



CONSULTATION PAPER NO. 1/2022

REVIEW OF THE SUSTAINABILITY REPORTING REQUIREMENTS UNDER  
THE MAIN MARKET AND ACE MARKET LISTING REQUIREMENTS

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Bursa Malaysia Berhad (“Bursa Malaysia”) invites your written comments on the issues set out in this Consultation Paper by 18 May 2022 via:

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## A. INTRODUCTION

1. This Consultation Paper seeks views and comments from the public on the following proposed amendments to the Bursa Malaysia Securities Berhad (“**the Exchange**”) Main Market Listing Requirements (“**Main LR**”) and ACE Market Listing Requirements (“**ACE LR**”) (collectively, “**LR**”) in relation to sustainability reporting requirements:
  - 1.1 The key proposals in relation to the sustainability reporting requirements in the Main LR<sup>1</sup> (“**Proposed Main LR Sustainability Reporting Amendments**”):
    - (a) requiring disclosure of prescribed sustainability matters and indicators that are deemed material for listed issuers across all sectors (“**Proposed Common Sustainability Matters**”) [*Proposal I*];
    - (b) introducing climate change related disclosures in line with the Task Force on Climate-related Financial Disclosures (“**TCFD**”) Recommendations [*Proposal II*];
    - (c) requiring disclosure of prescribed sustainability matters and indicators that are deemed material for listed issuers in specified sectors [*Proposal III*];
    - (d) enhancing disclosure of quantitative information by requiring disclosure of the following [*Proposal IV*]:
      - (i) at least 3 financial years’ data for each reported indicator;
      - (ii) performance target(s) in respect of each reported indicator; and
      - (iii) a summary of such data and corresponding performance target(s) in a prescribed format; and
    - (e) requiring a statement on whether the Sustainability Statement has been assured, and if so, the scope covered [*Proposal V*].
  - 1.2 The key proposals in relation to the sustainability reporting requirements in the ACE LR (“**Proposed ACE LR Sustainability Reporting Amendments**”):
    - (a) aligning the ACE Market sustainability reporting requirements with that of the Main Market, where appropriate, by - [*Proposal VI*]
      - (i) requiring disclosure of the prescribed information currently stipulated for Main Market listed issuers i.e. sustainability governance, scope of Sustainability Statement and basis for the scope, materiality assessment and management of material sustainability matters;
      - (ii) requiring disclosure of the Proposed Common Sustainability Matters;
      - (iii) enhancing disclosure of quantitative information in the same manner as the Proposed Main LR Sustainability Reporting Amendments as set out in paragraph 1.1(d) above; and

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<sup>1</sup> The Proposed Main LR Sustainability Reporting Amendments are applicable to listed issuers which are listed corporations, listed real estate investment trusts and business trusts.

- (iv) requiring a statement on whether the Sustainability Statement has been assured, and if so, the scope covered; and
  - (b) introducing disclosure of a basic plan to transition towards a low-carbon economy [*Proposal VII*].
2. The Exchange believes that the Proposed Main LR Sustainability Reporting Amendments and Proposed ACE LR Sustainability Reporting Amendments (collectively, the “**Proposed Amendments**”) would, among others -
- (a) spur listed issuers to adopt better sustainability practices as well as disclosures which in turn build long-term business resilience and prosperity;
  - (b) enhance the availability, quality, and comparability of sustainability disclosures in the Malaysian capital market;
  - (c) address the growing informational needs of key capital market stakeholders; and
  - (d) contribute to the realisation of the country’s environmental, social and governance (“**ESG**”) agenda.

## B. BACKGROUND

### *Existing reporting framework*

3. The Exchange’s sustainability reporting framework (“**Sustainability Framework**”), launched back in 2015, consists of -
- (a) the requirement under the LR for a listed issuer to provide a narrative statement on the management of material economic, environmental and social (“**EES**”) risks and opportunities in their annual reports (“**Sustainability Statement**”)<sup>2</sup>;
  - (b) the Sustainability Reporting Guide; and
  - (c) the Sustainability Toolkits.
4. At present, the LR stipulates as follows:
- (a) For a Main Market listed issuer, its Sustainability Statement must include the following disclosures<sup>3</sup>:

(i)	<b>Sustainability Governance</b>	The governance structure put in place to manage the EES risks and opportunities (“ <b>sustainability matters</b> ”).
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<sup>2</sup> Paragraph 29 in Part A of Appendix 9C read together with Part III of Practice Note 9 of the Main LR and paragraph 30 in Part A of Appendix 9C read together with Part III of Guidance Note 11 of the ACE LR.

<sup>3</sup> See paragraph 6.2 of Practice Note 9 of the Main LR.

(ii)	<b>Scope of Sustainability Statement</b>	The scope of the Sustainability Statement and basis for the scope.
(iii)	<b>Materiality</b>	How material sustainability matters are identified and why they are important to the listed issuer.
(iv)	<b>Management of Material Sustainability Matters</b>	How material sustainability matters are managed including details on related policies, measures or actions taken to deal with these sustainability matters and indicators adopted.

- (b) For an ACE Market listed corporation, its Sustainability Statement should contain information that is balanced, comparable and meaningful by referring to the Sustainability Reporting Guide issued by the Exchange<sup>4</sup>. In identifying the material EES risks and opportunities, the listed corporation should consider the themes set out in the Sustainability Reporting Guide.

#### *State of sustainability reporting among Malaysian listed issuers*

5. Following the launch of the Sustainability Framework in 2015, the Exchange had, on a sampling basis, conducted annual sustainability disclosure review exercises (“**SDR exercises**”) from 2017-2020 to assess the overall level of compliance and quality of sustainability disclosures of the Main Market listed issuers.
6. Based on the 2020 SDR exercise<sup>5</sup>, we found that generally, the compliance levels of listed issuers are high, at an average compliance score of 98%. Almost all Main Market listed issuers reviewed provided disclosures on the prescribed areas as set out in the Main LR<sup>6</sup>. We have also observed encouraging improvements in the quality of disclosures provided over the years where the latest average quality score<sup>7</sup> of 68% was noted for this. It is heartening to note that the more progressive listed issuers are now reporting in accordance to widely recognised international sustainability reporting standards.

<sup>4</sup> See paragraph 6.1 of Guidance Note 11, ACE LR.

<sup>5</sup> The findings and observations from the SDR 2020 which covered 300 Main Market listed issuers are accessible at: <https://bursasustain.bursamalaysia.com/droplet-details/sustainability/bursa-malaysia-sustainability-disclosure-review-2020-key-observations-recommendations>.

<sup>6</sup> The disclosures provided were in relation to the listed issuers’ sustainability governance, scope of the Sustainability Statement and basis, their materiality assessment processes as well as their management of prioritised material sustainability matters, as prescribed in paragraph 6.2 of Practice Note 9, Main LR.

