

ASEAN ESG FOCUS GROUP REPORT 2025



Acknowledgments

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INTRODUCTION

CPA Australia and AFA recently co-hosted their third ASEAN Environmental, Social and Governance (ESG) Focus Group Discussion (FGD). This FGD reaffirms our shared commitment to advancing dialogue, knowledge and practical action on ESG across ASEAN.

The session brought together a diverse panel of business leaders, corporate executives, board members, accounting professionals, sustainability practitioners, policymakers, regulators, and representatives from SMEs, professional bodies and academia. Through open and expert-driven dialogue, participants exchanged insights on pressing ESG challenges and opportunities such as:

- ASEAN's trade dependencies
- the European Union's Cross Border Adjustment Mechanism (CBAM)
- US tariffs
- ESG taxonomy harmonisation
- Adoption of ISSB standards
- Lessons from the Australia and New Zealand experience with phased reporting and assurance requirements.

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Introduction

BACKGROUND

Environmental, Social, and Governance (ESG) considerations are no longer a peripheral issue but a central concern for business and finance. In ASEAN, ESG has emerged as a strategic priority, influenced by global trade developments, shifting investor and customer expectations and the urgent need for climate resilience.

To advance regional dialogue on this topic, CPA Australia and the ASEAN Federation of Accountants (AFA) convened their third joint focus group discussion (FGD) on ESG. The session brought together business leaders, finance professionals, regulators and sustainability experts from across ASEAN, offering a platform to explore both shared and country-specific challenges.

This report highlights the major issues and areas of concern raised during discussions, the responses and solutions emerging in different nations, and the policy considerations

that will shape ASEAN's ability to harmonise standards, attract investment and remain competitive in the global economy.

THE CURRENT STATE OF ESG REPORTING IN ASEAN

Across much of the world, ESG reporting and disclosure have gained momentum, particularly in the European Union, which has implemented the Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy. New Zealand has introduced mandatory climate-related financial disclosures and Australia is drafting climate reporting standards aligned with the International Sustainability Standards Board (ISSB) framework.

In Asia, China is developing mandatory sustainability reporting standards for listed companies, with a strong emphasis on climate-related risks. Hong Kong has already committed to aligning its sustainability disclosure requirements with the ISSB and will mandate climate-

related disclosures for listed companies in stages beginning in 2025.

In contrast, the ESG reporting and disclosure landscape in ASEAN is diverse and uneven. Singapore and Malaysia have developed relatively advanced disclosure requirements, while others are still in the early stages.

ASEAN faces several structural challenges. The region's deep integration into global supply chains, means that external pressures, such as the EU's Carbon Border Adjustment Mechanism (CBAM) and shifting US tariff policies, will directly affect export competitiveness.

At the same time, domestic institutional capacity, regulatory maturity and levels of business preparedness in relation to ESG vary widely across ASEAN members. This divergence risks developing fragmented ESG standards and frameworks, which could undermine ASEAN's ability to present a unified, credible ESG approach to global investors.



Key issues and areas of concern

1. TRADE DEPENDENCIES AND EXTERNAL PRESSURES

A recurring concern during the FGD was ASEAN's dependence on external trade and the growing influence of carbon-related trade measures. The EU's CBAM, which applies to products such as cement, steel, aluminium and fertilisers, will introduce new compliance costs and competitiveness risks for ASEAN exporters. Similar uncertainties stem from evolving US tariff measures. Industries such as Malaysia's palm oil, Vietnam's export-oriented manufacturing, and ASEAN's energy-intensive commodities face the most immediate impacts. Small and medium enterprises (SMEs) were identified as the most vulnerable, given their limited resources and expertise to navigate multiple and evolving requirements.

2. FRAGMENTATION OF ESG FRAMEWORKS

Another consistent theme was the fragmentation of ESG frameworks across ASEAN. Each member state is developing its own approach to ESG disclosure, resulting in differences in definitions, timelines

and sectoral coverage. For instance, Singapore mandates climate-related disclosures aligned with the *Task Force on Climate-related Financial Disclosures* (TCFD) for listed companies, while other jurisdictions have yet to implement basic sustainability reporting requirements. Transitional activities, such as "brown-to-green" investments, are recognised differently across countries, creating uncertainty for investors.

