

ENVIRONMENTAL SOCIAL GOVERNANCE (ESG)



ESG Simplified Playbook For SMEs



MOVING FORWARD WITH YOU

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Hello!

Welcome to CIMB's ESG Simplified Playbook for SMEs.

Let me guide you through the Playbook!

1. ESG at a Glance for SMEs



What is ESG?

A. ESG stands for Environmental, Social, and Governance.

It is a framework that helps stakeholders understand how an organisation is managing risks and opportunities related to each of the ESG criteria/factors.

ENVIRONMENTAL

- 1. Emission Management
- 2. Energy Management
- 3. Water Management
- 4. Waste Management

SOCIAL

- 5. Labour Practices & Standards
- 6. Safety & Health
- 7. Employee Benefits
- 8. Corporate Social Responsibility

GOVERNANCE

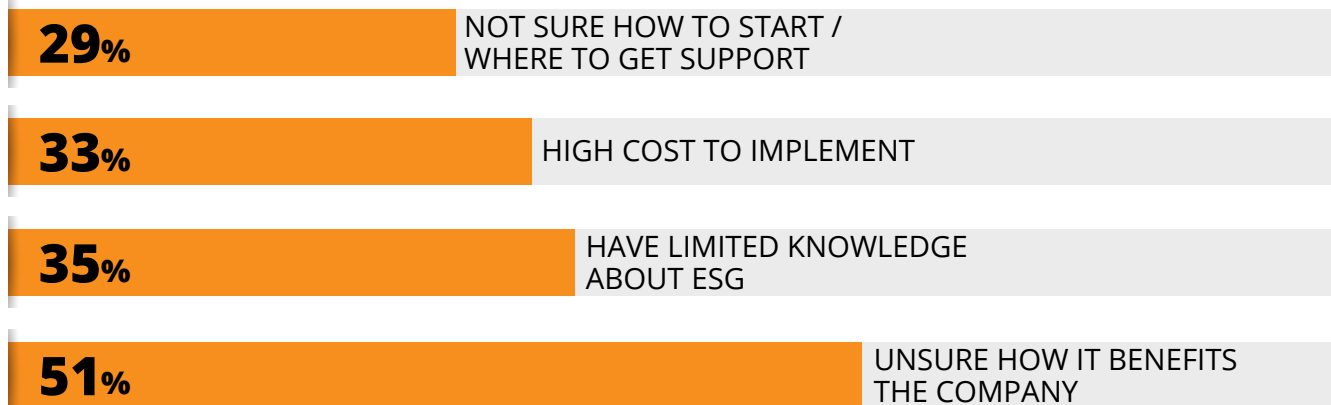
- 9. Culture & Commitments
- 10. Integrity & Anti-corruption
- 11. Risk Governance & Internal Controls
- 12. Decision Making & Strategic Oversight
- 13. Disclosure, Transparency & Data Protection

● Low-hanging fruit

● Longer term

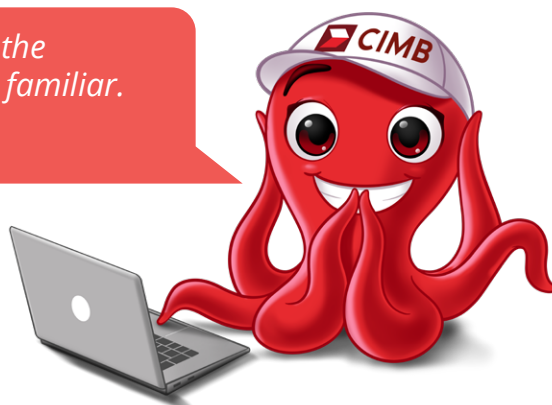
Extracted from ESG Quick Guide for MSMEs by SME Corporation Malaysia (SME Corp. Malaysia)

B. Challenges in your ESG Journey



Extracted from a study by SME Corp. Malaysia, UN Global Compact Malaysia & Brunei and a local bank

You are not alone if all the challenges in (B) sound familiar.
We can assist you!



2. Why is ESG a Necessity and its Strategic Importance for You



To capitalise on these and more, flip through the next few pages for bite-sized actions!



Grow Your Business

- [A survey by CEO Action Network in collaboration with Eco-Business](#) on 1,000 Malaysian individuals, revealed a few insights from consumers such as more than 90% are sustainability-conscious and go the extra mile to practice sustainability as well as 81% prioritise sustainability as an important factor in their purchasing decisions.
- Secure and expand contracts with multinational companies committed to ESG.
- Investors are looking to invest in businesses with strong ESG performance because of reduced risk exposure and improved operational efficiency.