<sup>7</sup> The average quality scores takes into consideration the various aspects of disclosure quality including, among others, the depth and clarity of information pertaining to a listed issuer’s sustainability governance structure (covering oversight, strategic management and day-to-day implementation), underlying basis for the chosen scope of the Sustainability Statement, materiality process including steps taken to identify and prioritise material sustainability matters as well as descriptions of policies/processes and performance indicators pertaining to each material sustainability matter.

7. While the findings from the SDR exercises were generally positive, the Exchange has nevertheless also identified certain areas for further improvements. These include but are not limited to the following:
- (a) more depth and clarity desired in the following areas:
    - (i) the sustainability governance structure put in place so that there is clear context with regards to the parties responsible for oversight, strategic management and implementation of sustainability initiatives;
    - (ii) the scope (i.e coverage of the Sustainability Statement) and basis for the selected scope;
    - (iii) the process undertaken to identify material sustainability matters to enable stakeholders to discern the robustness of the process undertaken;
    - (iv) prioritisation of identified material matters to clearly illustrate the relative importance of the identified material matters;
  - (b) provision of more datapoints for chosen indicators to enable stakeholders to scrutinise longer-term underlying trends as well as track progress made in managing material sustainability matters; and
  - (c) provision of performance targets for adopted indicators with specific timeframes to serve as clear reference points for stakeholders to assess progress against commitments made<sup>8</sup>.
8. Feedback from key capital market stakeholders to the Exchange are also largely in line with the findings above. This is discussed further in paragraph 21 of the Consultation Paper below.

## C. KEY DEVELOPMENTS ACROSS THE SUSTAINABILITY ECOSYSTEM

9. In recent years, there has been tremendous development and growth across the sustainability ecosystem worldwide. This is largely driven by ever increasing demands by various stakeholders (e.g. institutional investors, lenders, customers, non-governmental organisations, and regulators) for better sustainability or ESG practices as well as disclosures by businesses. For instance, signatories to the UN Principles of Responsible Investment (“UN PRI”) with a combined USD121.3 trillion assets under management (as at 2021) would avoid investing in companies that do not embrace good ESG practices.

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<sup>8</sup> This was echoed in CG Watch 2020 - Future Promise: Aligning governance and ESG in Asia (“CG Watch 2020”) issued by the Asian Corporate Governance Association (“ACGA”). As reported, based on the assessment conducted by ACGA, Malaysian listed issuers seem to disclose “relatively few targets”.

10. Apart from mounting stakeholder pressure, the COVID-19 pandemic has brought to light the ramifications of poorly managed sustainability risks to overall business resilience and economic growth. Specifically, supply chain disruptions as well as limited natural and human capital resources have translated to lost productivity and increased cost of doing business. Furthermore, listed issuers also need to contend with other pressing sustainability issues such as climate change, biodiversity loss, pollution and water scarcity. When taken as a whole, it is imperative that they manage environmental and social resources well to enhance business resilience and performance.

***Significant developments across international sustainability reporting standards***

11. Of late, we have observed significant advancements across the international sustainability reporting ecosystem. Many influential international sustainability reporting standard setters have either issued or are currently enhancing their respective standards or frameworks. The Global Reporting Initiative (“GRI”), for example, has revised their Universal Standards (“**Universal Standards 2021**”)<sup>9</sup> to, among others, fully reflect due diligence expectations for organisations to manage their sustainability impacts, including on human rights, as set forth in intergovernmental instruments by the United Nations (“UN”) and the Organisation for Economic Co-operation and Development (“OECD”). New players such as the International Financial Reporting Standards (“IFRS”) Foundation, has also entered the ecosystem with the aim of developing a globally-accepted set of sustainability reporting standards via the launch of the International Sustainability Standards Board (“ISSB”). The IFRS Foundation has also consolidated with the Climate Disclosure Standards Board (“CDSB”) in March 2022 and is expected to further consolidate with the Value Reporting Foundation (“VRF”) by June 2022<sup>10</sup>.

***Climate change-specific standards or frameworks***

12. With climate change gaining greater traction following the Paris Agreement<sup>11</sup>, various standards or recommendations on climate-related matters have also been introduced:

<sup>9</sup> For more information, please see <https://www.globalreporting.org/about-gri/news-center/gri-raises-the-global-bar-for-due-diligence-and-human-rights-reporting/>.

<sup>10</sup> See <https://www.ifrs.org/news-and-events/news/2022/01/ifrs-foundation-completes-consolidation-of-cdsb-from-cdp/>. The VRF houses the Integrated Reporting Framework and the SASB Standards.

<sup>11</sup> The Paris Agreement is a legally binding international treaty which entered into force on 4 November 2016. Its main long-term goal is to guide all nations to substantially reduce global greenhouse gas (“GHG”) emissions to limit the global temperature increase to 2<sup>0</sup> Celsius while pursuing efforts to limit the increase even further to 1.5<sup>0</sup> Celsius. Malaysia is a signatory to the Paris Agreement. For more information, please see <https://www.un.org/en/climatechange/paris-agreement>.



- (a) The TCFD Recommendations<sup>12</sup>, issued in June 2017, is arguably the primary benchmark framework on climate change disclosures by businesses worldwide. In fact, many countries including Brazil, the European Union, Hong Kong, Japan, New Zealand, Singapore, Switzerland, and the United Kingdom have announced requirements for domestic organisations to report in alignment with the TCFD Recommendations<sup>13</sup>. The TCFD Recommendations are aimed at encouraging more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system’s exposures to climate-related risks. As at March 2022, 11 listed issuers<sup>14</sup> have signed-up as TCFD supporters.
- (b) Separately, the IFRS Foundation has announced the formation of the ISSB and has publicly announced that the Foundation will adopt a “climate-first” approach in its efforts of developing a comprehensive global baseline of high-quality sustainability disclosure standards and harmonising existing sustainability reporting frameworks<sup>15</sup>.
- (c) Science-Based Targets initiative (“SBTi”)<sup>16</sup> launched their Net Zero Standard<sup>17</sup> in October 2021 to facilitate corporate net-zero target<sup>18</sup> setting in line with climate science. As at March 2022, 5 listed issuers<sup>19</sup> have committed to net-zero targets in accordance with the SBTi framework.

<sup>12</sup> The TCFD was established by the Financial Stability Board arising from the requests of the G20 Finance Ministers and Central Bank Governors to review how the financial sector can take account of climate-related issues. For more information, please see <https://www.fsb-tcfd.org/>.

<sup>13</sup> For more information, please see <https://www.fsb.org/2021/10/2021-status-report-task-force-on-climate-related-financial-disclosures/>.

