

## Malaysia's National Sustainability Reporting Framework

### Consultation Questions

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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](http://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](mailto: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

### Name of company

Asset Management Group ("AAMG") of Asia Securities Industry & Financial Markets Association ("ASIFMA")

### Please indicate the stakeholder group that your company represents

- Preparer
- Investor
- Assurance Provider
- Other: \_\_\_\_\_

## 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**

**3. 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.**

ASIFMA AAMG members who are predominantly global asset managers commend the Advisory Committee on Sustainability Reporting (“ACSR”) and Securities Commission Malaysia (“SC”) for proposing a national sustainability reporting framework in Malaysia. We support the adoption of IFRS S2 which is the international sustainability standard for climate and incorporates the TCFD Recommendations. Aligning with the latest international standards and disclosures allows investors to have a better understanding of Main Market listed issuers’ readiness and approach in dealing with climate-related risk and opportunities, and aids comparability between issuers and peers in other jurisdictions.

**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.**

Enhanced sustainability information about investee companies allows for more informed investment decisions by investors and broadens the investment universe suitable for sustainable investing by the international investment community. A FYE 2025 adoption of IFRS S2 is expected to align with the timeline for IFRS S2 adoption in Singapore and Hong Kong, ensuring that Malaysian listed issuers can be more consistently compared against regional and international peers. In fact, our preference is for IFRS S1 and S2 to be adopted at the same time (please refer to our response to the next question).

**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.**

Our members would prefer for IFRS S1 and S2 to be adopted at the same time, given that S1 provides the foundation on which S2 is and future sustainability standards will be built. We agree that S1 to the extent that it relates to climate-related disclosures should be adopted from FYE 2025.

We would however suggest mandating disclosures aligned to relevant components of IFRS S1 such as other sustainability topics on a "comply or explain" basis for FYE 2025, and mandatory for FYE 2026 in line with ISSB's one-year optional transition relief. Even beyond FYE 2025, a "comply or explain" approach may still be beneficial, especially for areas where relevant climate data, science, standards, controls and reporting methodologies are still evolving and flexibility is most needed, for example, the disclosure of Scope 3 emissions. This could accommodate concerns on market readiness but also encourage companies to begin disclosing where possible. For investors, it is always useful to have an explanation of why a data point like Scope 3 emissions is not available and how an issuer is working towards providing it.

**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

**10. Please state the reasons for your views.**

Given that the requirement for ACE Market listed issuers to disclose a basic transition to low carbon economy for FYE 2026 was announced at the end of 2022, it is reasonable to expect that companies might have already started working towards that deadline. As such, we are in agreement that an extra year should be granted to allow issuers to bridge the gap between the reporting requirements of IFRS S2 and their basic transition plan for FYE 2027, rather than a later date.

**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.**

We believe two years after Main Market listed issuers is a reasonable transition period.

**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.**

Our members reiterate that they would prefer for IFRS S1 and S2 to be adopted at the same time, given that S1 provides the foundation on which S2 is and future sustainability standards will be built.

We would therefore suggest mandating disclosures aligned to relevant components of IFRS S1 such as other sustainability topics on a "comply or explain" basis for FYE 2027 and mandatory for FYE 2028. Even beyond FYE 2027, a "comply or explain" approach may still be beneficial, especially for areas where relevant climate data, science, standards, controls and reporting methodologies are still evolving and flexibility is most needed, for example, the disclosure of Scope 3 emissions. This could accommodate concerns on market readiness but also encourage companies to begin disclosing where possible.

**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 adoption of IFRS S2 by large NLCos should not be delayed too far from the adoption by Main Market listed issuers to avoid arbitrage between public and private markets. This timeline is also aligned to reporting requirements for large NLCos in Singapore.

However, even with the temporary transition reliefs in the ISSB standards, we see the risk of prematurely requiring mandatory reporting could have a chilling effect on early adopters or divert companies' reporting efforts away from other reporting important to investors.

