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ESG IN REAL ESTATE

Issue 13

ESG Conference: Shifting Focus from Compliance and PR to Value Creation, Paving the Way for a Sustainable Future

The real estate industry is being urged to view the Environment, Social, and Governance (ESG) agenda as more than just a compliance or marketing exercise, but as a vital factor for generating value in their businesses.

The Building the Future ESG Conference 2023 emphasized that ESG represents a significant business opportunity with the potential for risk mitigation and innovation. Notably, the global shift towards ESG means that businesses can now generate profits by changing their behavior.

“Embracing ESG is more than a PR (public relations) exercise. As of today, it is a business imperative,” said managing director and CEO of Zerin Habitat under Zerin Properties, Previndran Singhe.

“First, you can’t run away because it is a compliance risk, led by Bursa Malaysia, Bank Negara Malaysia and the Securities Commission.” He also pointed out that property developers who neglect ESG considerations would encounter market risks, as there is a growing demand for it from consumers and investors worldwide. This statement was made during his presentation titled “Sustainable practices in the real estate market set to create a positive impact.”

Overall, the event served as a platform for experts and industry leaders to share insights on ESG developments and their importance in the property sector.

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The transition to environmentally friendly lending practices

Venture capital has the potential to play a significant role in driving green lending and sustainable development in the Malaysian property market, alongside bank loans. Asia GreenTech Fund, a venture fund based in Malaysia and Hong Kong, focuses on investing in renewable energy, waste management, and recyclable materials, providing necessary resources and expertise to fuel the growth of innovative green companies.

Although venture capital in the construction industry has been limited, there is growing interest in exploring opportunities in this sector. Asia GreenTech Fund emphasized that they invest in companies rather than individual projects and bring in business networking and access to technology to ensure success.

The adoption of green lending is not yet mandatory for property developers, but banks are increasingly prioritizing sustainability and climate risk management. Non-green industries may face challenges in accessing financing, and it is important for developers to consider green certification for their buildings to avoid penalties or higher costs.

Buyers are also showing a preference for properties with green ratings, presenting opportunities for developers who embrace sustainable practices. However, the issue of greenwashing in ESG initiatives and the need for robust verification processes were discussed, emphasizing the importance of genuine commitment and transparency.

The future availability of funding will depend on the cost of not adopting sustainable practices, and developers should be prepared for potential threats and incentives related to green certifications and financing options. [READ MORE](#)



SMEs in Malaysia are advocating for increased funding to support their initiatives in automation and digitalization

The Small and Medium Enterprises Association of Malaysia (SME Malaysia) is urging the government to allocate an additional RM2 billion for automation and digitalization efforts in order to enhance competitiveness.

SMEs require funding to implement automation and digitalization measures that would increase productivity and boost their export capabilities. However, the costs of acquiring automated systems and machinery are high, and current funding grants are insufficient.

"If SMEs are unable to obtain grants, they have to borrow from banks," the president, Ding Hong Sing said. "Therefore, we request an interest rate of below two per cent for entrepreneurs taking loans."

"Currently, micro, small, and medium enterprises (MSMEs) have cash flow difficulties, so lower interest rates would benefit their businesses," he added at the 2023 Platinum Business Awards Ceremony held here yesterday. SME Malaysia is requesting an interest rate below two percent for entrepreneurs obtaining loans to support their initiatives.

The association also emphasizes the need for guidelines, frameworks, and timelines for Environmental, Social, and Governance (ESG) practices to assist SMEs in their adoption. The request from SME Malaysia will be presented to the cabinet, and the association hopes for the government's support in addressing these concerns. [READ](#)

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Effective Management of Energy Transition and ESG Concerns Leads to Prosperity in Countries

ESG issues are gaining significance in business, trade, and investment, with countries that successfully undergo the energy transition and prioritize ESG positioning for advancement, while those failing to do so risk falling behind.

Malaysia's Minister of Natural Resources, Environment and Climate Change, Nik Nazmi Nik Ahmad, highlighted the need for a RM637 billion investment by 2050 to bolster the country's renewable energy capacity and achieve the target of net-zero emissions.

