

16 JULY 2025

Feedback Welcome on the New Sustainability Assurance Framework

On 25 June 2025, the **Advisory Committee on Sustainability Reporting (“ACSR”)**, chaired by the **Securities Commission Malaysia (“SC”)**, released **Public Consultation Paper No. 2/2025**, inviting feedback on the proposed **Framework for Sustainability Assurance**. This proposal marks a pivotal step in advancing Malaysia’s corporate sustainability landscape, focusing on the need for credible and independently assured sustainability information.

“... tackle greenwashing concerns, boost investor confidence, and enhance trust in sustainability information as a foundation for informed investment decisions.”



The new Framework complements the **National Sustainability Reporting Framework (“NSRF”)**, which was introduced in September 2024 to guide companies on what to disclose. This latest initiative shifts the focus to how those disclosures are validated. It outlines four key areas for reform:

- (1) Adoption of international assurance standards;
- (2) Oversight of sustainability assurance providers;
- (3) Competency requirements for assurance leaders; and
- (4) Timeframe for mandatory external assurance.

Aligning with Global Assurance Standards

To align Malaysia with international best practices, the ACSR proposes adopting the following global benchmarks:

- **ISSA 5000** (*International Standard on Sustainability Assurance*), issued by the **International Auditing and Assurance Standards Board (IAASB)**, will serve as the core standard for all sustainability assurance engagements. It is profession-agnostic and compatible with various sustainability reporting frameworks. Crucially, it requires all assurance providers to operate under a quality management system equivalent to ISQM 1.
- **ISQM 1** (*International Standard on Quality Management*), also issued by the IAASB, will be the only recognised quality management standard for firms providing sustainability assurance services in Malaysia.
- **IESSA** (*International Ethics Standards for Sustainability Assurance*), released by the **International Ethics Standards Board for Accountants (IESBA)** in January 2025, will establish the ethical and independence requirements for sustainability assurance practitioners.



Expanding Regulatory Oversight

To ensure consistent application and accountability, the Framework proposes expanding the regulatory role of the **Audit Oversight Board** (“**AOB**”).

Currently, the AOB oversees auditors of public interest entities and scheduled funds by registering them, conducting inspections, and taking enforcement actions in cases of major non-compliance with auditing and ethical standards. Under the new Framework, it would also regulate sustainability assurance providers for applicable entities.

Applicable entities comprise:

- Main Market and ACE Market listed companies on Bursa Malaysia;
- Large non-listed companies with annual revenue of RM2 billion or more.

Who Can Lead Sustainability Assurance Engagements?

In a progressive move, the ACSR has adopted a profession-agnostic approach, opening the door for both professional and non-professional accountants to serve as sustainability assurance engagement leaders, provided they register with the AOB and meet strict competency requirements.



To register, the following criteria must be met:

- Hold a degree or diploma recognised by the **Malaysian Qualifications Agency (MQA)**, or a relevant professional qualification;
- Have at least six years of cumulative experience in audit or assurance, with at least two years in a supervisory role; and
- Possess sustainability-related certifications recognised by the AOB.

The AOB may recognise certification programmes – such as those offered by the **Securities Industries Development Corporation (SIDC)** or other professional bodies – if they cover key areas including:

- The **IFRS S1 and S2** disclosure standards by the **International Sustainability Standards Board (ISSB)**.
- The link between financial reporting and sustainability reporting.
- Key assurance and ethics standards (**ISSA 5000, ISQM 1, IESSA**).
- Application of professional scepticism and judgment.
- Relevant Malaysian legal and regulatory requirements.

Certified leaders must also complete 20 hours of sustainability-related training each year.

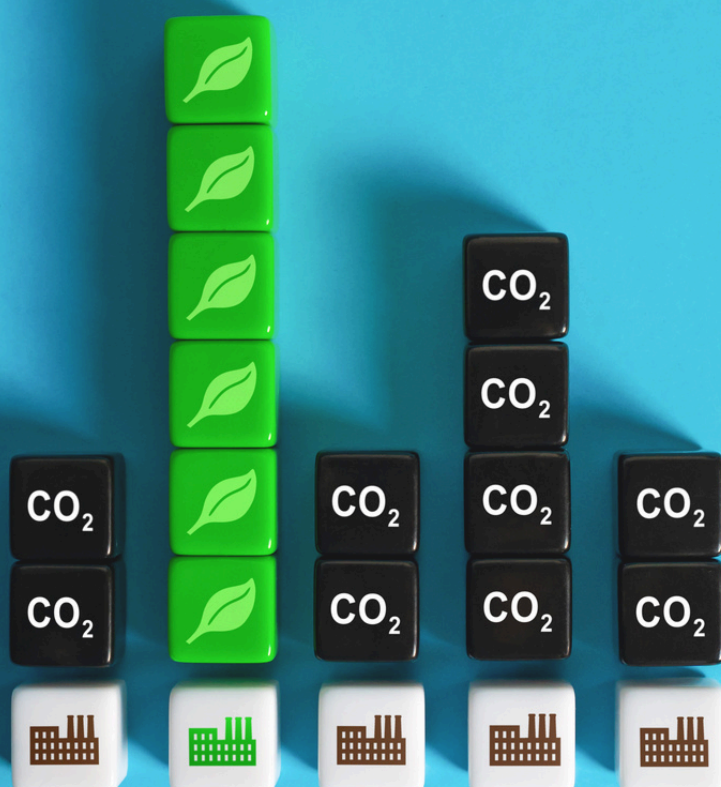


Timelines for Mandatory External Assurance

To enhance the reliability of sustainability reporting, the Framework introduces mandatory external reasonable assurance, rolled out in phases according to company size and type of disclosure.

Scope 1¹ and Scope 2² GHG Emissions

Group	Entities	Effective for annual reporting periods beginning on or after
Group 1	Main Market issuers with market capitalisation ≥ RM2 billion	1 January 2027
Group 2	Other Main Market issuers	1 January 2028
Group 3	ACE Market issuers and large non-listed companies with annual revenue ≥ RM2 billion	1 January 2029



[1] Direct emissions from owned or controlled operations

[2] Indirect emissions from purchased energy

IFRS S1 Core Contents (Governance, Strategy, Risk Management, and Metrics and Targets) and Scope 3³ GHG Emissions

Group	Entities	Effective for annual reporting periods beginning on or after
Group 1	Main Market issuers with market capitalisation ≥ RM2 billion	1 January 2030
Group 2	Other Main Market issuers	1 January 2031
Group 3	ACE Market issuers and large non-listed companies with annual revenue ≥ RM2 billion	1 January 2033

This phased timeline aims to accommodate the different levels of readiness among companies while gradually raising the bar for assurance standards. The goal is to provide the same degree of trust and confidence in sustainability reports as exists for audited financial statements.



[3] Indirect emissions across the value chain (not captured in Scope 1 or 2)

Public Consultation

The ACSR's objective is to tackle greenwashing concerns, boost investor confidence, and enhance trust in sustainability information as a foundation for informed investment decisions. The public consultation is open until **6 August 2025**, and the ACSR strongly encourages feedback from listed issuers, large non-listed companies with annual revenue of RM2 billion and above, sustainability assurance providers, and users of sustainability reports.

The consultation questions can be accessed [here](#).

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