Suruhanjaya Sekuriti
Securities Commission
Malaysia

Guide for Assessing Investors' Sustainability Preferences for SRI Funds

GUIDE FOR ASSESSING INVESTORS' SUSTAINABILITY PREFERENCES FOR SUSTAINABLE AND RESPONSIBLE INVESTMENT (SRI) FUNDS

Suruhanjaya Sekuriti
Securities Commission
Malaysia

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DISCLAIMER

The *Guide for Assessing Investors' Sustainability Preferences for SRI Funds* aims to provide a general understanding of the subject and is not an exhaustive write-up. It is not intended to be a substitute for legal advice nor does it diminish any duty (statutory or otherwise) that may be applicable to any person under existing laws.

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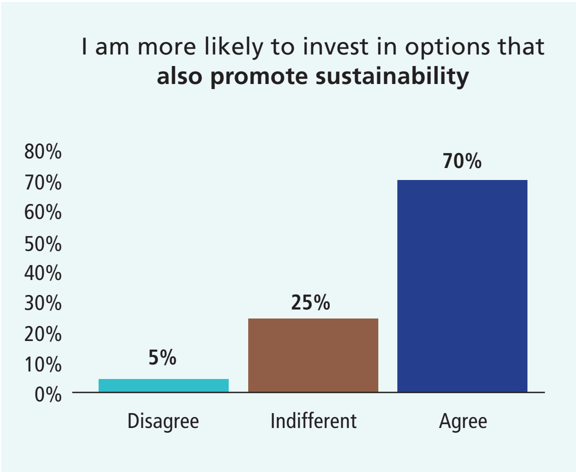
CHAPTER 1: INTRODUCTION

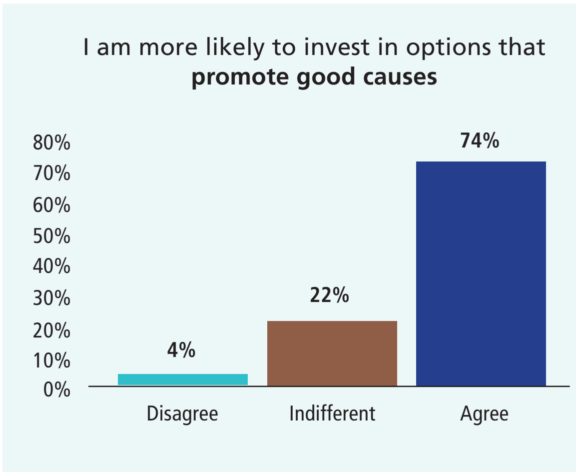
Younger generations are emerging as a decisive force in shaping investment trends. Millennial and Gen Z investors in particular, are showing a growing preference for sustainability-financial solutions. They are not only more inclined to support causes that align with sustainability values, but also stand to inherit significant wealth while progressing in their careers. These factors position them as an increasingly influential investor segment, particularly in sustainability-oriented investments.

According to a survey by the Institute of Capital Market Research (ICMR),[1] over 70% of millennials and Gen Z express a preference for investment options that promote sustainability and good causes. As their demand for sustainability-oriented investments intensifies, the investment landscape is being reshaped, underscoring the need for sustainability-focused investment guidance.

70% indicate they are more likely to invest in options that also promote sustainability



74% indicate they are more likely to invest in options that promote good causes



Source: The Rise of Millennial & Gen Z Investors, Institute of Capital Market Research Malaysia (2021, October)

Conversely, the steady growth of the sustainable and responsible investment (SRI) fund segment also reflects a gradual shift in investor priorities, underpinned by greater awareness of environmental and social issues[2]. Such investments are now seen as a means of advancing sustainability while still delivering financial returns, aligning with the aspirations of these younger cohorts.

As this demographic continues to grow its own wealth and inherit substantial assets from their parents, they are set to become the wealthiest and most influential group of investors, further driving the demand for responsible and sustainable investment solutions.

However, while investor interest in sustainability is growing, many remain uncertain about the specifics of SRI Funds[3] and how these investments align with their goals. As such, unit trust consultants, private retirement scheme consultants and financial planners, collectively referred to as 'Consultants',

[1] *The Rise of Millennial & Gen Z Investors*, Institute of Capital Market Research Malaysia (2021, October).
[2] Appendix 1 outlines the global and national sustainability context in greater detail.
[3] Securities Commission Malaysia. (2023). *Guidelines on Sustainable and Responsible Investment Funds* (Paragraph 3.01). https://www.sc.com.my/api/documentms/download.ashx?id=1863d35d-9a34-4ccc-bf61-9f942b520b44

play a pivotal role in bridging this knowledge gap. To fulfil this role effectively, Consultants should enhance their understanding of the diverse range of SRI products and strategies, enabling them to provide guidance and tailor recommendations to their clients to meet their clients' specific sustainability preferences.

THE ROLE OF CONSULTANTS

Consultants play a pivotal role in bridging the gap between rising investor interest in sustainability and the practical uptake of SRI Funds. As demand for SRI Funds grows, Consultants must be well-positioned to promote greater awareness and understanding of SRI Funds within the Malaysian capital market. Their role is evolving to include–

Raising Awareness of Clients' Sustainability Preferences
Encouraging clients to reflect on their personal values and priorities and highlighting how these can be expressed through sustainable investment choices.

Supporting More Holistic Suitability Discussions
When conducting suitability assessments, Consultants can help integrate sustainability considerations, ensuring that conversations move beyond financial returns to include ethical and long-term impact goals.

Improving Clients' Understanding of SRI Strategies
Sharing accessible resources and explanations to help clients distinguish between various SRI approaches such as environmental, social and governance (ESG) integration, impact investing and exclusionary screening, thereby enabling them to make more informed investment decisions.

ADDRESSING INDUSTRY GAPS AND ENHANCING CONSULTANTS' CAPABILITIES

As the demand for sustainable investment options continues to grow, Consultants have a vital role to play in guiding their clients towards investments that align with both their clients' financial objectives and personal values. Nevertheless, Consultants may not be equipped to effectively advise their clients on SRI Funds and the respective strategies. A closed survey of the Federation of Investment Managers Malaysia (FIMM) members in June 2024 revealed significant gaps in available guidance, with 70% of respondents indicating that they lack an existing framework to incorporate sustainability preferences into their client product recommendation process. Additionally, 95% of respondents expressed that having a structured guide would enable them to provide better and more informed guidance to their clients who are interested in sustainable investing.

70% FIMM respondents surveyed indicated they do not have an existing guide to help incorporate sustainability preferences of investors

95% FIMM respondents surveyed indicated a guide would help Consultants provide better guidance to investors in making informed decisions in sustainable investing

In response, the Securities Commission Malaysia (SC), with support from FIMM, have introduced this *Guide for Assessing Investors' Sustainability Preferences for Sustainable and Responsible Investment (SRI) Funds* (Guide) to support Consultants in navigating the SRI Funds landscape to ultimately help their clients align their investment decisions with both financial objectives and sustainability preferences.

Additionally, the Guide seeks to encourage the integration of sustainability considerations into client discussions and the fund selection process, supporting Consultants in better addressing clients' sustainability preferences.

OVERVIEW OF THIS GUIDE

The Guide is structured into the following chapters:

CHAPTER 1

Introduction
Outlines the background and primary objectives of this *Guide*.

CHAPTER 2

Explanation of SRI terms
Helps Consultants explain the different SRI terms and definitions to enable clients to make informed decisions about their sustainability preferences and broader motivations.

CHAPTER 3

Identification of Client Sustainability Preferences
Enables Consultants to assess their clients' sustainability preferences and wider sustainability motivations.

CHAPTER 4

SRI Fund Recommendation
Provides a step-by-step approach to match clients' preferences with suitable SRI Funds.

CHAPTER 5

Ongoing efforts
Provides an overview of ongoing efforts necessary to ensure that clients' sustainability preferences are up to date.

CHAPTER 6

Conclusion
Conclusion and summary of this *Guide*.

CHAPTER 2: EXPLANATION OF SRI TERMS

This chapter provides key definitions and explanations that form the basis of the *Guidelines on Sustainable and Responsible Investment Funds*, helping Consultants to effectively articulate the importance and mechanics of sustainable investing.

