

Sustainability Impact Program

Alliance Bank programs that drive Sustainability Improvement and Climate Impact

Jan 2024

2 Overview of Alliance Bank



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

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

3 **Our Sustainability Impact Program¹ 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

¹ Previously launched as Sustainability Assistance Program

4 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



5 In April 2023, we launched our ESG study to provide an overview of the ESG landscape amongst SMEs



Scan the QR



VIEW REPORT

6 ESG insights from Malaysian SMEs: Building a Better Future Together



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

72% are Non-ESG 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

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

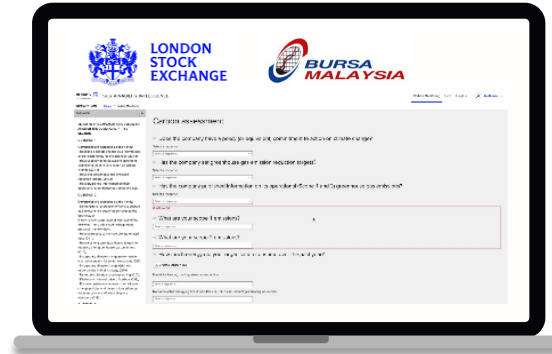
Alliance Bank is an early adopter bank in Bursa's CSI platform, we work with corporates on climate improvement for their suppliers

Climate disclosure reporting



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

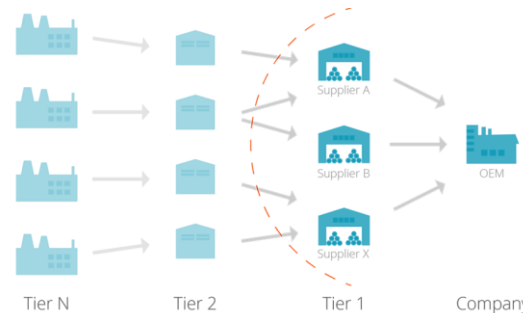
Bursa CSI is developed in collaboration with London Stock Exchange Group



~1,000 listed companies in MY

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



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

8 Alliance Bank works with companies and their suppliers to improve their sustainability profile

Value added sustainability programs to clients and supply chain

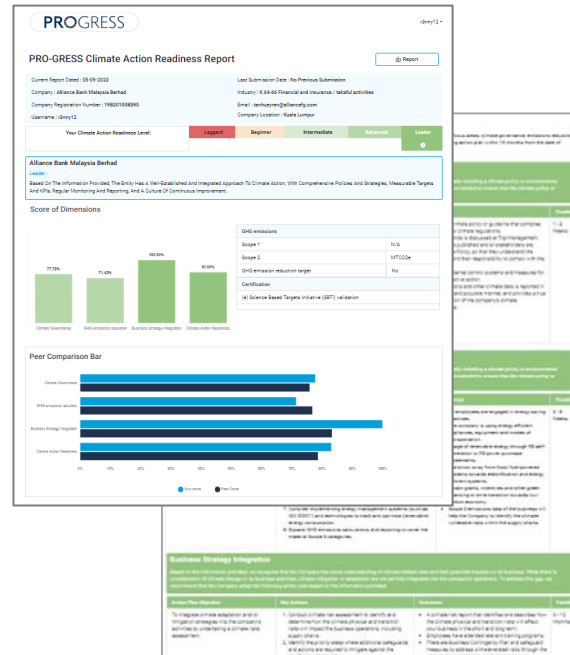


Several other public listed companies

End to end climate transition journey:

1 Climate assessment & transition plan

- Provides a FREE climate assessment and a transition action plan

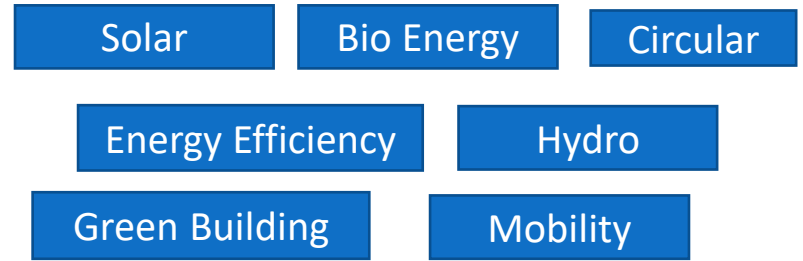


2 Capacity building/ Advisory



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

3 Green solutions from our trusted green partners



4 Green financing and banking Incentives

Non-exhaustive list

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

9 Signed 3-year exclusive partnership with UN Global Compact Network (UNGCMYB) capacity building and climate assessment



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

Climate Action Readiness Report

PRO-GRESS Climate Action Readiness Report Report

Current Report Dated : 05-09-2023 Last Submission Date : No Previous Submission

Company : Industry : K 64-66 Financial and insurance / takaful activities

Company Registration Number : Email : Company Location : Kuala Lumpur

Username : r2nny12

Your Climate Action Readiness Level:

