

ADVISORY COMMITTEE ON SUSTAINABILITY REPORTING (ACSR)

PUBLIC CONSULTATION PAPER

NO. 1 / 2024

PROPOSED NATIONAL SUSTAINABILITY REPORTING FRAMEWORK

The Advisory Committee on Sustainability Reporting (ACSR), chaired by the Securities Commission Malaysia (SC), would like to invite your feedback on the issues as outlined in this Consultation Paper.

The ACSR was formed in May 2023, with the endorsement of the Ministry of Finance to assess the use and application of the standards issued by the International Sustainability Standards Board (ISSB), specifically International Financial Reporting Standards (IFRS) *S1 General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1), and *IFRS S2 Climate-related Disclosures* (IFRS S2), collectively referred to as the ISSB Standards, and a sustainability assurance framework in Malaysia. Members of the ACSR comprise representatives from the Audit Oversight Board, Bank Negara Malaysia, the Companies Commission of Malaysia, Bursa Malaysia Berhad and the Financial Reporting Foundation.

This public consultation encompasses two components -

- 1) This **Consultation Paper** which provides background information and outlines the potential implementation approach and considerations in relation to the ISSB Standards as well as assurance of sustainability information; and
- 2) **Consultation Questions** which can be accessed at <https://www.sc.com.my/nsrf-consultation>. The closing date to submit responses to the Consultation Questions is **29 March 2024** and responses will only be received when submitted via the same link.

The questions for consultation are highlighted in the Consultation Paper, but for a full view of the questions and the response options, please refer to the Consultation Questions form, available at the link provided above.

This Consultation Paper aims to seek feedback on the use and application of IFRS S1 and IFRS S2, including the required transition reliefs, the approach in relation to a sustainability assurance framework, and the enablers or support required.

Please note that a foundational understanding of IFRS S1 and IFRS S2 is essential to providing an informed response. Questions on this Consultation Paper or the Consultation Questions can be directed to the Secretariat of the ACSR at nsrf@seccom.com.my.

Additional copies of this document may be made without seeking permission from the SC or downloaded from its website at www.sc.com.my.

Confidentiality: Your responses may be made public by the SC. If you do not wish for your name to be made public, please state this clearly in the response. Any confidentiality disclaimer that may be generated by your organisation's IT system will be taken to apply only if you request that the information remains confidential. The SC agrees to keep your personal data confidential and in full compliance with the applicable principles under the Personal Data Protection Act 2010.

This Public Consultation Paper is dated 15 February 2024.

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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. |
| AUASB | Auditing and Assurance Standards Board (Australia). |
| Built-in reliefs | Reliefs encompassing proportionality and scalability mechanisms and transition reliefs granted by ISSB in IFRS S1 and IFRS S2. |
| Bursa Malaysia | Bursa Malaysia Berhad. |
| BNM | Bank Negara Malaysia. |
| CBAM | Carbon Border Adjustment Mechanism. |
| CDSB | Climate Disclosure Standards Board. |
| COP | Conference of Parties. |
| CRMSA | Climate Risk Management and Scenario Analysis. |
| Enhanced SRF | Refers to the updated sustainability reporting requirements as per the “Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements and ACE Market Listing Requirements in relation to Enhanced Sustainability Reporting Framework” issued by Bursa Malaysia on 26 September 2022. |
| FDI | Foreign direct investment. |
| FYE | Financial year end. |
| G7 Countries | Group of Seven is an international economic organisation comprised of 7 advanced economies – Canada, France, Germany, Italy, Japan, United Kingdom and the United States of America. |
| G20 Countries | Group of Twenty is an international forum comprising 19 countries – the African Union, Argentina, Australia, Brazil, Canada, China, European Union, India, Indonesia, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, United Kingdom and the United States of America. |
| GHG Protocol | Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004). |
| GRI Standards | Refers to the sustainability standards issued by the Global Reporting Initiative. |
| IASB | International Accounting Standards Board. |
| IFRS S1 | General Requirements for Disclosure of Sustainability-related Financial Information. |
| IFRS S2 | Climate-related Disclosures. |
| IOSCO | International Organization of Securities Commissions. |
| ISAE | International Standard on Assurance Engagements. |
| ISSA | International Standard on Sustainability Assurance. |
| ISO | International Organization for Standardization. |
| ISSB | International Sustainability Standards Board. |
| ISSB Standards | Standards issued by the ISSB in June 2023, comprising IFRS S1 and IFRS S2. |

| | |
|---|--|
| Large non-listed companies (NLCos) | Companies that exceed the threshold of Mid-Tier Company. |
| Listed issuers | Any company whose securities are listed and traded on Bursa Malaysia's Main Market and ACE Market. |
| Listing Requirements | Collectively, the Main Market Listing Requirements and ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. |
| Limited assurance | Primarily includes procedures such as inquiries and analytical procedures, and does not necessarily include a consideration of whether internal controls have been effectively designed. The conclusion is usually provided in a negative form of expression (e.g., "nothing has come to our attention..."). |
| 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 (i.e. a minimum required market capitalisation of RM500 million upon listing). |
| Mid-Tier Companies | Companies that fall within the threshold below: ¹ <ul style="list-style-type: none"> • Manufacturing sector: Annual revenue between RM50 million to RM500 million. • Other sectors: Annual revenue between RM20 million to RM500 million. |
| MITI | Ministry of Investment, Trade and Industry. |
| NETR | National Energy Transition Roadmap. |
| NIA | National Investment Aspirations. |
| NIMP 2030 | New Industrial Master Plan 2030. |
| NSRF | National Sustainability Reporting Framework. |
| PAE | Publicly Accountable Entities (PAEs) are entities whose securities are traded in public markets or entities in the process of issuing securities for trading in public markets. ² PAEs would not include: <ul style="list-style-type: none"> (a) Entities whose securities are traded in private markets; (b) Entities whose securities are traded in relatively small public securities markets; (c) Entities that are generally characterised by small shareholder bases, low liquidity or that are not subject to extensive corporate governance disclosure requirements; or (d) Other entities, such as private entities, without public accountability (for example, small and medium-sized entities). |
| Preparers | Preparers refer to individuals or companies who are responsible for the preparation of sustainability reporting. |
| Reasonable assurance | Entails extensive procedures, which may include consideration of internal controls and tests of details. The conclusion is usually provided in a positive form of expression (e.g., "In our opinion, the subject matter information presents fairly..."). |

