



# Moving towards sustainability

## Important for SMEs to embrace green principles in their businesses

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AS more companies adopt sustainability practices, this trend is also fast catching up in the small and medium enterprise (SME) segment.

Experts and industry observers expect more SMEs to embrace sustainability practices, encompassing the environmental, social and governance (ESG) principles, in their businesses this year.

UOB Malaysia country head for wholesale banking Andy Cheah tells *StarBizWeek* he believes 2024 is the year that more Malaysian SMEs will adopt ESG practices into everyday business operations.

He says this is driven by green finance initiatives by the Malaysian government and private sector players like UOB catalysing sustainability adoption in the country, supported by improving economic conditions which will enable SMEs to strengthen their foundations for sustainable growth.

However, he says, SMEs will need to deepen their knowledge on sustainability to ensure that they have a good understanding of how the evolving sustainability agenda will impact their business models, and how best to respond to future proof their companies.

Programmes such as UOB FinLab's Jom Transform Sustainability Accelerator, he says, plays a big part in helping SMEs through this journey and strongly encourages them to employ the best practices and strategies when transitioning to a green and sustainable business.

The programme also provides access to a network of reputable industry experts to provide guidance as needed on this journey to further ease and accelerate the transition.

"Another trend we expect to see this year is the rise of greentech solutions in Malaysia.

"As more companies go green, there will naturally be a demand for innovative greentech solutions to meet the economic and environmental needs of businesses.

"It is crucial for greentech solution providers to educate and work closely with SMEs, corporates and industry leaders to pilot and commercially deploy solutions through industry ecosystems and programmes such as UOB FinLab's GreenTech Accelerator to further empower businesses to make a successful transition towards a greener business model."

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UOB FinLab is an innovation accelerator under United Overseas Bank Ltd.

Malaysian climate management company Pantas chief executive officer Max Lee says navigating the intricate landscape of carbon tracking, ESG reporting, and aligning with international sustainability standards presents a significant challenge for SMEs in Malaysia.

### Navigating new trends

Elucidating on how local SMEs can navigate ever-evolving practices such as carbon tracking, reporting and meeting internationalisation of sustainability metrics, he says the solution lies in fostering industry collaboration and harnessing the power of technology.

"Our approach at Pantas is multifaceted. Firstly, innovation is at the forefront of our strategy.

"We specialise in offering bespoke solutions tailored to the unique needs of businesses aiming to efficiently track, manage, and report their ESG metrics, with a particular emphasis on carbon emissions.

"Utilising advanced, proprietary artificial intelligence (AI) technology, our platform integrates seamlessly with existing Enterprise Resource Planning (ERP) systems.

"This integration not only facilitates personalised decarbonisation strategies but also connects clients with specialised financing options through our network of banking partners, easing the financial burden of transitioning to sustainable practices," Lee points out.

Secondly, he says the company actively encourages and participates in open dialogues among SMEs, government bodies, and larger corporations to assist them in implementing their green initiatives such as managing their supply chain emissions and setting their emission targets.

"Through our close collaborations with the private and public sector, we have invaluable insights into the specific challenges SMEs face and the expectations of larger corporations.

"These insights are crucial as they inform the development of our innovative, customised solutions.

"Our aim is to facilitate a 'just transition' for SMEs – one that is fair and supports them in adopting sustainable practices without sacrificing their competitive edge," he adds.

In the broader context, he says tools like the UOB Sustainability Compass serve as another example of innovative solutions aiding SMEs in their green journey.

This solution provides a simple, online mechanism for SMEs to generate a cus-

tomised report based on their sector and sustainability maturity stage, Lee says, noting that this kind of tool complements the company's efforts in offering SMEs a clear roadmap and actionable steps towards achieving their sustainability objectives.

He says one of the primary obstacles for SMEs is the lack of education, appropriate tools, and expert support. Sustainability is an ongoing journey with continuously evolving requirements.

Therefore, he stresses that it's essential for SMEs to access a robust network of industry experts and user-friendly solutions.

### Facilitating knowledge

To this end, programmes like the UOB FinLab Jom Transform Sustainability Accelerator and the UOB FinLab GreenTech Accelerator play a vital role.

They provide SMEs and solution providers access to a broad ecosystem of industry players, including both public and private sector leaders, facilitating knowledge exchange and collaboration.

"Another significant challenge is the limited financial resources available to SMEs for implementing sustainability initiatives. These include the costs of adopting new green technologies, sustainability reporting, and hiring skilled personnel.

"Given their typically limited budgets, it's understandable that integrating sustainability into their business strategy is challenging.

"This situation highlights the need for affordable and accessible solutions that allow SMEs to adopt sustainable practices without undermining their financial stability.

"To address this financial hurdle, both public and private sectors are making commendable efforts.

"The government, in its 2024 Budget, announced an allocation of RM200bil to support the transition to a low-carbon economy.

"These include incentives like tax credits, grants, and deductions for ESG-related expenses and carbon projects. Similarly, private sector entities like UOB have introduced initiatives such as U-Green Financing, designed to support the ESG goals of their customers," Lee emphasises.