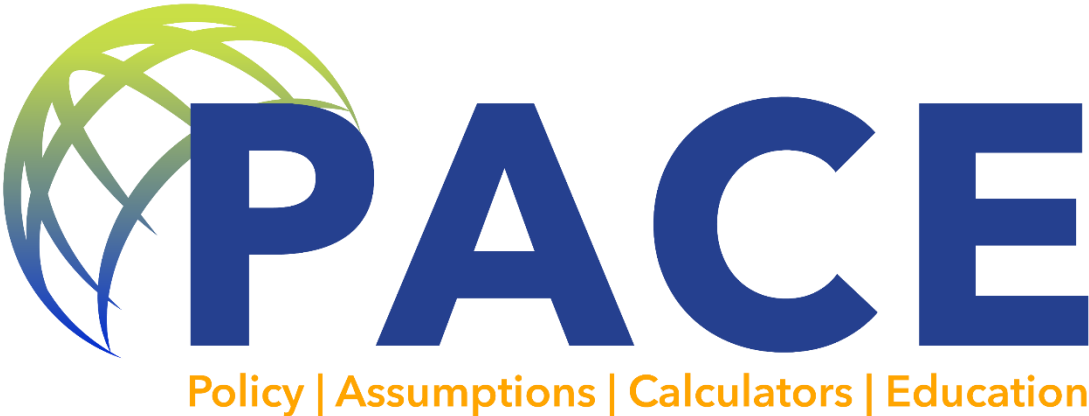




Suruhanjaya Sekuriti
Securities Commission
Malaysia

GRI and ISSB: Interoperability in Sustainability Reporting

March 2025 | Securities Commission Malaysia



Structure

This session will provide an overview of the following key areas:

Part I: The International Sustainability Reporting Landscape

Part II: Global Reporting Initiative (GRI)

Part III: IFRS International Sustainability Standards Board (ISSB)

Part IV: Interoperability between Standards issued by the GRI and the ISSB
Case Study: TasteWorks

Poll Question 1

What are your company's current sustainability reporting practices?

- a) We report against the GRI Standards
- b) We report against the TCFD Recommendations
- c) We are looking to report against the IFRS Sustainability Disclosure Standards only
- d) We report against the GRI Standards and are considering how to report against the IFRS Sustainability Disclosure Standards as well
- e) We report against a range of sustainability reporting standards and frameworks which go beyond the GRI and IFRS Sustainability Reporting Standards

Learning objectives

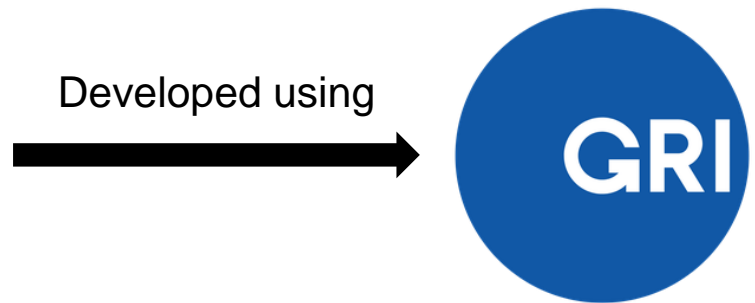
After this session you will be able to:

- explain and understand the driving forces behind international developments in sustainability reporting
- understand and apply the approach to reporting on sustainability-related risks and opportunities using the GRI Standards
- understand and apply the approach to reporting on sustainability-related financial risks and opportunities using the IFRS Sustainability Disclosure Standards
- understand and leverage off the work of GRI Standards to comply with IFRS Sustainability Disclosure Standards



Part I: The International Sustainability Reporting Landscape

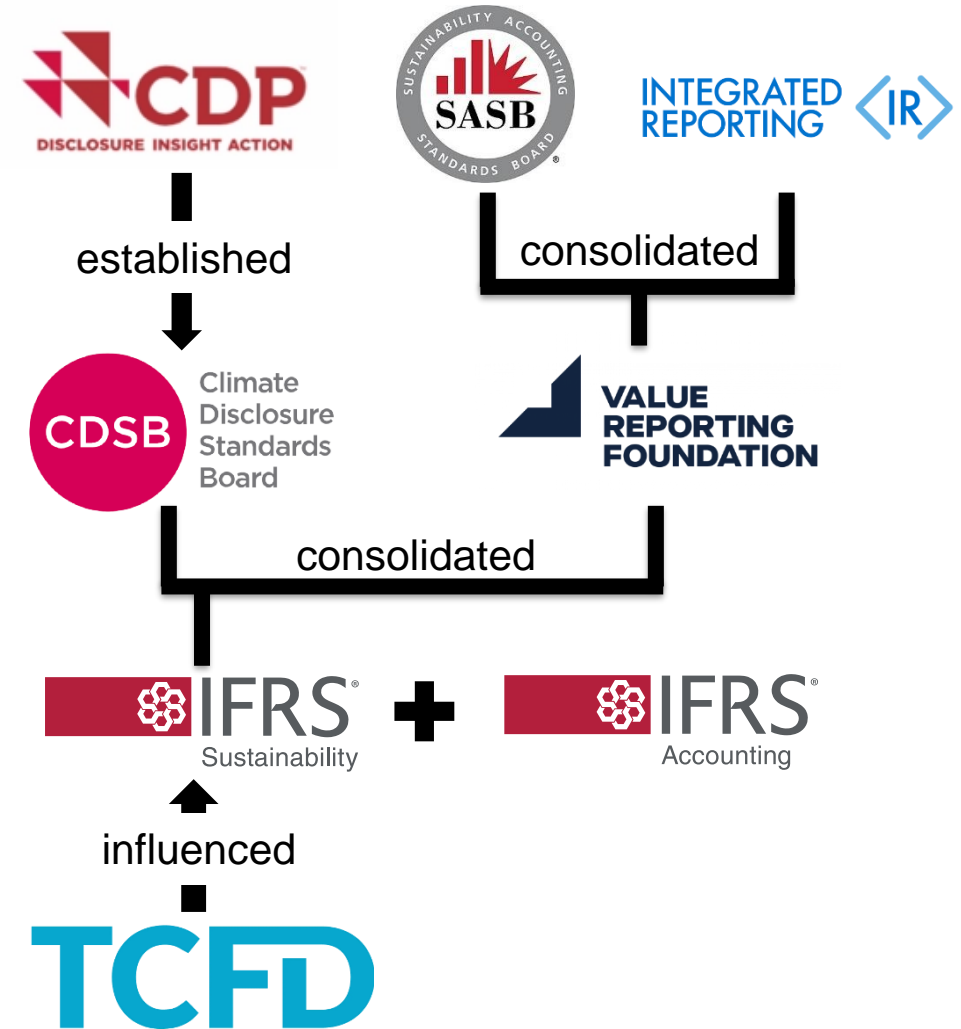
Pre-ISSB sustainability reporting landscape



TCFD

International Sustainability Standards Board

- Due to strong investor demand in 2021, the IFRS established the **International Sustainability Standards Board (ISSB)** to create a global baseline for sustainability-related financial disclosure
- ISSB is a consolidation of several standard-setting bodies and framework providers **focused on the impact of sustainability on the entity and its operations** (i.e. financial impacts)
- In 2023, the International Organisation of Securities Commissions (**IOSCO**) **endorsed IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures**

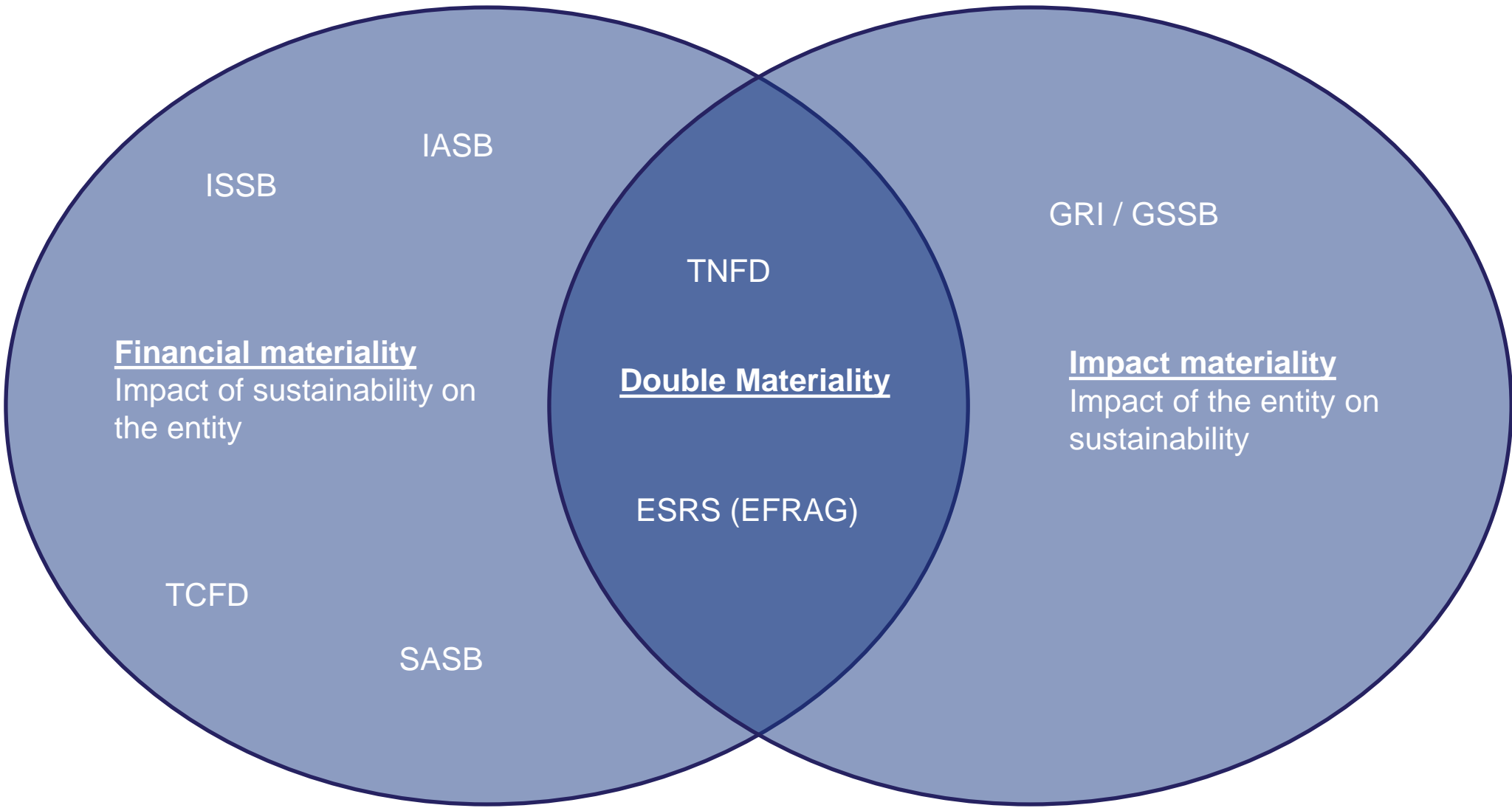


Global Reporting Initiative

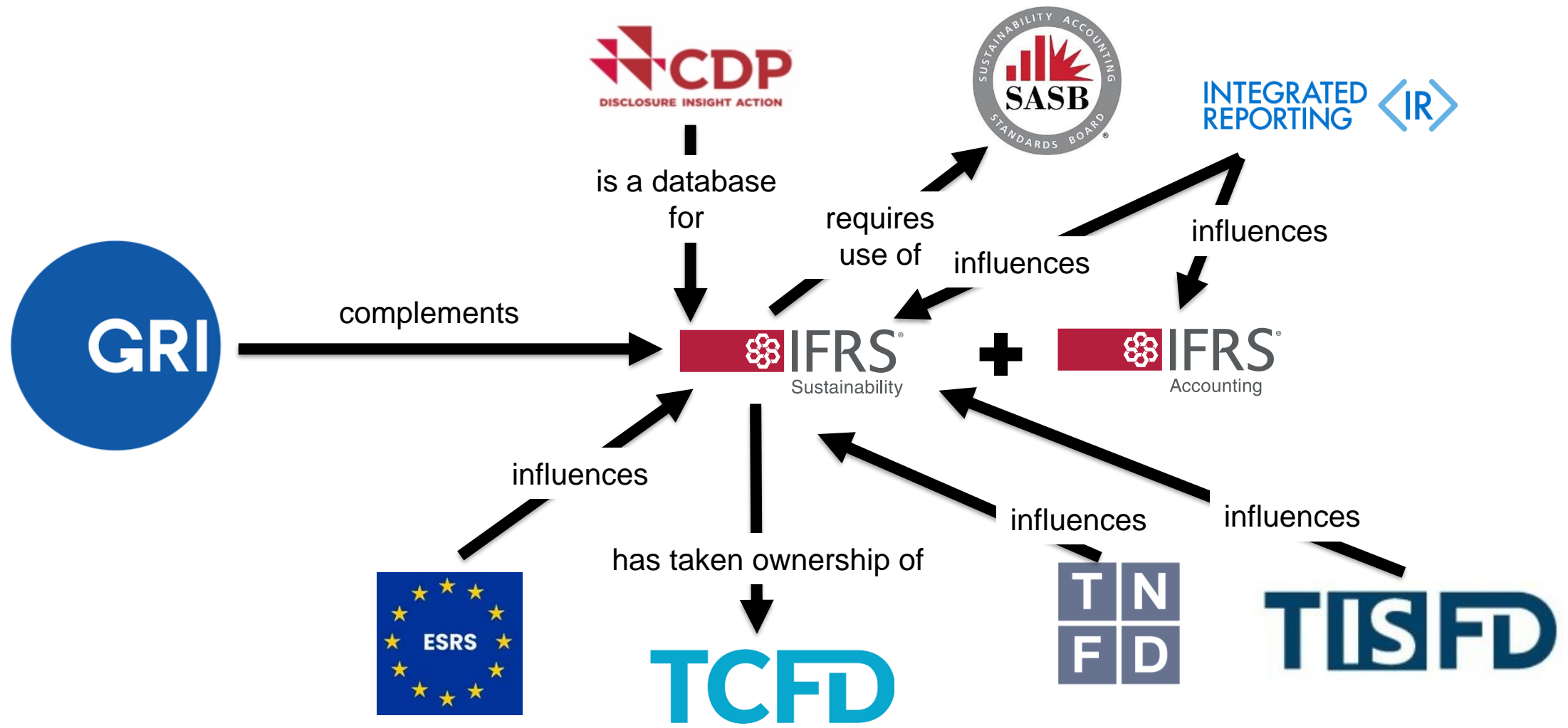
- The **Global Reporting Initiative (GRI)** was established in 1997 to create a global common language for entities to report **their impacts**, enabling informed dialogue and decision-making towards a more sustainable future
- GRI's **standard-setting body is the Global Sustainability Standards Board (GSSB)** – same due process and multi-stakeholder engagement **as the IFRS Foundation**
- Strongly **aligned with the UN Sustainable Development Goals (UN SDGs)** and **UN Guiding Principles on Business and Human Rights (UN GPs)** and helping all types of entities to report their progress against the UN SDGs



