

BURSA MALAYSIA

#financing4ESG:

Advancing Malaysian PLCs' ESG Journey

As countries around the world work together to address the issue of climate change, small and large corporations are also demonstrating their instrumental role in solving the long-standing global issue.

In the recently concluded 2021 United Nations Climate Change Conference (COP26), countries involved pledged to accelerate actions towards meeting the goals of the Paris Agreement and the UN Framework Convention on Climate Change.

Mobilising finance was one of the goals highlighted in COP26, whereby developed countries must make good on their promise to mobilise at least US\$100 billion in climate finance per year by 2020.

Conference attendees also agreed that international financial institutions must play their part and work towards unleashing the trillions in private and public sector finance required to secure global net zero. Meanwhile, closer to home, Bursa Malaysia chairman Tan Sri Abdul Wahid Omar, in one of his speeches, said there is a significant number of investors who are placing a greater emphasis on the implementation of an environmental, social and governance (ESG) framework among public listed companies (PLCs) in the country.

This, in turn, has led the stock exchange operator to advance the sustainable finance agenda to create a long-lasting positive impact on society and the planet.

Notably, Tan Sri Wahid pointed out that Bursa Malaysia aims to play a crucial role in facilitating an enabling environment to unlock sustainable capital through the stock exchange and improve access to responsible investments.

Although the ESG movement is still at a nascent stage in Malaysia, there is no denying that the aware-

ness of such issues has improved tremendously since the Covid-19 outbreak.

ESG concerns, be they on energy efficiency, waste management, greenhouse gas emissions, water consumption or biodegradable materials, are being raised more often than ever now, with reports and conferences on the subject.

Overall, ESG is more topical nowadays, and it is certainly becoming more mainstream. Against this backdrop, Bursa Malaysia is launching the ESG pilot programme, which will provide PLCs with opportunities in ESG advisory on sustainable solutions, ESG-based investor relations best practices and competitive sustainability-linked financing.

This initiative is anticipated to help PLCs shape their sustainability plans and road maps, as well as to improve their ESG practices and ratings. It could also become a source of credible and affordable sustainable solutions, as well as more competitive financing options from financial institutions.

In a nutshell, the seven-year-old FTSE4Good Index will be optimised to increase the visibility of PLCs to ESG-focused investors. Moreover, the stock exchange operator has expanded this index series through the launch of the FTSE4Good Bursa Malaysia Shariah Index – a shariah-compliant index that is aligned with sustainable investing principles – in July this year.

Like it or not, ESG is here to stay. Companies that choose not to address ESG risks may find their business operations, financing costs and share price performance profoundly impacted.

Going forward, investors will be putting more pressure on companies and their boards of directors to take a closer look at the sustainability and long-term viability of their businesses.

Datuk Muhamad Umar Swift,
CEO of Bursa Malaysia Bhd

With environmental, social and governance issues rapidly climbing up the corporate agenda, there is an urgent need for public listed companies to adhere to high standards of ESG practices and disclosures in order to meet investor demands and build a resilient business. Bursa Malaysia believes that it is timely to capitalise on the strength of partnerships and tap ecosystem partners' diverse expertise in elevating PLCs' ESG reporting journey to new heights.

A collective effort with our financial institution partners is critical not only for fostering appreciation of sustainable products, but also in bolstering the country's sustainable and responsible finance ecosystem.

Access to competitive financing options by our partner banks, as well as the opportunity to improve their visibility through better profiling, are among the key value propositions PLCs will benefit from through this collaboration.

As the momentum towards a net zero future grows, we expect to see more Malaysian PLCs set ambitious climate-aligned targets, as well as an increased demand for high-quality carbon credits to support such goals. As a facilitator of carbon trading, Bursa Malaysia will ensure that an appropriate governance structure and robust mechanisms are put in place to support a vibrant and transparent voluntary carbon marketplace.



ESG in capital market essential to tackle climate change

Since the 2015 Paris Climate Agreement, global institutional investors have started to align their strategies with the agreement's target of a maximum global temperature increase of 1.5°C.

