PUBLIC RESPONSE PAPER

No. 1/2024

NATIONAL SUSTAINABILITY REPORTING FRAMEWORK

The Advisory Committee on Sustainability Reporting (ACSR), chaired by the Securities Commission Malaysia (SC) is issuing this Public Response Paper in response to the feedback received pursuant to the Public Consultation Paper on the proposed National Sustainability Reporting Framework dated 15 February 2024.

This Public Response Paper is dated 21 October 2024.

CONTENTS

1.0 Executive Summary

1.1 In May 2023, the Advisory Committee on Sustainability Reporting (ACSR) was formed with the endorsement of the Ministry of Finance (MOF) to address the use of the IFRS® Sustainability Disclosure Standards in Malaysia. The ACSR, chaired by the Securities Commission Malaysia (SC) is an inter-agency committee which comprises representatives from the Audit Oversight Board of the SC (AOB), Bank Negara Malaysia (BNM), Bursa Malaysia, Companies Commission of Malaysia (SSM), and the Financial Reporting Foundation.

1.2 On 15 February 2024, the ACSR issued the Public Consultation Paper No.1/2024 (Consultation Paper) to seek public feedback on the proposed National Sustainability Reporting Framework (NSRF), including the scope and timing for implementation, the transition reliefs required, and issues related to assurance for sustainability disclosures.

1.3 The NSRF addresses the use of the IFRS® Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB), specifically 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), as the baseline sustainability disclosure standards for companies in Malaysia, as well as the assurance requirements for sustainability reporting.

1.4 The Consultation Paper was open for public feedback for six weeks, from 15 February 2024 to 29 March 2024.

1.5 The ACSR received feedback from among others, listed issuers on the Main Market and ACE Market of Bursa Malaysia, non-listed companies, investors, assurance providers, professional associations and civil society organisations. The majority of respondents were Main Market listed issuers.

1.6 In addition to written feedback submitted through the public consultation process, the ACSR also organised targeted focus group discussions and undertook a survey with selected stakeholders on the proposed NSRF. These stakeholders comprise but were not limited to government ministries and agencies such as the MOF, Ministry of Economy, Ministry of Investment, Trade and Industry (MITI), Ministry of Natural Resources and Environmental Sustainability (NRES), Ministry of Domestic Trade and Cost of Living (KPDN) and Malaysia External Trade Development Corporation (MATRADE), non-listed companies and foreign investors.

1.7 The ACSR would like to thank all respondents for their valuable and constructive feedback and suggestions.

1.8 Overall, the respondents were supportive of the proposed NSRF. Key feedback from respondents on the proposals and the ACSR's responses are presented below.

1.9 This Public Response Paper should be read together with the Consultation Paper and the NSRF document which were issued on 24 September 2024.

2.0 Finalised National Sustainability Reporting Framework

2.1 A phased and developmental approach is adopted to recognise the varying maturity of companies' readiness to use the ISSB Standards, their sustainability reporting practices and internal capabilities.

