



Kuala Lumpur International Sustainability Conference
**“Synergising Climate Action: Fostering Collaboration Across Regulators,
Corporations, and Academia”**
Friday | 7 June 2024 | 9.30am – 4.45pm

Keynote Address by Co-Chair of Joint Committee on Climate Change (JC3)
by
**Datuk Kamarudin Hashim, Managing Director, Securities Commission
Malaysia**

Introduction

Assalamualaikum and a very good morning,
Prof Joseph Cherian, Deputy CEO, Asia School of Business (ASB),
Distinguished speakers and guests,
Ladies and gentlemen,

1. First and foremost, I would like to extend my sincere gratitude to the organisers for providing me with the opportunity to deliver the keynote address.
2. This Kuala Lumpur International Sustainability Conference holds significant importance as it brings together stakeholders from various sectors to share knowledge, exchange ideas, and explore innovative solutions for sustainable development.
3. As the theme of the Conference suggests, “Synergising Climate Action: Fostering Collaboration Across Regulators, Corporations, and Academia”, collaboration among standard-setting bodies, regulators, academia, and industry is crucial in our collective effort to address critical sustainability issues, particularly the most pressing one, which is climate change, effectively.

Progress and Ambitions in Achieving Net-Zero: National and Corporate Commitments

4. In recent years, we are witnessing a substantial increase in national, corporate, and financial institutions committing to carbon-neutral or net-zero targets. According to the United Nations, over 140 countries have pledged to achieve net-zero emissions by 2050, covering about 88% of global emissions. More than
 - 9,000 companies,
 - over 1000 cities,
 - more than 1000 educational institutions,
 - and over 600 financial institutions;have joined the Race to Zero, committing to taking significant and immediate steps to cut global emissions in half by 2030.¹
5. In line with this global momentum, Malaysia has declared its commitment to achieving carbon neutrality and aims to become a net-zero greenhouse gas (GHG) emission nation as early as 2050, as outlined in the 12th Malaysia Plan 2021-2025. In 2021, Malaysia revised its Nationally Determined Contributions (NDCs) targets, aiming to reduce the economy-wide emissions intensity of GDP by 45% by 2030 on an unconditional basis compared to the 2005 level.
6. Additionally, the strengthening of corporate commitments in Malaysia towards sustainability goals will contribute to the achievements of national ambition. The number of signatories to the Principles for Responsible Investment (PRI) in Malaysia has increased to 17 currently as compared to only five in 2019.
7. As majority of our Government-linked Investment Companies (GLICs) having become PRI signatories and publicly committing to net-zero targets, this will further push their investee companies to enhance their sustainability practices and step-up efforts towards achieving net-zero or low-carbon targets. These ambitious targets are not merely symbolic; they pave the way for innovation, investment, and development in new sectors.
8. However, achieving these targets necessitates substantial financing and investments in technology, infrastructure, and human capital. The International Energy Agency (IEA) estimates that to achieve net-zero emissions globally by 2050, annual clean energy investment worldwide will need to more than triple by 2030 to around USD\$4 trillion (RM18.2 trillion).²

¹ <https://www.un.org/en/climatechange/net-zero-coalition#:~:text=Yes%2C%20a%20growing%20coalition%20of,about%2088%25%20of%20global%20emissions.>

² <https://www.iea.org/reports/net-zero-by-2050>

9. In Malaysia, for instance, it is estimated that between RM1.2 trillion and RM1.3 trillion will be required by 2050, including investments in renewable energy, energy efficiency, and green mobility, for Malaysia to achieve its energy transition goals.³
10. As more industries move towards a low-carbon economy, the financial sector, including the capital market, can facilitate funding for industries, corporates and businesses to become greener and more resilient. Achieving this requires collective efforts across various sectors, with regulators leading coalitions and fostering collaboration to facilitate a smooth transition.

Enhancing Climate Resilience through Financial Sector Collaboration

11. In this context, the JC3, which is co-chaired by Securities Commission Malaysia (SC) and Bank Negara Malaysia (BNM), was established in 2019 as a collaborative platform between regulators and the industry to foster climate resilience within Malaysia's financial sector.
12. Our efforts include enhancing climate risk management, providing guidance on governance and disclosure, scaling up transition and adaptation finance through innovative pilots, bridging climate data gaps, and building capacity to support the financial sector and SMEs in their transition journey.
13. The development of pilot projects in green and transition finance are done in close collaboration with ministries, agencies, and industry. They aim to showcase practical solutions and identify gaps before large-scale implementation.
14. For example, the Greening Industrial Parks pilot project is designed to transition the management and operations of industrial parks towards low-carbon sustainable practices. The objective is to create a model for greening brownfield parks, as well as accelerating and promoting sustainable and low-carbon practices across all industrial parks in Malaysia.
15. Furthermore, JC3 has been actively organising capacity building and knowledge sharing within the financial sector. Numerous workshops, seminars, and training sessions have been organised to enhance the understanding of climate risks and opportunities among financial professionals. These initiatives are important in

³ <https://www.ekonomi.gov.my/sites/default/files/2023-09/National%20Energy%20Transition%20Roadmap%200.pdf>

ensuring that the financial sector is well-equipped to support the transition to a low-carbon economy.