This, in turn, has led to the creation of standards for benchmarks by regulators that mitigate climate risk and promote investment in sustainable solutions. In 2018, the European Commission (EC) launched the Sustainable Finance Action Plan to promote sustainable investment. The EC also defined Climate Transition Benchmarks, and as the name suggests, it can be seen as a tool to facilitate the transition to a low-carbon economy.

In Malaysia, Bank Negara Malaysia had in April 2021 published the national climate-focused sustainability taxonomy for the financial sector, the Climate Change and Principle-based Taxonomy (CCPT). The CCPT sets out five guiding principles intended to help financial institutions assess and categorise economic activities according to the extent to which they meet climate objectives and promote the transition to a low-carbon economy.

Malaysian public listed companies (PLCs) are seen to be more conscious of environmental, social and governance (ESG) issues today, with many seeking ways to transition to greener and lower carbon business models. Based on the recent survey conducted by Bursa Malaysia, climate-related concerns of energy efficiency and greenhouse gas (GHG) emissions are among the top areas of sustainability that are most relevant to the PLC respondents' businesses.

To match businesses' climate-related transitional initiatives with investors looking to integrate climate risk into their portfolios and align them with climate goals, Bursa Malaysia is working together with its index partner, FTSE Russell, part of the London Stock Exchange Group (LSEG), to assess PLCs' ESG practices

and disclosures using globally recognised and accepted methodologies.

The FTSE4Good Index brand name has been in the benchmark industry since 2001, and it measures the performance of companies with strong ESG practices.

For the Malaysian market, the partnership spawned the FTSE4Good Bursa Malaysia (F4GBM) Index in 2014 and after more than five years, FTSE maintains the largest ESG data of Malaysian PLCs. Some 40% of main market PLCs are assessed annually and given ESG ratings that are comparable globally.

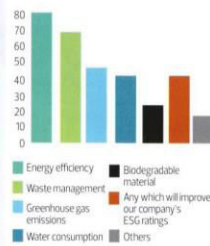
"Because of its partnership with Bursa Malaysia, FTSE Russell has the most extensive ESG analysis of Malaysian Main Market companies and is committed to working with stakeholders in the Malaysian economy to increase the focus and understanding of ESG issues, both through capacity building initiatives and through its corporate communications programme with companies on ESG ratings," says Helena Fung, FTSE Russell's head of sustainable investment for Asia-Pacific.

"FTSE Russell and Bursa Malaysia are increasingly looking to build on the flagship F4GBM Index to reflect the objectives of sustainable investors in Malaysia and for international investors looking for exposure to Malaysian companies with strong ESG and climate change credentials."

The FTSE4Good Index methodology's strength in climate change indicators, which are aligned with global standards such as the Task Force on Climate-Related Financial Disclosures (TCFD) and the Transition Pathway Initiative (TPI), is in an apt position to address the new needs in the market arising from heightened focus on climate change matters.

"The climate change themes scores in FTSE Russell's ESG data and ratings are aligned

What area of sustainability is the most relevant to your business?
(Respondents can select more than 1)



with TCFD recommendations related to risk management and the governance of climate change factors. The climate change themes scores and underlying indicators were revised in June 2021 in line with FTSE Russell's work as the data partner of the TPL TPI is a public asset owner led and backed initiative, which assesses companies on their strategy and governance of climate risk," says Fung.

Using the F4GBM Index goes beyond benchmarking investment and aligning values to global targets. It also supports investors that are keen to deliver impact and encourage positive change in corporate behaviour through engaging with companies on their FTSE4Good assessment.

For PLCs, integrating ESG practices into business activities can no longer be ignored as the world transitions to a low-carbon economy. Using the F4GBM Index and ESG data to

measure ESG performance, a company can identify gaps and formulate sustainability plans and road maps.

"The methodology itself is a resource for companies looking to understand how they should consider reporting to their global stakeholders and which issue may be most material to their particular business characteristics, based on the most recent guidelines from internationally relevant standard setters, including but not limited to Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) and TCFD," Fung says.

With the increase in global investor appetite for investments that meet climate objectives and promote transition to a low-carbon economy, Bursa Malaysia together with FTSE Russell are exploring new thematic indexes to support the changing investors' needs. One such thematic index is the FTSE Global Climate Index Series.

