

ESG Law and Corporate Sustainability Compliance in Asia: A Systematic Review of Regulatory Frameworks and Enforcement Gaps

Dr. Vivek Saurav¹, Prof (Dr.) Kittisak WONGMAHESAK²

¹ Lincoln Global Postdoctoral Researcher (LGPR), Lincoln University College, Malaysia; ²Faculty of Political Science, North Bangkok University, Thailand

Email: vivek.saurav2019@gmail.com; kittisak.wongmahesak@gmail.com

Abstract: During the period 2021-2026 ESG reporting shifted from guidance to law in the capital market in Asia. Now, listed companies in Malaysia, India, Singapore and Indonesia are mandated to disclose sustainability data, with three of them being based on the International Sustainability Standards Board (ISSB)'s IFRS S1 and S2. The rules that establish the duty to report, however, are not the rules that enforce the duty to report. In this paper, a PRISMA-guided systematic review of the legal and regulatory and empirical record of these jurisdictions for 2015-2026 is reported and compared with the European Union (EU) benchmark. The review reveals that convergence in Asia is pushed predominantly by the ISSB and not by the EU Corporate Sustainability Reporting Directive; that the focus of scholarship is on disclosures to be made, with a much less developed strand of scholarship on liability, assurance and enforcement; that the benchmark of convergence has moved faster than the literature on the 2025-2026 retrenchment including the EU Omnibus I Directive; and that the strand of scholarship that deals with the duties of directors in the context of climate risk is the least developed. It suggests that convergence be tested in the "enforceable content of the law" and not just in its "language."

Keywords: ESG Disclosure; Sustainability Reporting; Directors' Duties; Enforcement; ISSB; Brussels Effect

Introduction

Environmental, social and governance (ESG) law is one of the busiest fields of commercial law today. Today, regulators and stock exchanges are adopting disclosure requirements, due diligence obligations, and liability clauses to alter the types of information companies are required to disclose and the way in which companies are expected to manage sustainability risk. EU has spearheaded this alteration with the Corporate Sustainability Reporting Directive (CSRD) [1] and the Corporate Sustainability Due Diligence Directive (CSDDD) [2]. The CSRD, Directive (EU) 2026/470 [3] ('Omnibus I Directive'), was recalibrated in 2026 by lowering the definition of undertakings covered by the CSRD to only those with more than 1,000 employees and more than EUR 450 million in net turnover, increasing the thresholds for the CSDDD to include only undertakings with more than 5,000 employees and more than EUR 1.5 billion in worldwide turnover and by abolishing the harmonised civil liability regime for the CSDDD.

Different responses have been observed in Asian jurisdictions. Malaysia's National Sustainability Reporting Framework (NSRF) introduces the ISSB standards, IFRS S1 and S2, for large Main Market issuers starting financial year 2025 and phases in reasonable assurance of Scope 1 and 2 emissions from 2027. The Business Responsibility and Sustainability Report (BRSR) and its verified core indicators BRSR Core [6] are mandatory as per India's securities regulator, SEBI. In Singapore, all listed issuers are expected to report Scope 1 and 2 emissions from FY25, with external limited assurance to come in by 2029 [7]. Sustainability reports are mandated by Indonesia's POJK 51/2017 [8] and new disclosure

standards based on IFRS S1 and S2 (PSPK 1 and 2) come into force on 1 January 2027 [9]. These regimes use the same language of materiality, Scope 1–3 emissions and value-chain reporting. They vary on what makes disclosure a legal liability: what is actionable, who can take action and on the basis of what fault; whether the assurance is voluntary, phased or mandatory; and how far regulators can go in sanctioning a failure to disclose.

This paper is the first of four conference papers as a twelve-month Lincoln Global Postdoctoral Researcher (LGPR) fellowship at Lincoln University College Malaysia. It examines the literature that underlies it and, where none is available, precedes the doctrinal, empirical and computational aspects of the project. It is guided by three research questions. RQ1 seeks to address differences in scope, materiality, verification and liability across the four Asian jurisdictions for ESG disclosure and due diligence requirements, and the EU benchmark. RQ2 aims to find out the degree to which corporate law in Malaysia and India obligates directors to consider financial risks arising from climate change and the accountability gaps that still exist. RQ3 considers if the EU model is truly leading to convergence in Asian ESG regulation, or just formal compliance for market access.

