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Malaysia's National Sustainability Reporting Framework (NSRF)

Highlights to prepare for sustainability reporting and ESG assurance

Malaysia is taking bold steps to enable a more sustainable future by launching the <u>National</u> <u>Sustainability Reporting Framework (NSRF)</u>. Developed by the Advisory Committee on Sustainability Reporting, the NSRF will align the country's sustainability efforts, particularly on reporting, with international standards such as IFRS Sustainability Disclosure Standards.

Beneficial highlights of the NSRF

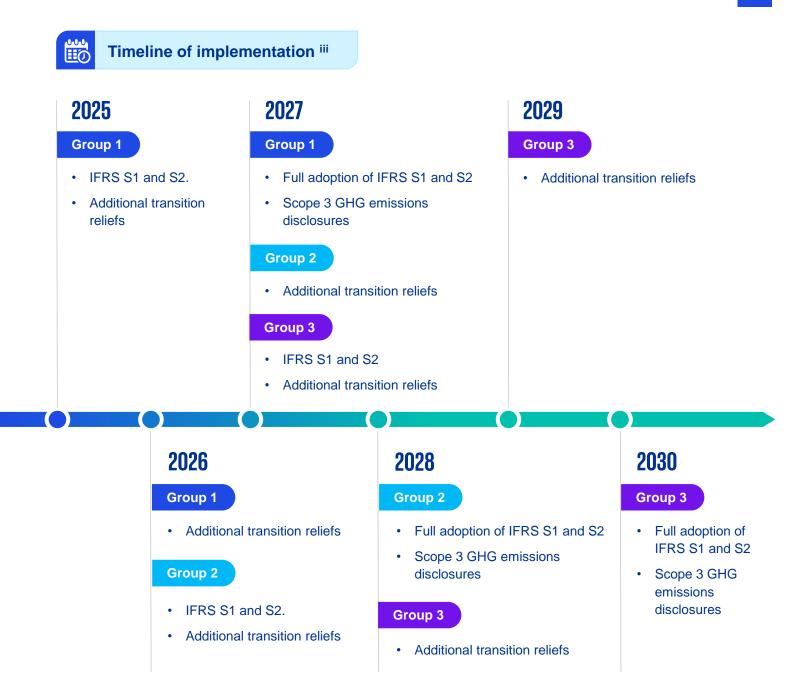


NSRF adopts the IFRS Sustainability Disclosure Standards from the International Sustainability Standards Board (ISSB), specifically IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures), as the baseline sustainability disclosure standards for companies in Malaysia, as well as the assurance requirements for sustainability reporting.ⁱ



Notes:

i. The framework for sustainability assurance including the assurance providers, will be announced after further consultation with relevant stakeholders.
ii. The threshold is calculated based on consolidated group revenue of RM2 billion or more for two consecutive financial years preceding the current financial year. Without group-level revenue, the threshold will be measured at the company level to align with the entity's existing financial reporting practices.



Note:

iii. 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).



Reliefs and exemptions to facilitate adoption

Additional transition reliefs iv

Permissible to disclose information on only climaterelated risks and opportunities (in accordance with IFRS S2).

Permissible to focus climate-related disclosures specifically on principal business segments.

Permissible to not disclose Scope 3 emissions, except for categories already required by respective regulators.



For large NLCos whose holding company:

Currently report using ISSB-aligned or equivalent standards, like the European Sustainability Reporting Standards (ESRS)^v

Can leverage their holding company's sustainability and climate-related disclosures.

Group 1	Group 2	Group 3
2 years	2 years	3 years

Currently report using other international standards,

May be exempted from reporting for three periods, depending on the Registrar's policy decision.

Notes:

- iv. Commencing from the first annual reporting period of the respective applicable entities.
- Additional guidance on the standards and frameworks that will be accepted for the exemptions may be issued.



Phased and developmental approach

The implementation will be a phased and developmental approach for a smooth adoption among companies with varying readiness to adopt ISSB Standards, sustainability reporting practices and internal capabilities.

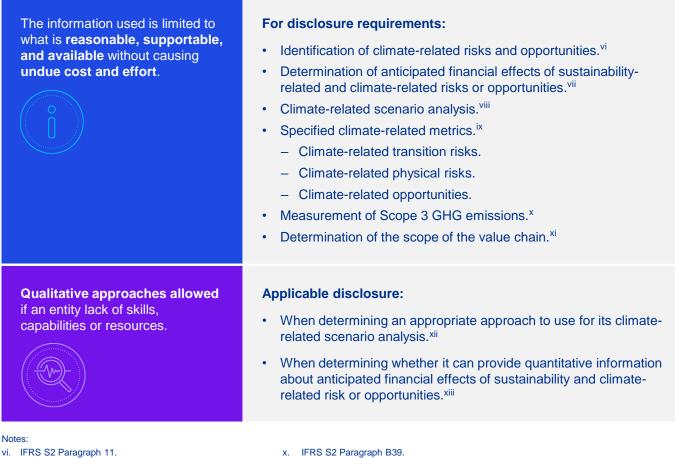


The ISSB recognizes the challenges some entities may face, including limited resources, data quality, or lack of expertise.

To support them, ISSB has introduced proportionality mechanisms and transition reliefs, which the Advisory Committee on Sustainability Reporting (ACSR) has integrated into the NSRF.

Proportionality mechanism

Proportionality mechanism within the standards are introduced to accommodate applicable entities with varying levels of maturity and readiness.



- vi. IFRS S2 Paragraph 11.
- IFRS S1 Paragraph 37-39, IFRS S2 Paragraph 18-20. vii.
- viii. IFRS S2 Paragraph B1-B7.
- IFRS S2 Paragraph 30. ix

- IFRS S2 Paragraph B36. xi.
- xii. IFRS S2 Paragraph B1-B7.
- xiii. IFRS S1 Paragraph 37-39, IFRS S2 Paragraph 18-20.

External assurance requirements

The requirement for external assurance is necessary to ensure reliability of sustainability disclosure and to address concerns on greenwashing.

While currently on voluntary basis, the aim is to mandate reasonable assurance on Scope 1 and Scope 2 GHG emissions for Group 1 starting from annual reporting periods beginning on or after 1 January 2027.

Proposed timeline for a reasonable assurance for annual reporting periods beginning on or after xiv:



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

Framework for assurance of sustainability information, including assurance provider will be announced after consultation and engagement with relevant stakeholders.

Note

xiv. Timeline for mandatory reasonable assurance is subject to further consultations.

Key considerations to prepare for ESG assurance readiness

Amongst others, the following are some of the key considerations to prepare your organization for ESG assurance readiness:



Understanding of ESG Standards and Frameworks

The need of familiarization with relevant ESG Standards and ensuring compliance with applicable regulations.



Availability of audit trail

The need of maintaining an audit trail for ESG data and reporting processes to facilitate external assurance.



Early planning of ESG targets and metrics

ESG metrics are often qualitative and multifaceted, making them difficult to be quantified and assessed. This complexity of ESG metrics makes early planning essential.



Governance structure

Establishment of clear governance for ESG initiatives, including assigning roles and responsibilities at all levels of the organization.



Data collection and management

Implementation of systems for accurate data collection, tracking and reporting on ESG metrics.

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Practical guidance to prepare for compliance

Fostering data precision

Fostering data precision is crucial for effective measurement and reporting. The following are some of the methods to enhance data precision:

- Standardized protocols
- Comprehensive data sources
- Regular audits and reviews
- Training and capacity building
- Cross-verification

- Tools and technologies for data accuracy
- Automated data collection
- Real-time monitoring



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