Policies and Frameworks

- Introduction of [National Energy Transition Roadmap \(NETR\)](#), [Bill on Energy Efficiency and Conservation Act \(EECA\)](#), a [National Carbon Market and Carbon Tax Policy](#) and [Simplified ESG Disclosure Guide](#) may affect your business on multiple angles.
- [Carbon Border Adjustment Mechanism \(CBAM\)](#) introduced by European Union (EU) in 2023 will affect most businesses that export into the EU countries.



Government Incentives Entitlement

- Unlock a multitude of government incentives, paving the way for sustainable business practices while reaping financial benefits.
- Financing facilities such as [Low Carbon Transition Facility/-i \(LCTF/-i\)](#) and [Green Technology Financing Scheme/-i \(GTFS/-i\)](#), tax allowance such as [Green Investment Tax Allowance \(GITA\)](#), as well as funds/grants such as [Domestic Investment Accelerator Fund \(DIAF\) by MIDA](#) and [Market Development Grant \(MDG\) by MATRADE](#).



Cost Savings

- Through investing in energy-efficient equipment, renewable energy, and reducing your reliance on fuels, SMEs can minimise the impact of any increase in energy costs, such as Imbalance Cost Past Through (ICPT)* or reduction of fuel subsidies in the future.
*ICPT is a mechanism which allows TNB to reflect changes in fuel and other generation-related costs in the electricity tariff
- Implementing recycling and waste reduction programs can significantly reduce waste and save on disposal costs. Additionally, your waste might be an input for another company/industry, which could potentially be revenue generating (e.g. circular economy concept).
- Managing ESG risk elements may reduce the probability of costly consequences such as fines/penalties from authorities, negative impact on property value, and losing talent.

3. Start with Simple Actions



Integrate sustainability in production and operations

- Source raw materials and supplies from sustainable, recycled, and local sources.
- Design out packaging from your products and eliminate waste (including defects) in your processes using Lean Manufacturing principles. This thinking helps save money in service companies too!
- Design your products so that they can be easily reused, repaired/refurbished, or recycled. Offer repair and refurbishment services for your product for long-term revenue streams. Sell or donate materials or equipment that you no longer need. These are known as 'Circular Economy' practices.
- Optimise shipments or transportation to reduce usage of petrol/diesel (i.e. one of the main sources of carbon emissions).
- Obtain certifications such as ISO14001 on Environmental Management Systems and integrate them into operations, culture, strategy, and reporting.
- Upskill your team especially on carbon emission reduction initiatives and solutions, and join associations to learn from peers and other industries.



Improve energy and water efficiency

- Choose premises that (or upgrade existing premises to) require less cooling (e.g. with natural ventilation, light-coloured roof with insulation, solar film on windows to cut heat and glare, planted garden to reduce heat island effect, etc.) to reduce or avoid the use of air-conditioning (AC), providing long-term cost savings.
- If AC is needed, use inverter ACs with 5-star energy rating, with timers/sensors and separately zoned climate control settings. Increasing AC temperature from 22 to 25°C can increase employee productivity and [reduces energy use by 34%](#).
- Use natural lighting during the day or LED lights to minimise energy usage. Split lighting into smaller zones or install motion sensors.
- Purchase 5-star rated energy-efficient equipment and appliances (particularly for large appliances that provide heating/cooling, which use a lot of energy).
- Turn off and unplug computers and all devices when not in use (these are hidden energy drains sometimes known as 'energy vampires').
- Turn off faucets/check for water leakages, and consider rainwater harvesting for toilets, cleaning and garden uses.



Promote a healthy workforce and work environment

- Guarantee safe workplaces, fair pay, and no discrimination (including gender and racial) for all employees.
- Prioritise employee health and well-being (physical, mental, financial, etc.) to create a positive and engaged work environment for long-term success.
- Create a diverse, fair, and inclusive work environment, through merit-based hiring, promotion, training and other HR processes.
- Offer flexible work arrangements, childcare, and nursing rooms at the workplace to support working parents, or those with aged parents.

