

Headline	Establishing ESG within the Asean framework		
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# Star ESG

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# Establishing ESG within the Asean framework

Nearly all reports that forecast the region best-positioned for growth are emerging markets in Asia, or the Asean region.

According to Oxford Economics, Asian countries scored most favourably for long-term growth in emerging markets, highlighting markets in China, the Philippines and Malaysia being the best positioned for growth beyond 2024.

However, on Oct 1 last year, the World Bank projected a dip, from 5% last year to a forecast of 4.5% in 2024's first quarter, which was mentioned in its semi-annual economic outlook for the region.

With environment, social and governance (ESG) issues emerging as important factors in today's global economy and will determine trade access into developed nations and blocs, where do Asean states stand in this development?

As Asean region and ESG experts from the Asia School of Business (ASB), Dr Pieter E. Stek and Dr Melati Nungsari have both co-authored the *ESG Practices in Asean and Korea: Pathways Towards Sustainability* guidebook, which provides Asean countries and stakeholders relevant to the ESG landscape with a comprehensive overview of the policies that have been effective and ineffective.

The guide also introduces the different strategies and industrial sectors that each nation is focusing on.

They both offered StarESG with some insight on how ESG is being pursued across Asean countries, particularly among the small- and medium-sized enterprises (SMEs).

**As the Asean region adopts more ESG practices, how would this affect inter-regional trade, as these practices involve regulations and requirements?**

The main drivers of ESG practices in emerging Asean countries are

global supply chains, governments, more progressive business leaders, and a young(er) demographic group that pushes for and demands more sustainable consumption.

Although there is also growing ESG awareness among Asean consumers, this is to a lesser extent than in North America and Europe, that is, it is less bottom-up.

Because a lot of intra-Asean trade already takes place as a part of global supply chains, and the traceability and reporting requirements are getting increasingly stringent, there are spillovers of ESG practices into the entire Asean production system.

Many producers, who may face higher ESG requirements for sales to North American and European customers, will often use this higher benchmark when designing their processes, even when they are selling to say, India, China or elsewhere in Asean, where buyers have lower requirements.

The question of the diffusion of ESG practices is one of speed (when will sectors or firms move to a higher ESG standards), but also of inclusion, as SMEs may not be able to meet the certification, documentation and traceability requirements that are demanded by customers and supply chains.

We will see more firms embracing good ESG practices, but may also see some being excluded from them due to high compliance costs.

Asean nations are also particularly neighbour- or network-focused, so we expect that there would be a trickle through networks as more countries start adapting to ESG regulations and requirements across the region.

**SMEs play a huge role in the Malaysian economy and no doubt in the Asean countries as well. However, this segment is slower**

**in adopting ESG. Is this very concerning and will that change this year?**

SMEs, by definition, have limited capacity to deal with various kinds of compliance and regulation.

Therefore, they need some form of external support to help them implement ESG practices, be it from consultants, industry associations, financial institutions, or the government.

The type of support needed depends on the industry/supply chain that they are in, with the export-oriented sectors being most affected.

The Malaysian government appears to be paying lip service to this problem, for example by announcing the National Industry Environmental, Social and Governance framework (I-ESG) and the New Industrial Master Plan 2030 (NIMP 2030), but these provide few details.

It's also important to note that a number of our SME respondents in the study conducted between ASB and the Asean-Korea Center were unaware of the policies and benefits that were given by the government for them in order to ramp up ESG adoption, which is a fairly large issue for communications, but one that is easily fixable.

**Are reasons for the slow ESG adoption by SMEs the same around the region and can a concerted effort by the Asean countries that combine both push and pull tactics, such as enforcing regulations while availing green financing and knowledge-driven approaches, work as persuasion?**

Businesses always respond to regulation and incentives, and SMEs are no exception. Consistent enforcement of regulations is also an area of concern in most Asean countries.

Overall, SMEs in more developed and export-oriented Asean markets such as Singapore and Malaysia are probably more aware of ESG concerns.

For example, many manufacturing firms that have already implemented quality and food safety standards tend to view ESG standards as an additional layer of compliance which they will move towards once they sense that the market demands it.

Because Malaysia is very lightly regulated in terms of ESG, SMEs have very few incentives to proactively adopt ESG standards. Even if they wish to, they may be unable to justify the higher costs.

However, if the incentives are there, Malaysian SMEs will take advantage of them.

