Malaysia's National Sustainability Reporting Framework

Consultation Questions

The Advisory Committee on Sustainability Reporting (ACSR), chaired by the Securities Commission Malaysia (SC), would like to invite your feedback on the issues as outlined in the Consultation Paper.

The ACSR was formed in May 2023, with the endorsement of the Ministry of Finance to assess the use and application of the standards issued by the International Sustainability Standards Board (ISSB), specifically International Financial Reporting Standards (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, and a sustainability assurance framework in Malaysia. Members of the ACSR comprise representatives from the Audit Oversight Board, Bank Negara Malaysia, the Companies Commission of Malaysia, Bursa Malaysia Berhad and the Financial Reporting Foundation.

This public consultation encompasses two components –

1. The **Consultation Paper** available via *www.sc.com.my* which provides background information and outlines the potential implementation approach and considerations in relation to the ISSB Standards as well as assurance of sustainability information; and

2. This **Consultation Questions**. The closing date to submit responses to the Consultation Questions is **21 March 2024** and responses will only be received when submitted via this form.

You may download the list of questions via the link below for ease of reference: https://www.sc.com.my/api/documentms/download.ashx?id=1223dd90-32d3-43d6-9410-1b3f4d46a5b8

The Consultation Paper aims to seek feedback on the use and application of IFRS S1 and IFRS S2, including the required transition reliefs, the approach in relation to a sustainability assurance framework, and the enablers or support required.

Please note that a foundational understanding of IFRS S1 and IFRS S2 is essential to providing an informed response. Questions on the Consultation Paper or this Consultation Questions can be directed to the Secretariat of the ACSR at nsrf@seccom.com.my.

Confidentiality: Your responses may be made public by the SC. If you do not wish for your name to be made public, please state this clearly in the response. Any confidentiality disclaimer that may be generated by your organisation's IT system will be taken to apply only if you request that the information remains confidential.

The SC agrees to keep your personal data confidential and in full compliance with the applicable principles under the Personal Data Protection Act 2010.

INTRODUCTION

Tell us about yourself

TECH-CDR-2102

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants.

Founded in 1904 to widen access to the accountancy profession, we're today a thriving global community of 247,000 members and 526,000 future members based in 181 countries and regions, who work across a wide range of sectors and industries. This year, we celebrate our 88th anniversary in Malaysia, with a strong community of 58,000 members and future members.

We offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Being a force for public good has been embedded in our purpose. We believe that accountancy is a cornerstone profession of society and is vital in helping economies, organisations and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities. We uphold the highest professional and ethical values.

And through our cutting-edge research, we lead the profession by answering today's questions and preparing for the future. We're a not-for-profit organisation.
Find out more at **accaglobal.com**

Please note our answers to the questions raised within this document are highlighted in bold. These responses should be read together with our comments letter which set out our views on a number of significant issues for your overall consideration. It is important to highlight that both the comments letter and the responses to the consultation questions in this document should be read together.

Name of company

ACCA Malaysia Sdn Bhd

Please indicate the stakeholder group that your company represents

- Preparer
- Investor
- Assurance Provider
- **Other: Professional accountancy body**

Please select the sector to which your company belongs

- Construction

- Consumer Products & Services
- Energy
- Financial Services
- Healthcare
- Industrial Products & Services
- Plantation
- Property
- Real Estate Investment Trusts
- Technology
- Telecommunications & Media
- Transportation & Logistics
- Utilities
- **Other:_A global body of professional accountants**

Is your company a listed issuer or non-listed company?

- Listed issuer
- **Non-listed company**

What is the company's stock code? (Note: Not applicable for non-listed companies)

Not applicable

Please provide the company's revenue size

- Less than RM300,000
- RM300,000 to < RM3mil
- RM3mil to < RM15mil
- RM15mil to < RM20mil
- RM20mil to < RM50mil
- RM50mil to < RM500mil
- >RM500mil to < RM1bil
- >RM1bil to < RM2bil
- RM2bil and above

Not applicable given the nature of ACCA as described above.

Please indicate the number of employees in the company

- Less than 5
- 5-30
- 31-74
- 75-199
- **200 and above***

*** this relates to our global organization, not solely the Malaysian office.**

APPROACH TO ADOPTION OF IFRS S1 AND S2

Currently Main Market listed issuers on Bursa Malaysia are required to provide TCFD-aligned disclosures in annual reports issued for FYE on or after 31 December 2025 onwards. The requirements in IFRS S2 are consistent with the four core recommendations and eleven recommended disclosures of the TCFD. Companies that apply the ISSB Standards will meet the TCFD recommendations and therefore do not need to apply the TCFD recommendations in addition to the ISSB Standards. There are additional requirements in IFRS S2 which include the requirements for companies to disclose information about their planned use of carbon credits to achieve their net emissions targets and to disclose additional information about their financed emissions. For ACE Market, a basic plan to transition towards a low carbon economy is required to be disclosed for FYE on or after 31 December 2026.

As the ISSB Standards gain momentum, it's crucial for Malaysia, an export-oriented country deeply connected to global supply chains, to align with global sustainability trends. When big economies adopt stricter sustainability reporting standards, smaller economies like Malaysia may feel pressured to do the same as part of the supply chain. The strict rules for bigger companies are likely to influence smaller businesses, creating a chain reaction. This alignment meets the expectations of larger partners, satisfies market demands, follows regulations, and supports the shift towards more sustainable and responsible business practices.

Given the difference in readiness and maturity of listed issuers and non-listed companies, the potential approach for IFRS S1 and S2 adoption is:

- Main Market listed issuers
    - FYE on or after **31 December 2025**: Adopt **IFRS S2 with reliefs** and consequently apply IFRS S1 only insofar as they relate to the disclosure of information on climate-related risks and opportunities
    - FYE on or after **31 December 2026**: Adopt **IFRS S1 with reliefs**
    - FYE on or after **31 December 2027**: Fully adopt **IFRS S1 and IFRS S2**

- ACE Market listed issuers
    - FYE on or after **31 December 2027**: Adopt **IFRS S2 with reliefs** and consequently apply IFRS S1 only insofar as they relate to the disclosure of information on climate-related risks and opportunities
    - FYE on or after **31 December 2028**: Adopt **IFRS S1 with reliefs**
    - FYE on or after **31 December 2029**: Fully adopt **IFRS S1 and IFRS S2**

- Large Non-listed Companies with revenue of RM 2B and above
    - FYE on or after **31 December 2027**: Adopt **IFRS S2 with reliefs** and consequently apply IFRS S1 only insofar as they relate to the disclosure of information on climate-related risks and opportunities
    - FYE on or after **31 December 2028**: Adopt **IFRS S1 with reliefs**
    - FYE on or after **31 December 2029**: Fully adopt **IFRS S1 and IFRS S2**

Should the current reporting requirements for Main Market listed issuers to provide TCFD-aligned disclosures be updated to require disclosures aligned with IFRS S2 instead?

