Asian Financial Forum 2025 Joint HKTDC and EY Survey

From ambition to action: understanding ESG imperatives

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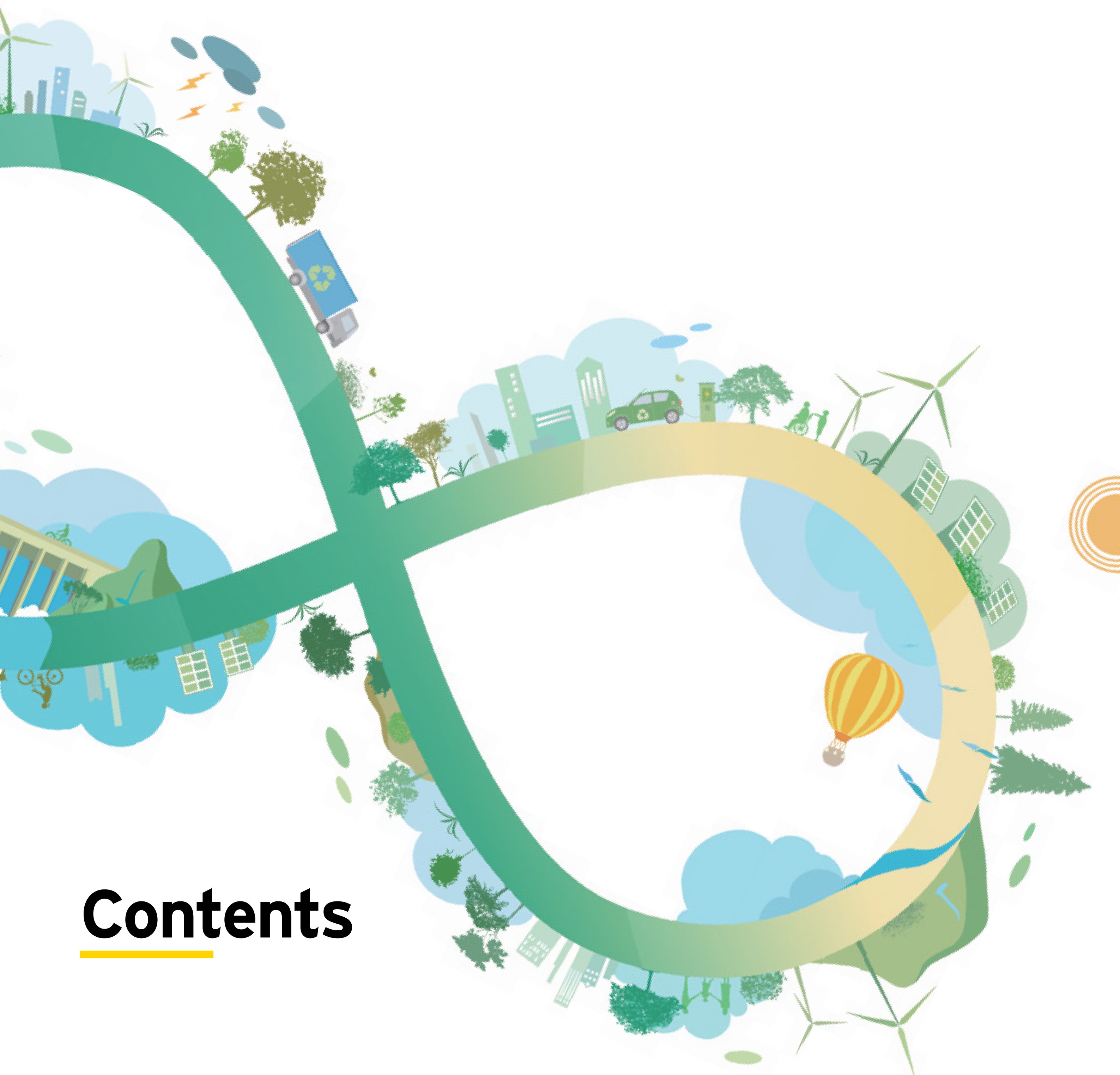


Contents

Foreword

The accelerating emphasis on sustainability and ESG practices has reshaped the global investment landscape and corporate strategies. The Asian Financial Forum (AFF) 2025 Joint Hong Kong Trade Development Council (HKTDC) and EY Survey, "From ambition to action: understanding ESG imperatives" ("2025 Joint Survey") strives to capture the evolving perspectives and practices of corporates and investors in Asia as they navigate through the evolving journey in sustainability reporting, sustainable financing and climate transition readiness. By identifying key challenges and opportunities faced by corporates and investors, the survey provides actionable insights that can facilitate corporate transition towards a more sustainable future.