To facilitate this transition, the government is working on a Climate Change Act and an Energy Efficiency and Conservation Act, aiming to establish legal frameworks for climate change mitigation and energy conservation practices.

Minister Nik Nazmi emphasized the collective responsibility of the government, corporate sector, and all stakeholders in pursuing sustainability for the betterment of future generations. He urged the finance industry to lead the way in embracing sustainable practices and funding environmentally friendly projects.

The MIDF Green Conference further addressed the challenges of balancing international pressures for decarbonization with national priorities, highlighting the importance of clear government policies and legislation, such as the Climate Change Act, to guide the country's efforts. [READ MORE](#)



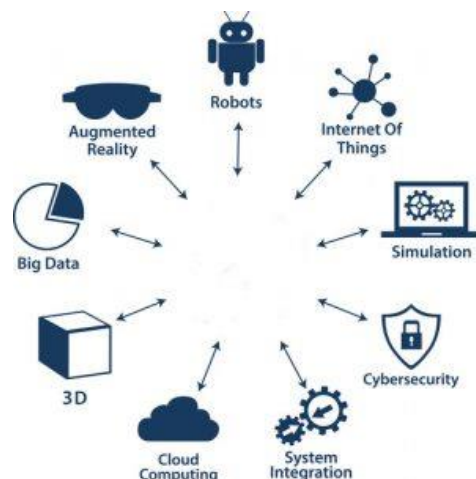
It is imperative to implement ESG practices now

The SME Association of Malaysia emphasizes the importance of assisting companies, especially micro, small, and medium enterprises (MSMEs), in adopting business practices based on environmental, social, and governance (ESG) principles to enhance Malaysia's ranking in the US State Department's Trafficking in Persons (TIP) Report.

Improved rankings positively impact businesses by instilling investor confidence and ensuring compliance with proper practices related to human rights and dignity.

Educating MSMEs about ESG and its significance is crucial as the world embraces Industry Revolution 4.0. The government urged to take further action to enhance Malaysia's ranking in the future. The Malaysian Consortium of Mid-Tier Companies highlights how an improved ranking can significantly benefit businesses, citing the need for meticulous compliance in lower-tier rankings.

Inculcating an ESG culture within organizations involves effective communication between employers and employees, with a focus on maintaining sustainability, ethics, and efficiency. [READ MORE](#)



Alliance Bank and IJM Land have joined forces to promote the adoption of environmentally-friendly properties

Alliance Bank Malaysia and IJM Land have signed an MoU to promote green-certified properties, providing easier access to Alliance Bank's Green Mortgage Financing Package for IJM Land's eco-friendly properties.

This partnership aligns with Alliance Bank's ESG aspirations and community-focused goals, aiming to expand sustainable practices and create a meaningful impact.

“As the bank progresses towards becoming an ESG-focused organisation, we continue to innovate solutions around our customers to meet their evolving needs. This strategic partnership with IJM Land aligns with our ESG aspiration as well as our goal to be a bank for the community, supporting their home ownership journey,” said Alliance Bank group chief consumer banking officer Gan Pai Li.

The bank targets RM10 billion in new sustainable banking business by 2025, while IJM Land emphasizes innovation and ecological sustainability to drive growth and offer responsible offerings for green homeownership. [READ MORE](#)



Lagenda Properties has been included as a constituent in the FTSE4GOOD and F4GBMS Indices

Affordable housing and integrated township developer, Lagenda Properties, has been included in the FTSE4Good Bursa Malaysia and FTSE4Good Bursa Malaysia Syariah indices.

The recognition of Lagenda Properties' commitment to sustainable and inclusive affordable housing validates their efforts in promoting Environmental, Social, and Governance (ESG) values.

The company aims to create positive and sustainable impacts in both their organization and the communities they serve.

Lagenda Properties' Managing Director, Datuk Jimmy Doh, sees this inclusion as a testament to their progress in the ESG sphere and emphasizes their focus on building sustainable communities that prioritize resident well-being and support social and economic progress.

The company will continue integrating sustainability into their business strategies and fostering a culture of responsibility.

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