



Opening Keynote Address

Datuk Syed Zaid Albar
Chairman, Securities Commission Malaysia
at the ESG Corporate Summit

“Driving Sustainability and Sustainable Transformation”

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Tan Sri Abdul Wahid Omar, *Chairman of Bursa Malaysia and Advisory Council of the Economic Club of Kuala Lumpur,*

Tan Sri Michael Yeoh, President of KSI Strategic Institute for Asia Pacific

Distinguished Guests,

Ladies and gentlemen, a very good morning

1. Thank you to the Economic Club of Kuala Lumpur (ECKL) and the KSI Strategic Institute for inviting me to address this ESG Corporate Summit.
2. I am pleased to be here today because there isn't a more globally relevant conversation right now than the quest to find viable climate solutions.
3. As an integral part of the modern economy, the corporate sector must play its role – to drive transformational change with clear and achievable net-zero goals in place.
4. This year, the World Economic Forum Global Risk Perception has identified “climate action failure”, “extreme weather” and “biodiversity loss” as the three most severe risks for the next decade.

5. What many fail to realise is that sustainability is not about saving the planet ... it is about saving mankind ... and our future. Thus, it is also about aiming for social equity to ensure that no one is left behind if we want to progress towards a net-zero future.
6. Thus, I appreciate today's opportunity to reflect on the progress towards supporting ESG and the significant work that is still required.
7. We should also talk about how the corporate sector can set the tone from the top and institute best practices. This is the only way to ensure sustainability and the capacity to secure long-term value for all stakeholders.

THE MALAYSIAN CAPITAL MARKET'S ROLE IN DRIVING SUSTAINABILITY

Ladies and Gentlemen,

8. The Malaysian capital market is well-positioned to facilitate sustainable economic activities and business practices. It serves as the economy's central nervous system, directing resources to growth areas and redistributing economic gains to savers.
9. Its foundational role makes it an effective and... if I may say, an obvious platform for driving long-term sustainable change.
10. The Securities Commission Malaysia (SC) started its journey to drive sustainable investments in 2014 by introducing the SRI Sukuk Framework. To date, a total of 8.3 billion ringgit has been issued under the SRI Sukuk Framework¹. The funds raised were used to finance various green, social, and sustainable projects, including renewable energy, quality education and affordable housing.

¹ As at 6 January 2022

11. We believe there are more opportunities for the capital market to help build a more inclusive and sustainable nation, and the SC is firmly committed to this cause.
12. Through the third Capital Market Masterplan or CMP3, we aim to shape a stakeholder economy through two key growth pillars: Sustainable and Responsible Investments (SRI) and the Islamic Capital Market (ICM).
13. The CMP3 emphasises the importance of the Malaysian capital market shifting its focus to long-term value creation and consider the needs of a broader group of stakeholders.
14. The SC's aspirations for Malaysia to be a regional SRI centre needs to be accompanied by strong local corporate leadership. Far too often, ESG discussions focus on the "E" or "S" pillars. We must recognise that the "G", or good Governance, is equally critical. In fact, without good governance, the "E" and the "S" may fail too. Good governance is the foundation of corporate environmental stewardship and social responsibility.
15. We recognise that integrating a corporate culture that emphasises sustainability begins with company boards and its senior management. To facilitate this, we updated the Malaysian Code on Corporate Governance (MCCG) last year to strengthen board leadership and oversight of sustainability.
16. To meaningfully shift the needle towards reliable environmental and sustainability risk reporting, full adoption of MCCG 2021 will require Board buy-in. The bar is rising. Companies are now assessed on how they handle environmental and social issues related to their businesses.
17. We also acknowledge that for a successful net-zero transition, businesses will require significant financing to decarbonise. Towards this end, the SC is working to introduce

market-based instruments to enable transition finance in Malaysia, thereby broadening financing options for companies at various stages of their sustainability journey.

