

PRI RESPONSE

PROPOSED AMENDMENTS TO THE MAIN MARKET LISTING REQUIREMENTS AND ACE MARKET LISTING REQUIREMENTS IN RELATION TO SUSTAINABILITY REPORTING REQUIREMENTS AND OTHER ENHANCEMENTS

October 2024

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United Nations
Global Compact

ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to Bursa Malaysia's call for feedback on proposed amendments to the main market listing requirements and ace market listing requirements in relation to sustainability reporting requirements and other enhancements.

ABOUT THIS CONSULTATION

This consultation complements the release of the [National Sustainability Reporting Framework \(NSRF\)](#) on 24 September 2024. The NSRF was developed by the Advisory Committee on Sustainability Reporting (ACSR), which included an extensive public consultation period. PRI made a [submission](#) supporting the proposed framework while considering recommendations to ensure that functional alignment with the ISSB Standards is prioritized. PRI welcomes the finalized NSRF as it commits to establishing the ISSB Standards as a baseline for mandatory reporting in Malaysia.

On 24 September 2024, Bursa Malaysia announced its [consultation paper](#) to integrate the NSRF recommendations into its listing requirements (LR) for the Main Market and Ace Market. Bursa Malaysia proposes adoption of the ISSB Standards as a baseline per the NSRF, while retaining related disclosure items from its sustainability reporting framework most recently enhanced in 2022.

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KEY RECOMMENDATIONS

The PRI welcomes the publication of the final National Sustainability Reporting Framework (NSRF) by the Advisory Committee on Sustainability Reporting (ACSR). We have supported the proposals from the February consultation paper and maintained that our priority recommendation is to align with the ISSB Standards, with an emphasis on ensuring that requirements that are aligned to IFRS S1 and S2 are introduced. To this end, the content of the finalized NSRF is fully aligned with the ISSB Standards, with timelines clarified for a phased implementation of climate-first reporting and IFRS S1-aligned reporting to follow.

The NSRF and the proposals to amend the Bursa Malaysia listing requirements will position Malaysia as a leading example on integrating sustainability reporting across statutory disclosures.

The successful application of ISSB-aligned NSRF recommendations would support the delivery of the ISSB global baseline, and help to provide investors with the decision-useful sustainability data across their portfolios they need and currently lack.¹ This will help investors to allocate capital efficiently, accounting for sustainability-related financial risks and opportunities and addressing sustainability goals².

As such, the PRI strongly supports the proposals set forth in [Consultation Paper No.1/2024](#) by Bursa Malaysia. The Consultation Paper clarifies full adoption of the NSRF recommendations and by extension the full ISSB Standards as a baseline for mandatory sustainability reporting in Malaysia. We also welcome the clarification on when the IFRS S2-aligned, climate-first reporting relief will transition to a wider and more comprehensive reporting regime in line with IFRS S1. While this may delay the provision of needed information to investors, we understand the need for relief measures to give preparers adequate time for implementation. Further, this option is preferable to a permanent deviation from the ISSB Standards, which would undermine the comparability and wider decision-usefulness of reporting by Malaysian companies.

We are also supportive of the decision to maintain aspects of the pre-existing enhanced sustainability reporting framework (enhanced SRF), which will ensure continuity and consistency across historical reporting, but also provide a bridge between climate-first reporting and more comprehensive reporting during the transition period.

The PRI's key recommendations are:

- **Continue the communication with relevant authorities/regulators to promote the implementation and application of the NSRF and amended Listing Rules.** This would

¹ For example, FTSE Russell found that of the 4,000 large and mid-size constituents in the FTSE All World index, only 58% disclose both Scope 1 and 2 carbon emissions. Source – [Mind the gaps: Clarifying corporate carbon](#) (2022).

² Investors around the world are increasingly committed to incorporating and pursuing sustainability outcomes such as those posed by the UN SDGs, Paris Agreement and the Kunming-Montreal Global Biodiversity Framework. Legal analysis from the [A Legal Framework for Impact \(LFI\) project](#) found that while there are differences across jurisdictions and investor groups, where investing for sustainability outcome approaches can be effective in achieving an investor's financial goals, the investor will likely be required to consider using them and act accordingly. The global LFI analysis and local LFI policy reports, such as the [Japan Report](#), have consistently found that for investors to be able to pursue sustainability outcomes, market mechanisms such as mandatory sustainability disclosure are critical.

contribute to the process of promoting a mandatory sustainability disclosure system in Malaysia.

