MOVING FORWARD THROUGH SUSTAINABILITY

Shifting Mindsets. Creating Value.
With Malaysia embarking on Green Growth, as stipulated in the 11th Malaysia Plan, there has been a fundamental shift in perception on the importance of managing natural resources and the environment within the context of socio-economic development in the country.

The shift to a more sustainable economy is welcomed as it is crucial to also meet global expectations in addressing issues stemming from the rise in population against diminishing natural resources and climate change.

Sustainability to businesses today no longer only mean profit performances, but also extends to meeting expected environmental as well as social performances. This supports the 3P concept: Profit, People, Planet which underlines a company’s sustainability, thereby driving its value to all stakeholders.

Stakeholders ranging from regulators, investors, customers and the community are increasingly demanding accountability from companies through transparent disclosures of responsible practices and performances.

Bursa Malaysia has been a strong advocate of sustainability in the country. Large listed companies, with market capitalisation of above RM2 billion, are the first tier of companies required to publish their sustainability statements with detailed sustainability disclosures for their financial year ended on or after 31 December 2016 as part of the Main Market Listing Requirements. Other smaller listed companies will follow suit in the subsequent financial reporting year.

Additionally, large institutional investors such as the sovereign wealth fund, Khazanah Nasional Berhad, and the civil servant’s Retirement Fund (Incorporated) (KWAP), have also been guiding the market in this direction with increasing sustainability requirements on its investees.

The Rewards of Practising Sustainability

- Contribution towards global sustainability agenda
- Strengthens brand value
- Competitive advantage
- Attractive to responsible investors
- Holistic approach to ALL risks

The Risks of Not Practising Sustainability

- Reputational risks
- Financial risks
- Stakeholder misalignment
- Impact on credit standing

“SUSTAINABILITY to businesses today no longer only mean profit performances, but also extends to meeting expected environmental as well as social performances.”
RAM has successfully developed a holistic and methodological tool to measure the sustainability performance of companies called the Sustainability Rating.

RAM’s Sustainability Rating is a composite of the Environmental, Social and Governance (ESG) Rating and Positive Impact Rating which measures the sustainability performance across a company’s entire value chain. This approach is viewed as holistic as it takes into account both the sustainability risks and opportunities that contribute to a company’s long-term value and continuity.

The tool has been created to give recognition to companies that are sustainable as well as to provide the building blocks for companies that aspire to be sustainable. We envisage this tool to catalyse sustainable development within the corporate sector.

Companies are rated Bronze, Silver or Gold based on their level of sustainability performance. As a special recognition, RAM may also award deserving companies the Platinum rating.

### The Sustainability Rating Framework

1. **minimise the harmful impact from their operations on the environment & community;**
2. **maximise the positive impact from their products or services.**

### SUSTAINABILITY RATING

#### ESG RATING | Operations

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<tr>
<th>ENVIRONMENTAL</th>
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#### POSITIVE IMPACT RATING | Products & Services

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<td>PRODUCT/SERVICES MATERIALITY</td>
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<td>Social Impact</td>
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- Clean/Efficient Energy
- Clean Water
- Climate Change
- Waste Management
- Other Pollution Prevention
- Nature Conservation

- Access to Health
- Access to Education
- Affordable Housing
- Food Security
- Access to Financial Services
- Other Community Development

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<th>PERFORMANCE INDICATORS</th>
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<td>CERTIFICATION BY INDEPENDENT 3rd PARTY (OPTIONAL)</td>
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Green Bond/Sukuk plays an important role in facilitating the flow of financing towards projects with specific climate or environmental sustainability focus. The Green Bond Market supports the growth of innovative climate-friendly technologies and solutions in energy, transport, buildings and other sectors.

The Green Bond Market has been recognised by the United Nations as “one of the most significant developments in the financing of low-carbon, climate-resilient investment opportunities”. The rapid increase in the number of green bond issuances demonstrates the transition of the debt capital market towards sustainable development initiatives.

Examples of Eligible Green Bond Projects

- Solar Power
- Wind Power
- Hydropower
- Sustainable Cities
- Low Carbon Transport
- Water
- Green Building
- Waste Management
Climate change represents a fundamental threat to the planet and society and is already transforming life on Earth. The planet is warming at an unprecedented pace thereby affecting climate patterns worldwide.

The 2015 Paris Climate Accord (COP21) sets a global action plan for the 197 participating governments to limit global warming to well below 2°C above pre-industrial levels. In addition, these countries have also committed to United Nation’s 17 Sustainable Development Goals that could transform the world by addressing areas of critical importance for the planet and society.

To fulfill the Sustainable Development Goals, investments have to be channeled towards projects that mitigates the effects of climate change and creates value for the broader environment. **RAM Environmental Benefit Assessment provides an independent assessment of the project’s contributions towards a low carbon and sustainable future.**