



MINISTRY OF FINANCE

# NATIONAL SUSTAINABILITY REPORTING FRAMEWORK

## Advisory Committee on Sustainability Reporting (ACSR)

Chaired by:



Members:



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## FOREWORD BY MINISTER OF FINANCE II



“ The NSRF is another critical lever to ensure Malaysia is well-positioned to face the challenges of the future, while building a resilient, inclusive, and sustainable economy for generations to come ”



As the global landscape shifts towards sustainable development, Malaysia is taking decisive steps to ensure that our economic roadmap focuses on inclusive and sustainable growth that supports both environmental and social objectives. The National Sustainability Reporting Framework (NSRF) serves as a crucial guide for how we, as a nation, will align our sustainability efforts, particularly with respect to reporting, with the globally recognised standards set by the International Sustainability Standards Board (ISSB), specifically the *IFRS S1 General Requirements for Sustainability-related Disclosures* and *IFRS S2 Climate-related Disclosures*.

These standards offer a framework for companies to disclose reliable, decision-useful and globally comparable sustainability information, and the NSRF is Malaysia's strategy and approach to integrate these standards into our reporting and regulatory landscape. By adopting the standards, Malaysia aims to enhance transparency, accountability, and trust in companies and further support investors, policymakers, and civil society to assess how companies are navigating sustainability challenges and making decisions that impact both the economy and the environment. While the upfront investment in sustainable practices may seem significant, the long-term benefits outweigh the cost – consumer and investors are increasingly prioritising sustainability, which means companies ignoring this, risk losing market share and investment.

The NSRF not only reflects our commitment to enhancing the quality of sustainability reporting in Malaysia but also marks a significant step forward in harmonising our national framework with international standards – using a common language for sustainability reporting.

This alignment will enable Malaysian businesses to remain competitive in the global market, while ensuring that we meet our national goals, including our commitment to the United Nations Sustainable Development Goals (SDGs) and our aspirations for a low-carbon, resilient economy.

I would like to extend my gratitude to all stakeholders – regulators, businesses, financial institutions, the civil society, who have contributed to the development of the NSRF. Together, we are laying the groundwork for a sustainable future where Malaysia's economic progress is underpinned by responsible, transparent, and climate-conscious practices.


The NSRF is another critical lever to ensure Malaysia is well-positioned to face the challenges of the future, while building a resilient, inclusive, and sustainable economy for generations to come.

**YB Senator Datuk Seri Amir Hamzah Azizan**  
Minister of Finance II

PREFACE BY  
**CHAIRMAN**  
**SECURITIES COMMISSION MALAYSIA**



“ Our journey towards a smooth and just transition is not just an economic or environmental challenge – it is a moral and ethical one ”



There is an urgent need to accurately measure and manage sustainability risks and opportunities effectively, as well as to address climate adaptation and resilience.

The National Sustainability Reporting Framework (NSRF) is intended to move companies towards a common global language for sustainability reporting – a framework to improve transparency, accountability and data availability on key sustainability matters. The NSRF was developed by the Advisory Committee on Sustainability Reporting after careful evaluation of existing standards and consultation with key stakeholders including preparers, audit and assurance providers, investors, climate experts, government-linked companies (GLCs) as well as government-linked investment companies (GLICs).

Public consultations, targeted engagements, surveys were also undertaken to ensure we had the information and arguments to formulate the best approach for Malaysia. We recognised the varying state of readiness, hence a phased approach in implementation was adopted with more guidance and support. We were also mindful of the expectations for Malaysia as a trading nation and a key component of global supply chains.

I would like to record my appreciation to the Ministry of Finance for their support throughout the process of developing the framework and their endorsement of the NSRF. My deepest gratitude to fellow members of the Advisory Committee of Sustainability Reporting for their commitment and contribution. Our journey towards a smooth and just transition is not just an economic or environmental challenge – it is a moral and ethical one. We must all work together to serve the greater good. A nation that moves ahead while upholding the values of fairness, compassion and sustainability.

**Dato' Mohammad Faiz Azmi**  
Chairman, Securities Commission Malaysia

# EXECUTIVE SUMMARY

The **National Sustainability Reporting Framework (NSRF)** addresses the use of the IFRS® Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB), specifically the *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information*, and *IFRS S2 Climate-related Disclosures* (collectively referred to as the ISSB Standards), as the baseline sustainability disclosure standards for companies in Malaysia, as well as the assurance requirements for sustainability reporting<sup>1</sup>.

The NSRF is meant to ensure corporate Malaysia provides **consistent, comparable and reliable sustainability information** to enhance Malaysia's competitiveness and attractiveness to investors.

