



Industry perspectives from NAVIGATING NSRF: Harnessing Technology to Unlock Scope 3 Transparency

Report Published on January 2026

A thought leadership forum by



Eco-Business



EXECUTIVE SUMMARY

Navigating NSRF: Harnessing technology to unlock scope 3 transparency was held in conjunction with Cities: Possibilities Malaysia. During the session, senior professionals from diverse sectors explored the state of scope 3 reporting in their organisations, which represent a cross-section of Malaysia’s economy. They delved into critical barriers to effective scope 3 reporting, necessary support requirements, and ecosystem collaboration opportunities. Technology adoption in relation to emissions management, disclosure, and reporting was also discussed.

This report documents industry perspectives from the session, capturing:

1. The state of scope 3 reporting among the organisations present
2. Critical barriers, support requirements, and ecosystem collaboration opportunities in scope 3 reporting
3. The current state of technology adoption for emissions management, MRV, and adoption
4. Clear pathways to progress, informed by organisational and market sentiments

KEY FINDINGS

Overall readiness for NSRF adoption remains low to moderate, underscored by capacity, budget, and methodological challenges. Supplier engagement poses the biggest obstacle to scope 3 reporting, especially for smaller firms. Additionally, a notable technology adoption lag was observed, driven by a lack of affordable technology solutions, and government awareness.

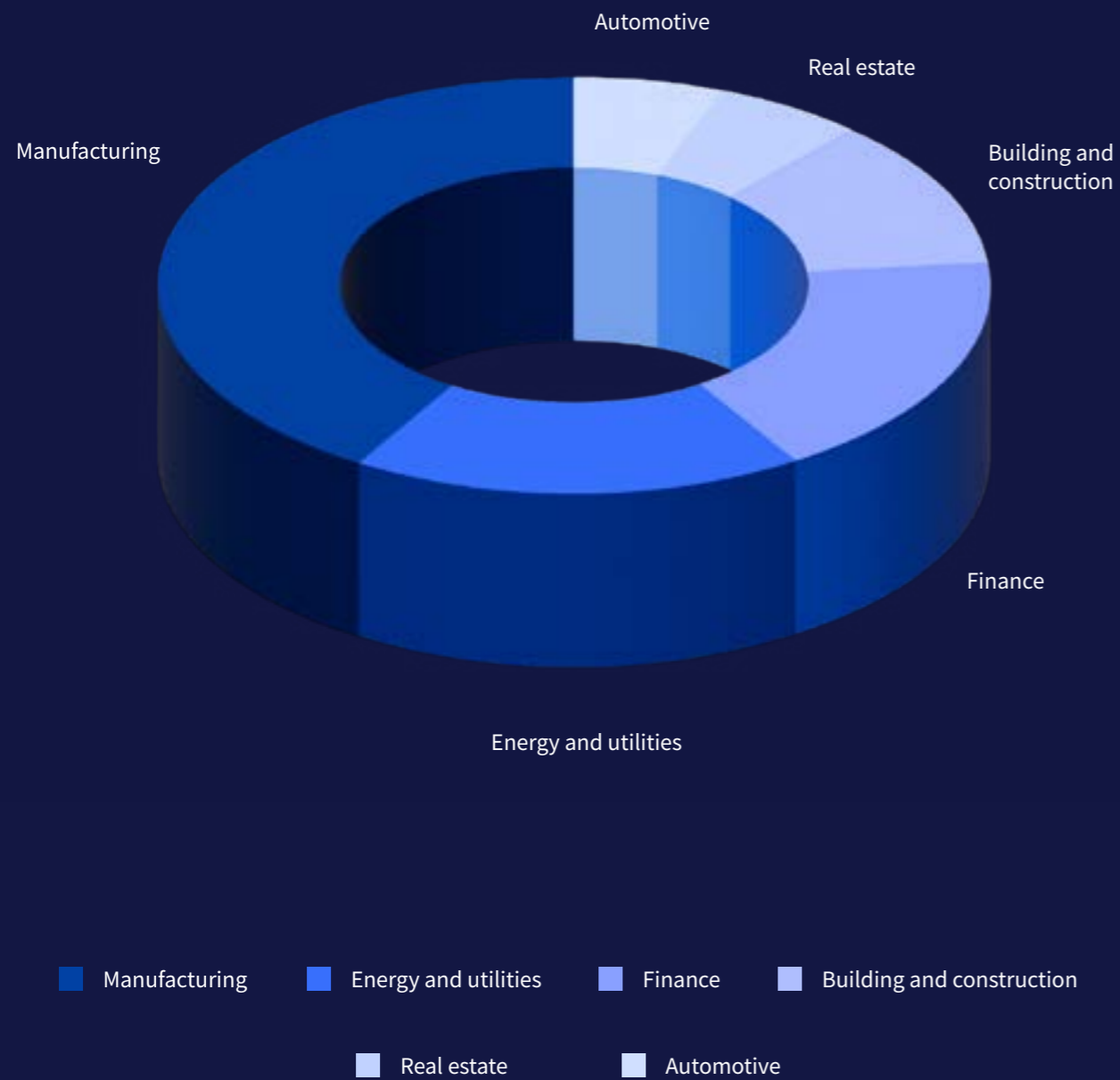
NSRF readiness gaps	Scope 3 reporting challenges	Technology adoption lag	Essential enablers
Organisations report low-to-moderate readiness levels	Despite significant materiality, scope 3 emissions are the most difficult to measure	Most organisations rely on Excel sheets for sustainability reporting despite limitations with the platform	Capacity building, sector-specific guidance, and financial incentives were identified as essential enablers for successful NSRF implementation
Key concerns are capacity, budget constraints, and monetary risk valuations	Supplier engagement poses the greatest barrier, especially for small- and medium-sized enterprises (SMEs)	Cost is the primary obstacle to advanced technology adoption	

