

ESG Awareness Among SMEs Surges Sixfold: Alliance Bank ESG 2.0 Report

Kuala Lumpur, 21 January 2025 – Alliance Bank Malaysia Berhad (“Alliance Bank” or the “Bank”) today launched the second edition of its annual ESG survey report, titled “The Path to Sustainable Impact - Sectoral Insights of Malaysian SMEs” (“ESG 2.0 Report”), which unveiled a sixfold increase in ESG awareness among Malaysian SMEs. The awareness rate surged from 14% to 80% over the past two years, reflecting a rapidly growing recognition among SMEs of the importance of sustainability in today’s competitive business landscape. The report was officially launched by YB Nik Nazmi Nik Ahmad, Minister of Natural Resources and Environmental Sustainability, at the SME ESG START Symposium 2025 held at Monash University Malaysia.

Building on the success of the Bank’s inaugural report in 2023, the ESG 2.0 Report was commissioned in collaboration with Monash University Malaysia (“Monash University”) and Zurich Malaysia (“Zurich”) as knowledge partners; with UN Global Compact Network Malaysia & Brunei (“UNGCMYB”), SME Corporation Malaysia (“SME Corp. Malaysia”) as well as INCEIF University as supporting partners. The ESG 2.0 Report delves into the progress of Malaysian SMEs in their sustainability journey and provides crucial insights into the current landscape on how prepared they are to meet evolving regulatory, market, and financial demand while unlocking new market opportunities. The study followed a three-step approach of in-depth discussions and interviews, a survey of close to 400 SME participants as well as insights from secondary research.

Reflecting on the importance of ESG adoption among SMEs, YB Nik Nazmi Nik Ahmad, Minister of Natural Resources and Environmental Sustainability said, “I am pleased to commend Alliance Bank, in partnership with its knowledge partners and supporting partners for spearheading this latest Environmental, Social, and Governance (“ESG”) research report that supports Malaysian SMEs in integrating sustainable practices. As SMEs are the backbone of our economy, this effort plays a crucial role in strengthening Malaysia’s ESG ambitions, fostering resilience, and preparing businesses for both local and global opportunities.”

“This report is a timely and crucial resource, providing actionable insights and strategic guidance to help SMEs manage ESG risks effectively, differentiate themselves in competitive markets, and thrive on both local and global stages. This publication is especially welcome considering Malaysia is assuming the Chair of the Association of Southeast Asian Nations (“ASEAN”) in 2025, given how crucial SMEs are likewise to the region’s economy as well as its ESG agenda. Together, we can build a greener, more sustainable future for generations to come,” added Nik Nazmi.

Sharing the same sentiment, Mr Kellee Kam, Group Chief Executive Officer of Alliance Bank said, “As we continue to champion ESG adoption, we are committed to empowering Malaysian SMEs through our 3As approach namely Advocacy, Advice and Answers, helping them integrate ESG practices as key drivers of long-term resilience and success. The significant increase in awareness and adoption since our first ESG report highlights an encouraging focus on sustainability, as SMEs seek cost efficiencies and opportunities for market expansion.”

“The second edition of this annual ESG survey offers deeper insights into emerging trends and sector-specific challenges, while identifying areas for growth and improvement. Together with our knowledge partners, we provide clear and accessible ESG guidelines to support SMEs in their ESG journey, aligning with our endeavour to become The Bank For Life. The findings from ESG 2.0 also enable Alliance Bank to develop tailored solutions that meet SMEs' unique needs at every stage of their journey, helping them achieve their ESG ambitions and remain resilient in an increasingly complex business landscape,” Mr Kam added.

The ESG 2.0 Report reveals that SMEs adopting ESG practices cite cost savings, market demand, and innovation as the primary motivators for integrating sustainable practices into their operations, with 60% SMEs now onboard with ESG initiatives. They recognise the long-term value of ESG practices, including improved risk management and increased productivity. In addition, Malaysian SMEs now cite “innovation” as a Top 3 driver for ESG adoption, highlighting new business and market opportunities for SMEs. Furthermore, 38% of SMEs that have embraced sustainability into their business reported revenue increases of more than 50%. The balance 40% of SMEs surveyed that have yet to adopt ESG practices (non-ESG adopters) expressed a willingness to embrace ESG practices if provided with financial assistance, sponsored training, and tax incentives.

“As a university, Monash sees itself beyond just a provider of knowledge, but as an anchor institution, providing economic, social and scientific benefits to its local, national and international communities, therefore we are delighted to collaborate in this important partnership with Alliance Bank on this ESG report that provides valuable insights into the adoption of Sustainability and ESG practices among Malaysian SMEs,” said Professor Emeritus Dato' Dr Adeeba Kamarulzaman, President and Pro Vice-Chancellor, Monash University Malaysia.

“The study also reveals sectoral differences in ESG adoption with SMEs in the manufacturing sector demonstrating stronger adoption than the services sector. This underscores the importance of sector-specific policies and the need for tailored approaches by regulatory, financial, and educational institutions for enhancing ESG adoption in Malaysia. Monash University Malaysia looks forward to working closely with different stakeholders to help Malaysian SMEs navigate their ESG journey,” Professor Emeritus Dato' Dr Adeeba added.

