

# Sustainability Impact Program

*Alliance Bank programs that drive Sustainability Improvement and Climate Impact*

Jan 2024

## 2 Overview of Alliance Bank



### WHO WE ARE

An **integrated financial services group** offering banking and financial solutions through its consumer banking, SME banking, corporate and commercial banking, and Islamic banking businesses

### SUSTAINABILITY HIGHLIGHTS

- **Sustainability Programmes** to help customers adopt sustainable business practices
- **Embedded within our ambition to build an ESG-focused** organization within Acceler8, our strategic plan to drive bank's growth
- Achieved **>RM12 billion in new sustainable banking business**, ahead of the original FY2025 timeline
- To offer up to **RM15 billion in sustainable financing** by FY2027

### HISTORY

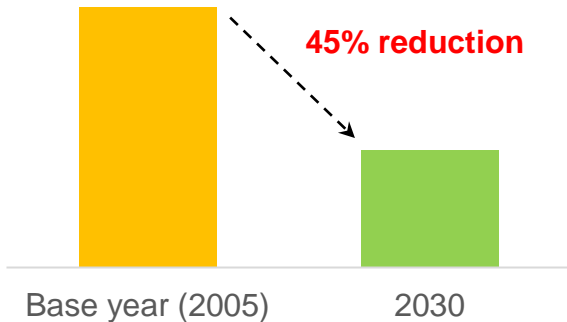
- **1982** Alliance Bank Malaysia Berhad (ABMB) was incorporated in Malaysia under the name of Malaysian French Bank Berhad
- **1996** assumed the name of Multi-Purpose Bank Berhad
- **2001** merger of seven financial institutions in January 2001
- **2017** listed on Bursa Malaysia

# Malaysia's National Energy Transition Roadmap (NETR) charts a course towards greener energy, becoming a carbon neutral nation as early as 2050



## Malaysia's long term target<sup>1</sup>

0.43 kgCO<sub>2</sub>eq/RM  
Emissions intensity  
in 2005

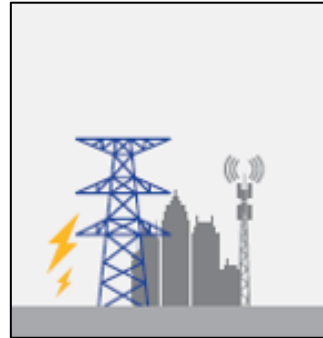


Malaysia has committed to **reducing its economy-wide carbon intensity by 45%** by 2050 compared to 2005 levels.

This is part of the country's goal of becoming a **net zero greenhouse gas emissions nation by 2050**.

### Optimise

Energy Efficiency



### Abate

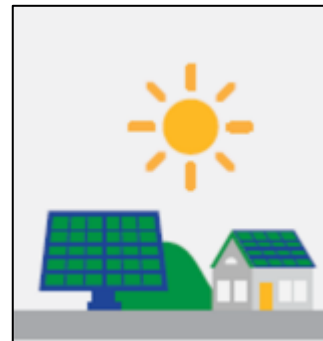
Carbon Capture & Storage (CCS)



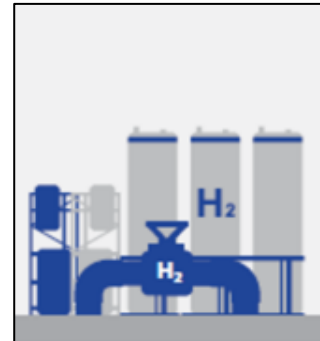
6 energy  
transition  
levers in  
NETR<sup>2</sup>

### Shift to renewables

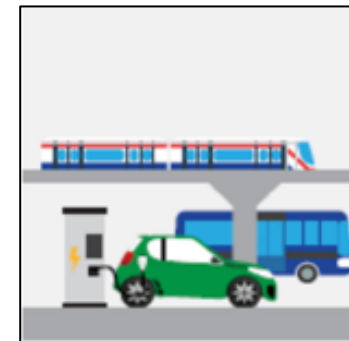
Renewable Energy



Hydrogen



Green Mobility



Bioenergy



Source: 1) World on track to limiting temperature increase as agreed in Paris Agreement, NST (2023) 2) National Energy Transition Roadmap (2023).



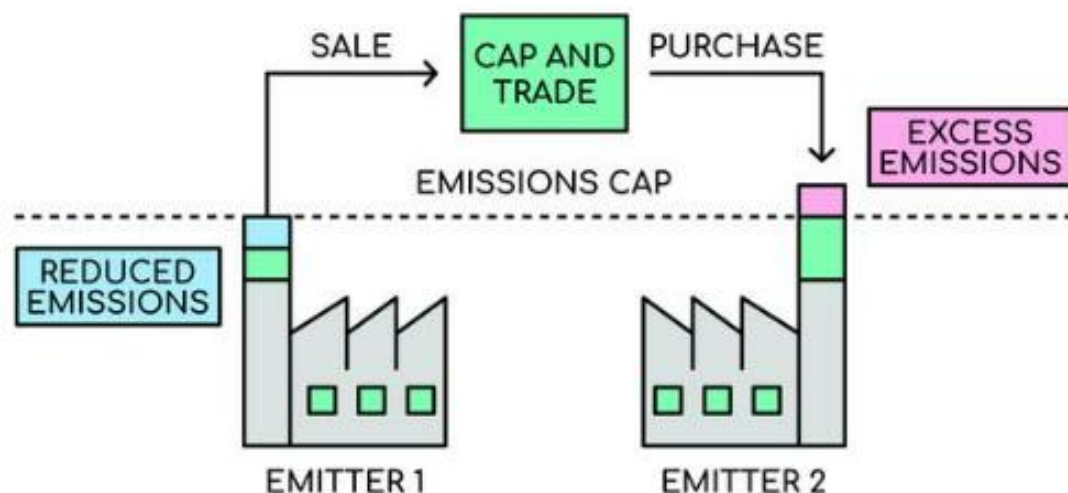
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# Exporters need to build readiness to comply with Carbon Tax & Carbon Border Adjust Mechanism (CBAM)

## Carbon Tax/ Pricing

**Carbon Pricing/Tax:** Sets a price per ton of CO<sub>2</sub> emitted. Companies and other entities have to pay this tax for exceeding their emission allowance.