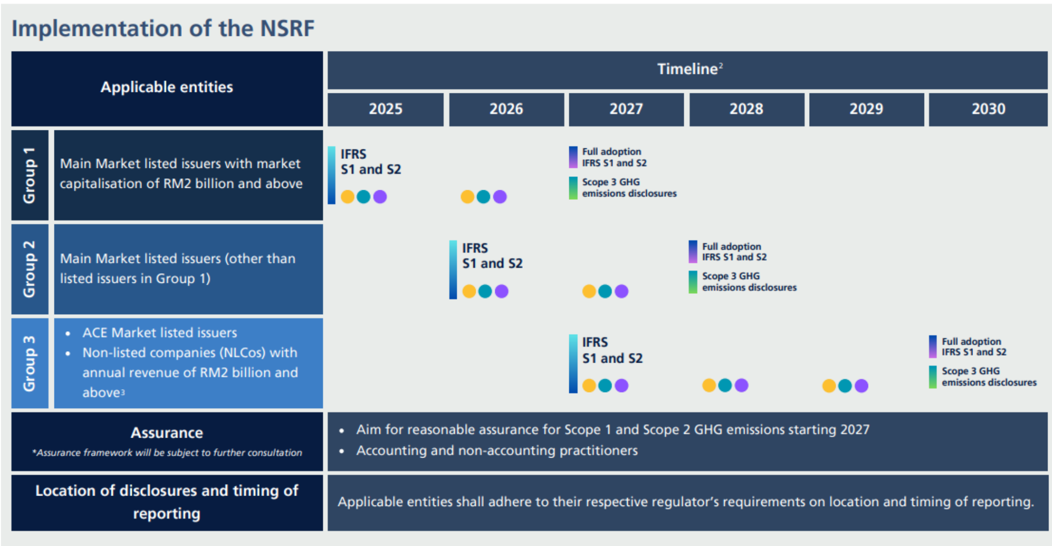
2.2 This approach entails–

a) adopting a climate-first approach;

b) providing additional transitional reliefs (ATR) to facilitate use of the standards; and

c) providing capacity building programmes and support to help companies, large and small, to comply with these standards.

2.3 The broad summary of the NSRF are as follows:



2.4 The ACSR will focus on capacity building to support companies in using the Standards. These will be implemented through an initiative referred to as **PACE (Policy, Assumptions, Calculators and Education)** – a hub for implementation support of the NSRF. PACE will, among others, run capacity-building programmes for companies, make NSRF-related educational materials, guidance and toolkits available, an emissions calculator and derive consensus on key assumptions and disclosures.

3.0 Feedback on Approach to Adoption of IFRS S1 And IFRS S2

3.1 Respondents were asked to provide their comments on the following questions:

Main Market	
Question 1	Should the current reporting requirements for Main Market listed issuers to provide Task Force on Climate-related Financial Disclosures (TCFD)-aligned disclosures be updated to require disclosures aligned with IFRS S2 instead? Please state the reasons for your views.
Question 2	For Main Market listed issuers, should IFRS S2 (with reliefs) apply for climate disclosures in annual reports issued for FYE on or after 31 December 2025? If not, when? Please state the reasons for your views.
Question 3	For Main Market listed issuers, assuming IFRS S2 comes into effect for climate disclosures in annual reports issued for FYE on or after 31 December 2025, should IFRS S1 (with reliefs) apply for sustainability disclosures in annual reports issued for FYE on or after 31 December 2026? If not, when? Please state the reasons for your views.

Public comments

3.2 Most respondents supported updating climate-related disclosures for the Main Market to align with IFRS S2. However, those who opposed highlighted that the existing climate disclosure requirements using the TCFD recommendations suffice. They expressed concerns that using the IFRS S2 would require more time and resources.

3.3 Most respondents, including Main Market listed issuers, agree to adopt IFRS S2 in 2025 and IFRS S1 in 2026. Those preferring a longer timeline beyond 2025 or 2026 indicated that one year is insufficient to transition to the new framework and highlighted challenges related to resource constraints and capability issues for near-term adoption.

The ACSR's response

3.4 Main Market listed issuers would have a degree of familiarity with the disclosure requirements under the ISSB Standards as both the ISSB Standards and the existing Bursa Malaysia's Listing Requirements for Main Market listed issuers are built on the pillars of the TCFD recommendations.

3.5 The ACSR acknowledges there are concerns on readiness and those requiring a longer lead time. Hence, the phased implementation timeline for the NSRF as reflected in Table 1 above, starting with Group 1 in 2025, followed by Group 2 in 2026 and Group 3 in 2027. The ACSR is cognisant that the remaining listed issuers on the Main Market (other than listed issuers in Group 1), as well as those on ACE Market and the large non listed companies may require a longer transition to use the ISSB Standards.

3.6 Further, the approach taken by the NSRF shall be the simultaneous adoption of IFRS S1 and IFRS S2. However, applicable entities may avail themselves of the transition standard relief provided in IFRS S1 (which was extended by the NSRF) which enable applicable entities 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-related risks and opportunities. Disclosure requirements for Scope 3 GHG emissions and other (non-climate) sustainability-related risks and opportunities will only be mandated two reporting cycles after for Group 1 and Group 2 i.e. 2027 and 2028 respectively; and three reporting cycles after for Group 3 i.e. 2030. The approach taken by the NSRF is to ensure alignment with the ISSB Standards while maximising the reliefs given to help applicable entities adopt the standards.

