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Sustainability Week Asia 2026: ASEAN at the Crossroads

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Sustainability Week Asia, which is an annual event organized by The Economist Impact held in Bangkok, brought together policymakers, corporates, and investors to assess ASEAN's transition across climate, nature, and resource systems. While the region has made clear progress in setting sustainability frameworks, Kenanga views that the key constraint has shifted decisively toward execution. Across themes including biodiversity, Scope 3 emissions, water, and urban systems, the ability to translate ambition into coordinated, investable, and scalable outcomes remains uneven.

A key shift emerging is that sustainability is no longer a compliance exercise but a source of competitive differentiation. Companies that can operationalise Scope 3 emissions strategies, embed climate-related risk into enterprise planning, and invest in resilience are likely to outperform, while laggards face rising operational and cost risks. At the same time, new complexities are surfacing. Climate adaptation is becoming as critical as mitigation, water security is increasingly driven by system efficiency rather than availability, and AI introduces a dual dynamic of efficiency gains versus rising energy and water demand. These trends reinforce that the transition is becoming more multidimensional, requiring trade-offs across carbon, nature, and resources.

In our views, the next phase of ASEAN's sustainability transition will require:

- stronger integration of sustainability into core business and capital allocation decisions,
- improved data, measurement, and standardisation (particularly for biodiversity and Scope 3),
- infrastructure upgrades and pricing reforms to address structural inefficiencies (e.g. water, energy), and
- greater coordination across public and private stakeholders to close execution gaps.

1. Nature & Net Zero: From Frameworks to Execution

- *Forum Highlights*

A key shift emerging from the session is the transition of biodiversity from a peripheral CSR consideration into a core component of investment and operational decision-making. Within the energy sector in particular, nature-related risks are increasingly being incorporated alongside carbon in project evaluation, although the level of maturity remains uneven across markets.

Unlike carbon, biodiversity lacks a standardised measurement framework, with impacts highly localised and dependent on site-specific conditions. As a result, companies are relying on evolving tools and frameworks such as the Convention on Biological Diversity and TNFD, though comparability remains limited. Despite these constraints, the discussion highlighted that biodiversity considerations are already influencing real project decisions, including infrastructure relocation and redesign to minimise ecological disruption.

From a regional perspective, Singapore stands out in terms of execution and integration, while Malaysia and the Philippines remain at earlier stages, constrained by measurement challenges and coordination. We view the key inflection point as the eventual pricing of nature-related risks into investment decisions, although this will depend on further standardisation and regulatory clarity.

- *Kenanga View*

While policy momentum is building across the region, biodiversity integration remains at an early-stage relative to climate. The key inflection point will be when nature-related risks are consistently priced into investment decisions, although measurement challenges continue to limit comparability and scalability. While Malaysia is in the early stages of nature reporting, we expect the

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National Sustainability Reporting Framework (NSRF) to accelerate alignment with the Taskforce for Nature-related Financial Disclosures (TNFD) aligned disclosures.

2. Water: Efficiency Over Scarcity






• *Forum Highlights*

The water discussion underscored that water stress in ASEAN is often driven less by absolute scarcity and more by inefficiencies in distribution systems. While corporates have achieved improvements in water intensity, further gains are becoming increasingly difficult without technological innovation, suggesting a natural efficiency ceiling.











A key structural issue underpinning this challenge is the high level of non-revenue water (NRW), which refers to treated water that is lost before reaching end users due to leakages, theft, or metering inefficiencies. This effectively reduces usable water supply, even in resource-rich markets.

The regional disparity in system efficiency is evident in NRW levels. Singapore operates at approximately ~5% NRW, reflecting a highly efficient and well-maintained system. In contrast, Malaysia records significantly higher losses of ~35–40%, indicating substantial inefficiencies in infrastructure and water management. Thailand and the Philippines fall in between, with NRW levels of ~25–30% and ~20–30% respectively, although best-in-class operators in the Philippines have demonstrated that lower loss rates are achievable.

