

CMM ESG Week: SFG ESG Capacity Building Programme for SMEs

May 2024

by JC3 SME Focus Group (SFG)



Module 1

ESG Jumpstart Portal - One-Stop ESG Portal for SMEs

Why ESG for SMEs?

SMEs form the backbone of the Malaysian economy, accounting for 97.2% of total business establishments, generating 38.2% of GDP and providing employment for 7.3 million people.

With climate change causing increasingly severe impacts to profit, people & planet, more businesses including SMEs are now being subjected to ESG requirements imposed by customers, lenders, investors, local communities and regulators alike.

Hence, SMEs who embrace sustainable/ESG practices can better mitigate risks, potentially:

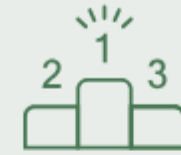
- improve their competitiveness (e.g. by attracting large MNCs/PLCs who are increasingly prioritizing ESG in their supply chains or expanding to new export markets), and
- achieve operational efficiency (e.g. by lowering operational cost from energy efficiency initiatives and adopting circular economy models).

Ultimately, SMEs who are most adept at re-inventing themselves, balancing long-term growth and environmental & social responsibility can emerge as winners in the new economy.



Survivability

Achieve cost savings, better risk management and ensure continued funding & financing access



Competitiveness

Increase operational efficiencies and agility to respond to new ESG-related regulations



Long-Term Growth

Retain and gain high-quality talent and align with changing customer preferences

Establishment of the JC3 SME Focus Group (SFG)

The SME Focus Group (SFG), formed under the Joint Committee on Climate Change (JC3), is tasked to accelerate the adoption of sustainable practices and business models by SMEs. Focus areas include:



Awareness



Certification



Disclosure

The SFG works in close collaboration with various FIs, relevant Government ministries & agencies, regulators, SME trade associations and other key ecosystem players.



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA



ALLIANCE BANK



AmBank Group

BANK ISLAM



GENERALI



HongLeong Bank



PUBLIC BANK



SME BANK
GROUP



TOKIO MARINE
INSURANCE GROUP



CM²
capital markets
MALAYSIA



MALAYSIAN TAKAFUL
ASSOCIATION

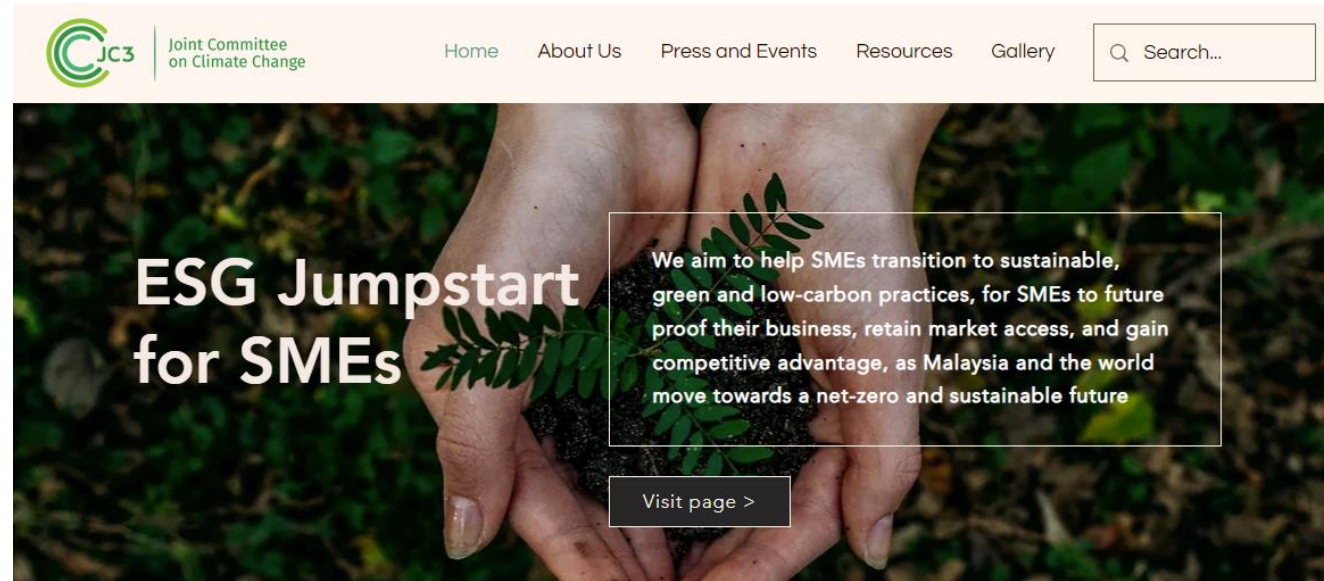


Suruhanjaya Sekuriti
Securities Commission
Malaysia



Network
Malaysia & Brunei

Launch of the ESG Jumpstart Information Portal for Malaysian SMEs



The ESG Jumpstart Information Portal for SMEs was launched in October 2023, providing a one-stop gateway for SMEs to obtain useful information & resources to jumpstart their ESG journey.

The main features of the ESG Jumpstart Portal include:

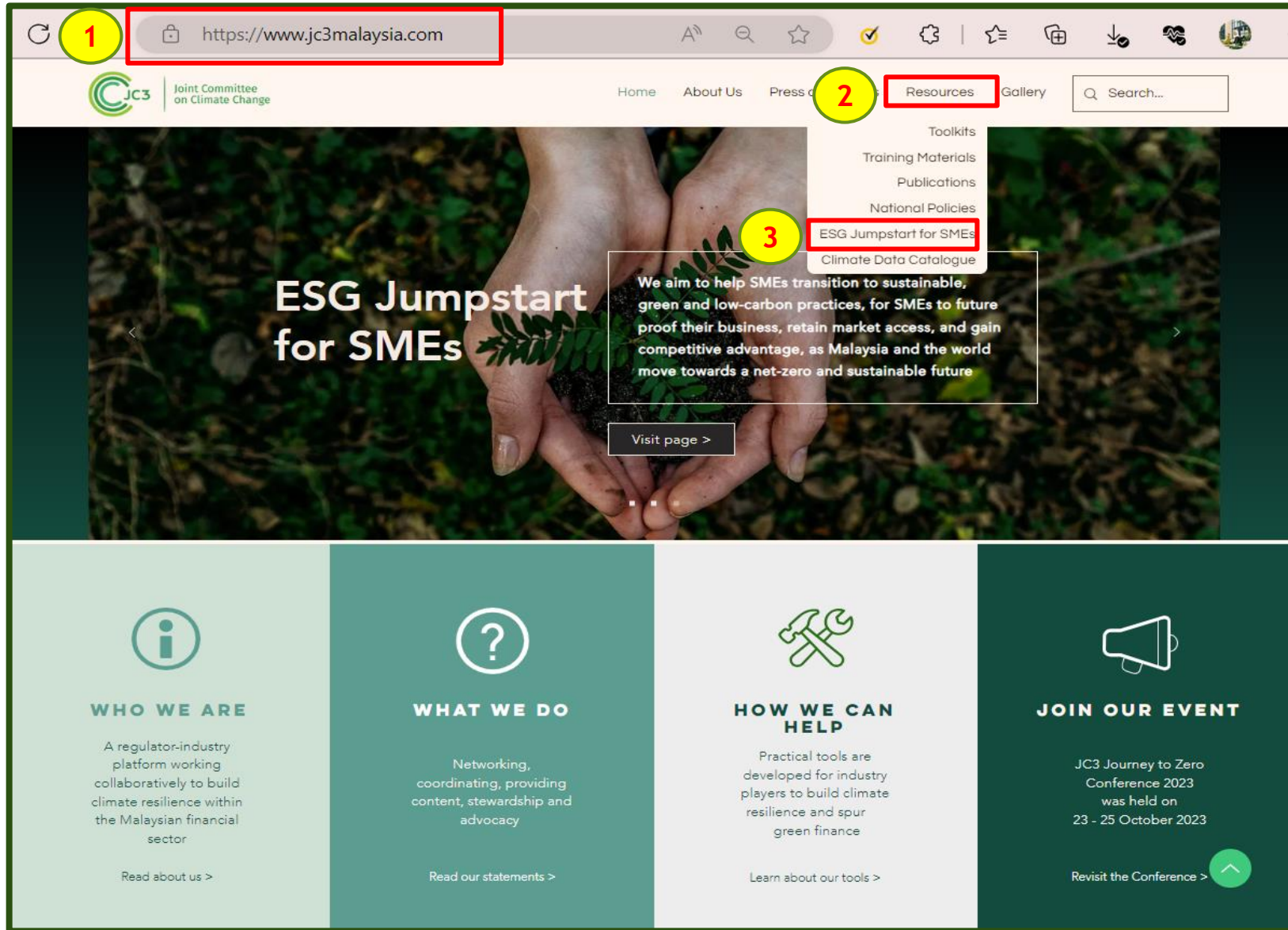
- ESG capacity building and training programs,
- List of green certifications schemes,
- Financial solutions and incentive schemes,
- Various useful resources and tools, and
- SME Feature Stories

To help kick start SMEs' ESG journey, the Info Portal also offers an ESG JumpStart Guide, containing simple and practical suggestions for SMEs to:

- Build up basic ESG knowledge & capability
- Identify and respond to key ESG issues, risks & opportunities

The Guide also acts as a tool to navigate around the ESG Jumpstart Portal.