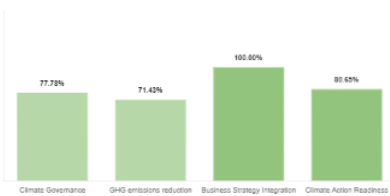
Laggard
Beginner
Intermediate
Advanced
Leader

Company Name

Leader :

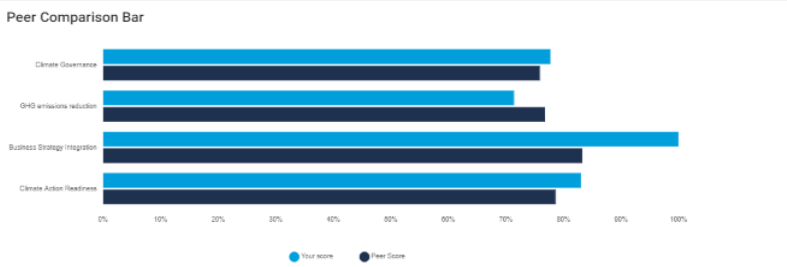
Based On The Information Provided, The Entity Has A Well-Established And Integrated Approach To Climate Action, With Comprehensive Policies And Strategies, Measurable Targets And KPIs, Regular Monitoring And Reporting, And A Culture Of Continuous Improvement.

Score of Dimensions



GHG emissions	
Scope 1	N/A
Scope 2	MITCO2e
GHG emission reduction target	No
Certification	
(e) Science Based Targets Initiative (SBT) validation	

Peer Comparison Bar



Transition Action Plan

CLIMATE TRANSITION ACTION PLAN

This is an overview of Alliance Bank Malaysia Berhad climate transition action plan. The action plan is developed according to 3 focus areas: climate governance, emissions reduction and business strategy integration. The management of Alliance Bank Malaysia Berhad hereby commits to implement the following action plan within 18 months from the date of signature.

Climate Governance

Based on the information provided, we recognise that the Company has established certain levels of climate governance, potentially including a climate policy or environmental guideline. We recommend that the Company review and, if necessary, enhance these measures. The following action plan is recommended to ensure that the climate policy or guidelines align with and comply with relevant regulations and standards based on the information provided.

Action Plan Objective	Key Actions	Outcomes	Timeline
To improve Climate Governance, the Company will monitor compliance with its climate policy and its objectives, and communicate the policy to its stakeholders.	<ol style="list-style-type: none"> 1. Appoint a compliance officer who ensures the company complies with environmental regulatory requirements. 2. To improve transparency on climate data, consider to obtain third party verification on GHG emissions data in accordance with ISO 14064. 3. Include climate issues in the Top Management's regular meeting agenda. 4. Communicate the policy and guidelines to all stakeholders, including business partners and vendors. 5. Consider obtaining ISO 14001 certification to prove the company's compliance with environmentally friendly practices. 	<ul style="list-style-type: none"> • A relevant climate policy or guideline that complies with national climate regulations. • Climate agenda is discussed at Top Management. • The Policy is published and all stakeholders are aware of the Policy, so that they understand the objectives and their responsibility to comply with the policy. • There are internal control systems and measures for taking corrective action. • GHG emissions and other climate data is reported in a complete and accurate manner, and provides a true representation of the company's climate performance. 	1-3 Weeks

GHG emissions reduction

Based on the information provided, we recognise that the Company has established certain levels of climate governance, potentially including a climate policy or environmental guideline. We recommend that the Company review and, if necessary, enhance these measures. The following action plan is recommended to ensure that the climate policy or guidelines align with and comply with relevant regulations and standards based on the information provided.

Action Plan Objective	Key Actions	Outcomes	Timeline
To reduce GHG emissions the company will implement energy efficiency measures and will transition to renewable energy consumption.	<ol style="list-style-type: none"> 1. Conduct energy audit to identify opportunities to improve energy efficiency and to reduce energy wastage at existing facilities. 2. Where possible, consider to electrify equipment, vehicles and processes. 3. Educate employees about energy efficiency and encourage employees to use public transport or sustainable commuting. 4. Identify available renewable energy options suitable for your company's location and business needs. 5. Explore available incentives, grants, and funding programs that can support your renewable energy transition. 6. Install on-site Renewable Energy Systems such as solar panels (PV), or purchase RE through third party supply (such as Corporate Green Power Programme, CGPP), or subscribe to the Green Energy Tariff (GET). 7. Consider implementing energy management systems (such as ISO 50001) and technologies to track and optimize (renewable) energy consumption. 8. Expand GHG emissions calculations and reporting to cover the material Scope 3 categories. 	<ul style="list-style-type: none"> • All employees are engaged in energy-saving practices. • The company is using energy efficient appliances, equipment and modes of transportation. • Usage of renewable energy through RE self-generation or RE power purchase agreements. • Transition away from fossil fuel-powered systems towards electrification and energy efficient systems. • Obtain grants, incentives and other green financing to drive transition towards low-carbon economy. • Scope 3 emissions data of the business will help the Company to identify the climate-vulnerable risks within the supply chains. 	3-8 Weeks

