

ADVISORY COMMITTEE ON SUSTAINABILITY REPORTING (ACSR)

PUBLIC CONSULTATION PAPER NO. 2 / 2025

PROPOSED FRAMEWORK FOR SUSTAINABILITY ASSURANCE

The Advisory Committee on Sustainability Reporting (ACSR) which is chaired by the Securities Commission Malaysia (SC) was formed in May 2023 with the endorsement of the Ministry of Finance (MOF) to:

- (a) assess the use and application of the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB), specifically IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*, and IFRS S2 *Climate-related Disclosures*, collectively referred to as the ISSB Standards; and
- (b) develop a sustainability assurance framework for Malaysia.

Other members of the ACSR are representatives from the Audit Oversight Board (AOB), Bank Negara Malaysia (BNM), the Companies Commission of Malaysia (SSM), Bursa Malaysia Bhd and the Financial Reporting Foundation (FRF).

In September 2024, the ACSR launched the National Sustainability Reporting Framework (NSRF) which addresses the use of the ISSB Standards. The NSRF document is available at <https://www.sc.com.my/nsrf/resources>.

In 2025, the ACSR continues with its work to develop the Framework for Sustainability Assurance (Framework) to further strengthen investors' trust and confidence in the reliability of sustainability information disclosed by Malaysian companies when making investment decisions.

The consultation questions can be accessed [here](#). The closing date to submit responses is 6 August 2025 and responses will only be received when submitted via the same link. Any queries on this Consultation Paper may be directed to the Secretariat of the ACSR at saf@seccom.com.my.

Confidentiality: Your responses may be made public by the SC. If you do not wish for all or any part of your response or 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 remain 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 (PDPA).

This Public Consultation Paper is dated 25 June 2025.

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Glossary of Terms

Term	Definition
ACE Market	The ACE Market is a sponsor-driven market designed for companies with good business prospects. It replaced the formerly known MESDAQ (Malaysian Exchange of Securities Dealing and Automated Quotation) Market in 2009.
ACSR	Advisory Committee on Sustainability Reporting
Applicable entities	Applicable entities comprise Main and ACE market listed issuers on Bursa Malaysia and large non-listed companies with annual revenue of RM2 billion and above.
AOB	Audit Oversight Board
Auditor	An individual auditor or audit firm who is registered or recognised under section 31O of the Securities Commission Malaysia Act 1993 as a registered auditor or recognised auditor of a public interest entity or schedule fund.
Assurance engagements	An engagement in which a practitioner aims to obtain sufficient appropriate evidence to express a conclusion designed to enhance the degree of confidence of the intended users about a subject matter information.
Audit engagements	Audit engagements refer to external financial audits and internal audit engagements.
Firm	A conventional partnership under the Registration of Businesses Act 1956, limited liability partnership under the Limited Liability Partnerships Act 2012 or company under the Companies Act 2016 which provides sustainability assurance services.
Framework	Framework for Sustainability Assurance
GHG	Greenhouse Gases
Greenwashing	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.
IAASB	International Auditing and Assurance Standards Board
IESBA	International Ethics Standards Board for Accountants
IESBA Code	IESBA's International Code of Ethics for Professional Accountants (including International Independence Standards)

Term	Definition
IESSA	IESBA's International Ethics Standards for Sustainability Assurance (including International Independence Standards)
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information
IFRS S2	Climate-related Disclosures
ISQM 1	International Standard on Quality Management 1
ISSA 5000	International Standard on Sustainability Assurance 5000, General Requirements for Sustainability Assurance Engagements
ISSB	International Sustainability Standards Board
ISSB Standards	IFRS Sustainability Disclosure Standards issued by the ISSB in June 2023, comprising IFRS S1 and IFRS S2.
Large non-listed companies (Large NLCos)	Large non-listed companies if they meet the prescribed threshold of consolidated group revenue of RM2 billion or more for two consecutive financial years preceding the current financial year. In the absence of group-level revenue, the threshold of RM2 billion would be applicable at company level.
Listed issuers	Corporations listed on the Main Market and ACE Market, as well as real estate investment trusts and business trusts on the Main Market.
Main Market	The MAIN Market is a prime market for listing of established companies that have achieved certain minimum profit track record or size. It is also a platform to list other capital market products such as debt securities, Exchange-traded Funds (ETFs), Real Estate Investment Trust and structured warrants.
Public interest entities	Entities specified in Part 1 of Schedule 1 of the Securities Commission Malaysia Act 1993.
Reasonable assurance	A high but not an absolute level of assurance that the practitioner obtains about whether the sustainability information reported is free from material misstatement. In the assurance report for a reasonable assurance engagement, the assurance conclusion is expressed in the form of an opinion about whether the entity's sustainability information is prepared, in all material aspects, in accordance with the applicable criteria.
SC	Securities Commission Malaysia
Scope 1 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.

