

# Sustainable and Responsible Investment (SRI) Initiatives

Sustainable development has been globally recognised as an imperative, with commitments being made to address relevant issues by nations including Malaysia. Accordingly, the availability of finance supported by efficient financial markets would play a crucial role in ensuring that the global sustainable development needs are adequately supported. Bank Negara Malaysia and The Securities Commission Malaysia (SC) have long been cognisant of the need to promulgate and develop sustainable finance as it aligns closely with the underlying principles of Islamic finance. For capital market, the SC has established the Sustainable and Responsible Investment (SRI Roadmap) and facilitative regulatory framework to support sustainable and responsible investment.

## 1. Sustainable and Responsible Investment Roadmap for the Malaysian Capital Market

In November 2019, SC launched the Sustainable and Responsible Investment Roadmap for the Malaysian Capital Market (SRI Roadmap) to develop Malaysia as a regional SRI Centre. The recommendations of the SRI Roadmap are aimed at developing and enhancing each component of the 5-Strategy over the next five years. The 5-Strategy which was first introduced by the SC in 2014 is fundamental in driving the development of a facilitative SRI ecosystem in the Malaysian capital market, and focuses on widening the range of SRI instruments; increasing SRI investor base; building a strong SRI issuer base; instilling strong internal governance culture; and designing information architecture in the SRI ecosystem.

### 5-Strategy to develop a facilitative SRI ecosystem



#### Widening the range of SRI Instruments

Facilitate the development of new SRI capital market products to widen and deepen the SRI asset classes

- ▶ Promote alignment to international standards and principles
- ▶ Encourage issuance of sovereign green, social or sustainability sukuk
- ▶ Develop SRI taxonomy for the capital market
- ▶ Facilitate the issuance of more SRI products



#### Increasing SRI Investor Base

On the buy side, there is a need to attract institutional and individual investors to increase the SRI investor base, and thus demand for SRI products

- ▶ Enhance the role of government linked investment companies and institutional investors in SRI
- ▶ Attract international investors
- ▶ Encourage SRI investments by retail investors
- ▶ Enhance investment managers' SRI intermediation capabilities



#### Building a strong SRI Issuer base

On the supply side, efforts need to focus on building a strong and diversified issuer base consisting of listed and unlisted to companies and multilateral organisations

- ▶ Widen access to SRI through alternative funding avenues
- ▶ Support the development of an initial public offering pipeline for green and social impact companies
- ▶ Enhance the role of financial institutions in SRI
- ▶ Collaborate with multilateral development institutions



#### Instilling strong Internal Governance Culture

Development of metrics and disclosures to measure sustainability in facilitating investment decisions to inculcate good governance practices in the SRI space

- ▶ Strengthen sustainability disclosures of public listed companies
- ▶ Promote the adoption of sustainable business practices including disclosures among small and medium enterprises
- ▶ Enhance board governance on sustainability, including climate risks and opportunities
- ▶ Enhance risk assessment and supervisory approach on SRI



#### Designing Information Architecture in the SRI Ecosystem

Development of platforms that provide SRI data to investors, thereby enabling better assessment of investment opportunities to ensure transparency and accessibility to the SRI market

- ▶ Enhance transparency of information on SRI products
- ▶ Develop ancillary services for SRI
- ▶ Incorporate sustainability in advisory services
- ▶ Accelerate promotion and profiling of Malaysia as a regional SRI centre

## 2. SRI Sukuk Framework to create enabling SRI ecosystem

Sustainable and Responsible Investment (SRI) Sukuk framework (the Framework) was first introduced in 2014 to facilitate the creation of an ecosystem that promotes sustainable and responsible investing for SRI investors and issuers. The framework has been updated and reissued in November 2019 to include necessary enhancements in achieving the objective of SRI Roadmap.

SRI sukuk is where the sukuk proceeds will be applied exclusively for funding of any activities or transactions relating to the eligible SRI projects.



For more information on SRI Roadmap and SRI Sukuk Framework, visit [www.sc.com.my/resources/publications-and-research](http://www.sc.com.my/resources/publications-and-research)