Executive summary

The 2025 Joint Survey focuses on three pivotal pillars – sustainability reporting, transition plans and sustainable finance. The survey results reveal a notable growing demand for ESG disclosures among corporates. Many organizations are taking proactive actions on ESG initiatives, demonstrating an increasing commitment to accountability and willingness to integrate sustainability into their core strategies. Meanwhile, corporates also recognize the sustainability challenges and see opportunities for enhanced transitional planning and a rising need for green investments along the sustainability journey.

Key findings from the 2025 Joint Survey are summarized below

1

Corporates are cautiously optimistic about achieving their sustainability targets

44%

Only 44% of surveyed corporates believe they are highly likely to achieve their sustainability targets.

2

Robust climate transition information required

54%

54% of the investors hold a neutral rating on portfolio corporates' transition plan, suggesting that many investors may not possess the necessary information to evaluate and comment on corporates' transition plans effectively.

3

Corporates struggle to realize the value of green investment funding

21%

Only 21% of surveyed corporates consider green investment funding effective in meeting their financial needs for sustainable projects.

The 2025 Joint Survey highlights the critical need for improved sustainability reporting, robust transition planning, and effective sustainable finance as core aspects of corporate responsibility. Despite a growing commitment to ESG practices, significant challenges remain. Corporations should implement comprehensive tracking systems and credible transition plans that meet global standards, investing in measurement tools and fostering transparency to build stakeholder trust at the same time investors will need engage corporates further to enhance their understanding of sustainable finance.

Methodology

The 2025 Joint Survey was conducted across Asia from 7 November 2024 to 3 January 2025. It gathered responses from a diverse range of corporates and investors spanning various industries, including financial services, technology, healthcare, manufacturing, and trade. The survey featured representation from multiple regions, including North America, Europe, Asia-Pacific, the Middle East & Africa, and Latin America. Notably, 40% of the respondents were from organizations with over 500 employees, ensuring a robust sample that reflects the perspectives of larger enterprises.

Our findings and conclusions are informed not only by the 2025 Joint Survey but also by benchmarking against three key EY studies: the 2024 EY Institutional Investor Survey, the EY Global Climate Action Barometer 2024 and the 2024 EY Global Corporate Reporting Survey.

- The EY 2024 Institutional Investor Survey draws on the views of 350 investment decision-makers globally, and was conducted by the EY Global Climate Change and Sustainability Services team in collaboration with the Custom Research Lab at Institutional Investor LLC.
- The EY Global Climate Action Barometer analyzes around 1,400 companies across 51 countries and 13 sectors, including both financial and non-financial entities, particularly those at high risk of climate-related impacts. This barometer draws data from public disclosures made during the 2023 and 2024 calendar years, typically found in annual reports, sustainability reports, TCFD reports, or Carbon Disclosure Project reports.
- The EY 2024 EY Global Corporate Reporting Survey explores the views of more than 2,000 finance leaders and 815 institutional investors around the world on the state of corporate reporting

By synthesizing data from these comprehensive surveys, this paper offers a nuanced understanding of current ESG practices and challenges facing corporates and investors.