FTSE Russell's environmental and climate change analytics capabilities and data sets are increasingly being used in thematic climate indexes, including its Paris-aligned and Climate Transition benchmarks and ESG low carbon indexes," says Fung.

The FTSE Global Climate Index Series goes beyond traditional low carbon indexes by considering green revenues alongside carbon emissions and fossil fuel reserves. The methodology therefore incorporates both the risks and the opportunities associated with climate change and the transition to a green economy.

"The indexes methodologies provide investors with greater weight towards those companies which are better at managing a range of climate change-related risks as well as orienting their business strategies towards lower carbon solutions," Fung elaborates.



BURSA MALAYSIA ESG PROGRAMME SURVEY

In a move to get a better understanding of how the stock exchange can support public listed companies (PLCs) in their environmental, social and governance (ESG) journey, as well as to address their sustainable business and financing needs, Bursa Malaysia invited over 100 PLCs in the FTSE Bursa Malaysia EMAS Index to participate in an ESG programme survey.

Among the 103 respondents, 60% of them have a market capitalisation of below RM1 billion, while the majority of the PLCs are in the consumer and industrial products sector. Other respondents are in sectors such as construction, property and real estate investment trust (REIT), as well as technology, telecommunications, transport and logistics.

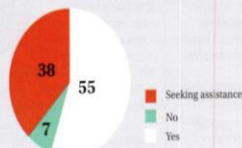
These are the key findings of the survey, which provided Bursa Malaysia with valuable input to improve its ESG services to the PLCs.

Would your company be interested to raise capital via sustainability-linked bond/sukuk?

SECTOR	NO	YES	WOULD YOU LIKE TO FIND OUT MORE
Consumer and industrial products	13%	5%	29%
Construction, property and REITs	1%	5%	16%
Tech, telecom, transport and logistics	4%	3%	6%
Financial services	2%	2%	5%
Plantation	2%	2%	3%
Healthcare	1%	3%	3%
Energy and utilities	1%	1%	2%
TOTAL	22%	16%	62%

16% of PLCs expressed firm interest and 64% want to explore the option further.

Does your company have a sustainability plan and road map? (%)



Among the 38% that are seeking consultation and assistance, over 60% of this group have a market cap of below RM1 billion.

What are the key reasons for your company to embrace sustainability? (Respondents can select more than 1)



There is vast interest among respondents in energy efficiency, waste management and greenhouse gas emissions solutions. PLCs seeking to embark on these green initiatives will have financing needs, and that will translate into opportunities for banks to offer sustainability-linked loans.

How can Bursa Malaysia support your company in this area?
(Respondents can select more than 1)

MARKET CAP RANGE (RM)	INTERESTED IN BURSA MALAYSIA ADVISORY SERVICES	SUSTAINABLE SOLUTIONS SOURCING	INCREASE PROFILING AND VISIBILITY	COMPETITIVE FINANCING OPTIONS
<200 mil	5%	3%	2%	3%
200 mil - 500 mil	26%	23%	19%	7%
500 mil - 1 bil	11%	9%	7%	5%
1 bil - 5 bil	20%	12%	12%	9%
>5 bil	11%	8%	8%	6%
TOTAL	71%	53%	47%	29%

A good indication of how Bursa Malaysia can work with banks to use the FTSE4Good data to craft sustainability financial products for PLCs.

Would your company be interested to participate in an ESG pilot programme, which will include opportunities in ESG advisory on sustainable solutions, ESG-based investor relations best practices and competitive sustainability-linked financing? (%)



The Value Proposition: How PLCs will benefit from the joint ESG pilot programme

IMPROVE CORPORATE PROFILING		IMPROVE BUSINESS PERFORMANCE	
1 FTSE4Good Bursa Malaysia Index constituents – visibility and profiling	2 Access to investor relations activities, shareholders' analytics, potential research coverage	1 Fulfil supply chain requirements using FTSE4Good certifications and ratings – retain and grow customer base	2 Access to competitive financing options
3 Access to Bursa Malaysia platform and events	4 Opportunity to attend specialised technical workshops on climate-related disclosures	3 Business matching to credible green solutions providers, MGTIC and UNGC a network of companies	4 Expand business reach by participating in exclusive trade shows through Bursa Malaysia and bank partners

*Malaysian Green Technology Corporation # United Nations Global Compact

#financing4ESG to advance ESG adoption among PLCs

Setting the foundation

Being one of the largest bourses in Asean today, Bursa Malaysia Bhd has been championing environmental, social and governance (ESG) initiatives since 2014.

