

Malaysia's National Sustainability Reporting Framework (NSRF)

Highlights to prepare for sustainability reporting and ESG assurance

Updated for applicability to financial institutions regulated by Bank Negara Malaysia ("BNM") NEW

Malaysia is taking bold steps to enable a more sustainable future by launching the **National Sustainability Reporting Framework (NSRF)**. 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

Applicable entities

NEW

* The updated Climate Risk Management and Scenario Analysis Policy Document issued by BNM on 17 March 2025 clarified NSRF applicability to financial institutions regulated by BNM.

Group 1

Main Market listed issuers with market capitalization of RM2 billion and above.

* Main Market listed financial institutions with market capitalisation (excluding treasury shares) of RM 2 billion and above as of 31 December 2024

Group 2

Main Market listed issuers (other than listed issuers in Group 1).

* **Main Market** listed financial institutions (other than those in Group 1)

Group 3ⁱⁱ

- **ACE Market** listed issuers.
- **Non-listed companies** with annual revenue of RM2 billion and above for two consecutive financial years preceding the current financial year (**Large NLCos**).

* All other financial institutions (other than those in Group 1 and 2)

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.



Timeline of implementation ⁱⁱⁱ

2025

Group 1

- IFRS S1 and S2.
- Additional transition reliefs

2027

Group 1

- Full adoption of IFRS S1 and S2
- Scope 3 GHG emissions disclosures

Group 2

- Additional transition reliefs

Group 3

- IFRS S1 and S2
- Additional transition reliefs

2029

Group 3

- Additional transition reliefs

2026

Group 1

- Additional transition reliefs

Group 2

- IFRS S1 and S2.
- Additional transition reliefs

2028

Group 2

- Full adoption of IFRS S1 and S2
- Scope 3 GHG emissions disclosures

Group 3

- Additional transition reliefs

2030

Group 3

- Full adoption of IFRS S1 and S2
- Scope 3 GHG emissions disclosures

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 **climate-related 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.

Group 1

2 years

Group 2

2 years

Group 3

3 years



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.



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.

v. 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.



Adopting a climate-first approach.



Providing additional transition reliefs to facilitate use of the standards.



Providing capacity building programs and support to help companies, large and small, to comply with these standards.

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.

<p>The information used is limited to what is reasonable, supportable, and available without causing undue cost and effort.</p> 	<p>For disclosure requirements:</p> <ul style="list-style-type: none"> Identification of climate-related risks and opportunities.^{vi} Determination of anticipated financial effects of sustainability-related and climate-related risks or opportunities.^{vii} Climate-related scenario analysis.^{viii} Specified climate-related metrics.^{ix} <ul style="list-style-type: none"> Climate-related transition risks. Climate-related physical risks. Climate-related opportunities. Measurement of Scope 3 GHG emissions.^x Determination of the scope of the value chain.^{xi}
<p>Qualitative approaches allowed if an entity lack of skills, capabilities or resources.</p> 	<p>Applicable disclosure:</p> <ul style="list-style-type: none"> When determining an appropriate approach to use for its climate-related scenario analysis.^{xii} When determining whether it can provide quantitative information about anticipated financial effects of sustainability and climate-related risk or opportunities.^{xiii}

Notes:

vi. IFRS S2 Paragraph 11.

vii. IFRS S1 Paragraph 37-39, IFRS S2 Paragraph 18-20.

viii. IFRS S2 Paragraph B1-B7.

ix. IFRS S2 Paragraph 30.

x. IFRS S2 Paragraph B39.

xi. IFRS S2 Paragraph B36.

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.



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.



Data collection and management

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



Availability of audit trail

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



Governance structure

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

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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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