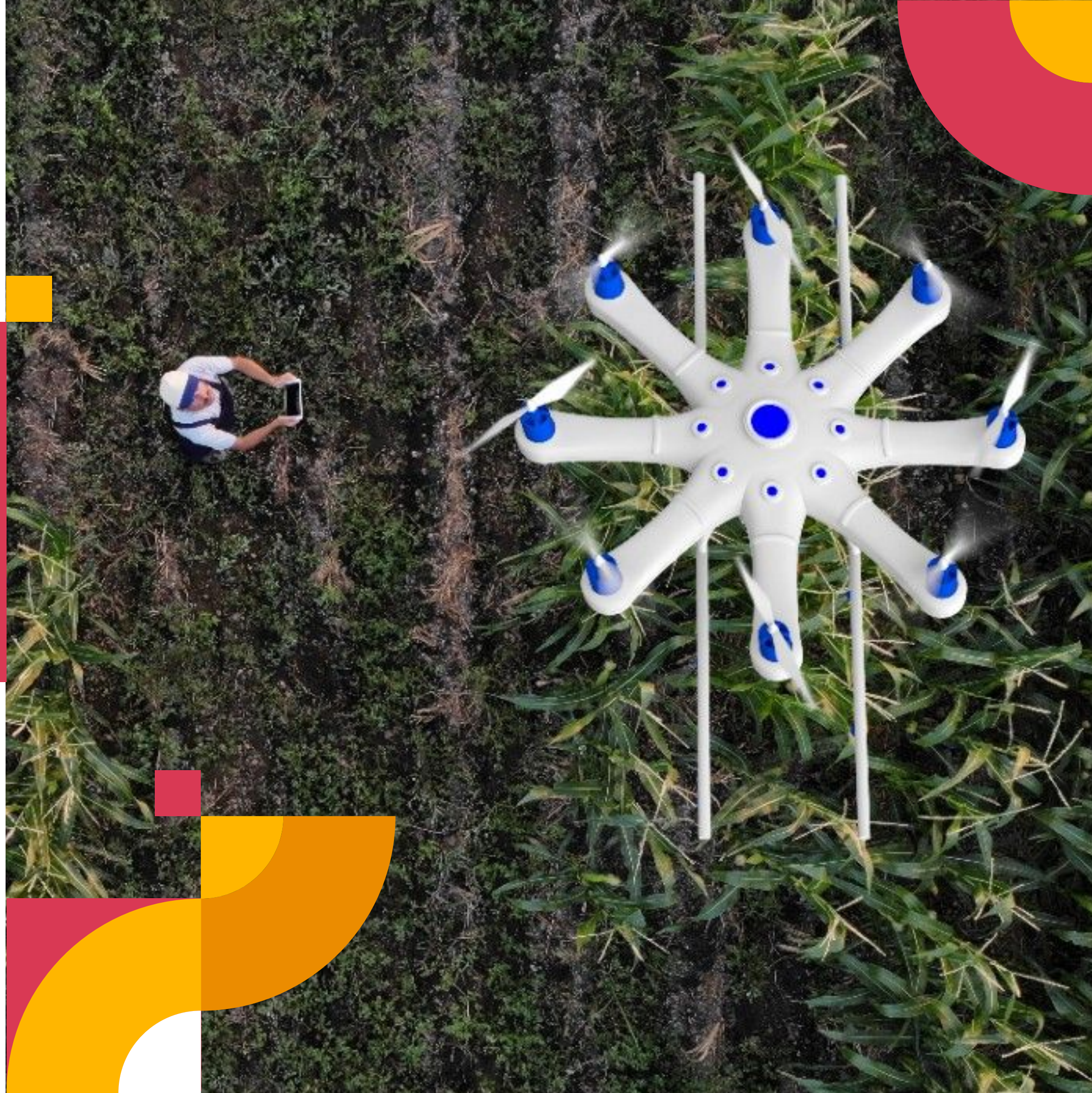




Preparing for IFRS Sustainability Disclosure Standards in Malaysia

19 November 2024



Your presenters today



Nurul A'in Abdul Latif
Partner | Executive Chair

Nurul A'in Abdul Latif is the Executive Chair and an Assurance Partner at PwC Malaysia.

She has over 28 years of experience in providing audit and business advisory services, including cross-border transactions involving mergers and acquisitions. Nurul has worked with clients in a range of industries including media, telecommunications, oil and gas, manufacturing, plantation and property development.



Kwai Fong Soo
Partner | Assurance

Soo Kwai Fong has over 27 years of experience in providing audit and business advisory services to public-listed and multinational companies across oil and gas, shared services, shipping, telecommunications, pay TV and information technology.

She also leads PwC's Sustainability Assurance practice, providing services such as limited assurance for sustainability reporting and gap assessments for IFRS Sustainability Disclosures Standards.



Farhana Jabir
Director | Sustainability & Climate Change

Farhana Jabir has over 15 years of experience in providing audit (including sustainability assurance) and business advisory services to a wide range of clients.

Her experience in sustainability advisory services covers the following scope of work: materiality assessment, greenhouse gas accounting, development of sustainability report, gap assessment for IFRS Sustainability Disclosures Standards, amongst others.

Global sustainability reporting landscape

Umbrella reporting standards/frameworks *Covering a breadth of ESG topics*

Regulatory adoption expected



Recommended for best practice



Single issue standards/ frameworks/ measurement protocols



Sustainability ratings & rankings



ESG principles & guidelines



+ many more...

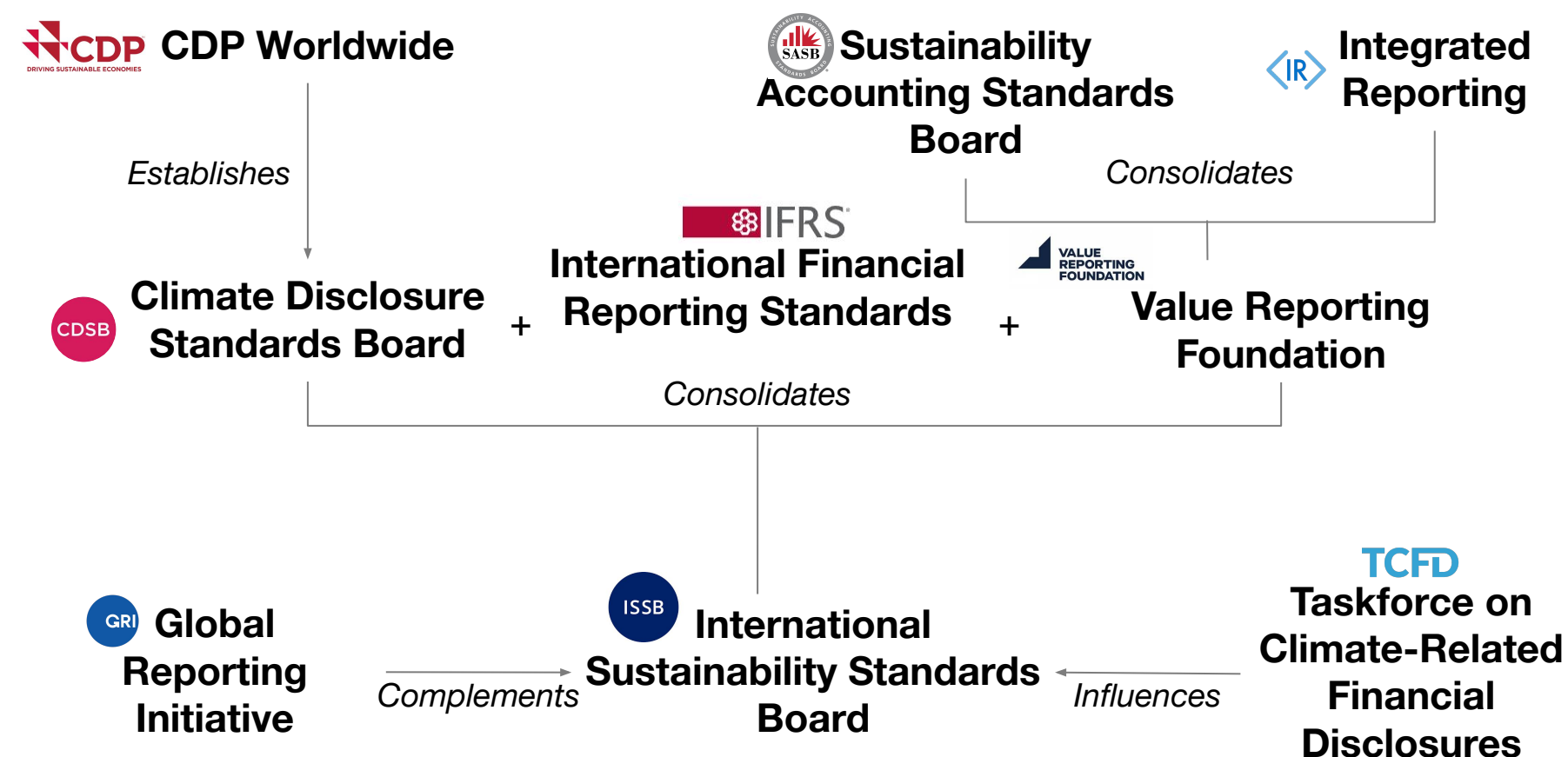
The International Sustainability Standards Board