“Big asks” from participants, namely **capacity building, sector-specific guidance, economic incentives, and affordable technology solutions**, directly address the challenges surfaced in the qualitative and quantitative findings. In particular, improved technology solutions, with advanced data mapping and visualisation capabilities, and supply chain collaboration, are expected to accelerate scope 3 transparency.

PARTICIPANT OVERVIEW

Senior professionals from diverse industries attended the session. They offered insights across the breadth of sustainability policy adoption and scope 3 reporting.

Participant industry breakdown



FINDINGS

QUALITATIVE FINDINGS

1. Budget, capacity limitations, and technological gaps are seen as significant obstacles to readiness

Readiness levels were determined as low to moderate. Budget emerged as the biggest internal barrier to adoption, with capacity limitations and technological gaps also identified as significant obstacles. One participant reported limited manpower for emissions data collection in their organisation, with only three personnel who could perform this task.

Three out of four participants also stated that attributing monetary value to risks created ambiguities in the process.

Big ask: Capacity training was identified as the best way to accelerate readiness. Limited assurance, training, and more sector-specific support in illustrative industry guides, were also put forward as potential solutions. The need for a more user-friendly national data hub was also highlighted.

2. Aligning scope 3 expectations with operational efficiency is key

A fundamental disconnect was observed between regulatory expectations and survival strategies for SMEs, with survival taking precedence in terms of SME priorities. The viability and affordability of measuring scope 3 emissions as per current regulations was also questioned, with some stating that the cost of collecting data may outweigh its purpose. Participants suggested basing calculations on the proportionality mechanism under ISSB, as well as limiting scope 3 measurement and reporting to areas where it adds value.

Participants related that they faced a lack of leverage when engaging with suppliers on scope 3. Additionally, because suppliers serve multiple customers, there are further issues with allocating and attributing emissions.

