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BEYOND FINANCE: RHB LEADS THE CHARGE TOWARDS A SUSTAINABLE FUTURE

Embracing ESG principles is crucial for driving sustainable growth, promoting inclusivity, and tackling the urgent challenges of climate change and social inequality

AS THE EFFECTS of climate change intensify and the demand for responsible business practices strengthens, adherence to ESG principles has shifted from choice to necessity. The financial sector is at a pivotal moment: can banks and investors lead sustainable growth while ensuring that the transition to a low-carbon future is inclusive and equitable?

The urgency of climate action

Climate change presents an immediate and severe threat to the global economy, with Malaysia being no exception. Southeast Asia is particularly vulnerable to climate impacts, with potential significant disruptions to agriculture, water resources and coastal infrastructure. Given these risks, urgent action is needed from all sectors, including the financial services

industry, which plays a pivotal role in enabling the transition to a low-carbon economy.

At RHB Banking Group, we have placed climate action at the core of our strategy and decision-making processes, recognising the urgent need for sustainable development. As part of the Group's commitment to addressing the global climate challenge, the Group has pledged to achieve carbon-neutral operations by 2030. To this end, RHB, through its 5-Year Sustainability Strategy and Roadmap, has developed a robust plan that outlines clear steps and targets to achieve 45% reduction in operational carbon emissions by 2026, and 60% reduction by 2030, with the residual 40% to be addressed via carbon offsetting.

A cornerstone to our climate strategy is the Group Climate Action Programme ("GCAP") launched in 2022, which addresses the emissions

we finance. We have identified five key sectors that are central to reducing our financed emissions namely Energy Supply, Palm Oil, Oil & Gas, Property & Construction, and Transport, which contribute over 80% of the Group's financed emissions as at baseline, 31 December 2022. RHB have also developed sectoral decarbonization strategies for each sector.

In tandem with these efforts, the Group is also driving growth in green financial services and supporting companies that has committed to carbon neutrality, through innovative products and solutions that support sustainable projects and development. This includes financing for renewable energy, energy efficient infrastructure and other green investments that support the broader goal of decarbonisation. As at June 2024, the Group has mobilised RM31.5 billion in Sustainable Financial Services against the Group's 2026 target of RM50 billion. 55% of this amount was directed towards financing and investments in green activities, whilst a further 23% and 22% respectively was directed towards social financing and ESG-linked activities.

The Group has integrated sustainability into its risk management process, ensuring that climate-related risks are systematically considered across our operations. This integration allows us to manage and mitigate potential risks while identifying new opportunities for sustainable growth.



"At RHB, our commitment to sustainability is not just a goal, but a responsibility we have toward our shareholders, customers, employees, communities and the future generations. The path to net-zero must not leave anyone behind. A just transition is both essential and strategically necessary to ensure that economic growth and environmental stewardship coexist. Together with all our stakeholders, we look forward to shaping a sustainable future that benefits the People and the Planet."

— Group Managing Director/ Group Chief Executive Officer of
RHB Banking Group Dato' Mohd Rashid Mohamad

Supporting SMEs in their transition journey

At RHB, supporting small and medium enterprises ("SMEs") in their sustainability journey is a key focus area of its sustainability and climate strategy. The Group has established the SME Sustainable Financing Programme, designed to provide tailored financial solutions that help businesses transition to low carbon operations. As at June 2024, the Group has mobilised RM2.1 billion in SME Sustainable Financing programme, while a further RM411 million was mobilised through the Bank Negara Malaysia's Low Carbon Transition Facility ("LCTF"). By leveraging funds such as the LCTF, it ensures that SMEs have access to the capital they need to adopt greener practices and technologies.

In addition to financing, the Group is also actively engaged in knowledge sharing and raising awareness among SMEs on the importance of sustainability and addressing climate-related risks as well as the benefits of integrating it into their business and operations. As of June 2024, RHB has conducted 21 SME engagements nationwide in collaboration with relevant industry partners, connecting with over 1,100 SMEs across Malaysia.

"Through these efforts, we aim to ensure that the transition is inclusive, helping SMEs from various sectors to adopt greener practices while generating long-term value for both their businesses and for us at RHB Banking Group. Our goal is to empower SMEs with the tools, resources, and the financing necessary to thrive in the evolving sustainable marketplace," says Dato' Mohd Rashid Mohamad, Group Managing Director/ Group Chief Executive Officer of RHB Banking Group.

Moving forward, the Group will further intensify its sustainable finance efforts, with the establishment of its Sustainable and Transition Finance Framework ("STFF"). The STFF will provide credibility over sustainable and transition finance criteria, thus

strengthening its commitment to enabling a just transition.

Strengthening expertise

RHB is also intensifying efforts to build the capabilities of its first, second and third line of defense to ensure a unified approach in addressing climate related risks and opportunities. Its comprehensive capability-building initiative which is categorised into Foundation, Intermediate and Advanced Level, is designed to strengthen its customer engagement capabilities, enhance risk management practices, improve cross-functional collaboration, and ensure that sustainability and climate considerations are fully embedded in its decision-making processes across the Group. To-date, RHB's learning programmes have reached over 11,000 participants, equating to over 27,000 learning hours.

Enhancing transparency through comprehensive disclosures

The rise of ESG has ushered in rising concerns over greenwashing risk. Consequently, there is mounting pressure on businesses to showcase genuine sustainability efforts through transparent, robust and materiality-based.

As the Group intensifies its efforts in integrating sustainability and climate considerations into business and decision-making processes, transparency in how it manages sustainability and climate-related risks and opportunities is essential. In line with the growing regulatory frameworks such as the Bursa Enhanced Sustainability Reporting Framework and the National Sustainability Reporting Framework, as well international best practice standards such as the GRI, the Group is committed to providing clear, transparent and comprehensive disclosures that reflect its progress in executing its Sustainability and climate strategy.

The importance of climate-related data in this process cannot be

overstated. Accurate, timely and reliable data forms the foundation of robust disclosures, enabling the Group to assess the impacts of its climate initiatives and make informed decisions. It will also allow stakeholders which includes investors, customers, regulatory authorities and rating agencies to evaluate its performance and the effectiveness of its sustainability strategy in contributing towards the bigger sustainability goals.

Since 2022, RHB has conducted annual third-party assurance on the Group's selected key sustainability Key Performance Indicators ("KPIs") disclosed in the Sustainability Report to enhance data credibility and foster trust among its stakeholders.

As sustainability reporting standards evolve, RHB remains steadfast in its commitment to transparency and accountability. By adopting the latest global standards, the Group ensures its disclosures align with regulatory requirements and best practices, reflecting the full scope of its sustainability efforts.

Dato' Mohd Rashid adds, "At RHB, our commitment to sustainability is not just a goal, but a responsibility we have toward our shareholders, customers, employees, communities and the future generations. Building a sustainable future necessitates leadership, collaboration, and an unwavering commitment to inclusivity. The path to net-zero must not leave anyone behind. A just transition is both essential and strategically necessary to ensure that economic growth and environmental stewardship coexist. Together, with all our stakeholders, we look forward to shaping a sustainable future that benefits the People and the Planet."