**Cap-and-Trade System:** Government **limits CO<sub>2</sub> emissions (the cap)** and creates **tradable permits**. Companies that pollute less sell unused permits to high polluters. This creates a market for CO<sub>2</sub> emissions, driving down pollution as companies aim to reduce costs.

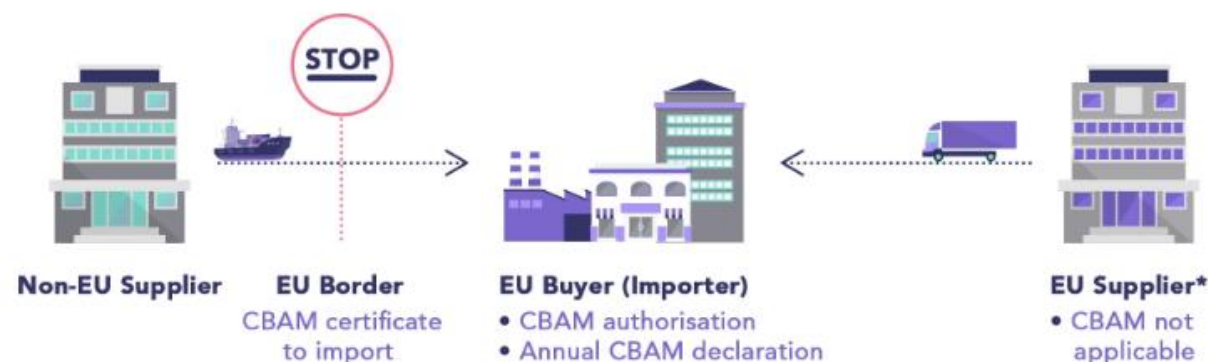


## Carbon Border Adjust Mechanism (CBAM)

**Carbon leakage:** This happens when companies facing high costs for reducing emissions in their home country simply move production to a country with weaker regulations. This "leaks" the pollution problem elsewhere, making global efforts less effective.

### How CBAM works:

- **Sectors affected:** CBAM targets imported goods with high carbon footprint (Iron, steel, cement, aluminium, fertilizer, electricity)
- **What EU buyers (importers) have to do:** EU Importers must declare the CO<sub>2</sub> emissions produced from production of imported goods, and pay carbon tax.
- **What this means for MY sellers (exporters):** Risk of getting replaced by greener suppliers. If MY sellers pay carbon tax in MY, EU buyer doesn't need to pay carbon tax in EU. But MY doesn't have carbon tax yet.



## 5 ESG insights from Malaysian SMEs: Building a Better Future Together



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Global Compact  
Network Malaysia



### “ESG Insights From Malaysian SMEs”

**14%** of SMEs are **aware** of **ESG** and 28% of them are practicing ESG

**1 in 4** Malaysian SMEs **have** adopted **elements of ESG** in their business

**3 out of 5** SMEs believe ESG will create **long term value & increase business opportunities**

**76%** of ESG adopters started their journey within the **last 5 years**

**39%** of ESG adopters reported **improved profits & cost savings**

**80%** of ESG adopters see value & aim to continue for **improved profits and cost savings**

**58%** non-ESG adopters are **keen to adopt ESG** in near future

### 28% are Early Adopters

#### Challenges

**36%** Resource constraints

**36%** Unclear visionary directives

**35%** Lack of know-how

#### Motivation to adopt

**43%** Improve productivity

**41%** Obtain cost savings

**36%** Enhance brand reputation

### 72% are Non-ESG Adopters

#### Barriers

**51%** Uncertainty over the impact of ESG

**35%** Limited ESG knowledge

**33%** Financial constraints

#### Support needed

**55%** Financial support from banks

**33%** Training opportunities

**32%** Tax incentives



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## 6 Our Sustainability Impact Program<sup>1</sup> comes with a comprehensive “3As” approach to help businesses in their adoption of ESG practices

### Advocacy



#### Create awareness & encourage ESG adoption

Drive awareness through thought leaderships, events and activities to encourage adoption of ESG practices among our customers

### Advisory



#### Enable & provide guidance on ESG

Provide valuable advice and guides to stakeholders by partnering with subject matter experts, partners and certification bodies

### Answers



#### Solutions for businesses to adopt ESG practices

Offer financial & non-financial solutions that meets the needs of our stakeholders through our network of green solution partners

<sup>1</sup> Previously launched as Sustainability Assistance Program



## 7 SMEs receive banking incentives and non banking assistance comprising ESG consultation, assessment tools, capacity building and green solutions



### Advocacy

Create awareness & encourage ESG adoption through thought leaderships, events and activities



### Advisory

Enable & provide guidance on ESG by partnering with subject matter experts, partners and certification bodies