¹ Mid-Tier Companies Development Programme, MATRADE, [Mid-Tier Companies Development Programme \(MTCDP\) - MATRADE](#)

² The jurisdictional journey towards implementing IFRS S1 and IFRS S2 – Adoption Guide overview, IFRS, <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/adoption-guide/adoption-guide-overview.pdf>

| | |
|---|---|
| SC | Securities Commission Malaysia. |
| Scope 1 Greenhouse Gas (GHG) emissions | Emissions from operations that are owned or controlled by the reporting company. |
| Scope 2 GHG emissions | Emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by the reporting company. |
| Scope 3 GHG emissions | All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. |
| SMEs | Small and Medium-sized Enterprises that fall within the threshold below ³ : <ul style="list-style-type: none"> • For the manufacturing sector, SMEs are defined as firms with sales turnover not exceeding RM 50 million OR number of full-time employees not exceeding 200; • For the services and other sectors, SMEs are defined as firms with sales turnover not exceeding RM20 million OR number of full-time employees not exceeding 75. |
| TCFD | Task Force on Climate-related Financial Disclosures. |

³ “SME Definitions”, *SME*, [SME Corporation Malaysia - SME Definition](#)

I. Introduction to Malaysia's National Sustainability Reporting Framework

- 1.1 The Securities Commission Malaysia (SC), with endorsement from the Ministry of Finance, has set up a national level Advisory Committee on Sustainability Reporting (ACSR). This inter-agency committee is tasked to identify the enablers that will facilitate the use of the standards issued by the International Sustainability Standards Board (ISSB), specifically the International Financial Reporting Standards (IFRS) S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1), and IFRS S2 *Climate-related Disclosures* (IFRS S2) in Malaysia. The ACSR's responsibilities also include 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 In undertaking its responsibilities, the ACSR has considered the existing domestic sustainability reporting requirements, frameworks and guidance applicable to listed issuers and non-listed companies to identify points of alignment to prevent fragmentation in the domestic reporting framework, and to guide future efforts related to the sustainability reporting landscape. In the ACSR's view, the NSRF should:
 - a) 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;
 - b) 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
 - c) support availability and flow of sustainability information across the supply chain.
- 1.3 In 2021, the IFRS Foundation created the ISSB as a parallel board to the International Accounting Standards Board (IASB) to develop a global baseline for sustainability disclosures, enabling companies to deliver decision-useful, consistent, and comparable information to investors globally in a cost-effective and assurable manner.⁴
- 1.4 On 26 June 2023, the ISSB released its inaugural sustainability standards, IFRS S1 and IFRS S2, aimed at creating a common language for disclosing sustainability-related and climate-related risks and opportunities.⁵
- 1.5 The IFRS S1 and IFRS S2 have received international support from investors, companies, policymakers, and market regulators, including the International Organization of Securities Commissions (IOSCO), the Financial Stability Board and the G20 and G7 Leaders.⁶
- 1.6 In the most recent COP 28, approximately 400 organisations from 64 jurisdictions have committed to advance the adoption or use of the ISSB Standards at a global level. This

⁴ "ISSB: Frequently Asked Questions", *IFRS*, [IFRS - ISSB: Frequently Asked Questions](#)

⁵ "ISSB issues inaugural global sustainability disclosure standards", *IFRS*, <https://www.ifrs.org/news-and-events/news/2023/06/issb-issues-ifrs-s1-ifrs-s2/>

⁶ "Ten things to know about the first ISSB Standards", *IFRS*, <https://www.ifrs.org/news-and-events/news/2023/06/ten-things-to-know-about-the-first-issb-standards/>

includes investor groups which collectively manage over \$120 trillion in assets under management.⁷

- 1.7 In light of the growing support and demand for use of the ISSB Standards, alignment with these developments is exponentially crucial for Malaysia as an export-oriented country that is intricately integrated into global supply chains.

II. Purpose of the Consultation Paper

- 2.1 In preparation of this Consultation Paper, the ACSR formed a Consultative Group comprising representatives from key stakeholders including preparers, investors and assurance providers. The feedback gathered from engagement with the group has helped shape the direction of this Consultation Paper.
- 2.2 This Consultation Paper aims to seek feedback on the following to inform the NSRF:
 - a) the use and application of IFRS S1 and IFRS S2, including the required transition reliefs;
 - b) the approach in relation to a sustainability assurance framework; and
 - c) enablers and/or support required for (a) and (b).
- 2.3 The IFRS Foundation and the ISSB have outlined mechanisms to support jurisdictions in implementing the ISSB Standards. In relation to recommending the use of the ISSB Standards, the IFRS Foundation and ISSB recommend that jurisdictions at least require all or most domestic publicly accountable entities (PAEs)⁸ to apply the standards.⁹
- 2.4 While a prime consideration is for the use of the standards by listed issuers and large non-listed companies (NLCos), the ACSR strongly encourages participation from Mid-Tier companies and Small and Medium-sized Enterprises (SMEs) in this consultation process to ensure a comprehensive understanding of industry needs and challenges.
- 2.5 The ACSR recognises that there may be additional costs incurred for companies to undertake sustainability reporting, but this is becoming an inevitable cost of doing business if companies intend to maintain business resilience, competitive advantage and have access to financing.
- 2.6 Similarly, feedback from information users such as investors, rating agencies, interested organisations and those providing assurance services for sustainability information is also critical.

