

## FREQUENTLY ASKED QUESTIONS (FAQ)

**(Following the stakeholder engagement with Group 2 CFOs held on 8<sup>th</sup> January 2026)**

**Background:** The Advisory Committee on Sustainability Reporting (ACSR) organised a stakeholder engagement with Group 2 Chief Financial Officers on 8 January 2026, and compiled questions and answers from the session in this document for ease of reference.

### 1.0 Reporting Requirements

#### 1.1 Is there a reporting format / structure that is compliant with IFRS S1 and IFRS S2?

The ACSR has published two Illustrative Sustainability Reports (ISR) for the Plantation and Construction sectors which were prepared in accordance with the IFRS® Sustainability Disclosure Standards (ISSB Standards) and Bursa Malaysia's Listing Requirements. The ISRs provide an illustrative guidance for entities adopting the ISSB Standards, and includes additional information boxes for reference.<sup>1</sup>

The ACSR intends to develop another ISR catered for smaller-listed issuers. Further, the Joint Committee on Climate Change (JC3), will be issuing illustrative guidance for the Banking and Insurance sectors.

#### 1.2 Are entities required to disclose their sustainability goals or projections?

Entities are expected to disclose their climate-related targets, as well as disclose foreseeable climate risks and opportunities along with improvements they plan to make.

Specifically, IFRS S2 requires disclosure of information that enables investors to understand the effects of climate-related risks and opportunities on its strategy and decision-making. This includes information on how the entity plans to achieve any climate-related targets that it has set (IFRS S2.14(a)).

The Standard further requires disclosure of quantitative and qualitative climate-related targets that the entity has set towards achieving its strategic goals, including the metric used, the objective of the target, as well as any milestones and interim targets (IFRS S2.33).

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<sup>1</sup> The ISRs are intended for illustrative purposes only and should not substitute formal reporting requirements to ensure compliance with IFRS S1 and IFRS S2.

**1.3 What ISSB-related metrics are required to be reported?**

Entities are required to disclose metrics required by an ISSB Standard (i.e. IFRS S1 and IFRS S2), as well as metrics that the entity uses to measure and monitor their identified sustainability-related risk or opportunity. The ISSB Standards require disclosure of cross-industry metrics as well as industry-based metrics, where relevant.

Examples include:

Cross-industry metrics	Industry-based metrics
<ul style="list-style-type: none"> <li>• Greenhouse gas (GHG) emissions (Scope 1-3)</li> <li>• Transition risks (the amount and % of assets or business activities vulnerable to climate-related transition risks (e.g. coal plants or fuel-based fleets losing value under the National Energy Transition Roadmap (NETR)).</li> <li>• Physical risks (the amount and % of assets or business activities vulnerable to climate-related physical risks (e.g. industrial parks or plantations facing flood losses by 2050)</li> <li>• Capital deployment (the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities)</li> <li>• Internal carbon prices (explain whether and how the company applies a carbon price in decision-making)</li> </ul>	<p>Entities shall refer to and consider the Sustainability Accounting Standards Board (SASB) Standards in identifying relevant metrics within their industry. Examples of applicable metrics for the Plantation industry would be SASB Industry Standard – Agricultural Products and Processed Foods:</p> <ul style="list-style-type: none"> <li>• Water management (e.g. total water withdrawn and consumed during the year)</li> <li>• Labour risk (e.g. percentage of agricultural products sourced that are certified to a third-party environmental or social standard i.e. Roundtable on Sustainable Palm Oil (RSPO), Malaysian Sustainable Palm Oil (MSPO), Incorporated Society of Planters (ISP)</li> </ul>

**1.4 How do I confirm whether my reporting is compliant with the standards prior to submission?**

Entities are required to include a statement of compliance under the ISSB Standards, which is a management assertion that requires the reporting entity to have a reasonable basis to conclude that all applicable requirements have been met (IFRS S1.72). Accordingly, prior to submission, compliance includes having internal governance and fair/faithful representation of information presented as required under IFRS S1.

