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Regulation and disclosure for Scope 3 emissions

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By BENJAMIN SOH

MANAGING Scope 3 emissions is gaining momentum in South-East Asia as countries recognise the critical role these emissions play in achieving sustainability goals and maintaining global competitiveness. However, approaches vary based on economic priorities, regulatory capacity and industry composition.

The Malaysian government has announced ISSB-aligned Scope 3 reporting standards to be mandated starting 2027, with the National Sustainability Reporting Framework (NSRF), developed by the Advisory Committee on Sustainability Reporting (ACSR), set to enhance the state of sustainability disclosures in Malaysia.

The NSRF addresses the use of the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB) as the baseline for local companies. The aim is to enhance transparency and accountability of how businesses manage sustainability risks and opportunities, improve business resilience and contribute to the nation's broader sustainability agenda.

The NETR emphasises decarbonisation across sectors. The introduction of a carbon tax in 2026 may drive companies to monitor emissions throughout their value chains.

At the forefront, Singapore has mandated climate-related disclosures for all listed companies starting in 2025, with Scope 3 reporting required for all companies by 2026. The government also supports businesses in building reporting capabilities, making it a leader in emissions transparency in Asean.

Cambodia is prioritising sustainable agriculture and forestry to address emissions from land use. Its reforestation and conservation efforts outlined in its Nationally Determined Contribution (NDC) target upstream emissions and align with regional sustainability goals.

The Philippines has implemented sustainability reporting guidelines through its Securities and Exchange Commission (SEC), encouraging companies to disclose environmental risks, including value chain emissions.

While Thailand promotes sustainable agriculture, particularly in export-focused industries, to reduce emissions in food production.

Despite each country's diverse approaches, Asean nations are moving toward a unified stance on emissions reporting. Regional frameworks like the Asean Taxonomy for Sustainable Finance have the potential to harmonise standards, enhancing transparency and facilitating more effective Scope 3 emission reductions across the region, easing the burden on companies simultaneously.

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Financial and economic implications

The growing global emphasis on value chain emissions is reshaping financial and economic dynamics across Asean. Scope 3 emissions, often the largest portion of a company's carbon footprint, are now central to discussions on sustainability, impacting trade, investment and competitiveness in the region.

Asean companies that tackle Scope 3 emissions proactively can position themselves as leaders in sustainability, attracting like-minded clients, investors and partners, and securing more business amid today's evolving landscape.

Taking the built environment in Asia for example, demand for sustainable office spaces is growing, with nine in 10 commercial real estate occupiers in Asia targeting 100% green-certified portfolios by 2030.

Cities such as Hong Kong, which fall behind in terms of green upgrades, are at risk of losing their competitive edge as a business hub in Asia as their neighbours offering greener office spaces gain more attention.

In Singapore, the Building and Construction Authority (BCA) has advanced legislation on environmental sustainability for buildings, starting with construction tenders – developers and contractors must showcase the sustainability credentials of their goods and services, taking effect after Jan 31 this year. Failure to do so will eliminate their chances in winning tenders and securing businesses.

For companies in Asean, unaddressed Scope 3 emissions can lead to higher costs and reduced international market access. Policies like the EU's CBAM are beginning to penalise carbon-intensive exports, affecting key industries, such as agriculture and manufacturing in Malaysia, Thailand and Indonesia. This adds pressure to decarbonise supply chains while meeting international trade requirements.

From a financial perspective, there is growing demand for sustainable businesses, with customers, financiers, and investors increasingly prioritising businesses with measurable emissions reduction strategies in the long run. This shift creates opportunities in green finance but risks excluding companies that lack the resources to implement robust sustainability practices and gather the right data for reporting.

For instance, Singapore's mandatory sustainability disclosures for listed firms, starting in 2025, reinforce the importance of emissions transparency in attracting global investments, while creating a blueprint that SMEs can begin to follow in 2026.

At the regional level, there is potential for economic growth through innovation in cleaner technologies and sustainable practices. Regional collaborative efforts, through the Asean Power Grid, aim to integrate cross-border renewable energy initiatives, providing a foundation for low-carbon growth.

Addressing Scope 3 emissions is not just a regulatory necessity but also an opportunity for Asean businesses to strengthen economic resilience, and remain globally competitive while fostering inclusive green development.

Best practices to be learnt

Reducing Scope 3 emissions requires a combination of strategic frameworks, collaboration and innovative solutions, many of which Asean can learn from other regions.

The European Union (EU) exemplifies effective climate action through its Corporate Sustainability Reporting Directive (CSRD), which mandates comprehensive reporting of value chain emissions, and its CBAM, which emphasises the importance of harmonised emissions standards to maintain trade competitiveness.

Together, these initiatives are focused on highlighting the value of robust regulatory frameworks and cross-border collaboration in driving emissions reductions and ensuring economic alignment with global sustainability goals.

In the same way, a recent announcement of the Asean-Interconnected Sustainability Ecosystem (Asean-ISE) initiative marks a significant step toward harmonising the region's sustainability ecosystem through an Asean-level ESG Data Infrastructure. By providing accurate, efficient and standardised data for reporting and compliance, the initiative aims to promote transparency around green investments.

Plus, platforms like the Asean Taxonomy for Sustainable Finance allow the region to establish unified sustainability benchmarks across member states, fostering regional alignment and advancing shared climate goals.

Asean could also follow North America's focus on private-public partnerships, which demonstrates how green innovation hub investments can drive scalable solutions – using advancing technologies like AI and IoT to identify and mitigate supply chains emissions hotspots.

Asean has the potential to become a global leader in sustainable value chains, by integrating these practices into regional frameworks and fostering innovation tailored to its diverse needs, ensuring long-term competitiveness and resilience in a low-carbon global economy.

This is the conclusion of a two-part series on Scope 3 reporting.