We believe the need for flexibility in areas where relevant climate data, science, standards, controls, and reporting methodologies are still evolving and may diverge among different sectors and markets. In this regard, we note that large NLCos in Singapore will not be required to report Scope 3 GHG emissions earlier than FYE 2029, after Singapore's Accounting and Corporate Regulatory Authority ("ACRA") has reviewed the reporting experience for listed issuers and providing 2 years' notice for large NLCos to prepare reporting.

As such, we see value in the ACSR taking into consideration the maturity of reporting methodology, infrastructure and experience for Listed Issuers, and providing the flexibility necessary for continuing development of pragmatic best practices. Where disclosure areas, such as certain metrics and targets, are still actively evolving, we recommend that the ACSR consider allowing for a "comply or explain" regime for large NLCos.

**Group exemption:** To the extent that a NLCo and its subsidiaries are part of a foreign group, we would encourage ACSR to provide exemption from mandatory climate reporting if their foreign parent company already prepares ISSB-aligned climate or sustainability reports which are readily accessible, to reduce unnecessary compliance burden. To the extent that Malaysia may wish to capture and aggregate emissions data across the economy, there may be methods for calculating such emissions, notwithstanding such an exemption.

**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.**

We believe the adoption of IFRS S1 one year after IFRS S2 is a reasonable transition period aligning with IFRS' transition relief period.

**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)



**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.**

In-scope issuers should be prepared for the implementation, given existing obligations to adopt TCFD Recommendations are already in place. Whilst 6 months is reasonable, it would still be preferable for guidelines and notices to be available between 6 months to 1 year ahead of the effective date.

For our members the disclosure of quantitative metrics, including data sources and methodology, is important in order to benchmark and assess performance trends. To encourage companies to provide more quantitative disclosures, we believe that the SC may consider adopting a framework that initially gives protection from fines or penalties for incorrect disclosures that are provided in good faith.

## **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 aluminum, 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

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

- Yes
- No

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

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

## 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? [can choose all that apply]**

- 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?**

- Yes
- No

**Please state the reasons for your views.**

We support the adoption of the IFRS proportionality and scalability mechanisms in ISSB's inaugural standards IFRS S1 and S2 to ensure international alignment. We see risks in mandating onerous disclosures beyond an issuer's capabilities and resources available as it could unintentionally divert its efforts from other disclosure items that are important to get right. This is consistent with our view that a flexible approach, such as a "comply or explain" regime, can better encourage more comprehensive climate disclosures over time. If proportionality mechanisms are to be introduced, we consider it essential to provide specific guidance on how proportionality will be assessed and applied in order to avoid potential abuse of the mechanisms.

## 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?**

- At least one reporting cycles
- At least two reporting cycles
- Other: \_\_\_\_\_

**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: \_\_\_\_\_

**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: \_\_\_\_\_

**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: \_\_\_\_\_

**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.**

**Principal business segments:** We do not support relief for principal business segments. There are many conglomerates in Malaysia where it may be difficult to identify principal business segments.

**Scope 3 greenhouse gas emissions:** At this stage, we view Scope 3 emissions differently from Scope 1 and 2, given the methodological complexity and lack of direct control by companies over the requisite data to assess Scope 3 emissions. In our experience as investors, these issues, and the usefulness of Scope 3 disclosures more generally, vary significantly across industries and the 15 categories of Scope 3 emissions. We do not support the option to not disclose Scope 3 greenhouse gas emissions, except for Category 6 and 7, but rather a “comply or explain” approach in an appropriate alternative reporting location outside of a company’s general-purpose financial reporting, allowing companies to either disclose **material** Scope 3 emissions or explain why certain emission categories are not relevant or subject to reasonable estimation. We also do not believe the purpose of Scope 3 disclosure requirements should be to push companies into the role of enforcing emission reduction targets outside of their control. However, it should help them understand where their business model is exposed to emissions and encourage companies along value chains to work together to reduce overall emissions of that chain.

