



**WORLD BANK GROUP**  
Inclusive Growth & Sustainable Finance  
Hub in Malaysia



**Suruhanjaya Sekuriti**  
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Malaysia



# ESG

## DISCLOSURE ASSESSMENT

of Malaysia's Listed Companies  
and Recommendations for  
Policy Development

OCTOBER 2024

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## **of Malaysia's Listed Companies and Recommendations for Policy Development**

OCTOBER 2024

World Bank and Securities Commission Malaysia Report



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Securities Commission  
Malaysia

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# Acronyms

<b>ACSR</b>	Advisory Committee on Sustainability Reporting
<b>BNM</b>	Bank Negara Malaysia
<b>ESG</b>	environmental, social, and governance
<b>GDP</b>	Gross Domestic Product
<b>GRI</b>	Global Reporting Initiative
<b>HAP</b>	Hazardous air pollutants
<b>IFRS</b>	International Financial Reporting Standards
<b>ISSB</b>	International Sustainability Standards Board
<b>JC3</b>	Joint Committee on Climate Change
<b>NDC</b>	Nationally Determined Contribution
<b>NSRF</b>	National Sustainability Reporting Framework
<b>NO<sub>x</sub></b>	Nitrogen oxides
<b>PM</b>	Particulate matter
<b>POPs</b>	Persistent organic pollutants
<b>SC</b>	Securities Commission Malaysia
<b>SDGs</b>	Sustainable Development Goals
<b>SME</b>	Small and medium-sized enterprise
<b>SO<sub>x</sub></b>	Sulphur oxides
<b>TCFD</b>	Taskforce on Climate-related Financial Disclosures
<b>TNFD</b>	Taskforce on Nature-related Financial Disclosures
<b>VOC</b>	Volatile organic compounds

# Executive Summary

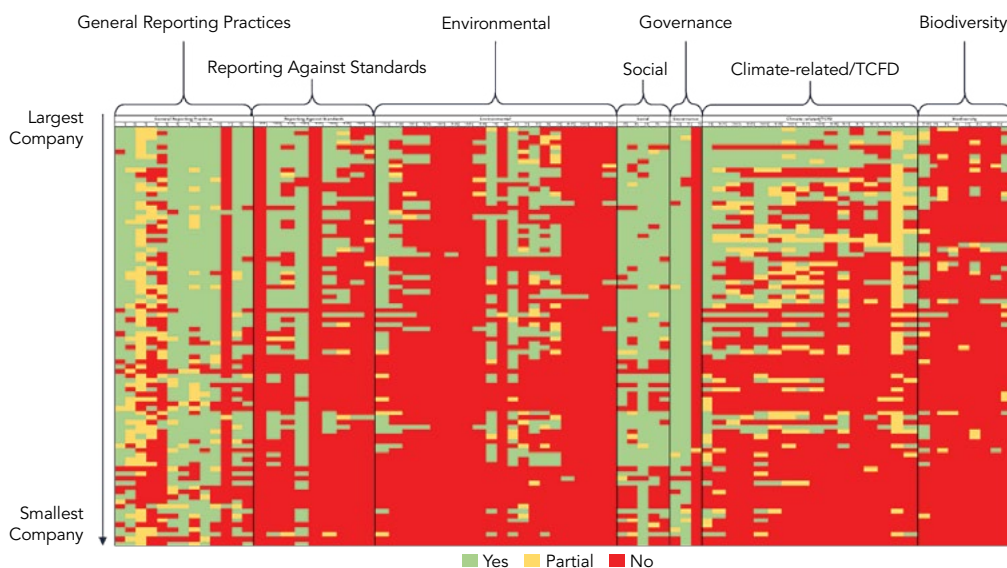
In September 2024, the Advisory Committee on Sustainability Reporting (ACSR) launched the National Sustainability Reporting Framework (NSRF). The NSRF explains how Malaysia will use the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB), specifically the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures as the baseline sustainability disclosure standards for companies in Malaysia. The NSRF fully adopts the ISSB Standards to ensure that corporate Malaysia provides consistent, comparable and reliable sustainability information to enhance Malaysia's competitiveness and attractiveness to investors. It will be implemented in a phased and developmental manner, taking into account current reporting practices in Malaysia.

To inform the implementation of the NSRF and to provide a baseline of reporting practice in Malaysia, SC and the World Bank conducted an assessment of ESG reporting practices in Malaysia. The assessment was conducted between July and December 2023 and entailed two separate tracks focusing on: (i) ESG disclosure practices for a representative sample of 90 companies listed on Bursa Malaysia and (ii) ESG disclosure

practices and processes for Malaysia's largest four asset owners. The assessment involved reviewing the public disclosures (i.e., the information provided by companies and institutional investors on their websites and in their most recent annual and sustainability reports) against a structured assessment framework. This framework comprised a checklist of general reporting indicators and specific ESG indicators that Malaysian institutions would be expected to disclose. To supplement these assessments, the team conducted in-person interviews with relevant stakeholders in September 2023.

Overall, the assessment shows that corporate disclosures and companies' overall approach to managing governance and social issues were good for most of the sampled companies. Disclosure levels were weaker on specific environmental indicators, especially those related to climate change, nature, and biodiversity. Notably, the assessments show significantly better disclosure rates among the largest companies (by market capitalization) than the smaller companies, with a noticeable drop in the scope and quality of reporting for those companies outside the top-50 companies on the Main Market of Bursa Malaysia.

**FIGURE ES 1**  
Heatmap of ESG Disclosures for Listed Companies in Malaysia



**The assessment also provides evidence that the primary driver of corporate ESG reporting in Malaysia has been compliance with regulation.**

The Bursa Malaysia Sustainability Reporting Guide (3rd Edition) was mentioned by 67% of the assessed companies in their reporting, while the GRI Standards were referenced by 60%. In interviews with corporates, FTSE4Good was commonly referred to as a relevant framework with which they seek to align.

**Consistent with this interpretation, the assessment indicated domestic investors play a limited role in driving corporate ESG reporting of Malaysian companies.**

There is limited demand for ESG disclosure from Malaysian listed companies. Moreover, the assessments show relatively low levels of ESG disclosure practices amongst the four key asset owners in Malaysia. Nonetheless, interviews with the asset owners indicated that there have been efforts to strengthen ESG practices and processes, although such efforts are not currently reflected in their publicly available reporting.

**In light of the importance of regulation to ESG reporting practices, the report provides a high-level assessment of the alignment of the existing Bursa Malaysia Sustainability Reporting Guide (3rd Edition) against global reporting standards.**

The results show that the disclosures produced by Malaysian corporates in 2022/2023 would not have met the requirements of the IFRS S1 and IFRS S2 standards if these had been in place at that time (noting that IFRS S1 and IFRS S2 were formally introduced in June 2023 and only came into effect on 1 January 2024). Listed issuers on Bursa Malaysia will now need to transition to full adoption of the IFRS S1 and IFRS S2 by the timeline specified under the NSRF. Adoption of the standards will start with a climate-first approach then full adoption of the standards starting from 2027 for large listed issuers on the Main

Market of Bursa Malaysia. This will be followed by other listed issuers on the Main and ACE Market as well as large non-listed companies, in a phased approach.<sup>1</sup> It is worth noting that if Bursa Malaysia were to replace its guidelines with the IFRS S1 and IFRS S2 standards, some additional guidance would be needed to ensure that information continues to remain standardized and to ensure that companies continue to report important ESG indicators. At the time of writing (October 2024), Bursa Malaysia is conducting a public consultation on proposed sustainability reporting enhancements to the Main Market and ACE Market Listing Requirements in line with the NSRF (that is, to adopt the IFRS S1 and S2). Bursa Malaysia is also seeking feedback on, among others, the requirement for companies to disclose common sustainability matters.

**Based on these assessments, the report concludes with a set of recommendations to the SC to enhance ESG reporting regulation and practices in Malaysia:**

1. Reaffirm and clearly define its objectives for corporate ESG reporting. The SC expects that this will be delivered through the NSRF which emphasizes the importance of providing consistent, comparable, and reliable sustainability information to enhance Malaysia's competitiveness and attractiveness to investors.
2. Adopt measures to ensure effective implementation of NSRF.
3. As part of the implementation of the NSRF, continuously monitor how IFRS S1 and S2 complement existing national sustainability commitments and targets.
4. Actively encourage the development of ESG practices among domestic investors to stimulate demand for corporate ESG disclosures.

<sup>1</sup> Large listed issuers on the Main Market refer to listed issuers with market capitalization of RM2 billion and above. Large non-listed companies refer to companies with annual revenue of RM2 billion and above





CHAPTER 1

# INTRODUCTION

**In September 2024, Advisory Committee on Sustainability Reporting (ACSR) launched the National Sustainability Reporting Framework (NSRF).**<sup>2,3</sup> The NSRF explains how Malaysia will use the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB), specifically the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures as the baseline sustainability disclosure standards for companies in Malaysia.

**To inform the implementation of the NSRF and to provide a baseline of reporting practice in Malaysia, SC**

**and the World Bank conducted a baseline assessment of ESG reporting practices among companies listed on Bursa Malaysia.** The aim of the baseline assessment is to provide SC with a comprehensive understanding of the needs and interests of various stakeholders, including institutional investors, involved in ESG reporting in Malaysia.

This report presents the key findings of the baseline assessment, including a comparison of Malaysian ESG reporting practices against global reporting standards, and reflections on how SC might support the implementation of the NSRF.

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<sup>2</sup> The ACSR is a national inter-agency committee formed with the endorsement of the Ministry of Finance and chaired by the SC. Members comprise of representatives from the Audit Oversight Board of the Securities Commission Malaysia, Bank Negara Malaysia (BNM), Companies Commission of Malaysia, Bursa Malaysia Berhad, and the Financial Reporting Foundation.

<sup>3</sup> Securities Commission Malaysia (2024), 'National Sustainability Reporting Framework to Enhance Sustainability Disclosures', <https://www.sc.com.my/resources/media/media-release/national-sustainability-reporting-framework-to-enhance-sustainability-disclosures>







The background is a soft-focus landscape with a strong green color cast. In the foreground, there is a large, dark, textured mound, possibly made of soil or organic matter, which is slightly out of focus. The overall mood is serene and natural.

CHAPTER 2

# LANDSCAPE REVIEW

## Malaysia's Economy

**Malaysia's economy has grown rapidly in the last 50 years.** It is now an upper-middle-income country with the potential to become a high-income country in the coming years. Malaysia's main source of economic growth is its services sector, which accounts for over half of the country's Gross Domestic Product (GDP).<sup>4</sup> Small and medium-sized enterprises (SMEs) play a significant role in Malaysia's economy, comprising more than 97% of the total number of business establishments and contributing 38.2% of GDP.<sup>5</sup>

These businesses suffered severely from the impacts of the COVID-19 pandemic but are recognized by the Malaysian government as an important source of potential growth. Given their relevance to Malaysia's economy, SMEs would likely play a role in an effective low-carbon transition. To support their efforts, the Malaysia's central bank has established a Low Carbon Transition Facility to support sustainable technology start-ups and assist SMEs in implementing low-carbon practices.<sup>6</sup>

## Malaysia's Financial System

**Malaysia's financial system consists of a conventional financial system and an Islamic financial system** (Malaysia is the world's largest Islamic capital market with about RM1.9 trillion in Shariah-compliant equity and sukuk outstanding).<sup>7</sup> While these two systems are governed by different regulations, they co-exist and operate in parallel, and both are regulated and supervised by Bank Negara Malaysia (BNM), SC, and Bursa Malaysia.

**Malaysia's capital market valuation stood at RM3.8 trillion at the end of 2023.**<sup>8</sup> Its size means that its approach to sustainability issues has significant implications for Malaysia's development goals, including

its Nationally Determined Contributions (NDCs). As of October 2023, the banking sector had RM2 trillion in outstanding loans, with the largest banks accounting for a significant share of the banking system.<sup>9</sup>

**Four asset owners—two pension funds and two sovereign wealth funds—account for a significant proportion of assets in the Malaysian domestic market.** With a combined total of about RM1.7 trillion assets under management and the majority of investment channeled into the domestic capital market, these asset owners have a significant influence on the practices and processes of the Malaysian capital markets and the broader economy.<sup>10</sup>

## Climate Change and Biodiversity Risks

**As with other countries in the region, Malaysia is highly vulnerable to physical climate risks, including floods, heat waves, and droughts.** Floods have been Malaysia's most frequent natural disaster, accounting

for 85% of all natural disasters since 2000. Moreover, the frequency of flood events is expected to increase. Under various climate change scenarios (1.5 to 3.0°C), one in 100-year flood events could become one in

4 MIDA (2023) 'Malaysia Industries – Services,' Malaysian Investment Development Authority. Available at: <https://www.mida.gov.my/industries/services/>.

5 MIDA (2023) 'Access all areas – European SMEs and Malaysia,' Malaysian Investment Development Authority. Available at: <https://www.reuters.com/plus/access-all-areas-european-smes-and-malaysia>.

6 Bank Negara (2022) 'BNM's Fund for SMEs: Low Carbon Transition Facility (LCTF),' Bank Negara Malaysia. Available at: [https://www.bnm.gov.my/documents/20124/2294076/lctf2022\\_en\\_broc.pdf](https://www.bnm.gov.my/documents/20124/2294076/lctf2022_en_broc.pdf).

7 Bank Negara (2023) 'The Malaysian Islamic Financial Market Report,' Bank Negara Malaysia. Available at: <https://www.bnm.gov.my/documents/20124/54166/The-Malaysian-Islamic-Financial-Market-Report.pdf>.

8 CMM (2024) 'Malaysia 2023 Capital Market Data,' Capital Markets Malaysia. Available at: [https://www.capitalmarketsmalaysia.com/wp-content/uploads/2024/03/Annual-Report\\_2023.pdf](https://www.capitalmarketsmalaysia.com/wp-content/uploads/2024/03/Annual-Report_2023.pdf).

