

Policy note:

Environmental disclosure in Southeast Asia: regulatory landscape and regional trends for water-related requirements

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The push for mandatory environmental disclosure is gaining momentum globally, supported by the increased availability of robust guidance and international standards.

CDP's 10 principles for high quality mandatory disclosure (HQMD) were published in September 2023 to guide policymakers in producing holistic and effective disclosure regulations. These comprise:

- 1) Addressing risks and opportunities, dependencies and impacts on people and the planet.
- 2) Ensuring consistency and interoperability of disclosure across jurisdictions and building off global baseline disclosure standards.
- 3) Ensuring policy consistency in disclosure requirements across policies within a single jurisdiction.
- 4) Being rooted in science.
- 5) Bringing in scope all businesses and financial institutions.
- 6) Including expectations on disclosure of climate, water and nature transition plans.
- 7) Ensuring quality and reliability and setting expectations on external assurance.
- 8) Providing an enforcement mechanism.
- 9) Strengthening the role of corporate governance bodies.
- 10) Cultivating an environment for innovation and advancing disclosure maturity¹.

At the UN 2023 Water Conference, the Global Commission of the Economics of Water released seven policy recommendations, with the fourth highlighting the need for disclosure to steer capital and consumer preferences in favor of sustainable practices.

Despite this positive global trend, CDP data suggests a disparate response from national governments worldwide.

¹ For a comprehensive overview of the ten principles, see: <https://www.cdp.net/en/policy/program-areas/mandatory-environmental-disclosure>.

Disclosure in Southeast Asia

The region of Southeast Asia is home to more than 675 million people² and boasts one of the highest GDPs in the world. Given its booming economy and its unique position in global supply chains, its diverse and rapidly evolving regulatory landscape³ deserves scrutiny.

This policy note presents a brief overview of the state and evolution of environmental disclosure in the region, with particular focus on water-related disclosure requirements. It aims to shed light on the current regulatory landscape and identify regional trends and gaps in disclosure mandates. Its focus is limited to the following markets: Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam.

General trends in climate-related disclosure: growing awareness and ambition

In line with global trends, the region is experiencing a noticeable shift towards more robust climate-related corporate disclosure. Singapore, for example, started adopting TCFD-aligned, mandatory climate-related disclosure requirements in 2016⁴. Meanwhile, the Philippines is currently in the process of developing comprehensive guidelines for listed companies⁵, with notable efforts towards integrating global reporting frameworks such as IFRS S2⁶.

For financial institutions, however, adoption of reporting requirements remains limited. Only Indonesia and Singapore have mandatory environmental disclosures for financial institutions.

Table 1
Targeted stakeholders by country

	Financial Institutions	Listed businesses	Large non-listed	SMEs
Indonesia	■	■		
Malaysia		■		
The Philippines		■		
Singapore	■	■	■	
Thailand		■		
Vietnam		■		

■ Implemented mandatory regulations⁷ ■ Proposed regulations

² Source: IMF Data Mapper @

³ Example, the recent integration of Indonesia's water sector into the country's Long National Development Planning

⁴ See here for details on Singapore: Sustainability Reporting - Singapore Exchange (SGX)

⁵ See here for details on the Philippines: Sustainability Report - Securities and Exchange Commission

⁶ IFRS - IFRS S2 Climate-related Disclosures

⁷ Source: 2023 CDP Report. Shaping High-Quality Mandatory Disclosure: Taking stock and emerging best practice

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Water-related disclosure: still at a nascent stage

Globally, water-related disclosure benefits from the rising availability of guidance for companies and financial institutions, and CDP has done pioneering work to push for higher standards and high-quality corporate water disclosure frameworks worldwide, as illustrated below⁸.

Figure 1
CDP's view of a comprehensive, high quality corporate water disclosure framework

Governance 	Strategy 	Risk management 	Metrics and Targets 
Disclose the organisations governance around water-related risks, opportunities and impacts	Disclose the actual and potential impacts of water-related risks and opportunities on the organizations businesses, strategy and financial planning	Disclose how the organization identifies, assesses and manages water-related risks	Disclose the metrics and targets used to assess and manage relevant water-related risks and opportunities
Governance Collects data related to whether and how corporate governance mechanisms are used to manage water related risks, opportunities and impacts	Business impacts Collects data related to whether or not the company has already been impacted by water-related issues	Procedures Collects data related to the procedures a company has in place to assess water-related risks	Global and facility water accounting Collects data related to enterprise and facility-level water consumption, withdrawal and discharge
	Business strategy Collects data on whether and how a company is adapting its short, medium and long-term strategic and financial plans to address water-related risks, opportunities and impacts	Scenario assessment Collects data related to whether or not a company uses scenario analysis to consider different possible water futures	Value at risk Collects data related to the number of assets in water stressed locations and the financial value of these assets
		Risks & opportunities Collects data related to exposure to substantive water-related risks and opportunities	Targets Collects data related to water targets and goals including progress made against these

Source: [Setting the high-water mark for mandatory disclosure, 2022 CDP Report](#).