Implementation of the NSRF will be through a **phased and developmental approach**, supporting widespread adoption and continuous improvement in the quality of disclosures. The NSRF attempts to follow the ISSB Standards closely as well as leveraging the reliefs provided by the ISSB. Given the varying levels and maturity in sustainability practices and reporting of companies, the NSRF spreads the adoption timeline to take into account the anticipated challenges.

## Implementation of the NSRF

Applicable entities		Timeline <sup>2</sup>					
		2025	2026	2027	2028	2029	2030
Group 1	Main Market listed issuers with market capitalisation of RM2 billion and above	IFRS S1 and S2	IFRS S1 and S2	Full adoption IFRS S1 and S2 Scope 3 GHG emissions disclosures	Full adoption IFRS S1 and S2 Scope 3 GHG emissions disclosures	Full adoption IFRS S1 and S2 Scope 3 GHG emissions disclosures	Full adoption IFRS S1 and S2 Scope 3 GHG emissions disclosures
Group 2	Main Market listed issuers (other than listed issuers in Group 1)	IFRS S1 and S2	IFRS S1 and S2	Full adoption IFRS S1 and S2 Scope 3 GHG emissions disclosures	Full adoption IFRS S1 and S2 Scope 3 GHG emissions disclosures	Full adoption IFRS S1 and S2 Scope 3 GHG emissions disclosures	Full adoption IFRS S1 and S2 Scope 3 GHG emissions disclosures
Group 3	<ul style="list-style-type: none"> <li>ACE Market listed issuers</li> <li>Non-listed companies (NLCos) with annual revenue of RM2 billion and above<sup>3</sup></li> </ul>	IFRS S1 and S2	IFRS S1 and S2	Full adoption IFRS S1 and S2 Scope 3 GHG emissions disclosures	Full adoption IFRS S1 and S2 Scope 3 GHG emissions disclosures	Full adoption IFRS S1 and S2 Scope 3 GHG emissions disclosures	Full adoption IFRS S1 and S2 Scope 3 GHG emissions disclosures
<b>Assurance</b>		<ul style="list-style-type: none"> <li>Aim for reasonable assurance for Scope 1 and Scope 2 GHG emissions starting 2027</li> <li>Accounting and non-accounting practitioners</li> </ul>					
<b>Location of disclosures and timing of reporting</b>		Applicable entities shall adhere to their respective regulator's requirements on location and timing of reporting.					

\*Assurance framework will be subject to further consultation

## Reliefs and exemptions to facilitate adoption

Additional transition reliefs commencing from the first annual reporting period of the respective applicable entities	Group 1 & 2	Group 3
<ul style="list-style-type: none"> <li>Permissible to disclose information on only climate-related risks and opportunities (in accordance with IFRS S2)</li> </ul>	2 years	3 years
<ul style="list-style-type: none"> <li>Permissible to focus climate-related disclosures specifically on principal business segments</li> </ul>		
<ul style="list-style-type: none"> <li>Permissible to not disclose Scope 3 emissions, except for categories already required by respective regulators</li> </ul>		

Large NLCos whose holding company:

- already reports using ISSB-aligned standards or equivalent standards such as the European Sustainability Reporting Standards (ESRS)<sup>4</sup> 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 Registrar.

1 The framework for sustainability assurance including the assurance providers, will be announced after further consultation with relevant stakeholders.  
 2 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).  
 3 The threshold is calculated based on consolidated group revenue of RM2 billion or more for two consecutive financial years preceding the current financial year. In the absence of group-level revenue, the threshold will be measured at the company level. This is intended to align with the entity's existing financial reporting practices.  
 4 Additional guidance on the standards and frameworks that will be accepted for the exemptions may be issued.



# I. Introduction

In Malaysia, sustainability lies at the heart of our vision for the future. In keeping with the principles of MADANI, Malaysia has declared its commitment to achieving carbon neutrality and aims to become a net zero greenhouse gas (GHG) emission nation by 2050. This goal aligns with global efforts, with over 140 countries covering 88% of global emissions aiming for net zero emissions by 2050.

We cannot overstate the urgency of our climate commitments. Beyond environmental concerns, the climate crisis is a human rights issue, impacting lives, livelihoods and global stability. It exacerbates food and water shortages, displaces communities and even triggers conflicts. The environmental and social aspects of sustainability are clearly, closely intertwined. Thus, the role of government is central, by providing a disclosure framework for companies to first measure then hold themselves accountable over their emissions commitments and targets, and drive more sustainable business conduct and outcomes. In **Appendix A**, we outline some of the science-based data to show how critical the reduction of emissions is and the rapid consumption of the 'Carbon Budget' currently which will lead to permanent high temperatures.

