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# Closing the gap on environmental reporting

THE haze has eased across much of Malaysia, but the questions it raised have not disappeared.

When environmental damage is alleged, who is responsible, what evidence is needed to establish that responsibility, and how can the public distinguish genuine environmental performance from promises in a sustainability report?

Environmental accountability requires more than commitments on paper. It requires credible information that can be examined and tested.

On Oct 26, Indonesian environmental group Wahana Lingkungan Hidup Indonesia (Walhi) published a report alleging that 21 companies linked to Malaysian business groups were involved in forest and land fires in Indonesia between January and September this year.

On Oct 28, Natural Resources and Environmental Sustainability Minister Datuk Seri Arthur Joseph Kurup stated in Parliament the government had found no conclusive evidence that Malaysian-linked plantation companies were responsible for the fires.

Neither allegations nor the absence of conclusive evidence should end the discussion.

Companies should not be held responsible without sufficient evidence, but environmental claims must remain open to scrutiny.

The challenge is to establish accountability fairly, based on reliable evidence rather than assumptions or public pressure.

This is where sustainability reporting becomes important.

Malaysia's reporting framework faces a significant milestone. In September, the Advisory Committee on Sustainability Reporting deferred mandatory reasonable assurance of Scope 1 and Scope 2 greenhouse gas emissions disclosures for Group 1 entities under Malaysia's National Sustainability Reporting Framework to annual reporting periods beginning on or after Jan 1, 2028.

The decision followed a review of the sustainability-related disclosures from 91 Group 1 listed issuers by the Minority Shareholders Watch Group and Climate Governance Malaysia, which found that the quality of disclosures needed further improvement.

Scope 1 covers emissions from a company's own operations while Scope 2 covers emissions associated with purchased electricity and other acquired energy.

The additional time is intended to help companies strengthen reporting processes, internal controls and data quality.

The deferral does not mean all 91 issuers produced unreliable information, nor does it prevent companies from obtaining independent assurance voluntarily.

However, it raises an important question about how investors can assess environmental disclosures while mandatory assurance is being phased in.

There is also a distinction between assuring emissions figures and verifying broader environmental commitments. A company may report its greenhouse gas emissions accurately and still face questions about peatland protection, fire prevention or land management.

Assurance of one set of disclosures does not establish that every environmental promise has been fulfilled.

The same accountability challenge applies to industrial waste. Companies may report their environmental commitments, but how do they account for the waste generated by their manufacturing and production activities? Is it properly treated, stored, transported and disposed of? Without adequate monitoring, documentation and transparent reporting, a commitment to responsible waste management may remain little more than a statement on paper.

For investors, this distinction matters. Businesses exposed to environmental risks may face regulatory action, reputational damage, supply chain restrictions and financial losses.

Investors therefore need credible information about environmental risks, incidents, prevention measures and remediation, supported by evidence that can withstand scrutiny.

Boards have a responsibility to challenge management when reported commitments appear inconsistent with environmental incidents. Companies should explain what happened, what corrective action was taken and how similar incidents will be prevented.

Regulators, meanwhile, can strengthen disclosure requirements and enforcement.

Malaysia's developing sustainability reporting framework should treat the deferral as an opportunity to improve reporting quality, not a reason to postpone accountability.

The haze has cleared, but the accountability gap remains whenever environmental promises cannot be tested against credible evidence.

Closing that gap requires transparent disclosures, independent scrutiny and a willingness to address shortcomings when performance falls short of commitments.

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