

When Sustainability Becomes a Battleground

ESG, politics and the new test of truth

By Dr Bimal Roy Bhanu

Sustainability used to live in the "nice-to-have" drawer – glossy reports, feel-good campaigns, conference panels where everyone agreed with everyone else.

That world has gone.

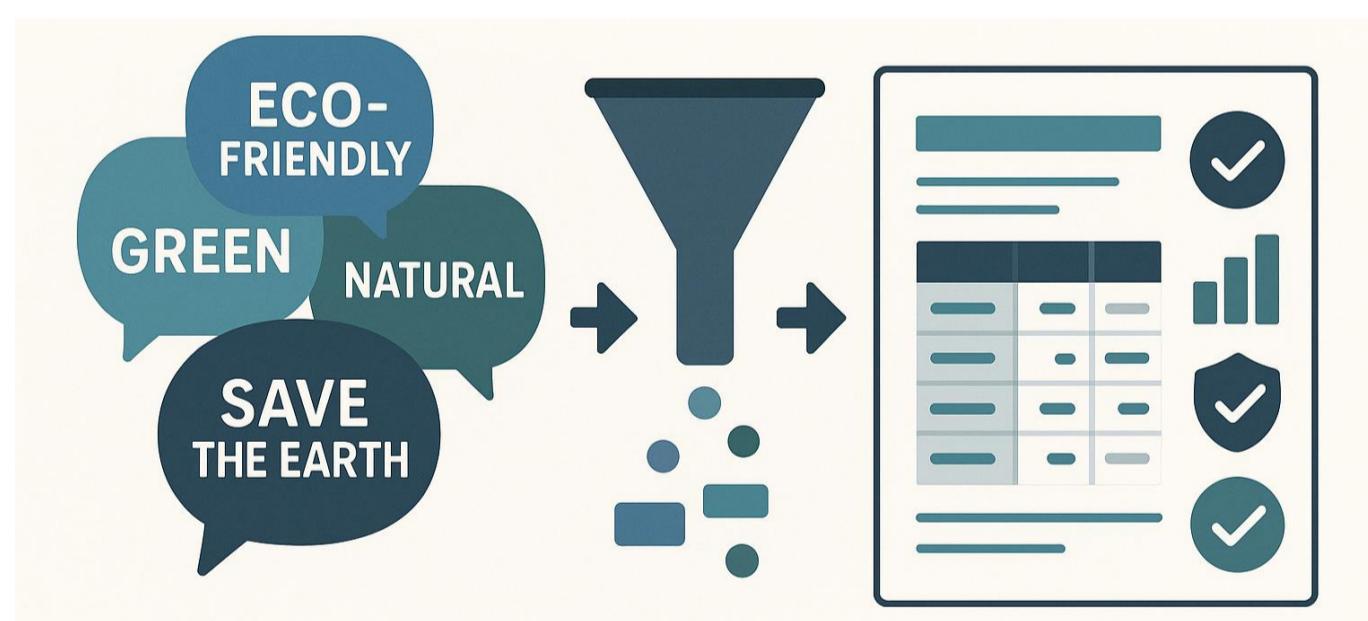
Today, sustainability is being tested in far harsher arenas: flooded streets in Southeast Asia, courtrooms in California, factory floors in Penang, trading screens in London, and in the quiet but unforgiving world of climate models and insurance actuaries.

Extreme weather is no longer an abstract forecast. In 2025, deadly floods across Indonesia, Sri Lanka, Thailand, Vietnam, Malaysia and the Philippines killed over 1,400 people and caused billions in losses. Scientists are blunt: this is a preview, not an anomaly. And a revised global study now warns that unchecked climate change could reduce global income by around **17% by 2050** – still a staggering economic blow, even after the estimate was revised down.

Against this backdrop, ESG has become something more than a reporting framework. It is now a **battleground for trust, power and competing ideas** about what "good business" really means.



From Slogans to Systems of Proof



On the surface, the numbers look encouraging.

