

What CFOs need to know today

Sustainability Reporting Readiness

Asia Pacific Mandatory Sustainability
Reporting Series: Paper 1

Sustainability reporting is a policy lever for achieving social, economic and environmental outcomes. The starting point is an increased focus on business impacts, risks and governance.

The reporting regimes draw on established foundations but cover new data, are complex and developing in scope. These are mandatory disclosures that require the same rigour as financial reporting. And they are highly visible. CFOs have a leading role here. Sustainability reporting is more than another regulatory compliance exercise; leaders can use this as a mechanism for positive change, enhancing business decision-making, improving overall performance and beyond.

This three-part series explores the role and practical steps of the CFO in building assurance-ready sustainability reporting and finding opportunities to create business value.

What is the challenge?

Sustainability reporting is being mandated across Asia Pacific with different requirements and timelines. The majority of locations will have financial and non-financial disclosures in place by 2027 (Figure 1). And for many organisations, they will also need to meet international reporting requirements, such as the European Union's Corporate Sustainability Reporting Directive (CSRD). Most are starting with climate disclosures, but the scope is extending into many other social and environmental domains.

These disclosures are high profile and visible. While the regulations impose accountabilities on company leadership and boards, organisations' sustainability performance is increasingly important for public and investor stakeholders. With 45% reporting that sustainability is a driver of their overall strategy and 85% reporting increases in sustainability investment, organisations also need a clear view of their own impact and performance!

Preparing these disclosures requires the same level of rigour that is applied to the preparation of annual financial statements. As a result, finance functions are taking a leadership role in the reporting process. Deloitte's worldwide ESG reporting benchmark shows a growing number of CFOs are in charge, with 32% of organisations reporting the CFO is the accountable executive, and 16% having joint accountability between the CFO and Chief Sustainability Officerⁱ. Given this, CFOs face the challenge of achieving compliance for a new area with a short time frame, while also navigating complex economic conditions and managing a diverse set of priorities.

Organisations are starting from different points, and most need to improve their sustainability skills and awareness, access to data and associated governance capabilities. For many, this means upfront investment in people, data and systems to build a high quality and repeatable reporting capability. For finance teams, this is familiar territory.

The opportunity and challenge for the CFO is to lead the plan for organisational capability to embed sustainability reporting into business governance – while maintaining a focus on an end goal of value creation.

