



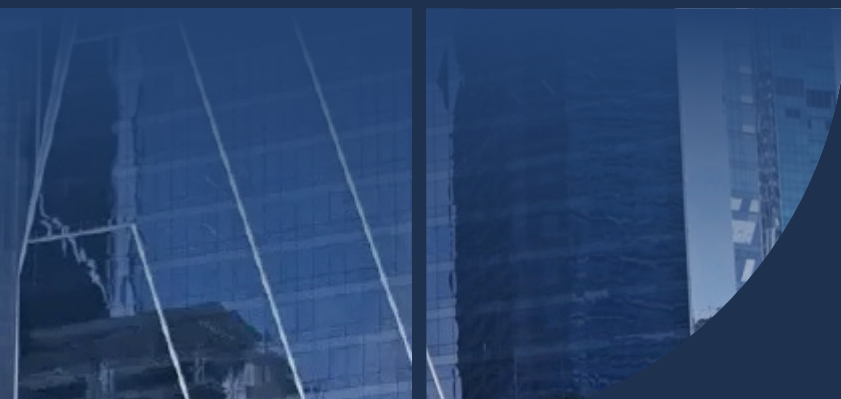
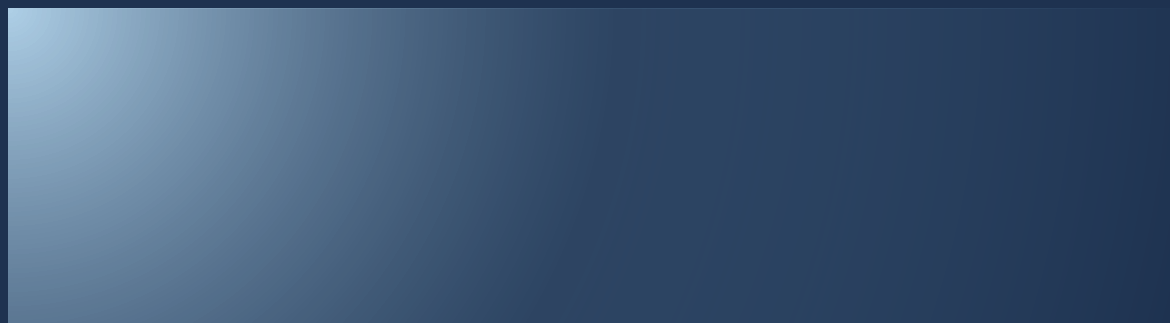
Global Compact
Network
Malaysia & Brunei

Driving SME Sustainability Through Strategic Initiatives at Alliance Bank

A Case Study of



ALLIANCE BANK



Knowledge Partner:

PRME Principles for Responsible
Management Education
CHAPTER **ASEAN+**



MONASH
University
MALAYSIA



Company At A Glance

- Industry: Banking and Financial Services
- Founded: 1958
- Headquarters: Kuala Lumpur, Malaysia
- Employees: 4,000 employees

Alliance Bank Malaysia Berhad and its subsidiary, Alliance Islamic Bank Berhad, form an integrated financial services group providing comprehensive solutions across consumer, SME, corporate, and Islamic banking. Recognising the importance of sustainability for long-term business resilience, the Bank has taken a proactive role in advancing SME sustainability by bridging gaps in corporate and state-level engagement. Through close collaboration with corporate sustainability teams, senior executives, and state agencies, Alliance Bank launched its 3A's approach, Advocacy, Advisory, and Answers, to raise awareness, provide tailored guidance, and deliver practical solutions that help SMEs navigate their sustainability journey.

The Challenge

Catalysing ESG Awareness and Adoption Among SMEs

As a bank deeply integrated within Malaysia's SME ecosystem, Alliance Bank recognises the growing importance of sustainability for long-term business resilience. Yet, ESG awareness and adoption among SMEs remained low. Simultaneously, external stakeholders, including regulators, investors, and customers, are calling for more accountable and sustainable business practices. The bank faced a unique challenge to empower SMEs, often under-informed and resource-constrained, to integrate ESG practices into their operations, while ensuring the bank's portfolio becomes more resilient and future-ready.

The Action

A Structured 3A Strategy - Advocacy, Advisory, Answers

To tackle the ESG adoption gap, Alliance Bank has developed the 3A's approach, namely Advocacy, Advisory, and Answers, to support SMEs in embracing sustainability. Through this holistic approach, the bank empowers SMEs to navigate sustainability challenges while fostering long-term business resilience.