What is the International Sustainability Standards Board (ISSB)?

- Established by the **IFRS Foundation Trustees** at the **2021 United Nations Climate Change Conference (COP 26)**
- A new standard-setting board for **international investors with global investment portfolios** - aiming towards high quality, transparent, reliable and comparable reporting by companies on climate and other ESG matters
- Aims to deliver a **comprehensive global baseline of sustainability-related disclosure standards** informing investors and other capital market participants about companies' sustainability-related risks and opportunities

The International Monetary Fund, Organisation for Economic Co-operation and Development, the World Bank and the UN forms the guidance bodies for ISSB's standards

List of frameworks adopted by ISSB



- International Monetary Fund
- Organisation for Economic Cooperation & Development
- The World Bank
- United Nations

Notes: 1) International Integrated Reporting Council was created as a globally accepted framework to enhance organisational communications regarding value creation; Source: IFRS, PwC Analysis

Big 3 sustainability disclosure frameworks



IFRS® Sustainability Disclosure Standards (“IFRS SDS”)

- Issued by the International Sustainability Standards Board (ISSB)
- Effective from 1 January 2024, subject to **jurisdictional-specific adoption**
- Covers sustainability related risks and opportunities across environmental, social, and governance topics
- **2 standards issued to date**
- **Endorsed by IOSCO** (called on its 130 member jurisdictions to consider IFRS SDS)
- Aims to deliver a comprehensive global baseline of sustainability-related disclosure standards for investors and other capital market participants



European Sustainability Reporting Standards (“ESRS”)

- Adopted by the European Commission (EC) for compliance with the Corporate Sustainability Reporting Directive (CSRD)
- **Applicable to EU and non-EU entities** subject to certain criteria. Affects non-EU headquartered companies (EU subsidiaries)
- Covers sustainability related risks and opportunities across environmental, social and governance topics
- **12 sector-agnostic standards** issued to date (sector-standards expected to be issued by 2026)
- Adoption in phases commencing from **1 January 2024**
- Embraces “**double materiality**”



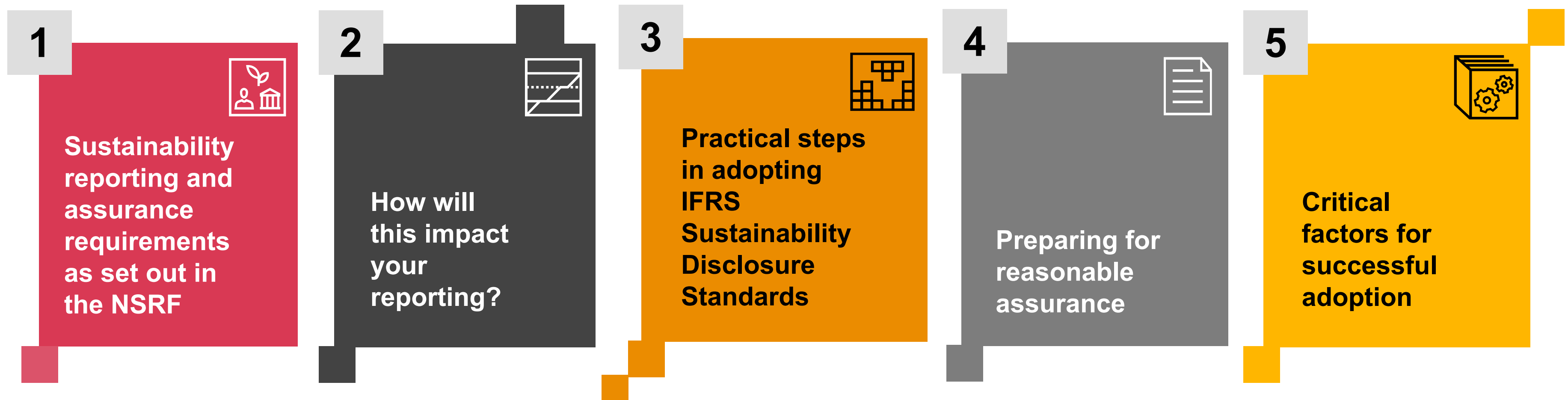
Climate disclosure rules

- Issued by the **US Securities & Exchange Commission (US SEC)**, an independent regulatory agency responsible for protecting investors, maintaining fair and orderly functioning of the securities market, and facilitating capital formation
- Applicable to SEC registrants, including domestic and foreign private issuers
- Require companies to publish information that describes the **climate-related risks** that are likely to have a material impact on a company’s business or consolidated financial statements. Separate guidance addresses specified human capital and governance disclosures

National Sustainability Reporting Framework

The National Sustainability Reporting Framework (NSRF) was issued on 24 September 2024, with the aim to guide Malaysia in **aligning our sustainability reporting with IFRS® Sustainability Disclosure Standards** as issued by the International Sustainability Standards Board (ISSB).

This presentation aims to provide an overview of the NSRF requirements to help organisations better prepare their sustainability reports in accordance with IFRS Sustainability Disclosure Standards:



1

Sustainability reporting and assurance requirements as set out in the NSRF

1 | Sustainability reporting and assurance requirements as set out in the NSRF

Implementation of NSRF will be done through a phased approach from annual reporting periods beginning on or after 1 January 2025

Mandatory reporting:

- ▶ Applies to all listed issuers and non-listed companies with revenue above RM2 billion
- ▶ Reports must adhere to IFRS S1 and IFRS S2 (ISSB™ Standards).
- ▶ Must include Scope 3 GHG emissions disclosure







Transition reliefs & exemptions:



- ▶ Facilitate phased adoption from 2025 to 2030
- ▶ See [appendix](#) for further details

Location and timing of reporting:

- ▶ Follow specific regulator requirements for disclosure location and reporting timing.