Term	Definition
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.
Sustainability assurance engagement leader	Any individual appointed by the firm who is ultimately responsible for the sustainability assurance engagement and for the assurance report that is issued on behalf of the firm.
Sustainability assurance practitioner	The individuals conducting the sustainability assurance engagement comprising the engagement leader and other members of the engagement team.
Sustainability assurance provider	An individual sustainability assurance engagement leader or firm who provides sustainability assurance services.

1.0 Introduction to Malaysia's Framework for Sustainability Assurance (Framework)

- 1.1 The ACSR recognises that a strong and robust sustainability assurance framework is essential to enhance credibility of sustainability disclosures. It plays a key role in addressing concerns around greenwashing, strengthening investor confidence and reinforcing trust in sustainability information as a basis for sound investment decisions.
- 1.2 The proposed Framework seeks to address the following matters surrounding sustainability assurance in Malaysia:
- a) The adoption of international standards relating to sustainability assurance;
 - b) Oversight over sustainability assurance providers;
 - c) Competency requirements for the sustainability assurance engagement leader; and
 - d) Timeframe for external reasonable assurance on sustainability information.
- 1.3 The ACSR strongly encourages feedback on the proposed Framework from listed issuers, large non-listed companies with annual revenue of RM2 billion and above, sustainability assurance providers and users of sustainability reports — particularly investors and analysts. Insights from a broad range of stakeholders is essential to ensure the Framework is practical, credible and sufficiently robust.

2.0 Details of the Proposed Framework

2.1 The adoption of international standards relating to sustainability assurance

- 2.1.1 In November 2024, IAASB issued ISSA 5000 which is a profession agnostic sustainability assurance standard that can be applied to any sustainability assurance engagements including any sustainability information prepared under multiple frameworks.
- 2.1.2 From the feedback received pursuant to the Public Consultation Paper on the proposed National Sustainability Reporting Framework (NSRF) dated 15 February 2024, most respondents supported the adoption of ISSA 5000 as the overarching standard for external assurance on sustainability information. Respondents noted that the adoption of ISSA 5000 would ensure consistency and quality across various types of sustainability disclosures and alignment with international best practices.
- 2.1.3 **It is therefore proposed that ISSA 5000 shall be adopted as the recognised sustainability assurance standard** in Malaysia.
- 2.1.4 ISSA 5000 requires that a sustainability assurance engagement leader be a member of a firm that applies ISQM 1 issued by the IAASB or professional requirements, or requirements in law or regulation, that an appropriate authority has determined to be of at least as demanding as ISQM 1.
- 2.1.5 It is proposed that **ISQM 1 shall be adopted as the only recognised quality management standard** to be complied with by all firms that provide sustainability assurance services in Malaysia.

2.1.6 ISSA 5000 also requires a sustainability assurance practitioner to comply with relevant ethical requirements, including those relating to independence, that comprise the provisions of the IESBA Code related to sustainability assurance engagements and to adhere to any national requirements that are more restrictive, where applicable.

2.1.7 In January 2025, the IESBA issued IESSA to ensure that sustainability assurance practitioners behave ethically to maintain public trust in the work undertaken by them. It is proposed that **IESSA shall be adopted as the recognised ethical standard** to be complied with by sustainability assurance practitioners in Malaysia.

Question 1

Do you agree with the proposals under Section 2.1? Please state the reasons for your views.

2.2 Oversight of sustainability assurance providers

2.2.1 Regulatory oversight, aimed at ensuring that the sustainability assurance providers comply with the relevant sustainability assurance and ethical standards, is necessary to promote quality of sustainability assurance work.

2.2.2 Currently, the SC's AOB regulates auditors of public interest entities and schedule funds. In carrying out its functions, the AOB registers auditors of public interest entities and schedule funds, performs inspections on the auditors as well as undertake enforcement actions when there are instances of significant non-compliances with the applicable auditing and ethical standards.

2.2.3 The role of the AOB is proposed to be expanded to regulate sustainability assurance providers of applicable entities. The expanded role would include the registration and inspections of sustainability assurance providers as well as to carry out enforcement actions when there are instances of significant non-compliances with the recognised sustainability assurance and ethical standards.

Question 2

Do you agree with the proposals under Section 2.2? Please state the reasons for your views.

