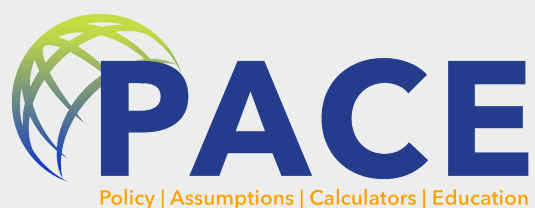


NATIONAL SUSTAINABILITY REPORTING FRAMEWORK

Navigating the Transition:
A guide for boards |





Navigating the Transition: A guide for boards

This document is intended to be a simplified guide for boards to use the IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*, and IFRS S2 *Climate-related Disclosures* (collectively referred to as *the ISSB Standards*). It outlines key questions and considerations as companies prepare to use the standards. The guide is not exhaustive and boards are encouraged to undertake the necessary measures to ensure they have the capacity required to undertake their duties effectively in relation to sustainability reporting.

Gearing up for NSRF

1

What is the **National Sustainability Reporting Framework (NSRF)**?

2

Is there a **cross-functional team** responsible for sustainability and climate reporting?

3

Does your sustainability data have the **same boundary** as **financial reporting**?

4

Has the company **assessed the financial impact** of sustainability and climate-related risks and opportunities?

5

Is the identification of sustainability risks and opportunities **integrated into the Enterprise Risk Management (ERM)** system?

6

Has the company started **tracking metrics** to assess sustainability and climate-related risks and opportunities?

7

Are your material metrics **assurance-ready**?

8

Are **training and capacity building** needs addressed?

1

What is the NSRF?

[Download NSRF](#)

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

What needs to be reported?

ISSB Standards

- IFRS S1**
 - Sets the foundation on disclosure requirements of sustainability-related risks and opportunities

[Download IFRS S1](#)
- IFRS S2**
 - Sets disclosure requirements on climate-related risks and opportunities
 - Builds on the requirements of TCFD

[Download IFRS S2](#)

[Download IFRS S2 x TCFD](#)

Is assurance required?

Scope

- GHG Scope 1
- GHG Scope 2

Level of assurance

- External reasonable assurance

When is the effective date of the NSRF?

Applicable entities	Timeline	
	ISSB Standards	Assurance
Group 1 <ul style="list-style-type: none"> Main Market listed issuers with market cap. RM2B and above 	2025	2027
Group 2 <ul style="list-style-type: none"> Main Market listed issuers (others) 	2026	2028
Group 3 <ul style="list-style-type: none"> ACE Market listed issuers NLCos with annual revenue RM2B and above 	2027	2029

Who is exempted?

Large NLCos whose holding company:

- Already reports using ISSB-aligned standards or equivalent standards
- Reports using other international standards and frameworks (exempted for three reporting periods)



NSRF Transitional Relief

Climate-first approach: permitted to disclose information on only climate-related risks and opportunities (in accordance with IFRS S2)

Group 1 & 2

2 years

Group 3

3 years

2

Is there a cross-functional team responsible for sustainability and climate reporting?



Adoption of the ISSB Standards requires proper governance and a cross-functional team to ensure a whole-of-organisation and integrated approach

Cross functional team

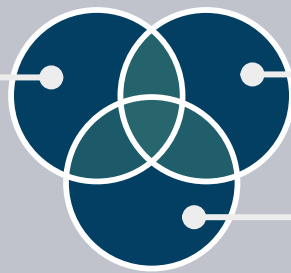


- Breaks down silos and ensures that sustainability becomes an embedded part of business strategy rather than a standalone initiative
- Encourages informed company-wide involvement and buy-in from multiple functions
- Drives holistic management of identified sustainability and climate-related risk and opportunities

Are there additional resources required to ensure successful implementation?

People

- Upskilling required for existing team
- Additional headcount



Finance

- Additional budget allocation

Technology

- The need for new technology and tools

Key considerations to align with best practices including those recommended in the Malaysian Code on Corporate Governance (MCCG)

Is there a designated person within management to provide dedicated focus to manage sustainability strategically?