3.7 The ACSR is currently assessing companies' capacity-building needs, considering prior training undertaken. Targeted initiatives under PACE will run from 2025 to 2027, with more details to follow and a future programme planned beyond 2027.

ACE Market	
Question 4	Should the current reporting requirements for ACE Market listed issuers to provide transition plan disclosures be amended to align with IFRS S2? Please state the reasons for your views.
Question 5	For ACE Market listed issuers, should IFRS S2 (with reliefs) apply for climate disclosures in annual reports issued for FYE on or after 31 December 2027? If not, when? Please state the reasons for your views.
Question 6	For ACE Market listed issuers, assuming IFRS S2 comes into effect for climate disclosures in annual reports issued for FYE on or after 31 December 2027, should IFRS S1 (with reliefs) apply for sustainability disclosures in annual reports issued for FYE on or after 31 December 2028? If not, when? Please state the reasons for your views.

Public comments

3.8 Majority of respondents supported ACE Market listed issuers adopting IFRS S2 in 2027 and IFRS S1 in 2028. Those who preferred a longer timeline beyond 2027 or 2028 cited the need for more time and resources to use the ISSB Standards.

3.9 In determining the approach for ACE Market listed issuers due to the lower participation of ACE Market listed issuers in the public consultation process, the

ACSR supplemented the feedback from the public consultation with input gathered through a targeted survey and ACSR’s analysis and views.

The ACSR’s response

3.10 The ACSR acknowledges that listed issuers on the ACE Market issuers may have varying degrees of readiness to use the ISSB Standards, in particular disclosure of Scope 3 GHG emissions. As such, under the NSRF, the use of the ISSB Standards by listed issuers on the ACE Market remains in 2027 as proposed in the Consultation Paper, however disclosure of Scope 3 GHG emissions will only start in 2030. Further, PACE will provide targeted capacity-building programmes and toolkits to support companies in using the ISSB Standards.

Large NLCos	
Question 7	For large non-listed companies (NLCos) with annual revenue of RM2 billion and above, should IFRS S2 (with reliefs) apply for climate disclosures in annual reports issued for FYE on or after 31 December 2027? If not, when? Please state the reasons for your views.
Question 8	For large NLCos with annual revenue of RM2 billion and above, assuming IFRS S2 comes into effect for climate disclosures in annual reports issued for FYE on or after 31 December 2027, should IFRS S1 (with reliefs) apply for sustainability disclosures in annual reports issued for FYE on or after 31 December 2028? If not, when? Please state the reasons for your views.
Question 9	Other than large NLCos with annual revenue of RM2 billion and above, what other categories of non-listed companies should be considered in the adoption of IFRS S1 and IFRS S2?

Public comments

3.11 Most respondents agree for large NLCos to adopt IFRS S2 in 2027 and IFRS S1 in 2028 with large NLCos indicating they are ready to do so as per the proposed timeline.

3.12 Those who opted for a longer timeline highlighted that the proposed timeline was too short and more time is required for them to understand and use the ISSB Standards. While some investors and assurance providers believe large NLCos have the resources to follow the same adoption timeline as the Main Market, they emphasise the importance of addressing NLCos' concerns.

3.13 Besides that, a few respondents proposed exempting NLCos from mandatory reporting if their parent company is disclosing climate or sustainability reports consistent with the NSRF or equivalent international standards. This includes excluding Malaysian branches of foreign entities and subsidiaries whose material activities are covered in the parent company's consolidated report.

The ACSR's response

3.14 Under the NSRF, the adoption timeline for the large NLCos is the same as listed issuers on the ACE Market where IFRS S1 and IFRS S2 will apply to large NLCos in 2027.