9 Bank Negara (2023), 'Monthly Highlights & Statistics October 2023 - Banking System: Loan/Financing by Type,' Bank Negara Malaysia. Available at: <https://www.bnm.gov.my/-/monthly-highlights-statistics-in-october-2023>.

10 Ministry of Finance (2023) 'EPF's Investment Funds Stand At RM1.1 Trillion As Of August 2023,' Ministry of Finance Malaysia. Available at: <https://www.mof.gov.my/portal/en/news/press-citations/epf-s-investment-funds-stand-at-rm1-1-trillion-as-of-august-2023-steven-sim>.

50-year or one in 25-year events across Southeast Asia.<sup>11</sup> Physical risks can directly impact business operations through loss and damage to assets and indirectly through disruptions caused by the effects of such events on supply chains, customers, financial institutions, and infrastructure. Estimates indicate that the increasing frequency of floods can have a sizable impact on the Malaysian economy and cost Malaysia up to 4.1% of GDP by 2030.<sup>12</sup>

**As one of the world's 17 megadiverse countries, Malaysia's economy strongly depends on nature and ecosystem services.** Despite these important dependencies, rapid economic growth in recent decades has come at the expense of Malaysia's biodiversity and natural capital. Most notably, the expansion of palm oil agriculture has affected rainforest ecosystems. Estimates indicate that Malaysia could experience a 6% annual loss in its GDP by 2030 under a partial ecosystem collapse scenario.<sup>13</sup>

**Alongside physical risks, the global shift toward a low-carbon economy poses transition risks.** Malaysia is the 25<sup>th</sup> largest global emitter, contributing 0.8% of worldwide emissions. Most of these emissions come from the electricity, heat, land use, and transport sectors. Shifting towards less carbon-intensive use will require significant changes to production technologies, energy sourcing, and power generation, creating transition risks. Furthermore, transition risks can also affect Malaysia's competitiveness in global markets amid emerging global climate policies, such as the growing adoption of green standards. For instance,

Malaysian exporters may face barriers in accessing global markets with stringent ESG regulations. While transition risks present significant challenges, they also offer opportunities for the private sector to innovate and develop solutions, creating pathways for sustainable growth. By aligning domestic practices with international environmental standards, Malaysia can secure its place in these markets and attract environmentally conscious consumers and investors.

**Estimates suggest that exposure to these risks brought on by climate change is sizable in Malaysia's financial sector.** BNM estimated in 2019 that 10.3% of the banking sector's total assets and 24.4% of insurance companies and takaful operators' total assets are potentially exposed to climate physical and transition risks.<sup>14</sup> A more recent estimate reported in a joint World Bank-BNM study shows that 44% of potential losses for the banking sector due to floods alone would occur in the services sector.<sup>15</sup> In addition, a recent analysis by the World Bank Group and BNM has estimated that 54% of Malaysian banks' commercial lending portfolio is highly or very highly dependent on one or several ecosystem services and is, thus, vulnerable to the physical risks of declining biodiversity.<sup>16</sup> An estimated 87% of Malaysian banks' commercial lending is channeled to sectors that highly or very highly impact natural assets and ecosystem services via greenhouse gas emissions and extensive water and terrestrial ecosystem use. In addition, physical and transition risks can lead to increased volatility in the financial sector as investments in these impacted industries become less attractive, causing shifts in asset valuations.

## National and International Regulation

**Malaysia's updated 2022 NDC submission contains an unconditional target to reduce carbon intensity relative to GDP by 45% by 2030 compared to 2005 levels.**<sup>17</sup>

This is more ambitious than its initial NDC, which was a 35% unconditional emissions reduction target with an additional 10% conditional on external support.<sup>18</sup>

11 Chen et al. (2023) 'Impacts of climate warming on global floods and their implication to current flood defense standards,' Journal of Hydrology, 618.

12 World Bank and Bank Negara Malaysia (2024) 'Managing Flood Risks: Leveraging Finance for Business Resilience in Malaysia,' available at <https://www.worldbank.org/en/country/malaysia/publication/flood-risk-management-leveraging-finance-for-business-resilience-in-malaysia>.

13 Bank Negara (2022) 'An Exploration of Nature-Related Financial Risks in Malaysia,' Bank Negara Malaysia. Available at: <https://www.bnm.gov.my/documents/20124/%203770663/wb-bnm-2022-report.pdf>.

14 Bank Negara (2019) 'Annual Report 2019,' Bank Negara Malaysia. Available at: [https://www.bnm.gov.my/documents/20124/2724769/ar2019\\_en\\_box1.pdf](https://www.bnm.gov.my/documents/20124/2724769/ar2019_en_box1.pdf).

15 World Bank and Bank Negara Malaysia (2024) 'Managing Flood Risks: Leveraging Finance for Business Resilience in Malaysia,' Available at <https://www.worldbank.org/en/country/malaysia/publication/flood-risk-management-leveraging-finance-for-business-resilience-in-malaysia>.

16 Bank Negara (2022) 'An Exploration of Nature-Related Financial Risks in Malaysia,' Bank Negara Malaysia. Available at: <https://www.bnm.gov.my/documents/20124/%203770663/wb-bnm-2022-report.pdf>.

17 UNDP (2023) 'Where We Work – Malaysia,' United Nations Development Programme. Available at: <https://climatepromise.undp.org/what-we-do/where-we-work/malaysia>.

18 UNDP (2023) 'Where We Work – Malaysia,' United Nations Development Programme. Available at: <https://climatepromise.undp.org/what-we-do/where-we-work/malaysia>.

The updated NDC also expanded on the adaptation component, focusing more on protecting biodiversity and mainstreaming climate resilience into urban planning.

**The Malaysian government has begun setting key sector roadmaps and plans to support the 12<sup>th</sup> Malaysia Plan**—Malaysia’s economic plan for the country’s budget spending between 2021 and 2025—with its targets of achieving net zero by 2050 and supporting the climate transition more broadly.

**The National Energy Policy 2022-2040 outlines the Malaysian government’s vision of transition for its energy sector.**<sup>19</sup> The policy details three objectives: macroeconomic resilience and energy security, social equitability and affordability, and environmental

sustainability.<sup>20</sup> This has resulted in the creation of the National Energy Transition Roadmap,<sup>21</sup> released in mid-2023, which comprehensively charts Malaysia’s trajectory over the next three decades towards a clean and resilient energy transition in support of the 12<sup>th</sup> Malaysia Plan and National Energy Policy 2022-2040. The roadmap sets out that Malaysia will focus on improving energy efficiency, enhancing renewable energy and bioenergy, reducing greenhouse gas emissions, greening mobility, accelerating innovation to commercialize hydrogen and carbon capture, utilization, and storage technologies, as well as strengthening energy infrastructure. These actions will be accompanied by strategies to unlock capital flows supporting the energy transition.<sup>22</sup>

19 Ministry of Economy (2023) ‘National Energy Transition Roadmap,’ Ministry of Economy Malaysia. Available at: [https://www.ekonomi.gov.my/sites/default/files/2023-09/National%20Energy%20Transition%20Roadmap\\_0.pdf](https://www.ekonomi.gov.my/sites/default/files/2023-09/National%20Energy%20Transition%20Roadmap_0.pdf).

20 Economic Planning Unit (2022) ‘National Energy Policy 2022-2040,’ Economic Planning Unit (Prime Minister’s Department) Malaysia. Available at: [https://www.ekonomi.gov.my/sites/default/files/202209/National%20Energy%20Policy\\_2022\\_2040.pdf](https://www.ekonomi.gov.my/sites/default/files/202209/National%20Energy%20Policy_2022_2040.pdf).

21 Ministry of Economy (2023) ‘National Energy Transition Roadmap,’ Ministry of Economy Malaysia. Available at: [https://www.ekonomi.gov.my/sites/default/files/2023-09/National%20Energy%20Transition%20Roadmap\\_0.pdf](https://www.ekonomi.gov.my/sites/default/files/2023-09/National%20Energy%20Transition%20Roadmap_0.pdf).

22 Ministry of Economy (2023) ‘National Energy Transition Roadmap,’ Ministry of Economy Malaysia. Available at: [https://www.ekonomi.gov.my/sites/default/files/2023-09/National%20Energy%20Transition%20Roadmap\\_0.pdf](https://www.ekonomi.gov.my/sites/default/files/2023-09/National%20Energy%20Transition%20Roadmap_0.pdf).









CHAPTER 3

# STUDY APPROACH



## 3.1 Corporate Disclosure Practices

The baseline assessment of corporate ESG disclosure practices was conducted from July to December 2023 and involved assessing the public disclosures (i.e., the information provided by companies on their websites

and in their most recent annual and sustainability reports, typically from 2022) against a structured assessment framework.

### Company Universe

The study covered a market-representative sample of Malaysia's listed companies. The sample comprised 70 companies from Bursa Malaysia's Main Market, designed to represent company size (based on market capitalization) and sector in the Main Market. Table 1

provides the sample breakdown along with company size and sector. In addition, the study assessed a random sample of 20 companies from FBM Ace and FBM Fledgling categories of Bursa Malaysia.<sup>23</sup>

**TABLE 1**  
Sample of Listed Companies

Bursa Malaysia Sector Classification	Market Capitalization				Total
	Above RM10 billion	Above RM1 billion - RM10 billion	Above RM300 million - RM1 billion	Below RM300 million	
Construction	1	-	3	2	6
Consumer Products & Services	2	2	6	5	15
Energy	1	2	-	2	5
Financial Services	2	1	2	-	5
Health Care	1	2	-	1	4
Industrial Products & Services	2	4	4	7	17
Plantation	2	1	1	-	4
Property	-	2	2	1	5
Real Estate Investment Trusts	-	1	1	-	2
Technology	1	4	3	6	14
Telecommunications & Media	2	-	2	-	4
Transportation & Logistics	1	-	3	1	5
Utilities	2	1	1	-	4
<b>Total</b>	<b>17</b>	<b>20</b>	<b>28</b>	<b>25</b>	<b>90</b>

<sup>23</sup> The full list of companies assessed is reported in Appendix 1.



## Assessment Framework and Process

The assessment framework is a checklist of the primary ESG indicators that Malaysian companies would be expected to disclose, based primarily on the indicators presented in the Principles for Responsible Investment (PRI) report “ESG Data in China: Recommendations on Primary ESG Indicators”; these indicators have previously been used by the World Bank for similar exercises in other jurisdictions. These indicators that cover universally recognized ESG topics and align with global reporting frameworks such as GRI (Global Reporting Initiative). As such, they provide a base level of ESG disclosure for all countries. The assessment checklist was supplemented with additional indicators from international disclosure standards, including IFRS S1 and S2, the Taskforce on Climate-Related Financial Disclosures (TCFD), and the Taskforce on Nature-related Financial Disclosures (TNFD) (given the significance of nature-related risks in Malaysia).

Companies were assessed against 45 indicators that can be broadly split into:<sup>24</sup>

- General ESG reporting indicators.

- Issue-specific primary “E,” “S,” and “G” indicators.
- Climate-related Financial Disclosure indicators.
- Nature-related Financial Disclosure indicators.

The framework assessed companies on their publicly available information only, including information from company websites and relevant annual reports. Each indicator was scored ‘Yes,’ ‘Partial,’ or ‘No’ depending on whether a company fully, partially, or did not meet the requirements of the indicator. Partially meeting an indicator usually meant that the company provided some information on the topic in question but did not meet the specific requirements of the indicator. For companies with a parent company, disclosures from the parent company were considered where the information was clearly applicable to the assessed entity.

**Analyzing these data provides an overview of the ESG disclosure landscape for listed companies and insights into specific reporting practices in Malaysia.**

This report kept individual company results anonymous, as the intention was not to assess individual company performance.

## 3.2 Asset Owner Disclosure Practices

### Asset Owners Universe

The study assessed four of Malaysia’s key asset owners.

### Assessment Framework

The assessment framework is based on the World Bank’s Best Practice Disclosure Framework for Pension Funds, which was updated with the indicators and metrics proposed for IFRS S1 and S2 (which were subsequently adopted in the IFRS S1 and S2 standards), the new PRI reporting framework, and the TNFD. The assessment framework focuses on how asset owners approach ESG practices across their organization.

Investors were assessed against 216 indicators that can be broadly split into:<sup>25</sup>

- Indicators about the organization.
- Strategy and governance indicators.
- Asset-class specific indicators (for top-three asset classes).

<sup>24</sup> The full list of indicators can be found in Appendix 2.

<sup>25</sup> The full list of indicators can be found in Appendix 3.

- Indicators for other asset classes.
- Delegated investment indicators.
- Task Force on Climate-related Financial Disclosure (TCFD) indicators.
- Task Force on Nature-related Financial Disclosure (TNFD) indicators.

## Assessment Process

The assessments were conducted between July and December 2023 and focused on the institutional investors' public disclosures (i.e., the information provided on their websites and in their most recent annual and sustainability reports) against the structured assessment framework.<sup>26</sup> For each

indicator in the framework, the asset owner was scored on whether it disclosed information for that question (Yes or No). A 'Partial' was used where the asset owner disclosed on the topic but did not cover the specific requirements of the indicator.

## 3.3 Insights from Interviews

To supplement these assessments, which draw from publicly available information, the team conducted a series of in-person interviews with relevant stakeholders in September 2023. The team interviewed three regulators, three asset owners, and seven Malaysian corporates. The interviews sought to better understand the context for asset owners' ESG practices, the objectives and challenges of ESG reporting faced by corporates, and factors that shape the actions of financial sector supervisors in relation to ESG disclosures.

The interviews were structured to cover the relevant thematic areas but did not follow a pre-arranged script or a set of formalized questions. The developed interview template covered the following:

- Current ESG reporting activity.
- The challenges and barriers to progress on entity ESG reporting.
- Current market responses to policy interventions on ESG reporting.
- Factors that shape the supervisors' actions and responses on ESG, focusing on the political, economic, and institutional context.