ESG Jumpstart for SMEs Information Portal: A Walkthrough



Accessing Info Portal:

Step 1:
Go to [jc3malaysia.com](https://www.jc3malaysia.com)

Step 2:
Click on Resources tab

Step 3:
Select ESG Jumpstart for SMEs from dropdown menu

ESG Jumpstart for SMEs Information Portal: A Walkthrough

Capacity Building

Green Certifications

Financial Solutions & Incentives

Resources & Tools

SME Feature Stories

Capacity Building

Learn about ESG and climate change and what this means for your business

Foundational programmes (general)

Mastering the Essentials >

Small Business, Big Impact >

ESG Foundation Workshop for SMEs >

View More

Foundational programmes (theme-specific)

Build a Sustainability Action Plan >

ASEAN Energy Management >

Green Academy Program >

View More

Conferences and seminars

Find out more

Example:

Foundational Programmes (Theme-specific)

Build a Sustainability Action Plan

Learn the fundamentals of sustainability and how you can align your business practices to the fast-evolving ESG landscape

ASEAN Energy Management

Energy Manager Training Course, Certified Energy Auditor Training, Professional Energy Manager Workshop and others

Green Academy Programme

Professional certification programme, technical and semi-technical programmes, awareness and short courses

ESG Jumpstart for SMEs Information Portal: A Walkthrough

Capacity Building

Green Certifications

Financial Solutions & Incentives

Resources & Tools

SME Feature Stories

Certification

Discover various certification schemes that could be useful for your business



Multi-sectoral Certification



Agriculture, Forestry and Fishing



Buildings (Construction and Real Estate)

Malaysia Sustainable Palm Oil (MSPO)

The Malaysian Sustainable Palm Oil (MSPO) Certification Scheme is the national scheme in Malaysia for oil palm plantations, independent and organized smallholdings, and palm oil processing facilities to be certified against the requirements of the MSPO Standards.

[Read More](#)



ISO 14001: Environmental Management System (EMS)

ISO 14001 is an international standard that specifies requirements for Environmental Management Systems (EMS). It is the most widely used standard for EMS in the world. The standard requires businesses to identify and manage the environmental aspects and impacts resulting from their operations, products and services.

The standard assists organizations to manage ecological risks effectively and improve their environmental performance. ISO 14001 applies to all organization types, large or small, in both the private as well as public sectors.

[Read More](#)



GreenRE Green Building Certification

GreenRE was formed by Malaysia's Real Estate and Housing Developers Association (REHDA) in 2013 to promote sustainability in the Malaysia property sector.

GreenRE's Green Building Certification assesses and recognizes buildings which meet certain sustainability requirements or standards. This Certification is aligned to The World Green Building Council's (WGBC) Quality Assurance Guide for Green Building and covers the entire life cycle of a building from the planning and design, construction, operation, maintenance, renovation, and eventual demolition phases.

[Read More](#)



ESG Jumpstart for SMEs Information Portal: A Walkthrough

Capacity Building

Green Certifications

Financial Solutions & Incentives

Resources & Tools

SME Feature Stories

Financial solutions and incentives

Explore a range of financial options and incentives designed to facilitate and encourage sustainable initiatives

Financing Schemes



< A RM1 billion Facility established to support SMEs in adopting sustainable and low carbon practices. >

Low Carbon Transition Facility (LCTF)

[MORE INFO](#)

Incentive Schemes



< Income tax allowance for the purchase of green technology assets >

Green Income Tax Allowance (GITA)

[MORE INFO](#)

Example:

High Tech & Green Facility (HTG)

The RM1.1 billion Facility is designed to help SMEs and innovative start-ups to grow their businesses and invest in strategic sectors and technologies fields (digital tech, green tech and biotech) for a sustainable and entrenched economic recovery.

Financing rate of up to 3.5% per annum is offered for financing without guarantee or up to 5% per annum inclusive of guarantee fee (with guarantee coverage by Credit Guarantee Corporation Malaysia Berhad (CGC) or Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP).

The Facility will be available until full utilisation.

- [Fund Features](#)
- [Frequently Asked Questions](#)
- [List of Participating FIs](#)

ESG Jumpstart for SMEs Information Portal: A Walkthrough

Capacity Building

Green Certifications

Financial Solutions & Incentives

Resources & Tools

SME Feature Stories

Resources and Tools

Explore key resources, tools and frameworks to guide your sustainability journey

Frameworks, standards and guidelines

Green Practices Guidelines by Sector

Provide guidance to the industry in implementing green practices at the initial stage, during and after construction is implemented.



[Read more](#)

Resources and Tools

SME ESG Hub

The one-stop ESG resource platform for Malaysian SMEs. Get inspired and start implementing with practical resources and tools

[Read more](#)



Frameworks, standards and guidelines

Simplified ESG Disclosure Guide (SEDG) for SMEs in Supply Chains

The aim of the SEDG is to provide practical, structured guidance on disclosures expected of small-to-medium enterprise (SMEs) within the supply chains, in relation to environment, social and governance (ESG) matters.



[Read more](#)

Resources and Tools

MyClimate Action Guide

This 3-part Guide seeks to bring business leaders on a journey to address the "What, Why, and How" of climate change, alongside various localised case studies to inspire positive climate action.

[Read more](#)



ESG Jumpstart for SMEs Information Portal: A Walkthrough

Capacity Building

Green Certifications

Financial Solutions & Incentives

Resources & Tools

SME Feature Stories

SME Feature Stories

Discover inspiring narratives of small and medium-sized enterprises (SMEs) that have achieved notable success in adopting and promoting sustainable practices, showcasing their positive impact on both the environment and their business growth

More



Mula secara kecil-kecilan.
Mulakan sekarang. Mainkan peranan anda.

SME Green Video: Circular Economy



Reduced
Waste

tidak akan berlaku pembaziran

SME Green Video: Efficiency



Improved
Livelihood

iaitu mata pencarian yang meningkat
melalui kadar hasil yang dipergiat.

SME Green Video: Green Certification

The ESG Jumpstart Guide

The JC3 SME Focus Group ("SFG"), in collaboration with knowledge partners has developed an ESG JumpStart Guide ("the Guide"), a simple and practical reference guide for SMEs. It contains suggested actions that SMEs could take to:

Build up basic ESG knowledge & capability

Identify and respond to key ESG issues, risks & opportunities

STEP 1

Explore the guide to understand more about the steps you can take to jumpstart your sustainability journey

STEP 2

Explore the portal to learn more about the available resources to help you in your journey towards sustainability

ESG Jumpstart for SMEs Information Portal: A Walkthrough

The Guide

STEP 1 STEP 2 STEP 3

Step 1: Understand

To jump-start your company's sustainability journey, it is essential to first acquire some basic ESG knowledge as well as develop awareness of the latest ESG trends & best practices. Thereafter, you can identify its key ESG-related issues, risks & opportunities.

Jumpstart Action Checklist

- Attend relevant capacity building programmes to acquire basic ESG knowledge (including basic ESG concepts and best practices).
- Find out ESG-related requirements or expectations of key stakeholders (e.g. ESG practices imposed by MNC or PLC clients, ESG criteria set by lenders and investors).
- Consider significant ESG-related impacts arising from company's operations (e.g. activities that produce significant amounts of GHG emissions).
- Develop awareness of key ESG-related regulatory developments, standards and best practices in the market or industry (e.g. upcoming energy efficiency regulations, recommended ESG disclosures for Malaysian SMEs).