3.15 The inclusion of large NLCos with revenue of more than RM2 billion as an applicable entity is based on the premise that economically or environmentally significant companies are not limited to public listed entities.

3.16 The prescribed revenue threshold of RM2 billion or more was determined through a benchmarking exercise against other jurisdictions implementing the ISSB Standards. This threshold also considered the economic and environmental significance of these companies, considering the scale of their operations and influence within their industries. Furthermore, the large NLCos which are scoped-in Group 3 account for approximately 68% of the total revenue of NLCos with revenue of more than RM500 million.

3.17 After considering feedback from the public consultation and the approach adopted in other jurisdictions such as Singapore and the European Union, under the NSRF, companies whose holding company already reports using ISSB-aligned standards or equivalent standards such as the European Sustainability Reporting Standards (ESRS) may leverage on the holding company's sustainability- and climate-related disclosures.

3.18 Large NLCos, whose holding company reports using other international standards and frameworks, e.g. Global Reporting Initiative (GRI) Standards and TCFD may be given exemption from reporting for three reporting periods, subject to the policy decision of the Registrar. Thereafter, applicable large NLCos shall use the ISSB Standards for annual reporting periods beginning on or after 1 January 2030.

4.0 Feedback on Adoption Lead Time and CBAM

Adoption Lead Time

Question 10	To promote the seamless adoption of ISSB Standards, is a 6-month lead time sufficient for the provision of implementation guidelines and notices on regulatory requirement amendments? If not, please provide the appropriate duration and state your reason.

Carbon Border Adjustment Mechanism (CBAM)

Question 11	Considering the importance of the CBAM in relation to the nature and quality of climate-related disclosures, does the company anticipate any impact from CBAM? If yes, has the company initiated the process of reporting for CBAM compliance?
Question 12	If the company is affected by CBAM, what are the challenges faced?
Question 13	If the company is affected by CBAM, what measures has the company taken in anticipation of CBAM requirements (e.g. establish internal carbon price)?

Public comments

Adoption Lead Time

4.1 Many respondents expressed that a six-month lead time is inadequate for amendments to regulatory requirements. Most recommend a minimum of 12 months, allowing sufficient time for capacity building, strategic planning, and internal preparations. This extended timeline would enable companies to establish necessary processes, controls, and data collection mechanisms, as well as to hire and train personnel, and engage external consultants.

4.2 Only a few respondents were of the view that six months would be sufficient. Additionally, there are concerns that the demand for both internal and external resources, particularly skilled personnel, will increase significantly, leading to challenges in resource availability.

4.3 Besides that, most respondents, particularly the preparers, have highlighted illustrative guides, capacity building and knowledge hub as the top enablers to adopt the ISSB Standards.

CBAM

4.4 Many companies have not yet considered the impact of CBAM or initiated the reporting process, with only a few working towards compliance with CBAM-related requirements. Concerns about increased costs, regulatory burdens, and a lack of understanding of CBAM make adaptation challenging, especially for sectors like retail that do not engage in manufacturing. Some companies are still assessing the potential impact, while others believe CBAM is not applicable to their business due to the nature of their products. However, many have requested more awareness and guidance to better prepare for potential challenges and ensure competitiveness.

The ACSR's response

Adoption Lead Time

4.5 The ACSR acknowledges the concerns raised by respondents on the need for sufficient lead time for the amendments to regulatory requirements. The ACSR recognises that the adoption of the ISSB Standards presents a learning curve for many companies, and as such, the NSRF is implemented through a phased and developmental approach to support the transition.

4.6 This phased approach allows companies in Groups 2 and 3, which may require more time for capacity building, to benefit from an extended lead time and additional support. In contrast, Group 1 entities, consisting of companies already familiar with sustainability reporting and complying with Bursa Malaysia's existing requirements, will be better positioned to transition smoothly to the ISSB Standards.

CBAM

4.7 The adoption timeline for the use of the ISSB Standards is phased based on the Groups described above, and not targeted based on sectors. Entities operating in hard-to-abate sectors, as well as those covered under the CBAM sectors such as cement, metals (iron, steel, and aluminium), chemicals, fertilisers, electricity, hydrogen, and petroleum are highly encouraged to report in accordance with the NSRF.