<sup>26</sup> The study team sent a draft of the initial assessment to the selected asset owners in November 2023 for their feedback to ensure completeness of the information gathered.







CHAPTER 4

# CORPORATE ASSESSMENT FINDINGS

The following section presents the key findings from assessing a sample of Malaysia's listed corporates on their ESG disclosures.

## 4.1 Overall Findings

**Figure 1 displays the results of each question in the assessment framework across the 90 listed companies assessed in this study.** Each row represents a firm, sorted by market capitalization from largest to smallest (on the Y-axis). Columns show the categories of questions assessed: general reporting questions, specific environmental, social, governance, climate-related and TCFD questions, and biodiversity and TNFD questions (on the X-axis).

**Overall, most companies provide good general disclosures about the company itself and its overall approach to managing governance and social issues.** However, reporting is weaker on specific environmental indicators, on climate-related indicators, and on biodiversity.

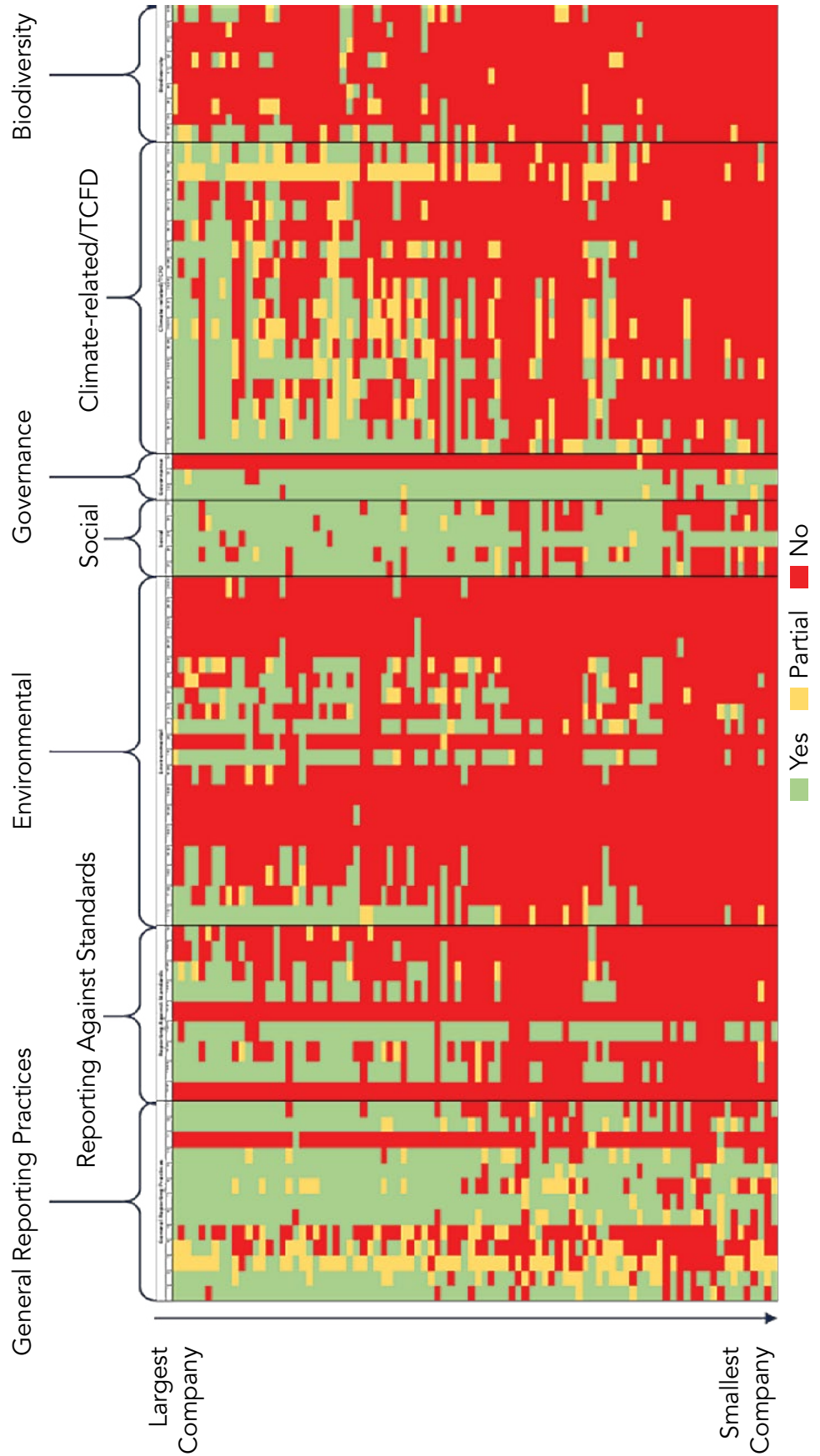
**Regulatory demands and national reporting requirements primarily drive ESG reporting in Malaysia.** The disclosures showed a high degree of reporting standardization, including across Main Market, ACE Market, and Fledgling companies. This standardization in disclosures closely followed the requirements under Bursa Malaysia Listing Requirements, the recommendations of the Bursa Malaysia Sustainability Reporting Guide (3rd Edition) and the Global Reporting Initiative (GRI) Framework, which suggests that regulation defines what gets reported. At the time of this assessment, there

was limited reporting against TCFD or against the indicators being suggested for TNFD or IFRS S1 and S2. This assessment was echoed in interviews with Malaysian corporates, which acknowledged that ESG reporting is most significantly driven by Bursa Malaysia and FTSE4Good requirements.

**Large market capitalization companies listed on the Main Market of Bursa Malaysia provide more comprehensive ESG disclosures than smaller companies.** The heatmap indicates a significant drop in the scope of ESG disclosures for firms in the sample universe smaller than the largest 50 listed companies. Regarding climate-related indicators, 10 of the 12 largest companies provide comprehensive disclosures, whereas all the other assessed companies provided significantly less information.

**The majority of assessed companies also scarcely disclose on biodiversity themes.** Very few companies report on their biodiversity impacts and nature-related dependencies. The limited biodiversity-related disclosures that do exist tend to be related to conservation efforts, such as tree-planting initiatives. A few companies in the construction, energy, plantation, property, and utilities sectors report on biodiversity metrics, following the Bursa Malaysia Sector-Specific Indicator requirements.

**FIGURE 1**  
Heatmap of ESG Disclosures for Listed Companies in Malaysia



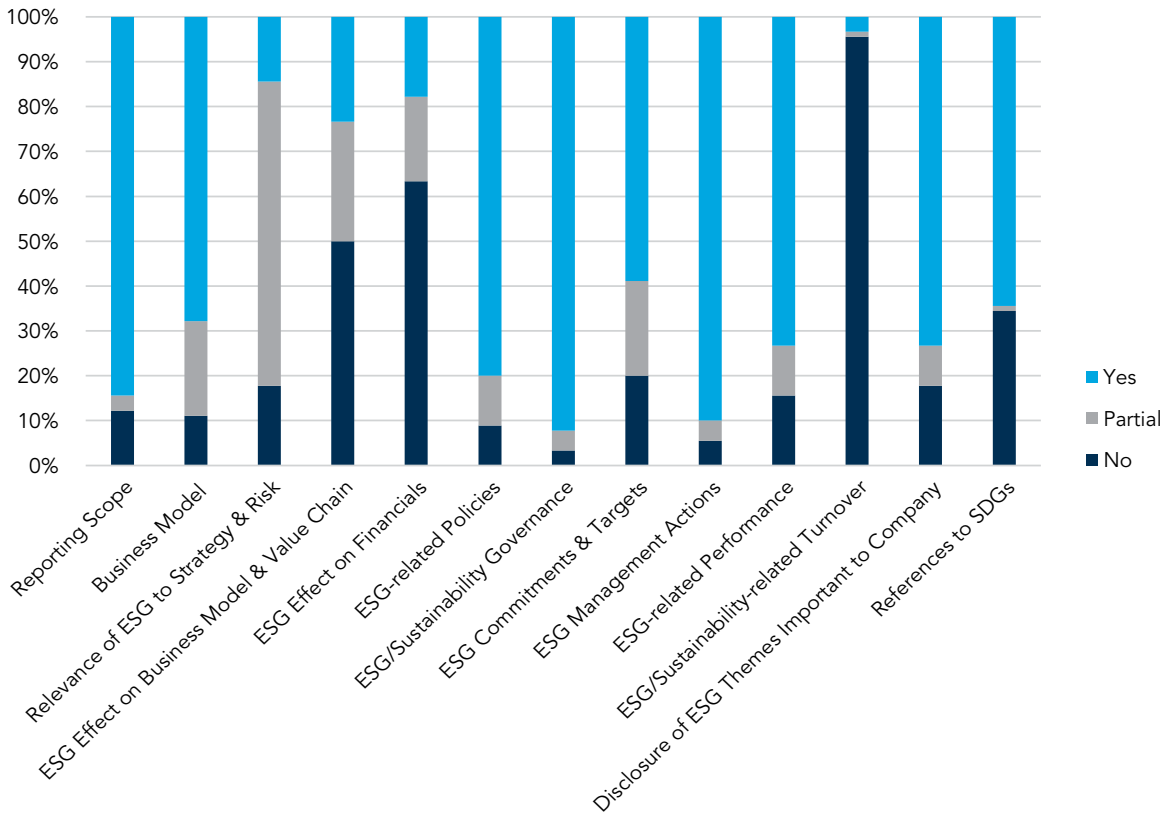
## 4.2 Specific Findings on Subtopics

### 4.2.1 General ESG Reporting Indicators

Across the assessed sample of companies, good disclosure levels exist on the general ESG reporting indicators (Figure 2). These indicators are designed to evaluate the presence of appropriate management

processes within companies across ESG themes, i.e., defining materiality and policy commitments, setting objectives and key performance indicators, and reporting management actions and performance.

**FIGURE 2**  
Disclosures on General ESG Reporting Practices (Questions 1-13)



About two-thirds of companies report on material sustainability matters, a key requirement in Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition), but few specify the time horizons over which these assessments are made. Companies also report extensively on their ESG policies, including their sustainability, governance, and management actions to address ESG issues. These are all indicators that are recommended in Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition), confirming that Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) is shaping reporting. There are very low levels of disclosure about a company’s proportion of turnover aligned with sustainability-related activities.

Many companies publish their ESG targets but often do not report on their performance against them. Over half of companies publish sustainability-related targets and commitments. The assessments also show that two-thirds of companies report on sustainability performance; however, performance reporting is rarely tied to a specific sustainability-related target or commitment set by the company. Instead, performance reporting tends to be in the form of general ESG outcomes.



There are mixed levels of reporting on the specific impacts of ESG issues on their business model. Half of the assessed companies disclose some information about the impact of ESG issues on their business model

and value chain. However, only about 35% of them provide information or an assessment of the impact of ESG on their financial position, financial performance, and cash flows.

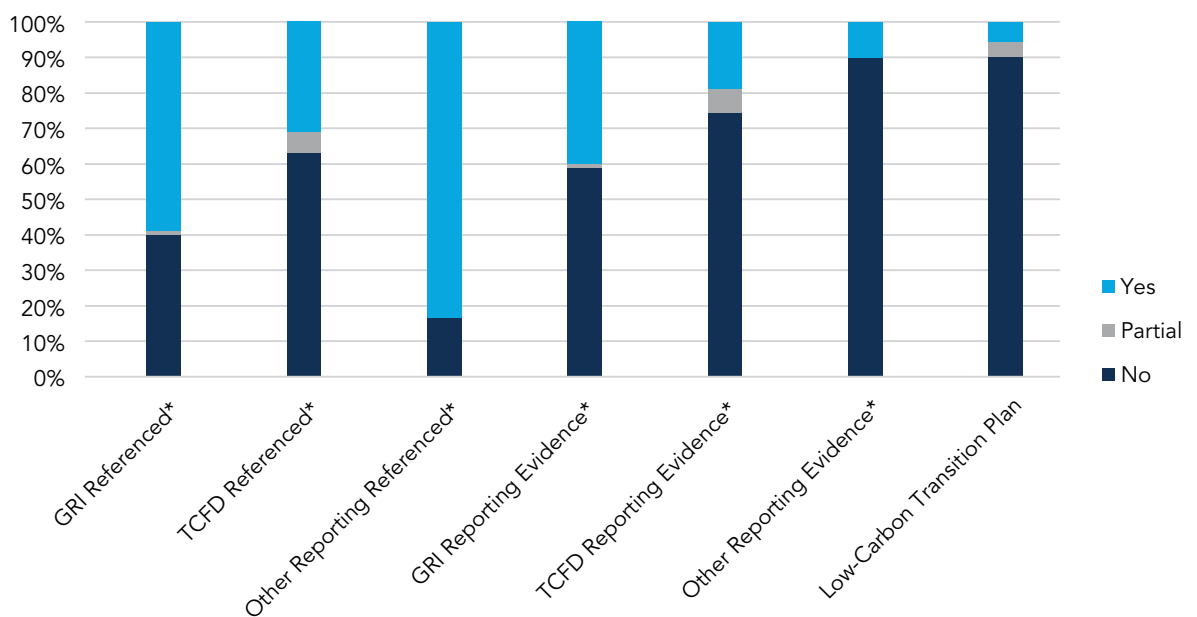
## 4.2.2 Reporting Against Global ESG Standards

Companies commonly state that they align their reporting with the GRI Framework and Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition). Figure 3 shows that 60% of companies effectively align with the GRI Framework. Two-thirds of these companies also provide evidence of how their reporting aligns with GRI, commonly in the form of a GRI content index. The assessments also show that 67% of companies reference the Bursa Malaysia’s Sustainability Reporting Guide. Almost three-quarters of the companies that reference refer to the latest edition of the Guide (3rd Edition), suggesting that companies respond to updates in the Guide. The SDGs are another extensively referred to in reporting (60% of companies); this is typically done by mapping business activities and sustainability strategies to relevant SDGs. Overall, disclosures against global standards mirror company size, with larger companies

providing more comprehensive reporting and smaller companies providing little to no information.

