

# PRI RESPONSE

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## PUBLIC CONSULTATION PAPER NO. 1 / 2024: PROPOSED NATIONAL SUSTAINABILITY REPORTING FRAMEWORK

29 March 2024

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To inform this briefing, the following investor group has been consulted: PRI Collaboration Platform. This consultation is not an endorsement or acknowledgement of the views expressed in this briefing.

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**United Nations**  
Global Compact

## ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the Advisory Committee on Sustainability Reporting (ACSR) call for feedback on the proposed National Sustainability Reporting Framework.

## ABOUT THIS CONSULTATION

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.

The [consultation paper](#) published on 15 February 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.

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# KEY RECOMMENDATIONS

## WHY INVESTORS NEED GREATER ALIGNMENT WITH THE ISSB STANDARDS

Decision-useful corporate sustainability reporting is a prerequisite for responsible investment. Investors currently lack such information across their portfolios, including the most basic sustainability-related data.<sup>1</sup> This makes it more difficult for them to allocate capital efficiently, accounting for sustainability-related financial risks and opportunities and addressing sustainability goals. A global system of comparable data can address this need, creating a strong baseline of reliable information.

National and regional policymakers and standard setters have an essential role to play in addressing this challenge through the introduction of sustainability disclosure requirements. Since investors need sustainability data from all portfolio companies, the PRI has [called on](#) jurisdictions to begin adopting the ISSB Standards by 2025 at the latest.

The ISSB Standards are underpinned by the structure and concepts of accounting standards from the International Accounting Standards Board (IASB), build on the framework established by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) – and other well-established voluntary sustainability reporting initiatives – and have been endorsed by the International Organization of Securities Commissions (IOSCO).<sup>2</sup>

Several jurisdictions are currently taking steps to adopt the ISSB Standards. Aligning Malaysia's reporting requirements to international standards offers the transparency investors need to manage sustainability-related risks and opportunities. ISSB adoption in Malaysia is also crucial to achieve global interoperability<sup>3</sup> of corporate sustainability disclosure requirements – promoting comparable data across investment portfolios – and to build on existing progress in reporting on sustainability-related risks and opportunities.

## PRI'S KEY POSITIONS AND RECOMMENDATIONS REGARDING THE NSRF

The PRI welcomes ACSR's commitment to the implementation of the ISSB Standards as the baseline for the National Sustainability Reporting Framework (NSRF) in Malaysia. The proposals set forth in the Public Consultation Paper indicate a strong level of commitment to implementing the ISSB Standards to a significant extent, with a phased implementation to ensure proportionality to the maturity of individual entities and broader market capacity.

When effective, the NSRF will provide a standardised reporting framework for companies to report on their sustainability risks and opportunities. Signatories regularly report to the PRI that the lack of

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<sup>1</sup> For example, FTSE Russell found that of the 4,000 large and mid-size constituents in the FTSE All World index, only 58% disclose both Scope 1 and 2 carbon emissions. Source – [Mind the gaps: Clarifying corporate carbon](#) (2022).

<sup>2</sup> IOSCO's [endorsement](#) recommends that its 130 member jurisdictions consider ways in which they might adopt, apply or otherwise be informed by the standards.

<sup>3</sup> Interoperability between jurisdictional reporting requirements – allowing companies to collect and report in a manner that effectively serves both local and global requirements – is a key concern for investors who allocate capital globally and require comparable sustainability-related information across their portfolios.

comparable and more generally decision-useful corporate sustainability data<sup>4</sup> is a substantial barrier to their responsible investment practices. This significant step will help to bridge the data gap and provide investors with the data they need in their investment decision-making processes.

We however note that there are some adjustments made to phase-in provisions included within IFRS S1 and S2, that are specific to the NSRF. While we recognise the need to account for the current development phase of sustainability reporting in Malaysia and the reporting capacity of local reporting entities, we note that in order to uphold the principles of comparability across regions, the priority nonetheless should be to adopt the ISSB standards to the fullest extent possible, with transitional reliefs kept to a minimum.