The role of materiality



Overview of the current landscape



Poll Question 2

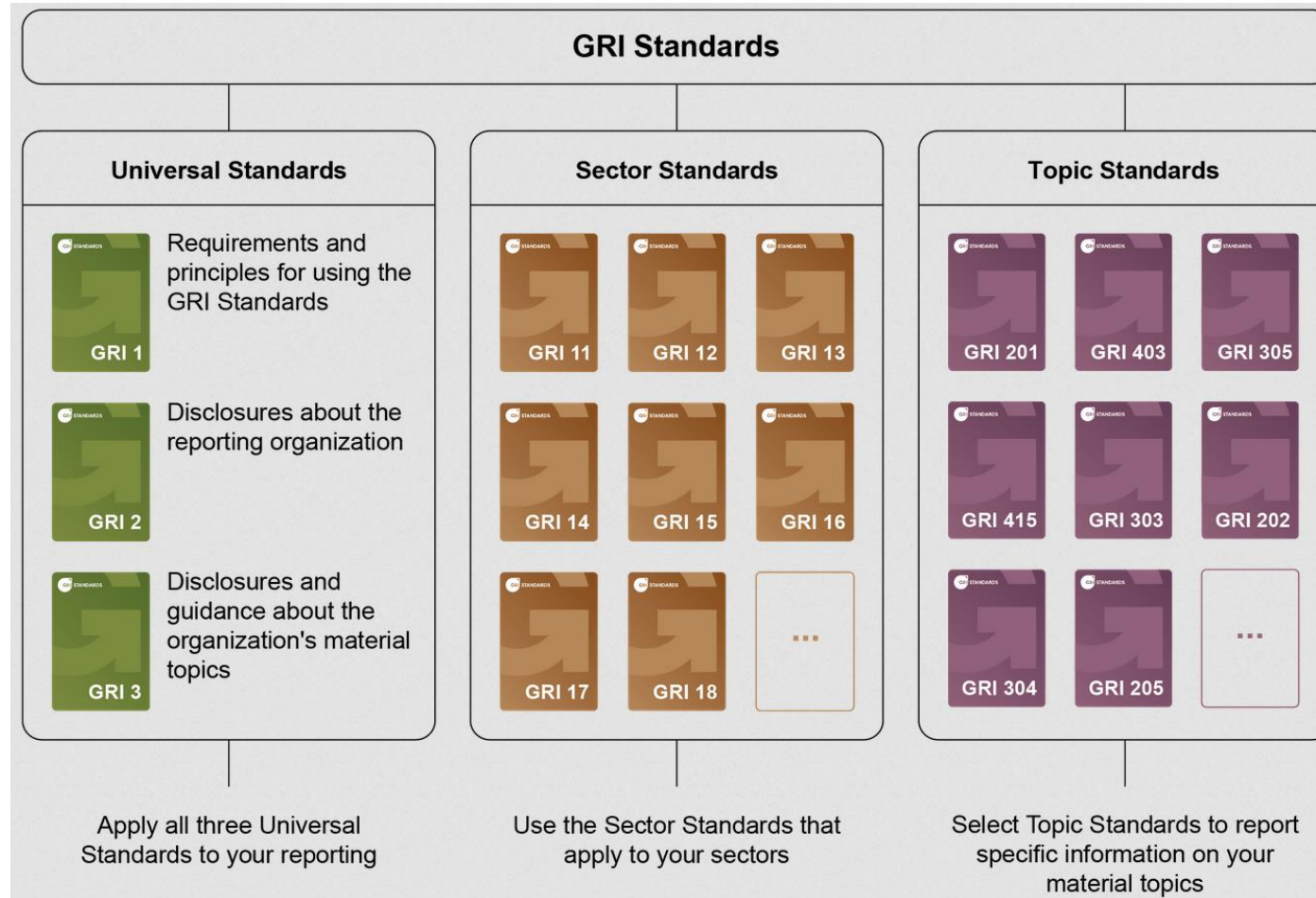
What is your current level of knowledge in GRI and IFRS Sustainability Disclosure Standards?

- a) I know GRI Standards and want to learn about IFRS Sustainability Disclosure Standards
- b) I know IFRS Sustainability Disclosure Standards and want to learn about GRI Standards
- c) I am knowledgeable on both GRI and IFRS Sustainability Disclosure Standards and want learn about how to use both
- d) I am new to sustainability reporting and want to learn more



Part II: Global Reporting Initiative

Architecture and structure



Source: https://www.globalreporting.org/media/s4cp0oth/gri-gristandards-visuals-fig1_family-2021-print-v19-01.png

GRI Universal Standards

GRI 1: Foundation 2021



Five sections:

1. Purpose and system of GRI Standards
2. Key concepts
3. Reporting in accordance with the GRI Standards
4. Reporting principles
5. Additional recommendations for reporting

Source: <https://www.globalreporting.org/standards/>

Purpose and system (GRI 1)

- GRI Standards are **based on expectations for responsible business conduct set out in authoritative intergovernmental instruments** such as the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the UN GPs
- **Any entity can use the GRI Standards** – regardless of size, type, geographic location, or reporting experience – to report information about its impacts on the economy, environment, and people, including impacts on their human rights



Key concepts (GR 1)

Impact

The effect an entity has or could have on the economy, environment, and people, including effects on their human rights, as a result of the entity's activities or business relationships. These impacts indicate the entity's contribution to sustainable development.

Material topics

An entity may identify many impacts on which to report. The entity prioritises reporting on those topics that represent its most significant impacts on the economy, environment, and people, including impacts on their human rights.

Due diligence

Refers to the process through which an entity identifies, prevents, mitigates, and accounts for how it addresses its actual and potential negative impacts on the economy, environment, and people, including impacts on their human rights.

Stakeholder

Individuals or groups that have interests that are affected or could be affected by an entity's activities e.g. business partners, activists, customers, employees, governments, communities, investors, suppliers, trade unions, etc.

Reporting (GRI 1)

In accordance requirements:

- **Requirement 1:** Apply the reporting principles
- **Requirement 2:** Report the disclosures required by GRI 2
- **Requirement 3:** Determine material topics
- **Requirement 4:** Report the disclosures required by GRI 3
- **Requirement 5:** Report the disclosures required by relevant GRI Topic Standards
- **Requirement 6:** Provide reasons for omission for disclosures and requirements the entity cannot comply with
- **Requirement 7:** Publish a GRI Content Index
- **Requirement 8:** Provide a statement of use
- **Requirement 9:** Notify the GRI

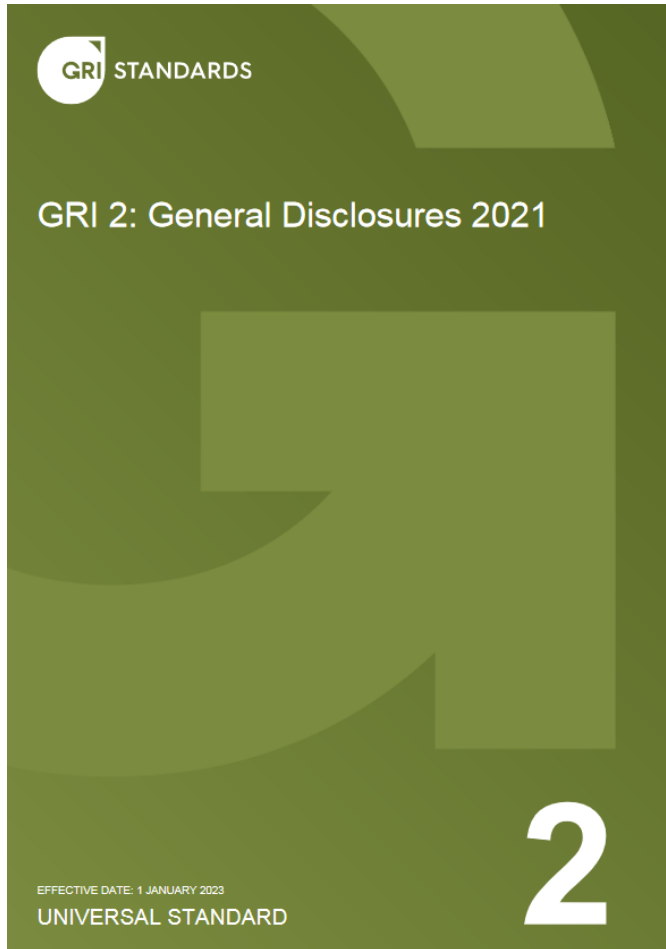
Reporting principles (GRI 1)

Principle	Requirement
Accuracy	The entity shall report information that is correct and sufficiently detailed to allow an assessment of its impacts.
Balance	The entity shall report information in an unbiased way and provide a fair representation of its negative and positive impacts.
Clarity	The entity shall present information in a way that is accessible and understandable.
Comparability	The entity shall select, compile, and report information consistently to enable an analysis of changes its impacts over time and an analysis of these impacts relative to those of other entities.
Completeness	The entity shall provide sufficient information to enable an assessment of its impacts during the reporting period.

Reporting principles (GRI 1)

Principle	Requirement
Sustainability context	The entity shall report information about its impacts in the wider context of sustainable development.
Timeliness	The entity shall report information on a regular schedule and make it available in time for information users to make decisions.
Verifiability	The entity shall gather, record, compile, and analyse information in such a way that the information can be examined to establish its quality.

GRI 2: General Disclosures 2021

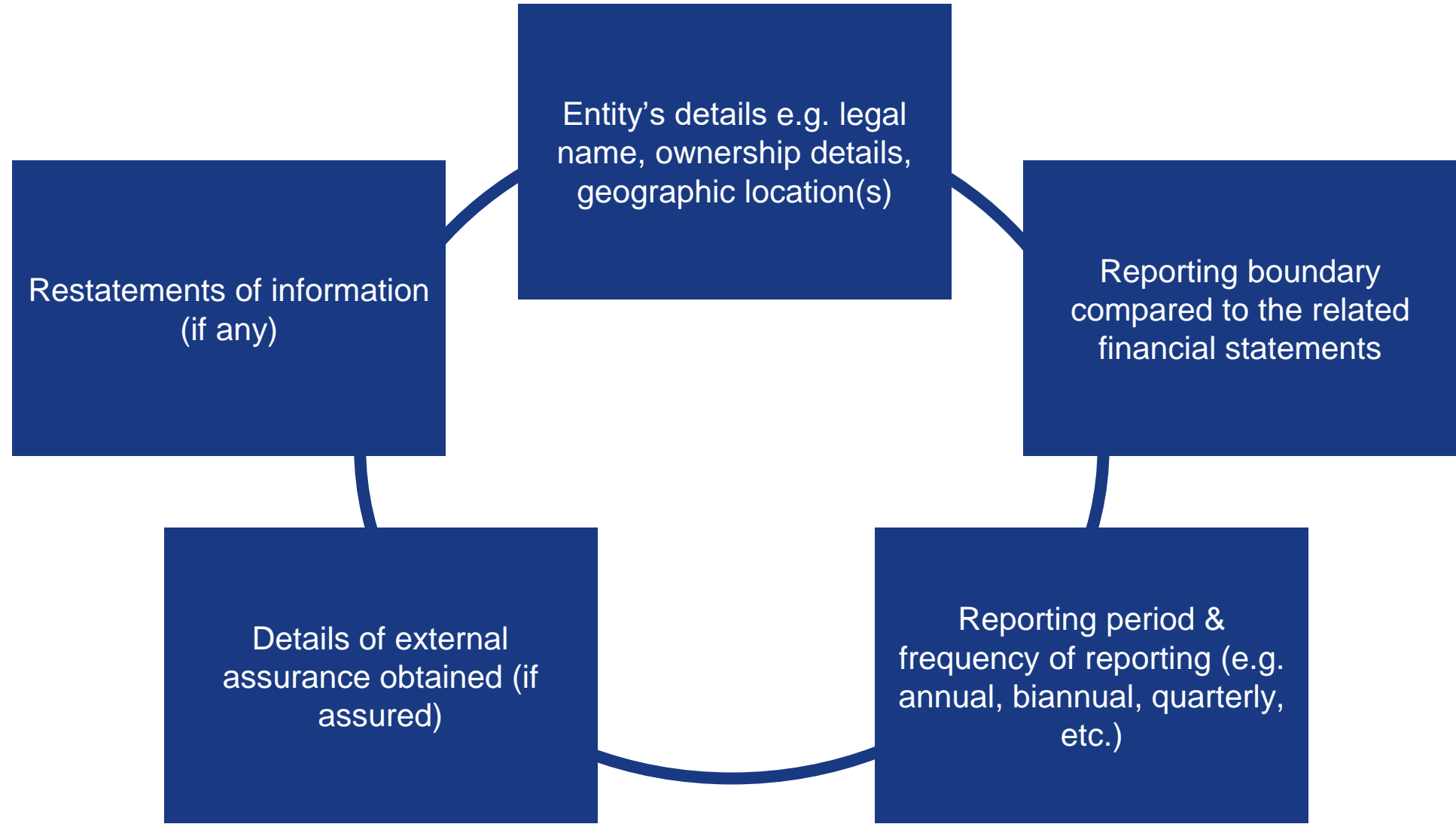


Five sections:

- The entity and its reporting practices
- Activities and workers
- Governance
- Strategy, policies and practices
- Stakeholder engagement

Source: <https://www.globalreporting.org/standards/>

The entity and its reporting practices (GRI 2)



Activities, workers & stakeholders (GRI 2)

Activities and workers

- **Activities** – what sector(s) or industries the entity operates in, and markets served
- **Value chain** – activities, products and services (including upstream and downstream)
- **Other business relationships** – entities not included in the value chain
- **Employees** – number of employees and types of employment by gender and region
- **Workers who are not employees** – number and work performed

Stakeholder engagement

- **Approach to stakeholder engagement** – who, what, where, why and how
- **Collective bargaining agreements**
 - % of employees covered by such agreements
 - For those not covered, whether the entity determines their working conditions and terms of employment based on collective bargaining agreements that cover its other employees or from elsewhere

Governance (GRI 2)

Governance structure and composition

Nomination and selection of the highest governance body

Chair of highest governance body

Role of the highest governance body in overseeing the management of impacts

Delegation of responsibility for managing impacts

Role of the highest governance body in sustainability reporting

Conflicts of interest

Communication of critical concerns

Collective knowledge of the highest governance body

Evaluation of the performance of the highest governance body

Remuneration policies and process to determine remuneration

Annual total compensation ratio

Strategies, policies, and practices (GRI 2)

Statement on sustainable development strategy

Policy commitments

Embedding policy commitments

Policies to remediate negative impacts

Mechanisms for seeking advice and raising concerns

Compliance with laws and regulations

Membership associations

GRI 3: Material Topics 2021



Source: <https://www.globalreporting.org/standards/>

- **How to determine material topics**

- Step 1: understand the company's context
- Step 2: identify actual and potential impacts
- Step 3: assess the significance of the impacts
- Step 4: prioritise the most significant impacts for reporting

- **Disclosures on material topics** – information about:

- Process to determine material topics
- List of material topics
- Management of material topics

Identifying material topics (GRI 3)

Step 1: Understand the company's context

Activities

E.g.:

- Purpose, value/mission statement, business model and strategy
- Types of activities and geographic location
- Number and type of employees

Business relationships

Business relationships include relationships with business partners, entities in its value chain, and any other entities directly linked to its operations, products, or services.

