



Regulatory Policy & Advisory
Bursa Malaysia Berhad
9th Floor, Exchange Square
Bukit Kewangan
50200 Kuala Lumpur

Friday, 4 September 2015

Dear Sir or Madam,

Response to Consultation paper 1/2015: Proposed amendments to the listing requirements relating to sustainability statement in annual reports and the sustainability reporting guide

We welcome the opportunity to respond to your consultation paper on the proposed amendments to the listing requirements relating to sustainability statement in annual reports and the sustainability reporting guide (hereafter the "Proposals"). We would like to first express our strong support your objective to strengthen economic, environmental and social (EES) disclosure requirements.

By way of introduction, the Climate Disclosure Standards Board (CDSB) is a consortium of businesses and environmental organisations, formed at the World Economic Forum in 2007. We are an international organisation committed to advancing and aligning the global mainstream corporate reporting model to equate natural capital with financial capital. We do this by offering companies a framework for reporting environmental information with the same rigour as financial information in mainstream reports, such as the annual report.

CDSB's work is designed to deliver the transparency and accountability needed for decisions to be made and capital to be deployed in support of a low carbon economy, in keeping with traditions of accounting and financial stability standards setters.

The CDSB Framework for reporting environmental information¹ helps issuers fulfil the "environmental" section of EES reporting by providing guidance on reporting robust, clear and comparable information to investors specifically in the annual report. We would therefore like to request that the Exchange list the CDSB Framework as a recommended method of compliance for reporting environmental information.

CDSB has also produced a report, Climate resilient stock markets, which proposes corporate reporting requirements for sustainable stock exchanges and was funded by the UK's Foreign and Commonwealth Office. The requirements presented in the report are covered by and included in the CDSB Framework. CDSB is also involved in the work of the UN's Sustainable Stock Exchange Initiative on the development of sustainability reporting implementation guides for exchanges.

We would like to congratulate the Bursa on the level of sophistication of this guide. Our specific and general comments on the consultation follow in the appendix below. Please do not hesitate to contact us if you have any further queries.

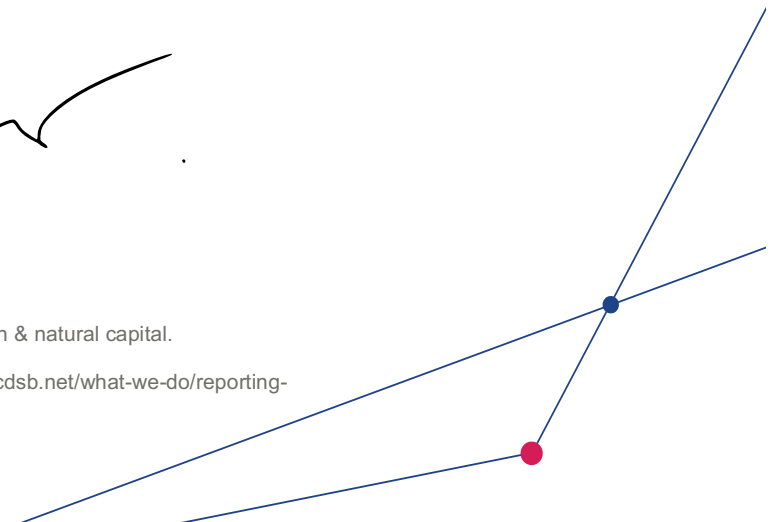
Kind regards,

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¹ CDSB (2015) CDSB Framework for reporting environmental information & natural capital. Available at [<http://www.cdsb.net/Framework>]

² CDSB (2014) Climate resilient stock markets. Available at [<http://www.cdsb.net/what-we-do/reporting-regulation/developing-climate-resilient-stock-markets>]



**ATTACHMENT
TABLE OF COMMENTS**

**COMMENTS TO ISSUES RAISED IN CONSULTATION PAPER 1/2015
PROPOSED AMENDMENTS TO THE LISTING REQUIREMENTS RELATING TO SUSTAINABILITY STATEMENT IN ANNUAL REPORTS
AND THE SUSTAINABILITY REPORTING GUIDE**