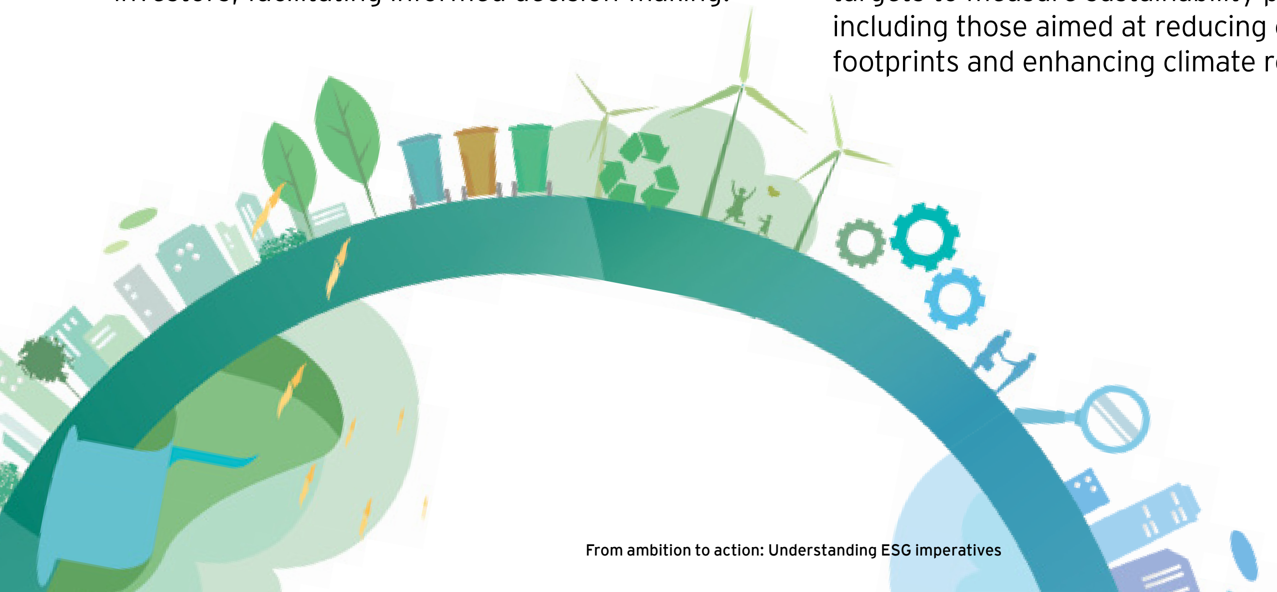
Quality of sustainability reporting

The launch of the ISSB disclosure standards marks a significant shift in the global sustainability reporting, reflecting the growing expectation of stakeholders for a comprehensive global baseline. Asian jurisdictions fully recognize the significance of the ISSB Standards and have made significant progress in adoption. Both developed economies (e.g., Hong Kong SAR, Japan, Singapore and South Korea) and emerging markets (e.g., Bangladesh, Chinese Mainland, India, Indonesia, Malaysia, Pakistan, Philippines and Sri Lanka) in Asia are known to be undergoing or have completed public consultations related to the adoption of the ISSB standards, which represent approximately 82% of total market capitalization in Asia.

Transparent sustainability reporting not only aids investors in their decision-making, but also enables effective assessment of risks and opportunities while aligning strategies with long-term sustainability objectives. In this content, corporates can leverage sustainability reporting to provide material and useful information to investors, facilitating informed decision-making.

According to the 2024 EY Institutional Investor Survey, 88% of surveyed investors say that their institutions have either somewhat or substantially increased their use of ESG information over the past year. This highlights the growing trend of reliance on sustainability reporting, as investors seek comprehensive insights into corporate sustainability practices. Sustainability reporting is essential for meeting the expectations of stakeholders, allowing them to assess risks and returns effectively while aligning their strategies with long-term sustainability objectives. By clearly demonstrating the connection between short-term sustainability investments and long-term value creation, corporates can showcase their growth potential and market competitiveness.

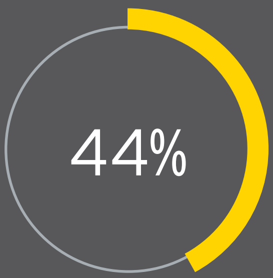
Amid growing demands for more transparency from regulator, customers and investors, corporates have made notable progress in identifying non-financial topics that are material to investors, particularly in relation to climate impacts. They are also establishing metrics and targets to measure sustainability performance, including those aimed at reducing carbon footprints and enhancing climate resilience.



Some key insights from the survey regarding sustainability reporting are listed below:

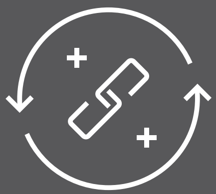
Corporates are cautiously optimistic about achieving their sustainability targets

As the 2025 Joint Survey reveals, corporates remain cautiously optimistic about achieving their sustainability target, with only



of corporate respondents believe they are very likely to achieve their sustainability targets.

Corporates are easily inclined to focus on the most cost-effective solutions that align with their sustainability targets – oftentimes "low-hanging fruits", such as purchasing renewable energy certificates or reducing business travel. After these initial steps are taken, corporates would then need to fight a tougher battle with initiatives that are more costly and might require deeper internal alignment. These initiatives may include transformation of supply chains or full electrification of operations. The lack of confidence stem from three challenges that remain unaddressed in the respondents' sustainable development journey:

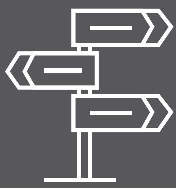


Linkage of sustainability initiatives to financial impact

When asked about the key challenges in meeting sustainability targets, nearly half of the respondents (46%) say they struggle to articulate the positive impact of sustainability initiatives on their financial position, financial performance and cash flows. Initiatives such as implementation of occupational health and safety or cybersecurity systems do not yield direct economic benefits for the corporates, making it difficult to facilitate decision-making on resource input when benefits are not immediately evident.