5.0 Feedback on Approach to Transition Reliefs and Proportionality Mechanisms

5.1 Respondents were asked to provide their comments on the following questions:

Transition reliefs in IFRS S1 and IFRS S2	
Question 14	Should the built-in reliefs be applied upon implementation of the ISSB Standards on Main Market listed issuers?
Proportionality mechanisms	
Question 15	Is the proportionality and scalability mechanism for the disclosures outlined in the table under Paragraph 6.9 sufficient? Please state the reasons for your views.

Public comments

Transition reliefs in IFRS S1 and IFRS S2

5.2 Most respondents, particularly the preparers, agree with the following transition standard reliefs to be applied:

a) Timing of reporting

b) Comparative reporting

c) GHG Protocol

Proportionality mechanisms

5.3 Respondents largely support the recommendation that no additional reliefs are needed for requirements already covered by existing proportionality mechanisms within the ISSB Standards.

5.4 However, concerns persist, particularly regarding companies' abilities to meet reporting requirements for Scope 3 emissions. There is a strong demand for more guidance from the ACSR, clearer explanations of the mechanism, and detailed built-in reliefs for each emission scope. Additionally, companies seek more time and relief for Scope 3 emissions, as well as simpler language and greater flexibility in reporting to accommodate both technical and non-technical personnel. While the mechanism is viewed as sufficient by some, improvements are needed to address the reporting burden and enhance clarity and flexibility.

The ACSR's response

Transition standard reliefs in IFRS S1 and IFRS S2

5.5 The ISSB Standards provide transition standard reliefs from some disclosure requirements in IFRS S1 and IFRS S2 for the first annual reporting period in which an entity applies the Standards. The transition standard reliefs in IFRS S1 and IFRS S2 relate to–

a) climate-first reporting;

b) timing of reporting;
c) comparative disclosures;
d) GHG Protocol; and
e) Scope 3 GHG emissions.

5.6 The NSRF incorporates these transition standard reliefs, in tandem with the adoption timeline of IFRS S1 and IFRS S2, except for the relief on 'timing of reporting'. This relief under the ISSB Standards allows a company, in its first year of reporting, to publish its sustainability-related financial disclosures after releasing its financial statements. However, the ACSR has opted not to apply this relief under the NSRF, emphasising that the market should receive a complete set of information simultaneously for a clearer understanding of a company's overall performance and sustainability impact.

Proportionality mechanisms

5.7 The NSRF also incorporates the proportionality mechanisms within the ISSB Standards as is, to accommodate companies with varying levels of maturity and readiness. Some entities may face challenges such as limited resources, high costs, data quality issues, or lack of expertise in applying these standards.

5.8 The ISSB introduced a concept in IFRS S1 and IFRS S2, a concept that is already embedded in IFRS Accounting Standards issued by the International Accounting Standards Board, that allows entities to use ‘reasonable and supportable information available at the reporting date’, as long as gathering that information does not require excessive cost or effort. This approach is intended to help entities provide disclosures in areas where there is a high level of measurement or outcome uncertainty.

5.9 Furthermore, the ISSB has introduced the concept of ‘the skills, capabilities and resources available to the entity’ to address proportionality. Entities are allowed to apply qualitative methods instead of quantitative approaches depending on their available skills and resources, particularly for determining anticipated financial effects and conducting climate-related scenario analysis. This ensures disclosures are proportionate to their circumstances while remaining useful to investors.