• *Kenanga View*

Country	NRW (%)	Water lost	Water delivered	Implication
 Singapore	~5%	5L lost	95L delivered	Highly efficient system
 Malaysia	~30–35%	30–35L lost	70–65L delivered	Significant inefficiency
 Thailand	~25–30%	25–30L lost	70–75L delivered	Moderate losses
 Philippines	~20–30%	20–30L lost	70–80L delivered	Improving
 Indonesia	~30-35%	30-35L lost	65-70L delivered	High inefficiency

The comparison above highlights that water availability does not necessarily translate into water security. Rather, system efficiency, particularly the ability to minimise NRW is a critical determinant of effective supply. A key structural constraint remains the under-pricing of water across much of the region, which weakens incentives for conservation and limits funding for infrastructure investment. In the Malaysian context, high Non-Revenue Water (NRW) levels (averaging 35-40% in many states) represent a structural revenue leakage that severely hampers utility margins.

Country	Avg Tariff (RM/m ³)	Relative Level
 Singapore	~RM5.8 – RM9+	 Very high
 Philippines	~RM2.9 – RM3.5	 High
 Thailand	~RM1.7 – RM2.6	 Moderate
 Malaysia	~RM1.2 – RM1.6	 Low
 Indonesia	~RM1.1+	 Low

Malaysia's high NRW of ~30-35% is closely linked to its tariff structure, where prices remain below the full cost of supply. This limits utilities' ability to reinvest in pipe replacement and system upgrades, resulting in persistent leakage and slow progress. The government has set a target to reduce NRW to ~28%, but achieving this will likely require not just infrastructure investment, but also gradual tariff rationalisation to improve cost recovery. As water demand rises, particularly from industrial users such as data centres, this highlights that NRW is not just an operational issue, but a structural constraint tied to pricing and funding. We believe reducing NRW is the most immediate lever for freeing up CAPEX for infrastructure upgrades, without requiring new resource development.

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3. Scope 3 Emissions: From Disclosure to Strategy

- **Forum Highlights**

The discussion on Scope 3 emissions reinforced the view that the next phase of corporate decarbonisation will be driven not by internal efficiency improvements, but by value chain transformation. For many companies, particularly in manufacturing and consumer sectors, Scope 3 emissions account for 75–98% of total emissions, fundamentally shifting the focus toward supplier ecosystems, product design, and customer use-phase emissions.

A critical takeaway is that Scope 3 emissions can no longer sit within the sustainability function alone. Instead, it requires deep organisational integration, with procurement, finance, R&D, and business units all playing active roles. Procurement is emerging as a key lever, as supplier engagement, contract structuring, and incentive alignment become central to driving emissions reductions. At the same time, finance functions are increasingly embedding carbon into capital allocation and performance metrics, linking sustainability outcomes to financial accountability.

Despite this shift, execution remains challenging due to the sheer complexity of global supply chains, limited data availability, and inconsistent supplier disclosure. However, a notable mindset shift is emerging - companies are moving away from attempting to achieve perfect data accuracy and instead focusing on “good enough” data to drive action. This reflects a recognition that waiting for complete data risks delaying meaningful progress.

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We view Scope 3 emissions as a key competitive differentiator, with leaders defined by execution capability rather than disclosure quality. As Malaysia advances under the NSRF and aligns with International Sustainability Standards Board (IFRS S1/S2), Scope 3 emissions is increasingly central to regulatory readiness and investor scrutiny. In our view, companies that embed carbon considerations into procurement, finance and product strategy, while leveraging decision grade data to drive supplier engagement, will be better positioned to manage transition risks and sustain long-term value.

4. Cities & Waste: Execution Over Ambition

- **Forum Highlights**

The discussion on cities highlighted the increasing importance of urban areas as both drivers of economic growth and sources of environmental pressure. While cities occupy a relatively small share of global land, they account for a disproportionate share of emissions, waste generation, and resource consumption, particularly through the built environment.

A key challenge identified is the lack of integration across policy, planning, and execution, with sustainability initiatives often implemented in silos across different agencies and stakeholders. This fragmentation limits the effectiveness of zero-waste and nature-positive strategies, particularly when long-term planning is not embedded from the outset.

Behavioural change also emerged as a critical constraint. Waste continues to be viewed primarily as a disposal issue rather than a resource with recoverable value, limiting the adoption of circular economy practices. At the same time, rapid urbanisation is exacerbating pressures, particularly through rising consumption and increasing heat stress, which is becoming a key risk to productivity and liveability.

- **Kenanga View**

The key bottleneck for zero-waste and nature-positive cities is no longer policy ambition, but execution and behavioural alignment. Progress will depend on stronger integration across stakeholders and embedding sustainability principles at the planning stage rather than retrofitting later.