⁷ "ISSB at COP28", *IFRS*, <https://www.ifrs.org/news-and-events/news/2023/12/issb-at-cop28-statement-of-support/>

⁸ Refer to Glossary for definition of PAE

⁹ The jurisdictional journey towards implementing IFRS S1 and IFRS S2 – Adoption Guide Overview, *IFRS*, <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/adoption-guide/adoption-guide-overview.pdf>

III. ISSB Standards and its impact on the sustainability reporting landscape

- 3.1 Multiple sustainability reporting frameworks can cause fragmentation and risk inconsistent disclosure, hindering comparability and reliability of information.¹⁰ To address the need and demand for comparable and reliable sustainability-related information, the ISSB was formed and the ISSB Standards were developed and issued to provide a global baseline standard and common language for sustainability disclosures.
- 3.2 The ISSB builds on the work of market-led investor-focused reporting initiatives, including the Climate Disclosure Standards Board (CDSB), Task Force on Climate-related Financial Disclosures (TCFD), Value Reporting Foundation's Integrated Reporting Framework and industry-based SASB Standards, as well as World Economic Forum's Stakeholder Capitalism Metrics.¹¹
- 3.3 In terms of the positioning of the ISSB Standards vis a vis the GRI Standards, it is important to note that GRI is complementary to IFRS S1 and IFRS S2 and is not set to be displaced or replaced by these standards.¹² Introduced in 1997, GRI Standards have been pioneers in sustainability reporting and became the prevailing standard in the early mid-2000s. In the Asia Pacific region, 81% of listed issuers, including those in Malaysia, report in accordance with this standard. ISSB is collaborating with GRI to align ISSB's investor-focused baseline sustainability information with GRI's broader stakeholder-centric approach. In their ongoing collaboration, the IFRS Foundation and GRI are working on initiatives to align their respective sustainability-related standards.¹³ One initiative, released in January 2024, is a summary of considerations for Greenhouse Gas (GHG) emissions interoperability where the document highlights areas to consider when reporting emissions under both GRI 305: Emissions and IFRS S2.¹⁴ These initiatives aim to streamline reporting for companies, harmonise the global sustainability reporting landscape, and ensure compatibility and interconnectedness between the two frameworks.¹⁵
- 3.4 In November 2023, the IFRS Foundation released the Adoption Strategy to assist jurisdictions in implementing the ISSB Standards. The strategy suggests that ideally, jurisdictions should adopt both IFRS S1 and IFRS S2 simultaneously. However, for countries emphasising climate action, they can begin with IFRS S2 while incorporating

¹⁰ Measuring Stakeholder Capitalism Towards Common Metrics and Consistent Reporting of Sustainable Value Creation, *World Economic Forum*, https://www3.weforum.org/docs/WEF_IBC_Measuring_Stakeholder_Capitalism_Report_2020.pdf

¹¹ "Ten things to know about the first ISSB Standards", *IFRS*, <https://www.ifrs.org/news-and-events/news/2023/06/ten-things-to-know-about-the-first-issb-standards/>

¹² "IFRS Foundation and GRI to align capital market and multi-stakeholder standards to create an interconnected approach for sustainability disclosures", *IFRS*, <https://www.ifrs.org/news-and-events/news/2022/03/ifrs-foundation-signs-agreement-with-gri/>

¹³ "ISSB and GRI provide update on ongoing collaboration", *IFRS*, <https://www.ifrs.org/news-and-events/news/2022/06/issb-and-gri-provide-update-on-ongoing-collaboration/>

¹⁴ Interoperability considerations for GHG emissions when applying GRI Standards and ISSB Standards, *IFRS and GRI*, <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s2/interoperability-considerations-for-ghg-emissions-when-applying-gri-standards-and-issb-standards.pdf>

¹⁵ "ISSB: Frequently Asked Questions", *IFRS*, [IFRS - ISSB: Frequently Asked Questions](https://www.ifrs.org/news-and-events/news/2023/06/issb-frequently-asked-questions/)

the climate-related elements of IFRS S1. Recognising the urgency of climate change, many countries are adopting a “climate-first” (IFRS S2) approach.¹⁶

- 3.5 Several countries in the APAC region have started aligning their sustainability reporting requirements with ISSB Standards. Hong Kong, the Philippines, Singapore, and Taiwan have progressed to the post-consultation stages of their IFRS S1 and/or IFRS S2 implementation approach. Indonesia is also working on establishing the infrastructure that will support its sustainability reporting by establishing the Sustainability Standards Monitoring Board (*Dewan Pemantau Standar Keberlanjutan*) and the Sustainability Standards Board (*Dewan Standar Keberlanjutan*).¹⁷ Meanwhile, the United Kingdom, Canada, Brazil, Brunei, Myanmar, Nigeria, Kenya, Japan, South Korea and Vietnam have announced their intention to adopt these standards.
- 3.6 Aside from the aforementioned countries, Australia and the European Union (EU) have established their sustainability reporting standards that exhibit strong interoperability with the ISSB Standards. Australia and the EU are set to begin implementing their standards in 2024, through the Australian Sustainability Reporting Standards (ASRS), and the European Sustainability Reporting Standards (ESRS) respectively. Large non-EU companies affected by the ESRS have gained additional relief from the 2024 deadline through a recently approved 2-year extension, extending the implementation timeline to 2026. In addition, the US is considering requiring climate-related disclosures for its public companies aligned with broadly accepted disclosure frameworks such as TCFD and the GHG Protocol.