<sup>14</sup> The 11 listed issuers are Bursa Malaysia Berhad, CIMB Group Holdings Berhad, IOI Corporation, Kumpulan Perangsang Selangor Berhad, MISC Group, Salcon Berhad, Sedania Innovator Berhad, Sunway Berhad, Sunway Construction Group Berhad, Sunway REIT and Yinson Holdings Berhad. For more information, please see <https://www.fsb-tcfd.org/supporters/>.

<sup>15</sup> For more information, please see <https://www.ifrs.org/news-and-events/news/2021/11/ifrs-foundation-announces-issb-consolidation-with-cdsb-vrf-publication-of-prototypes/>.

<sup>16</sup> SBTi consists of a partnership between Carbon Disclosure Project (“CDP”), the United Nations Global Compact, World Resources Institute (“WRI”) and the World Wide Fund for Nature (“WWF”).

<sup>17</sup> For more information, please see <https://sciencebasedtargets.org/net-zero>.

<sup>18</sup> The SBTi Net-Zero Standard defines corporate net-zero as -

- Reducing scope 1, 2, and 3 emissions to zero or to a residual level that is consistent with reaching net-zero emissions at the global or sector level in eligible 1.5°C-aligned pathways.
- Neutralising any residual emissions at the net-zero target year and any GHG emissions released into the atmosphere thereafter.

<sup>19</sup> The 5 listed issuers are Axiata Group Berhad, Bursa Malaysia Berhad, FGV Holdings Bhd, MSM Malaysia Holdings Berhad and Sunway Berhad. For more information, please see <https://sciencebasedtargets.org/companies-taking-action#table>.

### *Evolving sustainability reporting frameworks across benchmarked jurisdictions*

13. Various jurisdictions or exchanges regionally and globally have also introduced or enhanced their sustainability disclosure requirements in recent years, especially for listed issuers<sup>20</sup>. Within the given context, it is worth noting that many countries including United Kingdom, New Zealand, Hong Kong and Singapore are devoting added attention to the development of climate change specific disclosure requirements predicated on the TCFD Recommendations.

### *Key developments in Malaysia*

14. In Malaysia, there has also been several key developments arising from the heightened demand for good sustainability practices and disclosures.
15. The Twelfth Malaysia Plan 2021-2025 (“**12th Malaysia Plan**”), launched in September 2021, is anchored on 3 key themes, namely resetting the economy, strengthening security, well-being and inclusivity, as well as advancing sustainability. More importantly, the 12th Malaysia Plan is closely aligned to the Sustainable Development Goals (“**SDGs**”). With the adoption of the whole-of-nation approach in the implementation of the 12th Malaysia Plan, both the public and private sectors are expected to embrace good ESG principles in their decision-making and processes.
16. The latest edition of the Malaysian Code on Corporate Governance (“**MCCG**”) which was issued by the Securities Commission Malaysia (“**SC**”) in 2021 highlighted the pressing need for companies to manage ESG risks and opportunities, with the introduction of new best practices that emphasise strategic oversight and action by boards and senior management alike. Boards are expected to understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.
17. Institutional investors, in particular members of Institutional Investors Council Malaysia (“**IIC**”), are also collectively championing for better ESG practices as well as disclosures by listed issuers. In a clear sign of commitment, some IIC members have become signatories of the UN PRI including the Employees Provident Fund (“**EPF**”) and Retirement Fund Incorporated (“**KWAP**”). Another notable development is the collaboration between IIC and Capital Markets Malaysia (“**CMM**”) to form the Sustainable Investment Platform (“**SIP**”) which aims to support institutional investors and the fund management industry to build depth in sustainable and responsible investment strategies that align financial returns with wider ESG priorities. In addition, EPF also recently set the target for its portfolio to be fully ESG compliant by 2030.

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<sup>20</sup> Disclosure of sustainability or ESG matters are broadly on a “comply or explain” basis in jurisdictions such as Singapore (disclosure of sustainability practices with reference to, among others, material ESG factors, policies, practices and performance, targets and governance structure); Australia (disclosure of material exposure to environmental and social risks as well as management of those risks) and New Zealand (disclosure of EES sustainability factors and practices).

Hong Kong requires disclosure on a mandatory and comply or explain basis - mandatory to disclose the governance structure, reporting principles (i.e. materiality, quantitative and consistency) and reporting boundaries of the ESG report; “comply or explain” basis for ESG Aspects and key performance indicators.

18. In response to the urgent need to expedite and ensure a smooth and orderly transition to a low-carbon economy, the SC and Bank Negara Malaysia established the Joint Committee on Climate Change<sup>21</sup> (“JC3”) platform in September 2019 to pursue collaborative actions in building climate resilience across the Malaysian financial sector. Part of JC3’s current initiatives revolve around the TCFD Recommendations namely the development of a TCFD Application Guide for Malaysian financial institutions, development of relevant climate scenarios for modelling or analysis and devising various strategies or methods to make available pertinent climate-related data to facilitate assessment and decision-making.

## D. REVIEW OF THE SUSTAINABILITY FRAMEWORK

19. In light of the significant developments above as well as heightening stakeholder expectations, the Exchange believes it is now timely to review the Sustainability Framework to ensure it remains fit for purpose and to better cater to the needs of our key capital market stakeholders.
20. As part of this review, the Exchange undertook benchmarking exercises, conducted preliminary engagements with stakeholders via a survey and focus group sessions, and examined the key findings arising from our annual SDR exercises.
21. **Observations from focus group sessions and survey responses**
- 21.1 As part of our stakeholder engagements, we had disseminated a survey questionnaire in August 2021 to both listed issuers and other key capital market stakeholders such as providers of finance or capital, institutional investors, professional bodies, regulators and civil society organisations<sup>22</sup>. We had also conducted 13 focus group sessions in September 2021 involving 148 Main Market and ACE Market listed issuers as well as regulators, institutional investors, and other key capital market stakeholders.
- 21.2 The stakeholder engagements were undertaken to identify of the following:
- (a) the key challenges or issues faced by listed issuers in adopting sustainability practices and disclosures coupled with possible solutions to address them; and
  - (b) the sustainability information that are of interest to key capital market stakeholders and relevant for their assessment or decision-making.
- 21.3 Based on the engagements above, we noted the following key observations:
- (a) From the perspective of listed issuers:
    - (i) There is complexity and fragmentation in the sustainability reporting ecosystem given the numerous and diverse standards or frameworks that continually evolve.

<sup>21</sup> Members of the JC3 comprise of the Exchange and 19 financial industry players as well as relevant experts. For more information, please see <https://www.bnm.gov.my/climatechange>.

<sup>22</sup> The Exchange received responses from a total of 165 listed issuers and 37 key capital market stakeholders.