Table 1: Implementation timeline for ISSB Standards

Applicable entities	Timeline					
	2025	2026	2027	2028	2029	2030
Group 1: Main market listed issuers with market capitalisation ≥ RM2 billion	Adoption with ATRs		 			
Group 2: Main market listed issuers (other than listed issuers in Group 1)				 		
Group 3: ACE Market listed issuers and non-listed companies (NLCos) with annual revenue ≥ RM2 billion		Adoption with ATRs		Adoption with ATRs and exemptions		
			Adoption with ATRs and exemptions			 

  Full adoption of IFRS Sustainability Disclosure Standards with Scope 3 GHG emissions disclosures

¹ Annual reporting periods beginning on or after 1 January 20XX (e.g., 2025 refers to annual reports that cover period from 1 January to 31 December 2025)

External assurance requirements

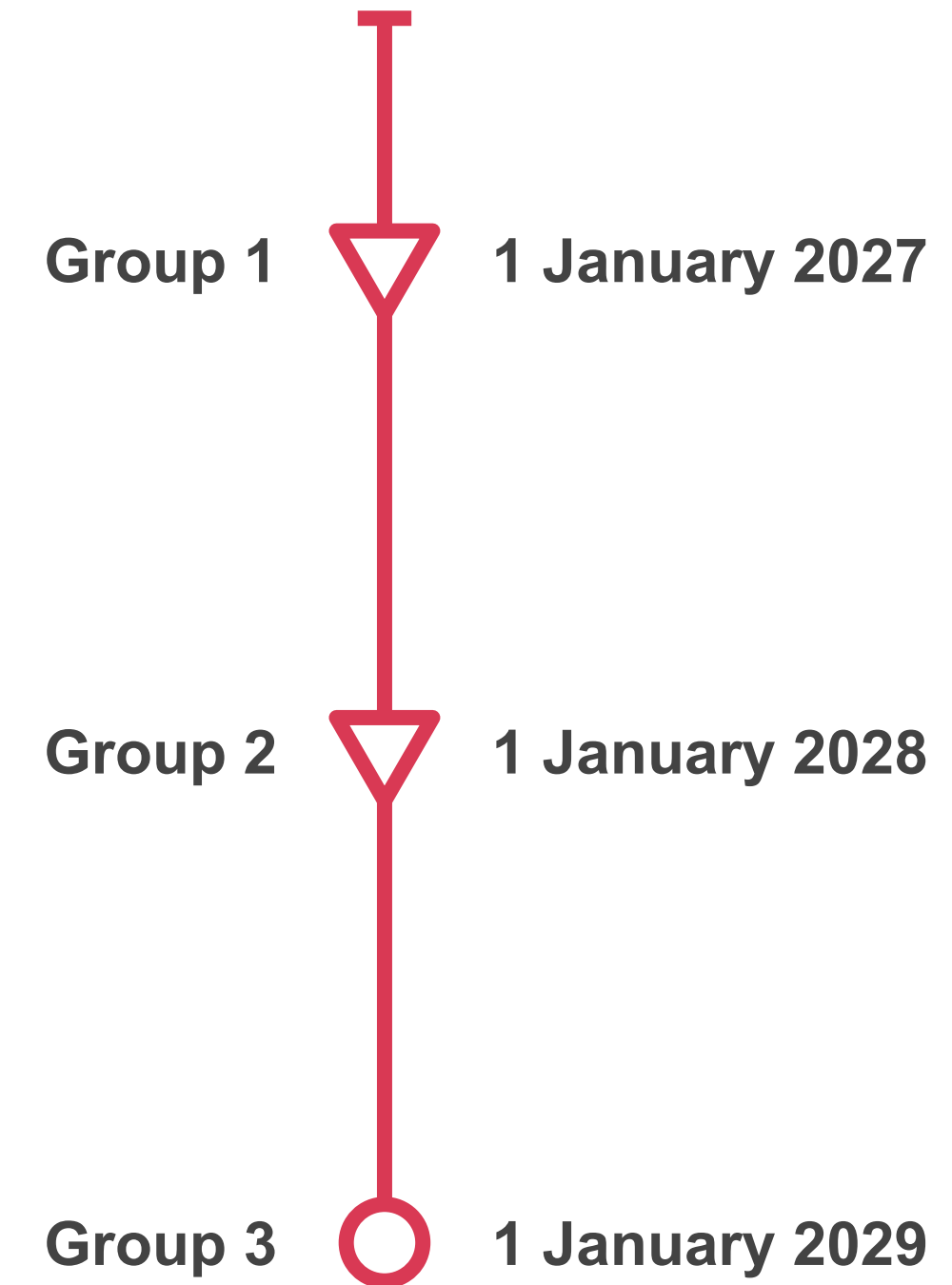
To ensure reliability of sustainability disclosure and to address concerns on greenwashing, the NSRF aims to mandate:

- Reasonable assurance¹ based on the timeline summarised in Table 2, **subject to further consultation with relevant stakeholders.**
- Assurance engagements to be performed in accordance with the assurance standards as adopted by the Malaysian Institute of Accountants (MIA).

¹ Reasonable assurance is a high level of assurance where the practitioners express an opinion in a positive form, which typically involves extensive evidence-gathering activities in order to provide a basis for the assurance opinion, than that of a limited assurance.

Table 2: External assurance timeline

Reasonable assurance for annual reporting periods beginning on or after



2

How will this impact your reporting?

2

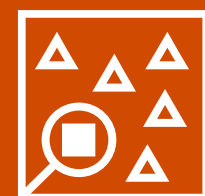
Listed entities are currently required to issue Sustainability Statement that includes the following

Disclosures required in the Sustainability Statement for main market listed issuers



Sustainability statement that includes disclosure on:

- governance in place to management EES risks and opportunities
- material sustainability matters, how its identified and managed, including why it is important



11 sustainability matters and 22 common indicators are deemed material for listed issuers, and **17 sector-specific indicators** are optional



TCFD-aligned disclosures as climate change-related disclosures that are aligned with TCFD Recommendations



Enhanced quantitative information with at least 3 financial years' data for each reported indicator and corresponding targets (if any)



A statement of assurance on whether the Sustainability Statement has been reviewed by internal auditors or independently assured.

Requirements from Bursa Malaysia's Enhanced Sustainability Reporting Framework

2

Listed entities are currently required to issue Sustainability Statement that includes the following

Disclosures required in the Sustainability Statement for main market



Sustainability statement that includes disclosure on:

- governance in place to management EES risks and opportunities
- material sustainability matters, how its identified and managed, including why it is important



11 sustainability matters and 22 common indicators are deemed material for listed issuers, and **17 sector-specific indicators** are optional



TCFD-aligned **disclosures** as climate change-related disclosures that are aligned with TCFD Recommendations



Enhanced quantitative information with at least 3 financial years' data for each reported indicator and corresponding targets (if any)



A statement of assurance on whether the Sustainability Statement has been reviewed by internal auditors or independently assured.

Bursa Malaysia's public consultation

Proposed to be will be disapplied with immediate effect to allow Main Market listed issuers to focus on and progress toward climate reporting in accordance with the ISSB Standards.