How does the board stay informed about the latest developments and best practices in sustainability and climate risk management?

Does performance evaluations of board and senior management include a review of their performance in relation to sustainability?

Is remuneration determined after considering sustainability-related key performance indicators (KPIs)?

How does the board communicate its sustainability risks and opportunities to its stakeholders?

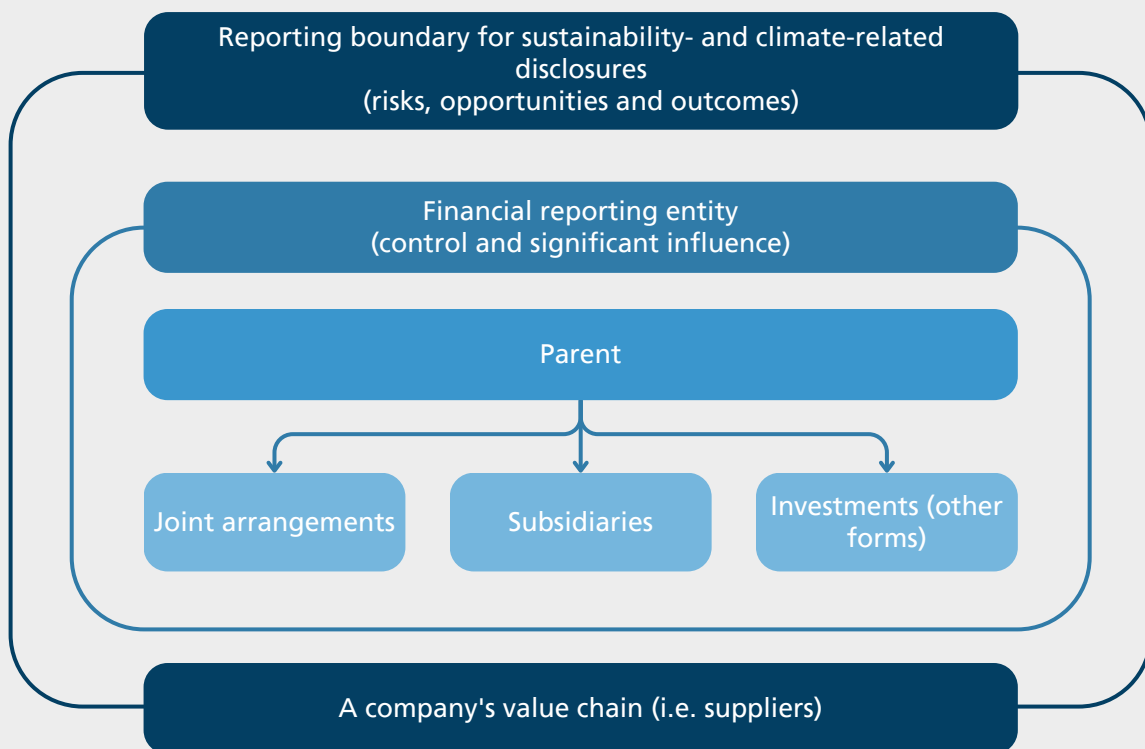
3

Does your sustainability data have the same boundary as financial reporting?



- ISSB Standards require disclosures to be made for the same reporting entities as those covered in the related financial statements.
- Companies are also expected to disclose effects of sustainability and climate-related risk and opportunities on the company's value chain.

Illustrative sample of scope and boundaries



NSRF Transitional Relief

Permissible to focus climate-related disclosures specifically on principal business segments

