

Global Issues & Trends on Sustainability and ESG

MCMC Digital Outlook Series 2023

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Top 10 Most Severe Global Risks 2023

based on World Economic Forum

1. Cost-of-living crisis

2. Natural disasters and extreme weather events

3. Geoeconomic confrontation

4. Failure to mitigate climate change

5. Erosion of social cohesion and societal polarization

6. Large-scale environmental damage incidents

7. Failure of climate change adaption

8. Widespread cybercrime and cyber insecurity

9. Natural resource crises

10. Large-scale involuntary migration

 **Economic**

 **Environmental**

 **Geopolitical**

 **Societal**

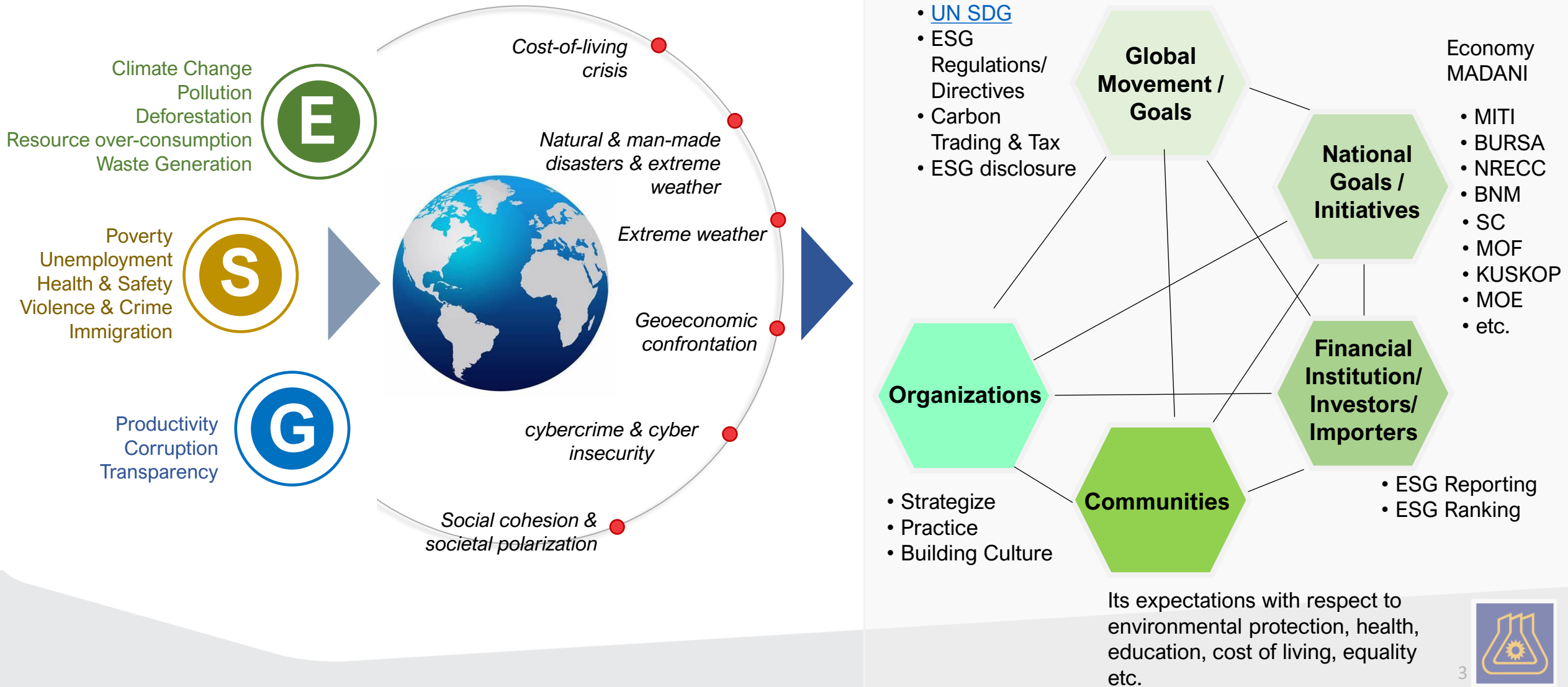
 **Technological**

Global Issues, Impacts and Reactions

ISSUES

IMPACTS/RISKS

REACTIONS TO REDUCE THE IMPACT



SDG Progress & Index

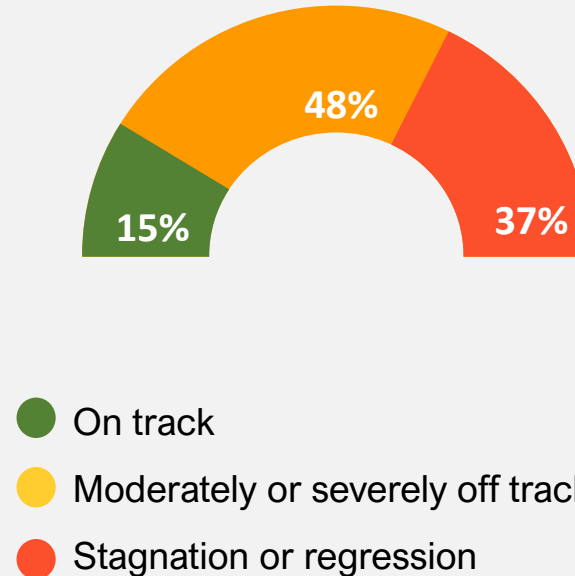
SDG 2015 – 2030



- Goal 1: No Poverty
- Goal 2: Zero Hunger
- Goal 3: Good Health and Well-being
- Goal 4: Quality Education
- Goal 5: Gender Equality
- Goal 6: Clean Water and Sanitation
- Goal 7: Affordable and Clean Energy
- Goal 8: Decent Work and Economic Growth
- Goal 9: Industry, Innovation and Infrastructure
- Goal 10: Reduced Inequality
- Goal 11: Sustainable Cities and Communities
- Goal 12: Responsible Consumption and Production
- Goal 13: Climate Action
- Goal 14: Life Below Water
- Goal 15: Life on Land
- Goal 16: Peace and Justice Strong Institutions
- Goal 17: Partnerships to achieve the Goal