Requirements from Bursa Malaysia's Enhanced Sustainability Reporting Framework

2 | The current proposed amendment requires for disclosure of other material matters

Bursa Malaysia's Proposed amendments to the Main Market Listing Requirements

- Requires listed issuers to prepare Sustainability Statements in accordance with ISSB Standards
- Proposes to retain some requirements from Bursa Malaysia's Enhanced Sustainability Reporting Framework



2

Bursa Malaysia's 11 Common Sustainability Matters currently covers the following indicators

Common Sustainability Matters

Environment

Indicators

Emissions Management

- Scope 1 emissions in tonnes of CO₂e
- Scope 2 emissions in tonnes of CO₂e
- Scope 3 emissions in tonnes of CO₂e (at least for the categories of business travel and employee commuting)

Waste Management

- Total waste generated, and a breakdown of the following:
- Total waste diverted from disposal
 - Total waste directed to disposal

Water

- Total volume of water used

Energy Management

- Total energy consumption

Governance

Anti-corruption

- Percentage of employees who have received training on anti-corruption by employee category
- Percentage of operations assessed for corruption-related risks
- Confirmed incidents of corruption and action taken

Data privacy and security

- Number of substantiated complaints concerning breaches of customer privacy and losses of customer data

Social

Community/ Society

- Total amount invested in the community where the target beneficiaries are external to the listed issuer
- Total number of beneficiaries of the investment in communities

Diversity

- Percentage of employees by gender and age group for each employee category
- Percentage of directors by gender and age group

Labour practices and standards

- Total hours of training by employee category
- Percentage of employees that are contractors or temporary staff
- Total number of employee turnover by employee category
- Number of substantiated complaints concerning human rights violations

Health and safety

- Number of work-related fatalities
- Lost time incident rate
- Number of employees trained on health and safety standards

Supply chain management

- Proportion of spending on local suppliers

2 | ISSB Standards require disclosure of Sustainability-related risks and opportunities

S1 - General Requirements for Disclosure of Sustainability-related Financial Information

- Requires an entity to disclose information about its **sustainability-related risks and opportunities** that is useful to users of general purpose financial reports in their decisions-making.
- In addition, IFRS S1 also prescribes the following:
 - how an entity prepares and reports its sustainability-related financial disclosures
 - general requirements for the content and presentation of those disclosures
- In particular, an entity is required to disclose the following in relation to sustainability-related risks and opportunities:

S2 - Climate-related Disclosures

- A **thematic standard** that is focussed on climate-related disclosures. Requires an entity to identify and disclose climate-related risks and opportunities that could affect the entity's prospects over the short, medium and long term.
- Climate-related risks covers both physical risks and transition risks.
- Entity is required to consider the applicability of industry-based disclosure topics as defined in the Industry-Based Guidance on Implementing IFRS S2
- In particular, IFRS S2 requires an entity to disclose the following in relation to climate-related risks and opportunities

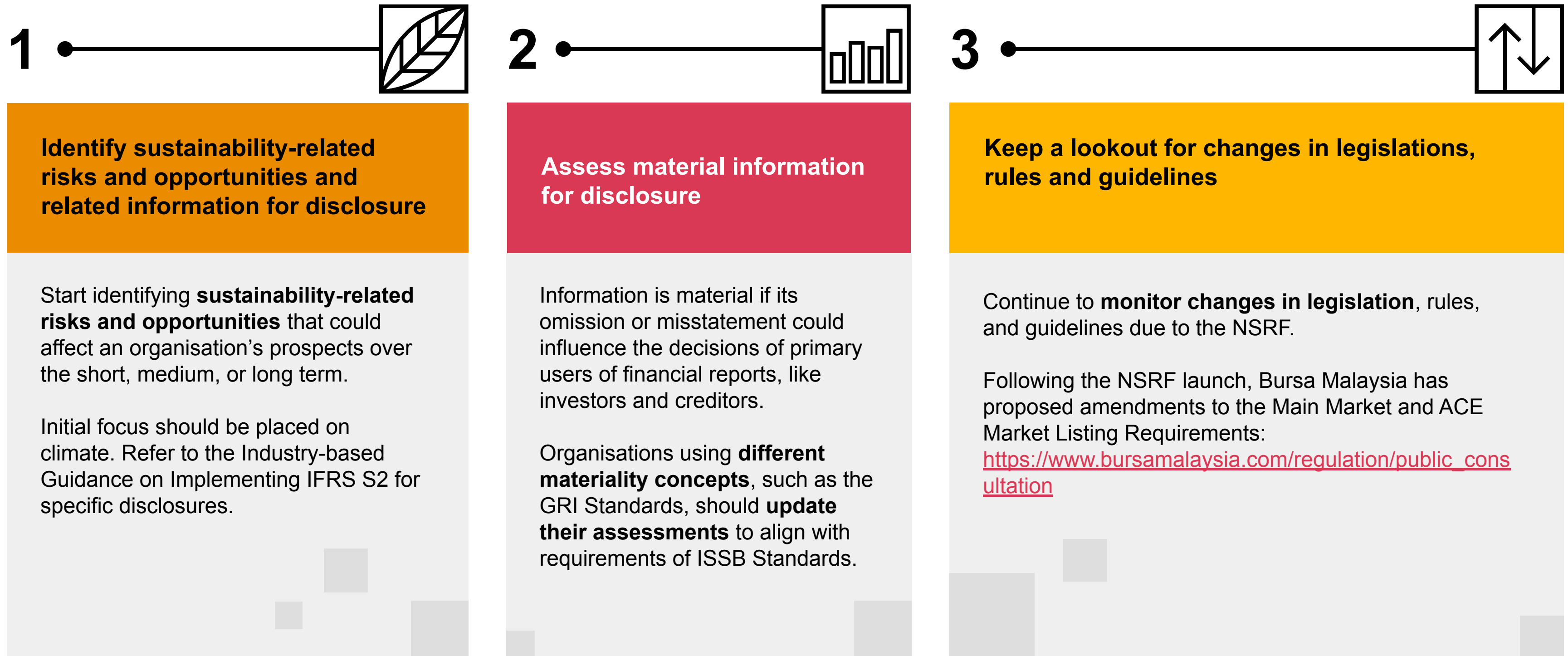
- governance processes, controls and procedures used to monitor, manage and oversee the risks and opportunities
- entity's strategy for managing the risks and opportunities
- processes the entity uses to identify, assess, prioritise and monitor the risks and opportunities, including integration to an entity's overall risk management process
- the entity's performance in relation to the risks and opportunities, including progress towards any targets the entity has set or is required to meet by law or regulation.

3

Practical steps in adopting IFRS Sustainability Disclosure Standards

3 | Practical steps in adopting the standards

Some practical steps that organisations can leverage as they embark on their sustainability reporting journey:



3. Practical steps in adopting the standards (cont'd)

4 •

Utilise available and additional transition reliefs to facilitate adoption

IFRS S1

Climate-First Reporting

Disclosure of other sustainability-related risks and opportunities is required from the second year onwards

+ Extended time relief on Climate-First Reporting

Comparative Disclosures

Comparative information is not mandatory in the first year of adoption

Timing of Reporting

Issuers are allowed to release their sustainability-related disclosures after their financial statements in the first year of adoption

Principal Business Segment

+ Focus on disclosures for principal business segments

IFRS S2

Scope 3 GHG Emissions

Disclosure of Scope 3 GHG emissions is not required in the first year of applying IFRS S2