Related work

Four types of literature are pertinent to these questions. The first makes comparisons between regulatory regimes in different countries. Singhania et al. [10] categorize the frameworks based on the stage of development in both developed and developing economy countries based on the level of regulatory design instead of the consequences that flow from a violation. The latter is the law of comparative corporations. Lim [11] gives the leading account of sustainability and corporate mechanisms in Asia, and Lim and Varottil [12] examine the enforcement of corporate and securities law on climate risk in India, Singapore and Hong Kong, concluding that public enforcement is more promising than shareholder litigation. Otherwise, there is little comparative analysis of the duties of the other Asian directors, and Malaysia and Indonesia are rarely discussed.

The third body of literature deals with the diffusion of regulation. Bradford's thesis, called the Brussels Effect [13] predicts that EU rules spread through market access, and Gadinis and Fregoni [14] contend that, with the exception of the CSRD, the ISSB has emerged as the global standard-setter for sustainability disclosure. Typically, both claims are not quantified in national rules. The fourth is empirical on reports quality. While mandatory reporting in Asian markets like Hong Kong and Singapore found little beyond tick-box compliance by Liu, Demeritt and Tang [15], stronger legal enforcement is more likely to boost the crash-risk reducing effects of ESG, as found by Wattanatorn and Jantarakolica [16]. This review is set in the context of these four works in table 1.

Table 1. Compares this review with existing categories of related literature

	Examines liability, assurance and enforcement	Covers all five jurisdictions	Reflects the 2025–2026 retrenchment
Regulatory design studies [10]	Limited	Partial	No
Asian corporate law [11], [12]	Yes	Partial	No

	Examines liability, assurance and enforcement	Covers all five jurisdictions	Reflects the 2025–2026 retrenchment
Diffusion studies [13], [14]	No	Partial	Partial
Report-quality studies [15], [16]	Partial	Partial	No
This work	Yes	Yes	Yes

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Key Contribution

The review has three contributions. First, it shifts the focus on Asian ESG regimes from disclosure design to the binding dimension of liability, assurance and enforcement, and introduces the concept of an enforcement-readiness lens for emerging markets. Second, it views the ISSB and not just the EU as a potential vector for convergence, and proposes four hypotheses for testing: that the four Asian regimes score lower on liability and assurance than on disclosure scope and materiality (H1); that climate risk is only indirectly relevant to the directors' duties, in the form of general fiduciary and disclosure duties (H2); that the EU-specific concepts make a later and less frequent impact in Asian listing rules than the ISSB formulations (H3); and that there is more evidence of greenwashing in filed reports in the absence of a mandatory assurance requirement (H4). Third, it integrates with the retrenchment trends in the EU, India, and Singapore for the next few years (2025–2026), so it's a big gap in the existing literature that it's filling.

Method, Experiments and Results

The reviewing process was conducted based on PRISMA 2020 protocol [17]. It includes the period from 2015 to 2026 up to the Paris Agreement and the EU Non-Financial Reporting Directive, as it reflects the transition towards mandatory reporting. The sources were legal databases (HeinOnline, Westlaw Asia, LexisNexis, SCC Online, Manupatra, CommonLII and AsianLII), general indexes (Scopus, Web of Science, ProQuest, SSRN, Google Scholar, DOAJ, CORE and Dimensions), primary law and regulator sources (EUR-Lex, Securities Commission Malaysia, Bursa Malaysia, SEBI, SGX RegCo, ACRA, OJK and the IFRS Foundation), and institutional sources (IOSCO, OECD, UNEP FI, ASEAN and the Sabin Center climate litigation databases). The main search terms used were: ("ESG" OR "sustainability report*" OR "non-financial disclosure") AND ("director* duty*" OR "due diligence" OR "assurance" OR "liability" OR "greenwash*") AND (Malaysia OR India OR Singapore OR Indonesia OR "European Union") with backward and forward citation searching also completed from key monographs.

