JC3 Flagship Conference 2021

#FinanceForChange

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Chairman, Bursa Malaysia Berhad

25 June 2021

Joint Committee on Climate Change

Presentation to be done in 4 parts…

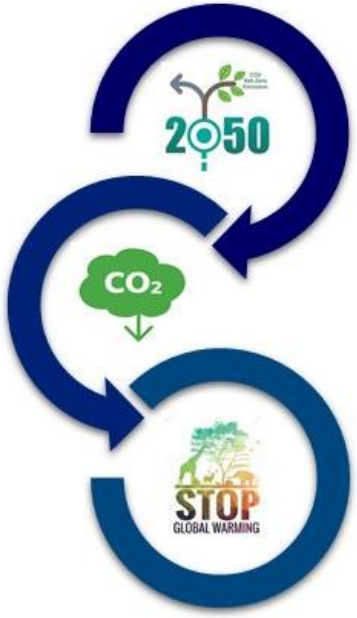
1. **The Big Picture:** Climate Change & Global Commitment Towards Net-Zero
2. **Key Developments** in the Capital Market & the case for Sustainability/ESG
3. **Bursa Malaysia's** role in advocating sustainability
4. **The Way Forward:** Pathways to net-zero

With COP, climate change has evolved to become a global priority

UN CLIMATE CHANGE CONFERENCE UK 2021

IN PARTNERSHIP WITH ITALY

The COP26, jointly chaired by Italy and the UK aims to raise the ambitions of emissions reduction pledges internationally, and will bring parties together towards the goals of the Paris Agreement and the UN Framework Convention on Climate Change (UNFCCC)