Group 1 & 2

2 years

Group 3

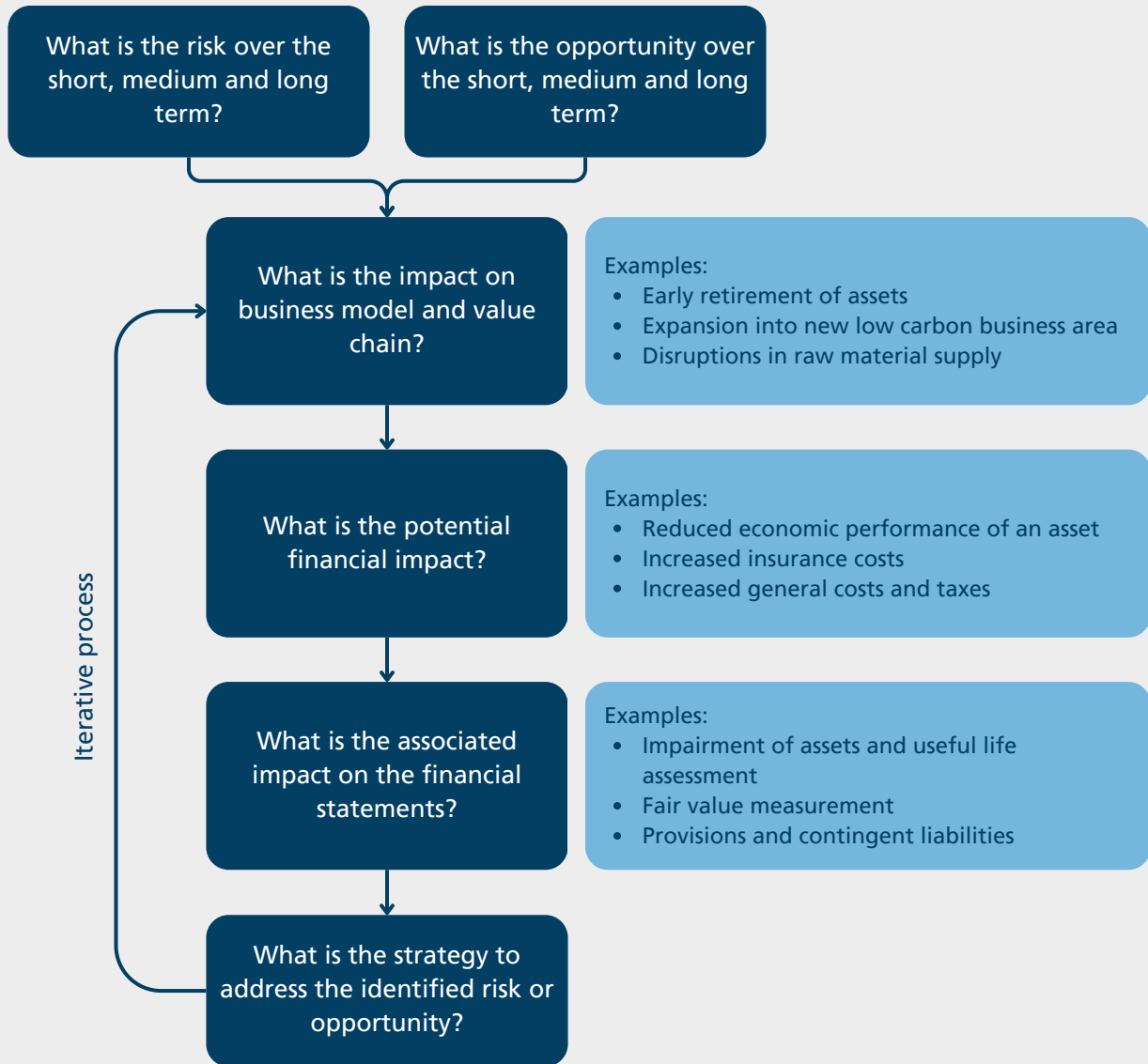
3 years

4

Has the company assessed the financial impact of sustainability and climate-related risks and opportunities?



The company should assess the current and anticipated effects of sustainability and climate-related risks and opportunities on its business model and value chain.



NSRF Transitional Relief

When assessing anticipated financial effects, companies are allowed to use information limited to what is reasonable, supportable and available without undue cost and effort. A qualitative approach is also allowed if the company lacks skills, capabilities or resources.

Group 1 & 2

Group 3

ISSB proportionality mechanism: permanent relief

5

Is the identification of sustainability risks and opportunities integrated into the Enterprise Risk Management (ERM) system?



