulatory requirements.

Recognising the pivotal role that SMEs play as key drivers of the economy, and their potential collective impact on the environment, RHB Banking Group has embarked on several sustainability initiatives and programmes that focus on Advancing and Supporting SMEs towards Sustainable Business Practices.

Mohd Rashid Mohamad, Group Managing Director/Group Chief Executive Officer of RHB Banking Group said, "RHB takes a proactive stance to facilitate the nation's low-carbon transition and encourage customers, especially the SMEs, to embrace ESG. The Group recognises Malaysia's pressing need to implement a just and responsible transition and have committed to empowering SME customers to embrace sustainable practices. This is closely aligned to the Group's financial inclusion efforts. We have taken a holistic approach to nurture and facilitate SMEs' sustainability journey, encompassing sustainable financial services, advisory support, as well as SME engagement

and capability-building activities."

Rashid went on to highlight RHB's sustainability programmes to support SME customers, and their key achievements:

## 1 Supporting SMEs – Setting the Expectations, Building Climate Resilience

The climate crisis is forcing every business to rethink traditional ways of operating. RHB has already begun this journey and we are dedicated to facilitating SMEs in their own transition journey.

Since FY2019, climate-related considerations have been gradually incorporated into RHB's lending and financing criteria. Effective FY2022, RHB will no longer pursue opportunities or provide financing for any new thermal coal mine projects and coal-fired power plant projects. RHB has also adopted a stance on No Deforestation, No Peat and No Exploitation (NDPE) whereby effective January 2022, RHB will only support responsible companies, including in the relevant sectors – Palm Oil, Forestry and Agriculture – that demonstrate alignment with our NDPE guidelines.

Nevertheless, the Group recognises that SMEs have distinct needs and challenges. Hence, RHB is committed to engaging with SMEs across all sectors to promote awareness and understanding on the importance of managing sustainability and climate risks within their business and operations as well as the impact and potential benefits.

In November 2022, we launched our Group Climate Action Programme (GCAP), a key enabler of the Group's climate efforts. "GCAP aims to embed climate considerations into RHB's business strategy, focusing on climate risk management and identifying commercial opportunities, especially in green and transition finance. As at June 2023, we have completed the finance emissions baseline for all asset classes and are establishing the Group's decarbonisation strategy for selected high-emitting sectors. We have also established our customer engagement strategy to accelerate their low-carbon transition," Rashid stated. RHB has also rolled out climate and ESG capability-building for relationship managers (RMs), to empower them with the necessary skills and knowledge to engage with customers.

Elaborating on the Group's customer engagement strategy, Rashid explained, "To ensure that our approach is structured and targeted, we have segmented our customers into three tiers, based on their decarbonisation maturity. Tier 1 customers are already at the advanced level, whilst Tier 2 are those who are moving towards developing a decarbonisation strategy. Tier 3 are customers who are most in need of nurturing, such as the SMEs. We have also developed sector playbooks to further guide our RMs as they engage with customers from different industries, to ensure that we address each customers' specific needs. RHB is placing emphasis on customers from high-emitting sectors, with high climate risks and impacts, to understand their decarbonisation strategies and provide value-added support."

## 2 Mobilising Sustainable Financial Services

"RHB is committed to mobilise RM20 billion in Sustainable Financial Services by 2026 and of this, we aim for RM3.3 billion to be directed towards supporting SMEs' transition. As at June 2023, RHB has achieved 85% of our 2026 target. Given that we

are on track to achieve our 2026 target ahead of schedule. RHB is revising our sustainable financial services commitment upwards, to maximise our impact and support our customers in their sustainability journey," said Rashid.

RHB offers a wide range of sustainable financial services tailored for SME customers as well as Retail customers, as part of the RHB Sustainable Financing Programme (SFP). The SFP targets SMEs looking to invest in green and energy-efficient solutions for their business. The four focus areas under the SFP include

***"RHB has achieved 85% of its RM20 billion sustainable financial services target and we are revising this commitment upwards to maximise our impact and support our customers."***

– Group Managing Director/  
Group Chief Executive Officer  
of RHB Banking Group  
Mohd Rashid Mohamad



Green Energy, Green Buildings, Green Products and Green Processes, all of which contribute towards SMEs' climate adaptation and mitigation efforts. As of June 2023, the Group has approved over RM900 million in SME Sustainable Financing, of which approximately RM102 million was mobilised through Bank Negara Malaysia's Low Carbon Transition Facility (LCTF).

Rashid emphasised, "Moving forward, RHB will broaden its sustainable finance focus to include transition finance, which helps SMEs across various sectors and industries that have yet to adopt sustainability practices, to achieve their sustainability goals. This will supplement our already-existing sustainable finance offerings, which primarily support already green or sustainable projects."

### **3 Forging Strategic Partnerships and Collaboration**

"RHB is forging strategic alliances to accelerate the adoption of sustainable practices by SMEs. By collaborating with industry leaders, green technology firms, as well as technical and sustainability experts, RHB is providing SMEs with the resources and support they need to thrive in the transition to a sustainable economy," stated Rashid.

In August 2023, RHB formalised a landmark collaboration with Tenaga Nasional Berhad (TNB), becoming Malaysia's first financial services provider to embark on such a partnership. RHB and TNB will jointly expedite the adoption of sustainable practices amongst retail and SME customers by delivering renewable energy and energy efficiency solutions. RHB and TNB will co-organise SME roadshows across major Malaysian cities commencing November 2023, with the aim of promoting awareness and providing advisory services regarding sustainable business practices, introducing

energy-efficient solutions and green financing solutions for SMEs.

The nationwide engagements would be an extension of the multiple ESG roadshows conducted by RHB throughout 2023 in collaboration with respected trade associations such as the Malaysian Retail Chain Association (MRCA), The Electrical and Electronics Association of Malaysia (TEEAM), and the Federation of Malaysian Manufacturers (FMM). These engagements have benefitted SMEs through introduction to the fundamentals of sustainability and provided specialized knowledge in key areas such as energy efficiency and GHG emissions management.

### **4 Strengthening Capabilities in Sustainable Finance via Sector Specialists**

RHB is bolstering its Sustainable Finance team with the appointment of ESG Sector Specialists with deep expertise in key industries such as renewable energy, oil palm, healthcare, and property. These specialists will bring their unique insights and perspectives to RHB, enabling the Bank to make better informed decisions and develop more effective strategies to support its customers in their sustainability endeavours.

Rashid emphasised, "Through all these efforts, we aim to facilitate SMEs' climate transition journey, enabling them to effectively manage their risks, while simultaneously capitalising on the numerous opportunities stemming from Malaysia's green transition ambitions and plans – such as the recently-announced National Energy Transition Roadmap (NETR) and the Industry ESG Framework (i-ESG Framework). Moving forward, our vision is to continue to foster close collaboration with strategic partners to build an enabling ecosystem that empowers SMEs to make further progress in their sustainability journeys, to not only achieve our sustainable finance commitment, but to drive positive change across the nation."