⁸ Source: [Source: Setting the high-water mark for mandatory disclosure, 2022 CDP Report](#).

Table 2
CDP water disclosure rates in Southeast Asia

	Number of disclosers to CDP's water security questionnaire in 2023	Response rate (disclosing/requested companies)	Increase in disclosure numbers from 2022 to 2023 (%)
Indonesia	46	38%	+31%
Malaysia	45	27%	+18%
The Philippines	33	26%	+32%
Singapore	18	14%	+20%
Thailand	12	36%	+33%
Vietnam	2	11%	0%

Source: CDP disclosure data, Water Security Questionnaire, 2022 and 2023.

Southeast Asia has also undertaken initial steps towards implementing water-related disclosure requirements. Those efforts are still in their infancy and existing regulations remain patchy and incomplete.

Companies in the region have taken increasingly visible steps to engage with voluntary reporting systems, as CDP data from 2023 and 2022 on water disclosure in the region suggests. Nonetheless, there is significant room for improvement.

In countries where mandatory water disclosure requirements do exist, regulations encompass enterprise-wide metrics pertaining to water usage and pollution within companies' direct operations. Their scope is limited, showing:

- **Absence of water-specific governance disclosure requirements**, which are crucial to understand how corporate governance mechanisms manage water-related risks and opportunities.
- **Limited requirements for financial disclosures related to water risks**. Companies are not required to report quantitative metrics, such as potential financial value at risk, crucial for ascribing financial value to water-related risks and opportunities.
- **Limited value chain engagement in water reporting**. In some cases, such as the Philippines and Singapore, value chain engagement does exist. The Philippines is developing regulations that mandate disclosures concerning impacts on the upstream and downstream value chain.⁹ Singapore Exchange (SGX)'s Sustainability reporting guide¹⁰ suggests that listed companies engage their value chain in reporting, suggesting a broader scope beyond internal operations. However, this is neither mandatory nor specific to water.

⁹ Source: 2019 SEC Memorandum Circular No. 4 - Sustainability Reporting Guidelines for Listed Companies (revised draft version).

¹⁰ See: [Sustainability Reporting - Singapore Exchange \(SGX\)](#)

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Table 3
Water-related metrics by country

Metrics	Indonesia	Malaysia	The Philippines	Singapore	Thailand	Vietnam
Water accounting						
Amount of water consumption or usage	▼	▼		▼	▼	▼*
Water intensity	▼		▼	▼	▼	
Amount of effluent discharged	▼	▼*			▼	▼
Amount of water reused or recycled			▼			▼*
Effluent treatment mechanism	▼				▼	
Assessment of risks and opportunities						
Impact of operational activities on environment, including water	▼					
Governance						
Policies and procedures to manage water		▼			▼	
Targets						
Water consumption/use	▼	▼			▼	
Effluent discharge reduction		▼				
Use of renewable water sources	▼					

▼ Mandatory metrics ▼ Voluntary metrics

*Only mandatory for certain sectors (see [here](#))

Relevant national regulations used for this table are listed in the [Annex](#)

More comprehensive environmental materiality assessments can support the development of high-quality water disclosure

Current guidelines in Southeast Asia recommend or mandate a limited set of water metrics (see table 3). In addition, a notable gap in current guidelines in some countries is the lack of requirement for companies to disclose their process for identifying what is material (see table 4 below). Conversely, in certain cases (eg Singapore), no water reporting is necessary unless deemed material by companies.

The comprehensiveness of materiality assessments can significantly impact the depth and breadth of water-related reporting. Companies that identify material risks or opportunities pertaining to water are likely to report beyond minimum water accounting metrics. For instance, CDP global data from 2022 shows that companies that integrate water into long-term business strategy realize four times more water-related opportunities¹¹. In addition, CDP global data from 2023 suggests that companies integrating suppliers into risk assessments are seven times more likely to report supply chain risks¹².

Guidelines and requirements for materiality assessments, when existent, tend to be open-ended. This could prove to be an impediment to the development of more robust reporting in the region.

As regulations and guidelines surrounding materiality assessments evolve and become more robust, we can anticipate that disclosures related to water will become more comprehensive and widespread.

