

23-25 JUNE 2021

REPORT BY JC3 SUB-COMMITTEE 4 ON ENGAGEMENT & CAPACITY BUILDING

An initiative by

BANK NEGARA MALAYSIA
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ABOUT JC3 FLAGSHIP CONFERENCE 2021

#FINANCEFORCHANGE

The implications of climate change on financial stability can no longer be ignored. The financial sector has both the responsibility and ability to improve its preparedness to manage the impacts of climate change, as well as mitigate environmental, social and governance risks while supporting the transition towards a low carbon economy through its products and services.

As part of its efforts to further engage and build industry capability, the JC3 hosted the JC3 Flagship Conference on 23-25 June 2021.

This virtual conference aimed to accelerate sustainable development and drive action within all Financial Institutions (FI) in Malaysia as well as stakeholders in their value chain.

The Flagship Conference hosted over 6,300 participants from over 400 companies, including board members, CEOs, senior management and practitioners, as well as FI clients, investees and other value chain players.



Source: Unsplash, @esmonde

PRESENTATION MATERIALS & PUBLISHED RECORDINGS

The conference recordings are available at the links below:

- Day 1 Morning
- Day 1 Practical Breakout: Institutional Banking
- Day 1 Practical Breakout: Consumer Banking
- Day 1 Practical Breakout: Asset Management
- Day 1 Practical Breakout: Insurance and Takaful
- Day 1 Practical Breakout: Ancillary Services
- Day 2
- Day 3

Featured videos:

- Caring for our planet – Sir David Attenborough
- Minister of Finance's speech – YB Senator Tengku Datuk Seri Utama Zafrul bin Tengku Abdul Aziz
- BNM Governor's keynote – Datuk Nor Shamsiah Binti Mohd Yunus
- SC Chairman's keynote – Datuk Syed Zaid Albar
- Bursa Malaysia Chairman's keynote – Tan Sri Abdul Wahid Omar
- Call to Action – Tan Sri Dr. Jemilah Mahmood

Additionally, all speakers' presentations are available at this link.

FOREWORD BY JC3 SC4 CHAIR

It is amazing to see what can be achieved and made possible when hearts and minds unite. The Flagship Conference and this Flagship Report has been brought about thanks to many individuals sharing a connection on social and environmental matters, working in their spare time to make the event happen and therefore this important document available. Thank you to them, and thank you to you for spending time reading this report.

The financial services sector plays a critical role in supporting sustainable business activities. From embracing the United Nations Sustainable Development goals to developing the Value-Based Intermediation, the financial institutions, Bank Negara Malaysia and the Securities Commission have made positive strides in accelerating sustainable development and supporting the transition towards a low carbon economy. The achievements by the financial industry must be sustained with strategic plans and relentless execution to shift the nature of capital and increasingly direct it in more sustainable ways.

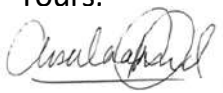
Since the Joint Committee on Climate Change by Bank Negara Malaysia and the Securities Commission (JC3) was established in 2019, it has contributed towards building climate resilience within the Malaysian financial sector. In 2020, the JC3 sub-committees achieved several key initiatives including the pilot implementation of the Climate Change and Principles-Based Taxonomy developed for financial institutions. The Securities Commission also plans to release a public consultation paper on Sustainable and Responsible Investment Taxonomy by end of 2021 to provide more clarity and guidance in identifying sustainable investment assets or activities.

Despite the backdrop of the global Covid-19 pandemic we find ourselves in, JC3 organised its Flagship Conference, #FinanceForChange, which gathered bright minds and key decision makers from the financial sector and beyond to move the conversations surrounding environmental, social and governance ("ESG") issues forward. This Flagship Report captures notable highlights from the Flagship Conference. The JC3 Sub-Committee 4 on Engagement & Capacity Building has taken succinct notes on each of the keynotes, panel discussions, case studies, and fireside chats to make it easy for readers to find something they can do today to make a difference, a cheat sheet if you will.

The financial institutions have recognised that ESG responsibilities have to be embedded at the core of each organisation. With clear call-to-action and plans spelled out at the conference and in the report, the financial industry is committed to driving the climate resilience agenda to new heights and conduct business in a way that also benefits the people.

I sincerely hope you find something in this report that helps you not only enable a better tomorrow but doing something different today.

Yours.



Arsalaan Ahmed (Oz)
Chief Executive Officer, Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
Chair of the JC3 Sub-Committee 4, Engagement & Capacity Building

AGENDA DAY 1: SUSTAINABILITY AS A BUSINESS STRATEGY FOR FINANCIAL INSTITUTIONS (FIRST HALF)

Date: 23 June 2021 (Wednesday)

Time	Topics
9.00am	**Context setting: Caring for our planet** • *Sir David Attenborough, Broadcaster and Naturalist*
9.15am	**Opening keynote** • *Datuk Nor Shamsiah binti Mohd Yunus, Governor, Bank Negara Malaysia*
9.35am	**Call to action: COP26 and private finance for net zero** • *Ken O'Flaherty, COP26 Regional Ambassador: Asia-Pacific and South Asia*
10.05am	**Panel session:** The role of finance • *Dr. Pakorn Peetathawatchai, President, The Stock Exchange of Thailand* • *Dato' Seri Ir. Dr. Zaini Ujang, Secretary General, Ministry of Environment and Water Malaysia* • *Joanne Lee, Sustainable Finance Specialist, WWF* • *Moderator: Arsalaan Ahmed, CEO, Al Rajhi Bank Malaysia*
10.50am	Break
11.00am	**Fireside chat: Sustainability as a strategy** • *Teoh Su Yin, Senior Independent Director, CIMB Group* • *Shayne Elliot, CEO, ANZ Bank* • *Moderator: Mathew Nelson, Global Climate Change and Sustainability Services Leader, EY*
11.30am	**Panel session: Sustainability principles and resources** • *Yuki Yasui, Asia Pacific Region Coordination Manager, UNEP FI* • *Butch Bacani, Programme Leader, Principles for Sustainable Insurance Initiative* • *Matthew McAdam, Director, Asia Pacific, Principles for Responsible Investment* • *Moderator: Adriana Kocornik-Mina, Metrics and Research Senior Manager, Global Alliance for Banking on Values*
12.30pm	Lunch

AGENDA DAY 1: SUSTAINABILITY AS A BUSINESS STRATEGY FOR FINANCIAL INSTITUTIONS (SECOND HALF)

Date: 23 June 2021 (Wednesday)

Institutional Banking	
1.30pm	**Examining the past, visualising the future** – by EY
2.30pm	**Environmental and social risk management at the transaction level** • *Ryan W. Bjorkquist, Director, Environmental and Social Risk Management, Standard Chartered Bank*
3.30pm	Break
3.45pm	**Transaction level case study** • *Roger Charles, Executive Director, Environmental and Social Risk Management, Standard Chartered Bank*
4.45pm	**Sustainable finance opportunities and client engagement** • *Pierre Rousseau, Strategic Advisor, Sustainable Business, BNP Paribas*
5.30pm	**Wrap up session** • Gilles Pascual, Strategy and Transaction Leader, EY
5.40pm	End

Consumer Banking	
1.30pm	**Examining the past, visualising the future** – by EY
2.30pm	**Applying sustainability in retail banking** • *Bas Ruter, Director of Sustainability, Rabobank*
3.10pm	**Leveraging sustainability from Islamic Banking** • *Mohd Muazzam Mohamed, CEO, Bank Islam Malaysia Bhd*
3.30pm	Break
3.45pm	**Sustainability risk in retail banking** • *David Carlin, TCFD Lead, UNEP FI*
4.15pm	**Financial inclusion** • *Antoni Ballabriga, Global Head of Responsible Business, BBVA*
4.55pm	**Supporting vulnerable customers** • *Todd Stevenson, Chief Member Outcomes Officer, Colonial First State (CFS)*
5.25pm	**Wrap up session** • *Rafe Haneef, CEO of Group Transaction Banking / Group Chief Sustainability Officer, CIMB*
5.35pm	End

Asset Management	
1.30pm	**Examining the past, visualising the future** – by EY
2.30pm	**Resilient and sustainable portfolios** • *Marie Gauthier, Assistant Vice President, Asia Sustainable Finance, WWF*
3.00pm	**Operationalising sustainability in operations** • *Daniel Ng, Investment Manager Asian Equities, Aberdeen Standard Investments*
3.45pm	Break
3.55pm	**Case study** • *Louise Kooy-Henckel, Managing Director, Wellington Management*
4.55pm	**Sustainable investment: what do your clients actually want?** • Nicola Stefan Koch, Deputy *Head of Retail Investment, The 2° Investing Initiative (2DII)* • *Constanze Bayer, Senior Analyst, The 2° Investing Initiative (2DII)*
5.25pm	**Wrap up session** • *Angelia Chin-Sharpe, CEO and Country Head, BNP Paribas Asset Management*
5.35pm	End

Insurance and Takaful	
1.30pm	**Examining the past, visualising the future** – by EY
2.30pm	**Applying sustainability in insurance** • *Junior Cho, CEO, Zurich General Insurance Malaysia Bhd*
3.15pm	Break
3.30pm	**Understanding sustainability risk** • *Marcel Omar Papp, Head of Reinsurance, SwissRe Malaysia*
4.15pm	**Value-based intermediation (VBI) for Takaful and its applications** • *Elmie Aman Najas, Chairman, Malaysian Takaful Association (MTA)*
5.00pm	**Journey towards sustainable investment** • *Luisa Evaristo, Chief Risk Officer, Etiqa Insurance and Takaful* • *Norlia Mat Yusof, Chief Investment Officer, Etiqa Insurance and Takaful*
5.45pm	**Wrap up session** • *Marcel Omar Papp, Head of Reinsurance, SwissRe Malaysia*
5.55pm	End

Ancillary Services	
1.30pm	**Examining the past, visualising the future** – by EY
2.30pm	**Legal and compliance** • *Kala Anandarajah, Partner, Head of Competition & Antitrust and Trade, Rajah & Tann Singapore LLP*
2.50pm	**Building and facilities management** • *Michael Long, Head of Sustainability, Lendlease Asia*
3.10pm	**Procurement** • *Fredrik Andersen, Corporations & Supply Chains Lead, CDP*
3.30pm	Break
3.45pm	**Human resources** • *Karlijn van den Berg, Transformation Lead, ABN Amro Bank N.V.*
4.05pm	**Branding, marketing and communications** • *Juan Aranols, CEO, Nestle Malaysia*
4.35pm	**Wrap up session** • *Usman Ahmed, CEO, Citibank Berhad*
4.45pm	End

AGENDA DAY 2: JC3 OUTCOMES AND IMPLICATIONS FOR FINANCIAL INSTITUTIONS

Date: 24 June 2021 (Thursday)

Time	Topics
9.00am	**Keynote** • *Datuk Syed Zaid Albar, Executive Chairman, Securities Commission Malaysia*
9.15am	**Insights: BNM Climate Change and Principles-based Taxonomy: What this means for FIs** • *Hong Chin Pheng, Deputy Director, Financial Conglomerates Supervision Department, Bank Negara Malaysia*
9.35am	**Discussion session: Application and operationalisation of the Taxonomy** • *Tigor M.Siahaan, President and CEO, CIMB Niaga* • *Eqhwan Mokhzanee, CEO, AmBank Islamic Berhad* • *Moderator: Wei Zhang, Senior Financial Sector Specialist, The World Bank*
10.20am	**Panel session: Impact of the Taxonomy** • *Eugene Wong, CEO, Sustainable Finance Institute Asia Limited* • *Leonard Ariff Bin Abdul Shatar, Group Managing Director, DuoPharma Biotech* • *Moderator: Fraziali Ismail, Assistant Governor, Bank Negara Malaysia*
10.50am	Break
11.05am	**Insights and discussion: Changing ESG disclosure requirements in the Malaysian context** • *Julian M Hashim, CEO, Bursa Malaysia Regulations Sdn Bhd*
11.30am	**Masterclass: Evolving sustainability risk disclosure and practices** • *Arina Kok, Director of Climate Change and Sustainability Services, EY*
12.15pm	**Discussion session: Task Force on Climate-related Financial Disclosures (TCFD)** • *Rosemary Bissett, Head of Sustainability Governance and Risk, National Australia Bank* • *Moderator: Arina Kok, Director of Climate Change and Sustainability Services, EY*
12.45pm	Lunch

Time	Topics
1.45pm	**Masterclass:** Sustainable finance products and innovation • *Gilles Pascual, Strategy and Transaction Leader, EY*
2.45pm	**Panel session: Sharing experience on sustainable finance product development** • *Tan Ai Chin, Managing Director, Senior Banker Client Coverage & Head of Global Investment Banking, OCBC Bank (Malaysia) Berhad* • *Jo Ann Eala, Vice President , Head of Sustainability Office, Bank of Philippine Islands* • *Yulanda Chung, Head of Sustainability, DBS Bank* • *Moderator: Mushtaq Kapasi, Managing Director, Chief Representative for Asia Pacific, ICMA*
3.45pm	Break
4.00pm	**Fireside chat: The national agenda on sustainability** • *Dr. Nagulendran Kangayatkarasu, Deputy Secretary General, Ministry of Environment and Water Malaysia* • *Moderator: Datin Seri Sunita Rajakumar, Founding Chairperson, Climate Governance Malaysia*
4.45pm	**Call to action: The power is in your hands** • *Lewis Pugh, United Nations Ocean Advocate*
5.15pm	**Closing plenary: Fostering a sustainability landscape in public finance** • *YB Tengku Datuk Seri Utama Zafrul bin Tengku Abdul Aziz, Minister of Finance, Ministry of Finance Malaysia*
5.45pm	**Wrap up session** • *Elena Almeida , Prosperity Programme Adviser, British High Commission*
5.55pm	End

AGENDA DAY 3: SUSTAINABLE FINANCE FOR THE PRIVATE SECTOR

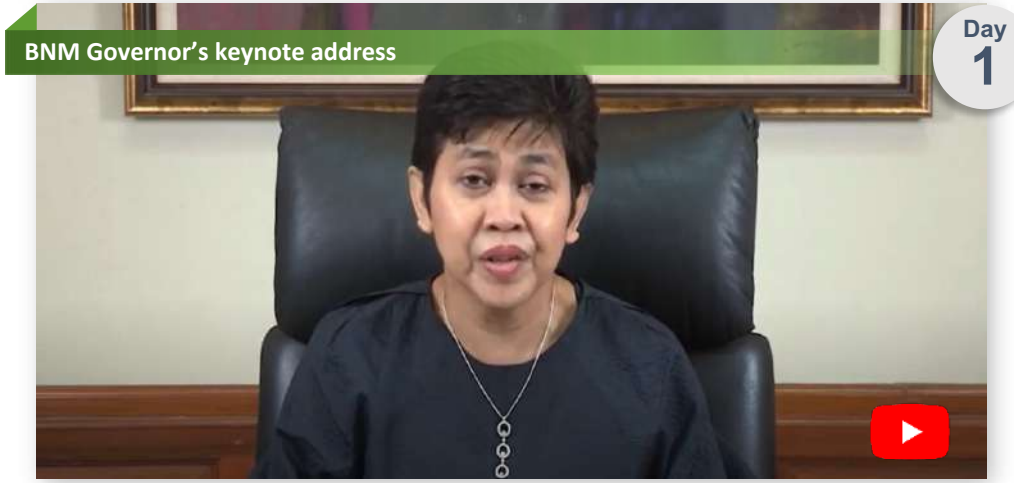
Date: 25 June 2021 (Friday)

Time	Topics
9.00am	**Keynote** • *Tan Sri Abdul Wahid Omar, Chairman, Bursa Malaysia*
9.15am	**Call to action: COVID-19 was just the dress rehearsal** • *Tan Sri Dr. Jemilah Mahmood, Special Advisor on Public Health to the Prime Minister of Malaysia*
9.35am	**Investor panel session: Sustainability is no longer an option** • *Datuk Seri Amir Hamzah Azizan, CEO, Employees Provident Fund* • *Jenn Hui Tan, Global Head of Stewardship and Sustainable Investing, Fidelity International* • *Tan Sri Azman Mokhtar, Board Member, International Centre for Education in Islamic Finance (INCEIF)* • *Moderator: Salmah Bee Mohd Mydin, Executive Director, Market Development, Securities Commission Malaysia*
10.20am	Break
10.30am	**Banking panel session: Changing ESG and climate requirements from banks** • *Stuart Milne, CEO, HSBC Malaysia* • *Shahril Azuar Jimin, Chief Sustainability Officer, Maybank* • *Moderator: Helena Fung, Head of Sustainable Investment Asia Pacific, FTSE Russell*
11.15am	**Panel session: Leveraging on sustainable finance for green growth** • *Sharif James Zainal Aziz, Head of Group Corporate Sustainability Safety & Sustainability Department, Sime Darby Property Bhd* • *Thomas Tsao, Founding Partner, Gobi Partners* • *Iain Henderson, Managing Director, Asia Pacific Private Credit, ADM Capital* • *Moderator: Dato Rauf Rashid, Country Managing Partner, EY*
12.00pm	**Call to action: Businesses role in tackling climate change** • Maayke-Aimée Damen, Founder, Excess Materials Exchange
12.30pm	End

HIGHLIGHTS



Speaker: Sir David Attenborough



Speaker: Datuk Nor Shamsiah binti Mohd Yunus



Speaker: Datuk Syed Zaid Albar



Speaker: YB Tengku Datuk Seri Utama Zafrul bin Tengku Abdul Aziz

HIGHLIGHTS

Call to action: The power is in your hands

Day 2



Speaker: Lewis Pugh

Keynote speech

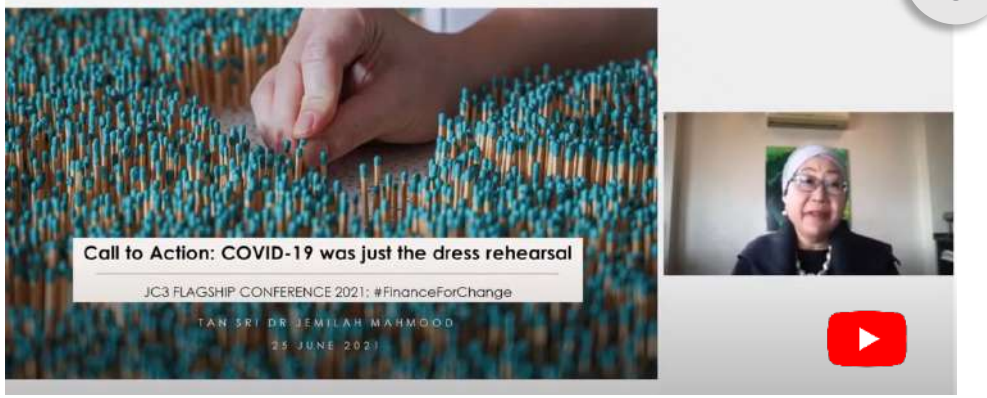
Day 3



Speaker: Tan Sri Abdul Wahid Omar

Call to action: COVID-19 was just the dress rehearsal

Day 3



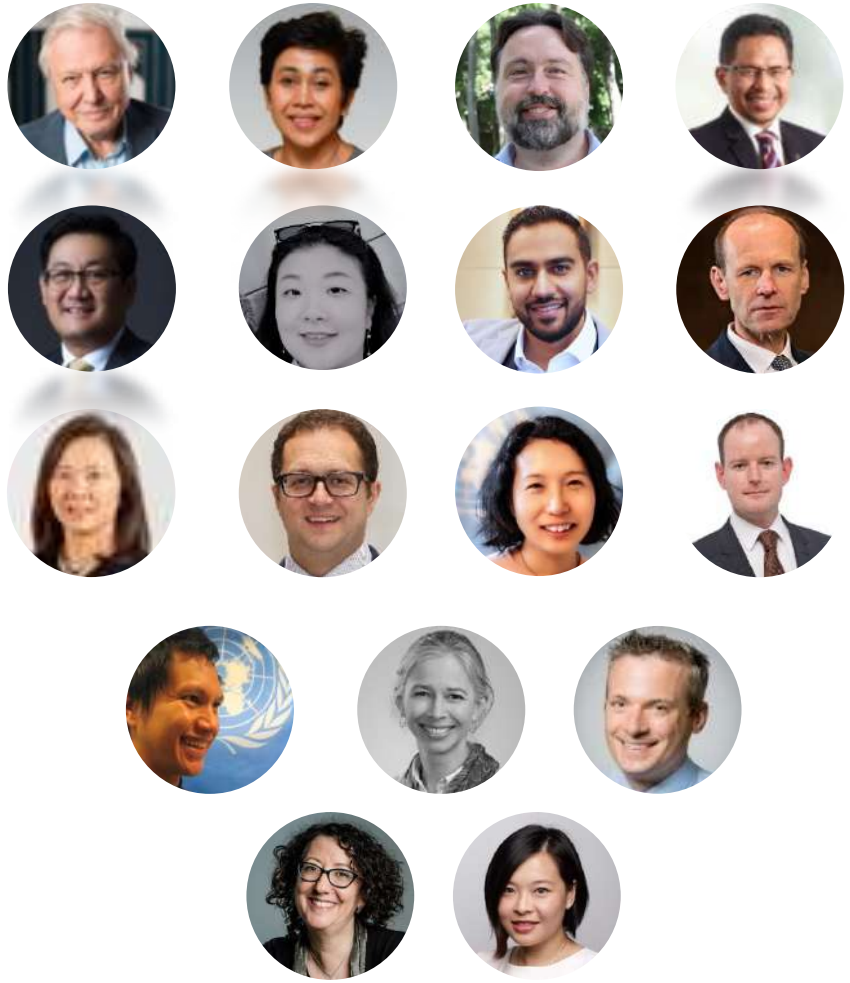
Speaker: Tan Sri Dr. Jemilah Mahmood

Day
1

DAY 1 MORNING SESSIONS

Sustainability as a business strategy for financial institutions

9.00 am	**Context setting:** Caring for our planet
9.15 am	Opening keynote
9.35 am	**Call to action:** COP26 and private finance for net zero
10.05 am	**Panel session:** The role of finance
11.00 am	**Fireside chat:** Sustainability as a strategy
11.30 am	**Panel session:** Sustainability principles and resources
1.30 pm	Examining the past, visualising the future



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Sir David Attenborough

Broadcaster and Naturalist

"All of us, no matter who we are, have the responsibility to care for the planet. The future of all humanity now depends on us, and on none more than you, in the world of finance."