2.3 Competency requirements for the sustainability assurance engagement leader

2.3.1 The ACSR has adopted a profession-agnostic approach in allowing both professional and non-professional accountants to act as the sustainability assurance engagement leaders, subject to them registering with the AOB.

2.3.2 A sustainability assurance engagement leader should possess sufficient competence, knowledge and experience to properly execute a sustainability assurance engagement that meets the requirements of the recognised sustainability assurance and ethical standards in Malaysia.

2.3.3 It is proposed that a sustainability assurance engagement leader who seeks registration with the AOB must meet the following competency requirements:

- a) The individual should possess a degree or diploma from a local or foreign educational institution that is recognised by the Malaysian Qualifications Agency (MQA) or possess any other professional qualifications deemed relevant to sustainability assurance work;
- b) The individual should have at least six years of accumulative work experience in performing audit or assurance engagements. Within these six years of work experience, the individual should have at least two years of work experience as an engagement team leader or supervisor responsible for supervising audit or assurance engagements; and
- c) The individual has acquired sustainability-related certifications that are recognised by the AOB.

2.3.4 In relation to proposal under paragraph 2.3.3, the AOB may recognise a certification programme of the Securities Industry Development Corporation (SIDC) or any other professional bodies if the certification programme can provide an individual with a good understanding of the following:

- a) the reporting requirements under ISSB Standards;
- b) the connectivity between sustainability reporting and financial reporting;
- c) the requirements of the international standards relevant to the performance of a sustainability assurance engagement such as ISQM 1, ISSA 5000 and IESSA;
- d) the exercise of professional scepticism and professional judgment on the engagement; and
- e) any legal and regulatory requirements applicable to a sustainability assurance engagement in Malaysia.

2.3.5 Upon achieving certification, an individual is required to complete 20 hours of training annually that may be acquired internally within the firm or externally relating to sustainability assurance engagement such as sustainability reporting, sustainability assurance, relevant ethical standards, ISQM 1 or sustainability related topics.

Question 3

Do you agree with the proposals under Section 2.3? Please state the reasons for your views.

- (a) Do you agree with the proposed competency requirements for the sustainability engagement leader under paragraph 2.3.3? Please state the reasons for your views.
- (b) Do you agree with the proposed certification and training-related requirements under paragraph 2.3.4 and 2.3.5? Please state the reasons for your views.
- (c) Are there any other competency or certification and training-related requirements that should be considered? If so, please support your response with justifications.

2.4 Timeframe for external reasonable assurance

2.4.1 To provide investors with the same level of trust and confidence akin to audited financial statements on sustainability reports by the applicable entities, it is proposed that external reasonable assurance be made mandatory for sustainability information such as the IFRS S1 core contents (Governance, Strategy, Risk Management and Metrics and Targets) and GHG emissions.

2.4.2 The timeline for external mandatory assurance as proposed below have taken into consideration varying levels of readiness and maturity of the respective types of companies:

- a) Assurance for Scope 1 and Scope 2 GHG emissions:

Applicable entities	Proposed timeline for external reasonable assurance for annual reporting periods beginning on or after
Group 1: Main market listed issuers with market capitalisation of RM2 billion and above	1 January 2027
Group 2: Main market listed issuers (other than listed issuers in Group 1)	1 January 2028
Group 3: ACE market listed issuers and large non-listed companies with annual revenue of RM2 billion and above	1 January 2029

Question 4

Do you agree with the proposed timeline for external reasonable assurance on Scope 1 and Scope 2 GHG emissions under paragraph 2.4.2.(a)? If not, when? Please state the reasons for your views.

- b) Assurance for IFRS S1 core contents (Governance, Strategy, Risk Management and Metrics and Targets) and Scope 3 GHG emissions:

Applicable entities	Proposed timeline for external reasonable assurance for annual reporting periods beginning on or after
Group 1: Main market listed issuers with market capitalisation of RM2 billion and above	1 January 2030
Group 2: Main market listed issuers (other than listed issuers in Group 1)	1 January 2031
Group 3: ACE market listed issuers and large non-listed companies with annual revenue of RM2 billion and above	1 January 2033

Question 5

- (a) Do you agree with the proposal to extend mandatory external reasonable assurance to IFRS S1 core contents (Governance, Strategy, Risk Management and Metrics and Targets) and Scope 3 GHG emissions under paragraph 2.4.2 (b)? Please state the reasons of your views.
- (b) If you have responded 'Yes' to Question 5 (a) above, do you agree with the proposed timeline for external reasonable assurance on IFRS S1 core contents (Governance, Strategy, Risk Management and Metrics and Targets) and Scope 3 GHG emissions under paragraph 2.4.2.(b)? If not, when? Please state the reasons for your views.