



**Plenary session 1:
Governing under New Normal**

**Dato' Abdul Rauf Rashid
Malaysia Managing Partner
Ernst & Young PLT**

The new normal demands that corporates, investors, Government and regulators focus on sustainability.

Changing world – a warmer world

RM8 billion

Total damage due to natural disasters from 1998 to 2019 in Malaysia¹

US\$7.9 trillion

Cost to global GDP by 2050 due to climate change²

Evolving consumer behavior

US\$18 trillion

Global aggregate income of millennials by 2030 - a group inclined toward environmentally-friendly purchases⁴

Increasing and more stringent regulations

MCCG 2021

New enhancements and practices focusing on the role of the board and senior management in addressing sustainability risks and opportunities

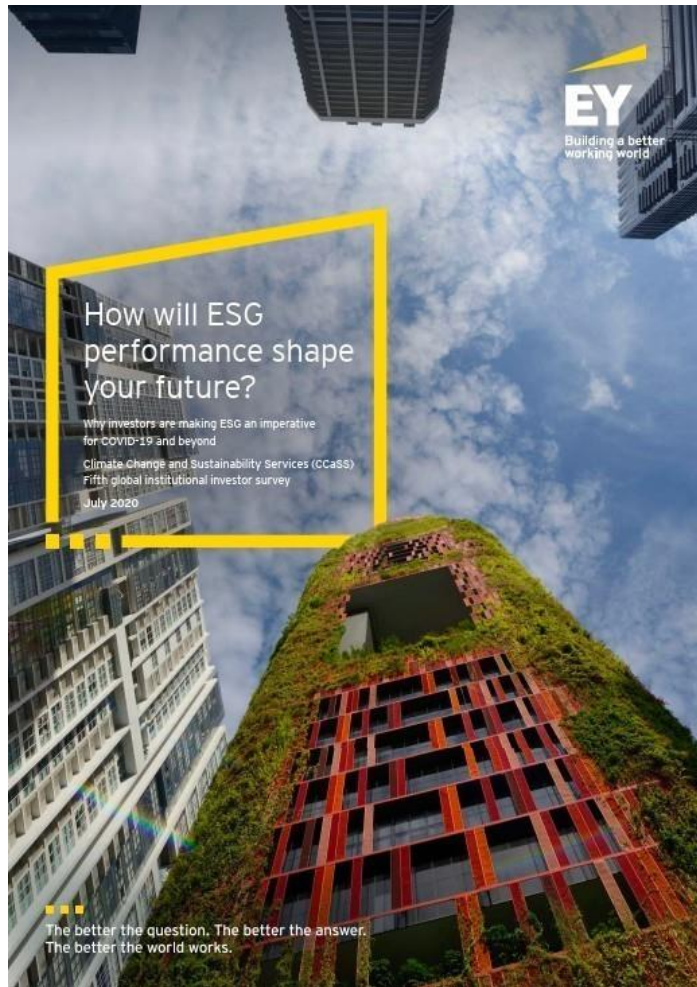
Rising demand for non-financial information

91%

of investors surveyed say that non-financial performance has played a pivotal role in their investment decision-making over the past 12 months⁵

Sources: ¹Emergency Events Database (EM-DAT); ²Chandler, D. (2 August 2017); ³Cone Communications, 2015 Cone Communications Millennial CSR Study ⁴Fenz, K., Hamel, K., and Hofer, M. (30 April 2018), How to harness the spending power of millennials: Move beyond the US ²Cone Communications, 2015 Cone Communications Millennial CSR Study; ⁵Take5 Re-modelling strategies with ESG, EY

Investors are making ESG an imperative for now and beyond.



The fifth EY global institutional investor survey asked 298 investors with funds of approximately US\$30 trillion about the role of ESG in their decision-making and long-term investment management. Investors were drawn from across the world and represented three key segments: banking and capital markets, insurance, and wealth and asset management.