Sustainability context

- Economic, environmental, human rights, and other societal challenges at local, regional, and global levels
- Regulatory and legal obligations

Stakeholders

The entity should identify who its stakeholders are across its activities and business relationships and engage with them to help identify its impacts.

Identifying material topics (GRI 3)

Step 2: Identify actual and potential impacts

Impacts can be:

- Positive or negative
- Short or long-term
- Intended or unintended
- Reversible or irreversible

Step 3: Assess the significance of the impacts

Assessing **negative impacts**:

- **Severity**: scale, scope and irremediable character of impact
- **Likelihood**: chance of the impact occurring
Severity + likelihood = risk

Assessing **positive impacts**:

- **Scale**: how beneficial the impact is
- **Scope**: how widespread the impact is
- **Likelihood**: chance of the impact occurring

Identifying material topics (GRI 3)

Step 4: Prioritise the most significant impacts for reporting

Group the impacts into topics

- Group impacts according to general categories
- Refer to the topics in GRI Standards
- Consult other sources

Set a threshold

- Entity-specific
- Significance should be the criterion that determines materiality
- Positive and negative impacts should be prioritised separately

Test the material topics

- Test against topics identified in relevant GRI Sector Standards
- Test with potential users of the information and experts

Approve the topics

- Have the material topics approved (by the highest governance body in the entity where possible)

Example

Berjaya Food (BFood) Berhad

Materiality assessment process:

BFood conducts regular materiality assessments to pinpoint and prioritise significant Economic, Environmental, Social and Governance (“EESG”) impacts, risks and opportunities for the business and stakeholders.

In FY2022, the Group conducted a thorough materiality assessment, which involved identifying and evaluating the impact and significance of various economic, environmental, social and governance factors. This strategic exercise effectively prioritised and aligned actions and initiatives with stakeholder expectations and business objectives, ensuring a focused approach to sustainable growth and responsible business practices.


In FY2023, the management reviewed the materiality matrix and confirmed its continued relevance. The Group commits to an annual review of the matrix to ensure that its strategic objectives remain aligned with stakeholders' priorities.

Source: Berjaya Food Berhad Sustainability Report 2023 (<https://berjayafood.com/wp-content/uploads/2024/07/BFood-SR2023.pdf>)

Example

Berjaya Food (BFood) Berhad



Focus Area	What it means to BFood	GRI Topics	Corresponding UNSDGs
Sustainable supply chain	Source materials responsibly and work with supply chain partners to deliver the highest quality food	<ul style="list-style-type: none"> Procurement practices Supplier environmental assessment Supplier social assessment 	  

Source: Berjaya Food Berhad Sustainability Report 2023 (<https://berjayafood.com/wp-content/uploads/2024/07/BFood-SR2023.pdf>)

Example

Nestle

Materiality assessment process:

Material Issues

Our bi-ennial materiality assessments ensure that we are kept abreast of the diverse needs, interests and expectations of our stakeholders. The insights gleaned from these assessments help to shape our CSV strategy and priorities, which guide the actions we take to address pertinent environmental, economic, and social material matters. Our most recent materiality assessment was conducted in 2022.



Materiality Assessment Process

Cultivating a robust materiality assessment process, we determine Nestlé's material matters based on the following steps:

Topic Identification

ESG topics that are material to Nestlé are identified using relevant sustainability frameworks and ratings.



Stakeholder Engagement

Through our engagements, both internal and external stakeholders score material ESG topics based on their priorities.



Analysis of Responses

Responses from stakeholders are collated and analysed to determine their priorities with regards to material ESG topics.



Matrix Generation

The relative importance of material ESG topics is visualised using a matrix generated based on the responses provided by stakeholders.



Validation

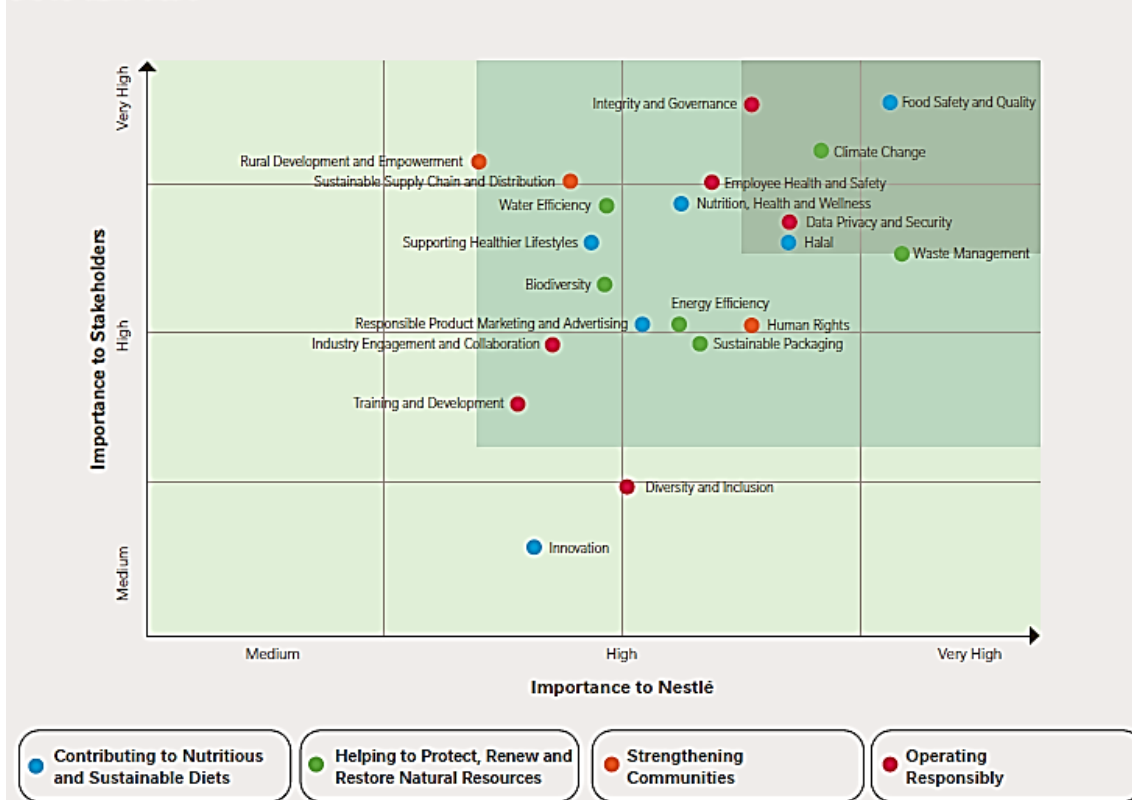
The Sustainability Steering Committee and Board of Directors validate the materiality matrix.

Source: Nestle In Society Report 2023 (<https://www.nestle.com.my/sites/g/files/pydnoa251/files/2024-03/NIS-NESTLE-AR23.pdf>)

Example Nestlé

Nestlé 2023 Materiality Matrix

Maintaining our Materiality Matrix developed in 2022, we continued to ensure that our material topics are aligned with the latest industry trends and interests of stakeholders by benchmarking these topics against relevant sustainability frameworks and ratings. This included the GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022, Sustainability Accounting Standards Board Food and Beverage Sector and the FTSE4Good Index. Complementing this, we also reviewed areas of focus of fellow industry players to identify issues most significant to our business. The following Materiality Matrix reflects the current priorities of Nestlé and our stakeholders:



Material Issues	Why It Matters	Risks	Opportunities
Climate Change Actions undertaken to shape a more resilient business adapting to the impact of climate change and transition to a low-carbon economy through initiatives focused on energy efficiency, improved production technology and low-carbon processes to reduce GHG emissions.	Climate change presents long-term risks to global supply chains, agricultural food systems and food security.	<ul style="list-style-type: none"> Challenges in transitioning to low-carbon processes may impact long-term resilience of the business. Reputational risk arising from failure to meet established targets. 	<ul style="list-style-type: none"> Builds stakeholder trust by demonstrating Nestlé's commitment to combatting climate change. Safeguards agricultural resources vital to the business. Enhances Nestlé's reputation as a sustainable company.

Source: Nestlé In Society Report 2023 (<https://www.nestle.com.my/sites/g/files/pydnoa251/files/2024-03/NIS-NESTLE-AR23.pdf>)

GRI Sector Standards

GRI Sector Standards

- GRI 11: Oil and Gas Sector 2021
- GRI 12: Coal Sector 2022
- GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022
- GRI 14: Mining Sector 2024
- In development:
 - Financial services
 - Textiles and apparel
- Even though the architecture differs between GRI and IFRS Sustainability Disclosure Standards, they are similar in terms of their approach to industry-based disclosures

Source: <https://www.globalreporting.org/standards/>



GRI Topic Standards

GRI Topic Standards

- Examples of topics addressed:
 - GRI 101: Biodiversity 2024 (formerly GRI 304: Biodiversity 2016)
 - GRI 201: Economic Performance 2016
 - GRI 206: Anti-competitive Behaviour 2016
 - GRI 207: Tax 2019
 - GRI 301: Materials 2016
 - GRI 303: Water and Effluents 2018
 - GRI 305: Emissions 2016
 - GRI 401: Employment 2016
 - ...



Source: <https://www.globalreporting.org/standards/>



Part III: IFRS International Sustainability Standards Board

Architecture and structure

Consistent with the four pillars of the TCFD Recommendations:

Governance

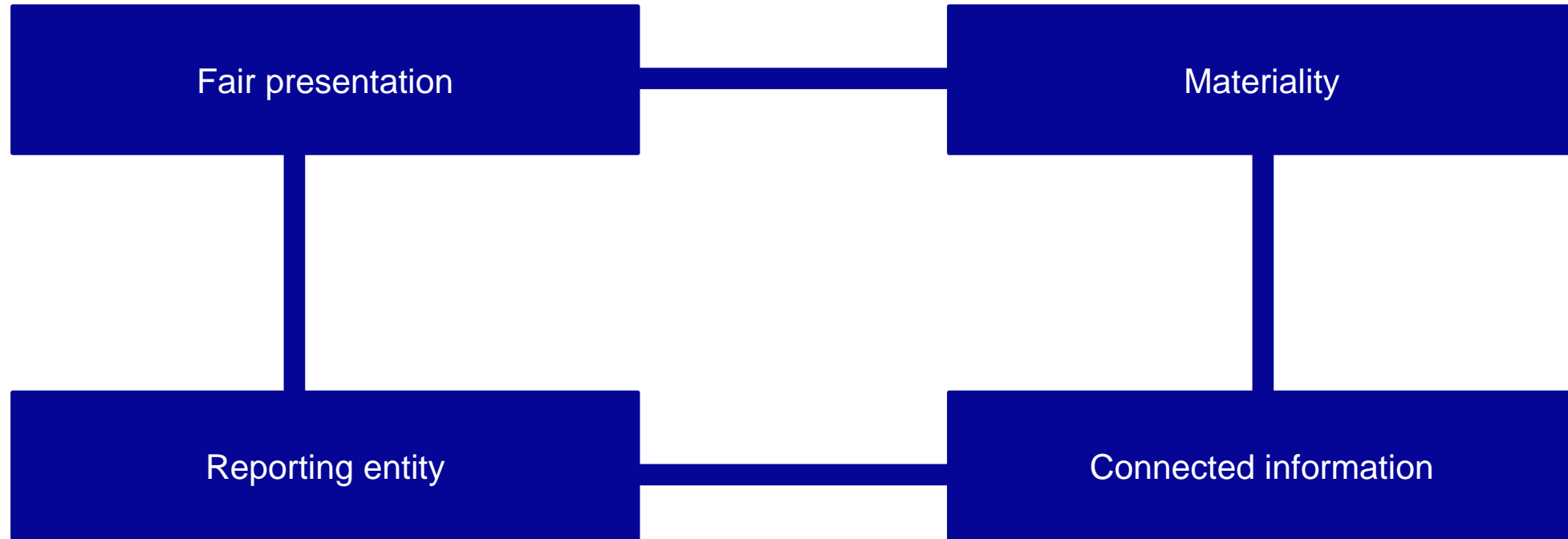
Strategy

Risk Management

Metrics & Targets

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

Conceptual foundations: overview



Conceptual foundations: fair presentation

A complete set of sustainability-related financial disclosures shall present fairly all climate-related risks and opportunities that could reasonably be expected to affect an entity's prospects (i.e. expected affect an entity's cash flows, its access to finance and cost of capital over the short, medium and long term)

Principles of fair presentation:

- Comparable
- Verifiable
- Timely
- Understandable

Principles of faithful representation:

- Complete
- Neutral
- Accurate

Disclose additional information if compliance with Standards does not provide sufficient information to meet the principles of fair presentation.

Conceptual foundations: materiality

An entity shall **disclose material information about the sustainability-related risks and opportunities** that could reasonably be expected to affect the entity's prospects.

In the context of sustainability-related financial disclosures, **information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports, which include financial statements and sustainability-related financial disclosures** and which provide information about a specific reporting entity.

Example

Nestle

Materiality assessment process for IFRS S2:

Climate-Related Risks and Opportunities Management

Nestlé's ERM is a systematic and adaptable self-assessment process that involves a cross-functional team. It is an integral part of effective management practices and assists in identifying and evaluating significant risks that could hinder the attainment of objectives. The ERM process focuses on three main areas of risk, as illustrated in the Nestlé ERM Framework.

The climate risk management process at Nestlé Malaysia involves several key steps. First, the Risk Management Department works with management level representatives in business units to identify and assess climate-related risks. This includes analysing the potential impact of physical risks, such as floods or droughts, as well as transition risks, such as changes in government regulations or consumer preferences.

Once the risks are identified and assessed, the next step is to evaluate the potential business implications. This involves considering how climate-related risks could affect Nestlé Malaysia's operations, supply chain, customers, and financial performance. By understanding the potential impacts, the Company can prioritise and allocate resources to address the most significant risks.