CARING FOR THE PLANET



Sir David Attenborough
Broadcaster and Naturalist

Day 1, 23rd June 2021 (09.00 am to 09.15 am)

Key Takeaways/Messages:

- ASEAN is the site of valuable ecosystems, but is also the site of its degradation. Borneo has lost its rainforest at the fastest rate in the world, with 30% loss in the last 40 years. In the same time period, Thailand and Vietnam lost half their mangrove forests, which has resulted in the loss of protection from tidal waves and storms for their coastal and urban areas.
- At the moment, nature loss is not irreversible, and nature can recover provided that sufficient action is taken, such as through mangrove replanting, rainforest rehabilitation and establishment of urban green spaces to continue performing its role in temperature and flood regulation. ASEAN has played a central role in the recovery of nature and must continue to do so.
- The world must be rebuilt greener after Covid-19. By working together, global temperatures can be limited to 2 degrees to avert a global catastrophe. As the host of COP26, the UK is calling for urgent action to put the protection of nature and biodiversity at the centre of climate policies.
- Financial institutions are in a strategic position to drive change and to put the world on track to meet the Paris Agreement targets. Actions must be taken now to avoid the irreversible effect of climate change.





Datuk Nor Shamsiah binti Mohd Yunus

Governor, Bank Negara Malaysia

"As the lifeblood of the economy, the response of the financial sector is crucial on several levels – (i) to safeguard the resilience of the financial system through the identification and management of climate-related risks; (ii) to direct financial flows to low-carbon activities; and (iii) to support the transition by economic agents through appropriate financial and risk solutions."

OPENING KEYNOTE (1/2)



Datuk Nor Shamsiah binti Mohd Yunus
Governor, Bank Negara Malaysia

Day 1, 23rd June 2021 (09.15 am to 09.35 am)

Key Takeaways/Messages:

- Introducing frameworks for the identification and classification of economic activities that meet climate objectives and are environmentally sustainable: Climate Change and Principle-based Taxonomy, sectoral guides under the Value-based Intermediation Assessment Framework (VBIAF), the VBI Takaful Framework (VBITF).
- Strengthening practices in the treatment and disclosures of climate risks by financial intermediaries: Guidance Documents on Climate Risk Management and Scenario Analysis and Application Guide for TCFD.
- Ramping up engagement and capacity building efforts to support climate action and risk management in the financial sector: JC3 contributes to the formulation of national climate policies to promote alignment with the financial sector's response to climate risks, and working with selected knowledge partners, will continue to deepen its stack of technical programmes.
- Identify and address critical data gaps in climate and environmental risks-related information: A new JC3 sub-committee on data was established earlier this year.

OPENING KEYNOTE (2/2)



Datuk Nor Shamsiah binti Mohd Yunus
Governor, Bank Negara Malaysia

Day 1, 23rd June 2021 (09.15 am to 09.35 am)

Key Takeaways/Messages:

- Exploring various options to encourage better risk management approaches by outlier institutions - including through Pillar 2 capital requirements and supervisory assessments to reflect an inadequate consideration of climate risks.
- A four-year plan to prepare for industry-wide climate change stress tests at the counterparty level, supported by modelling of the macroeconomic impact of climate shocks based on defined climate scenarios.
- Plans for mandatory climate-risk disclosures by financial institutions in consultation with the financial industry.
- The financial sector can fund more sustainability initiatives and incentivise investments in low carbon sectors, e.g. projects under (i) the National Investment Aspirations (NIA) framework, (ii) the Malaysian Climate Action Council (MyCAC)'s plan for Malaysia to be a hub in green economy, services and technology, and (iii) the Low Carbon Mobility Development Plan 2021-2030.
- In combining concessional financing and commercial funding, blended finance approaches can avoid excessive debt loads that could increase future risks. There are also significant opportunities for financial institutions to support a green recovery from the pandemic through the provision of transition financing linked to sustainable practices.



Ken O'Flaherty

COP 26 Regional Ambassador
(Asia-Pacific and South Asia)

JC3 Joint Committee on Climate Change

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Suruhanjaya Sekuriti
Securities Commission
Malaysia



"It is estimated that disruptions from climate change like hurricanes, wildfires and flooding cost over GBP250 billion every year. Those events cost lives, incomes and property. Flooding in the UK in 2014 cost our economy GBP40 million, and floods in Malaysia in the same year were estimated to cost the Malaysian economy GBP439 million. As climate change impacts worsen, such costs will increase significantly. When it comes to climate change, the cost of inaction could far outweigh the cost of action."

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CALL TO ACTION: COP26 & BUILDING A PRIVATE FINANCE SYSTEM FOR NET ZERO (1/3)



Ken O'Flaherty

Regional Ambassador to Asia-Pacific and South Asia, COP26

Day 1, 23rd June 2021 (09.35 am to 10.05 am)

Key Takeaways/Messages:

- The cost of inaction far outweighs the cost of action. Solar and wind are already cheaper than fossil fuels in ⅔ of the world, and are expected to undercut coal globally by 2030.
- The global trade market in low carbon goods and services is expected to grow from GBP150 billion in 2015 to between GBP2.8 trillion and GBP1.5 trillion in 2050. Growth in these sectors means further opportunities for high value jobs.
- The cost of inaction is economically unsustainable. The Stern Review reported that climate change could cost the world more than 20% of its GDP each year if we continue to delay action.
- The low carbon transition requires a transformation of finance, and financial institutions need to take net zero into account, with banks, insurers and investors adjusting their business model to a low-carbon economy. In total, USD100 billion needs to be mobilised in public and private finance every year to assist vulnerable and developing countries.
- As host of COP26, the UK government has agreed on a strategic climate framework that focuses on four key goals: mitigation, adaptation, collaboration and finance.

CALL TO ACTION: COP26 & BUILDING A PRIVATE FINANCE SYSTEM FOR NET ZERO (2/3)



Ken O'Flaherty

Regional Ambassador to Asia-Pacific and South Asia, COP26

Day 1, 23rd June 2021 (09.35 am to 10.05 am)

Key Takeaways/Messages:

- To avoid the worst impacts of climate change, we need to focus on four key areas:
  - Halve emissions by 2030 and achieve net zero by 2050. The UK urges all countries to develop ambitious emissions reductions targets aimed at reaching net zero by 2050. This should include commitments on phasing out coal and ending deforestation.
  - Countries and communities should be supported with strategies to adapt to the impacts of climate change, such as developing credible plans and mobilizing finance.
  - International collaboration between governments, businesses and civil society need to accelerate to further drive innovation, create stronger incentives for investors, and reduce the costs of the transition. The transition should especially be made in the largest emitting sectors including power, road transport and land-use.
  - Financial institutions need to transform and adjust their business model to cater to the low-carbon transition. In total, USD100 billion needs to be mobilised in public and private finance every year to assist the transition in developing countries.

CALL TO ACTION: COP26 & BUILDING A PRIVATE FINANCE SYSTEM FOR NET ZERO (3/3)



Ken O'Flaherty

Regional Ambassador to Asia-Pacific and South Asia, COP26

Day 1, 23rd June 2021 (09.35 am to 10.05 am)

Key Takeaways/Messages:

- As a start, financial institutions may consider the following actions:
  - Familiarise with the TCFD recommendations to understand sustainability and climate risks. TCFD is now mandatory in some countries and may soon become the norm.
  - Limit exposure to extremely high risk sectors such as by ending coal financing. The cost of renewable energy has fallen, and solar and wind power are already cheaper than coal in some parts of the world. They are expected to be even cheaper by 2030, which will create demand and open opportunities for financing in that sector.
  - Learn from other financial institutions and organizations, such as the JC3, who have the expertise and resources on sustainability.
- To mobilise private capital for sustainability, the Bank of England launched the "COP26 Private Finance Agenda" which consists of 3Rs (Reporting, Risk management, and Returns)
- The UK is committed to assisting financial institutions with adopting TCFD, accounting for climate risks without sacrificing returns and is undertaking capacity building initiatives, such as the UK's ASEAN Low Carbon Economy Programme.

PANEL SESSION: ROLE OF FINANCE (1/2)



Dr. Pakorn Peetathawatchai
President, The Stock Exchange of Thailand



Dato' Seri Ir. Dr. Zaini Ujang
Secretary General, Ministry of Environment and Water



Joanne Lee
Sustainable Finance Specialist, WWF



Arsalaan Ahmed (Oz)
CEO, Al Rajhi Bank Malaysia

Moderator

Day 1, 23rd June 2021 (10.05 am to 10.50 am)

Key Takeaways/Messages:

- Climate and nature related risks are becoming increasingly on the radar for investors and on the agenda of policymakers and supervisors. Internationally, we surpassed 500 policy instruments related to ESG in 2020.
- Market mechanisms are one of the most effective channels to incentivise carbon consciousness for companies. For example, in the sugar milling industry in Thailand, government initiatives incentivised the use of waste to generate additional products, thus generating additional revenue to increase profitability for sugar milling companies.
- The incorporation of ESG in the financial sector can be taken through the following steps: (a) financial institutions should practice active investing which involves the use of ESG information to screen companies, (b) go beyond negative screening and conduct active ownership, (c) direct capital flow from institutional and retail investors into more ESG products, and (d) normalise ESG in corporate practices.

PANEL SESSION: ROLE OF FINANCE (2/2)



Dr. Pakorn Peetathawatchai
President, The Stock Exchange of Thailand



Dato' Seri Ir. Dr. Zaini Ujang
Secretary General, Ministry of Environment and Water



Joanne Lee
Sustainable Finance Specialist, WWF



Arsalaan Ahmed (Oz)
CEO, Al Rajhi Bank Malaysia

Moderator

Day 1, 23rd June 2021 (10.05 am to 10.50 am)

Key Takeaways/Messages:

- To solve the issue of limited data availability, ESG-related data should be structured and made accessible for key actors in the financial sector, and standardised across the industry to promote transparency and comparability. This will catalyse the development of regional ESG products.
- Financial institutions should take into account natural capital risk, develop sector specific policies, set science-based targets and decarbonisation pathways.
- The Malaysian government is currently developing carbon market guidelines, Nationally Determined Contributions (NDC), and is identifying a low carbon emissions trajectory, with a biennial report to the UNFCCC in 2022.
- Climate governance needs to be strengthened to promote effective resource mobilisation within the organisation. The Climate Action Council in Malaysia is a positive step towards setting commitments and policies to be carbon neutral, particularly at the level of federal and state governments.

FIRESIDE CHAT: SUSTAINABILITY AS A STRATEGY



Shayne Elliot
CEO, ANZ Bank



Teoh Su Yin
Senior Independent Director, CIMB Group



Mathew Nelson
EY Global Leader for Climate Change and Sustainability Services Leader

Moderator

Day 1, 23rd June 2021 (11.00 am to 11.30 am)

Key Takeaways/Messages:

- Over the past 5 years, there has been a massive uptake of interest in ESG and investors have become more progressive and engaged with sustainability, balancing the focus between risk management and new market opportunities. This has been complemented by a sense of partnership between customers and investors in shaping the climate transition.
- ESG awareness in Southeast Asia is not as mature as more developed markets. Recently, activist shareholders have been putting increasing pressure on the carbon emitting sectors. For example, following increased pressure from activist shareholders, Shell was tried and ruled by the Dutch court to cut its CO_2 emissions. Stakeholder activism is likely to continue and will affect not just the industry, but also financial institutions, both in the West and Southeast Asia.
- Financial institutions should build sustainability awareness and a genuine ESG culture in their organisation, starting at the board level, ensuring that sustainability matters are taken seriously by the senior management.
- As sustainability is a relatively new topic, it is essential to ensure an appropriate approach is taken in building sustainability governance. Appointing ESG advisors can be a good start before establishing a dedicated ESG committee who will be responsible and accountable for ESG-related issues.
- An organisation can begin by leveraging available and existing resources in their talent development and internal capacity building.

PANEL SESSION: SUSTAINABILITY PRINCIPLES & RESOURCES (1/2)



Yuki Yasui
Asia Pacific Region Co-ordination Manager, UNEP FI



***Matthew McAdam** Director, Asia Pacific at PRI*



***Butch Bacani** Programme Leader, PSI*



***Adriana Kocornik-Mina** Metrics and Research Senior Manager, Global Alliance for Banking on Values*

Moderator

Day 1, 23rd June 2021 (11.30 am to 12.30 am)

Key Takeaways/Messages:

- The Principles for Responsible Investment (PRI), Principles for Sustainable Insurance (PSI) and Principles for Responsible Banking (PRB) are global initiatives that support commitment towards sustainability by providing the relevant assistance, guidance and tools for financial institutions.
- Financial institutions should engage their clients by:
  - Providing guidance, risk assessments and requiring a transition plan and net-zero commitments to reduce emissions.
  - Providing sustainability advisory services, which can assist in target-setting and establishing benchmarks to allow alignment of strategies with those targets.
  - For financial institutions wishing to engage with their clients responsibly and sustainably, there is a wealth of available resources from the PRI, PSI and PRB such as reporting and assessment tools which assess an organisation's readiness for the climate transition through establishing baselines, identifying strengths and weaknesses, setting targets and monitoring, and tracking progress.

PANEL SESSION: SUSTAINABILITY PRINCIPLES & RESOURCES (2/2)



Yuki Yasui
Asia Pacific Region Co-ordination Manager, UNEP FI



***Matthew McAdam** Director, Asia Pacific at PRI*



***Butch Bacani** Programme Leader, PSI*



***Adriana Kocornik-Mina** Metrics and Research Senior Manager, Global Alliance for Banking on Values*

Moderator

Day 1, 23rd June 2021 (11.30 am to 12.30 am)

Key Takeaways/Messages:

- Risk managers, insurers and investors, and insurance companies should be ahead of the curve on ESG issues to capture opportunities on risk management and the new economy created by the transition to net zero.
- Investors should upgrade their governance for the low-carbon transition to mitigate legal, transition and other risks. This includes adopting TCFD reporting which provides a mechanism to assess the resilience of an organisation's strategy and portfolio towards climate change.
- Lack of awareness, weak customer demand and the absence of necessary national policies are key challenges.

EXAMINING THE PAST, VISUALISING THE FUTURE (1/2)



Russel Marsh
Director, Strategy and Transaction, EY



Arina Kok
Director, Climate Change and Sustainability Services, EY



Suzanne Biegel
Founder, Catalyst at Large
Co-founder, GenderSmart Inveting

Day 1, 23rd June 2021 (11.30 am to 12.30 am)

Key Takeaways/Messages:

- Failure in climate action has been identified as being the second most likely and most impactful long-term risk. Climate change is a source of economic and financial risks which includes physical and transitional risks.
- In formulating a strategy for sustainability, financial institutions can consider the following actions:
  - Creating ESG products to cater to growing demand for sustainability.
  - Transforming internal operations, such as establishing a unit to focus on sustainability.
  - Impact investing in projects and activities with a positive social and environmental impact.
  - Ensuring sustainable and inclusive methods of distribution of financial services to retail customers, for example through developing voice assistance in banking apps for people with disabilities such as blindness.
  - Collaborating through external partnerships between financial institutions and non financial institutions to offer innovative ESG solutions for customers.
  - Enhancing and strengthening policies by integrating ESG into operations and becoming signatories to industry-wide - ESG frameworks.

EXAMINING THE PAST, VISUALISING THE FUTURE (2/2)



Russel Marsh
Director, Strategy and Transaction, EY



Arina Kok
Director, Climate Change and Sustainability Services, EY



Suzanne Biegel
Founder, Catalyst at Large
Co-founder, GenderSmart Inveting

Day 1, 23rd June 2021 (11.30 am to 12.30 am)

Key Takeaways/Messages:

- There are large funding gaps in ESG-related investments in both public and private sectors. Between USD3.3 and USD4.5 trillion is needed to achieve the UN SDGs, with the funding gap for investment in developing countries alone estimated at USD 2.5 trillion. Key gaps are in the power sector, transportation, telecommunications, climate change adaptation and ecosystems.
- We need to be conscious of how climate change can impact certain communities differently. Tackling gender inequalities can positively impact climate resilience and financing for women can result in overall economic growth.
- It is imperative for financial institutions to embed and institutionalise climate-related risks, which can be achieved through the following actions:
    - Establishing an understanding, oversight and accountability for sustainability at all levels of the organisation by adapting the three lines of defence approach to an ESG risk management framework.
    - Ensuring both strategy governance (defining strategies) and compliance governance (conducting stress tests on portfolios to inform proactive action) are in place.
    - Integrating sustainability into every part of core business processes, from core operations to sales and customer service.

Day
1

AFTERNOON SESSION

Institutional Banking

2.30 pm	Environmental and social risk management at the transaction level *Ryan W. Bjorkquist, Director, Environmental and Social Risk Management, Standard Chartered Bank*
3.45 pm	Transaction level case study *Roger Charles , Executive Director, Environmental and Social Risk Management, Standard Chartered Bank*
4.45 pm	Sustainable finance opportunities and client engagement *Pierre Rousseau, Strategic Advisor, Sustainable Business, BNP Paribas*
5.30 pm	Wrap up session *Gilles Pascual, Strategy and Transaction Leader, EY*






ENVIRONMENTAL & SOCIAL RISK MANAGEMENT AT THE TRANSACTION LEVEL



Ryan W. Bjorkquist

Director, Environmental and Social Risk Management, Standard Chartered Bank

Day 1, 23rd June 2021 (02.30 pm to 03.30 pm)

Key Takeaways/Messages:

- Data from SIGWATCH has highlighted a positive correlation between NGO activity on environmental and social issues, with the activities in energy, finance and agriculture sectors - validating NGO criticism to a certain extent.
- In Southeast Asia, the most significant ESG issues are the violations of national legislation, impacts on communities and impacts on landscapes, ecosystems and biodiversity.
- Position statements (on extractive industries, power, infrastructure, chemicals, agro-industries and cross-sector positions on climate change and human rights) are a key reflection of financial institutions' commitment and expectation. For example, a position statement on fossil fuel can state that the bank will not finance new coal-fired power plants in any location, and any coal plant expansions, retrofits or dedicated infrastructure. This can include a time-bound roadmap for clients who are dependent on thermal coal, which begins with less than 80% dependence in 2024 and ends with less than 5% in 2030.
- Financial institutions should have an E&S risk measurement framework at the company level (an assessment form which utilizes a stop light approach to provide a rating can be implemented) and transaction level (consultants may be engaged to provide guidance and advice).
- In order to educate clients on E&S considerations, financial institutions should ensure that accurate and timely information is given. This can include client training programs as well as reviewing sector position statements bi-annually.

TRANSACTION LEVEL CASE STUDY (1/3)



Roger Charles

Executive Director, Environmental and Social Risk Management, Standard Chartered Bank

Day 1, 23rd June 2021 (03.45 pm to 04.45 pm)

Key Takeaways/Messages:

- Adopting E&S standards raises the concern of clients shifting to other financial institutions with lower standards. While this may have been true previously, E&S standards now provide a minimum baseline. In fact, some host countries' regulations are likely to be higher than such standards.
- Timing is a determining factor in financing of a project. A project may already be in the construction phase and therefore will affect the due diligence process of financial institutions. This is illustrated by a number of case studies.
- Case Study 1: Road Upgrade Project. This project involved a government-led road widening project. Despite the fact that under the bank's framework, infrastructure projects are considered sustainable, this project had a number of E&S issues, including resettlement, impacts on biodiversity habitats, and a lack of E&S baseline data due to the absence of an environmental and social impact assessment report. These issues were addressed through measures which were adopted by the government, including using overpasses to lessen impacts on the wildlife corridor, establishing a grievance mechanism, and establishing a biodiversity management plan.