Our sustainability commitments also share a common goal with the *maqasid al-Shariah*, as introduced by the Securities Commission Malaysia's *Maqasid Al-Shariah Guidance Islamic Capital Market Malaysia*, in November 2023, emphasising on Humanity; Justice and Benevolence; Clarity & Transparency; and Fiduciary & Accountability, among others. In **Appendix B**, we explain how the protection of the environment is embedded in the principles and intention of Shariah and why there is a moral imperative, as reflected by Shariah views for boards, management and employees of companies to assess their impact on the environment.

Substantial investments in technology, infrastructure, and human capital are needed to fulfil these commitments. Investors play a vital role in this journey, seeking consistent, comparable and reliable sustainability information.

To meet these demands, the Advisory Committee on Sustainability Reporting (ACSR)<sup>1</sup>, with the endorsement of the Ministry of Finance, has developed the **National Sustainability Reporting Framework (NSRF)**. This framework addresses the use of the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB), specifically the *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information*, and *IFRS S2 Climate-related Disclosures* (collectively referred to as the ISSB Standards), as the baseline sustainability disclosure standards for companies in Malaysia, as well as the assurance requirements for sustainability reporting.

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<sup>1</sup> The Advisory Committee on Sustainability Reporting (ACSR) is an inter-agency committee which comprise representatives from Securities Commission Malaysia, Audit Oversight Board of the Securities Commission Malaysia, Bank Negara Malaysia, Companies Commission of Malaysia, Bursa Malaysia, and the Financial Reporting Foundation.

The ISSB Standards were developed to meet the increasing global demand for consistent, comparable and reliable sustainability information. They build on market-led, investor-focused initiatives including those by the Climate Disclosure Standards Board (CDSB), Task Force on Climate-related Financial Disclosures (TCFD), Value Reporting Foundation's Integrated Reporting Framework and industry-based Sustainability Accounting Standards Board (SASB) Standards. The International Organization of Securities Commissions (IOSCO), after undertaking a comprehensive and independent review of the ISSB Standards, has also endorsed the standards as fit for capital market use<sup>2</sup>.

By using the **ISSB Standards as the baseline sustainability disclosure standards**, the NSRF aims to enhance the availability of consistent, comparable and reliable sustainability information including on climate-related risks and opportunities. This not only strengthens Malaysia's attractiveness as an investment destination, but also aligns investment flows with our national targets and aspirations. Globally, investors managing over US\$120 trillion in assets under management, have signalled their strong support for companies using the ISSB Standards, underscoring their role in enhancing corporate transparency and accountability.

The development of the NSRF has been a collaborative effort, involving extensive engagements with stakeholders across sectors through a public consultation, focus groups, surveys and dialogues with ministries and agencies. The ACSR has assessed the ecosystem's readiness, which includes both listed and non-listed issuers, along with the information needs of various stakeholders.

The NSRF will be implemented through the required legislative and rule amendments using a **phased and developmental approach**, supporting widespread adoption and continuous improvement in the quality of disclosures. Further details on the related amendments are available in Section IX. Companies can also voluntarily use other complementary reporting frameworks and recommendations in addition to the ISSB Standards, to meet the information needs of different stakeholders.

The ISSB has sought public feedback on its future priorities as well as standard-setting projects. In terms of the use of future disclosure standards which may be issued by the ISSB by companies in Malaysia, such decision will only be made after the required due process, including the necessary consultations.

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<sup>2</sup> On 25 July 2023, IOSCO called on its 130 member jurisdictions, regulating more than 95% of the world's financial markets, to consider ways in which they might adopt, apply or otherwise be informed by the ISSB Standards within the context of their jurisdictional arrangements, in a way that promotes consistent and comparable climate-related and other sustainability-related disclosures for investors.

## II. Phased and developmental approach

- 2.1 The need for the NSRF to be implemented through a phased and developmental approach stems from the varying maturity of companies' readiness to use the ISSB Standards, their sustainability reporting practices and internal capabilities. This approach entails:
- a. **adopting a climate-first approach;**
  - b. **providing additional transition reliefs to facilitate use of the standards; and**
  - c. **providing capacity building programmes and support to help companies, large and small, to comply with these standards.**
- 2.2 The ISSB also recognises that some entities might experience challenges in applying the standards due to, among other factors, a lack of resources, the quality of external data or the difficulty in obtaining the necessary expertise. To address this, the ISSB has introduced proportionality mechanisms (as outlined in Section VI) and transition standard reliefs in the standards, which the ACSR has incorporated into the NSRF.