According to KPMG's 2024 Survey of Sustainability Reporting, **96% of the world's 250 largest companies** now publish sustainability information, and around 95% have set carbon-reduction targets. Across 5,800 companies, 80% now report on sustainability, and nearly three-quarters of the global top 250 disclose climate risks in line with TCFD-style frameworks. Malaysia is one of a handful of countries where all top 100 companies produce some form of sustainability reporting.

In parallel, the IFRS Foundation reports that **36 jurisdictions** have adopted or are in the process of adopting the ISSB's IFRS S1 and S2 sustainability standards into regulation, with more consulting on roadmaps. For the first time, there is a serious attempt to create a common global language for sustainability information.

So, on paper, we have more disclosure, more standards, more structure.

But here is the uncomfortable question:

If almost everyone is reporting – why do emissions keep climbing, biodiversity keep shrinking, and communities keep getting hit harder?

The risk is that ESG becomes a highly sophisticated paperwork exercise: beautifully structured disclosures layered on top of business models that change far too slowly. The battleground now is not "Do you report?" but "Does your reporting withstand scrutiny – and does it reflect real change?"

The UK: Moving Fast, Arguing Loudly

The UK has quietly become one of the strictest jurisdictions on how sustainability claims are made.



FCA Anti-Greenwashing Rule

In force since May 2024, requires that any sustainability-related claim by an authorised firm must be fair, clear and not misleading.



SDR Labelling Regime

Forcing asset managers to back up "green" labels with hard criteria and ongoing reporting.



Sustainability Assurance

Regulators and professional bodies are actively shaping a future where sustainability assurance sits alongside financial audit as standard practice.

The Advertising Standards Authority has banned adverts from major fashion brands for overstated "eco" claims. Law firms are now issuing regular client alerts explaining what not to say on websites, in investor decks or in retail campaigns.

Yet the politics are messy. ESG is criticised as elite overreach at the same time as it is criticised for being too weak. In a cost-of-living crisis, some see climate policy as an added burden; others see delay as a betrayal of younger generations.

So British boards face a choice:

Do they aim for the regulatory minimum, hoping not to be picked out by the FCA or the ASA?

Or do they choose to go beyond compliance, treating ESG as a discipline that reveals operational risks, innovation opportunities and reputational fault lines before they explode?

One thing is clear: in the UK, glossy sustainability claims without hard evidence are now a **direct regulatory risk**, not just a reputational one.

Europe: From Green Deal Ambition to Regulatory Retreat

The European Union was first out of the blocks in building a comprehensive sustainability regime. The Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD) were designed to change the rules of the game – forcing thousands of large companies to:

- Report in detail on their environmental and social impacts
- Show credible transition plans
- Take responsibility for human rights and environmental risks across their value chains

But 2024–2025 has exposed the political strain behind that ambition.

Regulatory Retreat

Under pressure from businesses and some member states, the EU has moved to delay timelines and water down parts of CSRD and CSDDD. Thresholds have been raised. Fewer companies will be covered. Some obligations to publish detailed transition plans are being scaled back.

Enforcement Intensifies

European supervisors are reporting a sharp rise in alleged greenwashing cases in the financial sector – more than 20% up in a single year, and over 26% in the EU banking context. Supervisors now explicitly warn that greenwashing is a material risk to investors and market integrity.

So, Europe is sending mixed signals:

- Softer on who must report and when
- Tougher on anyone who overclaims or misleads

For companies operating in Europe, the message is:

"We may reduce your paperwork, but if you exaggerate your sustainability story, we will come for you."

Is that balance coherent? Or does it risk eroding public trust – appearing to protect large companies from onerous duties while coming down hard on language and labelling?

The United States: A Split-Screen Reality

In the US, ESG has become a cultural lightning rod.

At the federal level, the Securities and Exchange Commission's climate disclosure rule has been stalled by litigation and shifting political winds. A rule that was supposed to bring US markets in line with global expectations is now in limbo. But on the state side, the story is very different.