We see this now with rooftop solar: for many SMEs it has become a no-brainer, as it lowers their energy costs and it can be easily financed by their bank, who understands the risks and financials of the technology.

The government can play a role to accelerate these processes in other areas of ESG as well by providing incentives and eventually, imposing taxes.

**The guidebook highlighted South Korea's best practices in ESG, such as the Korea Emission Trading System (K-ETS) and commitments to the Renewable Energy 100 initiatives. How can other Asean countries learn from and implement similar initiatives to advance their ESG goals?**

The best practices mentioned are all driven or facilitated by South Korean government policies. Asean countries can take similar steps that fit with their particular circumstances.

With regards to carbon trading, South Korea will become an importer of carbon credits, while many Asean countries also have significant potential to export credits, due to their large forest cover. Renewable energy is especially attractive to countries that are net-energy importers.

So while Asean countries should not copy South Korea, the government must step in and create the rules needed to facilitate the energy transition.

**With regards to the Partnership for Carbon Accounting Financials (PCAF) in South Korea that was mentioned in the guidebook, how can other Asean financial institutions follow suit to assess and disclose greenhouse gas emissions in their loans and investments?**

Several Asean central banks, including Bank Negara Malaysia, already have greenhouse gas disclosure requirements.

In Malaysia this system is currently principle-based, which means that there are some general guidelines about how this disclosure must be done.

It is a process that is constantly being reviewed by the Task Force on Climate-Related Financial Disclosures (TCFD), as this is still a very new field – not just in Malaysia, but globally.

PCAF is another initiative to figure out how banks can do their carbon disclosures, which has members in Korea, but also in other Asian countries like China, Mongolia and Nepal, although it originated from The Netherlands.

If PCAF emerges as the de facto global standard for carbon disclosures, it will probably be adopted by banks in Asean as well.

**■ Dr Pieter E. Stek is a research centre postdoctoral scholar at ASB involved in managing the ESG Investment in Asean project funded by the Asean-Korea Center. He also is chief analyst in higher education ranking and rating agency ApplieHE and managing editor of *Quality & Quantity: International Journal of Methodology* at Springer Nature, the Netherlands.**

**■ Dr Melati Nungsari is an Economics associate professor at ASB and an MIT Sloan School of Management research affiliate.**



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# ESG

in the news

## DEC 10

• **PKT Logistics Group** has become the first Malaysian signatory to The Climate Pledge, which was co-founded in 2019 by Amazon and Global Optimism.

Through the Pledge, more than 450 signatories across 57 industries and 38 countries work together on initiatives that accelerate decarbonisation.

"We are immensely grateful to be the very first company in our nation to be part of this global initiative that recognises and fosters a shared dedication to net zero across borders," said Datuk Seri Dr Michael Tio, group chief executive and managing director of PKT Logistics Group.

## DEC 11

• Sarawak's huge potential in RE resources has attracted more international collaborations toward its development.

It has teamed up with **Sarawak Energy Bhd (SEB)** to work on the development of clean energy in Sarawak via an deal inked by both parties on the sideline of the 28th United Nations climate change conference (COP 28) in Dubai.

• The year 2023 saw Malaysia elevate its commitment towards an inclusive and sustainable public transportation service, which augurs well with the newly launched National Energy Transition Roadmap (NETR) that emphasises on clean energy.

## DEC 12

• **Jentayu Sustainable Bhd's** run-of-river hydropower plant Telekosang Hydro 2 (TH2) has achieved its initial operating date of Dec 9, 2023, with a target feed-in-tariff commencement date (FITCD) within the next 30 days.

Together with the FITCD of Telekosang Hydro 1 (TH1) in February, Jentayu said in a statement that the successful commissioning of both hydropower plants is a major step towards satisfying the condition precedent necessary for the company to acquire TH1 and TH2.

• Sustainable waste management presents promising opportunities in Malaysia, as the country aims to accelerate the transition to a circular economy in line with its ambition to achieve net-zero by 2050.

## DEC 13

• **Unitrade Industries Bhd** has entered into a share sale agreement with Intergreen Holdings Sdn Bhd, Intergreen Corp (M) Sdn Bhd and Pong Wing Seng to acquire 51% stake in Intergreen Metals Sdn Bhd for RM66.3mil.

Unitrade managing director Nomis Sim Siang Leng said by venturing into metal recycling, the group will penetrate the circular economy market and promote responsible consumption through optimisation of material usage.