The world is falling short of meeting most of the Goals by 2030

SDG Progress at the Midpoint



SDG Index 2023

Rank	Country	Index
1	Finland	86.8
2	Sweden	86.0
3	Denmark	85.7
64	Singapore	71.8
75	Indonesia	70.2
78	Malaysia	69.8
166	South Sudan	38.7

Source: <https://unstats.un.org/sdgs/report/2023/progress-midpoint/>

World Index

World Social Progress Index 2022

Rank	Country	Index
1	Norway	90.74
2	Denmark	90.54
3	Finland	90.46
28	Singapore	83.76
54	Malaysia	74.08
87	Indonesia	66.67
169	Afghanistan	30.65

*Indicators:
Nutrition & basic medical care, water & sanitation, personal safety, access to basic knowledge, access to information & communications, env. quality, health, inclusiveness, personal rights etc.*

World Happiness Index 2022

Rank	Country	Index
1	Finland	7.82
2	Denmark	7.63
3	Iceland	7.55
27	Singapore	6.48
70	Malaysia	5.77
87	Indonesia	5.24
146	Afghanistan	2.40

*Indicators:
GDP per capita, social support, healthy life expectancy, freedom, generosity, corruption*

Corruption Perception Index 2022

Rank	Country	Index
1	Denmark	90
2	Finland	87
2	New Zealand	87
5	Singapore	83
61	Malaysia	47
110	Indonesia	34
180	Somalia	12

SDG Report for Malaysia 2023: Area of Concern

COUNTRY
RANKING

78/166

COUNTRY SCORE



REGIONAL AVERAGE: 67.2

SDG2 – Zero Hunger

Prevalence of stunting in children under 5 years of age (%)	21.9	↓
Prevalence of obesity, BMI \geq 30% (% of adult population)	15.6	↓
Prevalence of wasting in children under 5 years of age (%)	9.7	↓

SDG3 – Good Health and Well-Being

Life expectancy at birth (years)	74.7	↓
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SDG11 – Sustainable Cities & Communities

Satisfaction with public transport (%)	56.0	↓
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SDG16 – Peace, Justice & Strong Institutions

Corruption Perception Index (worst 0 -100 best)	47	↓
Unsentenced detainees (% of prison population)	40.47	↓

SDG17 – Partnerships for the Goals

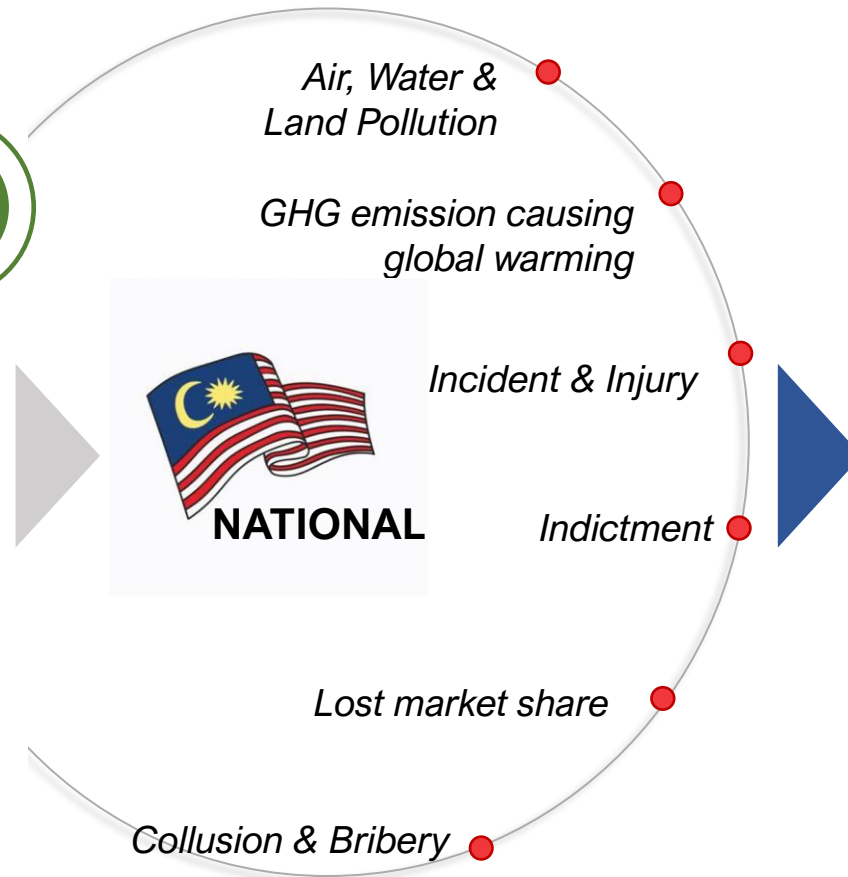
Government spending on health & education (% of GDP)	6.1	↓
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National Issues, Impacts and Organization Reaction

ISSUES



IMPACTS / RISKS



REACTIONS TO REDUCE THE IMPACT

ORGANIZATIONS need to strategize, practice and build the culture for sustainability in order to manage ESG risk/impact effectively



