Advisory Committee on Sustainability Reporting (ACSR)
Securities Commission Malaysia
No. 3, Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur
Malaysia

Date: 21.03.24

Consultation on proposed national sustainability reporting framework in Malaysia

We refer to the Advisory Committee on Sustainability Reporting's consultation paper on sustainability-related financial disclosure. We welcome the opportunity to continue contributing our perspective on the Malaysian sustainability reporting regime.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank and is responsible for investing the Norwegian Government Pension Fund Global. NBIM is a globally diversified investment manager with 5,208 billion MYR at year end 2023, of which 9.7 billion MYR in the shares of Malaysian companies.

As a long-term, global investor, we consider our returns over time to be dependent on sustainable development in economic, environmental and social terms. We need consistent, comparable and reliable information from companies on social and environmental issues that are financially material to their business. As a global investor with holdings in 70 different countries, we have a clear interest in information being reported in a consistent and comparable manner across markets worldwide. This information helps inform our investment decisions, our risk management processes and our ownership activities.

We strongly support the International Sustainability Standards Board (ISSB) and its mission to deliver a global baseline of disclosure standards that provide decision-useful information to investors. The ISSB standards IFRS S1 and S2 build on existing frameworks, such as the Taskforce on Climate-Related Financial Disclosures Recommendations (TCFD), and maintain its four-pillar structure around governance, strategy, risk management, and metrics and targets. Furthermore, the ISSB standards have been endorsed by the International Organisation of Securities Commissions (IOSCO) to support the integration of sustainability-related financial information in capital markets. We believe that global comparability and consistency of information can be best achieved by the alignment of jurisdictional regimes with the ISSB standards through the so-called "building blocks" approach, which allows standard setters to address any jurisdiction-specific policy objectives by adding to the global baseline.

We welcome Malaysia's commitment to introducing a national sustainability reporting framework and the establishment of an inter-agency, national level Advisory Committee on Sustainability Reporting (ACSR). We strongly support the framework using ISSB Standards as the baseline, as these can best ensure comparability of disclosures across jurisdictions and meet the information needs of investors. As an export-oriented country, aligning with ISSB Standards will further strengthen the integration of Malaysian companies in global supply chains due to the interoperability of their reporting practices. We

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agree with the ACSR that the ISSB standards are compatible with other complementary reporting frameworks such as the Global Reporting Initiative (GRI), which is already widely used in Asia. We note that the industry-based Sustainability Accounting Standards Board (SASB) standards have been incorporated into the ISSB architecture and provide useful guidance for preparers in identifying material sustainability matters and related disclosures.

We are pleased to see the Malaysian authorities' commitment to full adoption of both standards, initially starting with the climate standard S2, before also implementing the general sustainability disclosure standard S1 over a clearly stated timeline. We support extending the requirements beyond Main Market participants to also include ACE Market and large non-listed companies, as this will encourage a level playing field in terms of corporate disclosures. Furthermore, private companies are often in the value chain of listed companies and information from private companies is necessary for the latter to, for example, calculate their own Scope 3 emissions. While we do not have specific views on the timeline or thresholds of application, we believe that phasing-in the requirements based on market segment is a sensible approach.

We welcome the intention to align as closely as possible with the ISSB standards. Any deviation from the global baseline to address implementation concerns should ideally be temporary rather than permanent to preserve the value of the global baseline. We therefore support the proposed framework's use of transition reliefs, in addition to the built-in reliefs, if they are proportionate and useful to address jurisdiction-specific concerns. However, we have a preference for disclosures to be linked to materiality rather than size of business segments. We therefore question the proposed relief allowing for disclosures only covering principal business segments, as this might obscure material climate- and sustainability-related risk and, therefore, not fully meet the information needs of investors and other stakeholders. Furthermore, this might limit the ability of investors to assess the connectivity between a company's financial statements and sustainability disclosures, as well as hindering comparability of disclosures across reporting entities. We would also encourage the ACSR to reconsider the proposed relief on disclosures about the impacts of climate and sustainability-related risks and opportunities on the company's strategy and decision-making, as these are foundational elements of the reporting framework, and unlikely to prove particularly challenging for preparers as they allow for qualitative disclosure. We believe such elements should be addressed in the early stages of a corporate transition strategy, and should hence be prioritised for reporting purposes too. Such disclosures can be provided proportionately, as is embedded in ISSB Standards.

We support the use of external assurance, as this can help improve the reliability of disclosures. We support using the forthcoming global standard by the International Auditing and Assurance Standards Board (International Standard on Sustainability Assurance 5000 - ISSA 5000), as the overarching standard for all external assurance engagements on sustainability information. Basing assurance practices on a global standard can help achieve higher quality and best practice across jurisdictions. In line with our public expectations of portfolio companies on climate change, we expect reasonable assurance for Scopes 1 and 2 emissions information and limited assurance for the rest of climate disclosures. We support the expansion of this assurance requirement to the entirety of the sustainability disclosures, and we have a preference for this to remain mandatory rather than at the company's discretion. Leaving the discretion to preparers on which aspects of their sustainability report to seek external assurance on might weaken the framework and thus the reliability of information which companies might decide not to assure. Further, we believe that external assurance can begin as limited and then develop to reasonable over time.

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We thank you for considering our perspective and remain at your disposal should you wish to discuss these matters further.

Yours sincerely

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