+ Extended time relief on Scope 3 GHG emissions disclosures

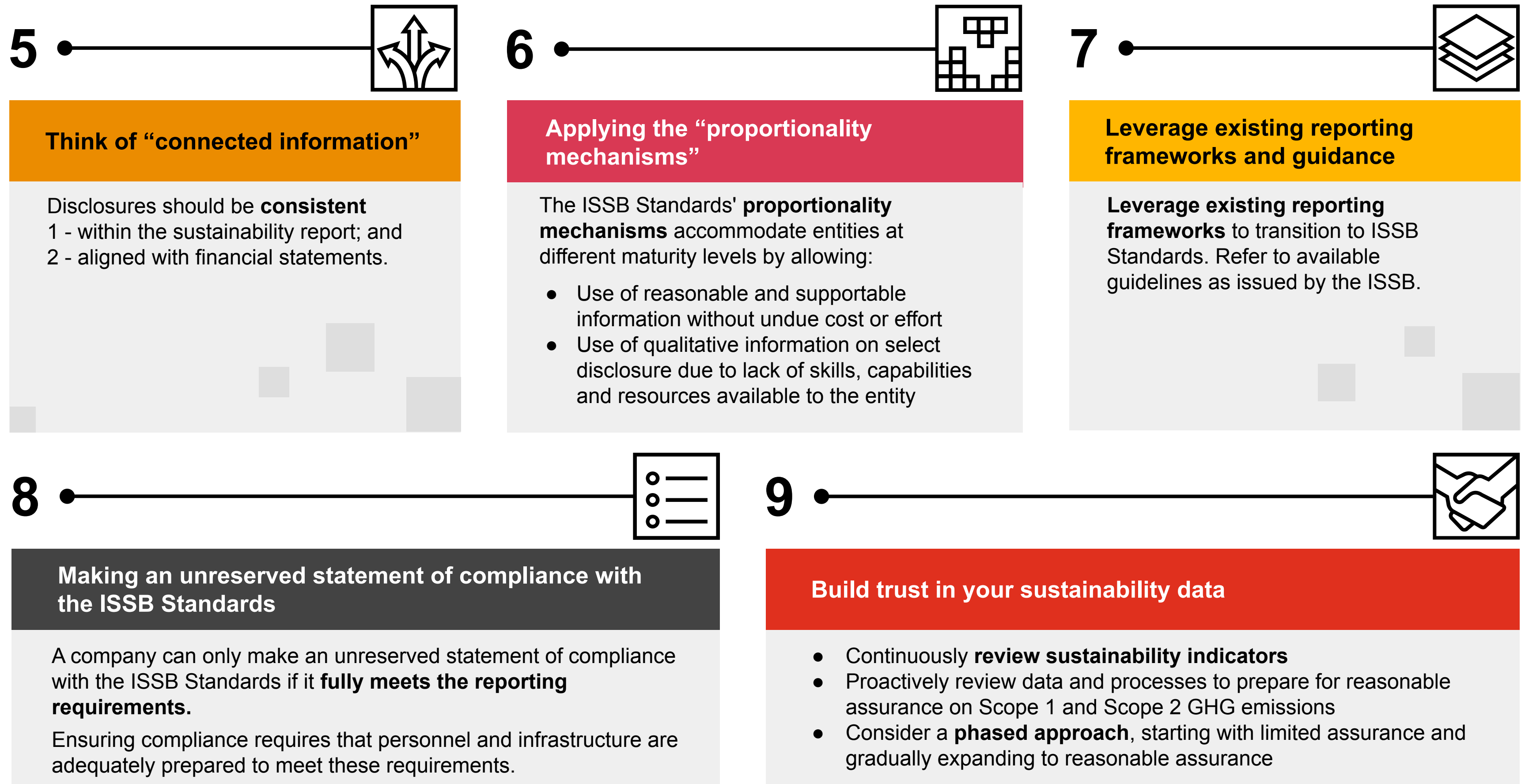
Greenhouse Gas Protocol

Companies already using a different measurement method can continue doing so in their first year of applying IFRS S2

+ NSRF's additional transition reliefs

The availability of transition reliefs for first-time reporters may be affected by the requirements set by their respective regulators.

3. Practical steps in adopting the standards (cont'd)



4

Preparing for reasonable assurance

External assurance requirements

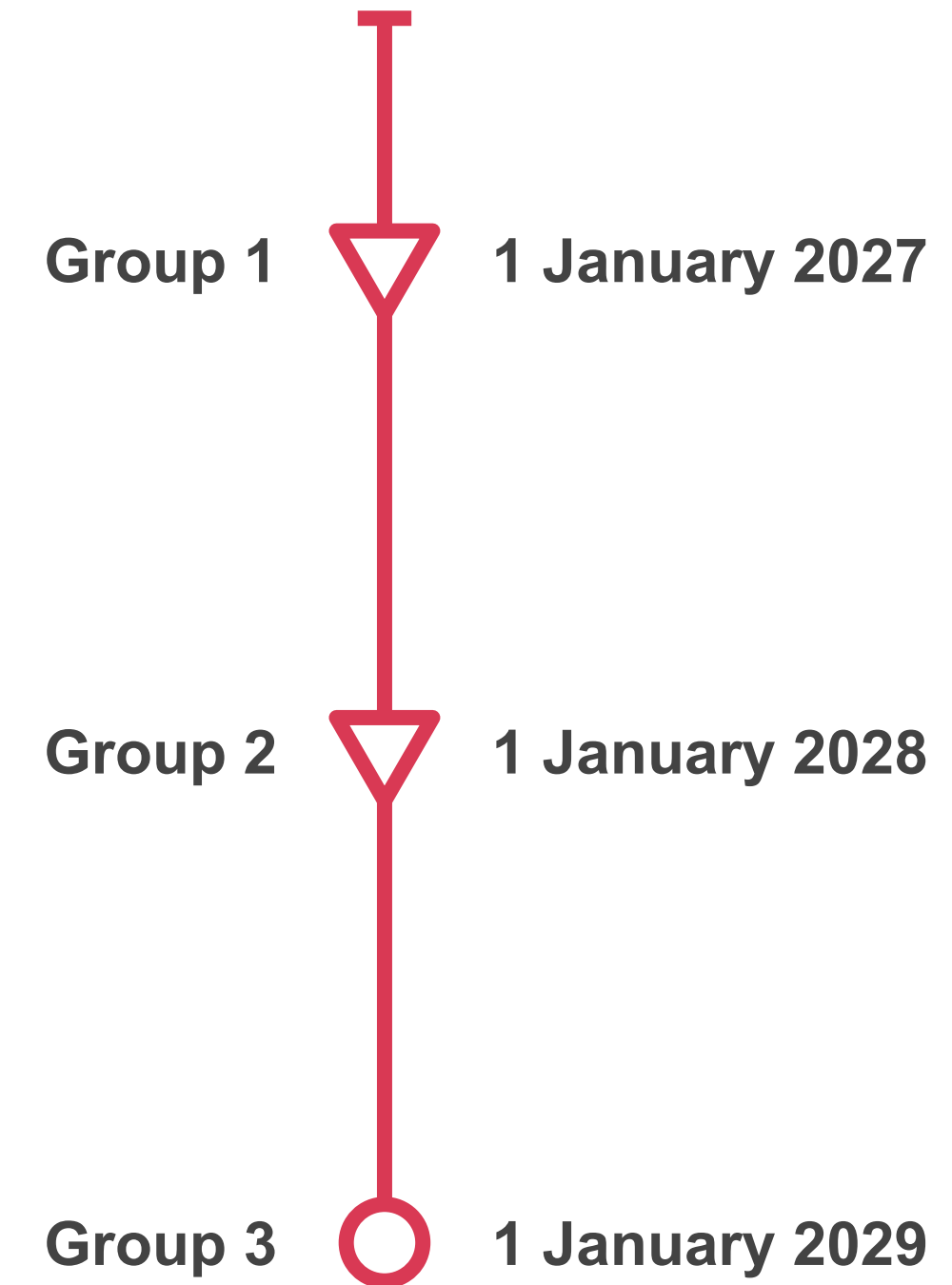
To ensure reliability of sustainability disclosure and to address concerns on greenwashing, the NSRF aims to mandate:

- Reasonable assurance¹ based on the timeline summarised in Table 2, **subject to further consultation with relevant stakeholders.**
- Assurance engagements to be performed in accordance with the assurance standards as adopted by the Malaysian Institute of Accountants (MIA).

¹ Reasonable assurance is a high level of assurance where the practitioners express an opinion in a positive form, which typically involves extensive evidence-gathering activities in order to provide a basis for the assurance opinion, than that of a limited assurance.