At the time of the assessment, companies did not widely report against other significant international disclosure standards. Beyond the GRI Framework, the assessment examined whether companies reported against TCFD. Approximately 30% of companies have begun to undertake TCFD reporting or have stated that they intend to do so. Two-thirds of these companies have provided mapping of how their reporting is aligned with the TCFD recommended disclosures. The assessment also indicated that (a) there was, unsurprisingly, limited disclosure against the indicators being proposed in TNFD and IFRS S1 and S2, and (b) Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) is an important driver of reporting.

**FIGURE 3**  
Disclosures against Global ESG Standards (Questions 14-16)



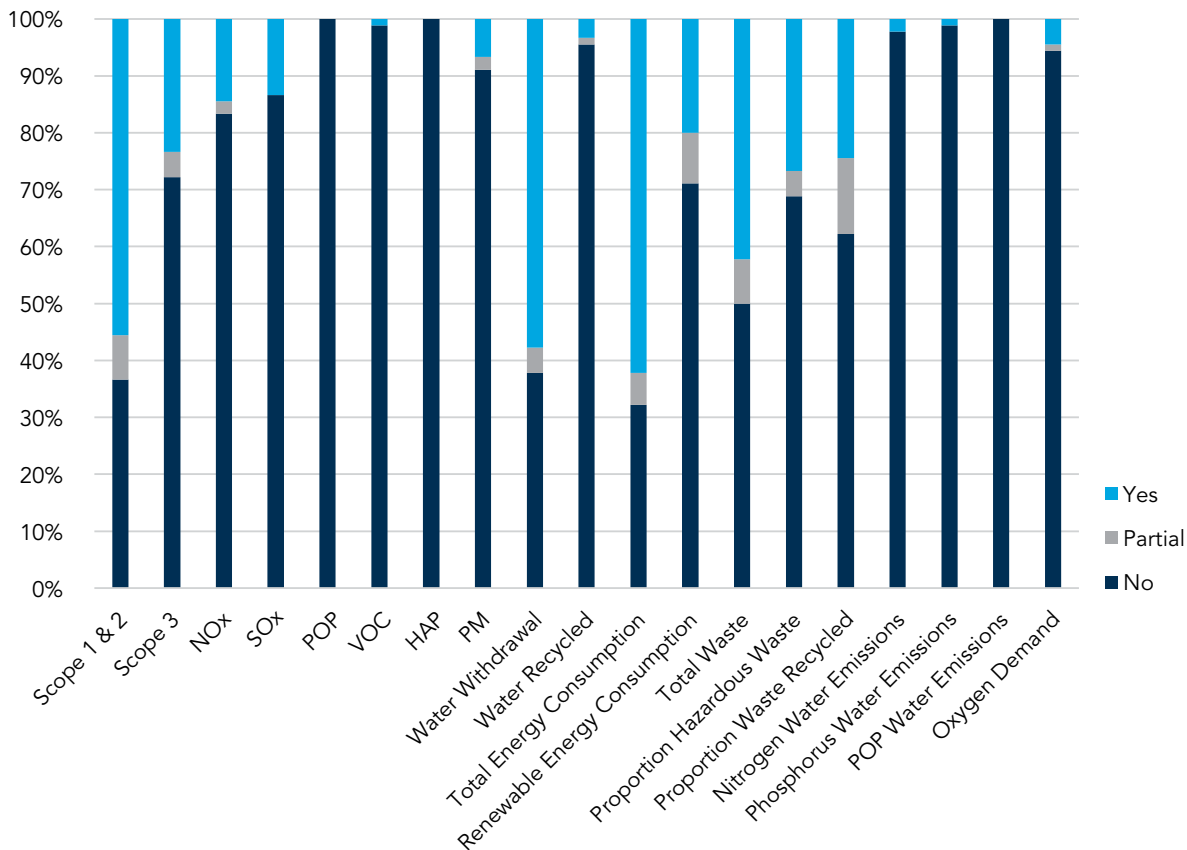
Notes: Bursa Malaysia’s Sustainability Reporting Guide is included in “Other Reporting References.” \*‘Referenced’ refers to if a company has stated that their reporting is aligned to a standard. ‘Reporting evidence’ refers to if a company has provided evidence of reporting, such as a standalone report or mapping table aligned to a standard.

### 4.2.3 Specific Environmental Indicators

Figure 4 shows the disclosure rate across a range of commonly reported environmental indicators. Broadly, the highest reporting rates are for those indicators on the Common Indicators List in Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition). Companies most commonly report on Scope 1 and 2 emissions, total water withdrawal, energy consumption, and waste. These indicators are recommended under Bursa Malaysia’s Sustainability Reporting Guide’s Common Indicators list. Standardization in reporting on these indicators shows the influence of Bursa Malaysia’s Sustainability Reporting Guide on corporate reporting. Other environmental indicators assessed, also included in the Common Indicators list (e.g., water and waste recycled, and renewable energy consumed), show much lower disclosure rates. It seems that companies are currently reporting on the most business-relevant indicators for them. For example, companies report on water withdrawal when it has a tangible business cost,

and companies report on air and water emissions when these issues are relevant to them. When accounting for business relevance, disclosure levels improve but are not as comprehensive as those seen for the most commonly reported indicators. It is relevant to note that, under the Bursa Malaysia Listing Requirements, the disclosure of Common Sustainability Matters is being mandated in phases, with the majority of these requirements coming into effect starting from disclosures in annual reports issued for FYE on or after 31 Dec 2023, with the disclosures on emissions and waste management coming into effect for disclosures in annual reports for FYE on or after 31 Dec 2024. The air and water emissions indicators are only relevant to certain sectors; hence, lower disclosure rates are expected. When accounting for this potential sector bias, disclosure levels improve but are not as comprehensive as those seen for the most commonly reported indicators.

**FIGURE 4**  
Disclosures on Specific Environmental Indicators (Questions Q17-26)

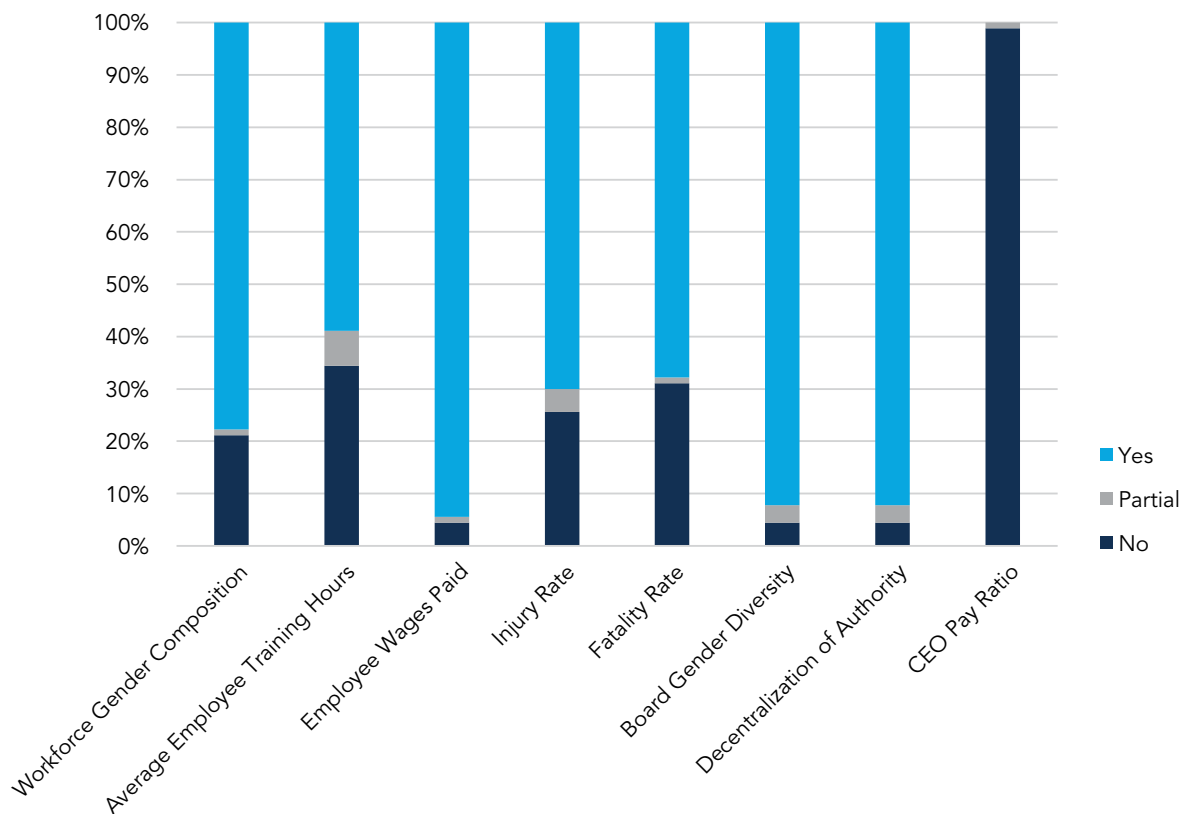


## 4.2.4 Specific Social and Governance Indicators

Figure 5 shows the disclosure rate for the assessed social and governance indicators. It shows that disclosure levels are generally substantial for these indicators, with most companies scoring ‘Yes’ on all but one indicator. All social indicators had good disclosure rates. Two governance indicators—namely, the proportion of women on the Board and the

decentralization of the CEO and Board chair role—had good disclosure rates. These results are likely explained by the fact that the Malaysian Code on Corporate Governance also recommends these indicators and, therefore, are featured in most companies’ corporate governance reports. The CEO pay ratio indicator was not disclosed by any assessed company.

**FIGURE 5**  
Disclosure on Specific Social and Governance Indicator (Questions 27-34)



## 4.2.5 Climate and TCFD Indicators

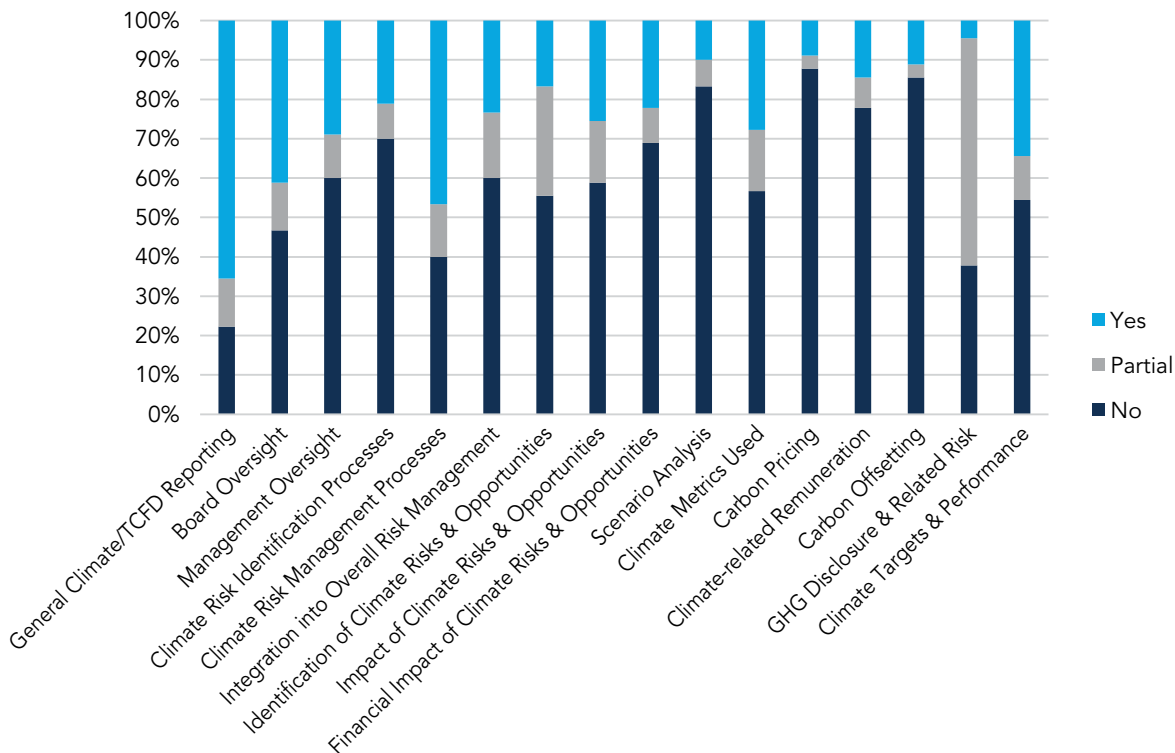
The assessment framework covers climate-related disclosures, drawing from the TCFD Recommendations and the indicators being proposed in IFRS S2. Figure 6 presents the disclosure rate on each climate indicator for all assessed companies. It is worth noting that Bursa Malaysia has a requirement for listed companies on the Main Market to provide climate disclosures aligned with the recommendations of the TCFD which will come into effect for disclosures in annual reports issued for the financial year ending on or after 31 December 2025.

About 80% of the assessed companies report at least some climate change-related information in their annual report. Most climate-related information is found in other forms or reports, such as standalone sustainability reports. Only 10 of the largest companies by market capitalization have comprehensive TCFD disclosures.<sup>27</sup> Overall, disclosures of Scope 1 and 2 emissions are reasonably good, with 42% of companies reporting these data, but only a small portion of companies discuss the related risks associated with

these emissions. Additionally, only about a quarter of companies, generally larger ones, report on Scope 3 emissions. Concerning the financial or business impacts of climate-related risks and opportunities on a company, fewer than 30% of companies provide this type of information. There are also significant weaknesses in disclosure practices on climate change, including the lack of specific timeframes when reporting on climate-related risks, the use of carbon offsets, carbon pricing, and even the adoption of scenario analysis.