At its core, SRI represents a commitment to align financial strategies with broader social, environmental and governance goals. The foundations of SRI Funds are built upon three sustainability consideration frameworks: the United Nations Global Compact (UNGC) Principles, the United Nations Sustainable Development Goals (UN SDGs) and environmental, social and governance (ESG) factors. These offer distinct criteria and methodologies to evaluate and select investments, providing an approach to align investment decisions with social, environmental and governance priorities.

The 3-step approach below provides a framework for discussing sustainability preferences with clients:

1 Understanding the Foundations of SRI

Introducing clients to sustainability considerations.

2 Exploring SRI Strategies

Navigating how sustainability considerations are incorporated through different SRI strategies.

3 Assessing the Risks of SRI

Providing a balanced view of potential risks associated with sustainable investments.

This chapter outlines the sustainability considerations that underpin SRI Funds and provides illustrations on how these considerations influence investment decisions. By becoming familiar with these foundational concepts, Consultants are better equipped to address clients' queries, explain the benefits of sustainable investing, and build client trust through informed and meaningful engagements.

CONSIDERATIONS UNDERPINNING SRI FUNDS

Under the SC's *Guidelines on Sustainable and Responsible Investment Funds*, SRI Funds must adopt one or more sustainability considerations to qualify as an SRI Fund. To ensure alignment with these principles, at least two-thirds of the fund's net asset value (NAV) must be invested in securities that adhere to the policies and strategies of the fund. This requirement ensures that the fund's objectives and investments are consistent with sustainability goals.

These sustainability considerations include:

1 UNGC Principles

The UNGC Principles provide a universal ethical foundation for responsible business practices by setting out Ten Principles grouped into four key areas: human rights, labour, environment and anti-corruption. Together, these principles encourage businesses to uphold basic human rights, ensure fair working conditions, minimise environmental harm, and combat corruption across all operations.

Sources: https://unglobalcompact.org/what-is-gc/mission/principleshttps://www.danesmeadadvisory.com/news/what-is-the-un-global-compact

2 UN SDGs

The 17 UN SDGs, adopted by the United Nations in 2015, provide a roadmap to address global challenges such as poverty, inequality, climate change and biodiversity loss. SRI Funds often use the UN SDGs as benchmarks to identify and prioritise impactful investments.

3 ESG factors

ENVIRONMENTAL
Assesses climate impact, natural resource use, pollution, and biodiversity conservation

SOCIAL
Examines labour practices, diversity, community engagement, and consumer rights

GOVERNANCE
Focuses on board diversity, executive pay, transparency, and anti-corruption efforts

SRI INVESTMENT STRATEGIES

The *Guidelines on Sustainable and Responsible Investment Funds* also requires that SRI Funds must adopt one or more strategies to achieve its policy.

For Consultants, understanding these strategies is essential to enable them to explain to clients not only how SRI Funds incorporate the sustainability considerations outlined in the UNGC Principles, UN SDGs and ESG sectors, but also how different approaches align with the clients' goals and sustainability preferences.

Table 1 illustrates how various SRI strategies may be applied in practice. Each example draws from real-world illustrations of fund profiles to help Consultants better understand how these strategies can be implemented. This supports more effective client conversations by linking abstract concepts to tangible fund features and outcomes.

Table 1

Strategy	Description	Example of Strategy Application
ESG Integration	Systematic assessment of quantitative and qualitative data, and explicit inclusion of environmental, social and governance factors in investment analysis.	Fund A invests in technology companies that demonstrate sound ESG practices. It integrates ESG factors into its investment analysis by considering issues such as carbon emissions, data privacy and security, corporate governance and diversity in leadership. Fund B invests in global companies, particularly in high-growth sectors such as technology, healthcare and consumer discretionary, that demonstrate strong sustainability practices. ESG factors are integrated throughout the investment process by evaluating criteria such as carbon efficiency, green innovation, data privacy and cybersecurity, board independence, shareholder rights and corporate transparency. ESG insights are combined with traditional financial analysis to identify companies that offer long-term value creation while avoiding those with significant sustainability risks.
Ethical and faith-based investing	Investing in line with certain principles, usually using negative screening to avoid investing in companies whose products and services are deemed morally objectionable by the investor or certain religions, international declarations, conventions or voluntary agreements, (e.g., by applying Shariah screening methodologies).	Fund C invests in global Shariah-compliant equities with strong ESG characteristics. It applies a dual-screening approach, combining Islamic investment principles with ESG screening criteria. The fund excludes companies involved in non-permissible activities such as alcohol, gambling and interest-based financial services, while prioritising those with positive ESG performance in areas like environmental stewardship, labour practices and corporate ethics.

Impact investing	Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. An SRI Fund with an impact investing strategy, such as environmental or social impact, is required to clearly state the positive impact that it aims to achieve, and the impact of the measurement methodology used.	Fund D invests in global companies whose core business models address major social and environmental challenges, such as clean energy, health, education and financial inclusion. The fund assesses impact by mapping portfolio of companies to specific UN SDGs and monitors progress using key performance indicators (KPIs) such as the number of underserved students gaining access to quality digital learning tools, or the increase in low-income households with access to affordable microfinance services. These metrics are tracked over time to ensure the fund delivers measurable positive outcomes alongside financial returns.
Negative screening	Exclusion of certain sectors, projects or companies undertaking certain business activities or practices from a portfolio for their poor ESG performance relative to industry peers or based on specific ESG criteria (e.g., avoiding particular products, services or business practices).	Fund E applies a negative screening approach by excluding issuers involved in controversial industries or practices. Specifically, it omits companies with core activities related to fossil fuels, tobacco, gambling, alcohol, weapons and adult entertainment. The fund manager conducts periodic ESG reviews and updates the exclusion list to ensure continued alignment with sustainability criteria.
Positive screening	Prioritising investment in sectors, companies or projects that demonstrate positive ESG performance relative to industry peers.	Fund F prioritises companies that demonstrate strong ESG performance relative to industry peers. It uses a scoring model to evaluate issuers based on metrics such as carbon intensity, supply chain sustainability, employee wellbeing and board independence. Only the top-tier ESG performers within each sector are selected for inclusion in the portfolio. By favouring leaders in sustainability, the fund seeks to support companies driving responsible business practices while aiming for long-term risk-adjusted returns.
Thematic investments	Selection of investments and allocation of capital that align with specific themes or assets related to sustainability or certain environmental or social outcomes, (e.g. clean energy, energy efficiency, sustainable agriculture, healthcare and social inclusion).	Fund G invests in companies that align with specific sustainability themes such as climate action, clean energy, water security, sustainable cities, or social inclusion. The portfolio is constructed around long-term structural trends supporting the UN SDGs, with a focus on businesses offering innovative solutions to global environmental or social challenges. For example, the fund may allocate capital to renewable energy producers, electric vehicle component manufacturers or firms advancing inclusive healthcare technologies.

LINKING SRI FUND STRATEGIES TO CLIENTS' PROFILES

Understanding how SRI Funds are classified by sustainability considerations and strategies enables Consultants to align recommendations with clients' sustainability motivations. Each SRI Fund applies its own approach, and by identifying which strategy best matches clients' goals, Consultants can more effectively guide investor profiling and recommend suitable funds.

The CFA Institute's report *How to Build a Better ESG Fund Classification System* (2024),[1] introduces a framework to help differentiate SRI Funds by their core purpose and design. This framework provides a structured lens for Consultants to match fund strategies with investor intent. For example, whether the objective is to improve risk-adjusted returns, avoid exposure to adverse ESG outcomes, or generate measurable environmental and social impact.

