

# Sustainable & Responsible Investment (SRI)

Sustainable development is a global imperative and one that Malaysia has fully embraced. As companies seek to align themselves with the United Nations' Sustainable Development Goals, a well-developed financial sector is essential to support their needs. The capital market is uniquely placed to answer the call for sustainable finance in supporting the long-term growth of an economy.

The Securities Commission Malaysia (SC) has long been cognisant of the need to promulgate and develop sustainable finance as it aligns closely with the principles underlying Malaysia's Islamic capital market, having established facilitative regulatory frameworks to support sustainable and responsible investment (SRI) as well as green financing.



## Malaysia's Journey in Sustainable and Responsible Investments

- 2019**
  - Launch of 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 5i-Strategy over the next five years
- 2018**
  - Establishment of RM6 million Green SRI Sukuk Grant Scheme to offset the external review cost incurred by the issuers
- 2017**
  - Launch of the SC's Islamic Fund and Wealth Management Blueprint
  - Issuance of social impact sukuk by Khazanah (2nd tranche) with retail portion
  - Issuance of world's first green sukuk under SRI Sukuk Framework to finance a 50 megawatt solar project
  - Issuance of the SC's Guidelines on SRI Funds to facilitate and encourage greater growth of SRI funds in Malaysia
  - Tax incentive for SRI funds for three years from YA 2018 to YA 2020, and extended for another three years from YA 2021 to YA 2023 (2020 Budget)
  - Launch of the SC's revised Malaysian Code on Corporate Governance (MCCG) which further enhances the ecosystem for SRI through greater internalisation of a corporate governance culture
- 2016**
  - Tax incentive for SRI Sukuk issuers for five years from YA 2016 to YA 2020, and extended for another three years from YA 2021 to YA 2023 (2020 Budget)
- 2015**
  - Inaugural issuance of social impact sukuk under SRI Sukuk Framework by Khazanah Nasional. The first social impact sukuk issued in Malaysia, where proceeds from the RM1 billion SRI sukuk programme were to be utilised for education purposes (trust schools)
  - Introduction of Sustainability Reporting through Bursa Malaysia Listing Requirements
- 2014**
  - Issuance of the SC's SRI Sukuk Framework facilitate the financing of projects that benefit the environment and society
  - Launch of FTSE4Good Bursa Malaysia Index to provide more visibility and profiling of ESG-compliant companies. As at 31 January 2020, there are 69 constituents of the Index

Source: Sustainable and Responsible Investment Roadmap for the Malaysian Capital Market



## Overview

### Green Sukuk Development

### SRI Landscape



**8**  
Green Sukuk Issuances



**10**  
PRI signatories



**RM4.1 billion**  
Value of Funds Raised



**6**  
SRI Funds



**5**

Solar



**2**

Mini Hydro



**1**

Green Building



**69**

Number of constituents on Bursa Malaysia FTSE4Good Index



## Market Enablers

### Green SRI Sukuk Grant Scheme

In accordance with international practices, issuers are encouraged to appoint independent expert/s to undertake an assessment on the eligibility of the project prior to the issuance of the green sukuk. Capital Markets Malaysia administers the Green SRI Sukuk Grant Scheme under which issuers raising funds to finance green projects compliant with the SC's SRI Sukuk Framework are entitled to claim 90% of the actual independent expert review cost subject to a maximum of RM300,000 per issuance.

### Independent Expert Review

RAM Ratings (one of Malaysia's two rating Agencies) set up RAM Sustainability, in May 2000. RAM Sustainability is a provider of sustainability services and ESG analytics. RAM Sustainability is the first ASEAN-based provider of sustainability ratings and second opinions, and has the distinction of being the first Registered Observer of the International Capital Market Associations' Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines in ASEAN.