

DRIVING GREATER GROWTH IN SUSTAINABLE AND RESPONSIBLE INVESTMENT

Given the urgent need in meeting the sustainable development and climate goals, sustainable finance and investment continue to be on the growth trajectory globally. In line with the CMP3 and *Sustainable and*

Responsible Investment Roadmap for the Malaysian Capital Market (SRI Roadmap), SRI continues to be one of the key priorities for the development of the Malaysian capital market. In 2022, the SC introduced several initiatives to support the development of a holistic SRI ecosystem, including facilitating a greater transition towards a low-carbon economy.

Shaping the Stakeholder Economy via the Capital Market

Sustainable and responsible investment (SRI) is a key strategy and priority for the development of the Malaysian capital market, as outlined in the SC's CMP3; published in 2021 and the SRI Roadmap; published in 2019.

The SC aspires to help shape a more stakeholder-based economy and strengthen Malaysia's position as a regional SRI hub in the next five years. In 2022, the SC continued to undertake initiatives to accelerate the growth of SRI in the Malaysian capital market.

Widening the range of instruments



The SRI-Linked Sukuk Framework **is aimed at facilitating more innovative Shariah-compliant financing avenues** for sustainability purposes and **encouraging Malaysian companies to transition into low-carbon or net-zero economy.**



FTSE4Good Bursa Malaysia Index Futures (F4GM), introduced by Bursa, will allow traders to gain exposure to **PLCs with leading ESG practices, offering investors a cost-effective avenue to align their financial goals with ESG values.**



The SC as the Co-Chair of the ACMF Sustainable Finance Working Group (SFWG) developed the *ASEAN Sustainability-Linked Bond Standards* (ASEAN SLBS) which will **enhance transparency, consistency and uniformity of ASEAN Sustainability-Linked Bonds and assist investors in making informed investment decisions**, while contributing to the development of a new sustainable asset class in ASEAN.



Expansion of Waqf-Featured Fund Framework to include listed ETFs and REITs to further grow the **Islamic social finance market.**

Increasing investor base

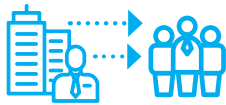


The SC, as the Co-Chair of the ACMF SFWG, led the development of the *ASEAN Sustainable and Responsible Fund Standards* (ASEAN SRFS) to provide **disclosure and reporting requirements for qualified sustainable funds under the ASEAN SRFS and enhance transparency for investors.**



The SC, as the lead of *Perkukuh Pelaburan Rakyat* (PERKUKUH) #11 WG, spearheaded the development of Sustainable Investment Standards initiative to **enhance the role of GLICs in sustainable investments.**

Building a strong issuer base



The SC, with its engagements through SCxSC GROW and NaviGate: Capital Market Green Financing Series, helped to create **greater awareness and connectivity between green and sustainable companies and the various funding avenues in the capital market, to meet the needs of underserved SRI issuers.**



FTSE Bursa Malaysia Top 100 ESG Low Carbon Select Index (FBM100LC) and FTSE Bursa Malaysia Top 100 ESG Low Carbon Select Shariah Index (FBM100LS) were launched by Bursa Malaysia to further **encourage ESG and low-carbon adoption.**

Instilling strong governance culture



Enhanced sustainability reporting requirements in the public markets to **elevate the sustainability practices** and disclosures of listed issuers.



Broad principles of effective stewardship by institutional investors is provided through the MCI 2022.



Guidance Note on Managing ESG Risks for Fund Management Companies enabled FMCs to establish a **responsible investment framework.**



Leading for Impact Programme (LIP), a new mandatory onboarding programme on sustainability for PLC directors aimed at **strengthening ESG fitness of boards.**



Principles of Good Governance for GLICs established **governance baseline requirements and best practices for adoption by GLICs.**



Adoption of the **best corporate governance practices and quality of corporate governance disclosures** are outlined in the *Corporate Governance Monitor 2022* (CG Monitor 2022).

Designing information architecture



The Joint Committee on Climate Change (JC3) Data Catalogue serves as a **source of reference on climate and environmental data for the financial sector and represents a call to action for stakeholders** to collectively improve the availability and accessibility of climate data.



In alignment with the SRI Roadmap's recommendation on developing ancillary services for SRI, Bursa Malaysia's ESG Advisory Services were introduced to assist more **small-and medium-sized PLCs improve their ESG disclosures and credentials** to enhance the PLC's investability to institutional investors.

Moving forward, the SC will continue to widen the access to SRI for MSMEs, broaden the range of SRI products to facilitate sustainable and transition finance, and increase SRI awareness among businesses and investors – which are also aligned with the CMP3 and SRI Roadmap. These efforts are crucial to facilitate greater capital mobilisation to sustainable and responsible businesses which enables long-term value creation and caters to broader needs of the stakeholders of the economy, while strengthening Malaysia's position as a regional SRI hub.