Table 2

Fund Feature	Likely Client Profile	Example Strategies	Why It Matters
Feature 1: ESG integration for risk-adjusted return. ESG information is used to improve financial decision-making and performance.	Clients who seek enhanced risk-adjusted returns, but are not necessarily driven by ethical or impact motivations.	ESG Integration	These clients value ESG data as a tool to manage financial risk, not as a values-based choice.
Feature 2: ESG policies to control exposure to systemic issues. Focus is on avoiding harmful sectors or aligning with ethical values.	Clients with values-based or faith-based considerations; including those who want to avoid adverse ESG impact.	Negative Screening, Ethical Investing, Faith-Based Investing (e.g. Shariah)	These clients seek to reflect personal or ethical values in their portfolio by excluding undesirable investments.
Feature 3: Explicit intent to drive positive ESG outcomes. Includes a clear action plan and progress measurement.	Impact-driven clients who actively seek to contribute to environmental and/or social goals through their investments.	Impact Investing, Positive Screening, Thematic Investing	These clients look for funds with purposeful outcomes and measurable ESG impact.

[1] CFA Institute. (2024). *How to Build a Better ESG Fund Classification System*. https://rpc.cfainstitute.org/sites/default/files/-/media/documents/article/industry-research/esg-fund-classification.pdf

SUSTAINABILITY-RELATED RISKS

As SRI Funds grow in popularity, it is essential to recognise the unique sustainability-related risks that accompany the SRI Funds. While SRI Funds aim to align with ESG principles, the same characteristics that make them attractive to investors also bring specific challenges.

Understanding these risks allows Consultants to provide balanced guidance, helping clients make informed investment decisions that reflect both their sustainability values and financial objectives.

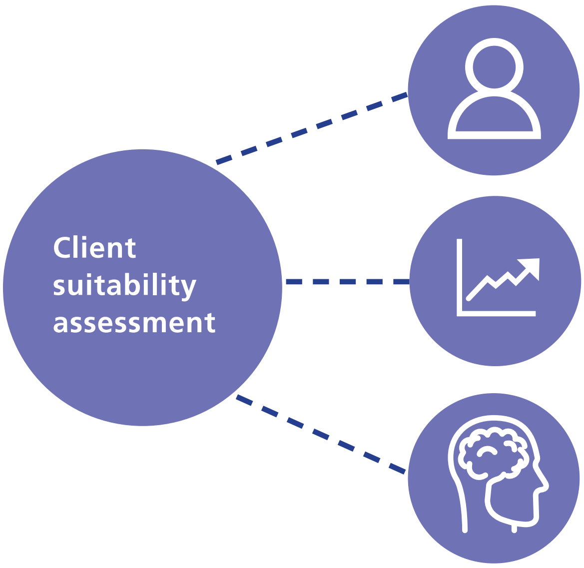
Table 3

Risk	Description
ESG Investment Risk	As an SRI Fund, investments are guided by a specific methodology, which may result in the fund foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, and/or selling securities due to their characteristics when it might be disadvantageous to do so.
Greenwashing Risk	Risk that a fund or its underlying investments may be marketed as sustainable or ESG-compliant without genuine adherence to sustainability principles. Investors may be misled by exaggerated claims of sustainability, leading to potential reputational damage and loss of investor trust.
Data Limitations	SRI Funds often rely on data from third-party providers or internal research, which can be inconsistent, incomplete or not fully standardised. This lack of uniformity can lead to challenges in accurately assessing and comparing sustainability considerations across assets.
Sector and Diversification Risk	SRI funds may concentrate on sectors or industries that align with specific sustainability goals, such as renewable energy or green technology. This focus can limit diversification, potentially exposing the fund to greater risk if those sectors underperform or face market volatility.
Impact Measurement Risk	For funds with a specific impact goal (e.g., reducing carbon emissions), there is a risk that the actual impact of the investments may not match the stated objectives due to challenges in measuring and reporting impact. This can create a discrepancy between expected and realised outcomes.

CHAPTER 3: IDENTIFICATION OF CLIENTS' SUSTAINABILITY PREFERENCES

Clients' Suitability Assessment

Product distributors, including their Consultants have a duty to act honestly, fairly and professionally. As part of this duty, Consultants must conduct a suitability assessment before recommending an unlisted capital market product to certain categories of investors. This entails gathering necessary information from the investor to form a reasonable basis for the recommendation, which includes the following information:



Know your investor
Background information on the investor including among other things, the investor's age, annual income and number of dependents.

Assess investor's risk profile and needs
Investor's investment objectives, financial situation, risk profile and current portfolio.

Understand investor's investment knowledge
Investor's educational qualification, training, work experience and investment experience for the product distributor to be comfortable that the investor's knowedge and experience corresponds to the complexity of the products.

Based on the existing requirements of the *Guidelines on Conduct for Capital Market Intermediaries*, a capital market intermediary and its representatives must ensure that any recommendation of a specific capital market product is made on a reasonable basis. Fulfilling this requirement would necessitate product distributors to conduct a suitability assessment before recommending funds to certain groups of investors, including recommending SRI Funds.

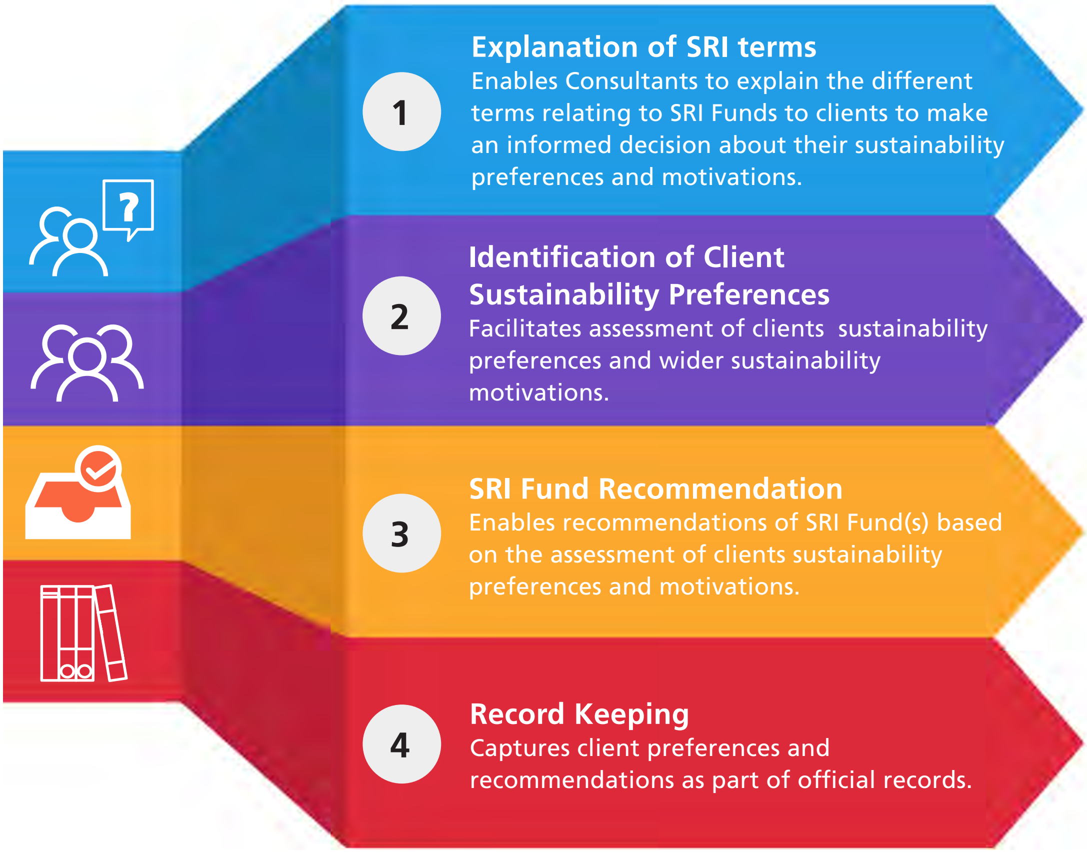
Hence, product distributors including Consultants should begin the suitability assessment by understanding the specific client's profile, including the background, financial situation, and investment goals. This is followed by assessing the client's risk profile and investment needs, including risk tolerance and ability to bear losses, to ensure alignment with suitable investment options. The next step involves evaluating the client's knowledge and experience in investment products to ensure they comprehend the risks and features of potential investments.

Once these suitability assessments are carried out, the Consultants can then proceed to identify the client's sustainability preferences and broader motivations, thereby ensuring that investment recommendations are aligned not only with the client's financial profile, but also with the said client's ethical and sustainability values.

