BUSINESS & SUSTAINABILITY

ESG Reporting: Why Sustainability Disclosure Is Now a Business Imperative

Something has genuinely changed in how businesses operate. ESG used to be a corporate social responsibility afterthought, filed away in reports nobody read past the executive summary. Now it sits in the boardroom, and increasingly on the balance sheet itself. What started as a voluntary gesture toward good corporate citizenship has, in many major markets, become a legal requirement, changing how companies define success, raise money, and plan for the long haul.

Why now? Investors, regulators, employees, and customers have all reached a similar conclusion: sustainability isn't a side issue, it's core to how risk gets managed and value gets created. Companies that take ESG reporting seriously are finding real payoffs, cheaper capital, better retention, tighter operations, an edge over competitors who haven't bothered. For the holdouts, the debate has moved on. It's no longer about whether to report ESG metrics. It's about doing it well.

The Global Framework Revolution

For years, sustainability reporting was a mess. Companies juggled GRI, SASB, TCFD, and half a dozen other frameworks, duplicating effort and racking up compliance costs with little to show for it. Investors wanted comparable numbers. Regulators wanted less confusion. Executives, understandably, wanted someone to just pick one system. That frustration finally boiled over in 2021, when the IFRS Foundation established the International Sustainability Standards Board (ISSB) to build a single global baseline.

The ISSB delivered on that mandate in June 2023 with its first two standards: IFRS S1 for general sustainability disclosures and IFRS S2 for climate. This wasn't a minor update. It folded the Climate Disclosure Standards Board, the Value Reporting Foundation, SASB, the International Integrated Reporting Framework, and TCFD into one authoritative structure. More than 35 jurisdictions have since adopted or begun adopting these standards, backed by the G7, G20, IOSCO, and the Financial Stability Board, a level of coordination the field hasn't seen since GRI launched back in the late 1990s.

> ***"Global alignment is crucial to provide a comprehensive and clear view of a company's sustainability performance and to allow for the comparability of disclosures on a global level."***

Why ESG Reporting Matters Now

None of this is bureaucratic box-ticking. Institutional investors managing trillions in assets now build ESG performance directly into how they decide where money goes. A company that looks weak on environmental management, or has a board with no diversity to speak of, doesn't just take a reputational hit, it pays for it: higher borrowing costs, exclusion from certain portfolios, cooler interest from big institutional buyers. Do it well, on the other hand, and capital gets cheaper. The link between sustainability and financial performance isn't theoretical anymore.

Talent is another piece of it. Younger professionals actively screen employers for their sustainability commitments, and companies that take ESG seriously tend to recruit better, keep people longer, and see higher engagement scores. There's a supply chain angle too: understanding a supplier's labor practices, environmental compliance, and governance surfaces problems before they turn into crises. And the efficiency gains from sustainability work, energy savings, less waste, tighter processes, show up on the bottom line. Put simply, ESG reporting forces companies to confront factors that were always going to determine long-term viability anyway.

The Investment Imperative

Investors want the full picture now, not just for values alignment but to price risk properly and gauge how resilient a company really is. Transparent reporters get better terms on capital. Laggards pay more for it, and attract less interest to begin with.