## THE PRI'S KEY RECOMMENDATIONS ARE:

- **As proposed, to mandate disclosures aligned with IFRS S1 and S2 (with built-in reliefs)** through a phased approach by market segment, beginning with companies in the Main Market from annual reports for FYE on or after 31 December 2025.
- **To clarify that IFRS S1 and S2 are both required from the first annual year of reporting** for each market segment, and that there is an explicit support by ACSR for entities to exercise the climate-first reporting relief as designated within IFRS S1.
- **To avoid the implementation of the proposed additional reliefs** to ensure that entities report decision-useful information for investors.
- **As proposed, to adopt the IFRS S2 requirements to use the GHG Protocol** as a standardized methodology for GHG emissions calculation.
- **As proposed, to mandate external limited assurance.**

## ADDITIONS TO THE BASELINE – REPORTING ON IMPACTS AND DEPENDENCIES

Responsible investors need sustainability-related information to inform their assessment of companies' risks and opportunities. Increasingly, they also need information to assess and interpret a company's impacts and their alignment with sustainability goals and thresholds. While the ISSB Standards are expected to enable disclosure of some of this information, it is unlikely they will provide investors with all the information they need on a company's impacts and dependencies.

In this context, and in line with the IFRS Foundation's "building blocks" approach, the ACSR should consider a future adoption of disclosure requirements that add to the ISSB Standards, to capture additional information on companies' impacts on sustainability outcomes required for financial and economic performance.

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<sup>4</sup> As set out in the PRI's [Investor Data Needs framework](#), to be decision-useful, sustainability information must be available, accessible, verifiable, comparable across multiple dimensions, a faithful representation and relevant to investors.

# DETAILED RESPONSE

## SECTION 1: IFRS S1 AND IFRS S2 ADOPTION APPROACH

### QUESTION 1: 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? PLEASE STATE THE REASONS FOR YOUR VIEWS.

PRI supports the proposal to update the planned Main Market reporting requirements from TCFD-aligned disclosures to IFRS S2 aligned disclosures. Investors need decision-useful sustainability data from all portfolio companies. As such, PRI [has called for](#) economy-wide implementation of the ISSB Standards across jurisdictions. As markets around the world transition toward adopting IFRS S2, it is important for the Malaysian market to maintain alignment on sustainability disclosure requirements.

It is important to recognize the benefits of IFRS S2 in tandem with IFRS S1, given that reporting entities must implement IFRS S1 to appropriately report against IFRS S2 and any future ISSB Standards. IFRS S1 provides an enabling framework for entities to report on sustainability issues beyond climate change and implement principles that bring the quality of sustainability reporting closer to financial reporting under the IFRS Accounting Standards. These benefits are consistent with the investor need for decision-useful information. Please see our response to Question 3 for details on our position regarding IFRS S1.

Within the need to align climate disclosure requirements with IFRS S2 is the need to bridge differences<sup>5</sup> between the TCFD recommendations and the IFRS S2 requirements. As acknowledged in the Public Consultation Paper, although the TCFD recommendations were incorporated into IFRS S2, IFRS S2 has additional requirements that go beyond the TCFD recommendations, including but not limited to the requirement to consider the applicability of industry-based disclosure topics and metrics, disclose information on opportunities within risk management requirements, and additional information on financed emissions. IFRS S2 also introduced concepts such as the use of “reasonable and supportable information that is available at the reporting date without undue cost or effort” and “the skills, capabilities and resources available to the entity”. These additions contribute to providing investors with decision-useful information, while also ensuring that reporting entities have the explicit guidance to take approaches that are proportionate and commensurate with their circumstances.

