



Keynote Address
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To' Puan Janet Looi, Senior Partner, Skrine
Your Excellency,
Distinguished guests, ladies and gentlemen.

Assalamualaikum wtullah wbrktu and a very good morning.

1. I would like to start by thanking Skrine for the opportunity to deliver this keynote address at today's Skrine Conference.
2. The title of this conference is lasting strategies in a changing world. This is apt as companies over the last decade have woken up to stakeholders expectations that making profit in itself, is not enough. The stakeholders now want to know how you made the Profit and indeed how you considered People and Planet in making the Profit. To meet these new expectations, we have seen companies integrating sustainability into their day-to-day operations.
3. Stakeholders are now becoming more conscious of the risks associated with unaddressed environmental, social and governance (ESG) issues, which is why most of the larger cap Companies, have moved from seeing it as a compliance issue to incorporating these ESG issues within their long-term strategies so that they can better manage these issues. As an indication, a survey by the Securities Commission of some 90% of listed companies using data based on their 2023 financial statements, showed that 73% of those surveyed have already incorporated material sustainability risks and

opportunities into their performance appraisal of Board and management. However only 49% of those surveyed had a designated person in the company to manage sustainability. On further examination, many companies had a CSO and also a dedicated department. However, the take up of our MCCG recommendations could be improved.

4. The Securities Commission Malaysia (SC) plays a critical role as the capital market regulator together with Bursa and BNM, to provide the market guardrails through clear policies and frameworks of what companies need to do when considering ESG issues.
5. We are also focused on developing a sustainable financing ecosystem that can foster innovation and growth. This is essential for emerging markets and developing economies like Malaysia. As an aside, we are quite proud that while banking assets have achieved 3.6 trillion in June of this year, the SC manages capital market assets of 4 trillion. I know it's not a competition but this is a sign of a healthy financing ecosystem.
6. Our role as a regulator, covers three distinct areas or enablers.
7. First, we are trying to help finance "A just transition" to wean ourselves off cheap power sources that heat the world up. Also to consider the effect of rising temperatures with a Climate adaptation and mitigation plan as these will need serious funding. Yesterday we witnessed the choking up of KL from floods and the devastation caused by large volumes of water. Sadly, this is just the beginning.
8. And the second area is to mandate reporting of key sustainable practices, strategies and emission numbers by all listed companies over a three-year period. This is referred to as the National Sustainability Reporting Framework.
9. The third area is creating and maintaining a taxonomy which is a classification system so that we know what kind of activities or funding we will support and those we will not. An example is not to fund new coal fired power plants.

Transition Finance

10. The climate transition will cost an estimated US\$125 trillion by 2050 and retrofitting existing assets and adopting new technologies will be crucial in achieving the 2050 climate goals.
11. ASEAN, the world's fourth-largest energy consumer, needs to significantly reduce fossil fuel dependency to meet global climate targets.
12. 80% of Malaysia's greenhouse gas emissions come from the energy sector. So while we were next zero two decades ago, we have to balance our continued development with the net zero targets.
13. Decarbonising is no longer a question; it's imperative.
14. 2023 marked a significant milestone for Malaysia's transition to a low carbon economy. The National Energy Transition Roadmap (NETR), launched in August 2023, sets ambitious targets to achieve net-zero emissions by 2050 with the share of renewable energy set to increase to 31% by 2025, 40% by 2035, and 70% by 2050.
15. This requires an estimated 1.3 trillion ringgit in investment, and NETR outlines ten flagship projects such as smart grid, energy efficiency and energy storage solutions, to name a few.
16. Here is where transition finance serves as a key mechanism to channel funding towards industries heavily reliant on fossil fuels, helping them shift towards sustainable practices.
17. We are seeing this shift globally. Transition finance is moving to the forefront, as companies look for financing options beyond current green, social and sustainability debt instruments to fund their low-carbon journey.
18. Malaysia's approach is one of collective action. The government's whole-of-nation approach combines grants, loans, rebates, incentives and other investment instruments to meet our climate goals.

19. To complement the government's effort, innovative financing solutions and structures are needed to address the funding gap which threatens to hold up progress on these various projects. This is particularly so when climate adaptation needs are considered. Many of these adaptation projects are not commercially viable so the government has to step in to fund such projects.
20. At the SC, we're committed to ensuring the capital market plays its part. We have introduced several frameworks, including the Sustainable and Responsible Investment (SRI) Sukuk Framework to finance green, social and sustainability projects.
21. In 2022, we released the SRI-linked Sukuk Framework which allows companies, especially in hard-to-abate sectors, to raise funds to meet their transition finance needs.
22. At the ASEAN level, we have the ASEAN Transition Finance Guidance (ATFG) Version 1, published in 2023. ATFG helps companies assess their transition credibility in the context of ASEAN and guide their financing needs.
23. Version 2 of the ATFG is due to be published this month, with enhanced guidance features for users.
24. Beside transition finance, transition policies are also important to increase financial flows for climate transition and adaptation, while building resilience against climate-related risks.
25. For example, the Joint Committee on Climate Change (JC3), co-chaired by the SC and BNM, is developing a JC3 Transition Finance Framework to guide development of credible transition finance solutions.
26. A just and orderly net zero transition requires everyone to step up. As regulators, we will continue to provide facilitative frameworks to guide businesses and financial players.