Immature reporting mechanisms

As sustainability reporting is becoming mandatory instead of voluntary, corporates become aware that their existing sustainability tracking and reporting system are immature. Issues such as gaps in the reporting scope, inaccurate and insufficient information have hindered their ability to capture progress. Given the incomplete information, corporates are unclear about the potential trade-offs and significant amount of resources required to meet the ambitious sustainability targets set out initially.



Misalignment of internal targets with sustainability agenda

As corporates begin to integrate sustainability into their core business strategies, many are facing the challenges where their growth targets are not aligned with their sustainability agenda. This misalignment often arises from conflicting priorities within the organization and an inadequate understanding of sustainability implications across internal departments, ultimately hindering the balance between short-term financial objectives and long-term sustainability targets.

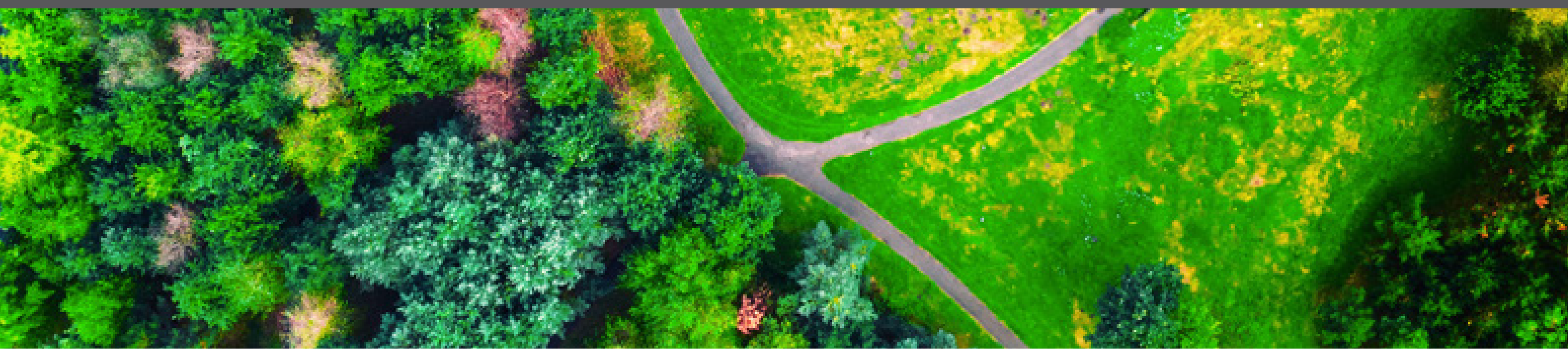
The limited confidence is also observed globally. The EY Global Climate Action Barometer 2024 indicates that, despite increasing calls from reporting regulations and heightened expectations for transparency from customers and investors, many corporates still find it challenging to meet stringent disclosure requirements. The quality of corporate climate disclosures has seen only a slight improvement, rising to 54% from 50% in 2023. In Asia, average coverage scores improved from 84% to 91% indicating better breadth in reporting, yet the average quality score of 48% shows that Asian companies still lag behind their European and UK counterparts.

The 2024 EY Global Corporate Reporting Survey also revealed deep concerns about progress and transparency of sustainable development. Only around half of finance leaders and investors surveyed think it is very likely that corporates will achieve their stated sustainability targets (47% for finance leaders; 53% for investors). The survey proceeded to pinpoint that CFOs should play a pivotal role in recalibrating expectations and ensuring that targets are both ambitious and achievable.

Interestingly, none of the surveyed investors for the 2025 Joint Survey believe that their portfolio companies will fail to achieve their sustainability targets, showing a clear disconnect between investors' confidence over corporates meeting their targets and what corporates themselves are saying. It could suggest wishful thinking on the part of investors or that investors are not actively tracking corporates' progress against their targets. It is more likely, however, that investors are monitoring what corporates say on sustainability, but expect them to switch to more achievable targets over time. Moreover, there remains the possibility that corporates will announce or implement more specific or aggressive actions as the target dates draw closer.

Nonetheless, investors are increasingly concerned about non-financial information in their portfolio construction and investment stewardship decisions. Similar to financial information, investors are using a systematic approach in analyzing corporates' sustainability performance – through industry benchmarking, and investigations on whether they have hit or missed targets. Corporates must acknowledge the change and start responding to investor expectations.