See Paragraph 6.5 of the Consultation Paper for the possible approach.

- **Yes**
- No

Please state the reasons for your views.

The International Organization of Securities Commissions (IOSCO) Board has endorsed the International Sustainability Standards Board's (ISSB) final standards on General Requirements for Disclosures of Sustainability-related Financial Information (IFRS S1) and Climate-Related Disclosures (IFRS S2) (hereafter the 'IFRS Sustainability Disclosure Standards') and calls on members to consider ways in which they might adopt, apply or otherwise be informed by the IFRS Sustainability Disclosure Standards.

ACCA strongly supports the adoption of the IFRS Sustainability Disclosure Standards as the global baseline of sustainability-related disclosures. In updating the requirements for Main Market listed issuers, it is important to also ensure that reference is made to IFRS S1 as well as it provides the conceptual framework upon which the disclosures set out in IFRS S2 are based.

Also, as the IFRS Sustainability Disclosure Standards build upon the TCFD recommendations, a company that applies the IFRS Sustainability Disclosure Standards will meet the TCFD recommendations and more. Aligning the current TCFD-aligned reporting requirements for Main Market listed issuers with the IFRS S2 will not only improve global comparability of Malaysia's capital market, but also help to future proof Malaysia's reporting requirements with fewer major changes needed moving forwards.

For Main Market listed issuers, should IFRS S2 (with reliefs) apply for climate disclosures in annual reports issued for FYE on or after 31 December 2025?

See Paragraph 6.5 of the Consultation Paper for the possible approach.

- **Yes**
- No

If not, when?

- 2026
- 2027
- 2028

Please state the reasons for your views.

We support the proposal for Main Market listed issuers to apply IFRS S2, provided that this is implemented together with IFRS S1 (which sets out the overarching general sustainability-related disclosures) and the proposed reliefs.

However, we also wish to highlight that feedback from roundtables we conducted with preparers and assurance providers expressed concern that with the large number of Main Market listed issuers and the need for processes to be put in place well before the start of the financial year in question, there may be significant implementation challenges faced. This includes pressure on the availability, skill and competence of both internal and external resources needed to support the implementation. No doubt, this may be attenuated to some extent by several listed issuers having already started their sustainability reporting journey albeit using different reporting frameworks. We would welcome ACSR's considerations in relation to these concerns and possible approaches to address the same – e.g. phased based on size or sector.

We are also mindful that alongside the proposed NSRF and other international reporting requirements, Malaysian entities are concurrently subject to other local regulatory changes in 2024 (eg changes in sales and service tax (SST) rates, new e-invoicing regulations, etc) which will require changes to processes and systems, and will likely compete for many of the same skilled resources in their implementation. In the event that the ACSR decides to proceed with requiring these disclosures for FYE on or after 31 December 2025, we emphasise the importance of this being subject to there being a finalised version of the NSRF issued on or before 30 June 2024, in order to provide in-scope entities with at least six months to prepare, as highlighted in paragraph 6.6 of the consultation paper (see our comments on this below). This is with the practical consideration that in-scope entities with FYE 31 December 2025 would need to commence data gathering from 1 January 2025 onwards.

For Main Market listed issuers, assuming IFRS S2 comes into effect for climate disclosures in annual reports issued for FYE on or after 31 December 2025, should IFRS S1 (with reliefs) apply for sustainability disclosures in annual reports issued for FYE on or after 31 December 2026?

See Paragraph 6.5 of the Consultation Paper for the possible approach.

- **Yes**
- No

If not, when?

- 2027
- 2028

Please state the reasons for your views.

Clarity is needed that reporting based on IFRS S2 requires the adoption of IFRS S1 at the same time as it provides the overarching framework for sustainability reporting in general which is necessary for any disclosure. This includes but is not limited to – describing sustainability, connections in information (including with financial information), changes in estimates and errors, timing and location of reporting, when disaggregation is needed, key judgements, value chain concepts, materiality – meaning and assessment etc. Similar to our earlier comments on the application of IFRS S2 (with reliefs), due consideration is needed as to whether in-scope entities will have the necessary capability and capacity to prepare information disclosures as required by IFRS S1. Further, that IFRS S1 will apply subject to the proposed reliefs being in place, ie only with regards to climate related disclosures in the first year of reporting, after which all other sustainability-related matters would need to be reported.

Should the current reporting requirements for ACE Market listed issuers to provide transition plan disclosures be amended to align with IFRS S2?

See Paragraph 6.5 of the Consultation Paper for the possible approach.

- **Yes**
- No

Please state the reasons for your views.

In addition to the above comments, we support the alignment of transition plan disclosures with the disclosure requirements in IFRS S2 (with reliefs) on the same. The IFRS Sustainability Disclosure Standards build upon the TCFD recommendations. As such, alignment of the disclosure requirements would facilitate comparability, minimise duplication and reporting burden, while also helping to future proof Malaysia's reporting requirements with fewer major changes needed moving forwards.

For ACE Market listed issuers, should IFRS S2 (with reliefs) apply for climate disclosures in annual reports issued for FYE on or after 31 December 2027?

See Paragraph 6.5 of the Consultation Paper for the possible approach.

- **Yes**
- No

If not, when?

- 2028
- 2029

Please state the reasons for your views.

Comments made in relation to Main Market listed issuers implementation challenges would apply here as well. We envisage that the lessons learnt from the Main Market listed issuers' experience is transferable, which can then guide and facilitate subsequent implementation by ACE Market listed issuers and NLCos.