Junior Cho, Country CEO of Zurich Malaysia said, “Zurich has always been at the forefront of sustainability. We are proud to partner with Alliance Bank to empower SMEs with the tools they need to thrive in an ESG-driven world. This report is another step in our journey to support SMEs in building a resilient and sustainable future. We believe in the potential of SMEs to bring about positive change, and we are committed to supporting them every step of the way. Together, we are taking a significant step towards realising this vision and empowering SMEs to drive sustainable growth and create a brighter future.”

Key findings of the ESG 2.0 Report are:

- **Increased ESG Adoption:** 60% of SMEs now adopt ESG practices, a significant increase from 28% in ESG 1.0, with the manufacturing (69%) and construction (60%) sectors leading the way. In an interesting shift from the previous survey, 37% of ESG adopters said there is too much information on ESG now, resulting in confusion on the sustainability standards and frameworks to follow (ESG 1.0: 13%);
- **Primary Motivators:** 53% and 51% of ESG adopters cite cost savings and market demand as key drivers respectively, with “innovation” now cited as Top 3 reason as a pathway to profitability;
- **Benefits from ESG adoption:** 38% of SMEs that incorporate ESG achieved more than 51% of increased revenue while 24% of SMEs that incorporate ESG achieved more than 51% cost savings;

- **Future Opportunities:** Currently, 1 in 2 SMEs (48%) are self-funding their ESG initiatives, and amongst the non-adopters, 52% plan to implement ESG practices within 2 years, out of which 13% intend to adopt in less than a year; presenting an opportunity for various industry stakeholders to support their transition.

Alliance Bank continues to empower SMEs on their ESG journey with a comprehensive suite of personalised financial and beyond banking solutions. These include customised financing options, access to green funding through Bank Negara Malaysia's Low Carbon Transition Facility and High Tech and Green Facility, as well as competitive rates for initiatives like solar panel installations and green mortgages. Beyond financing, the Bank collaborates with like-minded industry leaders such as Bursa Malaysia and UNGCMYB to deliver practical ESG assessments, capacity-building programmes and roadmaps, equipping SMEs with the tools they need to integrate sustainable practices into their operations. It also works with a range of green solutions providers to offer pragmatic ESG solutions such as energy efficiency, better water management, and more sustainable waste management solutions.

Looking ahead, Alliance Bank, together with its partners, will launch a series of sectoral playbooks in 2025-2026, providing actionable guidance and best practices for SMEs across key sectors such as services, manufacturing, construction and agriculture. These playbooks are designed to empower businesses with the tools and insights needed to navigate their sustainability goals effectively.

As part of its sustainability agenda, the Bank aims to achieve RM15 billion in new sustainable banking business by FY2027. To date, the Bank has recorded RM13.6 billion in new sustainable banking business since FY2022.

The ESG 2.0 Report can be downloaded from the link in this QR code:



The report will soon be made available in Bahasa Malaysia and Chinese.

For more information on Alliance Bank's ESG 2.0 Report and sustainability initiatives, please visit www.alliancebank.com.my/esg-sme-survey-2025

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About Alliance Bank Malaysia Berhad

Alliance Bank is dedicated to offering differentiated financial and non-financial solutions across consumer, SME, corporate, commercial, and Islamic banking sectors. Embracing its 'The Bank For Life' brand purpose, Alliance Bank is committed to meeting the ever-evolving needs of its customers, serving as a dependable banking partner throughout their lifetime.

With a vision of community-centric banking, Alliance Bank deeply engages with the community through an omni-channel approach. Customers can interact with Alliance Bank through an extensive network of retail branches, Privilege Banking Centres, Business Centres, and Digital banking services. The Bank aims to foster meaningful connections within the communities it operates in.

For more information on this press release, please contact Eddy Teh at 017-758 6519, or e-mail at eddyteh@alliancefb.com.

About Monash University Malaysia

Monash University Malaysia, established in 1998, is the third-largest campus of Australia's largest university and the first foreign university campus in Malaysia. We are a premier research-intensive Australian university ranked among the top 50 universities globally by the QS World University Rankings 2024 and a member of Australia's prestigious Group of Eight (Go8). Monash University is also ranked 58 in the latest Times Higher Education World University Rankings. A self-accrediting university, we offer a distinctly international and culturally rich environment with approximately 11,000+ students from 85 countries. Monash University Malaysia, including the Jeffrey Cheah School of Medicine and Health Sciences, is wholly owned and operated by Monash University since 2020.

About Zurich Malaysia

Zurich Malaysia is a collective reference term for the Zurich Insurance Group (Zurich) business subsidiaries operating in Malaysia: Zurich General Insurance Malaysia Berhad, Zurich Life Insurance Malaysia Berhad, Zurich General Takaful Malaysia Berhad and Zurich Takaful Malaysia Berhad. Zurich Malaysia offers a broad range of comprehensive insurance and takaful solutions; helping individuals as well as business owners understand and protect themselves, their businesses and their assets from risk. Zurich Malaysia has an integrated branch network in major cities nationwide as well as dedicated agency and distribution channels nationwide to serve the needs of its customers. For further information on Zurich Malaysia, visit www.zurich.com.my.