STEPS TO ASSESS CLIENTS' SUSTAINABILITY PREFERENCES

Effectively assessing clients' sustainability preferences requires a structured approach that enables Consultants to uncover meaningful insights into an individual's values and motivations. Such an approach ensures that recommendations are tailored to align with the client's unique sustainability goals, creating outcomes that are both personalised and purposeful.

This Guide outlines a 4-step process to support Consultants in understanding and acting on clients' preferences in a comprehensive way. The process begins with Consultants explaining foundational SRI terms, followed by identifying the client's specific sustainability priorities. Consultants then recommend suitable SRI funds and maintain detailed records of the client's preferences and recommendations.



This process can help clients make informed decisions that align with their values, while also reinforcing trust and accountability in the client relationship.

Ultimately, this approach supports the broader goal of incorporating sustainability considerations as a routine component of client engagement, helping clients pursue both positive impact and their financial objectives.

Step 1: Explaining SRI and SRI Funds to Clients

The first step in assessing a client's sustainability preferences is to provide clients with a clear and accessible explanation of SRI considerations and strategies (outlined in Chapter 2) that are adopted by SRI Funds. This supports clients in gaining the foundational knowledge necessary to make informed decisions when incorporating sustainability into their investment choices.

This discussion should also highlight how SRI Funds differ from conventional funds, the types of sustainability considerations clients may wish to explore, and how these considerations can align with both financial goals and personal values.

The aim of this step is to help clients understand the available options so they can make meaningful choices in the subsequent steps of the suitability assessment.

Contextualising SRI terms for Clients

At this stage, the Consultant's role should be helping clients relate sustainability concepts to their own worldview, values and concerns. The examples below are to guide Consultants in framing SRI considerations, strategies and risks in a way that resonates personally with each client.

- **Connecting financial investments with the environmental and/or societal impact**

  Clients may not immediately associate investment decisions with environmental or social outcomes. Consultants should help provide an understanding of how their investments can contribute to shaping outcomes such as clean energy development, social inclusion, biodiversity protection or ethical business practices.[1]

  Example explanation:

  "Climate and social issues present both risks and opportunities for investors. SRI strategies aim to grow your wealth while also supporting areas like clean energy, fair labour and good governance. By considering ESG factors, these strategies help manage risks and tap into long-term growth trends."

- **Methods to incorporate sustainability**

  Clients may be unfamiliar with how sustainability is incorporated into investment decisions. Consultants should explain that fund managers use various approaches to reflect sustainability considerations, including ESG integration, positive screening, negative screening and impact investing as outlined in Chapter 2 of this Guide.

  Example explanation:

  "There are different ways fund managers make investments more sustainable. Some choose companies that are well-managed and care for the environment and their workers. Others avoid businesses in tobacco or gambling. Some funds focus on making a positive difference, for example, by investing in clean energy or healthcare. These different styles help you invest in a way that matches your values."

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[1] Appendix 2 outlines examples of companies that may meet the SRI considerations.

- **Balancing sustainability preferences with other investment objectives**

  Clients often care about sustainability but may not always know how to express these preferences in an investment setting. As highlighted by the CFA Institute, investors tend to consider sustainability through three lenses: values (what they want to avoid), impact (what they want to achieve), and risk/return (how it affects their financial goals). Helping clients explore these dimensions allows for a more holistic and personal investment experience. Consultants should refer to the table in Chapter 2 on Linking SRI Fund Strategies to Clients Profiles.

  Example explanation:

  "There are different ways in which sustainability can be incorporated into investments. Some investors prefer funds that use ESG information to manage risks and enhance returns. Others prefer to avoid investments in sectors that conflict with their values or beliefs, such as tobacco or gambling. Some investors go a step further and intentionally choose investments that aim to create a measurable positive impact on the environment or society."

- **Understanding the long-term Impact of sustainable investing**

  Sustainable investments can offer more than just alignment with personal values as they may also support long-term financial performance. A MSCI study[2] found that companies with higher ESG ratings experienced lower earnings volatility and were less prone to severe drawdowns during periods of market stress. Consultants should highlight how these attributes can enhance portfolio resilience while also contributing to broader societal outcomes over time.

  Example explanation:

  "Sustainable investing is not only about aligning your portfolio with your values but also about contributing to long-term positive outcomes. Investments that prioritise sustainability can promote resilience and growth over time by addressing risks associated with climate change, social inequities and governance issues. Sustainable investments often focus on companies that manage resources responsibly, support community well-being and maintain ethical practices, which can enhance their resilience in the face of future challenges."

- **Evaluating sustainability risks and mitigating greenwashing concerns**

  Clients should be made aware that not all investments marketed as 'sustainable' are equally credible. As the market for sustainable funds grows, so does the risk of greenwashing where ESG claims may be exaggerated or unsubstantiated. Consultants play a key role in helping clients identify genuine sustainable investments by examining how sustainability claims are backed by clear criteria, data and transparent disclosures. This includes understanding potential risks such as limited ESG data, inconsistent standards or excessive concentration in certain sectors. By doing so, Consultants can guide clients towards options that align with their values while maintaining accountability and investment integrity.

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[2] MSCI. (n.d.). *Crisis-tested: When markets fold, sustainability holds.* https://www.msci.com/research-and-insights/quick-take/crisis-tested-when-markets-fold-sustainability-holds?utm

Example Explanation:

> "Sustainable investments can sometimes be at risk of 'greenwashing', where claims about sustainability are exaggerated or misleading. It is essential for investors to understand that genuine sustainability efforts are backed by transparent and measurable actions. By evaluating the sustainability risks associated with each investment, such as potential data limitations or sector concentration, clients can make more informed choices. This also includes understanding how funds ensure authenticity in their ESG claims and avoid investments that only appear sustainable on the surface".

Consultants should caution clients against making investment decisions based solely on fund names or marketing labels (e.g., 'Sustainability Fund' or 'Green ESG Fund'), as these may create misunderstandings or mismatches between clients' expectations and the fund's actual objectives. It is important for clients to look beyond labels and carefully review the fund's objectives and strategies. For example, whether the fund integrates ESG for risk-adjusted returns, applies screening policies, or targets measurable ESG outcomes. This ensures that selected funds genuinely align with clients' sustainability preferences.

Step 2: Identification of Clients' Sustainability Preferences

Step 2 shifts the focus to the clients. This stage is about actively exploring clients' own sustainability preferences before recommending specific fund options.

Some clients may come with strong views on environmental or social issues, while others may still be forming their opinions. Consultants should create a safe and open space for clients to reflect on what matters to them, whether that is avoiding certain sectors, supporting impact-driven themes like climate action or social equity, or aligning their investments with faith-based or ethical values.

This step is not about technical product selection. Instead, it is about listening and clarifying what types of sustainability considerations resonate with the clients' value, which will later help match them with a suitable SRI Fund strategy.

Consultants should approach this as a structured dialogue, guided by questions that help surface clients' values and priorities across sustainability themes. Examples are provided below:

Q1: Do you have any sustainability preferences for your investments?

(a) Yes.
(b) No, I only care about the financial aspects of investment.

If answered (b), proceed with product recommendation based on the earlier suitability assessment conducted.

Q2: What percentage of your portfolio would you like to allocate to sustainable investments?

____

Clients to provide a specific percentage (e.g. 50%) or range (e.g. 70%-100%) based on their preference.

Q3: Which of the sustainability policy considerations described would you like to invest by? Please select all that apply and provide an explanation for your selection.

(a) ESG
(b) UN SDGs
(c) UNGC Principles

Explanation:

Consultants should filter the fund universe based on clients' responses.

Q4: Which sustainability strategy are you interested to invest in?