Key findings:

Investors demand ESG disclosures

1. Investors raise the ESG stakes

83% of investors see the need for a formal framework to measure and communicate intangible value.

2. ESG performance disconnect: environmental risk in the spotlight

46% think there is a disconnect between ESG reporting and mainstream financial information.

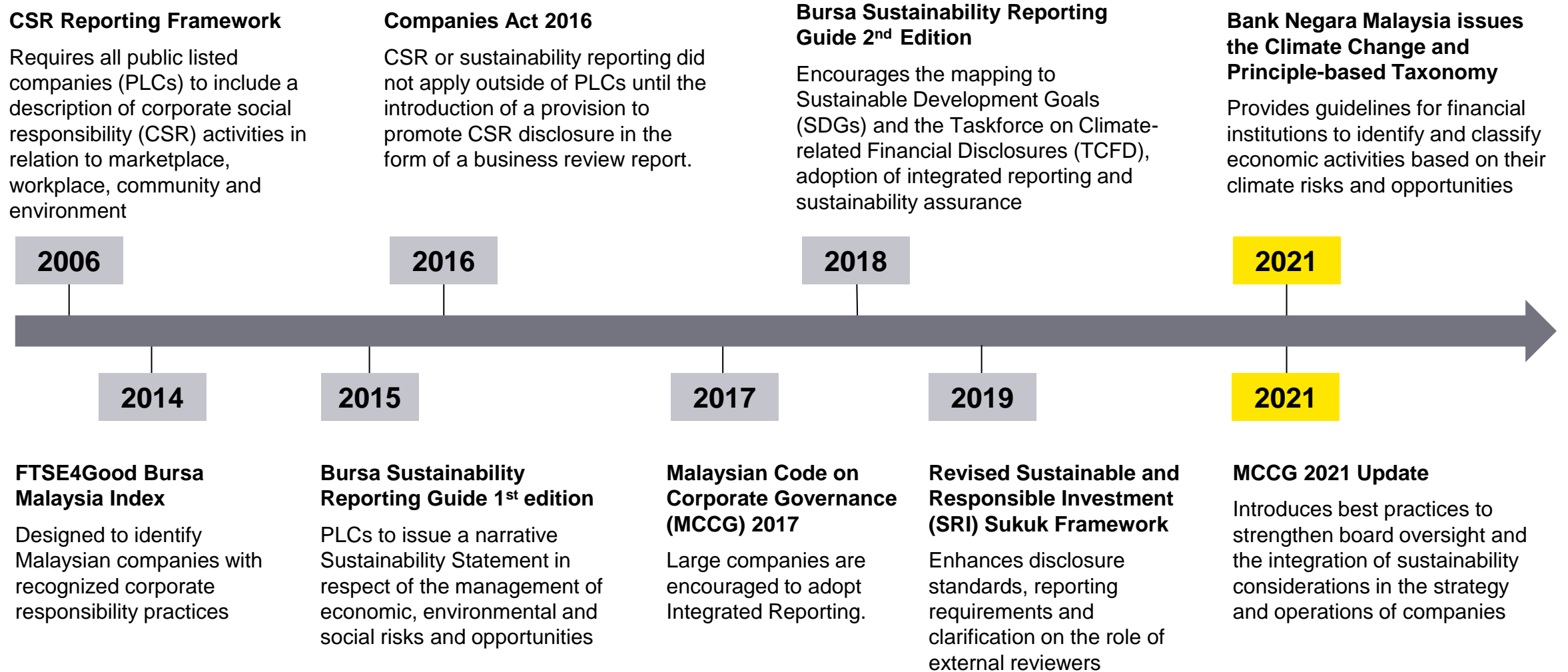
3. Investors are holding companies accountable.

91% of investors surveyed agreed that nonfinancial performance has played a pivotal role in their investment decision-making.

4. The future of ESG performance: trusted and credible

82% say it would be useful to have independent assurance of the impact of green investments.

Malaysian regulators are increasing focus on sustainability.



