

SPECIAL FEATURE 4

NATIONAL SUSTAINABILITY REPORTING
FRAMEWORK

On 24 September 2024, the NSRF was launched by the Minister of Finance II, Senator Datuk Seri Amir Hamzah Azizan at the SC. The NSRF addresses the use of the *IFRS Sustainability Disclosure Standards* issued by the International Sustainability Standards Board (ISSB) as the baseline sustainability disclosure standard for companies in Malaysia, as well as the assurance requirements for sustainability information. Under the NSRF, companies may complement use of the ISSB standards with other reporting frameworks to meet the information needs of different stakeholders. Malaysia fully adopts the ISSB standards, joining 29 other jurisdictions that have decided or are taking steps to introduce the ISSB standards in their legal or regulatory frameworks.

The Advisory Committee on Sustainability Reporting (ACSR), which is chaired by the SC, developed the NSRF to enhance the availability of consistent, comparable and reliable sustainability information to elevate Malaysia's competitiveness and attractiveness to investors. It is intended to provide a disclosure framework for companies to measure and hold themselves accountable over their sustainability-related commitments and targets, and to drive more sustainable business conduct and outcomes. The NSRF also shares a common goal with the *Maqasid al-Shariah*, as introduced through the SC's *Maqasid Al-Shariah Guidance Islamic Capital Market Malaysia*, in November 2023, emphasising on Humanity; Justice and Benevolence; Clarity and Transparency; and Fiduciary and Accountability, among others.

The implementation of the NSRF will be in a phased and developmental manner given the varying degree of readiness and maturity in sustainability reporting practices of companies. Initial focus of the disclosures will be on climate-related risks and opportunities, before moving to the other sustainability topics. Group 1, comprising large Main Market listed issuers with market capitalisation of RM2 billion and above, will start using the standards from annual reporting periods beginning on or after 1 January 2025. Group 2, comprising Main Market listed issuers (other than the listed issuers in Group 1), will start in 2026, whereas Group 3, which comprise ACE Market listed issuers and non-listed companies with annual revenue of RM2 billion and above, will start in 2027.

NSRF implementation will be through a phased approach starting 2025; Scope 3 GHG emissions disclosures on a deferred timeline

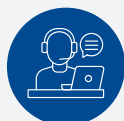
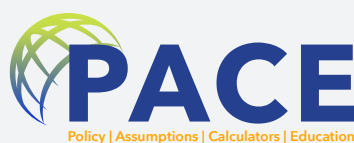
Applicable entities	Timeline					
	2025	2026	2027	2028	2029	2030
Group 1 Large Main Market listed issuers (market capitalisation of RM2 billion and above)	Climate-related disclosures		Scope 3 GHG emissions disclosures			
Group 2 Main Market listed issuers (other than listed issuers in Group 1)		Climate-related disclosures		Scope 3 GHG emissions disclosures		
Group 3 • ACE Market listed issuers • Non-listed companies with annual revenue of RM2 billion and above			Climate-related disclosures			Scope 3 GHG emissions disclosures
Assurance Assurance framework will be subject to further consultation	<ul style="list-style-type: none"> Aim for reasonable assurance for Scope 1 and Scope 2 GHG emissions starting 2027 Accounting and non-accounting practitioners 					
Proportionality mechanisms and additional transition reliefs	Climate-first approach	In-built proportionality mechanisms	Focus on principal business segments	Scope 3 GHG emissions		

The NSRF was developed through extensive engagements and consultations, including:

- 15 February 2024 to 29 March 2024 – issuance of a public consultation paper on the NSRF. A public response paper on the outcomes of the public consultation was published on 21 October 2024.
- 5 March 2024 – a consultation webinar on the NSRF, with close to 600 online participants. The agenda of the webinar was to brief participants on the consultation paper approach and to provide opportunity to participants to raise queries on the NSRF.
- 8 March 2024 – ACSR organised a session with the ISSB to provide regulators with an understanding of the of the ISSB’s inaugural sustainability disclosure standards, specifically the IFRS S1 General Requirements for Disclosures of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures.
- 3 April 2024 – Focus group discussion with large non-listed companies, particularly those with annual revenue of RM500 million and above.
- 8 April 2024 to 22 April 2024 – issuance of a survey to international stakeholders on the NSRF.
- 18 April 2024 – ACSR engagement with the Ministry of Domestic Trade and Costs of Living (KPDN) to discuss the proposed inclusion of non-listed companies under the NSRF.
- 26 April 2024 – ACSR roundtable engagement with relevant ministries and agencies. Participation included representatives from MOF, Ministry of Economy, MITI, NRES, KPDN and Malaysia External Trade Development Corporation (MATRADE). The objectives of the roundtable were to socialise the NSRF with the relevant ministries and agencies and discuss how the initiatives by the ACSR and ministries, in terms of supporting the national sustainability agenda, can be aligned.
- 7 June 2024 – ACSR engagement with ISSB to discuss several key areas related to the ISSB Standards and development of the NSRF.
- 10 October 2024 – An International Auditing and Assurance Standards Board (IAASB) Roundtable on sustainability assurance was organised by the SC Audit Oversight Board (AOB) for the ACSR to obtain a better understanding of the proposed assurance standards for sustainability information (ISSA 5000, General Requirements for Sustainability Assurance Engagements).

The ACSR in undertaking its mandate, kept MOF abreast of key milestones and was guided by the MOF’s views and input in the development of the NSRF.

The implementation of the NSRF will be supported through an initiative of the ACSR called PACE, which stands for Policy, Assumptions, Calculators and Education. PACE will among others, run capacity-building programmes and make available NSRF-related guidance materials and tools.



Regular Feedback

Providing mechanism for feedback, advice and response

- Advisory Panel comprising industry experts, specialists including climate scientists
- Industry working groups
- FAQs and surveys (including those targeted at supporting medium and smaller companies)



Framework

Understanding interoperability of frameworks

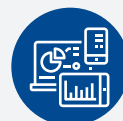
- GRI Professional Certification Programme
- GRI-ISSB interoperability Module (Module 6)
- Practical programmes on using the ISSB Standards



Model Disclosures

Providing illustrative materials for reference, including those which address industry specific details

- Proforma disclosures
- Disclosure of Scope 3 GHG emissions



Digital Solutions

Leveraging platforms and tools to ease disclosures and calculations

- Emissions Calculator



Value Chain

Easing process for SMEs to disclose information including data on sustainability

- SME reporting tool based on CMM's *Simplified ESG Disclosure Guide*

Completed and upcoming PACE initiatives include:

- Global Reporting Initiative (GRI) Professional Certification Programme for 100 accountants from audit firms registered with the AOB, which started on 16 October 2024. The programme was conducted over three cohorts, the last of which was completed on 30 October 2024. The accountants are expected to undergo the GRI Professional Certification Modules to equip themselves with the necessary competencies to advise companies in their sustainability reporting as well as effectively assess, verify and provide assurance on sustainability disclosures.
- NSRF – Navigating the Transition: A Guide for Boards is a document intended to be a simplified guide for boards to use the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2 Climate-related Disclosures (collectively referred to as the ISSB Standards). It outlines key questions and considerations as companies prepare to use the ISSB Standards. The document was issued on 20 January 2025.
- GRI-ISSB Interoperability Module, which will be rolled out as a training programme under PACE. The GRI is a widely used sustainability reporting framework by companies, and hence will be the base from which companies are starting to use the ISSB Standards.
- Proforma Disclosures to provide illustrative references to companies to guide the preparation of their disclosures. The proformas will be focused for companies in the highest emitting sectors in Malaysia.
- SME Reporting Tool to help SMEs provide relevant sustainability data. The tool will be based on the 35 sustainability indicators as identified in Capital Market Malaysia's (CMM) *Simplified ESG Disclosure Guide* (SEDG).