California's Climate Disclosure Laws

California's climate disclosure laws – SB 253 (greenhouse-gas emissions disclosure) and SB 261 (climate-related financial risk disclosure) – are among the toughest in the world:

SB 253

Covers large companies operating in California, requiring full Scope 1, 2 and 3 emissions reporting.

SB 261

Forces companies above a revenue threshold to publish climate-risk reports every two years.

Legal challenges have already resulted in a temporary pause on the financial-risk law, but the emissions-disclosure law still stands and is expected to apply to thousands of businesses. Some of the world's biggest emitters have gone to court arguing that these laws violate their free-speech rights and unfairly target them.

So, we end up with a strange picture:

- A national regulator hesitating to push through climate rules
- A state – which, if it were a country, would be one of the world's largest economies – effectively setting quasi-global expectations for transparency

For multinational companies, it barely matters whether the rule is "federal" or "state". If you are selling into California, investors and NGOs will expect you to meet California-level disclosure standards globally.

It raises a deeper question:

How long can global companies live with regulatory fragmentation – telling one story in Brussels, another in London, a third in California – before investors simply demand a single, highest-common-denominator standard?

Asia: Competitiveness, Fairness and the "Passport to Trade"

While ESG is being politicised in the West, much of Asia is treating it as a pragmatic question of trade, access to capital, and national reputation.

Malaysia: Proof, Pride and Palm Oil Politics

Malaysia's trajectory has accelerated sharply:

2024: National Framework Launch

Malaysia launched its National Sustainability Reporting Framework (NSRF), anchored on IFRS S1 and S2 as the baseline for corporate disclosure.

1

Climate Taxonomy

Bank Negara's Climate Change and Principle-Based Taxonomy is nudging banks to classify loans by environmental impact, indirectly steering capital away from high-risk activities.

2

2025: Mandatory Reporting

Bursa Malaysia has now mandated IFRS-aligned sustainability reporting for large Main Market issuers from financial years beginning 1 January 2025, with a phased approach for other listed companies.

3

At the same time, the government has paired expectations with incentives:



Green Technology Financing Scheme (GTFS)

Offers government guarantees and interest rebates to support green projects.



DIAF-ESG Matching Grants

Reimburse up to RM500,000 for companies investing in ESG transitions.



Tax Deductions

Fresh tax deductions allow businesses to claim relief on eligible ESG expenditure.

Add to this a stated intention to introduce a **carbon tax from 2026**, initially for high-emitting sectors, and you have a policy mix that says: "We will help you transition – but we expect you to move."

The EUDR Controversy

Overlaying all of this is the bitterly contested EU Deforestation Regulation (EUDR).

Malaysia – a world leader in certified palm oil – has been classified as a "standard-risk" country by the EU, meaning full due-diligence obligations for exports. Malaysian leaders argue that:

- The EU relied on outdated deforestation data, ignoring the rapid rise in national sustainability certification.
- By classifying all EU member states as "low risk" while treating Malaysia as "standard risk", Brussels is not only being unfair, but also politically insensitive.

87% MSPO Certification Of Malaysia's oil-palm planted area and mills are certified under the national MSPO standard

As of 2024, roughly 87% of Malaysia's oil-palm planted area and mills are certified under the national MSPO standard, and yet the country must still fight for recognition as "low risk". Joint task forces between Malaysia, Indonesia and the EU are working on traceability and smallholder support, but the trust deficit remains.

The deeper question here is not technical; it is moral and geopolitical:

Is sustainability becoming a new form of trade barrier, where advanced economies dictate terms using data that suits them, while asking the Global South to carry disproportionate adjustment costs?

For many Malaysian exporters in palm oil, rubber, cocoa, timber, shipping, and manufacturing, ESG is not a philosophical question. It is a **passport to EU and global markets**. Fail the ESG "test", and contracts vanish.

Singapore: Sustainability as Operating System

Where Malaysia combines pressure and incentives, Singapore focuses on design and execution.

