

KEYNOTE ADDRESS FOR TAN SRI ABDUL WAHID OMAR
HSBC Corporate ReINVENT Webinar:
Unlocking Future Opportunities
4 May 2021

Assalamu'alaikum and a very good morning,

Mr Stuart Tait, Mr Stuart Milne, Mr Andrew Sill and friends at HSBC, Distinguished Speakers, Participants,

Ladies and Gentlemen,

1. Let me begin by thanking HSBC Malaysia for inviting me to deliver the keynote at this HSBC Corporate ReINVENT Webinar. As someone who has helmed three major companies as CEO before, I can attest to the importance of corporates to reinvent themselves to remain relevant and sustainable in the marketplace. From how UEM Group was 'reinvented' to monetise its highway concessions and shed its huge debts to focus on infrastructure development business profitably, to how Telekom Malaysia was reinvented to be a regional telecommunications company with particular emphasis on mobile communications, and to how Maybank used both inorganic (M&A) and organic strategies to become a regional banking group and a global leader in Islamic finance.
2. Any company intending to reinvent itself will obviously need all the support it can get from all stakeholders, including financiers. I would therefore like to take this opportunity to laud HSBC's efforts to support the many companies that are participating in this webinar to unlock future opportunities with particular focus on digital innovation, business scalability and sustainability.
3. Since there will quite a fair bit of discussions on digital innovation at the breakout sessions later, please allow me to focus more on sustainability in my address this morning, specifically on the following three areas:-
 - The importance of sustainability in businesses and the changing world;
 - Bursa Malaysia's efforts in driving the sustainability agenda forward; and
 - Tapping the capital market for sustainable growth

The importance of sustainability in businesses and the changing world

Ladies and gentlemen,

4. "Sustainability" is something that is not entirely new. Once considered a niche area, more people now have a better understanding of the value-proposition of incorporating sustainability into their businesses. While there may be various variations in the definition of sustainability, universally it is generally accepted that the most important pillars of sustainability focus on the areas of environmental protection, societal impact, economic development and also corporate governance.

5. A sustainable business strategy aims to impact the environment and society positively, thereby helping address some of the world's most pressing problems, which include climate change, depletion of natural resources, forced labour, human rights issues and gender inequality, amongst others.
6. In addition to driving social and environmental change, sustainability initiatives can contribute to an organisation's overall success. Environmental, social and governance, or ESG metrics are often used to determine how ethical and sustainable an organisation is. There is a wealth of evidence showing that companies with strong ESG practices are better able to brace uncertainties and have a competitive edge over their peers. ESG-oriented companies are emerging more resilient in the post-COVID-19 economy.
7. On the demand or 'buy' side, institutional investors are incorporating sustainability considerations in their asset allocation as they now understand the value-proposition. Since its inception in 2006, the Principles for Responsible Investment (PRI) initiative has grown exponentially. As of 1st May 2021, it counts some 3,945 institutions as signatories, including many of the world's largest pension funds, insurance companies and investment managers managing combined assets of more than US\$100 trillion.
8. Leading the pack are large institutional investors such as EPF and BlackRock who are pushing to make sustainable investments mainstream. For example, BlackRock announced in 2020 that it would exit companies where more than 25% of revenue comes from coal. And just earlier in February this year, the EPF made a declaration to have all its investments based on ESG practices by 2030. On the financing side, banks such as HSBC and CIMB have also announced plans to stop financing coal projects by 2040. This means that companies that ignore ESG considerations in the future will have difficulties to obtain financing for their businesses.
9. So, in today's ever-changing world, incorporating sustainability practices into your business strategy is no longer a 'nice to have', nor is it optional. It is a 'must-have' to build a business that is resilient, responsive and future-ready. This brings me to the second part of my address, on Bursa Malaysia's efforts in driving the sustainability agenda forward.

Bursa Malaysia's efforts in driving the sustainability agenda forward

Ladies and Gentlemen,

10. Bursa Malaysia launched its Sustainability Framework in 2015. Since then, we have observed a remarkable growth of the Malaysian sustainability ecosystem. The Exchange has been one of the strongest proponents of ESG in the Malaysian capital market. We collaborate with ecosystem players to raise the availability and appreciation of sustainable investment products to make the Malaysian capital market more attractive to investors worldwide.