• One of the key methods for **Capital A Bhd** to cap carbon dioxide emissions at 85% of 2019 levels by 2026 is to gradually replace its Airbus A320 fleet.

• The **Acer group chairman and chief executive officer** is on a mission to reduce the company's carbon footprint and he wants other industry players, including his rivals and supply chain, to join in on the ride to sustainability.

On top of its commitment to sourcing 100%

renewable electricity by 2035 and achieving net-zero emissions by 2050, it is also, among others, using recycled materials like post-consumer recycled plastics (PCR) and ocean-bound plastics for its computers while making sure that at the same time, they are easy to repair and upgrade, and more importantly, durable.

## DEC 14

• **Samaiden Group Bhd's** wholly-owned subsidiary, Samaiden Sdn Bhd, has been appointed to undertake the engineering, procurement, construction and commissioning works from Tesdec Hydropower Sdn Bhd for the development of a 2MWAC small hydro facility at Hutan Rezag Pelagat in Besut, Terengganu.

## DEC 19

• **MISC Bhd** has more room to optimise its fleets' emissions through retrofitting some of its older vessels with more efficient technologies, deploying just-in-time arrival, as well as joint efforts with clients in voyage planning.

## DEC 20

• Malaysia continues to chart a strong upward trajectory in garnering investments from both global and domestic investors.

**UOB Research** said investments in green technology have surged by 24.6% yoy to RM1.5bil, in line with the transition to the green economy as outlined in the National Transition Energy Roadmap and the New Industrial Master Plan 2030.

• The rising trend of "flight-to-quality" and "flight-to-green" augurs well for newer premium office buildings in Asia-Pacific as companies seek quality workspaces to attract top talent.

**Knight Frank** stated in its New Horizon Outlook 2024 Part 1: Asia-Pacific Tomorrow report that the emphasis on newer and ESG-certified buildings is crucial as firms strive to create environments that seamlessly facilitate work, reflection and collaboration.

## DEC 22

• **Continental Tyre AS Malaysia Sdn Bhd** has partnered **Solarvest Holdings Bhd** to install a 618.75 kWp roof-top solar photovoltaic (PV) system at the tyre's maker's Alor Setar, Kedah, manufacturing plant.

In a joint statement, Continental said the solar pV system would help offset at least 536 tonnes of carbon emissions and save over 800 megawatt-hours (MWh) in electricity usage annually.

## DEC 25

• The RE sector is expected to ride on strong structural themes and positive earnings growth cycle.

**Hong Leong Investment Bank (HLIB) Research** said that going 2024, it looks forward to Corporate Green Power Programme (CGPP) job flows to lift order books and drive earnings growth.

• Sarawak will produce green hydrogen on a large scale mainly for the Japanese market under a tripartite agreement inked between **Sarawak Economic Development Corp (SEDC)** and two Japanese firms.

The agreement outlines a comprehensive strategy to generate approximately 90,000 tonnes per annum of clean hydrogen, with 2,000 tonnes allocated for local consumption in Sarawak and the remaining for the export market.

## DEC 27

• **Maybank Investment Bank (Maybank IB) Research** said InNature Bhd is on track with its

ESG efforts as it takes sustainability seriously.

The group is committed to converting all its product packaging to recyclable, reusable and compostable ones for better circularity, as an aim to mitigate its environmental concern of using virgin plastics for product packaging as well as the disposal of it after being opened.

## DEC 28

• **Ni Hsin Group Bhd** via its wholly-owned subsidiary, Ni Hsin EV Tech Sdn Bhd, has handed over 50 EBixon Bold electric motorcycles to Universiti Sains Malaysia (USM) on behalf of Dongguan Tailing Electric Vehicle Co Ltd.

• **MIDF Research** said Gamuda Bhd's plan over the next three to five years is to be actively involved in the RE sector and to expand its geographical reach, starting with the state of Queensland.

It is building a greenfield portfolio of sites for construction in FY26-FY28 with the initial focus on solar and battery energy storage system projects and exploring opportunities in pumped hydro.

• **Tenaga Nasional Bhd (TNB)** is maintaining its momentum in driving sustainable energy transition with a strategic alliance between its wholly-owned subsidiary, **GSPARX Sdn Bhd**, and **Trina Solar**.

• Climate change may result in a potential acceleration of supply and demand for sustainable investments and demand for sustainable funds attracted some US\$13.7bil inflows in the third quarter of the year, said **Affin Hwang Investment Bank Research**.