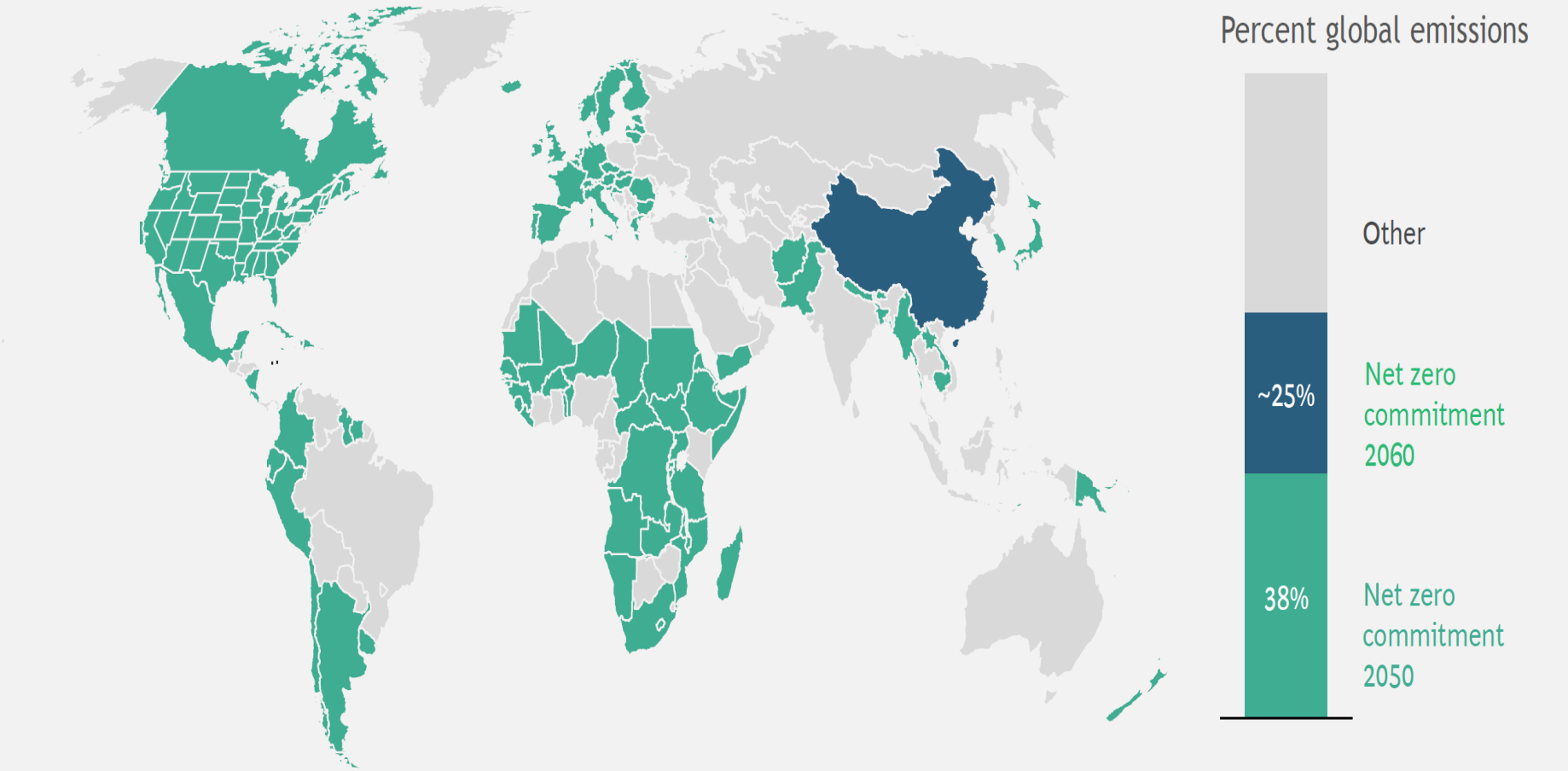
Secure global Net Zero by 2050

Halve net emissions by 2030

Keep global warming within 1.5°C

127 countries targeting carbon neutral by 2050

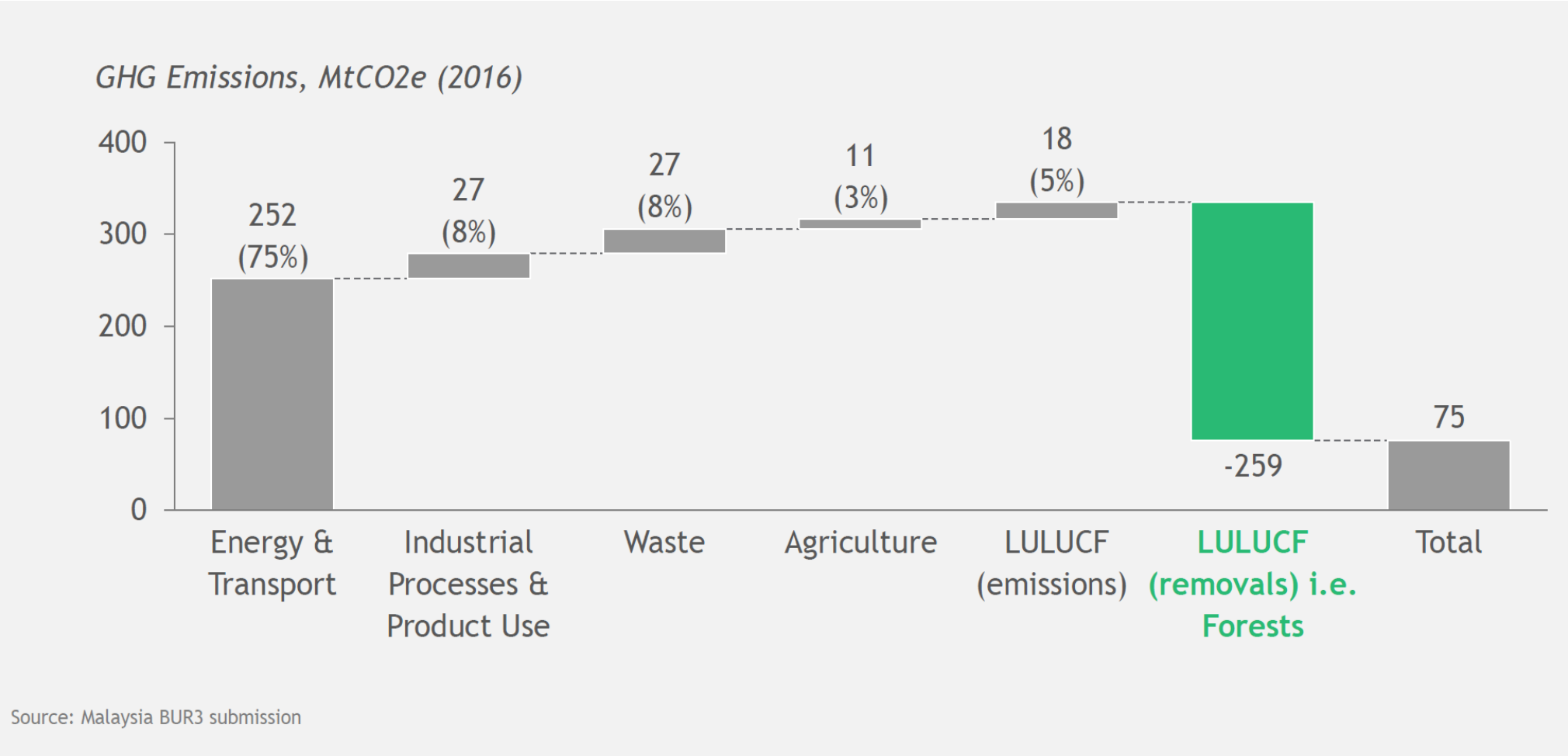
The UK has set the most ambitious climate change target into law to reduce emissions by 78% by 2035 compared to 1990 levels, building on the earlier target of 68% reduction by 2030.



