FREQUENTLY ASKED QUESTIONS (FAQ) ON

THE NATIONAL SUSTAINABILITY REPORTING FRAMEWORK

(Issued: 21 May 2025)

1.0 GENERAL

1.1 Who is the Advisory Committee on Sustainability Reporting (ACSR)?

The ACSR is an inter-agency committee, which was formed with the endorsement of the Ministry of Finance. The ACSR is chaired by Securities Commission Malaysia (SC) with members comprising representatives from the following bodies:

- Audit Oversight Board of the Securities Commission Malaysia (AOB)
- Bank Negara Malaysia (BNM)
- Companies Commission of Malaysia (SSM)
- Bursa Malaysia Berhad (Bursa Malaysia)
- Financial Reporting Foundation (FRF)

The role of ACSR is to identify the enablers that will facilitate the use of the standards issued by the International Sustainability Standards Board (ISSB), specifically the IFRS® Sustainability Disclosure Standard, IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information,* and IFRS S2 *Climate-related Disclosures* (collectively referred to as the ISSB Standards) in Malaysia. The ACSR's role also includes identifying other supporting elements that need to be in place including a framework for assurance and capacity building, collectively constituting the National Sustainability Reporting Framework for Malaysia (NSRF).

1.2 What is the intended outcome of the NSRF?

The NSRF aims to:

(i) Improve the availability of reliable, comparable and decision-useful information on material sustainability risks and opportunities of companies through the use of the ISSB Standards as the baseline standard;

(ii) Enable the use of other complementary reporting frameworks, for example, the Global Reporting Initiative (GRI), industry-based standards issued by the Sustainability Accounting Standards Board (SASB), to meet the information needs of different stakeholders; and

(iii) Support availability and flow of sustainability information across the supply chain.

1.3 How will the ISSB Standards be implemented to be part of the reporting framework in Malaysia?

Consequential amendments to the relevant legislations, rules and guidelines shall be undertaken to adopt the sustainability disclosure standards as part of the reporting framework in Malaysia, which include and are not limited to the following:

(i) Financial Reporting Act 1997;
(ii) Companies Act 2016;
(iii) Securities Commission Malaysia Act 1993;
(iv) Capital Markets and Services Act 2007;
(v) Bursa Malaysia's Main Market and ACE Market Listing Requirements; and
(vi) Relevant standards issued by BNM.

1.4 My company is currently reporting in accordance with other sustainability frameworks (e.g. GRI and TCFD-aligned disclosures). How will the reporting of my company be impacted?

Companies that have either begun or are preparing their processes and data in providing TCFD-aligned climate disclosures will have a reasonable foundation to begin adopting climate-related disclosures pursuant to the ISSB Standards, as the recommendations of the TCFD-aligned climate disclosures are embedded within the ISSB Standards.

Where necessary, companies can continue to disclose additional information in accordance with other sustainability reporting frameworks (e.g. GRI) to meet their stakeholders' information needs.

The ACSR further recognises that a sizeable number of companies are currently using the GRI Standards in reporting their sustainability-related disclosures. As such, an interoperability module between the GRI and ISSB Standards will be developed. Further information on implementation support is set out in Section 4 below.

Essentially, companies should continue to comply with the existing sustainability disclosure requirements, where applicable unless otherwise stated.

1.5 What is the rationale behind the different implementation dates for Main Market listed issuers with market capitalisation of RM2 billion and above, other Main Market listed issuers and ACE Market listed issuers?

Given the difference in readiness and maturity of the listed issuers, a different adoption timeline and approach is necessary for these issuers.

1.6 Why is the threshold for non-listed companies (NLCos) based on revenue and not industry-sector-based?

Using a sector-specific threshold approach will add a layer of complexity for large companies operating in multiple sectors. The revenue threshold of RM2 billion and above was considered after reviewing the landscape of NLCos in Malaysia and benchmarking against the thresholds used in other jurisdictions.[1]

1.7 What does the qualifying revenue criterion of RM2 billion for large NLCos refer to?

The revenue criterion of RM2 billion and above is based on the financial statements lodged with SSM.

The threshold is calculated based on consolidated group revenue of RM2 billion and above for two consecutive financial years preceding the current financial year. In the absence of group-level revenue, the threshold will be measured at the company level. This is intended to align with the entity's existing financial reporting practices.