Source: EY research, Malaysia

Today, CEOs are prioritizing ESG and long-term value creation.

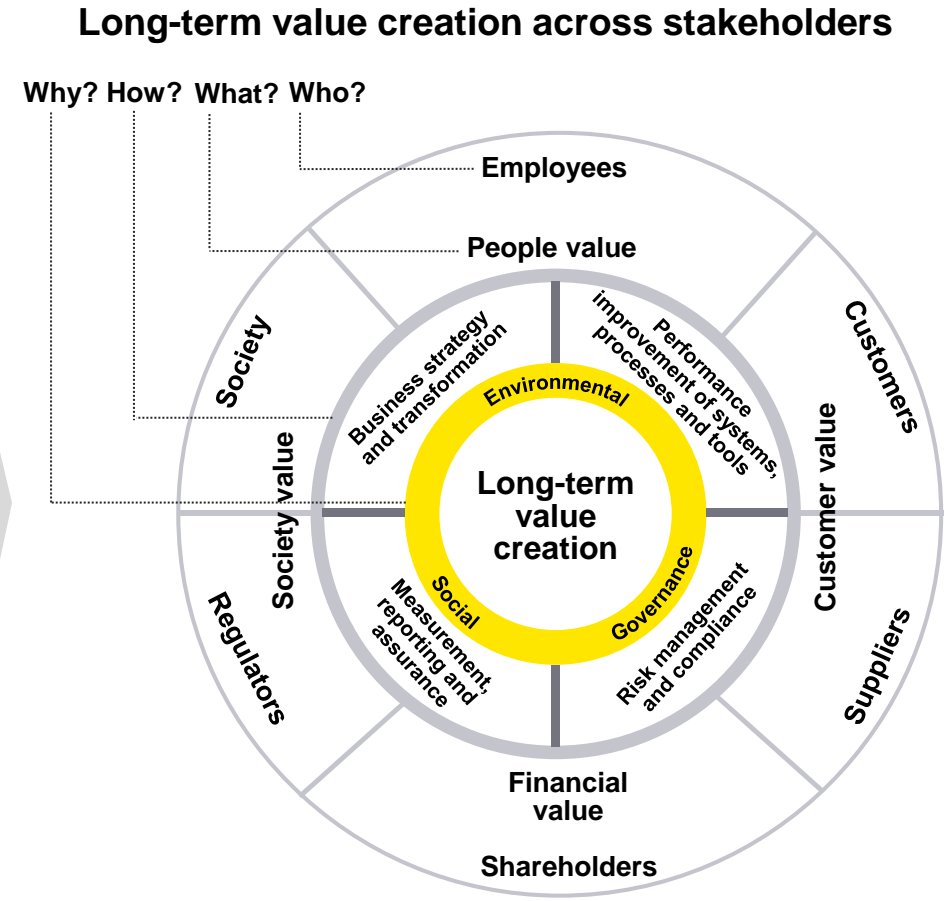
The case for linking ESG to long-term value creation:

CEOs are focused on ESG and long-term value creation.

- 1 Sustainable profit growth
- 2 Productivity optimization – “People, Process, Technology”
- 3 Cost reductions
- 4 Investment and asset optimization
- 5 Regulatory compliance and legal implications

80% of CEOs believe putting humans (employees, customers and other stakeholders) at the center of decision-making will be a core value driver.
 - EY CEO Imperative Study 2021, Part 2

79% of CEOs surveyed say companies that maintain their focus on long-term value will emerge stronger in a post-pandemic world.
 - EY Long-Term Value and Corporate Governance Survey 2021