1. Share of GHG emissions covered by countries that have announced net zero emission targets (agreed in law, as part of an initiative, or under discussion) 2. Assumes Biden administration follows through on net zero commitment made during election campaign
Source: COP25, CAIT from WRI and Eurostat, EDGAR, BCG analysis

75% of Malaysia's GHG emissions are driven by energy and transport sectors

Malaysia is fully committed to being a key part of the global transition to a low carbon, and eventually carbon-neutral, with ambitions of achieving this by 2050, and has already pledged to cut national carbon emission intensity by 45% by 2030 based on 2005 levels.



Source: Malaysia BUR3 submission

To achieve the targets, countries need to commit to…

Accelerate the phase-out of coal and encourage investment in renewable energy

- *Coal is the single most significant source of global temperature increases to date. Scientists say if we want to meet the Paris Agreement's 1.5°C target, coal needs to be phased out globally by 2040*
- *The continuous emission reduction in the short term shall be supported by increasing renewable energy installed capacity, hydrogen as energy offsets, as well as nature-based carbon offsets.*

Optimise energy demand and speed up the switch to electric vehicles

- *Leveraging technology as a strategy and solution e.g. energy storage, use of gas and wind turbines for power generation, electric vehicles, etc.*
- *Technological innovations need to progress towards more cost-effective solutions, and consumers and investors need to embrace the energy transition and approach sustainability in a holistic way.*

Curtail deforestation

- *Forest-based carbon offsets as a viable and feasible solution to consider towards its 2050 target.*

Failure to accelerate our action will result in temperatures to keep rising, catastrophic flooding, bush fires, extreme weather and destruction of species.

Let’s not repeat the mistake in the extinction of Sumatran Rhinoceros in Malaysia

Malaysia's last Sumatran rhino Iman dies, species now extinct in the country

TheStar

KOTA KINABALU: The Sumatran rhino is now extinct in Malaysia, as the last known specimen, a cancer-ridden female named Iman died at the Borneo Rhino Sanctuary on Saturday (Nov 23).

…. do all we can to save the Malayan Tiger

To speed up the transition to net zero will require significant funding from public and private finances

Developed countries to honour their promise to mobilise at least US$100 billion in climate finance per year

- The UK and the US are the only two G7 countries to have set out proposals to increase climate finance *(Source: The Guardian, 3 June 2021)*
- Role of public sector through policy and incentives; role of private sector to promote climate finance in investment portfolios

Unleashing the trillions in private finance is needed to secure global net zero by 2050

- The transition to Net Zero creates greatest commercial opportunity. The benefits of shifting to a low-carbon pathways are estimated at US$26 trillion by 2030
- The financial sector and real economy are increasingly focused on implementing plans. International private financial flows to emerging and developing countries are limited but critical

Creates demand for ESG and Islamic funds moving forward

- Responsible and impact investing: Sustainable financing for future - The global energy transition to a low-carbon economy is in line with giving back to the people and planet
- Approach to ESG financing combined with Islamic financing could play an important role in supporting this global transition