Seven years after Bursa Malaysia launched the FTSE4Good Bursa Malaysia (F4GBM) Index, the stock exchange took another big step forward recently to accelerate its ESG adoption and set the foundation for an ecosystem development.

On Nov 18, Bursa Malaysia, Alliance Bank Malaysia Bhd and OCBC Bank (Malaysia) Bhd signed a memorandum of understanding (MoU) to establish #financing4ESG, an initiative aimed at improving Malaysian public listed companies' (PLCs) ESG adoption practices.

Under the MoU terms, Bursa Malaysia will collaborate with Alliance Bank and OCBC Bank in developing sustainable financing options that recognise PLCs' ESG credentials in accordance with the FTSE4Good assessment criteria.

This will provide PLCs with the opportunity to accelerate their ESG adoption while also improving their ESG ratings for inclusion in the F4GBM Index, which is the Malaysian capital market's leading ESG index.

PLCs eligible for sustainability financing under this collaboration are those in the FTSE Bursa Malaysia EMAS Index, which forms the FTSE4Good ESG assessment universe. This universe comprises companies of various sizes and industries, ranging from large cap PLCs, government-linked companies (GLCs) and conglomerates to small and medium enterprises (SMEs) and shariah-compliant enterprises.

Notably, the #financing4ESG initiative sets the foundation for Bursa Malaysia to collaborate with other ecosystem players to advance the nation's ESG adoption, which is in line with the stock exchange's vision to be a leading sustainable and globally connected marketplace.

Bursa Malaysia CEO Datuk Muhamad Umar Swift highlights that the signing of the MoU with Alliance Bank and OCBC Bank underscores the stock exchange's commitment towards accelerating ESG adoption among the PLCs, which is in line with the bourse's aspiration to elevate PLCs as regional leaders in this space.

"I am optimistic that this collaboration will spur the growth of sustainable finance while also enhancing PLCs' appeal to investors," he remarks.

It is worth noting that besides the competitive financing offered by Alliance Bank and OCBC Bank, PLCs will also obtain non-monetary benefits from the collaboration's branding and capacity building exercises.

Bursa Malaysia will provide access to its investor relations engagements and event platforms, as well as the opportunity to participate in specialised technical workshops on climate-related disclosures.

Wong Chiun Chiek,

Senior Executive Vice President of Bursa Data Business

As global climate action gains traction, the transition to a low-carbon, climate-resilient future can open up enormous opportunities for Malaysia. It has the potential to generate new jobs, improve the attractiveness of the investment landscape, and contribute to overall economic development.

Hence, it is critical that Bursa Malaysia continue to support public listed companies' (PLCs) capacity building in the sustainability space through existing and new environmental, social and governance (ESG) initiatives, as well as collaborate with relevant parties to achieve these aspirations and make Malaysia an ESG-conscious nation moving forward.

We believe that the #financing4ESG initiative represents a win-win proposition for Bursa Malaysia, the banks and participating PLCs.

For Bursa Malaysia, greater ESG adoption by the PLCs will likely see an increase in the number of constituents in the FTSE4Good Bursa Malaysia Index, which will make the Malaysia market more attractive to investors.

For the banks, the insights garnered from the FTSE4Good assessment criteria allow them to develop and offer sustainable financing to PLCs with specific ESG needs.

For the PLCs, this represents an opportunity to both accelerate their ESG adoption in a manner which will bring positive impact to their business, but also a chance to improve their ESG ratings and corporate profile to ESG-conscious investors.

I hope this initiative provides a framework which may form the foundation where new ecosystem partners with new collaboration models can be further developed as the initiative gets underway.