¹⁶ ISSB Adoption Strategy, *IFRS*, <https://www.ifrs.org/content/dam/ifrs/meetings/2023/november/ac/ap5-issb-adoption-strategy.pdf>

¹⁷ Press release – Ensuring Sustainability Standards in Indonesia, IAI Approves the Establishment of DPSK and DSK 'https://web.iaiglobal.or.id/Berita-IAI/detail/siaran_pers_-_pastikan_standar_keberlanjutan_di_indonesia_iai_sahkan_pembentukan_dpsk_dan_dsk#gsc.tab=0'

3.7 An outlook of the global adoption timeline is as follows:

| Approach ¹⁸ | FYE 2024 | FYE 2025 | FYE 2026 |
|------------------------------|--|---|-----------------------------------|
| Adopting IFRS S2 first | Australia <ul style="list-style-type: none"> Listed companies Non-listed companies | Singapore <ul style="list-style-type: none"> Listed companies Large non-listed companies | |
| | | Hong Kong Listed companies | |
| Adopting IFRS S1 and IFRS S2 | European Union <ul style="list-style-type: none"> Listed companies Non-listed companies | Philippines Listed companies | Brazil Listed companies |
| | | | Taiwan Listed companies |

¹⁸ Please note that this table provides an overview of the first adoption group per country. Most countries have a phased approach to listed and non-listed companies in implementing the ISSB Standards. For more information, please refer to the respective consultation papers/exposure draft of each country:
New Zealand (Implementation): Aotearoa New Zealand Climate Standard 1, XRB, <https://www.xrb.govt.nz/dmsdocument/4770>
Australia (Under consultation): Climate-related financial disclosure: exposure draft legislation, *Department of Treasury*, <https://treasury.gov.au/consultation/c2024-466491>
European Union (Implementation): First Set of draft ESRS, *EFRAG*, https://www.aasb.gov.au/admin/file/content105/c9/AASBED_SR1_10-23.pdf; "Implementation Guidance for the ISSB and ESRS", *WBCSD*, <https://www.wbcd.org/Overview/CFO-Network/WBCSD-Implementation-Guidance-ISSB-Standards-and-ESRS>
Singapore (Under consultation): Consultation Paper on the Recommendations by the Sustainability Reporting Advisory Committee, *SGX Group*, [consultation-paper-recommendations-by-srac.pdf \(acra.gov.sg\)](https://www.srac.gov.sg/consultation-paper-recommendations-by-srac.pdf); large non-listed companies in this context refer to non-listed companies limited by shares with annual revenue of at least \$1 billion.
Hong Kong (Under consultation): Enhancement of Climate-related Disclosures under the Environmental, Social and Governance Framework, *HKEX*, <https://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/April-2023-Climate-related-Disclosures/Consultation-Paper/cp202304.pdf>
Philippines (Under consultation): Draft Memorandum Circular on the Revised Sustainability Reporting Guidelines for Publicly-listed Companies and the SEC Sustainability Reporting Form, *SEC*, https://www.sec.gov.ph/wp-content/uploads/2023/10/2023RFC_SuRe-Guidelines.pdf; https://www.sec.gov.ph/wp-content/uploads/2023/12/2023Notice_Notice-to-the-Public-re-SuRe-Form-dated-29-Dec-2023_rev_Comm-Bry.pdf
Brazil (Announcement): "Brazil adopts ISSB global baseline, as IFRS Foundation Trustees meet in Latin America", *IFRS*, <https://www.ifrs.org/news-and-events/news/2023/10/brazil-adopts-issb-global-baseline/#:~:text=The%20Brazilian%20Ministry%20of%20Finance%20and%20the%20Comiss%C3%A3o,2024%20to%20mandatory%20use%20on%201%20January%202026>.
Taiwan (Under consultation): Roadmap for Taiwan listed companies to align with IFRS Sustainability Disclosure Standards, *FSC*, <https://www.fsc.gov.tw/uploaddowndoc?file=News/202308241023270.pdf&filedisplay=annex+1-Roadmap.pdf&flag=doc>
UK: UK Sustainability Disclosure Standards, *UK*, <https://www.gov.uk/guidance/uk-sustainability-disclosure-standards>
US: The Enhancement and Standardisation of Climate-related Disclosures for Investors, *US SEC*, <https://www.sec.gov/files/rules/proposed/2022/33-11042.pdf>

IV. Drivers of alignment with international reporting standards

- 4.1 Foreign Direct Investments (FDIs) have significantly contributed to Malaysia's economic growth, playing a pivotal role in the country's industrialisation, technology transfer, and job creation. The government has consistently pursued FDIs by implementing policies and incentives to attract foreign investors. According to the 2022 ASEAN Investment Report, Malaysia ranks as the fourth-largest recipient of FDI, following Singapore, and Indonesia, which hold the first two positions, respectively.¹⁹ Notably, Singapore and the Philippines (which is in the sixth position), are already in the process of adopting the ISSB Standards.
- 4.2 The ISSB's structured approach to climate measurement and reporting supports organisations in developing effective carbon reduction strategies, addressing transition risks such as the Carbon Border Adjustment Mechanism (CBAM) which will be fully implemented in 2026.²⁰ CBAM puts a fair price on the carbon emitted during the production of carbon intensive goods that are entering the EU, and to encourage cleaner industrial production in non-EU countries. As Malaysia's fourth largest trade partner with exports to the EU amounting to €35.6 billion in 2022,²¹ the influence of CBAM on Malaysia is substantial. As much as 75% of Malaysia's exports to the EU which include sectors such as aluminium, iron and steel, electrical appliances, electronics, machinery and rubber products and vegetable oils will be impacted.²²
- 4.3 In addition, the availability of reliable sustainability information and a structured approach to the management of sustainability-related and climate-related risks and opportunities will also support the national targets and aspirations outlined in the national strategic plans. The Twelfth Malaysia Plan outlines a commitment to reduce GHG emissions by 45% by 2030 and an aspiration to achieve net zero as early as 2050, supported by national strategic plans including National Industrial Master Plan 2030 (NIMP 2030), National Energy Transition Roadmap (NETR), and National Investment Aspirations (NIA).^{23 24} Achieving these goals requires robust and reliable climate-related information.

V. Brief overview of sustainability reporting requirements in Malaysia

- 5.1 Currently, the sustainability reporting requirements in Malaysia apply to Main Market listed issuers, ACE Market listed issuers and financial institutions.
- 5.2 For listed issuers in Bursa Malaysia, the foundation for sustainability reporting was laid out through the first set of sustainability reporting requirements which was introduced in the Listing Requirements in October 2015. This was further enhanced in September

¹⁹ ASEAN Investment Report 2022, UNCTAD, <https://asean.org/wp-content/uploads/2022/10/AIR2022-Web-Online-Final-211022.pdf>

²⁰ "Carbon Border Adjustment Mechanism", European Commission, https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en

²¹ "EU trade relations with Malaysia", European Commission, https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/malaysia_en#:~:text=Trade%20picture,%E2%82%AC7.6%20billion%20in%202021.