Table 2: External assurance timeline

Reasonable assurance for annual reporting periods beginning on or after



4 | Limited v Reasonable assurance

The evidence collected has to be 'sufficient', depending on the risk profile and circumstances of the engagement. Generally speaking, the higher the level of assurance, the higher level of comfort required (which is paired with higher levels of testing and work performed)

Limited assurance

In a limited assurance engagement, the practitioner gathers **sufficient appropriate evidence** to conclude that the subject matter is **plausible in the circumstances**, and gives a report in the form of **negative assurance**.

The approach is analytical and review-based rather than substantive tests of details, which provides a lower level of assurance than a reasonable assurance engagement. The extent of testing is based on the judgment of the practitioner.

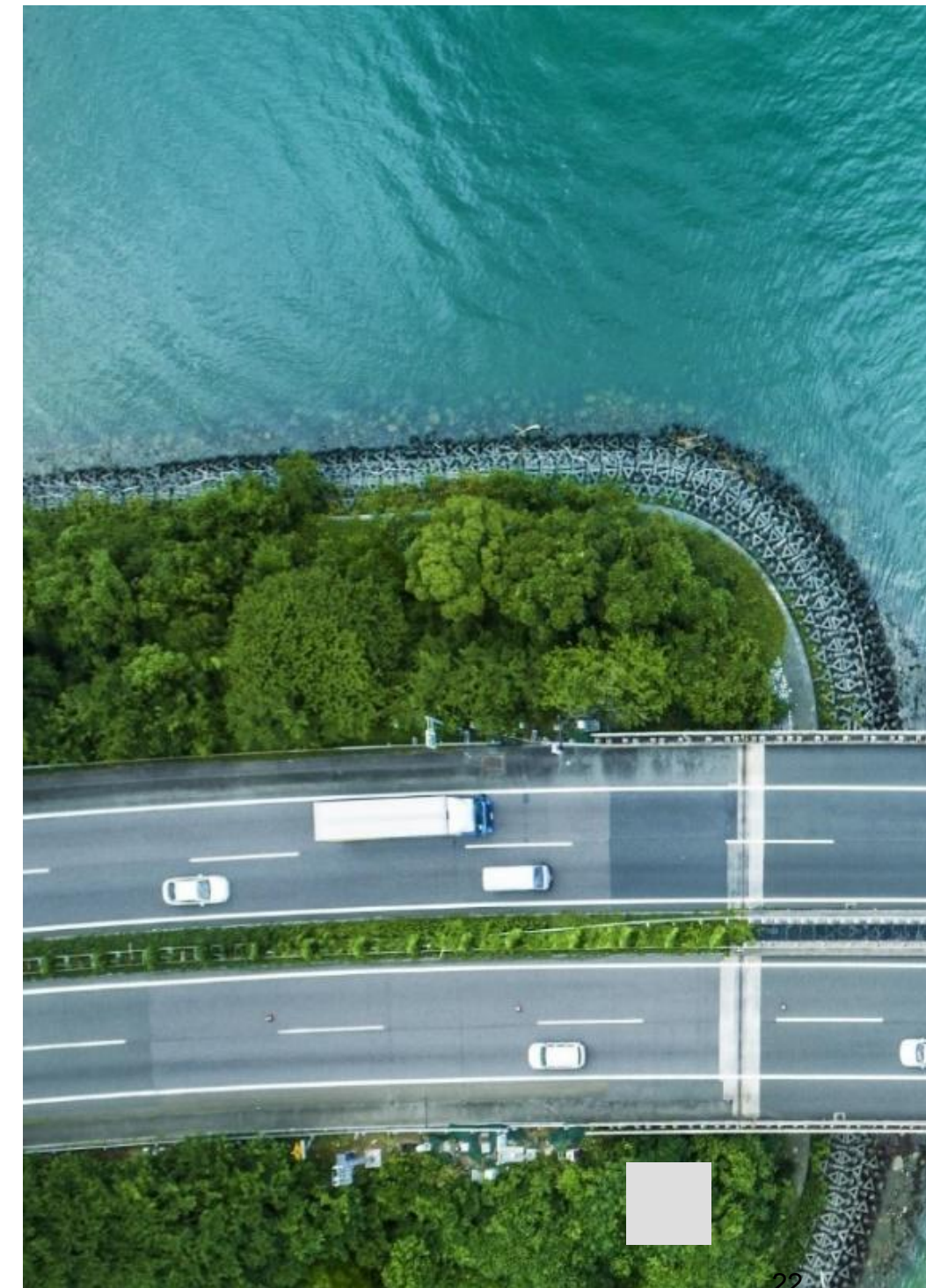
Reasonable assurance

In a reasonable assurance engagement, the practitioner gathers **sufficient appropriate evidence** to conclude that the subject matter **conforms in all material respects** with identified suitable criteria, and gives a report in the form of **positive assurance**.

A reasonable assurance engagement leads to deeper interrogation of systems and processes and insights from the assurance process as a result.

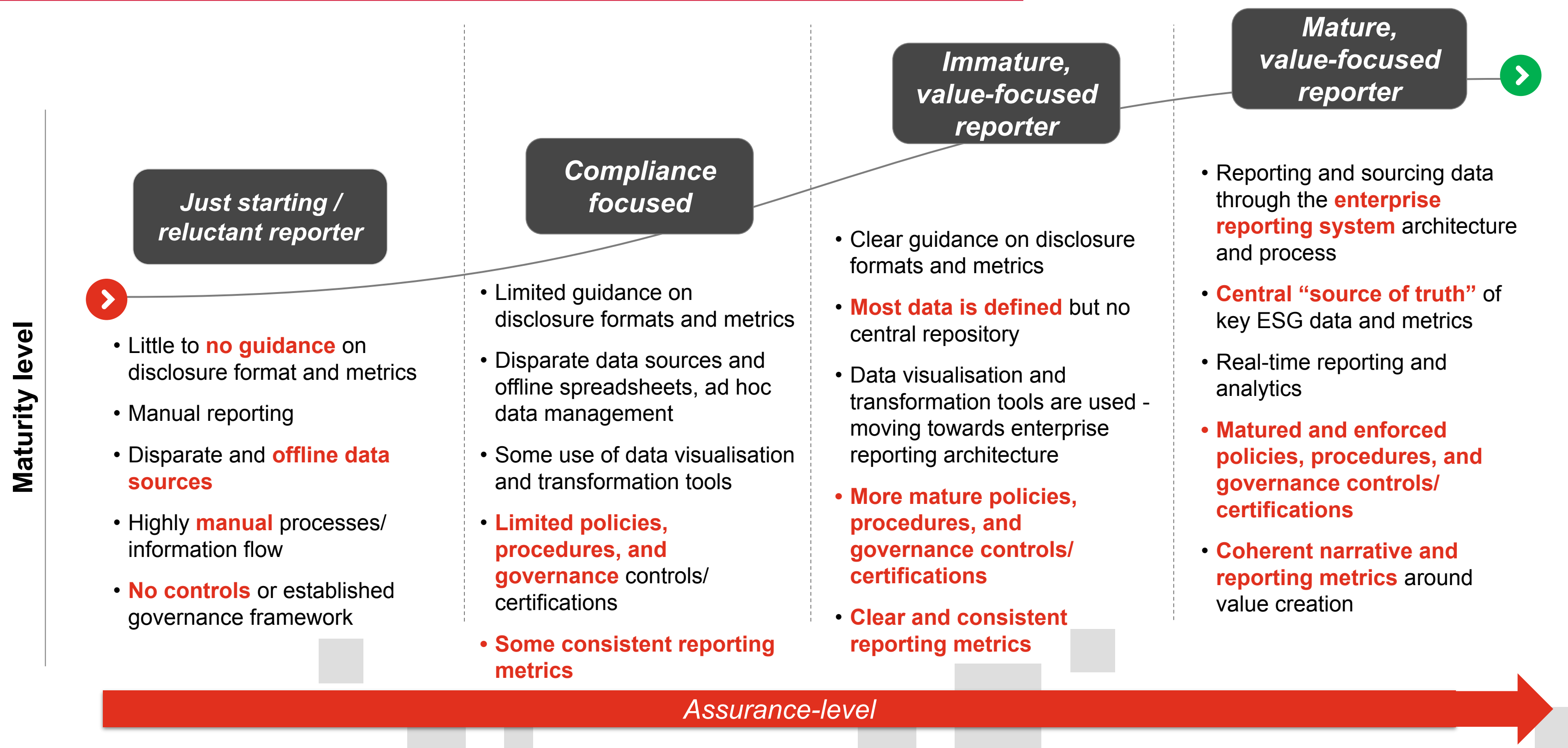
What is considered 'sufficient?'