After evaluating the business implications, Nestlé Malaysia develops and implements appropriate mitigation measures. This may involve implementing climate resilience measures, such as improving infrastructure or diversifying suppliers, to reduce the potential impact of physical risks. It may also involve adapting business strategies to align with changing market conditions or regulatory requirements.

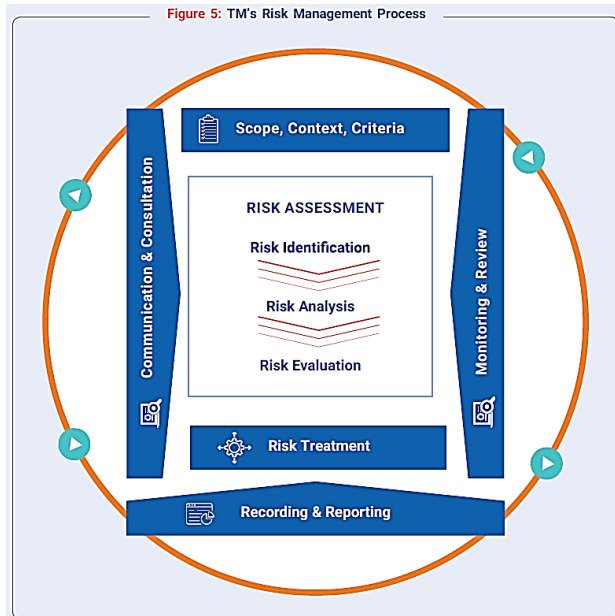
Throughout the process, ongoing monitoring and reviews are conducted to ensure the adequacy and effectiveness of the risk management measures. The Risk Management Department collaborates with management to regularly review risks and controls across various areas, including climate-related risks. Action plans are developed and implemented to manage risks at acceptable levels.

Source: Nestle In Society Report 2023 (<https://www.nestle.com.my/sites/g/files/pydnoa251/files/2024-03/NIS-NESTLE-AR23.pdf>)

Example

Telekom Malaysia (TM)

Materiality assessment process for TCFD:



THE ORGANISATION'S PROCESSES FOR IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS

At TM, our ERM system guides the identification, tracking and monitoring of climate-related risks – both physical and transition – across our business, operating through our 'three (3) lines of-defence' risk management model against existing and emerging risks that impact our ability to generate value for our stakeholders (Figure 5). In accordance with our ERM framework, TM defines risks as encompassing both threats and opportunities. Our ERM framework covers a five-step process to establish context, assess, treat, record and report, and monitor and review risks in line with the international standard (ISO 31000:2018).

In addition to our ERM system, our management regularly reviews the context and impact of climate change through key action items:

- Regular evaluation of internal factors which necessitate long planning horizons to adapt to climate change. This includes an evaluation of products, devices, and supply chain activities, as well as any areas of business vulnerable to weather events.
- Identification of potential collaboration amongst stakeholders as well as emerging government requirements in relation to climate risk management.
- Regular reviews of the BCMS scope with respective leaders to identify and evaluate climate-related threats and opportunities across different time horizons.
- Periodic Sustainability materiality assessment that utilises feedback from stakeholder engagements to identify material matters and evaluate their magnitude and impact on TM's business strategy and performance.

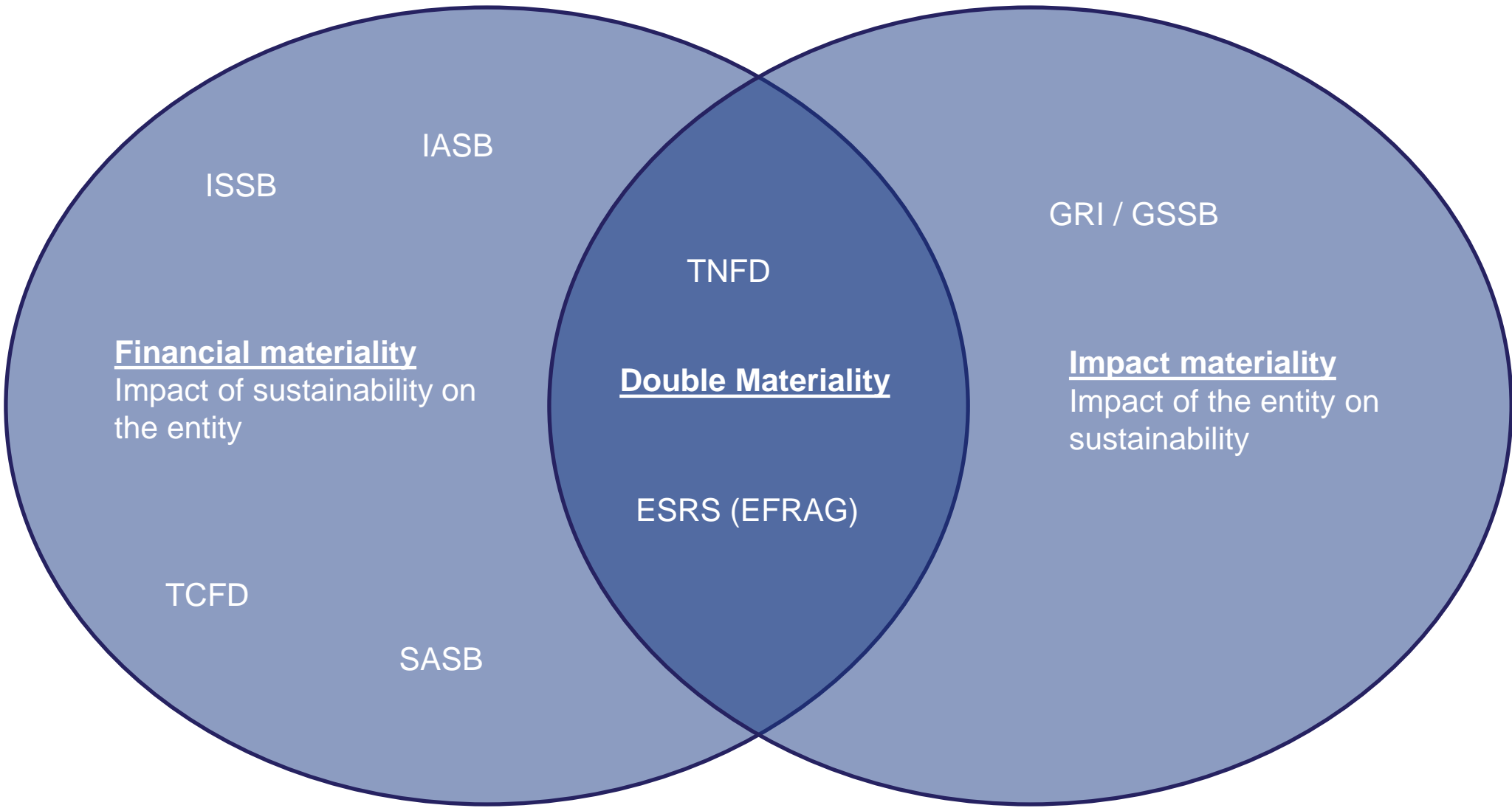
Source: TM TCFD Report 2023 (https://tm.com.my/sites/default/files/2024-05/2023%20TCFD%20Report_29.4.2024_3.52PM.pdf)

Breakout Session One (10 mins)

Thinking back to the GRI materiality assessment disclosure examples, what do you think the primary differences are between the GRI and ISSB's approaches to materiality? (i.e. what is the difference between sustainability reporting and sustainability-related financial reporting?)

Morning tea break

Conceptual foundations: the role of materiality



Conceptual foundations: reporting entity

An entity's sustainability-related financial disclosures shall be for the same reporting entity as the related financial statements.

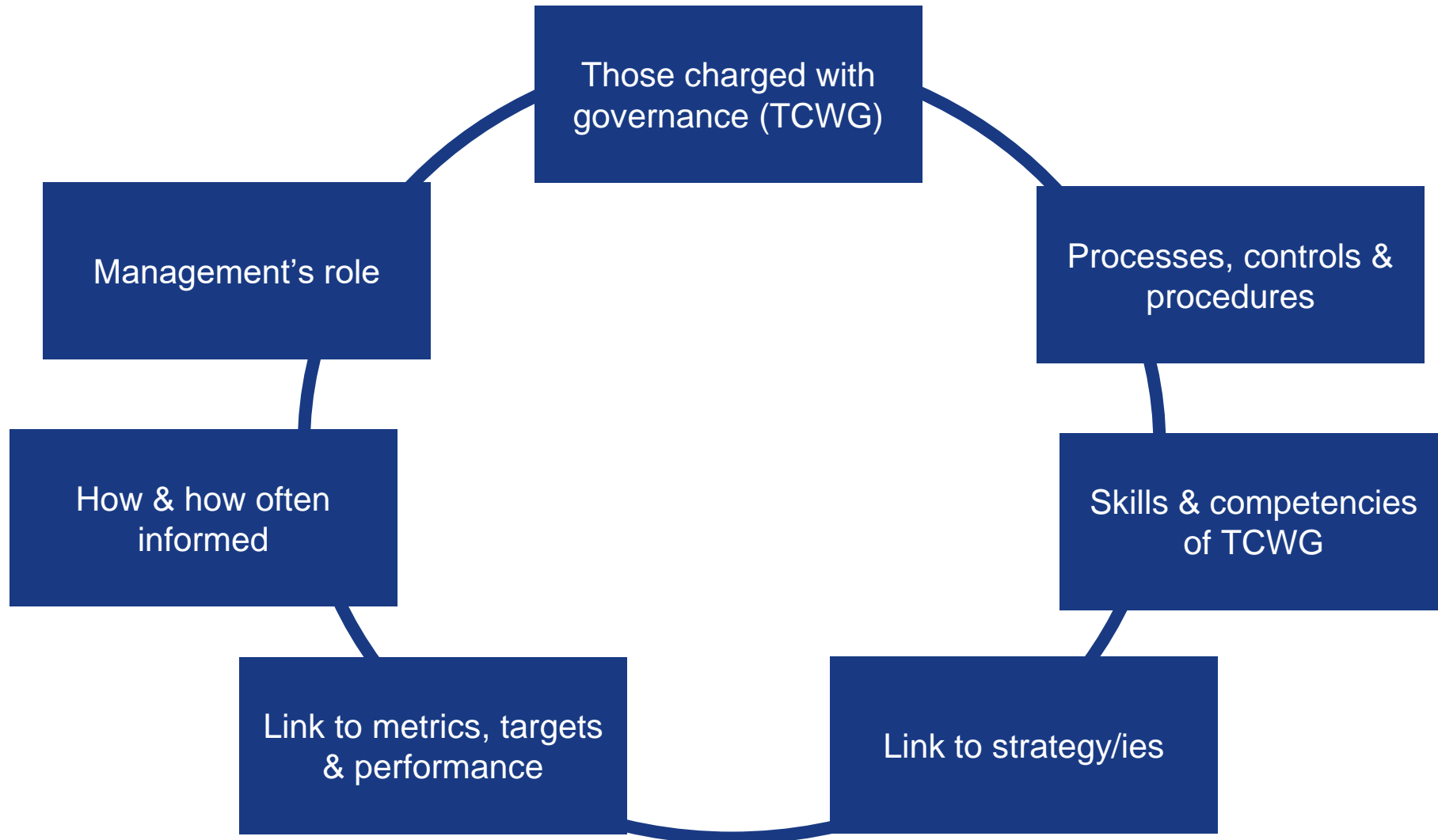


Conceptual foundations: connected information

An entity shall **provide information in a manner that enables users of general purpose financial reports to understand the following types of connections:** (para. 21)

- a) the **connections between the items to which the information relates**—such as connections between various sustainability-related risks and opportunities that could reasonably be expected to affect the entity’s prospects; and
- b) the **connections between disclosures provided by the entity:**
 - (i) **within its sustainability-related financial disclosures**—such as connections between disclosures on governance, strategy, risk management and metrics and targets; and
 - (ii) **across its sustainability-related financial disclosures and other general purpose financial reports published by the entity.**

Core content: governance



Core content: strategy

Disclose information to enable users of GPFR to understand an entity's strategy for managing sustainability-related financial risks and opportunities.

Identify sustainability-related risks & opportunities



Disclose effects on the entity's business model and value chain

Disclose effects on the entity's strategy and decision-making

Disclose effects on the entity's financial position, financial performance and cash flows in the short, medium and long-term

Disclose resilience of strategy and business model to those risks

Core content: risks and opportunities

Risk

The **effect of uncertainty on the entity's objectives**. Risk is often expressed in terms of a **combination of the consequences of an event** (i.e. severity) **and the associated likelihood of occurrence over time**. Examples of risks include: strategic, enterprise, operational, project and emerging.

Opportunity

Responding to the challenges of transitioning to a more sustainable future can lead to a range of **benefits** including:

- Activities that lead to **improved efficiencies**
- Increased **access to new markets, improved conditions that support economic growth** and improve public perception

Examples: risks and opportunities

Erosion of our reputation and community support

Scenario: ● ●

Time horizon to impact: Short to Medium

Financial impact: Direct and indirect costs

There may be a risk of negative impacts on our reputation and community support due to our exposure to emissions intensive or hard-to-abate businesses, including to natural gas, with increasing pressure for greater action at a faster pace.

OPPORTUNITY – Invest for the future in low-emissions technologies and resources for the energy transition, including portfolio renewal into new industries such as lithium.