1. Advocacy: Raising Awareness and Understanding

Alliance Bank has led efforts to elevate ESG awareness among Malaysian SMEs through its flagship ESG 1.0 and ESG 2.0 reports which highlight key sustainability challenges and opportunities for SMEs. Monash University Malaysia served as the Knowledge Partner for ESG 2.0 and the Sarawak ESG Report, with the latter marking an important step in catalysing awareness through region-specific ESG insights for East Malaysian SMEs.



2. Advisory: Providing Tools, Guidance, and Capacity Building

To support SMEs on their sustainability journey, Alliance Bank partnered with UN Global Compact Network Malaysia & Brunei (UNGCMYB) to develop a free digital climate assessment and transition planning tool called PROGRESS. Aligned with the Bank Negara's Climate Change and Principle-based Taxonomy (CCPT) and International Organisation for Standardisation (ISO) standards, the tool enables

SMEs to assess their climate maturity across the dimensions of climate governance, GHG emissions, and business integration, and receive a tailored action plan to guide their transition.

Complementing this digital tool, Alliance Bank launched supply chain engagement programmes with corporates in high-emission sectors, delivering ESG training aimed at strengthening the sustainability performance of their SME suppliers.



In parallel, the Bank worked with local agencies, including Invest Sarawak, Invest Melaka, and the Northern Corridor Implementation Authority (NCIA), to roll out targeted ESG workshops, broadening access to sustainability knowledge and support for SMEs nationwide.

3. Answers: Delivering Practical Solutions and Financing

Alliance Bank actively supports SMEs in their sustainability journey by tying financial incentives to their climate maturity levels, as assessed through the PROGRESS framework. Through a tiered incentive structure offering preferential rates, ranging from 25 basis points (bps) for "Beginners" to 100 bps for "Leaders", the Bank encourages continuous improvement and progress in climate-forward initiatives. The Low Carbon Transition Facility (LCTF) was also expanded beyond solar to support a broader range of low-carbon projects, while simplified applications, streamlined assessments, and express loan options were introduced to enhance access, especially for small-scale SMEs comprising the majority of applications.

Enablers For Sustainability Performance And Impact

Alliance Bank's SME sustainability programme was driven by key enablers that supported effective implementation and fostered strong stakeholder alignment, ensuring meaningful and sustained outcomes.



Leadership & Culture

The Board and Senior Management played a pivotal role in positioning SMEs as a strategic priority in the Bank's sustainability agenda through enterprise-wide KPIs.



Strategy

Sustainability was integrated into the core of the Acceler8 Transformation Programme, aligning with Topline Goals to grow sustainable SME financing and reduce environmental risk in the Bank's SME portfolios.



Process

The Bank adopted a 3A's approach, Advocacy, Advisory, and Answers, to equip SMEs with knowledge, strategic guidance, and practical solutions throughout their transition.



Resources

The initiatives are primarily internally funded while green financing schemes like the Low Carbon Transition Facility (LCTF) are partially supported by government funding.



Governance

The Sustainability Steering Committee (SSC) and Group Transformation Committee (GTMC) ensured sustained alignment and accountability of SME sustainability initiatives.



People

Business divisions were tasked with engaging SME clients on sustainability, underpinned by ESG-related KPIs.



ESG Data

Data from the Bank's ESG 1.0 and 2.0 reports provided baseline insights on sustainability maturity, allowing the Bank to tailor its initiatives to real SME needs.



Digital Tool

The PROGRESS tool enabled success by automating climate assessments, streamlining data collection, and delivering tailored insights, improving user experience and engagement and enhancing scalability.



Supply Chain

Engaged SME suppliers and supported corporate clients in greening supply chains across high-emission sectors via the PROGRESS tool and workshops.



Partnerships

Strategic partnerships provided sustainability expertise and insights into the SME landscape in Malaysia, while collaborations with state agencies helped expand reach across regions.

Overcoming Barriers

Implementing a nationwide sustainability initiative across Malaysia's diverse SME landscape came with a set of challenges with each requiring tailored approaches to ensure meaningful progress.

1. Engaging Senior Decision-makers

Securing participation from key decision-makers within corporate client organisations posed a challenge during programme implementation. To address this, Alliance Bank encouraged corporate clients to involve their leadership as speakers at key events. This approach reinforced leadership commitment, enhanced programme credibility, and encouraged broader engagement across supplier networks.

2. Securing Buy-in From Procurement Teams

Another key challenge was obtaining support from procurement divisions to drive ESG adoption through their supply chains. To address this, the Bank worked closely with corporate sustainability leads to demonstrate the strategic value of integrating ESG into procurement. This alignment helped facilitate internal buy-in and opened the door for deeper supplier engagement.

