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## ENVIRONMENTAL, SOCIAL & GOVERNANCE

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# MALAYSIA'S NATIONAL SUSTAINABILITY REPORTING FRAMEWORK: A NEW ERA FOR CORPORATE ACCOUNTABILITY

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### INTRODUCTION

In response to the growing global emphasis on sustainable business practices, Malaysia has launched its [National Sustainability Reporting Framework](#) (NSRF). As announced by Finance Minister II, Datuk Seri Amir Hamzah Azizan, this framework aims to support capital allocation decisions by providing investors and financiers with consistent, reliable sustainability information. This new framework marks a shift in the corporate reporting landscape, echoing the global momentum toward long-term value creation linked to sustainable practices.

### MEETING GLOBAL INVESTOR EXPECTATIONS

The NSRF reflects Malaysia's commitment to providing transparent, decision-useful sustainability disclosures that meet the increasing demand of investors, particularly those managing trillions in assets globally. This demand is driven by the recognition that sustainable practices are crucial to long-term value creation. Minister Datuk Seri Amir Hamzah highlighted that investors, including major corporations like Microsoft, Google, and Infineon Technologies, are showing renewed interest in Malaysia due to its reform narrative and dedication to sustainable development<sup>1</sup>.

### FRAMEWORK OVERVIEW: A CLIMATE-FIRST APPROACH

The NSRF incorporates the International Sustainability Standards Board (ISSB) Standards as its baseline. These include IFRS S1 (General Requirements for Sustainability-related Disclosures) and IFRS S2 (Climate-related Disclosures). Developed through public consultations and stakeholder engagements, the NSRF aims to provide businesses with a common global language for sustainability reporting, ensuring transparency and accountability in disclosing climate-related risks and opportunities<sup>2</sup>.

The phased implementation of the framework considers the varying levels of maturity among companies in adopting these standards. It will begin with climate-related disclosures, gradually expanding to cover other sustainability topics. This approach aligns Malaysia with over 20 jurisdictions worldwide, all of which are adopting the ISSB standards to enhance corporate accountability.

### PHASED ADOPTION AND COMPLIANCE TIMELINE

The NSRF will be rolled out in phases, targeting different groups based on their size and market impact:

- **Group 1:**  
Main Market listed issuers (with a market capitalisation of RM 2 Billion and above) are required to adopt IFRS S1 and S2 for annual reports issued in periods beginning on or after 31 December 2025.

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<sup>1</sup>Aman, A. S. (2024, September 24). Malaysia launches sustainability framework to help investors, financiers: New Straits Times. NST Online. <https://www.nst.com.my/business/corporate/2024/09/1110161/malaysia-launches-sustainability-framework-help-investors>

<sup>2</sup> National Sustainability Reporting Framework published by the Ministry of Finance

- **Group 2:**  
The remaining Main Market listed issuers are required to adopt IFRS S1 and S2 for annual reports issued in periods beginning on or after 31 December 2026.
- **Group 3:**  
Ace Market Listed Issuers and Non-Listed Companies with annual revenue of RM 2 Billion and above are required to adopt IFRS S1 and S2 for annual reports issued in periods beginning on or after 31 December 2027.

To facilitate this transition, companies are allowed specific reliefs, such as focusing initially on climate-related disclosures for principal business segments and delaying Scope 3 emissions reporting until 2027.

### **ASSURANCE REQUIREMENTS AND COMBATING GREENWASHING**

To ensure the reliability of sustainability disclosures, the NSRF will mandate reasonable assurance for Scope 1 and Scope 2 greenhouse gas (GHG) emissions starting in 2027 for Group 1 companies. This step will help investors trust sustainability reports as much as they trust audited financial statements, addressing concerns around greenwashing.

### **KEY TAKEAWAYS**

The NSRF presents a significant shift in corporate accountability, requiring businesses to align with global standards for sustainability disclosures. For companies operating in Malaysia, particularly listed companies and large non-listed companies, the phased implementation of the NSRF means it's essential to begin preparing for compliance with the IFRS S1 and S2 standards in their reporting, focusing initially on climate-related disclosures. These new standards will enhance the disclosure of reliable, decision-useful and globally comparable sustainability information. Hence, this new framework not only meets the growing demands of global investors but also enhances business transparency, positioning companies for long-term success in the evolving landscape of sustainable finance. Companies should start assessing their sustainability reporting practices now to stay ahead of the curve, and while the amendments to the relevant rules and legislation necessary to adopt the NSRF are undertaken.

### **CONCLUSION**

The NSRF represents a significant leap forward in Malaysia's sustainability journey. By aligning corporate practices with globally recognised sustainability standards, it enhances the country's appeal as a destination for responsible investment. For Malaysian companies, especially those with a significant impact on capital markets, the NSRF offers a blueprint for long-term growth that is both economically and environmentally responsible. With the phased adoption of the ISSB standards, Malaysia is well-positioned to build a resilient, inclusive economy that balances prosperity with planetary stewardship.

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