

<b>Document:</b>	Opening Remarks by Datuk Seri Tajuddin Atan, Chief Executive Officer of Bursa Malaysia
<b>Event:</b>	Sustainability Forum for Directors / CEOs
<b>Date:</b>	10 January 2017 (Tuesday)
<b>Time:</b>	9:30 am - 9.40 am (Welcome Address)
<b>Venue:</b>	Banyan Function Room, Ground Floor, Sime Darby Convention Centre

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Assalamualaikum Warahmatullahi Wabarakatuh

Distinguished guests

Ladies and gentlemen

A very good morning.

1. It is my great pleasure to welcome all of you to our very first sustainability event for 2017.
2. It is indeed heartening to have so many of you here for this important occasion early in the New Year. Your presence here is a testament to the increasing awareness of the importance of sustainability amongst the directors and CEOs of publicly listed companies.

3. Sustainability may still be new to some and familiar to others in this room. The role of the Exchange in this instance is to provide you with a platform to gain insights and to interact directly with the thought leaders that have joined us at this Forum. If you leave here today with a sense of urgency and a desire to implement business practices guided by Sustainable principles, then this forum would have fulfilled its objective.

4. For those non-converts, don't wait too long to make up your mind as many of you have already decided. In an annual global CEO survey by PriceWaterhouseCoopers (PWC) published in 2016, 76% of CEOs agreed that business success in the 21st century will be defined by more than financial profit. There are also strong expectations from customers for companies to strengthen their involvement in sustainability. According to the Edelman Trust Barometer, “8 out of 10 people are still expecting business to solve societal problems” alongside their traditional role of profit making.
  
5. Sustainability issues are weighing on companies more than ever, as evidenced by the Global Risks Report published in 2016 by the World Economic Forum. The report identified mass migration, water crises, and climate change as among the top sustainability risks for institutions and societies today.

6. Cases such as the forced labor in the Thai fishing industry which affected global seafood supply chains<sup>1</sup>, Volkswagen's emissions scandal<sup>2</sup> and the transboundary haze<sup>3</sup> pollution affecting Malaysia, Indonesia and Singapore. All these have brought economic, environmental and social risks literally to our doorstep. **<Humour Option: I say literally because my daughter drives a Volkswagen>**. If not managed well, these risks could escalate and cause material impacts on the value of a company and negatively affect its reputation and stakeholders.

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<sup>1</sup> The EU has threatened to ban seafood imports from Thailand unless authorities clean up illegal fishing and labour abuses. Thai Seafood companies have signed an MoU in 2016 to eliminate products in their supply chains obtained through illegal fishing, labour or trafficking.

<sup>2</sup> Volkswagen is facing fines of up to £61 billion in the US after the government filed a civil lawsuit against the company for allegedly cheating emissions with illegally installed software.

<sup>3</sup> A Professor from Singapore's Nanyang Technological University, warned that the transboundary haze occurred in 2015 could have a greater impact than the three-month long 1997 haze crisis, which caused an estimated \$9bn in losses in economic activity across Southeast Asia.

Ladies and Gentlemen

7. The good news is that many businesses, investors and governments have made enormous progress to address sustainability risks as well as capitalise on available opportunities. More and more companies are joining forces and stepping up their sustainability effort in areas such as renewable energy, human rights protection and supply chains.
  
8. On the policy front, a new set of United Nations Sustainable Development Goals was ratified by member countries including Malaysia in 2015. The Goals serve as an important reference, not just for governments but also for companies to identify ways in which they can play their part in addressing critical economic, social and environmental challenges such as climate change, extreme poverty and gender equality.

9. Just a few months ago, the historic Paris Agreement officially entered into force. There will be implications for companies as governments begin to enforce policies and set direction for compliance. Carbon intensive industries may face higher compliance risks in terms of carbon disclosures and emission limits. On the flip side, companies stand to benefit from the new business opportunities arising from sectors such as renewable energy and green financing.

10. Investors are also becoming increasingly concerned and well informed on the importance of sustainability. There is a growing consensus amongst investors that sustainability or Environmental, Social and Governance (ESG) factors will translate into higher investment returns and that integrating non-financial considerations forms part of their fiduciary duties. The United Nations' Principles for Responsible Investment Initiative recorded its highest number of investor signatories with total assets under management of US\$62 trillion in 2016, bringing responsible investment into the mainstream of global capital markets.

