

Media Title : The Star
Headline : ESG criteria key in attracting foreign investors
Date : 10 March 2022
Section : Business / Bizbytes
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ESG criteria key in attracting foreign investors

PETALING JAYA: Malaysia could see an improvement in international investor interest if it is able to address the “social” criteria in the environmental, social and governance (ESG) requirements.

Notably, local companies in certain sectors have come under the spotlight recently on allegations of forced labour.

This has caused some companies to be overlooked by investors.

“Some of our listed companies have seen their share prices perform poorly due to the so-called ESG discount.

“They are trading lower than they ought to be and have been despite their end products being in demand.

“That gap between where they are and where they ought to be is the discount,” said Malaysian Industrial Development Finance Bhd’s (MIDF) group managing director Datuk Charon Wardini Mokhzani.

He pointed out that Malaysia was in the bottom tier for human trafficking as well as forced labour according to the 2021 Trafficking in Persons Report by the United States state department and the International

Child Labour & Forced Labour Reports of the US Department of Labour.

However, he noted that not all the companies within the sectors concerned are misbehaving.

“Many of our great companies are addressing the issues that have been raised and correcting misperceptions about them. Unfortunately, though, the sectors and our country have been tarred with the same brush,” Charon said at the MIDF Green Conference 2022 yesterday.

He added that if companies were to embrace ESG, it would help lift stock valuations and increase long term returns to investors.

“Imagine if conversely, we could command an ESG premium, where investors would be willing to pay more for renewable energy producers, for example, or manufacturers that only use renewable energy.

“This is possible in Malaysia, where we can generate solar and hydro power in an environmentally responsible way,” Charon said.

Meanwhile, Minister in the Prime Minister’s Department for Economy, Datuk Seri Mustapa

Mohamed said the government may be releasing the details on its 2050 net-zero emissions target this year.

“Once the specifics are out, we will have a clearer picture on this – after this we would be able to gather all the various institutions to move the country forward towards a more sustainable future,” he added.

Mustapa said the net-zero agenda was an important one for the country and large corporations, such as Tenaga Nasional Bhd, have made some headstart in the space.

While it may be a painful transition for some industries – particularly small and medium enterprises – it is a pathway that needs to be taken.

Mustapa added that the Environment and Water Ministry was in discussion with Bursa Malaysia to set up a carbon trading platform locally.

“Bursa Malaysia has been very active and aggressive on this, they are one of the major proponents for this matter,” he said.

He also noted that the treatment of blue collar workers is a very important matter that must be tackled and resolved.