For ACE Market listed issuers, assuming IFRS S2 comes into effect for climate disclosures in annual reports issued for FYE on or after 31 December 2027, should IFRS S1 (with reliefs) apply for sustainability disclosures in annual reports issued for FYE on or after 31 December 2028?

See Paragraph 6.5 of the Consultation Paper for the possible approach.

- **Yes**
- No

If not, when?

- 2029
- 2030 and beyond

Please state the reasons for your views.

Clarity is needed that reporting based on IFRS S2 requires the adoption of IFRS S1 at the same time as it provides the overarching framework for sustainability reporting in general which is necessary for any disclosure. This includes but is not limited to – describing sustainability, connections in information (including with financial information), changes in estimates and errors, timing and location of reporting, when disaggregation is needed, key judgements, value chain concepts, materiality – meaning and assessment etc. Similar to our earlier comments on the application of IFRS S2 (with reliefs), due consideration is needed as to whether in-scope entities will have the necessary capability and capacity to prepare information disclosures as required by IFRS S1.

Further, that IFRS S1 will apply subject to the proposed reliefs being in place, ie only with regards to climate-related disclosures in the first year of reporting, after which all other sustainability-related matters would need to be reported.

For Large NLCos with annual revenue of RM2 billion and above, should IFRS S2 (with reliefs) apply for climate disclosures in annual reports issued for FYE on or after 31 December 2027?

See Paragraph 6.5 of the Consultation Paper for the possible approach.

- Yes
- **No**

If not, when?

- 2028
- 2029

Please state the reasons for your views.

The timing of adoption of IFRS Sustainability Disclosure Standards by Large NLCos requires careful consideration. We are of the view that the following should be required to adopt these standards earlier than as proposed, subject to the appropriate reliefs being in place and similar due consideration as above relating to their capability and capacity:

- public interest entities (as identified in Schedule 1 of Securities Commission (Amendment) Act 2010), other than public listed companies which are already covered here,
- large non-listed government linked investment companies or bodies,
- large non-listed government linked companies, and
- large companies which are involved in heavily emitting sectors (e.g. oil & gas, construction among others).

In the meantime, other NLCos should be encouraged to prepare ahead for reporting by FYE on or after 31 December 2027, and get started, for example, on developing their internal processes, conducting stakeholder engagements and awareness, upskilling within their organisations and value chain, collecting data, etc. ACCA's guide to preparing for sustainability reporting would be useful for this purpose.

For Large NLCos with annual revenue of RM2 billion and above, assuming IFRS S2 comes into effect for climate disclosures in annual reports issued for FYE on or after 31 December 2027, should IFRS S1 (with reliefs) apply for sustainability disclosures in annual reports issued for FYE on or after 31 December 2028?

See Paragraph 6.5 of the Consultation Paper for the possible approach.

- Yes
- **No**

If not, when?

- 2029
- 2030 and beyond

Please state the reasons for your views.

As stated immediately above. In addition, the points made above about the need for IFRS S1 to be adopted at the same time as S2 to provide the necessary overarching framework but only in so far as climate disclosures for the first year of reporting apply here as well.

Other than Large NLCos with annual revenue of RM2 billion and above, what other categories of non-listed companies should be considered in the adoption of IFRS S1 and IFRS S2?

(SME Definition as defined by SME Corporation)
(Mid-tier as defined by MATRADE)
See Paragraph 6.5 of the Consultation Paper for the possible approach.

☐ Small companies
☐ Medium companies
☐ Mid-tier companies
☐ Large companies (revenue RM500M to less than RM1B)
☐ Large companies (revenue RM1B to less than RM2B)

As stated above – consideration should be given to the following which should be required to adopt these standards earlier than as proposed, subject to the appropriate reliefs being in place and similar due consideration as above relating to their capability and capacity:

- public interest entities (as identified in Schedule 1 of Securities Commission (Amendment) Act 2010) other than public listed companies which are already covered here,
- non-listed government linked investment companies or bodies,
- non-listed government linked companies and
- large companies which are involved in heavily emitting sectors (e.g. oil & gas, construction among others).

In the meantime, other NLCos should be encouraged to voluntarily prepare their own sustainability-related reports and disclosures, as they may well be part of another organisation's value chain and therefore be subject to sustainability-related information requests. As such, it would be beneficial for such other NLCos to also prepare ahead for reporting, and get started, for example, on developing their internal processes, conducting stakeholder engagements and awareness, upskilling within their organisations and value chain, collecting data, etc. ACCA's guide to preparing for sustainability reporting which has been developed with proportionality in mind would be useful for this purpose.

To promote the seamless adoption of ISSB standards, is a 6-month lead time sufficient for the provision of implementation guidelines and notices on regulatory requirement amendments?

See Paragraph 6.6 of the Consultation Paper for the possible approach.

- Yes
- **No**

If not, please provide the appropriate duration?

- 8 months
- **12 months**
- Other:___________________

Please state the reasons for your views.

Feedback from our roundtables suggest that the lead time should at least be 12 months. This is to allow companies adequate time to introduce relevant processes, controls and data collection mechanisms, hiring and training resources and engaging external consultants, where needed. It is also anticipated that competition for such resources – internal and external – will increase significantly leading to critical challenges in the availability of skilled resources.

We are also mindful that alongside the proposed NSRF and other international reporting requirements, Malaysian entities are concurrently subject to other local regulatory changes in 2024 (eg changes in sales and service tax (SST) rates, new e-invoicing regulations, etc) which will require changes to processes and systems, and will likely compete for many of the same skilled resources in their implementation.

In the event that the ACSR decides to proceed with requiring these disclosures for FYE on or after 31 December 2025, we emphasise the importance of this being subject to there being a finalised version of the NSRF issued on or before 30 June 2024, in order to provide in-scope entities with at least six months to prepare, as highlighted in paragraph 6.6 of the consultation paper. This is with the practical consideration that in-scope entities with FYE 31 December 2025 would need to commence data gathering from 1 January 2025 onwards.