The #financing4ESG initiative is managed by Bursa Malaysia's Index & Sustainable Business, and interested parties are welcomed to contact us at isb@bursamalaysia.com.

#financing4ESG to advance ESG adoption among PLCs

DO WELL BY DOING GOOD WITH OCBC MALAYSIA

Datuk Ong Eng Bin,
CEO of OCBC Bank (Malaysia) Bhd

OCBC Bank's commitment and focus in embedding sustainability best practices in our overall business approach naturally leads us to seek out opportunities to expand and accelerate our sustainable finance product suite. We are delighted to have been chosen by Bursa Malaysia as one of its financial partners in this programme and look forward to leveraging each other's core competencies to accelerate the widespread adoption of environmental, social and governance (ESG) practices among Malaysian public listed companies (PLCs).

By synergising OCBC Bank's leading experience in pioneering various sustainable finance transactions and through capitalising on Bursa Malaysia's ESG database, we are able to provide optimal financing solutions for PLCs, with the ultimate objective of shifting the adoption of sustainable finance firmly into mainstream financing.

Tan Ai Chien, Managing Director, Senior Banker and Head of Investment Banking of OCBC Bank (Malaysia) Bhd

We have gradually built our sustainable finance product suite to cover the entire spectrum of both conventional and Islamic financing solutions, from 'use-of-proceeds' sustainability bonds to 'target-linked' financing, achieving several industry firsts along the way. One of the challenges we had faced, particularly when sustainable finance was in its nascent stage, was to demonstrate to our clients the



relevance of having an ESG-compliant capital structure in the context of an overarching corporate sustainability strategy. Necessity being the mother of invention, we took it upon ourselves to play an active part in the development of our clients' sustainable financing framework, a practice which we still uphold today to provide the much-needed advice and support in facilitating the appropriate sustainable financing transactions to best meet our clients' sustainability journey. Times have of course evolved, with sustainability being one of the core pillars of the government's recently announced PLC Transformation Programme, ensuring a holistic approach towards ESG implementation across all business segments.

OCBC Bank's group-wide strategy towards instilling sustainability in our financing approach has enabled us to provide optimal solutions for our clients to realise actual economic benefits from sustainable financing – we structured the world's first Islamic syndicated multi-currency sustainability-linked financing for Axiaia Group Bhd, a founding constituent member of the FTSE4Good Bursa Malaysia Index. Through this innovative financing structure, Axiaia has been able to enjoy lower financing costs after achieving the annual sustainability targets determined at the inception of the financing. We have also been engaged by Sunway Real Estate Investment Trust as a Sustainability Structuring Coordinator to arrange sustainable financing solutions via the capital markets, starting with an upcoming sustainability-linked bond issuance – touted to be the first of its kind in the Malaysian debt capital markets.

We are highly encouraged by the commitment and enthusiasm of our top-tier clients, which are primarily government-linked corporations (GLCs) and large conglomerates, in embarking on sustainable finance to further accelerate their long-term sustainability agenda in the interest of a sustainable future, especially after the hard lessons learnt from the Covid-19 pandemic.

Working collaboratively with Bursa

Malaysia, we will continue to provide the necessary guidance and support in advancing the PLCs' sustainability agenda, in line with the Malaysian government's commitment towards achieving carbon neutrality by 2050.

Dato' Jeffrey Ng,
CEO of Sunway REIT Management

Sustainability has been conscientiously embedded in Sunway REIT's business practices and value creation journey for many years. We pride ourselves in being the first Malaysian REIT to venture into the sustainable financing sphere, and hope to encourage our peers in the industry to follow in these footsteps. Besides providing access to diverse funding sources, sustainable financing allows us to reap the benefit in the form of cost savings, when we meet the sustainability-related targets set and better manage our business impacts on the environment. At Sunway REIT, we believe that embedding sustainability features as part of our investment process in the enhancement and development of projects would help to improve the performance of our assets through better operational efficiency, productivity, cost optimisation, brand value for our businesses and, most importantly, the overall well-being of the nation and environment.