TRANSACTION LEVEL CASE STUDY (2/3)



Roger Charles

Executive Director, Environmental and Social Risk Management, Standard Chartered Bank

Day 1, 23rd June 2021 (03.45 pm to 04.45 pm)

Key Takeaways/Messages:

- Case Study 2: Renewable Energy. This project posed a number of issues, including impacts on a biodiversity critical habitat, risk of bird strikes for transmission lines, lack of hazardous waste management plans, and labour influx who could spread communicable diseases. In order to mitigate the above issues, recommendations were adopted by the project proponent for the power lines to be buried, to establish a biodiversity action plan and monitoring program for species, and to leverage on rainwater harvesting and robotic cleaning after construction. The post-project stage would also involve a cumulative impact study to manage possible future risks.
- Case Study 3: Waste to Energy. To mitigate the issues associated with the project, including a poor regulatory environment, poor working conditions and the fact that construction had already commenced when the application was made, the financial institution adopted a number of mitigation measures to meet E&S standards. This included applying EU design standards, corrective action plans and implementing an E&S action plan with time-bound milestones which were linked to the disbursement schedule.

TRANSACTION LEVEL CASE STUDY (3/3)



Roger Charles

Executive Director, Environmental and Social Risk Management, Standard Chartered Bank

Day 1, 23rd June 2021 (03.45 pm to 04.45 pm)

Key Takeaways/Messages:

- Financial institutions should get engaged in the early stages of the project conception stage and determine their area of influence. At this stage, financial institutions should further determine necessary information, refer to an environmental and social impact assessment (ESIA) to identify risks and engage with consultants.
- Financial institutions can consider requiring the customer to change the project design where feasible, develop action plans and strategies to mitigate risks. Financial institutions can further consider residual risk acceptance and include E&S provisions in loan documentation for compliance, monitoring and reporting.
- Financial institutions should monitor E&S obligations, such as through ensuring frequency of monitoring, internal reporting or independent monitoring. Financial institutions should also consider the format of lender reporting, and other reporting measures such as regulatory and public disclosures.

SUSTAINABLE FINANCE OPPORTUNITIES & CLIENT ENGAGEMENT (1/2)



Pierre Rousseau

Strategic Advisor, Sustainable Business, BNP Paribas

Day 1, 23rd June 2021 (04.45 pm to 05.30 pm)

Key Takeaways/Messages:

- The signatories of the Net-Zero Banking Alliance (NZBA) manage USD28.5 trillion in assets across 43 banks.
- The net-zero transition presents an enormous business opportunity, and USD100-125 trillion cumulative investments by 2050 will be required, which includes:
  - Reducing carbon emissions through research and development of new and disruptive technologies.
  - Gradually scaling up planet-positive activities, including carbon capture. Energy companies will be key to this, however it will likely be implemented at a different pace across the world and laggards will be expected to catch up through acquisitions.
  - Gradually scaling-down carbon emitting activities through divestment, asset sales, disposals and decommissioning.
- Aside from adopting sustainability-linked loans, responsible sourcing, carbon offsetting / hedging and carbon reducing investments, collaborative financing solutions are key for sustainable transformative projects, e.g. blended finance which strategically uses development finance and philanthropic funds to mobilize private capital for emerging and frontier markets (Tropical Landscape Finance Facility (TLFF).

SUSTAINABLE FINANCE OPPORTUNITIES & CLIENT ENGAGEMENT (2/2)



Pierre Rousseau

Strategic Advisor, Sustainable Business, BNP Paribas

Day 1, 23rd June 2021 (04.45 pm to 05.30 pm)

Key Takeaways/Messages:

- For financial institutions, the sustainable transition must be accompanied by a systemic, collaborative and data driven solution. This should include:
  - Setting a vision with a strong corporate value, to address best operational efficiency, risk and opportunity identification and avoid stressed assets.
  - Addressing the systemic challenge through collaboration and data.
  - Managing an uneven transition by setting short and long term targets and action at the strategy level.
  - Reallocating capital to maximise profit with purpose.
- The integration of climate change, biodiversity loss and inequalities into a financial institution's traditional business must be supported by data and research such as the Science-Based Targets Initiative (SBTi). This must be done with the ultimate solution of moving from carbon avoidance to carbon capture and nature preservation to nature regeneration in mind.
- The majority of the transition (risk) will be outside the balance sheet of the client, so supply chains must be sufficiently covered in the net-zero strategy of financial institutions.

Day 1

AFTERNOON SESSION

Consumer Banking

2.30 pm	Applying sustainability in retail banking *Bas Ruter, Director of Sustainability, Rabobank*
3.10pm	Leveraging sustainability from Islamic Banking *Mohd Muazzam Mohamed, CEO, Bank Islam Malaysia Bhd*
3.45 pm	Sustainability risk in retail banking *David Carlin, TCFD Lead, UNEP FI*
4.15 pm	Financial inclusion *Antoni Ballabriga, Global Head of Responsible Business, BBVA*
4.55pm	Supporting vulnerable customers *Todd Stevenson, Chief Member Outcomes Officer, Colonial First State (CFS)*
5.25pm	Wrap up session *Rafe Haneef, CEO of Group Transaction Banking / Group Chief Sustainability Officer, CIMB*








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APPLYING SUSTAINABILITY IN RETAIL BANKING



Bas Ruter

Director of Sustainability, Rabobank

Day 1, 23rd June 2021 (02.30 pm to 03.10 pm)

Key Takeaways/Messages:

- Sustainability provides a clear business case to motivate senior line management as it involves short term actions resulting in positive financial impacts. By encouraging clients to adopt precision farming methods which use less fertilizer while achieving the same yield, this enables the client to increase profitability and therefore attract more loans. An analysis of sustainability performance of farmers showed that the least sustainable farmers are more likely to default. Prioritizing sustainability lowers financial risks.
- Approach sustainability by aiming to move from regulation to mission, and integrate ESG and biodiversity into the climate program as a crucial part of the sustainability framework.
- Conduct annual assessments of sustainability performance for every client that borrows more than EUR1 million, and set up a carbon bank to help clients sequester carbon. Develop products and implement climate solutions such as a sustainable living mortgage and green loan to improve energy efficiency and sustainability amongst customers and linking loan rates to food waste reduction targets.
- Financial institutions can leverage the capacity and skills of non-financial organizations to assist with product development, e.g. Engage with start-up to test the product on a small-scale and to conduct the energy analysis.

LEVERAGING SUSTAINABILITY FROM ISLAMIC BANKING (1/2)



Mohd Muazzam Mohamed
CEO, Bank Islam

Day 1, 23rd June 2021 (03.10 pm to 03.20 pm)

Key Takeaways/Messages:

- Islamic banking is widely known for its prohibition of usury, but it has a twin purpose. The other angle that is mostly missed by people is the preservation of good and prevention of harm based on the Shariah.
- Islamic banking has a natural duty to generate positive impacts on people and the planet, which is parallel with the aims of sustainable banking.
- Islamic banking principles are consistent with the sustainability agenda in the following ways:
  - Islamic banking is in accordance with the principles of Shariah which is based on the values of the Al-Quran and Sunnah that includes being ethical, sustainable, responsible, transparent, green and equitable.
  - As Islam teaches that humans are the Khalifah (guardians) of the earth, Islamic banking must generate positive impacts on people and the planet.

LEVERAGING SUSTAINABILITY FROM ISLAMIC BANKING (2/2)



Mohd Muazzam Mohamed
CEO, Bank Islam

Day 1, 23rd June 2021 (03.10 pm to 03.20 pm)

Key Takeaways/Messages:

- VBI provides a catalyst for Islamic banks to deliver the outcomes of Shariah through practices, conduct and offerings that produce positive and sustainable impacts to the economy, community and environment. This is consistent with the increased expectations of shareholders and other stakeholders, as customers are becoming increasingly critical of how their funds are utilized.

- BNM together with a community of practitioners developed the VBI to create a common vision for Islamic banks to transform. Hence, Islamic banks in Malaysia are encouraged to utilize the VBI framework (including the sectoral guides) to support their transition journey.

SUSTAINABILITY RISK IN RETAIL BANKING (1/2)



David Carlin

TCFD Programme Lead, UNEP FI

Day 1, 23rd June 2021 (03.45 pm to 04.15 pm)

Key Takeaways/Messages:

- The UNEP FI conducted a number of pilot programs:
  - The TCFD Banking Pilot Project Phase II explored the use of different climate scenarios, determined the availability of climate-related data, refined Phase I methodologies, created a risk taxonomy and developed best practices surrounding climate-related data and identified emerging expectations and standardized approaches for internal governance processes and TCFD disclosures.
  - The Physical Risk Assessment Framework pilot project aids financial institutions in translating physical risk data into financial and economic impacts using climate scenario analysis, based on data from the agriculture and real estate sector. The pilot uses different scenarios and converts impacts on outputs, data and methodologies of traditional risk models into financial risks, and recommends how this data can fit into effective process governance and reporting.
  - The TCFD Banking Program Report provides guidance and resources to support forward-looking scenario-based assessments of physical risks and opportunities.

SUSTAINABILITY RISK IN RETAIL BANKING (2/2)



David Carlin

TCFD Programme Lead, UNEP FI

Day 1, 23rd June 2021 (03.45 pm to 04.15 pm)

Key Takeaways/Messages:

- This includes an assessment of data portals covering variables such as floods and cyclones, undertaking a physical risk heat mapping exercise through mapping vulnerability indicators to sectors and sub-sectors, and undertaking a Physical Risk Correlation Analysis of financial institutions' portfolios to identify the relationship between asset values and extreme events. This includes a step-by-step example of practicing correlation analysis using an Excel tool.

- For financial institutions who are beginning to incorporate sustainability risks, it must be noted that imperfect information is a reality, and organizations must recognise that to enhance data collection and analyses. The first step is to identify exposure through risk heat mapping and to make an inventory of these exposures to determine which risks are material. The second step is to focus on identifying data based on which risk the financial institution is most exposed to.

FINANCIAL INCLUSION (1/3)



Antoni Ballabriga

Global Head of Responsible Business, BBVA

Day 1, 23rd June 2021 (04.15 pm to 04.55 pm)

Key Takeaways/Messages:

- Globally there are still 1.7 billion adults who do not use financial institutions in any capacity. Two-thirds of that population are in possession of a mobile phone. There is also a significant gender gap on financial inclusion particularly in developing economies. However, financial inclusion is gradually increasing.
- Access to finance is a key challenge to the growth of SMEs and is the second most cited obstacle to growing their business in emerging and developing markets. The IFC estimates that 40% of SMEs in developing countries have an unmet financing need of $5.2 trillion every year.
- Vulnerable or unequal groups in banking portfolios include those from low-income groups, migrant workers, ethnic minorities and indigenous peoples and women. The factors driving this vulnerability include health issues, life events, resilience, education, digital and financial access and considerations of culture and demographics.
- Financial institutions can use the SDG framework as a tool for strategic review and exploration of areas where greater impact can be made, such as financial inclusion. Furthermore, the UN Principles for Responsible Banking can further align banks' strategy and practice with the SDGs.

FINANCIAL INCLUSION (2/3)



Antoni Ballabriga

Global Head of Responsible Business, BBVA

Day 1, 23rd June 2021 (04.15 pm to 04.55 pm)

Key Takeaways/Messages:

- The UNEP FI have identified guidelines for target setting in financial inclusion, which includes:
  - Understanding the country context and relevant national policies.
  - Setting baselines and identifying priorities.
  - Setting specific, measurable, achievable, realistic and time-bound (SMART) targets.
  - Determining measures and actions.
  - Defining key performance indicators.

- In the future, it is expected that there will be a significant transformation and democratisation of finance as a result of greater digitalization of services, and the role of financial institutions is to ensure universal access to banks.
- Financial institutions may define the vulnerability of customers by looking into country-specific metrics for income, location (such as rural areas) and other characteristics including age, disabilities, gender, migrants, pensioners, refugees and unemployment.

FINANCIAL INCLUSION (3/3)



Antoni Ballabriga

Global Head of Responsible Business, BBVA

Day 1, 23rd June 2021 (04.15 pm to 04.55 pm)

Key Takeaways/Messages:

- Financial institutions should develop financial solutions to promote financial inclusion and financial health, such as:
  - Innovative products and reducing costs for vulnerable groups
  - Digitalization
  - Partnering with non-financial institutions to provide financial services in rural areas
  - Providing financial education programmes and digital toolkits
  - Providing financial advisory services to promote financial health
- Financial institutions can adapt internal processes within the business, including:
  - Improving credit and risk policies to reduce discrimination
  - Define standards and improve data to identify and monitor vulnerable clients
  - Nurture a culture of fairness, inclusivity and human rights through training
  - Improve remuneration strategies and policies to promote financial inclusion and financial health of customers
  - Ensure accessibility and clarity of information
  - Define and modify sales protocols for vulnerable groups

SUPPORTING VULNERABLE CUSTOMERS (1/2)



Todd Stevenson
Chief Member Outcomes Officer,
Colonial First State (CFS)

Day 1, 23rd June 2021 (04.55 pm to 05.25 pm)

Key Takeaways/Messages:

- Vulnerable customers are defined as those with:
  - Personal or circumstantial conditions susceptible to detriment, including difficulty of members in obtaining and retaining information or making decisions in their best interests.
  - Circumstances surrounding personal (i.e literacy, non-English speaking, indigenous), situational (i.e financial hardship, natural disaster, serious illness) or structural (access to expertise, asymmetry of information and power) factors.

- The approach used in identifying vulnerable customers can either be reactive, where customers self identify as vulnerable, or proactive, where we use data to identify certain segments and individuals. Financial institutions can work with specialist agencies to better understand vulnerable groups and relevant statistics, which helps in developing referral frameworks, content and staff training.

SUPPORTING VULNERABLE CUSTOMERS (2/2)



Todd Stevenson
Chief Member Outcomes Officer,
Colonial First State (CFS)

Day 1, 23rd June 2021 (04.55 pm to 05.25 pm)

Key Takeaways/Messages:

- The examples of big and visible symbols that financial institutions could use to support vulnerable customers include:
  - Program of living the life of a week as a pensioner
  - Monthly staff education on the program run
  - Link volunteering days for staff to the vulnerable groups

- There are a number of challenges in achieving financial inclusion, and what works for certain financial institutions in certain countries might not work in other countries due to differing conditions and dynamics. Financial institutions can start by training their staff on inclusion, identifying specialist teams, linking support for vulnerable customers with a business case, building networks of support and developing methods of engaging with vulnerable individuals.

Day
1

AFTERNOON SESSION

ASSET MANAGEMENT

2.30 pm	Resilient and sustainable portfolios *Marie Gauthier, Assistant Vice President, Asia Sustainable Finance, WWF*
3.00 pm	Operationalising sustainability in operations *Daniel Ng, Investment Manager Asian Equities, Aberdeen Standard Investments*
3.55 pm	Case study *Louise Kooy-Henckel, Managing Director, Wellington Management*
4.55pm	Sustainable investment: what do your clients actually want? *Nicola Stefan Koch, Deputy Head of Retail Investment, The 2° Investing Initiative (2DII)* *Constanze Bayer, Senior Analyst, The 2° Investing Initiative (2DII)*
5.25pm	Wrap up session *Angelia Chin-Sharpe, CEO and Country Head, BNP Paribas Asset Management*








RESILIENT & SUSTAINABLE PORTFOLIOS (1/2)



Marie Gauthier

Assistant Vice President, Asia Sustainable Finance,
WWF Singapore

Day 1, 23rd June 2021 (02.30 pm to 03.00 pm)

Key Takeaways/Messages:

- Resilient and Sustainable Portfolios (RESPOND) is a tool developed by WWF for benchmarking asset managers' approach to ESG. There are presently 30 asset managers being assessed on an annual basis.
- The tool is anchored on a responsible investment framework built on existing best practices, aligned with UN PRI and TCFD.
- RESPOND users can demonstrate how investment decisions can influence portfolio companies' sustainable operating practices and increase resilience, gain new perspective when evaluating external managers' RI capabilities, etc.
- European asset managers are leading on responsible investment relative to Asian asset managers.

RESILIENT & SUSTAINABLE PORTFOLIOS (2/2)



Marie Gauthier

Assistant Vice President, Asia Sustainable Finance,
WWF Singapore

Day 1, 23rd June 2021 (02.30 pm to 03.00 pm)

Key Takeaways/Messages:

- The following are recommendations for asset managers:
  - Active ownership approaches can be strengthened especially among Asian asset managers.
  - Set time-bound objectives (e.g. timeframe to track certification by investee companies) and transparency on progress (e.g. including publicly disclosing progress).
  - Reinforce accountability by enhancing training and incentives especially for senior management and board levels.
  - Climate commitments and strategies need to be anchored on setting science-based targets or translated into robust expectations toward investee companies (e.g. TCFD, Climate Action 100+, SBTi).
  - Sector policies need to supplement existing general responsible investment policies.
  - Act on recognition of nature loss as a key risk (water risk, deforestation and biodiversity loss, ocean sustainability) especially through investment expectation and voting.

OPERATIONALISING SUSTAINABILITY IN INVESTMENTS



Daniel Ng

Investment Manager Asian Equities,
Aberdeen Standard Investments

Day 1, 23rd June 2021 (03.00 pm to 03.45 pm)

Key Takeaways/Messages:

- Two approaches to ESG investing: Considering ESG issues when building a portfolio (ESG incorporation through integration, screening and thematic) and improving investees' ESG performance (engagement and proxy voting).
- ESG factors are financially material and impact corporate performance (improving ESG has under recognised alpha or return potential).
- Informed and constructive engagement helps foster better ESG performance of the companies as well as protecting and enhancing the value of clients' investments (e.g. analyse company's risk management system and its business strategy, consider if the company considered future trends and business opportunities, active engagement to identify areas of weakness and potential areas for improvements)
- Engagements produce a more in-depth understanding of a company's management of ESG risks and opportunities than the published KPIs which rely on quantitative scoring mechanisms.
- Engagement needs to be part of the investment process, with a focus on performance rather than conformance (e.g. instead of asking whether a company has an independent board or a labour policy, ask whether the board is truly independent and how the labour policy is implemented).

CASE STUDY (1/2)



Louise Kooy-Henckel

Managing Director, Impact Investing,
Wellington Management

Day 1, 23rd June 2021 (03.55 pm to 04.55 pm)

Key Takeaways/Messages:

- Five market inefficiencies are prevalent in sustainable investing: the market is overly focused on short-term growth, inconsistent and backward-looking third party ratings, emerging market indexes are underexposed to structural development, most climate analysis is focused on transition risk not physical climate risk, impact universe is not defined.
- Most scenarios used by the energy industry show fossil fuels losing their share to carbon-free energy sources. As a result, a financial institution portfolio manager invested in an oil and gas company aligned with the energy transition and eliminated an overweight position in a company lacking a credible strategy.
- Human capital management is a critical part of a company's success, particularly after a merger and acquisition (M&A). In this example, after engaging with a records management and support services company which was in the business acquisition process, poor employee engagement with the acquired business was recorded. Following this, the CEO announced his retirement, which signalled a further lack of direction and messy transition period ahead.

CASE STUDY (2/2)



Louise Kooy-Henckel

Managing Director, Impact Investing,
Wellington Management

Day 1, 23rd June 2021 (03.55 pm to 04.55 pm)

Key Takeaways/Messages:

- Informed and active ownership is key. “Constructivists” approach influencing positive outcomes for clients which can be done through active management and multi-disciplinary industry analysis across equity, credit and ESG research.
- The sustainable investment landscape is rapidly evolving and exploiting market inefficiencies provides the opportunity to add value, although there is no “one size fits all”.
- Material ESG issues are strategic business issues that vary across sectors and companies. There is an implicit opportunity cost for companies which focus on immaterial ESG issues.
- Focus on the ESG issues most relevant to investment outcomes.

SUSTAINABLE INVESTMENTS: WHAT DO YOUR CLIENTS ACTUALLY WANT? (1/2)



Nicola Stefan Koch
Deputy Head of Retail Investment, 2DII



Constanze Bayer
Senior Analyst, 2DII

Day 1, 23rd June 2021 (04.55 pm to 05.25 pm)

Key Takeaways/Messages:

- Sustainable and responsible investment has reached the mainstream in Europe and is seen as a multi billion dollar market opportunity by retail investors. 60-70% of retail investors are interested in sustainable products, and 40% of retail investors want to have an impact with their investments.
- Most advisors focus on financial and risk topics rather than extra-financial topics, and ignore the diverse opinions of their clients. Reflecting this, in the retail investing market it was found that many financial products were too broad, taking a 'one size fits all' approach which did not reflect actual diverse client demand, and many products were overselling their potential impact, which increases the risk of greenwashing.
- There is a mismatch between what clients actually want and what they are offered. This includes:
  - Client demand for a real world impact, but there is an absence of real world evidence of impacts so far from retail investors.
  - Clients have diverse interests which 'one size fits all' products do not address.
  - Clients wish for voting power in shareholder meetings but no voting mechanisms exist thus far.
  - Clients wish for exclusion, however for retail investors exclusions are not transparent, and exclusions according to revenue thresholds may not be the same as exclusions according to a specific scope of the value chain.