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ISSUES		COMMENTS
PROPOSAL 1		
1.	<p>Do you agree with the proposal for ALL listed issuers on the Main Market and ACE Market to disclose a narrative statement of their management of material sustainability matters ("Sustainability Statement"), in the annual reports as set out in paragraph 44 of the Consultation Paper?</p> <p>Please state your views and reasons for your views.</p>	<p>Yes. CDSB welcomes this requirement as a step towards a comprehensive set of information being made available to shareholders. We especially support the inclusion of the Sustainability Statement in the annual reports because this connects sustainability with all aspects of the business and provides investors with a holistic view of the reporting entity.</p>

ISSUES		COMMENTS
2.	<p>Do you agree with the proposal set out in paragraph 45 of the Consultation Paper to state as a best practice in Practice Note 9/Guidance Note 11 of the LR that –</p> <p>(a) all listed issuers should ensure that the Sustainability Statement contains information that is balanced, comparable and meaningful by referring to the Guide; and</p> <p>(b) in identifying the material sustainability matters, the listed issuer should consider the themes set out in the Guide?</p> <p>Please state your views and reasons for your views.</p>	<p>(a) Yes. The requirement for the information contained within to be “balanced, comparable and meaningful” is particularly positive. This is a principle also listed in the CDSB Framework. Please refer your issuers to Principle 4, which states that “Disclosures shall be consistent and comparable”.¹</p> <p>(b) Yes. Here, we would also propose referencing the CDSB Framework, which provides a definition and guide on materiality based on the International Accounting Standards Board’s (IASB) definition. In this principle, we also explain the importance of materiality and define its precepts.²</p>
3.	<p>Alternatively, if you have other suggestions for the Sustainability Statement, please provide your suggestions together with your reasons.</p>	<p>We propose the following principles to guide reporters³:</p> <p>P1 Environmental information shall be prepared applying the principles of relevance and materiality</p> <p>P2 Disclosures shall be faithfully represented</p> <p>P3 Disclosures shall be connected with other information in the mainstream report</p> <p>P4 Disclosures shall be consistent and comparable</p> <p>P5 Disclosures shall be clear and understandable</p> <p>P6 Disclosures shall be verifiable</p> <p>P7 Disclosures shall be forward looking</p>
PROPOSAL 2		
4.	<p>Do you agree that a Main Market listed issuer must include all of the following information (collectively referred to as the “detailed disclosures”) in its Sustainability Statement as set out in paragraph 56 of the Consultation Paper:</p>	

¹ CDSB Framework p. 15

² CDSB Framework p. 11

³ CDSB Framework Guiding principles pp. 11-16

ISSUES		COMMENTS
	<p>(c) a the internal structure of how sustainability matters are managed;</p> <p>(c) b the scope of the Sustainability Statement and basis for the scope;</p> <p>(c) c material sustainability matters and how they are identified and managed including details on -</p> <p>(i) policies to manage these sustainability matters;</p> <p>(ii) measures or actions taken to deal with these sustainability matters; and</p> <p>(iii) indicators relevant to these sustainability matters.</p> <p>Please state your views and reasons for your views.</p>	<p>(a) Yes, we believe this to be a key communication about the issuer's future ability to create value. For further guidance, please refer your issuers to Requirement 3 of the CDSB Framework – Governance.⁴</p> <p>(b) Yes, this is key to understand how companies are managing risk and seizing opportunities. We believe this to be a necessary precept of disclosure. Please refer your issuers to Requirement 7 of the CDSB Framework – Organisational boundary.⁵</p> <p>(c) Yes, this information is key for investor decision-making. Parts (i), (ii) and (iii) all form fundamental parts of the CDSB Framework, Requirement 1 – Management's environmental policies, strategy and targets.⁶ Please refer your issuers to this for further guidance. the CDSB Framework.</p>
5.	<p>Is the information required above appropriate and adequate? Is there any other information that should be included?</p>	<p>Yes, the information required above is appropriate. We would encourage the Exchange to implement the following requirements:</p> <p>REQ-01 Management's environmental policies, strategy and targets Disclosures shall report management's environmental policies, strategy and targets, including the indicators, plans and timelines used to assess performance.</p> <p>REQ-02 Risks and opportunities Disclosures shall explain the material current and anticipated environmental risks and opportunities affecting the organisation.</p> <p>REQ-03 Governance Disclosures shall describe the governance of environmental policies, strategy and information.</p>