Disclose their ESG performance

Climate Change Impact to Financial Institution & Business

Climate & Nature Risk

- Extreme weather events (flood, drought)
- Earthquake
- Sea level rise
- Biodiversity loss



Business Risk

- Business disruption
- Compensation to affected parties
- Reconstruction and replacement
- Increase in cost of operation (material and energy price increases)
- Supply chain disruption
- Relocation of business



Financial System Risk

- Credit risk (i.e losses on corporate loan)
- Market risk (i.e losses on shares and bonds/sukuk)
- Operational risk (i.e liability risk, legal cost, reputational damages)
- Liquidity risk (i.e refinancing risks)
- Underwriting risk



ESG Disclosure Report
(GRI, SASB, TCFD, ISSB, ESRS)

ESG Ranking
(FTSE, S&P Global Rating, MSCI)

Emergence of ESG Regulations, Disclosure Standards and Rating

ESG Regulations

ESG-related regulatory requirements scrutiny the corporate ESG disclosure and performance

Europe

- Sustainable Finance Disclosure Regulation (SFDR)
- The EU Taxonomy
- Corporate Sustainability Reporting Directive (CSRD)
- Carbon Border Adjustment Mechanism (CBAM)

ESG Disclosure

Global Reporting Initiative (GRI), 1990s (US)

Task Force on Climate-Related Financial Disclosure (TCFD), 2015

Sustainability Accounting Standards Board (SASB), 2021 – US

European Sustainability Reporting Standards (ESRS)

IFRS Sustainability Disclosure Standards (US)

ESG Rating

Indices that evaluate the sustainability performance of companies



CO₂ Emissions per Capita

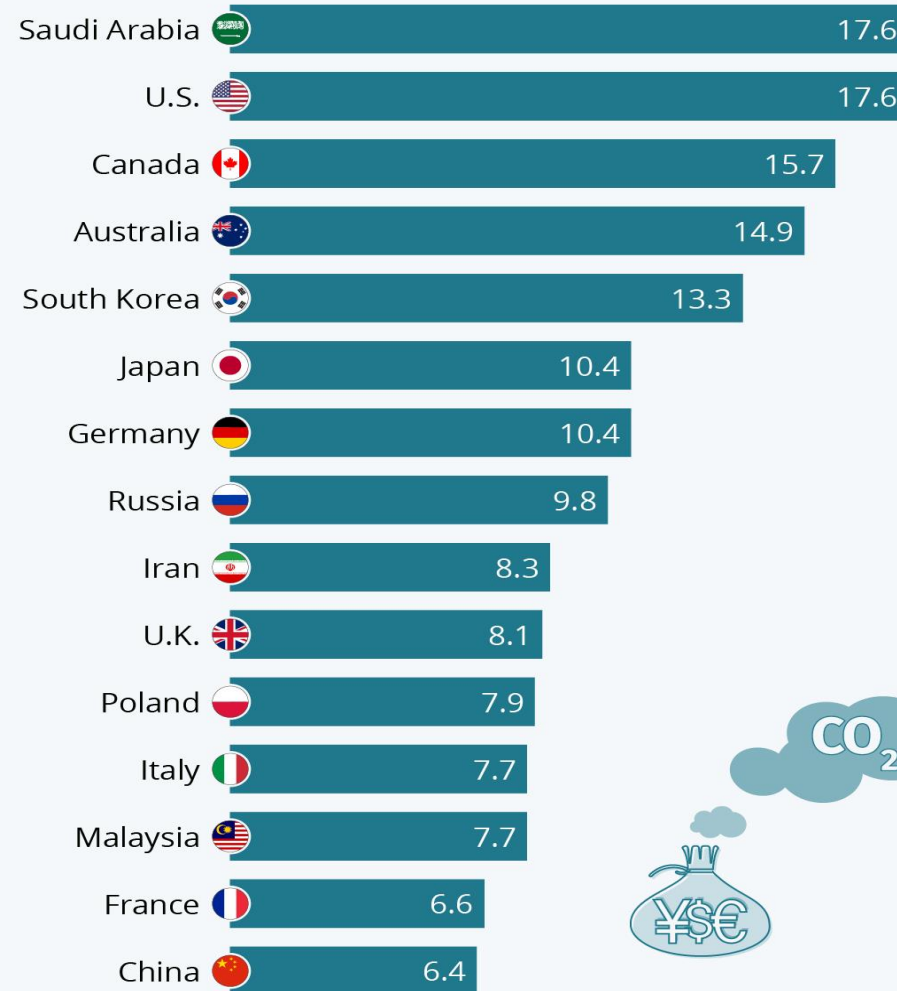
(as at March 2021)

Source: Article by [Willem Roper](#), Mar. 2021
Data collected from the World Bank and
published by Bloomberg

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Wealthy Nations Lead Per-Capita Emissions

Countries with highest per-capita
emissions, in metric tons CO₂



Source: World Bank



statista

Malaysia CO₂ Emissions 2019

Sector	GHG Emissions (Gg CO ₂ eq)	%
Energy	259,326.11	78
IPPU	32,853.80	10
Waste	28,256.59	9
Agriculture	9,921.71	3

Note:

IPPU: Industrial Processes and Product Use

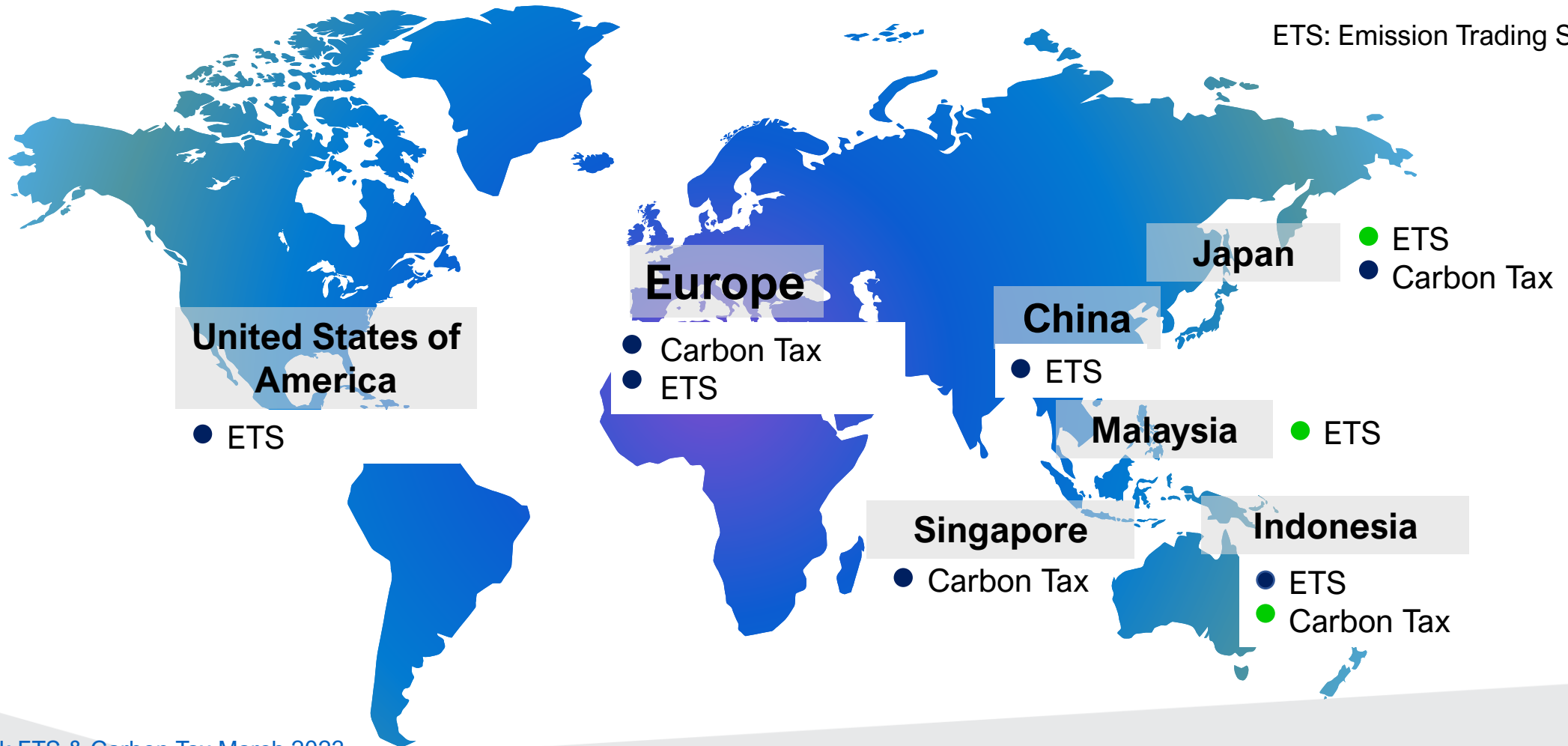
In 2019, 54.9% of the total land area of Malaysia was under forest cover.

Carbon Trading & Tax

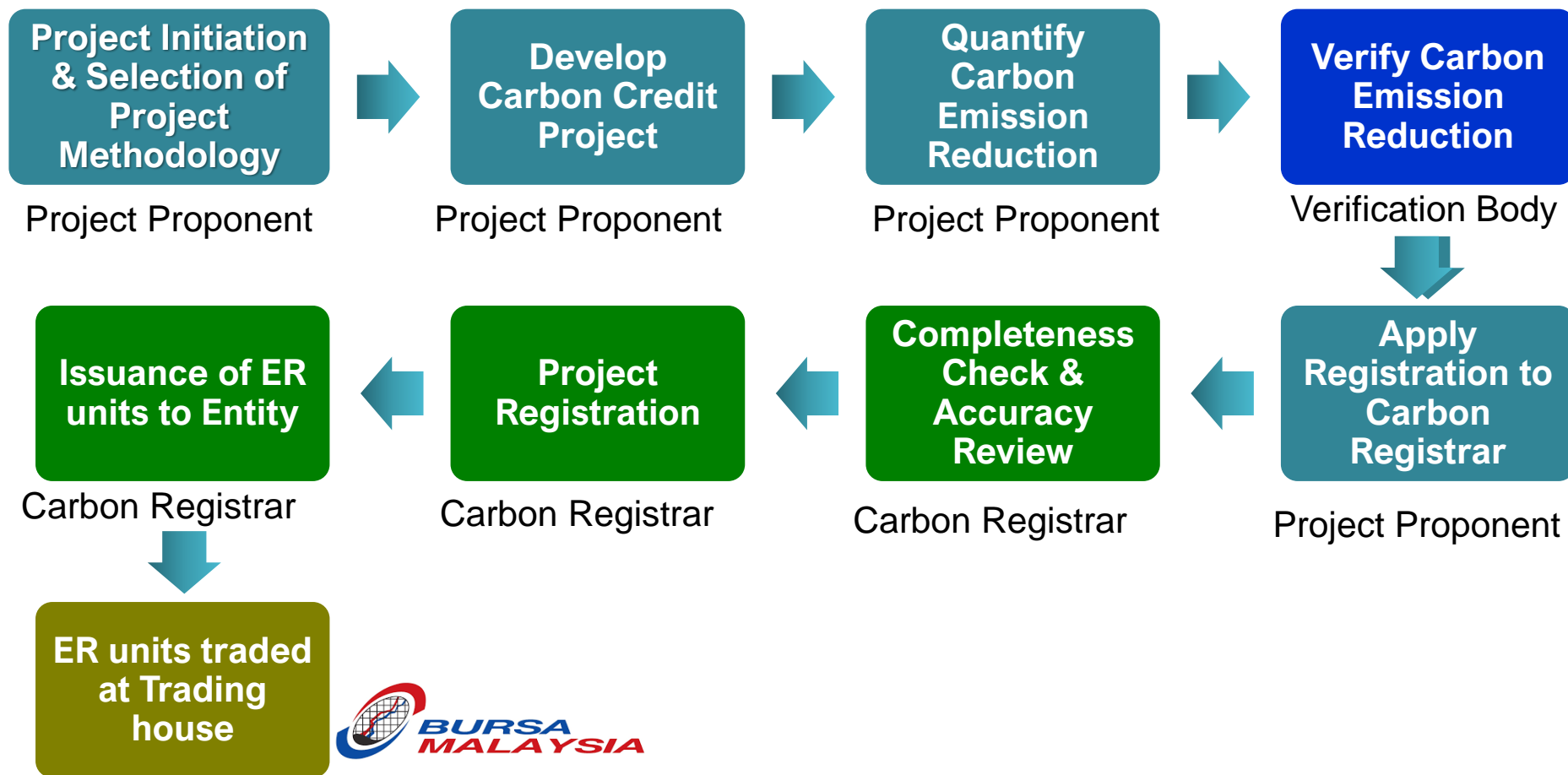
A market-based system that aims to provide economic incentives to encourage organizations to reduce their environmental footprint.

