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# Get Your Act Together: Companies Act Sustainability Reporting Proposals Are Open for Feedback

On 30 April 2026, the Companies Commission of Malaysia (“**SSM**”) released its Consultative Document on the Proposed Amendments to the Companies Act 2016 on Sustainability Reporting (“**Consultative Document**”). The Consultative Document signals a significant shift in Malaysia’s ESG landscape. For the first time, sustainability reporting obligations may extend to non-listed companies (“**NLCos**”) through amendments to the Companies Act 2016 itself.

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In line with global and local ambitions of achieving Net-Zero ambitions, sustainability and non-financial information have become increasingly important within corporate regulatory frameworks. It is important to devise a clear and proper pathway for sustainability reporting adoption, especially within NLCos. SSM fully supports these initiatives through the proposed amendments to the Companies Act 2016.

### **Where Does This Fit?**

The National Sustainability Reporting Framework (“**NSRF**”), launched in September 2024, already sets mandatory reporting requirements according to IFRS S1 and S2. The requirements of the NSRF are applied across three groups of entities. Group 1 and Group 2 are subject to earlier mandatory adoption of IFRS S2, followed by broader sustainability disclosures under IFRS S1. Group 3 will adhere to mandatory IFRS S1 and S2 reporting at later stages. Group 3 already captures ACE Market-listed issuers and NLCos with an annual revenue of RM2 billion and above.

For companies outside those NSRF thresholds, sustainability and other non-financial information disclosures are currently reported voluntarily through the directors' report, which may be included in a business review pursuant to section 253(3) of the Companies Act 2016 (“**Act**”). The proposed amendments therefore fill a critical gap by targeting the large universe of mid-tier and smaller NLCos that fall below the NSRF threshold and currently have no mandatory sustainability reporting obligations whatsoever.



## Key Takeaways

- Mandatory sustainability reporting may soon apply to qualifying non-listed companies;
- SSM proposes a phased “comply or explain” regime to encourage early adoption while allowing transitional flexibility;
- Directors may face statutory accountability for sustainability disclosures;
- Companies may eventually be required to align climate disclosures with IFRS S2 standards<sup>1</sup>;
- Sustainability assurance requirements are expected to be introduced progressively; and
- Businesses should begin assessing ESG data readiness, governance structures and reporting capabilities ahead of implementation.

## Policy Statement 1: Empowering the Registrar to Determine Sustainability Reporting Requirements

Currently, there are no specific provisions under Subdivision 1, Division 3, Part III of the Act relating to sustainability and non-financial information reporting. The disclosures of sustainability-related information in the directors' report are optional as prescribed in section 253(3) of the Act. Therefore, omission of the matters prescribed in section 253(3) would not result in non-compliance.

SSM proposes empowering the Registrar to prescribe sustainability reporting requirements for qualifying NLCos using a mandatory “comply or explain” approach. Under this framework, companies that are unable to fully comply with disclosure requirements must provide clear and reasoned explanations for non-compliance, including details of data gaps, operational limitations or transition challenges.



[1] The general requirements for Climate-related Disclosures issued by the International Sustainability Standards Board in 2023.

The proposed changes will primarily affect Subdivision 1, Division 3, Part III of the Act relating to financial statements and reports.



By comparison, sustainability and non-financial information disclosures are mandatory for companies subject to sections 414CA(A1) and 414CB(A1) of the UK's Companies Act 2006 and form part of the strategic report prepared by directors. In Australia, sustainability disclosures are mandatory and embedded into primary legislation under section 292A of the Corporations Act 2001. In Singapore, sustainability reporting was initially introduced under a “comply or explain” approach and subsequently became mandatory under SGX Listing Rule 711A and the ACRA Climate Reporting Roadmap.

Malaysia's approach of starting with “comply or explain” therefore mirrors Singapore’s earlier trajectory and is a pragmatic recognition of the NLCo ecosystem's current readiness.



## Policy Statement 2: Introduction of a Phased Sustainability Reporting Framework

The comparative analysis across jurisdictions demonstrates a trend towards a climate-first approach, whereby jurisdictions prioritise climate-related disclosures, particularly Scope 1 and 2 GHG emissions, before expanding to broader sustainability topics and more complex reporting requirements.

SSM adopts this same “climate-first” sequencing:

<b>Phase 1: Mandatory (Comply or Explain - Climate Disclosure)</b>		
Scope	:	GHG Scope 1 and 2 emissions only.
Approach	:	Mandatory ‘comply or explain’ approach, whereby companies that are unable to report are required to provide a clear and reasoned explanation for non-compliance including describing data gaps, limitations and transition challenges.
Objective	:	To establish baseline climate transparency and emissions measurement capability.
<b>Phase 2: Mandatory (Comply or Explain) Simplified Sustainability Disclosures</b>		
Scope	:	Simplified sustainability disclosures include: <ul style="list-style-type: none"> <li>• governance and oversight of sustainability matters;</li> <li>• identification of material sustainability risks and opportunities; and</li> <li>• selected environmental, social and governance indicators (for example: waste management, labour practices, ethical practices as well as anti-bribery and anti-corruption policies).</li> </ul>
Approach	:	Mandatory ‘comply or explain’ approach allowing flexibility during early adoption.
Objective	:	To build internal capability for broader sustainability reporting.
<b>Phase 3: Adoption of IFRS S2 (with Transition Reliefs)</b>		
Scope	:	Climate-related financial disclosures aligned with IFRS S2, including: <ul style="list-style-type: none"> <li>• governance, strategy and risk management;</li> <li>• metrics and targets; and</li> <li>• climate information.</li> </ul>
Approach	:	Mandatory adoption with transition reliefs, particularly for forward-looking, estimation-based or complex disclosures.
Objective	:	To align with international climate reporting standards once reporting maturity is achieved.