Entities are recommended to refer to the ISSB Standards and the relevant educational and guidance materials issued by the ACSR under PACE, all of which are available on the NSRF microsite ([www.sc.com.my/nsrf](http://www.sc.com.my/nsrf)).

In addition, implementation issues that are relevant to a wide group of stakeholders can be submitted to the ACSR Secretariat (email to [nsrf@seccom.com.my](mailto:nsrf@seccom.com.my)) which will be deliberated at the ACSR Implementation Working Group (IWG).

**1.5 Is it possible to opt out of either IFRS S1 and S2 reporting due to extenuating circumstances?**

No, listed entities and large non-listed issuers (scoped-in entities) are required to issue their sustainability statements in accordance with IFRS S1 and S2, pursuant to the requirements issued by the relevant regulators. The criteria of the scoped-in entities are set out in the NSRF policy guidance document, available at [www.sc.com.my/nsrf](http://www.sc.com.my/nsrf).

## **2.0 Engaging External Consultants**

### **2.1 Is it mandatory to engage with consultants for application of the NRSF?**

Engaging consultants for application of the ISSB Standards is not mandatory, but entities may do so on their own volition. The ACSR has developed a suite of guidance materials, tools and capacity building programmes to assist reporting entities in complying with the ISSB Standards. The IFRS Foundation, similarly has issued educational materials including on disclosing an entity's climate-related transition as well as on anticipated financial effects as reference.

### **2.2 What if a company is constrained by its business operations that it lacks the internal expertise to ensure compliance or cannot afford to engage external consultants?**

Companies without internal expertise or the budget for consultants can still comply with ISSB Standards by leveraging the extensive guidance, tools, educational resources and transition reliefs available.

Further, in December 2025, the ACSR outlined its [approach to non-compliance with sustainability reporting requirements](#). In essence, emphasis at the start will be placed on ensuring reporting entities make reasonable and meaningful progress, and to allow for corrective action to be taken in the case of non-compliance generally. However, in situations of willful or serious non-compliance, relevant enforcement action may still be taken.

### **2.3 Do the engaged external parties need to have any specific licence or qualification to impart judgement on the report's suitability under the NSRF?**

External parties advising on the application of the ISSB Standards to an entity does not require a specific licence or qualification by the SC. Ultimately, judgement on the application of the ISSB Standards towards the entity resides with the entity preparing the report, namely its board of directors, internal audit and management who provides the final approval prior to the submission of the sustainability report, similar to reporting financial results. In accordance with IFRS S1, entities are required to make various judgements, examples of which include (IFRS S1.75):

- Identifying sustainability-related risks and opportunities that could be reasonably expected to affect the entity's prospects;
- Determining which sources of guidance to apply;
- Identifying material information to include in the sustainability-related financial disclosures; and
- Assessing whether an event or change in circumstances is significant and requires reassessment of the scope of all affected sustainability-related risks and opportunities throughout the entity's value chain.

### **3.0 Reporting**

#### **3.1 What is the frequency for reporting?**

Entities shall report its annual sustainability-related financial disclosures at the same time as its related financial statements (IFRS S1.64). The sustainability statements shall cover the same reporting period as the related financial statements.

#### **3.2 What Is the penalty for failing to report?**

In December 2025, the ACSR outlined its approach to non-compliance with sustainability reporting requirements. In essence, emphasis at the start will be placed on ensuring reporting entities make reasonable and meaningful progress and to allow for corrective action to be taken in the case of non-compliance generally. However, in situations of willful or serious non-compliance, relevant enforcement action may still be taken.

### **4.0 External Assurance**

#### **4.1 How to know if an external assurance provider is recognised by the SC?**

The SC has published a Public Consultation Paper on the Framework for Sustainability Assurance. One of the discussion areas is for external sustainability assurance providers to be registered with the Audit Oversight Board (AOB). Upon finalisation of the Sustainability Assurance Framework, AOB will issue a Registration Handbook for further reference on registration requirements.

#### **4.2 Can PACE provide reliable external assurance?**

PACE is an initiative by the ACSR to develop and provide guidance materials, tools and capacity building programmes to assist entities in their adoption of the ISSB Standards. PACE is not a platform to provide external assurance for entities.