⁴ CDSB Framework p. 21

⁵ CDSB Framework p. 24

⁶ CDSB Framework p. 19

ISSUES	COMMENTS
	<p>REQ-04 Sources of environmental impact Quantitative and qualitative results, together with the methodologies used to prepare them, shall be reported to reflect material sources of environmental impact.</p> <p>REQ-05 Performance and comparative analysis Disclosures shall include an analysis of the information disclosed in REQ-04 compared with any performance targets set and with results reported in a previous period.</p> <p>REQ-06 Outlook Management shall summarise their conclusions about the effect of environmental impacts, risks and opportunities on the organisation's future performance and position.</p> <p>REQ-07 Organisational boundary Environmental information shall be prepared for the entities within the boundary of the organisation or group for which the mainstream report is prepared and, where appropriate, shall distinguish information reported for entities and activities outside that boundary.</p> <p>REQ-08 Reporting policies Disclosures shall cite the reporting provisions used for preparing environmental information and shall (except in the first year of reporting) confirm that they have been used consistently from one reporting period to the next.</p> <p>REQ-09 Reporting period Disclosures shall be provided on an annual basis.</p> <p>REQ-10 Restatements Disclosures shall report and explain any prior year restatements.</p> <p>REQ-11 Conformance Disclosures shall include a statement of conformance with the CDSB Framework.</p> <p>REQ-12 Assurance</p>

ISSUES		COMMENTS
		If assurance has been provided over whether reported environmental information is in conformance with the CDSB Framework, this shall be included in or cross-referenced to the statement of conformance of REQ-11.
6.	<p>Do you agree with the proposal set out in paragraph 57 of the Consultation Paper that material sustainability matters refer to such matters that –</p> <p>(a) reflect the group’s significant EES impacts; or</p> <p>(b) substantively influence the assessment and decisions of stakeholders.</p> <p>Please state your views and reasons for your views.</p>	<p>Yes. The concept of materiality information is key because it helps provide concise but coherent information that is tailored to the audience of the report. Please refer issuers to Principle 1 of the CDSB Framework – Environmental information shall be prepared applying the principles of relevance and materiality.⁷</p> <p>We recommend that the Guide defines <i>Stakeholders</i> as current and potential providers of capital to ensure that the reported information is tailored to provide decision-useful information to the market.</p>
7.	Do you think the proposed definition of material sustainability matters is clear? If not, please provide your suggestions or alternatives.	We would suggest aligning paragraph 57 a) more closely with the wording of the International Integrated Reporting Framework ⁸ to describe sustainability matters as matters that may affect the organisation’s future ability to create value.
PROPOSAL 3		
8.	Do you agree with the proposal to allow the listed issuer the option of issuing its Sustainability Statement in a separate report as set out in paragraph 71 of the Consultation Paper? If yes, should the listed issuer be given the extra time up to the date of the annual general meeting to issue its Sustainability Statement?	No. CDSB believe that issuing information separately from the annual report makes it less actionable for investors, as it is made less connected to other information regarding corporate performance that is reported to them. We believe that, to be actionable and relevant, non-financial information should be reported with the same rigor, in the same place and at the same time as financial information as both are equally relevant to an assessment of corporate performance.

⁷ CDSB Framework p. 11

⁸ International Integrated Reporting Council (2013) Integrated Reporting <IR> Framework [PDF] Available from: www.theiirc.org/wp-content/uploads/2013/03/IR-Background-Paper- Materiality.pdf

ISSUES		COMMENTS
	Please state your views and the reasons for your views.	
9.	<p>Do you agree that the following <u>Main Market listed issuers</u> should be required to disclose the Sustainability Statement with the detailed disclosures set out paragraph 56 of the Consultation Paper in their annual reports issued for financial year ending on or after 31 December 2016:</p> <p>(a) listed issuers with market capitalisation (excluding treasury shares) of RM1 billion and above as at 31 December 2015;</p> <p>(b) listed issuers admitted to the Main Market after 31 December 2015 with market capitalisation (excluding treasury shares) of RM1 billion and above as at date of listing; or</p> <p>(c) listed issuers with market capitalisation (excluding treasury shares) of RM1 billion and above as at 31 December of any calendar year after 31 December 2015?</p> <p>Please state your views and reasons for your views.</p>	Yes. We believe that a gradual implementation of these requirements is a constructive approach. We have no comments on the level of this threshold.
10.	<p>Do you agree that <u>ACE Market listed corporations and Main Market listed issuers</u> with market capitalisation (excluding treasury shares) below RM1 billion should be required to disclose the Sustainability Statement without the detailed disclosures set out in paragraph 56 of the Consultation Paper, in their annual reports issued for financial year ending on or after 31 December 2016?</p> <p>Please state your views and reasons for your views.</p>	CDSB believes that, in order to provide a dataset that is ideal for investor decision-making, all listed on the market should provide detailed disclosures. However, we also recognise that SMEs may have less resources available to them, and therefore have more issues in beginning to disclose. As a result, we recognise the need for more allowances to be made. Furthermore, CDSB commends the proposal to still require that ACE Market listed corporations and Main Market listed issuers with market capitalisation below RM 1 billion to issue a Sustainability Statement, as this encourages good reporting practice.