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<sup>5</sup> IFRS (2023). [Comparison: IFRS S2 Climate-related Disclosures with the TCFD Recommendations](#)

**QUESTION 2: 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? IF NOT, WHEN? PLEASE STATE THE REASONS FOR YOUR VIEWS.**

PRI supports the proposal to require the application of IFRS S2 in annual reports issued for FYE on or after 31 December 2025. Based on the potential timeline set out in paragraph 6.5 of the Public Consultation Paper, this would be an appropriate application of the climate-first reporting relief<sup>6</sup> as it would apply IFRS S1 only insofar as they relate to the disclosure of information on climate-related risks and opportunities for the first annual reporting period. This would also align with the existing sustainability reporting requirement timelines for TCFD-aligned reporting by Main Market reporting entities by FYE on or after 31 December 2025. Per our response to question 16, however, we do not support the extension of these reliefs beyond those built-in to the ISSB Standards.

**QUESTION 3: 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? IF NOT, WHEN? PLEASE STATE THE REASONS FOR YOUR VIEWS.**

PRI supports the proposal to require the application of IFRS S1 in annual reports issued for FYE on or after 31 December 2026 for Main Market listed issuers. Based on the potential timeline set out in paragraph 6.5 of the Public Consultation Paper, this would be an appropriate application of the climate-first reporting relief<sup>7</sup> as it would apply IFRS S1 (insofar as they related to the disclosure of non-climate sustainability-related risks and opportunities) fully a year following the first annual reporting period.

It will, however, be important to clarify that IFRS S1 and S2 are both applicable from the first annual reporting period and that a relief is being implemented per the provisions of the ISSB Standards, rather than IFRS S2 being the sole requirement for the first annual reporting period and IFRS S1 being wholly deferred to the second annual reporting period. This is especially important from the perspective of clarifying the application of the conceptual foundations set out in IFRS S1. This will also support reporting entities that wish to align their existing reporting on sustainability-related risks and opportunities broader than climate change with IFRS S1 or avoid inhibiting voluntary reporting in

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<sup>6</sup> IFRS Foundation (2023). [IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information – June 2023](#) (p.44-45)

<sup>7</sup> IFRS Foundation (2023). [IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information – June 2023](#) (p.44-45)

line with IFRS S1 from the onset. Per our response to question 16, however, we do not support the extension of these reliefs beyond those built-in to the ISSB Standards.

**QUESTION 4: SHOULD THE CURRENT REPORTING REQUIREMENTS FOR ACE MARKET LISTED ISSUERS TO PROVIDE TRANSITION PLAN DISCLOSURES BE AMENDED TO ALIGN WITH IFRS S2? PLEASE STATE THE REASONS FOR YOUR VIEWS.**

PRI supports the proposal to update the planned ACE Market reporting requirements from transition plan disclosures to IFRS S2 aligned disclosures. Please see our response to Question 1 on our reasons to support market-wide adoption of the ISSB Standards.

**QUESTION 5: 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? IF NOT, WHEN? PLEASE STATE THE REASONS FOR YOUR VIEWS.**

PRI supports the proposal to apply disclosure requirements aligned with IFRS S2 for ACE Market listed issuers for annual reports issued for FYE on or after 31 December 2027. This would provide enough time for ACE Market listed issuers to build capacity and learn from the reporting practices of Main Market listed issuers. It may, however, be beneficial for the ACSR to consider a mechanism that encourages voluntary reporting ahead of the requirement commencement such as a modified liability that provides protection for early adopters – for example, a modified liability for Scope 3 emissions and certain climate-related forward-looking statements as is being considered in Australia<sup>8</sup>. Per our response to question 16, however, we do not support the extension of these reliefs beyond those built-in to the ISSB Standards.

