

The ESG Imperatives In Today's Global Economy



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Emeritus Professor Tan Sri Dr. Zakri Abdul Hamid is a globally recognised leader in science diplomacy and sustainability, having founded the International Institute for Science Diplomacy and Sustainability at UCSI University. He has played key roles in shaping global biodiversity policies, including chairing the Intergovernmental Platform on Biodiversity and Ecosystem Services (IPBES) and contributing to the United Nations Sustainable Development Goals. His work bridges science and policymaking to tackle global challenges such as climate change and biodiversity loss.



Emeritus Prof. Datuk Ts Ir. Dr. Siti Hamisah Tapsir

Emeritus Professor Datuk Ts Ir. Dr. Siti Hamisah Tapsir is a respected academic and former senior civil servant instrumental in advancing Malaysia's science, technology, and innovation policies aligned with sustainable development goals, notably during her time leading the Ministry of Science, Technology and Innovation (MOSTI). She now leads UCSI University, guiding it towards regional and international prominence in sustainability and ESG-related initiatives.



Prof. Dr. Mohamad Osman

Professor Dr. Mohamad is a prominent agricultural scientist with expertise in genetics and plant genetic resources, actively engaging in international biodiversity discussions under the Convention on Biological Diversity (CBD). As Deputy Director at UCSI University's International Institute of Science Diplomacy and Sustainability, he advances science-driven sustainability efforts.

Together, their insights reinforce that Environmental, Social and Governance imperatives are critical in today's global economy, emphasising the necessity of integrating scientific knowledge into policy and business strategies. This approach fosters sustainable development, responsible governance, and long-term resilience, addressing climate, biodiversity and social challenges while promoting innovation and societal well-being.

A Global Economic Transformation

The global economy is undergoing a profound transformation in how businesses, investments, and responsibilities are defined. What began as a moral urge to “do good” has evolved into a global framework known as Environmental, Social and Governance (ESG) imperatives. ESG is not a passing trend; it represents a structural shift in how corporations, investors and governments determine values, manage risks and demonstrate accountabilities.

Today, ESG serves as a lens through which societies evaluate corporate behaviour, capital allocation and institutional responsibility. Rooted in ethical investing and Corporate Social Responsibility (CSR), it now spans every sector, shaping how capital flows, how firms report and how communities demand transparency.

From CSR and SRI to ESG

The ESG journey started with CSR and Socially Responsible Investing (SRI). In the 1970s and 1980s, firms began to question whether profit alone should be the only measure of success. CSR encouraged companies to act as responsible corporate citizens by reducing pollution, improving labour conditions, and supporting communities. SRI guided investors to avoid harmful industries such as arms, tobacco, and child labour, while favouring firms that created social value.

Initially seen as voluntary and moral, CSR and SRI soon uncovered a practical truth: responsible firms were often better managed, more resilient and less exposed to risk. Over time, “do good” became linked to effective governance and long-term profitability.

A major turning point occurred in 1999 when then-UN Secretary-General Kofi Annan launched the United Nations Global Compact, urging business leaders worldwide to align their operations with universal principles on human rights, labour, the environment and anti-corruption. This initiative, the

world's largest corporate sustainability pact, helped institutionalise the idea that ethical conduct and sustainable management are essential to business success.

Building on these foundations, ESG has emerged as an integrated approach that combines ESG factors into business and investment strategies. It recognises that climate change, inequality and poor governance are not merely ethical concerns but also financial risks. Supply chain disruptions, labour abuses, or corruption can destroy both assets and reputation. Therefore, ESG unites ethics and economics, by turning moral awareness into measurable and actionable performance.

The Concept of Materiality and Double Materiality

A key ESG principle is materiality, which focuses on what truly matters. Traditional “single materiality” examined how sustainability issues affect a company's finances, such as rising carbon costs impacting profits.

Modern sustainability introduces “impact materiality,” which evaluates how corporate operations affect people, communities and ecosystems. Combined, these perspectives form double materiality, recognising both inward (financial) and outward (societal and environmental) impacts.

