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PETALING JAYA: Malaysia saw a sharp acceleration in sustainability initiatives by the government, regulators and corporates alike in the past 18 months – demonstrating the rising cohesion and integration across stakeholders, according to Maybank Investment Bank Bhd (Maybank IB).

Maybank IB head of Malaysia and regional equity research Anand Pathmakanthan said the updating of Malaysia's Nationally Determined Contributions target to unconditional 45% reduction in emissions intensity by 2030 as well as the development blueprints such as the 12th Malaysia Plan and Renewable Energy Roadmap and Low Carbon Nation Aspiration showed that the government is clear on the sustainability policy urgency and targets.

"The stepped-up measures, disclosures and targets significantly increase the chance of successful execution and the creation of a positive feedback loop," he told *SunBiz*.

In the same vein, he said regulators remain in the vanguard, coordinating on key issues such as climate risk, disclosures and financing.

"Bursa Malaysia's Enhanced Sustainability Reporting and Voluntary Carbon Market are of particular note, the latter a key step

There's increasing cohesion and integration across stakeholders, says Maybank IB



Anand: Govt clear on urgency, targets

towards developing a Domestic Emissions Trading Scheme.

"Corporates are duly expediting adoption of sustainability first strategies, notably 'E' (environmental) initiatives by government-linked companies such as Petronas and Tenaga Nasional. However, 'S' (social) issues relating to foreign labour remain a vulnerability," he noted.

In the near future, Anand expects that the growth rate of ESG (environmental, social, and governance) investing in Malaysia will be "extremely strong" and much higher than conventional investing.



Phang: Apac lagging behind the West

The number of sustainable funds globally reached 5,932 or +61% year-on-year (y-o-y), led by the EU and the US, while related total assets under management (AUM) reached a record US\$2.7 trillion (+53% y-o-y) in 2021, according to the World Investment Report by the UN.

KPMG Malaysia head of sustainability advisory services Phang Oy Cheng said that ESG adoption in Asia Pacific (Apac), including Malaysia, lagged behind the West by a considerable margin up until recently. She noted that

there has been a shift in sentiment and actions as a growing number of Asian regulators are localising ESG-related requirements in their home markets.

"Asset managers in Apac are becoming aware of the consequences of non-compliance including the risk of reputational damage and capital outflows, as well as the benefits of getting ESG right including valuation uplifts, the ability to charge higher management fees, and improved access to offshore capital," she told *SunBiz*.

Similarly, she expects heightened interest in ESG investing within the country. Given that there is no measure as yet developed to track the rate of ESG investing in Malaysia, analogies can be drawn against the rate of ESG investing in Apac.

"Analysts have reported that Apac investors are expected to lead in ESG investing as they pivot to focus on stocks that are ESG improvers (companies that are making ESG strides) as opposed to ESG enablers," she said.

The StanChart Sustainable Banking Report 2022 found that 22% of investors in Malaysia have more than 15% of sustainable investment assets as part of their investment portfolio and is expected to increase to 38% in the next two to three years. It has also predicted that Malaysia can look forward to US\$35 billion of retail sustainable investment potential by 2030.