



M'sia moves forward in ESG practices, journey to net-zero

► PwC's research highlights corporate Malaysia's progress in sustainability and overall transition trajectory and the gov't's efforts in promoting sustainable investing

PETALING JAYA: Malaysian public-listed companies (PLCs) are faring well in environmental, social and governance (ESG) factors among their Asean peers based on leading ESG indicators, according to research by PwC Malaysia and Capital Markets Malaysia.

The research entitled "Positioning Corporate Malaysia for a Sustainable Future" highlights corporate Malaysia's progress in sustainability and overall transition trajectory and the country's efforts in promoting sustainable investing.

Securities Commission Malaysia (SC) deputy CEO and Capital Markets Malaysia chairman Datuk Zainal Izlan Zainal Abidin said the rise in demand for sustainable investments and sustainable assets has placed the capital market in a unique position to drive meaningful change in sustainability practices among corporates.

"The SC's Capital Market Masterplan 3, covering the period 2021 to 2025, has laid out initiatives to shape a stakeholder economy by mobilising more capital towards sustainable businesses.

"Recognising that businesses will require significant financing to decarbonise and transition towards net-zero, the SC is working on a framework for market-based

instruments to enable transition finance in Malaysia," he said in a statement.

PwC Malaysia Southeast Asia sustainability and climate change leader Andrew Chan said the transition to a low carbon economy needs to be just and inclusive.

"With a just transition approach, plans and efforts made towards low carbon should be accompanied by social and economic considerations, so that the impact of low carbon transformation can be distributed equitably to people, communities as well as micro, small and medium enterprises through supply chains.

"This is an opportunity for the investor community to get involved by building capacity for sustainable investment strategies and weighing in on policies that will shape a more sustainable environment for corporations and the wider society," he said.

The SC has also developed a Sustainable and Responsible Investment Taxonomy which will enable capital market participants to identify economic activities that are aligned with ESG objectives, hence facilitating more informed and efficient decision-making for fundraising and investment.

Malaysian corporates are heeding the call for sustainability as issues



Izlan



Chan

faced by certain sectors come into sharp relief. PwC's December 2021 research finds that 94% of the top 50 Malaysian PLCs have ESG strategies in place.

Although Bursa Malaysia is heavily-weighted towards sectors with greater exposure to sustainability challenges such as oil and gas, power and utilities, construction and property, plantations and manufacturing, it has been observed that players in these industries have been responding with proactive steps to improve their ESG standing.

The report highlights some of these best practices taken by Malaysian PLCs and organisations through 10 case studies. It lays out the challenges in measuring and comparing ESG efforts across different organisations.

A comparison of top-ranked companies across four ESG rating providers finds that across 41 companies, almost half of them (19)

appears just once, and only one company appears consistently across all four ratings.

The publication provides an in-depth view of the regulations set and efforts made by the government and regulatory bodies in Malaysia in supporting climate-friendly and sustainable practices in the private sector and traction made by Malaysian corporates as a result.

A total of 28 Malaysian firms are represented as constituents in the MSCI All Country World Index ESG Leaders Index, which consists of large and mid-cap companies across developed and emerging markets of different countries.

Malaysian firms are also comparatively advanced in embracing global standards, with nine companies currently committed to emissions reduction targets grounded in climate science through the Science-Based Targets initiative.