### Answers

Banking & green solutions for businesses to adopt ESG practices



#### Climate Inclusive Financing & Development

Program to accelerate SME transition



#### ESG Survey Report

Co-developed report to understand SME's ESG challenges and opportunities



#### Sectoral Playbooks

Working with Monash in research & development of sectoral playbooks



#### Centralised Sustainability Intelligence Platform

Scope 1,2,3 emissions improvements



Global Compact  
Network  
Malaysia & Brunei

#### Climate Assessment & Action Plan

Measure maturity, benchmark & generate action plan

#### Capacity Building Workshops

ESG & corporate sustainability training



#### ALLIANCE BANK

#### Banking Solutions

Green financing and working capital loans at preferential rates & deposits

#### Beyond Banking

Green solutions provided by energy efficiency, waste & water management, solar, and circular economy | Green certification



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## 8 We partner with Bursa and UN Global Compact Network Malaysia to offer corporate and SME businesses with relevant ESG advisory for improvement



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BURSA  
MALAYSIA

### Partnership with Bursa

- **Boosting ESG ratings:** Helps PLCs to improve FTSE4Good assessment criteria with preferential financing and solutions
- **Sustainable supply chains:** Help Malaysian PLCs improve their ESG ratings & reduce scope 3, by incentivizing suppliers with carbon footprint reduction
- **Pre-IPO preparation:** Supports pre-IPO companies with ESG readiness, enhancing their attractiveness for investors.



ALLIANCE BANK



Global Compact  
Network  
Malaysia & Brunei

### Partnership with UNGCMYB

- **3-year exclusive partnership with UNGCMYB:** Capacity building & climate assessment
- **Boost awareness:** Partner at events/ conferences to educate SMEs about ESG and its benefits
- **Climate maturity measurement:** Help SMEs measure & improve their ESG performance
- **Expert guidance:** Provide resources to help SMEs develop and implement climate action plans



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## Signed a 3-year exclusive partnership with UN Global Compact Network (UNGCMYB) to enable SME sustainability improvements nationwide



### Alliance Bank Teams Up with UNGCMYB

- **Advocacy & Awareness:** Collaborate on thought leadership, marketing initiatives like press releases, workshops, research and conferences to promote ESG awareness to SMEs nationwide.
- **Advisory:** Provides the PROGRESS Climate Diagnostic tool and exclusive green solutions to help SMEs assess and improve their ESG performance.
- **Inclusive financing:** Provide green financing to incentivize climate action amongst SMEs nationwide.
- **Ecosystem engagement:** State & global level partnerships to drive adoption of sustainability amongst SMEs via large scale supplier ecosystems.
- **Capacity Building:** Offers expertise and resources for SMEs to develop and implement climate transition action plans.

# 10 Main partner bank on Bursa's CSI platform, working with corporates on climate improvement for their suppliers

## Climate disclosure reporting

BURSA  
MALAYSIA

MahSing

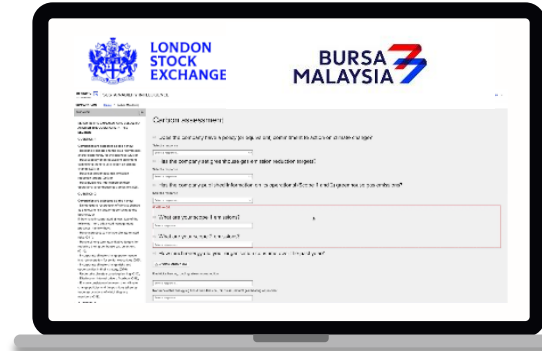
Masteel  
MALAYSIA STEEL WORKS (KL) BHD



~1,000 listed  
companies in MY

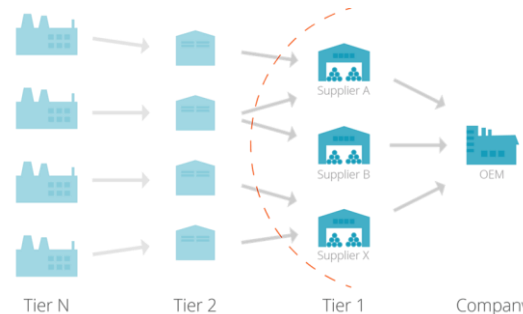
Listed companies / corporates  
to **report Scope 1, 2, and 3** on  
Bursa's Centralised  
Sustainability Intelligence (CSI)  
Platform

*Bursa CSI is developed in collaboration  
with London Stock Exchange Group*



Alliance Bank provides preferential financing rates to  
incentivize climate improvement amongst suppliers

Helps companies **identify  
biggest GHG emitters in  
their supply chain** & take  
action to prevent supply chain  
disruptions due to non-  
compliance



## Benefits



### Local

- Compliance to Malaysia's climate disclosure reporting regulations
- Align with i-ESG framework and New Industrial Master Plan 2030 (NIMP 2030)



### Global

- Help companies reporting to EU to have clarity on Scope 3 to address CBAM
- Align with global reporting frameworks & standards:
  - GRI
  - ESRS
  - CSRD
  - ISSB
  - TCFD

ISSB

TCFD



Source: <https://www.thestar.com.my/business/business-news/2023/05/12/mah-sing-alliance-bank-join-bursa-malaysia039s-sustainability-platform>



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# 11 The program provides SME suppliers with climate assessments, training and financing incentive to improve their sustainability profile