- Continue decarbonising operations consistent with interim and net zero targets and evaluate opportunities to reduce value chain emissions
- Report on performance, consistent with best practice standards and frameworks, to provide stakeholders with consistent, comparable and transparent information
- Proactively leverage expertise and financial capability to partner and invest in low-emissions technologies, solutions and industries

Source: Wesfarmers Climate-related disclosures 2024 (<https://www.wesfarmers.com.au/docs/default-source/sustainability/sustainability-2024/2024-08-28-2024-annual-report---tcf-extract.pdf>)

Examples: risks and opportunities

IMPACT AREA	IMPACT OVERVIEW	a2MC RESPONSE
<p>RESEARCH AND DEVELOPMENT, MARKET ACCESS</p> <p>Customer demand for low carbon products</p> <hr/> <p>RISK OR OPPORTUNITY</p> <p>Risk and opportunity (transition)</p> <hr/> <p>TIMEFRAME</p> <p>Medium term</p> <hr/>	<p>Consumer preference may shift towards low-carbon products as described in scenario one (but felt at a more moderate level than scenario one). This may impact a2MC's market access in the medium term, over a period of 5 to 15 years.</p> <p>Opportunity to differentiate as a leader in sustainable dairy. These impacts are across all relevant covered geographies (New Zealand, Australia and USA).</p>	<p>Expand on early decarbonisation efforts (refer to scenario one for detail). These initiatives are currently in their infancy, and the outcomes may still depend on external factors such as advancements for scalability, viability, as well as the appropriate regulatory approvals.</p> <p>Despite these challenges, the Company views this as an opportunity to lead the dairy sector in low-emission nutrition, potentially mitigating risks of market share and revenue decline due to shifting consumer preferences</p>

Source: A2 Milk Company Ltd 2024 Climate Statement (<https://assets-au-01.kc-usercontent.com/bca3e5d5-83bd-02bf-1c27-acb036630e5b/626df8fa-b320-4146-96a1-f6f1f4ecd973/Climate%20Statement.pdf>)

Core content: risk management

Processes used to identify, assess, prioritise and monitor sustainability-related risks and opportunities

Whether and how those processes are integrated into and inform the entity's overall risk management process

Assess the overall risk profile and risk management process

Core content: metrics and targets

Disclose information to enable users to understand an **entity's performance in relation to its sustainability-related risks and opportunities**, including **progress towards any targets** it has set or is required to meet by law or regulation

Metrics required by an applicable IFRS Sustainability Disclosure Standard

In the absence of an applicable IFRS Sustainability Disclosure Standard:

- SASB Standards
- CDSB Framework Application Guidance
- Other pronouncements from similar standards or guidance
- Industry or jurisdictional trends

Industry-based metrics (SASB Standards)

Sustainability-related targets – can be qualitative or quantitative

General requirements: overview

- Disclosures to be made as **part of an entity's general purpose financial reporting package** (cross-referencing to other published reports permitted)
- Disclosures to be for the **same reporting period and at the same time as the related financial statements** (not required to disclose at the same time as the related financial statements in the first reporting period)
- Required to make **disclosures for one comparative reporting period** (comparatives not required for the first reporting period)
- **Statement of compliance**

Judgements and uncertainties

Disclose information to **enable users to understand the judgements**, apart from those involving estimations of amounts, **that the entity has made in the process of preparing its sustainability-related financial disclosures and that have the most significant effect** on the information included in those disclosures.

For example, an entity makes judgements in:

- **identifying material sustainability-related risks and opportunities;**
- **determining which sources of guidance to apply** when there is no relevant IFRS Sustainability Disclosure Standard;
- **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.

Disclose information to **enable users to understand the most significant uncertainties affecting the amounts reported** in its sustainability-related financial disclosures.

When amounts reported in sustainability-related financial disclosures cannot be measured directly and can only be estimated, measurement uncertainty arises. For example, an estimate may involve assumptions about possible future events with uncertain outcomes such as estimates used in climate-related scenario analysis.

Errors

Correct material prior period errors by restating the comparative amounts for the prior period(s) disclosed unless it is impracticable to do so.

Prior period errors are omissions from and misstatements in the entity's sustainability-related financial disclosures for one or more prior periods. Such errors arise from a failure to use, or the misuse of, reliable information that:

- was available when the sustainability-related financial disclosures for the period(s) were authorised for issue; and
- could reasonably be expected to have been obtained and considered in the preparation of those disclosures.

Corrections of errors are distinguished from changes in estimates. **Estimates are approximations that an entity might need to revise as additional information becomes known.**

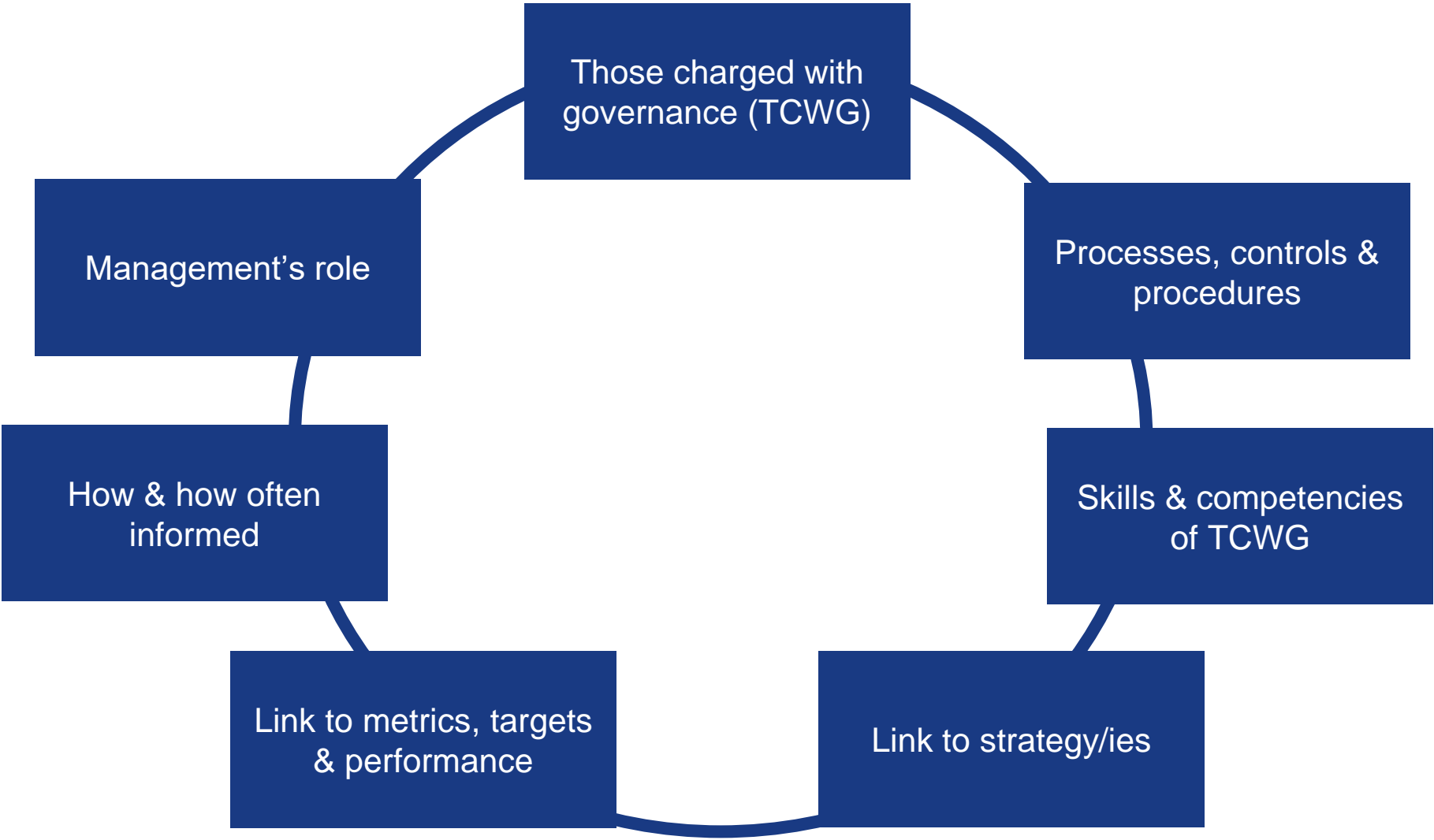
IFRS S2 *Climate-related Disclosures*

Poll Question 3

What climate-related disclosures are you most concerned about?

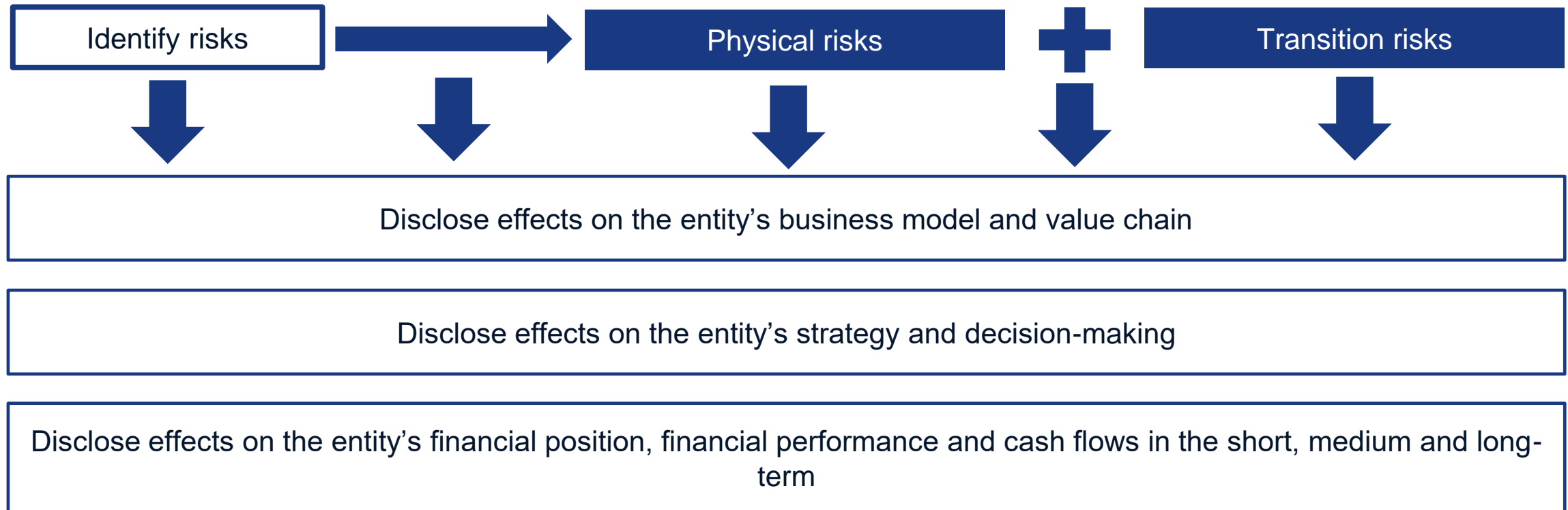
- a) Identifying climate-related financial risks and opportunities
- b) Climate-related scenario analysis
- c) Exercising judgement about what disclosures are material
- d) Reporting on the cross-industry metrics, including greenhouse gas emissions
- e) Other

Governance



Strategy

Disclose information to enable users of GPFR to **understand an entity's strategy for managing climate-related financial risks and opportunities.**



Examples: potential impacts

Risks	Potential Impact
<p>Description</p> <ul style="list-style-type: none"> As people grow increasingly aware of the impact of climate change and its effects, the concerns of Nestlé Malaysia become more pressing, including our impact on climate change, plastic pollution and water usage. <p>Risks Identified</p> <ul style="list-style-type: none"> Inability to manage the transition to low-carbon processes may impact long-term resilience of the business. Reputational risk from failure to meet targets. Regulatory risk of failure to comply with local climate-related laws. Financial risk due to loss of business as a result of climate change. Climate pollution risk from failure to develop low-carbon packaging solutions and inadequate management of post-consumer packaging waste. 	<ul style="list-style-type: none"> Loss of market share due to shift in consumer preferences. Reputational damage and loss of stakeholder trust. Penalties and/or fines imposed by government or regulatory authorities. Higher operation cost due to the greater local policy impact. Trade asset (e.g. plant machinery, retail outlets and product inventory) losses caused by worsening climate conditions such as floods and extreme weather. Increased Capital Expenditure (CAPEX) associated with R&D of low-carbon packaging solutions.

Source: Nestle In Society Report 2023 (<https://www.nestle.com.my/sites/g/files/pydnoa251/files/2024-03/NIS-NESTLE-AR23.pdf>)

Examples: potential impacts

Scenarios: ● Aggressive mitigation ● Current pledges and targets ● Limited climate action
Time horizons: **Short:** 1 to 5 years **Medium:** 5 to 15 years **Long:** 15+ years

Description and impact	Potential response and mitigation strategies
Damage to physical assets and disruption to store network	
Scenario: ●● Time horizon to impact: Short	Financial impact: Direct costs
<p>Wesfarmers' businesses are exposed to extreme wet weather, including more frequent and intense flooding, storm surges and tropical cyclones, especially across northern and eastern Australia and New Zealand. This risk is expected to increase over time.</p> <p>Increased intensity and frequency of extreme wet weather may disrupt and damage our physical assets and store networks, reducing operational efficiency and increasing operational costs.</p> <p>Extreme weather (including drought conditions) may affect consumer behaviour and customer foot traffic. This may impact sales and demand in certain businesses (including the retailers, Wesfarmers Health and CSBP Fertilisers).</p> <p>Climate-related claims may lead to increased insurance premiums for certain locations and difficulty in obtaining or unavailability of insurance.</p>	<ul style="list-style-type: none"> – Redesign or retrofit stores and warehouses to adapt to extreme weather conditions – Consideration of implications for the location of new sites, stores and store renewals – Invest in measures to maintain comfort for team members and customers, including automated building management systems – Invest in omnichannel capabilities to provide flexibility to meet changing customer needs and preferences – Reflect climate risk assessments in capital allocation, including approach to mergers, acquisitions, portfolio management decisions and insurance

Source: Wesfarmers Climate-related disclosures 2024 (<https://www.wesfarmers.com.au/docs/default-source/sustainability/sustainability-2024/2024-08-28-2024-annual-report---tcf-extract.pdf>)

Breakout Session Two (10 mins)

The Nestle NiS 2023 Report identifies a potential impact related to increased capital expenditure associated with research and development of low-carbon packaging solutions.

What should Nestle consider if they were to try and quantify that impact in their 2024 report?