## III. Implementation support

- 3.1 The ACSR will focus on capacity building programmes and tools to support companies in using the ISSB Standards. These measures will be implemented through an initiative referred to as **PACE (Policy, Assumptions, Calculators and Education)** – a hub for implementation support of the NSRF. PACE will, among others:
- a. Run capacity building programmes for companies;
  - b. Make available NSRF-related educational materials, guidance, toolkits and an emissions calculator;
  - c. Provide granular help; and
  - d. Derive consensus on key assumptions and disclosures.
- 3.2 Subject to legislative amendments, the role of the Malaysian Accounting Standards Board (MASB) as the national accounting standard-setter will be expanded to include sustainability disclosure standards setting and related supporting activities in its application as provided in the Financial Reporting Act 1997.

Similar to the accounting standards that are based on the IFRS Accounting Standards, the sustainability disclosure standards will be based on the ISSB Standards.

## IV. Applicable entities

4.1 This framework applies to the following market segments (applicable entities):

- a. Main Market listed issuers on Bursa Malaysia;
- b. ACE Market listed issuers on Bursa Malaysia; and
- c. Non-listed Companies (NLCos), if they meet the prescribed threshold of consolidated group revenue of RM2 billion and above for two consecutive financial years preceding the current financial year (Large NLCos). In the event there is no requirement to prepare consolidated account, the threshold of RM2 billion would be applicable at company level. This is intended to align with the entity's existing financial reporting practices.

4.2 The inclusion of NLCos as an applicable entity is based on the premise that economically or environmentally significant companies are not limited to public listed entities. This is because NLCos are integral to the broader supply chain. The prescribed revenue threshold of RM2 billion and above was determined through a benchmarking exercise against other jurisdictions<sup>3</sup> implementing the ISSB Standards. This threshold also takes into account the economic and environmental significance of these companies, considering the scale of their operations and influence within their industries.

4.3 Other entities that do not fall under paragraph 4.1 may voluntarily adopt the requirements under the NSRF to provide their sustainability and climate-related disclosures. Entities operating in hard-to-abate sectors, as well as those covered under the Carbon Border Adjustment Mechanism (CBAM) sectors such as cement, metals (i.e. iron, steel, and aluminium), chemicals, fertilisers, electricity, hydrogen, and petroleum are highly encouraged to report in accordance with the NSRF. Where appropriate, relevant regulatory bodies may also subject other entities to adopt the requirements under their respective legislation.

4.4 For avoidance of doubt, regulators may prescribe upon respective regulatees, expectations in addition to the NSRF.

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<sup>3</sup> Australia, the European Union, and Singapore have included non-listed companies in the scope of entities required to provide sustainability- and climate-related disclosures.

## V. Adoption timeline

5.1 Considering the varying levels of readiness and maturity across different market segments, the use of the ISSB Standards will be phased-in, as outlined in **Table 1** below:

**Table 1: Applicable entities and adoption timeline**

Group	Applicable entities	Annual reporting periods beginning on or after <sup>4</sup>
Group 1	<ul style="list-style-type: none"><li>Main Market listed issuers with market capitalisation (excluding treasury shares) of RM 2 billion and above as of 31 December 2024, or as at the date of its listing after 31 December 2024</li></ul>	1 January 2025
Group 2	<ul style="list-style-type: none"><li>Main Market listed issuers (other than listed issuers in Group 1)</li></ul>	1 January 2026
Group 3	<ul style="list-style-type: none"><li>ACE Market listed issuers</li><li>Large NLCos</li></ul>	1 January 2027

5.2 Large NLCos, whose holding company already reports using ISSB-aligned standards or equivalent standards such as the European Sustainability Reporting Standards (ESRS)<sup>5</sup> may leverage on the holding company's sustainability- and climate-related disclosures.

5.3 Large NLCos, whose holding company reports using other international standards and frameworks (e.g., Global Reporting Initiative Standards (GRI Standards) and TCFD) may be given exemption from reporting for three reporting periods but this will be subjected to the policy decision of the Registrar<sup>6</sup>. Thereafter, Large NLCos shall use the ISSB Standards for annual financial reporting periods beginning on or after 1 January 2030.

<sup>4</sup> For avoidance of doubt, annual reports issued for 'annual reporting periods beginning on 1 January 2025' is equivalent to annual reports issued for 'financial year ending 31 December 2025'.

<sup>5</sup> Additional guidance on the standards and frameworks that will be accepted for the exemptions may be issued.

<sup>6</sup> 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.

## VI. Proportionality mechanisms and additional transition reliefs

6.1 The ISSB has introduced proportionality mechanisms within the ISSB Standards to accommodate applicable entities with varying levels of maturity and readiness, as outlined in **Table 2**. These mechanisms further support the phased and developmental approach of the NSRF.