Sustainability Reporting

27. Sustainability reporting is another crucial piece of the puzzle. With the launch of the National Sustainability Reporting Framework (NSRF) in September this year, we join over 20 jurisdictions, collectively representing 55% of global GDP, which have decided or are taking steps to use the standards. This is another significant step toward integrating sustainability into economic development.
28. The NSRF will be phased in from 2025, starting with the largest listed issuers on Bursa Malaysia's Main Market, representing over 80% of market capitalisation. The first reports are due in 2026 (Group 1).
29. Other Main Market listed issuers (Group 2) will follow in 2026 and ACE Market and large non-listed companies (Group 3) in 2027.
30. These companies will start with a climate-first approach to disclosures; prioritising investor demand and the urgency of the climate crisis. Scope 3 GHG emissions disclosures will begin in 2027, with other sustainability topics phased in later.
31. With the framework and roadmap in place, the focus shifts to implementation and capacity building. Currently, 49% of listed companies have governance structures in place for sustainability, with board committees being the most common.
32. Effective NSRF implementation requires PACE -Policies, Assumptions, Calculators, and Education.
33. Immediate outputs of PACE include:
 - Training 100 accountants under the GRI Certification Programme to help companies transition to ISSB Standards.
 - Developing a bridge module for understanding the interoperability between the GRI and the ISSB Standards, to be rolled out to accountants and preparers.
 - Proforma disclosures will also be available for reference – including sector specific considerations.

34. The Advisory Committee on Sustainability Reporting (ACSR) will use feedback mechanisms and engage experts and preparers to seek feedback and identify any pain points to address.
35. As a trading nation, it is important we adopt these requirements openly to benefit from early adoption.
36. This increases our likelihood of meeting global supply chain demands, which increasingly focus on sustainability information.
37. Adopting IFRS S1 and S2 will help standardise the reporting information and enhance market attractiveness. It will also hold companies to account as now we have mandatory reporting where they can be taking to task for falsehoods.

Taxonomies

38. As sustainable finance evolves clarity, guidance, and proper classification systems are essential.
39. Taxonomies have emerged as powerful tools in providing a clear classification system for investments, ensuring they are aligned with long-term sustainability goals.
40. We have seen a surge in taxonomy developments across jurisdictions, driven by the need for consistency and clarity. Since the release of the ASEAN Taxonomy Version 1 in 2021, countries like Malaysia, Indonesia, Thailand, and the Philippines, have introduced national taxonomies.
41. These frameworks, while rooted on the ASEAN Taxonomy, are tailored to suit local contexts, ensuring relevance and regional coherence in sustainable finance.
42. By providing a structured framework, taxonomies enable investors and issuers to make informed decisions, fostering a sustainable financial ecosystem for both the economy and the environment.

ASEAN Taxonomy

43. The SC actively contributes to the ASEAN Taxonomy through the ASEAN Taxonomy Board, which includes central banks, securities regulators and insurance regulators. This taxonomy serves as a regional guide for identifying and classifying sustainable finance activities within the region, to supplement national efforts.
44. To cater to ASEAN's diversity, the Taxonomy takes a multi-tier approach:
 - Principles-based Foundation Framework, for qualitative assessment across all sectors
 - A Plus Standard, for quantitative assessment in 6 focus sectors.
45. The ASEAN Taxonomy was the first regional taxonomy to introduce a traffic light system of assessment, with an amber criteria, allowing for transitioning activities that may not meet the criteria of being green - crucial for supporting diverse economies starting their transition journey.

Malaysia's Principles-Based SRI Taxonomy

46. In 2022, the SC introduced the Principles-Based SRI Taxonomy, developed with industry stakeholders and supported by the World Bank. This taxonomy guides sustainable economic activities in the Malaysian capital market, integrating environmental, social, and sustainability goals.
47. By incorporating social considerations, the SRI Taxonomy promotes a balanced approach, aligning sustainable finance with broader development goals.
48. This is crucial for facilitating a just transition in Malaysia, particularly for workers and communities in carbon-intensive industries. A social taxonomy can guide investments toward equitable outcomes across all affected communities.
49. Being aligned with regional taxonomies, it also benefits businesses with regional operations and facilitates capital flow between Malaysia and Southeast Asian countries.
50. Since its launch, we continue to engage stakeholders to drive awareness and adoption, encouraging integration into sustainability practices.

51. Looking ahead, we aim to refine the SRI Taxonomy with a Plus-Standards iteration, providing more detailed guidance, and in alignment with the ASEAN Taxonomy and national policies.
52. In conclusion, taxonomies are essential for guiding sustainable transitions and funding, and the SC remains committed to supporting these initiatives for the benefit of both the environment and society.

Conclusion

Ladies and gentlemen,

53. The path to a sustainable future is clear, but it requires collective effort. We must ensure that the transition is fair, inclusive and orderly – where no one is left behind.
54. The legal sector plays a crucial role in this journey. You have the power to influence laws that drive environmental stewardship and social equity as well as encouraging your clients to behave better. I note that many consulting and accounting firms have announced net-zero targets but not so many law firms. At the SC, we will be setting up a focused Sustainability department, have identified a Chief Sustainability Officer, have started the process of achieving net zero with our energy usage and will also seek to apply IFRS S1 and S2 reporting standards to ourselves. The SC will walk the talk.
55. With that, thank you for listening and I hope you all have a productive conference.

Thank you