Larger companies are more likely to disclose climate-related information. Among these companies, detailed reporting on specific physical and transition risks is found. Generally, more attention is given to transition risks, most commonly compliance risks, reputational risks, and market risks. Concerning climate change adaptation to physical risks, disclosures for most companies focus on the increasing severity of climate disasters and flooding events.

**FIGURE 6**  
Disclosures on Climate and TCFD Indicators (Questions 35-36)



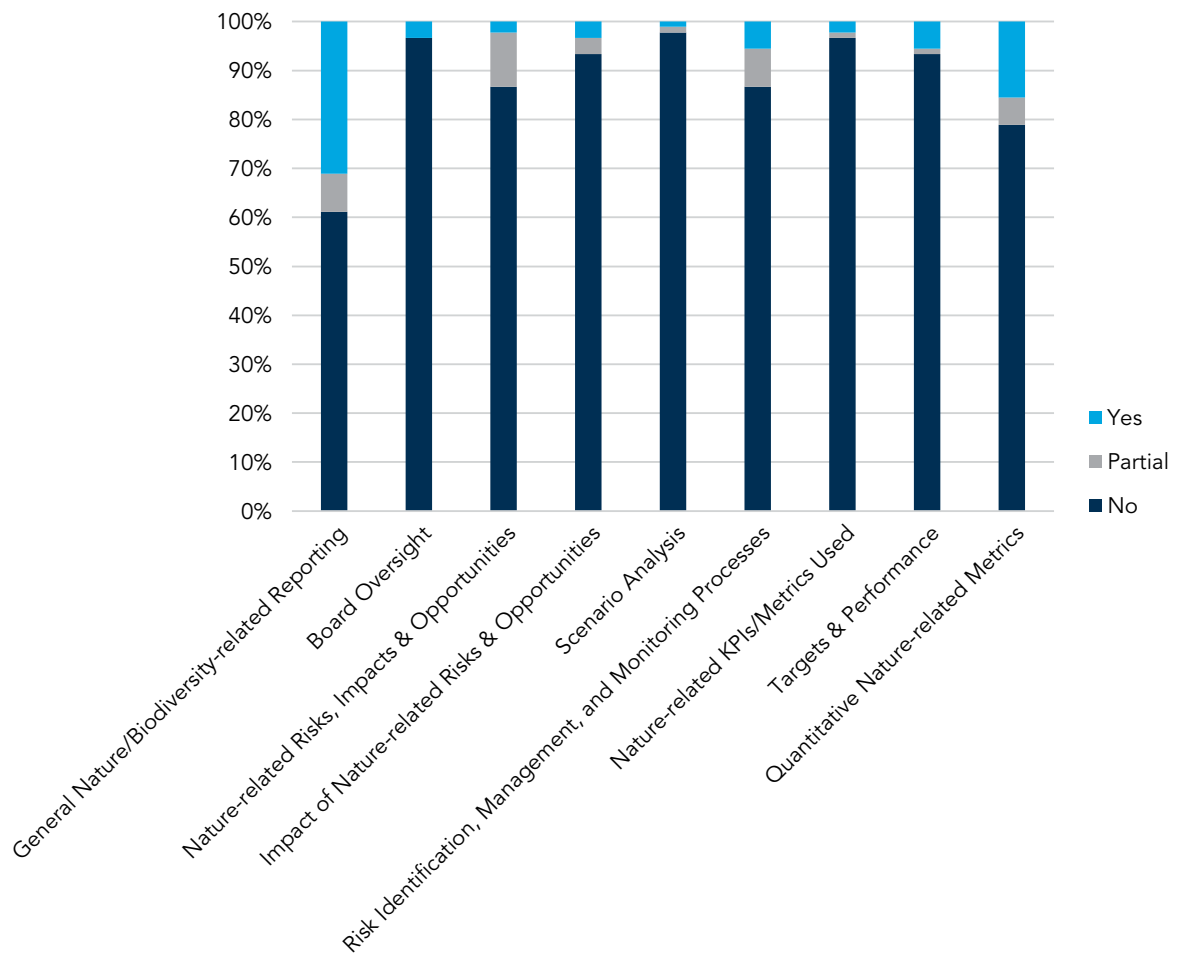
<sup>27</sup> In this instance we have defined comprehensive disclosure as where a company discloses at least partially on at least 80% of the TCFD aligned indicators.

## 4.2.6 Nature-related and Biodiversity Indicators

Figure 7 reports disclosure levels on nature and biodiversity-related indicators, drawing from TNFD guidelines. About a third of companies provide some form of nature-related or biodiversity reporting. When reporting on nature-related indicators, companies generally do not acknowledge nature-related dependencies or the risks to their business of depending on nature. Most of those companies that do report focus primarily on conservation efforts. Certain sectors are more likely to provide nature-related or biodiversity disclosures. Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) suggests a set of biodiversity-related sector specific indicators that apply to the plantations, property

development, and construction sectors, and also the energy and utilities sectors. The disclosure levels in Figure 7 reflect almost exclusively Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) and the Corporate Social Responsibility (CSR) guidelines. The disclosures on quantitative nature-related metrics are primarily related to conservation efforts, such as tree planting or biodiversity preservation, usually as part of a CSR scheme. The current nature-related and biodiversity disclosure practices adopted by the assessed companies, and as required in Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition), are not aligned with TNFD guidelines, which focus on financial materiality in relation to biodiversity.

**FIGURE 7**  
Disclosures on Nature-Related/Biodiversity Indicators (Questions 37-45)







CHAPTER 5

**ASSESSMENT OF  
ASSET OWNERS'  
ESG PRACTICES  
AND PROCESSES**



**This section presents key findings from assessing the ESG practices and processes of four key asset owners in Malaysia.** Cross-country experience indicates that investor ESG reporting practices are often an important driver of ESG disclosures among companies.

Hence, the ESG practices of asset owners in Malaysia are important to improving corporate ESG practices. Low levels of corporate ESG reporting can also limit investors' potential or likelihood of developing more sophisticated ESG strategies.

## 5.1 Overall Findings

**The assessment reveals that asset owners tend to have good disclosures on organizational information, sustainability strategy, and governance, but have relatively poor disclosures on climate change and biodiversity topics.** Figure 8 shows that while asset owners typically disclose well on their own organization, overarching sustainability strategy, and governance, they do not report widely on the integration of these strategies within specific asset classes, nor on their strategies related to specific sustainability issues, such as climate change and biodiversity.

**These results suggest that the relatively low levels of environmental disclosures among Malaysian corporates are currently unlikely to be improved by Malaysian asset owners.** The interviews with listed

companies reinforced this interpretation that domestic asset owners are not driving corporate ambition on ESG reporting. However, the relatively low levels of asset owner disclosures on ESG investment practices and processes belied the anecdotal evidence gathered through interviews with these institutional investors. The interviews revealed that there is a lot of action among these investors in relation to ESG investment practices and processes. Therefore, asset owner disclosures are arguably not a clear reflection of activity. In fact, this may also suggest that other stakeholders, including Malaysian corporations, might not be aware of the increasing importance given to ESG practices among domestic investors. Malaysian investors have their own asset allocations and requirements, which can change over time to reflect their own mandates and priorities.

## 5.2 Specific Findings

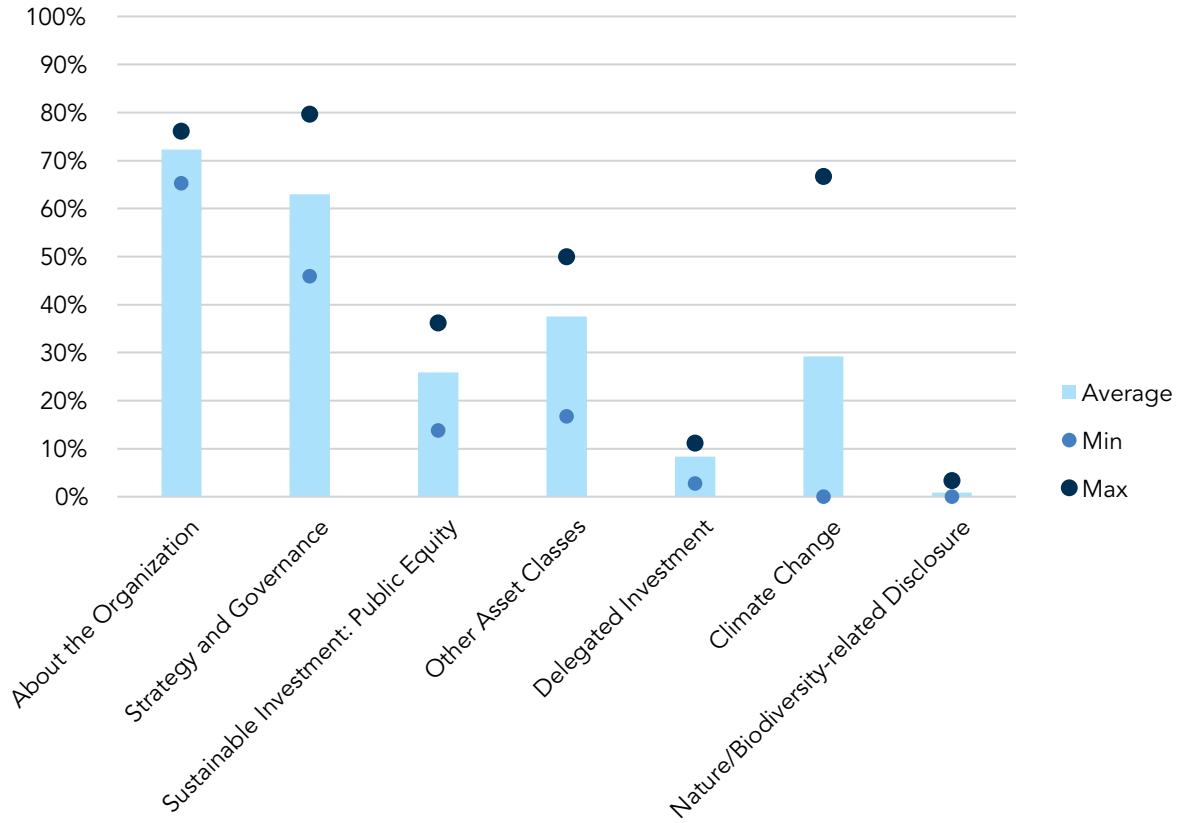
**Asset owners generally disclose their overall sustainability strategy and governance well.** All four asset owners published an overarching sustainable investment policy and disclosed information on how sustainability issues are integrated into their investment beliefs, overall strategy, and objectives. However, disclosures generally lacked detail about the governance and implementation of the sustainable investment policy. No asset owner provided comprehensive levels of disclosure on how sustainability outcomes are managed and monitored, nor how sustainability issues are incorporated into external investment management decision-making (e.g., appointment or monitoring). Furthermore, disclosures on investors' public policy

engagement and asset allocation decisions were limited.

**There appear to be mixed reporting levels across the asset owners assessed.** Figure 8 shows wide variations in minimum and maximum disclosure levels on sections of the assessment framework. This is most clearly seen in climate change, for which one asset owner disclosed against 67% of indicators while another did not disclose at all on this set of indicators. Environmental topics, as a whole, show limited levels of reporting, and asset owners partially report against the suite of TCFD recommendations. No asset owner provides tangible nature and biodiversity-related disclosures.



**FIGURE 8**  
**Malaysian Asset Owners' Disclosures across the World Bank Best Practice Disclosure Checklist for Pension Funds**





CHAPTER 6

# INTERVIEW INSIGHTS



**This section presents the key findings from interviews with relevant stakeholders.** The interviews sought to better understand the context for asset owners' ESG practices, the objectives and challenges of ESG reporting faced by corporates, and factors that shape the actions of financial sector supervisors in relation to ESG disclosures.

**The interviews confirmed much of the findings from the assessments of ESG disclosure practices for corporates and asset owners.** They reinforced the interpretation that corporate ESG reporting is largely compliance-driven and based on national reporting regulations. Interviewed Malaysian corporates revealed that the Bursa Malaysia Sustainability Reporting Guide and the FTSE4Good ESG framework were primary drivers of Malaysia's ESG reporting culture, whereby corporations seek to align their disclosures with these specific standards and frameworks.

**Although not as influential as national regulations and frameworks, there are other drivers of ESG reporting in Malaysia.** Corporates with international supply chains are often subject to a wider set of demands that affect their ESG reporting for example, from international customers or those with operations in other jurisdictions with ESG-specific regulatory demand.

**The interviews also indicated that corporate business models influence the depth of ESG reporting.** Specifically, corporations in heavily regulated industries often have overlapping requirements from multiple sources and might be better suited to respond to ESG reporting demands.

**The influence of institutional investors in driving ESG reporting is mixed.** While international investors are interested in the ESG practices of Malaysian companies, they are less of a driver at present for ESG reporting among Malaysian corporations. This can be partly explained by the relatively low levels of investments from international investors. Interviewed Malaysia corporates pointed out that domestic investors are not as demanding as foreign investors for ESG disclosures from corporates. Interviews with major Malaysian asset owners suggested capacity constraints as a potential driving factor, especially for smaller-sized domestic investors.

**There remains a significant role for the four major asset owners.** Together, they hold sizable ownership stakes in many listed Malaysian corporations and often can have a tangible impact on corporations through their actions, such as Board appointees. The interviews indicated that there is quite a lot of activity through these channels, especially related to climate change and other issues such as worker rights.

**Overall, the picture at the end of 2023 was that there is room to enhance ESG reporting practices of companies in Malaysia.** The ISSB and NSRF are expected to bring some level of convergence. The Malaysian corporations interviewed cited the existence of multiple (sometimes overlapping) ESG disclosure requests, including regulatory requests, FTSE4Good, and individual investor questionnaires. These requests typically include disclosure demands along similar topics but using differing definitions or calculations; for example, the proliferation of taxonomies defining transition risks in different ways. The lack of standards creates a significant reporting burden for corporates. Moreover, as there may not be a common understanding of company ESG practices or performance, some corporations argued that this could limit the quality of the engagement between investors and companies.