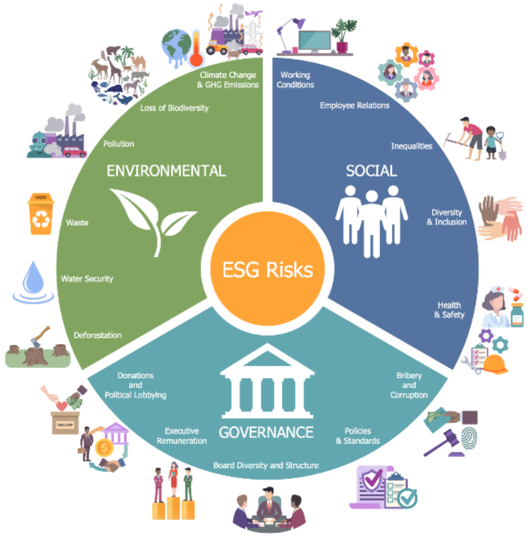
The Regulatory Landscape Transforms

The EU moved first, with the Corporate Sustainability Reporting Directive (CSRD) requiring comprehensive disclosures under its own European Sustainability Reporting Standards (ESRS). Large EU companies are already reporting FY2024 results, and all large EU companies need 2025 data ready for 2026 reporting; non-EU companies with sizeable European operations have until 2029. The CSRD's real innovation is "double materiality": companies must disclose not just the sustainability risks that threaten their business, but also their own impact on the environment and society, whether or not that impact hits the bottom line. It's a genuine shift in what corporate responsibility is understood to mean.

In the US, the SEC introduced climate disclosure rules covering governance, risk management, and the financial implications of climate change, and several states went further on their own, California's SB 253 and SB 261 among the most prominent, with their own emissions reporting and transition planning requirements. The UK built its Sustainability Disclosure Standards around the ISSB framework, and Australia, Japan, and Singapore have all adopted ISSB standards in some form. None of this adds up to full harmonization, the EU's double materiality lens is genuinely different from ISSB's investor-first approach, but it is real convergence. Multinationals now have to navigate more than one framework at once, which is a headache, though it's also an opening for early movers who build the capability to serve several jurisdictions well.

Nepal's Emerging ESG Framework

Nepal has taken a different path than the developed markets that simply mandated reporting outright. The Accounting Standards Board (ASB) Nepal decided that just importing international frameworks wholesale would have missed a chance to build something that actually fits Nepal's business environment and regulatory setup. So it released Exposure Drafts for Nepal Financial Reporting Standards (NFRS) S1 and S2, which align with IFRS globally but stay grounded locally. NFRS S1 covers general sustainability disclosures, NFRS S2 handles climate specifically. Think of these less as brand-new frameworks and more as a deliberate localization of the global ones for Nepalese companies.



There's a real gap this fills. ESG reporting in Nepal is still voluntary for most companies, apart from Nepal Rastra Bank's environmental and social risk management requirements for financial institutions and SEBON's governance directives for listed entities. A handful of forward-leaning companies already follow TCFD, GRI, or ISSB voluntarily, but without a domestic standard, there's no consistency across the market. Once finalized, NFRS S1 and S2 will give companies mandatory, authoritative guidance and the kind of consistency that carries international credibility. ASB Nepal has already started building capacity for this through Training of Trainers programs for accountants, auditors, and corporate professionals, and companies can weigh in on the Exposure Drafts through its consultation process.

Current Status and Regulatory Framework in Nepal

Right now, Nepal's regulatory picture is a mix of mandatory rules and voluntary practice. The clearest requirement comes from Nepal Rastra Bank, which obligates banks and financial institutions to report Environmental and Social Risk Management (ESRM) in line with ESG principles. Some, like NMB Bank, go further still, adopting Partnership for Carbon Accounting Financials (PCAF) standards and preparing for TCFD. SEBON has issued governance directives for listed companies, but a full mandatory ESG disclosure standard is still under consultation. So for now, larger companies and financial institutions are already operating inside ESG frameworks, while mid-sized and smaller firms still have room to decide for themselves.

Foreign investors, understandably, find this frustrating. They want predictable ESG data to make informed calls, and without a standard, the resulting information gap makes Nepal look riskier and less attractive than it might otherwise be. That combination, real investor demand meeting a regulatory gap, is exactly why NFRS S1 and S2 matter so much. Once they're finalized, Nepalese companies will have an authoritative framework to attract international capital and demonstrate that they're serious about responsible practices. Companies would do well to get ahead of it now: review the Exposure Drafts, join the Training of Trainers sessions, and start collecting ESG data before the requirements are even final.