Value added sustainability programs to clients and supply chain



**Masteel**  
MALAYSIA STEEL WORKS (KL) BHD

Several other public listed companies

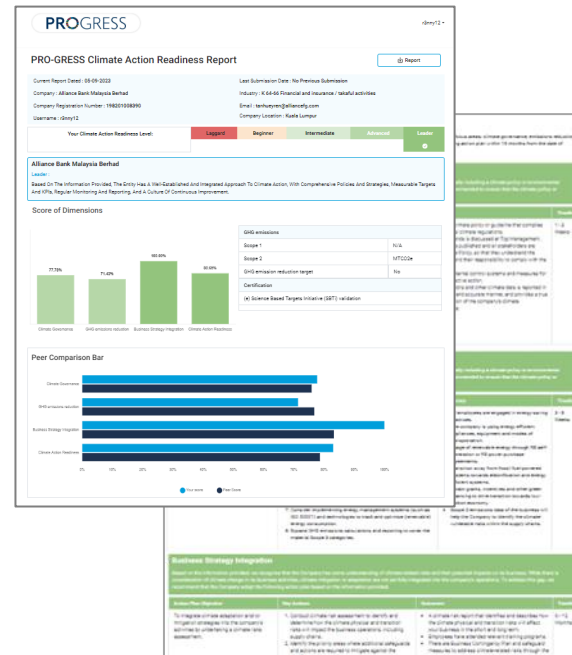
**ECOWORLD**  
CREATING TOMORROW & BEYOND

## End to end climate transition journey:

1

### Climate assessment & transition plan

- Provides a FREE climate assessment and a transition action plan



2

### Capacity building/ Advisory



- Training workshops to raise ESG levels among SMEs
- Online resources and toolkits
- Sectorial ESG playbooks

3

### Green solutions from our trusted green partners

Solar

Bio Energy

Circular

Energy Efficiency

Hydro

Green Building

Mobility

Non-exhaustive list

4

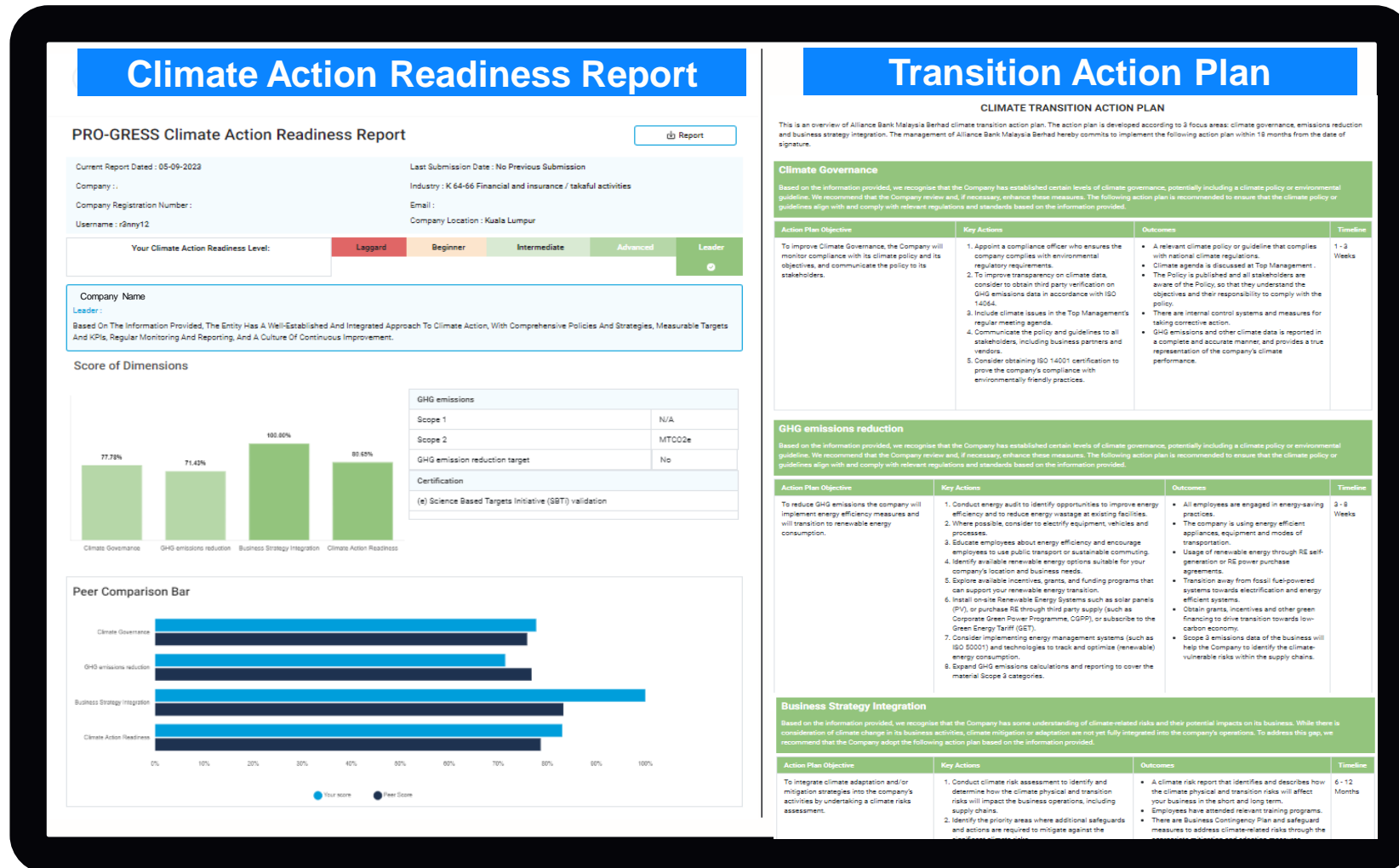
### Green financing and banking Incentives

- Better financing rates to incentivize SMEs sustainability transition
- Green loans and working capital loans