'Sufficient' refers to the quantity of evidence obtained as defined by the assurance standards relevant to the type of engagement we deliver. The evidence collected has to be enough, and how much is enough depends on the risk profile and the circumstances of the engagement.



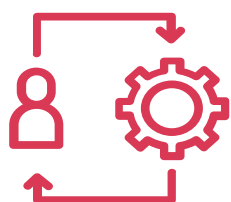
4

The maturity of the reporting processes will highly correlate with the level of assurance



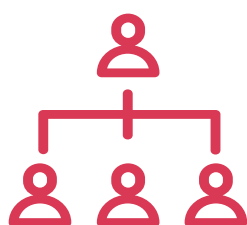
4 | Pitfalls and challenges on sustainability reporting, identified through assurance

For sustainability reporting to have a meaningful impact, it needs to go beyond mere compliance and address the common gaps below:



Lack of clarity in methodology and data quality

As Bursa Malaysia mandates reporting of 22 common sustainability indicators, it is crucial to formalise upfront how data will be collected and reported.



Insufficient accountability over performance and reporting of sustainability targets

Monitoring and reporting on sustainability performance is often done sporadically and informally, lacking clear accountability.



Manual reporting processes highlight the urgent need for technology investment

Manual reporting processes for sustainability data, often relying on spreadsheets, poses risks of data manipulation and inaccuracies.

5

Critical factors for successful adoption

5 | Critical factors for successful adoption

Commitment from the Board of Directors

Board of Directors' involvement is critical early in the adoption process to:

- Align **sustainability strategy** with business strategy
- Identify and manage **sustainability-related risks** upfront
- **Allocate resources** (financial, human, technological) effectively
- Focus sustainability reporting on **value creation**, not just compliance

Sustainability embedded within organisational processes and controls

- Establish a strong **governance** structure with sustainability committees and clear accountability.
- Develop **integrated systems** for accurate and timely data collection, analysis, and reporting.
- Implement robust data governance and controls to **maintain data integrity** and ensure compliance.
- Continuously monitor, evaluate, and improve sustainability practices, including internal and external assurance.

Collaboration across the organisation

- **Collaboration between the CSO and CFO is crucial** to balance sustainability goals and financial performance.
- Ensure **connected and consistent information** between sustainability and financial reports, especially in critical assumptions and judgments.
- Close coordination across the organisation and its value chain is required for comprehensive reporting, including gathering hard-to-obtain data.
- **Internal audit** plays a key role in reviewing the accuracy, integrity, and completeness of sustainability information.

Effective change management plan, including personnel upskilling

- A **phased adoption approach**, with a robust change management plan is recommended to ensure stakeholders buy-in
- Establish **continuous feedback mechanisms** to address stakeholders' concerns promptly.
- Ensure affected personnel have **necessary skills** through training and development programs.

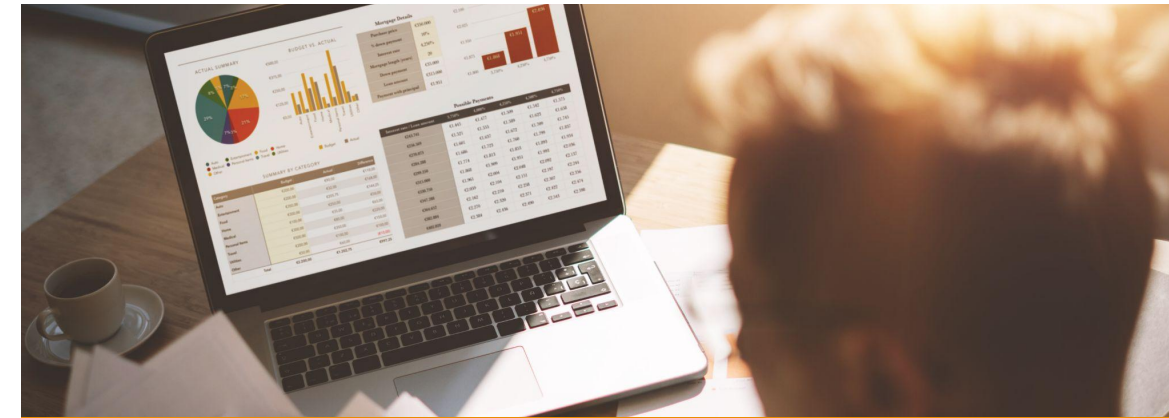
Preparing for adoption of IFRS Sustainability Disclosure Standards

PwC's Sustainability & Climate Change Services help companies prepare and report its sustainability-related financial disclosures.



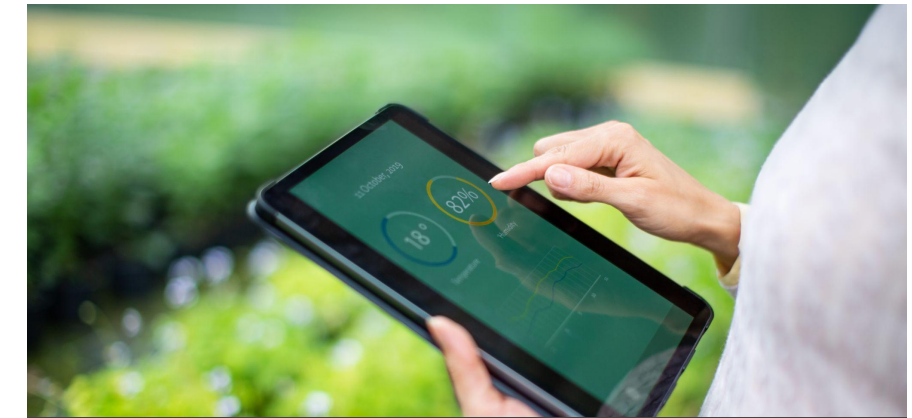
Strategy

- **Gap analysis** - Gap analysis on IFRS Sustainability Disclosure Standards
- **Reporting readiness and effectiveness assessment** - Analysis on the current reporting process, structure and governance
- **Materiality assessment** - Identifying material sustainability matters
- **Sustainability reporting implementation roadmap** - Outlining reporting implementation roadmap (short-term, medium-term and long-term plans)



