

24 August 2015

Regulatory Policy & Advisory  
Bursa Malaysia Berhad  
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Malaysia

Submitted via email to: [norlailamohamad@bursamalaysia.com](mailto:norlailamohamad@bursamalaysia.com)

**RE: Consultation Paper 1/2015: Proposed Amendments to the Listing Requirements Relating to Sustainability Statement in Annual Reports and the Sustainability Reporting Guide**

Dear Madam,

BlackRock<sup>1</sup> is pleased to have the opportunity to respond to Bursa Malaysia's Consultation Paper 1/2015, "Proposed Amendments to the Listing Requirements Relating to Sustainability Statement in Annual Reports and the Sustainability Reporting Guide".

As a fiduciary for our clients, BlackRock supports a regulatory regime that increases transparency, protects investors, and facilitates responsible growth of capital markets while preserving consumer choice and assessing benefits versus implementation costs.

We welcome the opportunity to address, and comment on, the issues raised by this consultation and we will continue to contribute to the thinking of the Bursa Malaysia on any specific issues that may assist in improving the Listing Requirements Relating to Sustainability Statement in Annual Reports and the Sustainability Reporting Guide

## **Executive summary**

As a significant long-term global investor, acting as a fiduciary on behalf of our clients, we are pleased to provide feedback to further enhance Malaysia's listed issuers' sustainability practices and disclosures. We have reviewed the consultation paper and our responses to the questions are set out in the Table of Comments attachment.

Through our corporate governance programme, we seek to protect the economic interests of our clients by engaging with companies including, but not limited to, by voting at their shareholder meetings. We also engage locally with regulators and commentators to understand policy developments and emerging practices and trends. BlackRock's Corporate Governance and Responsible Investment (CGRI) team of 22 specialists carries out the firm's activities in this area. The team members are based in the United States, the United Kingdom, Japan, Hong Kong and Australia. They undertake analysis, engagement and proxy voting in relation to the companies in their respective regions – the Americas; Europe, the Middle East and Africa; and Asia-Pacific, in the context of a globally consistent and coordinated policy and process.

Each year we submit votes more than 15,000 shareholder meetings in over 90 markets worldwide. We use a number of resources as research inputs for our analysis on how to vote. These include research from leading proxy advisory firms, company materials, broker research, and other publicly available news flow.

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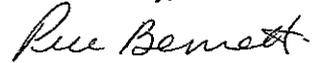
<sup>1</sup> BlackRock is one of the world's leading asset management firms. We manage assets on behalf of institutional and individual clients worldwide, across equity, fixed income, liquidity, real estate, alternatives, and multi-asset strategies. Our client base includes pension plans, endowments, foundations, charities, official institutions, insurers and other financial institutions, as well as individuals around the world.

# BLACKROCK

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We would welcome any further discussion on any of the points that we have raised.

Yours faithfully,



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**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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**NAME OF RESPONDENT** : **BlackRock**

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ISSUES		COMMENTS
<b>PROPOSAL 1</b>		
1.	Do you agree with the proposal for <b>ALL</b> listed issuers on the <b>Main Market and ACE Market</b> to disclose a narrative statement of their management of material sustainability matters (" <b>Sustainability Statement</b> "), in the annual reports as set out in paragraph 44 of the Consultation Paper?  Please state your views and reasons for your views.	Yes.  BlackRock expects all listed issuers to disclose all material risks relating to their business, including sustainability issues, and details of how these risks are managed. This information will provide investors with a better understanding of the risk profile of companies, help investors identify companies with operational excellence, and assist with more constructive engagement on these important long-term investment matters.

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>Yes.</p> <p>Investors strive to understand corporate business models and strategy, what underlies success, differentiates them from their competitors and what could make them fail. Companies that want to be measured over the long term need to disclose their long-term strategies and communicate the metrics by which investors should measure their success. As long-term investors, we expect companies to disclose material, balanced, comparable, and consistent information, including environmental, social, and corporate governance risks and management practices.</p> <p>In paragraph (a) we would like to see the word “consistent” included.</p>
3.	<p>Alternatively, if you have other suggestions for the Sustainability Statement, please provide your suggestions together with your reasons.</p>	<p>No further comment.</p>
<b>PROPOSAL 2</b>		
4.	<p>Do you agree that a <b>Main Market listed issuer</b> must include all of the following information (collectively referred to as the “<b>detailed disclosures</b>”) in its Sustainability Statement as set out in paragraph 56 of the Consultation Paper:</p>	<p>Yes.</p> <p>(a) The requirement to disclose how sustainability matters are managed is consistent with BlackRock’s view that well-governed companies appropriately manage all risks to the business, including social and environmental factors affecting operations. We believe companies that demonstrate operational excellence tend to also have leadership organizations which address long-term business issues.</p>