As part of our continuous effort to incorporate sustainability into our business strategies and operations, we have recently collaborated with OCBC Bank for a sustainability-linked bond issuance as part of our capital management strategy. With our continuous efforts to play a part in increasing the momentum of the nation's ESG journey, we hope to attract like-minded partners (for example, investors, customers and suppliers) to join us in our journey to contribute towards better ESG practices and to work towards the United Nations Sustainable Development Goals (UNSDGs).



Datuk Izzaddin Idris,
Managing Director, President and Group CEO of Axiaia Group Bhd

Axiaia had entered into a syndicated multi-currency shariah-compliant sustainability-linked financing as a demonstration of our dynamic approach towards financing avenues to drive long-term growth and sustainable performance for our stakeholders. The unique proposition on which this deal was structured saw Axiaia – jointly with our sustainability structuring adviser cum lead coordinating mandated lead arranger, OCBC Bank – being recognised internationally, substantiated by winning the Islamic Finance Deal of the Year award from FinanceAsia and Green Project of the Year award from Islamic Finance News in 2020.

Embedding sustainability performance targets (SPTs) within the syndicated multi-currency shariah-compliant sustainability-linked financing allows Axiaia to benefit from cost savings, which contributes towards sustainable business performance measures whilst ensuring key environmental sustainability commitments and targets are met.

For Axiaia, 'sustainability' is not just a catchphrase – it serves as the foundation to create long-term value. It's about growing the business and generating profits in a purposeful way, focused on improving the quality of life of our customers and communities by providing digital connectivity services and driving the proliferation of emerging regional digital economies.

With sustainability embedded in our DNA, we are committed to a green agenda and beyond. It enables us to continue to provide social and economic opportunities and raise the standard of living across the emerging markets in which the group operates.



We have also formed a task force led by the top management – and with the involvement of the board of directors – to ensure Tomypak Group understands its ESG gaps and is working towards being included in Bursa Malaysia's FTSE4Good Index.

This upcoming investment is to be supported by Alliance Bank that offers solutions that merges SME financing with achieving ESG objectives. We value Alliance Bank's non-financing support such as connecting us with sustainable solutions providers, bringing us to global markets and helping us to improve our ESG ratings via its strategic partnership with Bursa Malaysia. At the same time, Tomypak Group has successfully launched its many sustainable packaging to replace the use of current structures, which are less environmentally friendly. We are all ready to extend such sustainable packaging to all our clients, both locally and internationally. Tomypak Group is geared towards double-digit growth in the coming years with all the ongoing transformation and investments.

Lee Kwee Heng,
Chief Business Officer – Tomypak Flexible Packaging (subsidiary of Tomypak Holdings Bhd)

Tomypak Group Holdings Bhd is one of the leading converters of flexible packaging in Malaysia. Since its incorporation in 1979 and listing on the Main Board of Bursa Malaysia in 1996, Tomypak Holdings Bhd and its subsidiaries (Tomypak Group) have grown from strength to strength to be an established converter leader in this region.

The group is a firm believer in innovation, ensuring the highest safety and quality standards and a socially responsible organisation. We invest in the latest technologies and facilities to meet customers' requirements and quality standards, which ensures our group's long-term success and sustainability. Tomypak Group is the first flexible packaging company in Malaysia certified with HACCP (Hazard Analysis Critical Control Point for food safety), secured in 2003. It is also certified with the Food Safety System Certification (FSSC) 22000. We are also a member of Sedex (www.sedex.com) and EcoVadis (www.ecovadis.com), the world's leading ethical trade membership organisations and business sustainability platform, which allows Tomypak Group to constantly work with businesses to build a sustainable livelihood.

The 2025 Global Target for Sustainable Packaging has pushed all stakeholders in this industry into higher gear to innovate and produce flexible packaging with sustainability values. With this in mind, in 2020, Tomypak Group formalised its ongoing sustainability focus with the launch of its ESG initiative to meet the goals by 2025. One of the many key initiatives is to invest in the European Co-Extrusion Cast Film Line and our latest acquisition of a Fully Equipped European Metallising Line will allow us to innovate and produce sustainable packaging to support the demand of our customers and our ESG focus.