



# Bursa Malaysia Focusing on ESG

Bursa Malaysia (“The Exchange”), being one of the largest bourses in ASEAN, operates and regulates a fully integrated exchange offering a comprehensive range of exchange-related facilities including listing, trading, clearing, settlement and depository services.

## **Sustainability Reporting Requirements**

One of Bursa’s main aspirations is to be a leading market for sustainability and ESG in the region, and to proactively contribute to the sustainable development of our nation. Towards this end, Bursa Malaysia has continuously updated its reporting requirements for listed issuers to ensure that they are on par with international standards and address the distinctive informational needs of our key capital market stakeholders. Currently, all listed issuers are required to disclose a Sustainability Statement in their annual reports detailing their management of material economic, environmental and social risks and opportunities.

As part of the Exchange’s continuous efforts to further improve the sustainability-related practices as well as disclosures of our listed issuers, we intend to introduce major enhancements to our sustainability reporting requirements in the Listing Requirements. Specifically, our proposals include the following:

1. Disclosure of a set of common sustainability matters and indicators that are deemed material for all listed issuers;
2. All Main Market-listed issuers to provide climate-related disclosures that are aligned with TCFD Recommendations. ACE Market-listed issuers, on the other hand, are required to produce a basic transition plan towards a low-carbon economy);
3. Disclosure of sustainability matters and indicators that are deemed material for listed issuers in specified sectors (Main Market-listed issuers only);
4. Disclosure of data for at least three financial years for each reported indicator; and
5. All listed issuers to state whether the Sustainability Statement has been assured.

## **Enhancing Board Quality and Diversity**

Apart from sustainability reporting, governance standards of listed issuers continue to be a priority for the Exchange, with the most recent enhancements focusing on board governance. To strengthen board independence, the enhanced Listing Requirements now limit the tenure of an

independent director to not more than a cumulative period of 12 years.

The Exchange also requires listed issuers to have in place a fit and proper policy that addresses board quality and integrity for the appointment and re-election of directors.

Separately, in support of the board diversity agenda, we now require all listed issuers to appoint at least one woman director on their boards. Listed issuers with market capitalisation of RM2 billion and above must comply with the requirement from 1 September 2022 onwards, while the rest must comply from 1 June 2023 onwards.

### **PLC Transformation Programme**

Apart from the enhanced Listing Requirements, Bursa has also recently launched its PLC Transformation Programme, which aims to improve the attractiveness as well as investability of our listed issuers to investors, both local and international.

One of the five main thrusts of the PLCT programme is to nurture our listed issuers to be more sustainable, socially responsible and ethical. The recently launched Guidebook 2 on ESG provides detailed guidance for our listed issuers to develop a well-defined ESG approach, including putting in place better governance, and more effective management of environmental and social performance through embedding robust ESG practices across key functions of the organisation.

### **Encouraging ESG Adoption**

The FTSE4Good Bursa Malaysia Index was launched in December 2014, which is part of the Exchange's effort to support investors looking to integrate ESG considerations into their investment decisions.

This ESG index has played an essential role in recognising PLCs that have taken steps to improve their ESG practices and disclosures. The index will include PLCs with a score of at least 2.9 out of 5, and that can demonstrate that they are applying measures to mitigate their material ESG risks. The ESG theme exposures differ depending on the industry/sector they operate in.

Growing the number of constituents in the FTSE4Good Bursa Malaysia index is an area of focus for the Exchange. The number of constituents has seen steady growth since inception, from 24 to the current 89. Bursa Malaysia regularly organises engagements, workshops, and webinars for PLCs to keep them abreast of pertinent developments and ever-evolving disclosure requirements observed in the global sustainability space.

In a separate development, Bursa Malaysia has collaborated with local banks such as Alliance Bank Malaysia Berhad, OCBC Bank (Malaysia) Berhad, CIMB Bank Berhad and HSBC Amanah Malaysia Berhad with the aim of improving Malaysian-listed issuers' ESG adoption practices. Under these partnerships, Bursa Malaysia, together with the banks, will develop sustainable financing options that recognise listed issuers' ESG credentials in accordance with the FTSE4Good assessment criteria. This complements the regulatory framework that the Exchange has implemented.

### **Conclusion**

Taken together, the key ESG-related initiatives above will propel our listed issuers as well as the wider capital market ecosystem to greater heights and, by doing so, realise the Exchange's aspiration to become a leading market for sustainability and ESG in the region and beyond. ●

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