Potential Additional Reliefs

Question 16 Should additional reliefs as listed below be applied in addition to those already identified by the ISSB:

a) Focus on sustainability-related financial disclosures specifically on principal business segments? If yes, how long should the relief be provided?

b)	Option to not disclose the impacts of sustainability-related and climate-related risks and opportunities on the company's strategy and decision-making? If yes, how long should the relief be provided?
c)	Permissible for the company to use boundary other than outlined in IFRS S2 Para 29 (iv) for GHG emission? If yes, how long should the relief be provided?
d)	Option to not disclose Scope 3 greenhouse gas emissions, except for Category 6 and 7? If yes, how long should the relief be provided?
Question 17	Are there any additional reliefs that should be considered to facilitate adoption of IFRS S1 and IFRS S2? Please state your suggestions and reasons for your suggestions.
Question 18	As IFRS requires the use of GHG Protocol unless a different method is mandated by a regulatory entity, is the company ready to use or already using the GHG Protocol to calculate its GHG emissions?
Question 19	If the company is not using the GHG Protocol, what other standard(s) or methodology is being used? Can the company transition to the GHG protocol? If yes, by when? If the company is not able to transition to using the GHG protocol, please explain why.
Question 20	In your view, what are some enablers and forms of support needed to holistically and effectively implement the ISSB Standards?

Public comments

5.10 Most of the respondents, particularly preparers agree that sustainability-related financial related disclosures should focus on principal business segments for two reporting periods and many agree for preparers to not disclose Scope 3 GHG emissions, save for categories 6 and 7 for two reporting periods.

5.11 A few respondents have suggested other additional reliefs to facilitate the adoption of IFRS S1 and IFRS S2, such as extending the transition relief period, particularly for smaller companies to give them more time to prepare for compliance and allowing for progressive disclosure of Scope 3 GHG emissions, especially for categories that are more challenging.

5.12 However, several investors have expressed preference on the adoption of ISSB Standards without additional reliefs. For example, in respect of the proposal to focus on sustainability- and climate-related financial disclosures specifically on principal business segments, some investors are of the view that investors should receive information on all material risks and opportunities, regardless of which business segment they emanate from. A relief allowing for disclosures only covering principal business segments may obscure material climate- and sustainability-related risks.

The ACSR's response

5.13 In line with the NSRF's climate-first approach, applicable entities may avail themselves to the ATR. The additional transition reliefs allowing entities to disclose information on only climate-related risks and opportunities (ATR 1) and allowing entities to not disclose Scope 3 GHG emissions (ATR 3) are provided for in the ISSB Standards but are applicable only for the first reporting period. Given the varying levels of readiness, 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 Group 1 and 2, and the first three reporting periods for Group 3.

5.14 At the end of the ATR 3 relief period, applicable entities are expected to apply IFRS S2 to disclose relevant Scope 3 GHG emissions, in accordance with the Scope 3 categories described in the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. In doing so, applicable entities are to use all reasonable and supportable information that is available to the entity without undue cost or effort when measuring Scope 3 GHG emissions.

5.15 The NSRF has also added a transition relief, which allows applicable entities to focus on providing climate-related disclosures for principal business segments (ATR 2). Generally, investors were agreeable to this relief as it is likely that sustainability risks and opportunities will be more material for principal business segments. The aim of this relief is to facilitate applicable entities to concentrate on collecting data for the operating activities that contribute the most to their performance, i.e. profit and revenue.

6.0 Feedback on Approach to Assurance

6.1 Respondents were asked to provide their comments on the following questions:

Assurance Approach	
Question 21	Has your company's sustainability statement been subjected to external assurance?
Question 22	In your view, should external limited assurance be mandated? If yes, should greenhouse gas emissions be prioritised? Please state the reasons for your views.
Question 23	Assuming IFRS S2 comes into effect for climate disclosures in annual reports, should external limited assurance for Scope 1 and 2 greenhouse gas emissions be mandated 2 years after? If not, when? Please state the reasons for your views.
Question 24	In your view, when should external limited assurance be mandated for Scope 3 greenhouse gas emissions?
Question 25	In your view, when should external reasonable assurance be mandated for Scope 1, Scope 2, and Scope 3 greenhouse gas emissions?
Question 26	In your view, should external assurance be made mandatory for all other common sustainability matters under Enhanced SRF? (e.g. diversity, energy management, health and safety, labour practices and standards, etc). Please state the reasons for your views.
Question 27	In your view, should external assurance be made mandatory for sustainability matters that are of high priority as identified by the company? Please state the reasons for your views. Note: This may not contain all common sustainability matters under the Enhanced SRF and may extend to sustainability matters other than common sustainability matters

Public comments

6.2 Several companies indicated their sustainability statements have undergone external assurance, while others have yet to do so. Most respondents agree that external limited assurance should be mandated with some suggesting the level of assurance should be based on the maturity of the company. Among those who support mandatory assurance, most agree that Scope 1 and Scope 2 GHG emissions should be prioritised, with the majority favouring a two-year timeline for mandating limited assurance after the adoption of IFRS S2.