5. Adapting to Disaster: Building Climate Resilience

- **Forum Highlights**

This session reframed climate change from a sustainability issue into a core operational risk. From the conference, speakers emphasised that climate risk becomes real when it disrupts operations, particularly supply chains, infrastructure, and service continuity. Examples such as Thailand’s 2011 floods and Malaysia’s recent flooding events illustrated how extreme weather can directly impact production and financial performance.

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Private sector integration is accelerating, with companies like KPJ Healthcare embedding climate risks into enterprise risk frameworks. In healthcare, resilience is critical, as disruptions directly affect patient safety. Case studies shared included hospital flooding events that forced emergency evacuations, prompting stronger focus on climate scenario planning and business continuity.

At the city level, Bangkok's approach highlighted the importance of data-driven resilience planning, moving beyond large infrastructure projects to also address smaller system weaknesses. The use of real-time data to identify flood-prone areas has significantly improved response strategies.

A key discussion point was the shift from mitigation to adaptation. While mitigation remains important, there is increasing recognition that climate impacts are already occurring, requiring immediate investment in resilience. Financing remains a constraint, but speakers highlighted that resilience should be viewed not as a cost, but as a form of risk insurance.

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Climate adaptation is becoming a differentiator rather than compliance. While large corporates are ahead, SMEs lag. Over time, resilience investment may drive competitive advantage, particularly in supply chain reliability. Strategic maturity is now defined by moving beyond TCFD compliance (now known as IFRS S2) toward active CAPEX for physical resilience. This "Resilience Premium" protects terminal value by ensuring insurability and bankability in high-risk zones. In an era of volatile climate patterns, maintaining business continuity during disruptions is a primary differentiator for long-term earnings stability and valuation protection.

6. **AI & Emissions: Efficiency vs Resource Constraints**

- ***Forum Highlights***

This session provided one of the most engaging discussions, with audience sentiment initially split nearly 50–50, before shifting to ~60–40 against the motion, indicating that more participants were ultimately convinced that AI may create more emissions than it reduces.

From the conference, the pro-AI argument focused on efficiency gains. AI was positioned as a tool to reduce inefficiencies across industries, from energy systems to manufacturing, potentially lowering overall emissions through optimisation. The argument emphasised AI's "carbon handprint" its ability to enable emissions reductions beyond its own footprint.

However, the opposing argument highlighted the significant resource intensity of AI, particularly energy and water usage. Data centres currently consume around 1–2% of global electricity annually, comparable to the total annual electricity consumption of Japan. This demand is expected to grow further with increasing AI adoption. Water usage was another key concern. It was noted that generating a simple AI output (e.g. a short email) can consume roughly 0.5 litres of water, largely due to cooling requirements in data centres. At scale, AI infrastructure could consume hundreds of billions to over a trillion litres of water annually by 2030, placing additional strain on already stressed water systems.

Training large AI models also carries a substantial carbon footprint, with estimates suggesting emissions equivalent to multiple vehicles over their lifetimes. The debate also introduced the concept of Jevons paradox, where efficiency gains lead to increased usage, potentially offsetting emissions reductions. Ultimately, while AI has clear potential to improve efficiency, the session concluded that current evidence suggests its resource footprint is growing faster than its mitigation impact, at least in the near term.

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AI presents both an opportunity and a risk. While it can drive efficiency and support decarbonisation efforts, its rapid scaling could lead to higher overall energy and water consumption if not managed properly. The key question is not whether AI is beneficial, but whether its deployment can be aligned with sustainable resource use. While the NSRF (ISSB) mandates high-level climate disclosures, we believe the true differentiator for DC operators will be asset-level transparency. To mitigate operational risks, we expect operators to move beyond consolidated global reporting and provide granular, site-specific Power Usage Effectiveness (PUE) and Water Usage Effectiveness (WUE) metrics. For investors, the ability to track these metrics is no longer optional; it is essential for quantifying the long-term margin impact of rising utility costs and carbon pricing on tech-heavy portfolios.

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7. **Summary**

- Across both days, a consistent theme emerges the transition is no longer constrained by ambition, but by execution. Whether in nature, water, financing, or renewables, the primary bottlenecks lie in system readiness, coordination, and implementation capability.
- At the same time, new complexities are emerging, particularly with AI and resource competition, reinforcing that the transition is becoming more multidimensional rather than linear. From an investment perspective, differentiation will increasingly be driven by execution capability, infrastructure readiness, and the ability to align sustainability with core business strategy.

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OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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