Strategy	Description and relevant SRI feature	Tick here
ESG integration	Systematic assessment of quantitative and qualitative data and explicit inclusion on environmental, social and governance factors in investment analysis. Feature 1: ESG integration for risk-adjusted return	
Ethical or faith-based investing	Investing in line with certain principles, usually using negative screening to avoid investing in companies whose products and services are deemed morally objectionable by investors or certain religions, international declarations, conventions or voluntary agreements, (e.g., by applying Shariah screening methodologies). Feature 2: ESG policies to control exposure to systemic issues	
Impact investing	Investments made with the intention to generate positive, measurable social and environmental impact alongside financial returns. An SRI Fund with an impact investing strategy, such as environmental or social impact, is required to clearly state the positive impacts that it aims to achieve, and the impact of the measurement methodology used. Feature 3: Explicit intent to drive positive ESG outcomes	
Negative screening	Exclusion of certain sectors, projects or companies undertaking certain business activities or practices from a portfolio for their poor ESG performance relative to industry peers or based on specific ESG criteria (e.g., avoiding particular products, services or business practices). Feature 2: ESG Policy/Screening	
Positive screening	Prioritising investment in sectors, companies or projects that demonstrate positive ESG performance relative to industry peers. Feature 3: Explicit intent to drive positive ESG outcomes	
Thematic investments	Selection on investments and allocation of capital that align with specific themes or assets related to sustainability or certain environmental or social outcomes, (e.g., clean energy, energy efficiency, sustainable agriculture, healthcare, social inclusion). Feature 3: Explicit intent to drive positive ESG outcomes	

By thoroughly identifying sustainability preferences, Consultants can gain a deeper understanding of the clients' values and objectives, enabling a more personalised and impactful investment approach. This helps keep the clients' voice at the heart of the recommendation process, so their investments are aligned with financial goals which resonate with their personal beliefs on sustainability and social responsibility.

This process strengthens the client-Consultant relationship by fostering trust and demonstrating a commitment to respecting and acting on the client's unique sustainability motivations. With the client's preferences clearly identified, Consultants would be better-equipped to recommend sustainable investment options that support both financial performance and positive impact, creating a portfolio that reflects the client's vision for a more sustainable future.

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CHAPTER 4: SRI FUND RECOMMENDATION

AVAILABLE SRI FUNDS FOR RECOMMENDATION

Helping clients select the right SRI Fund goes beyond matching them to a broad sustainability label. It requires helping to ensure that the fund reflects the issues and priorities that matter most to them e.g., whether that is addressing climate change, supporting gender equality, or upholding human rights. To achieve this effectively, Consultants need a clear and practical list to navigate the SRI Fund universe and identify options that best align with each client's preferences and goals.

To support this process, the Consultants' principal, typically the product issuer or distributor, is encouraged to provide an up-to-date and user-friendly list of available SRI Funds that are available for recommendation. This list should clearly set out each fund's SRI classification, sustainability objective (such as ESG factors, UN SDGs, or UNGC Principles), and the strategies it employs (such as ESG integration or impact investing). By having access to a structured and validated list, Consultants can easily match clients to funds that align with their specific sustainability preferences and values.

It is important that this list is structured, validated and regularly updated to reflect any new fund launches, classification changes, or refinements in sustainability disclosures.

STEPS TO FILTER AND RECOMMEND SRI FUNDS

This chapter presents a 3-step approach to help Consultants narrow down suitable fund options:

1	**Filter based on the sustainability consideration – ESG, UN SDGs or UNGC**	This step enables Consultants to filter the SRI Fund universe based on which sustainability consideration clients are interested in investing by – whether ESG, UN SDGs or UNGC principles.
2	**Filter based on specific sub-preferences – such as a specific SDG or governance principle**	Following Step 1 above, this step helps Consultants filter the SRI Fund universe based on the sub-consideration(s) that clients are interested in. For example, if clients are interested to invest by the UN SDGs, Consultants should enquire which SDG(s) and filter accordingly.
3	**Filter based on the SRI strategy employed – e.g. negative screening, impact investing, ESG integrating**	Following Step 2 above, this step helps Consultants filter the SRI Fund universe based on the strategy that clients are interested in.

EXPLANATION FOR FUNDS MEETING MULTIPLE SUSTAINABILITY PREFERENCES

Some SRI Funds may align with more than one sustainability category. For example, a fund could integrate ESG factors while also targeting specific UN SDGs. When this happens, Consultants should clarify with clients which aspects are most important to them. This ensures that the product recommendation is not only aligned with the clients' financial goals but is also truly reflective of their sustainability values.

Rather than viewing overlaps as a complication, Consultants can use them as an opportunity to explore nuanced client motivations. Some clients may appreciate a multi-dimensional approach, while others may want to focus on a specific area. The key is to communicate clearly, confirm priorities and document the rationale for fund selection.

ROLE OF CONSULTANTS IN THE FILTERING PROCESS

Consultants should be familiar with each fund's sustainability mandate and investment approach. This understanding, combined with the structured filtering approach above, helps Consultants to recommend SRI Funds with greater confidence and credibility. It also ensures that clients receive advice that is not only aligned with their financial objectives but also meaningful in terms of their personal values.

When paired with an up-to-date and structured list of SRI Funds, this process enables a smoother and more efficient client experience. It also encourages greater collaboration between product issuers, distributors and Consultants, reinforcing the client-Consultant relationship and ensuring that clients feel seen, understood and well-advised.

BUILDING TRUST THROUGH A STRUCTURED APPROACH

As interest in sustainable investing grows, this structured filtering approach offers a helpful roadmap for Consultants to better understand and meet client expectations. By matching fund features with individual sustainability preferences in a systematic and transparent way, Consultants can deliver advice that is both personalised and impactful, helping clients build portfolios that reflect their values while supporting long-term financial and societal outcomes.

CHAPTER 5: ONGOING EFFORTS TO ENSURE SUSTAINABILITY PREFERENCES ARE MET

Maintaining alignment with clients' sustainability preferences is essential to ensure that their investment choices continue to reflect their evolving values and goals. Sustainable and responsible investing is inherently dynamic, with SRI Funds evolving alongside regulatory changes, and shifts in global sustainability standards that occur frequently. Therefore, Consultants should implement a proactive approach to re-evaluate clients' preferences, providing ongoing guidance to ensure that investments remain consistent with clients' expectations and sustainability commitments.

It is recommended that Consultants re-engage clients regarding their sustainability investment preferences at a minimum of once every three years, or as needed based on clients' requests. This periodic review accounts for the generally long-term nature of sustainability goals, which may not require frequent adjustments.

The following five recommendations outline practical guidance to help keep clients' sustainability preferences remain central to their investment strategies. By applying these practices, Consultants can strengthen trust, respond to emerging opportunities, and foster a lasting commitment to responsible investing, ultimately contributing to a more sustainable investment culture.

1. Regular Client Re-Engagement

Re-engaging clients periodically helps Consultants confirm that their clients' preferences remain relevant and aligned with current offerings in the SRI landscape. During these sessions, Consultants should review the clients' original sustainability objectives and discuss any shifts in personal values or financial circumstances. This ongoing relationship fosters trust, enabling clients to see that their Consultants are committed to adapting their investment strategy as their preferences evolve.

2. Review in Response to New SRI Product Launches

The SRI Funds industry continues to expand with new fund launches, such as social impact funds and thematic funds that target specific UN SDGs. Consultants should actively monitor the availability of these new funds and identify options that could enhance or replace existing investments in their clients' portfolio.

If a new SRI Fund aligns closely with a client's expressed preferences, Consultants should proactively reach out to the client to discuss the potential benefits of incorporating it into the client's portfolio. This approach helps to ensure that the client is aware of all relevant investment opportunities and enables them to make well-informed choices that could potentially provide greater impact or alignment with their sustainability values.

3. Adapting to Regulatory Changes and Industry Standards

Regulatory developments in sustainable finance, both locally and globally, can impact the suitability and availability of SRI products. As regulatory bodies introduce new standards or guidelines, it is essential for Consultants to understand how these changes may affect the sustainability characteristics of their clients' investments. For instance, changes in reporting standards may affect how fund managers disclose ESG-related risks and impacts, which could influence the suitability of certain funds for clients prioritising transparency.

By staying updated of the regulatory changes, Consultants can ensure that they provide clients with relevant information and adjust recommendations. This responsiveness to regulatory evolution not only ensures compliance but also builds credibility with clients, as they can trust that their Consultants are committed to navigating the complex landscape of sustainable finance.