11. We are also part of various working groups such as the Joint Committee on Climate Change, Corporate Governance Council and the UN Sustainable Stock Exchange Initiative, to name a few, to drive the sustainability agenda forward.
12. For Bursa Malaysia, we aim to build the capacities of market participants to support a vibrant and sustainable marketplace. We are also looking to drive growth by enhancing the sustainable and responsible finance ecosystem through new investment products and inculcating high sustainability practice standards and disclosures.
13. It is important to note that rather than placing a strong emphasis on strict compliance per se, Bursa Malaysia encourages PLCs to embrace the underlying spirit of good corporate governance and sustainability. Our ultimate aim is to build a capital market ecosystem characterised by a strong culture of ESG. In addition, we would like to elevate our PLCs to be regional leaders in this area.
14. To make this a reality, the Exchange has devoted significant efforts to improve PLCs' ESG-related practices and disclosures and encourage other capital market stakeholders to play a more proactive role in championing ESG. All 900-plus of our PLCs are now disclosing annual Sustainability Statements and Reports - detailing their governance structure and the approach they have put in place to manage their material sustainability matters, covering a range of economic, environmental and social themes.
15. We continue to regularly review this framework to ensure better comparability of sustainability information disclosed and align the disclosure requirement with global standards and guidelines. We also conduct various education and advocacy programmes to enhance our PLCs capacities on sustainability. To keep abreast of the latest sustainability issues, I would like to encourage everyone to visit our BursaSUSTAIN microsite. BursaSUSTAIN is our online repository of sustainability news and learning for the marketplace.
16. Bursa Malaysia is currently collaborating with the United Nations Global Compact Malaysia and Brunei to develop a Corporate Sustainability Competency Framework. This framework will be essential in helping future professionals identify the necessary competencies and skills to respond to the sustainability challenges in our evolving environment.
17. To build a vibrant ecosystem of ESG-themed investment products, Bursa Malaysia is looking to explore new types of ESG Exchange Traded Funds. We also aim to create new variations of ESG indices to complement our existing FTSE4Good Bursa Malaysia Index and other SRI products.
18. Recognising the increasing demand from investors for quality sustainable information, Bursa Malaysia launched the FTSE4Good Bursa Malaysia Index in 2014, ASEAN's first globally benchmarked ESG-index. The main objective of this index is to support investors in making ESG investments in listed issuers.

19. The FTSE4Good Index also serves to increase the profile and exposure for organisations with leading ESG practices, encourage best practice disclosures, and draw capital allocation and investment interest for investors focused on ESG risks. It is worth highlighting that since its launch, the number of constituents has tripled from 24 to 74 PLCs today, making up 57% of total market capitalisation.
20. We hope PLCs will continue to improve their ESG practices and disclosures to be on par with their peers in developed capital markets. As PLCs' practices mature, gradual shifts to a higher degree of self-regulation will make our market more attractive to ESG investors worldwide.

Tapping the capital market for sustainable growth

Ladies and Gentlemen,

21. Allow me to now move to the third part of my address this morning; Tapping the capital market for sustainable growth. Bursa Malaysia sits in a unique position that allows us to observe both the areas of excellence and challenges in our market. We are more than just a stock market operator; we are also a national institution entrusted with the role to act as a catalyst and unlock the competitive potential in our economy. And we are a PLC ourselves.
22. There are many different types of companies - private and listed - yet all tend to display similar growth patterns, from inception to sustainable growth. As these companies progressively move along their business lifecycle, there is a tendency to reach a plateau. To move to the next level and scale up, it takes much more than just funding to continue successfully and see sustainable growth. It needs to continually change how it operates to incorporate critical functions such as resource planning and people management to build a robust model that can strengthen its foundations.
23. Successful organisations need to have all their processes institutionalised with best practices and corporate governance to achieve the necessary efficiencies. Bursa Malaysia is always ready to help our PLCs embrace best practices, especially in integrated reporting and corporate governance, so that they can one day become significant players with vital roles in the global value chain.
24. The funding platforms on Bursa Malaysia not only provide businesses with the ability to access capital and raise funds to grow. It also serves to ensure companies remain competitive and well managed in accordance with good corporate governance practices that will give greater visibility and enhanced credibility.

25. Beginning with the LEAP Market for SMEs at the early stage of their business, these companies are encouraged to gradually adopt the necessary systems and processes to enhance their governance and put them in a better position to operate as a listed company. In time, as they continue to grow, the Exchange will continue to provide guidance for them to grow until they graduate to the ACE Market and eventually the Main Market.
26. For the ACE Market, our initiatives to streamline regulatory functions and liberalise rules in areas where the standard of conduct have improved are aimed at improving efficiency and to elevate standards. Enhancements to the ACE Market listing framework have managed to incentivise and attract eligible SMEs to consider IPOs, and we continue to see consistent growth in companies accessing the ACE Market in their pursuit of growth.
27. Once companies have successfully scaled up, what defines great companies and set them apart is not through their ability to get immediate returns but one that can create and transform itself into sustainable institutions. Hence, to teach a strong culture that delivers sustainability across the capital market, we work rigorously to improve PLCs' ESG-related practices, such as the Sustainability Reporting Framework.
28. This will not only serve to strengthen PLC's commitment to growing responsibly but will also earn your company higher brand recognition and build trust amongst investors – all of which will have a positive effect on your company's profitability.

Closing

Ladies and Gentlemen,

29. Bursa Malaysia is here to serve you where and when you need us. We believe in building relationships, collaborating and helping the greater interest of the market and its participants. We strive to become the region's most trusted partner for companies to access dependable capital and for investors to choose our market as a venue for long-term wealth creation. Each of us has a role to play in creating a sustainable future. It may not always be an easy journey, but it can be made easier if we work collectively and constructively.
30. Thank you for your attention. Have a productive session ahead.