The Implementation Challenge

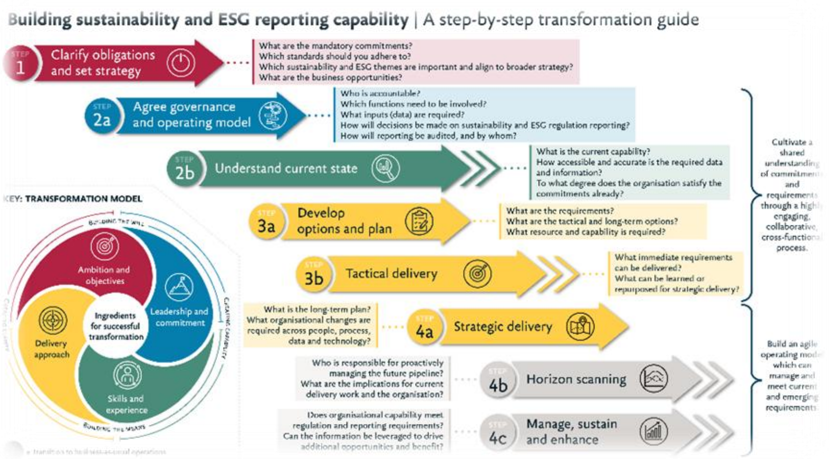
Knowing you need ESG reporting and actually pulling it off are two different problems. Comprehensive reporting demands real organizational change, in data infrastructure, in governance, in the technical skills and assurance capacity companies need to build. Data collection is usually the first wall companies hit. ESG metrics don't respect organizational boundaries, they span factories, distribution networks, and supplier operations scattered across continents. Legacy systems weren't built to capture any of this. Getting data out of suppliers is slow going, since many of them have no sustainability reporting capability at all. Scope 3 emissions, the indirect ones buried in the value chain, are especially hard to pin down and usually need estimation methods that keep evolving. Building data infrastructure solid enough to survive external assurance takes more investment than most organizations plan for.

Governance is just as hard to get right. ESG reporting can't sit in a sustainability team that's disconnected from finance and strategy, it needs board oversight, C-suite accountability, real integration with financial reporting, and ideally a link to executive pay. That means someone has to define, clearly, who owns what and who decides what. Double materiality assessments, weighing both financial risk and broader impact, take genuine stakeholder engagement and a kind of strategic thinking that goes beyond the usual financial materiality test. And external assurance, increasingly required, adds its own headaches: not enough qualified assurance providers, inconsistent verification standards, and real cost. Companies that treat all of this as a compliance checkbox rather than a strategic opportunity tend to underperform, consistently.

> ***"ESG reporting is not optional; it's essential for regulatory compliance, capital access, talent attraction, risk management, and competitive positioning in an increasingly sustainability-focused global economy."***

Pathways to Effective ESG Reporting

The organizations that get this right start with clear governance, board-level ownership of ESG strategy, and an executive sponsor who ensures it's woven into business strategy rather than parked as a compliance sideshow. They run rigorous materiality assessments, real stakeholder engagement and competitive benchmarking, rather than defaulting to whatever generic sustainability topics show up on every checklist. They set science-based targets grounded in actual climate research, giving them measurable, time-bound goals instead of vague good intentions. They connect ESG data systems to financial and operational ones, so numbers don't get duplicated or contradicted. And they build supply chain programs that set clear expectations for suppliers and actually help them meet them.



Transparency is what separates the leaders from everyone else. The best reporting doesn't cherry-pick favorable numbers, it owns the gaps and explains what's being done about them. Spreading the message across annual reports, sustainability reports, investor decks, and stakeholder forums builds a more complete picture than any single document could. A progressive approach to assurance, starting limited and moving toward reasonable assurance as the program matures, builds credibility without overwhelming a young ESG function. Benchmarking against peers and publishing the results creates its own accountability for getting better over time. But the real distinction is mindset: leading companies don't treat ESG as a box to tick, they treat it as a genuine opportunity for operational improvement, innovation, and differentiation. Done that way, the financial benefits, cheaper capital, better efficiency, stronger retention, tend to outweigh what it costs to get there.

