

Spotlight on sustainability: National Sustainability Reporting Framework

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National Sustainability Reporting Framework

As markets across the globe are moving towards a globally aligned sustainability reporting standard, the National Sustainability Reporting Framework (NSRF), issued on 24 September 2024, guides Malaysia in aligning our sustainability reporting with IFRS[®] Sustainability Disclosure Standards as issued by the International Sustainability Standards Board (ISSB).

Malaysia now joins more than 20 jurisdictions, collectively representing 55% of global GDP, which have decided or are taking steps to use the standards¹.

This publication aims to provide an overview of the NSRF requirements and provide insights for organisations to prepare their sustainability reports in accordance with IFRS Sustainability Disclosure Standards.

¹ Securities Commission Malaysia. "[Keynote Address at the Launch of the National Sustainability Reporting Framework \(NSRF\)](#)." Last modified October 26, 2023.

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

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

The NSRF requires that listed issuers and non-listed companies with revenue above RM2 billion to issue sustainability reports under the IFRS Sustainability Disclosure Standards issued by the ISSB, specifically IFRS S1 “General Requirements for Disclosure of Sustainability-related Financial Information” (IFRS S1) and IFRS S2 “Climate-related Disclosures” (IFRS S2) (collectively referred to as the ISSB™ Standards), including the disclosure of Scope 3 Greenhouse Gas (GHG) emissions.

The reporting requirements will include additional transition reliefs (ATRs) and exemptions to facilitate adoption in a phased manner from 2025 to 2030 (refer to the appendix for further details). Applicable entities shall adhere to their respective regulator’s requirements on location of disclosure and timing of reporting.

Table 1: Implementation timeline¹ for ISSB Standards

Applicable entities	Timeline					
	2025	2026	2027	2028	2029	2030
Group 1: Main market listed issuers with market capitalisation ≥ RM2 billion	Adoption with ATRs		Adoption with ATRs	Full adoption of IFRS Sustainability Disclosure Standards with Scope 3 GHG emissions disclosures		
Group 2: Main market listed issuers (other than listed issuers in Group 1)		Adoption with ATRs	Adoption with ATRs	Full adoption of IFRS Sustainability Disclosure Standards with Scope 3 GHG emissions disclosures		
Group 3: ACE Market listed issuers and non-listed companies (NLCos) with annual revenue ≥ RM2 billion			Adoption with ATRs and exemptions	Adoption with ATRs and exemptions	Adoption with ATRs and exemptions	Full adoption of IFRS Sustainability Disclosure Standards with Scope 3 GHG emissions disclosures

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

External assurance requirements

The NSRF states that the requirement for external assurance on sustainability reporting by companies is necessary to ensure reliability of sustainability disclosure and to address concerns on greenwashing.

It aims to mandate reasonable assurance² based on the timeline summarised in Table 2, **subject to further consultation with relevant stakeholders.**

Assurance engagements are also expected to be performed in accordance with the assurance standards as adopted by the Malaysian Institute of Accountants (MIA).

² Reasonable assurance is a high level of assurance where the practitioners express an opinion in a positive form, which typically involves extensive evidence-gathering activities in order to provide a basis for the assurance opinion, than that of a limited assurance.

Table 2: External assurance timeline

Group	Reasonable assurance for annual reporting periods beginning on or after
Group 1	1 January 2027
Group 2	1 January 2028
Group 3	1 January 2029

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Practical steps in adopting the standards

To successfully implement a new reporting framework, strategic planning is essential. The ISSB Standards require the reporting of sustainability-related financial information, which organisations may not have previously collected and reported. Here are some practical steps that organisations can leverage as they embark on their sustainability reporting journey:

1. Identify sustainability-related risks and opportunities and related information for disclosure

Companies should begin identifying their sustainability-related risks and opportunities that could affect their prospects, such as cash flows, access to finance, or cost of capital over the short, medium, or long term. The initial focus should be on climate. These risks and opportunities should be integrated into the enterprise risk management framework.

Specifically to identify climate-related risks and opportunities, businesses shall refer to and consider the applicability of industry-based disclosure topics defined in the Industry-based Guidance on Implementing IFRS S2.

2. Assess material information for disclosure

Under the ISSB Standards, information is considered material if its omission, misstatement, or obscuration could reasonably be expected to influence the decisions of primary users of general-purpose financial reports, such as investors, lenders, and other creditors.

Organisations that currently use different materiality concepts, such as those under the GRI Standards which cater to the information needs of a broader range of stakeholders, should update their materiality assessments to align with the requirements of the ISSB Standards.

3. Keep a lookout for changes in legislations, rules and guidelines

Consequential amendments arising from the NSRF are anticipated in various legislations, rules, and guidelines. Companies should stay informed and monitor changes that may impact their reporting.