3. Varying Levels of State Readiness

When expanding programmes regionally, Alliance Bank encountered significant differences in ESG awareness and policy support across states. Through regional strategic partners such as the Northern Corridor Economic Region (NCER), Invest Melaka, and Invest Sarawak, the Bank was able to drive and scale the programme effectively across diverse ecosystems.

Impacts & Results

1. Sustainable Financing Growth

As of FY2025,

- Alliance Bank has achieved RM 14.4 billion in approved sustainable financing by FY2025, placing it ahead of its RM 15 billion target set for FY2027
- Leveraging PROGRESS, the Bank has approved more than RM 200 million in financing to support SMEs engaged through the supply chain programme for climate maturity improvement
- The bank partnered with Invest Sarawak and UNGCMYB to allocate RM 1 billion in SME financing for East Malaysia, with 50% of these funds already deployed

Progress Towards FY2025 Sustainable Financing Target

RM 14.4 Billion Achieved

RM 15 Billion Target

2. SME Climate Readiness



Through the PROGRESS climate tool,

- Over 1,000 SMEs have received free climate assessments and transition action plans, guiding them toward measurable improvements
- User uptake has doubled year-on-year, reflecting strong SME interest in accessible and practical support

3. Supply Chain Sustainability

Working with corporates in high-emission industries, Alliance Bank has supported their SME suppliers in improving their sustainability performance.

Notably, in one corporate partnership,

- 70% of participating SME suppliers improved their climate maturity levels from “Laggard” and “Beginner” to at least Intermediate, Advanced & Leader levels in climate maturity

4. Recognition and Industry Leadership

The Bank has garnered several accolades that underscore its leadership and impact in sustainability and SME banking, including the UNGCMYB Forward Faster Recognition for Partnership for the Goals (2023) and the Best SME Bank in Malaysia by The Digital Banker (2024 and 2025).

Key Lessons Learned

1. Relevance Is Key to SME Engagement

For many SMEs, ESG can feel disconnected from day-to-day business concerns. Framing sustainability in terms of business performance, such as cost savings, operational efficiency, and long-term competitiveness, helped SMEs see ESG as a practical path to business value rather than a compliance burden.

2. SMEs Need Clear, Practical Guidance

Limited resources and capacity often leave SMEs uncertain about where to begin. Tools like PROGRESS served as an essential entry point, offering clear guidance and actionable next steps that make it easier for SMEs to move from awareness to implementation.

3. Strategic Partnerships Drive Systemic Impact

Collaboration with Bursa Malaysia, UNGCMYB, SME Corp, Monash University, and various state agencies enabled Alliance Bank to co-develop tools, training, and outreach initiatives that scale far beyond what a single institution could achieve.

Alliance Bank has been a participant of the UN Global Compact since 2022.

UN Global Compact Network Malaysia & Brunei (UNGCMYB) played a vital role in Alliance Bank's initiative by co-developing digital tools, delivering targeted SME training, and enabling wide-reaching impact through its sustainability network.

“

At Alliance Bank, we are very appreciative of the partnership with UN Global Compact Network Malaysia & Brunei. Through our collaborative programmes, we have enabled SMEs to raise sustainability levels and build resilience for the low-carbon economy.

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Roy Heong,
Chief Sustainability Officer, Alliance Bank



THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT



HUMAN RIGHTS

- 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2 make sure that they are not complicit in human rights abuses.



LABOUR

- 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4 the elimination of all forms of forced and compulsory labour;
- 5 the effective abolition of child labour; and
- 6 the elimination of discrimination in respect of employment and occupation.



ENVIRONMENT

- 7 Businesses should support a precautionary approach to environmental challenges;
- 8 undertake initiatives to promote greater environmental responsibility; and
- 9 encourage the development and diffusion of environmentally friendly technologies.



ANTI-CORRUPTION

- 10 Businesses should work against corruption in all its forms, including extortion and bribery.

The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

ABOUT UN GLOBAL COMPACT NETWORK MALAYSIA & BRUNEI

United Nations Global Compact (UNGC) is a strategic policy initiative for businesses that are committed to take actions to advance broader societal goals. UN Global Compact Network Malaysia & Brunei (UNGCMYB), the official country network of UNGC, is the leading advocate for business sustainability action in Malaysia and Brunei. We empower both corporates and SMEs through value-creating initiatives across learning, connections, and enablers to Forward Faster a collective sustainable future. We support Malaysian and Bruneian companies in aligning with the Ten Principles and contributing meaningfully to the Sustainable Development Goals (SDGs), while providing access to partnerships, tools and knowledge sharing to advance responsible business practices.

Talk to us about joining us or visit our website at www.ungcmlyb.org



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