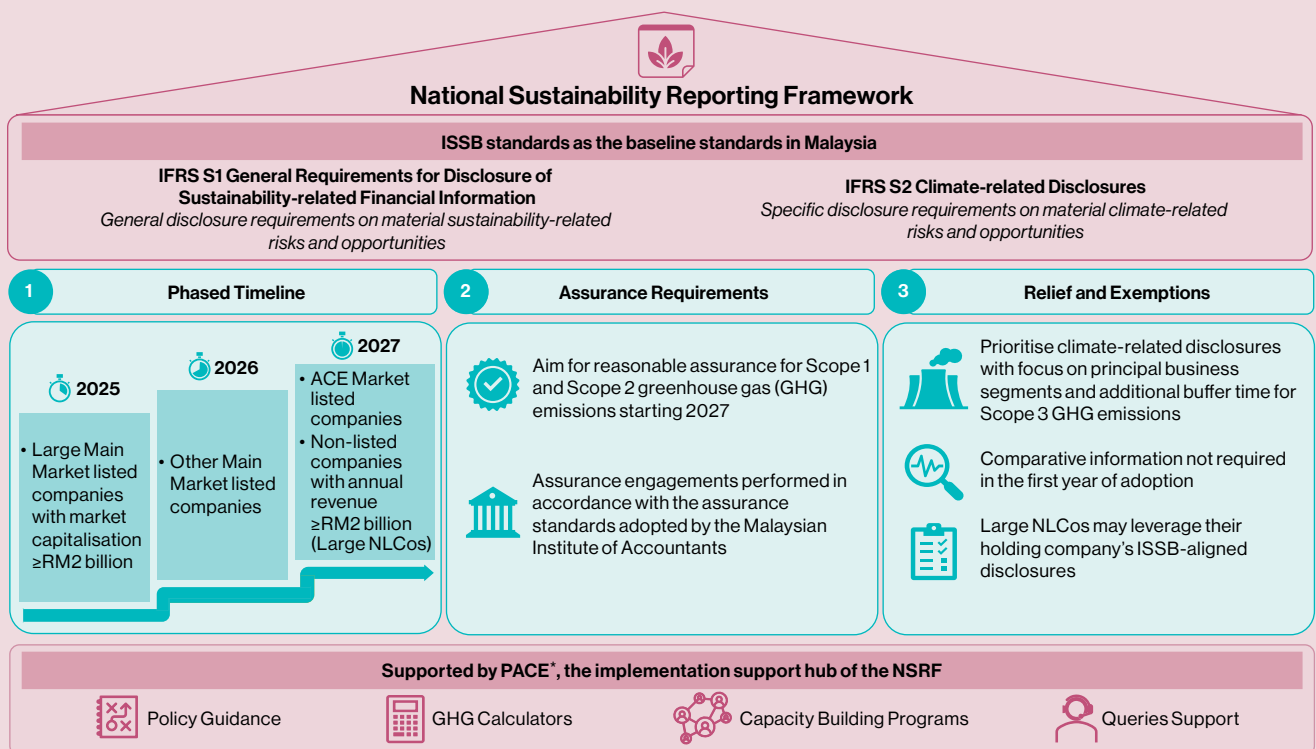


Navigating the Financial Sector’s Transition to the National Sustainability Reporting Framework

Following the issuance of the sustainability disclosure standards (ISSB standards) by the International Sustainability Standards Board (ISSB)¹ in June 2023, Malaysia has developed the National Sustainability Reporting Framework (NSRF), spearheaded by the Advisory Committee on Sustainability Reporting (ACSR).² The NSRF, published in September 2024, provides the timeline and approach on the use of ISSB standards³ as the baseline sustainability disclosure standards in Malaysia. In essence, the NSRF requires companies to produce consistent and comparable disclosures to enhance the credibility of the reports and promote improved decision-making and stakeholder engagement.

Diagram 1 provides a snapshot of the NSRF and the support available to facilitate its adoption. This article discusses the progress of financial institutions in producing climate-related disclosures and the implications of the NSRF on them.

Diagram 1: Overview of National Sustainability Reporting Framework and Support Provided



* PACE is an initiative established to assist the adoption of the NSRF. The four key features of PACE are policy guidance (P), assumptions (A), emission calculators (C) and educational resources (E).