1.8 Are there any resources we can use to understand further the implementation of IFRS S1 and IFRS S2 in Malaysia?

Additional information and resources are available on the NSRF microsite at https://www.sc.com.my/nsrf/.

Resources are also available on the IFRS Foundation website. https://www.ifrs.org/sustainability/knowledge-hub/.

[1] Several jurisdictions have recognised that economically or environmentally significant companies are not limited to public listed entities and have passed legislations to mandate sustainability or climate reporting to non-listed companies. Key jurisdictions that use a revenue/turnover threshold for its non-listed companies include Singapore (SGD 1 billion), Australia (AUD 500 million) and EU (€50 million in net turnover).

2.0 ADOPTION

2.1 Which entities will be required to adopt IFRS S1 and IFRS S2?

As outlined in the NSRF, the target entities are:

- Main Market listed issuers
- ACE Market listed issuers
- Large NLCos with annual revenue of RM2 billion and above

2.2 Will the NSRF include other market players, such as Small and Medium-sized Enterprises (SMEs) and LEAP Market listed issuers?

At this juncture, the current prime consideration is for use of the standards by listed issuers on the Main Market and ACE Market, as well as large NLCos. However, other entities may adopt the standards on a voluntary basis unless otherwise mandated by respective regulators. Entities operating in hard-to-abate sectors, as well as those covered under the Carbon Border Adjustment Mechanism (CBAM) sectors such as cement, metals (i.e. iron, steel and aluminium), chemicals, fertilisers, electricity, hydrogen and petroleum are highly encouraged to report in accordance with the NSRF.

2.3 What is the adoption timeline for the use of the ISSB Standards?

Considering the varying levels of readiness and maturity across different market segments, the use of the ISSB Standards will be phased-in as outlined in the table below:

Group	Applicable entities	Annual reporting periods beginning on or after
Group 1	• Main Market listed issuers with market capitalisation (excluding treasury shares) of RM2 billion and above as of 31 December 2024, or as at the date of its listing after 31 December 2024	1 January 2025
Group 2	• Main Market listed issuers (other than listed issuers in Group 1)	1 January 2026
Group 3	• ACE Market listed issuers • Large NLCos	1 January 2027

2.4 What does "phased and developmental approach" mean?

The phased and developmental approach entails:

(i) **Adopting a climate-first approach** – Under this approach, applicable entities are permitted to disclose information on only climate-related risks and opportunities, in accordance with IFRS S2 and apply the requirements in IFRS S1 only insofar as they relate to climate risks and opportunities. Disclosure requirements for sustainability topics beyond climate will only be mandated after the transition relief ends i.e. Group 1; 2027, Group 2; 2028 and Group 3; 2030.

(ii) **Providing additional transition reliefs to facilitate the use of the standards** – The ISSB Standards provides transition standard reliefs within IFRS S1 and IFRS S2, which are applied in the NSRF, except for the relief on 'timing of reporting'. The NSRF further provides additional transition reliefs to accommodate applicable entities with varying levels of readiness and maturity in sustainability reporting (refer to Question 2.7 below).

(iii) **Providing capacity building programmes to help applicable entities comply with the standards** – Several measures will be rolled out through the ACSR's initiative referred to as PACE (Policy, Assumptions, Calculators and Education). Further information on PACE is set out in Section 4 below.

2.5 What does "proportionality mechanisms" mean?

To facilitate the use of the Standards, the ISSB has introduced permanent proportionality mechanisms to accommodate applicable entities with varying levels of readiness and maturity. These proportionality mechanisms are only for applicable disclosures as outlined below:

- Allow applicable entities to consider their skills, capabilities and resources when preparing disclosures. This concept applies to the information required to be used to prepare disclosures and is intended to help entities provide the disclosures required by the Standards in areas in which there is a high level of measurement or outcome uncertainty; and

- Allow applicable entities to use reasonable and supportable information that is available without undue cost and effort. This concept allows entities to apply qualitative approaches (instead of quantitative approaches) in several instances in IFRS S1 and IFRS S2.