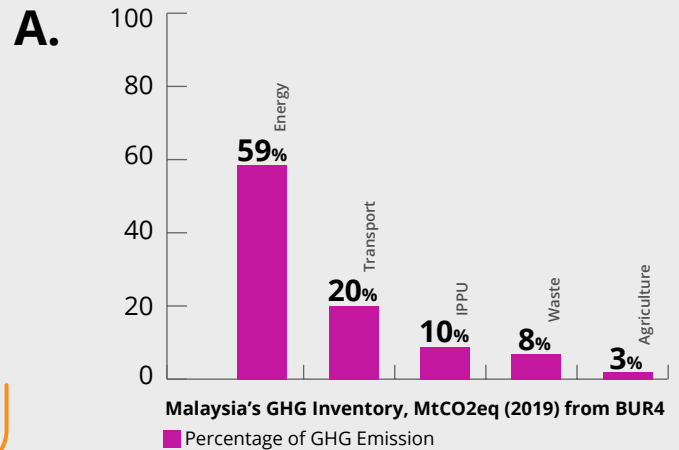
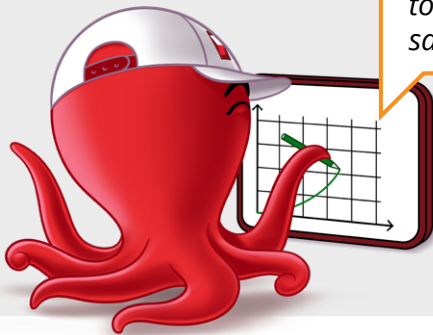
ESG does not need to be rocket science for SMEs, it can be as simple as some of these actions/focus areas as a start.



4. Estimate Your Carbon Emissions and Potential Savings

For a simple SME business setup, electricity consumption is likely the major contributor to CO₂ emissions, which in turn has the largest impact on the environment.

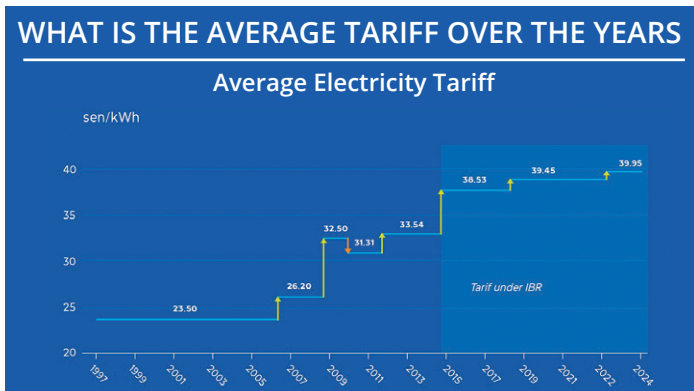
Estimate how much is your company emitting, then use the solar calculator to calculate potential savings in (D) below!



In 2019, the largest portion of the total emissions in Malaysia was from the energy sector. This was followed by transport, industrial processes and product use (IPPU), waste and agriculture.

Extracted from UNFCCC (2022) Malaysia's Fourth Biennial Update submitted to the UNFCCC <https://unfccc.int/documents/624776>

B.



Switching to Renewable Energy (e.g. solar) and incorporating Energy Efficiency are several measures to hedge against higher electricity tariffs.

source: https://myelectricitybill.my/understanding_bill.html

C.



Carbon price
(±RM500)
February 2023



Voluntary carbon market



Up to \$80
(2027-2030)

Carbon price in the EU reached as high as ±RM500 per ton in February 2023, while Singapore has increased its carbon tax from S\$5 (2019-2023) to S\$25 (2024-2025) and step up to S\$45 (2026-2027) and up to S\$80 (2027-2030).

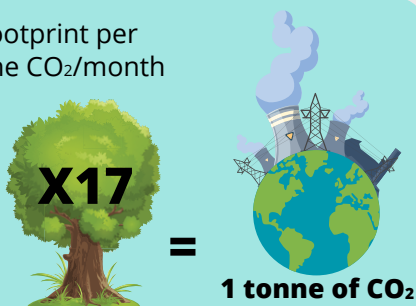
Malaysia has launched the voluntary carbon market as a first step for carbon pricing with an upcoming National Carbon Tax Policy in the future.

D.

Access the [Low Carbon Operating System \(LCOS\) by MGTC](#) (left QR code) and [NEM Solar Calculator](#) (right QR code) by scanning the QR to measure your emission and estimate your potential savings from solar!

Malaysia's carbon footprint per capita 2019: ±1 tonne CO₂/month

It requires 17 trees seedlings grown for 10 years to sequester 1 tonne of carbon emission



source: <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

CO₂ emission is one of the main causes of climate change as it is accumulated from all of us! Based on the results of your emissions in the LCOS calculator below, imagine the industry's CO₂ emissions over the years! And how this will become part of the business cost in the near future.