Source: National Sustainability Reporting Framework

Implementation of climate-related disclosures by financial institutions

As outlined in the Climate Risk Management and Scenario Analysis policy document (CRMSA PD) by BNM, financial institutions are required to produce climate-related disclosures⁴ aligned to the recommendations of the Financial

¹ The ISSB is a sister body to the International Accounting Standards Board (IASB) established by the International Financial Reporting Standards (IFRS) foundation in 2021 with the responsibility to develop the IFRS sustainability disclosure standards and provide a global baseline for sustainability disclosures.
² The ACSR is a national inter-agency committee formed with the endorsement of the Ministry of Finance and chaired by the Securities Commission Malaysia (SC). Members comprised of representatives from the Audit Oversight Board of the SC, Bank Negara Malaysia (BNM), Companies Commission of Malaysia, Bursa Malaysia Berhad and the Financial Reporting Foundation.
³ Specifically, IFRS S1 on General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 on Climate-related Disclosures.
⁴ The CRMSA PD requires financial institutions to produce annual TCFD-aligned climate-related disclosures for financial years beginning on or after 1 January 2024. The TCFD recommendations provide a framework for companies to disclose information on their climate risks and opportunities across four core areas, namely governance, strategy, risk management, and metrics and targets, which have been incorporated into the ISSB Standards.

Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) starting 2024. To this end, some larger domestic financial institutions have started producing TCFD-aligned disclosures in their 2023 sustainability-related reports. Others are on track to produce their first TCFD-aligned disclosures alongside their 2024 financial statements. In general, notable progress has been observed in the following areas:

- i. Governance policies and processes are in place to ensure the production of high-quality disclosures and mitigate the risks of greenwashing. The boards of financial institutions continue to provide robust oversight to ensure the information on climate exposures and risks in the financial statements is accurate and complete.
- ii. Some banks and insurers intend to enhance the credibility of the information disclosed by obtaining third-party verification on specific details, such as Scope 1 and Scope 2 greenhouse gas (GHG) emissions. This will complement their internal verification processes and serve to prepare banks and insurers to meet the mandatory external assurance requirements which are expected to come into effect in 2027 at the earliest. The external verification providers may include both accounting and non-accounting practitioners.
- iii. For financial institutions leveraging consolidated reports from their foreign group, these reports also feature material information on the Malaysian operations and provide insights into how the group policies affect local operations.

The need for reliable, high-quality data continues to be a major challenge, especially when it comes to customer and counterparty-specific data. Financial institutions have been observed to leverage:

- i. The use of proxies,⁵ such as sector average GHG emissions as model inputs to estimate the potential loss impacts from exposures to climate-related risks.
- ii. Internally developed assessment systems, such as a flood risk assessment system built using historical data from a public agency in collaboration with external service providers or data compiled in an internal data repository to centralise access to climate data.
- iii. Data and tools procured from third-party service providers to assess the potential impact of climate-related risks and opportunities.

Adoption of the NSRF for financial institutions

With steady progress in producing TCFD-aligned disclosures, the financial sector is well-placed to adopt the ISSB standards in Malaysia. BNM has revised the CRMSA PD⁶ to incorporate the timelines and additional expectations set out under the NSRF for producing ISSB-aligned climate-related disclosures in phases starting in 2025. All financial institutions are expected to be ISSB-aligned by the year 2027. Diagram 2 provides an overview of the adoption timeline following the NSRF for all financial institutions.

Diagram 2: Adoption Timeline of NSRF for Financial Institutions

Applicable Entities		Timeline					
		2025	2026	2027	2028	2029	2030
Group 1	Main Market listed financial institutions with market capitalisation (excluding treasury shares) of RM2 billion and above as of 31 December 2024, or as at the date of its listing after 31 December 2024	●	●	● ●	● ●	● ●	● ●
Group 2	Main Market listed financial institutions (other than those in Group 1)		●	●	● ●	● ●	● ●
Group 3	All other financial institutions (other than Group 1 and 2)			●	●	● ●	● ●

- Climate-related disclosures with relief on Scope 3 GHG emissions.
- Sustainability and climate-related disclosures with mandatory Scope 3 GHG emissions.
- Mandatory assurance for Scope 1 and 2 GHG emissions (subject to further consultation by the ACSR).