BNM and SC are leaders in creating the JC3, and KASA leading the NDC efforts

Government

BNM: Developed a classification system of economic activities to promote financial flows to climate actions

KASA: Developed a 10-year plan for green growth (incl. carbon intensity reduction, green investment and jobs)

SecCom: Outlined guidance for BoD to address ESG risks and opportunities

MyCAC: Outlined six approaches towards climate change & will implement Low Carbon Mobility Dev. Plan 2021-2030

EPU: Minister states that Malaysia aspires to be carbon neutral by focusing on low-carbon and climate-resilient economy

Corporate

PETRONAS: Declared aspiration to achieve net zero carbon emissions by 2050

MAG: MAG launched sustainability blueprint, with the aim to achieve net zero carbon emissions by 2050

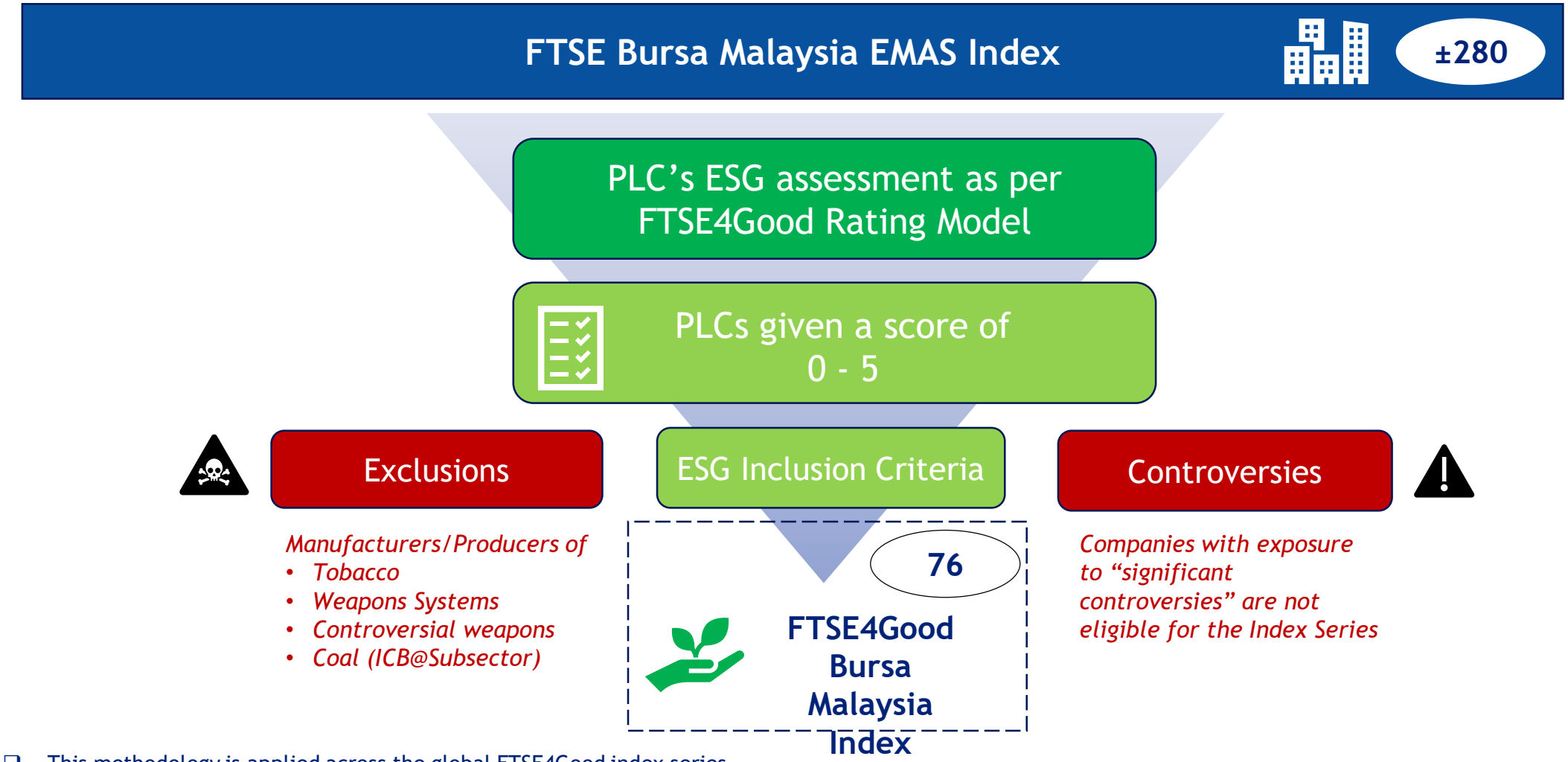
Maybank: Committed to stop financing new coal activities as well as RM 50 billion in sustainable financing.

