



Opening Address
by Dato' Seri Dr. Awang Adek Hussin
Chairman, Securities Commission Malaysia
at the Sustainable and Responsible Investment (SRI) Virtual Conference 2023
“Revving Up the Race for Sustainability”
21 June 2023

Key Highlights:

Dato' Seri Dr. Awang Adek Hussin, Chairman of the Securities Commission Malaysia (SC), opened the SRI 2023 Conference by saying that Malaysian companies in global networks and supply chains must adopt good corporate practices. “Malaysian PLCs should be ahead of the curve since they have been reporting on sustainability since 2015, and Bursa Malaysia’s sustainability requirements are in line with ISSB standards.”

Here are highlights from his speech:

1. Socially beneficial initiatives need funding to succeed. A key priority for the SC is to ensure that the capital market can channel funds and capital towards sustainability.
2. The ISSB is developing a global baseline standard for sustainability disclosures, expected to be issued this month.
3. Companies must address stakeholder information needs. The SC and Bursa will support companies with capacity building programmes.
4. The Sustainable Investing Standards (ISIS) demonstrate Government-Linked Investment Companies' (GLCs) commitment to sustainability.
5. The SRI Taxonomy aims to ensure the standardisation and comparability of SRI and sustainability assets and includes a social component in recognition of the growing call for positive social impact.
6. The SRI Taxonomy will enhance the synergies between Islamic investing principles and SRI.
7. The private sector should consider waqf when promoting and fulfilling its social obligations.
8. Malaysian companies need talent with the skills to integrate sustainability into their businesses and must raise staff awareness of sustainability.

Full Speech:

Assalamualaikum warahmatullahi wabarakatuh.

1. Salam sejahtera dan selamat pagi kepada para peserta Sustainable and Responsible Investment (SRI) Virtual Conference 2023.
2. Pertama sekali, terima kasih kepada pihak SIDC atas jemputan untuk saya menyampaikan ucapan pembukaan. Tema tahun ini, "Revving Up the Race for Sustainability", menekankan peri pentingnya usaha-usaha kemampanan dipertingkatkan untuk memastikan pertumbuhan yang seimbang dan berterusan. Kita juga sedar bahawa usaha mencapai kemampanan perlu dilakukan secara menyeluruh, merangkumi pelbagai aspek; sosial, alam sekitar, serta tadbir urus yang baik.

Lessons from Global Stakeholder-driven Initiatives

Ladies and gentlemen,

3. Globally, we are in danger of falling short of our sustainable development targets. Headwinds such as geopolitical conflicts, energy and food security concerns, inflation, and even extreme weather events, threaten to derail progress toward a more sustainable future. Immediate action is required to put these goals back on track.
4. Even last year's 27th UN Climate Change Conference, or COP27, and the Davos 2023 World Economic Forum had a common message that rang loud and clear: Sustainability must not be neglected even as we confront tough global challenges.
5. As we negotiate these difficult times, we can draw inspiration from stakeholder-driven initiatives worldwide which have played critical roles in moulding society and driving positive change, even in the face of adversity. Their success stories can provide valuable strategies and lessons for our own corporates and communities.
6. Initiatives such as the Fairtrade movement, for example, support sustainable agricultural practices. It also empowers farmers and workers in developing nations by assuring fair salaries and working conditions. Standards and practices that promote responsible supply

chains and ethical sourcing by corporates, stand to enhance overall social and environmental well-being.

7. Another example is the global push for gender equality and women's empowerment. Organisations such as The Gender Equality Project and The 30% Club are strong advocates for greater women participation in leadership positions, promoting diversity and inclusivity. The results speak for themselves, demonstrating how gender equality uplifts corporate performance, fosters innovation, and contribute in no small way to sustainable development.
8. Furthermore, corporate community engagement initiatives, particularly for vulnerable and underprivileged communities, have been embraced by businesses as a means to make a positive impact. This highlights a growing socially conscious mindset, with tangible commitments towards creating shared value and addressing societal needs.
9. Therefore, there is no better time to step up Action, utilise Capital or financing for good, and nurture Talent for sustainability. I would simplify this into the letters A for Action, C for Capital, and T for Talent. In short, it is time to **ACT**.

Time for Action by Corporate Malaysia

Distinguished guests,

10. Meaningful change and sustainable impact begins with us and our own actions. For the Malaysian corporate sector, this means stepping up efforts to build organisational resilience and enhance the way business is conducted. Increasingly, it must include scrutinising processes and practices for social implications.
11. We should also take our cue from the Prime Minister's Labour Day 2023 message. His aspirations are for a nation that hold tightly to the ideals of welfare, justice, mutual respect and courtesy. From a socioeconomic standpoint, this translates into companies requiring to balance their drive for profitability with their social responsibility such as adopting better labour standards, prioritising employee welfare, and recognising the importance of retirement savings and workers' financial stability. It is also essential to adhere to minimum wage and competitive compensation standards.