	<p>(a) the internal structure of how sustainability matters are managed;</p> <p>(b) the scope of the Sustainability Statement and basis for the scope;</p> <p>(c) material sustainability matters and how they are identified and managed including details on -</p> <p style="padding-left: 20px;">(i) policies to manage these sustainability matters;</p> <p style="padding-left: 20px;">(ii) measures or actions taken to deal with these sustainability matters; and</p> <p style="padding-left: 20px;">(iii) indicators relevant to these sustainability matters.</p> <p>Please state your views and reasons for your views.</p>	<p>(b) We would like to see the scope of reporting cover the issuer’s global operations at a minimum. Companies may disclose upstream or downstream impacts as well.</p> <p>(c) Disclosures should include the material information which could affect the listed company’s long-term financial success. As investors, we believe financial disclosures should address financially material information, including long-term strategic decisions. Other stakeholders may additionally benefit from the disclosures aimed at investors.</p>
6.	Do you agree with the proposal set out in paragraph 57 of the Consultation Paper that <b>material sustainability matters</b> refer to such matters that –	We believe it is important to identify investors as the primary stakeholder for these disclosures.

	<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>	
7.	<p>Do you think the proposed definition of <b>material sustainability matters</b> is clear? If not, please provide your suggestions or alternatives.</p>	<p>We are encouraged to see the consultation paper requires companies to disclose material sustainability information. We find companies can be most successful when they focus on the material issues and spend less time on the issues that are not relevant to the business. There has been some ambiguity about what constitutes material non-financial information when it comes to environmental and social risks to business and whether an issue is material if it is relevant to a narrow stakeholder group. Given that this consultation and disclosure standard applies to listed companies, we believe it would benefit issuers to clarify the sustainability information they disclose should be material to investors, including investors with long-term investment horizons who may look beyond a single quarter or year of performance.</p>
<b>PROPOSAL 3</b>		
8.	<p>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?</p> <p>Please state your views and the reasons for your views.</p>	<p>Yes. BlackRock finds the incorporation of sustainability issues in the annual report to be more convenient, however we do not oppose companies producing a separate sustainability report. Reporting on sustainability issues in detail on their website with references in printed documents is also satisfactory.</p> <p>It is preferable for reporting on sustainability issues to occur as close as possible to the release of the annual report.</p>

<p>9.</p>	<p>Do you agree that the following <u>Main Market listed issuers</u> should be required to disclose the Sustainability Statement <b>with the detailed disclosures</b> set out paragraph 56 of the Consultation Paper in their annual reports issued for financial year ending on or after <b>31 December 2016</b>:</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>	<p>We agree that the notice period for Main Market listed issuers for financial year ending on or after 31 December 2016 is reasonable as they will need time to prepare and plan for the change.</p>
<p>10.</p>	<p>Do you agree that <u>ACE Market listed corporations</u> and <u>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 <b>31 December 2016</b>?</p> <p>Please state your views and reasons for your views.</p>	<p>No.</p> <p>ESG disclosure practices globally have evolved significantly due to growing recognition from investors, regulators and companies about the importance and materiality of these issues. As a result, we believe all listed issuers regardless of market capitalisation size should be required to disclose the Sustainability Statement and the detailed disclosures relevant to their business in the annual report.</p>

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 <b>with the detailed disclosures</b> set out paragraph 56 of the Consultation Paper, in their annual reports issued for financial year ending on or after <b>31 December 2018</b>?</p> <p>Please state your views and reasons for your views.</p>	<p>Yes</p> <p>Such companies need to build in-house resources and expertise in order to meet the disclosure requirements. The proposed time period in order to meet disclosure requirements appears appropriate.</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>The size of the Main Market listed issuers based on market capitalisation of RM1 billion is appropriate for the purposes of determining the implementation.</p>
<b>PROPOSAL 4</b>		
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>Yes. The Guide will help issuers disclose sustainability matters to investors in a consistent and comparable manner giving them a fuller understanding of the issuer’s risk profile and future growth prospects.</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>Yes.</p> <p>We expect that the Guide provides sufficient guidance to listed issuers in relation to the disclosure requirements and has the potential to create a robust initial baseline of reporting.</p> <p>Please refer to our responses to Proposal 2 questions 4, 6, and 7 for additional information.</p>

	<p>(b) the scope of the Sustainability Statement and basis for the scope;</p> <p>(c) material sustainability matters and how they are identified and managed including details on –</p> <p style="padding-left: 20px;">(i) policies to manage these sustainability matters;</p> <p style="padding-left: 20px;">(ii) measures or actions taken to deal with these sustainability matters; and</p> <p style="padding-left: 20px;">(iii) indicators relevant to these sustainability matters?</p> <p>Please state your views and reasons for your views.</p>	
15.	Are the themes and indicators provided in the Guide appropriate and adequate? If not, please provide your suggestions or alternatives.	Yes.
16.	Are the references, best practices and case studies provided in the Guide appropriate and adequate? If not, please provide your suggestions or alternatives.	Yes.
17.	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?	Not applicable
18.	Is there any other information or guidance that should be included in the Guide?	We recognise that some issuers, especially those at the smaller market capitalisation end of the market, may find detailed ESG disclosure to be a challenge at the beginning of their reporting journey. However, issuers need to be aware that the items raised in the Guide are the base level of information that investment analysts require to make security selection decisions. We encourage these companies to progressively embrace the principles of ESG risk reporting

		as they meet their obligations under the Main Market and ACE Listing Requirements.
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