- Under consideration
- Implemented

ETS: Emission Trading Systems

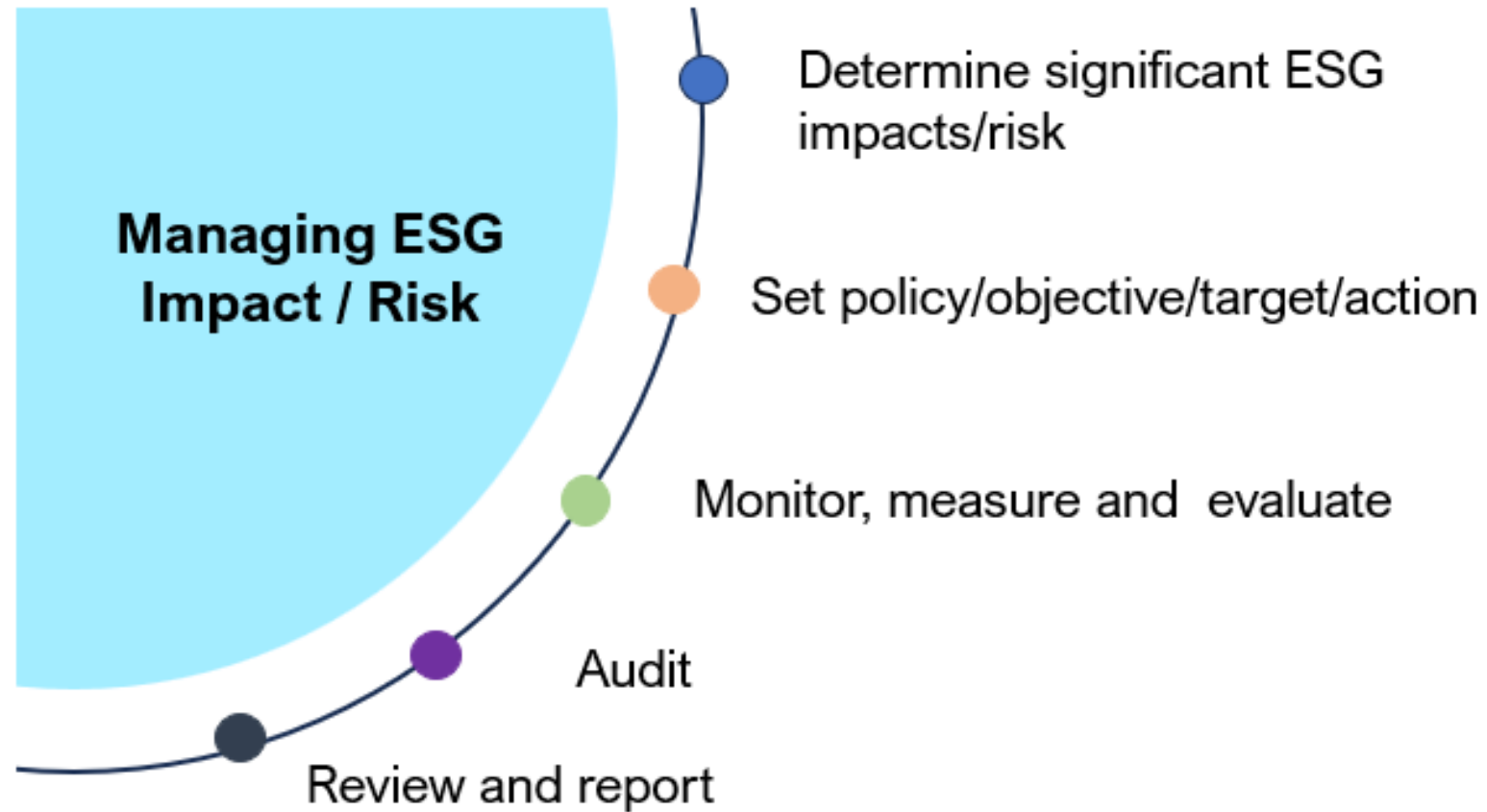


Voluntary Carbon Credit / Trading Process



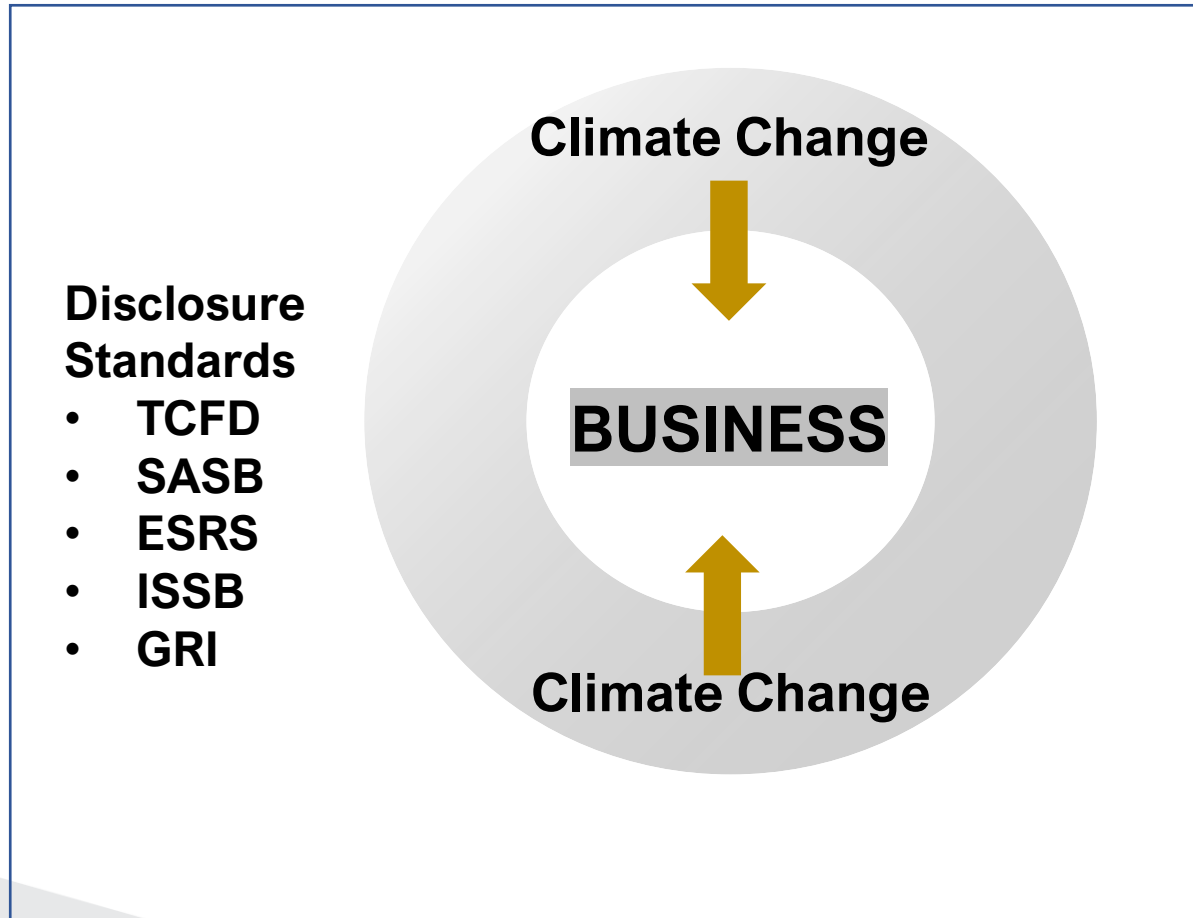
Legend: Project Proponent = Company/ State ER = Emission Reduction

What Can Business Do?