IMPACTS OF CARBON BORDER ADJUSTMENT MECHANISM

The ISSB's structured approach to climate measurement and reporting supports organisations in developing effective carbon reduction strategies, and addressing transition risks such as Carbon Border Adjustment Mechanism (CBAM). CBAM is a policy tool of EU aiming to mitigate carbon leakage by putting a fair price on the carbon emitted during the production of carbon intensive goods that are entering the EU, and to encourage cleaner industrial production in non-EU countries. It will have a transitional phase in 2024, followed by full implementation in 2026. The influence of CBAM on Malaysia is substantial, considering the European Union's position as the country's fourth-largest trade partner with exports to EU amounting to €35.6 billion in 2022. CBAM will initially apply to the following sectors:

- Cement
- Iron and steel
- Aluminium
- Fertilisers
- Electricity
- Hydrogen

In Malaysia, as much as 75% of exports to EU will face the impacts of CBAM. The most notable impacts are on key sectors like aluminium, iron and steel. As the mechanism progresses to full implementation, its reach may extend further, affecting additional sectors such as electrical appliances, electronics, machinery, rubber products, and vegetable oils.

Considering the importance of the CBAM in relation to the nature and quality of climate-related disclosures, does the company anticipate any impact from CBAM?

- ○ Yes
- ○ No
- ○ **Not applicable**

Has your company initiated the process of reporting for CBAM compliance?

- ○ Yes
- ○ No
- ○ **Not applicable**

If your company is affected by CBAM, what are the challenges faced?

As a global professional accountancy organisation, ACCA anticipates that many of our members may work in organisations that are affected by CBAM. We commend the ACSR's effort to seek feedback on CBAM and its anticipated impact on the Malaysian market. In this regard, we recommend that the ACSR, in collaboration with other policy makers and Malaysian entities trading with the European Union, study the requirements of CBAM alongside the requirements of the IFRS Sustainability Disclosure Requirements.

In particular, processes, collection and reporting of data should be harmonised as much as possible in order to minimise compliance costs and reporting burden, as well as maximise the use and value of the data collected. To this end, ACCA's guide to preparing for sustainability reporting, in stages 4–6 of the sustainability reporting cycle, sets out considerations to guide the thought process along data requirements determination, collection and reporting which might be helpful in navigating the challenges around CBAM.

If your company is affected by CBAM, what measures has the company taken in anticipation of CBAM requirements? (e.g. establish internal carbon price)

Not applicable. Please refer to above comment.

BUILT-IN RELIEFS OF ISSB STANDARDS

The ISSB has introduced proportionality and scalability mechanism in IFRS S1 and IFRS S2 (Standards) as well as transitional reliefs for some disclosure requirements to support use of the Standards by companies with varying levels of maturity and readiness (see paragraph 6.10). Jurisdictions can consider providing brief extensions of the effective date and transition reliefs beyond those already provided by the ISSB to facilitate use of the Standards.

The transition reliefs in IFRS S1 and IFRS S2 includes:

a) Climate first - For the first annual reporting period an entity applies IFRS S1 and S2, companies may consider to apply IFRS S2 in accordance with IFRS S1 only insofar as IFRS S1 relates to climate-related financial information. For the following annual reporting period, the entity would apply IFRS S1 as it relates to the entity's full range of sustainability-related risks and opportunities.
b) Timing of reporting - For the first annual reporting period an entity applies IFRS S1 and S2, companies are permitted to report its sustainability-related financial disclosures after it publishes its related financial statement at the same time as its next second-quarter or half-year interim general purpose financial report.
c) Comparative information - Companies may consider to not disclose comparative information in the first annual reporting period in which it applies IFRS S1 and S2.
d) GHG Protocol - In the first annual reporting period, if the company used a method other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) in the prior reporting period, the company is permitted to continue using that other method.
e) GHG Scope 3 - In the first annual reporting period, companies may consider to not disclose its Scope 3 greenhouse gas emissions.

Should the built-in reliefs be applied upon implementation of the ISSB Standards on Main Market listed issuers?

- ☐ **Yes - timing of reporting**
- ☐ **Yes - comparative reporting**
- ☐ **Yes - the GHG Protocol**
- ☐ No

Is the proportionality and scalability mechanism for the disclosures outlined in the table under Paragraph 6.9 sufficient?

- o Yes
- o **No**

Please state the reasons for your views.

The reliefs in paragraph 6.9 of the consultation paper addresses some of the challenges in applying the IFRS Sustainability Disclosure Standards. However, we are of the view that more clarification is needed.

Paragraph 6.8 of the consultation paper states that the proportionality and scalability (P&S) mechanisms are permanent. This is consistent with our understanding of the IFRS Sustainability Disclosure Standards whereby the P&S mechanisms will continue to apply beyond the transition period.

However, the table set out in Paragraph 6.11 of the consultation paper seems to indicate that 'IFRS S2 with reliefs' (line 1) and 'IFRS S1 with reliefs' (line 6) are time bound. Read together with paragraph 6.9 of the consultation paper, the time-bound 'with reliefs' appears to include the P&S mechanisms, which directly contradicts paragraph 6.8 of the consultation paper and seems to imply that in the post-relief period, a reporting entity would need to make the required disclosures regardless of whether they were at undue cost or effort or the entity lacked skills, capabilities and resources. We do not agree with this approach which might result in considerable reporting burden for entities of various sizes, regardless of their state of readiness.

In this respect, we caution and emphasise the importance of not just aligning with, but also using the same language and terminology as the IFRS Sustainability Reporting Standards where possible, and appropriately distinct terminology to indicate differences – in this case, the use of the term 'reliefs' – to ensure consistent understanding across the meaning of key terms and avoid inadvertent confusion.

POTENTIAL ADDITIONAL RELIEFS

Potential reliefs from disclosing information on:

- Sustainability-related financial disclosures specifically for principal business segments (to address IFRS S1 Para 20 where disclosures shall be for the same reporting entity as consolidated financial statements)
- The effects of sustainability-related and climate-related risks and opportunities on its strategy and decision-making.
- Scope 1 and Scope 2 greenhouse gas emissions disaggregated between the consolidated accounting group and other investees (including associates, joint ventures and unconsolidated subsidiaries).
- Scope 3 greenhouse gas emissions (other than business travel (Category 6) and employee commuting (Category 7) that are currently required under Bursa's Sustainability Reporting Framework).

Should this additional reliefs be applied in addition to those already identified by the ISSB:

Focus on sustainability-related financial disclosures specifically on principal business segments

See Paragraph 6.11 of the Consultation Paper for the possible approach.