Promoting Sustainable Investment through the Malaysian Capital Market

16. On SC's part, we have been actively driving the creation of an enabling environment for sustainable investments to grow further in the Malaysian capital market.
17. Our approach to sustainability is fundamentally guided by the SRI Roadmap. Launched in 2019, it outlines our vision to position Malaysia as a regional SRI center. This was followed by Capital Market Masterplan (CMP) 3 which further reinforces our aim to mobilise more capital towards sustainable businesses. This strategy not only supports the growth of sustainable finance, but also ensures that investment opportunities are inclusive and accessible, allowing a broader population to participate in the nation's growth.
18. Over the years, Malaysia has seen a significant increase in the issuance of green, social, and sustainability bonds and sukuk. Since the introduction of the SC's SRI Sukuk Framework in 2014, cumulative issuances of SRI sukuk have reached close to RM28 billion, including the world's first green sukuk in 2017 for renewable projects. This momentum has continued, with a diverse range of SRI Sukuk issuances, covering categories such as green buildings, affordable housing, education and others.
19. Recognising the need to support companies at different stages of their sustainability journey, the focus is expanding from green finance to transition finance. This has led to the rise of sustainability-linked debt instruments, such as bonds and loans, which tie the cost of capital to the achievement of predetermined sustainability performance targets.
20. To address the financing needs of companies in various sectors, the SC introduced the SRI-linked Sukuk Framework in 2022. This innovative product framework provides a broader range of financing options for companies, including those in hard-to-abate sectors, to tap into the capital market to meet their transition finance needs.
21. I understand that MARC, one of our registered credit rating agencies, has recently completed an impact assessment on a publicly listed corporation's

sustainability-linked financing framework.⁴ We look forward to a potential issuance in the pipeline under the SRI-linked Sukuk Framework.

22. The SC also engages in open dialogues with stakeholders to address operational challenges, including costs, so that we can ensure the effective utilisation of these frameworks. In this regard and to facilitate the development of sustainable finance, the government has introduced several tax incentives. Notably, the tax deduction on expenditures for issuance of SRI sukuk and the SRI-linked Sukuk.
23. Additionally, the SC has also expanded its SRI Sukuk and Bond Grant Scheme to include issuances under the SRI-linked Sukuk Framework, covering up to 90% of the external review costs. These measures aim to stimulate the growth of the SRI sukuk and SRI-linked sukuk market and encourage more corporate issuances.

Building Blocks to Progress the Sustainability Agenda Further The Importance of Standardised Frameworks and Disclosures

Ladies and gentlemen,

24. The financial sector, particularly the capital market, will continue to facilitate the financing and investments needed to support the country's priorities and commitments. To facilitate fund raising, the availability of reliable and comparable sustainability-related information will be critical.
25. On that note, the Advisory Committee of Sustainability Reporting (ACSR), which was formed last year, with the endorsement of the Ministry of Finance, and chaired by the SC has been looking into the use of the sustainability disclosure standards issued by the International Sustainability Standards Board (ISSB) as the baseline standards for disclosures by Malaysian corporates.
26. The SC together with our fellow committee members from the Audit Oversight Board, BNM, Companies Commission of Malaysia, Bursa Malaysia and the Financial Reporting Foundation have been undertaking extensive engagements with stakeholders including listed and non-listed companies, investors, assurance providers, through a public consultation process, focus group discussions as well as roundtable dialogues with the relevant Ministries and agencies. It was important that we canvass and syndicate as much feedback as we can from these

⁴ [MARC Ratings assigns "Gold" Impact Assessment to Paramount's Sustainability-Linked Financing Framework - MARC](#)

stakeholders to inform the design of the National Sustainability Reporting Framework.

27. The insights that we gather from these engagements underscore the importance of balancing the multiple considerations including the timing for implementation, which companies to scope in, and overall readiness of the ecosystem. Like Goldilocks, it must be just right. More than 20 jurisdictions representing nearly 55% of global GDP have decided to use or are taking steps to use the ISSB standards, bringing us steps closer to having a single common language for communicating on sustainability.
28. Our primary driver is to ensure Malaysia's competitiveness as an exporting country is secured as well as the contribution of our companies in the global supply chain. The Committee targets to announce the approach for the NSRF in the second half of this year.