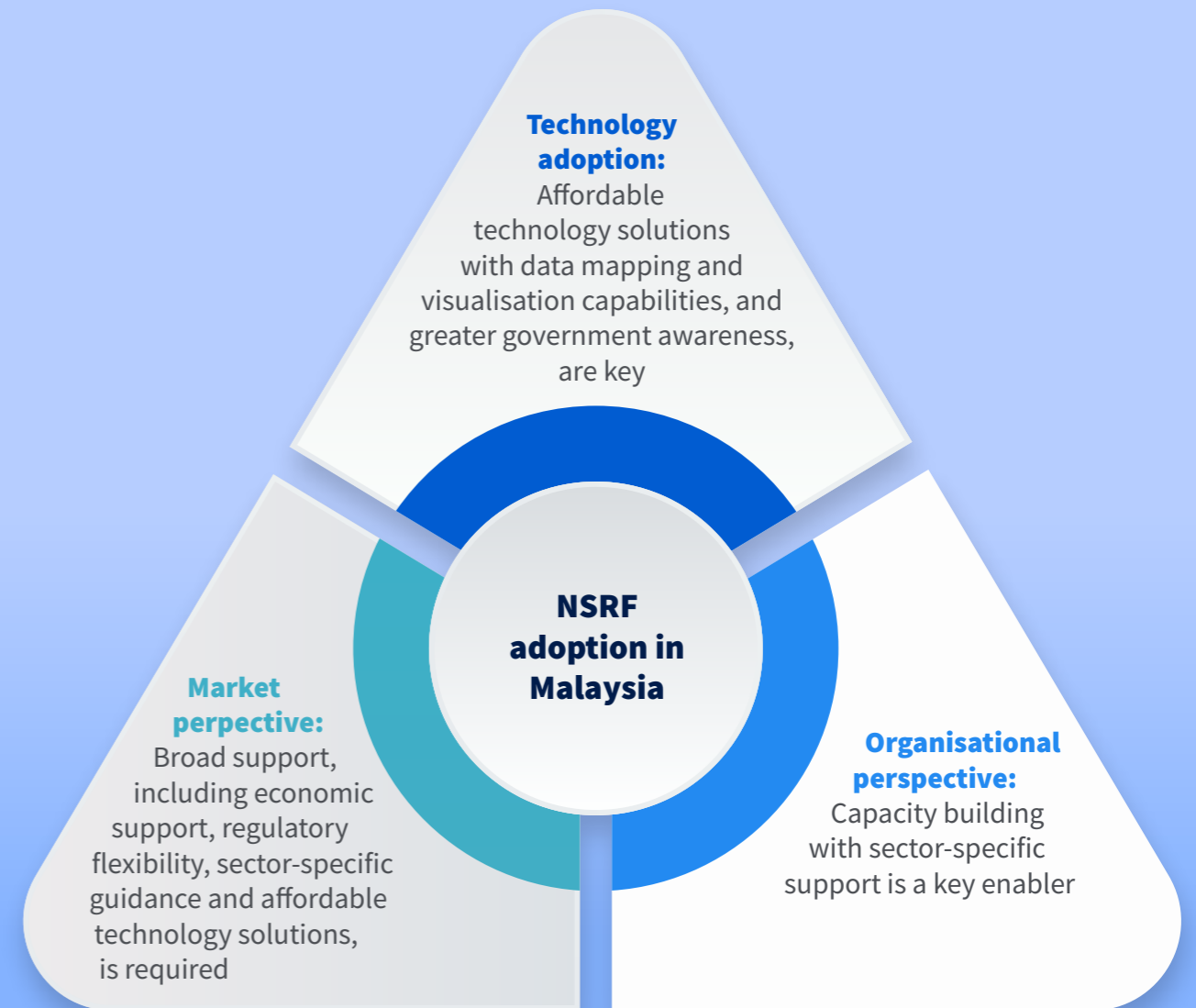
Big ask: Subsidies or incentives from public or private sources were a key ask. Participants recognised that this was not a silver bullet and, therefore, should be implemented alongside awareness and enablement. Flexibility for organisations, sector-specific guidelines, cluster-based SME support, and affordable technology solutions were also mentioned.

3. Data visualisation and mapping tools are critical aspects of viable technology solutions

The persistent use of Excel in sustainability reporting, despite the platform's limitations, was emphasised. The most useful platform capabilities were identified as the ability to lock cells and see a document's edit history. Data visualisation, as well as the mapping of data to current regulatory standards and frameworks, was seen as critical to the viability of technology tools for scope 3 reporting. Cost emerged as the top consideration in technology adoption decisions.

Big ask: Affordable technology solutions offering a good user experience, in addition to the required capabilities, were seen as vital to increasing technology adoption. For governments, a better understanding of the need for ESG reporting will be helpful to organisations. Greater awareness of the economic support available to firms can help these companies navigate this area.

SUMMARY OF QUALITATIVE FINDINGS



Three aspects of NSRF adoption in Malaysia were addressed in the breakout discussion: [1] organisational sentiment, [2] market sentiment, and [3] technology adoption.