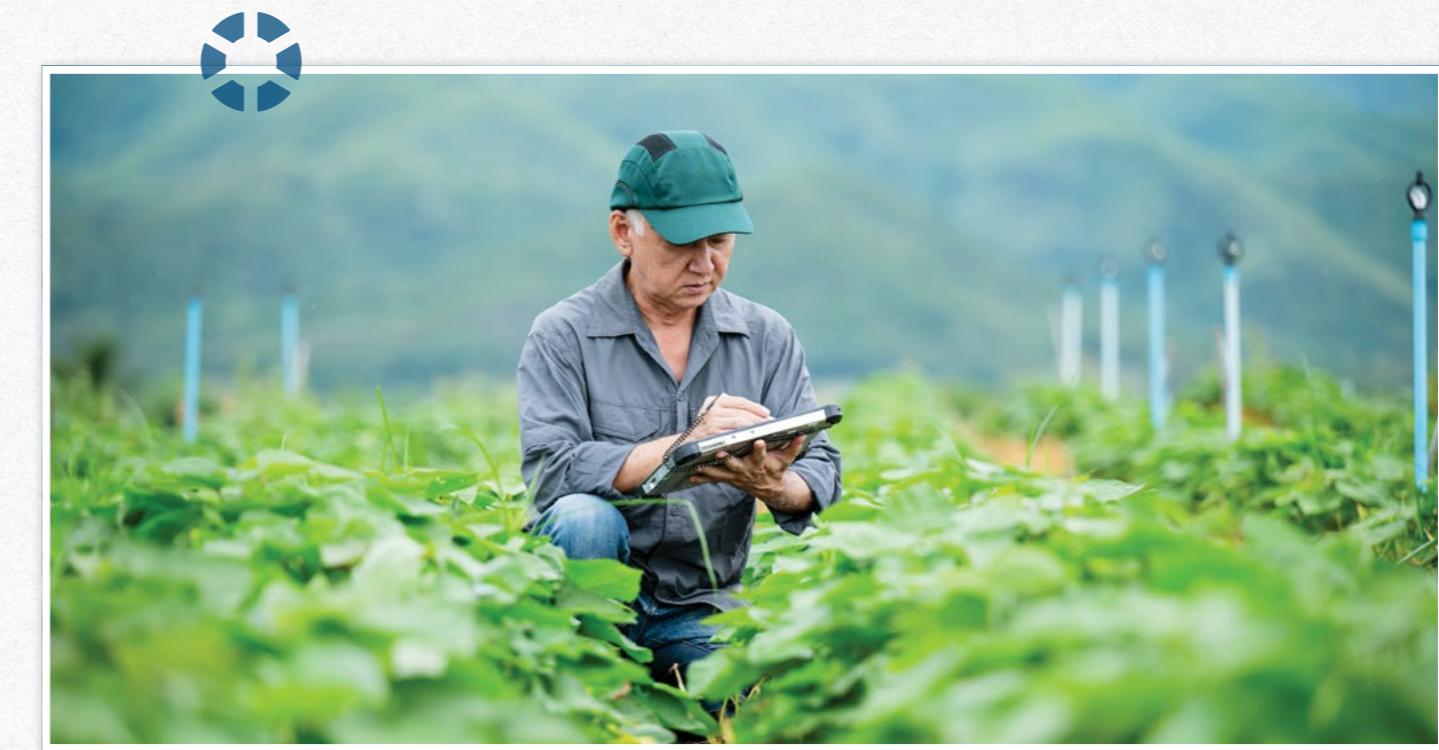


Figure 1. Asia Pacific sustainability reporting disclosure timelines

	2023	2024	2025	2026	2027	2028	2029	2030
Australia					The Australian Accounting Standards Board (AASB) Reporting Group 1 Companies			
					AASB Reporting Group 2 Companies			
					AASB Reporting Group 3 Companies			
Chinese Mainland					Sustainability Reporting Guidelines			ISSB aligned reporting
Hong Kong SAR					HK Exchange Climate disclosures			
India			Business Responsibility and Sustainability Reporting (BRSR)					
			BRSR Core Framework					
Japan					Voluntary Sustainability Standards Board of Japan (SSB) standards			Mandatory SSB standards
Korea							Financial Services Commission (FSC) standards postponed until after 2026	
New Zealand			Climate Standard 1 (CS1)					
			Assurance of GHG emissions (CS1)					
Singapore				Climate related disclosures (CRD) Scope 1 and 2 emissions				
				CRD Scope 3 GHG emissions				
Taiwan (China)					International Financial Reporting Standards (IFRS) S1 and IFRS S2 Reporting			
					Phased in Mandatory Reporting – Future ISSB standards			

International Sustainability Standards Board (ISSB)/Task Force on Climate-Related Financial Disclosures aligned (TCFD)

Others

i. Deloitte, CXO Sustainability Survey, 2024

ii. Deloitte, ESG Reporting Benchmark, 2024

What are the first questions to ask?

What applies to your organisation?

Large organisations are likely to be captured by different regimes across countries and standards. CFOs need to understand what is impacting them, when and where. And they need to understand what is common across these regimes to accelerate compliance. Customers and suppliers may be captured by similar requirements, and they will likely need to work together to identify and share sustainability data. Resourcing these interactions requires consideration but presents an opportunity to develop deeper relationships with their sustainability partner ecosystem.

Who is leading the change?

