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Smart Business Solutions

The Evolving Landscape of Sustainability Disclosures: From Voluntary Practices to Mandatory Regulations and Investor Demands

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With increasing investor focus on sustainable investing and growing regulatory pressure, your businesses will have to adapt by enhancing your sustainability practices. In this report, we will provide some insights as well as practical recommendations for setting up robust data collection processes, engaging cross-functional teams, and fostering a culture of continuous improvement.

These steps are essential to meet evolving regulations and the heightened demands of the investment community.

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The Past and Future of Sustainability Disclosures

Sustainability disclosures have shifted from a voluntary practice to a more regulated requirement. In the past, companies used these disclosures to build trust, attract capital, and show corporate social responsibility (CSR). They focused on group-level commitments and highlighted positive impacts, with risks and opportunities that were internal. Over time, voluntary frameworks like GRI, TCFD, and SASB guided the process, and gave companies flexibility when it comes to reporting.

Today, sustainability disclosures are becoming mandatory. Companies must comply with legal requirements and provide clear, comparable information to help investors assess risks and opportunities. This involves both group and subsidiary-level operations, with a focus on internal and external risks. Disclosures need to be balanced, showing both positive and negative impacts, while avoiding greenwashing. Regulatory standards will now determine what core metrics must be reported.

As this shift takes place, companies face greater risks. Beyond reputation damage, there is now a risk of criminal and civil liability. This change highlights the growing need for transparency and accountability in sustainability practices.

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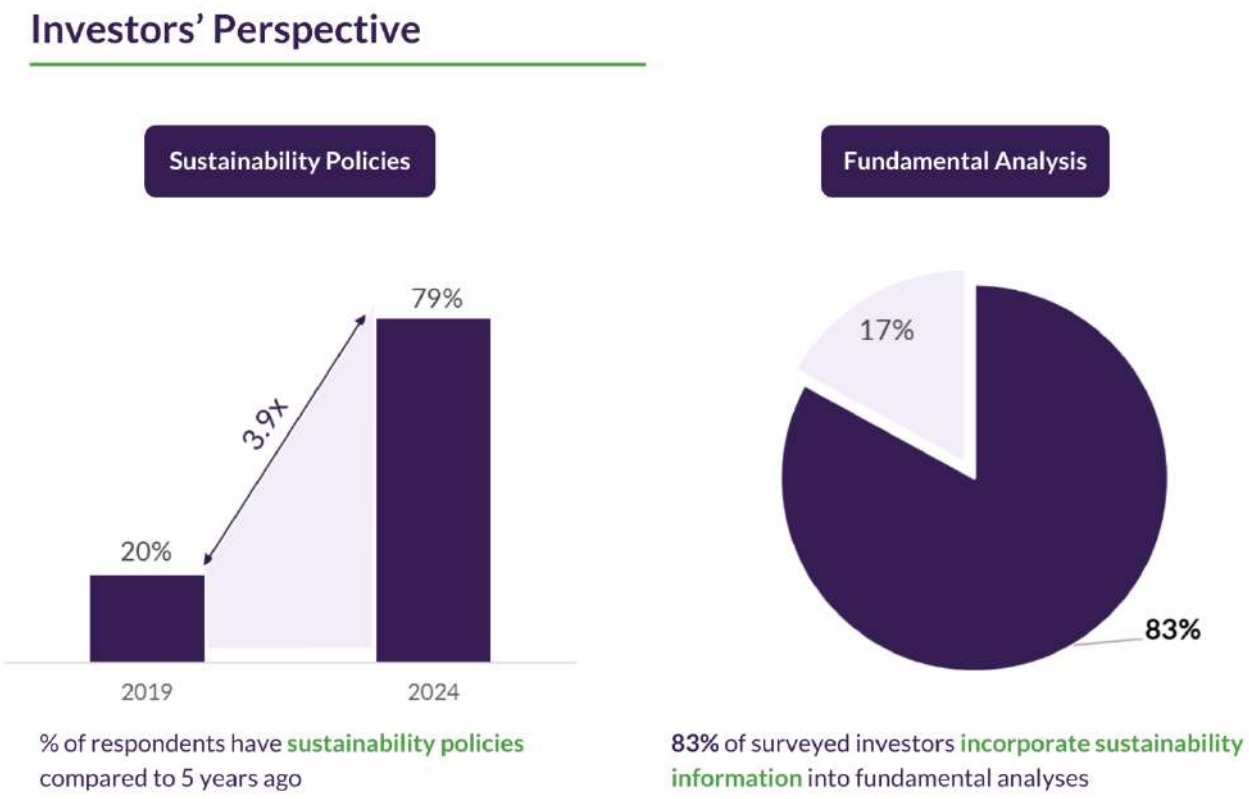
What Changed in Sustainability Disclosures ?