4. Transparency and Documentation

Maintaining thorough documentation of each client's sustainability preferences and adjustments made over time is crucial for accountability and transparency. Proper record-keeping allows Consultants to track changes in client preferences and the reasons for any modifications in investment strategies. This practice also enables Consultants to demonstrate a clear and consistent approach to sustainable investment, which can be invaluable for compliance purposes and for building long-term trust with clients.

For example, Consultants should retain records of all client interactions regarding sustainability preferences, including notes on discussions about new SRI Funds, regulatory updates, and any client feedback. Through this transparent approach, both Consultants and their clients can have a clear understanding of the rationale behind each investment decision, reinforcing the alignment between the clients' values and their portfolio.

5. Client Education and Empowerment

Educating clients on sustainability-related topics and investment strategies is an integral part of delivering effective and client-focused investment guidance. Many clients may not fully understand the implications of different ESG strategies or the nuances of impact measurement. Consultants should take time during re-engagements to explain these elements, empowering clients to make more informed decisions about their portfolios.

By enhancing clients' understanding of sustainable finance, Consultants help build confidence in the investment process. Clients who are well-informed about how their investments contribute to sustainability goals are more likely to feel satisfied and engaged with their portfolios. Additionally, they may be more inclined to stay committed to sustainable investing, even in periods of market volatility, as they recognise the broader impact of their financial decisions.

CHAPTER 6: CONCLUSION – EMBRACING A SUSTAINABLE FUTURE

SRI is a niche as it is reshaping how investors, both globally and in Malaysia, approach investment decisions by recognising the synergy between profit and purpose, where financial returns are pursued alongside societal outcomes. As more clients seek portfolios that reflect their environmental, social and ethical values, the role of Consultants becomes increasingly vital. This extends beyond the provision of advice, encompassing the empowerment of clients to invest with both intention and impact.

This Guide offers a step-by-step framework for Consultants to explain SRI concepts clearly, uncover each client's values, match clients to suitable funds, and stay current with evolving regulations and fund offerings. Following these steps helps Consultants build stronger, trust-based relationships that resonate personally and professionally with clients.

SRI Funds do more than align with values, as they can also strengthen long-term financial performance by mitigating ESG-related risks. Research shows that companies with higher ESG ratings tend to weather market disruptions better. For example, MSCI found that during crises like COVID-19 and the Russia-Ukraine conflict, firms with superior ESG profiles had lower earnings volatility, fewer steep drawdowns and more stable returns.

In Malaysia, regulatory advancements such as the SC's *Guidelines on Sustainable and Responsible Investment Funds* and the *SRI Taxonomy* provide a solid foundation for the future. Staying informed of these developments allows Consultants to offer clients the current, relevant and meaningful investment options.

Ultimately, embracing sustainable finance allows Consultants to deliver value beyond returns, helping clients invest in a better future while protecting and growing their wealth. The journey ahead will bring new frameworks, products and opportunities. By leading with insight, transparency and care, Consultants can help shape a financial system that truly values people, planet and prosperity together.

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APPENDIX 1: GLOBAL AND NATIONAL SUSTAINABILITY

CONTEXT

The global financial system has been undergoing transformation as the urgency to address climate change and sustainability challenges becomes increasingly apparent. Climate-related events have highlighted the vulnerabilities that communities and economies face, with an estimated 3.3 billion to 3.6 billion[1] people living in areas highly susceptible to climate risks, particularly in coastal and urban regions across Asia.

Within this decade alone, climate change is projected to push 32 million to 132 million[2] more people into extreme poverty and could result in the loss of over 80 million jobs by 2030[3]. These severe impacts underscore the inextricable link between climate action and sustainable development, reinforcing the need for urgent and integrated solutions.

The UN SDGs, adopted by all UN member states, serve as a global blueprint to achieve peace and prosperity for people and the planet. Realising these goals by 2030 requires between US$5.4 trillion and US$6.4 trillion per year from 2023 to 2030[4], mobilised across developing economies to address critical needs ranging from poverty eradication to climate resilience.

In line with these global ambitions, Malaysia has embedded sustainability into its national development agenda through comprehensive strategies such as the *National Climate Change Policy 2.0*, which serves as an umbrella policy tying together key climate and development initiatives. Among these are the *National Energy Transition Roadmap* (NETR) and the *New Industrial Master Plan 2030* (NIMP 2030), which aim to accelerate technological innovation, drive low-carbon investments, and guide the country's shift towards a climate-resilient and inclusive economy.

However, implementing these strategies will require substantial and sustained investment. The NETR estimates that Malaysia will need between RM1.2 trillion to RM1.3 trillion[5] by 2050 to finance its energy transition alone. Meanwhile, the *National Policy on Climate Change* projects that an additional RM400 billion[6] will be needed over the next 50 years for comprehensive adaptation efforts.

Given the magnitude of these financing needs, public funding alone will not suffice. In this context, Malaysia's capital market is well-positioned to mobilise private capital through instruments such as SRI Sukuk, SRI-linked sukuk and other financing mechanisms that can help bridge the gap and advance national sustainability and climate goals.

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3 International Labour Organization. (2019). *Increase in heat stress predicted to bring productivity loss equivalent to 80 million jobs.* https://www.ilo.org/resource/news/increase-heat-stress-predicted-bring-productivity-loss-equivalent-80.

4 United Nations. (2023, September). *Annual cost for reaching the SDGs? More than $5 trillion*. UN News. https://news.un.org/en/story/2023/09/1140997.

5 Ministry of Economy, Malaysia. (2023, August). *National Energy Transition Roadmap*. https://ekonomi.gov.my/sites/default/files/2023-08/National%20Energy%20Transition%20Roadmap.pdf

6 Ministry of Natural Resources and Environmental Sustainability. (n.d.). *National Policy on Climate Change 2.0* (2024). https://www.nres.gov.my/ms-my/pustakamedia/Penerbitan/National%20Policy%20on%20Climate%20Change%202.0.pdf

INITIATIVES IN THE MALAYSIAN CAPITAL MARKET TO ACCELERATE GROWTH OF SRI

Since 2014, the SC has undertaken a series of initiatives to establish a conducive environment for SRI within the Malaysian capital market. These include the introduction of the *SRI Sukuk Framework* (2014), the *Guidelines on Sustainable and Responsible Investment Funds* (2017), and the introduction of the waqf-featured fund framework (2020).

A pivotal development in this journey was the launch of the *Sustainable and Responsible Investment Roadmap for the Malaysian Capital Market (SRI Roadmap)* in 2019, which aims to create a facilitative SRI ecosystem and chart the role of the capital market in driving Malaysia's sustainable development.

The SRI Roadmap articulates five overarching strategies to nurture a vibrant SRI ecosystem:

5*i*-Strategy

Developing a Facilitative SRI Ecosystem in the Malaysian Capital Market

WIDENING THE RANGE OF SRI ***INSTRUMENTS***	INCREASING SRI ***INVESTOR*** BASE	BUILDING A STRONG SRI ***ISSUER*** BASE	INSTILLING STRONG ***INTERNAL GOVERNANCE*** CULTURE	DESIGNING ***INFORMATION ARCHITECTURE*** IN THE SRI ECOSYSTEM
Facilitate the development of new SRI capital market products to widen and deepen the SRI asset classes	On the buy side, there is a need to attract institutional and individual investors to increase the SRI investor base, and thus demand for SRI products	On the supply side, efforts need to focus on building a strong and diversified issuer base consisting of listed and unlisted companies and multilateral organisations	Development of metrics and disclosures to measure sustainability in facilitating investment decisions to inculcate good governance practices in the SRI space	Development of platforms which provide SRI data to investors, thereby enabling better assessment of investment opportunities to ensure transparency and accessibility to the SRI market

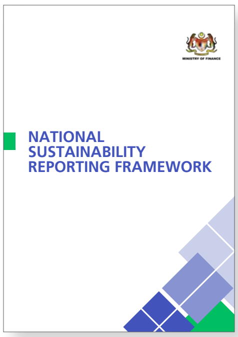
The SRI Roadmap catalysed several key initiatives that have become pillars of Malaysia's SRI ecosystem, including:

The SRI-linked Sukuk Framework (2022)

Designed to facilitate capital raising for transition finance, especially for hard-to-abate sectors. It supports issuers in linking sustainability performance targets to financing costs, thus incentivising positive change.

