

Responsible Investment A New Era of Mandatory Disclosure

September 2025

This report provides a summary of the latest Responsible Investment Forum at Northcape, covering the global rollout of mandatory sustainability reporting and implications for our investment process. The team explored new reporting standards, sector impacts, and practical stewardship strategies. We believe understanding the risks and opportunities presented by evolving regulations is crucial for our clients.

RI Forums Support Continuous Improvement

The Responsible Investment (RI) team conducts regular forums to promote internal education and collaboration on key themes and practices.

These RI forums enable investment teams to share knowledge, address specific ESG issues, align strategies, and advance the RI program. Topics covered include stewardship, ESG data integration, transition and physical risks, human rights, biodiversity, and geopolitical impacts on ESG trends.

These discussions promote firm-wide awareness of major developments in responsible investment, supporting Northcape's commitment to continuous improvement.



Kevin Soo, Richard Maynier, Peiting Liang and Rob Inglis.

Mandatory Disclosure: Navigating a New Era

The responsible investment landscape is undergoing a profound shift. ESG and sustainability regulations are rapidly evolving from voluntary guidelines to mandatory, audited disclosures. For Northcape, staying ahead of these changes is not just about compliance — it's an opportunity to continue to deliver the financial and sustainability objectives of our clients.

Northcape believes the consideration of financially material ESG factors enhances long-term portfolio performance through the risk-return profile of companies, industries, economies, and societies in which we invest. As such, our investment teams rely on company disclosure on the exposure and management of ESG factors by portfolio companies.

Regulation that promises to improve the availability of quality information on sustainability factors should therefore be helpful to our process.

From Voluntary to Mandatory ESG Disclosure

Mandatory international sustainability disclosure standards set by the IFRS (International Financial Reporting Standards) are replacing voluntary frameworks like the TCFD (Taskforce for Climate-related Financial Disclosure). This requires companies to provide comprehensive, audited reporting of their sustainability risks and opportunities — including emissions, governance, strategy,

metrics, targets and detailed qualitative descriptions.

This shift also redefines terms like 'sustainable' and 'green', anchoring them in regulatory 'taxonomies' that specify qualifying activities and required environmental and social safeguards.

Understanding these definitions is essential for anticipating how markets may be reshaped by the significant capital flows required to fund national sustainability and economic objectives.

ISSB (International Sustainability Standards Board) sets out the requirements for companies to disclose their exposure to sustainability factors, while taxonomies define and harmonise the terminology of sustainable finance, helping to reduce confusion and the risk of greenwashing.

Regulatory Rollout: AASB S2 and Equivalents

Reflecting Australia's integration into the global movement towards mandatory ESG disclosures, AASB S2: Climate-related Disclosures (Australian Accounting Standards Board), aligned with the international IFRS S2, requires large entities to disclose climate-related financial risks beginning in 2025 and 2026, with other entities following in subsequent years.

Internationally, while some domiciles are delaying or watering down their disclosure frameworks, more than 47 emerging and developed market jurisdictions have adopted or plan to adopt ISSB-aligned standards¹ and more than 50 have or plan sustainable finance taxonomies². This means that impacts on capital markets have the potential to be global in nature.

Sector-Specific Impacts

To illustrate company implications, Northcape's RI forum explored how these regulatory changes affect capital flows in sectors like mining, energy, and critical minerals—industries central to the low-

carbon transition. To be taxonomy-aligned, company activities must not only support sustainable development goals, but also 'do no harm' to the environment and observe 'minimum social safeguards', such as human rights protections.

These requirements are established by governments to guide capital flows toward sustainable investment while minimising adverse social and environmental impacts, and as such they can influence company strategies by affecting their access to sustainable finance.

Regulatory Change: Risk and Opportunity

The forum discussion recognised the dual nature of regulatory change. While increased disclosure introduces reputational and compliance risks for companies and investors, it also creates opportunities for those with strong ESG capabilities to differentiate themselves.

As disclosure regimes mature, high-quality ESG data will become more accessible, enabling in theory better capital allocation and stewardship. The challenge for investment professionals is to harness this data to anticipate capital flows and create value for portfolios.

Evolving Corporate Engagement and Stewardship

Investment stewardship is a pillar of Northcape's Responsible Investment framework. We believe that through exercising ownership rights, we can make a positive impact on companies and industries in which we invest, to benefit clients.

As disclosure requirements grow, corporate engagement by our investment teams can be more targeted. Right now, while many of these standards are under development, investment teams can focus on persuading companies where practical to:

¹ [Sustainability Disclosure Landscape Report for Risk Management—United Nations Environment – Finance Initiative](#)

² [The Next Wave: Global Trends in Sustainable Finance Taxonomies](#)

- Align with the new international standards for reporting on material sustainability risks and opportunities.
- Exceed minimum compliance by using these frameworks to provide investors with information not yet fully covered by local regulations.

This approach encourages companies to provide investors with the information they need to allocate sustainable capital aligned with company sustainability strategies.

Building Capability Through Collaboration

For investment teams, the changing regulatory landscape is both a challenge and a catalyst for growth. The move to mandatory ESG disclosures demands deeper expertise, sharper analysis, and more strategic company engagement. The RI Forum helps Northcape collaborate on responsible investment, share knowledge and address challenges to drive long term value for our clients.



Tom Pidgeon, Ross Cameron, Savi Wijeyaratne and David Whittaker.

More Information

For more information on our responsible investment process, see Northcape's [Responsible Investment Policy](#) and the annual [ESG and Investment Stewardship Report](#) on our website.

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