**Table 2: Proportionality mechanisms**

Proportionality mechanisms	Applicable disclosure
Information used limited to what is reasonable, supportable and available without undue cost and effort	For disclosure requirements: <ol style="list-style-type: none"> <li>a) Identification of climate-related risks and opportunities<sup>7</sup></li> <li>b) Determination of anticipated financial effects of a sustainability-related and climate-related risk or opportunity<sup>8</sup></li> <li>c) Climate-related scenario analysis<sup>9</sup></li> <li>d) Specified climate-related metrics<sup>10</sup> <ul style="list-style-type: none"> <li>• Climate-related transition risks</li> <li>• Climate-related physical risks</li> <li>• Climate-related opportunities</li> </ul> </li> <li>e) Measurement of Scope 3 GHG emissions<sup>11</sup></li> <li>f) Determination of the scope of the value chain<sup>12</sup></li> </ol>
Qualitative approaches (instead of quantitative approaches) allowed if an entity lacks skills, capabilities or resources	<ol style="list-style-type: none"> <li>a) when determining an appropriate approach to use for its climate-related scenario analysis<sup>13</sup></li> <li>b) when determining whether it is able to provide quantitative information about anticipated financial effects of sustainability and climate-related risks or opportunities<sup>14</sup></li> </ol>

<sup>7</sup> IFRS S2 Paragraph 11.

<sup>8</sup> IFRS S1 Paragraph 37-39, IFRS S2 Paragraph 18-20.

<sup>9</sup> IFRS S2 Paragraph B1-B7.

<sup>10</sup> IFRS S2 Paragraph 30.

<sup>11</sup> IFRS S2 Paragraph B39.

<sup>12</sup> IFRS S2 Paragraph B36.

<sup>13</sup> IFRS S2 Paragraph B1-B7.

<sup>14</sup> IFRS S1 Paragraph 37-39, IFRS S2 Paragraph 18-20.

6.2 In line with the NSRF's **climate-first approach**, applicable entities may also avail themselves to the following additional transition reliefs (ATR), as outlined in **Table 3**. Given the varying levels of readiness, and to support a smoother transition to full use of the ISSB Standards, the NSRF **extends these reliefs for the first two reporting periods for Groups 1 and 2, and the first three reporting periods for Group 3**. The focus on principal business segments (ATR 2) will facilitate applicable entities to concentrate on collecting data for the operating activities that contribute the most to their performance.

**Table 3: Additional transition reliefs**

Additional transition reliefs commencing from the first annual reporting period of the respective applicable entities	Duration of reliefs	
	Group 1 & 2	Group 3
<p><b>ATR 1</b></p> <p>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"> <li>• Applicable entities are not required to disclose comparative information about its climate-related risks and opportunities in the first annual reporting period; and</li> <li>• 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.</li> </ul> <p><i>(IFRS S1 Paragraph E5 - E6)</i><sup>15</sup></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><b>ATR 2</b></p> <p>Applicable entities are permitted to focus on providing climate-related disclosures for principal business segments.</p>		
<p><b>ATR 3</b></p> <p>Applicable entities are permitted to not disclose Scope 3 GHG emissions (<i>IFRS S2 Paragraph C4(b)</i>), except for categories already required by applicable entities' respective regulators.</p>		

<sup>15</sup> Number of years displayed is inclusive of the existing transition relief of 1 year. Please refer to paragraph E5 of IFRS S1.

6.3 At the end of the ATR 3 relief period, applicable entities are expected to apply IFRS S2 to disclose relevant Scope 3 GHG emissions, in accordance with the Scope 3 categories described in the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. As provided for under the ISSB proportionality mechanism (see Table 2), applicable entities are to use all reasonable and supportable information that is available to the entity without undue cost or effort when measuring Scope 3 GHG emissions.

## VII. External assurance requirements

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

7.2 Currently, the use of external assurance is voluntary. 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 in order to provide investors with the same level of trust and confidence akin to audited financial statements. The proposed timing for the remaining applicable entities is as reflected in **Table 4**.

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

7.4 The framework for assurance of sustainability information, including the assurance providers, will be announced after further consultation and engagements with relevant stakeholders.

**Table 4: External assurance timeline**

Group	Reasonable assurance for annual reporting periods beginning on or after <sup>16</sup>
Group 1	1 January 2027
Group 2	1 January 2028
Group 3	1 January 2029

<sup>16</sup> Timeline for mandatory reasonable assurance is subject to further consultations.