- (ii) There is a need for clearer guidance on what should be included in Sustainability Statements to facilitate comparison and consistency among different listed issuers. The Exchange should be more explicit in our expectations with regards to sustainability reporting.
  - (iii) There is a lack of resources and skilled human capital within the listed issuers to devote towards sustainability practices and disclosures especially when coupled with the strain of managing their business during the pandemic.
  - (iv) Data collection for different sustainability matters or indicators is difficult and tedious as the process relies heavily on manual entries or collation via spreadsheets. This is compounded further by the fact that the data or information is often under the purview of different line departments.
- (b) From the perspective of key capital market stakeholders:
- (i) There is a need for listed issuers to articulate their sustainability strategies in a more succinct and strategic manner.
  - (ii) Sustainability commitments made are not sufficiently supported by tangible actions and disclosure of relevant performance indicators. Consequently, it is often difficult to assess the sustainability performance of a listed issuer.
  - (iii) There are numerous methodologies employed to derive chosen indicators making comparability between listed issuers generally difficult.
  - (iv) Indicator-related information or data should be made widely available and presented in a simple and easy-to-understand manner.
  - (v) There is also a perceived lack of credibility in sustainability disclosures as very few Sustainability Statements are currently assured. Even if these disclosures are assured, assurance is often limited to selected performance indicators, rather than the Sustainability Statement as a whole.
22. More broadly, the Asian Corporate Governance Association (“ACGA”) in their assessment of the sustainability disclosures made by listed issuers, opined in the CG Watch 2020 Report<sup>23</sup> that *“Sustainability reporting requirements could also be enhanced. While there have been improvements across the market, there are relatively few targets, and the discussions are rarely strategic. Useful enhancements would include sector specific reporting requirements, the introduction of mandatory reporting for some KPIs, and more emphasis on the strategic implications of climate change.”*

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<sup>23</sup> For more information, please see <https://www.acga-asia.org/cgwatch.php>.

23. With due consideration given to the developments in the international sustainability reporting ecosystem, the progress among listed issuers thus far, the evolving informational needs of providers of capital and finance, as well as feedback from various stakeholders and listed issuers, the Exchange has formulated the Proposed Amendments as set out in paragraph 1 above which we believe -
- (a) are comparable with international best practices;
  - (b) address the informational needs of key capital market stakeholders;
  - (c) take into consideration the readiness and maturity of listed issuers to comply;
  - (d) would align and elevate the practices and disclosures of listed issuers across the Main Market and ACE Market, where appropriate; and
  - (e) contribute to the realisation of the country's ESG agenda.
24. The Proposed Amendments will undoubtedly propel listed issuers as well as the wider capital market ecosystem to greater heights and, by doing so, realise the Exchange's aspiration to become a leading market for sustainability in the region. More importantly, we believe that the Proposed Amendments would put listed issuers in good stead to respond effectively to increasing ESG related expectations and demands of the marketplace.

## E. STRUCTURE OF THE CONSULTATION PAPER

25. Details of the Proposed Amendments, and their rationale are provided in **Part F** (in relation to the Proposed Main LR Sustainability Reporting Amendments) and **Part G** (in relation to the Proposed ACE LR Sustainability Reporting Amendments) of the Consultation Paper.
26. The full text of the Proposed Amendments to the Main LR and ACE LR are provided in **Annexures A** and **B** respectively and are reflected in the following manner:
- (a) portions underlined are text newly inserted, added or replaced onto the existing rules; and
  - (b) portions struck through are text to be deleted.
27. The Exchange invites comments on the Proposed Amendments as discussed below. Comments can be given by filling up the template as attached in the **Attachment**.

### Note:

*As the Proposed Amendments are open to comments and feedback from the public, the final amendments may be different from those stated in the Consultation Paper. Further, the Proposed Amendments have NOT been approved by the SC and as such are not the final amendments. The Exchange will submit the Proposed Amendments to the SC for approval after receipt of comments pursuant to the Consultation Paper and making the relevant changes, where appropriate, to the Proposed Amendments.*

## F. DETAILS OF THE PROPOSED MAIN LR SUSTAINABILITY REPORTING AMENDMENTS

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### Proposal I Requiring Disclosure Of Prescribed Sustainability Matters And Indicators That Are Deemed Material For Listed Issuers Across All Sectors

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28. The current Sustainability Framework is inherently flexible as each listed issuer is required to undertake its own materiality assessment to identify and prioritise its material sustainability matters. The listed issuer is then required to put in place the relevant policies and measures or actions taken to manage these sustainability matters and disclose them together with the relevant indicators which demonstrate how the listed issuer has performed in managing these sustainability matters<sup>24</sup>.
29. While the flexible approach remains fit for purpose, the degree of standardisation and comparability across listed issuers could be enhanced to facilitate benchmarking. The Exchange has also observed that some listed issuers are not prioritising certain sustainability matters that should be material across all listed issuers (e.g. climate change) or across all listed issuers in a particular sector (e.g. biodiversity).
30. The above poses a challenge for key capital market stakeholders when undertaking assessment or making comparisons especially between listed issuers. Put simply, users of sustainability information such as institutional investors and lenders are seeking simple, meaningful and comparable sustainability information or data. As garnered from our engagements with key capital market stakeholders, the demand for better availability, quality as well as comparability of sustainability-related disclosures has increased markedly in recent years.
31. Feedback received from the preparers (i.e. listed issuers) as highlighted in paragraph 21.3(a)(ii) above also indicates that clearer expectations pertaining to sustainability disclosures would prove instrumental in terms of facilitating comparability of information.

#### *Proposed Common Sustainability Matters*

32. Having considered the above, the Exchange proposes to **require the disclosure of a set of 10 common sustainability matters and accompanying indicators<sup>25</sup> that are deemed to be material for all listed issuers regardless of size or sector.** The proposed common sustainability matters and accompanying indicators are as follows (“**Proposed Common Sustainability Matters**”):

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<sup>24</sup> Please see paragraph 6.2 of Practice Note 9 of the Main LR.

<sup>25</sup> Paragraph 6.3(c) read together with Annexure PN9-A of Practice Note 9, Main LR.