Business Strategy Integration

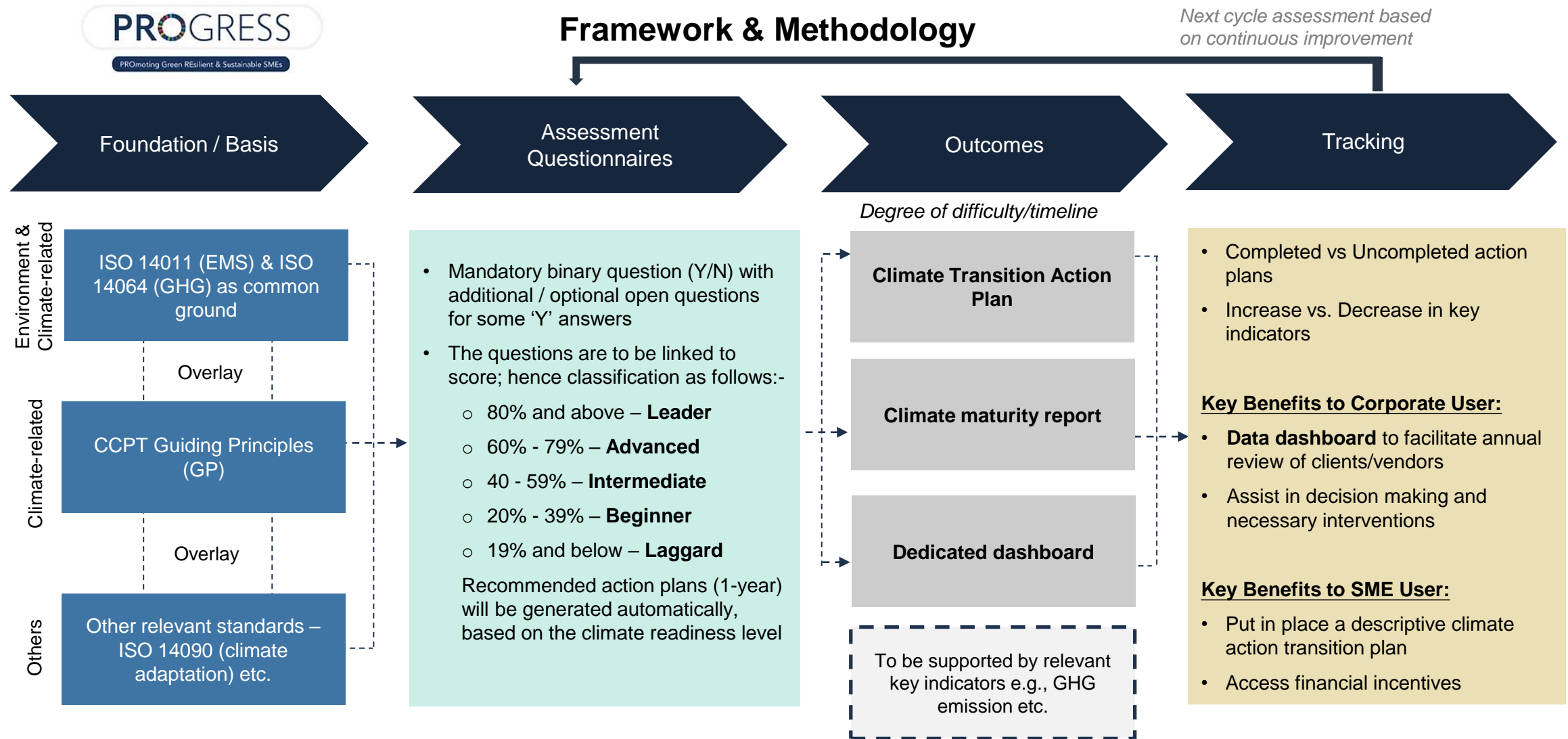
Based on the information provided, we recognise that the Company has some understanding of climate-related risks and their potential impacts on its business. While there is consideration of climate change in its business activities, climate mitigation or adaptation are not yet fully integrated into the company's operations. To address this gap, we recommend that the Company adopt the following action plan based on the information provided.