6.3 For Scope 3 GHG emissions, many respondents preferred a three-year timeline after mandating assurance for Scope 1 and 2, while a considerable number suggested that Scope 3 assurance is not required.

6.4 On the other hand, investors emphasised the need for reasonable assurance over key metrics such as Scope 1 and Scope 2 GHG emissions, stating that leaving the decision to preparers on which aspects to seek assurance could weaken the robustness of sustainability reporting. Investors also advocate for extending assurance to other key sustainability indicators, particularly those deemed high priority by the company.

6.5 Several preparers expressed concerns about significant compliance costs associated with mandating external assurance, citing that companies should have the flexibility to determine their readiness. Additionally, some believe that internal audit reviews are sufficient as an alternative.

The ACSR's response

6.6 Subject to further public consultation, the NSRF aims to mandate external **reasonable assurance** for the following reasons:

a) Reasonable assurance offers a higher level of confidence compared to limited assurance, which is crucial in addressing concerns related to greenwashing and ensuring that sustainability disclosures are accurate, comprehensive, and comparable.

b) Mandating reasonable assurance on Scope 1 and Scope 2 GHG emissions starting from annual reporting periods beginning on or after 1 January 2027 for Group 1 entities aligns with the objective of providing investors with the same level of trust and confidence akin to audited financial statements.

c) The ACSR recognises the need for a phased approach, starting with Group 1 entities in 2027, followed by Group 2 in 2028 and Group 3 in 2029. This staggered timeline allows companies the necessary time to build capacity and prepare for the transition to reasonable assurance.

Assurance Standards

Question 28 In your view, should ISSA 5000 be used as the overarching standard for all external assurance engagement on sustainability information, except when a separate conclusion on greenhouse gas statement is provided? Please state the reasons for your views.

Question 29 Assuming external assurance for greenhouse gas emissions is made mandatory, which standards should be used to provide a conclusion on greenhouse gas emissions? Please state the reasons for your views.

Question 30	In your view, should assurance providers (engagement partners and assurance firms/companies) be licensed – similar to that imposed on the financial assurance service providers? Please state the reasons for your view.
Question 31	In your view, what are some enablers and forms of support needed to comply with mandatory external limited assurance?

Public comments

6.7 Most respondents agreed that assurance providers should be licensed. Several respondents stated that licensing would improve confidence in the assurance process and align Malaysia's practices with global standards.

6.8 Most respondents support the adoption of ISSA 5000 as the overarching standard for external assurance on sustainability information. Respondents noted that the adoption of ISSA 5000 ensures consistency and quality across various types of sustainability disclosures, aligning with international best practices. Additional standards considered by respondents include ISAE 3410 and ISO 14064-3 for GHG emissions.

6.9 Investors expressed strong support for ISSA 5000, recognising it as the most comprehensive standard for external assurance engagements and offers a balanced approach that ensures inclusivity and relevance for a growing number of practitioners performing sustainability assurance.

The ACSR's response

6.10 Assurance providers will be expected to comply with the assurance standards adopted by the Malaysian Institute of Accountants (MIA), ensuring consistency and alignment with international best practices. Further details regarding the framework for assurance, including the licensing of assurance providers, will be announced following consultations with relevant stakeholders nearer to the implementation date.