(i) Thresholds and Proposed Implementation Timelines

Recognising that NLCOs vary significantly in size and reporting readiness, SSM proposes a phased threshold-based approach based on annual revenue and employee count:

Qualifying Thresholds	Phase 1	Phase 2	Phase 3
RM1 billion – RM2 billion; or ≥ 500 employees	2028	2029	2032
RM100 million – RM1 billion; or 250 – 499 employees	2032	2031	-
RM15 million – RM100 million; or 100 – 249 employees	2032	2033	-
Below RM15 million or 100 employees	Not subject to sustainability reporting requirements but may voluntarily opt-in		

Notably, smaller companies below the threshold may voluntarily opt into the framework but would be required to fully comply if they do so. This means that a smaller company choosing to opt in for commercial or reputational reasons, for instance to satisfy supply chain ESG requirements, loses the benefit of the “comply or explain” flexibility enjoyed by companies that are mandatorily captured. Businesses below the threshold should weigh this carefully before voluntarily opting in.

(ii) Assurance Framework

SSM also proposes introducing a phased assurance framework for sustainability disclosures. The proposed model mirrors approaches adopted in other jurisdictions where limited assurance is introduced before moving towards more rigorous assurance requirements.

Qualifying Thresholds	Internal Assurance	Limited Assurance	Reasonable Assurance
RM1 billion – RM2 billion; or ≥ 500 employees	2028 - 2030	2028 - 2030	-
RM100 million – RM1 billion; or 250 – 499 employees	2030 - 2032	2030 - 2032	-
RM15 million – RM100 million; or 100 – 249 employees	2032 - 2034	2032 - 2034	-
Below RM15 million or 100 employees	Not subject to sustainability reporting requirements but may voluntary opt-in		

### **Policy Statement 3: Strengthening directors' accountability for sustainability and non-financial information disclosures**

At present, sustainability-related information in directors' reports remains optional under section 253(3) of the Act. As a result, omission of such disclosures does not currently trigger statutory non-compliance penalties.

SSM now proposes to make sustainability and non-financial disclosures part of directors' mandatory statutory reporting responsibilities.

This means directors may face legal exposure for non-compliance in a manner similar to existing obligations relating to financial reporting under section 252(5) of the Act. The proposal signals a clear regulatory shift: ESG disclosure is no longer viewed merely as a reputational or investor-relations exercise, but increasingly as a governance and compliance obligation.

## **Policy Statement 4: Enhancing the Act to incorporate Sustainability Assurance Provider framework**

To support the proposed assurance requirements, SSM also proposes establishing a statutory framework for Sustainability Assurance Providers (“**SAPs**”). Instead of creating an entirely separate regime, SSM proposes expanding the definition of “auditor” under the Companies Act 2016 to include SAPs for sustainability assurance purposes.

### Proposed Minimum Qualifications for SAPs

SSM proposes that SAPs should:

- (a) possess a degree or diploma from educational institutions recognised by the Malaysian Qualifications Agency or any other relevant professional qualifications;
- (b) have at least five years’ experience in conducting audit or assurance engagements; and
- (c) obtain approval as a sustainability assurance provider from the Minister.

The proposal reflects growing regulatory recognition that ESG reporting will require credible verification mechanisms and specialised assurance expertise.



## Why This Matters for Your Businesses

The proposed amendments represent one of Malaysia's most significant ESG regulatory developments to date for non-listed companies.

While implementation will occur progressively, the direction of travel is increasingly clear:

- ESG reporting expectations are expanding beyond listed companies;
- climate-related disclosures are becoming mainstream regulatory requirements;
- directors are expected to exercise greater oversight over sustainability matters; and
- companies will need stronger ESG governance, data collection, and assurance capabilities.

## Public Consultation

The SSM invites comments to the Consultative Document until **2 June 2026**. Businesses are encouraged to engage substantively with these questions, as the responses will directly inform the shape of the final amendments.

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

If you have any query, please contact the author, **Joyce Ong Kar Yee**, **Partner in the ESG and Sustainability Practice** ([oky@lh-ag.com](mailto:oky@lh-ag.com)). This article was co-authored by Hannah Jasmin binti Jefferelli, Pupil.

### Partners in the ESG & Sustainability Practice



HOI JACK S'NG

TAN HOOI PING

JOYCE ONG KAR YEE

NURUL AISYAH HASSAN

**Partner**  
Dispute Resolution |  
Regulatory & Compliance  
E: [hjs@lh-ag.com](mailto:hjs@lh-ag.com)

**Partner**  
Employment & Industrial  
Relations  
E: [hpt@lh-ag.com](mailto:hpt@lh-ag.com)

**Partner**  
Projects, Energy &  
Infrastructure | Corporate |  
Regulatory & Compliance  
E: [oky@lh-ag.com](mailto:oky@lh-ag.com)

**Partner**  
Employment & Industrial  
Relations  
E: [nah@lh-ag.com](mailto:nah@lh-ag.com)