Recommended Resources

Capacity Building - Foundational Programmes (General)	View Programmes
Resources and Tools	View Resources

ESG Jumpstart for SMEs Information Portal: A Walkthrough

The Guide

STEP 1

STEP 2

STEP 3

Step 2: Plan

For Step 2, your company can shortlist the top material sustainability themes identified in Step 1. For each shortlisted theme, you can adopt suitable measurement(s) to determine baseline performance as well as track improvements. The next step is to identify suitable initiatives to implement for each theme.

Jumpstart Action Checklist

- Shortlist the 3 most critical sustainability themes that your company needs to focus on (including Emissions Management*).
- Adopt suitable measurement(s) to assess current performance or impacts. Based on chosen measures, collect the relevant ESG data to monitor progress.
- Identify suitable initiatives to undertake under each theme and develop a simple action plan (for examples, please refer to the table below).

Recommended Resources

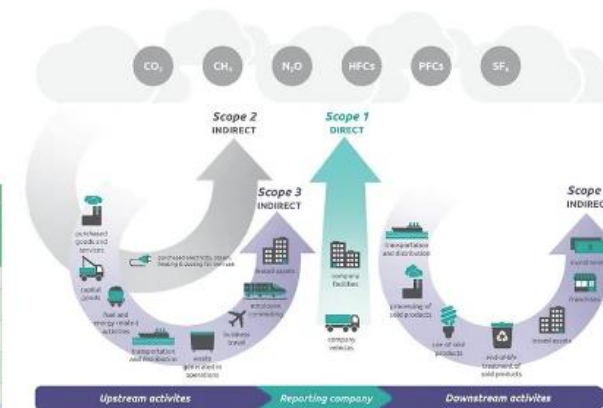
Capacity Building - Foundational Programmes (Theme-specific)

[View Programmes](#)

Resources and Tools

[View Resources](#)

Examples of Initiatives	Positive Impacts on				
	CO ₂		Water	Energy	Waste
	Scope 1	Scope 2			
1 Installation of solar panels.		X			
2 Installation of water-efficient equipment and processes.			X		
3 Implementation of green transportation practices.	X			X	
4 Application of waste-to-energy technologies.	X	X			X
5 Minimizing energy consumption.				X	
6 Adaptation: Relocate factory to less flood-prone area, develop contingency plans for climate emergencies, build flood barriers, diversify crops, etc.	Overall business resilience				



Scope 1, 2 and 3 emissions. Source: [GHG Protocol](#).

ESG Jumpstart for SMEs Information Portal: A Walkthrough

The Guide

STEP 1 STEP 2 STEP 3

Step 3: Implement

In Step 3, your company would now undertake the planned ESG-related initiatives. To facilitate implementation, you should take advantage of available ESG-related financing as well as incentives schemes offered by the relevant government entities and financial institutions.

Jumpstart Action Checklist

- Explore available financing and incentives to carry out planned ESG-related initiatives.
- Communicate progress made to key stakeholders on a frequent basis (this may likely include, among others, the sharing of critical ESG data) using their preferred channels.
- Consider disclosing your ESG efforts and/or performance publicly via your company's website, publication of a sustainability report or through a digital ESG disclosure platform.
- Consider obtaining green certification(s) to enhance overall credibility of ESG initiatives undertaken and/or ESG data disclosed.

Recommended Resources

Financing and Incentive Schemes [View More](#)

Certification [View More](#)



Module 2
ESG 101 for SMEs -
To meet your Banking Needs

ESG from a Financing Perspective | Agenda

- 1 Why ESG matters to SMEs
- 2 Actions SMEs can take to prepare

ESG from a Financing Perspective | Why it matters to SMEs

Banks will assess customers' ESG practices against BNM's Climate Change & Principle-based Taxonomy (CCPT)

✓ Increased regulatory requirements

Guidelines issued e.g. **Simplified ESG Disclosure Guide for SMEs ("SEDG")** by Capital Markets Malaysia (CMM), affiliate of Securities Commission (SC), **Climate Change Principle-based Taxonomy ("CCPT")** by BNM, Bursa Sustainability Reporting Guide for listed companies etc.

✓ Increased scrutiny from banks during loan applications

Banks are placing **greater emphasis on ESG factors** alongside traditional financial metrics when evaluating loan applications.

Since 2021, CCPT Assessment is mandatory for banks during customer onboarding and annual reviews

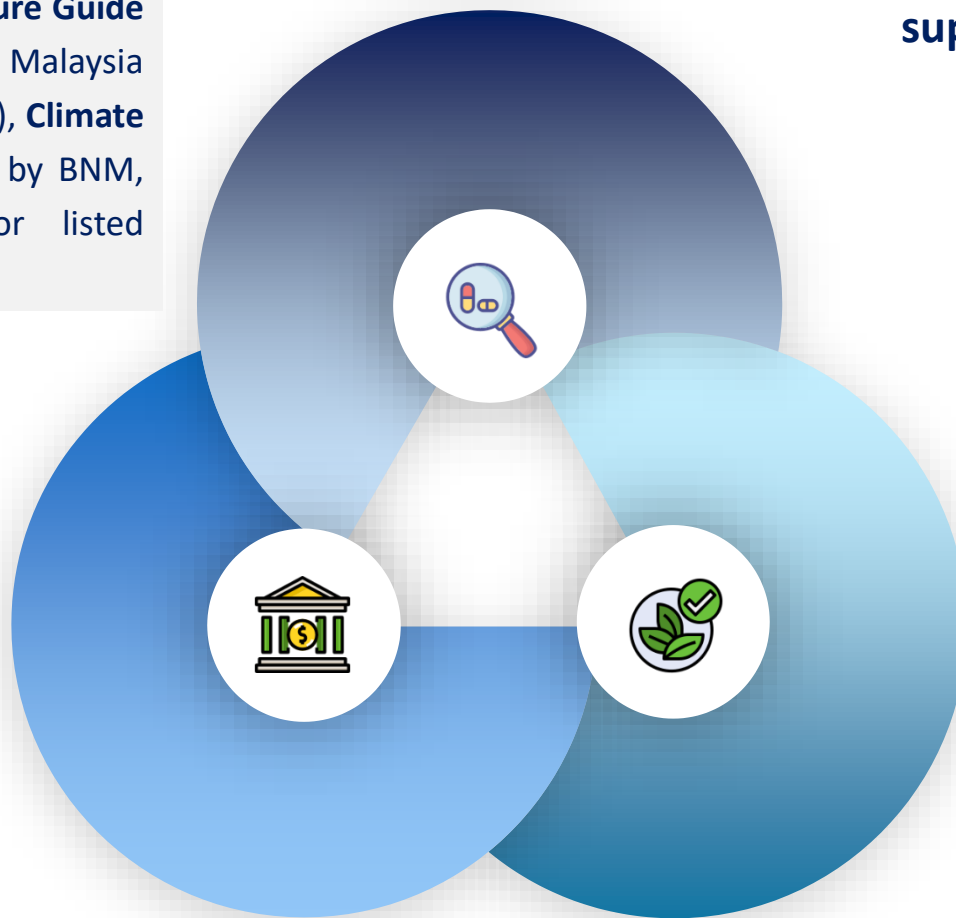
✓ Customer expectations i.e. consumers and corporates to ensure a sustainable supply chain

Consumers are expecting more sustainable products as consumers are:

- **More informed** about environmental and social issues
- **Actively seeking eco-friendly options**
- **Willing to pay a premium** for sustainable products

Larger corporates need to ensure their supply chains are sustainable to meet investor and regulatory pressures, hence:

- SMEs that lack sustainable practices may **lose contracts or partnerships with ESG-focused listed customers / MNCs** arising from the **pressure to adopt more sustainable practices throughout their supply chain.**



ESG from a Financing Perspective | Why it matters to SMEs

Increased expectations from regulators (e.g. Bursa, BNM, SC), financial institutions and consumers for ESG practices across businesses, including large corporates towards their supply chain

Past (before 2021)

Customer requests for loan



Relationship Manager requests for customer's company background and financial information as part of the "Know-Your-Customer" (KYC) process



The bank assess customer's financial health before making decision on loan approval

Present (after 2021)

Customer requests for loan



Relationship Manager requests for customer's company background and financial information as part of the "Know-Your-Customer" (KYC) process

Relationship Manager conducts due diligence on customer's business activities to assess if it causes negative impact to ESG factors



The bank assess customer's:-
i) financial health; and
ii) **business activities' impact to ESG factors** before making decision on loan approval

ESG from a Financing Perspective | Why it matters to SMEs

Overview of what banks will be seeking from SMEs, from an ESG perspective



ESG RELATED

Simplified ESG Disclosure Guide (“SEDG”)

What is SEDG? A disclosure guide to help your organization decide what Environmental, Social and Governance (ESG) disclosures to track and report.