SUSTAINABLE INVESTMENTS: WHAT DO YOUR CLIENTS ACTUALLY WANT? (2/2)



Nicola Stefan Koch
Deputy Head of Retail Investment, 2DII



Constanze Bayer
Senior Analyst, 2DII

Day 1, 23rd June 2021 (04.55 pm to 05.25 pm)

Key Takeaways/Messages:

- It is important to understand the clients' needs, which can be achieved by choosing the right elicitation format and methodology (e.g. natural language programming, investment game, focus groups), assessing the clients' financial and sustainability understanding and objectives (e.g. impact, exclusion, risks and opportunities), and understanding the clients' financial and sustainability preferences (e.g. impact objectives, exclusion criteria, SRI strategy).
- Be transparent and use marketing claims which are based on evidence. Match products according to your clients' real financing and sustainability preferences.
- Financial institutions are encouraged to properly identify their clients' environmental, social and financial needs and preferences, to minimize mismatch between the supply and demand in sustainable investment and products.

Day
1

AFTERNOON SESSION

Insurance and Takaful

2.30 pm	Applying sustainability in insurance *Junior Cho, CEO, Zurich General Insurance Malaysia Bhd*
3.30pm	Understanding sustainability risk *Marcel Omar Papp, Head of Reinsurance, SwissRe Malaysia*
4.15 pm	Value-based intermediation (VBI) for Takaful and its applications *Elmie Aman Najas, Chairman, Malaysian Takaful Association (MTA)*
5.00pm	Journey towards sustainable investment *Luisa Evaristo, Chief Risk Officer, Etiqa Insurance and Takaful* *Norlia Mat Yusof, Chief Investment Officer, Etiqa Insurance and Takaful*
5.45pm	Wrap up session *Marcel Omar Papp, Head of Reinsurance, SwissRe Malaysia*







APPLYING SUSTAINABILITY IN INSURANCE



Junior Cho

Chief Executive Officer, Zurich General Insurance Malaysia

Day 1, 23rd June 2021 (02.30 pm to 03.15 pm)

Key Takeaways/Messages:

- Sustainability matters as it opens up business opportunities, identifies the right risks and returns, impacts the brand and reputation, and strengthens positive contributions to society. There is growing sustainability expectation from stakeholders, including customers, investors and regulators.
- Drives action across three pillars: 1) a climate neutral future; 2) sustainability in work; and 3) enabling a digital society.
- Embed sustainability as part of underwriting through four stages of underwriting: idea conception, product development, product testing and continuous review and improvement.
- Adjust portfolios to current market conditions and continue to innovate products and services to answer new market demands and support clients' transition journey.
- Examples of innovative products include (i) the development of a commercial insurance policy which supports sustainability standards in infrastructure, and (ii) the Sustainable Mobility Ecosystem platform which incentivises green transportation practices, Electric Vehicle (EV) ownership and carbon offsetting.

UNDERSTANDING SUSTAINABILTY RISKS (1/2)



Marcel Omar Papp

Head of Reinsurance, SwissRe Malaysia

Day 1, 23rd June 2021 (03.30 pm to 04.15 pm)

Key Takeaways/Messages:

- Climate change is the largest long-term threat to the global economy and Malaysia could lose 36% of its GDP by 2050 in the event of a 2-2.6 degree temperature rise. The threats of climate change not only pose business risks, but also regulatory and reputational risks, therefore underlining the importance of incorporating sustainability into underwriting.
- The focus on underwriting has also been on exclusion which gives the short-sighted view that sustainability considerations are restricting and slowing down business opportunities. In reality, sustainability and climate change considerations are creating new markets, hence the underwriting is now shifting to include both inclusion and exclusion. As an example, the growing renewable energy energy sector has created the need for insurance products to cover the risks associated with new technologies, such as protection against lack of solar irradiation for solar panels.

UNDERSTANDING SUSTAINABILTY RISKS (2/2)



Marcel Omar Papp

Head of Reinsurance, SwissRe Malaysia

Day 1, 23rd June 2021 (03.30 pm to 04.15 pm)

Key Takeaways/Messages:

- The reasons for incorporating sustainability into underwriting include:
  - Increasing regulatory pressure across the globe and in the Southeast Asian region, such as the BNM CCPT.
  - Investors are widely making sustainability commitments and targets which are being realized into actions.
  - The reputational risk associated with not adopting a sustainable business model.
  - Improved risk selection where underwriting unsustainable activities will result in negative impacts on the overall portfolio.
  - Tapping into a new business opportunity, such as creation of new insurance products.
- The aim of the ESG framework is to mitigate, identify and eliminate sustainability risks. The framework is based on umbrella policies on human rights and environmental protection, sector specific guidelines, an exclusion list and the overall ESG process. The ESG process involves a sustainability check on a transaction which uses an assessment tool that classifies the risk. If the risk is high, it will be escalated to a panel of ESG experts who will further analyse the risk and recommend a decision.
- Sustainability poses both risks and opportunities, hence insurers should include both inclusions and exclusions principles in its underwriting process.

VALUE-BASED INTERMEDIATION FOR TAKAFUL (VBIT) & ITS APPLICATIONS IN TAKAFUL (1/2)



Elmie Aman Najas

Chairman, Malaysian Takaful Association (MTA)

Day 1, 23rd June 2021 (04.15 pm to 05.00 pm)

Key Takeaways/Messages:

- Takaful is a part of Islamic finance, which is driven by the core values of Maqasid Shariah, which emphasises positive value creation and prevention of negative impacts. Through the extension of Maqasid Shariah and Islamic economics, Takaful is able to balance social responsibilities with aspirations of sustainable prosperity.
- VBI for Takaful serves as a framework to guide the Takaful industry to implement value-based agenda and achieve positive socio-economic impact in accordance with the Maqasid Shariah.
- Takaful operators may apply the VBI for Takaful by integrating it in the corporate value intent, using comprehensive KPIs to assess the progress and effectiveness of their VBI for Takaful initiatives, and also employing impact-based disclosure to demonstrate their commitment in delivering sustainable values.
- The challenges faced by VBI for Takaful include achieving the expected financial requirements/ returns, acquiring the right expertise, ensuring capital availability, and building trust and awareness level among takaful players and the stakeholders.

VALUE-BASED INTERMEDIATION FOR TAKAFUL (VBIT) & ITS APPLICATIONS IN TAKAFUL (2/2)



Elmie Aman Najas

Chairman, Malaysian Takaful Association (MTA)

Day 1, 23rd June 2021 (04.15 pm to 05.00 pm)

Key Takeaways/Messages:

- By embracing and highlighting sustainability, Takaful embraces the Maqasid Shariah, therefore strengthening the unique value proposition of Takaful.
- Takaful operators should also view the VBIT as a long-term investment strategy which will create new market opportunities.
- Takaful operators can collaborate on capacity building through engagements between Takaful operators, and non-financial institutions such as NGOs and regulators.
- Takaful operators should develop solutions that meet the needs of stakeholders, such as overcoming financial illiteracy, and providing coverage for under-represented segments such as the disabled community.

JOURNEY TOWARDS SUSTAINABLE INVESTMENTS



Luisa Evaristo

Chief Risk Officer, Etiqa Insurance and Takaful



Norlia Mat Yusof

Chief Investment Officer, Etiqa Insurance and Takaful

Day 1, 23rd June 2021 (05.00 pm to 05.45 pm)

Key Takeaways/Messages:

- Sustainable investment is about long-term risk management. Therefore, it rewards insurers in the long-term while also generating positive environmental and social impacts.
- Integrating ESG into the Investment Risk Management Process could be achieved by aligning ESG risks to Enterprise Risk Management (ERM) Risk Categories and setting up an effective governance structure which covers risk identification and assessment, risk measurement, risk control and mitigation, monitoring, and reporting.
- Financial institutions must properly identify the ESG risks they are exposed to, integrate ESG elements into their risk management, and undertake actions to properly integrate ESG into their financial analysis.
- Investors may integrate ESG risk into their financial analysis through selecting ESG data providers, identifying ESG scoring methodology, developing an inhouse model combining the ESG data and ESG scoring methodology, and fostering collaboration with ESG partners (e.g. UN PRI).

Day
1

AFTERNOON SESSION

Ancillary Services

2.30 pm	**Legal and compliance** - Why legal and compliance is critical to an organisation's sustainability efforts? *Kala Anandarajah, Partner, Head of Competition & Antitrust and Trade, Rajah & Tann Singapore LLP*
2.50 pm	**Building and facilities management** - Roles in supporting sustainability *Michael Long, Head of Sustainability, Lendlease Asia*
3.10 pm	**Procurement** – Roles in supporting sustainability *Fredrik Andersen, Corporations & Supply Chains Lead, CDP*
3.45 pm	**Human resources** – Why HR and people play a significant role in sustainability? *Karlijn van den Berg, Transformation Lead, ABN Amro Bank N.V.*
4.05 pm	**Branding, marketing and communications** – Roles in supporting sustainability *Juan Aranols, CEO, Nestle Malaysia*
4.45 pm	Wrap up session *Usman Ahmed, CEO, Citibank Berhad*








WHY LEGAL & COMPLIANCE IS CRITICAL TO AN ORGANISATION'S SUSTAINABILITY EFFORTS?



Kala Anandarajah, PBM

Partner, Head of Competition & Antitrust and Trade, Rajah & Tann

Day 1, 23rd June 2021 (2.30 PM to 2.50 PM)

Key Takeaways/Messages:

- At the national level, sustainability is manifested in legislation, regulation and industry codes. As an example, Singapore has adopted legislation for environmental sustainability standards in new buildings and retrofits.
- Beyond the national level, supra-national laws and regulations may cover carbon pricing, transboundary haze, corporate governance and sustainability reporting requirements. This includes ASEAN laws focusing on particular environmental issues including pollution control and air quality. There are also regional guidelines such as the ASEAN Cooperation on Environment.
- Contractual requirements are a key issue in sustainability compliance. When entering into agreements, contractual requirements must be detailed and clarified, including at the government and supply chain levels, with reference to the sustainability requirements of a project.
- Financial institutions must manage the complexities of sustainability compliance effectively, including:
    - Recognising that every industry, company or institution will have a different sustainability priorities and compliance approaches.
    - Taking into account different structures, terms and conditions for financing different sustainable projects.
    - Extending sustainability practice and commitment must cover supply chain management, such as policies in procurement, responsible sourcing and resource use.

BUILDING & FACILITIES MANAGEMENT: ROLES IN SUPPORTING SUSTAINABILITY



Michael Long

Head of Sustainability, Lendlease Asia

Day 1, 23rd June 2021 (2.50 PM to 3.10 PM)

Key Takeaways/Messages:

- 27-30% of the world's emissions are associated with the built environment. Of this share, the largest emissions come from the materials used in constructing the building, and emissions from the tenant use.
- From this, most of emissions from scope 1 comes from the fuels used in building construction and gas to heat and cook within buildings, scope 2 comes from the power consumed during the operation of businesses and assets within those buildings, and scope 3 comes from the construction materials used and energy consumed by the tenants.
- Organizations should set clear and measurable emissions reductions targets relevant to their material impacts and core business, and aim for net zero emissions by 2040.
- The organization's governance and strategy should be aligned to support their emission reduction targets. This may include adopting the TCFD recommendations, assessing climate change scenarios, undertaking climate risk assessments, putting a shadow price on carbon and assessing and publicly reporting climate-related risks from major projects and investments.
- Measuring and modelling business and carbon scenarios can be used to identify potential business and decarbonization initiatives to support the path to net zero.

PROCUREMENT: ROLES IN SUPPORTING SUSTAINABILITY



Fredrik Andersen

Corporations & Supply Chains Lead,
CDP

Day 1, 23rd June 2021 (3.10 PM to 3.30 PM)

Key Takeaways/Messages:

- Companies and financial institutions must utilise available data on environmental disclosure from their suppliers to assess and manage their supply chain's environmental impact, and make well-informed and sustainable procurement decisions.
- According to CDP data in 2020, on average, supply chain carbon emissions are 11.4 times higher than operational emissions, making environmental sustainability assessment at the procurement stage all the more necessary. The retail, apparel and services sectors are among the ones recording the highest supply chain to operational and direct emission ratio.
- CDP also has a 3-phase strategy plan in engaging their members' supplier, namely: 1) Understanding the importance of supply chain in climate change; 2) Improving suppliers' emission performance through company-wide target setting and emissions reduction initiatives; and 3) Tracking emission reductions in the supply chain via continuous engaging and monitoring. Committing towards sustainability at the procuring stage will over time cascade action throughout the value chain
- It is crucial for corporations to address supply chain / scope 3 emissions to meet the goals of the Paris Agreement.

WHY HR AND PEOPLE PLAY A SIGNIFICANT ROLE IN SUSTAINABILITY?



Karlijn van den Berg
Transformation Lead, ABN Amro

Day 1, 23rd June 2021 (3.45 PM to 4.10 PM)

Key Takeaways/Messages:

- Harmonisation between an organisation's values and strategies are crucial in leading transformational change towards the bank's long term goals.
- Long-term sustainability goals in the following three areas: 1) climate change; 2) circular economy; and 3) social impact, aligning with the United Nations Sustainable Development Goals.
- Internal social policies include fair and equal hiring, providing personal development and upskilling opportunities and great ambassadors.
- Corporations embed sustainability in their leadership development and employee journey to unleash the potential of the talents, believing that good corporate and working culture will shape employees who will in turn make good changes in the organisation.

BRANDING, MARKETING & COMMUNICATIONS: ROLES IN SUPPORTING SUSTAINABILITY



Juan Aranols

Chief Executive Officer, Nestle Malaysia

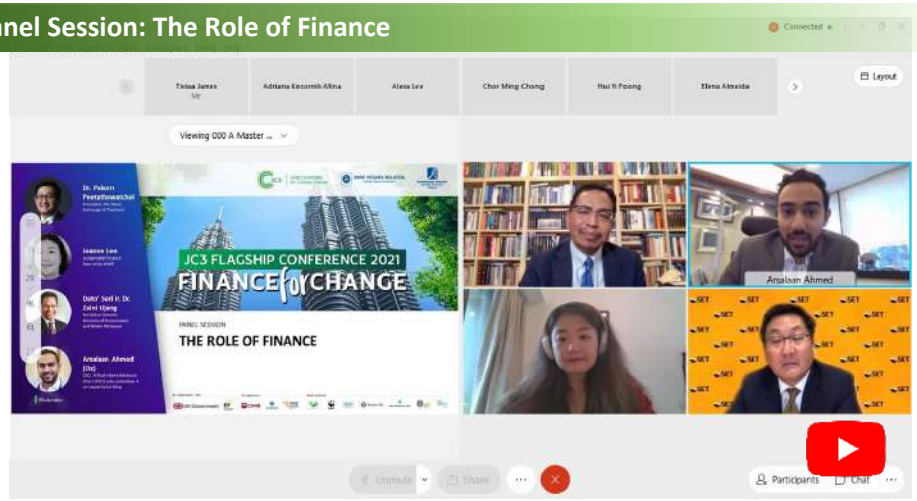
Day 1, 23rd June 2021 (4.05 PM to 4.25 PM)

Key Takeaways/Messages:

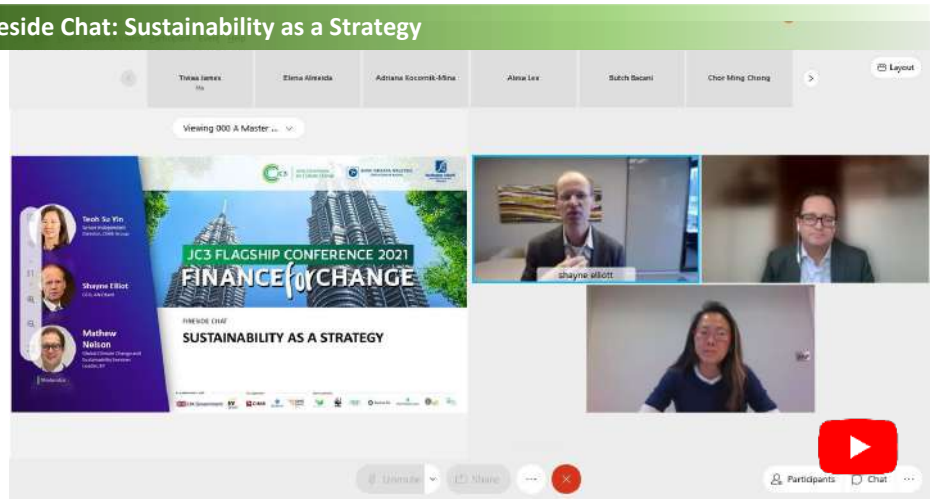
- Corporations should embrace sustainability holistically throughout the business operations, from sustainable sourcing to packaging and recycling efforts - thus providing consumers with more options for sustainable consumption and inspiring them to lead a more sustainable lifestyle.
- The Milo Sayang Bumi initiative involves the use of solar powered vans, reducing plastic through the introduction of paper products, and reducing plastic in landfills through the collection of waste from consumers. The Milo Sayang Bumi initiative feeds into their other projects, such as the conversion of used cartons into Green roof tiles. On a wider scale, Nestle further promotes sustainability through Project ReLeaf, with an ambition to plant 3 million trees in Malaysia by 2023.
- To achieve net zero by 2050, it is key to address emissions throughout the value chain and implement regenerative agriculture and nature-based solutions such as agroforestry and land restoration.

DAY 1 SESSIONS HIGHLIGHTS

Panel Session: The Role of Finance



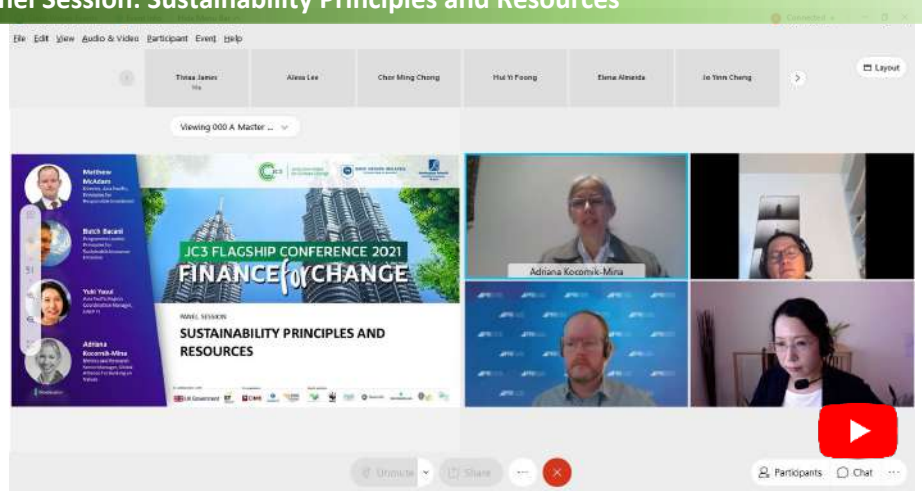
Fireside Chat: Sustainability as a Strategy



Asset Management Wrap Up Session



Panel Session: Sustainability Principles and Resources



Day
2

DAY 2 MORNING

JC3 outcomes and implications for FIs

9.00 am	**Keynote speech**
9.15 am	**Insights:** BNM Climate Change and Principles-based Taxonomy: What this means for FIs
9.35 am	**Discussion session:** Application and operationalisation of the Taxonomy
10.20 am	**Panel session:** Impact of the Taxonomy
11.05 am	**Insights and discussion:** Changing ESG disclosure requirements in the Malaysian context
11.30 am	**Masterclass:** Evolving sustainability risk disclosure and practices
12.15 pm	**Discussion session:** Task Force on Climate-related Financial Disclosures (TCFD)



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Datuk Syed Zaid Albar

Executive Chairman, Securities Commission Malaysia

"The gravity of climate change and its inherent economic and financial impact requires the financial sector to prepare, adapt and intensify the drive to achieve sustainability. The window for us to make the necessary and fundamental change is narrowing. All stakeholders – Government, regulators, financial institutions, investors, companies and their value chains – must play their part to help achieve the sustainability agenda. We are all in this together."

KEYNOTE (1/2)



Datuk Syed Zaid Albar

Executive Chairman, Securities Commission Malaysia

Day 2, 24th June 2021 (9.00 AM to 9.15 AM)

Key Takeaways/Messages:

- Sustainability must be at the heart of the financial system. The approach has to shift from avoidance to active participation, with financial intermediaries as the stewards of climate action. Greater adoption of these and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) would be a game changer for the Malaysian financial industry moving forward.
- The Malaysian Code on Corporate Governance (MCCG) was revised to encourage companies to address sustainability risks and opportunities in an integrated and strategic manner. While there is no explicit requirement for boards to set net zero targets, the MCCG highlights increasing stakeholder expectation for more action including lowering of carbon emissions.
- Adoption of MCCG 2021 as well as board buy-in will be crucial to meaningfully shift the needle towards reliable environmental and sustainability risk reporting.
- Capital Markets Malaysia has established three centres of excellence to inculcate the principles of sustainability in the wider ecosystem. The SC recently launched NaviGate, a Capital Market Green Financing series, to heighten corporate awareness on suitable market-based financing avenues.
- The Securities Commission has identified an SRI Taxonomy for the capital market as a critical building block to facilitate greater product diversity and accelerate the development of SRI as an asset class. This will give issuers, investors, intermediaries, and asset owners more clarity and guidance in identifying sustainable investment assets or activities.

