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Walking the Talk: Bursa Malaysia as an Early Adopter in Catalysing Green Finance

Accelerating and digitalising ESG with Bursa Malaysia's Centralised Sustainability Intelligence Platform

From left to right:
Aina Zahari, Director of Corporate Strategy at Bursa Malaysia; Dato' Abdul Rashid Musa, Group Chief Mobility & Innovation Officer/President of Aerospace Division at UMW; Aadrin Azy, VP of Group Technology & Commercialisation (GTC) at PETRONAS; Neil Pabari, Global Head of Corporate Sustainability Solutions at the Data & Analytics division of the London Stock Exchange Group; Wong Chiun Chiek (CC), Director of Bursa Intelligence at Bursa Malaysia

Globally, the emphasis on and recognition of ESG (environmental, social and governance) factors have grown significantly in recent years, leading to increased demand for transparency on ESG by companies. In response to the growing demand by investors and buyers, enhanced sustainability reporting requirements for Main Market-listed companies will be implemented in phases, starting with the disclosure of common sustainability matters for financial year ending on or after Dec-31, 2023. There is also a need to facilitate comprehensive ESG disclosures by companies including their supply chains, to boost their overall competitiveness and investability.

Recognising this need, Bursa Malaysia, in collaboration with the London Stock Exchange Group, has developed the Centralised Sustainability Intelligence (CSI) Platform — a centralised repository for ESG disclosures. The CSI Platform enables public-listed companies (PLCs) to consolidate and disclose ESG data in a standardised manner, streamlining reporting and enhancing data credibility.

In addition to consolidating sustainability disclosures, the platform offers tools such as the Task Force on Climate-Related Financial Disclosures (TCFD) reporting module and a carbon emission calculator for companies and their supply chains. By creating an ecosystem around the CSI Platform, Bursa Malaysia aims to drive growth and Malaysia's transition to a green economy.

"We envision that the CSI Platform will serve as the national repository for listed companies' sustainability disclosures, encourage effective management of their supply chain's carbon emissions, and incentivise decarbonisation through green financing solutions offered by banks," said Datuk Muhammad Umar Swift, Chief Executive Officer of Bursa Malaysia Bhd.

The CSI Platform encourages companies of all sizes to adopt sustainable business practices, enables stakeholders to make informed decisions based on standardised and comparable ESG data, and supports policymakers in monitoring and shaping the appropriate regulatory landscape. As the scope of sustainability disclosures extends to encompass supply chain emissions and practices, companies are therefore pushed to identify and mitigate risks throughout their supply chain, rather than merely within their operations.

"While the whole ESG disclosure exercise sounds daunting to small- and mid-cap companies, it can facilitate business growth to some extent, where ESG is not yet being sufficiently tapped as a competitive business driver. The CSI Platform allows companies of all sizes to come on this journey as a competitive advantage," says Neil Pabari, LSEG, Global Head of Corporate Sustainability Solutions.

The CSI Platform's Early Adopter Programme (EAP) or its series of ongoing Proof of Concepts (PoCs) aims to assess or refine the functionality of the CSI Platform across various industry sectors in a pilot programme. The PoCs are expected to be completed by year's end, to enable the roll-out of the platform to all PLCs thereafter.

Stakeholders and early adopters of the platform
The CSI Platform, which enables data-driven

UNLOCKING BUSINESS AND FINANCIAL VALUE

The ESG data and disclosures facilitated by the CSI Platform are essential for unlocking financial value and driving sustainable financing. By aligning financial incentives with sustainability performance, companies would be further motivated to improve their ESG practices.

"The CSI Platform will encompass four modular segments: ESG scores for performance monitoring, climate reporting modules for adherence to global standards such as the TCFD, a carbon calculator for Scope 1 to Scope 3 emissions, and a sustainable financing platform. All these components are complementary and have the potential to unlock business opportunities as well as grant companies access to sustainability-linked financing," says Wong Chiun Chiek, Bursa Malaysia's Director of Bursa Intelligence.

With good information and data governance, the platform uncovers high-quality and actionable ESG data that can be utilised to make informed decisions and drive sustainable practices across industries.

Greater emphasis on materiality, climate change in ESG disclosure

In line with the need for standardisation, Bursa Malaysia has recently reviewed and enhanced its sustainability reporting framework. The enhanced framework places greater emphasis on materiality, requiring companies to disclose ESG information that is relevant and significant to their business operations and stakeholders. This emphasis helps companies prioritise their sustainability efforts and report on issues that truly matter to their stakeholders, ensuring the disclosed information is relevant, meaningful and useful for decision-making purposes.