Strategy: Climate resilience

Disclose information to enable users of GPFR to **understand an entity's capacity to adjust to uncertainties arising from climate-related risks.**

Scenario analysis: A process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty (**≠ sensitivity analysis**)

*Must disclose against **at least one scenario***

*At least one scenario **should align with the latest international agreement on climate change** – if not, why not*

*Scenario analysis is **not expected to be re-performed for every reporting period**, however should **check that inputs and assumptions used to drive the analysis are still appropriate** at each reporting period*

Risk management

Processes used to identify, assess, prioritise and monitor sustainability-related risks and opportunities

Whether and how those processes are integrated into and inform the entity's overall risk management process

Assess the overall risk profile and risk management process

Metrics and targets

Disclose information to enable users of GPFR to understand an **entity's performance in relation to its climate-related risks and opportunities**, including **progress towards any targets** it has set or is required to meet by law or regulation

Scope 1, 2 & 3 GHG emissions

\$ and % of assets or business activities vulnerable to physical and transition risks respectively

\$ and % of assets or business activities aligned with climate-related opportunities

Capital deployment (capital exp., financing & investing)

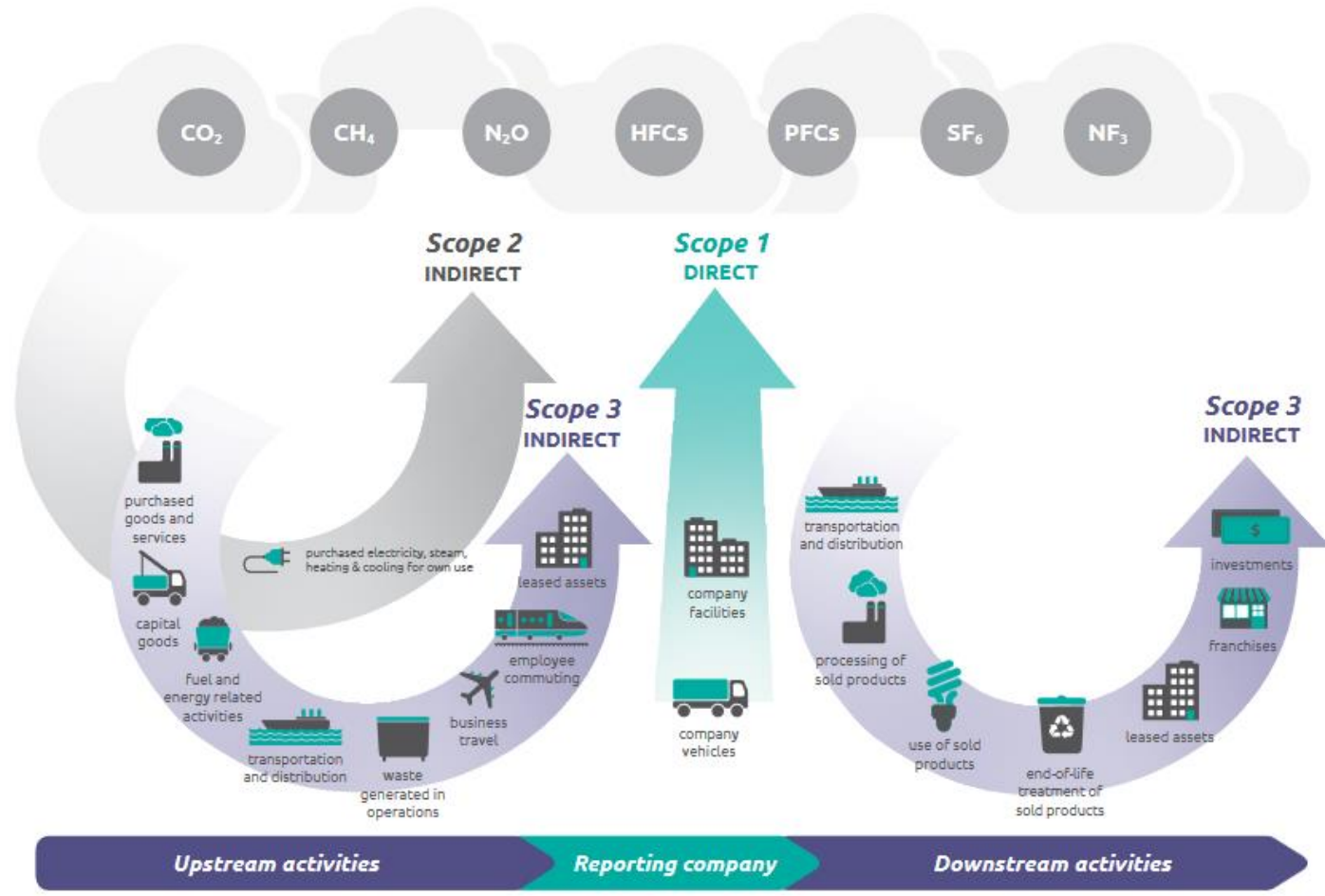
Internal carbon prices (if used)

Executive remuneration (if used)

Industry-based metrics

Climate-related targets – can be qualitative or quantitative

Metrics and targets: GHG emissions



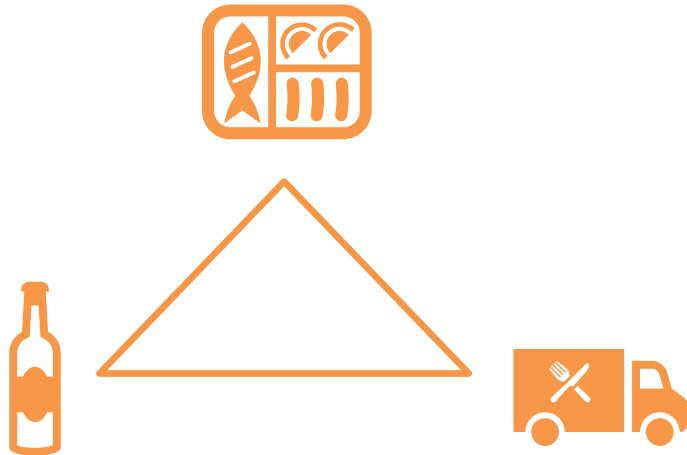
Source: https://ghgprotocol.org/sites/default/files/2023-03/Scope3_Calculation_Guidance_0%5B1%5D.pdf



Part IV: Interoperability between Standards issued by the GRI and ISSB

Case study: TasteWorks

Introduction to the TasteWorks case study



- Leveraging off the **GRI Standards to get to compliance with IFRS Sustainability Disclosure Standards**
- **Multiple SASB Standards may apply**
- **No relevant GRI Sector Standards apply**
- Committed to sustainability, TasteWorks has established goals for **sustainable sourcing**, carbon emissions reduction, water stewardship, and waste reduction

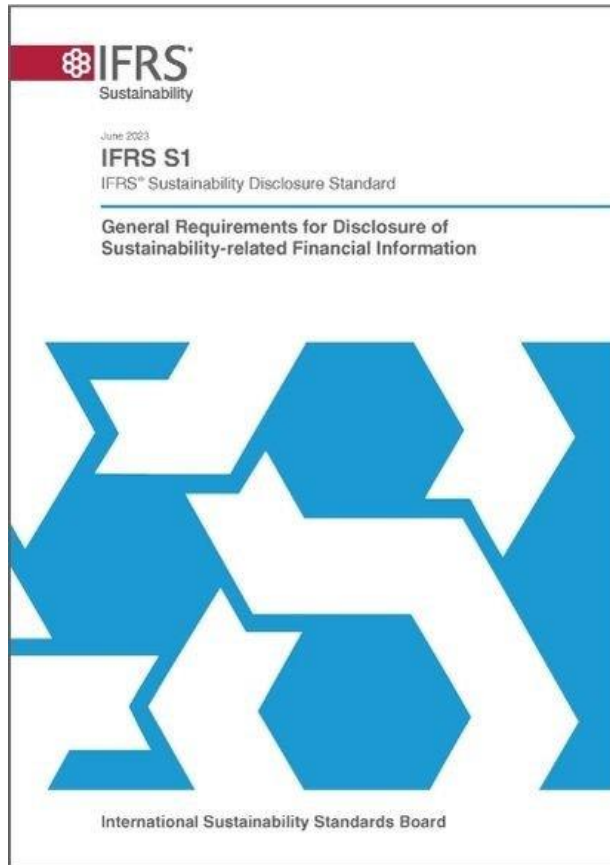
Lunch break



Part IV: Interoperability between Standards issued by the GRI and ISSB

General requirements

IFRS S1 and the GRI Universal Standards

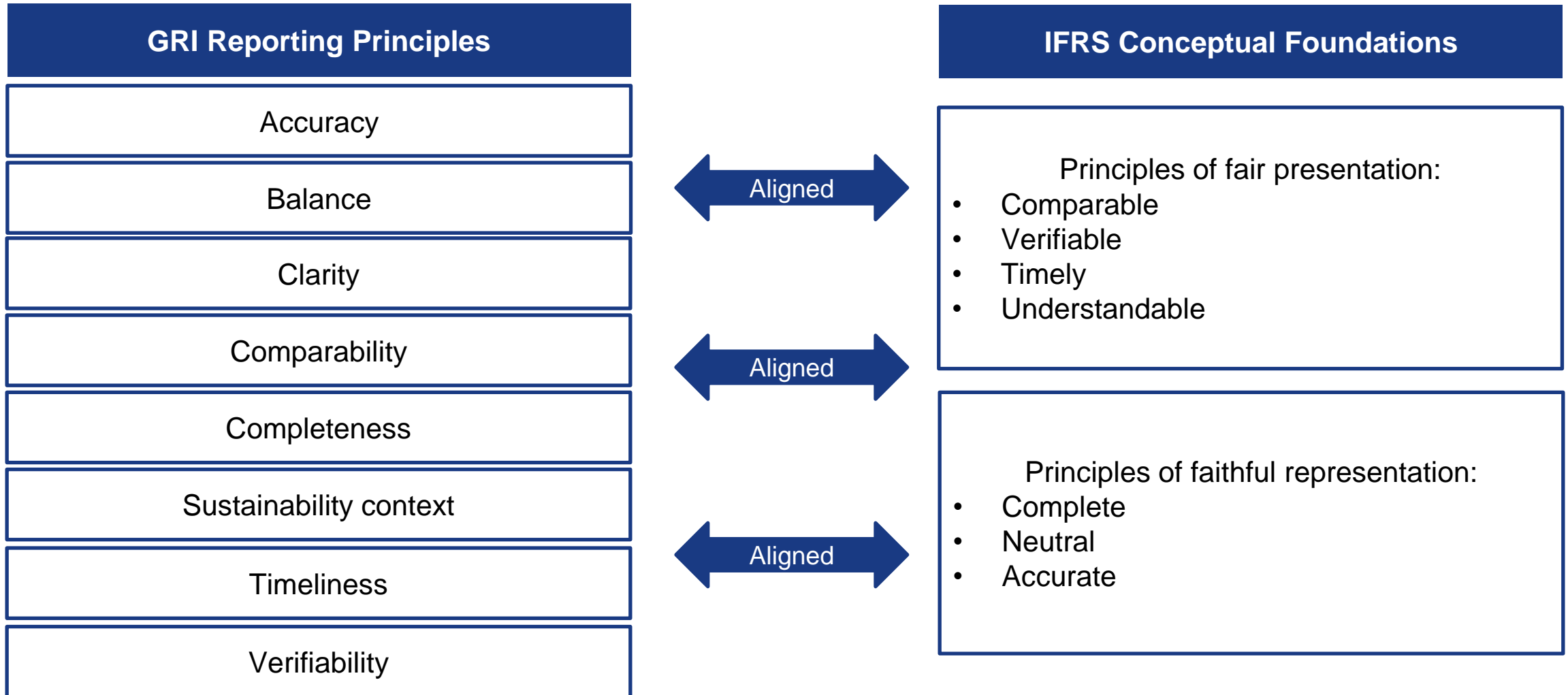


Source: <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/>

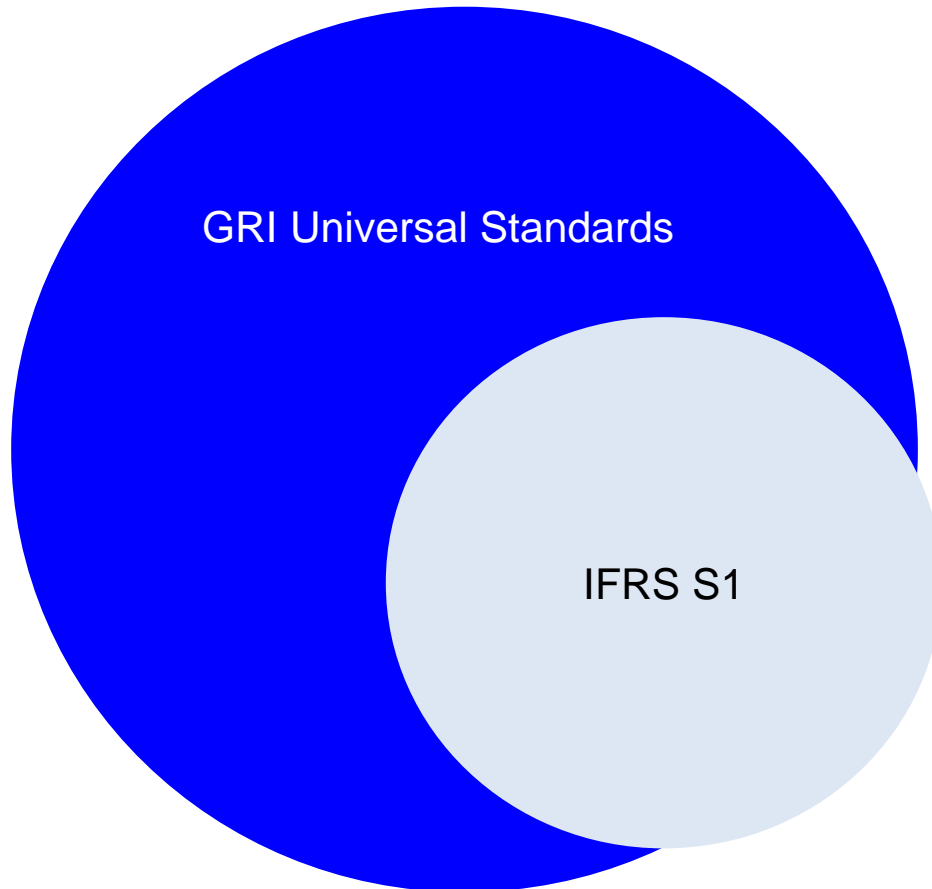


Source: <https://www.globalreporting.org/standards/>

IFRS S1 and the GRI Universal Standards



IFRS S1 and the GRI Universal Standards



- **GRI Standards** are **sector neutral** (i.e. can be applied by for-profit or not-for-profit entities) and have been developed to **meet the information needs of a broad range of stakeholders**
- **IFRS Sustainability Disclosure Standards** have been developed for use by **large for-profit entities** and to **meet the information needs of investors only**

