



**Welcome Remarks**  
**Launch of the National Sustainability Reporting Framework**  
**by Dato' Mohammad Faiz Azmi**  
**Chairman**  
**Securities Commission Malaysia**  
**3:00 pm, Tuesday, 24 September 2024,**  
**SC Conference Hall**

Assalamualaikum warahmatullahi wabarakatuh, and a very good afternoon.

**Yang Berhormat Dato' Seri Senator Amir Hamzah Azizan**, Minister of Finance  
II

**Yang Berbahagia Datuk Dr. Shahrazat Ahmad**, Deputy Secretary General of  
Treasury (Investment) and board member of the SC

Members of the Advisory Committee on Sustainability Reporting

Senior Management of the SC

Distinguished guests

Members of the media

Ladies and gentlemen,

Welcome to the Securities Commission Malaysia.

1. I would like to put on record our thanks to Yang Berhormat Dato' Seri Senator Amir Hamzah for making time to be here this afternoon. His presence underscores the importance of the matters to be presented and discussed today.

2. As we are entering the fourth quarter of 2024, I would like to begin by highlighting the positive momentum in Malaysia's equity market this year, which has had us reach new highs not seen for over four years.
3. In tandem with the broader market recovery, the IPO market has also shown exceptional growth this year. As of September 2024, some 34 companies have gone public with 29 out of these 34 IPOs continuing to trade higher than their listing price, underscoring the strong confidence in new public listings.
4. This market recovery has also been driven by favourable domestic economic conditions, a recovery in corporate earnings and the government's rollout of key policies. Trading activities have surged, with foreign investors returning to our market. All this reflects well on the continued efforts of the government on the economy policy front and hopefully with the recent US rate cuts, this recovery will continue in 2025.
5. Which brings me to the topic of this event, on the National Sustainability Reporting Framework. As we see this strong market performance, it is important to recognize that sustainability is becoming increasingly vital in driving long-term value.
6. I must start by recognising the first chairman of the Securities Commission, Yang Berbahagia Tan Sri Munir Majid. Among many of his accomplishment's was the commissioning of this building we are in, the Securities Commission home in Damansara. What many of you may not know was that he had the foresight back in 1998 to build a building that consumed 50% less power than a comparably sized building. In other words, we were already anticipating climate change and the need to conserve energy, 26 years ago.

7. Fast forward two decades or so, my predecessor, Yang Berbahagia Dato' Seri Dr. Awang Adeg Hussin, the seventh SC chairman, started the process of looking closely at three key pillars or focuses of the capital market relating to climate change.
8. The first pillar is the need for a smooth transition away from fossil-based energy to renewable ones. That works to ensure the capital market can support the government's initiatives under the National Energy Transition Roadmap (NETR) by channelling funding to support the transition and we are also looking now at potential adaptation needs and funding for climate resilience.
9. The second pillar was the development of a SC Malaysian Taxonomy to help drive a process on how companies can identify and classify their activities in alignment with environmental, social and sustainable objectives to meet funding needs. This work is also continuing as there is now an ASEAN Taxonomy which serves as a reference for ASEAN countries in developing their national taxonomies. This is an important but challenging piece of work to try and achieve some consensus on how to move our economies faster, to adopt low GHG emissions power.
10. Which brings me to the third pillar, the sustainability related disclosures. These are disclosures on top of your existing ones on financial and governance matters, laid down by the law or regulators and concentrate on the effects of climate change. We note that the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) have also been championed locally by Bursa and the recommendations are already embedded in the Listing Requirements.
11. With the recent introduction and use of the IFRS S1 and IFRS S2 standards, issued by the International Sustainability Standards Board, we have had to assess use of these standards in the sustainability disclosure arena in Malaysia. The IFRS S1 provides a general framework for disclosures on sustainability risks

and opportunities, and the S2 focuses specifically on climate-related disclosures including your GHG emissions. This is the reason why we have invited you all here today to share our thinking on this third pillar and why we have taken the decisions we have.

12. Under the NSRF, the large listed issuers on Bursa's Main Market, about 130 companies will have to comply with IFRS S1 and S2 next year 2025, with a focus on climate-disclosures and the first report is due in 2026. You are the ones with significant impact to the capital markets and represent over 80% of market capitalisation on Bursa Malaysia.

