

Climate Change Bill (*Rang Undang-Undang Perubahan Iklim Negara*)(RUUPIN) and the National Carbon Market Policy (*Dasar Pasaran Karbon Kebangsaan, DPKK*). Together, these policies will help mobilise and guide government agencies, industry, communities, and other stakeholders in addressing the challenges of climate change and carbon emissions in a holistic manner. The SC is a member of both the RUUPIN and DPKK Technical Working Committees, working closely with NRES and other members, including ministries, government agencies, state governments, and organisations, to provide input and feedback on the development of RUUPIN and DPKK, with the aim of finalising these regulations and policies. The RUUPIN aims to strengthen institutional arrangements on data and information disclosure as well as emissions reduction mechanisms to thrive and prosper while marching towards a low carbon and resilient economy in Malaysia. Additionally, the DPKK aims to support the adoption of both compliance and voluntary carbon market mechanisms in Malaysia. The SC also supported NRES in facilitating stakeholder consultation sessions with the financial sector on RUUPIN and DPKK through the Joint Committee on Climate Change (JC3).

As these policies take shape at the national level, in December 2022 Bursa Malaysia launched the Bursa Carbon Exchange (BCX), Malaysia's voluntary carbon market exchange (VCM), the world's first Shariah-compliant carbon exchange, as domestic demand for carbon credits grow. The launch of the VCM is seen as a critical step in catalysing the domestic carbon market as this will establish local capabilities in developing carbon projects and monitoring, reporting and verification (MRV) services, while crowding in funding required for the various carbon projects.

Following the launch of the BCX in 2022, BCX hosted the first domestically generated carbon credits auction from the Kuamut Conservation Project in July 2024, highlighting Malaysia's ability to produce high-integrity carbon credits. In tandem, as clean energy becomes central to Malaysia's decarbonisation journey, BCX carried out its inaugural auction of renewable energy certificates (RECs) generated from the Murum Hydroelectric Plant in Sarawak, the first large scale sustainable energy project.

The year also saw the establishment of the Malaysia Carbon Market Association, launched in August 2024 to facilitate and accelerate the development of the

Malaysian carbon market. The non-profit organisation is represented by a consortium of players from both private and public sectors.

In addition to developing Malaysia's carbon market, the SC continues to support the development of other national sustainability-related government policies and initiatives including the *Nationally Determined Contribution Roadmap and Action Plan* (NDC Roadmap) and Long-Term Low Emission Development Strategies (LT-LEDS). The SC participated in an engagement session on the development of the NDC Roadmap and Long-Term LT-LEDS organised by NRES to share its sustainable finance initiatives.

The SC is also a member of the REDD Plus Finance Framework Advisory Committee (RFFAC) Technical Working Group on Forest Carbon Offset (FCO). The REDD Plus Finance Framework (RFF) was developed as a finance mechanism to incentivise activities to enable forest preservation. The technical working group is a platform to exchange views and provide inputs as the protocols and guidelines for the FCO currently being developed by the Malaysia Forest Fund (MFF). The REDD Plus Finance Framework (RFF) was developed by MFF which was formed on the initiative of NRES as a finance mechanism to incentivise activities that help keep forests standing. It is designed to use funds for non-carbon benefits as well as for carbon credits.

Championing Financial Sector Response to Climate Change: Joint Committee on Climate Change

As Co-Chairs of the JC3, the SC and BNM are committed to enhancing the financial sector's response of climate change. As Malaysia moves toward a low-carbon economy and a more sustainable future, it is essential for all players, regulators, the exchange, financial institutions, and organisations alike, to contribute to this transition. The JC3 is actively exploring approaches to help companies navigate the shift to a low-carbon economy in a just and orderly manner, while also supporting financial institutions in accelerating capital allocation to businesses that showcase viable climate transition pathways.

As Co-Chair of Sub-committee 3 (SC3) (Product and Innovation) of JC3, the SC guided and provided support for a working group chaired by Maybank, deputy

chaired by CIMB Bank and co-led by HSBC Amanah to develop a transition finance framework. The framework is meant to serve as a practical guide for financial institutions in Malaysia to develop credible sustainable finance and transition finance solutions, and is targeted for issuance in 2025.

These concerted efforts underscore the importance of collaboration and open discourse, as the financial industry works together towards Malaysia's net zero commitments.

Other key milestones include:



Pilot projects:

- Greening Value Chain (GVC) pilot programme has enabled over 330 SMEs to measure and report their greenhouse gas emissions, with plans to expand this initiative among government-linked companies and public-listed companies.
- Greening Industrial Park (GIP) pilot programme aims to transition the management of industrial parks and operations of their tenant companies to low-carbon and sustainable practices. Kota Kinabalu Industrial Park (KKIP) and UMW High Value Manufacturing Industrial Park have been selected as the first two pilot parks.



The third iteration of the Climate Data Catalogue published in December 2024, which will introduce approximately 28 new data items related to biodiversity and nature-related financial risks.



Establishment of the Climate Finance Innovation Lab (CFIL), spearheaded by Bank Pembangunan Malaysia. The CFIL aims to accelerate decarbonisation efforts through innovative financial solutions that support climate transition, adaptation, and nature-related projects. The SC will be part of the working group that sets up the initial framework for which the CFIL will operate, in addition to being part of the Steering Committee to provide direction and guidance to the CFIL.

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

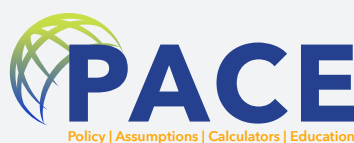
Applicable entities	Timeline					
	2025	2026	2027	2028	2029	2030
Group 1 Large Main Market listed issuers (market capitalisation of RM2 billion and above)	Climate-related disclosures		Scope 3 GHG emissions disclosures			
Group 2 Main Market listed issuers (other than listed issuers in Group 1)		Climate-related 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).