## DEC 30

• **Petroleum Nasional Bhd (PETRONAS)** owned clean energy solutions provider, Gentari Sdn Bhd, through its subsidiary, Gentari International Renewables Pte Ltd, has invested in the Hai Long offshore wind project located off the Changhua coast in the Taiwan Straits.

## JAN 3

• **OCBC Al-Amin Bank Bhd**, the Islamic banking subsidiary of OCBC Bank (M) Bhd, has granted a ground-breaking US\$175mil Islamic green term financing facility to RHB Islamic Bank Bhd, making OCBC Al-Amin the first bank in Malaysia to offer a green Islamic foreign currency and bank-to-bank term financing facility.

• **Cypark Resources Bhd** is expected to improve its margins and cash inflow upon the approval of the tipping fee revision, while its green energy plant is estimated to reach maximum capacity in the near term.

## JAN 4

• **Meta Bright Group Bhd** announced that the Kemaman Municipal Council has accepted its proposal for a 407.8 kilowatt peak solar photovoltaic system at Kijal Mall in Terengganu.

The group said it would design, construct, install, commission, operate and maintain the solar PV system at the said premise, which is owned by the council.

## JAN 5

• The power sector is expected to see a proliferation of solar projects this year, as households and companies seek to lower their electricity bill and reduce carbon footprint.

According to **Aminvestment Bank Research**, the demand for solar systems would likely come from rooftop segments, solar farms and data centres.

## JAN 8

• **Sarawak Energy Bhd (SEB)** has become the first major corporation in Malaysia to

receive international recognition as the global Science Based Target Initiative (SBTi) validates the state-owned company's ambitious near-term carbon emissions reduction targets.

## JAN 12

• **Warisan TC Holdings Bhd (WTCH)** has entered into a distribution and service agreement with GAC AION New Energy Automobile Company Ltd (GAC AION) of China to be the sole and exclusive distributor of electric vehicles (EVs) in Malaysia.

• Malaysia, which has attracted leading American multinational Tesla to set up its regional headquarters here last year, plans to woo more companies like the electric vehicle (EV) giant to set up assembly plants here.

## JAN 16

• **Surviv Group Bhd's** subsidiary, **Fabulous Surviv Sdn Bhd**, has entered into a strategic business alliance with a few Cambodian partners for the commission of a REproject, with a targeted capacity of 500 megawatts on land in an undisclosed province in Cambodia.

## JAN 18

• **PowerChina's** subsidiary **China Hydro-power (M) Co Ltd** and **Semarak Renewable Energy Sdn Bhd** have signed a RM1.883bil deal involving a green hydrogen project in Perak.

• **Bursa Carbon Exchange (BCX)**, a wholly owned subsidiary of Bursa Malaysia, has entered into a strategic collaboration with the **Malaysian Photovoltaic Association (MPIA)** to enhance Malaysia's voluntary renewable energy certificates (REC) market.

## JAN 19

• **Airai Global Corp's** collaborative agreement with the Airai State government for a green economy development of Palau is expected to be a substantial revenue generator for the state.

• **Wasco Bhd** (previously known as Wah Seong Corp) is expected to chart strong earnings growth as it rides the opportunities arising from the global energy transition.

## JAN 20

• **Kinergy Advancement Bhd (KAB)** is optimistic about its prospects for 2024 and aims to secure more RE projects from clients in the near future. KAB's wholly owned subsidiary, **KAB Energy Holdings Sdn Bhd** has inked an agreement with **LCS Holdings Inc** to jointly develop a 20 megawatt-peak (MWp) solar-farm project at Santa Ilcos Sur in the Philippines which can be expanded to generate 100MWp.

## ESG opportunities

**Programme Designer, Sustainability, Group Human Resource – CIMB, KL**

Candidates will play a crucial role in developing and implementing sustainable practices within CIMB Group. Responsibilities include developing and implementing sustainable practices, training staff, collaborating with experts, evaluating training providers and ensuring compliance.

**Manager, Group Sustainability – SME Bank Malaysia, KL**

Interested talents are expected to implement and execute an overall sustainability framework, improve financing policies and processes, develop sustainable financing products, provide advisory services, monitor risk and compliance, mentor subordinates, and ensure policy compliance.

**YOUR  
OPINION  
MATTERS**

Write to us and submit your views on our stories, or on ESG-related issues that matter to you.

Email us at [ESGeditorial@thestar.com.my](mailto:ESGeditorial@thestar.com.my)