Following the launch of the NSRF, Bursa Malaysia has proposed amendments to the Main Market and the ACE Market Listing Requirements. For Main Market listed issuers, besides incorporating the NSRF, particularly the adoption of the ISSB Standards, Bursa Malaysia proposes to retain the following key requirements:

A

prescribed common sustainability-related risks and opportunities.

B

the data and performance targets (if such targets are set) for all reported indicators in sustainability statements for the last 3 financial years, on a rolling basis.

C

a statement on whether the listed issuer has subjected sustainability statements to internal review by its internal auditor or independent assurance performed in accordance with recognised assurance standards, and if so, the subject matter(s) and the scope covered. In addition, for independent assurance, the conclusions must also be disclosed.

D

a summary of the data and performance targets disclosed in sustainability statements, in a prescribed format.

The public consultation paper published by Bursa Malaysia is open for feedback until **25 October 2024**.

4. Utilise available transition reliefs and NSRF's additional transition reliefs

NSRF has incorporated the transition reliefs from the ISSB Standards which companies should consider to facilitate adoption.

IFRS S1

Climate-First Reporting



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

Extended time relief on Climate-First Reporting



Comparative Disclosures



Comparative information is not mandatory in the first year of adoption

Timing of Reporting



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

Reporting boundary



Focus on disclosures for principal business segments



IFRS S2

Scope 3 GHG Emissions



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

Extended time relief on Scope 3 GHG emissions disclosures




Greenhouse Gas Protocol



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

Notes:

 NSRF's additional transition reliefs

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

5. Think of “connected information”

Disclosures should be connected and consistent within the sustainability report, and across the sustainability report and financial statements. For example, data and assumptions used in the preparation of both reports should be aligned.

This includes areas where significant judgments are made by those charged with governance, such as the impact of climate change on the organisation's financial performance and assets, and the relationship between the entity's strategy and its financial performance, among others.

6. Applying the “proportionality mechanisms”

The ISSB introduced proportionality mechanisms to accommodate entities with varying levels of maturity and readiness. These are:

- **Use of reasonable and supportable information without undue cost or effort** - Available where high level of measurement or outcome uncertainty is required
- **Lack of skills, capabilities and resources available to the entity** - Allows companies to provide qualitative information instead of quantitative for its: (1) climate-related scenario analysis; and (2) anticipated financial impact on sustainability-related risks and opportunities

7. Leverage existing reporting frameworks and guidance

Organisations can leverage their existing reporting frameworks to transition to reporting under the ISSB Standards. The following interoperability guidelines were issued by the ISSB:

- [Comparison: IFRS S2 Climate-related Disclosures with the TCFD Recommendations](#)
- [Transition to integrated reporting: A guide to getting started](#), which illustrates how to include disclosures of IFRS S1 and IFRS S2 in an integrated report
- [European Sustainability Reporting Standards \(ESRS\) - ISSB Standards Interoperability Guidance](#)
- [Interoperability considerations for GHG emissions when applying GRI Standards and ISSB Standards](#)

8. Making an unreserved statement of compliance with the ISSB Standards

A company can only make an unreserved statement of compliance with the ISSB Standards if it fully meets the reporting requirements. To ensure compliance, it is critical to ascertain that organisations' personnel and infrastructures are prepared to meet these requirements.

9. Build trust in your sustainability data

As the demand for investor-grade sustainability reporting continues to grow, it is crucial for organisations to continuously review their reported sustainability indicators. To ensure readiness for adhering to the recommended timeline for reasonable assurance on Scope 1 and Scope 2 GHG emissions, a proactive review of relevant data and processes should be performed. Entities can consider a phased approach by starting with limited assurance, before gradually expanding to reasonable assurance.

3

Critical factors for successful adoption



Commitment from the Board of Directors

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

- **Sustainability strategy** needs to be aligned with overall business strategy
- Organisations need to be able to identify and manage **sustainability-related risks** upfront
- Organisations needs to facilitate the appropriate **allocation of resources** (financial, human, technological) for effective implementation
- Sustainability reporting should focus on **value creation**, rather than solely on compliance



Sustainability embedded within organisational processes and controls

- A strong **governance structure** should be established, including sustainability committees and clear accountability mechanisms
- **Develop integrated systems** for data collection, analysis, and reporting to ensure accuracy and timeliness of reporting
- Implement **robust data governance and controls** to maintain data integrity to ensure regulatory compliance
- There should be **ongoing monitoring, evaluation, and improvement** of sustainability practices, including internal and external assurance