## VIII. Location of disclosures and timing of reporting

8.1 Applicable entities shall adhere to their respective regulator's requirements on location and timing of reporting.

## IX. Related legal instruments and policy documents

9.1 Subject to legislative amendments, the MASB's role as the national accounting standard-setter will be expanded to include setting the Malaysian sustainability disclosure standards. Similar to the accounting standards that are based on the IFRS Accounting Standards, the sustainability disclosure standards will be based on the ISSB Standards.

9.2 Consequential amendments to the relevant legislation, rules, and guidelines shall be undertaken to adopt this framework, which include and are not limited to the following:

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

## X. Closing

10.1 The implementation of the NSRF will be overseen by the ACSR, and supported by PACE, until MASB undertakes its functions as the domestic sustainability disclosure standards setter, which is expected to be in early 2027.

10.2 Further information on the NSRF is available at [www.sc.com.my/nsrf](http://www.sc.com.my/nsrf). Queries on the NSRF and PACE can be directed to [nsrf@seccom.com.my](mailto:nsrf@seccom.com.my).

## APPENDIX A:

### The Climate Crisis

Human activities have unequivocally caused global warming, fuelling record setting wildfires, historic floods, prolonged droughts and scorching heatwaves. Recognised as a global risk for several decades, climate change is projected to dominate the list of top threats in the coming decade.

The Paris Agreement, adopted in 2015, aims to limit this temperature increase by setting a goal to keep the rise well below 2°C above pre-industrial levels, with efforts to limit the increase to 1.5°C<sup>1</sup>. On the current trajectory, global warming is estimated to reach 3°C, leading to catastrophic worldwide impacts. This includes a 97% increase in the area burned by wildfires, droughts lasting as long as 10 months, 41% of mammals losing their habitats, and a 63% probability of an ice-free Arctic summer<sup>2</sup>.

To have a 50% chance of keeping global warming to 1.5°C, the remaining carbon budget is 275 gigatonnes CO<sub>2</sub>, from 2024 to 2050. If emissions continue at 2023 levels, this budget will be exhausted in 7 years<sup>3</sup>. Operating within the global carbon budget requires coordinated efforts from all countries, including setting national targets for reducing emissions.

In 2016, Malaysia signed and ratified the Paris Agreement to demonstrate its commitment to global climate action. Malaysia's near-term commitment aims for a 45% reduction in economy-wide carbon intensity by 2030 compared to 2005 levels. In the long term, Malaysia aspires to achieve net-zero emissions by 2050<sup>4</sup>.

Climate change impacts in Malaysia are mainly due to rising temperature, increased precipitation, flooding, and sea-level rise. Historical trends indicate that the surface mean temperature in Peninsular Malaysia, Sabah, and Sarawak has increased by approximately 0.14°C to 0.25°C per decade between 1970 and 2013. In March 2024, the heatwave has resulted in one death and 27 heat-related illnesses<sup>5</sup>. If the current trajectory continues, heat-related deaths for individuals aged 65 and older in Malaysia are projected to rise by 45 times by 2080 from 1961-1990 baseline. Additionally, vector-borne diseases may also increase, exposing 43 million people in Malaysia to the risk of malaria by 2070<sup>6</sup>.

Since 1990, rainfall frequency and intensity across these regions has increased, raising the likelihood and severity of flash flooding and associated hazards such as landslides<sup>6</sup>. Flooding is expected to be the most damaging natural hazard for Malaysia, increasing in frequency and in intensity. Since 2000, floods have accounted for 85% of all natural disasters in the country, with eight major floods recorded in 2021 alone, compared to an expected average of two per year<sup>7</sup>.

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1 [AR6 Synthesis Report, IPCC](#)

2 [Emissions Gap Report 2023, UN](#)

3 [Global Carbon Budget 2023, Global Carbon Project](#)

4 [Malaysia Aims To Be Well-Positioned To Reduce Emissions, Ready For Low-Carbon Economy – PM Anwar, Prime Minister's Office of Malaysia](#)

5 [Heatwave kills 1, sickens 27 in Malaysia | The Star](#)

6 [Climate risk country profile: Malaysia, World Bank](#)

7 [Financial Stability Review: Second Half 2023, BNM](#)

A special report by the Department of Statistics Malaysia estimated that overall flood-related losses in 2023 amounted to RM0.8 billion, equivalent to 0.04% against nominal Gross Domestic Product. Living quarters and public assets and infrastructure losses amounted to RM168.3 million and RM380.7 million respectively<sup>8</sup>. Under the current trajectory, it is anticipated that 70,000 people will be affected and approximately \$1.8 billion in damages will be incurred by 2030<sup>6</sup>.