The enhanced framework enables Malaysian PLCs to demonstrate their commitment to international best practices, facilitating engagement with global investors and promoting cross-border investments.

FTSE4Good Ratings and TCFD recommendations

To further drive adoption of ESG best practices, Bursa Malaysia will expand the coverage of the FTSE4Good ESG rating to all Main Market and ACE Market PLCs starting this year.

The FTSE4Good ESG ratings assess companies based on a range of ESG criteria, including climate change, human rights, labour standards and anti-corruption efforts. By participating in the rating process, companies can identify areas for improvement, align their practices with international standards, and demonstrate their commitment to sustainability.

Aligning with an international framework also improves the comparability of Malaysian PLCs' sustainability performance, making them more visible to global investors seeking responsible investment opportunities.

Helena Fung, London Stock Exchange Group, Head of Sustainable Finance and Investment, Asia Pacific, said: "Climate change is something companies can do more about. Examples of what they can do is to set targets across time frames, measure emissions, link pay to performance and environmental risk management."

Another important aspect of ESG standardisation is the adoption of recommendations by the Task Force on Climate-related Financial Disclosures (TCFD).

The TCFD recommendations provide a robust framework for companies to disclose climate-related risks and opportunities. In Malaysia, upcoming local regulations will be aligned with the TCFD framework, further promoting the integration of climate-related disclosures into companies' reporting practices.

Despite the challenges in implementing TCFD, the motivation to disclose high-quality ESG data remains high, especially for PLCs looking to raise capital.

"There is a deeper dive now on environmental and social factors. 78% of investors say they will continue to make investments in ESG even if it reduces profit in the short term," said Chetna Haresh, Ernst & Young Consulting, Director of Climate Change and Sustainability Services.

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> Datuk Umar Swift



decisions, transparency, and collaboration, benefits not only PLCs and investors but also regulators, supply chain partners, financial institutions, and the public.

The platform allows regulators to monitor disclosures and compliance, as well as shape regulatory frameworks, while also simplifying reporting, allowing benchmarking and enhancing transparency for PLCs.

Financial institutions, on the other hand, will get to use ESG data to facilitate green financing, manage risks and support the transition to a greener economy. Conversely, supply chain partners can monitor and encourage sustainability in their operations.

Although the CSI Platform is still in its early days, early adopters of the platform can already envision how it can enhance their credibility to gain competitive edge. Representatives from several corporates and leading banks who are piloting the CSI Platform recently voiced their related objectives and aspirations at the inaugural PLC Transformation Programme’s #DIGITAL.ESG Forum organised by Bursa Malaysia.

UMW Holdings Bhd, a participant in the Early Adopter Programme (EAP) of the CSI Platform, believes that its participation in the PoC can enhance the company’s ESG data management and performance, to attract business opportunities. The programme enables UMW to assess the Scope 3 emissions of their supply chain and assist over 5,000 vendors in reducing their GHG emissions. “With the new platform, we will be able to work towards shaping the group’s ambition to achieve net zero by 2050,” said Datuk Abdul Rashid Musa, UMW, Group Chief Mobility & Innovation Officer/President of Aerospace Division.

On the other hand, PETRONAS, Malaysia’s national oil and gas corporation, said

by leveraging the CSI Platform, it is showcasing its commitment to sustainability and positioning itself as a leader in the energy sector’s transition to cleaner solutions.

“PETRONAS believes this programme is aligned to our overall strategic direction both as a means of realising our net zero carbon aspirations within the group while utilising this platform as a means of bringing to market our clean energy solution,” said Aadrin Azly, PETRONAS, VP, Group Technology & Commercialization.

Banks’ role in CSI Platform to unlock capital

Implementing good ESG practices offers several benefits, including reduced capital costs and business risks, strengthened shareholder position, and increased access to long-term capital. It also improves operational efficiency and enhances corporate stature.

The CSI Platform enables banks to develop green financing products and services that incentivise decarbonisation of the corporate sector and their supply chain.

For example, Malayan Banking Bhd (Maybank), which has committed to mobilising RM80 billion in sustainable finance by 2025, believes the CSI Platform will make it easier for PLCs to disclose standardised ESG data. Additionally, it will enable banks to reach both corporate vendors and suppliers, providing them with greater access to ESG financing, it added.

“This is not about competition between banks. We are doing this for a larger goal, and we want to make sure we are part of the agenda to make sustainable finance available,” says Mario Utama, Managing Director of Global Transaction Banking at Maybank.

