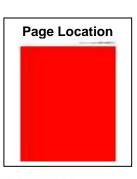


## No easy going for ESG

Sentiment **Outlet Country Impressions** PR Value

Positive Frequency **Outlet Language** Malaysia 582,136 Circulation 174,640 **Page** 

Daily **English** 291,068 23



## No easy going for **ESG**

JUST a few years ago, environmental, social and governance (ESG) investing was all the rage. Now, it is poised to undergo significant shifts as global trends reshape capital flows and corporate strategies. While Europe remains the frontrunner in sustainable investments, the United States faces mounting challenges, while the Asia-Pacific region shows promising growth in

while the Asia-Pacific region shows promising growth in ESG adoption.

According to CIMB Research, the US political and regulatory climate could significantly influence global ESG dynamics.

"Investors should closely monitor the divergence between European and US banks' sustainability commitments, development of the US energy transition, and regulatory developments in key markets," CIMB Research notes.

Sustainable fund flows illustrate this divergence.

"Sustainable fund flows remain strong in Europe, which

remain strong in Europe, which continues to lead in sustainable investments, although inflows have slowed from their peak in 2020 to 2021," CIMB

In 2020 to 2021; CLMB Research states. Meanwhile, ESG-driven out-flows have persisted in the US since early 2022. In contrast, Asia-Pacific markets are wit-nessing growing investor engagement and optimism in sustainable investing.

The US ESG landscape is par-ticularly strained by political and legal pressures. CIMB Research highlights ongoing lawsuits against asset managers who integrate ESG factors, including the Spence vs American Airlines case, which underscores increasing litigation risks.

underscores increasing litigation risks.

US banks have also distanced themselves from climate-related alliances such as the Net-Zero Banking Alliance due to regulatory concerns. Despite this, CIMB Research observes that "many banks continue to engage in addressing climate issues". Potential political changes in the US further complicate ESG investment strategies. "The Trump administration could significantly slow the US energy transition," CIMB Research cautions.

The brokerage notes that potential policy shifts could include "rollbacks on electric vehicle targets, offshore wind expansion, and international climate commitments".

Consequently, natural gas is

Consequently, natural gas is likely to dominate the US energy mix, with some expansion in nuclear and select renewable

## Net-zero commitments

Despite ESG headwinds in the US, corporate net-zero commitments continue to rise.

The Trump administration could slow the US energy transition

European asset owners continue to back sustainable investments

Institutional investors in Malaysia are progressing in their ESG efforts

"Over 1,000 publicly listed firms in the Forbes 2000 now have net-zero targets, double the number since 2020," CIMB Research states.

This ongoing momentum underscores a broader corporate shift towards sustainability, despite political uncertainties.

despite political uncertaint

despite political uncertainties. Investor sentiment towards the energy transition, however, appears muted. "Investor sentiment toward the energy transition is cooling owing to concerns over returns," CIMB Research observes. While the transition has yet to yield significant equity gains, European investors remain com-mitted. "European asset owners con-

mitted.
"European asset owners continue to back sustainable investments, with significant capital allocated to new energy transition funds," CIMB Research adds. Regulatory developments are also shaping the ESG landscape, particularly in Europe, where authorities are tightening measures against greenwashing.
"European regulators are

ures against greenwashing.
"European regulators are
increasingly cracking down on
greenwashing, imposing stricter
criteria for ESG-labelled funds,"
CIMB Research notes.
Although the European Union
is working to streamline reporting standards to reduce corporate administrative burdens,
these changes are military to

these changes are unlikely to drastically improve the region's

## Resilient adoption

In Malaysia, ESG adoption shows resilience despite global uncertainties. "We have not seen any rollback

on ESG adoption by companies in Malaysia, which we believe is still in the mid-cycle adoption stage,"

CIMB Research says.
However, the research house acknowledges that slower transition progress is possible if returns from ESG projects fail to offset risks

Malaysia's sustainable investment landscape continues to

ment landscape continues to expand. According to the Securities Commission's data, there were 68 sustainable and responsible investment funds as of Dec 31, 2023, up from 58 funds a year

earlier. The total net asset value of these funds rose 9.2% year-on-year to RM7.70bil, represent-ing 0.79% of total assets under management, which amounted to RM975.5bil.

Large institutional investors in Malaysia are progressing steadily in their ESG efforts.

"Government-linked investment funds like the Employees Provident Fund, Khazanah, Kumpulan Wang Persaraan, and Permodalan Nasional Bhd released their sustainability frameworks in 2022," (CIMB Research highlights. Additionally, from this year onwards, Malaysian companies will adopt the National Sustainability Reporting Framework to strengthen transparency, accountability, and global alignment in sustainability reporting. Conversations with Malaysian corporates reveal steadfast ESG commitment. "Our conversations with companies revealed that they are steadfast ESG commitment to sustainability, as the steadfast ESG commitment. "Our conversations with companies revealed that they are steadfast ESG commitment to sustainability, as this is a key requirement for both investors, bankers and consumers," CIMB Research notes.

The brokerage anticipates that regulatory scrutiny may ease over time, potentially reducing ESG compliance costs. Malaysian companies linked to the national energy transition include Tenaga Nasional Bhd (TNB), KJTS Group Bhd, Genetec Technology Bhd, Mega First Corp Bhd and solar players such as Solarvest Holdings Bhd. "We like TNB and KJTS (under the energy efficiency lever) for their energy transition plan exposure," CIMB Research shares.

In the medium term, ESG trends may positively impact Malaysia's palm oil sector, it

Malaysia's paim on Sector, a notes.

"Global trends could turn positive in the medium term for sectors like paim oil (SD Guthrie Bhd, 101 Corp Bhd, Kuala Lumpur Kepong Bhd, Genting Plantations Bhd, and others) that have been derated owing to ESG-driven foreign outflows but have significantly improved sustainability practices," CIMB Research points out.