²² New Investment Policy: Policy that delivers the National Investment Aspirations, MITI, <https://www.miti.gov.my/NIA/New%20Investment%20Policy%20Report.pdf>

²³ Malaysia on track to achieve net zero by 2050, MIDA, <https://www.mida.gov.my/mida-news/malaysia-on-track-to-achieve-net-zero-by-2050/>

²⁴ NIMP 2030 has formulated four Missions and Enablers, MITI, <https://www.nimp2030.gov.my/index.php/pages/view/103?mid=460>

2022²⁵, to require among others, disclosure of information across 11 common themes and associated indicators that are deemed material for all listed issuers, with 9 themes commencing FYE on or after 31 December 2023 for Main Market listed issuers and FYE on or after 31 December 2024 for ACE Market listed issuers. Main Market listed issuers are required to make TCFD-aligned climate disclosures commencing FYE on or after 31 December 2025 whereas ACE Market listed issuers are required to disclose a basic transition plan to a low-carbon economy commencing FYE on or after 31 December 2026. To aid listed issuers on their sustainability reporting journey, the Enhanced SRF is accompanied by the launch of the Sustainability Reporting Guide and Toolkits (3rd Edition), the Illustrative Sustainability Report and the Sustainability Explainer Video Series.

- 5.3 Bank Negara Malaysia (BNM) through its policy document, Climate Risk Management and Scenario Analysis (CRMSA), requires financial institutions to produce TCFD-aligned climate disclosure for the financial year beginning on or after 1 January 2024.
- 5.4 While sustainability reporting is on a voluntary basis for non-listed companies, the Companies Act 2016 states that the directors' report may include a business review to the extent necessary for an understanding of the development, performance or position of the company's business. The business review may also contain principal risks and uncertainties, environmental matters, and social and community issues.
- 5.5 For a summary of the current sustainability reporting requirements in Malaysia, please refer to Appendix A: Summary of sustainability reporting requirements.

VI. Details of the Proposed National Sustainability Reporting Framework

A. IFRS S1 and IFRS S2 Adoption Approach

Potential Scope and Timeline for IFRS S1 and IFRS S2 Adoption

- 6.1 Presently, Main Market listed issuers have either begun providing TCFD-aligned climate disclosures or are preparing their processes and data to provide such disclosures in line with the Listing Requirements in annual reports issued for FYE on or after 31 December 2025. Companies with TCFD-aligned climate disclosures have a reasonable foundation to begin adopting IFRS S2, as the recommendations of the TCFD are embedded within the standard.
- 6.2 While the TCFD recommendations are embedded within IFRS S2,²⁶ the IFRS S2 requires greater resources and preparation to be able to meet these additional disclosures, for example, providing industry-specific disclosures, information on the intended use of carbon credits, and details on financed emissions. The ACSR recognises that listed issuers may require time in order to meet these substantial and additional requirements, hence transition reliefs will be necessary.
- 6.3 Building on the existing sustainability reporting requirements, the potential approach for the adoption of IFRS S1 and IFRS S2 is for it to be made mandatory for Main Market listed issuers. In addition, the reporting requirements may potentially be extended to

²⁵ For a summary of the Enhanced SRF, please refer to Appendix A.

²⁶ Comparison – IFRS S2 *Climate-related Disclosures* with the TCFD Recommendations, *IFRS*, <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s2/ifrs-s2-comparison-tcfid-july2023.pdf>

include ACE Market listed issuers and large NLCos with annual revenue of RM 2 billion and above. This position may be expanded to other non-listed companies in the future.

- 6.4 Several jurisdictions including the EU,²⁷ New Zealand,²⁸ Switzerland²⁹ and the United Kingdom³⁰ 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. Additionally, Australia is in the process of reviewing an exposure draft for potential amendments to its legislation in this regard.³¹
- 6.5 Given the difference in readiness and maturity of listed issuers and non-listed companies, a different adoption timeline and approach may be necessary for the different market players as outlined below:

| Adoption Approach | Potential Timeline | | |
|--|---|---|---|
| | Main Market listed issuers | ACE Market listed issuers | Large NLCos with revenue of RM 2B and above |
| Adopt IFRS S2 with reliefs and consequently apply IFRS S1 only insofar as they relate to the disclosure of information on climate-related risks and opportunities ³² | Annual reports issued for FYE on or after 31 December 2025 <i>Note: This would entail updating the requirement for TCFD aligned climate disclosures to IFRS S2 aligned disclosures instead.</i> | Annual reports issued for FYE on or after 31 December 2027 | Annual reports issued for FYE on or after 31 December 2027 |
| Adopt IFRS S1 with reliefs | Annual reports issued for FYE on or after 31 December 2026 | Annual reports issued for FYE on or after 31 December 2028 | Annual reports issued for FYE on or after 31 December 2028 |

²⁷ Directive (EU) 2022/2464 of the European Parliament and of the Council, *EU*, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022L2464>

²⁸ Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021, Parliamentary Counsel Office, <https://www.legislation.govt.nz/act/public/2021/0039/latest/LMS479633.html>

²⁹ Ordinance on Climate Disclosures, Swiss Federal Council, <https://www.news.admin.ch/newsd/message/attachments/74006.pdf>

³⁰ The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, <https://www.legislation.gov.uk/ukSI/2022/31/contents/made>

³¹ Treasury Laws Amendment Bill 2024: Climate-related Financial Disclosure, The Parliament of the Commonwealth of Australia, <https://treasury.gov.au/sites/default/files/2024-01/c2024-466491-exposure-draft-em.pdf>