KEYNOTE (2/2)



Day 2, 24th June 2021 (9.00 AM to 9.15 AM)

Datuk Syed Zaid Albar

Executive Chairman, Securities Commission Malaysia

Key Takeaways/Messages:

- Through the ASEAN Capital Markets Forum (ACMF), the SC is involved in two key initiatives: the ASEAN Taxonomy for Sustainable Finance and the ASEAN Sustainability-linked Bond Standards to provide an avenue for issuers to raise funds to meet their sustainability targets.
- It is vital for the financial and capital markets to assist businesses in their sustainability journey and to lead the nation's sustainability agenda. Financial intermediaries must take it upon themselves to identify and enable conditions for innovation in sustainability-linked products and solutions to thrive.
- We can expect increased demand for green and sustainability funding across all types of businesses, including micro, small and medium-sized enterprises (MSMEs).
- Market-based instruments such as green, social and sustainability bonds and sukuk will also provide opportunities for investors to participate in this emerging asset class.
- Currently, 64% of SRI sukuk issuances are for renewable energy projects. We need to expand this base by targeting transformative technologies and industries with high spill over benefits for the country.

INSIGHTS: BNM CLIMATE CHANGE & PRINCIPLE-BASED TAXONOMY: WHAT THIS MEANS FOR FINANCIAL INSTITUTIONS (1/3)



Hong Chin Pheng

Deputy Director, Financial Conglomerates
Supervision Department, Bank Negara Malaysia

Day 2, 24th June 2021 (9.15 AM to 9.35 AM)

Key Takeaways/Messages:

- The BNM Climate Change and Principle-based Taxonomy (CCPT) provides a framework to assess the impacts of economic activities on the climate and broader environment. The CCPT adopts an inclusive approach which avoids the outright exclusion of economic activities by taking into consideration the different stages of the transition and development across economic agents.
- BNM's supervisory expectations are for the financial institutions to utilise the CCPT to help customers transition and to direct financing to more sustainable activities. This is done through promoting a better understanding of the business model of customers, their present and potential impacts to climate change and environmental degradation, and how they address this through remedial measures.
- The CCPT encourages financial institutions to adopt a whole-of-bank approach to ensure that broader climate considerations are implemented at all levels, including in the risk management framework, due diligence process and through staff capacity building.
- The CCPT gives financial institutions the ability to assess business proposals that contribute to these principles and align them to risk appetites. It further allows financial institutions to nurture the transition through encouraging high carbon intensive customers to shift to a low-carbon transition.

INSIGHTS: BNM CLIMATE CHANGE & PRINCIPLE-BASED TAXONOMY: WHAT THIS MEANS FOR FINANCIAL INSTITUTIONS (2/3)



Hong Chin Pheng

Deputy Director, Financial Conglomerates
Supervision Department, Bank Negara Malaysia

Day 2, 24th June 2021 (9.15 AM to 9.35 AM)

Key Takeaways/Messages:

- The CCPT compares a number of metrics against 5 guiding principles which define climate and environmental objectives to classify economic activities in the following categories:
  - Climate supporting activities which meaningfully contribute to climate objectives without causing significant harm to environmental objectives.
  - Transitioning activities where the business undertakes efforts to transition to low carbon and sustainable practices, but the business may still cause some harm to the broader environment. Financial institutions must therefore assess these businesses' level of commitment and actions to implement remedial measures.
  - Watchlist activities for businesses which do not display any commitment or are not serious in their commitment to remediate the harm identified and are not undertaking initiatives to transition to sustainable practices.

INSIGHTS: BNM CLIMATE CHANGE & PRINCIPLE-BASED TAXONOMY: WHAT THIS MEANS FOR FINANCIAL INSTITUTIONS (3/3)



Hong Chin Pheng

Deputy Director, Financial Conglomerates
Supervision Department, Bank Negara Malaysia

Day 2, 24th June 2021 (9.15 AM to 9.35 AM)

Key Takeaways/Messages:

- Adoption of the CCPT facilitates greater preparedness to make more meaningful climate-related disclosures in the future and increases expectations for sustainability disclosures by customers. To promote the implementation of the CCPT, BNM is working to socialise the taxonomy to its stakeholders through establishing a CCPT implementation group to track progress, understand the challenges associated with its adoption, and report achievements.

- BNM is in the process of developing additional use cases to explore the application of the CCPT in insurance and takaful underwriting, and will continue making supervisory engagements to enhance the taxonomy.

APPLICATON & OPERATIONALISATION OF THE TAXONOMY (1/3)



Tigor M.Siahaan

President and CEO, CIMB Niaga



Eqhwan Mokhzanee

Chief Executive Officer

AmIslamic Bank



Moderator

Wei Zhang

Senior Financial Sector Specialist, World Bank

Day 2, 24th June 2021 (9.35 AM to 10.20 AM)

Key Takeaways/Messages:

- Financial institutions must manage the local contexts of climate objectives. For example, for CIMB Indonesia, the phasing out of coal financing by 2040 poses challenges as Indonesia's energy supply is currently mostly generated through coal and therefore the renewable transition will take time to materialise.
- Financial institutions can learn from a number of key lessons in operationalizing the CCPT and sustainable finance including:
  - Incorporating sustainability into products and services such as through green finance solutions which impact the tenure, pricing and terms offered to a customer depending on their climate change classification according to the CCPT.
  - Using the CCPT guiding principles to establish clear risk acceptance criteria that can be followed by producing an ESG risk score which overlays credit and climate risk assessment. Financial institutions can integrate the CCPT classifications and VBI sectoral guides in this process and can develop internal policies and guidelines to further guide the classification.
  - Adopting a nurturing approach by recognising a customer's remedial measures to avoid a disruptive and outright exclusion of activities. While noting that when engaging with clients to adopt more sustainable practices and transition, the workload and time-frame is dependent on the client's readiness and commitment level.

APPLICATON & OPERATIONALISATION OF THE TAXONOMY (2/3)



Tigor M.Siahaan

President and CEO, CIMB Niaga



Eqhwan Mokhzanee

Chief Executive Officer

AmIslamic Bank



Moderator

Wei Zhang

Senior Financial Sector Specialist, World Bank

Day 2, 24th June 2021 (9.35 AM to 10.20 AM)

Key Takeaways/Messages:

- Establishing a list of recognised sustainability-related certifications.
- Conducting sustainability-related disclosures such as by adopting the Task Force for Climate-Related Financial Disclosures (TCFD) reporting framework.
- Undertaking internal adjustments for governance, such as by appointing board of director members responsible for sustainability issues and establishing a sustainability working unit.
- Creating a general awareness and culture on sustainability and incorporating it into Key Performance Indicators.

• Adopting a nurturing approach by recognising a customer's remedial measures is key to avoid a disruptive and outright exclusion of activities. While noting that when engaging with clients to adopt more sustainable practices and transition, the workload and time-frame is dependent on the client's readiness and commitment level.

APPLICATON & OPERATIONALISATION OF THE TAXONOMY (3/3)



Tigor M.Siahaan

President and CEO, CIMB Niaga



Eqhwan Mokhzanee

Chief Executive Officer

AmIslamic Bank



Moderator

Wei Zhang

Senior Financial Sector Specialist, World Bank

Day 2, 24th June 2021 (9.35 AM to 10.20 AM)

Key Takeaways/Messages:

- Financial institutions may face a number of challenges in the implementation of the CCPT and practicing sustainable finance. This includes access to and organisation of sustainability-related data of financial institutions' own activities and those of clients.
- Incorporating sustainability into products and services such as through green finance solutions which impact the tenure, pricing and terms offered to a customer depending on their climate change classification according to the CCPT.
- Using the CCPT guiding principles to establish clear risk acceptance criteria that can be followed by producing an ESG risk score which overlays credit and climate risk assessment. Financial institutions can integrate the CCPT classifications and VBI sectoral guides in this process and can develop internal policies and guidelines to further guide the classification.

IMPACT OF THE TAXONOMY (1/2)



Eugene Wong

CEO, Sustainable Finance Institute Asia Limited



Leonard Ariff Bin Abdul Shatar

Group Managing Director, DuoPharma Biotech



Fraziali Ismail

Assistant Governor, BNM

Moderator

Day 2, 24th June 2021 (10.20 AM to 10.50 AM)

Key Takeaways/Messages:

- A range of different ESG initiatives and guidance have been issued to the financial industry. The CCPT framework provides a certain level of consistency and homogeneity on ESG issues.
- The CCPT can support financial institutions in moving the sustainability agenda, including the low-carbon transition and development of innovative and sustainable products. This is done by:
  - Allowing financial institutions to rely on the taxonomy to determine what investments and activities qualify as green for the client.
  - Acting as a tool for financial institutions to align their sustainability goal with lending requirements and better allocate resources with reference to these requirements.
  - Promoting better classification of assets for financial institutions.
  - Assisting financial institutions in developing sustainable banking products and services to drive the sustainability agenda.
- Financial institutions should come up with more robust frameworks when applying the taxonomy to determine what sort of actions to take when engaging with clients to achieve climate goals.

IMPACT OF THE TAXONOMY (2/2)



Eugene Wong

CEO, Sustainable Finance Institute Asia Limited



Leonard Ariff Bin Abdul Shatar

Group Managing Director, DuoPharma Biotech



Fraziali Ismail

Assistant Governor, BNM

Moderator

Day 2, 24th June 2021 (10.20 AM to 10.50 AM)

Key Takeaways/Messages:

- The CCPT standardizes and guides data requirements for financial institutions and potential customers. Clients need to be educated and financial institutions need to gather data and manage the weightages given to qualitative and quantitative data. Clarity should be provided on the cohesion of data and how to address data gaps (such as metrics for emission intensity) and consistency of cross-border issues. While noting that a single formula will not work across the industry (for example, SMEs clients will require higher levels of nurturing, assistance and education specific to their context), the CCPT allows the industry to agree on the commonalities and provides a base of investors to communicate their position and expectations to customers.
- The government should take a more holistic approach for climate action as the issue of decarbonisation is beyond the goals of financial institutions or individual industry sectors.
- Efforts through operational alignment, client education, and taxonomy homogeneity are key to driving their interoperability.

INSIGHTS & DISCUSSION: CHANGING RISK DISCLOSURE REQUIREMENTS IN THE MALAYSIAN CONTEXT



Julian M Hashim

CEO of Bursa Malaysia Regulation

Day 2, 24th June 2021 (11.05 AM to 11.30 AM)

Key Takeaways/Messages:

- Effective ESG management extends beyond risk management to capitalise on business opportunities created through growth from the climate transition in the future.
- Sustainability matters can be considered material when they reflect significant economic, environmental and social impacts for companies or substantively influence the assessments and decisions of stakeholders.
- A Bursa review of Malaysian public listed companies' disclosures identified 5 key areas of weaknesses which need to be addressed: Prioritization of material matters, disclosure of performance indicators, setting targets, linking sustainability performance to remuneration, integration of sustainability strategies into business.
- The 2021 priority is to review Bursa's sustainability reporting framework to enhance availability, quality, and comparability of sustainability-related disclosures. This also mandates the adoption of sustainability related disclosures by the PLCs as the stakeholders' expectation on this has increased in the recent years.
- The JC3 Sub Committee 2 is focusing on developing a practitioner/industry driven guide for adopting the TCFD recommendations localized to Malaysian context which will be completed by end of 2021. This will be aligned with other local reporting practices, such as those from BNM's CCPT and Bursa's sustainability requirements.

EVOLVING SUSTAINABILITY RISK DISCLOSURE AND PRACTICES (1/3)



Day 2, 24th June 2021 (11.05 AM to 11.30 AM)

Arina Kok

Director, Climate Change and Sustainability Services, EY

Key Takeaways/Messages:

- EY's Climate Risk Disclosure Barometer 2020, which analysed the reporting disclosures of the top 100 PLCs in Malaysia, found that climate change is acknowledged but not sufficiently addressed. In particular, there was:
  - Limited focus in climate risk reporting
  - A lack of details on climate risk management in enterprise risk management
  - Underutilization of scenario analysis
  - Limited disclosure of climate-related targets and metrics

- The MCGG (2021) recommends 5 best practices to strengthen oversight of sustainability:
  - The board and management should be responsible and have the mandate for the governance of sustainability in the company. This includes setting strategy, priority and targets, and delegating material sustainability matters to senior management.
  - The board should ensure that sustainability strategies, priorities, targets and performance are communicated to internal and external stakeholders.
  - The board should take action to understand sustainability issues relevant to the company including climate-related risks and opportunities.
  - Reviews of board and senior management performance in addressing material sustainability risks and opportunities should be incorporated into performance evaluations, including KPIs and in the board remuneration committee.

EVOLVING SUSTAINABILITY RISK DISCLOSURE AND PRACTICES (2/3)



Arina Kok

Director, Climate Change and Sustainability Services, EY

Day 2, 24th June 2021 (11.05 AM to 11.30 AM)

Key Takeaways/Messages:

- The board should set up a steering committee to share the management of sustainability and identify a designated person within management to be the focal person to manage sustainability strategically, including making strategy recommendations at the board level

- In sustainability risk disclosures, organizations should consider the following aspects:
  - The identification, prioritization and materiality of ESG risks, including how these risks are captured by the risk management and sustainability teams.
  - The alignment between disclosures, such as how material sustainability risks are disclosed in the risk management section of annual reports.
  - The timeline for sustainability materiality and risk assessments.
  - Measurement of sustainability risk, including the use of tools, scenario analysis or stress testing.

- When embedding climate risk into enterprise risk management, organizations should embed it into the risk management lifecycle, which includes:
  - Risk identification and assessment, such as granular analysis of customers and clients by region and sector.
  - Risk taxonomies, such as how granular components are examined in the portfolio to inform credit limits and other controls.

EVOLVING SUSTAINABILITY RISK DISCLOSURE AND PRACTICES (3/3)



Arina Kok

Director, Climate Change and Sustainability Services, EY

Day 2, 24th June 2021 (11.05 AM to 11.30 AM)

Key Takeaways/Messages:

- Risk reporting, with a set of risk metrics which captures own and counterparty climate change risks.
- Risk mitigation, such as the use of climate risk analysis to support decision making.

- Organizations who are looking into climate-related disclosures should: (a) embrace behavioural changes, (b) drive social and impact-based innovations, (c) increase engagement to deepen collaboration and align public-private commitments, (d) re-examine board governance and composition, (e) seek out new types of reporting, (f) build resilience through technology, (g) recruit or develop talent to mitigate new risks, and (h) clarify the risk operating model.

- Organizations can leverage on climate scenarios in order to (a) assess potential climate impacts on business, (b) develop strategy and risk and opportunity management, (c) reduce climate risk exposure and explore new market opportunities, (d) direct and raise financing for low carbon projects, and (e) meet increasing stakeholder expectations.

OPERATIONALISING TCFD (1/3)



Rosemary Bissett

Head of Sustainability Governance & Risk, National Australia Bank



Arina Kok

Director, Climate Change and Sustainability Services, EY

Moderator

Day 2, 24th June 2021 (12.15 PM to 12.45 PM)

Key Takeaways/Messages:

- Organizations can refer to the UNEP FI Pilot Phase 1, 2 and 3 to gain understanding of climate risks and scenarios and help customers in understanding the transition pathways. These reports and guidelines were developed collaboratively with academic and scientific organizations, and includes information such as:
  - Pilot testing and scenario analysis
  - Heat mapping exercises for portfolios which identifies carbon and climate-sensitive sectors to aid in ESG related credit policy and risk appetites
  - Overview of key sectors which have the most reputational or transitional risks for financial institutions

OPERATIONALISING TCFD (2/3)



Rosemary Bissett

Head of Sustainability Governance & Risk, National Australia Bank



Arina Kok

Director, Climate Change and Sustainability Services, EY

Moderator

Day 2, 24th June 2021 (12.15 PM to 12.45 PM)

Key Takeaways/Messages:

- Organizations who are in the early stages of implementing the TCFD should:
  - Start early, secure support and commitment from the board, and provide climate related development at the board and executive levels.
  - Nurture relationships and collaborations with the experts and academia, as they can provide support and resources on the TCFD journey while building internal capacity over time.
  - Undertake a gap analysis, including identifying existing open source and validated data as well as relevant industry initiative, and begin with the level of capacity that the organization has to address.
  - Assign a budget and delegate responsibility and accountability for strategy and risk management.

OPERATIONALISING TCFD (3/3)



Rosemary Bissett

Head of Sustainability Governance & Risk, National Australia Bank



Arina Kok

Director, Climate Change and Sustainability Services, EY

Moderator

Day 2, 24th June 2021 (12.15 PM to 12.45 PM)

Key Takeaways/Messages:

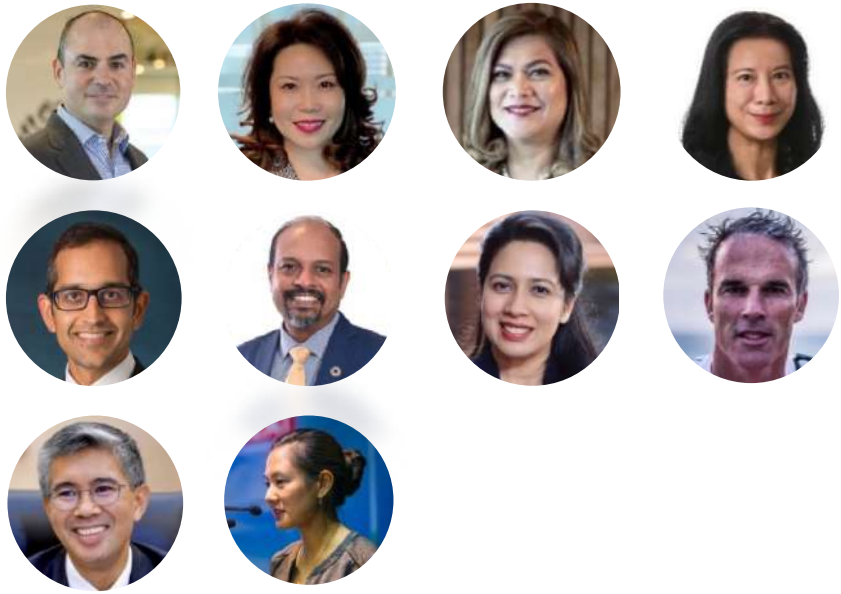
- In order to strengthen climate action and implementation of the TCFD, organizations should also consider:
  - Setting up collaborations on mapping decarbonization pathways for portfolios and opportunities for specific sectors to decarbonize.
  - Undertaking a quantitative risk assessment of climate risk and augment bank systems to better capture climate-related data.
  - Identifying other relevant tools, methodologies and data sources and developing methodologies for climate risk management.
  - Delivering the Collective Commitment to Climate Action 2022 target.
- The rationale of net-zero commitments must be based on science and by looking at different climate scenarios. Through adopting climate commitments, financial institutions will not only be able to understand the risks and opportunities embedded in the transition, but also identify the scope to aid customers in working towards climate goals.

Day
2

DAY 2 AFTERNOON

JC3 outcomes and implications for FIs

1.45 pm	**Masterclass:** Sustainable finance products and innovation
2.45 pm	**Panel session:** Sharing experience on sustainable finance product development
3.45 pm	Break
4.00 pm	**Fireside chat:** The national agenda on sustainability
4.45 pm	**Call to action:** The power is in your hands
5.15 pm	**Closing plenary:** Fostering a sustainability landscape in public finance
5.45 pm	Wrap up
5.55 pm	End



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MASTERCLASS : SUSTAINABLE FINANCE PRODUCTS AND INNOVATION (1/2)



Gilles Pascual

Strategy and Transaction Leader, EY

Day 2, 24th June 2021 (1.45 PM to 2.45 PM)

Key Takeaways/Messages:

- There have been 22 issuances for green & sustainable bonds in Malaysia to this date. The issuances of Green bonds / sukuk have been mostly in renewable energy, solar power, hydro power, and green building, which closely follows the global allocation. While these are the obvious choices of sectors, it is also important to diversify the funding. The financial sector has the ability to fund a large number of different activities and it is up to the financial sector to start the discussion with clients and drive the allocation of funds to sustainable products.
- The following are the main drivers of sustainable finance:
  - Macro-economic and geopolitical trends; e.g. Paris Agreement, UN SDGs.
  - Sustainability focus: There is an increased focus on a long term sustainable investment. This will drive the allocation of capital and business needs to take into account ESG to maintain the eligibility of raising capitals.
  - Investors expectations: Investors are increasingly sceptical, requiring transparency from companies, therefore leading to the development of new disclosure requirements.