Table 4
Materiality assessment in Southeast Asia

	Materiality approach	Materiality assessment
Indonesia	Not specified*	Not specified*
Malaysia	Double materiality	Need to disclose how they are identified
The Philippines	Financial materiality	Prescribed list of material matters
Singapore	Financial materiality; “Working Guideline” on materiality	Need to disclose how they are identified
Thailand	Financial materiality	Recommended to report materiality assessment process
Vietnam	Double materiality	Not specified

 Implemented mandatory regulations
  Proposed regulations
  Guidelines

Note: For environmental disclosures as a whole, not limited to water

*Double materiality is implied in the Sustainable Investment Guideline

11 Source: CDP Global Water Report 2022. *Riding the Wave: How the private sector is seizing opportunities to accelerate progress on water security.*

12 Source: CDP Report. *Stewardship at the source: Global Water Report 2023.*

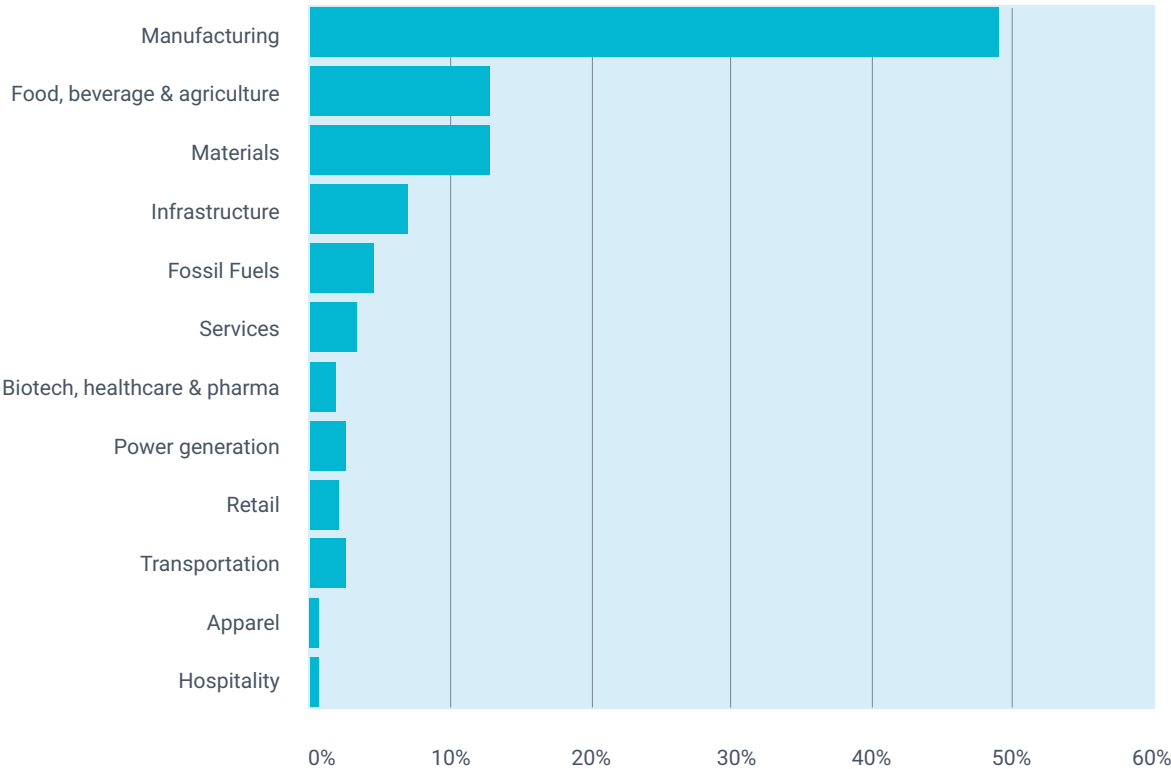
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Sector-specific water data can help bridge regulatory gaps

Beyond overarching water-related data requirements that should apply to all companies, more sector-specific data for high-impact business activities is also needed.

As CDP data for the region suggests below (based on a sample of 156 disclosers), apart from the manufacturing sector, more data is needed for each industry to understand the actual uptake of existing regulations.

Figure 2
CDP 2023 water disclosure per sector in Southeast Asia
Percentage of responders to CDP per sector in Southeast Asia



Source: CDP 2023 Data, Water Security Questionnaire

Some Southeast Asian countries have already started introducing regulations in this direction. Malaysia requires listed companies in construction, consumer products & services, energy, health care, industrial products & services, plantation, property, transportation & logistics and utilities to report their total volume of water (effluent) discharge. In Vietnam, listed companies must report on metrics on water supply and the amount of water used as well as water recycling¹³.