No.	Common Sustainability Matters	Common Indicators
(a)	Anti-corruption	(i) Percentage of employees that have received training on anti-corruption by employee category (ii) Percentage of operations assessed for corruption-related risks (iii) Confirmed incidence of corruption and action taken
(b)	Community/Society	(i) Total amount invested in the community where the target beneficiaries are external to the listed issuer (ii) Total number of beneficiaries of the investment in communities
(c)	Diversity	(i) Percentage of employees by gender, age group, ethnicity and disability, for each employee category (ii) Percentage of directors by gender, age group, ethnicity and disability
(d)	Energy management	(i) Total energy consumption
(e)	Health and safety	(i) Number of work-related fatalities (ii) Lost time incident rate (iii) Number of employees trained on health and safety standards
(f)	Labour practices and standards	(i) Total hours of training by employee category (ii) Percentage of employees that are contractors or temporary staff (iii) Total number of employee turnover by employee category
(g)	Supply chain management	(i) Proportion of spending on local suppliers
(h)	Data privacy and security	(i) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data

No.	Common Sustainability Matters	Common Indicators
(i)	Water	(i) Total volume of water used
(j)	Emissions management	(i) Scope 1 emissions in tonnes of CO <sub>2e</sub> (ii) Scope 2 emissions in tonnes of CO <sub>2e</sub> (iii) Scope 3 emissions in tonnes of CO <sub>2e</sub> (at least on business travel and employee commuting)

33. In developing the Proposed Common Sustainability Matters, the Exchange is guided by the following considerations:
- (a) the sustainability matters and indicators that are, to the best possible extent, common across multiple leading standards (e.g. GRI and FTSE Russell FTSE4Good Criteria) and benchmarked with peer jurisdictions such as Singapore and Hong Kong<sup>26</sup>, where appropriate; and
  - (b) the sustainability matters and indicators are reflective and supportive of key national priorities within the Malaysian context (e.g. climate change, anti-corruption and diversity).
34. For clarity, a listed issuer is still expected to undertake a materiality assessment process to determine the sustainability matters that are material to it<sup>27</sup>. However, the Proposed Common Sustainability Matters will be designated as being “material” in addition to the material sustainability matters identified by the listed issuer within the context of their materiality assessment. Accordingly, the listed issuer is required to disclose how it manages the Proposed Common Sustainability Matters as well as those identified by it to be material, in its Sustainability Statement.
35. We are cognisant that benchmarked jurisdictions such as Hong Kong and Singapore adopt a voluntary approach in the disclosure of common themes and indicators. More specifically, the Singapore Exchange (“SGX”) has published a list of 27 core ESG Metrics (“Core ESG Metrics”) on its website to serve as guidance for listed issuers to disclose a common and standardised set of ESG metrics<sup>28</sup>, while Hong Kong Exchange and Clearing Limited (“HKEx”) requires disclosure of 12 Aspects and their key performance indicators on a “comply or explain” basis<sup>29</sup>.

<sup>26</sup> We mapped against the Requirements of the GRI Topic Standards, the Themes and Indicators under the FTSE Russell FTSE4Good criteria, the Aspects and KPIs under HKEx’s Listing Rules, and the Topics and Metrics under SGX Core ESG Metrics, to identify commonalities.

<sup>27</sup> Paragraph 6.3 (a) and (b) of Practice Note 9, Main LR stipulates that sustainability matters are considered material if they reflect the listed issuer’s significant EES impacts; or substantively influence the assessments and decisions of the listed issuer’s stakeholders.

<sup>28</sup> See [https://api2.sgx.com/sites/default/files/2021-12/SGX%20Core%20ESG%20Metrics\\_Dec%202021.pdf](https://api2.sgx.com/sites/default/files/2021-12/SGX%20Core%20ESG%20Metrics_Dec%202021.pdf).

<sup>29</sup> See <https://en-rules.hkex.com.hk/rulebook/environmental-social-and-governance-reporting-guide-0>.



36. However, we found that notwithstanding the different approaches adopted, there is a clear underlying aim of ensuring information and data pertaining to material sustainability matters are made available to stakeholders in a manner that is comparable across listed issuers. Hence, in our context, the Exchange believes it is appropriate to prescribe the Proposed Common Sustainability Matters.
37. The Exchange will also be revising the Sustainability Reporting Guide to facilitate listed issuers’ understanding of, and adherence to, the Proposed Common Sustainability Matters. Among others, the Sustainability Reporting Guide will provide the methodologies to derive indicator-related data as well as the format of reporting.

***Proposed implementation timelines***

38. The Exchange proposes to implement the Proposed Common Sustainability Matters on a staggered basis as follows to accord sufficient time for listed issuers to comply:

No.	Requirements	Timelines
(a)	<ul style="list-style-type: none"> <li>▪ Anti-Corruption</li> <li>▪ Community/Society</li> <li>▪ Diversity</li> <li>▪ Energy Management</li> <li>▪ Health and Safety</li> <li>▪ Labour Practices and Standards</li> <li>▪ Supply Chain Management</li> <li>▪ Data Privacy and Security</li> <li>▪ Water</li> </ul>	<p>Effective for Sustainability Statements in annual reports issued for financial years ending (“FYE”) on or after <b>31 December 2023</b></p>
(b)	<ul style="list-style-type: none"> <li>▪ Emissions Management</li> </ul>	<p>Effective for Sustainability Statements in annual reports issued for FYE on or after <b>31 December 2024</b></p>

**Proposal I - Issues for consultation**

1. Do you agree with the proposal for a listed issuer to disclose the Proposed Common Sustainability Matters as well as the management of such matters, in its Sustainability Statement?

Please state the reasons for your views.

2. Do you agree with the common sustainability matters as proposed in paragraph 32 of the Consultation Paper?

Please state the reasons for your views.

3. Do you agree with the common indicators as proposed in paragraph 32 of the Consultation Paper?

Please state the reasons for your views.

4. Are there any sustainability matters or indicators that should be added or removed from the list of Proposed Common Sustainability Matters?

Please state your suggestions and reasons for your suggestions.

5. Do you agree with the proposed implementation timelines for the Proposed Common Sustainability Matters as set out in paragraph 38 of the Consultation Paper?

If not, please provide your recommendations and reasons for such recommendations.

*[End of Proposal I]*

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## Proposal II Introducing Climate Change Related Disclosures In Line With The TCFD Recommendations

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39. Climate change is now widely acknowledged as one of the most intractable challenges facing humanity. Unsurprisingly therefore, in the past few years, there is heightened attention as well as a growing sense of urgency in the need to tackle the impacts of climate change. The recent floods in December 2021 and March 2022 that hit our country are a stark reminder of this.
40. At the global level, a co-ordinated and comprehensive response to the impacts of climate change is affected through the United Nations Framework Convention on Climate Change (“UNFCCC”). Its membership consists of most countries around the world referred to as “Parties”. Every year, a Conference of the Parties (“COP”) is held to assess progress in dealing with climate change as well as to negotiate on legally binding obligations for reduction of greenhouse gas (“GHG”) emissions. In this regard, the recently concluded COP 26 in Glasgow in November 2021, saw several nations adopting the “Glasgow Climate Pact”<sup>30</sup> consisting of a range of agreed items including strengthened efforts to build resilience to climate change, to curb GHG emissions and to provide the necessary finance for both.
41. Separately, the European Commission is proposing the implementation of a Carbon Border Adjustment Mechanism<sup>31</sup> (“CBAM”) to prevent the risk of carbon leakage and support the European Union’s increased ambition on climate mitigation. A simplified CBAM system will be implemented from 2023 for selected products with the definitive system targeted to be fully operational in 2026<sup>32</sup>. Operationally, the CBAM will impact all businesses with carbon-intensive processes that are selling to, or are supplying, entities within the European Union regardless of size and maturity in ESG practices. As Malaysia is a trading nation with significant trade relations with the European Union, many Malaysian businesses that form parts of global supply chains (including listed issuers) would undoubtedly be impacted by this development.
42. In the international sustainability standard-setting arena, there has been a flurry of activities in developing climate-related disclosure standards. Most notably, the TCFD Recommendations has become a widely accepted climate disclosure framework for businesses globally<sup>33</sup>.

