



## ESG COMPLIANCE

# 'Sustainable growth vital to economic recovery'

**KUALA LUMPUR:** Advocating the environmental, social and governance (ESG) agenda is seen as the key resolution for industries across the board even though small firms are at the infancy level of the implementation, while the larger ones are catching up fast with some standing side by side with global companies.

Economists believe growing sustainably and responsibly is vital as the economy recuperates from the impact brought about by Covid-19.

According to Ernst & Young Global Limited, the pandemic has reinforced the importance of ESG issues and accelerated the transition to a more inclusive capitalism and investors increasingly believe that companies that perform well on ESG are less risky, better positioned for the long term and better prepared for uncertainty.

### It's a long process

Bank Islam chief economist Dr Mohd Afzanizam Abdul Rashid said it was crucial for the country

to comply fully with the concept.

"It is relatively a new concept but has greater bearings on business and investment because we know focusing solely on profit may not bring a greater good to society as the negative externality will be borne by the nation."

He said the concept was at its exploratory stage because there was no specific standard that was tailor-made for each region, country and industry.

He said the ESG spectrum would force companies to relook at their long-term strategies, one that not just delivered profit but also ensured the going concern of a business.

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**A motivating factor to encourage ESG compliance is that major global investment funds require investee companies to be free from ESG risks.**

**DR MOHD AFZANIZAM ABDUL RASHID**

Bank Islam  
chief economist

that major global investment funds require investee companies to be free from ESG risks. Hence, companies that do not adopt ESG practices will face a shrinking pool of investors, or worse still, these firms will be ineligible to be considered for ESG-only investment funds." **Berna-**

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