3 Disclosure Levels

(i.e. Basic, Intermediate, and Advanced based on business’s sustainability journey and maturity)

E, S and G disclosures

Environmental (E)

(e.g. GHG emissions, energy consumption, water, waste management)

Social (S)

(e.g. human rights, labour standards, occupational health and safety)

Governance (G)

(e.g. governance structure, policy commitments)



CLIMATE / ENVIRONMENTAL RELATED

BNM Climate Change & Principle-based Taxonomy (“CCPT”)

What is CCPT? A guideline for FIs to assess and classify facility transactions which meet climate objectives and if business operations cause any significant harm to the broader

Transaction Purpose

(e.g. banking facility to reduce GHG emissions / to build resilience of business operations against climate change)

Assessment of overall business

Business activities do not cause harm to environment and community

(e.g. no pollution, no irresponsible waste thrown into environment, protection of environment and wildlife, efficient use of energy, water, natural resource)

Remediation of any harm caused

(e.g. improve waste management practices, reduce GHG emissions, retrofit equipment to improve energy / water efficiency)

No illegal / prohibited activities

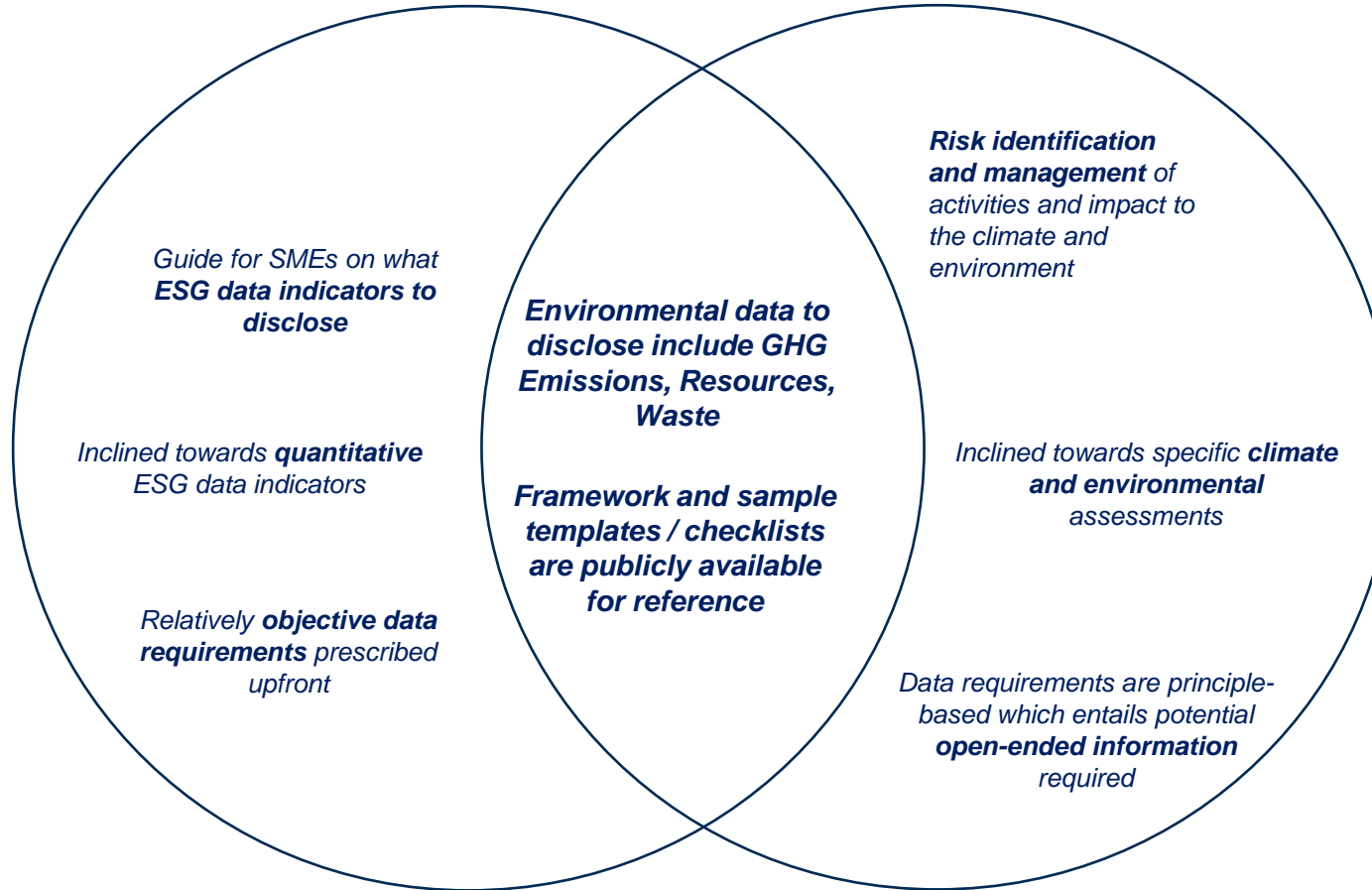
(no illegal activities e.g. illegal deforestation, waste management, and do not contravene any environmental laws)

ESG from a Financing Perspective | Why it matters to SMEs

Overview of what banks will be seeking from SMEs, from an ESG perspective

Differences & similarities between SEDG & CCPT Frameworks

Simplified ESG Disclosure
Guide (“SEDG”)



BNM Climate Change
& Principle-based Taxonomy
 (“CCPT”)

ESG from a Financing Perspective | Why it matters to SMEs

Summary of what banks will ask regarding SMEs business operations



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Environmental (E)

(e.g., GHG emissions, energy consumption, water, waste management)

Social (S)

(e.g., human rights, labour standards, occupational health and safety)

Governance (G)

(e.g., governance structure, policy commitments)

By level of business maturity [Basic (starting), Intermediate (1 – 2 years), Advanced (3 – 4 years)]

1

Environmental

- **Emissions** (e.g. Scope 1, 2, 3 GHG emissions)
- **Energy** (e.g. electricity consumption, heating, cooling, steam)
- **Water** (e.g. purchased water, ground water withdrawn)
- **Waste** (e.g. total waste generated, waste diverted from disposal)
- **Materials** (e.g. materials and weight used to produce products)

2

Social

- **Human Rights & Labour Practices** (e.g. child / forced labour incidents)
- **Employee Management** (e.g. average hours of employee training, turnover rate)
- **Diversity, Equity & Inclusion** (e.g. % employee by gender, age)
- **Occupational, Health & Safety** (e.g. no. of fatalities / injuries)
- **Community Engagement** (e.g. total community investments, donations)

3

Governance

- **Governance Structure** (e.g. no. of directors, board governance structure)
- **Policy Commitments** (e.g. list of company policies code of conduct, anti-corruption, health & safety policy)
- **Risk Management & Reporting** (e.g. year of audited financial statement, list of risk of company operations)
- **Anti-Corruption** (e.g. no. of confirmed corruption incidents)
- **Customer Privacy** (e.g. no. of breach of customer privacy)

ESG from a Financing Perspective | Why it matters to SMEs

Summary of what banks will ask regarding SMEs business operations



CLIMATE / ENVIRONMENTAL RELATED

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Remediation of any harm caused

(e.g. improve waste management practices, reduce GHG emissions, retrofit equipment to improve energy / water efficiency)

No illegal / prohibited activities

(no illegal activities e.g. illegal deforestation, waste management, and do not contravene any environmental laws)

1

General

- Any **legal / non-compliances / complaints / negative media** of business operations on environmental issues?
- *Has the **business done anything to address the issues?***

2

Pollution

- Does business operation **release any hazardous chemicals / waste that causes pollution?**
- *Has the **business done anything to avoid / reduce the use of hazardous chemicals and put in place proper waste management disposal?***

3

Ecosystem & Biodiversity

- Does business operation cause any **harm** to the surrounding **environment, biodiversity** i.e. animals / plants habitat, and **community?**
- *Has the **business done anything to address the harm or protect the surrounding area affected by its operations?***

4

Efficient Use of Resources

- Does business operation use **significant amount of water** and / or **natural resource** e.g. fossil fuels, timber, minerals?
- *Has the **business done anything to monitor, reduce and improve the efficient use of resources?***