11. On the domestic front, our institutional investors such as EPF and KWAP have already made it clear that they are taking ESG factors into consideration as part of their investment decision making processes. ValueCAP's ESG fund with a total fund size of RM1 billion for socially responsible investments was also initiated as part of furthering the sustainability agenda.

Ladies and Gentlemen,

12. The Exchange not only recognises the importance of sustainability but has placed it at the core of the Malaysian capital market. We remain mindful of the need for sustainable, innovative and forward looking solutions to maintain the competitiveness and attractiveness of our market.



13. Being a signatory to the Sustainable Stock Exchange (known as SSE) Initiative, Bursa Malaysia is committed to elevating the quality of our PLCs' sustainability practices and disclosures. We are always on the lookout for better ways to connect investors with PLCs to advance the responsible investment agenda in our capital market.

14. Among the ways in which we have been advancing the Sustainability agenda is the FTSE4GOOD Bursa Malaysia (“F4GBM”) Index which was launched in 2014. This ESG Index supports investors in making responsible investments in Malaysian PLCs. As an update, I am pleased to share with you that the number of constituents of the ESG Index continues to grow, from 24 constituents upon launch to 42 to-date.

15. Another significant milestone was the launch of Bursa Malaysia's Sustainability Framework ("Framework") in October 2015, which comprised of amendments to the Listing Requirements, a Sustainability Reporting Guide and six toolkits. The core objective of the Framework is to bring about a higher level of consciousness and integration of sustainability considerations into the business of our PLCs, leading to better business and financial performance.

16. As you may be aware, companies with market cap of RM 2 billion and above with financial year ending 31 December 2016 will commence reporting under the new Sustainability Framework this year. We believe that given the guidance, advocacy and engagement conducted, the market is likely to receive good insights on sustainability from the disclosures made by companies.

17. Given the audience here today are Board members, clearly the Board being at the apex of the company, has an important role to play in fostering the culture of sustainability. So we would like to advocate that Boards should view sustainability not from a compliance perspective, but from the perspective of the value brought by adoption of good sustainability practices. There is a strong value proposition for companies to embed sustainability, not only from a risk management perspective but as part of a cog in the wheel of progress in moving towards the future.

18. Some of you may remember that when the Exchange first emphasized the importance of Corporate Governance, there were naysayers but now, Corporate Governance is a fundamental part of the capital market. We see sustainability heading the same way in the years to come.

19. While the ESG Index, the Framework and the toolkits have helped to further nurture a culture of sustainability in the capital market, it is clear that sustainability is a journey and not a dash to the finish line. The Exchange is aware that the embedding of sustainability and reporting can be challenging, especially for those PLCs which are at nascent stages of practicing and reporting on sustainability. With this in mind, the Exchange will continue to provide full support to PLCs through various advocacy programmes, engagements, and updates to the industry.

Ladies and Gentlemen,

20. Today's Forum is part of our ongoing efforts to add to the discourse on sustainability. This Forum will begin with an overview on how global trends are rapidly reshaping our economies and the business model of companies today. We are pleased to have our keynote speaker - Mr. Mark Devadason, former CEO of Standard Chartered Bank Japan and Thailand and the Senior Advisor for a global sustainability consultancy, Business for Social Responsibility ("BSR"), sharing with us his insights into key sustainability trends that have taken center stage recently and how companies are impacted by those trends.

21. Following on from the keynote speech, we have a few influential figures representing investment communities and listed companies joining our panel discussion on “Sustainability - The New Business Model”. The panel will focus on how investors and businesses can play a significant role in contributing towards promoting sustainability.

Ladies and Gentlemen,

22. I would like to take this opportunity to also commend ACCA Malaysia’s continuous efforts in driving high quality sustainability reporting amongst Malaysian companies through their Sustainability Reporting Awards - MaSRA. We take great pleasure in collaborating with ACCA Malaysia and organizing this Forum in conjunction with MaSRA Ceremony 2016.

23. In closing, let me once again reiterate that the role of the exchange here is to provide you with this platform to gain insights and to interact directly with these thought leaders. I do hope you leave here today with a sense of urgency and a desire to implement business practices guided by Sustainable principles. With that, ladies and gentlemen, I wish you all a thought provoking morning.

Thank you.

Wabillahiitaufik Walhidayah Wassalamualaikum  
Warahmatullahi Wabarakatuh

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