7.0 Glossary of Terms

Term	Definition
ACE Market	A sponsor-driven market of Bursa Malaysia designed for companies with growth prospects. It was repositioned from the MESDAQ Market after 3 August 2009. Sponsors must assess the suitability of the potential issuers, taking into consideration attributes such as business prospects, corporate conduct and adequacy of internal control.
ACSR	Advisory Committee on Sustainability Reporting
Audit Oversight Board (AOB)	A body established under the *Securities Commission Act Malaysia 1993* to promote and develop and effective audit oversight framework and to promote confidence in the quality and reliability of audited financial statements in Malaysia.
CBAM	Carbon Border Adjustment Mechanism
ESRS	European Sustainability Reporting Standards
Financial Reporting Foundation (FRF)	An independent body established under the *Financial Reporting Act 1997*. The FRF establishes a sound and effective infrastructure for the financial reporting framework in Malaysia including, as a sounding board to MASB in matter which MASB undertakes pursuant to its functions. The FRF is also responsible for the oversight of the MASB's performance, financial and funding arrangement.
GDP	gross domestic product
GHG	greenhouse gas
GRI Standards	Global Reporting Initiative Standards
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information
IFRS S2	Climate-related Disclosures
IOSCO	International Organization of Securities Commissions
International Standard on Assurance Engagements (ISAE) 3410	Covers assurance engagements on GHG statements.
International Standard on Sustainability Assurance (ISSA) 5000	A framework by the International Auditing and Assurance Standards Board (IAASB) that standardises limited and reasonable assurance engagements for sustainability reporting, ensuring the credibility and reliability of environmental, social, and governance (ESG) information aligned with global frameworks.
ISO 14064-3	It specifies the requirements for the validation and verification of GHG assertions for organisations of all types and sizes, including governmental, commercial, and non-profit organizations or GHG projects

Term	Definition
ISSB	The ISSB is an independent standard-setting body within the IFRS Foundation, established in 2021-2022 to create and develop sustainability-related financial reporting standards to meet investors' needs for sustainability reporting.
Large non-listed companies (Large NLCos)	NLCos, if they meet the prescribed threshold of consolidated group revenue of RM 2 billion or more for two consecutive financial years preceding the current financial year. In the event there is no requirement to prepare consolidated account, the threshold of RM 2 billion would be applicable at company level.
Limited assurance	Limited assurance provides a moderate level of assurance about the sustainability disclosures. It involves fewer procedures than reasonable assurance and typically results in a conclusion that the information is credible, but there may still be some risk of material misstatement.
Listed issuers	Corporations listed on the Main Market and ACE Market, as well as real estate investment trusts and business trusts listed on the Main Market.
Listing Requirements	Collectively, the Main Market Listing Requirements and ACE Market Listing Requirements of Bursa Malaysia Securities Bhd.
Main Market	Main Market is a prime market of Bursa Malaysia for established companies that have met the prescribed standards in terms of quality, size and operations. Potential issuers for the Main Market must demonstrate that they have achieved either a minimum profit track record or size measured by market capitalisation.
Malaysian Accounting Standards Board (MASB)	A standard-setting body of the FRF, established under the *Financial Reporting Act 1997*. Powers and functions of the MASB includes but not limited to – issue approved accounting standards and other accounting technical pronouncements; amend, withdraw or revoke any approved accounting standards and other accounting technical pronouncements; collaborate with and monitor the development of other national and international accounting standard-setters.
NSRF	National Sustainability Reporting Framework
PACE	Policy, Assumptions, Calculators and Education. An initiative focused on capacity building and implementation support on the National Sustainability Reporting Framework.
Reasonable assurance	Reasonable assurance offers a higher level of confidence regarding the accuracy and completeness of sustainability disclosures. It involves a more extensive audit process, including detailed examination of evidence, assessments of internal controls, and procedures designed to detect material misstatements.
Registrar	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*.
SASB	Sustainability Accounting Standards Board

Term	Definition
Scope 1 Greenhouse Gas (GHG) emissions	Emissions from operations that are owned or controlled by the reporting entity.
Scope 2 GHG emissions	Emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by the reporting entity.
Scope 3 GHG emissions	All indirect emissions (not included in scope 2) that occur in the value chain of the reporting entity, including both upstream and downstream emissions.
TCFD	Task Force on Climate-related Financial Disclosures