This lack of regional coherence could undermine investor confidence, as capital providers may be reluctant to finance projects that are not comparable across markets. It also increases compliance costs for companies operating in multiple jurisdictions, who must navigate a maze of overlapping and sometimes contradictory ESG frameworks.

3. DATA, REPORTING AND ASSURANCE GAPS

The availability of reliable ESG data remains a major obstacle. Many businesses, especially SMEs, struggle to collect the necessary data, particularly Scope 3 greenhouse gas emissions,

which represent the largest share of carbon footprints in many industries. Even when data is available, reporting platforms are fragmented and not interoperable across borders.

Equally concerning is the lack of assurance capability in the region. Without credible verification, ESG disclosures risk being perceived as greenwashing. This was identified as especially pronounced when compared to markets like the EU, where assurance requirements are being phased in alongside disclosure obligations.

4. CAPACITY AND TALENT CONSTRAINTS

Across ASEAN, there is a shortage of professionals with the skills needed to interpret, implement and assure ESG disclosures. Accountants and finance professionals are increasingly being called upon to fill this gap, yet ESG-related training and education remain inconsistent. SMEs, in particular, face acute resource constraints, limiting their ability to comply with emerging regulations, supply chain requirements or attract sustainable investment.



Current state of ESG reporting by market.

SINGAPORE

Singapore continues to lead ASEAN in ESG infrastructure and regulatory clarity. Regulators are aligning corporate reporting requirements with ISSB standards, and the Singapore Exchange is phasing in mandatory sustainability disclosures for larger listed companies first, followed by smaller listed companies, giving SMEs time to build capacity.

Starting in FY 2025, all SGX-listed issuers must report Scope 1 and 2 GHG emissions and begin incorporating climate-related disclosure requirements aligned with the IFRS/ISSB standards. From FY 2026, other "primary" ESG disclosure components (such as material ESG factors, policies, targets, governance statements) become mandatory. Scope 3 emissions reporting is required from FY 2026 for Straits Times Index (STI) constituents, while for non-STI issuers (especially those with market capitalisation under S\$1 billion), Scope 3 disclosures remain voluntary at present. External limited assurance on Scope 1 and 2 emissions is deferred under the updated roadmap and will be required from FY 2029.

The government and industry have jointly supported this transition through training programmes, sustainability certification and incentive schemes, including grants, tax or other support schemes to aid companies, particularly smaller ones, in meeting ESG requirements.

In practice, Singapore is balancing ambition with pragmatism: it drives early adoption among larger firms to set market standards and add to workforce capability, while supporting smaller firms through phased rollout and government support. The FGD discussion highlighted that even with this approach, many SMEs still struggle with costs, reporting processes and integrating ESG with their business models.

MALAYSIA

Malaysia's ESG progress remains relatively advanced compared to many ASEAN peers. Bursa Malaysia has launched the Centralised Sustainability Intelligence (CSI) platform, which enables listed companies to report ESG metrics in a more harmonised, interoperable way. The Securities Commission has also bolstered its Sustainable and Responsible Investment (SRI) Framework to encourage green finance. Malaysia is also actively pushing Value-Based Intermediation (VBI) in the Islamic finance sector, an approach that aligns closely with ESG principles of stewardship, risk mitigation and sustainable outcomes.

Despite these developments, the FGD revealed that Malaysian SMEs still have limited awareness of ESG, insufficient internal capacity, and face high upfront cost barriers of integrating ESG into their business. To address these barriers, the government and local professional bodies have introduced toolkits, disclosure guides, training modules and technical support.

Large corporates are playing an important role in driving ESG adoption, creating spillover benefits where they work with their suppliers to push ESG standards downstream.