5

GHG Emissions

- Does business operation have **high GHG emissions?**
- *Has the **business done anything to reduce GHG emissions and / or undertake any decarbonization efforts?***

ESG from a Financing Perspective | Why it matters to SMEs

Banks will conduct due diligence on customers' business operations to assess if it causes negative impact to ESG factors

Risk Identification: Banks will identify if business operations contribute to:-

Pollution	Ecosystem & Biodiversity	Efficient Use of Resources	GHG Emissions
<ul style="list-style-type: none"> • Hazardous chemicals/materials; and/or • Waste/pollutants (other than the above) that cannot be recovered, reused, and/or disposed 	<ul style="list-style-type: none"> • Negative impact on biodiversity / surrounding ecosystems (if operations are in or near environmentally sensitive areas) 	<ul style="list-style-type: none"> • Significant consumption of natural resources (e.g. water, fossil fuel, minerals, timber etc). 	<ul style="list-style-type: none"> • Core activities lead to significant greenhouse gas (GHG) emissions

Risk Management: Banks will assess if there are remedial measures which has commenced / ongoing

Pollution	Ecosystem & Biodiversity	Efficient Use of Resources	GHG Emissions
<ul style="list-style-type: none"> • To avoid or reduce the use of hazardous chemicals/materials and waste/pollutants within the Client's operations; and/or • which entail environmentally sound disposal mechanisms 	<ul style="list-style-type: none"> • Efforts to protect and conserve biodiversity and surrounding ecosystems impacted by business operations 	<ul style="list-style-type: none"> • Efforts to monitor, reduce and improve efficiencies in resource consumption 	<ul style="list-style-type: none"> • Efforts to reduce GHG emissions and/or in relation to decarbonization

Note: Referenced from BNM's CCPT Due Diligence Questionnaire, publicly available here

ESG from a Financing Perspective | Actions SMEs can take

Quick Wins

High Level Expectations

GHG Emission

Energy Consumption

Water Consumption

Natural Resource Consumption

Waste Management

Quick Win Actions (Examples)

- Ensure comprehensive collection of **electricity bills** (to calculate Scope 2 GHG emission & energy consumption) and **type and amount of fuels used for vehicles and machinery** (for Scope 1)
- Installation of solar panels on factory / warehouse rooftops with large open air space
- Retrofitting old equipment to improve usage efficiency
- Installation of IOT / energy monitoring systems and devices

- Ensure comprehensive collection of **water bills** (for water consumption)
- Installation of **water saving devices** with flow regulators
- Installation of **rooftop rainwater harvesting system**

- Ensure comprehensive data on **type and amount of raw materials** used for manufacturing / production

- Ensure **proper treatment of waste** and **separation of hazardous waste** from other universal waste
- Embark on and record **recycled materials**
- Ensure **documentary evidence of waste management SOPs** in place

ESG from a Financing Perspective | Actions SMEs can take

How to integrate ESG considerations in your organization

Risk Identification

Identify if your business operations contribute to one or more ESG risks listed in BNM CCPT DDQ

Risk Management

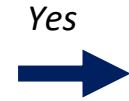
Assess if the identified ESG risks are managed / tracked internally

Data Monitoring

Monitor ESG metrics based on ESG risks identified & managed to demonstrate ESG performance

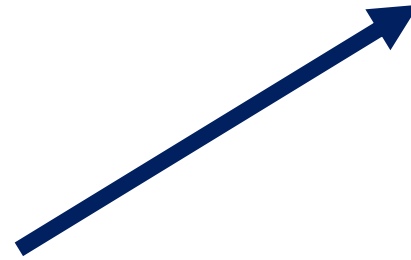
Disclosure

Disclose ESG metrics through public domains or internal policies / processes



Refer Capital Market Malaysia's Simplified ESG Disclosure Guide (SEDG) on how to start tracking and managing ESG risks

Refer next slides



Questionnaire Sections	Risk identification (Yes/No)	Risk Management (Yes/No)
General		
Pollution		
Ecosystem & Biodiversity		
GHG Emissions		
GP3 – No significant harm to the environment	Met / Not Met	
GP4 – Remedial measures to transition	Met / Not Met	

ESG from a Financing Perspective | Actions SMEs can take

Steps to begin ESG management efforts



	Basic (Phase 1)		Advanced (Phase 4)	
	Phase 1	Phase 2	Phase 3	Phase 4
Integration of ESG in an organisation	<i>Begin data collection of non-financial metrics (e.g. GHG emissions data)</i>	<i>Manage ESG risks through data tracking (e.g. GHG emissions reduction against target or any qualitative evidence)</i>	<i>Set targets for metrics tracked</i>	<i>Linking data to financial / business impact</i>
Banks' expectations	<i>High as part of standard KYC process</i>	<i>Moderate as part of standard KYC process; most current data performance demonstrated by customers are qualitative at this juncture</i>	<i>High only for sustainability-related financing</i>	<i>Low at this juncture</i>
Benefits to organisation	<i>Facilitates loan application due diligence process as part of banks' standard KYC process</i>		<ul style="list-style-type: none"> <i>Enables organisations to benchmark ESG performance against targets (Phase 3); and potential impact to business (Phase 4)</i> <i>Facilitates eligibility for Banks' sustainability-related financing</i> 	

**Facilitates alignment with
BNM CCPT Requirements**

Module 3

Sustainable Financing Offerings for SMEs

Sustainable Financing vs Green Financing

DEFINITION

Sustainable Financing is about including Environmental (E), Social (S) and Governance (G) considerations in investment decisions.

DEFINITION

Green Financing is a loan or investment that promotes environmentally-positive activities. It focuses more on economic and environmental advantages.

What is the difference between Sustainable Financing & Green Financing?

Sustainable Finance focuses on the core ESG factors in financing.



VS

Green Finance focuses more on green natured initiatives ie more into the environment rather than social or governance



Type of Products

PRODUCTS THAT HAVE BEEN OBSERVED IN THE MARKET

SUSTAINABLE PRODUCTS

GREEN PRODUCTS

SUSTAINABILITY-LINKED PRODUCTS

Incentivise the borrower's achievement of environmental, social or governance targets through pricing incentives

- ESG-linked Loans
- ESG-linked Supply Chain

GREEN PRODUCTS

Sustainable products designed to minimize its environmental impacts during its lifecycle even after its of no use.

- Solar financing
- Green vehicle financing
- Green mortgages

- General insurance products

GREEN CAPITAL MARKETS

Enable capital-raising and investment for new and existing projects with environmental benefits.

- Green bonds
- Transition bonds

CLIMATE FINANCING

Addresses climate change adaptation and mitigation.