This ensures that sustainability-related risks and opportunities undergo the same level of rigorous assessment as other enterprise risks, fostering proactive management, enhancing long-term resilience, and alignment with corporate strategy.

What is the extent of sustainability and climate risks being included in the existing risk registry?

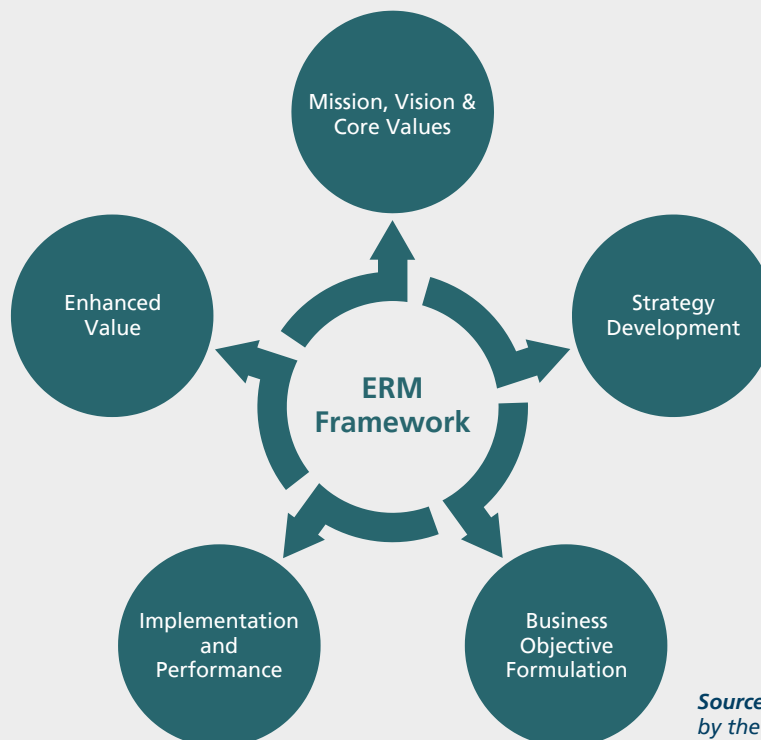
Are identified risks and opportunities aligned with strategic priorities?

Does the company understand the severity of identified SRROs and CRROs?

Is there clarity in the risk responses for identified SRROs and CRROs?

Are there built-in monitoring and continuous improvement mechanisms?

Is there regular communication and reporting to inform decision making?



Source: ERM Framework developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

6

Has the company started tracking metrics to assess sustainability and climate-related risks and opportunities?



This enables users to understand a company's performance in assessing and managing its sustainability and climate-related risks and opportunities

IFRS S1	IFRS S2	
Metrics required by an applicable IFRS Sustainability Disclosure Standard (e.g. IFRS S2)	Cross-industry metrics	
Consider applicable metrics from SASB Standards	Scope 2 GHG emissions	Scope 1 GHG emissions
	Scope 3 GHG emissions	Capital deployment
Metrics the entity uses to measure and monitor the SRROs and its performance	Value or percentage of asset or business activities vulnerable to CRROs	
	Internal carbon prices	Remuneration
	Industry-based metrics	



NSRF Transitional Relief

Applicable entities are permitted to not disclose Scope 3 GHG emissions (IFRS S2 Paragraph C4(b)), except for categories already required by applicable entities' respective regulators.

Group 1 & 2

Group 3

2 years

3 years

Companies shall use reasonable and supportable information without undue cost or effort in preparation for:

- Scope 3 GHG emission
- Scope of value chain
- Value or percentage of asset or business activities vulnerable to climate-related transition risk, physical risks and opportunities

Group 1 & 2

Group 3

ISSB proportionality mechanism: permanent relief

7

Are your material metrics assurance-ready?