To address the above challenges and respond to investor expectations, corporates will have to clearly communicate their long-term sustainability strategy and capital allocation plans to external and internal stakeholders. Furthermore, they should enhance their capabilities in developing advanced tools to fully assess the financial impact of their sustainability initiatives, track progress of action plans and underlying non-financial metrics. Ultimately, this would structurally improve corporates' organizational capabilities in meeting ambitious sustainability targets and help address the disconnect between corporates' confidence on their own targets and investors' confidence on corporates achieving the targets.

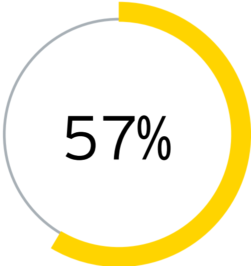


Concerns about "greenwashing" are prevalent among both investors and corporates, reinforcing mistrust in sustainable practices

Historically, sustainability reporting has been designed to address a broad spectrum of stakeholders, from employees to customers, often relying on narrative-based approaches. However, with the introduction of the ISSB standards, the focus has shifted to delivering clear, comparable information that meets the needs of investors and other capital market participants regarding sustainability-related risks and opportunities.

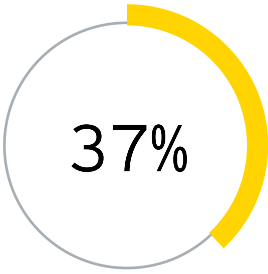
As sustainability information becomes increasingly important to investors and stakeholders, the risk of greenwashing has also risen significantly.

The 2025 Joint Survey reveals



of investors believe that a moderate to a large extent of their portfolio companies engage in greenwashing.

This aligns with the finding of the 2024 EY Institutional Investor Survey, which indicates that 85% of investors consider greenwashing and misleading statements to be more pressing issue than five years ago. From the corporate's perspective, the 2025 Joint Survey showed that only



of corporates express concerns about their sustainability reporting being perceived as potential greenwashing.

This disparity highlights investor's skepticism regarding corporate disclosures, as they are becoming more cautious about misleading claims and are demanding greater transparency and accuracy in the information provided by corporates. To effectively meet investors' and stakeholders' expectations on sustainability disclosures, corporates need to adopt the same rigor and mindset in non-financial reporting, as they do in financial reporting, drawing on their experience with regulatory frameworks. This will ensure that the controls governing the processes for articulating sustainability disclosures are well-established and understood, allowing corporates to accurately present and analyze their non-financial data.

Credible sustainability disclosures provide a competitive edge for corporates, as shareholders, particularly institutional investor, are showing increasing expectation for detailed information to assess how a corporate's operations impact the environment and society.

As such, there is growing trend for a more robust approach regarding the assurance of sustainability information across the globe. For example, in Singapore, listed companies are required to obtain external limited assurance on Scope 1 and 2 GHG emissions by FY 2027, while non-listed companies are required to do so by FY 2029. The newly imposed Corporate Sustainability Reporting Directive (CSRD) in the European Union mandates eligible companies to report sustainability information and conduct assurance on their reported sustainability data under a phased approach. Currently, entities are required to undertake limited assurance on their sustainability disclosures, with discussion ongoing about potentially moving towards reasonable assurance if deemed feasible in the future. In the United States, the Securities and Exchange Commission (SEC) has adopted final rules on climate-related disclosures that include a phased timeline for assurance for Scope 1 and 2 GHG emissions disclosure.

In November 2024, International Auditing and Assurance Standards Board (IAASB) published the International Standard on Sustainability Assurance (ISSA) 5000, setting a global benchmark for assurance engagements on sustainability reporting. The standard will aim to drive consistent and high-quality assurance engagements, reducing the concerns of greenwashing. ISSA 5000 will be effective for all sustainability assurance engagements covering periods beginning on or after 15 December 2026, with the option for early adoption.

75% of the surveyed investors indicate that external assurance from an independent third party significantly boosts their confidence in the credibility and accuracy of a company's sustainability reporting, to at least a moderate extent.

This trend mirrors investors' expectations for assurance for sustainability disclosures. Therefore, by conducting independent third-party assurance, companies can enhance their credibility and transparency, which are crucial for gaining stakeholder trust.

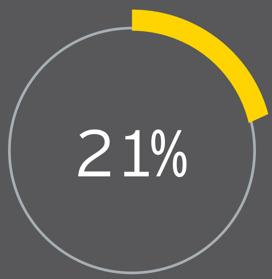
With heightened scrutiny on companies' sustainability disclosures, it is imperative for them to establish comprehensive control frameworks and conduct assurance on their targets, plans and progress updates. Furthermore, to effectively address concerns about greenwashing, companies must ensure that robust evidence supports the claims made in their sustainability reporting, both for the organization and its supply chain. This fosters trust among stakeholders and investors, paving the way for enhanced accountability and long-term sustainable development while actively mitigating the risk of greenwashing.

