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BEYOND GREEN

The Edge, Malaysia



BEYOND GREEN: FINANCING JUST AND RESPONSIBLE TRANSITION FOR MALAYSIAN BUSINESSES

ust and responsible transition is a key focus for RHB Bank, where sustainable finance goes beyond green initiatives to ensure inclusivity, accessibility and affordability for all businesses.

"The process of just and responsible transition is to empower our customers to transition at a measured pace aligned to their sustainability capacities. Invariably, customers will be at different stages of maturity across the transition spectrum and it is unfair to apply uniform transitory conditions. Transition empowerment involves establishing effective bespoke pathways supported by efficient risk-based financing to ensure decarbonisation across the economic value chain," says RHB group chief sustainability officer Angus Salim Amran.

Climate resilience and sustainable socio-economic development cannot be accomplished without the decarbonisation activities of companies across the business value chain, especially small and medium enterprises (SMEs), which play a pivotal role in driving economic growth in developing countries like Malaysia.

"Malaysia's National Energy Transition Roadmap (NETR) provides a comprehensive strategic plan to steer the energy systems away from conventional, fossil fuel-based sources and towards cleaner, more sustainable alternatives to achieve net-zero emissions by 2050. Responsible transition is embedded as an enabler to achieve sustainable priorities.

"Sustainability requires the collective efforts of all economic actors. As a financial institution, RHB has the leverage to mobilise capital and exercise leadership to narrate transition and navigate decarbonisation of the economy. We are developing innovative and efficient sustainable finance products and solutions to curate impactful transition pathways for our customers that are just and responsible, to foster sustainable and progressive economic growth," he says.

Sustainability is in the bank's DNA
RHB's Sustainability Strategy and Roadmap comprises four thematic pillars: sustainable and responsible finance; commitment to net zero by 2050; embedding good practices; and enriching and empowering communities. In February this year, RHB introduced PROGRESS27, its new corporate strategy that further accelerates the creation of sustainable value for all stakeholders, with sustainability being a core component.

Aligning with this strategy, RHB raised its sustainable finance services target to RM90 billion by 2027. This significant increase from its previous target of RM50 billion by 2026 is consistent with the bank's strategy to set a measured yet progressive sustainability growth trajectory, and play a leading role to drive Malaysia's transition to a sustainable and low-carbon economy, as well as achieve net zero by 2050.

"We've cumulatively mobilised RM41.2 billion in sustainable financial services as at FYE2024, and continue to see strong growth momentum from emerging green and socio-economic activities, registering RM45 billion as at end-1Q2025. The substantial increase to our RM90 billion target underlines the significant financial commitment we are providing our customers to transition and support low-carbon opportunities under the NETR," says Angus Salim.

"PROGRESS27 is embedded on client centrality to prioritise service excellence. We view sustainability not as transactional but pivotal to mainstream banking as we move towards net zero. Environmental, social and governance (ESG) considerations are integrated throughout the bank's business, operations and value chain, and our relationship managers are equipped with the skills and knowledge to guide customers through their transition pathway.

"SMEs are at the centre of supply chain management and sustainable economic growth. As a key focus customer group for RHB, we engage principal vendors and have positioned supply chain financing as a strategic action plan under PROGRESS27. The bank has set up five SME green financing schemes:

a programme covering financing for green renewable energy, construction, commercial property, capital expenditure for equipment and machinery, and working capital. In December 2024, we further strengthened our sustainable financing commitment to the SME sector by establishing a RM1 billion ESG Trade Finance Programme to support trade finance and working capital requirements for green and transitioning SMEs.

"The importance of early and orderly transition cannot be understated and we apply a structured, customer-focused sustainability cycle approach, depending on their level of ESG maturity. Working with our customers, we curate transition strategies based on their sustainability capacities, supported by standard and bespoke financial products and solutions. We track transition progress through proactive engagement and data analytics to close performance gaps and elevate sustainability competencies.

"Our relationship managers have been upskilled to proactively guide our SME customers on establishing a progressive decarbonisation pathway aligned to their preparedness, as the price of inaction or delayed transition will be significantly higher to the company and the environment. The sustainability landscape is evolving and companies must factor in sustainability-related risks as part of strategic business decisions.

"The growing pervasiveness of sustainable finance has revealed market inefficiencies arising from

externalities, and transition risk in the form of carbon risk pricing and tax, which have implications on overall financing costs. Sustainable transformation requires dynamic product innovation to improve carbon price discovery and make climate finance more efficient. We're here to ensure that our customers have the products and the capacity to transition impactfully and to support them along the way," says Angus Salim.

Developing a sustainable finance ecosystem, making transition affordable

"A robust and sustainable finance ecosystem must be developed to address market inefficiencies from externalities associated with non-sustainable economic activities. At RHB, we are leading from the front in ideating innovative financial products to make sustainable finance more competitive and transition affordable," says Angus Salim.

"In March, we launched a corporate ESG deposit account where the proceeds are used to fund green and social activities consistent with RHB's ESG Eligible Business Activity Guidelines (EBAG). The value proposition of RHB's corporate ESG deposit is its direct materiality impact on green and socio-economic activities aligned to universal suitability objectives. The inclusion of the ESG deposit enhances a company's sustainability profile and reputation to a wider group of lenders and investors, increasing the potential for lower financing costs."

He continues: "In September 2024, RHB launched Malaysia's first Sustainable Use of Proceeds (UOP) Cross Currency repurchase (repo) transaction, secured against government securities and government-guaranteed securities. The enhanced credit structure of the repo enabled us to reduce funding costs by two basis points for sustainable SME loans. This product was awarded the "Most Innovative Sustainable Finance Deal" for Malaysia by The Asset Triple A Sustainable Finance Awards 2025.

"Internalising carbon pricing on economic activities should guide the development of a sustainable finance ecosystem to eliminate externalities and incentivise economic stakeholders to undertake transition which promotes climate resilience and societal well-being, ultimately driving sustainability progress for all," says Angus Salim.

"The sustainability landscape is evolving and companies must factor in sustainability-related risks as part of strategic business decisions."

— Angus Salim Amran,
group chief sustainability
officer of RHB