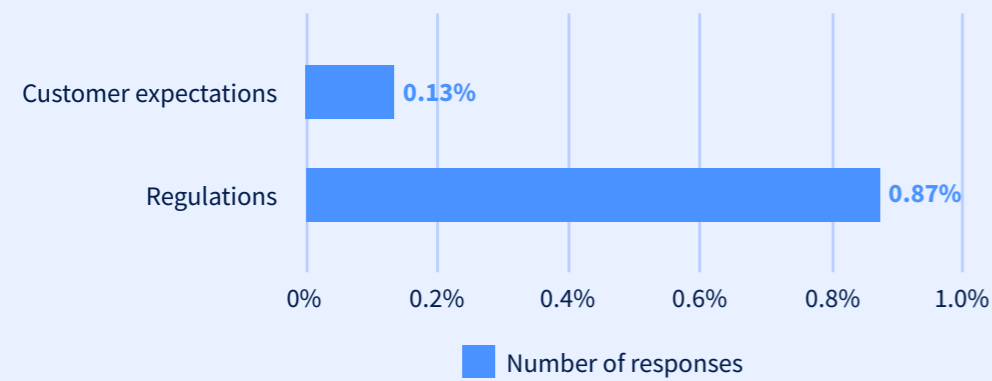
PARTICIPANT SURVEY INSIGHTS

Industry perspectives were gathered throughout the session. These perspectives shed light on barriers to scope 3 reporting, the current state of technology adoption for emissions management and MRV, areas of support, and ecosystem collaboration opportunities.

1. Current state of play

Influential factors

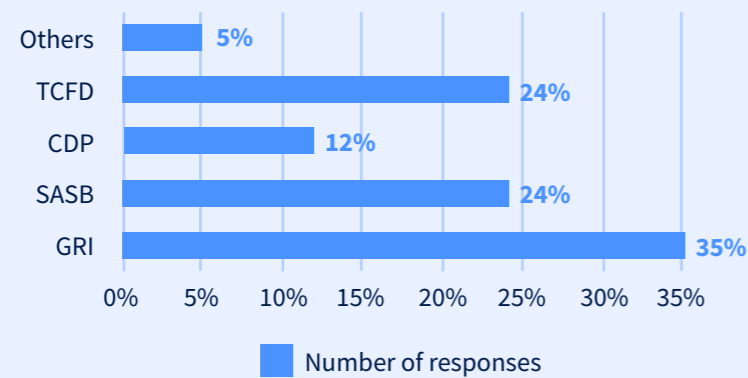
What is currently influencing your ESG disclosure mandates?



The primary influence on organisational ESG disclosure mandates was compliance with regulations like the NSRF, with customer requirements also exerting significant influence.

ESG reporting frameworks in use

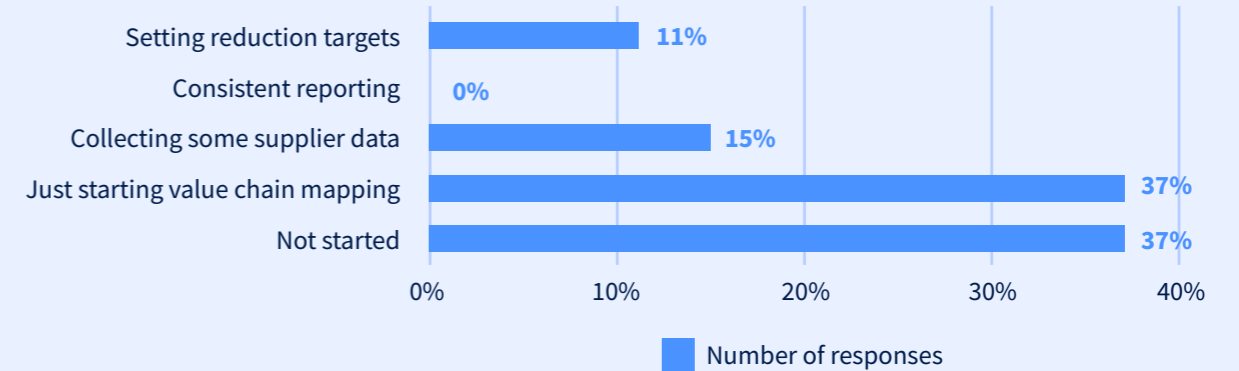
What ESG reporting framework have you used or are currently using?



The most commonly used frameworks are the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and Taskforce on Climate-Related Financial Disclosures (TCFD).

State of measuring scope 3 emissions

How far along is your organisation in measuring scope 3 emissions?



