



## THE NATIONAL SUSTAINABILITY REPORTING FRAMEWORK FOR MALAYSIA – A LEAP FORWARD

### Introduction

On 15 February 2024, the Advisory Committee on Sustainability Reporting chaired by the Securities Commission Malaysia (“**SC**”) issued a consultation paper on the proposed National Sustainability Reporting Framework (“**NSRF**”). The consultation period closed on 29 March 2024 and on 24 September 2024 the SC launched the National Sustainability Reporting Framework.

One of the issues plaguing the implementation of and reporting on ESG has been the alphabet soup of standards including the Task Force on Climate-Related Financial Disclosures (“**TCFD**”), the Global Reporting Initiative (“**GRI**”), the International Sustainability Standards Board (“**ISSB**”), and the Sustainability Accounting Standards Board (“**SASB**”) stated aim of the NSRF has been to enable stakeholders, especially investors deal with consistent, comparable, and reliable disclosures.

Toward this end, the SC has done the following:

(a) addressed the use and application of the IFRS Sustainability Standards specifically the General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1), and Climate related Disclosures (IFRS S2);

(b) indicated its priorities by expressly stating that it has adopted a climate first approach;

(c) introduced a phased implementation that considers the different levels of readiness and maturity in implementing and reporting on ESG across various regulated markets. Differing timelines for compliance with differing obligations gives companies time to ease into reporting especially on Scope 3 emissions while at the same time indicating clearly that climate change is a priority;

(d) applied the Policy, Assumptions, Calculators and Education (“**PACE**”)[1] approach i.e. an initiative designed to help companies successfully adopt the NSRF.

## **Phased Approach**

The NSRF applies to the following entities but because of the phased approach, the obligations that apply will kick in at different times for different markets. Thus, listed issuers on Bursa Malaysia's Main and ACE Markets, as well as large non-listed companies with annual revenue of RM2 billion and above will have to comply with the new reporting requirements with effect from the following dates:

	<b>Types of Companies</b>	<b>Effective Date</b>
<b>Group 1</b>	Large-listed issuers on the Main Market with <u>market</u> capitalisation of RM2 billion and above begin using the ISSB Standards	1 January 2025
<b>Group 2</b>	Other Main Market listed issuers begin using the ISSB standards	1 January 2026
<b>Group 3</b>	Listed issuers on the ACE Market as well as large Non-Listed Companies	1 January 2027

## **Proportionality**

One important principle adopted by the SC that will certainly ease the pain of the relevant companies is proportionality. This concept translates in this instance to two main principles:

- (a) Information used for reporting purposes is limited to what is reasonable, supportable and available without undue cost and effort; and
- (b) Qualitative approaches (instead of quantitative approaches) are allowed if an entity lacks skills, capabilities or resources.

Given that undertaking data collection and ensuring data integrity is one very fundamental difficulty faced by many companies, this leeway is welcomed as it takes into account the cost that would have to be incurred in these exercises as well as the ability of the companies to do so. By introducing this phased approach and by offering assistance through PACE, the SC is doing its best to accommodate the needs of both the companies as well as other stakeholders like investors and financiers.

## **Assurance**

One other very important point is assurance. Assurance has been referred to in the Bursa Sustainability Reporting Guide 2022. Companies that are new to ESG reporting are advised to subject their Sustainability Statement to an internal review by the internal audit function. Eventually, it is expected that companies should undertake independent/ external assurance for key indicators in their Sustainability Statement which are material to the company and/or their stakeholders.

The Listing Requirements of Bursa Malaysia state as follows:

### **Paragraph 6.2, Practice Note 9, Main Market Listing Requirements**

In making the Sustainability Statement, a listed issuer must include disclosures on the following:

(e) a statement on whether the listed issuer has subjected the Sustainability Statement to –

- (i) internal review by its internal auditor; or
- (ii) independent assurance performed in accordance with recognised assurance standards, to strengthen the credibility of the Sustainability Statement, and if so, the subject matter(s) and scope covered. In addition, for independent assurance, the conclusions must also be disclosed.

Consistent with the phased implementation approach, in the NSRF, the SC has mandated reasonable assurance on Scope 1 and Scope 2 GHG emissions for Group 1 companies starting from annual reporting periods beginning on or after 1 January 2027 in order to provide investors with the same level of trust and confidence akin to audited financial statements. The deadline for companies in Group 2 and Group 3 follow annually thereafter. The applicable standards are to be determined by the Malaysian Institute of Accountants (“MIA”).[2]

Clearly there is still a lot of work to do and various other bodies like Bursa Malaysia and the MIA will need to weigh in. There will be new rules, amendments to existing laws and regulations and issuance of new guidance to assist everyone who is part of the process. In fact, the list set out in the NSRF itself (which is not conclusive) indicates the depth and comprehensiveness required and the involvement of the various authorities. The list of amendments to laws and other rules includes:

- (a) Financial Reporting Act 1997;
- (b) Companies Act 2016;
- (c) Securities Commission Malaysia Act 1993;
- (d) Capital Markets and Services Act 2007;
- (e) Bursa Malaysia's Main Market and ACE Market Listing Requirements; and
- (f) Relevant standards issued by Bank Negara Malaysia.

### **Conclusion**

The above is just an indication of the work that remains to be done. It is therefore time to make a start for any company that has yet to do so. With the many and varied levels of assistance available both in terms of cost i.e. financing for ESG related projects,[3] as well as assistance in preparing and publishing reports of an acceptable standard[4] Malaysian

companies should seize the initiative to present themselves as ready to deal with these requirements that can give them an edge in the competitive national and international markets. In fact, compliance with the NSRF will be a good starting point for those companies which wish to expand their markets to the European Union and the United States which have their own ESG rules, as it serves as good groundwork for their marketing activities there.

- 
1. PACE resources are available at [PACE - National Sustainability Reporting Framework](#) | [Securities Commission Malaysia](#). The SC as a responsible regulator is making available a wide range of resources for the use of its company clients. The resources include policy guidance, emissions calculators, and capacity-building programs intended to assist companies of all sizes in meeting sustainability reporting requirements.
  2. The International Auditing and Assurance Standards Board approved an International Standard on Sustainability Assurance 5000 on September 20, 2024. They are expected to finalize the text of the standard by the end of the year and in 2025, publish a range of guidance and application materials. It remains to be seen if and when the MIA will consult on this standard for application in Malaysia.
  3. Green loans from commercial banks as well as assistance from MIDA, SME Bank, etc.
  4. See also the i-ESG Start initiative by MITI and the Simplified ESG Disclosure Guide (SEDG) by Capital Markets Malaysia.

**Written by:**



**Pushpa SK Nair**  
*Senior Associate/Director*  
pushpanair@azmilaw.com

**Corporate Communications**  
**Azmi & Associates**  
23 January 2025