- Green Technology Financing Schemes (GTFS)
- BNM Low Carbon Transition

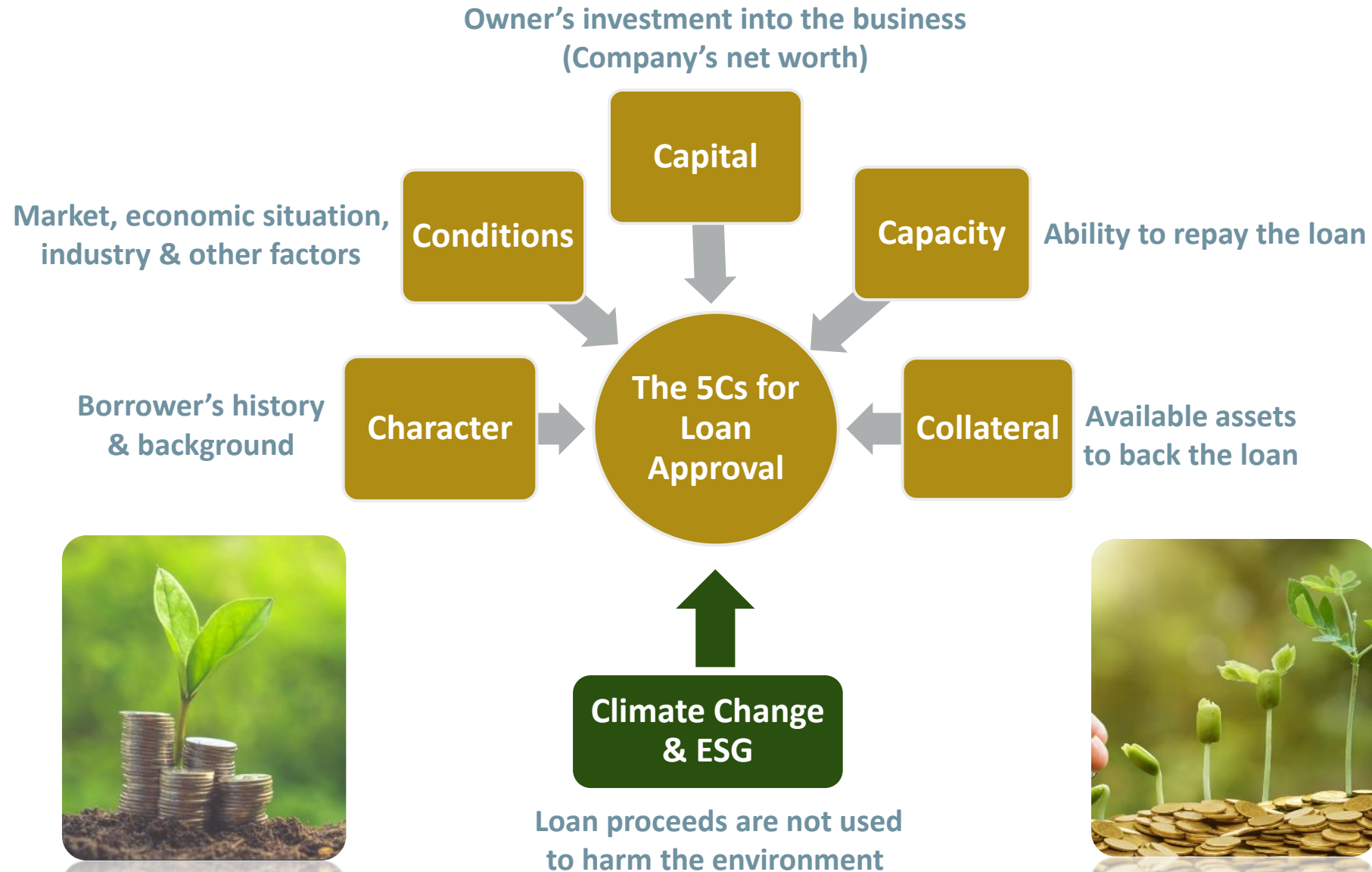
ESG Risk Assessment

Customer Level

Guiding Principles – GP1 (Climate Change Mitigation) & GP2 (Climate Change Adaptation)

Facility Level

What do banks look for?



Green Financing

EXAMPLE OF GREEN FINANCING



Electric Vehicles

Aim

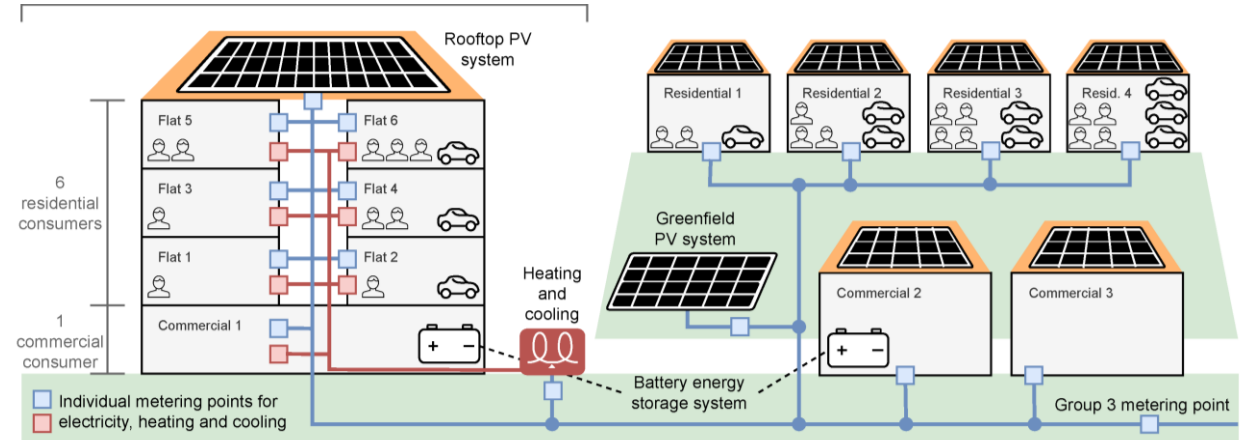
Reduce carbon emissions, noise pollution and dependency on fossil fuels

How

Swift Group adopting electric prime movers that offer greater energy efficiency, lower maintenance costs and quieter operation

How does Banks support them

AmBank provides the financial support to procure the electric prime movers (hire purchase facilities).



Solar Photovoltaic (PV) System

Aim

Convert sustainable energy into electrical energy and lower carbon emissions.

How

Low Carbon Transition Facility (LCTF) is one of the available BNM financing scheme that aims to facilitate SMEs in adopting sustainable and low carbon practices.

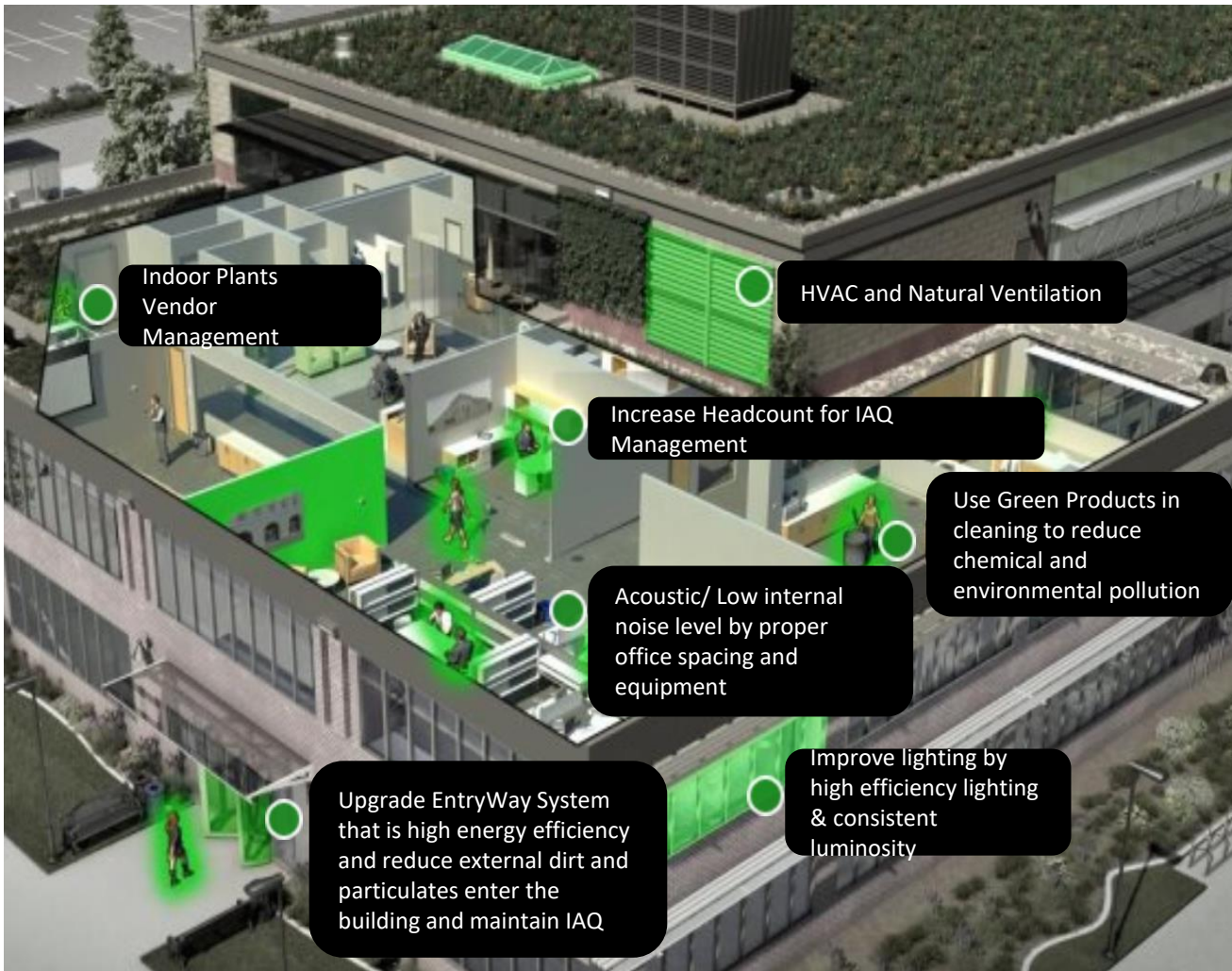
How does Banks support them

LCTF is available at all Banks for SMEs to apply for.