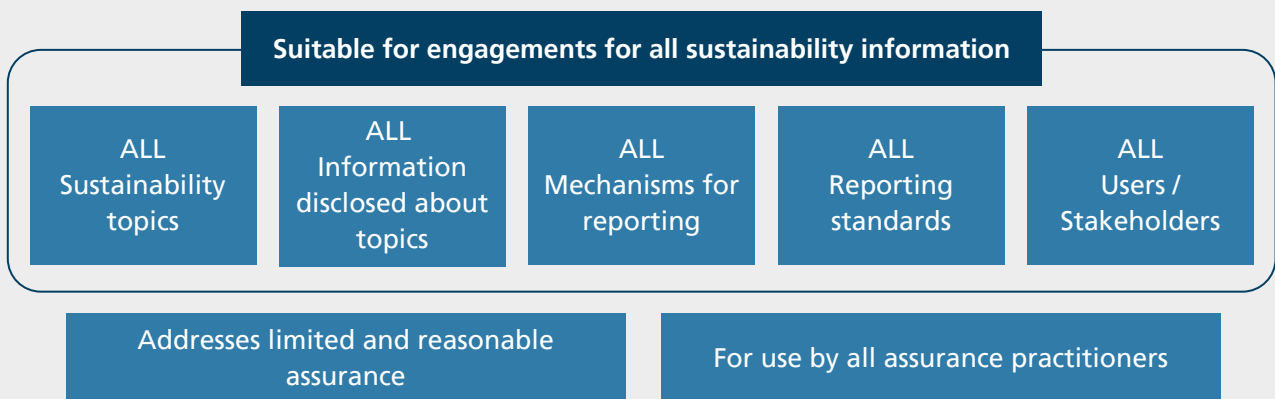


Assurance is crucial to provide investors with the same level of trust and confidence akin to the audited financial statements

Illustrative sample of scope and boundaries

Internal audit	External limited assurance	External reasonable assurance
<ul style="list-style-type: none"> Internal review undertaken by the company's internal audit function 	<ul style="list-style-type: none"> Primarily includes procedures such as inquiries and analytical procedures Does not necessarily consider whether internal controls are effectively designed 	<ul style="list-style-type: none"> Entails extensive procedures, which may include consideration of internal controls and substantive procedures

International Standard of Sustainability Assurance (ISSA) 5000 set to be the new global baseline for sustainability assurance



Note: The framework for assurance of sustainability information, including the assurance providers, will be announced after further consultation and engagements with relevant stakeholders.

8

Are training and capacity building needs addressed?



Effective implementation of the ISSB Standards require boards and management to prioritise training and capacity building. This section outlines the considerations for developing organisational capabilities to meet sustainability reporting requirements.

i

Conduct a Training Needs Assessment



Identify key roles

Map out the key roles including those of departments or teams that are responsible for sustainability reporting.



Assess knowledge gaps

Determine the current level of understanding of sustainability reporting and use of the ISSB.



Identify the right training programs

Tailor the training to meet the specific needs of different groups involved in sustainability reporting (e.g. the board, management, sustainability team).

ii

Strengthen Leadership Commitment



Executive training

Equip board members and senior management with knowledge of ISSB standards and their strategic implications.



Role modeling

Encourage leaders to actively participate in sustainability training.

iii

Provide Continuous Learning Opportunities



Professional certifications

Encourage employees to pursue relevant certifications.



Knowledge-sharing platforms

Set up forums or an intranet hub for sharing best practices and updates on the sustainability reporting.

iv

Monitor and Evaluate Effectiveness



Feedback loops

Gather feedback on the relevance and quality of the training sessions and take necessary measures to ensure future training are fit for purpose.



Competency assessment

Periodically assess employees' ability to apply the ISSB standards in their roles.



Refresher courses

Offer periodic updates to ensure employees stay current with changes in standards and reporting practices.

Leverage PACE



PACE stands for Policy, Assumptions, Calculators, and Education, is a capacity building initiative by ACSR to support the implementation of the NSRF.



Proforma disclosures



Training for preparers



Interoperability between Global Reporting Initiative (GRI) and ISSB



www.sc.com.my/nsrf

Advisory Committee on Sustainability Reporting (ACSR)

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