**The interviews also reinforced the results of the corporate assessment that the scope of ESG reporting declines significantly for corporations outside of the largest segment of listed companies in Malaysia.** Specifically, interviewees across all stakeholders mentioned that the quality of ESG reporting is the highest for large capitalization corporates and declines sharply for those corporations outside of the top-50 companies in Bursa Malaysia. The primary challenge raised in the interviews was the cost of reporting, which, in conjunction with a limited set of pull factors, likely lowers the incentives for ESG reporting among Malaysian corporates.







CHAPTER 7

**ALIGNMENT OF  
BURSA MALAYSIA'S  
SUSTAINABILITY  
REPORTING GUIDE  
(3RD EDITION) TO  
KEY INTERNATIONAL  
DISCLOSURE STANDARDS**



This section presents a high-level analysis of the degree to which Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) aligns with the IFRS S1 and S2 requirements. The IFRS S1 establishes the overarching requirements for sustainability-related financial information, while IFRS S2 builds on the recommendations of TCFD, and sets out

specific climate-related disclosure requirements. In addition, given the importance of nature-related and biodiversity risks for Malaysian companies, this section also assesses the degree of alignment of Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) to the TNFD recommendations.

Box 1 describes the assessment methodology.

## BOX 1

# Assessment Methodology

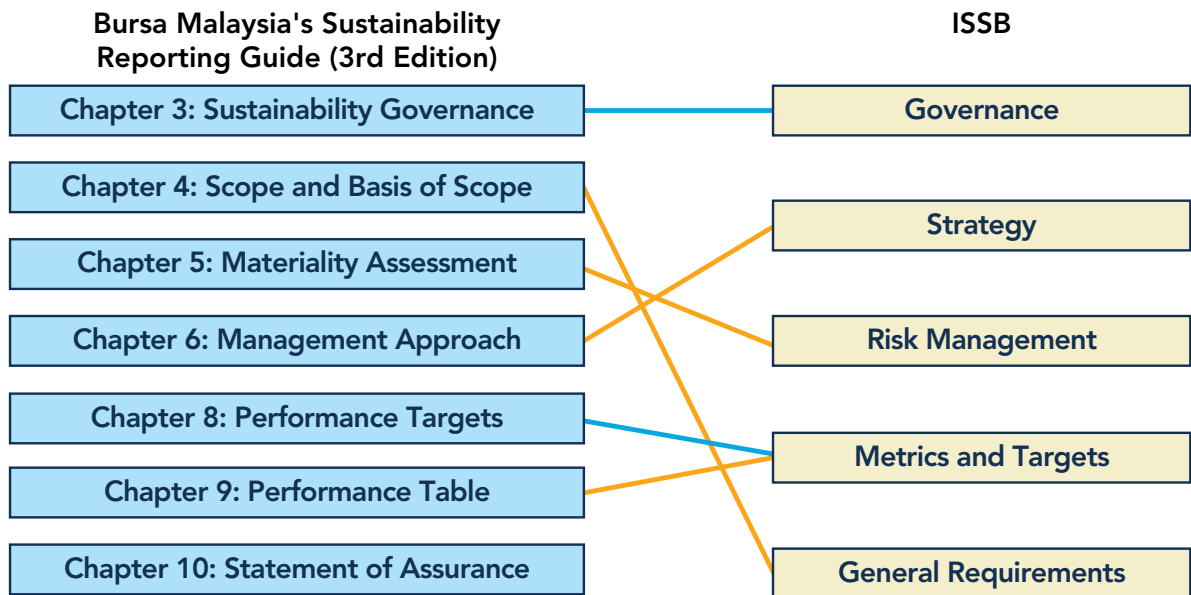
- Alignment between Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) and IFRS S1 and S2 were assessed by examining the individual indicators in the IFRS S1 and S2 standards (the base framework) and identifying those most closely related to indicator questions from Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition). The two indicators were then assessed as either fully aligned, partially aligned, or not aligned. This exercise was repeated with Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) as the base framework and IFRS S1 as the matching framework.
- Similar assessments were conducted for IFRS S2, TCFD, and TNFD as base frameworks.

## 7.1 Mapping of Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) against IFRS S1 and S2

**Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) and IFRS S1 and S2 standards are both disclosure frameworks for ESG information, although there are differences in their approach and structure.** Figure 9 shows the degree of alignment between the four key pillars of the IFRS S1 and Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition). Most IFRS S1 and S2 pillars (governance, risk management,

metrics, and targets) are partially covered by Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition). Conversely, most of Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) chapters partially align with the IFRS S1 and S2. Chapter 3 (Sustainability Governance) and Chapter 8 (Performance Targets) are almost entirely covered by the IFRS S1 and S2.

**FIGURE 9**  
Alignment of IFRS S1 Sections to Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) Chapters



Note: Blue lines refer to strong alignment; this means recommendations in Chapters 3 and 8 of Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) are well covered by IFRS S1. Yellow lines refer to partial alignment; this occurs for most of the chapters under Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition). Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) Chapter 10 is not covered by IFRS S1.

**Under the Bursa Malaysia Listing Requirements, listed issuers on the Main Market of Bursa Malaysia will be required to provide climate disclosures which are aligned with the recommendations of the TCFD.** These requirements come into effect for disclosures in annual reports issued for financial year ending on or after 31 December 2025.

**It is also relevant to note that the Joint Committee on Climate Change (JC3)** - established in September 2019 as a regulator-industry platform to pursue collaborative actions for building climate resilience within the Malaysian financial sector - issued a TCFD Application Guide in June 2022 to facilitate the adoption of the recommendations of the TCFD by the Malaysian financial industry. The guide describes the key TCFD recommendations supplemented by guidance and examples, providing a practical resource guide for companies.

**Overall, the IFRS S1 and S2 standards require greater detail in disclosures compared to the recommendations in Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) chapters.** At the time of the assessment, Bursa provided open-ended and broad questions to guide companies, focusing predominantly on processes, whereas the IFRS S1 and S2 standards present detailed and specific process-based disclosure indicators.

**However, it is important to note that Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) has specific recommendations not covered in IFRS S1 and S2.** This is particularly evident in the risk management chapter, where Bursa has detailed recommendations on corporate materiality assessments. Another key area of difference is that Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) provides a Common Indicator and Sector-Specific Indicator List of specific metrics on which all companies are recommended to report. This prescriptive list of indicators and topics is not included in the IFRS S1 and S2 standards.

**A fundamental difference between the assessed frameworks perhaps lies in the concept of materiality and how it is incorporated into the frameworks.** IFRS S1 and S2 standards look for disclosures on sustainability risks that impact the reporting company, while Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) also encourages disclosures on a company’s wider impact on the environment and society.

**It is worth noting that if Bursa Malaysia were to replace its guidelines with the IFRS S1 and IFRS S2 standards, some additional guidance would be needed to ensure that information continues to remain standardized and to ensure that companies continue to report important ESG indicators.** At the time of writing (October 2024), Bursa

Malaysia is conducting a public consultation on proposed sustainability reporting enhancements to the Main Market and ACE Market Listing Requirements in line with the NSRF

(that is, to adopt the IFRS S1 and S2).<sup>28</sup> Bursa Malaysia is also seeking feedback on, among others, the requirement for companies to disclose common sustainability matters.

28 Bursa Malaysia Berhad (2024), ‘Bursa Malaysia Reviews the Listing Requirements in Tandem with the National Sustainability Reporting Framework’, [https://www.bursamalaysia.com/sites/5bb54be15f36ca0af339077a/content\\_entry5c11a9db758f8d31544574c6/66f27e86e6414a5e07455a79/files/240924\\_MEDIA\\_RELEASE\\_BURSA\\_MALAYSIA\\_REVIEWS\\_THE\\_LR\\_IN\\_TANDEM\\_WITH\\_THE\\_NSRF.pdf?1727168232](https://www.bursamalaysia.com/sites/5bb54be15f36ca0af339077a/content_entry5c11a9db758f8d31544574c6/66f27e86e6414a5e07455a79/files/240924_MEDIA_RELEASE_BURSA_MALAYSIA_REVIEWS_THE_LR_IN_TANDEM_WITH_THE_NSRF.pdf?1727168232)

## BOX 2

# Defining Single and Double Materiality

Material information is information that could influence stakeholders’ decision-making about a reporting company. Materiality is not a static concept and is subject to interpretation. Standards are developed for different purposes and with varying stakeholder groups in mind. Hence, they may adopt different definitions of materiality, and standards may determine different sets of information as material.

The ISSB, through the publication of the IFRS S1 and S2 standards, provides resources to the reporting entity. It focuses on eliciting financially material disclosures, specifically the impact of sustainability risks and opportunities on the entity (commonly referred to as single materiality in sustainability reporting). It states:

The objective of IFRS S1 and S2 is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to users of general-purpose financial reports in making decisions about providing resources to the entity.

*‘IFRS S1 requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity’s cash flows, its access to finance or cost of capital over the short, medium or long term.’<sup>29</sup>*

Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) includes the following definitions:<sup>30</sup>

*‘Sustainability matters refer to the risks and opportunities arising from sustainability impacts of a company’s operations and activities. For example, impacts that relate to sustainability matters such as climate change, anti-corruption, community/society, diversity, energy management, health & safety, labor practices & standards, supply chain management, data privacy & security, and water, and waste management.’*

*Materiality is the principle of identifying and assessing a wide range of sustainability matters, and refining them to what are most important to the company and its stakeholders.’*

*A Stakeholder is essentially an individual or a group that has an effect on, or is affected by the company and its activities.’*

Double materiality, addresses disclosures of financially material information and impact materiality, defined as:

*‘Information on the reporting company’s impact on the economy, environment and people for the benefit of multiple stakeholders, such as investors, employees, customers, suppliers and local communities.’<sup>31</sup>*

29 IFRS Foundation (2023) ‘IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information.’ Available at: <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s1-general-requirements/>.

30 Bursa Malaysia (2022) ‘Sustainability Reporting Guide 3<sup>rd</sup> Edition.’ Available at: [https://bursaacademy.s3.ap-southeast-1.amazonaws.com/Print-PDF/Sustainability%20Reporting%20Guide%202022\\_FINAL.pdf](https://bursaacademy.s3.ap-southeast-1.amazonaws.com/Print-PDF/Sustainability%20Reporting%20Guide%202022_FINAL.pdf).

31 GRI (2022) ‘The materiality madness: why definitions matter.’ Available at: <https://www.globalreporting.org/media/200jx53/gri-perspective-the-materiality-madness.pdf>.



## 7.2 Mapping of Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) against TNFD

Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) do not align with the TNFD disclosure requirements. Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) do not explicitly acknowledge biodiversity and nature as a specific source of risks for companies. The only mention of biodiversity in Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) is in reference to biodiversity metrics as part of the Sector-Specific Indicators. There are, however,

some general elements of the TNFD guidelines, such as sustainability governance and risk management, that are reflected in Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition). Therefore, companies that follow Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) may report on biodiversity in the context of general ESG matters. However, it is not guaranteed that they will do so.



CHAPTER 8

# REFLECTIONS AND RECOMMENDATIONS





**This report explored the ESG reporting landscape in Malaysia within the context of national disclosure regulations and international standards.** This chapter

outlines a set of broad reflections emerging from the study findings, followed by a set of recommendations for the SC.

## 8.1 Broader Reflections

**Overall, corporate ESG reporting is well-established in Malaysia.** Most companies report their ESG risks and the actions taken to mitigate them. Reporting is especially strong among large-sized companies (based on market capitalization).

**Corporate reporting is largely compliance-driven and based on national reporting regulations.** Most companies closely follow Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) in their reporting. This is highlighted through the standardization in reporting across the assessed companies and reinforced through interview discussions.

**However, there is a significant decline in the scope and quality of reporting for corporates outside of the largest 50 companies in the sample, including relatively poor disclosure levels for specific indicators in Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition)** (e.g., water recycled, waste recycled, and renewable energy consumed in the Common Indicators List). This finding suggests that companies report on business-relevant indicators (e.g., water withdrawal has a tangible business cost) rather than achieving broad ESG-related objectives. Hence, they are not solely driven to report based on full compliance with Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition). However, we note that the disclosure of Common Sustainability Matters as mandated under the Bursa Malaysia Listing Requirements comes into effect in phases, including disclosure on waste management and emissions. Main Market issuers, for example, are required to disclose Common Sustainability Matters for the financial year ending on or after 31 December 2023, while waste management and emissions indicators are required on or after 31 December 2024.

**Despite Malaysia’s high exposure to climate, nature, and biodiversity risks, companies and investors do not widely report on these issues.** The uptake of TCFD recommendations remains limited to larger companies. To fully account for climate, nature, and biodiversity-

related risks and impacts, companies will likely need to take a perspective that acknowledges the impact of Malaysian companies on the environment.

**Implementation of the existing Bursa Malaysia Sustainability Reporting Guide could be enhanced by increasing the influence of other corporate ESG practices and reporting drivers commonly seen in other markets.** For example, increasing the ESG-related ambition of domestic asset owners or increasing the clarity of their expectations for corporations could be a powerful driver to corporate ESG reporting. Another potential driver would be capacity building among corporates, for example, through reporting tools. The strongest driver for more widespread, comprehensive, and comparable ESG reporting among Malaysian-listed corporations would be to evolve Bursa Malaysia’s Sustainability Reporting Guide (3rd Edition) from voluntary to mandatory.

**As highlighted in this report, the NSRF addresses the use of the IFRS Sustainability Disclosure Standards issued by the ISSB, specifically the IFRS S1 and S2, as the baseline sustainability disclosure standards for companies in Malaysia.** Under the NSRF, companies may complement use of the ISSB standards with other reporting frameworks to meet the information needs of stakeholders and audiences of ESG corporate disclosures.