	PAST Largely Voluntary	FUTURE Increasingly Mandatory
INTENT	• Build stakeholder trust (Eg: Customers, investors & employees) • To attract capital • Demonstrate Corporate Social Responsibility (CSR)	• Comply with law • Provide specific, comparable information to investors in assessing sustainability-related risks & opportunities
CONTENT	• Group-level focus areas • Corporate responsibility & commitments • Materiality: Largely focused on Inside out (Risks & Opportunities of business to stakeholders) • Focus on positive impacts and good news	• Group and subsidiary level • Materiality: Inside out + Outside in (Risks arising from ESG to business) • Balanced disclosure of positive and negative impacts, risks, and opportunities • No tolerance for greenwashing
FRAMEWORK	• Selected by the company with reference to voluntary guidance including GRI, TCFD, SASB, etc	• Consistent with standards required by regulators • Mandatory disclosures of core metrics
POTENTIAL RISKS	• Reputation damage	• Reputation damage • Criminal Liability & Civil Liability

Change in Investor Perspective

According to a survey conducted by Deloitte with over 1,000 investors globally—including asset owners, asset managers, and investment managers—there has been a remarkable shift towards sustainable investing, despite global disruptions such as COVID-19 and the Russia-Ukraine war.



Sustainable Investing

Nearly 80% of respondents now have a sustainable investing policy in place. In contrast, only 20% had such policies more than five years ago, representing a significant 3.9-fold increase.

Incorporating Sustainability into Fundamental Analysis

Currently, 83% of investors incorporate sustainability-related due diligence into their investment processes, reflecting the growing importance of ESG factors in decision-making.

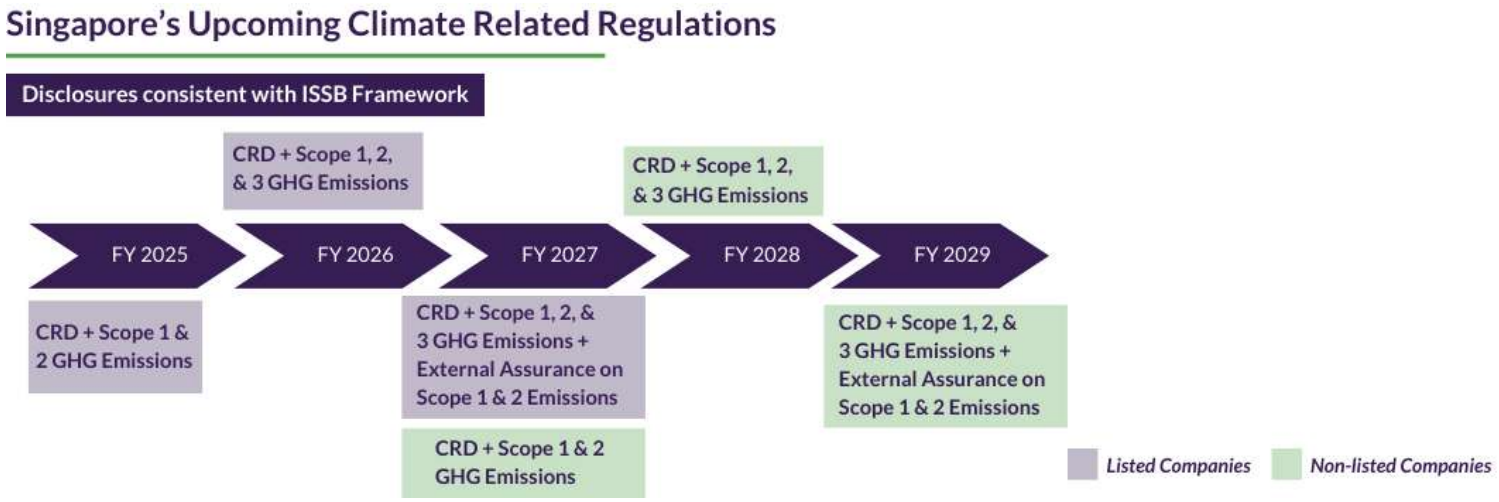
Looking ahead, we can expect investors to impose more stringent demands on companies, seeking specific ESG data tailored to different industries.