Up to ±80%

Potential energy savings from Renewable Energy and Energy Efficiency



5. Complete the MSME ESG Assessment and Build Capacity

Before starting any journey, it is always best to equip yourself with an understanding of the big picture as well as your level of readiness to plan, strategise, and take action!



We are working with SME Corp. Malaysia to assist you on this and provide complimentary service for all CIMB customers!



A. Complete the MSME ESG Assessment

- Register [here](#) (Takes less than 30 minutes).
- Upon completion, you will know your ESG-readiness level through an ESG indicator score.
- You are strongly encouraged to share this report with your Relationship Manager as part of any facility application.



MSME ESG Assessment

Dear Tris,
Congratulations! You have taken the first step towards understanding your firm's ESG level. Based on this assessment dated 04 July 2024, below are your result summary.

ESG SCORE BY INDICATORS



Your firm scored 75% in Social (S), the practise in that area is considered **INTERMEDIATE**.

- 100% in Labour Practices & Standards, which is considered **ADVANCED** practise.
- 60% in Safety & Health, which is considered **INTERMEDIATE** practise.
- 81% in Employee Benefits, which is considered **ADVANCED** practise.
- 0% in Corporate Social Responsibility, your firm **HAS NOT STARTED** practising yet.

Your firm scored 58% in Governance (G), the practise in that area is considered **INTERMEDIATE**.

- 85% in Culture & Commitments, which is considered **ADVANCED** practise.
- 0% in Integrity / Anti-Corruption, your firm **HAS NOT STARTED** practising yet.
- 60% in Risk Governance & Internal Controls, which is considered **INTERMEDIATE** practise.
- 61% in Decision Making & Strategic Oversight, which is considered **INTERMEDIATE** practise.
- 76% in Disclosure, Transparency & Data Protection, which is considered **INTERMEDIATE** practise.

Note: Indicators highlighted in red font reflect the areas that need further improvement.

SUMMARY



Overall, your firm achieved a total **ESG score of 67%**, that indicates your firm is at **INTERMEDIATE** level in terms of ESG practise and implementation.

*Sample of MSME ESG Assessment results and score.

B. Refer to the ESG Quick Guide for MSMEs

- The ESG Quick Guide for MSMEs provides a step-by-step guide for SMEs to integrate ESG into the business.
- It will also assist SMEs in developing a Sustainability Report to showcase SMEs' ESG practices.



- Step 1: Setting the relevancy of ESG to your business
- Step 2: Materiality Matrix
- Step 3: ESG Goal Setting
- Step 4: Showcasing integration of E, S and G indicators in your business
- Step 5: Reporting ESG Progress
- Step 6: Telling others your ESG Measure

C. Participate in the Workshops

- SME Corp. Malaysia provides engagement and detailed advisory in workshops throughout the country through info line: 03-92130077 or email info@smecorp.gov.my.

6. Embark on Your ESG Journey With Us: GreenBizReady™

GREENBIZREADY™

GreenBizReady™ is a complimentary one-stop sustainability ecosystem designed to empower our customers through the following offerings:



Financial & Other Solutions

Obtain financing for sustainability transition



Tools & Templates

Access simple tools & templates to measure your impacts



Training & Capacity Building

Receive complimentary training and capacity building



Service Providers

Connect with sustainability service providers



Certification & Advisory

Link up for Sustainability certification and advisory services



Green Networking

Participate in business matching services



Scan this QR to get in touch directly with our Sustainable Finance Team!



Let's start our sustainability journey together! Scan for further insights into GreenBizReady™



Apply for the available government support through the following incentives. You will also be entitled to tax allowances under the [Green Investment Tax Allowance \(GITA\)](#) for your low-carbon journey!



Low Carbon Transition Facility/-i (LCTF/-i)

The LCTF/-i is open for SMEs in all sectors that are committed to transform their business operations towards low carbon operations.

Size up to **RM10 million**

Maximum **5% p.a.** inclusive of guarantee fee

Tenure up to **10 years**

[Click here for more information on LCTF-i](#)

Green Technology Financing Scheme (GTFS) 4.0

Financing scheme under Malaysian Green Technology and Climate Change Corporation to finance investment for the utilisation of green technology project (User Category).

Size up to **RM50 million**

Rebate of **1.5% p.a.** on interest/profit rates

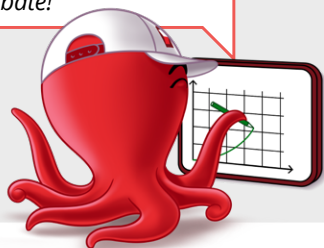
Tenure up to **10 years**

[Click here for more information on GTFS](#)

7. Transform to a More Sustainable Business and Be Rewarded: Sustainability-Linked Financing (SLF) for SMEs

On top of it all, we have incentives as you transition and achieve targets!