³² This refers to all relevant requirements other than those relating to the core content of IFRS S1 (i.e., Conceptual Foundations, General Requirements and Judgements, Uncertainties and Errors).

| Adoption Approach | Potential Timeline | | |
|--|---|---|---|
| | Main Market listed issuers | ACE Market listed issuers | Large NLCos with revenue of RM 2B and above |
| Fully adopt IFRS S1 and IFRS S2 | Annual reports issued for FYE on or after 31 December 2027 | Annual reports issued for FYE on or after 31 December 2029 | Annual reports issued for FYE on or after 31 December 2029 |

6.6 The ACSR is currently deliberating on the regulatory structure for issuance and oversight of the ISSB Standards in Malaysia to establish the NSRF. It is anticipated that legislative amendments, in particular the Companies Act 2016, may be required to enable adoption by both listed issuers and non-listed companies. Bursa Malaysia will also need to amend the Listing Requirements to align the Enhanced SRF with the proposed NSRF. Where necessary, relevant notice in terms of changes to the reporting requirements will be communicated at least 6 months prior to the effective date.

| Main Market | |
|--------------------|--|
| Question 1 | Should the current reporting requirements for Main Market listed issuers to provide 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. |
| 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.

Non-Listed Companies

Question 7 For large 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?

Applicable to All Respondents

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.

Question 11 Considering the importance of the Carbon Border Adjustment Mechanism (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)?

Potential Reliefs

- 6.7 To facilitate implementation, ISSB has introduced proportionality and scalability as well as transition reliefs within IFRS S1 and IFRS S2 (built-in reliefs) to accommodate companies with varying levels of maturity and readiness mechanisms.
- 6.8 The proportionality and scalability mechanisms are permanent and allow “reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort” and allow companies to consider their “skills, capabilities and resources” for specified disclosure requirements such as climate-related scenario analysis and anticipated financial effects.

6.9 With the proportionality and scalability mechanisms already in place, no additional reliefs are proposed for requirements that already benefit from these reliefs as listed below:

| Type of reliefs | Summary of built-in reliefs |
|---|---|
| Proportionality and scalability mechanism – Allows companies to use “reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort” | <p>For disclosure requirements:</p> <p>a) Identification of climate-related risks and opportunities³³</p> <p>b) Determination of anticipated financial effects of a sustainability-related and climate-related risk or opportunity³⁴</p> <p>c) Climate-related scenario analysis³⁵</p> <p>d) Specified climate-related metrics³⁶</p> <ul style="list-style-type: none"> • Climate-related transition risks • Climate-related physical risks • Climate-related opportunities <p>e) Measurement of Scope 3 GHG emissions³⁷</p> <p>f) Determination of the scope of the value chain³⁸</p> |
| Proportionality and scalability mechanism – Allows companies to consider its “skills, capabilities and resources” | <p>a) when determining an appropriate approach to use for its climate-related scenario analysis³⁹</p> <p>b) when determining whether it is able to provide quantitative information about anticipated financial effects of sustainability and climate-related risks or opportunities.⁴⁰</p> |
| Transition | <p>a) For the first annual reporting period an entity applies IFRS S1 and IFRS S2, companies may consider applying IFRS S2 in accordance with IFRS S1 only insofar as IFRS S1 relates to climate-related financial information. For the following annual reporting period, the entity would apply IFRS S1 as it</p> |

³³ IFRS S2 Paragraph 11

³⁴ IFRS S1 Paragraph 37-39, IFRS S2 Paragraph 18-20

³⁵ IFRS S2 Paragraph B1-B7

³⁶ IFRS S2 Paragraph 30

³⁷ IFRS S2 Paragraph B39

³⁸ IFRS S2 Paragraph B36

³⁹ IFRS S2 Paragraph B1-B7

⁴⁰ IFRS S1 Paragraph 37-39, IFRS S2 Paragraph 18-20

| | |
|--|--|
| | <p>relates to the entity's full range of sustainability-related risks and opportunities.⁴¹</p> <p>b) For the first annual reporting period an entity applies IFRS S1 and IFRS S2, companies are permitted to report its sustainability-related financial disclosures after it publishes its related financial statement at the same time as its next second-quarter or half-year interim general purpose financial report.⁴²</p> <p>c) Companies may consider to not disclose comparative information in the first annual reporting period in which it applies IFRS S1 and IFRS S2.⁴³</p> <p>d) In the first annual reporting period, if the company used a method other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) in the prior reporting period, the company is permitted to continue using that other method.⁴⁴</p> <p>e) In the first annual reporting period, companies may consider to not disclose its Scope 3 greenhouse gas emissions.⁴⁵</p> |
|--|--|

6.10 Acknowledging the potential challenges companies may encounter in adopting these standards, the ACSR is seeking feedback on adopting the transition reliefs provided by the ISSB and providing **additional** reliefs, beyond those already provided by the ISSB. The additional reliefs would provide extended support for preparers to integrate the required reporting processes and adhere to requirements under the IFRS S1 and IFRS S2.

6.11 In addition to the in-built reliefs illustrated in the table under **paragraph 6.9** above, a summary of the implementation approach inclusive of potential additional reliefs is further outlined below:

⁴¹ IFRS S1 E5

⁴² IFRS S1 E4

⁴³ IFRS S1 E3

⁴⁴ IFRS S2 Paragraph C4(a)