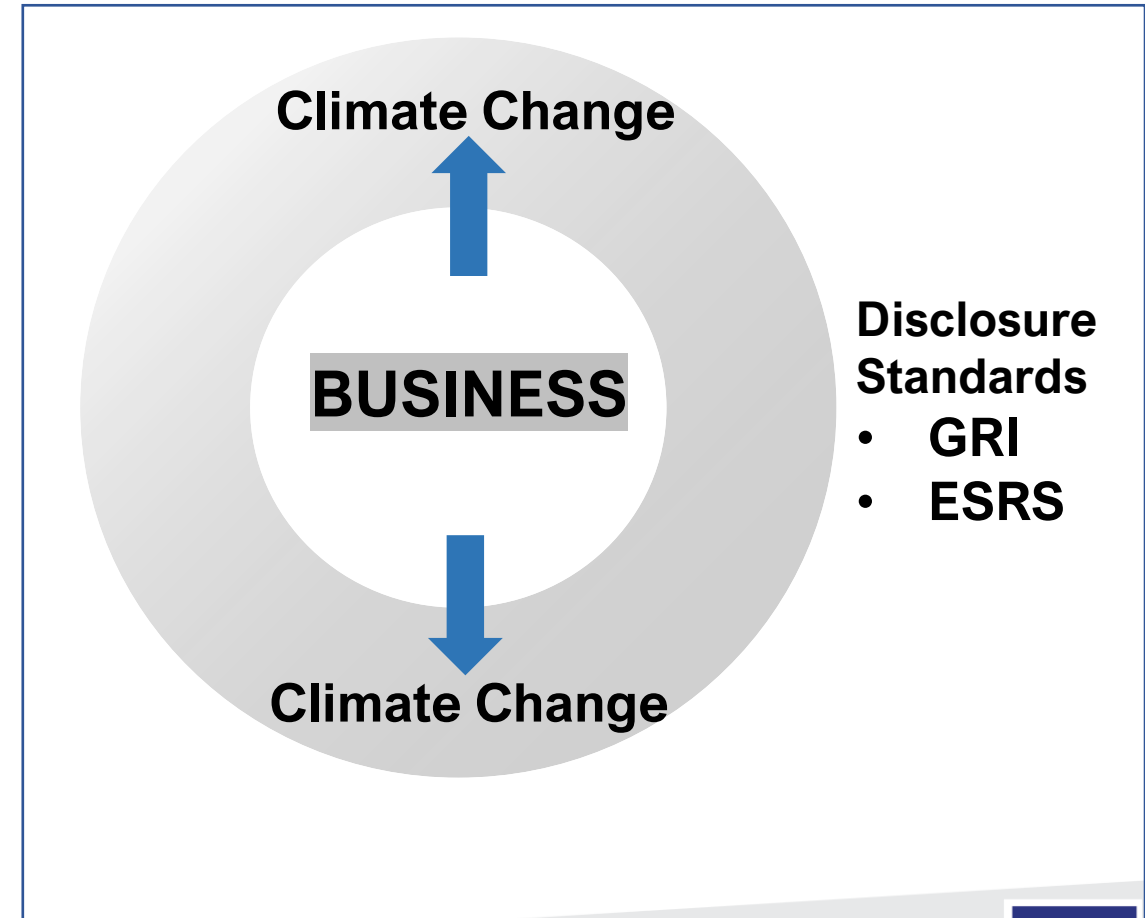


Assessing ESG Risks/Impacts or Materiality Assessment

OUTSIDE IN



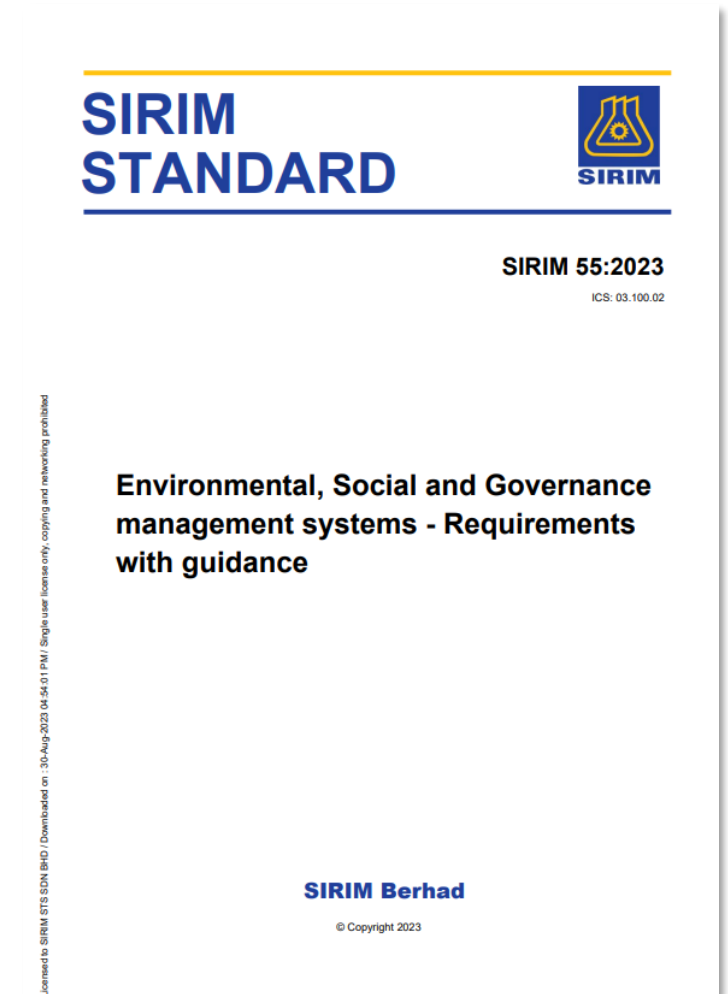