Sime Darby Property: Has set ambitions to be operationally carbon negative by 2030

CIMB: Helped MoF launch Sustainability sukuk, for social and green projects aligned to the UN SDGs

Source: BCG research and analysis

Bursa Malaysia continues to promote sustainability with the FTSE4Good Bursa Malaysia Index

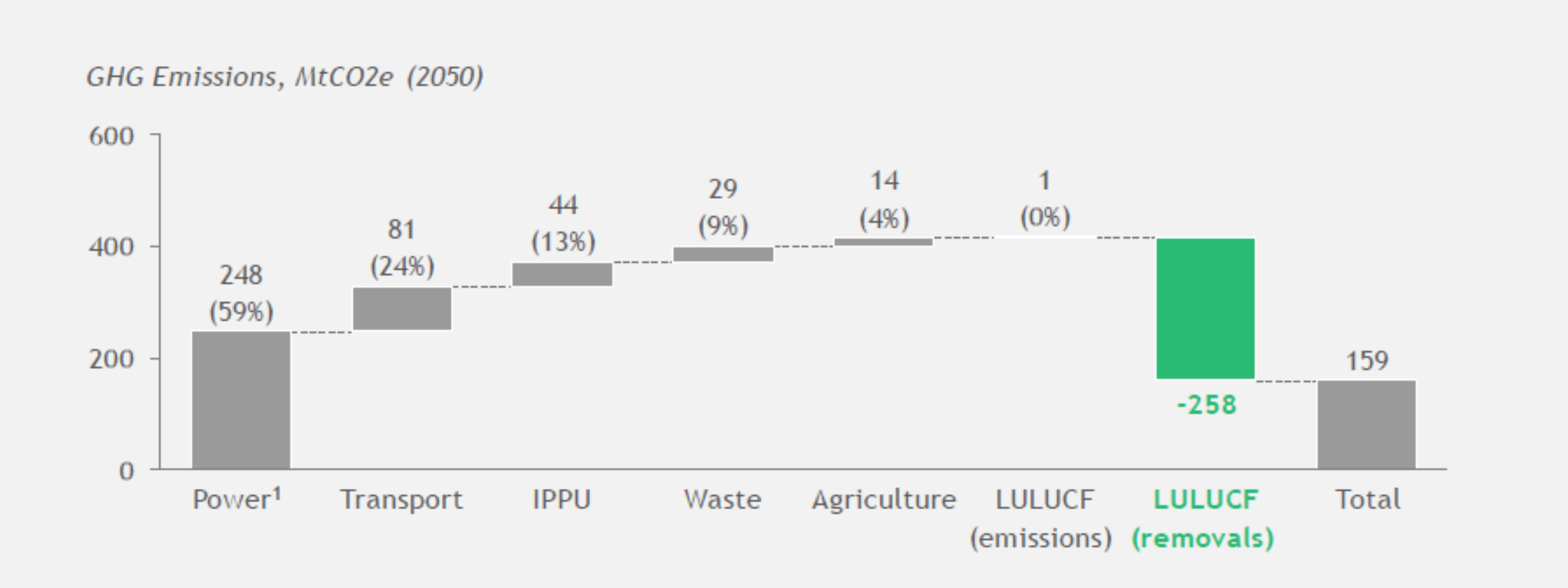


- This methodology is applied across the global FTSE4Good index series.
- Sector exclusions are only for **Tobacco, weapons and coal producers**.
- The FTSE4Good Committee (based in UK) is responsible for overseeing the ESG criteria.