ESG Implementation Roadmap for Nepalese Companies

Companies in Nepal have a window here worth using. With the NFRS S1 and S2 Exposure Drafts out and finalization likely within 12 to 24 months, waiting for the mandate to land is the wrong call, preparation should start now. The roadmap typically starts with assessment and planning: figuring out which rules actually apply (NRB for banks, SEBON for listed companies, the anticipated NFRS S1/S2 for everyone eventually), running a gap analysis against current practice, setting up governance with clear executive ownership, picking the right frameworks, and lining up resources. This foundation phase usually takes about three months and sets the stage for everything that follows.

Phase two is about building the foundation, developing an ESG strategy tied to actual business objectives, running materiality assessments through stakeholder engagement, rolling out software that can handle multi-framework reporting, setting data governance protocols, designing collection processes both internally and across the supply chain, and training people up. Expect this to take three to six months. Phase three, data collection and integration, runs six to twelve months as companies actually implement those collection processes, bring suppliers into the loop, check data quality, tie ESG data into financial systems, and put internal controls in place. Phase four is reporting and external assurance: pulling together reports aligned to whichever frameworks apply (NFRS S1/S2, IFRS/ISSB, TCFD, GRI), bringing in external assurers, getting disclosures verified, and publishing alongside financial reports. After that, it's continuous improvement, tracking regulatory changes, gathering feedback, benchmarking, and deepening the integration over time, which is really what keeps a program ahead rather than just compliant.

Immediate Actions for Nepalese Companies

Start by reviewing the NFRS S1 and S2 Exposure Drafts at asbnepal.gov.np, then sign up for ASB Nepal's Training of Trainers program. Work out which rules actually apply to you (NRB, SEBON, or the anticipated NFRS), map how they line up against global frameworks, and run a gap analysis. Bring in advisory support if you need it, get baseline ESG data collection underway, and start building the expertise in-house. Questions can go straight to ASB Nepal at secretariat@asbnepal.gov.np.

The Path Forward

ESG reporting's move from voluntary gesture to regulatory requirement says something bigger about how capitalism now measures success. Profit still matters, obviously, but investors, regulators, employees, and customers are all asking for evidence of environmental responsibility, social accountability, and solid governance too. Companies that lean into this get real benefits: cheaper capital, better retention, more efficient operations, a genuine edge over competitors. Companies that drag their feet pay for it every day, in investor skepticism, regulatory exposure, shaky supply chains, and people walking out the door.

Nepal is at a genuine inflection point. With ASB Nepal building NFRS S1 and S2 in line with global standards, the country has a real shot at joining the global sustainability shift on its own terms, without losing local relevance in the process. Nepalese companies should see this as an opportunity, not a burden: being early on ESG reporting will be a competitive advantage as investor capital keeps flowing toward companies that can demonstrate sustainability leadership. The question isn't whether to adopt ESG reporting anymore, it's whether to lead or follow. Companies that start now, engage with ASB Nepal's consultation process, and get ready for NFRS compliance will end up shaping Nepal's business future, and creating value for everyone with a stake in it. ESG reporting's moment has arrived in Nepal, same as everywhere else. Every organization now has a choice: get ahead of this transformation or get left behind by it.

Disclaimer

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Key Resources and References

ASB Nepal Official Website: https://asbnepal.gov.np/
NFRS S1 & S2 Exposure Drafts & Consultation: https://asbnepal.gov.np/notices/notice-regarding-issuance-of-exposure-drafts-of-nfrs-s1-and-nfrs-s2-for-comments
Nepal Rastra Bank: https://www.nrb.org.np/
Securities Board of Nepal: https://www.sebon.gov.np/
ISSB (International Sustainability Standards Board): https://www.issb.org/
IFRS Foundation: https://www.ifrs.org/
Global Reporting Initiative: https://www.globalreporting.org/
Task Force on Climate-related Financial Disclosures: https://www.tcfdhub.org/
Carbon Disclosure Project: https://www.cdp.net/