The Regulatory Shift

There has been a significant regulatory shift in sustainability reporting requirements across the APAC region, with a strong focus on compliance with ISSB standards, mandatory reporting of Scope 1, 2, and 3 emissions, and external assurance requirements.

Singapore

Singapore is one of the first countries globally to mandate sustainability reporting in line with ISSB standards. Starting in 2025, all listed companies will be required to report on ISSB S2 and disclose Scope 1 and 2 emissions. By FY 2026, this will extend to Scope 3 emissions, and by FY 2027, companies will be required to have their Scope 1 and 2 emissions externally assured. Non-listed companies will also need to comply with these regulations beginning in 2027



Australia & Malaysia

Australia and Malaysia are in the final stages of mandating ISSB reporting. Australia's sustainability reporting framework was established after the Climate-Related Financial Disclosure Act 2024 received Royal Assent in September 2024. In Malaysia, following the launch of the National Sustainability Reporting Framework (NSRF), Bursa Malaysia has initiated a public consultation as of September 24, 2024.

Practical Recommendations for Companies

Amid the rising tide of mandatory regulations and a significant shift in investor priorities towards sustainable investing, it is crucial for companies to ensure the accuracy and transparency of their sustainability disclosures.

With regulations becoming more stringent and investors demanding detailed ESG data, the following recommendations can help companies navigate this evolving landscape:

Establish Robust Data Collection Processes

Setting up reliable systems for tracking and reporting sustainability metrics takes time. Companies should prioritise building a solid infrastructure for data collection across all business operations, including Scope 1, 2, and 3 emissions.

Engage Cross-Functional Teams

Sustainability touches every aspect of a business, from operations to supply chains. Companies should establish cross-functional teams that bring together expertise from different departments such as finance, procurement, and operations.

Invest in Sustainability Training

Training employees on the importance of sustainability and how to manage the new reporting standards is essential. Equip your teams with knowledge about the latest regulations, frameworks (like ISSB), and best practices to ensure accurate and compliant reporting.

Prioritise Continuous Improvement

You should set long-term sustainability goals and consistently review their progress, making improvements where necessary. Monitoring global trends and emerging best practices can also help your business stay ahead of the curve and meet both regulatory and investor expectations.

About BoardRoom

BoardRoom is Asia Pacific's leader in Corporate and Advisory Services with a strong and reputable 50-year track record. Headquartered in Singapore we were ranked amongst Forbes Asia's Top 200 Companies under a Billion. With our strong presence in the region, and a direct office presence in Singapore, Malaysia, Hong Kong, China and Australia, we are well positioned to support you, wherever your plans take you.

Our smart business solution suite comprises of the following services:

- Global Tax & Accounting
- Regional Payroll
- Corporate Secretarial
- ESG Services
- Share Registry
- Employee Share Plans

Clients have put their trust in us for years because we remain committed to the highest levels of compliance and service excellence. The awards and certifications we've received in recent years are testament to our promise to help clients comply and thrive.

Let us help you

As an experienced corporate services provider, we welcome any opportunity to discuss your business needs to see where we may be able to support you on your growth journey.

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