Source: Bank Negara Malaysia

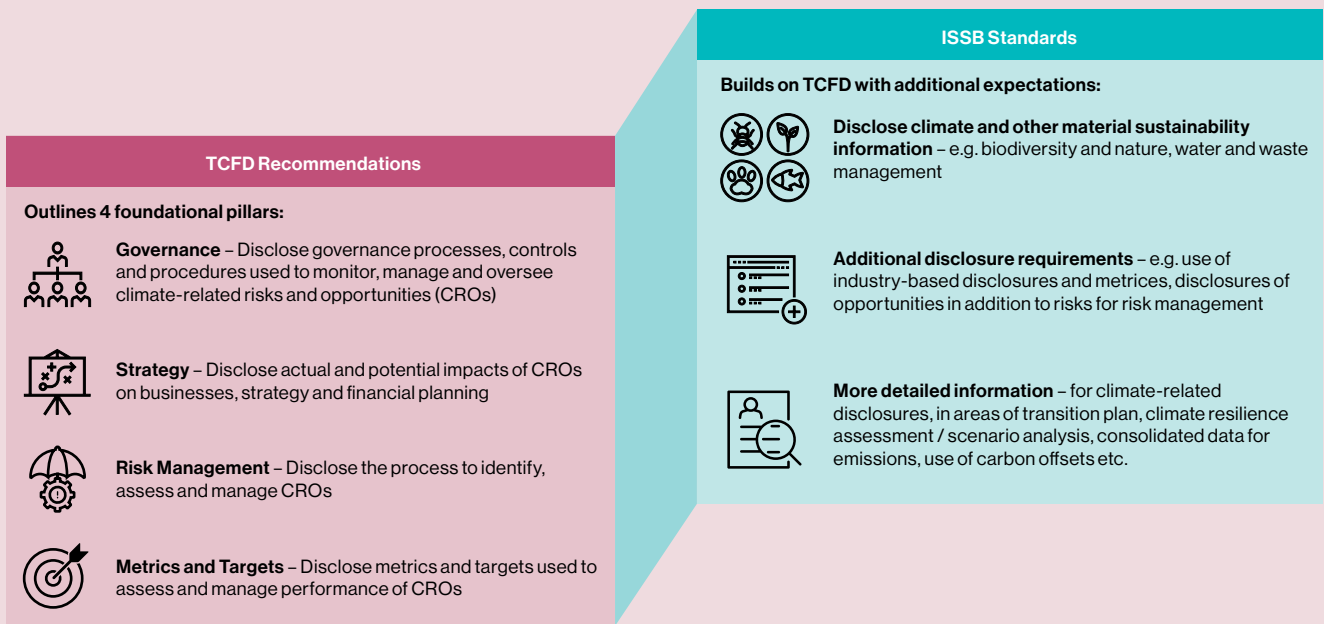
⁵ For example, the Global GHG Accounting and Reporting Standards by the Partnership for Carbon Accounting Financials (PCAF).

⁶ Revised requirements issued on 17 March 2025.

Ongoing progress by financial institutions to adopt the TCFD-aligned disclosures will continue to serve as a solid foundation for financial institutions to adhere to the ISSB standards, which are developed based on the TCFD recommendations. To ease the reporting journey, financial institutions can leverage initiatives from PACE and the Joint Committee on Climate Change (JC3).⁷ Diagram 3 provides an overview of the step-up requirements for financial institutions to transition from TCFD to ISSB standards.

Diagram 3: Step-up Requirements from TCFD to ISSB Standards

The ISSB standards are built on TCFD with additional disclosures and requirements for more detailed information



Source: Bank Negara Malaysia

The NSRF sets a clear path for the adoption of ISSB standards in Malaysia. Building on progress made, financial institutions are expected to continue to further enhance their disclosures, especially on financed emissions.⁸ In this regard, financial institutions can play a meaningful role in assisting their clients to improve climate-related data collection and reporting. This will in turn enhance data capture and disclosures throughout the value chain which remains crucial to enable financial institutions to better manage climate-related risks and opportunities.

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⁷ JC3 offers various capacity building program throughout the year. Refer to [JC3 website](#) for access to the upcoming events and existing resources including the Climate Data Catalogue.

⁸ Financed emissions refer to GHG emissions associated with loans and investments made by financial institutions.