INSIDE OUT



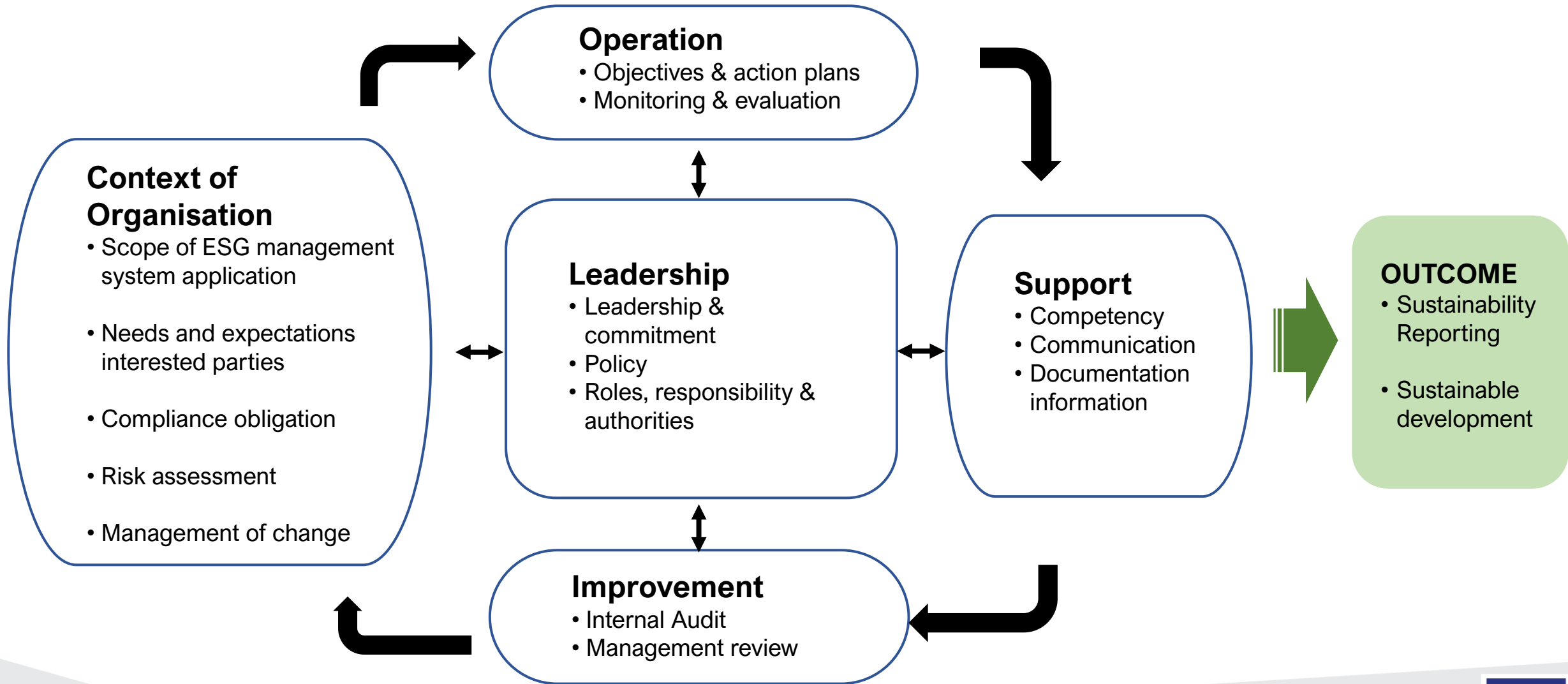
SIRIM 55: ESG Management Systems – Requirements with Guidance