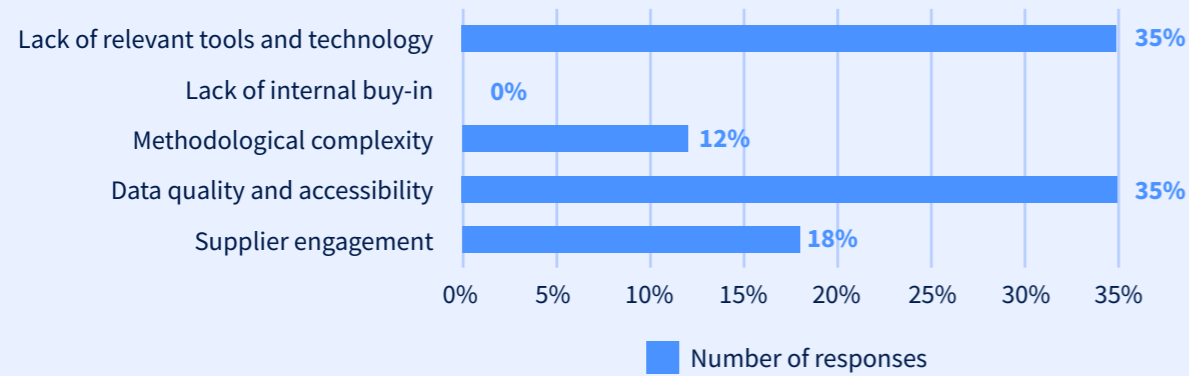
Most organisations have not started measuring scope 3 emissions, or are at the preliminary stage of value chain mapping. A minority of organisations are at the advanced stage of setting reduction targets.



2. Challenges and opportunities

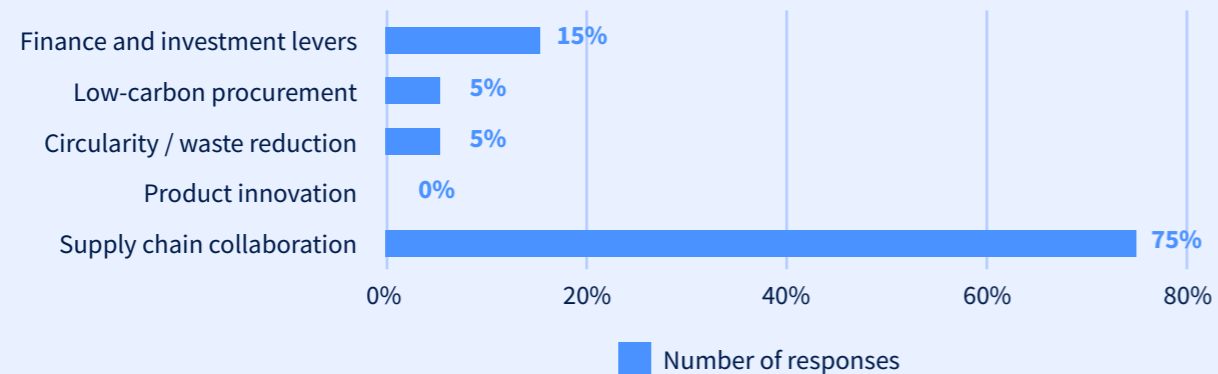
i. Challenges

What is the biggest challenge your organisation faces with scope 3 reporting?