Providing Additional Guidance to Further Develop Sustainable Investments

Ladies and gentlemen,

29. The global growth of sustainable investments underscores the need for clarity and guidance for market participants. To address concerns such as greenwashing risks and to provide a clear framework for identifying sustainable activities, the discussion on what constitutes transition is important especially if we want to attract large sums of investments.
30. In this regard, the SC has introduced the Principles-based SRI Taxonomy for the Malaysian Capital Market (SRI Taxonomy), aimed at helping market participants identify activities aligned with environmental, social, and sustainability goals for more informed and efficient decision-making in fundraising and investment for sustainability.
31. To support the mobilisation of capital required for the low-carbon transition, alignment and interoperability between taxonomies are crucial. This ensures consistency and transparency, reduces market fragmentation, and lowers transaction costs.
32. For instance, the environmental component of the SRI Taxonomy is aligned with the Foundation Framework of the ASEAN Taxonomy for Sustainable Finance – Version 1. Additionally, the environmental objectives of the SRI Taxonomy are

consistent with those in Bank Negara Malaysia's Climate Change and Principles-based Taxonomy (CCPT).

33. Moving forward, the SC will work on the next iteration of the SRI Taxonomy that will provide greater guidance to the industry. This includes future refinements of the SRI Taxonomy and development of more detailed guidance that is consistent with national policies.
34. In recent years, we have also seen a growing recognition of the importance of incorporating sustainability considerations into investments, particularly in private markets. However, private market participants in Malaysia are still in the early stages of understanding this importance. One of the major challenges they face is the lack of clear guidance and best practices, which means that the integration of sustainability in investment and due diligence processes is still nascent.
35. Recognising this need, and in line with the SC's recommendation outlined in the SRI Roadmap to broaden access to sustainable and responsible investment through alternative funding avenues, the SC issued the SRI Guide for Private Markets in December 2023. This provides voluntary guidance to private market players, including VC/PE and ECF/P2P platform operators, on how to integrate sustainability considerations into their investment and due diligence processes.
36. Meanwhile, to encourage and assist SMEs to track and report on ESG, the Simplified ESG Disclosure Guide (SEDG) was issued in October 2023.
37. It consolidated and simplified the many complex global and local ESG-related frameworks to improve the availability of ESG data and information by SMEs.
38. More recently, the SEDG Sector Guides provided further guidance for SMEs in the supply chains of the Energy, Transport and Logistics, Construction and Real Estate, Agriculture and Manufacturing sectors – which are the five (5) significant sectors in Malaysia's economy.
39. The Sector Guides incorporate both environmental and social considerations which includes additional disclosures required by these individual sectors, specific material considerations such as biodiversity, nature-related and climate disclosures and also a deeper understanding of human rights and labour standards to address the global concern of forced labour.

40. Through these efforts, we are paving the way for a future where sustainable investments become the norm, not the exception, and where every player in the market can play a crucial role in driving our sustainability agenda forward.

Collaboration and Commitment for a Sustainable Future

Ladies and Gentlemen,

41. We must recognise that achieving our sustainability goals requires concerted efforts from all stakeholders. Regulators, corporations, academia, and civil society must collaborate and coordinate their actions to drive meaningful change. This necessitates a shift in mindset, open dialogues, collaboration, and a deep understanding of the challenges we face, collectively working towards innovative solutions.
42. As a regulator, the SC remains steadfast in its commitment to accelerate the development of sustainable and responsible investment in Malaysia. We will continue to work closely with ministries, other regulatory bodies, and relevant agencies to shape sustainable development and climate policies for Malaysia.
43. Meanwhile, the financial sector via JC3 will continue working with the industry to identify issues, challenges, and priorities facing the financial sector in managing the transition towards a low-carbon economy. The JC3 is committed to providing support to facilitate innovation and capital flow into sustainable activities and projects.
44. Building capacity through sharing knowledge, expertise, and best practices is also one of JC3's focus areas. The Journey to Zero Conference (J20), JC3's biennial conference thus provides the ideal platform for robust discussions on practical applications of climate and nature finance. Last year's event was well attended, with over 650 physical attendees and more than 4,000 virtual attendees.
45. Moving forward, JC3 will introduce more specialised training under its climate change curriculum to equip professionals at various levels with the knowledge needed to tackle sustainability issues. The SC's flagship programmes, Navigate: Capital Market Green Financing Series, will also continue to create awareness among businesses on green and sustainable financing.
46. Our concerted efforts as players in the financial sector signals our readiness to support the government's policy and aspirations on climate change.

47. As for academia, they are indispensable in our journey towards sustainability. Academia plays a crucial role by providing the latest research, developing innovative solutions, and educating future leaders in sustainability. Their involvement is essential for fostering a deeper understanding of sustainability challenges and driving new ideas through cutting-edge research.
48. Collaboration with academia helps identify and solve critical sustainability challenges, ensuring that academic insights translate into practical, actionable solutions. By working together, we can ensure that the financial sector and other industries are well-prepared to meet the demands of a low-carbon future.

Closing

49. I am hopeful that through our collective efforts, we can address critical sustainability issues. By aligning our actions with global efforts, Malaysia can move forward, seize opportunities, and contribute positively to the world's sustainability goals, one step at a time.
50. With that, I wish everyone a highly productive and insightful conference ahead. Thank you.

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