Bursa Malaysia's initiatives to drive PLC ESG strength

Establish ESG-related rules/ recommendations on par with international standards	• Provisions within our Listing Requirements that revolve around Corporate Governance and sustainability e.g. Sustainability Disclosure Framework in 2015 for Main & ACE Markets, LEAP LR Anti-corruption and Whistleblowing Measures in 2020
Comprehensive, enhanced Sustainability Reporting guides	• Sustainability Reporting Guide (2nd Edition) and related toolkits in 2017, CG Guide (3rd Edition) in 2018, Reader Friendly Guide in 2019, etc.
Annual reviews of PLCs' Sustainability Statements/Reports	• Bursa provides individual written feedback to improve practices as well as close identified gaps
Education via advocacy programmes	• Ongoing efforts to conduct numerous, varied programmes covering issues such as Anti-corruption, Director Independence, Cyber Security, Internal Audit, Climate Change and Sustainable Development • Developing Corporate Sustainability Practitioner Framework
Launched BURSASUSTAIN	• One-stop online knowledge repository for Corporate Governance, sustainability and responsible investment to enhance the awareness/knowledge of PLCs on the latest issues/developments in the aforementioned areas
Collaborations with the ecosystem to enact positive changes	• Participation and contribution to various multi-stakeholder platforms such as SC CG Council, Joint Committee on Climate Change (JC3), Corporate Integrity System Malaysia (CISM) Roundtable, 30% Club Malaysia, etc.

WWF/BCG Pathways to Net-Zero Study – BAU emissions to double by 2050



1. Refers to emissions from Power, Fugitive Emissions and other energy-related emissions
   IPPU: Industrial processes and product use; LULUCF: land-use, land-use change, and forestry

Source: BCG analysis

The most cost-optimal way to reach net-zero by 2050

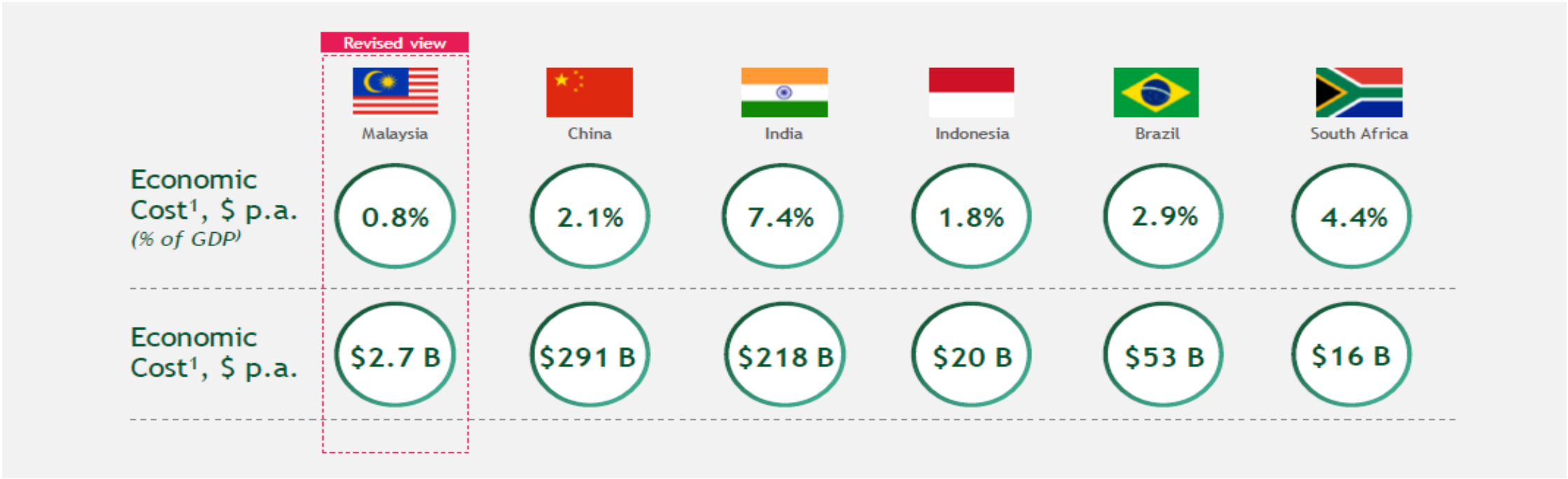
Net-zero by 2050

Represents the most cost-optimal way to reach net-zero by 2050

Delivering the planned government carbon reduction roadmap, some further reasonably achievable levers, and further levers in order of cost