- ○ **Yes**
- ○ No

If yes, how long should the relief be provided?

- o At least one reporting cycles
- o At least two reporting cycles
- o Other:___________________

This question focusses on 'sustainability-related financial disclosures' which relates to IFRS S1 reliefs (line 7) in Paragraph 6.11 of the consultation paper. Consistent with the one-year transition relief afforded in IFRS S1, we support the proposal to provide additional relief such that these disclosures will only become mandatory for FYE on or after 31 December 2027. This will allow reporting entities within scope sufficient time to start their preparation and readiness assessments. It is nonetheless important to recognise that these reliefs may lend to sustainability reporting in Malaysia lagging behind other key markets around the region and the world. This may in turn affect the overall perception by investors of the attractiveness of the Malaysian capital market. We would therefore recommend that the ACSR continually monitors the scope, timelines and reliefs based on progress achieved and the impact on the capital market and make appropriate adjustments to respond to market needs. Any changes should be announced early to allow investors, listed issuers and other entities in-scope to appreciate the milestones involved which will only lend towards enhancing trust and transparency within the eco-system. **Clarity needed on 'principal business segment'** We note that the term 'principal business segment' is not defined in the IFRS Sustainability Disclosure Standards. In this regard, we recommend that the ACSR provides more clarity and guidance on this term, particularly in view that it is likely to influence organisations' overall identification of sustainability-related and climate-related risks and opportunities, setting of targets, determining of metrics, and collection of data, thereafter affecting the organisations' determination of what information is material for reporting.

We also reiterate that it is important not just to align, but also use the same language and terminology as the IFRS Sustainability Disclosure Standards where possible. This serves to facilitate comparability as well as minimise inadvertent reporting burden where there are similar, but not the same, disclosure requirements. With this in mind, we recommend instead that the proposed NFSR emulates how the ISSB has defined information as ‘material’ in the IFRS Sustainability Reporting Standards rather than creating a new terminology to guide disclosures.

Should this additional reliefs be applied in addition to those already identified by the ISSB:

Option to not disclose the impacts of sustainability-related and climate-related risks and opportunities on the company's strategy and decision-making

See Paragraph 6.11 of the Consultation Paper for the possible approach.

- Yes
- No

If yes, how long should the relief be provided?

- At least one reporting cycles
- At least two reporting cycles
- Other:___________________

This point relates to 'sustainability-related' and 'climate-related' risks and opportunities – lines 3 and 8 in the table in Paragraph 6.11 of the consultation paper. These disclosures in turn correspond to paragraph 29(c) of IFRS S1 and paragraph 9(c) of IFRS S2.

Clarity needed on rationale for options not to disclose impacts of sustainability- and climate-related risks and opportunities on company's strategy and decision-making
We believe that these disclosures are important from an investor's standpoint and are an integral part of the list of disclosures required in paragraph 29 in IFRS S1 and para 9 in IFRS S2. Such disclosures are important to better understand how a reporting entity addresses these risks and opportunities in their strategy and decision-making.

For this reason, it would be important to understand ACSR's rationale for providing the option to not disclose this item (as opposed to others in paragraph 29 of IFRS S1 and paragraph 9 of IFRS S2 respectively). We also wish to seek clarification as to whether these options not to disclose extend to the requirements of paragraphs 33–42 of IFRS S1 and paragraphs 14–23 of IFRS S2, which are closely related to paragraph 29(c) of IFRS S1 and paragraph 9(c) of IFRS S2 respectively. We look forward to ACSR providing greater clarity with respect to these.

Clarity needed on climate-related transition plan disclosures and terminology used
Paragraph 9(c) of IFRS S2 reads in full as 'the *effects* of those climate-related risks and opportunities on the entity's strategy and decision-making, *including information about its climate-related transition plan* (see paragraph 14)' (emphasis in italics by ACCA for the purposes of this response).

We wish to enquire if the omission of words relating to 'information about climate-related transition plan' in the table in Paragraph 6.11 of the consultation paper is intentional and request that ACSR kindly provide the rationale for doing so. Climate transition plans are critical to communicating how a reporting entity will transition from more heavy emitting energy sources towards more low carbon sources as well as critically balancing any competing priorities between serving societal needs and climate concerns.

Further, paragraph 29 of IFRS S1 and paragraph 9 of IFRS S2 both use the word 'effects' rather than 'impacts' which is used in the table in Paragraph 6.11 of the consultation paper. We emphasise the importance of aligning with and using the same language and terminology as that used in the IFRS Sustainability Disclosure Standards to avoid ambiguity and misunderstanding, and minimise challenges in implementation.

Should this additional reliefs be applied in addition to those already identified by the ISSB:

Permissible for the company to use boundary other than outlined in IFRS S2 Para 29 (iv) for GHG emission

See Paragraph 6.11 of the Consultation Paper for the possible approach.

- Yes
- **No**

If yes, how long should the relief be provided?

- **At least one reporting cycles**
- At least two reporting cycles
- Other:___________________

We strongly believe that jurisdictions should strive to adopt the IFRS Sustainability Disclosure Standards as the baseline for sustainability-related disclosure within the body of the jurisdictional disclosure requirements. At the same time, jurisdictional modifications to the requirements of the IFRS Sustainability Disclosure Standards, if any, should be kept to a minimum. In this instance, we note the IFRS Sustainability Disclosure Standards make reference to the GHG Protocol and wish to remind that the effects of adhering to global standards will be most evident in combination with other factors and incentives encouraging good reporting, such as measures for ensuring investor protection, good corporate governance and independent audit/assurance. We would recommend that ACSR work with the IFRS Foundation to develop relevant guidance in this matter to minimise divergence in practice.

Should this additional reliefs be applied in addition to those already identified by the ISSB:

Option to not disclose Scope 3 greenhouse gas emissions, except for Category 6 and 7

See Paragraph 6.11 of the Consultation Paper for the possible approach

- **Yes**
- No

If yes, how long should the relief be provided?

- At least one reporting cycles
- **At least two reporting cycles**
- Other:___________________

We do not have any major objection to the proposal by ACSR.

Are there any additional reliefs that should be considered to facilitate adoption of IFRS S1 and IFRS S2?

- Yes
- **No**

Please state your suggestions and reasons for your suggestions.

No further reliefs proposed.