We believe under a “comply or explain” regime, issuers’ determinations of whether to comply or explain will inevitably change as standards and methodologies mature and become more widely adopted, as well as when reporting infrastructure becomes more well-developed, leading to increasingly more comprehensive climate disclosures over time.

It is also useful to have liability protection that encourages rather than discourages disclosure. Liability should be commensurate with the evolving nature of climate-related disclosure. Hence, we

recommend the adoption of a liability framework that provides meaningful protection from legal liability for disclosures provided in good faith as standards continue to evolve.

**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

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

We recommend flexibility in adoption to account for nuances in evolving climate science/methodology for different sectors, as long as the standard and methodology used is clearly explained.

For instance, we note that there exists three different GHG calculation guidelines (Roundtable on Sustainable Palm Oil ("**RSPO**"), International Sustainability & Carbon Certification ("**ISCC**") and GHG Protocol) for palm oil. The GHG Protocol, as opposed to RSPO methodology, does not include emissions from peat and landuse in total emissions (only as a separate note), even though they account for a significant (if not highest) emission source in palm oil production. As such, companies should have the flexibility in choosing the RSPO calculation methodology if it suits their mitigation planning and decarbonisation strategy better, provided that it is clearly explained and disclosed.

**Can your company transition to the GHG Protocol?**

- Yes
- No

**If yes, by when?**

- 2026
- 2027
- 2028

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

N.A.

**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: \_\_\_\_\_



## 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

### 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.

### 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.

Investors require quality data on greenhouse gas emissions in their investment portfolios as a priority, to satisfy their own disclosure requirements. We agree that requiring External Limited Assurance to be obtained on Scope 1 and Scope 2 GHG emissions can help provide investors with accurate and comparable disclosures.

However, there is a risk that current assurance procedures for climate-related disclosures are not sufficiently mature. With the absence of a standardised assurance framework, it might be unnecessarily burdensome for companies currently navigating a potentially confusing space of evolving standards.

We recommend that ACSR delay mandating compulsory External Limited Assurance to be obtained until the finalisation of the proposed International Standard on Sustainability Assurance ("ISSA") 5000, which is expected by September 2024. We note that in Singapore Exchange Limited's ("SGX Group") ongoing consultation to enhance climate reporting, they too, have decided to delay mandating external assurance, choosing to review the developments at a future date.

**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

**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

**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.**

We recommend that ACSR delay mandating compulsory External Limited Assurance to be obtained until the finalisation of the ISSA 5000, which is expected by September 2024. We note that in SGX Group's ongoing consultation to enhance climate reporting, they too have decided to delay mandating external assurance, choosing to review the developments at a future date.

**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.**

Please refer to our response to the previous question.

## 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.

We support the adoption of the ISSA 5000 to ensure international alignment. However, we recommend that ACSR delay mandating compulsory External Limited Assurance to be obtained until the finalisation of the ISSA 5000, which is expected to be September 2024. We prefer not to comment on a separate conclusion on greenhouse gas statement until that point in time.

### **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: N.A.

**Please state the reasons for your views.**

We support the adoption of the ISSA 5000 to ensure international alignment. However, we recommend that ACSR delay mandating compulsory External Limited Assurance to be obtained until the finalisation of the ISSA 5000, which is expected to be September 2024. We prefer not to comment on a separate conclusion on greenhouse gas statement until that point in time.

### **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.*

- Yes
- No

**Please state the reasons for your views.**

To keep the reporting cost down and to ensure consistency in the assurance quality, the pool of registered climate auditors should be expanded beyond large audit and consultancy firms and the assurance standards and format should be standardised. This will be especially beneficial for smaller listed or non-listed companies that have limited resources to prepare for more rigorous reporting requirements and assurance level.

## **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: \_\_\_\_\_

## **END OF CONSULTATION PAPER**

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

- Yes
- No