Proportionality mechanisms	Applicable disclosure
Information used limited to what is reasonable, supportable and available without undue cost and effort	For disclosure requirements: a) Identification of climate-related risks and opportunities

	b) Determination of anticipated financial effects of a sustainability-related and climate-related risk or opportunity c) Climate-related scenario analysis d) Specified climate-related metrics • Climate-related transition risks • Climate-related physical risks • Climate-related opportunities e) Measurement of Scope 3 greenhouse gas (GHG) emissions f) Determination of the scope of the value chain
Qualitative approaches (instead of quantitative approaches) allowed if an entity lacks skills, capabilities or resources	a) When determining an appropriate approach to use for its climate-related scenario analysis b) When determining whether it is able to provide quantitative information about anticipated financial effects of sustainability and climate-related risks or opportunities

2.6 What transition standard reliefs are made available within the ISSB Standards?

(i) **Climate-first reporting (NSRF – relief extended)** – IFRS S1 enables an entity to disclose information on only climate-related risks and opportunities (in accordance with IFRS S2). The entity is only required to disclose information related to other (non-climate) sustainability-related risks and opportunities once the transition relief is disapplied ***(IFRS S1 Paragraph E5)*****.**

(ii) **Scope 3 GHG emissions (NSRF – relief extended)** – An entity is permitted to not disclose Scope 3 GHG emissions ***(IFRS S2 Paragraph C4(b))***, except for categories already required by applicable entities' respective regulators.

(iii) **Comparative disclosures (NSRF – relief adopted)** – An entity is not required to disclose comparative information on climate and sustainability-related risks and opportunities in the first year of adoption ***(IFRS S1 Paragraph E3)****,* subject to the respective regulators' requirements.

For listed issuers, the relief on comparative disclosures would only be applicable for new metrics that have not been previously disclosed. For climate-related and common sustainability matters' metrics that have been previously disclosed, listed issuers will be in the position to provide comparative information and should continue to provide data on a rolling basis as per the Listing Requirements.

(iv) **GHG Protocol (NSRF – relief adopted)** – IFRS S2 requires an entity to use the *GHG Protocol: A Corporate Accounting and Reporting Standard* (2004) (GHG Protocol) to measure GHG emissions. If an entity is already using a different measurement method, it may continue to use that method in the first year of adoption ***IFRS S2 Paragraph C4(a))***.

(v) **Timing of reporting (NSRF – relief not adopted)** – IFRS S1 enables an entity to report its annual sustainability-related financial disclosures after it has published the related financial statements; instead of issuing them together. This relief is not adopted by the NSRF ***(IFRS S1 Paragraph E4)***.

For the avoidance of doubt, applicable entities may only avail themselves of transition standard reliefs (iii) and (iv) above for the first year of adoption as intended within the ISSB Standards.

2.7 What are the additional transition reliefs provided by the NSRF?

Applicable entities may avail themselves to the following additional transition reliefs. Given the varying levels of readiness and maturity, and to support a smoother transition to full use of the ISSB Standards, the NSRF extends these reliefs for the first two reporting periods for Groups 1 and 2, and the first three reporting periods for Group 3.

Additional transition reliefs (ATR) commencing from the first annual reporting period of the respective applicable entities	**Duration of reliefs**	
	Group 1 & 2	**Group 3**
ATR 1 Applicable entities are permitted to disclose information on only climate-related risks and opportunities (in accordance with IFRS S2) and consequently apply the requirements of IFRS S1 only insofar as they relate to the disclosure of information on climate-related risks and opportunities. If this transition relief is used: • Applicable entities are not required to disclose comparative information about its climate-related risks and opportunities in the first annual reporting period; and • Applicable entities are not required to disclose comparative information about its sustainability-related risks and opportunities in the first annual reporting period following the end of the duration of the relief, other than its climate-related risks and opportunities. ***(IFRS S1 Paragraph E5 - E6)***[2]	2 years	3 years

[2] Number of years displayed is inclusive of the existing transition relief of 1 year. Please refer to paragraph E5 of IFRS S1.