Governance

Governance structure and composition

Nomination and selection of the highest governance body

Chair of highest governance body

Role of the highest governance body in overseeing the management of impacts

Delegation of responsibility for managing impacts

Role of the highest governance body in sustainability reporting

Conflicts of interest

Communication of critical concerns

Collective knowledge of the highest governance body

Evaluation of the performance of the highest governance body

Remuneration policies and process to determine remuneration

Annual total compensation ratio



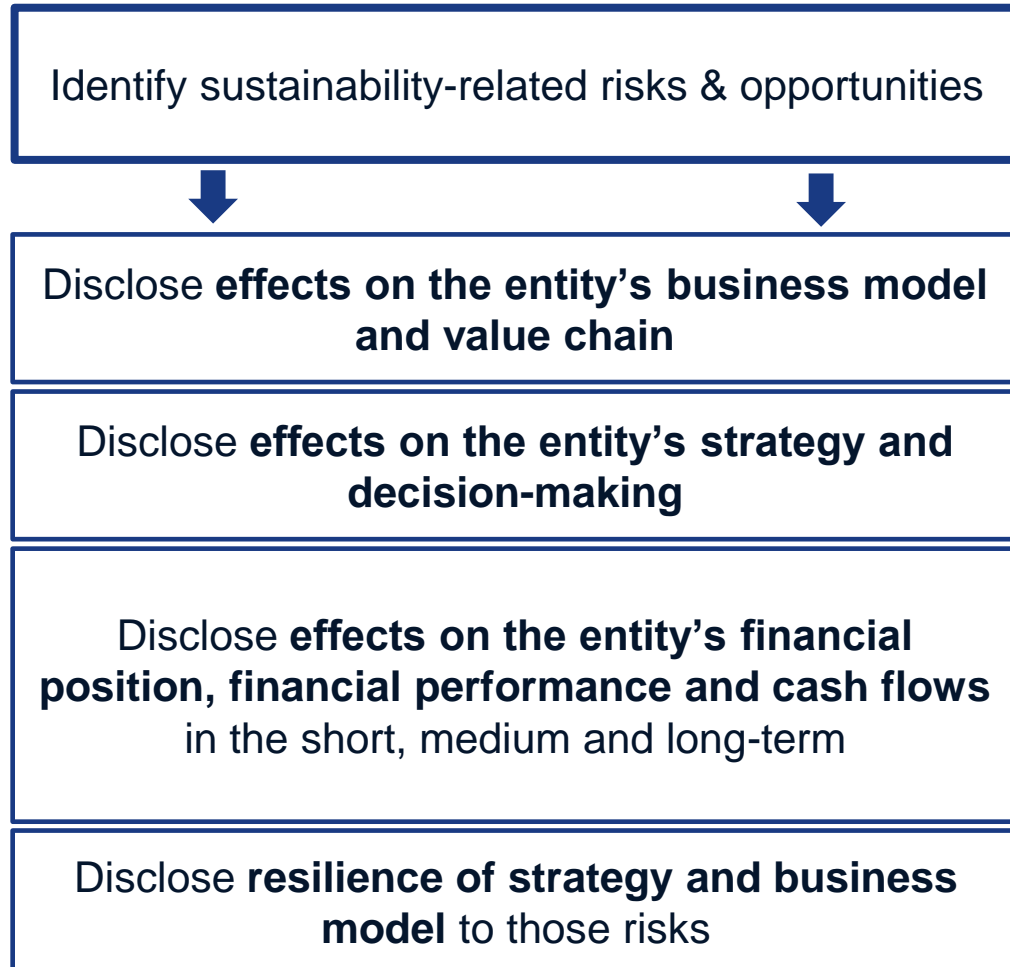
Overlapping requirements



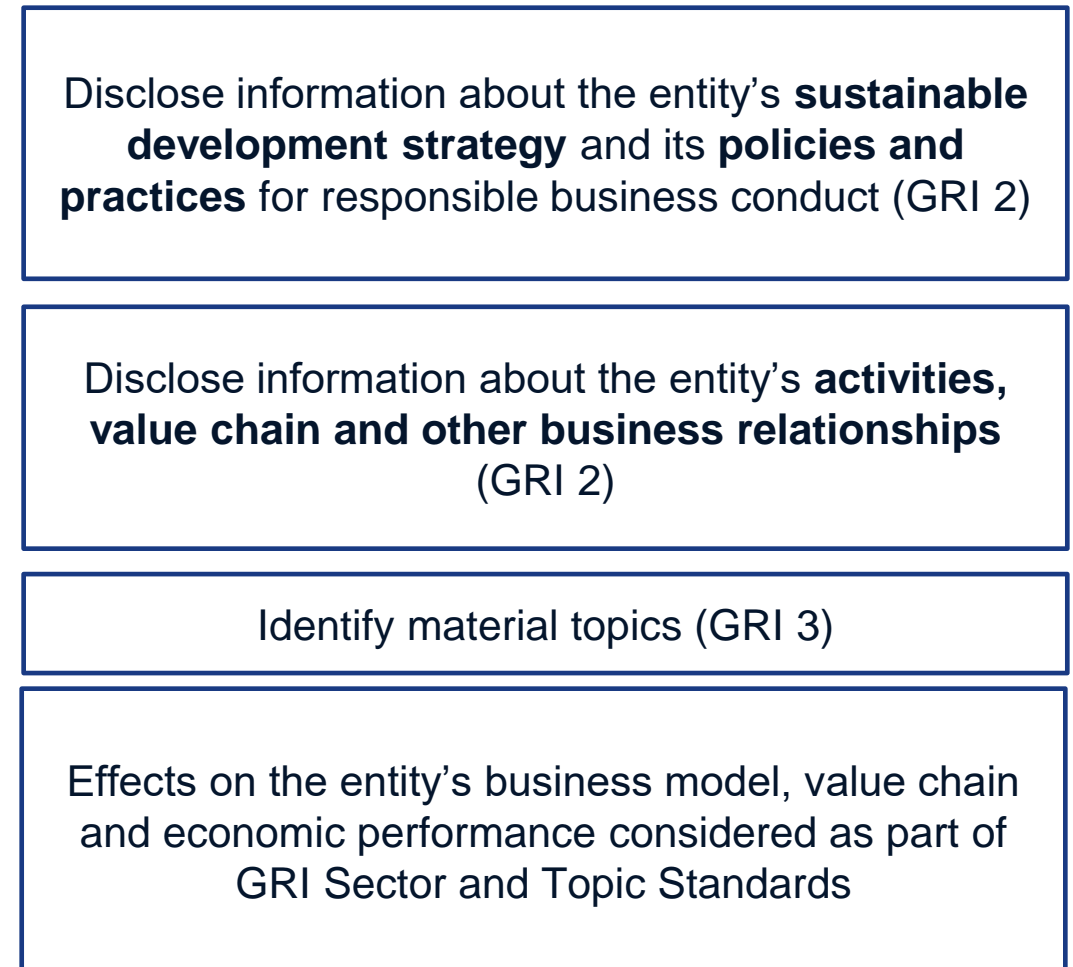
GRI Universal Standard requirements not included in IFRS S1

Strategy

IFRS S1



GRI Universal Standards



Risk management

IFRS S1

Processes used to **identify, assess, prioritise and monitor** sustainability-related risks and opportunities

Whether and how those processes are **integrated into and inform the entity's overall risk management process**

GRI Universal Standards

Disclose information about the entity's **sustainable development strategy** and its **policies and practices** for responsible business conduct (GRI 2)

Identify material topics (GRI 3)

Management of each material topic considered as part of GRI Sector and Topic Standards

Risk management

IFRS S1

Disclose information about the **entity's performance in relation to its sustainability-related risks and opportunities**, including **progress towards any targets** it has set or is required to meet by law or regulation



Metrics required by an applicable IFRS Sustainability Disclosure Standard

Industry-based metrics (SASB Standards)

GRI Universal Standards

Disclosure requirements related to **metrics and targets for each material topic considered as part of GRI Sector and Topic Standards**

Case Study Activity One

What changes should the Sustainability and Corporate Responsibility Committee at TasteWorks implement to effectively support the company's transition to reporting in compliance with IFRS Sustainability Disclosure Standards?

General requirements

	IFRS S1	GRI Universal Standards
Entity's details	-	Entity's details e.g. legal name, ownership details, geographic location(s)
Reporting boundary	Must be for the same reporting entity as the related financial statements.	Disclose the reporting boundary compared to the related financial statements.
Reporting period	Must be for the same reporting period as the related financial statements.	Disclose the reporting period compared to the financial statements.
Location of disclosures	Must be as part of the entity's annual general purpose financial reporting package.	Disclose a GRI Content Index which identifies the location of each disclosure.

General requirements

	IFRS S1	GRI Universal Standards
Timing of reporting	Must be published at the same time as the related financial statements (relief available for first reporting period).	-
Frequency of reporting	Required on an annual basis at minimum. Permits interim reporting.	Disclose frequency of reporting.
Comparative disclosures	Only one comparative period required (relief available for first reporting period).	Requires two comparative reporting periods.

General requirements

	IFRS S1	GRI Universal Standards
Judgements, uncertainties and errors	<ul style="list-style-type: none"> • Disclose information about significant judgements and assumptions. • Identify disclosures which are subject to a high level of measurement uncertainty. • Restate and explain material errors in comparative disclosures. 	<ul style="list-style-type: none"> • Disclose information about significant judgements and assumptions, including details on measurement uncertainty if relevant. • Restate and explain material errors in comparative disclosures.

General requirements: Materiality

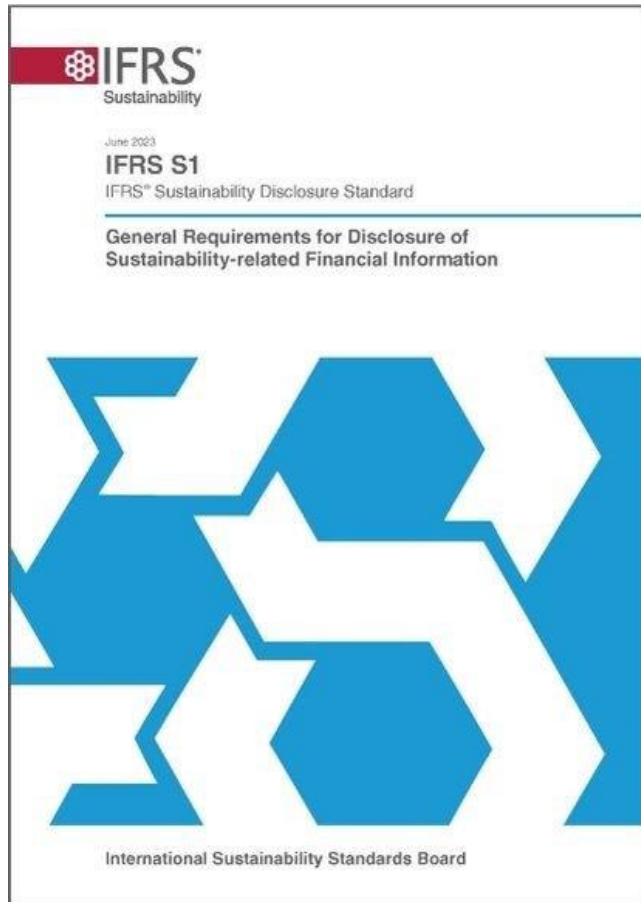
Case Study Plenary Discussion

What stakeholders need to be involved in the GRI Standards materiality process?

How do these stakeholders differ to the process for assessing the materiality of sustainability-related financial risks and opportunities using IFRS Sustainability Disclosure Standards?

When and how should stakeholders be engaged?

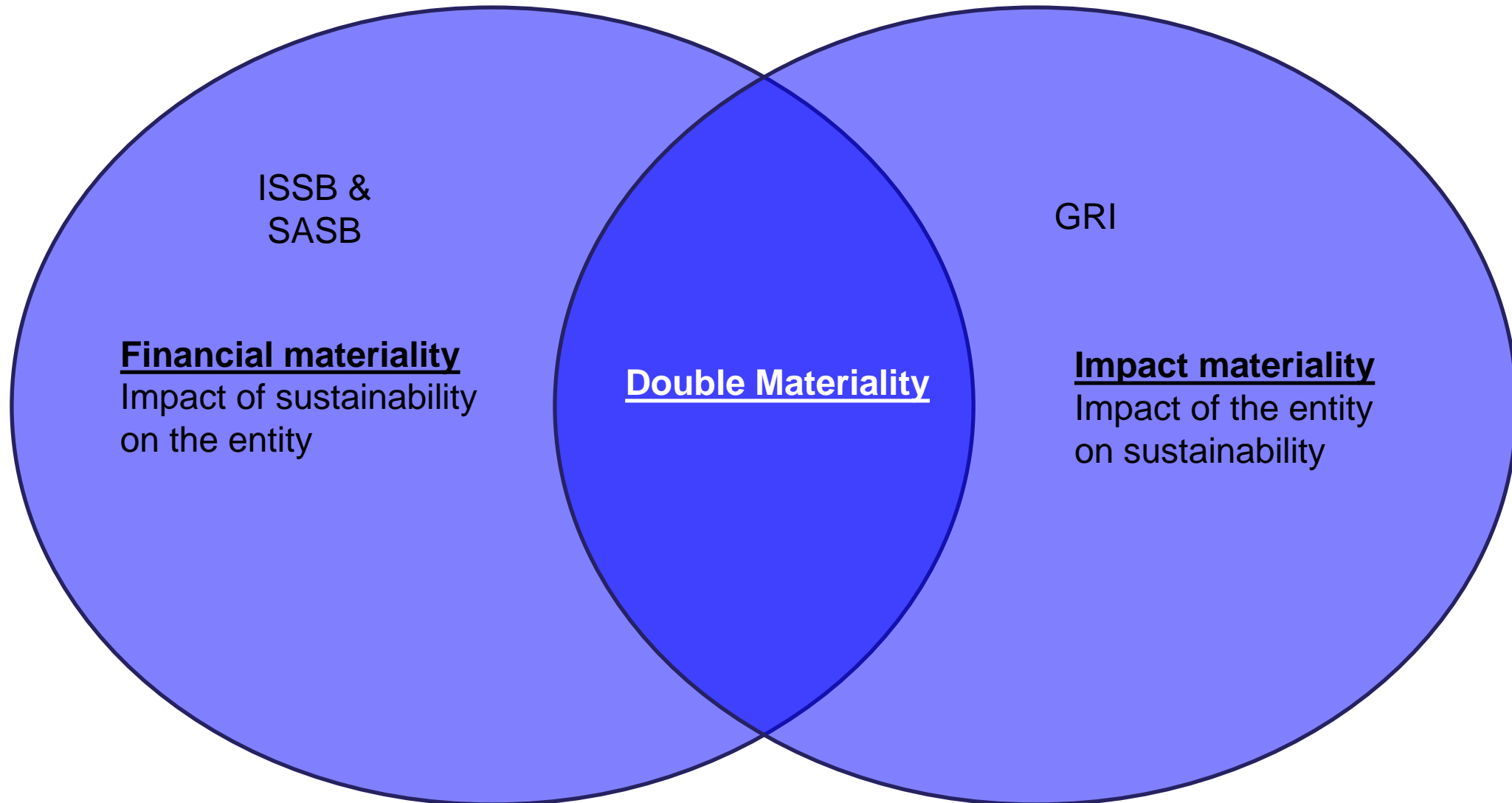
IFRS S1 and the GRI Universal Standards



Source: <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/>

Source: <https://www.globalreporting.org/standards/>

The role of materiality



An integrated approach to materiality

Stakeholder focus: to ensure that an entity is best placed to leverage off its existing GRI-compliant reporting when seeking to comply with IFRS Sustainability Disclosure Standards, **investors must be identified and treated as a key stakeholder.**

Step One: Using the approach in **GRI 3: Material Topics and guidance in IFRS S1**, identify material topics and their associated sustainability-related risks and opportunities against which to report (*case study activity two*)



Step Two: Using **IFRS S1 and IFRS Practice Statement 2 Making Materiality Judgements**, identify information about the entity's material sustainability-related risks and opportunities (or material topics) which is material and should be disclosed (*case study activity four*)

Step One: Identify material topics

Understand the entity's context

- activities, business relationships, business model, strategy, primary users
- consider context throughout the value chain

Identify and assess impacts

- actual impacts
- potential impacts
- Impacts can be – +ve or -ve; varying time horizons; intended or unintended; reversible or irreversible; change over time; be inward or outward focusing
- consider the applicability of topics in relevant SASB Stds

Determine the significance of the entity's impacts

- -ve impact = severity x likelihood
- +ve impact = scale x scope x likelihood

Prioritise the most significant impacts for reporting

- determine threshold for materiality
- check material topics with investors and industry peers

Case Study Two

Step One: Using the approach in **GRI 3: Material Topics and guidance in IFRS S1**, identify material topics and their associated sustainability-related risks and opportunities against which to report.