Collaboration across the organisation

- **Collaboration between the Chief Sustainability Officer and the Chief Financial Officer** is crucial in balancing between sustainability goals and financial performance, including value reporting
- There is a requirement for **connected and consistent information** between both sustainability and financial reports, including areas of critical assumptions and judgements
- Close coordination across the organisation and its value chain is required to ensure a comprehensive reporting boundary, necessitating efforts to gather any data that may not be readily available.
- Involvement of **internal audit** is critical as one of the first lines of defence in reviewing the accuracy, integrity and completeness of sustainability information



Effective change management plan, including personnel upskilling

- A phased adoption approach is recommended for a smooth transition. A clear change management and communication plan is critical in **ensuring stakeholders buy-in**
- **Continuous feedback mechanisms** should be established to ensure stakeholders' concerns are understood and addressed promptly
- Affected personnel should have the **necessary skills and knowledge**, which can be addressed through training and development programmes

Preparing for adoption of IFRS Sustainability Disclosure Standards

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

1. Strategy

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

2. Transformation

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

3. Reporting & Assurance

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



PwC publications and resources are available to assist you in your implementation journey:

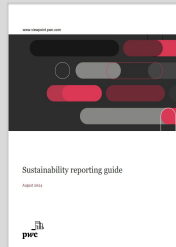


[Accounting podcasts on sustainability](#)

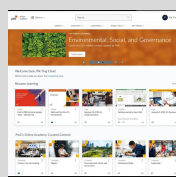
PwC specialists discuss today's most compelling sustainability issues in accounting and external reporting.



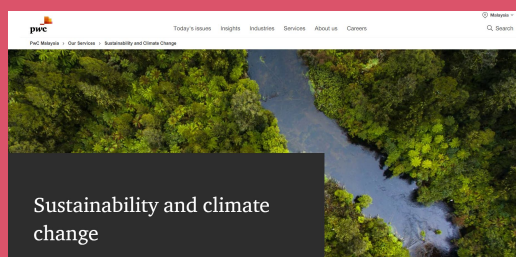
[Spotlight on sustainability: Gaps in sustainability reporting](#) covers the common pitfalls in sustainability reporting processes in Malaysia.



[Sustainability Reporting Guide](#) serves as a compendium of reporting requirements under the following sustainability frameworks: ESRS, IFRS Sustainability Disclosure Standards and US SEC's climate disclosure rules.



[ESG Academy](#) offers a range of professional development programmes, and [e-learn modules](#) for sustainability upskilling.



[Our sustainability and climate change webpage](#) gives you access to the latest updates on our ESG capabilities, case studies and thought leadership - both locally and across the global PwC network - to help you unlock opportunities and create value for your stakeholders.

Appendix: Transition reliefs and exemptions

Transitional reliefs

To support the adoption of the IFRS Sustainability Disclosure Standards, ISSB has included transition reliefs in both IFRS S1 and IFRS S2. The NSRF leverages on the reliefs provided by the ISSB, and has provided the following additional transition reliefs:

Table 3: Additional transition reliefs as per NSRF

Additional transition relief	Group 1 & 2	Group 3
<p>ATR 1: Applicable entities are permitted to disclose information on only climate-related risks and opportunities (in accordance with IFRS S2) and consequently apply the requirements of IFRS S1 only insofar as they relate to the disclosure of information on climate-related risks and opportunities.</p> <p>If this transition relief is used:</p> <ul style="list-style-type: none"> • Applicable entities are not required to disclose comparative information about its climate-related risks and opportunities in the first annual reporting period; and • Applicable entities are not required to disclose comparative information about its sustainability-related risks and opportunities in the first annual reporting period following the end of the duration of the relief, other than its climate-related risks and opportunities. <p>(IFRS S1 Paragraph E5 - E6)¹</p> <p>The application of the above reliefs relating to comparative information is nonetheless subject to the respective regulators' requirements.</p>	2 years	3 years
<p>ATR 2: Applicable entities are permitted to focus on providing climate-related disclosures for principal business segments.</p>		
<p>ATR 3: Applicable entities are permitted to not disclose Scope 3 GHG emissions (IFRS S2 Paragraph C4(b)), except for categories already required by applicable entities' respective regulators.</p>		

Source: [National Sustainability Reporting Framework](#)

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

Large NLCos whose holding company:

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

Notes:

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

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

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

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The launch of the National Sustainability Reporting Framework is a pivotal milestone for Malaysia, as it joins more than 20 jurisdictions around the world, which have adopted or plan to implement IFRS Sustainability Disclosure Standards.

The elevated connectivity between sustainability performance and financial reporting contributed by this development brings the review of sustainability impact and inputs into sharper focus among management towards sustained value creation.

Through improved reporting, companies will be able to reinforce their commitment to sustainability, shaping a compelling narrative around trust to create meaningful value for their stakeholders in the capital market.



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