The application of the above reliefs relating to comparative information is nonetheless subject to the respective regulators' requirements. For listed issuers, the relief on comparative disclosures would only be applicable for new metrics that have not been previously disclosed. For climate-related and common sustainability matters' metrics that have been previously disclosed, listed issuers will be in the position to provide comparative information and should continue to provide data on a rolling basis as per the Listing Requirements.		
ATR 2 Applicable entities are permitted to focus on providing climate-related disclosures for principal business segments.		
ATR 3 Applicable entities are permitted to not disclose Scope 3 GHG emissions ***(IFRS S2 Paragraph C4(b))***, except for categories already required by applicable entities' respective regulators.		

2.8 Why is the relief on 'timing of reporting' by the ISSB not adopted by the NSRF?

The ACSR is of the view that applicable entities should issue its sustainability-related financial disclosures at the same time as their financial statements to ensure that the market attains the full set of information from an applicable entity. Applicable entities shall also adhere to their respective regulators' requirements on timing of reporting.

2.9 How will applicable entities activate the reliefs for adoption?

Applicable entities may activate the reliefs by explaining in their reports why the relevant disclosures were not yet provided during the transition period.

2.10 What will be the prescribed standard for disclosing GHG emissions according to IFRS S2?

IFRS S2 requires the use of the GHG Protocol for GHG emissions disclosures. Public tools may be used for calculation as long as it follows the GHG Protocol. If an applicable entity is currently using a different measurement method, it may continue to use that method in the first year of adoption by availing itself of the ISSB transition standard relief (refer to Question 2.6 above). Thereafter, the applicable entity would be required to use the GHG Protocol for GHG emissions disclosures.

2.11 When are applicable entities expected to disclose their Scope 3 GHG emissions?

Applicable entities in Groups 1 and 2 are expected to disclose all relevant GHG Scope 3 emissions information as described in the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard from the third year of reporting onwards i.e. 2027 and 2028 respectively.

Applicable entities in Group 3 are expected to disclose all relevant GHG Scope 3 emissions information from the fourth year of reporting onwards i.e. 2030.

2.12 How will the disclosure requirements be implemented in entities within the same group?

Applicable entities are required to provide sustainability and climate-related financial disclosures for the same reporting entity as the related financial statements, for example, for the consolidated accounting group, which includes the subsidiaries, affiliates and other entities within the group.

2.13 How would entities apply ATR 2 permitting entities to focus on providing climate-related disclosures for principal business segments?

As per paragraph 7(c) in Part A of Appendix 9C of Bursa Malaysia's Main Market Listing Requirements and paragraph 8(c) in Part A of Appendix 9C of Bursa Malaysia's ACE Market Listing Requirements, listed issuers are required to provide a "review of operating activities including discussion on the main factors that may affect the operating activities of each principal business segment of the group, impact on future operating activities and the approach or action taken in dealing with the effect or outcome of such matters on its business activities" as part of their Management Discussion & Analysis (MD&A) disclosures in their annual reports.

When complying with the ISSB Standards, applicable entities are required to disclose material information about the sustainability-related risks and opportunities (SRROs) for the same reporting entity as for the related financial statements.

The ISSB Standards require entities to disclose material information about the SRROs that could reasonably be expected to affect the entity's prospects and in a manner that enables primary users to understand the connections between disclosures provided across its sustainability-related financial disclosures and its related financial statements and other information in general purpose financial reports. Entities will need to consider these requirements when assessing the key operating activities and factors affecting the operating activities across their different business segments of the group to determine the disclosure of material information about SRROs. Entities will also need to consider how information about the SRROs for key operating activities is presented to enable primary users to understand connections with information about business segments in MD&A disclosures.

2.14 If a Main Market listed issuer's market capitalisation was RM2 billion and above as at 31 December 2024 but falls below the RM2 billion threshold in a subsequent financial year, what implications does this have?

Once the applicable entity is scoped into Group 1, it will retain this classification and is expected to continue reporting in accordance with the applicable NSRF adoption timeline.

2.15 If a non-listed company's revenue was RM2 billion and above for two consecutive financial years but falls below the RM2 billion threshold in a subsequent financial year, what implications does this have?

Once a company qualifies as a "large non-listed company with an annual revenue of RM2 billion and above," it will retain this classification and is expected to continue reporting in accordance with the applicable NSRF adoption timeline. This would however be subject to the policy decision of the Registrar.[3]

2.16 Will the subsequent standards issued by the ISSB be automatically adopted after the implementation of IFRS S1 and S2 (e.g., IFRS S3, S4, S5…, etc.)?