Under the EU's Corporate Sustainability Reporting Directive, effective in 2024, firms must disclose not only sustainability risks affecting their finances but also their impacts on society and the environment.

Companies now perform materiality mapping, by consulting stakeholders (employees, investors and regulators) to prioritise ESG issues based on relevance and impact. For a beverage company, top concerns may include water use, packaging waste and labour rights. This ensures sustainability becomes a management priority rather than a PR exercise.

The Standardisation Journey In ESG Reporting

As transparency demands increased, several ESG reporting frameworks appeared.

- The Global Reporting Initiative (GRI), founded in 1997, created the first global standard for economic, environmental, and social disclosure.
- The Sustainability Accounting Standards Board, formed in 2011, focused on industry-specific and financially material issues.
- The Climate Disclosure Standards Board and the Task Force on Climate-related Financial Disclosures (TCFD), established in 2015, have advanced environmental and climate-risk reporting.

By the early 2020s, this proliferation led to duplication and confusion. To streamline standards, the International Sustainability Standards Board (ISSB) was established in 2021 under the International Financial Reporting Standards Foundation (IFRS), a nonprofit organisation, that sets corporate reporting standards for the capital markets globally, officially launched at the United Nations Climate Change Conference (COP26) in Glasgow.

In June 2023, ISSB issued IFRS S1 (General Requirements for Sustainability-Related Financial Information) and IFRS S2 (Climate-Related Disclosures), effective January 2024.

- IFRS S1 addresses governance, strategy, risk management and metrics related to sustainability issues.
- IFRS S2 focuses on climate risks and opportunities, including greenhouse gas emissions (Scopes 1–3) and transition plans.

Both align sustainability disclosures with traditional financial reporting.

Malaysia's National Sustainability Reporting Framework

In Malaysia, the Advisory Committee on Sustainability Reporting (ACSR), endorsed by the Ministry of Finance, has developed the National Sustainability Reporting Framework (NSRF), launched in 2024. The ACSR comprises representatives from the Securities Commission Malaysia (SC), Audit Oversight Board, Bank Negara Malaysia (BNM), Companies Commission of Malaysia (SSM), Bursa Malaysia, and the Financial Reporting Foundation.

The NSRF adopts ISSB Standards as Malaysia's baseline for sustainability disclosure, ensuring consistent, comparable, and trustworthy ESG data to improve competitiveness and investor confidence. Implementation will be phased, encouraging widespread adoption and continuous improvement in reporting quality.

Meanwhile, GRI Standards remain crucial for double-materiality reporting. Together, ISSB and GRI create a complementary system, with ISSB serving investors, and GRI catering to broader stakeholders.

Financing The Transition: Green Bonds, Green Sukuk And Innovation

Beyond reporting, finance itself is undergoing a transformation to support sustainability. Green bonds, first launched in 2008 by institutions like the World Bank, fund renewable energy, clean transportation and sustainable water projects. They inspired related instruments such as social bonds, sustainability bonds, and blue bonds for ocean conservation.

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The International Finance Corporation (IFC) has issued billions in green bonds, financing geothermal energy projects in Indonesia and waste management initiatives in Colombia.

Malaysia has pioneered the integration of Islamic finance and sustainability. The SC introduced the Sustainable and Responsible Investment (SRI) Sukuk Framework in 2014, enabling the world's first green sukuk in 2017. Issued by Tadau Energy Sdn Bhd, it raised RM250 million for a 50 MW solar project in Kudat, Sabah, which will power 24,000 households. Since then, Malaysia has led the way in green and sustainable sukuk, many of which align with the UN Sustainable Development Goals (SDGs).

Challenges remain, particularly in the areas of greenwashing, inconsistent definitions of “green,” high issuance costs and limited third-party verification. However, the growth of sustainable finance reflects a global shift toward mobilising capital for inclusive, low-carbon development.

Assurance, Verification and the Trust Imperative

As ESG reporting grows, credibility and trust become increasingly important. Independent verification, or assurance, is fast becoming standard practice. International guidelines such as ISAE 3000 (Revised) and the AA1000 Assurance Standard provide methods for verifying sustainability information.