As IFRS requires the use of GHG Protocol unless a different method is mandated by a regulatory entity, is the company ready to use or already using the GHG Protocol to calculate its GHG emissions?

IFRS S2 states that greenhouse gas emission shall be measured in accordance with Greenhouse Gas Protocol unless required by a jurisdictional authority or an exchange on which the entity is listed to use a different method. (IFRS S2 Para 29 (a) (ii))

- Yes
- No
- **Not applicable**

If the company is not using the GHG Protocol, what other standard(s) or methodology is being used?

ACCA consistently advocates for a global approach to the development and application of sustainability-related disclosure standards, and we support the role of the International Sustainability Standards Board (ISSB) in setting a consistent and comparable global baseline to sustainability reporting around the world.

We strongly believe that jurisdictions should strive to adopt the IFRS Sustainability Disclosure Standards as the baseline for sustainability-related disclosure within the body of the jurisdictional disclosure requirements. At the same time, jurisdictional modifications to the requirements of the IFRS Sustainability Disclosure Standards, if any, should be kept to a minimum.

In this instance, we note that the IFRS Sustainability Disclosure Standards make reference to the GHG Protocol and wish to remind that the effects of adhering to global standards will be most evident in combination with other factors and incentives encouraging good reporting, such as measures for ensuring investor protection, good corporate governance and independent audit/assurance.

Can your company transition to the GHG Protocol?

- Yes
- No
- **Not applicable**

If yes, by when?

- 2026
- 2027
- 2028

If your company is not able to transition to using the GHG protocol, please explain why.

These questions are not applicable as ACCA is not a reporting entity within the proposed scope of NSRF.

In your view, what are some enablers and forms of support needed to holistically and effectively implement the ISSB Standards?

Please select at most 3 options.

- ☐ **Illustrative guide (ie. guidance on reporting, implementation framework, interpretation and compliance, effects onto financial statement sample case studies)**
- ☐ **Capacity building (ie. Initiatives aimed at enhancing knowledge and skills related to ISSB Standards)**
- ☐ **Knowledge hub (ie. Consolidating all practice guidelines, case studies and webinars for ISSB implementation, including database to access emission factors, physical risks and industry specific metrics)**
- ☐ Incentives (ie. tax reliefs on ISSB adoption-related expenditures, government grants to support the implementation of ISSB, managing climate and sustainability-related risks)
- ☐ Other:____________________

All 3 items highlighted in bold above were raised by participants in the roundtables we conducted as enablers that are needed to support the implementation of the standards. Additionally, participants also raised the need for enabling laws, rules and regulations, introduction of carbon tax, emissions trading mechanisms etc. which need to incentivise and align reporting on climate and other sustainability matters.

In recognising the fundamental importance of capacity building in this journey, we recommend that ACSR leverages the IFRS Foundation Partnership Framework (Partnership Framework) in the development of supplementary educational materials centrally to ensure greater interoperability and consistent application.

ACCA is a partner of this Partnership Framework, and thus far, under our Accounting for a better world initiative, we have produced a series of explainer videos with the ISSB to support understanding and application of the IFRS Sustainability Disclosure Standards. We have also produced a guide to help entities get ready to report sustainability-related information. The guide was developed with proportionality in mind and structured around an eight-stage sustainability reporting cycle, which suggests a flow of process, technology and people-related activities to prepare for and manage sustainability reporting.

Alongside our webinars and conferences, we also offer a wide range of sustainability-related learning resources such as our course on climate finance which we developed with the CFA Institute and our Certificate in Sustainability for Finance for accountants, finance and business professionals which has been updated to incorporate the latest developments in the IFRS Sustainability Disclosure Standards. In the ACCA qualification, sustainability is integrated across the qualification exams, experience and ethics, and the qualification is updated annually to reflect the latest developments.

We are at advanced stage of developing an ACCA Diploma in Sustainability, a modular qualification with stackable credentials covering different aspects of sustainability, including legal and regulatory frameworks, ethical considerations, strategic planning, decision making, reporting and assurance. We are working at pace to build a robust product that the market needs and are aiming to have the Diploma released in 2024.

ASSURANCE APPROACH

Investors depend on sustainability disclosure to make investment decisions. With sustainable practices influencing capital allocation, companies are incentivised to publish meaningful and impactful sustainability information. However, this trend also brings the risks of greenwashing, leading to a growing scepticism about the reliability of such information.

External assurance plays a crucial role to address the reporting trust deficit, thereby maintaining confidence in our capital markets. The initial focus for potential mandatory external assurance could be obtaining limited assurance for greenhouse gas emissions metrics two years after the adoption of IFRS S2 to enable progress tracking against climate targets. This approach is supported by the GHG Protocol and methodologies that enable reliable measurement across borders and facilitates the management of corporate greenhouse gas emissions.

Has your company's sustainability statement been subjected to external assurance?

- Yes
- No
- **Not applicable**

In your view, should external limited assurance be mandated?

See Paragraph 6.17 of the Consultation Paper for the possible approach.

- **Yes**
- No

If yes, should greenhouse gas emissions be prioritised?

- **Yes**
- No

Please state the reasons for your views.

Independent assurance will serve to enhance objectivity over the quality and integrity of sustainability-related disclosures reported by entities. We support the desire to prioritise assurance over greenhouse gas emissions reporting given its fundamental importance and urgency in addressing the existential threat from global warming.

Assuming IFRS S2 comes into effect for climate disclosures in annual reports, should external limited assurance for Scope 1 and 2 greenhouse gas emission be mandated 2 years after?

- **Yes**
- No

If not, when?

- Same year as adoption of IFRS S2
- 1 year after adoption of IFRS S2
- 3 years after adoption of IFRS S2
- 4 years after adoption of IFRS S2
- 5 years after adoption of IFRS S2

Please state the reasons for your views.

The timeframe suggested provides appropriate duration for reporting practices to mature and be ready for assurance.

In your view, when should external limited assurance be mandated for Scope 3 greenhouse gas emissions?