The Singapore Exchange has confirmed that from financial years starting 2025, all listed issuers must report Scope 1 and 2 emissions and integrate IFRS S2 climate-related requirements into their reporting. Climate disclosure has moved from "comply or explain" for a few sectors to a firm expectation for everyone.

The Monetary Authority of Singapore (MAS) has been systematically tightening rules on ESG funds, issuing guidance and information papers on good disclosure practice and greenwashing risks. Fund managers are now expected to explain, in clear language:

 How they define "ESG"

 What criteria and data they use

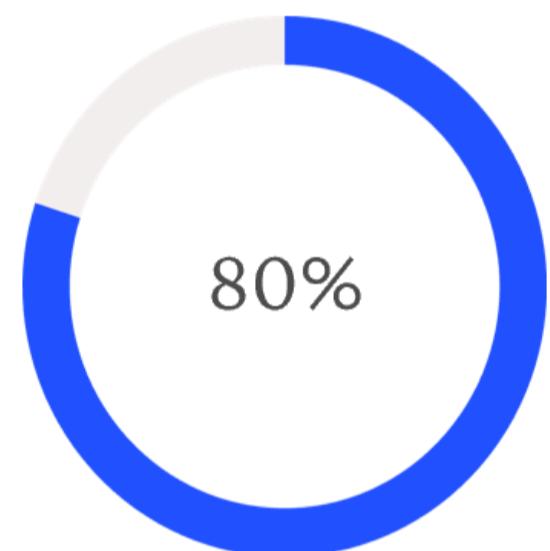
 How they avoid overstated claims or "ESG by branding"

Singapore's message is simple: if you want to call a product "green" or "ESG", you must prove it – and you must explain it in a way that an ordinary investor can understand.

What the Public Actually Thinks

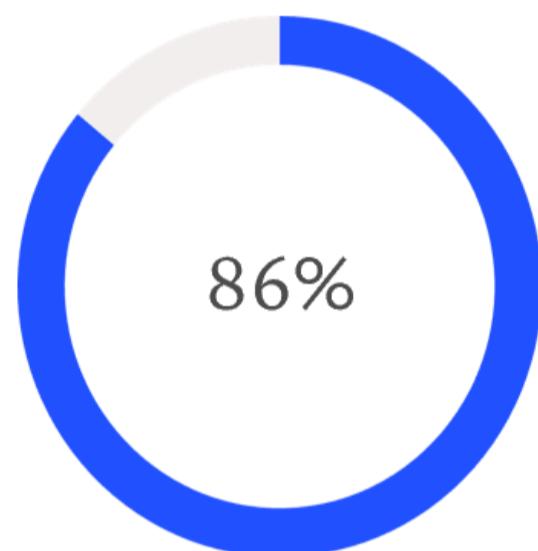
It is easy to think of ESG as a conversation among regulators, investors and consultants. But underneath that sits a more basic layer: public opinion.

Recent global polling tells an interesting story:



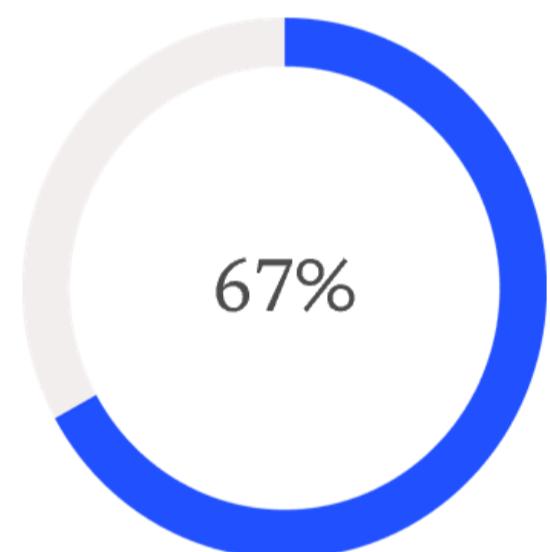
Want Stronger Climate Action

From their governments (Peoples' Climate Vote 2024)