Robust transition planning required

Combatting the effects of climate change requires concrete corporate planning that considers both feasibility and effectiveness. The climate-first approach adopted by the IFRS and various regulators signifies a pragmatic step towards developing a framework for sustainability disclosures. This is evident in the publication of IFRS S1 and IFRS S2 by the ISSB, which allows entities to prioritize climate-related information provision during their initial reporting year. This strategic emphasis on climate-related disclosures not only aligns with investor expectations but also helps companies establish robust reporting frameworks to effectively convey pertinent climate-related risks and opportunities. Disclosures regarding an organization's strategies to achieve long-term targets for operating in a lower-carbon economy, commonly referred to as transition plans, are increasingly prevalent in corporate climate-related disclosures.

Businesses with transition plans are better positioned to succeed as they are prepared to navigate and respond to unanticipated changes and disruptions in the shift towards the low-carbon economy.

Establishment of a credible and comprehensive transition plan remains low



Only 21% of surveyed corporates for the 2025 Joint Survey rate their climate transition plan as better than the industry standard.

Similarly, our EY Global Climate Action Barometer 2024 indicated that only 41% of surveyed corporates globally claim to have adopted a transition plan for climate change mitigation with the percentage of corporates in the Asia-Pacific region with transition plans dropping to 33%, demonstrating the comparatively lagging maturity of transition plans in spite of the rapid development of the regulatory standards and expectations. The low level of transition planning underscores the fact that such plans are not fully recognized or advocated by corporates, particularly in the Asia region. Goals on decarbonization – Net zero, 2015 Paris Agreement Commitment – are becoming increasingly out of reach without clear and practical actions.

To accelerate the development of credible net zero plans among corporates, it is crucial to overcome key challenges – and corporates believe the three biggest challenges are the lack of robust and reliable data, lack of net zero impact measurement tools, and lack of clear definitions/frameworks.

To effectively tackle these challenges, corporates should prioritize several key actions:

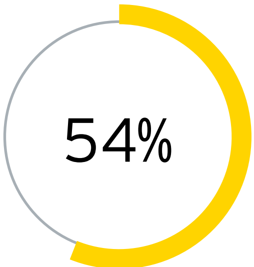
- Enhancing data collection: invest in robust data management systems and adopt advanced technologies to monitor emissions in real time. Collaborating with data providers can also improve access to relevant datasets.

- Developing measurement tools: create and adopt standardized net zero impact measurement tools. Engaging with industry groups will help develop metrics that are relevant, transparent and aligned with global best practices for consistent reporting.
- Creating actionable strategies: develop clear and actionable strategies within net zero frameworks, setting specific targets and identifying necessary steps. Incorporating scenario analysis can help firms adapt to future challenges.
- Aligning internal capabilities and engaging stakeholders: ensure that internal resources are aligned by fostering a culture of sustainability, training employees and establishing cross-departmental teams focused on climate action. Additionally, actively engage stakeholders, such as investors, customers and suppliers.

By leveraging data to drive action and ensuring that internal stakeholders are well-resourced, corporate can better accelerate their transition to a net zero economy.

Investors are still in the process of forming an informed opinion on assessing the transition plans

The 2025 Joint Survey reveals that



of the surveyed investors currently rate these plans as neutral.

This hesitance is partly due to lack of reliable environmental information within investment portfolios, as well as the absence of sophisticated tools such as scenario analysis, to quantify the risks and opportunities to the net zero transition of their investees over the short, medium and long term. As contrary with the heightened concerns on greenwashing, this signifies that majority of investors may not possess the necessary technical capabilities to effectively evaluate and assess corporate's transition plan and there is lack of comparability between corporates' transition plans.

In response to the emerging need for standardized and credible transition information to meet investors' expectations, the IFRS Foundation has assumed responsibility for the disclosure-specific materials developed by the Transition Plan Taskforce. These materials provide companies with educational resources on developing credible transition plans that focus on ambition, action and accountability. The framework includes five key disclosure elements: foundations, implementation, strategy, engagement as well as metrics and targets, all supported by a clear governance structure. This helps define the entity's strategic ambition and outlines the actions and resources needed to transition toward a low greenhouse gas emission and climate-resilient economy.