The Principles-Based SRI Taxonomy (2022)

Provides a consistent and credible classification system for economic activities aligned with environmental and social objectives. It serves as a key reference point for fund managers, issuers and advisors in identifying eligible investments.



The National Sustainability Reporting Framework (NSRF) (2024)

Establishes Malaysia's baseline sustainability disclosure standards, adopting the IFRS Sustainability Disclosure Standards developed by the International Sustainability Standards Board (ISSB). The NSRF aims to enhance ESG disclosures and guide businesses in adopting consistent and transparent sustainability reporting practices.

Together, these initiatives have laid the groundwork for a facilitative SRI ecosystem and have enabled the growth of sustainable product offerings, fostered greater investor confidence, improved transparency, and aligned Malaysia's capital market with global sustainable finance standards.

THE FUND MANAGEMENT INDUSTRY'S ROLE

The fund management industry plays a crucial role in the sustainability agenda and plugging the financing gap by channeling capital towards economic activities and projects that are aligned with sustainable development and climate objectives. Morningstar estimates suggest that sustainable fund assets have grown from under US$200 billion in the early 2010s to over US$3 trillion in March 2025.[7]

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[7] Morningstar. (n.d.). *Global sustainable fund flows quarterly data*. https://www.morningstar.com/business/insights/blog/funds/global-sustainable-fund-flows-quarterly-data#sustainable-fund-flows-are-volatile-across-different-regions-over-time
United Nations Conference on Trade and Development. (2021). The rise of the sustainable fund market and its role in financing sustainable development (UNCTAD/DIAE/2021/1). https://unctad.org/system/files/official-document/diae2021d1_en.pdf

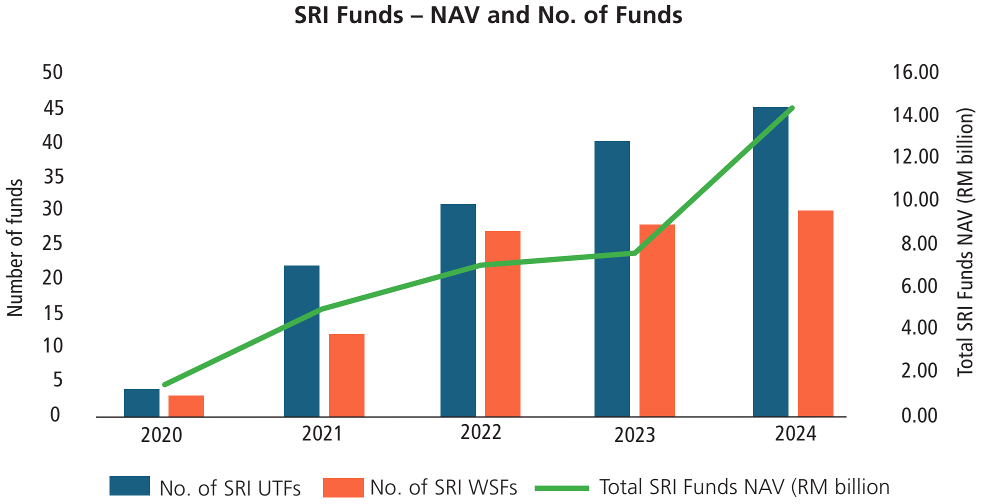
The *Guidelines on Sustainable and Responsible Investment Funds* by the SC in 2017 paved the way for the introduction of SRI Funds in Malaysia. The Guidelines facilitates and encourages greater growth of SRI Funds and provides transparent disclosure and reporting requirements. It also addresses greenwashing risk while ensuring alignment with the ASEAN Sustainable and Responsible Fund Standards (SRFS).

As a result, there has been a noticeable increase in the adoption of sustainable and responsible investing through SRI Funds. These funds are designed to incorporate considerations such as the UNGC Principles, the UN SDGs, or ESG factors. SRI Funds employ a variety of strategies to reflect these considerations. For example, positive screening which prioritises investment in sectors, companies or projects that demonstrate positive ESG performance relative to industry peers; negative screening which excludes certain sectors, companies or projects undertaking certain business activities or practices from a portfolio for their poor ESG performance relative to industry peers; or thematic investing where the selection of investments are aligned with specific sustainability themes such as clean energy, social inclusion or sustainable agriculture.

Since the issuance of the *Guidelines on Sustainable and Responsible Investment Funds* in 2017, the SRI Fund segment has expanded by **nearly tenfold**[8] over 2020–24 (NAV: RM1.46 billion to RM14.44 billion). As at 31 December 2024,[9] there were 75 funds offered to investors which have been qualified as SRI Funds. The 75 funds comprised 45 unit trust funds and 30 wholesale funds with a total NAV of RM14.44 billion as at 31 December 2024.

Of 422 Islamic Collective Investment Schemes (CIS), 30[10] were Islamic SRI Funds, demonstrating strong synergy between Islamic finance principles and sustainable investing. This reflects Malaysia's position as a global leader in Islamic finance and its commitment to embedding ethical, social and environmental considerations into its capital markets. Islamic SRI Funds adopt both Shariah screening and sustainability strategies, enabling investors to align their faith-based values with ESG goals. The availability of both Islamic and conventional SRI Funds ensures that a diverse range of investor values and preferences are accommodated, further supporting the growth of Malaysia's sustainable investment ecosystem.

Chart 1



Source: Securities Commission Malaysia. Annual Report 2020 – 2024

8 Securities Commission Malaysia. *Annual report 2020–2024*. https://www.sc.com.my/.
9 Securities Commission Malaysia. (2024). *Annual Report 2024: Part 6 – Market Statistics*. https://www.sc.com.my/api/documentms/download.ashx?id=091b92b3-0e04-430c-9253-9d462cceff17.
10 Securities Commission Malaysia. (2024). *Annual Report 2024: Part 6 – Market Statistics.* https://www.sc.com.my/api/documentms/download.ashx?id=091b92b3-0e04-430c-9253-9d462cceff17.

Looking ahead, the SRI Fund segment in Malaysia is poised for continued growth. With rising investor awareness, global shifts towards responsible investing and regulatory initiatives such as the ASEAN Taxonomy and SRFS, demand for SRI Funds is expected to deepen across both retail and institutional segments. The fund management industry is uniquely positioned to respond to this momentum by expanding SRI Fund offerings, strengthening disclosure practices, and deepening investor education on sustainability-related risks and opportunities. As SRI Funds become more mainstream, Consultants will play a vital role in guiding investors through this evolving space, helping investors align their portfolios not only with financial goals, but also with their values and long-term societal outcomes.

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APPENDIX 2: ADDITIONAL INFORMATION ON SUSTAINABILITY CONSIDERATIONS

Illustrative mapping of SRI Fund investments in companies that are aligned with UNGC Principles

	UNGC Principles	Examples of companies that may meet UNGC Principles
Human Rights	1. Support and respect the protection of internationally proclaimed human rights	• A multinational retail company with strict policies ensuring all suppliers adhere to fair labour practices. • It conducts regular audits across its global supply chain to ensure suppliers respect human rights, provide safe working conditions, and avoid exploitative labour practices.
	2. Make sure they are not complicit in human rights abuses	• A textile manufacturer with a comprehensive supplier code of conduct, committing to source only from factories that meet ethical labour standards.
Labour	3. Uphold the freedom of association and the effective recognition of the right to collective bargaining	• A logistics firm that respects employees' rights to unionise and participate in collective bargaining. • It maintains agreements with unions to ensure fair wages, benefits, and workplace safety, fostering open communication and fair labour practices.
	4. Uphold the elimination of all forms of forced and compulsory labour	• A multinational electronics manufacturer conducts annual third-party audits to ensure that none of its suppliers use forced or bonded labour, particularly in outsourced production facilities. The company implements a supplier code of conduct requiring all vendors to provide workers with freedom to leave employment voluntarily and to retain control over their own identification documents and wages.
	5. Uphold the effective abolition of child labour	• A shoe manufacturer that sources materials only from suppliers certified to be child-labour free. • The company participates in global campaigns advocating against child labour and provides funding to schools in high-risk areas to support education over employment for children.
	6. Uphold the elimination of discrimination in respect of employment and occupation	• A technology firm with a comprehensive diversity and inclusion policy, ensuring equal opportunity for employees regardless of gender, ethnicity or disability. • It runs programmes promoting equal pay and professional development for underrepresented groups.