No. The adoption of any future standards will need to undergo due process which may include a public consultation process.

2.17 Will there be a localised version of IFRS S1 and IFRS S2 (i.e. MFRS S1 and MFRS S2)?

Subject to legislative amendments, the Malaysian Accounting Standards Board's (MASB) role as the national accounting standard-setter will be expanded to include setting the Malaysian sustainability disclosure standards. The decision on the need for a localised version of the standards will be determined once the expanded function is in place.

[3] Registrar refers to the Chief Executive Officer of the Companies Commission of Malaysia, as specified under subsection 20A(1), Companies Commission of Malaysia Act 2001.

3.0 Assurance

3.1 What is to be assured under the NSRF, and by when?

The aim is to mandate reasonable assurance on Scope 1 and Scope 2 GHG emissions for Group 1 starting from annual reporting periods beginning on or after 1 January 2027. The proposed timing for the remaining applicable entities is as reflected in the table below.

Group	**Reasonable assurance for annual reporting periods beginning on or after**
Group 1	1 January 2027
Group 2	1 January 2028
Group 3	1 January 2029

The proposed timeline for mandatory reasonable assurance set out above is subject to further consultation by the ACSR through a dedicated sub-committee led by the AOB.

3.2 Will external assurance extend to other sustainability matters besides GHG emissions?

The ACSR will gather feedback through the public consultation process on whether mandatory external assurance should extend to material sustainability matters beyond GHG emissions.

3.3 Which assurance standard will be used for external assurance of GHG emissions?

The ACSR will gather feedback through the public consultation process on which standard will be used if external assurance is made mandatory. Currently, a listed issuer may disclose in its annual report that its Sustainability Statement has been subjected to an independent assurance performed in accordance with either the International Standard on Assurance Engagements (ISAE) 3000 or the International Organization for Standardization (ISO).

3.4 Who will be the assurance providers when external assurance is made mandatory?

The ACSR intends to adopt a profession-agnostic approach in allowing both audit and non-audit assurance providers to provide sustainability assurance, subject to them registering with AOB. This approach is subject to further consultation.

3.5 How will the ACSR ensure the capabilities of external auditors to conduct external assurance?

Targeted initiatives under PACE will include capacity building programmes for audit firms registered with AOB. Further information on implementation support is set out in Section 4 below.

3.6 Will review by internal auditor be required under the NSRF?

Currently, it is not mandatory for a company to subject its sustainability disclosures to an internal review or external assurance. Companies are ultimately responsible for ensuring that the disclosures are accurate and verifiable which can be achieved through internal audit.

3.7 Who will be the regulatory body that will oversee the implementation of mandatory assurance?

AOB will oversee the implementation of mandatory external assurance, subject to further consultation.

4.0 PACE (Policy, Assumptions, Calculators, Education)

4.1 What is PACE?

PACE (Policy, Assumptions, Calculators, Education) is an initiative designed to assist companies in implementing the NSRF by providing tools, educational resources and capacity building programmes.

4.2 What are the intended outcomes of PACE?

(i) Providing a mechanism for feedback, advice and responses;
(ii) Fostering understanding on interoperability of frameworks;
(iii) Providing illustrative materials for reference, including those which address industry specific details;
(iv) Leveraging platforms and tools to ease disclosures and calculations; and
(v) Easing process for SMEs to disclose information including data on sustainability.

4.3 What are the current initiatives planned under PACE?

The targeted initiatives under PACE for 2025 are:

(i) **GRI Professional Certification Programme** for 100 accountants registered with AOB. The accountants would be expected to undergo the GRI Professional Certification Modules to equip them with the necessary competencies to effectively assess, verify and provide assurance on sustainability disclosures.

(ii) Developing a **module on interoperability on ISSB and GRI**. Given that the GRI Standards is one of the most widely used framework by companies in Malaysia, it will be the base from which companies are starting from to use the ISSB Standards. Understanding the interoperability between the ISSB and GRI will be crucial.

(iii) Developing **proforma disclosures**, starting first with climate disclosures, in accordance with the requirements of IFRS S1 and IFRS S2. This is to provide companies with an illustrative reference that would guide the preparation of their disclosures.

Further initiatives and programmes will be announced in due course.