Action Plan Objective	Key Actions	Outcomes	Timeline
To integrate climate adaptation and/or mitigation strategies into the company's activities by undertaking a climate risks assessment.	<ol style="list-style-type: none"> 1. Conduct climate risk assessment to identify and determine how the climate physical and transition risks will impact the business operations, including supply chains. 2. Identify the priority areas where additional safeguards and actions are required to mitigate against the 	<ul style="list-style-type: none"> • A climate risk report that identifies and describes how the climate physical and transition risks will affect your business in the short and long term. • Employees have attended relevant training programs. • There are Business Contingency Plan and safeguard measures to address climate-related risks through the 	6-12 Months



<https://www.ungcmyb.org/progress>

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



12 **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)



State Power Producer



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

14 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



15 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	Maximum Financing	Margin of Financing	Maximum Tenure
Up to 5% p.a. (inclusive of guarantee fee)	Up to RM10 mil and No Collateral needed	Up to 90% of the solar system cost	Up to 10 years

16 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

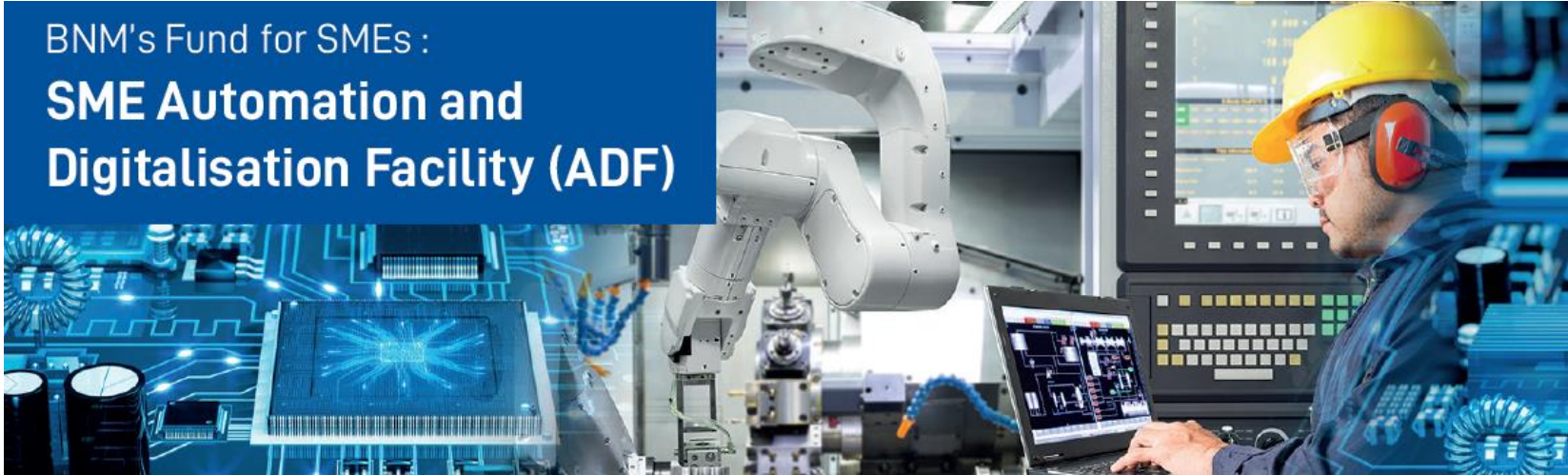
Maximum Tenure

Up to 10 years

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

BNM's Fund for SMEs :

SME Automation and Digitalisation Facility (ADF)



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.
(inclusive of 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**

18 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

19 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**

20 Green technology financing scheme (GTFS)



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

What is it for?

- To finance **investment for the production of green products/ financing green investments** with lower financing cost
- Applicable to both new and re-conditioned equipment

Rate/ rebate

Government rebate of 1.5% on interest cost up to 5-7 years, 60% guarantee on loans provided by banks

Maximum Financing

RM100mil

Maximum Tenure

Up to 15 years

Who is eligible?

Sectors:

- Producers of green technology
- Users of green technology
- ESCOs
- Housing developer
- Low carbon mobility infrastructure

Types of projects include (not limited to):

- **Energy:** Green tech to improve energy efficiency
- **Manufacturing:** Sustainable practices
- **Transportation:** Bio-fuels, energy efficient vehicle
- **Buildings:** Green tech in construction, maintenance & demolition
- **Waste sector:** Wastewater treatment
- **Water:** Water treatment

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

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