**Importantly, while most sampled companies provided some reporting on sustainability issues, it is unlikely that many companies will be able to fully report on IFRS S1 and S2 recommendations in the short term.** This might call for a phased and developmental approach to the adoption of IFRS S1 and S2 by Malaysian companies. Furthermore, if ESG reporting and practices were to support wider national development goals, regulatory guidelines would likely need to include some prescriptive disclosures as opposed to purely process-based indicators.

## 8.2 Recommendations

### RECOMMENDATION 1

**The SC should reaffirm and clearly define its objectives for corporate ESG reporting.** The SC expects that this will be delivered through the NSRF which emphasized the importance of providing consistent, comparable, and reliable sustainability information to enhance Malaysia's competitiveness and attractiveness to investors. In addition to this overarching of consistent, comparable, and reliable information, the SC's stated objectives could include:

- Supporting the collection of credible and comprehensive ESG information for multi-stakeholder audiences.
- Encouraging corporate support for national and international policy objectives.
- Providing information to domestic and international investors, supporting investment decisions through the provision of standardized ESG data, thereby fostering investments in sustainable assets.
- Enhancing management and board oversight of performance on key ESG issues within listed companies.
- Supporting international ESG disclosure standardization efforts.

### RECOMMENDATION 2

**The SC should adopt measures to ensure effective implementation of NSRF.** This can be done by encouraging companies to report in line with the requirements of NSRF, with a particular focus on encouraging reporting by companies outside the top 50 companies in the Main Market.

### RECOMMENDATION 3

**The SC should, as part of the process of implementing the NSRF:**

- a) Continuously monitor (element by element) how IFRS S1 and S2 complements the existing national ESG commitment and targets. Bursa Malaysia's consultation on proposed amendments to align its Listing Requirements with those of NSRF is part of this process.
- b) Continue to engage the domestic investor base and other stakeholders to identify a set of valuable ESG-related corporate disclosures. Standardized, comparable, investment-grade corporate ESG disclosures are essential for a sustainable financial system.

### RECOMMENDATION 4

**The SC should actively encourage the development of ESG practices among domestic investors to foster a demand pull for corporate ESG disclosures.** This can be done by:

- a) Encouraging Malaysia's asset owners to be explicit and transparent in their ESG-related demands of corporates as alignment in demands would amplify their impact.



# Appendix 1: List of Assessed Corporations

1. AEON CO. (M) BHD	33. HONG SENG CONSOLIDATED BERHAD
2. ALLIANCE BANK MALAYSIA BERHAD	34. IHH HEALTHCARE BERHAD
3. AME ELITE CONSORTIUM BERHAD	35. IME DARBY BHD
4. ANN JOO RESOURCES BHD	36. INARI AMERTRON BERHAD
5. AXIS REITS	37. ISKANDAR WATERFRONT CITY BERHAD
6. BONIA CORPORATION BHD	38. JAKS RESOURCES BERHAD
7. BRITISH AMERICAN TOBACCO (M) BHD	39. JHM CONSOLIDATION BHD
8. CAHYA MATA SARAWAK BHD	40. KANGER INTERNATIONAL BHD
9. CARIMIN PETROLEUM BERHAD	41. KAREX BERHAD
10. CELCOMDIGI BERHAD	42. KENANGA INVESTMENT BANK BERHAD
11. CHEETAH HOLDINGS BHD	43. KIP REAL ESTATE INVESTMENT TRUST
12. CLASSIC SCENIC BHD	44. KOSSAN RUBBER INDUSTRIES BHD
13. COUNTRY VIEW BHD	45. KUALA LUMPUR KEPONG BHD
14. CUSCAPI BHD	46. KUB MALAYSIA BHD
15. CWG HOLDINGS BHD	47. LAGENDA PROPERTIES BERHAD
16. D & O GREEN TECHNOLOGIES BERHAD	48. MAG HOLDINGS BHD
17. DAGANG NEXCHANGE BERHAD	49. MALAYAN BANKING BHD
18. DATASONIC GROUP BERHAD	50. MALAYSIAN BULK CARRIERS BHD
19. DIALOG GROUP BHD	51. MALAYSIAN PACIFIC INDUSTRIES BHD
20. DIGISTAR CORP BHD	52. MALAYSIA SMELTING CORPORATION
21. DS SIGMA HOLDINGS BHD	53. MALAYSIA STEEL WORKS (KL)BHD
22. DUOPHARMA BIOTECH BERHAD	54. MATRIX CONCEPTS HOLDINGS BHD
23. ECO WORLD DEVELOPMENT GROUP BERHAD	55. MAXIM GLOBAL BHD
24. EVERGREEN FIBREBOARD BHD	56. MIKRO MSC BHD
25. EVERS SAFE RUBBER BHD	57. MISC BHD
26. GAMUDA BHD	58. MTAG GROUP BHD
27. GAS MALAYSIA BERHAD	59. OCK GROUP BERHAD
28. GDB HOLDINGS BERHAD	60. OKA CORP BHD
29. HANDAL ENERGY BHD	61. P.A. RESOURCES BHD
30. HENGYUAN REFINING COMPANY BERHAD	62. PETRONAS CHEMICALS GROUP BHD
31. HEXSTAR HEALTHCARE BERHAD	63. PETRON MALAYSIA REFINING & MARKETING BERHAD
32. HIAP TECK VENTURE BHD	64. PPB GROUP BHD

65. PRESS METAL ALUMINIUM HOLDINGS BERHAD	78. TDM BHD
66. PUBLIC BANK BHD	79. TELEKOM MALAYSIA BHD
67. RANHILL UTILITIES BERHAD	80. TENAGA NASIONAL BHD
68. REVENUE GROUP BERHAD	81. THREE-A RESOURCES BHD
69. REXIT BHD	82. TSH RESOURCES BHD
70. RGB INTERNATIONAL BHD	83. TSR CAPITAL BHD
71. SEE HUP CONSOLIDATED BHD	84. TT VISION HOLDINGS BHD
72. SHIN YANG GROUP BERHAD	85. TUNE PROTECT GROUP BERHAD
73. SIME DARBY PLANTATION BERHAD	86. UCHI TECHNOLOGIES BHD
74. SOLUTION GROUP BHD	87. V.S INDUSTRY BHD
75. SOUTHERN SCORE BUILDERS BHD	88. WELLCALL HOLDINGS BHD
76. STAR MEDIA GROUP BERHAD	89. YTL CORPORATION BHD
77. TASCO BERHAD	90. ZHULIAN CORPORATION BHD

# Appendix 2: Framework Questions for ESG Corporate Reporting

## Overview of ESG Integration and Reporting Indicators

1. Does the company report/explain the scope of its reporting?
2. Does the company provide information on the company's business model?
3. Does the company provide information on the relevance of ESG issues to the company's strategy and risk profile across the short, medium, and long term?
4. Does the company provide information on the effect of these ESG issues on the business model and value chain?
5. Does the company report on how their anticipated financial position, financial performance, and cash flows are affected by ESG issues?
6. Does the company provide information on the policies the company has adopted in relation to the issues in question?
7. Does the company provide information on its relevant governance bodies and processes in relation to ESG issues?
8. Does the company provide information on the commitments, objectives, and targets the company has set in relation to these issues, and the key performance measures (KPIs) it uses to track its performance against these?
9. Does the company provide information on the actions taken by the company to manage these issues?
10. Does the company provide information on the company's performance on each of these issues?
11. Does the company report on the proportion of turnover aligned with sustainability-related activities?
12. What ESG themes appear to be of importance to the company?
13. Does the company refer to the Sustainable Development Goals?

## Reporting Standards Indicators

14. Does the company report against specified reporting standards/report types?
  - 14.01. ISSB
  - 14.02. GRI
  - 14.03. TCFD
  - 14.04. Other (please list all others)
15. Does the company provide evidence of reporting against these specified reporting standards/report types? (e.g., standalone report, mapping table)
  - 15.01. ISSB
  - 15.02. GRI
  - 15.03. TCFD
  - 15.04. Other (please list all others)
16. Does the company produce a low carbon transition plan? (This might be in the form of a report, roadmap, webpage. A transition plan should include actions and resourcing of how an entity will transition to a low carbon economy.)

### Specific indicators

17.	Does the company disclose its total GHG emissions (Scope 1, 2, 3)?
17.01.	Scope 1 and 2
17.02.	Scope 3
18.	Does the company disclose its air emissions of NO <sub>x</sub> , SO <sub>x</sub> , POP, VOC, HAP, PM?
18.01.	NO <sub>x</sub>
18.02.	SO <sub>x</sub>
18.03.	Persistent organic pollutants (POP)
18.04.	Volatile organic compounds (VOC)
18.05.	Hazardous air pollutants (HAP)
18.06.	Particulate matter (PM)
19.	Does the company disclose its total water withdrawal?
20.	Does the company disclose the proportion of water recycled?
21.	Does the company disclose its total energy consumed?
22.	Does the company disclose the proportion of renewable energy consumed?
23.	Does the company disclose its total waste from operations?
24.	Does the company disclose the proportion of hazardous waste?
25.	Does the company disclose the proportion of waste recycled?
26.	Does the company disclose its water emissions of:
26.01.	Nitrogen?
26.02.	Phosphorus?
26.03.	Persistent Organic Pollutants?
26.04.	Oxygen Demand?
27.	Does the company disclose its workforce composition by gender?
28.	Does the company disclose the training hours provided per employee?
29.	Does the company disclose its wages paid?
30.	Does the company disclose its injury rate (TRIR)?
31.	Does the company disclose its fatality rate?
32.	Does the company disclose the proportion of women on the Board?
33.	Does the company disclose on decentralization of authority of the President/CEO?
34.	Does the company disclose its CEO pay ratio?

### Climate-related indicators

35.	Does the company include climate-related/TCFD related information in its annual report?
36.	What climate-related/TCFD elements does the company report against?
36.01.	Describe the Board's oversight of climate-related risks and opportunities.
36.02.	Describe management's role in assessing and managing climate-related risks and opportunities.
36.03.	Describe the organization's processes for identifying and assessing climate-related risks.
36.04.	Describe the organization's processes for managing climate-related risks.
36.05.	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.
36.06.	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

36.07.	Describe the impact of climate-related risks and opportunities on the organization's business, strategy, financial planning and value chain.
36.08.	Describe how their anticipated financial position, financial performance, and cash flows are affected by climate-related risk.
36.09.	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.
36.10.	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
36.11.	Disclose whether and how carbon prices are involved in decision-making.
36.12.	Disclose whether and how climate-related considerations are incorporated into executive remuneration.
36.13.	Disclose the organization's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target.
36.14.	Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
36.15.	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

### Nature/Biodiversity-Related Indicators

37.	Does the company include any nature/biodiversity-related disclosure in its reporting?
38.	Does the company describe the board's oversight of nature-related dependencies, impacts, risks and opportunities?
39.	Does the company describe any nature-related dependencies, impacts, risks and opportunities, the organization has identified over the short, medium, and long term?
40.	Does the company describe the effect nature-related risks and opportunities have had on the organization's business, strategy, and financial planning?
41.	Does the company describe the resilience of the company's strategy to nature-related risks and opportunities, taking into consideration different scenarios?
42.	Does the company describe its processes for identifying, managing, and monitoring nature-related dependencies, impacts, risks and opportunities in its direct operations and value chain?
43.	Does the company disclose any KPIs/metrics used to assess and manage material nature-related dependencies, impacts, risks and opportunities in line with its strategy and risk management process?
44.	Does the company disclose any targets and goals used to manage nature-related dependencies, impacts, risks and opportunities, and its performance against these?
45.	Does the company disclose any quantitative nature/biodiversity related metrics?



# Appendix 3: Framework Questions for Asset Owner ESG Reporting Practices and Processes

## About the Organization Indicators

<b>1.1. History and Context</b>
1.1.1. Has the organization provided an overview of its history including the reasons for its creation?
1.1.2. Has the organization explained the origins of its wealth (i.e. how it is funded)?
1.1.3. Has the organization described its ownership structure?
<b>1.2. Mission and Mandate</b>
1.2.1. Has the organization described its overarching mission and objectives?
1.2.2. Has the organization described the legal and other obligations that apply to it? Note: These include sustainability-related obligations, and other obligations that affect its approach to sustainability.
<b>1.3. Finance and Governance</b>
1.3.1. Has the organization published an annual report describing its overall performance and strategy?
1.3.2. Has the organization reported on its investment performance over at least three years?
1.3.3. Has the organization published details of its overall governance structure?
1.3.4. Has the organization published the names of its board of directors?
1.3.5. Has the organization published the names of its senior management team?
<b>1.4. Assets Under Management</b>
1.4.1. Has the organization stated its total assets under management?
<i>Has the organization provided an analysis of these assets:</i>
1.4.2. • By asset class?
1.4.3. • By geography (domestic versus international)?
1.4.4. • By whether the assets are internally or externally managed?
1.4.5. • By whether the assets are actively or passively managed?
<i>Has the organization provided an analysis of these assets by sustainable investment strategy:</i>
1.4.6. • In terms of the proportion that are covered by ethical screens?
1.4.7. • In terms of the proportion that are covered by active ownership strategies?
1.4.8. • In terms of the proportion where sustainability-related issues are explicitly integrated into the investment research and decision-making process?
1.4.9. • In terms of the proportion that are invested in sustainability-related areas?
<b>1.5. Reporting</b>
1.5.1. Does the organization disclose the international sustainable investment standards, frameworks, or regulations the organization reports to?
1.5.2. Does the organization disclose its sustainable investment/ESG commitments in regular reporting to clients?
1.5.3. Has the organization had its sustainable investment-related reporting assured or otherwise reviewed by an external party?
1.5.4. Has the organization described its internal auditing process for its reporting related to sustainable investment?