THE PHILIPPINES

The Philippines has committed to a phased adoption of ISSB-aligned reporting, with larger listed entities expected to adopt first (starting around 2026) and smaller firms following in subsequent years. The Securities and Exchange Commission has actively engaged in stakeholder consultations and pilot studies to refine reporting standards and timelines.

Nevertheless, FGD participants flagged that the limited pool of sustainability professionals, climate risk modellers and assurance specialists is a major bottleneck. Universities and professional bodies are only beginning to embed ESG and assurance into their curricula, making the transition heavily reliant on short-term upskilling, public-private partnerships and transitional support.

Beyond reporting, the Philippines is also developing green finance instruments and incentives, such as tax incentives for sustainable bonds and support schemes for renewable energy projects, to integrate ESG into the capital market.

INDONESIA

Indonesia's ESG reporting is growing but remains uneven. The Financial Services Authority (OJK) has promoted sustainability reporting through voluntary guidelines and thematic taxonomies. While some large corporations and public sector entities have begun implementing ESG disclosures, many businesses, particularly those outside the major cities view ESG as a regulatory burden rather than a strategic opportunity.

The FGD participants emphasised the importance of awareness and education campaigns, especially for SMEs outside Indonesia's major cities. Building understanding and capacity at this level is essential to expanding ESG uptake across the country.

Indonesia's opportunity lies in leveraging its massive renewable energy potential, mining and resource sectors, and large agricultural economy. The country's participation in international climate finance initiatives such as the *Just Energy Transition Partnerships* could encourage more capital inflow, however unless more smaller companies begin to make ESG disclosure, they risk missing out on such financing opportunities.

CAMBODIA

Cambodia is at an early stage of ESG development. The government has shown a willingness to develop sustainable finance frameworks, and the country participates in regional working groups on ESG and climate. However, limited domestic capacity presents a significant challenge.

To address this, the FGD participants recommend regional hub models [GO5] and shared technical resources, such as ASEAN-level toolkits, pooled training programmes and shared assurance frameworks. Development agencies play an important role in building awareness, capability and foundational structures for reporting and sustainability strategy.

Cambodia's path will depend on external cooperation and incremental capability-building. Its smaller scale may allow it to adopt leaner, more modern ESG structures, especially if aligned with regional norms.

BRUNEI DARUSSALAM

Brunei presents a unique case within ASEAN, as it does not operate a stock exchange and therefore lacks much of the infrastructure that supports ESG disclosure in more capitalised markets. ESG efforts are therefore more nascent, with greater reliance on government policy, regulation, and direct institutional support to drive sustainability initiatives.

The FGD noted that Brunei has an opportunity to adopt a modern ESG framework from the outset, one that is lean, modular and aligned with international practices. Given its smaller scale and absence of legacy systems, Brunei could move swiftly toward implementation, however it will likely need to rely heavily on regional cooperation for technical assistance and external verification.

VIETNAM

Vietnam has made meaningful progress toward institutionalising ESG disclosure. Vietnam requires publicly listed companies to include sustainability reporting components, including environmental and social performance in their annual reporting. Many listed firms already disclose data on greenhouse gas emissions, energy and water usage, waste, social indicators and governance practices. To support this, regulators have published a *Sustainability Reporting Handbook* and continue to issue periodic ESG guidance and updates.

That said, ESG adoption remains limited across the broader business landscape. Surveys suggest that a large share of Vietnamese firms are still in early stages of ESG awareness or make only rudimentary reporting, often without independent assurance.

Vietnam's manufacturing sector is under pressure from global standards, CBAM and buyer requirements, which is prompting some exporters to enhance their sustainability practices to maintain access to global supply chains.

FGD participants observed that Vietnam should strengthen its capacity in metrics standardisation, assurance and integration of ESG into financial management, especially for SMEs and exporters.

THAILAND

Thailand's regulatory environment for ESG is relatively mature in ASEAN. Listed companies are required to disclose sustainability or ESG practices through their "One Report / 56-1 Annual Report" system. To assist this, the Stock Exchange of Thailand (SET) provides sustainability reporting guides and conducts training for firms. The Securities and Exchange Commission also regulates Thailand ESG Funds, recently expanding their eligible investment scope and providing tax incentives to encourage capital flows.