Sources were included if they provided coverage on mandatory ESG disclosure, ESG due diligence, directors' duties, assurance, greenwashing liability or enforcement in the five jurisdictions, covered ASEAN and ISSB instruments, and were in full text in English or in an official/certified English translation. Voluntary CSR practice, ESG rating methodology, portfolio studies without a legal component, and grey material without any methodology were not included – the United Kingdom and Australia were only used as comparative controls. Only sources that discussed a legally binding document or its principles were retained, primarily financial or accounting studies were only retained

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for triangulation. Screening consisted of four steps: identification and de-deduplication; screening of titles and abstracts; carrying out full-text eligibility checks documented in a screening log, explaining why the case was not eligible; and synthesizing, coding the sources by theme and jurisdiction and instrument in addition to the primary law.

Four findings emerge. The first is that convergence is not EU led but rather standards led. The NSRF, PSPK, and Singapore's climate reporting system, which are handled by the NSRF in Malaysia, Indonesia, and Singapore, respectively, are all based on the ISSB standards, whereas the BRSR is a reporting framework that has been developed in India. Their common language is the ISSB, and not the CSRD, the impact of the EU in this area is over predicted in the Brussels Effect literature [13, 14]. Second, even though the evidence indicates that it is important, the binding layer is under-researched. In most cases, the issue of disclosure is not the liability or the assurance and enforcement, but reporting without the prospect of credible enforcement can lead to tick-box reporting, while the enforcement enhances the risk-reducing impact of ESG performance [15, 16].

Thirdly, the responsibility of directors is the weakest link. There are also general duties of good faith, care and diligence (section 213 of the Companies Act 2016 and 166 of the Companies Act 2013) in Malaysia and India and section 166(2) specifically mentions protection of the environment. However, there is limited evaluation of whether either of the statutes would require the consideration of climate risk, or the consequences if either statute were violated. Fourth, the comparator is shifted by retrenchment. Within the CSRD and CSDDD [3] Omnibus I made the disclosure and assurance requirements for value chain voluntary for FY 2025-26 and postponed assessment and assurance. Within SEBI circular for FY2025-26, Omnibus I made disclosure and assurance of value chain voluntary and deferred its assessment and assurance. Within circular of Singapore, Omnibus I deferred assessment and assurance timelines for 2025-26 and extended most of the disclosure timelines. These changes have yet to be digested by the published literature.

There is a robust evidence base to basis, disclosure content, the tools are public, dated and traceable and a developing empirical literature on report quality can be triangulated. The weaknesses are that there is little in the way of enforcement decisions or judgments, so that liability analysis is based on doctrine rather than cases; that the literature is not parallel with the retrenchment; that years, thresholds and definitions vary; and that there is uneven indexing of non-English sources, especially Indonesian sources. These restrictions illustrate where evidence from practitioners is required (as there is no case law) and where text measurement is required (as diffusion is only asserted, not measured).

Conclusion

The convergence of Asian ESG law has been expressed but not tested in the enforceable aspects of it. The review reveals that it is the ISSB and not the EU who have been the primary driver of convergence; that the least explored and most impactful aspects of the field are those of liability, assurance and enforcement; that the role of directors regarding climate risk remains largely untouched in the Malaysian and Indian context; and that the EU benchmark has shifted. These findings set the agenda for the rest of the fellowship: a doctrinal comparison of the enforcement readiness of the five regimes (H1); interviews with about 30 ESG counsel, stewardship officers and sustainability auditors in Malaysia and India (H2); and analysis of listing rules and filed reports with named-entity recognition and a ClimateBERT classifier (H3, H4). Conference II will focus on the responsibilities of the director(s) and climate risk. The work aligns with the Sustainable Global Societies (SGS-24) theme of Lincoln University College promoting SDGs 12, 13, 16 and 17.

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