- Not required
- Same year as mandated Scope 1 and 2 assurance
- 1 year after mandated Scope 1 and 2 assurance
- 2 years after mandated Scope 1 and 2 assurance
- 3 years and more after mandated Scope 1 and 2 assurance

We do not yet have robust data at this point in time to support a specific recommendation on mandating external limited assurance for Scope 3 emissions.
We would recommend that ACSR capture and analyse the experience of assurance providers in relation to Scope 1 and 2 emissions in Malaysia as well as other jurisdictions in relation to Scope 1, 2 and 3 (where applicable) before determining when independent limited assurance over scope 3 emissions should be mandated.

In your view, when should external reasonable assurance be mandated for Scope 1, Scope 2, and Scope 3 greenhouse gas emissions?

See Paragraph 6.17 of the Consultation Paper for the possible approach.

- Not required, limited assurance is sufficient
- 2026
- 2027
- 2028
- 2029
- 2030 and beyond

We do not yet have robust data at this point in time to support a specific recommendation on when independent reasonable assurance should be mandated.
While we expect that transitioning from limited to reasonable assurance for Scope 1 and 2 GHG emissions should not take too long (possibly a year or two), the appropriate timeframe for addressing Scope 3 emissions is less certain.

We are of the view that the ultimate longer-term aim should be for standard-setting and practice to mature, such that reasonable assurance over sustainability-related information becomes the common practice. We are mindful, however, that requiring reasonable assurance at this stage is likely to incur substantial extra costs for entities which might not yet be supported by the benefits.

In view of this, we recommend that the ACSR monitors and reviews the progress of the sustainability reporting landscape over the next two years and leverage the Main Market listed issuers' implementation experience in revisiting and confirming an appropriate timeline for external reasonable assurance to be mandated. As with above, we also recommend that the ACSR concurrently capture and analyse the experience of assurance providers in Malaysia as well as other jurisdictions over the same period in relation to Scope 1, 2 and 3 emissions (be it limited or reasonable assurance).

In your view, should external assurance be made mandatory for all other common sustainability matters under Enhanced SRF? (e.g. diversity, energy management, health and safety, labour practices and standards, etc.)

See Paragraph 6.17 of the Consultation Paper for the possible approach.

- Yes
- No

Please state the reasons for your views.

Assurance in respect of sustainability matters should ideally address the full spectrum of sustainability matters. This would be in line with increasing investor demands over Environmental, Social and Governance aspects. Such assurance will enhance the integrity of sustainability reporting, lending to greater trust and confidence in the capital market and the wider marketplace. Roundtable participants were divided on the choice of reporting matters under the Enhanced SRF versus those that are considered 'high priority' (as set out below). Reporting on matters under the Enhanced SRF provides greater comparability between companies and sectors; however it may lend to disproportionate effort and cost versus value over matters that are not material to the reporting entity. We would recommend that whichever decision is finally reached in this regard, a review of the adopted approach be undertaken in a few years to revisit the cost versus value experienced.

In your view, should external assurance be made mandatory for sustainability matters that is of high priority as identified by the company? Note: This may not contain all common sustainability matters under the Enhanced SRF

- Yes
- No

Please state the reasons for your views.

As above. In addition, we wish to highlight that the term 'high priority' is not defined in the IFRS Sustainability Disclosure Standards. In this regard, we recommend that the ACSR provides more clarity and guidance on this term, particularly in view that it is likely to influence organisations' overall identification of sustainability-related and climate-related risks and opportunities, setting of targets, determining of metrics, and collection of data, thereafter affecting the organisations' determination of what information is material for reporting. We also reiterate that it is important not just to align, but also use the same language and terminology as the IFRS Sustainability Disclosure Standards where possible. This serves to facilitate comparability as well as minimise inadvertent reporting burden where there are similar, but not the same, disclosure requirements. With this in mind, we recommend instead that the proposed NFSR emulates how the ISSB has defined information as 'material' in the IFRS Sustainability Reporting Standards rather than creating a new terminology to guide disclosures.

ASSURANCE STANDARDS

Currently, Bursa has referenced recognised assurance standards as the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance engagements other than audits or reviews of historical financial information and the International Organisation for Standardisation (ISO).

In recent developments, the International Auditing and Assurance Standards Board (IAASB) has introduced the Exposure Draft of proposed International Standard on Sustainability Assurance (ISSA) 5000, an evolved version building on the ISAE 3000 (Revised). Anticipated for release by the end of 2024, ISSA 5000 aims to be a comprehensive, independent standard that is adaptable for various sustainability assurance engagements. It's designed for both accounting and non-accounting assurance practitioners and set to become the industry benchmark.

The standardisation of assurance standards is key to ensuring consistency and efficiency in the assurance process while promoting capacity-building through targeted guidance for optimal practices.

In your view, should ISSA 5000 be used as the overarching standard for all external assurance engagement on sustainability information, except when a separate conclusion on greenhouse gas statement is provided?

See Paragraph 6.20 of the Consultation Paper for the possible approach.

- ○ **Yes**
- ○ No

Please state the reasons for your views.

In the release by IOSCO in September 2022[1], IOSCO explained that it welcomes the work of IAASB (and IESBA) as IAASB's work respond to market demand for sustainability assurance that can be used to foster independent, high-quality engagements and consistent practices.

We therefore support ISSA 5000, based on the present Exposure Draft (ED), as the overarching standard for the purpose of assurance of sustainability information. In particular, ISSA 5000 can be applied to all assurance engagements on sustainability information and may be a more appropriate standard to use given that reporting by preparers will eventually expand beyond Scope 1, 2 (and later, 3) GHG information and will entail full compliance with ISSB's standards.

In the series of IAASB roundtables conducted around the world in October 2023 (including in Kuala Lumpur, hosted by the Securities Commission Malaysia), IOSCO was present in most of them and the message was clear, that they would consider if ISSA 5000 could form a sound basis for assurance engagements over general purpose sustainability-related reporting, and if determined to be fit for purpose, IOSCO would consider whether to encourage their members to consider how they might adopt the standard in their jurisdictions. If they do so, ISSA 5000 will form the global baseline for assurance standard for sustainability information the way ISSB's standards have created the global baseline of sustainability disclosures.

We support the IAASB's accelerated development of the proposed ISSA 5000 in response to the demand for high quality sustainability assurance. Globally consistent high-quality assurance over sustainability information will be important to the impact of sustainability reporting and the decisions made by users of that information.