Given that Thailand's ESG framework is more established, the FGD participants highlighted challenges around enforcement, consistency of ESG ratings and avoiding greenwashing, especially among smaller firms or those with limited awareness.

Thailand also employs sector-specific approaches, with SET publishing tailored sustainability guidelines for industries such as palm oil, energy, and manufacturing. The FGD noted that Thailand's well-developed capital market and regulatory institutions position it as a potential testbed for ESG-linked financing instruments, incentive schemes, and enforcement mechanisms that could serve as models for broader ASEAN adoption.

Policy considerations and regional implications

A recurring message from the FGD was the need for greater harmonisation of ESG frameworks across ASEAN.

A unified taxonomy would reduce compliance costs, facilitate cross-border investment, and position ASEAN as a credible participant in global sustainable finance. While full alignment with global standards such as the EU Taxonomy may not be feasible, the development of a common ASEAN baseline could serve as a foundation for mutual recognition and future convergence.

The phased adoption of ISSB standards across ASEAN also presents both opportunities and challenges. While some countries are ready to implement, others will require significant capacity building. Regional cooperation will be critical to bridging these gaps. Collaboration between professional bodies, regulators and industry stakeholders can support the creation of shared training curricula, technical guidance and shared digital infrastructure.

Islamic finance was identified as an area where ASEAN can demonstrate leadership. Principles such as Maqasid al-Shariah and value-based intermediation are inherently aligned with ESG objectives, offering an opportunity for ASEAN to differentiate itself in the global sustainable finance market.

Finally, policymakers must balance credibility with practicality. ESG policies must be ambitious enough to build investor confidence yet flexible enough to account for the diversity of ASEAN economies. Phased rollouts, sector-specific guidance, and inclusive consultations with industry stakeholders will be essential to strike this balance.

Opportunities and strategic recommendations.

A key insight from the FGD was the need to reframe ESG not as a compliance obligation, but as a strategic opportunity. Accounting professionals are central to this shift. By integrating ESG into financial planning, risk management and investment decision-making, accountants can help businesses unlock long-term value.

The concept of “return on value,” which captures financial, social, and environmental outcomes, provides a useful framework for evaluating ESG initiatives. This approach aligns with ASEAN’s Circular Economy Framework, which promotes resource efficiency, innovation and sustainable consumption.

To accelerate ESG progress across the region, ASEAN should prioritise the following:

- Develop a centralised ESG data repository to streamline reporting and enhance comparability.
- Increase investment in building assurance capabilities to strengthen the credibility and integrity of ESG disclosures.
- Launch regional capacity-building initiatives, including training, technical guidance, and integration of ESG into mainstream education.
- Strengthening collaboration between professional bodies and regulators to co-develop standards and practical guidance.

CONCLUSION

The FGD underscored that the level of ESG adoption in ASEAN is complex. The region faces external pressures from trade measures such as the EU CBAM, internal challenges from fragmented frameworks and capacity gaps, and growing expectations from investors, consumers and other stakeholders. SMEs are particularly vulnerable, lacking the resources to meet complex requirements.

Despite these challenges, ASEAN holds significant opportunities. By harmonising ESG taxonomies, investing in data and assurance infrastructure, and leveraging the skills of accountants, the region can reposition ESG from a regulatory burden to a catalyst for competitiveness, innovation, and sustainable growth. The alignment between Islamic finance and ESG principles further highlights ASEAN’s

potential to lead with contextually relevant models.

Looking ahead, ASEAN’s ability to achieve milestones such as a harmonised taxonomy by 2030, operational ESG data platforms by 2035, and assurance frameworks by 2040 will be critical to unlocking sustainable finance and improving long-term resilience. The shift from compliance to value creation will be central to this transformation, positioning ASEAN not only as a participant but as a leader in the global ESG agenda.