The NSRF also outlines a phased move toward mandatory third-party assurance, complementing Bursa Malaysia's 2022 Sustainability Reporting Guide, which integrates TCFD principles. As

external assurance becomes standard, investor and stakeholder confidence will deepen, thus anchoring trust in Malaysia's ESG ecosystem.

Malaysia's Key Players Driving ESG and Sustainable Finance

The SC and Bursa Malaysia lead efforts to embed ESG principles across Malaysia's financial and corporate sectors. The SC sets policies, regulations, and disclosure standards in partnership with BNM, notably through the Climate Change and Principle-Based Taxonomy and the Joint Committee on Climate Change (JC3), guiding sustainable finance practices. Supporting these efforts is, Capital Markets Malaysia, an SC affiliate, dedicated to promoting responsible and green investments, and advancing ESG adoption among investors and corporates. Bursa Malaysia champions implementation through ESG reporting requirements and sustainable investment platforms, while the Securities Industry Development Corporation strengthens capacity through training and awareness, including collaborations with the Capacity-building Alliance of Sustainable Investment (CASI). Internationally, the London Stock Exchange Group and the Institute of Chartered Accountants in England and Wales, collaborate to enhance sustainability reporting and governance, while Bursa Malaysia works with MYDigital Corporation and the World Economic Forum's MYCentre4IR to integrate digital tools for ESG innovation. Complementing these efforts, PETRONAS, UOB Malaysia and regional exchanges such as IDX and SET, are driving ESG adoption across supply chains and cross-border markets, reinforcing Malaysia's leadership in sustainable finance within ASEAN.

Ongoing Challenges and the Road Ahead

Despite steady progress, ESG still faces persistent challenges: fragmented standards, inconsistent definitions, uneven data quality, particularly for Scope 3 emissions, and limited expertise among smaller firms. Greenwashing continues to erode trust, while the conflict between short-term profits and long-term sustainability persists.

The future, however, points toward convergence and credibility:

- Harmonised global standards and interoperability among frameworks.
- Stricter regulatory enforcement and independent assurance.
- Wider adoption of double materiality.
- Growth in ESG auditing expertise.
- Expansion of innovative financial tools, from biodiversity to transition bonds.
- Integration of AI, blockchain, and remote sensing for accurate data.
- Stronger attention to social and governance factors such as diversity and anti-corruption.
- Clearer links between ESG performance and financial outcomes, rewarding genuine sustainability.

Why It Matters

ESG is far more than a reporting exercise; it is a strategic and moral compass for sustainable progress. Its relevance extends from boardrooms to classrooms.

For students and young professionals, ESG knowledge is now as crucial as financial literacy once was, preparing them for careers in a sustainability-driven economy. For corporate leaders and policymakers, ESG provides a framework for responsible leadership, systemic risk management, and alignment with the UN SDGs. It unites environmental protection, social justice, and governance integrity, key pillars for resilient and inclusive growth.

In Malaysia, UCSI University's International Institute of Science Diplomacy and Sustainability (UCSI-IISDS) leads with interdisciplinary programmes, connecting science, policy and diplomacy. It nurtures leaders in sustainability governance, business and international cooperation. Its collaboration with the Malaysian Industry-Government Group for High Technology (MIGHT) demonstrates how education and policy can work together to advance ESG, science diplomacy, and sustainable development, particularly across the Global South.

Ultimately, ESG represents intergenerational responsibility: it ensures that today's growth does not compromise the rights and resources of future generations. It is the universal language of sustainability that aligns business, policy, and society toward shared prosperity.

Redefining Success in the Twenty-First Century

The ESG journey, from ethical beginnings to globally standardised frameworks, proves that doing good and doing well are no longer opposites. ESG imperatives now shape how capital is invested, how corporations behave, and how societies define progress. They challenge us to redefine success, not merely by profit, but by the enduring well-being of people and the planet.

For leaders, educators and policymakers, the message is clear. Sustainability must be integrated deeply, transparently and strategically. In today's globalised world, value, purpose and responsibility are inseparable, yet together – shaping the future of the global economy.