We are also very supportive of the direction that the IAASB has taken in developing an overarching standard that can set the global baseline for sustainability assurance initially, recognising that expectations will evolve, and the standard will need to be refined over time (e.g. more standards

[1] IOSCO welcomes the consultation on the Proposed International Standard on Sustainability Assurance (ISSA) 5000 and the global outreach program

within the 5000 series may need to be developed). As noted in the consultation paper, ISSA 5000 builds on existing standards, including ISAE 3000 (Revised) and ISAE 3410. ACCA considers the IAASB's extant standard ISAE 3000 (Revised) and the Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting (EER) Assurance as a strong foundation for those intending to undertake a sustainability assurance engagement before the completion of ISSA 5000.

In addition to the above, as proposed in the ED ISSA 5000, ISSA 5000 applies to all assurance engagements on sustainability information, except when the practitioner is providing a separate conclusion on a GHG statement, in which case ISAE 3410 applies. We recommend that the ACSR closely monitors IAASB's decisions over the course of 2024 as the board analyses and addresses feedback they have received from the public consultation of the ED.

Assuming external assurance for greenhouse gas emissions is made mandatory, which standards should be used to provide a conclusion on greenhouse gas emission? (You may choose more than one option)

See Paragraph 6.20 of the Consultation Paper for the possible approach.

- ☐ ISAE 3410 Assurance Engagements on Greenhouse Gas Statements
- ☐ ISO 14064-3 Greenhouse gases – Part 3: Specification with guidance for the verification and validation of greenhouse gas statements
- ☐ Other:___________________

Please state the reasons for your views.

As stated above – per ISAE 3410. As suggested above, ACSR should monitor IAASB's decisions over the course of 2024, including whether the board decides to continue keeping ISAE 3410 separate from ISSA 5000.

In your view, should assurance providers (engagement partners and assurance firms/companies) be licensed – similar to that imposed on the financial assurance service providers?

Integral to the assurance process is the engagement of licensed assurance providers. These providers are bound by strict professional standards and ethical guidelines, ensuring that their assurance services are of the highest quality and integrity.

- o **Yes**
- o No

Please state the reasons for your views.

IOSCO has carried out engagement and fact-finding work with various stakeholder groups, including investors, issuers, and assurance providers and in March 2023, and has issued a report setting out some key considerations for stakeholders across the corporate reporting ecosystem, including the standard setters. Specifically, IOSCO 'welcomes the standard setters' work towards profession-agnostic assurance and ethics (including independence) standards that build on the requirements and principles of existing standards, and that can apply across all reporting framework'. IAASB has been developing, at pace, an assurance standard (ISSA 5000) that aligns with the direction set out by IOSCO. And it's the same with IESBA with the development of their profession-agnostic Ethics Code.

Exposure Draft (ED) ISSA 5000 (released in July 2023, public consultation period ended in December 2023) notes that engagement leaders 'shall have' (para 32)

a) Competence and capabilities in assurance skills and techniques developed through extensive training and practical application;
b) An understanding of the relevant ethical requirements, including those related to independence, that are applicable given the nature and circumstances of the assurance engagement; and
c) Sustainability competence sufficient to accept responsibility for the conclusions reached on the engagement.

We believe professional accountants are well placed to lead the reporting and assurance of sustainability-related information, working in collaboration with others to ensure confidence and trust in the creation, protection, and communication of value to entities and society. Professional accountants have the qualification and experience in applying the professional judgement needed in assurance engagements (reasonable and limited), which are underpinned by a strong code of ethics that safeguards independence.

We recognise that ‘sustainability competence’ (defined as ‘competence in sustainability matters that are the subject of the sustainability assurance engagement and in their measurement or evaluation’ in the ED) varies based on the sustainability information subject to assurance, where non-accounting practitioners involved in such assurance work are quite often subject matter experts.

Relying on the work of experts is however not new to a licensed auditor. In the context of financial audits, there is a dedicated International Standard on Auditing (ISA) 620, that provides requirements and guidance relating to using the work of an expert. The need to leverage on experts’ work has arguably expanded with sustainability assurance.

In evaluating the need for assurance providers to be licensed and indeed regulated, it is important to appreciate two of the non-negotiable aspects of IAASB standards that underpin quality - ethical standards and quality management standards (ref. ED ISSA 5000 para 5).

Regulators often have power to regulate and perform oversight work on financial audits but not necessarily on other assurance engagements. Effective oversight of independent assurance is critical to the reliability and integrity of sustainability reporting, to ensure that quality of assurance is attained, and the interests of investors and other users of such assurance are protected.

We believe therefore that it is important that a robust system of oversight is established to review and approve practitioners who are seeking to conduct such assurance work based on an agreed standard/qualification, and to establish effective oversight of the assurance work performed to ensure that they are performed in accordance with the assurance standard(s) approved within the jurisdiction. This must include the practitioners’ adherence to the relevant ethical, including independence requirements and relevant quality management standards.

We recommend that the ACSR develops and communicates a clear roadmap for licensing and oversight of assurance providers or commits to produce a clear timetable at the point at which it is feasible. This will provide certainty and a clear signal not just to users of sustainability information but the entire ecosystem.

ASSURANCE APPROACH

In your view, what are some enablers and forms of support needed to comply with mandatory external limited assurance?

Please select at most 3 options.

- ☐ **Illustrative guide (ie. documentation necessary for assurance activities, sample case studies, quality control/review procedures, framework overview)**
- ☐ **Capacity building (ie. trainings and accreditation for assurance providers)**
- ☐ **Knowledge hub (ie. consolidating all practice guidelines, case studies and webinars for ISSB implementation, including database to access emission factors and industry specific metrics)**
- ☐ Incentives (ie. increased access to capital)
- ☐ Other:___________________

In line with the ongoing work of the International Auditing and Assurance Standards Board (IAASB) in developing a globally consistent set of standards for sustainability assurance engagements, which commences with their overarching standard, ISSA 5000 *General Requirements for Sustainability Assurance Engagements*, ACCA is committed to building the necessary competency and capability of sustainability assurance providers in applying assurance and sustainability skills, with an understanding of the ethical requirements for carrying out assurance engagements. These sustainability assurance providers may comprise accountants and non-accountants.

END OF CONSULTATION PAPER

Your responses may be made public by the SC. Do you wish for your name to remain confidential?

- ○ Yes
- ○ **No**