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<sup>30</sup> For more information, please see <https://ukcop26.org/wp-content/uploads/2021/11/COP26-Presidency-Outcomes-The-Climate-Pact.pdf>.

<sup>31</sup> For more information, please see [https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_21\\_3661](https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_3661).

<sup>32</sup> For more information, please see [https://ec.europa.eu/taxation\\_customs/green-taxation-0/carbon-border-adjustment-mechanism\\_en](https://ec.europa.eu/taxation_customs/green-taxation-0/carbon-border-adjustment-mechanism_en).

<sup>33</sup> See also paragraph 12(a) of the Consultation Paper.

43. Within the Malaysian context, much attention has been paid to climate change of late as well. For instance, the Malaysian government had, in September 2021, committed to becoming a carbon-neutral nation by as early as 2050. Malaysia had also, in July 2021, enhanced its Nationally Determined Contribution (“NDC”) commitment under the Paris Agreement to reduce its economy-wide carbon intensity (against gross domestic product (“GDP”)) by 45% in 2030 compared to its 2005 level<sup>34</sup>. The initiatives by JC3<sup>35</sup> have also been instrumental in improving the preparedness of the financial sector in managing impacts of climate change while supporting the transition towards a low carbon economy. It is worth noting that members of JC3 are supportive of mandating TCFD aligned climate related financial disclosures from 2024.
44. Against the abovementioned backdrop, listed issuers will need to devote dedicated attention to the various impacts of climate change including associated risks as well as unfolding opportunities. This should be coupled with similarly insightful disclosures to facilitate assessment by key capital market stakeholders. Adoption of good climate related practices as well as disclosures would serve to ensure that listed issuers are well positioned to thrive in a low-carbon world.

***Proposed TCFD aligned disclosures***

45. The Exchange proposes to **introduce climate related disclosures which are aligned with the TCFD Recommendations, for all listed issuers (“Proposed TCFD Aligned Disclosures”)**<sup>36</sup>. The Proposed TCFD Aligned Disclosures will cover the 4 pillars under the TCFD Recommendations<sup>37</sup> as follows:
- (a) governance: disclose the organisation’s governance around climate-related risks and opportunities;
  - (b) strategy: disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy and financial planning, where such information is material;
  - (c) risk management: disclose how the organisation identifies, assesses and manages climate-related risks; and
  - (d) metrics and targets: disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material.

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<sup>34</sup> For more information, please see: <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Malaysia%20First/Malaysia%20NDC%20Updated%20Submission%20to%20UNFCCC%20July%202021%20final.pdf>.

<sup>35</sup> See also paragraph 18 of the Consultation Paper.

<sup>36</sup> Paragraph 6.2(d) of Practice Note 9, Main LR.

<sup>37</sup> For more information, see <https://www.fsb-tcf.org/recommendations/>.

46. Similar to the benchmarking observations for the Proposed Common Sustainability Matters, we have noted a variety of approaches adopted by peer jurisdictions to enhance climate-related disclosures. The different approaches are summarised below:
- (a) In the **United Kingdom** (“UK”), listed issuers are currently required to make disclosures in accordance with the TCFD Recommendations on a “comply or explain basis” under the Listing Rules. However, from 6 April 2022 onwards, over 1,300 of the largest UK-registered companies and financial institutions will have to disclose climate-related risk and opportunities on a mandatory basis under the law, in line with TCFD Recommendations. This will include many of the UK’s largest traded companies, banks and insurers, as well as private companies with over 500 employees and £500 million in turnover<sup>38</sup>. The draft regulations<sup>39</sup> which set out the mandatory disclosure requirement is presently pending Parliamentary approval.
  - (b) The **New Zealand** government similarly will be introducing legislation<sup>40</sup> to make climate related disclosures mandatory for large listed issuers<sup>41</sup>, insurers, banks, non-bank deposit takers and investment managers. Reporting would be against a standard that would be developed in line with the TCFD Recommendations.
  - (c) **SGX** had, on 15 December 2021, issued the amendments to the Listing Manual on climate-related disclosures which are aligned to TCFD Recommendations<sup>42</sup>. Generally, all listed issuers are required to provide climate-related disclosures on a “comply or explain” basis in their sustainability reports from the financial year commencing 2022. However, such disclosures will be made mandatory for listed issuers in specified industries (financial, agriculture, food and forest products, energy, materials and buildings as well as transportation) on a staggered basis.

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<sup>38</sup> For more information, please see <https://www.gov.uk/government/news/uk-to-enshrine-mandatory-climate-disclosures-for-largest-companies-in-law>.

<sup>39</sup> The draft Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2021: <https://www.legislation.gov.uk/ukdsi/2021/9780348228519/contents>.

<sup>40</sup> The mandatory regime would be introduced through an amendment to the Financial Markets Conduct (“FMC”) Act 2013 (via the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021). If approved by Parliament, the legislation will require around 200 large reporting entities to publish climate-related disclosures from financial years 2023 at the earliest. For more information, please see <https://environment.govt.nz/what-government-is-doing/areas-of-work/climate-change/mandatory-climate-related-financial-disclosures/>.

<sup>41</sup> These are listed issuers with a combined market price exceeding NZ\$60 million.

<sup>42</sup> See <https://www.sgx.com/media-centre/20211215-sgx-mandates-climate-and-board-diversity-disclosures>.

(d) In *Hong Kong*, the Green and Sustainable Finance Cross-Agency Steering Group (“CASG”)<sup>43</sup> announced in December 2020 that climate-related disclosures aligned with the TCFD Recommendations will be made mandatory across relevant sectors no later than 2025. On its part, HKEx is reviewing its ESG reporting framework in order to further align with the TCFD Recommendations and will collaborate with the Securities and Futures Commission (“SFC”) and other regulators to work on a roadmap to evaluate and potentially adopt the new standard.