Transformation

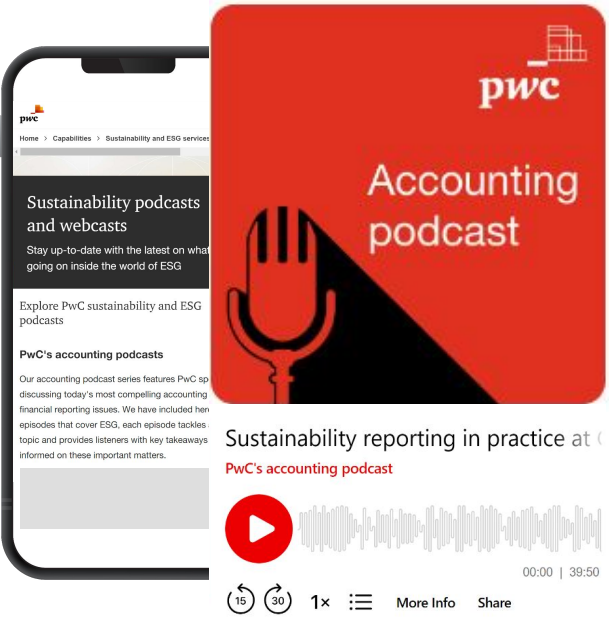
- **Data collection** - Data collection and template
- **Data management** - Data management and governance; including dashboarding and readiness assessments
- **GHG accounting baselining** - Accounting for Scope 1 - Scope 3 GHG Emissions
- **Climate scenario analysis** - Qualitative and quantitative assessment of your climate risks and opportunities
- **Process documentation** - Documentation of your standard operating procedures (SOPs) and Reporting Manual
- **ESG reporting tools** - Implementation of reporting tools/systems
- **Sustainability upskilling** - Customised training programmes, including e-learns



Reporting & Assurance

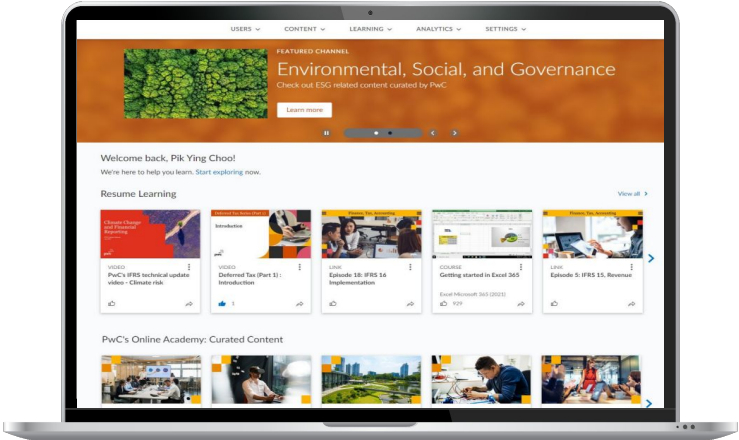
- **Sustainability report** - Storyboarding your Sustainability Report
- **Reporting readiness assessment** - Specified procedures and review of your data
- **Assurance** - Assurance on your sustainability data

PwC publications and resources



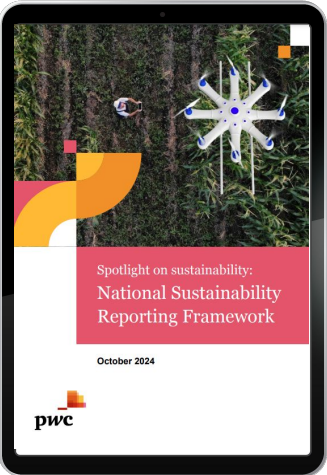
Accounting podcasts on sustainability

PwC specialists discuss today's most compelling sustainability issues in accounting and external reporting.



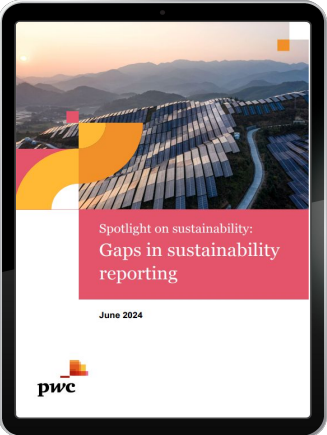
ESG Academy

Offers a range of professional development programmes, and **e-learn modules** for sustainability upskilling.



Spotlight on sustainability: National Sustainability Reporting Framework

Covers the sustainability reporting requirements and sustainability assurance recommendations for Malaysia



Spotlight on sustainability: Gaps in sustainability reporting

Covers the common pitfalls in sustainability reporting processes in Malaysia.



Sustainability Reporting Guide

Serves as a compendium of reporting requirements under the following sustainability frameworks: ESRS, IFRS Sustainability Disclosure Standards and US SEC's climate disclosure rules.

Appendix: Transition reliefs and exemptions

Transitional reliefs

The NSRF leverages on the reliefs provided by the ISSB, and has provided the following additional transition reliefs:

Table 3: Additional transition reliefs as per NSRF

Additional transition relief	ATR 1 & 2	ATR 3
<p>ATR 1:</p> <ul style="list-style-type: none">→ Entities may disclose only climate-related risks and opportunities (per IFRS S2) and apply IFRS S1 only as it relates to climate-related disclosures.→ No comparative information on climate-related risks and opportunities required in the first annual reporting period.→ No comparative information on sustainability-related risks and opportunities (except climate-related) required in the first annual reporting period after the relief ends. <p><small>*The application of the above reliefs relating to comparative information is nonetheless subject to the respective regulators' requirements¹.</small></p>	2 years	3 years
<p>ATR 2:</p> <p>Applicable entities are permitted to focus on providing climate-related disclosures for principal business segments.</p>		
<p>ATR 3:</p> <p>Applicable entities are permitted to not disclose Scope 3 GHG emissions except for categories already required by applicable entities' respective regulators.</p>		

Source: [National Sustainability Reporting Framework](#)

Exemptions for large non-listed companies (NLCos) with annual revenue ≥ RM2 billion

Large NLCos whose holding company:

- already reports using ISSB-aligned standards or equivalent standards such as the ESRS² may leverage on the holding company's sustainability- and climate-related disclosures.
- reports using other international standards and frameworks may be given exemption from reporting for three reporting periods, subject to the policy decision of the Registrar³.

Notes:

¹ Number of years displayed is inclusive of the existing transition relief of 1 year. Please refer to paragraph E5 of IFRS S1.

² Additional guidance on the standards and frameworks that will be accepted for the exemptions may be issued.

³ Registrar refers to the Chief Executive Officer of the Companies Commission of Malaysia, as specified under subsection 20A(1), Companies Commission of Malaysia Act 2001.

Contact us



Dominic Chegne

Partner, Sustainability
Assurance Lead
PwC Malaysia

dominic.hk.chegne@pwc.com



Kwai Fong Soo

Partner, Assurance
PwC Malaysia

kwai.fong.soo@pwc.com



Nik Shahrizal

Partner, Sustainability &
Climate Change
PwC Malaysia

nik.shahrizal.sulaiman@pwc.com



Farhana Jabir

Director, Sustainability &
Climate Change
PwC Malaysia

farhana.jabir@pwc.com

Regional office

Northern Region



Josephine Kang

Partner, Assurance
PwC Malaysia

josephine.yew.ching.kang@pwc.com

Southern Region



Manohar Johnson

Partner, Assurance
PwC Malaysia

manohar.benjamin.johnson@pwc.com

Eastern Region



Shakir Ab Razak

Director, Assurance
PwC Malaysia

shakir.ab.razak@pwc.com

The information contained in this document is of a general nature only. It is not meant to be comprehensive and does not constitute financial, legal, tax or other professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. Whilst every care has been taken in preparing this document, PwC makes no guarantee, representation or warranty (expressed or implied) as to its accuracy or completeness, and under no circumstances will PwC be liable for any loss caused by reliance on any opinion or statement made in this document. Except as specifically indicated, the expressions or opinion are those of PwC only and are subject to change without notice. The materials contained in this document were based on information available at the time of publication.

© 2024 PwC. All rights reserved. "PricewaterhouseCoopers" and/or "PwC" refers to the individual members of the PricewaterhouseCoopers organisation in Malaysia, each of which is a separate and independent legal entity. Please see www.pwc.com/structure for further details.