(Slide 1)

13. The remaining listed issuers on the Main Market, Group 2, will use the standards starting 2026. Group 3, which are the listed issuers on the ACE Market as well as large non-listed companies, in 2027. These companies will all start with a focus on climate disclosures, then cover other sustainability topics as per the standards later.
14. You may be interested to know that we are using the transition reliefs provided by the ISSB in addition to mandating Scope 3 disclosures and audit verified reports, starting only in 2027, 3 years from now.

(Slide 2)

15. Setting the dates and requirements is the easy part, what we are now focusing on is how to help you comply with these new requirements. We will discuss this later this afternoon, but considerable effort will be spent by SC and Bursa as well as other members of the ACSR, to build up the capabilities in Malaysia. These

initiatives are collectively referred to as PACE or Policies, Assumptions, Calculators and Education and will be elaborated on later.

16. We also need to look at how we can help the SME sector to provide the listed companies with data for their Scope 3 disclosures. The SC has issued a document called the "Simplified ESG Disclosure Guide" developed by Capital Markets Malaysia as a first step in that direction.
17. So why are we doing this. I appreciate there are concerns that not all international markets have consensus on needing to do more, in terms of sustainability reporting. However, as a trading country and one that has an important role in the global supply chain, it is important we adopt these requirements in an open way to reap the benefits of being an adopter.
18. Also, it makes us more rather than less, likely to meet purchaser requirements in the global supply chain given the increasing focus on sustainability information and the number of detailed survey questions they send out to all of you. Adopting IFRS S1 and S2 will help standardise the information. Rather than resist it, we should embrace it and use it strategically to make our markets more attractive.
19. However, wider than economics or geopolitical concerns, we believe it is the right thing to do. Going back to my references to past Chairmen, we feel that we now have an obligation to prepare the capital markets for what is to come.
20. The first reason is because of the science. The majority consensus among the scientist is that the planet is warming up and that it is principally due to mankind. The warnings are loud and clear. The year 2023 was the hottest on record and the temperatures of the oceans today continue to climb. You can observe from the news about the increasing number of droughts, fires, floods and winds resulting from climate change, from all round the world. Nearer to home, the

intensity of our rainstorms and frequency of floods, particularly those recently in the northern states, can also be seen. And the root cause is due to increasing GHG emissions by humans. We will be playing a short video later to make the science clearer.

21. So, this reporting initiative including requiring GHG emissions disclosures, is an attempt for you to know what your companies own impact to the environment is. After all, you cannot control what you can't measure.
22. The other reason is the moral or ethical position that you have as heads of your businesses. It has been some 30 years now that the expression "People Planet Profit" has been coined and it neatly summarises that the maximisation of profit is not the only goal of companies. How you made that profit and its impact to people and planet are of equal concern.
23. As a Muslim, I looked at myself and asked, what does my faith tell me to do? The teachings are clear and reflected in the principles of the Maqasid Shariah document that the SC issued in 2023. Maqasid means the Shariah purpose or goals and we tried to reduce it to principles and aspirations to explain what we should do. A reading of the Maqasid guidance makes it clear that we should attempt to save the environment, to recognise our obligation to preserve resources for the future generations and the need to be transparent and accountable for our actions. I am sure that other faiths have similar views.

Ladies and gentlemen,

24. We did not take the decision to adopt these international standards lightly. We looked at the experiences we had when we adopted IFRS for accounting standards a decade ago and realised that in order to have a say in these and future standards, we have to participate.

25. We used the findings from the public consultation and engagements we conducted earlier this year into account and as a result, we decided to spread the adoption dates. You will note that the current Bursa Malaysia listing rules require disclosure of Scope 1, Scope 2 and Scope 3 (at least for business travel and employee commuting) in 2025 for the Main Market and 2027 for the ACE Market. Bursa will be updating the rules to align the timing for emissions disclosures as per the NSRF, providing a longer lead time for medium and smaller listed companies.
26. And recognising we all need some certainty and more experts in Malaysia, we are launching initiatives this month to start to build capacity and knowledge in our own markets.
27. Addressing climate change needs a whole of society approach. All of us need to play our part to make our country more resilient and adapt to these climate changes and with your help, we will be able to mitigate the worst effects for Malaysia MADANI. It starts with this first step, please go out and measure your GHG emissions.
28. With that thank you again to Yang Berhormat and all of you for attending this afternoon.

END