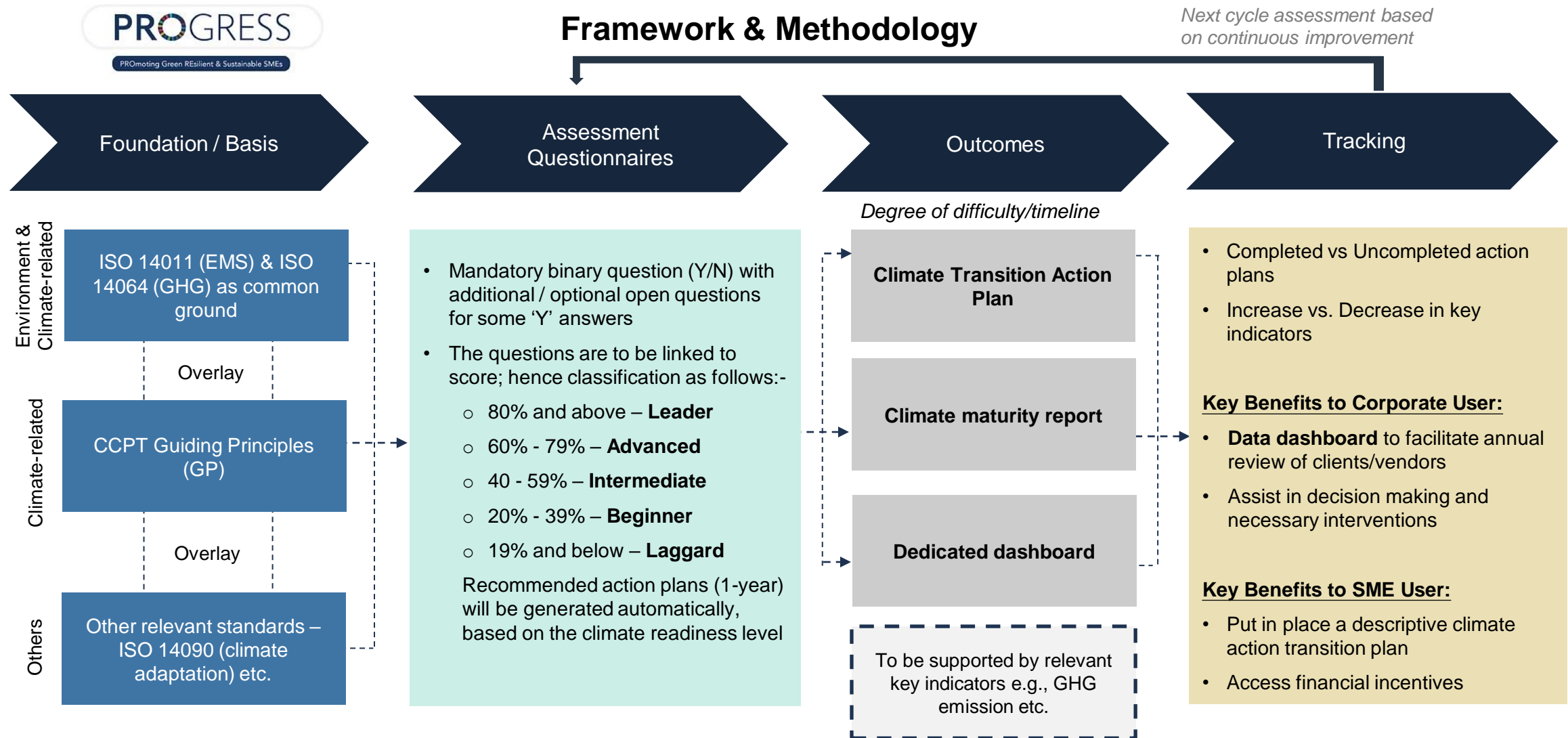


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# Key component of the program is the PROGRESS diagnostic tool, where SMEs will obtain a Climate Assessment and Transition Action Plan



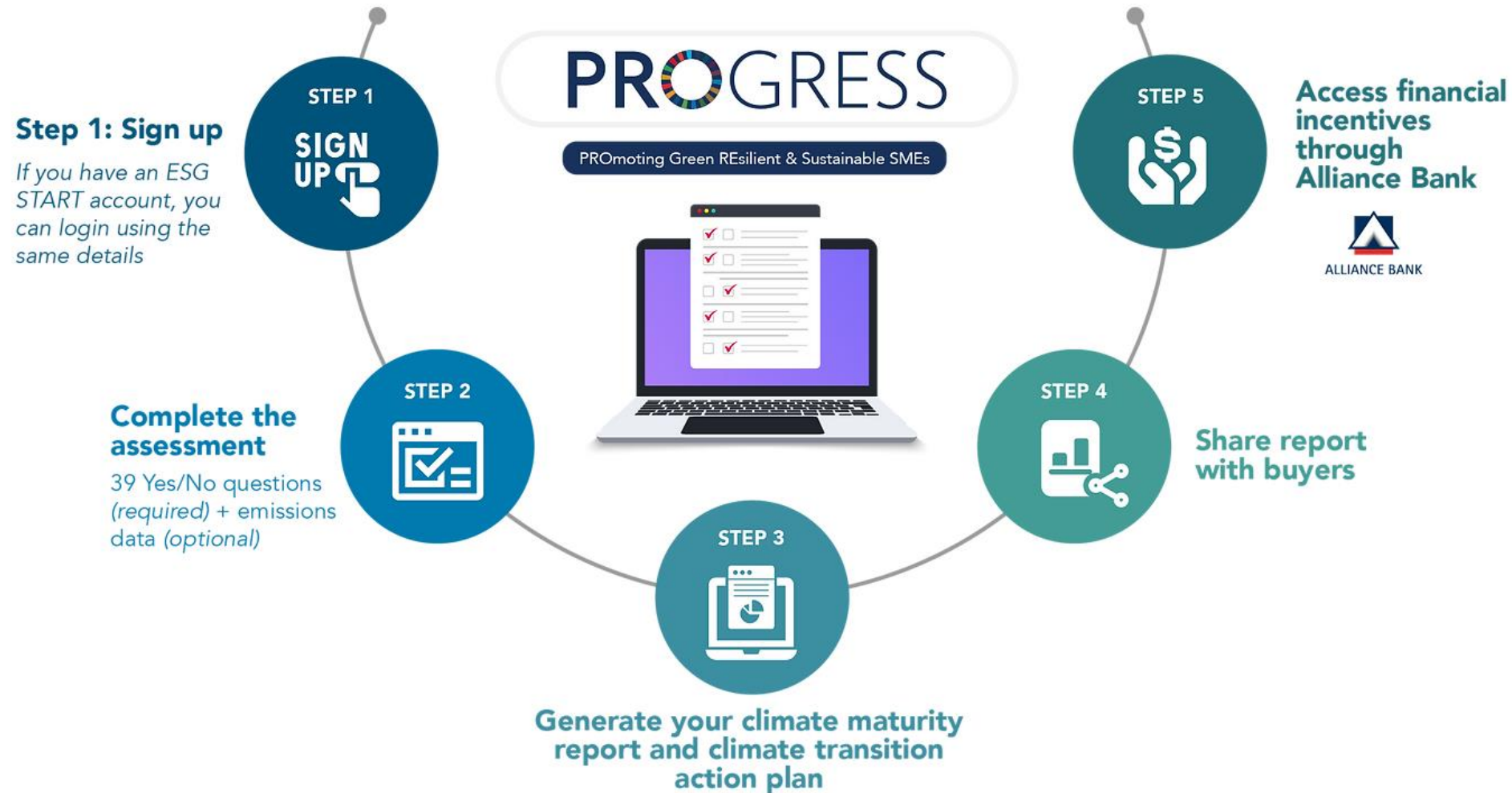
# PROGRESS is built based on accepted Environment and Climate related methodologies which will lead to climate improvements for companies





