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By M. MAGESWARI  
mages@thestar.com.my

INVESTORS increasingly want to see environmental, social and governance (ESG) practices in corporations.

Businesses that strategise on carbon reduction aspects, for instance, are expected to see significant benefits including increased innovation, competitiveness, risk management and growth in the long term.

During a webinar, OCBC Bank (M) Bhd managing director, senior banker and investment banking head Tan Ai Chin said, "ESG has become a matter of survival and longevity for business".

The "Sustainable Finance Series" webinar was hosted by the Malaysian Institute of Certified Public Accountants (MICPA) and Sustainable Finance Institute Asia (SFIA).

Tan said OCBC achieved S\$34bil (RM109bil) in its sustainable finance portfolio in 2021, and had set a new target of S\$50bil sustainable finance commitment to be achieved by 2025.

"OCBC became the first foreign bank to collaborate with Bursa Malaysia under the latter's #financing4ESG initiative to jointly develop sustainable financing options that recognise public-listed companies' ESG credentials.

"We started these best practices in 2017 and have developed our responsible financing framework to integrate ESG consideration into our financial activities," she said.

In elaborating on the new funding landscape – decarbonisation – she explained that an estimated total capital investment of up to RM450bil was required from now until 2050 for Malaysia to achieve a net zero target.

# Spotlight on ESG practices for business longevity

## Webinar on sustainable finance looks at ways corporations can adopt new funding landscape, increase supply chain demand

Tan highlighted the establishment of public policies as well as legislative and regulatory frameworks to facilitate the transition towards a low-carbon economy.

Meanwhile, AmBank Islamic Bhd chief executive officer Eghwan Mokhzanee Muhammad said sustainable finance covered all financing activities that contributed to sustainable development, which included ESG aspects.

Redha Shukor, who is supply chain, operations and sustainability lead of PwC Malaysia, said there was increasing demand for supply chains to become more sustainable.

"It is imperative that companies begin to rethink their supply chains to mitigate risks and leverage on opportunities to create value," he said.

On steps that could be taken to implement a sustainable supply chain, Redha said these would be upskilling the workforce in the area of sustainability through development programmes and training; developing a robust and transparent supplier data framework; disclosing a company's policy on key ESG material issues and progressively applying ESG expectations on



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stakeholders and performing audits on suppliers throughout the supply chain to determine any potential ESG risks and issues that might arise.

In a panel discussion moderated by SFIA chief executive officer Eugene Wong entitled "Towards a

Zero Carbon Future: The New Funding Landscape and Supply Chain Opportunities", Eghwan said AmBank Islamic scrutinised credit risks when assessing loan applications.

Currently, the bank has ESG risk assessments and introduced an eight sector-specific checklist this year in addition to a general sector checklist, Eghwan added.

Tan said concerted efforts have been made by corporations and government-linked companies to understand what could be done and how banks could support them in their ESG initiatives.

"Carbon credit is still new in the market but it is actually a source of cash flow if done right," she noted.

UEM Edgenta Bhd independent non-executive director Jenifer Thien said: "No matter if you are a big company or a small business, you need to decide if it (ESG initiative) is going to be a defensive strategy or a game changer.

"If you want to change the game, it will become a business strategy rather than a compliance move.

"If you want to be a survivor, you really need to decide who you want to align with – which customers,

financers and so on.

"Understand your supply chain. Meet your key suppliers, find out what innovations they are working on or if there are any barriers, because collaboration is critical," said Thien.

Redha said companies that have experienced operational improvement or efficiency in terms of costs arising from sustainability would appreciate its value, although it always starts with regulatory compliance or interests from stakeholders and investors.

Asked if ESG initiatives would take a back seat with the risk of inflation, Tan said all corporations needed to embark on the journey.

Redha said it was important for organisations to continue to drive ESG compliance, adding that "it helps organisations to focus on value and prioritise their resources effectively".

Thien stressed that ESG practices have to be embedded in the business and that "it is a long-term journey".

"You have to deliver progress over the short term to see if it is credible and have a high level of trustworthiness," she said.