MASTERCLASS : SUSTAINABLE FINANCE PRODUCTS AND INNOVATION (2/2)



Gilles Pascual

Strategy and Transaction Leader, EY

Day 2, 24th June 2021 (1.45 PM to 2.45 PM)

Key Takeaways/Messages:

- Demographic shift: The current generation tends to focus more on sustainability. Customers are also demanding products that are more sustainable, have more transparency, and embed ESG in the entire value chain. 60% of millennials are even willing to take a pay cut to work for a responsible company. Hence, companies with unsustainable practices will be faced with recruitment issues and higher costs to attract talent.
- Regulation changes: Over 127 governments have set net-zero commitments. This will flow from country commitments down into all businesses. Regulations are also becoming stricter (e.g. EU taxonomy). There are many new regulations globally, some are cross-border and will have an impact on the businesses exporting to those markets.

PANEL SESSION: SHARING EXPERIENCE ON SUSTAINABLE FINANCE PRODUCT DEVELOPMENT (1/2)



Yulanda Chung
***He**ad of Sustainability, DBS*



Tan Ai Chin
Managing Director, Senior Banker Client Coverage & Head of Global Investment Banking, OCBC Bank (Malaysia) Berhad



Jo Ann Eala
***V**ice President, Sustainable Energy Finance & Specialized Lending Team, Bank of the Philippine Islands*



Mushtaq Kapasi
Managing Director, Chief Representative, Asia Pacific, ICMA

Moderator

Day 2, 24th June 2021 (2.45 PM to 3.45 PM)

Key Takeaways/Messages:

- Climate transition finance guidance introduced by the ICMA allows issuers that are on a transition pathway to demonstrate, through disclosure and transparency, their transition pathway and account them as credible green issuers. The climate transition guidance can be used for green, social, and sustainability-linked bonds.
- Transition finance applies to the use of proceed-specific structures for specific assets and projects which are adopting measures to transition to net zero. Transition finance supports carbon-heavy industries to transition and puts an emphasis on decarbonization through avoidance, reduction, and removal of GHG emissions.
- The DBS Sustainable and Transition Finance Framework and Taxonomy serves as a reference guide for clients to adapt and prepare their resilience for climate change, resource scarcity, and social inequality.
- The Spectrum of transition is based on the sectors (i.e. from dark brown into dark green) and facilitates the incremental transition from ‘dark brown’ into ‘light green’ over time.

PANEL SESSION: SHARING EXPERIENCE ON SUSTAINABLE FINANCE PRODUCT DEVELOPMENT (2/2)



Yulanda Chung
Head of Sustainability, DBS



Tan Ai Chin
Managing Director, Senior Banker Client Coverage & Head of Global Investment Banking, OCBC Bank (Malaysia) Berhad



Jo Ann Eala
Vice President, Sustainable Energy Finance & Specialized Lending Team, Bank of the Philippine Islands



Mushtaq Kapasi
Managing Director, Chief Representative, Asia Pacific, ICMA

Moderator

Day 2, 24th June 2021 (2.45 PM to 3.45 PM)

Key Takeaways/Messages:

- The BPI Sustainable Development Finance program includes:
  - Providing free education & technical advice for their clients (through 3rd party IFC consultants).
  - Conducting environmental & climate risk assessment and monitoring. The borrowers of the bank are assessed first for vulnerabilities and hazards before being provided with the loan.
  - Project evaluation of financial and technical aspects of the projects before putting together the financial packages the client needs.
  - Offering credit guarantees when the clients do not have sufficient collateral.
- Financial institutions could consider utilizing a second party opinion for bonds-related interpretations and 3rd party assurance bodies to look into reports to avoid greenwashing. Investors demand more transparency and require companies to be upfront about the proceeds, how the companies will move forward with sustainability-linked instruments, etc.

FIRESIDE CHAT: THE NATIONAL AGENDA ON SUSTAINABILITY



Dr. Nagulendran Kangayatkarasu

Deputy Secretary General, Ministry of Environment and Water



Moderator

Datin Seri Sunita Rajakumar

Founding Chairperson, Climate Governance Malaysia

Day 2, 24th June 2021 (4.00 PM to 4.45 PM)

Key Takeaways/Messages:

- Forests, nature, and biodiversity are crucial in keeping emissions low. KASA has undertaken a number of initiatives to promote emissions reductions, including conducting a study on plastic circularity markets, setting low-carbon cities masterplan (noting that 77% of Malaysia's population live in cities), low-carbon mobility blueprint, nationally determined contributions (NDCs), climate change legal framework, review of climate change policy, identifying gaps in climate action, low-emissions development strategy, green technology innovation roadmap, national adaptation plan, green recovery plan, and GHG Inventory.
- Malaysia is also part of the Green Bank Network that connects leaders in clean energy finance to share best practices and supports investment in clean energy solutions. Financial institutions are able to access and benefit from the network through the MGTC.
- To address environmental issues, federal or state governments need to forge collaborations among relevant agencies, and financial institutions should support these collaborative efforts.
- There are 5 things that financial institutions can do to facilitate important national agendas: provide funds and capital, push technological innovations, look at externalities when evaluating projects, influence stakeholders and lenders, and take the stewardship role by demanding more environmental funding and financing for the whole sustainability agenda.
- Data is a fundamental part in sustainable finance, as it enables the industry players to make better, informed decisions. Sharing of relevant environmental data from government agencies and expert bodies is key.

CALL TO ACTION: THE POWER IS IN YOUR HANDS



Lewis Pugh

United Nations Ocean Advocate

Day 2, 24th June 2021 (4.45 PM to 5.15 PM)

Key Takeaways/Messages:

- Every generation will face its own challenges and the defining issue of our generation is the health of the environment.
- Changes in the Polar regions are happening quickly, and will impact every living thing on the planet. In the seven summers Lewis Pugh spent training in the Arctic, he saw the ice getting thinner, and glaciers retreating up valleys.
- At the end of his swim across the length of the English Channel, he met Michael Gove, the then Secretary of State for Environment in the UK, to convey the urgency of protecting the oceans. Since then, the UK committed to promoting the protection of at least 30% of the world's oceans by 2030, and after it was raised at the UN, 84 nations have joined the UK in that commitment, which has turned into one of the largest conservation drives in history.
- After experiencing difficulties in attempting to swim in a glacial lake in the Himalayas, Lewis Pugh was urged to change his swimming method and take a radical, tactical shift in his mindset in order to overcome the specific difficulties of high-altitude swimming. This teaches us that while we can change our speed and stroke of swimming, to achieve real and effective change, we also have to alter our mindset towards a specific challenge.
- Fighting against the climate crisis requires a 100% commitment, as well as the adoption of good habits for resilience and adaptation. If we do not make these changes, we will drown.
- We need to do everything we can to protect the last great wilderness areas on earth and tackle the climate crisis. The science is very clear - we need to protect at least 30% of the world's oceans by 2030 for it to stand any chance of recovery.

Joint Committee on Climate Change

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Suruhanjaya Sekuriti
Securities Commission Malaysia





YB Senator Tengku Datuk Seri Utama Zafrul bin Tengku Abdul Aziz

Minister of Finance, Ministry of Finance Malaysia

"The Government has adopted a 'whole of nation' approach in addressing the impacts of climate change. Financial institutions and the private sector play a critical role in complementing the Government's efforts to manage these impacts, in order to foster sustainable growth and development, as well as to facilitate our transition to a low carbon economy."

In collaboration with: UK Government, EY

Co-organisers: CIMB, ZURICH, SME BANK

Event partners: WWF, FIDE FORUM, Swiss Re, FAIR FINANCE ASIA, afi, IBFIM

CLOSING PLENARY: FOSTERING A SUSTAINABILITY LANDSCAPE IN PUBLIC FINANCE (1/3)



YB Senator Tengku Datuk Seri Utama Zafrul bin Tengku Abdul Aziz

Minister of Finance, MoF

Day 2, 24th June 2021 (5.15 PM to 5.45 PM)

Key Takeaways/Messages:

- The recently established Malaysian Climate Action Council (MyCAC) adopts a 'whole of nation' approach in addressing climate change issues, by providing a national-level platform and getting all sectors and states to act more systematically and cohesively. This includes developing Malaysia as a hub for green economy, services and technology, and implementing various programmes to drive the national climate change agenda. The whole-of-nation approach which the Government is taking is a crucial element in achieving Net Zero target by 2050.
- The Ministry of Finance (MoF) remains committed to ensure adequate financing for programmes and projects related to the SDGs. MoF is now working with the UN Development Programme to establish an Integrated National Financing Framework, which comprises platforms for innovation and reforms spanning from policy, regulation, financial instrument, institutions as well as greater public and private collaboration.
- MoF has also volunteered to lead the Working Group on Finance for Sustainable Development under the national-level SDG Steering Committee to align financing flows and policies with economic, social and environmental priorities and ensure that financing is stable and sustainable.

CLOSING PLENARY: FOSTERING A SUSTAINABILITY LANDSCAPE IN PUBLIC FINANCE (2/3)



YB Senator Tengku Datuk Seri Utama Zafrul bin Tengku Abdul Aziz

Minister of Finance, MoF

Day 2, 24th June 2021 (5.15 PM to 5.45 PM)

Key Takeaways/Messages:

- MoF is now at the tail end of launching a MySDG Trust Fund in collaboration with the UN to complement the development allocation towards the SDGs in order to meet any financing gaps.
- Another area is on the development of a "green recovery plan" agenda such as the "Green New Deal" so that Malaysia will become a hub in the field of green economy, services and technology, and will foster green lifestyles in all walks of life through the concept of planetary health towards holistic sustainable development.
- For Budget 2022, MoF is looking at further driving our sustainability efforts, especially in introducing policies as well as both tax and non-tax incentives for the green economy to push for more renewable energy investments, sustainable industries and environment.
- MoF will also look at sustainable infrastructure and sustainable cities that are fit-for-purpose in the post-Covid-19 world. These include optimising demand-side management for energy, encouraging low-carbon mobility and promoting the construction of green buildings.

CLOSING PLENARY: FOSTERING A SUSTAINABILITY LANDSCAPE IN PUBLIC FINANCE (3/3)



YB Senator Tengku Datuk Seri Utama Zafrul bin Tengku Abdul Aziz

Minister of Finance, MoF

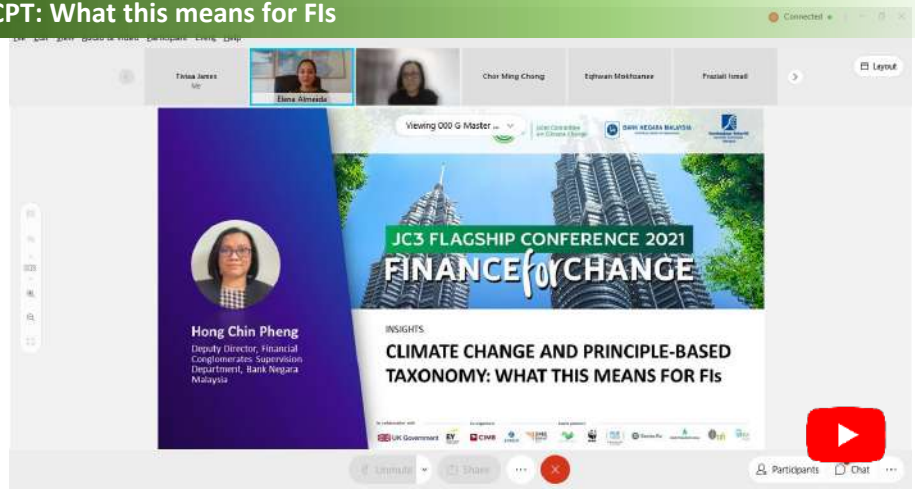
Day 2, 24th June 2021 (5.15 PM to 5.45 PM)

Key Takeaways/Messages:

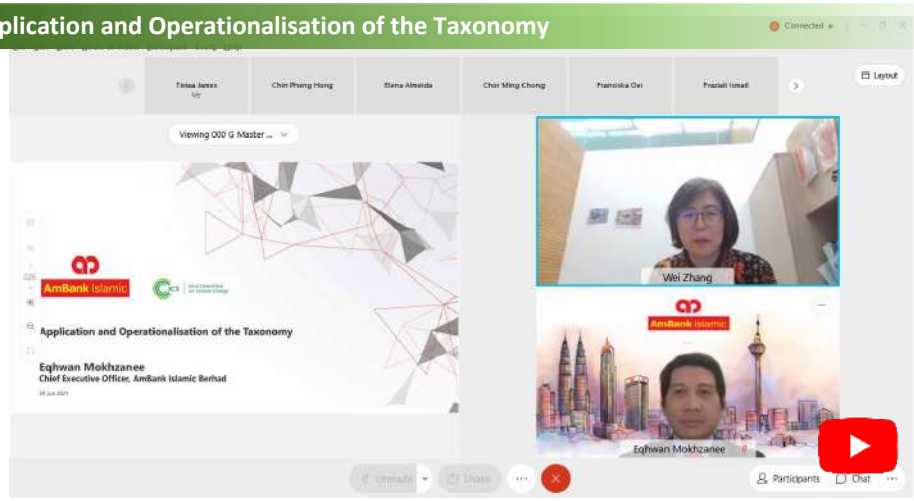
- The Government is also looking at other mechanisms to be improved and aligned towards sustainability such as enhancing government green procurement, SDG tagging, carbon tax, Emission Trading Scheme (ETS), national carbon trading policy which would act as catalyst in the transition into low carbon activities both by the public and private sectors.
- MoF is currently coordinating all these initiatives and programmes and discussing ways on how these could contribute towards making Malaysia a Sustainable Financing Hub and preparation for our Sustainable Financing Roadmap.
- Financial services players should identify areas where they can make an impact and set targets to achieve them. Targets must be set in alignment with national priorities, such as Malaysia's Paris Agreement commitment to reduce greenhouse gas intensity by 45% by 2030, and other science-based targets.
- All Malaysian businesses are encouraged to ride on Malaysia's well-developed financial market, global leadership in Islamic finance and Government's initiatives such as the Green Technology Financing Scheme (GTFS) 3.0 to drive sustainable finance and generate maximum benefits based on the People, Planet, Profit principles.

DAY 2 SESSIONS HIGHLIGHTS

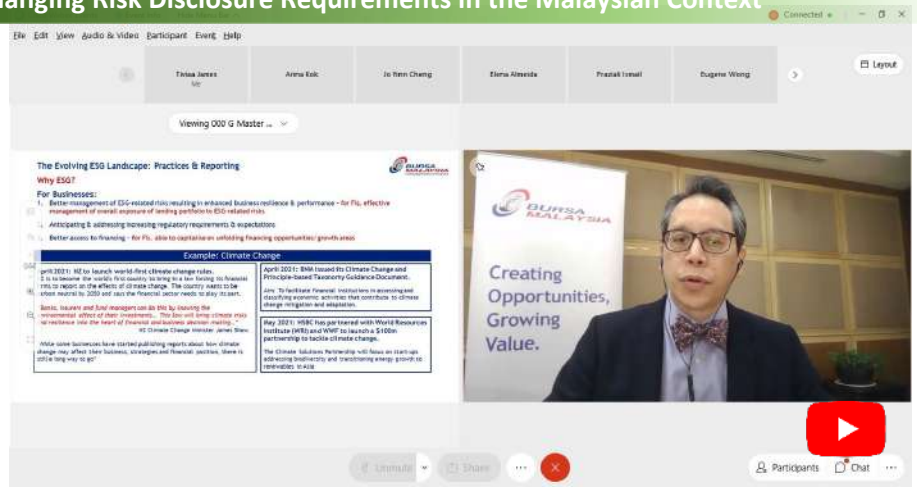
CCPT: What this means for FIs



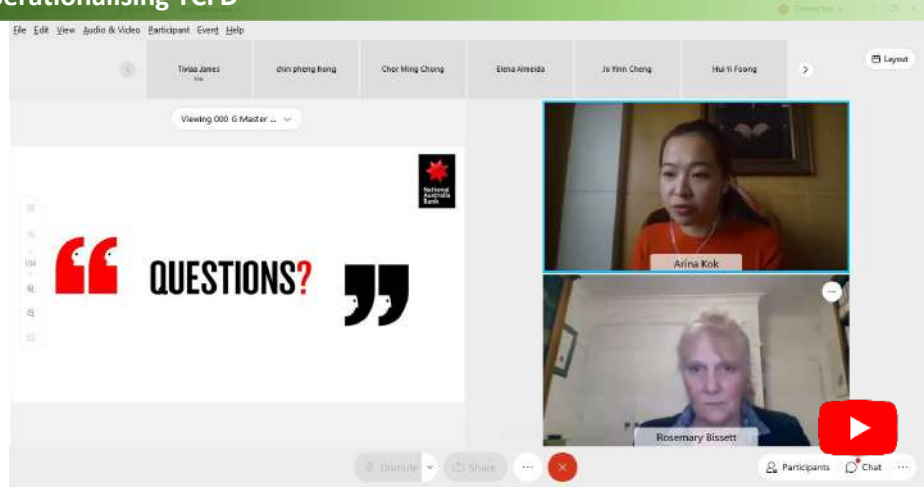
Application and Operationalisation of the Taxonomy



Changing Risk Disclosure Requirements in the Malaysian Context



Operationalising TCFD

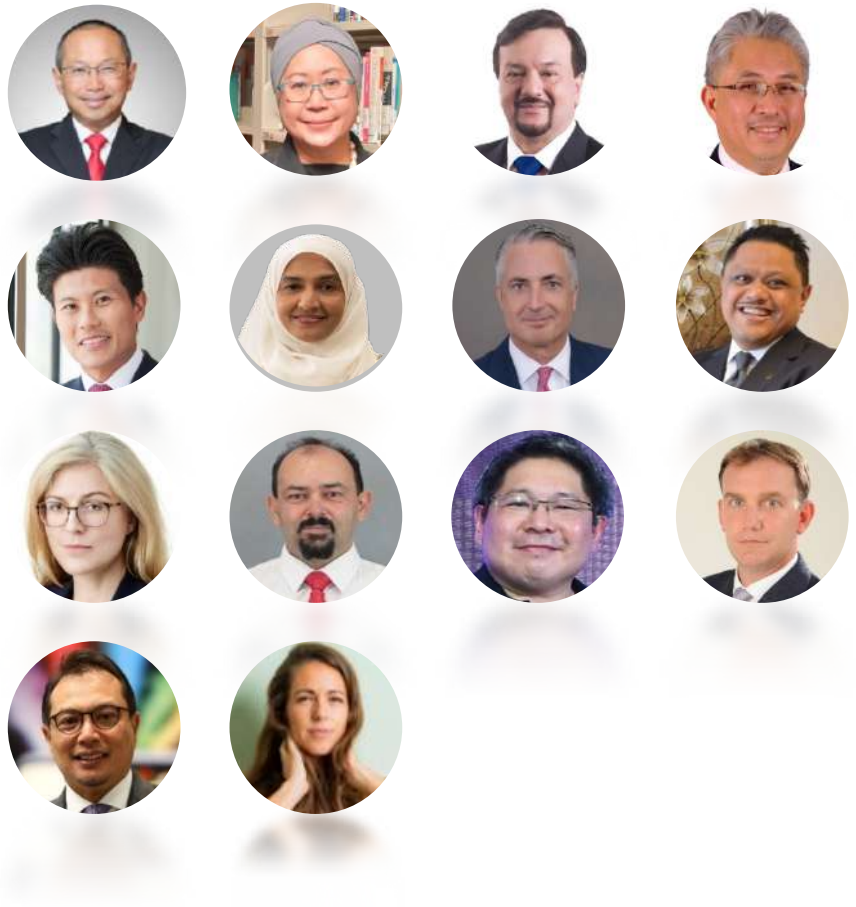


Day
3

DAY 3 SESSIONS

Sustainable finance for the private

9.00 am	**Keynote speech**
9.15 am	**Call to action: COVID-19 was just the dress rehearsal**
9.35 am	**Investor panel session:** Sustainability is no longer an option
10.35 am	**Banking panel session:** Changing ESG and climate requirements from banks
11.15 am	**Panel session:** Leveraging on sustainable finance for green growth
12.00 pm	**Call to action:** Businesses role in tackling climate change



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Tan Sri Abdul Wahid Omar

Chairman, Bursa Malaysia Berhad

"To tackle the issue of climate change holistically and comprehensively, beyond addressing the energy use and generation in our country, transition towards net-zero requires innovations in technology, shifting consumer behaviours and socio-economic transformations."

