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KUALA LUMPUR: The Ministry of Environment and Water Malaysia (Kasa) and Capital Markets Malaysia (CMM) yesterday jointly launched an initiative to advance the adoption of environmental, social and governance (ESG) practices by small and medium enterprises (SME) in Malaysia.

Kasa secretary-general Datuk Seri Dr Zaini Ujang said given that SME accounted for 38.9% of Malaysia's gross domestic product in 2020, this sector will have a vital role to play in the national climate change agenda.

"Quantifying your emissions will provide many other benefits for your business, which includes saving money, improving your energy efficiency and managing risks while building competitiveness and your reputation.

"Businesses have no option but to take stock of their emissions in order to be ahead of others and to be relevant in these challenging times," he said in his welcoming address at the "Adoption of Sustainability for SMEs" webinar held virtually yesterday.

The webinar also held its first series of capacity-building initiatives to support SME in developing corporate sustainability

programmes that will contribute towards the nation's aspiration to achieve net zero greenhouse gas emissions earliest by 2050.

The fulfilment of this target is contingent upon the completion of the Long-Term Low Emissions Development Strategy being developed by Kasa and expected to be finalised by end-2022.

Meanwhile, CMM chairman Datuk Zainal Izlan Zainal Abidin in his welcoming remarks said that large corporations seeking to meet enhanced sustainability standards, particularly those which have set net zero carbon targets, must rely on their suppliers to follow suit.

He noted that the 2021 study by Standard Chartered revealed that by 2025, 78% of multinational corporations (MNC) will remove suppliers that endanger their carbon transition plan.

The study, which looks at the risks and opportunities for suppliers in emerging and fast-growing markets as large corporates transition to net zero, also found that MNC expect to exclude 35% of their current suppliers as they transition away from carbon.

More than two-thirds of the 400 MNC

surveyed for the report indicated that tackling supply chain emissions is the first step in their net-zero transition pathway, as supply chain emissions account for an average of 73% of MNC's total emissions.

"This represents both an opportunity and a risk to suppliers. The cost of inaction is extremely high as large; as corporations race against the clock to achieve their net zero carbon ambitions, suppliers that do not support their emission reduction target, risk being replaced by those able to aid their transition.

"Conversely, suppliers which take proactive steps to prioritise sustainability are in a better position to retain and attract these large corporate customers," said Zainal Izlan.

He said the programme forms an important component of a key priority for CMM's Centre for Sustainable Corporations to advance the sustainability efforts of Malaysian public-listed companies.

"As CMM continues supporting these companies in their sustainability journey, it is important to ensure that the SME, which form part of their supply chains, also move in tandem," he added. – Bernama