# 14 Taking PROGRESS is simple and easy, taking less than 30 minutes

## How To Take The Assessment?



# We held capacity building workshops for companies nationwide and suppliers to decarbonise the supply chain

**MahSing**



Capacity building, climate assessment and green financing incentives in partnership with Bursa Malaysia (17 Aug 2023)



**Masteel**

MALAYSIA STEEL WORKS (KL) BHD



Capacity building, climate assessment for key suppliers (31 Mar 2024)



**InvestSarawak**



Statewide workshops on climate assessment & carbon calculation; RM1 billion statewide allocation for climate inclusive financing (10 Nov 2023)



**sarawak energy**



Suppliers completing the climate assessment to generate their climate maturity score & action plan (20 Nov 2023)



**ECOWORLD**  
CREATING TOMORROW & BEYOND



Briefing about Alliance Bank's green supply chain incentives during supplier roadshow (30 Jan 2024)



Non exhaustive list

\*Several others in-progress



# Case study: Alliance Bank assisting Mah Sing to green supply chain and provide climate improvement and financing to suppliers



May 2023

## MOC signed with Bursa & Mah Sing



- Help Malaysian PLCs adopt ESG practices
- #financing4ESG offers sustainable financing to Malaysian PLCs based on FTSE4Good criteria
- Centralized platform helps companies improve Scope 3 emissions and rewards suppliers for carbon reduction
- Pre IPO companies will also benefit from improving ESG ratings ahead of listing



Aug 2023

## Supplier briefing / training



- **Alliance Bank:** Presented incentives for suppliers to transition towards sustainable practices
- **UNGCMYB:** Emphasized the importance of ESG for businesses and introduced PROGRESS, a free tool for SMEs to assess their climate maturity and create action plans
- **Bursa Malaysia:** Explained how the Centralized Sustainability Platform track and supports the greening of supply chains



Oct 2023

## Financing Mah Sing's suppliers



- Supports Mah Sing's suppliers with green financing, advisory, and solutions to reduce their carbon footprint
- Achieves first financing milestone on the CSI platform by backing Kinergy Advancement Berhad's green developments
- Provides tailored financial solutions to accelerate KAB's Sustainable Energy Solutions and foster sustainability within its supply chain



# 17 The bank's partnership program provides companies with a wide array of green solutions

## Energy Efficiency

- Energy monitoring for consumption reduction
- Installation of power optimisers, air conditioning savers, high efficiency fans & LED lights, lowering electric bills

## Solar

- Rooftop solar PV panels generate electricity from the sun, lowering electricity bills
- Zero capex / outright purchase models

## Waste & Water Management

- Treat waste and sewerage water before releasing to local waterways

## Green Certification

- Recognition of sustainable products/ practices/ green properties, boosting reputation & occupancy rate

## Hydropower

- Generate electricity from flowing rivers or dams with minimal GHG emissions

## Carbon Capture & Storage

- Capture CO2 emitted from industrial processes, store CO2 underground

## Hydrogen

- Emission-free energy for transportation & industrial process
- Store excess renewable energy in the form of hydrogen gas

## Circular Economy

- Share, lease, reuse, repair, refurbish and recycle existing materials and products

## Electric Vehicle

- Charging electric cars, buses, trucks, and tractors with renewable energy sources
- Reduces carbon footprint and air pollution

## Biomass

- Utilise organic/ agricultural waste for renewable energy generation while decreasing landfill waste

## Green Financing

- Special financing rates for eco-friendly construction projects/ sustainable initiatives



## 18 Green solar program via the Low Carbon Transition Facility (LCTF)



### Who is eligible?

- Malaysian SMEs in all sectors
- Registered with SSM/ authorities
- Shareholding by PLC & GLCs (if any) in the SMEs do not exceed 20%;
- Malaysians residing in Malaysia hold a minimum of 51% shareholding in the SMEs