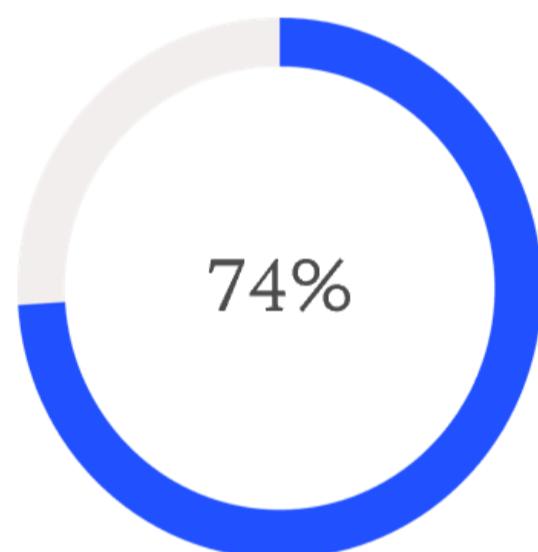
Support International Cooperation

Want countries to cooperate rather than argue over responsibility



See Climate as Major Threat

Median across 25 countries (Pew Research 2025)



Worried About Climate Impacts

Global respondents concerned about climate in their country (Ipsos 2025)

- The Peoples' Climate Vote 2024, covering countries representing 87% of the world's population, found that 80% of people want stronger climate action from their governments, and 86% want countries to cooperate rather than argue over responsibility.
- A 2025 Pew Research study across 25 countries reports that a median of 67% see climate change as a major threat to their country. At the same time, concern has fallen slightly in several high-income countries compared with 2022.
- An Ipsos survey in 2025 found around 74% of respondents globally are worried about climate impacts in their country – especially in high-risk regions.
- In Great Britain, official statistics show about 57% of adults now list climate and the environment as an important issue – down from nearly 70% at its peak, as cost-of-living and geopolitical worries crowd the agenda.

So, the public, globally, is largely pro-climate action – but also tired, worried about affordability, and sceptical about whether governments and companies are serious.

 **If you are a business leader, you might ask yourself:**

- Do our customers and employees experience our sustainability strategy as real action, or as careful messaging?
- When extreme weather hits – floods, heatwaves, fires – do they see us present, honest and supportive, or silent and defensive?
- Are we treating ESG communication as persuasion, or as a two-way conversation with people whose trust we could easily lose?

Greenwashing 2.0 – and the AI Question

Greenwashing is not going away; it is evolving.

European supervisory authorities report a double-digit increase in alleged greenwashing cases year-on-year, especially in financial services. Banks, insurers and asset managers are being investigated not just for fund labels, but for entity-level claims about "net zero strategies", "transition financing" and "aligned portfolios".

The risks are no longer only reputational:

→ **Litigation is rising**

Including suits from investors and NGOs.

→ **Supervisors openly warn**

That greenwashing can distort capital allocation and damage confidence in sustainable finance.

Into this already complex picture, **Artificial Intelligence** has arrived – both as a powerful ally and as a dangerous accelerant.

On the positive side:

- AI systems can read thousands of pages of sustainability reports, websites, adverts and social-media posts, cross-checking claims against external data and flagging inconsistencies.
- Regulators and watchdogs are starting to use AI to scan fund documents and marketing materials for risky language, unrealistic promises and contradictions.

On the negative side:

- The same tools can be used by companies to mass-produce plausible-sounding sustainability narratives that are light on substance.
- "Algorithmic greenwashing" – where AI helps polish or fabricate ESG claims faster than they can be verified – is a growing concern.

This leads to a blunt conclusion:

AI will not make a dishonest company honest. It will simply make whatever sits underneath – integrity or spin – faster, louder and harder to undo.

Boards therefore need to treat AI as part of their governance and ethics agenda, not just an efficiency tool:



Approval Process

Who approves the use of generative AI for ESG content?