Part A (25 mins)

Using TasteWorks' GRI materiality assessment as a base (see TasteWorks Case Study Table 1), undertake the assessment of sustainability-related financial risks and opportunities for TasteWorks using the IFRS Sustainability Disclosure Standards.

What material topics under GRI Standards link to sustainability-related financial risks and opportunities that potentially require disclosure of material information for TasteWorks under IFRS Sustainability Disclosure Standards, and why?

What additional topics might be included under IFRS Sustainability Disclosure Standards?

Case Study Two

Step One: Using the approach in **GRI 3: Material Topics and guidance in IFRS S1**, identify material topics and their associated sustainability-related risks and opportunities against which to report.

Part B (15 mins)

How should TasteWorks approach the transition of its materiality assessment from GRI to IFRS Sustainability Disclosure Standards?

What steps should the company take to ensure its materiality assessment meets the ISSB's focus on financial materiality while continuing to address the interests of other stakeholders?

Case Study Two

Debrief (20 minutes)



Afternoon tea break

Step Two: Identify material information

Step Two: Using IFRS S1 and IFRS Practice Statement 2 *Making Materiality Judgements*, identify information about the entity's material sustainability-related risks and opportunities (or material topics) which is material and should be disclosed.

Four-step Materiality Process (adapted from IFRS Practice Statement 2)

2.1 – Identify

2.2 – Assess

2.3 – Organise

2.4 – Review

Step Two: Identify material information

2.1 – Identify

Identify information about the material sustainability-related risks and opportunities that users might need to understand to make decisions about providing resources to the entity on the basis of the general purpose financial report (GPFR).

Step Two: Identify material information

2.2 – Assess

Assess whether potentially material information identified in Step 1 of the four-step materiality process is, in fact, material. In making this assessment, the entity needs to consider whether its users could reasonably be expected to be influenced when making decisions about providing resources to the entity.

Quantitative factors

An entity assesses whether information is quantitatively material by considering the **size of the impact** of the sustainability-related risk or opportunity **against its cash flows, access to finance or cost of capital over the short, medium or long term.**

Qualitative factors

An entity assesses whether there are **characteristics of the impact, or of their context, that, if present, make information more likely to influence decisions** of its users (e.g. unexpected variation or unexpected changes in trends).

Step Two: Identify material information

2.3 – Organise

Classifying, characterising and presenting information clearly and concisely makes it understandable. For example:

- **Emphasise material information**
- **Tailor information** to the entity's own circumstances
- **Describe the entity's sustainability-related risks and opportunities as simply as possible** with omitting material information and without unnecessarily increasing the length of the GPFR
- **Highlight relationships** between different pieces of information
- **Provide information in a format that is appropriate for its type** (e.g. tables or narrative disclosures)
- **Provide information in a way that maximises, to the extent possible, comparability** among entities and across reporting period
- **Avoid or minimise duplication** of information
- **Ensure material information is not obscured** by immaterial information

Step Two: Identify material information

2.4 – Review

Assess whether information is material both individually and in combination with other information in the context of its GPFR as a whole. When reviewing its draft GPFR, the entity draws on its knowledge and experience of its sustainability-related risks and opportunities to identify whether all material information has been provided in the GPFR, and with appropriate prominence.

Case Study Activity Three

How should TasteWorks address the forced labour allegations in its sustainability reporting under both GRI and IFRS Sustainability Disclosure Standards?

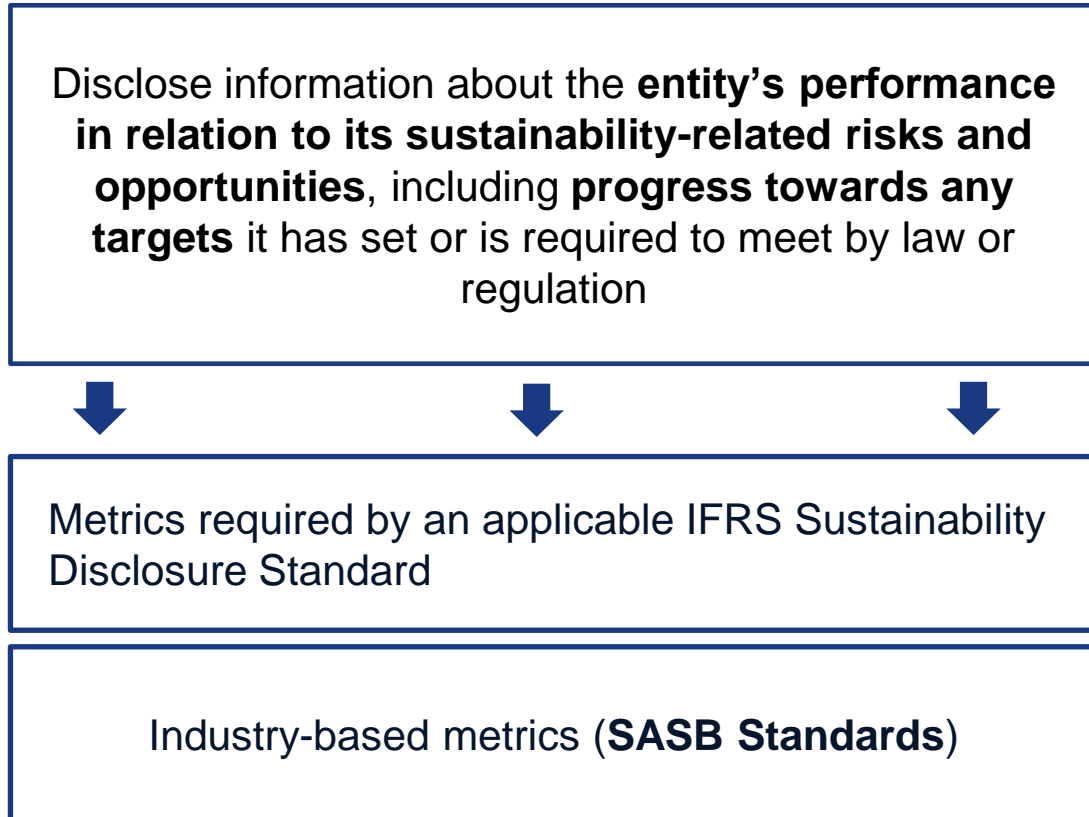
Does this incident affect TasteWorks' materiality assessment under GRI and IFRS Sustainability Disclosure standards? If so, how?

Do you agree with the Board's view that IFRS-aligned reporting could help prevent similar issues by prioritising early detection of risks in high-exposure areas? Why or why not?

Metrics and Targets

Overview

IFRS S1



GRI Universal Standards



IFRS S1 and SASB Standards

Identify applicable SASB Standards by using the SASB's Sustainable Industry Classification System (SICS) to identify which industry/ies the entity operates in



Applicable/relevant SASB Standards (or industry standards)



Consider the applicability of the topics identified in each of the relevant SASB Standards



For each topic identified as being material, **consider the applicability of the topic-specific metrics**



Report against material metrics / set targets using material metrics

GRI Sector and Topic Standards

GRI Sector Standards* identify and explain:

- **GRI Topic Standards that are expected to be relevant** for that sector; and
- **metrics** within each of the relevant GRI Topic Standards **that are expected to be material information.**

The entity **still exercises judgement about whether the requirements in GRI Sector Standards are relevant** to its specific facts and circumstances.

In the absence of a relevant GRI Sector Standard, **an entity exercises judgement about:**

- which **GRI Topic Standards** are relevant; and
- which **metrics listed in the relevant GRI Topic Standards** are material to the entity and should be reported against

** GRI Sector Standards are mapped against multiple industrial classification systems (including the SASB SICs) to assist entities in determining whether a GRI Sector Standard may be relevant to them.*

An integrated approach to metrics and targets

1 – Identify (e.g. identify metrics that have the potential to be material)

Referring to the topics you've identified as material in Step One of the materiality assessment process, **identify the relevant metrics related to each of the material topics in both GRI Sector and/or Topic Standards and the SASB Standards.**

2 – Assess (e.g. assess whether each of the metrics identified is, in fact, material)

Consider the applicability of each of the metrics you've identified with reference to:

- the **entity's specific facts and circumstances**; and
- **investors as the primary user** of the GPFR.

3 – Organise (e.g. disclose metrics appropriately)

4 – Review (e.g. taking the GPFR as a whole, are there metrics which should be added or removed?)

Case Study Activity Four

Step Two: Using IFRS S1 and IFRS Practice Statement 2 *Making Materiality Judgements*, identify information about the entity's material sustainability-related risks and opportunities (or material topics) which is material and should be disclosed.

Given the supply chain crisis, the Sustainability Executive Committee has been asked by the Board to prepare a report focussing on the current GRI metrics relating to Sustainable Sourcing (see TasteWorks Case Study Appendix 3).

The Board would like to understand the extent to which the current GRI metrics and targets may be relevant when they are considering potentially material information from the most applicable SASB Standard for TasteWorks – Processed Foods (see Handout 1).

The Board are interested in gaining an understanding of what potential additional information or data may be needed when considering the applicability of SASB Standards? What modifications may be needed when adopting IFRS Sustainability Disclosure Standards? The Board are also interested in understanding whether/how the current GRI metrics could be retained when reporting under IFRS S1.

IFRS S2 and the GRI Standards

GRI Project for Climate Change Standards

- The Climate Change and Energy GRI Topic Standards are being reviewed in line with the most recent developments and the relevant authoritative intergovernmental instruments in the field of climate change, GHG emissions, and energy
- The Climate Change and Energy Standard exposure drafts were made available for public comment between 21 November 2023 and 29 February 2024
- GRI GSSB is in the process of considering the feedback

Project Overview



Source: <https://www.globalreporting.org/standards/standards-development/project-for-climate-change-standards/>

GRI Project for Climate Change Standards

GRI's Climate Change exposure draft		Other standards and frameworks*				
Disclosures	Requirement elements	CDP	ESRS	IFRS S2	TCFD	U.S. SEC
CC-1 Transition plan for climate change mitigation	Transition plan					
	Alignment with 1.5° C efforts, as per the Paris Agreement					
	Investment in transition plan					
	Governance of transition plan					
	Embedding of transition plan in business strategy					
	Targets to achieve the transition plan					
	Targets to phase out fossil fuels					
	Progress toward the targets					
	Stakeholder engagement informing transition plan					
	Impacts from transition plan on people and environment					
	Lobbying consistent with transition plan					

Source: <https://www.globalreporting.org/media/0yydpzfq/gri-climatechangeoverviewtable-v12-1page.pdf>

GRI Project for Climate Change Standards

GRI's Climate Change exposure draft		Other standards and frameworks*				
Disclosures	Requirement elements	CDP	ESRS	IFRS S2	TCFD	U.S. SEC
CC-2 Climate change adaptation	Impacts associated with climate change-related risks and opportunities					
	Adaptation plan					
	Climate change-related scenarios					
	Investment in adaptation plan					
	Governance of adaptation plan					
	Targets to achieve adaptation plan					
	Stakeholder engagement informing adaptation plan					
	Impacts from adaptation plan on people and environment					
CC-3 Just transition	# jobs created/eliminated/redeployed due to transition plan					
	# employees trained for up-and reskilling due to transition plan					
	Locations with impacts on communities due to transition plan					
	% locations with agreements with communities					

Source: <https://www.globalreporting.org/media/0yydpzfq/gri-climatechangeoverviewtable-v12-1page.pdf>

GRI Project for Climate Change Standards

GRI's Climate Change exposure draft		Other standards and frameworks*				
Disclosures	Requirement elements	CDP	ESRS	IFRS S2	TCFD	U.S. SEC
CC-4 GHG emission reduction target setting and progress	Scope 1, 2, 3 GHG emissions reduction targets					
	Alignment with 1.5° C efforts, as per the Paris Agreement					
	Base year					
	Progress toward targets					
GH-1, GH-2, GH-3 Scope 1, 2, 3 GHG emissions	Scope 1, 2, 3 GHG emissions					
	Biogenic CO ₂					
	Breakdown by GHGs for Scope 1					
	Breakdown by GHGs for Scope 2					
	Breakdown by 15 Scope 3 categories					
GH-4 GHG emissions intensity	GHG emissions intensity ratio(s)					

Source: <https://www.globalreporting.org/media/0yydpzfq/gri-climatechangeoverviewtable-v12-1page.pdf>

GRI Project for Climate Change Standards

GRI's Climate Change exposure draft		Other standards and frameworks*				
Disclosures	Requirement elements	CDP	ESRS	IFRS S2	TCFD	U.S. SEC
CC-5 GHG removals in the value chain	Total GHG removals					
	Breakdowns by Scope 1 and Scope 3 and by storage pool					
	Quality criteria to manage the risk of non-permanence					
	Intended use of GHG removals					
	Impacts of removals on people and environment					
CC-6 Carbon credits	Total carbon credits canceled in reporting period					
	Identification of carbon credits					
	Type of carbon credits					
	Quality criteria for carbon credit projects					
	Purpose of cancellation of carbon credits					
	Monitoring impacts of carbon credit projects on people and environment					

Source: <https://www.globalreporting.org/media/0yydpzfq/gri-climatechangeoverviewtable-v12-1page.pdf>



Key takeaways

Key takeaways

Leverage off GRI-compliant reporting to achieve compliance with IFRS Sustainability Disclosure Standards

Consistent reporting principles = consistent quality of disclosures regardless of which Standards are applied

Modified approach to materiality assessment process using investors as primary users

Using both the GRI and ISSB helps to ensure disclosures are complete

Modified approach to determining what information about material topics is material and should be disclosed

Further information

Should you require more information on the Advisory Committee on Sustainability Reporting (ACSR) and the support they are providing on the transition to mandatory ISSB-aligned reporting, please contact nsrf@seccom.com.my or visit the [NSRF microsite](#).

Advisory Committee on Sustainability Reporting (ACSR)

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Useful links and materials

Useful links and resources



[IFRS Knowledge Hub](#)



[IFAC Sustainability Knowledge Hub](#)



[GHG Protocol Guidance](#)



[GRI Reporting Support](#)

The background is a solid dark blue color. It features two decorative elements: a series of thin, light blue wavy lines in the top-left corner that curve downwards and to the right, and a larger, more complex series of similar wavy lines in the bottom-right corner that create a sense of depth and movement. In the center of the page, the word "End" is written in a clean, white, sans-serif font.

End