### Benefits?

- Solar savings cover loan
- Break even in 2-5 years (depending on chosen model)
- Hedge against future TNB tariff rate / energy cost hikes

### What is it for?

Encourage SMEs to transition to low carbon operations. LCTF used to fund capital expenditure (CAPEX) to purchase and install solar system

#### Financing Rate

**Up to 5% p.a.**  
(including guarantee fee)

#### Maximum Financing

**Up to RM10 mil and No Collateral needed**

#### Margin of Financing

**Up to 90% of the solar system cost**

#### Maximum Tenure

**Up to 10 years**





## 19 Green Efficiency Financing Program to support energy efficiency projects



### Who is eligible?

- Malaysian SMEs in all sectors
- Registered with SSM/ authorities
- Shareholding by PLC & GLCs (if any) in the SMEs do not exceed 20%;
- Malaysians residing in Malaysia hold a minimum of 51% shareholding in the SMEs

### Benefits?

- Energy savings cover loan
- Hedge against future TNB tariff rate / energy cost hikes

### What is it for?

Encourage SMEs to transition to low carbon operations. Financing used to fund capital expenditure (CAPEX) to purchase and install energy efficient equipment and/or machinery

#### Financing Rate

**Up to 5% p.a.**  
(including guarantee fee)

#### Maximum Financing

**Up to RM10 mil and No Collateral needed**

#### Margin of Financing

**Up to 90% of the EE Solution cost**

#### Maximum Tenure

**Up to 10 years**

## 20 High Tech and Green Facility (HTG) to support green tech and related manufacturing industry sector



### What is it for?

Financial support for SMEs in manufacturing / ICT sectors and businesses providing green tech/ digital & IR 4.0 tech/ biotech solutions

### Who is eligible?

- SMEs in **Manufacturing and ICT Services**, e.g.
  - Electrical and Electronics
  - Chemicals
  - Refined Petroleum
  - Machinery & Equipment
  - Medical Devices & Pharmaceuticals
  - Automotive & Transport Equipment
  - Information & Communication Technology (ICT)
  - Research & Development
- **OR** -----
- Businesses involved in **providing technology** solutions (Green tech, digital & IR4.0, biotechnology)

### Financing Rate

**Up to 3.9% p.a.**  
(including guarantee fee)

### Maximum Financing

**Up to RM10 mil and No Collateral needed**

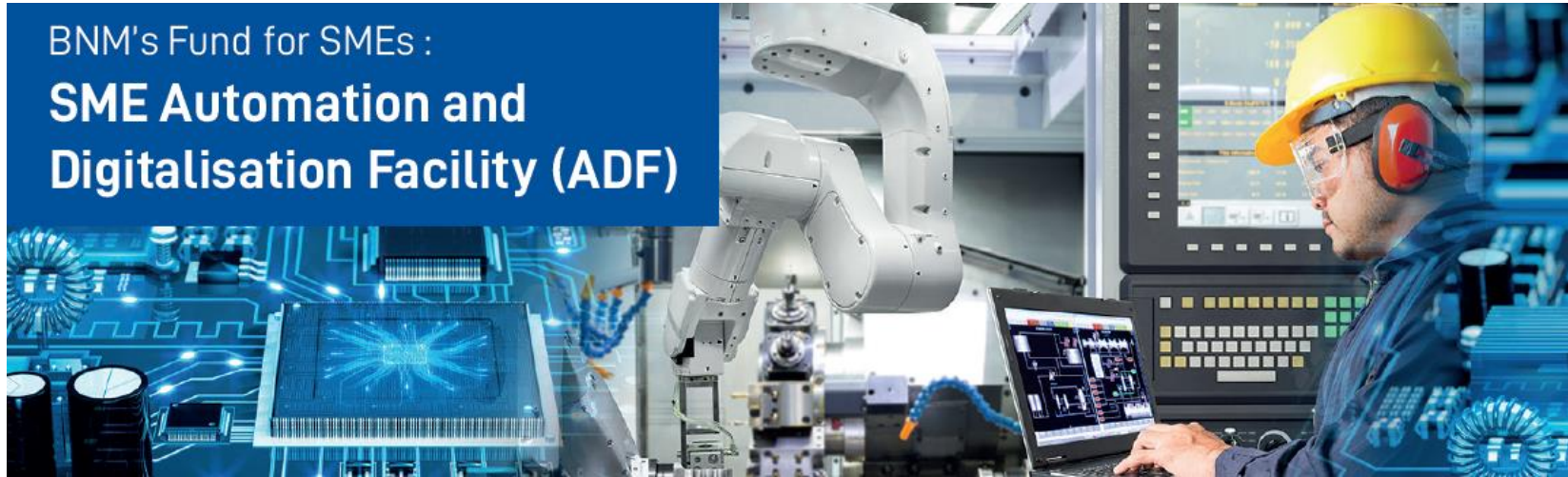
### Margin of Financing

**Up to 80%** for machinery/ equipment; **Up to 100%** for working capital

### Maximum Tenure

**Up to 10 years**

# SME Automation and Digitalization Facility (ADF) to support digital adoption



## Who is eligible?

- Malaysian SMEs in all sectors
- Registered with SSM/ authorities
- Shareholding by PLC & GLCs (if any) in the SMEs do not exceed 20%;
- Malaysians residing in Malaysia hold a minimum of 51% shareholding in the SMEs

## What is it for?

- Incentivise SMEs to automate processes and digitalise operations to **increase productivity and efficiency**
- Purchase of **equipment, machinery, computer hardware and software, IT solution and services, technology support services** and other intangible assets to enhance productivity and efficiency *(Not for refinancing of existing financing facilities)*