- **Eventually consider disclosure requirements additional to the ISSB Standards, taking a building-blocks approach, that capture further information on companies' sustainability impacts and dependencies.** Depending on their mandates and duties, investors may need information to assess and interpret a company's impacts and their alignment with sustainability goals and thresholds. Such additional requirements should build on the GRI Standards given their widespread global uptake.

DETAILED RESPONSE

CONSULTATION QUESTIONS

PROPOSAL I - ISSUES FOR CONSULTATION

Q1: Is the mandatory disclosure of the common sustainability matters as set out in paragraph 9.3(a) of the Consultation Paper still appropriate in the Sustainability Statement that is prepared in accordance with the ISSB Standards? Please provide your views and reasons for your views.

Application of the ISSB Standards in preparation of the Sustainability Statement should not interfere with the mandatory disclosure of the common sustainability matters or render them inappropriate. The mandatory disclosure requirement of the common sustainability matters is compatible with the building blocks approach proposed by the IFRS, where additional sustainability reporting requirements can complement the ISSB Standards.

Q2: Do you agree that all the common sustainability matters remain relevant and applicable to all listed issuers, irrespective of the industry they are in? If not, what should be retained or removed? Please provide your suggestions and reasons for your suggestion.

In so far as relevant policymakers and standard setters in Malaysia share an understanding of the degree to which these 11 issues are relevant to decision-making by broad stakeholders in the market, these common sustainability matters are likely to remain applicable to all listed issuers.

The Malaysian government may benefit from strengthening its explanation on the connection between these 11 issues and its approach to an economic transition. PRI [recognizes](#) that the transition to a sustainable and equitable economy that benefits both economic growth and natural and social systems has become an increasingly urgent policy objective in many countries and within international forums. Governments are introducing policies and regulations to address climate change, biodiversity loss, macroeconomic instability, effects on costs of living etc. However, these reforms are often pursued in isolation to each other, and with insufficient influence over business-as-usual public policy and business strategy. And while the flow of capital towards sustainability goals has increased, it is yet not at the scale needed. Comprehensive sustainability reporting is an important foundation for a whole-of-government approach to the economic transition, and as such ensuring that the issues and indicators captured align with a national and comprehensive strategy can benefit the utility of this information.

Q3: Do you have any comments on the proposed disclosure standards of the common sustainability matters in the Sustainability Statement even though the ISSB Standards may not necessitate such disclosure: (a) for a Main Market listed issuer, in accordance with either the ISSB Standards or the said requirements³⁸ pursuant to paragraph 11.5 of the Consultation Paper? (b) for an ACE Market listed corporation, to provide the disclosure in accordance with ISSB Standards on best endeavour basis pursuant to paragraph 12.4 of the Consultation Paper? Please elaborate and state the reasons for your views

PRI supports the proposed approach.

Q4: Do you have any comments on the proposal to disclose the percentage of employees and directors by ethnicity (in addition to gender and age group) for the common sustainability matter on diversity as set out in paragraph 9.5 of the Consultation Paper? Please elaborate and state the reasons for your views.

PRI supports the disclosure of diversity-related information. Diversity, equity and inclusion is a sustainability topic that we have produced [investor guidance](#) on and we have highlighted the importance of mandatory and standardized disclosure on DEI, while also highlighting the importance of collecting holistic information on multidimensional [diversity characteristics](#). As such, adding ethnicity to gender and age group as a diversity characteristic for mandatory disclosure would be a step in the right direction.

Q5: Do you have any comments on the proposed disclosure standards of the sustainability related risks and opportunities³⁹ that are not climate-related, during the respective Transitional Period: (a) for a Main Market listed issuer which has yet to prepare its Sustainability Statement in accordance with the IFRS S1 as set out in paragraph 11.4 of the Consultation Paper, to disclose in accordance with the said requirements⁴⁰ ? (b) for an ACE Market listed corporation which has yet to prepare its Sustainability Statement in accordance with the IFRS S1 as set out in paragraph 12.3 of the Consultation Paper, it is strongly encouraged to provide the disclosures in accordance with IFRS S1 or as a minimum, report in accordance with paragraph 12.6(b) of the Consultation Paper⁴¹? Please state your comments and reasons for your comments.