To address this issue, investors should engage directly with corporates, seeking clear timelines and measurable targets and hold them accountable for their transition plans to improve transparency and accountability.

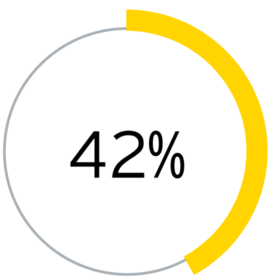
Ultimately, creating a landscape where both corporates and investors acknowledge the significance of reliable transition plans is essential for meeting climate objectives. By tackling current challenges and promoting collaboration, the pathway to a sustainable, low-carbon future becomes clearer and more achievable.

Low utilization of sustainable debt and equity structures

To meet ambitious sustainability goals, sustainability-aligned financing has become a mainstream instrument that corporates and investors consider for investing in long-term climate initiatives while maintaining short-term profitability and cash flows. Sustainable credit and equity instruments issued by investors incentivizes corporates to adopt sustainable practices through lower interest rates and additional capital accompanied by designated organizational sustainability KPIs. On the other hand, investors are progressively directing their portfolios toward sustainable initiatives, aligning with global expectations and growing client expectations and awareness on sustainability. However, both corporates and investors face significant challenges when seeking and/or issuing such funding, including a lack of clear understanding of these instruments and roadblocks in impact standardization, measurement and management.

Corporates and investors struggle to realize the value of green investment funding

In the 2025 Joint Survey,



of corporates stated that green investment funding is either not applicable to their sustainable projects or that they are unaware of how external green investment funding can meet their financial needs.

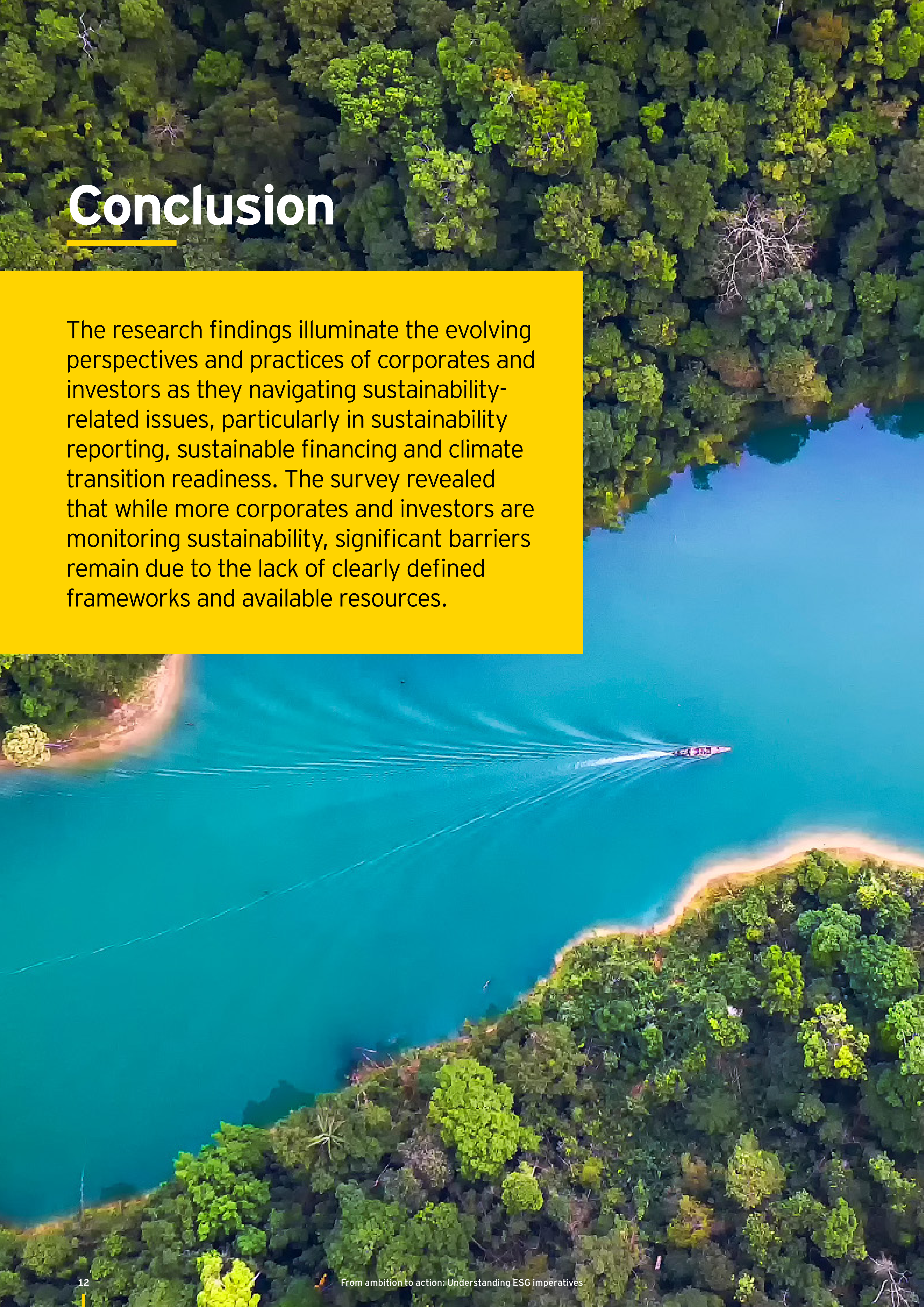
A knowledge gap exists, regarding both the effectiveness of green funding and how these funds can be applied to sustainable projects.