Using a sector-specific approach to push for higher mandatory reporting requirements can be a starting point for the successful adoption of more robust private sector-wide disclosure requirements in the future. This has already proved effective for climate disclosure: Singapore first introduced mandatory TCFD disclosures for listed companies from certain sectors only.

As materiality assessments progressively gain in maturity in the region, a targeted, sector-specific approach to water-related disclosure could prove instrumental in bridging regulatory gaps in the meantime.

Conclusion

Corporate disclosure of water data is essential to tackling the water crisis. Measuring and disclosing dependencies, impacts, risks, and opportunities (DIRO) allows companies to become more water resilient. This analysis has revealed that in its current form, the water-reporting provisions in the region are insufficient and would make it difficult, if not impossible for investors to price-in water impacts and risks; and are not yet commensurate with global or national water challenges. Moreover, voluntary efforts are falling short of the urgency and magnitude of the ongoing water crisis and regulations are more necessary than ever.

CDP urges policy makers and financial markets in the region to embrace the high-quality mandatory disclosure (HQMD) principles in policy and regulation.

¹³ Source: [2022 Climate Reporting in ASEAN: State of Corporate Practice](#)

Annex

List of relevant regulations

	Regulation/ Guidance	Last Amended	Disclosure Requirement	Supervision & Enforcement	Status	Target Stakeholders	Approach
Indonesia ¹⁴	OJK Regulation No. 51/POJK.03/2017	2021	Mandatory	Indonesian Financial Services Authority - OJK	Implemented	Financial Services Providers, Issuers and PLCs	Not specified
	MoEF regulation 01/2021 on Public Disclosure Program for Environmental Compliance (PROPER)	2021	Voluntary	Ministry of Environment and Forestry (MoEF)	Implemented	Companies	Not specified
	National Registry System (SRN)	2021	Mandatory	MoEF	Implemented	All business entities	Not specified
	National Industry Information System (SIINAS)			Ministry of Industry	Implemented	Industrial Companies	Not specified
	Sustainable Investment Guideline	Nov 2022	Mandatory	Investment Ministry	Implemented	Companies, investor	Not specified (double materiality is implied)
Malaysia	Bursa Malaysia Listing Requirements	Sept 2022	Voluntary	Bursa Malaysia	Implemented	PLCs	Double materiality
	Simplified ESG Disclosure Guide (SEDG)	Oct 2023	Mandatory	Capital Markets Malaysia (CMM) *CMM is an affiliate of Security Commissions Malaysia	Published	SMEs	Not specified
The Philippines	2019 SEC Memorandum Circular No. 4 - Sustainability Reporting Guidelines for Listed Companies	2019	Voluntary	Securities and Exchange Commission (SEC) Philippines	Implemented	PLCs	Double materiality
	[Draft] Memorandum Circular on the Revised Guidelines for PLCs	Oct 2023	Mandatory		Under development		Financial Materiality
Singapore	SGX Sustainability Reporting Guide	Jan 2022	Mandatory	Singapore Exchange (SGX)	Implemented	PLCs	Financial Materiality
	Guidelines on Environmental Risk Management for Banks, Asset Managers and Insurers (ERM Guidelines)	Dec 2020	Mandatory	Monetary Authority of Singapore (MAS)	Implemented	FIs, Asset Managers and Insurers	Financial Materiality

¹⁴ For more information, see here: [ENVIRONMENTAL REPORTING GUIDANCE IN SUSTAINABILITY REPORTS.pdf \(cdp.net\)](#)

	Regulation/ Guidance	Last Amended	Disclosure Requirement	Supervision & Enforcement	Status	Target Stakeholders	Approach
Thailand	Regulations on the preparation of the annual registration statement	Sep 2020	Mandatory	Securities and Exchange Commission (SEC) of Thailand	Implemented	PLCs	Financial Materiality
	Sustainability Reporting Guide	May 2022	Voluntary	Stock Exchange Thailand (SET)	Published		Financial Materiality
	Guidelines on Management and Disclosure of Climate-related Risk by Asset Managers	Jan 2023	Voluntary	Securities and Exchange Commission (SEC) Thailand	Implemented	Asset Management Companies (AMCs)	Financial Materiality
	BOT policy statement	Feb 2023	Voluntary	BOT	Published	FIs and companies within the financial business group	Not specified
Vietnam	Circular No. 96/2020/TT-BTC	Nov 2020	Mandatory	SSC Vietnam	Implemented	PLCs	Double materiality
	Corporate Governance Code of Best Practices	2019	Voluntary	SSC Vietnam	Published	All companies	Not specified

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