**QUESTION 6: 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? IF NOT, WHEN? PLEASE STATE THE REASONS FOR YOUR VIEWS.**

PRI supports the proposal to require the application of IFRS S1 in annual reports issued for FYE on or after 31 December 2028 for ACE Market listed issuers. Based on the potential timeline set out in

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<sup>8</sup> Australia Treasury (2024). [Mandatory Climate-related Financial Disclosures: Policy Position Statement](#) (p. 4)

paragraph 6.5 of the Public Consultation Paper, this would be an appropriate application of the climate-first reporting relief<sup>9</sup> as it would apply IFRS S1 fully a year following the first annual reporting period.

It will be important to clarify that IFRS S1 and S2 are applicable from the first annual reporting period, but that a relief is being implemented per the provisions of the ISSB Standards, rather than IFRS S2 being the sole requirement for the first annual reporting period and IFRS S1 being wholly deferred to the second annual reporting period. Please refer to our response to Question 3 for more details on clarifying the applicability of S1 and S2 from the onset. Per our response to question 16, however, we do not support the extension of these reliefs beyond those built-in to the ISSB Standards.

**QUESTION 10: 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? IF NOT, PLEASE PROVIDE THE APPROPRIATE DURATION AND STATE YOUR REASON.**

PRI agrees that a 6-month lead time would be sufficient for the provision of relevant guidelines and notices on requirements. This amount of lead time is consistent across the various jurisdictions adopting disclosure requirements aligned with the ISSB Standards given they are applicable from 1 January 2024 and jurisdictional adoption balances the urgent need for investors to access sustainability-related financial disclosures with market preparedness and consultation timeframes. The Malaysian market however benefits from Bursa Malaysia's Enhanced Sustainability Reporting Requirements, and a climate-first reporting approach will be able to leverage preparation taken by Main Market listed issuers toward the TCFD-aligned requirements that were already planned for annual reports for FYE on or after 31 December 2025.

**QUESTION 14: SHOULD THE BUILT-IN RELIEFS BE APPLIED UPON IMPLEMENTATION OF THE ISSB STANDARDS ON MAIN MARKET LISTED ISSUERS?**

PRI supports the application of transition standards reliefs for as provided in the ISSB Standards for Main Market listed issuers.

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<sup>9</sup> IFRS Foundation (2023). [IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information – June 2023](#) (p.44-45)



## **QUESTION 15: IS THE PROPORTIONALITY AND SCALABILITY MECHANISM FOR THE DISCLOSURES OUTLINED IN THE TABLE UNDER PARAGRAPH 6.9 SUFFICIENT? PLEASE STATE THE REASONS FOR YOUR VIEWS.**

As noted above, PRI supports the application of the proportionality and scalability mechanisms included within the ISSB Standards.

## **QUESTION 16: SHOULD ADDITIONAL RELIEFS AS LISTED BELOW BE APPLIED IN ADDITION TO THOSE ALREADY IDENTIFIED BY THE ISSB:**

PRI does not support the proposed additional reliefs to the ISSB Standards for any of the market segments. Please see below for our reasons relating to each item:

- Focus on sustainability-related financial disclosures specifically on principal business segments? If yes, how long should the relief be provided?
  - PRI Response: The PRI does not support this relief as investors should receive information on all material risks and opportunities, regardless of which business segment they emanate from. It is also important to note that investment decisions are generally based on entity-level disclosures aligned to organizational boundaries of financial accounts.
- Option to not disclose the impacts of sustainability-related and climate-related risks and opportunities on the company's strategy and decision-making? If yes, how long should the relief be provided?
  - PRI Response: PRI does not support this relief. Investors need this information to gain an integrated picture of a company, which is necessary to evaluate the suitability of an issuer's sustainability- and climate-related strategic and business model changes, and of corresponding targets.
- Permissible for the company to use boundary other than outlined in IFRS S2 Para 29 (iv) for GHG emission? If yes, how long should the relief be provided?
  - PRI Response: It is our understanding that IFRS S2 Para 29 (iv) is not a provision regarding the organizational boundary for GHG emissions calculation but is rather about the disaggregation of GHG emissions data. In IFRS S1, reporting boundaries<sup>10</sup> is defined under the conceptual foundation, noting the need to align with that of financial statements. In IFRS S2, although the provisions on the use of the GHG Protocol<sup>11</sup> allow for the use of jurisdiction-mandated methodologies for GHG emissions calculation, it also notes that this does not exempt entities from Scope 1, 2