<https://standards.sirimsts.my>. or

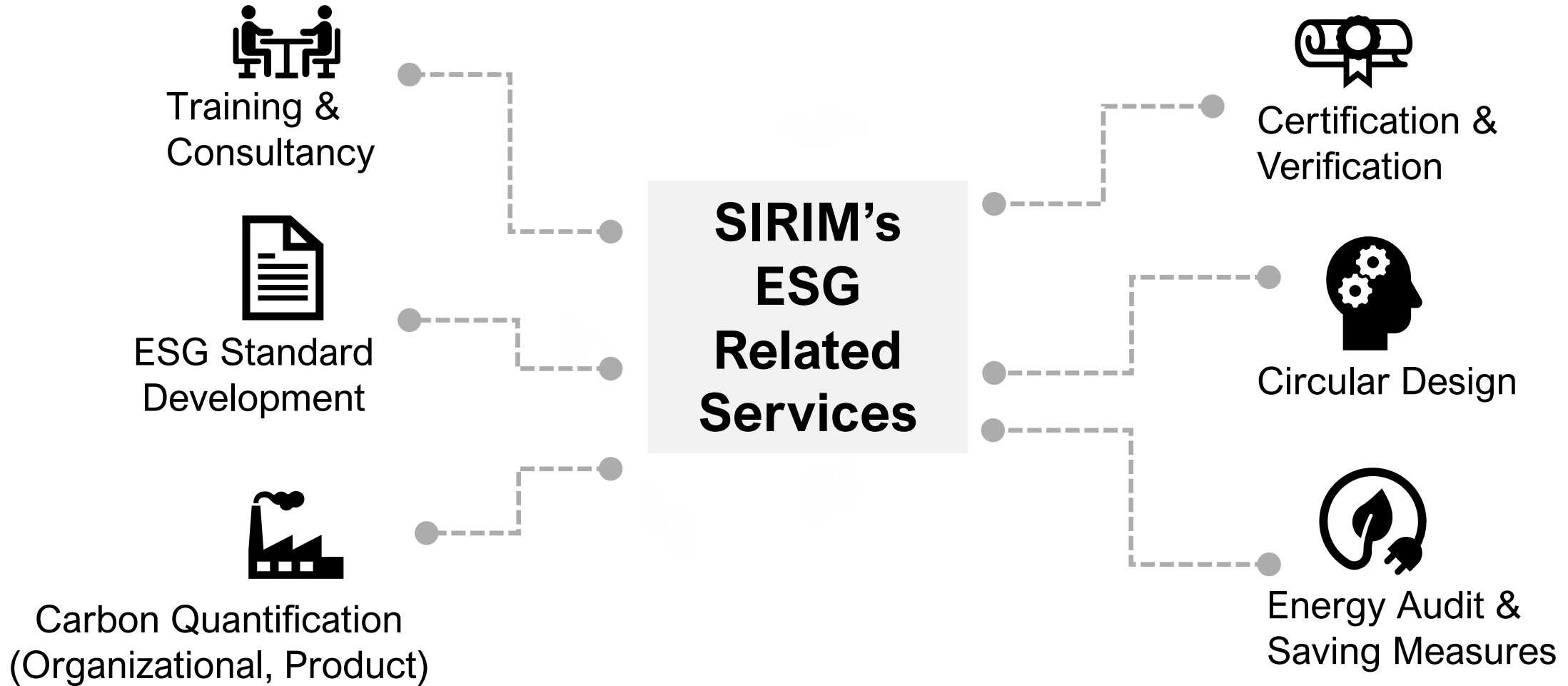
salesofstandard@sirim.my



ESG Management Systems / Managing ESG Risks



SIRIM's ESG Related Services



Conclusion

- ❖ To realise the ESG Goals, organization should:
 - incorporate ESG strategy in your business,
 - manage ESG impact/risks,
 - build an ESG culture and;
 - disclose ESG performance accurately & rightfully.

- ❖ Create harmonious balance between the 3 P's leading to sustainable growth

Thank You

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