KEYNOTE (1/2)



Tan Sri Abdul Wahid Omar

Chairman of Bursa Malaysia

Day 3, 25th June 2021 (9.00 AM to 9.15 AM)

Key Takeaways/Messages:

- To tackle the issue of climate change holistically, beyond addressing the energy use and generation in our country, the transition towards net-zero requires innovations in technology, shifting consumer behaviour and socio-economic transformations.
- Accelerating the transition to net-zero will require significant funding from both the public and private finances. This will also involve developed countries honouring their promise to mobilise at least USD100 billion in climate finance per year, and trillions more in private finance to secure global net-zero by 2050.
- To achieve the global target of Net-Zero by 2050, countries need to commit to, among other things: (i) Accelerate the phase-out of coal and encourage investment in renewable energy, (ii) Optimise energy demand and speed up the switch to electric vehicles, and (iii) Curtail further deforestation
- In 2020, WWF reported that wildlife populations have fallen by 68% over a period of less than 50 years since 1979. Unless drastic actions are taken, our Malaysian national icon, the Malayan tiger, may be facing the same fate as the Sumatran Rhino. As of now, the number of Malayan tigers has dwindled to less than 200 compared to 500 a decade ago.

KEYNOTE (2/2)



Tan Sri Abdul Wahid Omar

Chairman of Bursa Malaysia

Day 3, 25th June 2021 (9.00 AM to 9.15 AM)

Key Takeaways/Messages:

- The FTSE4Good Bursa Malaysia Index has played an essential role in recognising PLCs that have taken steps to improve their ESG practices and disclosures. Since its launch in 2014, the number of constituents in the index has tripled from 24 to 76. Bursa Malaysia will be launching the FTSE4Good Bursa Malaysia Shariah Index.
- Bursa Malaysia is expanding collaborative efforts to work with financial institutions to offer sustainable financing products to PLCs that have shown interest and commitment in improving their ESG practices.
- Since the establishment of the Sustainability Reporting Framework back in 2015, all Malaysian PLCs are now disclosing Sustainability Statements and Reports annually. The Exchange also assists PLCs along their sustainability journey via the provision of comprehensive guidance and feedback, undertaking various advocacy and training, and establishing the BURSASUSTAIN portal (a one-stop knowledge repository for Corporate Governance, sustainability and responsible investment).

COVID-19 WAS JUST THE DRESSED REHEARSAL (1/2)



Day 3, 25th June 2021 (9.15 AM to 9.35 AM)

Tan Sri Dr. Jemilah Mahmood

Special Advisor on Public Health to Prime Minister of Malaysia

Key Takeaways/Messages:

- The situation that we're facing now is not 'climate change' – it is a climate crisis. A crisis of over-consumption, over-population, of naked greed, of ecological and climatological rape, of rampant corruption, and rent seeking behaviours by those we seem unable to hold to account.

- It is a crisis of inequity – evidenced by, for example, the differing vaccine programmes among rich and poor nations. A crisis of dependency on fossil fuels, driven largely by large corporations that lobby governments to maintain subsidies on fossil fuels rather than investing in green solutions. A crisis with severe humanitarian consequences – climate migration, food and water scarcity, human and planetary health degradation, and economic recession.

- Sea levels in the Malaysian waters have been increasing at an average rate of 3.67 mm/year, higher than the projected global rise of 1.7 to 3.1 mm/year. In fact, parts of our West coast towns (like Teluk Intan, Perak and Alor Setar, and Kedah) are projected to be below the tideline by 2050.

COVID-19 WAS JUST THE DRESSED REHEARSAL (2/2)



Day 3, 25th June 2021 (9.15 AM to 9.35 AM)

Tan Sri Dr. Jemilah Mahmood

Special Advisor on Public Health to Prime Minister of Malaysia

Key Takeaways/Messages:

- To overcome the effects of a pandemic, an estimated USD285 billion over a 10 year period is needed to develop an effective disease surveillance system which can dramatically reduce the risks of future outbreaks. This finance gap is only between 2.5% to 3.7% of the costs of COVID-19, which caused an estimated USD11.5 trillion in costs and losses.
- Push for national legislations in favour of an improved planetary health.
- Make sure that these legislations are effectively implemented. This means holding our leaders and even more difficult, holding ourselves accountable for the decisions we make within our own tiny spaces that affect both other people and the planet.
- Make sustainable practices the new norm. This includes making socially responsible investments and fool-proofing our governance systems against corruption, malpractices and abuse, and any rent-seeking behaviours.

PANEL: SUSTAINABILITY IS NO LONGER AN OPTION (1/2)



Datuk Seri Amir Hamzah Azizan

CEO, Employees Provident Fund



Jenn Hui Tan

Global Head of Stewardship and Sustainable Investing, Fidelity International



Tan Sri Azman Mokhtar

Board Member, INCEIF



Salmah Bee Mohd Mydin

Executive Director, Market Development, Securities Commission

Moderator

Day 3, 25th June 2021 (9.35 AM to 10.20 AM)

Key Takeaways/Messages:

- All financial decisions will carry non-financial consequences, and the financial industry has experienced difficulties in measuring these consequences as the focus has always been on what can be quantified in a financial model.
- While financial institutions can encourage companies to set challenging decarbonization targets, the gaps between ambitions and the adoption of ESG and net-zero targets needs to be addressed. This can be done by scrutinizing these companies, such as whether they have set a net-zero target, have appropriate governance and strategy to implement and achieve it, and assess any disparities between the rhetoric and the authenticity of the targets.
- Sustainability is about taking a more holistic and broad view of these issues, as externalities may affect business' financial performance more now than it has ever done before.

PANEL: SUSTAINABILITY IS NO LONGER AN OPTION (2/2)



Datuk Seri Amir Hamzah Azizan

CEO, Employees Provident Fund



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Global Head of Stewardship and Sustainable Investing, Fidelity International



Tan Sri Azman Mokhtar

Board Member, INCEIF



Salmah Bee Mohd Mydin

Executive Director, Market Development, Securities Commission

Moderator

Day 3, 25th June 2021 (9.35 AM to 10.20 AM)

Key Takeaways/Messages:

- Heightened shareholder activism for material ESG issues can drive change, such as the formation of coalitions to have greater negotiating power.
- Collaboration across institutions, NGOs and finance to address healthcare, economic and structural changes will be needed to escape Malaysia's middle-income trap. As we are coming out of the pandemic, this can be achieved through social and blended financing, supported by a green new deal framework that is anchored on sustainability and inclusion.
- The general public is also becoming more aware of the importance of sustainability and a large part of this awareness is on how sustainability is institutionalised within the global capital flow, not just ESG investing as a separate initiative.

CHANGING ESG & CLIMATE REQUIREMENTS OF BANKS (1/2)



Stuart Milne

Chief Executive Officer, HSBC Malaysia



Shahril Azuar Jimin

Chief Sustainability Officer, Maybank



Helena Fung

Head of Sustainable Investment Asia Pacific, FTSE Russell

Moderator

Day 3, 25th June 2021 (10.30 AM to 11.15 AM)

Key Takeaways/Messages:

- Financial institutions are partners to national development throughout Southeast Asia, and they are thus related to how we move towards a just transition, which must address the specific needs of communities in the ASEAN region.
- It is the responsibility of financial institutions to provide the necessary financing for the transition to achieve net-zero. Net-zero targets cannot be achieved for financial institutions unless customers achieve them too. Hence, financial institutions must ensure that customers have sufficient finance to achieve these targets. Strong commitments in excluding coal financing are also key. With the phase out of financing by financial institutions, it will be increasingly difficult for sponsors to find financing for thermal energy, resulting in stranded assets.
- To ensure that the necessary changes happen, a strong mandate from shareholders to achieve short- and long-term targets is fundamental. Board directors should ensure that the management team has presented their net-zero plans, and management teams should work on implementation of such plans.

CHANGING ESG & CLIMATE REQUIREMENTS OF BANKS (2/2)



Stuart Milne

Chief Executive Officer, HSBC Malaysia



Shahril Azuar Jimin

Chief Sustainability Officer, Maybank



Helena Fung

Head of Sustainable Investment Asia Pacific, FTSE Russell

Moderator

Day 3, 25th June 2021 (10.30 AM to 11.15 AM)

Key Takeaways/Messages:

- Taxonomies are important to allow financial institutions to assess clients beyond adaptation and mitigation approaches. The taxonomy creates a common language, establishes control mechanisms, determines how risk exposure in certain activities is considered, sets sustainability criteria and provides green solutions, therefore encouraging financial flows to climate objectives. For clients, the taxonomy provides a clear framework and expectations related to sustainability, and is thus a common tool for both financial institutions and clients.
- Financial institutions should inform customers of data requirements, such as carbon emissions, in order to aid in the customer's ability to track their emissions and take action. This can be further supported by robust climate data on supply chains to help customers identify where their supply chain emissions lie.
- Financial institutions should categorise the risk level of projects or activities (i.e. high, medium, and low risk). This can be achieved through a scrum approach which involves collaborating with clients and industry leaders. Through these collaborations, internal papers, position statements and risk acceptance criteria can be developed and embedded in the credit approval process.

PANEL: LEVERAGING ON SUSTAINABLE FINANCE FOR GREEN GROWTH (1/2)



Thomas Tsao

Founding Partner, Gobi Partners



Sharif James Zainal Aziz

Head of Group Corporate Sustainability, Sime Darby Property Bhd



Iain Henderson

Managing Director, Asia Pacific Private Credit, ADM Capital



Dato Rauf Rashid

EY Malaysia Country Managing Partner

Moderator

Day 3, 25th June 2021 (11.15 AM to 12.00 PM)

Key Takeaways/Messages:

- There are five key drivers of Sustainable Finance; Regulatory standards (e.g. PRI, TCFD), Demographic shifts (i.e. younger generation who has stronger focus on long-term sustainable investment), Investors expectations; Sustainability focus (more focus on sustainability by asset owners and the private markets is driving increasing capital allocation to ESG), Macroeconomic and geopolitical trends (e.g. Paris Agreement, TCFD, UN SDGs)
- For ESG to be able to provide business opportunities for early-stage businesses (e.g. SME and start-ups), we need to create a monetizable business model. At this stage, companies are under-resourced, therefore it is difficult to determine the acceptable metrics to implement ESG.
- One of the important aspects in investing in an early-stage private market is the demographic shift. The current generation is more motivated by mission-driven enterprises. They have a higher propensity to purchase from brands that are mission-driven, to work with companies that are mission-driven, and to invest their assets into companies with purpose.

PANEL: LEVERAGING ON SUSTAINABLE FINANCE FOR GREEN GROWTH (2/2)



Thomas Tsao

Founding Partner, Gobi Partners



Sharif James Zainal Aziz

Head of Group Corporate Sustainability, Sime Darby Property Bhd



Iain Henderson

Managing Director, Asia Pacific Private Credit, ADM Capital



Dato Rauf Rashid

EY Malaysia Country Managing Partner

Moderator

Day 3, 25th June 2021 (11.15 AM to 12.00 PM)

Key Takeaways/Messages:

- To attract investors, companies need to focus on their material sustainability issues i.e. through the materiality map. Determining the material issues to respective sector or business will help attract investors and capture the relevant opportunities and risks.
- A useful tool for companies starting their sustainability journey are ESG indexes. It allows companies to identify the different areas of sustainability they need to work on, as well as helping build their sustainability roadmap and framework.
- Today, externality costs are borne by the government or by society. In the future, it will likely be borne by companies and reflected in their balance sheets, either by regulation and policy changes, or shifts in customer preferences. Therefore taking action now is important to ensure the business model's resilience in the future.
- Underrepresented markets may present opportunities for the industry. For example, there should be increased investment for female-founded businesses, Islamic economy and finance, halal foods, Islamic travel and e-commerce.

CALL TO ACTION: BUSINESSES ROLE IN TACKLING CLIMATE CHANGE (1/2)



Maayke-Aimée Damen

Founder, Excess Materials Exchange

Day 3, 25th June 2021 (12.00 PM to 12.30 PM)

Key Takeaways/Messages:

- 95% of material value is lost after the single use of certain products, e.g. single use cups. In 2050, worldwide waste is expected to grow by 70%. Material wastes have been proven to cause terrible consequences, e.g. microplastics, where people eat and breath in at least 50,000 microplastic particles a year.
- Responding to climate change, our focus lies mainly on energy reduction, while about 45% of emissions come from producing the materials and products we use on a daily basis.
- Even with resource efficiency, we are still running short of valuable resources. Illustrating this is the concept of an overshoot day, which is the date by which a country has used up all the non-renewable resources available for that year. Malaysia's overshoot day is May 30th, which is only 5 months.
- The circular economy is a key solution, and it provides an opportunity of around USD4.5 trillion. This can be enabled by establishing an excess materials exchange, which is a 'dating site' for materials that enables the matching of supply and demand of materials to reduce environmental impacts while still addressing social concerns (e.g. textiles produced under unethical conditions cannot be seen as circular).

CALL TO ACTION: BUSINESSES ROLE IN TACKLING CLIMATE CHANGE (2/2)



Maayke-Aimée Damen

Founder, Excess Materials Exchange

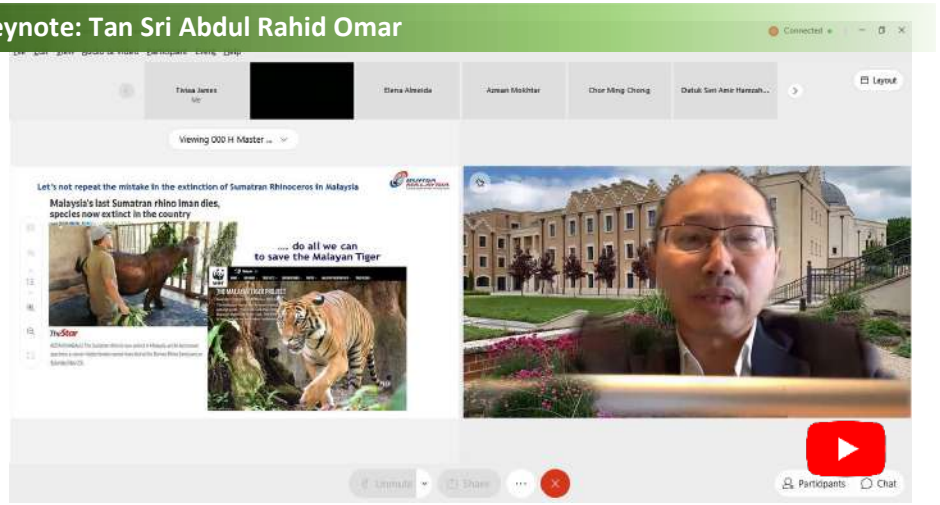
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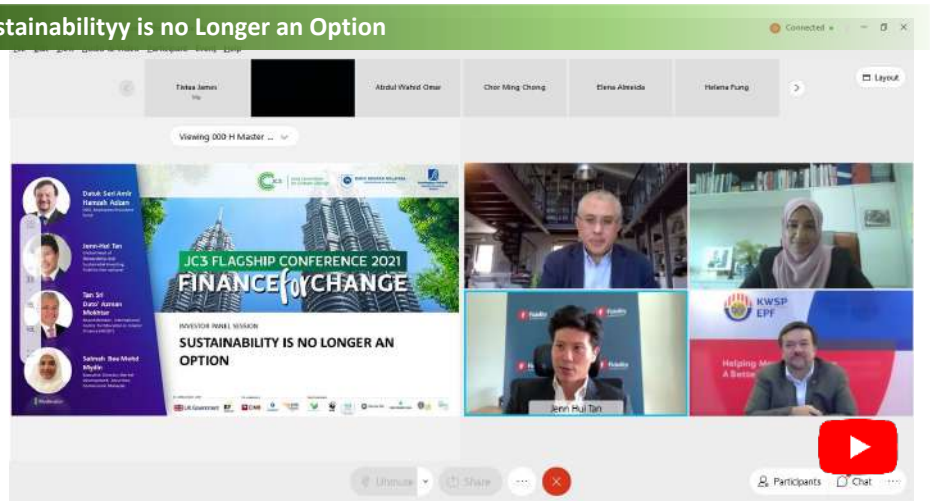
- To achieve a circular economy through the implementation of an excess materials exchange, an approach based on three 'I's' should be taken:
  - Identity: Giving materials and resources an identity (e.g. with 'Resources / Materials Passport'). It provides information on what is in a product, how it is put together, whether it can be repaired or taken apart, the production process, the legal issues involved, the warranty information, etc. It is necessary to make a business case for recycling and reuse.
  - Intelligence: transparency of information to support a material match (according to the quality, timing, and location). This is tricky because not all companies allow such information to be publicly available. For this purpose, Artificial Intelligence (AI) may be considered to efficiently create a network of information to prompt a match (e.g. legal requirements, pinpointing the radius of each product, etc).
  - Integration: Matching information about material and product streams to financial and environmental valuations, such as how excess materials including railroad tracks can be repurposed as support beams.

DAY 3 SESSIONS HIGHLIGHTS

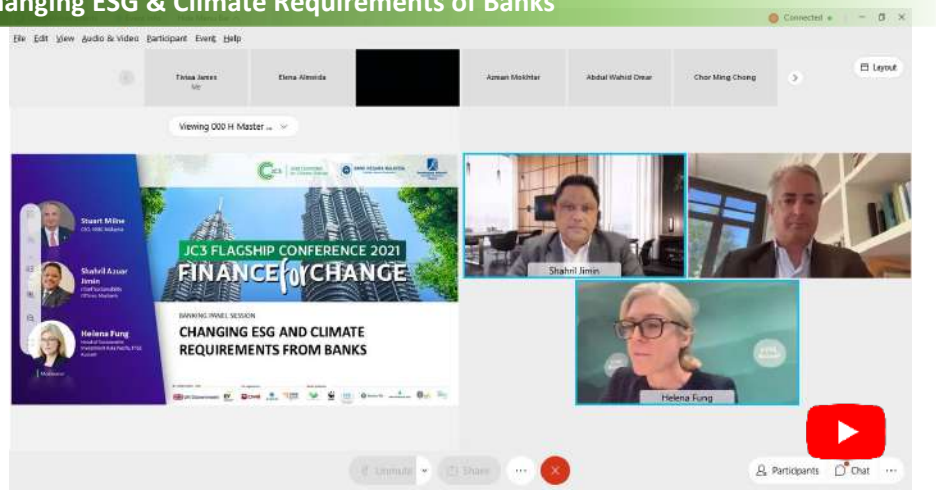
Keynote: Tan Sri Abdul Rahid Omar



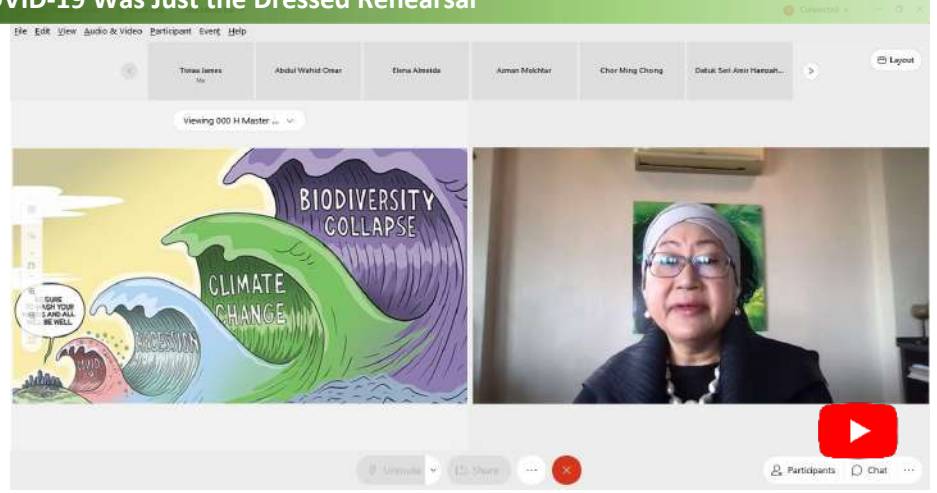
Sustainabilityy is no Longer an Option



Changing ESG & Climate Requirements of Banks



COVID-19 Was Just the Dressed Rehearsal





CALL TO ACTION

SUMMARY OF CALL TO ACTION

- Effective implementation of policies that promote planetary health
- Achieve net zero anchored on science-based targets and put nature and biodiversity at the heart of climate policies
- Strengthen governance, oversight and disclosure of sustainability
- Enhance green & sustainability funding and products



- Integrate climate in risk management frameworks and align it with international standards and best practices
- Build on the taxonomy and improve data infrastructure for ESG-related risks
- Engage clients in sustainability and transition finance
- Apply a gender & social inclusion lens to climate change action

CALL TO ACTION #1: COLLABORATION AND WHOLE-OF-NATION APPROACH

- International collaboration between governments, businesses and civil society is needed to accelerate the transition at the required pace, and to make progress in the largest emitting sectors including power, road transport and land-use.
- Collaboration will further drive innovation to create stronger incentives for investors and to reduce the costs of the transition.
- The Climate Action Council in Malaysia is a positive step towards setting commitments and policies to be carbon neutral, particularly at the level of federal and state governments. Federal or state governments need to forge collaborations between the relevant agencies, and financial institutions should support these collaborative efforts.
- Engagement and partnerships with academia, think tanks or global networks are useful and effective in developing methodologies for measuring financial inclusion and financial health.
- Financial institutions can collaborate and leverage the capacity and skills of other organizations to assist with their product development, e.g. Rabobank engaged with a start-up company to test their energy efficiency (EE) installation financing program and cooperate with them to conduct the energy analysis of their clients.
- The whole-of-nation approach which the Government of Malaysia is taking is a crucial element in achieving Net Zero target by 2050.
- Greater public awareness and education are needed to promote green choices and real behavioural change. The public as consumers are urged to make responsible choices and lead sustainable lifestyles.
- Corporations should embrace sustainability holistically throughout business operations, from sustainable sourcing to packaging and recycling efforts, thus providing consumers with more options for sustainable consumption and inspiring them to adopt a more sustainable lifestyle.