Climate change also poses significant threats to key sectors of the Malaysian economy, such as tourism and agriculture. Tourism infrastructure faces increased risks of inundation, and extreme heat can reduce Malaysia's attractiveness as a tourist destination. For agriculture, rising temperature and intense rainfall may affect yields, land suitability for cultivation, and labour productivity<sup>6</sup>.

These effects of climate change have the potential to widen social disparities and exacerbate social inequality due to cost of adaptation, such as the cost of healthcare and disaster preparedness. For example, low-income farmers and communities will be most exposed to heat stress and will face challenges in affording adequate irrigation infrastructure and adaptation technologies<sup>6</sup>.

In addition to physical risks, Malaysia also faces transition risks due to climate change. For instance, the European Union's (EU) CBAM that aims to assign a cost on the carbon emitted during the production of carbon-intensive goods entering the EU<sup>9</sup>. As an export-oriented country, Malaysia could see up to 75% of its exports to the EU affected by CBAM<sup>10</sup>.

Considering the current climate, it is crucial to implement a comprehensive climate change strategy that includes both adaptation and mitigation measures. Climate finance will be essential for climate change adaptation and mitigation, providing essential resources for developing and implementing strategies. The National Energy Transition Roadmap (NETR) estimates Malaysia's energy transition financing needs at between RM 1.2 trillion and RM 1.3 trillion by 2050, underscoring the climate-first approach by the NSRF<sup>11</sup>. This framework responds to the demands of stakeholders, particularly investors seeking robust climate-related information, thereby facilitating climate financing to support Malaysia in meeting its climate commitments.

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8 [Losses Of RM0.8 Billion Caused By Floods Recorded In Malaysia In 2023: DOSM, Business Today](#)

9 [Carbon Border Adjustment Mechanism, EU](#)

10 [New Investment Policy: Policy that delivers the national investment aspiration, MITI](#)

11 [Malaysia to Launch RM 2 Billion Initial Energy Transition Fund, Bursa](#)

## APPENDIX B:

### The Maqasid Al Shariah

In Islam, human beings are regarded as *khalifah* (vicegerents) on Earth, entrusted with the responsibility of managing not only the affairs of human beings, but also safeguarding the planet and its resources. This stewardship extends beyond the present, ensuring the well-being of future generations.

*Abu Sa'id Khudri reported that Allah's Messenger PBUH said, "The world is sweet and green (alluring) and verily Allah is going to install you as vicegerent in it in order to see how you act." – Muslim*

Preserving humanity and nature is a shared principle across many faiths and religion, forming a central goal for human existence. In Islam, the Shariah is founded on the notions of guiding and enriching human life, with rules that aim to safeguard these values and promote the betterment and advancement of human life.


In 2023, the SC introduced the *Maqasid Al-Shariah Guidance Islamic Capital Market Malaysia* (Guidance), a principles-based document aimed at shaping a stakeholder economy. This Guidance outlines six aspirations and 15 guiding principles, all aimed on promoting human welfare in financial transactions, particularly in the capital market.

One of the main aspirations of the Guidance is *al-Insaniyyah* (Humanity), which promotes transactions that are not only legally valid, but also characterised by kindness, compassion, and consideration. This approach seeks to balance human needs with environmental preservation, ensuring harmony and sustainability for future generations.

The Shariah also emphasises the principles of conservation, moderation, and sustainable practices. Allah the Almighty said:

*"Do no mischief on the earth, after it hath been set in order, but call on Him with fear and longing (in your hearts): for the Mercy of Allah is (always) near to those who do good." Holy Quran 7:56*

These principles carry through to today's sustainability goals and form the foundation for achieving them. The Shariah teaches that it is the duty of human beings to serve benefits (*jalb al-masalih*) and prevent harm (*dar' al-mafasid*). Serving benefits entails pursuing initiatives that promote the well-being and welfare of individuals and society. It encourages actions that contribute to the betterment of people and the planet, while adhering to Shariah norms and teachings. Preventing harm focuses on the prevention of behaviours that lead to undesirable outcomes, such as avoiding activities that can cause harm to the people and the planet.



The expectations placed on businesses have grown and will continue to intensify as we urgently address pressing challenges like the climate crisis. It is no longer just about profitability, but about the means by which companies generate their revenue, the extent of harm avoided in the process, and whether they leave a positive impact on society.

This aligns with the third aspiration of the Guidance, *al-Wudhuh wa al-Syafaiyyah* (Clarity and Transparency) which seeks to minimise dishonest practices and protect society from manipulation and exploitation by emphasising the value of transparency in decisions, processes, transactions, and governance. This commitment to transparency is crucial in efforts to combat greenwashing and support the disclosure of consistent, comparable, and reliable sustainability information.