47. The findings above clearly show that there is a strong desire to compel listed issuers to address the impacts of climate change in an urgent and comprehensive manner. Along the same vein, the Exchange is proposing to require all listed issuers to provide the Proposed TCFD Aligned Disclosures. Since the impacts of climate change affect all businesses and industries, none are insulated from it and any delayed response would entail significant costs or implications. Hence, all listed issuers are expected to enhance their preparedness in terms of addressing such impacts.
48. Further, the Exchange wishes to highlight that the intended aim of the TCFD Recommendations is to ultimately integrate climate-related issues into mainstream annual financial reporting. However, considering the maturity of our market, the Exchange proposes that the Proposed TCFD Aligned Disclosures be made in a **dedicated section** within the Sustainability Statement at this juncture. This will not only provide ease to listed issuers when preparing the disclosures but also to the users of such information in accessing and reviewing the disclosures.
49. We are also cognisant that some elements of the Proposed TCFD Aligned Disclosures and the other parts of the Sustainability Statement may overlap. For example, the “Governance” pillar in the TCFD Recommendations may overlap with the general requirement for disclosure on governance structure in place to manage the other sustainability matters. In such instances, a listed issuer may cross-refer to other related parts of the Sustainability Statement without needing to repeat the disclosures. For reference, the table below sets out the interlink between the dedicated section on the Proposed TCFD Aligned Disclosures and other sections of the Sustainability Statement.

	Sustainability Statement	Examples of Linkages / Need for Cross-Referencing	Dedicated Section on Proposed TCFD Aligned Disclosures
(a)	Sustainability Governance	Governance for climate change can be subsumed within the overall sustainability governance. For example, climate change may be regarded as one of the many material sustainability matters under the purview of a Board Sustainability Committee.	Climate Governance

<sup>43</sup> The CASG was initiated by the Hong Kong SFC to accelerate the growth of green and sustainable finance in Hong Kong and support the Government’s climate strategies. The CASG is co-chaired by the SFC and the Hong Kong Monetary Authority.

	<b>Sustainability Statement</b>	<b>Examples of Linkages / Need for Cross-Referencing</b>	<b>Dedicated Section on Proposed TCFD Aligned Disclosures</b>
		<p>Disclosures pertaining to overall sustainability governance that has been put in place, would be made towards the beginning of the Sustainability Statement.</p> <p>Within the dedicated section on the Proposed TCFD Aligned Disclosures, reference is made to the section on overall sustainability governance but with more details provided on the nature of climate-related oversight performed.</p>	
(b)	<b>Management of Sustainability Matters</b>	May draw upon the Proposed Common Sustainability Matters such as indicators relating to Emissions (Scope 1 & Scope 2 CO <sub>2</sub> e emissions, etc).	<b>Strategy, Risk Management, Metrics &amp; Targets Pertaining to Climate Change</b>

50. The Exchange appreciates that, at this juncture, many listed issuers may not be fully ready or equipped to take on the management of climate related sustainability issues and provide the Proposed TCFD Aligned Disclosures. As such, we will be developing a specific guide to raise awareness and facilitate listed issuers to manage and start reporting on their climate change-related sustainability issues. The proposed guide will complement the TCFD Recommendations.
51. Through the Proposed TCFD Aligned Disclosures, we seek to achieve the following objectives:
- (a) spur listed issuers to internalise the considerations of climate related risks and opportunities with a view to improve the overall climate resilience of their businesses;
  - (b) facilitate the informational needs of investors, providers of funding and regulators with regards to the listed issuers’ exposure to climate risks as well as mitigation or adaptation measures put in place to manage those risks; and
  - (c) support the country’s national agenda of reaching carbon neutrality by as early as 2050 and sustainable development more generally.

***Proposed implementation timelines***

52. The Exchange recognises that listed issuers require time to assess and respond to climate change-related risks and opportunities including putting in place the necessary policies, processes and practices. As such, the Exchange is proposing to require the Proposed TCFD Aligned Disclosures for Sustainability Statements in annual reports issued for FYE on or after **31 December 2024**.

**Proposal II - Issues for Consultation**

6. Do you agree that all listed issuers must provide the Proposed TCFD Aligned Disclosures? If not, is there any other approach which is more appropriate?

Please state the reasons for your views.

7. Do you agree that the Proposed TCFD Aligned Disclosures should be provided in a dedicated section within the Sustainability Statement at this juncture?

Please state the reasons for your views.

8. Do you agree with the proposed implementation timeline for the Proposed TCFD Aligned Disclosures as set out in paragraph 52 of the Consultation Paper i.e. applicable for Sustainability Statements in annual reports issued for FYE on or after 31 December 2024?

If not, please provide your recommendations and reasons for such recommendations.

9. Do you think the Proposed TCFD Aligned Disclosures should be effected **earlier** i.e. applicable for Sustainability Statements in annual reports issued for FYE on or after 30 June 2024?

Please state the reasons for your views.

*[End of Proposal II]*



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**Proposal III Requiring Disclosure Of Prescribed Sustainability Matters And Indicators That Are Deemed Material For Listed Issuers In Specified Sectors**

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53. Arising from the stakeholder engagements undertaken, the Exchange has identified a need to enhance disclosures of certain key sustainability matters and indicators that are material for listed issuers in specific sectors.
54. In view of the above, the Exchange **proposes to require disclosure of the prescribed sustainability matters and indicators that are deemed material for the specified sectors as set out in the *Table: Proposed Sector Specific Sustainability Matters & Indicators* below (“Proposed Sector Specific Sustainability Matters”), as well as the management of such matters<sup>44</sup>**. Disclosure of the Proposed Sector Specific Sustainability Matters are in addition to the identified material sustainability matters and Proposed Common Sustainability Matters of the relevant listed issuer.
55. In formulating the Proposed Sector Specific Sustainability Matters, the Exchange -
- (a) scrutinised the following primary frameworks or standards to identify commonalities within each of the Exchange’s 13 sector classifications:
    - (i) the themes and indicators that are deemed to be relevant for each of the 173 Sub-Sectors under FTSE Russell FTSE4Good Criteria and re-mapped against Bursa Malaysia’s own sector classification; and
    - (ii) the Topics and Metrics that are deemed to be relevant for each of the 77 Industry Standards under SASB and re-mapped against Bursa Malaysia’s own sector classification; and
  - (b) took into account the Malaysian context. For instance, biodiversity is a relevant theme as Malaysia is one of only 17 megadiverse countries globally according to the United Nations Environment Program. Separately, human rights is also a pressing issue especially considering how some Malaysian businesses have been implicated in foreign labour-related practices. In addition, waste and effluent have also garnered much attention especially with frequent disruptions to the water supply in certain areas of the country due to excessive effluent discharges into rivers and tributaries.
56. The Exchange proposes to adopt a mandatory approach for the Proposed Sector Specific Sustainability Matters to set out the clear expectation on the minimum sustainability information required for a specific sector. Even though other benchmarked jurisdictions currently do not prescribe sector specific disclosures, many key capital market stakeholders have repeatedly emphasised the need to ensure that sustainability matters that are highly critical for each sector be given due attention by the listed issuers. This is also in line with our aim of requiring listed issuers to pay due consideration to all sustainability matters that are material to them.

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<sup>44</sup> Paragraph 6.3(c) read together with Annexure PN9-B of Practice Note 9, Main LR.