Verification

How are AI-generated claims checked against internal data and external realities?



Risk Prevention

How do you prevent well-intentioned teams from accidentally producing misleading content because "the system wrote it"?

Three Uncomfortable Shifts for Boards

If we strip away the acronyms, we can see three fundamental shifts that every serious board now has to face.



From Voluntary to Mandatory

In the 2010s, sustainability was mostly voluntary. Today:

- IFRS S1/S2-aligned rules are spreading across major markets.
- Large listed companies in Malaysia, Singapore, Europe and beyond face legal requirements on what they must disclose and how.
- California and other states are pushing mandatory climate disclosure regardless of federal hesitation.

Voluntary commitments are no longer the main story; compliance, assurance and liability are.

Board question: Are we still treating ESG as a voluntary "good story", when in reality it is now a regulated disclosure regime with legal consequences?



From Narrative to Numbers

Investors, lenders and regulators are losing patience with poetic ESG prose.

They are asking:

- What are your baselines?
- How do your KPIs progress year-on-year, not just where you hope to be in 2030?
- How does your ESG performance tie into cash flow, capex, cost of capital and risk pricing?

This is where many ESG strategies struggle. The ambitions are bold; the spreadsheets are thin.

Board question: If a sceptical regulator or investor sat in our boardroom tomorrow and asked us to prove our claims, could we show them a clear line from narrative → data → controls → decisions?



From Headquarters to Whole Value Chain

CSRD, CSDDD, EUDR, California's SB 253/261, Malaysia's NSRF, Singapore's IFRS-aligned rules – all of these share one idea:

What happens in your supply chain and product use is now part of your story.

For a multinational consumer brand, that means:

- Smallholders in Sabah or Sumatra
- Logistics operators in Rotterdam
- Power providers in Texas or Johor
- Data-centre operators in Dublin or Singapore

are all part of the same ESG picture. One weak link – deforestation, labour abuse, mislabelled emissions – can bring the whole narrative into question.

Board question: Do we truly know our value chain, or are we still relying on layers of assurance letters and outdated risk maps?

A Human Test of Truth

In the end, sustainability is not just a technical, legal or financial exercise. It is a **human test of truth**.

People – employees, communities, investors, customers – are asking variations of the same questions:

Do you mean what you say?

Will you still be here when the storm hits, the river floods, the prices spike, the regulations bite?

Are you prepared to admit what you don't yet know – and to show how you're learning?

The companies that are starting to regain trust share a few characteristics:

Honest About Imperfection

Publishing where data is incomplete and how they plan to improve it.

Candid About Trade-offs

Acknowledging that transition brings cost, disruption and hard choices.

Connect ESG to Core Strategy

Which products to retire, which markets to prioritise, which technologies to back.

Welcome Independent Assurance

Not as a box-ticking exercise but as a hard, necessary mirror.

By contrast, those clinging to minimal compliance, glossy branding and internally-generated awards may still win short-term applause – but they are taking a long-term risk with their credibility.

Where This Leaves Leaders – and All of Us

If you sit on a board, in an executive team or lead a business unit, it may help to pause and ask, very plainly:

What is the one sustainability claim we make most often?

Could we defend it under hostile questioning, with evidence?

Where are we most afraid of real transparency?

A particular region, product, supplier, or asset? Why?

If our ESG report could no longer contain any marketing language – only verifiable facts – what would change?

What role do we want AI to play in our ESG journey?

An amplifier of truth, or a generator of polished spin?

When the next crisis hits – flood, heatwave, price shock, regulatory change – will our stakeholders feel that we prepared with them, or for them, or not at all?

Sustainability has become a battleground, yes – of regulation, politics, and competing interests. But it is also becoming something deeper and more lasting:

A measure of whether organisations are willing to live in truth about their place in a rapidly changing world.

In the long run, that willingness – more than any single framework or acronym – will decide who is trusted, who is investable, and who is left telling stories that nobody believes.

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