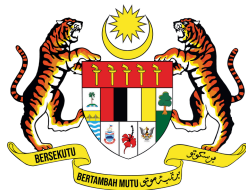
Whether individually, or collectively, such as in boards, the role as *khalifah* or stewards applies. It is undeniable that boards and companies must operate transparently. Transparency through reporting is key, as it also facilitates better capital allocation decisions. Investors, through their capital, wield significant influence, driving companies to take genuine and impactful measures to sustain both the business and the environment in which they operate.

The SC's *Maqasid Al-Shariah Guidance Islamic Capital Market Malaysia* can be downloaded [here](#).

# GLOSSARY

Term	Definition
<b>ACE Market</b>	A sponsor-driven market of Bursa Malaysia designed for companies with growth prospects. It was repositioned from the MESDAQ Market after 3 August 2009. Sponsors must assess the suitability of the potential issuers, taking into consideration attributes such as business prospects, corporate conduct and adequacy of internal control.
<b>ACSR</b>	Advisory Committee on Sustainability Reporting.
<b>Audit Oversight Board (AOB)</b>	A body established under the Securities Commission Act Malaysia 1993 to promote and develop an effective audit oversight framework and to promote confidence in the quality and reliability of audited financial statements in Malaysia.
<b>CBAM</b>	Carbon Border Adjustment Mechanism.
<b>ESRS</b>	European Sustainability Reporting Standards.
<b>Financial Reporting Foundation (FRF)</b>	An independent body established under the Financial Reporting Act 1997. The FRF establishes a sound and effective infrastructure for the financial reporting framework in Malaysia including, as a sounding board to MASB in matters which MASB undertakes pursuant to its functions. The FRF is also responsible for the oversight of the MASB's performance, financial and funding arrangements.
<b>GDP</b>	Gross Domestic Product.
<b>GRI Standards</b>	Global Reporting Initiative Standards.
<b>IFRS</b>	International Financial Reporting Standards
<b>IFRS S1</b>	General Requirements for Disclosure of Sustainability-related Financial Information.
<b>IFRS S2</b>	Climate-related Disclosures.
<b>IOSCO</b>	International Organization of Securities Commissions.
<b>Large non-listed companies (Large NLCos)</b>	NLCos, if they meet the prescribed threshold of consolidated group revenue of RM2 billion or more for two consecutive financial years preceding the current financial year. In the event there is no requirement to prepare consolidated accounts, the threshold of RM2 billion would be applicable at company level.
<b>Listed issuers</b>	Corporations listed on the Main Market and ACE Market, as well as real estate investment trusts and business trusts listed on the Main Market.
<b>Listing Requirements</b>	Collectively, the Main Market Listing Requirements and ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

Term	Definition
<b>Main Market</b>	Main Market is a prime market of Bursa Malaysia for established companies that have met the prescribed standards in terms of quality, size and operations. Potential issuers for the Main Market must demonstrate that they have achieved either a minimum profit track record or size measured by market capitalisation.
<b>Malaysian Accounting Standards Board (MASB)</b>	A standard-setting body of the FRF, established under the Financial Reporting Act 1997. Powers and functions of the MASB includes but not limited to – issue approved accounting standards and other accounting technical pronouncements; amend, withdraw or revoke any approved accounting standards and other accounting technical pronouncements; collaborate with and monitor the development of other national and international accounting standard-setters.
<b>Malaysian Institute of Accountants (MIA)</b>	A statutory body established under the Accountants Act 1967, with a mandate to regulate and develop the accountancy profession in Malaysia to support nation building.
<b>NSRF</b>	National Sustainability Reporting Framework.
<b>PACE</b>	Policy, Assumptions, Calculators and Education. An initiative focused on capacity building and implementation support on the National Sustainability Reporting Framework.
<b>Reasonable assurance opinion</b>	Entails extensive procedures, which may include consideration of internal controls and tests of details. The conclusion is usually provided in a positive form of expression (e.g., “in our opinion, the subject matter information presents fairly...”).
<b>Registrar</b>	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.
<b>SASB</b>	Sustainability Accounting Standards Board.
<b>Scope 1 Greenhouse Gas (GHG) emissions</b>	Emissions from operations that are owned or controlled by the reporting entity.
<b>Scope 2 GHG emissions</b>	Emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by the reporting entity.
<b>Scope 3 GHG emissions</b>	All indirect emissions (not included in scope 2) that occur in the value chain of the reporting entity, including both upstream and downstream emissions.
<b>TCFD</b>	Task Force on Climate-related Financial Disclosures.



**MINISTRY OF FINANCE**