Don't worry, we will guide you step by step to enjoy the rebate!



SLF for SMEs

Enjoy exclusive rebate on your financing!

**Subject to approval and Terms & Conditions.*

SLF is a financing programme that rewards you for meeting Sustainability Performance Targets*

**Set and pre-agreed between the customer and the Bank. The achievement of these targets will determine the customer's eligibility for the rebate.*



Normal Financing Facility



Sustainability Performance Target (SPT)



Additional Facility to Decarbonise (e.g.: LCTF)



1



Receive Complimentary Coaching

Start your sustainability journey with a solid foundation of **knowledge and skills** with ongoing access to training and support.

2



Measure Your Emissions

Measure your emissions baseline simply by inputting your electricity and fuel usage into a **simple web-tool**.

3



Take Action to Reduce Your Emissions

Choose from a wide range of **Renewable Energy, Energy Efficiency** and/or other service providers to reduce your electricity.

4



Obtain Financing for Your Transition

Secure financing with CIMB via Bank Negara Malaysia's **Low Carbon Transition Facility/-i (LCTF/-i)** to finance your selected **Renewable Energy or Energy Efficiency** options.

5



Verify Emissions Reduction

Get your emissions reduction **verified** via one of our verification associates.

6



REWARDS!

Enjoy attractive rebates based on your sustainability performance, in addition to **cost savings & tax incentives!**

Scan to learn more about SLF!



8. Sharing of a Case Study



The Company

An automotive repair and maintenance company based in Peninsular Malaysia.

After 30 years of operation, they embraced renewable energy as part of their business strategy and sustainable initiatives.

Challenge

Facing rising energy costs and a commitment to environmental responsibility, the company sought solutions to reduce their carbon footprint while optimising operational expenses.

Outcome

The transition resulted in substantial savings, with the company **reducing** their electricity bills **by 70%** from the original (RM524K p.a.), **saving approximately RM367,000 annually.**

Solar PV Cost: RM1,400,000
Savings from Electricity: RM367,000 p.a.
Savings from GITA: RM476,000 (1st year assumption only – 34%)
Payback Period: ±3 years

After the payback period, it's free electricity for the next 20 years and possibly more!

Solution

The company was facilitated by CIMB in the transition to renewable energy through an attractive package under Bank Negara Malaysia's Low Carbon Transition Facility-i (LCTF-i).

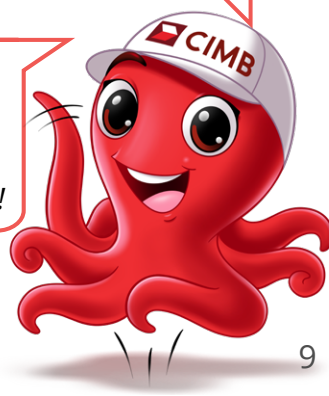
New Business Opportunity

Encouraged by their results, the company expanded their business portfolio to become a solar rooftop investor for some of their existing customers. These customers purchased the solar electricity produced, fostering a sustainable relationship that went beyond traditional customer-supplier dynamics.

The Joint Committee on Climate Change (JC3) is a platform co-chaired by Bank Negara Malaysia and Securities Commission Malaysia to pursue collaborative actions for building climate resilience within the financial sector.



Scan this for SME case studies and more on the JC3 platform!



9. Let's Begin with This Easy Action Item!

[Click here](#) or scan the QR code to:

- i) Answer the SME Corp. Malaysia MSME ESG Assessment
- ii) Obtain a report immediately on your MSME ESG Assessment results and score
- iii) You are strongly encouraged to share the report with your Relationship Managers to assist in your financing application or to enjoy any benefits from this playbook
- iv) Participate in workshops with SME Corp. Malaysia and/or other GreenBizReady™ associates for continuous learning and upskilling

Limited slots available for the workshops!



*Understand your ESG-readiness level today!
Subsequently, you may choose to participate
in ESG capacity building workshops!*



*Don't underestimate
the importance of
taking small steps!*

*Start your journey
now and keep on
progressing with CIMB
GreenBizReady™ today!*



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Connect with us on

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For more information, log on to www.cimb.com.my, email bizready@cimb.com or call 1300 888 828 or visit any of our CIMB branches nationwide.

Terms and Conditions apply.

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