## Sustainable Investment Strategy and Governance Indicators

<b>2.1. Investment Beliefs</b>	
2.1.1.	Has the organization published its investment beliefs?
2.1.2.	Do the investment beliefs set out the organization's views on the relevance of sustainability to its investment practices, processes and performance?
2.1.3.	Does the organization explain how sustainability-related issues create long-term investment value?
2.1.4.	Does the organization define what it means by 'short,' 'medium,' and 'long' term?
<b>2.2. Investment Strategy</b>	
2.2.1.	Has the organization described its investment strategy, explaining how it will deliver on its investment beliefs?
2.2.2.	Has the organization explained how sustainability is integrated into its risk management processes?
2.2.3.	Has the organization identified its material sustainability-related issues?
<b>2.3. Investment Objectives</b>	
2.3.1.	Does the organization specify its investment objectives, e.g. by highlighting the benchmarks it uses to track and assess performance?
2.3.2.	Does the organization specify the timeframes over which it assesses performance?
<b>2.4. Policy</b>	
2.4.1.	Has the organization published an overarching sustainable investment policy or similar document?
<i>If yes, does the policy:</i>	
2.4.2.	• Specify the coverage of the policy (in terms of the asset classes and AUM covered by the policy)?
2.4.3.	• Identify any exceptions to the policy?
2.4.4.	• Identify a link between sustainable investment activities and its fiduciary duties or equivalent obligations?
2.4.5.	• Describe the integration of sustainability-related issues into its investment decision-making?
2.4.6.	• Describe the organization's approach to active ownership/engagement?
2.4.7.	• Describe the organization's approach to voting its listed equities holdings (if relevant), and how ESG factors are incorporated?
2.4.8.	• Describe the organization's approach to climate change?
2.4.9.	• Describe how sustainability outcomes are managed and monitored?
2.4.10.	• Specify guidelines on specific sustainability issues?
2.4.11.	• Has the organization published a policy on managing conflicts of interest in its investment process?
<b>2.5. Stakeholder Engagement</b>	
2.5.1.	Has the organization identified its key stakeholders?
2.5.2.	Has it indicated which of these it has engaged with?
2.5.3.	Has it identified the key issues raised by these stakeholders and the actions taken as a result?
<b>2.6. Sustainability Outcomes</b>	
2.6.1.	Has the organization defined specific sustainability outcomes connected to its investment activities? (e.g. net zero)
2.6.2.	Has the organization described which widely recognized frameworks it has used to identify the sustainability outcomes connected to its investment activities?
2.6.3.	Has the organization described how it has taken action on its sustainability outcomes?
2.6.4.	Has the organization reported on its progress to meeting those sustainability outcomes?

<b>2.7. Objectives and Targets</b>
2.7.1. Has the organization published objectives and targets for its sustainable investment activities?
2.7.2. Are the objectives and targets SMART (specific, measurable, achievable, realistic, time-bound)?
2.7.3. Has the organization explained how the targets are to be achieved?
2.7.4. Has the organization disclosed engagement with relevant stakeholders, policy makers, and service providers in relation to its objectives and targets?
2.7.5. Has the organization set key performance indicators (KPIs) to assess progress towards the targets?
2.7.6. Has the organization reported on progress against the targets?
2.7.7. Has the organization described the factors that have affected its performance against these targets?
<b>2.8. Responsibilities and Accountabilities</b>
2.8.1. Has the organization specified who is responsible for oversight of the sustainable investment policy?
2.8.2. Has the organization specified who is responsible for implementation of the sustainable investment policy?
2.8.3. Has the organization stated who is responsible for the delivery of the targets?
2.8.4. Has the organization described how sustainable investment is incorporated in performance management and reward processes?
2.8.5. Has the organization described how sustainable investment is incorporated in personal development processes (e.g. training)?
<b>2.9. Promoting Sustainable Investment</b>
2.9.1. Has the organization listed the sustainable investment initiatives it is a member of/signatory to?
2.9.2. Has the organization listed the sustainability-related codes and other commitments it has made?
<b>2.10. Public Policy Engagement</b>
2.10.1. Has the organization reported on its dialogue with public policy makers or regulators in support of sustainable investment?
2.10.2. Has the organization published copies of the sustainable investment-related submissions it has made to governments, regulators or public policy-makers?
<b>2.11. Asset Allocation</b>
2.11.1. Has the organization undertaken sustainability-related scenario analysis and/or modelling?
2.11.2. • If yes, has it provided a description of the scenario analysis?
2.11.3. Has the organization described whether and how it considers ESG issues in asset allocation decisions?
2.11.4. Has the organization described whether it takes into account sustainability outcomes when carrying out asset allocation?
2.11.5. Has the organization indicated the percentage of its total AUM invested in sustainability-themed areas? (For example, this could include bonds, sustainability-linked loans, etc.)
2.11.6. Has the organization reported on the overall sustainability performance and impact of its investment portfolio?

### **Sustainable Investment by Asset Class Indicators (Questions are repeated for the top 3 asset classes)**

<b>3.1. Investment</b>
3.1.1. Does the organization describe its approach to assessing and managing sustainability-related issues in the asset class? Note: This may be screening, best in class, enhanced analysis.
3.1.2. Does the organization describe any variations in its approach across the asset class?

3.1.3.	Does the organization describe how its approach affects its investment decisions (e.g. narrowed the investment universe, influenced buy-sell decisions)?
3.1.4.	Does the organization describe how its approach affects the composition of its portfolio?
3.1.5.	Does it describe how it monitors/tracks KPIs on sustainability-related issues?
3.1.6.	Does the organization describe how its approach has affected its financial performance or the financial characteristics (e.g. tracking error) of its portfolio?
3.1.7.	Does the organization describe how its approach has affected the sustainability performance of its portfolio?
<i>Does the organization disclose:</i>	
3.1.8.	• All of its holdings in the asset class?
3.1.9.	• The percentage of the asset class in sustainability-related investments?
3.1.10.	• The sustainability-related characteristics of the asset class?
<b>3.2. Active Ownership</b>	
3.2.1.	Does the organization describe how it engages with the companies/entities/assets in which it is invested?
3.2.2.	Does the organization describe its approach to collaborative engagement?
3.2.3.	Does the organization describe how this engagement has influenced the sustainability-related performance of these companies/entities/assets?
<i>Does the organization provide data on:</i>	
3.2.4.	• The number of engagements carried out?
3.2.5.	• The engagement strategies/approaches used?
3.2.6.	• The proportion of the portfolio covered by engagement?
3.2.7.	• The subjects (topics) of engagement?
3.2.8.	• The objectives of its engagement?
3.2.9.	• The outcomes (i.e. changes in company practice) achieved from engagement and how these outcomes are fed back into investment decision making?
3.2.10.	Does the organization describe how it monitors and reviews the engagement and stewardship activity of its external service providers?
3.2.11.	Does the organization describe their approach to escalation?
<b>3.3. Voting (If relevant to asset class)</b>	
3.3.1.	Does the organization specify the proportion of holdings covered by the organization's voting policy?
3.3.2.	Does the organization specify the proportion of holdings the organization has discretion to vote?
3.3.3.	Does the organization specify the shareholder meetings at which it voted its shares?
3.3.4.	Does the organization report on the number of votes for and against management, and the number abstained?
3.3.5.	Does the organization comment on the reasons for abstentions and votes against management?
3.3.6.	Does the organization comment on the outcomes (i.e. changes in company practice) achieved through voting?
3.3.7.	Does the organization specify how it reviews external service provider voting recommendations?
3.3.8.	Does the organization describe the escalation measures utilized?

### Other Asset Class Indicators (Besides the top 3 asset classes addressed in the previous set of indicator questions)

4.1.	Does the organization describe its approach to sustainable investment in other asset classes?
4.2.	Does it describe how it assesses and manages sustainability-related issues in these asset classes?
4.3.	Does it describe how it engages with the companies/entities/assets in these asset classes?
4.4.	Does it describe how it monitors/tracks KPIs on sustainability-related issues in other asset classes?
4.5.	Does it describe the sustainability-related characteristics of these asset classes?
4.6.	Does it list its holdings in these asset classes?

### Delegated Investment Indicators

#### 5.1. General

5.1.1.	Does the organization describe how sustainability-related issues are managed by its external investment managers?
5.1.2.	Does the organization specify the sustainability-related strategies (e.g. screening, integration) that are to be applied by its external investment managers?
5.1.3.	Does it explain how these differ between investment managers or between asset classes?
5.1.4.	Does the organization describe how its investment managers are rewarded for their sustainability-related performance?
5.1.5.	Does the organization explain how rewards and incentives align with its investment beliefs, policies, and objectives?

#### 5.2. Manager Selection

5.2.1.	Does the organization describe the sustainability-related information it typically reviews when selecting external investment managers?
5.2.2.	Does the organization explain how sustainability-related information is incorporated into manager selection processes?
5.2.3.	Does the organization specify what proportion of manager selection processes take account of sustainability-related information?
5.2.4.	Does the organization explain how sustainability-related information has influenced decisions on manager selection?
5.2.5.	Does the organization explain how these decisions differ from those that would otherwise have been made?

#### 5.3. Manager Appointment

5.3.1.	Does the organization describe how sustainability-related issues are incorporated into manager requirements (e.g. mandates)?
<i>Does the organization describe:</i>	
5.3.2.	<ul style="list-style-type: none"> <li>The investment performance benchmarks (or other expectations) it sets for its external investment managers?</li> </ul>
5.3.3.	<ul style="list-style-type: none"> <li>The sustainability-related performance objectives (or other expectations) it sets for its external investment managers?</li> </ul>
5.3.4.	<ul style="list-style-type: none"> <li>The sustainability-related incentives it provides to its external investment managers?</li> </ul>
5.3.5.	<ul style="list-style-type: none"> <li>The sustainability-related reporting it requires from its investment managers?</li> </ul>
5.3.6.	<ul style="list-style-type: none"> <li>The actions it takes if investment managers do not meet their contractual obligations or do not perform in line with the organization's policies and other commitments?</li> </ul>

#### 5.4. Manager Monitoring

5.4.1.	Does the organization describe how it monitors and reviews the sustainability-related performance of its external investment managers?
5.4.2.	Does the organization report on the sustainability-related performance of its external managers?



## Climate Change-Related Indicators

<b>6.1. Governance</b>	
6.1.1.	Has the organization described its board oversight of climate-related risks and opportunities?
6.1.2.	Has the organization described management's role in assessing and managing climate-related risks and opportunities?
<b>6.2. Strategy</b>	
6.2.1.	Has the organization described the climate-related risks and opportunities it has identified?
6.2.2.	Has the organization described the impact of climate-related risks and opportunities on its investments and on its businesses, strategy, and financial planning?
6.2.3.	Has the organization described the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario?
6.2.4.	<ul style="list-style-type: none"> <li>Has the organization described the scenarios it has used in its modelling?</li> </ul>
6.2.5.	<ul style="list-style-type: none"> <li>Has it described the results of its modelling?</li> </ul>
6.2.6.	<ul style="list-style-type: none"> <li>Has it explained how the results of the modelling have influenced its investment decisions?</li> </ul>
<b>6.3. Risk Management</b>	
6.3.1.	Has the organization described its processes for identifying and assessing climate-related risks?
6.3.2.	Has the organization described its processes for managing climate-related risks?
6.3.3.	Has the organization described how processes for identifying, assessing and managing climate-related risks are integrated into its overall risk management processes?
<b>6.4. Metrics and Targets</b>	
6.4.1.	Has the organization described the metrics it uses to assess climate-related risks and opportunities in line with its strategy and risk management process?
6.4.2.	Has the organization disclosed its portfolio-related Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks?
6.4.3.	Has the organization indicated the percentage of its total AUM included in the financed emissions calculation?
6.4.4.	Has the organization indicated the percentage of its total AUM in investments that support the low carbon transition?
6.4.5.	Has the organization indicated the percentage of its total AUM in investments that support effective adaptation?
6.4.6.	Has the organization described the targets it uses to manage climate-related risks and opportunities, and its performance against the targets?
<b>6.5. Transition Plans</b>	
6.5.1.	Does the organization have a transition plan/strategy in place?

## Nature/Biodiversity-related Indicators

<b>7.1. Does the organization describe any nature/biodiversity-related disclosure in its reporting?</b>
<b>7.2. Governance and Strategy</b>
7.2.1. Does the organization describe the board's oversight of nature-related dependencies, impacts, risks and opportunities?
7.2.2. Does the organization describe the management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities?
7.2.3. Does the organization describe the nature-related dependencies, impacts, risks and opportunities, the organization has identified over the short, medium, and long term?
7.2.4. Does the organization describe the effect nature-related risks and opportunities have had on the organization's business, strategy, and financial planning?
7.2.5. Does the organization describe the resilience of its strategy to nature-related risks and opportunities, taking into consideration different scenarios?
7.2.6. Does the organization disclose the locations where there are assets and/or activities in the organization's direct operations are likely to have significant potential dependencies and/or impacts?
<b>7.3. Risk Management</b>
7.3.1. Does the organization describe its processes for identifying and assessing nature-related dependencies, impacts, risks and opportunities in its direct operations and value chain?
7.3.2. Does the organization describe its processes for managing and monitoring nature-related dependencies, impacts, risks and opportunities, and actions taken in light of these processes?
7.3.3. Does the organization describe the processes for identifying, assessing and managing how nature-related risks are integrated into the organization's overall risk management?
7.3.4. Does the organization describe how affected stakeholders are engaged by the organization in its assessment, and response to, nature-related dependencies, impacts, risks and opportunities?
<b>7.4. Metrics and Targets</b>
7.4.1. Does the organization disclose the metrics used to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process?
7.4.2. Does the organization disclose the metrics used to assess and manage dependencies and impacts on nature?
7.4.3. Does the organization describe the targets and goals used to manage nature-related dependencies, impacts, risks and opportunities, and its performance against these?
<b>7.5. Nature/Biodiversity Reporting</b>
7.5.1. Does the organization report on any quantitative nature/biodiversity-related metrics?

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