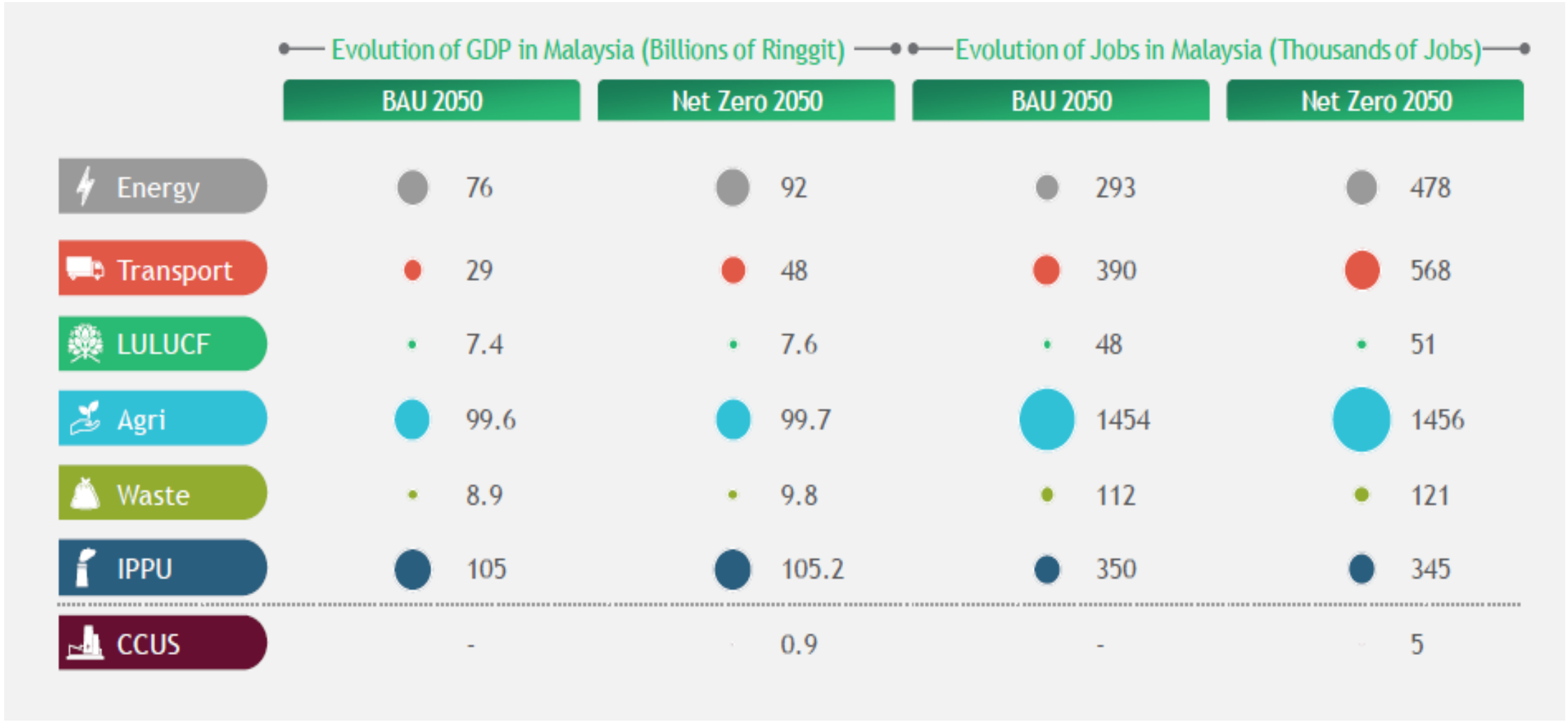
- 100% EV penetration
- 57% renewables in the power matrix
- 55% forest cover in 2050
- Limited CCUS required

Climate investments needed for Malaysia is ~1% of GDP to 2050 and is proportionally lower than other countries



Source: BCG analysis

Benefits – RM40b in incremental GDP and 0.4m jobs by 2050



Source: BCG analysis


Build Back Better…
and
GREENER