Furthermore, Azeem Jamshed Azmi, regional trade financier at CIMB Bank, said, “This CSI Platform is a market-driven idea, and we want to see how we can help businesses along the way. We have to try to take into account globalisation in terms of our products and, of course, this will benefit both sides, the customers and the companies.”



From left to right: Wong Chiu Chiek (CC), Director of Bursa Intelligence at Bursa Malaysia; Lee Kwee Heng, Executive and Managing Director of Tomypak Holdings Berhad; Lyanna Tew, Head of Group Strategic Communications, Sustainability and Corporate Responsibility at Mah Sing Group Berhad; Daphne Ng, Co-Founder and CEO of Dedoco; Diana Gan, Entrepreneur in Residence and Lecturer at INSEAD

INVOLVING COMPANY LEADERSHIP IN THE ESG JOURNEY

Incorporating ESG considerations at the highest level allows companies to drive meaningful change and align sustainability with their long-term business goals. Engagement at the board level ensures sustainability is integrated into the company’s strategic priorities, risk management processes and decision-making frameworks.

Diana Gan, Vice President of the INSEAD Alumni Association, said meeting this agenda requires stimulating conversation among board members. She also points out that each board member has different areas of expertise, and some may require training and education to better understand the significance of different aspects of sustainability measurement or disclosures.

“Another practical thing we do is that we have a WhatsApp group, and we share the training we have attended. This also raises interest and awareness level. So, just within the board itself, simple things like that would already change.”

“For small and medium-sized public companies and SMEs, the very first step to embark upon is education. Go to conferences, come to meetings, to understand what’s out there in the market,” Gan emphasises.

Perspectives from mid- and small-sized companies on digitalisation

The CSI platform is designed to foster an inclusive, vibrant and diverse ecosystem, granting all companies, listed or private, access to its features. This extends to small and medium-sized enterprises (SMEs), providing them with an opportunity to leverage the platform for their sustainability disclosures. However, SMEs often face challenges such as lack of connectivity, a fragmented data ecosystem and varying demands from stakeholders regarding ESG information.

Lee Kwee Heng, Executive Director and Managing Director of Tomypak Bhd, acknowledges such hurdles. He says Tomypak has data stored in spreadsheets and enterprise resource planning (ERP) systems, resulting in disparate data sources. Gathering accurate data from these sources becomes complex and time-consuming.

“The challenge is getting all the accurate data from all the different sources,” Lee said.

Similarly, Lyanna Tew, Head of Strategic Communications, Sustainability and Corporate Sustainability at Mah Sing Bhd, says the company faces data collection challenges, owing to the nature of its business. As a property developer that relies extensively on external contractors and suppliers, Mah Sing deals with data inconsistencies caused by the different calculation systems used by these stakeholders. Moreover, manual data entry through Excel spreadsheets or OneDrive exacerbates the risk of errors.

“Mah Sing has a very small construction arm, and a lot of our construction work is done by external contractors. So, there’s a problem with data collection, because the different job sites, contractors and suppliers give us different calculation systems,” says Tew.

The CSI Platform offers a solution by providing a standardised platform for data collection. This enables companies such as Mah Sing to gather consistent and reliable data from multiple sources.

CALL TO ACTION: EMBRACE DIGITALISATION FOR ESG EXCELLENCE

Digitalisation presents significant opportunities for businesses of all sizes, be it a listed company, private enterprise, large cap corporation or an SME. It has the potential to drive ESG excellence, sustainable growth and competitive advantage.

The CSI Platform is an integrated solution that allows companies to streamline ESG data management for efficient reporting and analysis. By leveraging this platform, companies can unlock valuable insights, improve reporting capabilities and decision-making, and enhance overall sustainability performance at minimal cost across the value chain.

Nonetheless, it is crucial to emphasise the importance of internationally aligned ESG data management standards. Adhering to these standards ensures that the company’s ESG data is compatible and comparable on a global scale. This alignment also empowers their supply chain to compete effectively in the increasingly interconnected and globalised economy.

Embracing digitalisation for ESG excellence is not just a necessity; it is an opportunity for companies to differentiate, attract responsible investors and establish themselves as leaders in sustainability.

Bursa Malaysia encourages companies of all sizes to ensure sufficient committed resources are focused on sustainability, and to step up and leverage the ESG digital tools available to begin assessing and disclose the company’s ESG practices and climate impact in a comprehensive manner. As evidenced by many leading companies, and as signalled by global trends, strength and transparency in ESG are increasingly becoming a prerequisite to be part of global supply chains. Bursa Malaysia will continue to work closely with companies, regulators, and key agencies locally and internationally, to forge harmonisation and centralisation of ESG data, to drive a more efficient and simpler process for all stakeholders.