Environment	7. Support a precautionary approach to environmental challenges	• A cosmetics company that tests all products for environmental impact before launch. It follows stringent environmental standards in product development, choosing ingredients that are safe for ecosystems and implementing waste management practices to minimise harm.
	8. Undertake initiatives to promote greater environmental responsibility	• A car rental company that reduces emissions by switching to a hybrid fleet and encourages clients to choose eco-friendly shipping options. • The company also plants trees to offset its carbon footprint and educates employees on sustainable practices.
	9. Encourage the development and diffusion of environmentally friendly technologies	• A renewable energy company that develops affordable and efficient solar panels. • It offers training and affordable options to communities, promoting the widespread adoption of clean energy solutions.
	10. Work against corruption in all its forms, including extortion and bribery	• A financial institution with strict anti-corruption policies, implementing extensive compliance programs to prevent bribery and fraud. • Employees and suppliers undergo regular training in anti-corruption practices, and a whistleblower system is in place for misconduct reporting.

Illustrative mapping of SRI Fund investments in companies that are aligned with UN Sustainable Development Goals

UN SDGs	Examples of companies that may meet UN SDGs
No poverty: End poverty in all its forms everywhere	Financial services companies focus on microfinance and financial inclusion initiatives, providing underserved communities with access to banking, credit and insurance to lift people out of poverty.
Zero hunger: End hunger, achieve food security and improved nutrition and promote sustainable agriculture	Agricultural firms that invest in sustainable farming practices, food security solutions and innovations to improve crop yields and reduce food waste.
Good health and well-being: Ensure healthy lives and promote well-being for all at all ages	Pharmaceutical and healthcare companies that develop affordable vaccines, medical treatments and technologies aimed at improving global health, especially in underserved regions.
Quality education: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Education technology companies providing digital learning platforms and tools that enhance access to quality education, particularly in remote or under-resourced areas.

Gender equality: Achieve gender equality and empower all women and girls	Financial institutions promoting gender equality through workplace diversity initiatives, leadership development programmes for women, and advertising campaigns that challenge gender norms.
Clean water and sanitation: Ensure availability and sustainable management of water and sanitation for all	Water management companies specialise in water purification, sanitation and access to clean water in developing regions, addressing water scarcity and quality issues.
Affordable and clean energy: Ensure access to affordable, reliable, sustainable and modern energy for all	Renewable energy companies that focus on wind, solar and hydropower solutions, driving the transition to clean and affordable energy.
Decent work and economic growth: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Technology or service firms committed to inclusive economic growth, creating jobs through digital platforms, and promoting fair labour practices globally.
Industry, innovation and infrastructure: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	Technology and industrial companies that invest in sustainable infrastructure and cutting-edge innovations in automation, digital connectivity and smart cities.
Reduced inequalities: Reduce inequality within and among countries	Companies in the fintech sector that expand financial access and promote inclusion by offering low-cost financial services to underserved populations globally.
Sustainable cities and communities: Make cities and human settlements inclusive, safe, resilient and sustainable	Sustainable construction and mobility companies developing electric vehicles, green buildings and energy-efficient urban infrastructure for safer and more resilient cities.
Responsible consumption and production: Ensure sustainable consumption and production patterns	Consumer goods and manufacturing companies focussed on reducing waste, using sustainable materials and practising circular economy.
Climate action: Take urgent action to combat climate change and its impacts	Renewable energy or clean technology firms that invest in carbon-neutral energy solutions, carbon capture technologies and green innovations to combat climate change.
Life below water: Conserve and sustainably use the oceans, seas and marine resources for sustainable development	Seafood companies or marine technology firms committed to sustainable fishing practices, marine conservation and ocean cleanup initiatives.
Life on land: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	Agriculture and forestry companies that focus on sustainable land management, reforestation and conservation of biodiversity.
Peace, justice and strong institutions: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Legal and data analytics firms that promote transparency, accountability and access to justice through technology, data sharing and governance tools.
Partnerships for the goals: Strengthen the means of implementation and revitalise the global partnership for sustainable development	Tech companies and multinational corporations that collaborate with governments, NGOs and international organisations to drive innovation, data sharing and partnerships for sustainable development.

Examples of ESG Factors

ESG Factors	Examples of companies with ESG factors
Environment	**Renewable Energy Transition** • Energy companies investing in renewable sources like wind, solar and hydropower, reducing reliance on fossil fuels. • By shifting to renewable energy, these companies are positioning themselves to mitigate regulatory and transition risks tied to carbon emissions, ultimately protecting long-term asset values and aligning with global decarbonisation goals. • This shift reduces exposure to volatile fossil fuel markets and strengthens the companies' resilience against future climate policies.
	Sustainable Packaging • Consumer goods companies developing recyclable and biodegradable packaging help minimise plastic waste, addressing consumer demand for environmentally conscious products. • This initiative reduces environmental liabilities, improves brand reputation and can even reduce costs in the long run by mitigating risks associated with plastic pollution regulations. • For companies, sustainable packaging is materially impactful as it meets stakeholder expectations and reduces the financial risk associated with waste management policies.
	Water Conservation • Utility companies investing in sustainable water management solutions address critical risks associated with water scarcity, which is an increasingly urgent issue impacting both operational resilience and community well-being. • By implementing advanced water-saving technologies and sustainable usage practices, these companies enhance supply chain security, reduce dependence on limited water resources, and ensure regulatory compliance.
Social	**Employee Well-being and Fair Labour Practices** • Companies promoting mental health and wellness programmes and enforcing fair labour practices across supply chains create healthier and more productive workforces. • The focus on employee well-being reduces turnover, boosts morale and mitigates risks associated with labour disputes and regulatory penalties, leading to enhanced operational efficiency and lower costs. • Materially, these practices build a positive reputation, enhancing employee loyalty and attracting top talent in competitive markets.

Social	**Community Engagement and Philanthropy** • Firms supporting education, disaster relief and essential services through philanthropy contribute directly to community resilience and social stability. • This engagement not only strengthens brand loyalty and customer relationships but also creates goodwill in communities where they operate, which can be crucial in crisis situations. • Materially, these efforts can reduce reputational risks and foster a stable operating environment, which can translate into higher profitability and resilience.
	Diversity and Inclusion • Companies promoting diversity in their workforce and leadership, along with inclusive hiring practices and gender equality, are tapping into a broad range of perspectives and skills, which enhances innovation and decision-making. • Diversity and inclusion are materially important as they improve employee engagement, reduce legal risks tied to discrimination, and improve brand perception, making these companies more attractive to both investors and consumers.
Governance	**Board Diversity and Independence** • Companies that ensure board diversity and independence strengthen their governance by enhancing oversight and decision-making capabilities. • Diverse and independent boards are less susceptible to groupthink and better equipped to challenge management, which leads to more robust strategies and risk mitigation. • The material impact here includes improved shareholder confidence, reduced governance risks, and greater resilience to leadership changes.
	Transparent Reporting and Disclosure • Firms adopting transparent reporting practices, including regular disclosure of ESG metrics, foster accountability and trust among stakeholders. • Transparent reporting meets regulatory demands, improves investor relations and helps the firms align with global standards. • This transparency is materially beneficial, as it reduces the risk of regulatory fines and bolsters investor confidence, contributing to a lower cost of capital.
	Ethical Supply Chain Management • Companies enforcing ethical standards in their supply chains, including sustainable and fair labour practices, reduce operational and reputational risks associated with labour violations and environmental harm. • Ensuring ethical supply chains is materially impactful, as it secures long-term supplier relationships, reduces risks of supply disruptions, and maintains regulatory compliance, ultimately preserving brand integrity and minimising potential legal liabilities.

Securities Commission Malaysia
3 Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur
Malaysia
Tel +603 6204 8000
Email cau@seccom.com.my
Websites www.sc.com.my | www.investsmartsc.my
@SecComMalaysia