Clarifying ownership of the sustainability reporting agenda, and who is accountable for delivery, is critical given the deadlines. Leaders involved in achieving compliance will likely have a different understanding of the agenda, and the required effort (Figure 2).

Figure 2. Sustainability reporting stakeholders have different needs



For many organisations General Counsel and Chief Risk Officers are also involved, with additional considerations

Where does the CFO need to focus?

Our work with organisations addressing sustainability reporting challenges around the world tells us there are three common gaps in building an effective reporting function.

- Securing people resources and capability:** Sixty percent of organisations are unsure of the resource requirement needed to meet their new reporting obligations, and those that do expect resources to doubleⁱⁱⁱ. This is combined with key skills gaps across data, finance and sustainability experts, and a low level of familiarity with sustainability requirements across the organisation.
- Evolving governance and controls that are fit for purpose:** Increased transparency and scrutiny of sustainability reporting and performance requires a maturity of controls not previously established. Reporting standards also require evidence that sustainability reporting is embedded into business governance processes and business decision-making.
- Understanding data requirements and management:** Data availability, consistency, and managing multiple complex data requirements are key challenges for most organisations. This is compounded where organisations need to consolidate new data and information requirements across functions and geographies. They need to be clear on what data they have, what quality, and how it will be used. And they need to assess their technology capability to manage data complexity and automation to deliver efficient and consistent reporting.

The good news is that for many, existing resources, processes and architectures can help meet the new needs – often with targeted uplift across key capability areas. For others, it may be necessary to overcome legacy systems limitations. Smart organisations are using existing finance, risk and strategy capabilities and applying them to the new context.

Some organisations are setting themselves up for transformative leadership by bringing sustainability to the core of their business ambition and strategy; for others achieving compliance is the necessary first step. Today, 32% of global organisations see sustainability reporting as a driver of strategy, while 53% see it primarily as compliance driven^{iv}.

The challenge is clear: those who view sustainability merely as a compliance checkbox risk falling behind, while forward-thinking leaders who see this as a strategic imperative can drive long-term value and competitive advantage. The question is not if, but how quickly, businesses can transform to seize this opportunity.

Client Spotlight

Combining AI and sustainability expertise to navigate complexity



A global client approached Deloitte as a recognised leader in sustainability, with a clear goal of accelerating their preparedness for mandatory sustainability reporting. To assess their readiness, they first needed to understand the reporting expectations across multiple jurisdictions. By using Deloitte's SustainNext™ tool, a gap assessment of the clients current disclosures was performed against the European Sustainability Reporting Standards (ESRS) and IFRS S1 and IFRS S 2. SustainNext™ combines Gen-AI analysis and Deloitte expert assessment to determine existing company disclosures against each reporting requirement. The insights delivered were able to drive the client's reporting readiness roadmap. This included considerations of workstreams across data, technology, process enhancement and controls improvements, financial impact and system improvement.