⁴⁵ IFRS S2 Paragraph C4(b)

| Main Market listed issuers | FYE 31 December 2025 | FYE 31 December 2026 | FYE 31 December 2027 |
|----------------------------|---|--|-----------------------------------|
| IFRS S2 Adoption | IFRS S2 with reliefs | | |
| IFRS S2 Reliefs | Focus on climate-related financial disclosures specifically on principal business segments | | |
| | Option to not disclose impacts of climate-related risks and opportunities on the company's strategy and decision-making | | |
| | Permissible for the company to use boundary other than outlined in IFRS S2 Para 29 (iv) for GHG emission | | |
| | Option to not disclose Scope 3 greenhouse gas emissions, except for Category 6 and 7 | | |
| IFRS S1 Adoption | IFRS S1 on climate-related disclosures only | IFRS S1 with reliefs | |
| IFRS S1 Reliefs | | Focus on sustainability-related financial disclosures specifically on principal business segments | |
| | | Option to not disclose impacts of sustainability-related risks and opportunities on the company's strategy and decision-making | |
| Full Adoption | | | IFRS S1 and IFRS S2 full adoption |

| ACE Market listed issuers and Large NLCos with Revenue of RM2B and above | FYE 31 December 2027 | FYE 31 December 2028 | FYE 31 December 2029 |
|--|---|--|----------------------|
| IFRS S2 Adoption | IFRS S2 with reliefs | | |
| IFRS S2 Reliefs | Focus on climate-related financial disclosures specifically on principal business segments | | |
| | Option to not disclose impacts of climate-related risks and opportunities on the company's strategy and decision-making | | |
| | Permissible for the company to use boundary other than outlined in IFRS S2 Para 29 (iv) for GHG emission | | |
| | Option to not disclose Scope 3 greenhouse gas emissions, except for Category 6 and 7 | | |
| IFRS S1 Adoption | IFRS S1 on climate-related disclosures only | IFRS S1 with reliefs | |
| IFRS S1 Reliefs | | Focus on sustainability-related financial disclosures specifically on principal business segments | |
| | | Option to not disclose impacts of sustainability-related risks and opportunities on the company's strategy and decision-making | |

| ACE Market listed issuers and Large NLCos with Revenue of RM2B and above | FYE 31 December 2027 | FYE 31 December 2028 | FYE 31 December 2029 |
|--|----------------------|----------------------|-----------------------------------|
| Full Adoption | | | IFRS S1 and IFRS S2 full adoption |

6.12 The potential approach shall be for the reliefs in the tables in **paragraph 6.11** above to be implemented in tandem with the adoption timeline of 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?

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.

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?

B. External Assurance

Assurance Approach

6.13 Investors consider sustainability disclosures to make investment decisions. With sustainable practices influencing capital allocation, companies are incentivised to publish meaningful and impactful sustainability information. However, this trend also brings the risks of greenwashing,⁴⁶ leading to a growing scepticism about the reliability of such information.⁴⁷

6.14 In response to these challenges, external assurance plays a crucial role to address the reporting trust deficit, thereby maintaining confidence in capital markets. On a global scale, the consideration for mandatory assurance of sustainability information has progressed as follows:⁴⁸

| Country | Assurance requirement | Assurance standards | Timeline |
|----------------|---|---|--------------|
| Australia | External limited assurance progressing to reasonable assurance for Scope 1, 2, and 3 GHG emissions, governance disclosures, scenario analysis and transition plans. | AUASB to develop sustainability assurance standards aligned with the final overarching standard for assurance on sustainability reporting issued by the IAASB | 2024 onwards |
| European Union | External limited assurance, progressing to reasonable assurance for all sustainability matters. | Pending assurance standards to be adopted by the EU | 2024 – 2028 |
| New Zealand | External limited assurance for Scope 1, 2 and 3 GHG emissions. | <ul style="list-style-type: none"> • ISAE (NZ) 3410 Assurance Engagements on Greenhouse Gas Statements <p>OR</p> <ul style="list-style-type: none"> • ISO 14064-3 Greenhouse gases – Part 3: Specification with guidance for the verification and validation of | 2024 onwards |

⁴⁶ Greenwashing refers to the practice of conveying a false or misleading impression or perception about the environmental friendliness or sustainability efforts of a product, service, company, or practice. It involves presenting information, marketing, or branding in a way that exaggerates or misrepresents the actual environmental impact of a product or organisation.

⁴⁷ “How can better sustainability reporting mobilize companies and capital?”, EY, https://www.ey.com/en_ca/climate-change-sustainability-services/how-can-better-sustainability-reporting-mobilize-companies-and-capital

⁴⁸ Assurance approaches are also available in each country’s consultation papers. Please see footnote 18 above.

| | | greenhouse gas statements | |
|-----------|--|---|--------------|
| Singapore | External limited assurance for Scope 1 and 2 GHG emissions. | Considering the following standards: <ul style="list-style-type: none"> • ISSA 5000 General Requirements for Sustainability Assurance Engagements OR <ul style="list-style-type: none"> • ISO 14064-3 | 2027 onwards |
| Taiwan | Assurance specified for Scope 1 and 2 GHG emissions only. Type of assurance not specified. | Not yet provided | 2029 onwards |

6.15 Recognising that the ecosystem for external assurance in Malaysia is still evolving, the ACSR is seeking input to evaluate the practicality of shifting from the existing voluntary approach to mandatory external assurance. This shift aligns with the objective of providing users of the information with the same level of trust and confidence as the audited financial statements.

6.16 Key considerations for external assurance include:

- a) **Scope of assurance:** this pertains to identifying the specific information requiring validation and confirmation. The selection of information for assurance is often derived from a company's materiality assessment, highlighting areas important to stakeholders. Conversely, the adoption of a standardized scope of assurance (e.g., greenhouse gas emissions) may enhance comparability and provide confidence to government and policymakers in tracking progress towards national commitments.
- b) **Standard of assurance:** refers to the benchmark or set criteria against which the information is verified and assured. This involves selecting internationally recognised standards or frameworks to ensure a robust and consistent approach to the assurance process. For example, this includes widely accepted standards such as the International Standard on Assurance Engagement (ISAE) 3000 and International Organization for Standardization (ISO) Standards, or the forthcoming profession-agnostic standard – the International Standard on Sustainability Assurance (ISSA) 5000.
- c) **Type of assurance:** encompasses the classification of assurance, distinguishing between limited and reasonable assurance methods applied to the information. The level of assurance impacts the level of review and scrutiny applied during the assurance process. Limited assurance is where the nature and extent of the assurance activities have been designed to provide a reduced level of assurance on historical data and information. Whereas reasonable assurance is where the nature and extent of the assurance activities have been designed to provide a high but not absolute level of assurance on historical data and information. Given

the challenges for companies in assuring their sustainability data, a common method in undertaking assurance is by way of limited assurance, leaving reasonable assurance as a voluntary pursuit. This allows for the gradual enhancement of reporting systems, with the possibility of pursuing reasonable assurance after a certain period of time.