### Financing Rate

**Up to 4% p.a.**  
(including guarantee fee)

### Maximum Financing

**Up to RM3 mil and No collateral needed**

### Margin of Financing

**Up to 90% of the project amount**

### Maximum Tenure

**Up to 10 years**



## 22 Sustainability-linked bonds (SLB) / Sustainability-linked loans (SLL)



### Who is eligible?

- Companies committed to sustainability and **improving their sustainability performance**
- **SMEs & Corporates** (e.g. private or public MNCs and large companies)
- Companies from **diverse industries** or **industries with significant environmental impact** that can benefit from working toward achieving sustainability targets

### What is it for?

- **Purpose:** Instruments to incentivize customers' achievement of an ambitious, **pre-determined sustainability performance objectives**
- **Use of proceeds:** Usually **not allocated to specific projects, assets, or activities** but are used for general purposes (not tied to a certain use of proceeds). Allows flexible allocation of funds across various projects. Focus on achieving overall sustainability goals
- **Transparency & reporting:** Borrowers/ issuers required to **report to the bank annually** on their sustainability performance. Customers to obtain **independent/ external verification** on its performance
- **Incentive:** Financial terms are **linked to achievement of key performance indicators (KPIs)**, e.g. reduction in emissions intensity. Meeting/ exceeding targets lowers **interest costs**; Failing targets increases interest costs. Successfully meeting targets can **enhance borrower's/ issuer's reputation** in the market

## 23 Green bonds (Conventional)/ Green Sukuk (Islamic)



### Who is eligible?

- Organizations that meet criteria related to use of proceeds and adherence to established green standards
- **Eligible green projects :**
  - Climate change **mitigation**
  - Climate change **adaptation**
  - **Natural resource** conservation
  - **Biodiversity** conservation
  - **Pollution prevention** and control
- Include assets, investments, projects, supporting expenditures

### What is it for?

- **Purpose:** Debt instrument specifically for **environmentally beneficial** projects as defined by the Social Bond principles (e.g. Large scale solar, energy efficiency, etc)
- **Use of proceeds:** Finance or refinance designated **green projects or assets** with clear environmental benefits. Issuers must specify how proceeds will be used
- **Transparency & reporting:** Issuers are required to provide **annual reporting** on the use of proceeds & **environmental impact** of funded projects (e.g. GHG emissions reduced/ avoided)
- **Incentive:** The **fixed interest rates** provide stability. Investor demand for green investments can potentially result in **lower costs of capital** over time. Issuing green bonds can **enhance a company's reputation**



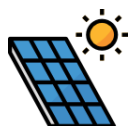


**GTFS 4.0 is a soft loan supported by the government for up to 31 Dec 2025**

Who is eligible?		
<b>Sectors:</b> <ul style="list-style-type: none"><li>Producers of green technology</li><li>Users of green technology</li><li>ESCOs</li><li>Housing developer</li><li>Low carbon mobility infrastructure</li></ul> <b>Types of projects include (not limited to):</b> <ul style="list-style-type: none"><li><b>Energy:</b> Green tech to improve energy efficiency</li><li><b>Manufacturing:</b> Sustainable practices</li><li><b>Transportation:</b> Bio-fuels, energy efficient vehicle</li><li><b>Buildings:</b> Green tech in construction, maintenance &amp; demolition</li><li><b>Waste sector:</b> Wastewater treatment</li><li><b>Water:</b> Water treatment</li></ul>		
What is it for?	Rate/ rebate	Maximum Financing
<ul style="list-style-type: none"><li>To finance <b>investment for the production of green products/ financing green investments</b> with lower financing cost</li><li>Applicable to both new and re-conditioned equipment</li></ul>	Government rebate of 1.5% on interest cost up to 5-7 years, 60% guarantee on loans provided by banks	RM100mil
	Maximum Tenure	
	Up to 15 years	

# Summary of sustainable financing that Alliance Bank can provide to SMEs and Corporate customers to adopt sustainability

## SME: BNM subsidized funds that provide SMEs access to affordable financing



### Low Carbon Transition Facility (LCTF)

BNM

Encourage SMEs to transition to low carbon operations (Energy efficiency, solar, etc.)



### SME Automation & Digitalisation Facility (ADF)

BNM

Incentivise SMEs to automate processes and digitalise operations



### Agrofood Facility (AF)

BNM

Financing for SMEs to increase Agrofood production for Malaysia & exports



### High Tech and Green Facility (HTG)

BNM

Help SMEs in manufacturing/ICT sector and businesses providing green tech & IR4.0 solutions.



### Green Impact Financing (PG ESG)

ABMB

Simple application & fast approval for green capex term loan below RM1 mil

## Commercial/ Corporates: Green financing or Sustainability-linked financing for corporates



### Sustainability-linked loans (SLL) / Sustainability-linked bonds (SLB)

ABMB

Incentivize achievement of pre-set sustainability KPIs. Interest rate is tied to KPI achievement.

- **Proceeds:** General purpose, no need to be allocated to specific green project
- **Reporting:** Borrower to report on achievement of KPIs & get external verification



### Green Bonds/ Sukuk

ABMB

Finance or re-finance green projects with clear environmental benefits

- **Proceeds:** Must be allocated to specific green projects
- **Reporting:** Borrower to report on use of proceeds & impact of green project



### Green Technology Financing Scheme (GTFS)

MGTC

Malaysian government program offering subsidized loans to support green technology projects



## Opportunities for collaboration with Alliance Bank on green financing and new business

Roy Heong

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012-2003908





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