Given the wide applicability of sustainable finance instruments in addressing corporates' environmental and social impact, there is a glaring knowledge gap regarding both the effectiveness of green funding and how these funds can be applied to sustainable projects.

The main challenges mentioned by corporates in implementing sustainable finance include lack of experience with sustainable financing tools, which hinders their consideration of these tools as options for investments related to environmental and social goals. Additionally, sustainable finance tools often require extra procedures, such as validating environmental targets and initiatives, which extend the length and complexity of application processes. This ultimately discourages decision-makers from selecting these tools over traditional financing options.

Therefore, capacity building is crucial for enhancing understanding and application of sustainable finance.

Investors also encounter similar challenges in sustainable investment due to capacity and knowledge constraints sighting significant difficulties in measuring and communicating ESG impact and performance, partly due to a lack of transparency in corporate sustainability disclosures and the absence of standardized ESG metrics. As a result, sustainable investment portfolios may struggle to provide attractive returns for clients to increase their commitment in capital deployment. Overcoming these barriers through comprehensive measurement and metrics development based on internationally recognized frameworks (e.g., SASB) are crucial for investors to align their investments with sustainability objectives.



Conclusion

The research findings illuminate the evolving perspectives and practices of corporates and investors as they navigating sustainability-related issues, particularly in sustainability reporting, sustainable financing and climate transition readiness. The survey revealed that while more corporates and investors are monitoring sustainability, significant barriers remain due to the lack of clearly defined frameworks and available resources.

In light of these observations, we recommend the following for corporates and investors looking to harness sustainability-driven forces while focusing on educating and building the capacity of their portfolio companies respectively:

1 Strengthen the integrity of sustainability tracking and reporting

The completeness and quality of sustainability data form the foundation for meaningful communication and actions related to transition. To improve the maturity of reporting mechanisms, corporates should invest resources in accurately tracking key sustainability-related metrics that fully reflect their material impact, risks and opportunities. This enhanced understanding enables corporates to assess the trade-offs and resources required to achieve their committed goals. For example, building a comprehensive scope 3 emissions inventory using a supplier-specific accounting approach, rather than a spend-based approach allows corporates to understand the actual value chain impact of emissions borne by specific suppliers. This insight can facilitate collaboration with key suppliers on capacity building and enhancement schemes, and drive decarbonization across the value chain.

2 Formulate transparent and detailed transition plan

A transparent and well-defined transition plan allows corporates and investors to understand the ambition and strategies that the company will employ in the pursuit of net zero emissions. To enhance credibility, corporates should establish a net zero plan that has received third-party assurance, demonstrating feasibility of these plans to investors while avoiding greenwashing. Elements such as transparent reporting, the disclosure of emission reduction targets, mitigation measures, steps in transitioning to a low-carbon business model, and alignment with industry standards are also critical details of a net zero plan. This comprehensive approach ensures that investors have access to necessary information to make informed decisions, providing investors with the confidence needed to align their portfolios with their own sustainability agenda.

3 Promote education and capacity building to quantify risk and opportunities

Investors should actively engage and encourage portfolio companies to seek opportunities for education and capacity building to enhance their sustainability performance and overcome obstacles. Their expectations can serve as a driving force in this process, guiding portfolio companies toward sustainable practices that align their investments with sustainability objectives. By fostering alignment with internationally recognized frameworks, portfolio companies can improve reporting accuracy and prevent greenwashing, ensuring that their efforts meet investor's criteria. This collaboration ensures that investments effectively support sustainability goals, ultimately driving meaningful progress in sustainable practices across the portfolio.

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