Further information on the requirements of external assurance will be provided upon the issuance of the Sustainability Assurance Framework. In the meantime, entities are encouraged to voluntarily conduct assurance on their sustainability reports whether internally or externally.

## **5.0 Industry Specific Queries**

### **5.1 Will there be illustrative examples for specific industries to help with ensuring compliance and ease of reference?**

Yes, the ACSR has issued two Illustrative Sustainability Reports as set out in paragraph 1.1 above.

### **5.2 Are specific metrics used for different industries?**

Yes, as explained in paragraph 1.3 above, entities are required to disclose industry-based metrics to measure and monitor their identified sustainability-related risk and opportunity. In the absence of an IFRS Sustainability Disclosure Standard that specifically applies to a sustainability-related risk or opportunity, IFRS S1 allows entities to apply judgement to identify information that is relevant and faithfully represents such risk or opportunity (IFRS S1.57 – S1.58)

The entity is required to refer and consider the applicability of the metrics associated with the disclosure topics included in the SASB Standards. Entities may also refer to metrics provided by other frameworks and information disclosed by entities that operate in the same industry, provided that it does not contradict with the ISSB Standards. For example, plantation companies will probably have to address the hectareage of forest land that they have re-planted or plan on doing so.

## **6.0 Impact on Business**

### **6.1 Are businesses expected to establish a sustainability department in alignment with the NSRF?**

Implementation of the ISSB Standards does not require entities to establish a sustainability department, if they do not already have one currently. IFRS S1 and S2 sets out disclosure requirements on the governance structure including the governance body or individual responsible for oversight of sustainability-related risks and opportunities as well as the management's role in the governance processes, controls and procedures used to monitor, manage and oversee sustainability-related risks and opportunities.

Further, implementation of the Standards requires proper governance and a cross-functional team which may include, but not limited to, sustainability, risk management, finance, strategy and other operational departments, to ensure a whole-of-organisation and integrated approach. Should an entity find that establishing a sustainability department could help streamline their sustainability goals then they may choose to do so.

## **6.2 What if a company faces financial or logistic issues in implementing the NSRF?**

The ACSR acknowledges the challenges entities face in meeting the new sustainability reporting standards and issued a non-compliance approach to balance the need for compliance with the varied levels of readiness across reporting entities (refer to paragraph 2.2 above).

Entities are encouraged to utilise the initiatives provided by PACE that are designed to assist entities to implement the NSRF. The NSRF also extends transition standard reliefs (provided within the ISSB Standards) to entities to build their capacity over time. This includes allowing entities to only disclose climate-related disclosures, and to defer Scope 3 GHG emissions for the first two to three years.

## **6.3 Do companies need personnel with specific backgrounds or qualifications to implement ISSB-compliant reporting?**

No, there is no specific requirements for entities to have personnel with specific background or qualifications to produce ISSB-compliant reporting.

## **7. Miscellaneous Costs**

### **7.1 Does the SC provide any rebate on costs incurred by smaller PLCs that wish to be ISSB-compliant?**

The SC does not provide any rebate on costs incurred by smaller PLCs for purposes of preparing sustainability-related disclosures. As set out above, the ACSR offers guidance materials, tools and capacity building programmes to enable the transition for first-time adopters of the ISSB Standards.

Existing financial incentives include the [Income Tax \(Deduction for Expenditure in relation to Environmental Preservation, Social and Governance\) Rules 2025](#) which provides a deduction of up to RM50,000 per annum for ESG-related expenditure incurred, including on sustainability reporting. This incentive takes effect from the year of assessment 2024 up to the year of assessment 2027, and includes expenditure on:

- Validation, verification and certification relating to the use of ESG practices and calculation and tracking of GHG emissions and ESG exposure;
- Subscription to technology or software systems for ESG data collection, tracking the use of ESG metrics, risk management, scenario analysis and calculation of GHG emissions;
- Capacity-building initiatives, including training, education, skills development for employees; and
- Engagement of consultants or subject-matter experts to perform the above functions.