STANDARDISATION FOR BETTER DECISION MAKING

Ladies and Gentlemen,

18. As sustainable finance becomes more mainstream, a credible and transparent common language on sustainability is required. This addresses the risk of greenwashing. A sustainable finance taxonomy is one tool for defining what constitutes sustainable economic activities. The SC recently published a consultation paper on principles-based SRI Taxonomy for the Malaysian capital market.
19. The SRI Taxonomy aims to provide a more holistic view of sustainability by establishing guiding principles on economic activities that support ESG objectives. Notably, the SRI Taxonomy includes a social component to manage social risks and raise social standards. I invite you to participate in the consultation exercise and suggest ways to enhance the taxonomy and support a more sustainable Malaysia.
20. Enabling greater transparency and clarity on issuer-level transition pathways is another critical building block for a sustainable transformation. We need to identify, assess and measure the decarbonisation strategies of companies. Having robust sustainability reporting standards is a good place to start.
21. There are strong calls for a globally consistent, comparable and reliable sustainability reporting framework – one that will both improve transparency and reduce the level of complexity in sustainability reporting.

22. Given the multiplicity of international sustainable frameworks, the IOSCO has published a detailed analysis of disclosure issues confronting both issuers and asset managers, as well as its assessment of sustainability data and ratings.
23. Hence, we welcome IFRS Foundation's announcement at COP26 last year to establish the International Sustainability Standards Board (ISSB).
24. As a member of the IOSCO Sustainable Finance Task Force, the SC has been supportive of this effort, which is expected to advance the global standards for sustainability-related disclosure. Common standards will help meet investors' needs for globally consistent, comparable and reliable information while also reducing the complexity in sustainability reporting.
25. Having a global baseline for sustainability disclosures will allow investors to allocate capital towards financing green and transition activities effectively.
26. Given the ISSB's objective of establishing global sustainability-related disclosure standards, we should be ready to adapt. This is particularly important as investors are increasingly integrating ESG factors into their investment considerations. As such, companies must demonstrate positive sustainability performance to remain attractive to global and local investors.
27. I have spoken about the need for issuers and intermediaries to step up their efforts in adopting sustainability. Yet, we are cognisant that the market's readiness is still at a nascent stage. As partners in this journey, we encourage the industry to continuously upgrade its skills and expertise in order to provide fit-for-purpose solutions.
28. As Co-Chair of the Joint Committee of Climate Change (JC3) with Bank Negara Malaysia, the SC has been working with the industry to develop reference guides to

advance the financial sector's response against climate change risks. These reference guides will help Malaysian financial institutions integrate climate-related risk considerations into their business strategies.

29. I am hopeful that these initiatives I mentioned today will lay a strong foundation for Malaysia's sustainability goals.
30. We welcome the government's plans to establish a national carbon market. It demonstrates our national commitment to driving sustainable and competitive growth.
31. To support the government's plan, the SC is working with Bursa Malaysia to develop a domestic voluntary carbon market.
32. The SC, as an organisation, is also looking into ways to cut down its own carbon and environmental footprint. Built on significant efforts over the last few years, we will be actively laying the groundwork for more progress to come this year.

GREATER COORDINATION BETWEEN REGULATORS AND THE INDUSTRY REQUIRED

33. We have a lot of work ahead of us to build a sustainable economy. One that meets the goals of the Paris Agreement while supporting a just transition for the vulnerable.
34. At the COP26 climate summit last year, some 450 financial institutions from 45 countries pledged to achieve net-zero carbon emissions by 2050.
35. However, as they say, "the proof is in the pudding". We must move quickly from making commitments to taking decisive actions that demonstrate the meaning of those commitments.

36. However, without the right cooperation and support, we are unlikely to achieve the desired impact. Coordination between the regulators and the industry is essential to achieve our national and international sustainability objectives.
37. We look forward to working with you all as we embark on this journey to create a Malaysia that is sustainable, prosperous and inclusive.
38. I hope that by sharing your expertise and experience in today's discussions, will help generate creative ideas and solutions for the future.

Thank you.