Source: [Swift Haulage commits to procuring exclusively electric prime movers, trucks from 2030 \(theedgema.com\)](https://www.theedgema.com/news/swift-haulage-commits-to-procuring-exclusively-electric-prime-movers-trucks-from-2030)

Green Financing

EXAMPLE OF GREEN FINANCING



Source:
[NCT Group inks four collaborations to boost NSIP project | EdgeProp.my](https://www.edgeprop.my/news/nct-group-inks-four-collaborations-to-boost-nsip-project)
[Phase One of NCT's Smart Industrial Park is 40 pct booked \(nst.com.my\)](https://www.nst.com.my/news/40-pct-booked)

NCT Smart Industrial Park (NSIP) project – Green Building

Aim

Create a technological and innovation ecosystem whereby the industrial park will become a hub for electrical and electronics, semiconductors, smart logistics, transportation, and 4-IR-inspired industries.

How

NSIP features advanced infrastructure, artificial intelligence, Internet of Things (IoT) technology, state-of-the-art data analytics, and other digitalisation and automation initiatives through components such as factory units, a commercial hub, a global centre, resort-style facilities, and AI-managed workers' lodging.

This GreenRE-certified development will be equipped with solar-ready factories, rainwater harvesting systems, as well as water and waste management systems to reduce industrial and carbon footprint and promote sustainable business practices.

How does Banks support them

AmBank Group and UOB Malaysia entered a Memorandum of Business Exploration (MOBE) with NCT to offer their end-buyers dedicated financing packages to promote sustainable development

Financing for the “S”

EXAMPLE OF SOCIAL FINANCE

Disaster Relief Facility (DRF) 2022

An initiative by:



BNM Disaster Relief Facility (DRF)

Aim

To alleviate the financial burden of SMEs and micro enterprises affected by the recent floods nationwide, to enable them to resume their business operations.

How

Assists Malaysian SMEs, including microenterprises, cover the costs of repairs and replacements of damaged assets for business use. It provides a moratorium period of 6 months on both principal and interest payments.

How does Banks support them

All Banks were actively promoting the facility to their respective customers who were struggling with the aftereffects of the floods. BNM had started with RM200Mil funds to support the cause. Subsequently, it was increased to RM500Mil.

Source:

https://www.bnm.gov.my/documents/20124/6025157/drf_broc_en.pdf
<https://www.bnm.gov.my/sme-financing>

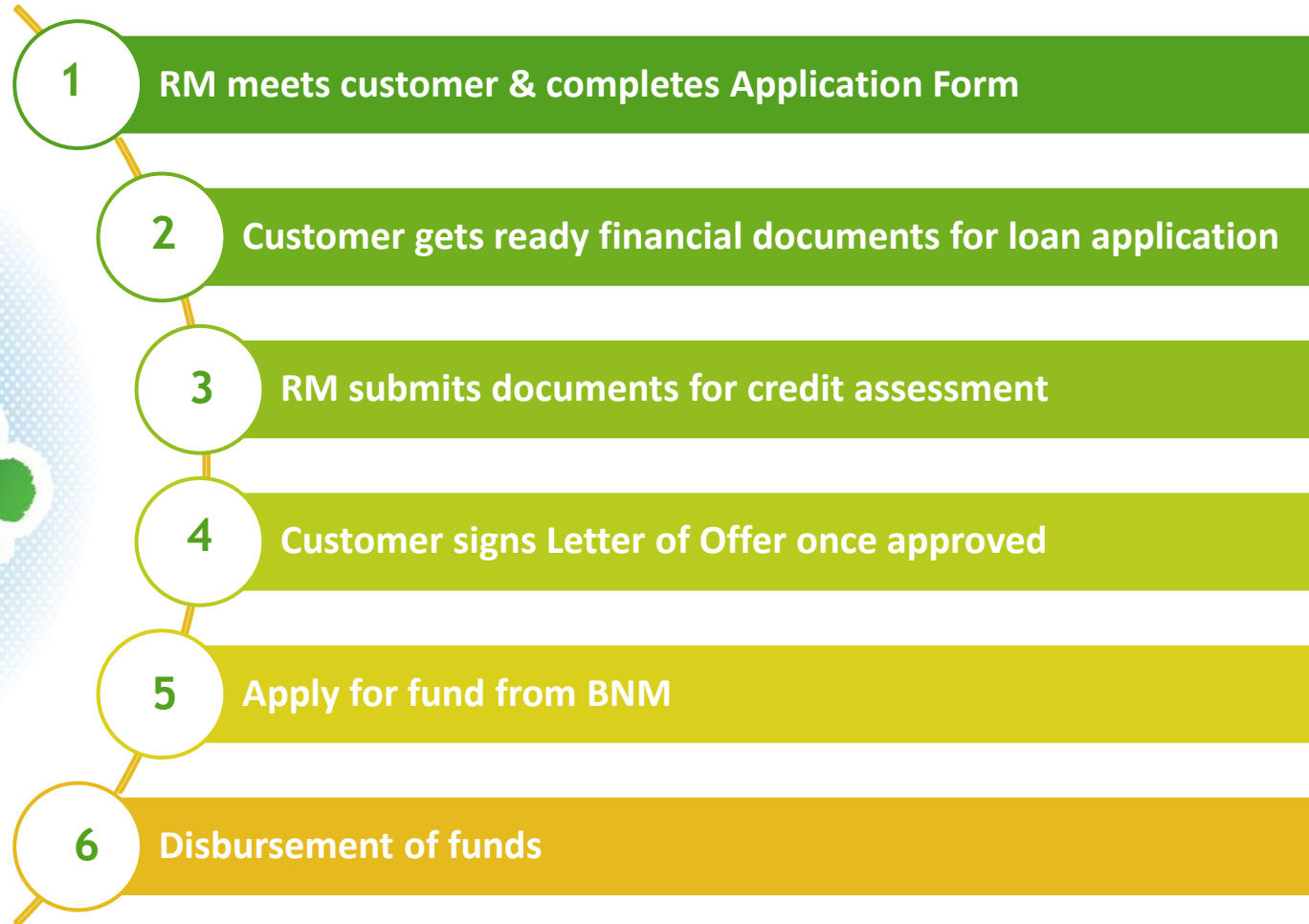
Let's talk about loans and financing

TYPICAL APPLICATION TYPES

Features	General Application	Specific schemes i.e. BNM funds
Purpose	Application-to-application	Fixed according to scheme type
Tenure	Application-to-application	Max loan tenure is capped
Interest rate	Dependent on market rate/credit evaluation	Guided by Scheme
Facility type	Application-to-application	Guided by Scheme
Pros	There is flexibility in the event schemes do not fit a business' requirements	Better financing rates (which may differ from scheme to scheme)
Cons	No subsidized financing rates	Less flexibility i.e. must match Scheme guidelines

