



SRI2020

The Strategic Value of Sustainability

Insights into SRI Initiatives in the Malaysian Capital Market

25-26 August 2020

Disclaimer

The summary expressed here are solely those of the moderator in her observation during the conference and do not in any way represent the views of the Securities Industry Development Corporation (SIDC) or the Securities Commission Malaysia (SC).

Day 1 (25 August 2020) Recap

1. Day 1 covered a broad range of topics on the value of Sustainability. In his opening address, the Chairman of Securities Commission Malaysia (SC), Datuk Syed Zaid Albar, highlighted that social impact issues such as protecting jobs and livelihood have come to the forefront. The realisation that companies have to pay closer attention to social and governance risk has never been more acute.
2. The question asked: Why is sustainability important? Who should drive sustainability?
3. The SC has set out its 5-year SRI Roadmap and the ecosystem to realise the vision needs many stakeholders to come together.
4. The supplier of capital need to channel the funds into sustainable projects and activities but for that to happen, we need to have the SRI products and projects for investments.
5. And for the supply and demand for Sustainable investment to meet, we need to have the right culture at all levels cognizant of the need for sustainable for SRI investing. The information architecture, the funding

platforms and the ancillary services like data and research are all key players in the ecosystem.

6. A clear taxonomy can grow the market faster as the common language will enable better comparatives and attract issuers and investors.
7. Transition finance, stranded assets, are areas that need clarity as to how they are treated in this space.
8. There is an aspiration for action and we need the capital to construct the solution factor. There is a clear business case for sustainability.
9. Boards have a strong role to play and shareholders are also becoming vocal on responsible investing in the companies they invest. The younger generation are also conscious and, in fact, influencing the change. So all parties have to be on board on this journey of the SRI roadmap. Conversations at the Board and management level have to change.
10. Information and data is vital in advancing sustainability. Ability to compare, understand and have the visibility will bring more investors and users of capital to the table.
11. Admittedly the start of the journey may be costly but with the scale, measureable outcomes and achievements, will bring the economies of scalability, as we are already seeing in some sectors.
12. The integration of ESG should be a culture, integrated within the business process and be a way of business to achieve the right outcomes. Treating as a mere compliance issue will not be sustainable. Therefore, the culture and the internal governance is an important driver.
13. So, the strategic value of sustainability is clearly emerging, but to harness the value, many parties have to come together to realise the vision. And to borrow the quote, an air of possibility.
14. So, who should drive sustainability? Obviously every party in the ecosystem has a key role to play. It is a collective drive, not a singular drive.

Day 2 (26 August 2020) Recap

1. One of the 5i's under the SRI Roadmap is Information Architecture and the call for transparency of information on SRI products. Investors need information to understand the SRI products and commit capital and also to be able to make comparison.
2. There also needs to be greater convergence and harmonisation of standards. Some exchanges are setting up dedicated sections to SRI products. Yesterday we heard of the launch of the SRI Centre of Excellence in collaboration with Bond and Sukuk Information Exchange to provide comprehensive and up-to-date information to all participants. The platform will enhance transparency and access to information on ringgit denominated SRI Bonds and Sukuk.
3. Sustainability is now a must have, not a nice to have. No trade-off between profitability and doing the right thing.
4. Retail investors are getting more interested.
5. Technology & digital is a necessary enabler; providing the infrastructure connectivity, provide efficiency and reduce waste.
6. We need to focus on capacity building upskilling and reskilling. Overall, we all need to adapt and innovate and attract younger generation who can be agents of change.
7. But at a higher level, there is a convergence between Shariah and ESG and can enhance returns the compromising Shariah principles - as investment universe can expand and start to see deeper footprint can get best in class when you can blend positive and negative screening.
8. Social impact investing is becoming the new normal; investing to make positive societal change.
9. Focus on information in sustainability reporting that is material, meaningful and important to stakeholders.
10. Disclosures to investors should have good information to help them - can be more robust.
11. How do we make it possible to report effectively and impactful on sustainable reporting user friendly?
12. Should standards for reporting come from the industry vs regulator?

Regulators should focus on accurate reporting. Content should come from the industry.