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<sup>10</sup> IFRS Foundation (2023). [IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information – June 2023](#) (p.8)

<sup>11</sup> IFRS Foundation (2023). [IFRS S2 Climate-related Disclosures - June 2023](#) (p.30)

and 3 reporting for the “entity as a whole”. PRI believes that these provisions should be implemented consistently and therefore does not support the proposal for a narrower reporting boundary, even if it is a temporary measure. We also note that a change to the IFRS S2 Para 29 (iv) on reporting boundary (not the level of disaggregation) will result in an inconsistency of reporting boundary across various provisions, including the proposed adoption of the GHG Protocol, which we support (detailed in our response to Question 18).

- Option to not disclose Scope 3 greenhouse gas emissions, except for Category 6 and 7? If yes, how long should the relief be provided?
  - PRI Response: While Scope 3 emissions are often more difficult to report, these are the most impactful kind of emissions for some industries. Leaving them out could mean that a large share of actual emissions, where material, are not reported. Therefore, the PRI supports the approach within the GHG Protocol, which allows reporting entities to exclude certain categories provided they follow the principles of relevance, completeness, accuracy, consistency, and transparency and provide explanations to justify any exclusions.

**QUESTION 17: ARE THERE ANY ADDITIONAL RELIEFS THAT SHOULD BE CONSIDERED TO FACILITATE ADOPTION OF IFRS S1 AND IFRS S2? PLEASE STATE YOUR SUGGESTIONS AND REASONS FOR YOUR SUGGESTIONS.**

No, PRI supports the pre-existing reliefs provided within IFRS S1 and S2. However, per our response to Question 5, we maintain that it may be beneficial for the ACSR to consider a mechanism that encourages voluntary reporting for non-Main Market listed issuers ahead of the requirement commencement such as a modified liability that provides protection for early adopters.

**QUESTION 18: 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?**

While the PRI is not a preparer, our positioning here is that where possible GHG emissions should be calculated in line with the GHG Protocol methodology, the most widely used and recognised international standard for calculating GHG emissions. While we recognise outstanding methodological issues, this would help to achieve a standardisation of emissions data across jurisdictions, increasing comparability and facilitating aggregation for investors.

**QUESTION 20: IN YOUR VIEW, WHAT ARE SOME ENABLERS AND FORMS OF SUPPORT NEEDED TO HOLISTICALLY AND EFFECTIVELY IMPLEMENT THE ISSB STANDARDS?**

We acknowledge that implementation of the ISSB Standards may prove challenging for some companies at first. For this reason we support the aforementioned relief provisions of the ISSB Standards in combination with capacity building among preparers, users and auditors of sustainability reporting. The PRI is a partner to the IFRS Foundation's Partnership Framework for Capacity Building and stands ready to support these efforts.

## SECTION 2: EXTERNAL ASSURANCE

### QUESTION 22: IN YOUR VIEW, SHOULD EXTERNAL LIMITED ASSURANCE BE MANDATED? IF YES, SHOULD GREENHOUSE GAS EMISSIONS BE PRIORITISED? PLEASE STATE THE REASONS FOR YOUR VIEWS.

PRI supports the proposal to mandate external limited assurance. External assurance can play an important role in upholding the quality of reporting, providing comfort to users that the standards used have been satisfied.

*The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of the Advisory Committee on Sustainability Reporting further to support the implementation of the sustainability reporting requirements aligned with the ISSB Standards in Malaysia.*

*Please send any questions or comments to [policy@unpri.org](mailto:policy@unpri.org).*

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