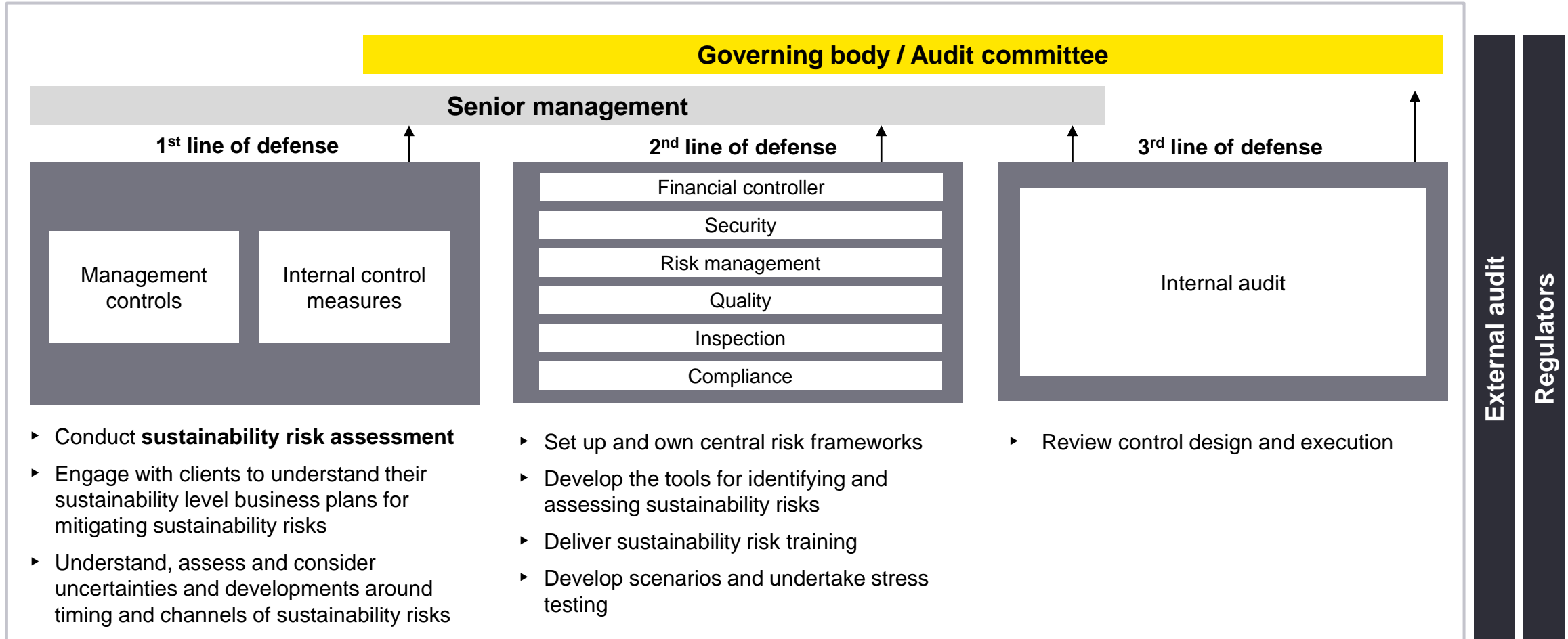


COVID-19 crisis and climate change risks have driven ESG to become the core strategy.

Sources:

- ▶ *How can today's CEO bridge the gaps to realize tomorrow's opportunities?*, EY, March 2021
- ▶ *Will there be a 'next' if corporate governance is focused on the 'now'?*, EY, February 2021
- ▶ *How will ESG performance shape your future?*, EY, July 2020

Embed sustainability risk into risk management



Source: ¹ EY, Being business-minded about climate change: Ten ways to address climate-related risks and opportunities in 2020 and beyond; ² Chartered Institute of Internal Auditors, 2018, Governance of Three Lines of Defense; ³ Climate Financial Risk Forum Guide 2020, Risk Management Chapter

With the escalating pandemic and climate change issues, boards can step up their oversight of ESG and its integration into enterprise risk management (ERM).

Five ways boards can enhance oversight of ESG



Source: *Five ways boards can unlock ESG's strategic value*, EY, December 2020

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2021 Ernst & Young PLT
All Rights Reserved.

APAC no. 07002920
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com