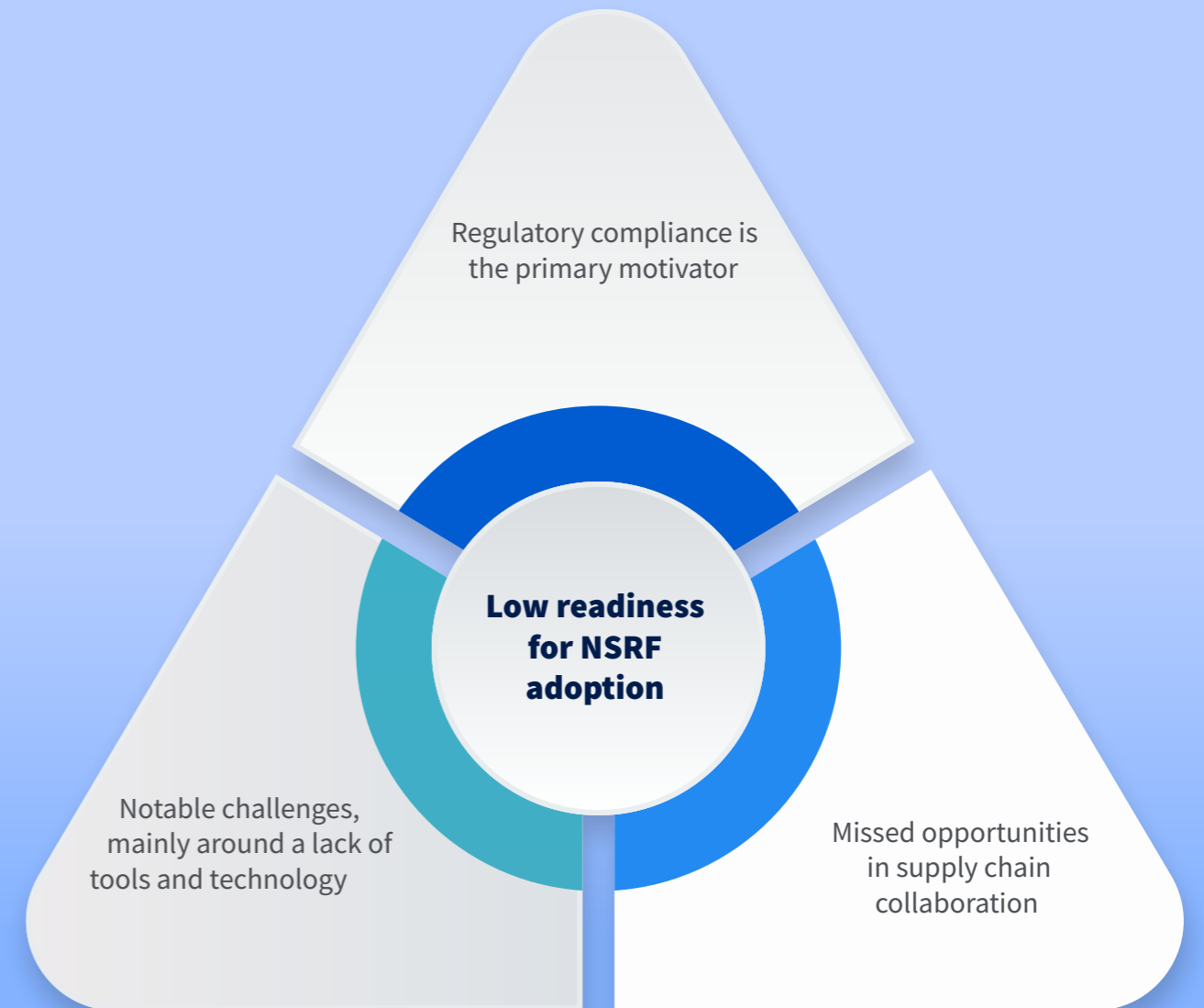


ii. Opportunities

What is the biggest opportunity for Scope 3 impact in your organisation?



SUMMARY OF QUANTITATIVE FINDINGS



Audience sentiments of the day suggest low readiness for NSRF adoption. Most have not started measuring scope 3 emissions, or are at the preliminary stage of value chain mapping. Just two organisations were found to be at the advanced stage of setting reduction targets. Among those who have started reporting, the most commonly-used frameworks are the GRI, SASB, and TCFD.

Participants identified compliance with regulations like the NSRF as the primary motivator for firms to improve ESG disclosure, with meeting customer requirements also playing a significant role.

The main challenges in improving ESG disclosure pertained to supplier engagement, a lack of appropriate tools and technology solutions, and data quality and accessibility. These stood in the way of notable opportunities, especially increasing supply chain collaboration.

CONCLUSION

Our participant survey insights suggest lower readiness levels than those expressed in the qualitative findings, with small firms struggling the most. Key concerns of organisations are broad in scope, with supplier engagement, a lack of viable technology solutions, capacity issues, and budget constraints. These challenges exacerbate fundamental difficulties in quantifying, measuring, and reporting scope 3 emissions.

A key gap in the qualitative insights was influential factors in NSRF adoption. This gap was filled by the quantitative findings, which suggest that compliance with regulations is the primary motivator for firms to improve their ESG disclosure. Read in totality, our findings suggest that basic forms of targeted support, such as sector-specific guidance, capacity building initiatives, financial incentives, and affordable technology solutions, can translate this motivation into tangible action. In particular, the latter shows great promise in helping organisations capture the most alluring scope 3 opportunity identified – supply chain collaboration to boost trust and share prosperity.



STRATEGIC RECOMMENDATIONS





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