ISSUES		COMMENTS
11.	<p>Do you agree that Main Market listed issuers with market capitalisation (excluding treasury shares) below RM1 billion should be required to disclose the Sustainability Statement with the detailed disclosures set out paragraph 56 of the Consultation Paper, in their annual reports issued for financial year ending on or after 31 December 2018?</p> <p>Please state your views and reasons for your views.</p>	<p>Yes. From our experience of reviewing the implementation of mandatory greenhouse gas reporting in the United Kingdom, we suggest that the first year of reporting would be done under safe harbour conditions in order to provide a safe environment for issuers to develop their reporting without the risk of negative consequences.</p>
12.	<p>Is the size of the Main Market listed issuers based on market capitalisation of RM1 billion appropriate for purposes of determining the implementation? If not, please provide your suggestions or alternatives.</p>	<p>CDSB does not have a position on this matter.</p>
PROPOSAL 4		
13.	<p>Does the Guide provide appropriate and adequate introduction to the concept of sustainability and importance of sustainability management and sustainability disclosure to business?</p> <p>Please state your views and reasons for your views.</p>	<p>CDSB does not have a position on this matter.</p>
14.	<p>Do you agree that the Guide provides sufficient guidance to listed issuers in relation to the following disclosure requirements:</p> <p>(a) the internal structure of how the sustainability matters are managed;</p> <p>(b) the scope of the Sustainability Statement and basis for the scope;</p>	<p>The guidance is clear and the provided examples are helpful in guiding reporters. In order to keep the reported information consistent on across jurisdictions, we recommend that the Guide provides references to internationally recognised, investor-oriented reporting provisions such as the CDP information requests⁹ and the CDSB Framework for reporting environmental information & natural capital.</p>

⁹ CDP information requests, available at <https://www.cdp.net/en-US/Respond/Pages/companies.aspx>

ISSUES		COMMENTS
	<p>(c) material sustainability matters and how they are identified and managed including details on –</p> <ul style="list-style-type: none"> (i) policies to manage these sustainability matters; (ii) measures or actions taken to deal with these sustainability matters; and (iii) indicators relevant to these sustainability matters? <p>Please state your views and reasons for your views.</p>	
15.	<p>Are the themes and indicators provided in the Guide appropriate and adequate? If not, please provide your suggestions or alternatives.</p>	<p>As mentioned in response to question 5, we would suggest a more comprehensive set of indicators:</p> <ul style="list-style-type: none"> REQ-01 Management’s environmental policies, strategy and targets REQ-02 Risks and opportunities REQ-03 Governance REQ-04 Sources of environmental impact REQ-05 Performance and comparative analysis REQ-06 Outlook REQ-07 Organisational boundary REQ-08 Reporting policies REQ-09 Reporting period REQ-10 Restatements REQ-11 Conformance REQ-12 Assurance <p>We believe that this set of indicators would provide a comprehensive set of information to satisfy the needs of an issuer’s current and potential shareholders.</p>
16.	<p>Are the references, best practices and case studies provided in the Guide appropriate and adequate? If not, please provide your suggestions or alternatives.</p>	<p>We believe that the CDSB Framework for reporting environmental information can be a helpful tool to help issuers to report the indicators outlined in the guide. We therefore providing references to relevant sections, as outlined in the responses above.</p>
17.	<p>What further information or guidance would you like to see in the Guide to help you comply with the Proposed Sustainability Amendments as discussed above?</p>	<p>CDSB does not have a position on this matter.</p>

ISSUES		COMMENTS
18.	Is there any other information or guidance that should be included in the Guide?	CDSB does not have a position on this matter.

[End of Attachment]