Let's talk about loans and financing

TYPICAL APPLICATION PROCESS



Let's talk about loans and financing

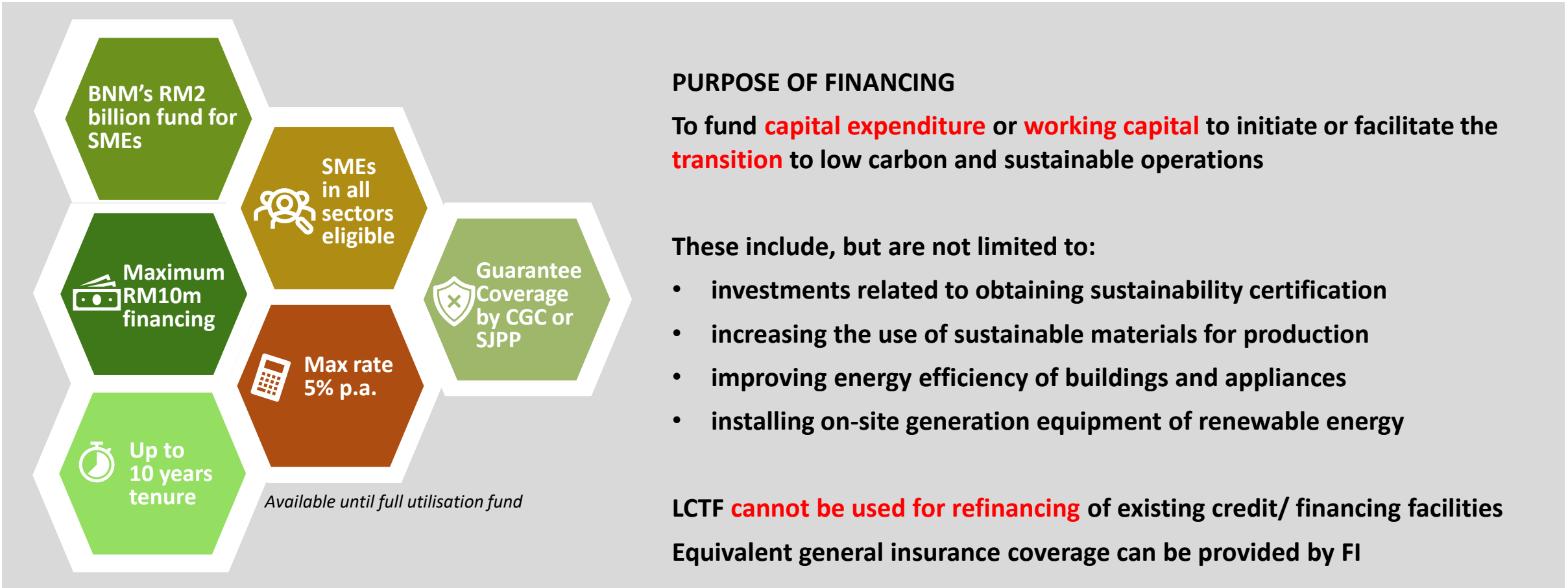
TYPICAL DOCUMENT CHECKLIST ACROSS BANKS

1. A copy of all Directors', Shareholders' / Partners' NRIC or passport
2. Latest Return for allotment of shares (previously known as Form 24) & Notification of change in the Register of Directors, Managers and Secretaries (previously known as Form 49). For companies incorporated on or after 31.1.2017, Certified Company Profile may be sufficient
3. Notice of Registration or Certificate of Incorporation
4. Latest 3 years Audited Accounts
5. Latest Management Accounts
6. Latest Debtors & Creditors Aging List
7. Latest 6 months' Bank Statements (All active and/or with overdraft facility)
8. **Details of Sustainability related transition activities requiring CAPEX/OPEX such as Quotation/Performa Invoices of Machinery(ies), Registration Cards or Receipt or Equipment Brochure (if applicable), Project Contracts and Letter(s) of Award (if applicable or if any)**

BNM Low Carbon Transition Facility (LCTF)

LCTF OBJECTIVE: ENCOURAGE AND SUPPORT SMES TO ADOPT SUSTAINABLE PRACTICE FOR BUSINESS RESILIENCE

LCTF KEY FEATURES



Source: BNM's Fund for SMEs LCTF FAQ

BNM Low Carbon Transition Facility (LCTF)

LCTF REQUIREMENTS OF TRACKING AND REPORTING OF SMES TRANSITION PROGRESS

FIs will track SME's transition progress

FIs tracking mechanism:

- FI will conduct periodic climate change classification reviews
- FIs will request periodic reporting and supporting documents on transition-related activities or expenses
- FI will track progress against SME's Sustainability Performance Targets (which was set with the FIs)

Example of SMEs reporting items to FIs

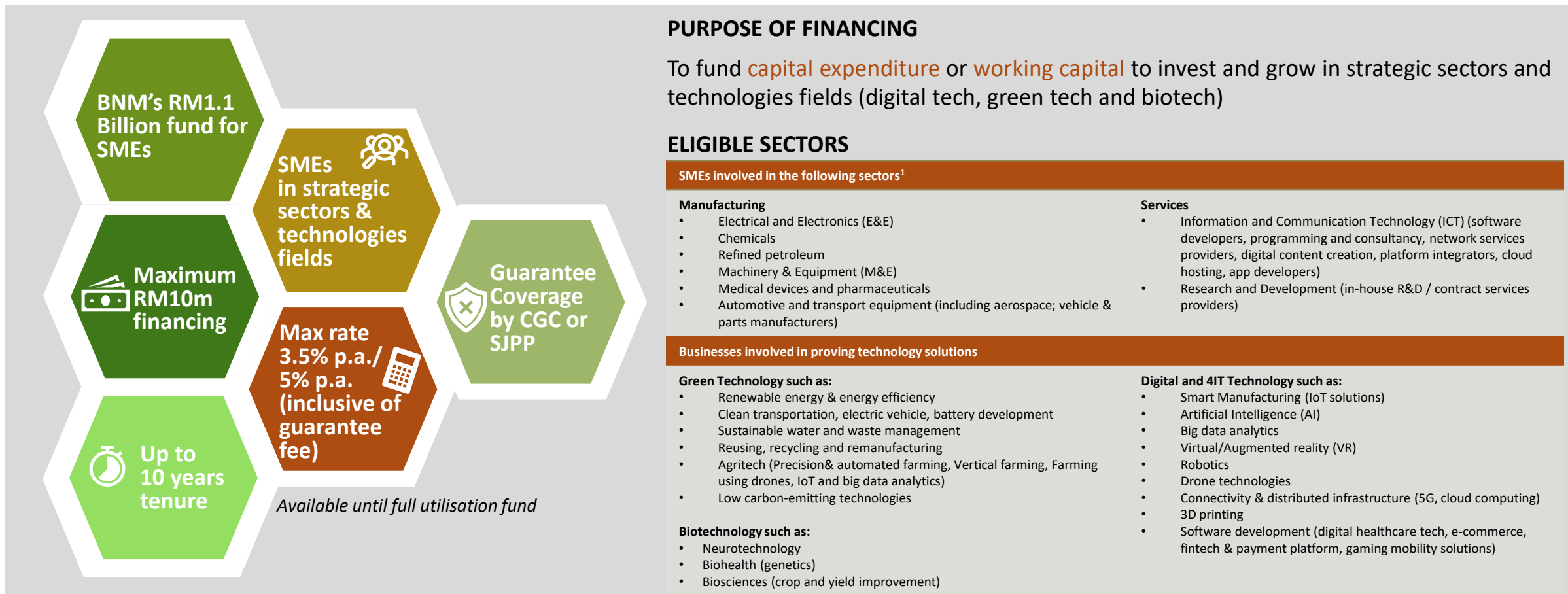
- Reduction of electricity consumption
- GHG emission
- Sustainability certification adopted
- Establishment of sustainability policies
- Adoption of sustainability materials
- Installation of renewable energy equipment
- Purchase of energy efficient appliances
- Revenue/ expenses relating to transition

FIs to report SME's transition progress to BNM annually for impact measurement purposes

BNM High Tech & Green Facility (HTG)

HTG OBJECTIVE: SUPPORT SME TO GROW THEIR BUSINESSES AND INVEST IN STRATEGIC SECTORS & TECHNOLOGIES FIELDS FOR A SUSTAINABLE AND ENTRENCHED ECONOMIC RECOVERY

HTG KEY FEATURES



Sectors identified to be most aligned to the long-term strategic development goals for Malaysia under National Investment Aspirations (NIAs)

Source: [BNM's Fund for SMEs HTG FAQ](#)

Green Technology Financing Scheme (GTFS)

GTFS OBJECTIVE: TO ENCOURAGE LOCAL COMPANIES AND ENTREPRENEURS TO BE INVOLVED IN GREEN TECHNOLOGY-BASED PROJECTS TO SUPPORT THE NATIONAL GREEN TECHNOLOGY AGENDA

GTFS KEY FEATURES

Type of Customer	Purpose
Producer	<ul style="list-style-type: none"> To finance companies producing green technology products Excludes large-scale solar projects and rooftop solar photovoltaic system.
User	<ul style="list-style-type: none"> To finance companies using green technology-based products. Excludes projects under the Net Energy Metering and SELCO (Self Consumption) initiative.
ESCOs	<ul style="list-style-type: none"> To finance energy service contractor Energy Performance Contract (EPC). Subject to energy efficient projects only.
Housing Developer	<ul style="list-style-type: none"> To finance green building construction (residential) with sales cost of RM350,000 and below.
Low Carbon Mobility Infrastructure	<ul style="list-style-type: none"> To finance Electric Vehicle (EV) charging infrastructure operator.

Rebate – Profit Rate Subsidy of 1.5% per annum on interest/ profit rate which is applicable to up to the first seven (7) years only.

Available until 31 December 2025 or full exhaustion whichever comes first

Thank You

For more information:

 <https://www.jc3malaysia.com/esg-jumpstart-for-smes>

 sfgsec@bnm.gov.my