- d) Assurance provider: identifies the entity or professional organisation responsible for delivering the assurance services. An accredited assurance provider is recognised by a regulatory body and typically meets specific professional or ethical standards required for conducting assurance.

6.17 Initial focus for potential mandatory external assurance could be obtaining limited assurance for greenhouse gas emissions metrics two years after the adoption of IFRS S2 to enable progress tracking against climate targets. This approach is supported by the GHG Protocol and methodologies that enable reliable measurement across borders and facilitates the management of corporate greenhouse gas emissions.

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

Assurance Standards

- 6.18 The standardisation of assurance standards is key to ensuring consistency and efficiency in the assurance process while promoting best practices.
- 6.19 Currently, Bursa Malaysia has referenced recognised assurance standards⁴⁹ as the International Standard on Assurance Engagements (ISAE) 3000 (Revised): *Assurance engagements other than audits or reviews of historical financial information* and the International Organisation for Standardisation (ISO).
- 6.20 In August 2023, the International Auditing and Assurance Standards Board (IAASB) introduced the Exposure Draft of the proposed International Standard on Sustainability Assurance (ISSA) 5000 *General Requirements for Sustainability Assurance Engagements*, an evolved version built on ISAE 3000 (Revised). Set to become the industry benchmark, ISSA 5000 aims to be a comprehensive, independent standard that is adaptable for various sustainability assurance engagements and is designed to be profession-agnostic. The IAASB targets to issue the final standard by the end of 2024.⁵⁰

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?

⁴⁹ Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements (Main LR) in relation to Enhance Sustainability Reporting Framework – Appendix 2 – Questions & Answers.

⁵⁰ “Understanding International Standard on Sustainability Assurance 5000”, IAASB, <https://www.iaasb.org/focus-areas/understanding-international-standard-sustainability-assurance-5000>

Appendix A: Summary of sustainability reporting requirements in Malaysia

A.1. Summary of Bursa Malaysia's Enhanced Sustainability Reporting Requirements

| No | Disclosure Requirement | Timeline | |
|----|--|--|--|
| | | Main Market listed issuers | ACE Market listed issuers |
| 1. | Sustainability Statement must include information on – a) Governance; b) Scope of Sustainability Statement and basis for the scope; c) Materiality; and d) Management of material sustainability matters. | Existing requirement | FYE on or after 31 Dec 2024 |
| 2. | Common material sustainability matters that include 11 themes and indicators deemed material across all sectors ⁵¹ : ▪ 9 themes except for emission and waste management ▪ Emission and waste management | FYE on or after 31 Dec 2023 FYE on or after 31 Dec 2024 | FYE on or after 31 Dec 2025 FYE 31 on or after Dec 2026 |
| 3. | For every material sustainability matter, 3 financial years' data (on a rolling basis) for each reported indicator and performance target (if any) as well as a summary of such data and corresponding performance target in a prescribed format. | FYE on or after 31 Dec 2023 | FYE on or after 31 Dec 2025 |
| 4. | Statement on assurance, specifically whether the Sustainability Statement has been subjected to internal review by the listed issuer's internal auditors or independent assurance in accordance with recognised assurance standards, and include the subject matter and scope covered as well as the conclusions from the independent assurance. | FYE on or after 31 Dec 2023 | FYE on or after 31 Dec 2025 |
| 5. | ▪ Main Market: Climate-related disclosure aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures; ▪ ACE Market: Basic plan to transition towards a low-carbon economy. | FYE on or after 31 Dec 2025* | FYE on or after 31 Dec 2026 |

*The following elements under TCFD are relatively more complex to implement, and would require a considerable amount of time and resources (specified elements):

1. Describe the impact of climate related risks and opportunities on the organisation's business, strategy and financial planning [*strategy pillar, element (b)*]

⁵¹ The themes include anti-corruption, community/society, diversity, energy management, health and safety, labour practices and standards, supply chain management, data privacy and security, water and emissions & waste.

2. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including 2 degrees Celsius or lower scenario [*strategy pillar, element (c)*]
3. Describe how processes of identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management [*risk management pillar, element (c)*]

As such, with regards to the specified elements above, where alignment with the relevant TCFD recommendations has yet to be fully achieved, a listed issuer may for a period of 2 years starting from implementation timeline of FYE on or after 31 Dec 2025, report on its progress or status towards meeting the disclosure required under the specified elements. After the expiry date, the listed issuer must report its TCFD-aligned disclosures as required under the Listing Requirements.

Table A.2. Summary of BNM’s Climate Risk Management and Scenario Analysis Requirements for Financial Institutions⁵²

| Effective date | 31 December 2023 | 31 December 2024 |
|----------------|---|--|
| Requirements | Implementation of principles <ul style="list-style-type: none"> • Governance • Strategy • Risk appetite • Risk management | Implementation of principles <ul style="list-style-type: none"> • Scenario analysis • Metrics and targets Disclosures aligned with the recommendations of TCFD |

1. Principle 14 of the CRMSA requires that financial institutions shall produce reliable, meaningful and comparable climate-related disclosures, to support informed decisions by stakeholders and reinforce the effective management of material climate-related risks in the financial sector.
2. As stipulated in paragraph 13.3 of the policy document, the climate-related disclosures shall be aligned with the recommendations of the TCFD and shall be published together with annual financial reports for financial years beginning on or after 1 January 2024.

⁵² Climate Risk Management and Scenario Analysis, *BNM*, https://www.bnm.gov.my/documents/20124/938039/PD_Climate-Risk-Mgmt-Scenario-Analysis-Nov2022.pdf