CALL TO ACTION #2: EFFECTIVE IMPLEMENTATION OF POLICIES THAT PROMOTE PLANETARY HEALTH

- The push for national legislations in favour of improved planetary health is needed. We need to make sure that these legislations are effectively implemented, which means holding our leaders and holding ourselves accountable for the decisions we make that affect both other people and the planet.
- Governments should consider implementing broader tax incentives for sustainability, not only in the bond market as how it is currently done. Some of the potential frameworks to be considered are carbon tax and a carbon trading system.
- The government should take a more holistic approach for climate action as the issue of decarbonisation is beyond the capacity of financial institutions or individual industry sectors alone.

CALL TO ACTION #3: ACHIEVE NET ZERO ANCHORED ON SCIENCE-BASED TARGETS AND PUT NATURE AND BIODIVERSITY AT THE HEART OF CLIMATE POLICIES 1/2

- Develop ambitious emissions reduction targets aimed at reaching net zero by 2050, including commitments to accelerate the phase out of coal, invest in renewable energy, optimise energy demand, speed up the switch to electric vehicles and end deforestation.
- Climate commitments and strategies need to be anchored on setting science-based targets or be translated into robust expectations toward investee companies (e.g. TCFD, Climate Action 100+, SBTi).
- Address supply chain / scope 3 emissions to meet the goals of the Paris Agreement (supply chains must be sufficiently covered in the net-zero strategy of financial institutions as the majority of transition risks will be outside the balance sheet of their client).
- Fast track by setting and publishing sector-specific targets for aligning a portfolio with the Paris Agreement by 2022 (Collective Commitment to Climate Action).
- Set up collaborations on mapping decarbonization pathways for portfolios and opportunities for specific sectors to decarbonize. Measuring and modelling business and carbon scenarios can be used to identify potential business and decarbonization initiatives to support the path to net zero.
- Financial institutions to identify areas where they can make an impact and set targets to achieve. Targets must be set in alignment with national priorities, such as Malaysia's Paris Agreement commitment to reduce greenhouse gas intensity by 45% by 2030, and other science-based targets.
- Financial institutions to ensure that clients have sufficient finance to achieve net zero targets.
- All Malaysian corporates to come on board to work together on a possible net-zero pathway for Malaysia.

CALL TO ACTION #3: ACHIEVE NET ZERO ANCHORED ON SCIENCE-BASED TARGETS AND PUT NATURE AND BIODIVERSITY AT THE HEART OF CLIMATE POLICIES 2/2

- Draw insights from the Dasgupta Review on Economics of Biodiversity given the inseparable bond between ecology and the economy.
- Approach sustainability by aiming to move from regulation to mission, and integrate ESG and biodiversity into the climate program as a crucial part of the sustainability framework (e.g. protect at least 30% of the world's oceans by 2030 to ensure its chance of recovery).
- Act on recognition of nature loss as a key risk (water risk, deforestation and biodiversity loss, ocean sustainability) especially through investment expectation and voting.

CALL TO ACTION #4: STRENGTHEN GOVERNANCE, OVERSIGHT AND DISCLOSURE OF SUSTAINABILITY (1/2)

- Heightened shareholder activism for material ESG issues can drive change, such as forming coalitions to have greater negotiating power. A strong mandate from shareholders to achieve short- and long-term targets is fundamental to ensure that the necessary changes happen.
- Awareness and a genuine culture around sustainability in the organisation should be built at all levels, from the board level to the business units.
- Board directors should ensure that the management team has presented their net-zero plans, and management teams should work on implementation of such plans.
- Adoption of the Malaysian Code on Corporate Governance (MCCG) 2021 as well as board buy-in will be crucial to meaningfully shift the needle towards reliable environmental and sustainability risk reporting. The MCGG (2021) recommends 5 best practices to strengthen oversight of sustainability:
    - The board and management should be responsible and have the mandate for the governance of sustainability in the company. This includes setting strategy, priorities and targets, and delegating material sustainability matters to senior management.
    - The board should ensure that sustainability strategies, priorities, targets and performance are communicated to internal and external stakeholders.
    - The board should take action to understand sustainability issues relevant to the company including climate-related risks and opportunities.
    - Reviews of board and senior management performance in addressing material sustainability risks and opportunities should be incorporated into performance evaluations, including KPIs and in the board remuneration committee
    - The board should set up a steering committee to share the management and accountability of sustainability and identify a designated person within management to be the focal person to manage sustainability strategically, including making strategy recommendations at the board level.

CALL TO ACTION #4: STRENGTHEN GOVERNANCE, OVERSIGHT AND DISCLOSURE OF SUSTAINABILITY (2/2)

- Adapting the three lines of defence approach to an ESG risk management framework may include establishing an understanding, oversight and accountability for sustainability at all levels of the organization.
- In addition to strategy governance, organisations should also ensure that compliance governance is in place.
- Organizations who are looking into climate-related disclosures should: 1) embrace behavioural changes; 2) drive social and impact-based innovations; 3) increase engagement to deepen collaboration and align public-private commitments; 4) re-examine board governance and composition; 5) seek out new types of reporting; 6) build resilience through technology; 7) recruit or develop talent to mitigate new risks; and 8) clarify the risk operating model.
- The following are relevant aspects that organisations should consider in sustainability risk disclosures:
  - The identification, prioritization and materiality of ESG risks, including how these risks are captured by the risk management and sustainability teams.
  - The alignment between disclosures, such as how material sustainability risks are disclosed in the risk management section of annual reports.
  - The timeline for sustainability materiality and risk assessments
  - Measurement of sustainability risk, including the use of tools, scenario analysis or stress testing.
- As TCFD is becoming mandatory in some regions and countries, and may soon become the norm, it is essential to become familiar with the recommendations of the TCFD to understand sustainability and climate risks, and adopt its reporting framework for sustainability-related disclosures.
- Based on Bursa's review of Malaysian public listed companies' disclosures, there are five key areas of weaknesses which need to be addressed: 1) prioritization of material matters; 2) disclosure of performance indicators; 3) setting targets; 4) linking sustainability performance to remuneration; and 5) integration of sustainability strategies into business. The 2021 priority is to review Bursa's sustainability reporting framework to enhance availability, quality, and comparability of sustainability-related disclosures.

CALL TO ACTION #5: ENHANCE GREEN & SUSTAINABILITY FUNDING AND PRODUCTS (1/2)

- The financial sector in Malaysia can be more deliberate in funding sustainability initiatives and incentivising investments in low carbon sectors, e.g. projects under (i) the National Investment Aspirations (NIA) framework, (ii) the Malaysian Climate Action Council (MyCAC)'s plan for Malaysia to be a hub in green economy, services and technology, and (iii) the Low Carbon Mobility Development Plan 2021-2030.
- Malaysian corporations are encouraged to ride on Malaysia's well-developed financial market, global leadership in Islamic finance and governmnet initiatives such as the Green Technology Financing Scheme (GTFS) 3.0 to drive sustainability and generate a maximum positive impact to the People, Planet, Profit principle.
- We may expect an increased demand for green and sustainability funding across all types of businesses, including micro, small and medium-sized enterprises (MSMEs). Market-based instruments such as green, social and sustainability bonds and sukuk will provide opportunities for investors to participate in this emerging asset class. Financial institutions must take into account different structures, terms and conditions for the financing of different projects.
- Currently, 64% of SRI sukuk issuances are for renewable energy projects. By targeting transformative technologies and industries with high spillover benefits for the country, this base can be expanded further.
- Financial institutions can also gradually scale-down carbon emitting activities through divestment, asset sales, disposals and decommissioning.
- There are untapped opportunities in the underrepresented markets as well. For example, there should be an increased investment for female-founded businesses, Islamic economy and finance, halal foods, Islamic travel and e-commerce.

CALL TO ACTION #5: ENHANCE GREEN & SUSTAINABILITY FUNDING AND PRODUCTS (2/2)

- Another opportunity to tap is the circular economy concept such as through the implementation of an excess materials exchange via materials passports (giving materials and resources an identity), intelligence (transparency of information in order to make a match in materials supply and demand), and integration (information on materials input and output).
- Collaborative financing is one of the key solutions to fund sustainable transformative projects. For instance, blended finance which strategically uses development finance and philanthropic funds can be used to support the mobilization of private capital for emerging and frontier markets (e.g the case of Tropical Landscape Finance Facility (TLFF).
- Sustainability poses both risks and opportunities, hence insurers should include both inclusions and exclusions principles in its underwriting process. At a time of growing expectations for incorporation of sustainability-related factors into businesses, insurers can develop frameworks to mitigate sustainability risks and underwrite innovative products and services by building on opportunities of new markets to drive purpose and contributions to society.
- Banks may tap into opportunities in climate solutions such as by developing sustainable mortgage products and offer green loans to improve energy efficiency of their mortgage clients.

CALL TO ACTION #6: INTEGRATE CLIMATE IN RISK MANAGEMENT FRAMEWORKS AND ALIGN IT WITH INTERNATIONAL STANDARD AND BEST PRACTICES

- When integrating climate risk into enterprise risk management, financial institutions should embed it into the risk management lifecycle, which includes:
  - Risk identification and assessment, such as granular analysis of customers and clients by region and sector.
  - Risk taxonomies, such as how granular components are examined in the portfolio to inform credit limits and other controls.
  - Risk reporting, with a set of risk metrics which captures own and counterparty climate change risks.
  - Risk mitigation, such as the use of climate risk analysis to support decision making.
- There are various available data sources, tools and methodologies which may help financial institutions in developing the framework for their internal climate risk identification and assessment. These include:
  - Risk identification and assessment, such as granular analysis of customers and clients by region and sector.
  - Heat-mapping exercises and materiality maps will guide financial institutions to identify and prioritise materials issues, and therefore formulate their risk appetites.
  - Climate risk scenario and stressing as a form of quantitative risk assessment of climate risk and to augment bank systems to better capture climate-related data.
  - Accurate and comprehensive data sources to ensure timely risk assessment
- Financial institutions should also implement a framework ESG risk measurement at the client level, as well as the transaction level. These may be in the form of an assessment form which utilizes a stop-light approach to provide a rating which can be implemented internally or through hiring third-party consultants to provide advice, noting that there is no one-size-fits-all approach in assessing client projects and transactions.

CALL TO ACTION #6: INTEGRATE CLIMATE IN RISK MANAGEMENT FRAMEWORKS AND ALIGN IT WITH INTERNATIONAL STANDARD AND BEST PRACTICES

- Financial institutions may benefit from the existing international framework and tools such as the Principles for Responsible Investment (PRI), Principles for Sustainable Insurance (PSI) and Principles for Responsible Banking (PRB).
- The integration of climate change, biodiversity loss and inequalities into a financial institution's traditional business must be supported by data and research such as through the Science-Based Targets Initiative (SBTi).
- Malaysia is part of the Green Bank Network that connects leaders in clean energy finance to share best practices and supports investment in clean energy solutions. Financial institutions are able to access and benefit from the network through the MGTC.
- Financial institutions are encouraged to establish a list of recognised sustainability-related certifications to assess the ESG risks of their clients.

CALL TO ACTION #7: BUILD ON THE TAXONOMY AND IMPROVE THE DATA INFRASTRUCTURE FOR ESG-RELATED RISKS

- Regulators and financial institutions should ensure less fragmentation across taxonomies and ensure that the CCPT is applicable for international investors at the regional and global market levels. We should build on commonalities instead of the differences between existing taxonomies and use the CCPT as a foundation to build from. Efforts through operational alignment, client education, and taxonomy homogeneity are key to driving their interoperability.
- Financial institutions and clients should use the CCPT as a foundation to provide critical information on climate action and for the classification of activities in Malaysia and ASEAN through metrics and thresholds which can be supplemented by guidance from other taxonomies.
- The CCPT encourages financial institutions to adopt a whole-of-bank approach to ensure that broader climate considerations are implemented at all levels, including in the risk management framework, due diligence process and through staff capacity building.
- Financial institutions and clients need to be prepared for the operationalisation of the taxonomy. Clients need to be educated and financial institutions need to gather data and manage the weightages given to qualitative and quantitative data.
- The CCPT enables financial institutions to conduct the following:
    - Incorporating sustainability into products and services such as through green finance solutions which impact the tenure, pricing and terms offered to a customer depending on their climate change classification according to the CCPT.
    - Using the CCPT guiding principles to establish clear risk acceptance criteria that can be followed by producing an ESG risk score that overlays credit and climate risk assessment. Financial institutions can integrate the CCPT classifications and VBI sectoral guides in this process and can develop internal policies and guidelines to further guide the classification.
    - Adopting a nurturing approach by recognising a customer's remedial measures to avoid a disruptive and outright exclusion of activities, taking into account clients' readiness and commitment level.

CALL TO ACTION #7: BUILD ON THE TAXONOMY AND IMPROVE THE DATA INFRASTRUCTURE FOR ESG-RELATED RISKS

- To enhance data collection and analysis, ESG-related data should be structured and made accessible for key actors in the financial sector. The data should also be standardised across the industry to promote transparency and comparability. This will catalyse the development of regional ESG products.
- Financial institutions should encourage their clients to disclose their emissions in order to help them take action. This can be further supported by robust climate data on supply chains to help customers identify where their supply chain emissions lie. The clients can then communicate and engage their suppliers accordingly and make well-informed sustainable procurement decisions.
- The government should provide the relevant climate data to help financial institutions and industry players in their climate transition.
- Financial institutions should identify their exposure through risk heat mapping and determine which vulnerabilities are material. They must also focus on identifying data based on the vulnerabilities the financial institution is most exposed to.
- Financial institutions must undertake a gap analysis, including identifying existing open source and validated data as well as relevant industry initiatives, and begin the transition journey with their current level of capacity.
- Financial institutions and clients need to be prepared for the operationalisation of the taxonomy. Financial institutions need to gather data, put weightages on qualitative and quantitative data, and educate the clients.
- Clarity should be provided on the cohesion of data and how to address data gaps (such as metrics for emission intensity) and consistency of cross-border issues.

CALL TO ACTION #8: ENGAGE CLIENTS IN SUSTAINABILITY AND TRANSITION FINANCE (1/2)

- Understanding clients' needs is crucial. This can be achieved by choosing the right elicitation format and methodology (e.g. natural language programming, investment game, focus groups), assessing the clients' financial and sustainability objectives (e.g. impact, exclusion, risks and opportunities), and understanding the clients' financial and sustainability preferences (e.g. impact objectives, exclusion criteria, SRI strategy). Financial institutions can then match their product offering according to the clients' financing needs and sustainability objectives.
- In engaging clients and guiding them to transition, financial institutions should consider a multitude of factors such as their impacts during screening, the structure in integration, and performance engagement including tracking progress of engagement.
- Active ownership approaches i.e. the use of the rights and position of ownership to influence the activities or behaviour of investee companies can be strengthened especially among Asian asset managers.
- Financial institutions may consult experts in the relevant fields to understand their customers' business, provide advisory services, and deliver assistance to transform the sustainability practices of their customers' value chain. This includes guidance on how to develop transition plans and setting net-zero commitments for clients who aim to reduce their emissions.
- Financial institutions should engage their clients in the early stages of the project and determine their area of influence. They may require the clients to provide necessary information (such as an environmental and social impact assessment (ESIA) and engage with consultants to identify the client's ESG risks.
- Ensure accurate and timely information is given to clients, including client training programs and reviewing sector position statements bi-annually.

CALL TO ACTION #8: ENGAGE CLIENTS IN SUSTAINABILITY AND TRANSITION FINANCE (2/2)

- Engagement needs to be part of the investment process, with a focus on performance rather than conformance (e.g. instead of asking whether a company has an independent board or a labour policy, ask whether the board is truly independent and how the labour policy is implemented).
- Financial institutions may set an action plan as a requirement for granting financing to their clients and include E&S provisions in the loan documentation for compliance and monitoring purposes. In monitoring the clients, financial institutions should evaluate the agreed time-bound action plan (e.g. timeframe to track certification by clients) and transparency on progress (e.g. publicly disclosing progress).
- Financial institutions should monitor their clients' ESG performance, such as by conducting independent monitoring and requiring their clients to provide sustainability disclosure in their reporting.
- Financial institutions are encouraged to conduct annual assessments of the sustainability performance of every client that borrows more than a certain threshold, and set up a carbon bank to help the clients sequester carbon.

CALL TO ACTION #9: APPLY GENDER & SOCIAL INCLUSION LENS TO CLIMATE CHANGE ACTION

- Financial institutions may define the vulnerability of their customers by looking into country-specific metrics for income, location (such as rural areas) and other characteristics including age, disabilities, gender, migrants, pensioners, refugees and unemployment.
- Financial institutions should make a collective effort on stewardship and advocate for public policies addressing financial inclusion and financial health.
- Takaful operators should develop solutions that meet the needs of stakeholders, such as overcoming financial illiteracy, and providing coverage for under-represented segments such as the disabled community.
- Gender-smart climate finance can be applied through:
    - Adopting a gender lens to climate finance, such as taking into consideration how a climate finance product could positively or negatively impact the lives of women.
    - Adopting a climate lens to gender finance, such as considering how gender finance could impact climate and environmental objectives.
    - Integrating gender into climate finance through gender-specific opportunities which also improves climate and business performance.

JC3 Flagship Conference: Organising Team Members (1/2)

Organisation	Name	Designation
Bank Negara Malaysia	Dr. Hamim Syahrum Ahmad Mokhtar	Deputy Director, Islamic Banking and Takaful Department
	Liris Eliana Shamsir	Manager, Islamic Banking and Takaful Department
Capital Markets Malaysia	Zalina Shamsudin	General Manager
	Navina Balasingam	Head, Stakeholder Engagement
CIMB Bank	Luanne Sieh	Head, CIMB Group Sustainability and Corporate Responsibility
	Preetha S. Jenarthan	Manager, Group Sustainability
	Lee Hui Tze	Intern, Group Sustainability
	Chang Shao Yang	Summer Associate
	Daniel Loi Weijie	Summer Associate
	Ed Patrick Guño	Summer Associate
Other Contributor	Low Su Yi	
Zurich Life Insurance Malaysia Berhad	Charlie Chai Yueh Chian	Head, Brand Marketing & Communications
SME Bank	Faiiza Mohd. Mokhtar	Head, Strategic Alliance
	Rosmah Daud	Manager, Corporate Affair
IBFIM	Mohammad Khairi Saat	Director, Training and Talent Development Department
	Rafizah Abu Bakar	Head, Digital Learning Training and Talent Development Department
	Mohd. Najib Yin	Senior Executive, Digital Learning Training and Talent Development Department
	Hafizan Ahmad	Executive, Digital Learning Training and Talent Development Department
	Khairulnizam Mohamed	Assistant Manager, Digital Learning Training and Talent Development Department
	Safzuan Abdullah Mohd. Sahimi	System Engineer, IT Unit

JC3 Flagship Conference: Organising Team Members (2/2)

Organisation	Name	Designation
British High Commission, Kuala Lumpur	Elena Almeida	(Former) Prosperity Fund Adviser
Ernst & Young **(Malaysia & Singapore)**	Gilles Pascual	Partner, EY, Programme Director, ASEAN Low Carbon Energy Programme (LCEP)
	Arina Kok	Partner, EY, Malaysia Green Finance (GF) Team, ASEAN LCEP
	Russel marsh	Director, EY, Green Finance Lead, ASEAN LCEP
	Sonal Agarwal	Associate Director, EY, Malaysia GF Lead, ASEAN LCEP
	Joel Khaw	Manager, EY, Malaysia GF Delivery Team Manager, ASEAN LCEP
	Cheng Jo Yinn	Senior Associate, EY, Malaysia GF Delivery Team, ASEAN LCEP
	Foong Hui Yi	Associate, EY, Malaysia GF Delivery Team, ASEAN LCEP
WWF Malaysia	Thiagarajan Nadeson	Head of Market and Education
	Adam Ng	Sustainable Finance Advisor
	Shajaratuldur Hashim	Senior Communications Manager
	Firmansyah Shidiq Wardhana	Sustainable Finance Engagement Manager
	Siti Kholifatul Rizkiah	Sustainable Finance Analyst
	Wan Noorfatin Wan Mohd. Zani	Sustainable Finance Senior Executive
	Adam Farhan Salmaan Hussain	Sustainable Finance Engagement Executive
	Muhammad Awfa	Sustainable Finance Research Assistant

REPORT BY JC3 SUB-COMMITTEE 4 ON ENGAGEMENT & CAPACITY BUILDING

Rapporteur of the report



Rapporteurs: Fatin Zani, Adam Farhan, Muhammad Awfa, Siti Kholifatul Rizkiah, Adam Ng