12. More importantly, exemplary corporate practices and responsibility must be the norm, not the exception, especially for Malaysian businesses operating within global networks and supply chains. Ensuring a safe and healthy working environment, better living conditions for employees, and zero tolerance for forced labour is the minimum criteria in order for our corporates to succeed at the highest level.
13. In recent times, our local manufacturers and exporters have implemented robust programmes to improve the well-being of employees.
14. My hope is that the wider corporate sector will grasp these opportunities as a way to motivate their workforce, as well as enhance their value propositions. It should not be the case where companies are compelled or mandated to do so. After all, the benefits are obvious. Well-treated employees are more likely to display higher productivity levels and better client relationships. This, in turn, leads to greater customer satisfaction and healthier bottom-lines.
15. Some private sector employers have also made significant strides towards offering comprehensive retirement plans to their employees, improving their long-term financial stability. Others have even gone a step further by providing stock option plans, allowing their employees to share in the company's growth and success.
16. After all, what makes a company truly sustainable is not just strong financials. It must also be resilient from the perspective of upholding its environmental, social and governance obligations, as well as its commitment to customers, suppliers, contractors and, above all, staff welfare.

Capital Market as Platform for Sustainable Finance

Ladies and gentlemen,

17. Just as Rome was not built in a day, socially beneficial initiatives will require financing assistance to grow and prosper. In this regard, the capital market can play a pivotal role by facilitating funding access to support the growth of sustainability-related investment products. Indeed, a key priority for the SC is to ensure that our capital market is able to channel funds as well as capital towards meeting sustainability outcomes.

18. To do so, investors and lenders will require more transparent, comparable, and reliable information from companies on their sustainability journey. These comparable data and information will allow investors to better price such risks and opportunities. This is where the International Sustainability Standards Board (ISSB) plays a critical role, to develop a global baseline standard for sustainability disclosures. The ISSB Standard is expected to be issued at the end of this month.
19. Given the complexity and different levels of market maturity in terms of sustainability practices and reporting, it is expected that jurisdictions will be given some flexibility to set their own timeline for adoption of these disclosure standards. From an emerging market perspective, Malaysian public-listed companies should be ahead of the curve given their head start in sustainability reporting since 2015. Bursa's sustainability reporting requirements are also in line with the ISSB standards.
20. I urge companies to take immediate steps to meet the information needs of stakeholders if they have not already done so. The SC and Bursa will provide companies with the required support, including capacity building programmes. While jurisdictions can take a more measured approach to incorporate these global standards, investors and lenders may not be as patient. The competition for capital will intensify should companies be unable to measure their sustainability risks and opportunities, and provide investors with material information required by them.
21. Our domestic institutional investors are already recognising the importance of incorporating sustainability considerations into their investment process. The newly released Sustainable Investing Standards (SIS) reflects our Government-Linked Investment Companies' (GLICs) commitment to the sustainability agenda.
22. Allow me to also share some recent domestic developments and measures towards a more sustainable capital market.
23. The Sustainable and Responsible Investment (SRI) Taxonomy for the Malaysian capital market, which was unveiled recently, is aimed at ensuring the standardisation and comparability of SRI and sustainability assets. In recognition of the growing call for positive social impact, the Taxonomy includes a social component. We believe that this will also enhance the synergies between Islamic investing principles and SRI.

24. A prime example of social finance is *waqf*, which are endowments or charitable trusts that can be utilised for social causes such as education, healthcare, and poverty alleviation. Given its role in enhancing societal welfare, I would like to urge the private sector to consider this Islamic structure in promoting and satisfying its social obligations.
25. Additionally, the SC is currently working on guiding principles focused on *maqasid al-Shariah*. This will include areas such as social finance, impact investing, SRI as well as Islamic fund and wealth management. We hope this will attract more interest for social finance in Malaysia, as well as better align with Islamic principles to promote socially beneficial outcomes with the overall sustainability agenda.

Nurturing Talent for Sustainability

26. While capital is important to grow sustainability, having the right talent is equally crucial for continued growth and sustainability. Malaysian corporates require not only talent with the required skills to embed sustainability into their businesses, but they must also strive to raise awareness of sustainability among existing staff.
27. Corporate sustainability starts from within. From a lifelong learning perspective, this means investing in training programmes, workshops, and even mentorship initiatives to provide avenues for employees to upskill, reskill, and build knowledge on sustainability-related activities. This would include sustainability reporting, verification and risk management.
28. We can perhaps take a leaf from home-grown examples of talent development ecosystems such as Me.reka, a local social enterprise and innovation academy. It seeks to empower youth, professional communities and entrepreneurs through hands-on learning experiences and skills development across various disciplines. It is instructive how a supportive network of like-minded collaborators can raise standards and practices, while creating positive social impact at the same time.
29. Therefore, businesses should look at their commitment to employee development as another avenue to deliver wider and positive impact from a social perspective. Even as corporate Malaysia raises investments in promising social enterprises, as part of the drive towards achieving sustainability goals, it must also not forget to nurture talent to enhance its own resilience and internal sustainability.

Conclusion

Distinguished guests, ladies and gentlemen,

30. It is time for each and every one of us to **ACT**. In summary, we need to take action, particularly with regards to employee and stakeholder well-being. We need to encourage and facilitate social financing and capital for positive impact. It is also important to nurture and facilitate talent for continued sustainability.

31. As we rev up the race for sustainability, let us collaborate, innovate, and embrace change as we move ahead. Together, we can create a future where progress, climate adaptation and transition, as well as social well-being, intertwine harmoniously, leaving a lasting legacy for generations to come.

Sekian, terima kasih.