iii. Deloitte, ESG Reporting Benchmark, 2024

iv. Deloitte, ESG Reporting Benchmark, 2024

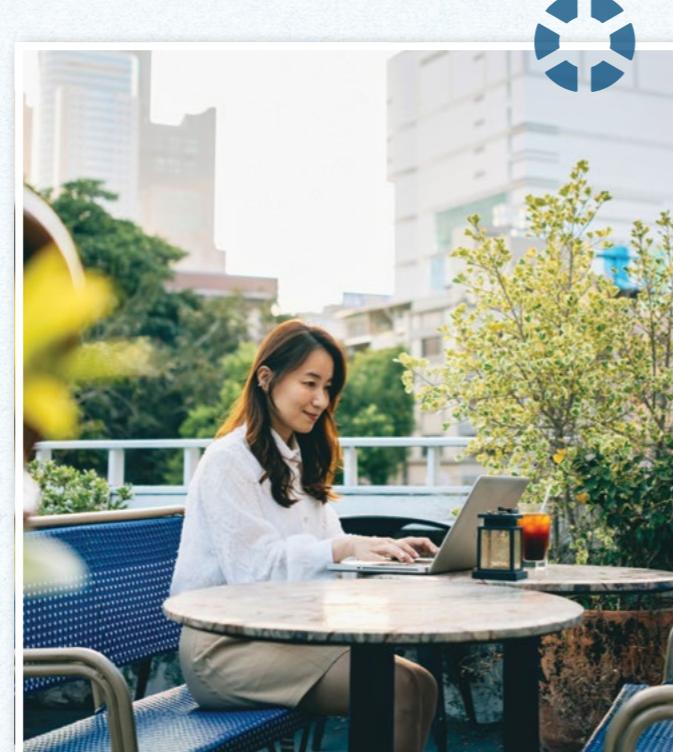
Where are you now, and what do you need to start?

Organisations across Asia Pacific face different requirements and different levels of maturity. The most important first steps for the CFO to take now are to:

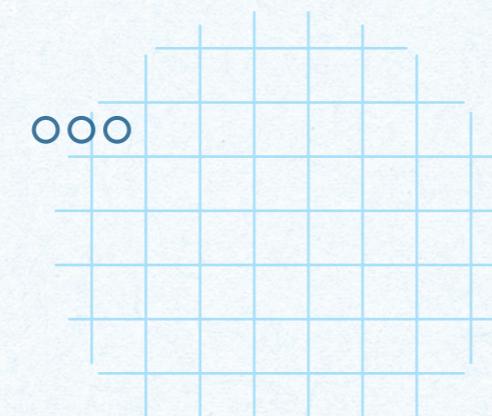
- Gain a clear understanding of your current position and the specific material reporting requirements across all relevant regimes and considerations.
- Understand the gaps across data, people and process and what is needed to mature the sustainability reporting capability.
- Look inside the organisation for existing capabilities and processes, and look outside the organisation for emerging leading practice and expert help where needed.
- Plan to go beyond compliance over time and embed reporting into the organisations decision-making and performance rhythm.

The second paper in this series focuses on the essential areas where organisations must focus to evolve their reporting capability.

With increased scrutiny of organisations' sustainability goals on one hand and increased appetite for investment in sustainable business on the other – the need for assurance-ready sustainability reporting is clear.



This requires the same rigour and control demonstrated by effective finance organisations. Laying the right foundations is the crucial first step to unlocking greater business value; by solidifying these basics, organisations not only make compliance more manageable but also pave the way for achieving more ambitious sustainability goals in the long term.



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Methodology

Deloitte ESG benchmark

Deloitte ESG benchmark is based on surveys of 19 clients around the world. The survey focused on experiences, efforts and challenges around ESG reporting to key market trends. This was complemented by interviews with 14 Deloitte project teams to qualitatively understand challenges firms are facing around ESG reporting.

The benchmark is focused on six ESG reporting themes and four priority areas that firms are facing challenges in.

Deloitte 2024 CxO Sustainability Report

The report is based on a survey of 2,103 C-level executives, conducted by KS&R Inc. on behalf of Deloitte, and was administered in a double-blind manner during May and June 2024, ensuring impartiality and confidentiality for both respondents and researchers. The survey polled respondents from 27 countries: 46% from Europe/Middle East/South Africa, 17% from North America, 9% from Latin America, and 28% from Asia-Pacific. All major industry sectors were represented in our sample. Additionally, KS&R and Deloitte conducted select, one-on-one interviews with global industry leaders.

Limitations

While every effort was made to ensure the reliability and validity of the data, it is important to acknowledge some limitations. The selection of clients and executives, while rigorous, may not fully capture the diversity of perspectives within every industry or region. Additionally, while the double-blind process was meticulously followed, there may still be inherent biases that could influence the findings. These limitations are considered in our analysis and interpretation of the data.