PRI supports the proposed approach.

Q6: Do you have any comments on the proposals as described in paragraph 12.6 of the Consultation Paper where an ACE Market listed corporation must, as a minimum prepare the Sustainability Statement in the following manner prior to the implementation of the Proposed Sustainability Reporting Amendments: (a) for FYE on or after 31 December 2024 and 31 December 2025 respectively, the ACE Market listed corporation must continue to disclose a narrative statement of its management of material sustainability matters, and in doing so, be guided by the Sustainability Reporting Guide? (b) for FYE on or after 31 December 2026, the ACE Market listed corporation must disclose - (i) the sustainability-related risks and opportunities covering the following key components: (aa) governance: the governance structure in place to monitor and manage the sustainability-related risks and opportunities; (bb) strategy: the measures or action taken to manage the sustainability-related risks and opportunities; (cc) risk management: the processes in place to prioritise and monitor the sustainability-related risks and opportunities; and (dd) metrics and targets: the indicators relevant to the sustainability-related risks and opportunities, together with the data for the last 3 financial years, and performance targets (if such targets are set); (ii) the 9 common sustainability matters together with their respective indicators; and (iii) a summary of the data and performance targets disclosed in the Sustainability Statement, in relation to the reported indicators, in a prescribed format? Please state your comments and reasons for your comments.

PRI supports the proposed approach.

Q7: Do you have any other suggestions to enhance the sustainability reporting requirements under the LR? Please provide your suggestions and the reasons for your suggestions.

Promoting a mandatory sustainability disclosure system with relevant authorities and regulations in Malaysia.

Until further decisions are made by the relevant authorities/regulators, entities preparing sustainability disclosures have the sole discretion to decide whether sustainability disclosures should be prepared in accordance with the NFRS or other frameworks. We encourage ACSR and Bursa Malaysia to continue working with relevant authorities/regulators in Malaysia to promote and implement the NFRS. In PRI's joint [call to action](#) with the London Stock Exchange Group, UN Sustainable Stock Exchanges Initiative and World Business Council for Sustainable Development, we call for commitment by 2025 from relevant authorities across jurisdictions to adopt both ISSB Standards on an economy-wide basis.

Additions to the baseline – reporting on impacts and dependencies

Investors' data needs are shaped by the approach they take to responsible investment. Approaches can include a combination of: (i) focusing on incorporating ESG risks and opportunities; (ii) addressing the drivers of financially material sustainability risks; and (iii) actively pursuing sustainability outcomes beyond investment value. All three approaches exist within PRI's signatory base

Therefore, while all investors need sustainability-related information to inform their assessment of companies' risks and opportunities, some investors also need information to assess and interpret a company's impacts and their alignment with sustainability goals and thresholds. PRI's [Legal Framework for Impact report](#) demonstrates that as part of their responsibilities to clients and beneficiaries, investors may need to assess the sustainability outcomes which affect the system-level risks to which their portfolio is exposed, and therefore long-term returns. This is especially true for so-called universal owners, such as sovereign wealth funds who invest across entire economies. Many institutional investors now accept that, in acting in their clients' and beneficiaries' best financial interests, they should consider and respond to system-level risks that may affect long-term returns.

While the ISSB Standards are expected to enable disclosure of some of this information, it is unlikely they will provide investors with all the information they need on a company's impacts and dependencies. In this context, and in line with the IFRS Foundation's "building blocks" approach, the HKICPA should eventually consider disclosure requirements additional to the ISSB Standards that capture further information on companies' sustainability impacts and dependencies. These should build on the GRI Standards, similar to the approach of the European Commission and Chinese Ministry of Finance.

PROPOSAL II - ISSUES FOR CONSULTATION

PRI does not have a response to this proposal.

PROPOSAL III - ISSUES FOR CONSULTATION

PRI does not have a response to this proposal.

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of Bursa Malaysia further to promote the application of a sustainability disclosure in line with the global baseline in Malaysia.

Please send any questions or comments to policy@unpri.org.

More information on www.unpri.org