***Proposed implementation timelines***

57. We will be according the relevant listed issuers a reasonable grace period before effecting the Proposed Sector Specific Sustainability Matters. In this regard, we are proposing to implement the Proposed Sector Specific Sustainability Matters for Sustainability Statements in annual reports issued for FYE on or after **31 December 2024**.

**Proposal III - Issues for consultation**

10. Should disclosure of the Proposed Sector Specific Sustainability Matters for the relevant listed issuers be mandated or made voluntary as a best practice?

Please state the reasons for your views.

11. Do you agree with the list of Proposed Sector Specific Sustainability Matters as set out in the *Table: Proposed Sector Specific Sustainability Matters & Indicators* of the Consultation Paper?

Please state the reasons for your views.

12. Are there any sustainability matters or indicators that should be added or removed from the list of Proposed Sector Specific Sustainability Matters?

Please state your suggestions and reasons for your suggestions

13. Do you agree with the proposed implementation timeline for the Proposed Sector Specific Sustainability Matters as set out in paragraph 57 of the Consultation Paper i.e. applicable for Sustainability Statements in annual reports issued for FYE on or after 31 December 2024?

If not, please provide your recommendations and reasons for such recommendations

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**Table: Proposed Sector Specific Sustainability Matters & Indicators**

- This denotes that the sustainability matters and indicators are applicable to the relevant sector(s)

	Sustainability Matters & Indicators	Construction	Consumer Products & Services	Energy	Financial Services	Health Care	Industrial Products & Services	Plantation	Property	REITs	Technology	Telecommunications & Media	Transportation & Logistics	Utilities
<b>A.</b>	<b>Biodiversity</b>													
1.	Percentage of existing operations or projects assessed for biodiversity risks	•		•				•	•					•
2.	Size and location of all habitat areas protected or restored	•		•				•	•					•
3.	Total number of International Union for Conservation of Nature (“IUCN”) Red List Species and National Conservation List Species with habitats in areas affected by the operations of the listed issuer	•		•				•	•					•

	Sustainability Matters & Indicators	Construction	Consumer Products & Services	Energy	Financial Services	Health Care	Industrial Products & Services	Plantation	Property	REITs	Technology	Telecommunications & Media	Transportation & Logistics	Utilities
4.	Percentage of certified palm oil as a percentage of total palm oil produced, used or processed, relative to Roundtable on Sustainable Palm Oil (“RSPO”) or Malaysian Sustainable Palm Oil (“MSPO”) recommendations							● <sup>45</sup>						
<b>B.</b>	<b>Community/Society</b>													
1.	Average Retail Electric or Water Rate													●
<b>C.</b>	<b>Customer Health &amp; Safety / Product Responsibility</b>													
1.	Percentage of significant products and service categories for which health and safety impacts are assessed for improvement		●											
2.	Total number of incidents of non-compliance with regulations or voluntary codes concerning the health & safety impacts of products and services within the reporting period		●											

<sup>45</sup> This is only applicable for listed issuers with oil palm crop.

	<b>Sustainability Matters &amp; Indicators</b>	Construction	Consumer Products & Services	Energy	Financial Services	Health Care	Industrial Products & Services	Plantation	Property	REITs	Technology	Telecommunications & Media	Transportation & Logistics	Utilities
3.	Number of recalls issued and total units recalled for health and safety reasons		•											
<b>D.</b>	<b>Emissions - Air Quality/Pollution</b>													
1.	Amount of air emissions of pollutants and particulate matter			•			•						•	
<b>E.</b>	<b>Human Rights</b>													
1.	Number of incidents of human rights violations over the reporting period	•	•				•	•	•					
<b>F.</b>	<b>Materials</b>													
1.	Total weight or volume of materials that are used to produce and package products and services	•	•	•		•	•	•	•				•	•
<b>G.</b>	<b>Supply Chain (Environmental) / Supplier Environmental Assessment</b>													
1.	Percentage of new suppliers that were screened using environmental criteria	•	•				•	•	•	•				

	<b>Sustainability Matters &amp; Indicators</b>	Construction	Consumer Products & Services	Energy	Financial Services	Health Care	Industrial Products & Services	Plantation	Property	REITs	Technology	Telecommunications & Media	Transportation & Logistics	Utilities
2.	Number of suppliers assessed for environmental impacts	•	•				•	•	•	•				
3.	Percentage of the listed issuer's total property portfolio certified to a recognised building management standard for property								•	•				
4.	Percentage of fresh fruit bunch ("FFB") sourced in accordance to certified environmental or sustainable standards							•						
<b>H.</b>	<b>Supply Chain (Social) / Supplier Social Assessment</b>													
1.	Percentage of new suppliers that were screened using social criteria	•	•				•	•	•					
2.	Number of suppliers assessed for social impacts	•	•				•	•	•					
<b>I.</b>	<b>Waste and Effluent</b>													
1.	Total waste generated	•	•	•		•	•	•	•				•	•

	Sustainability Matters & Indicators	Construction	Consumer Products & Services	Energy	Financial Services	Health Care	Industrial Products & Services	Plantation	Property	REITs	Technology	Telecommunications & Media	Transportation & Logistics	Utilities
2.	Total volume of water (effluent) discharge over the reporting period	•	•	•		•	•	•	•				•	•

[End of Proposal III]

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**Proposal IV Enhancing Disclosure Of Quantitative Information - 3 Financial Years' Data, Performance Targets And Summary In Prescribed Format**

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58. At present, a listed issuer must disclose, among others, the relevant indicators which demonstrate how the listed issuer has performed in managing its material sustainability matters<sup>46</sup>.
59. From the annual SDR exercises that the Exchange has undertaken, we observed that there is a lack of data covering a sufficiently long duration to facilitate assessment of underlying longer-term trends. Furthermore, many listed issuers currently do not set nor disclose relevant performance targets.

***Proposed disclosure of 3 financial years' data and performance target(s)***

60. On that premise, the Exchange proposes to require a listed issuer to include the following disclosures in respect of each reported indicator<sup>47</sup>:
- (a) data for the last 3 financial years; and
  - (b) performance target(s).
61. The Exchange is cognisant that in instances where an indicator for a material sustainability matter is reported for the first time, a listed issuer may not be able to provide 3 financial years' worth of data for the said indicator. In such a circumstance, the Exchange expects the listed issuer to disclose the data on a "rolling basis" i.e. in the first year of reporting on the said indicator, the listed issuer must provide data for at least 1 financial year, in the second year of reporting, at least 2 financial years' worth of data and by the third year of reporting onwards, the listed issuer would have 3 financial years' worth of data to comply with the requirement. The listed issuer is strongly encouraged to provide 3 financial years' worth of data, if available within the first 2 years of reporting.
62. We believe that the proposed disclosure requirements above will enhance accountability of a listed issuer in managing its material sustainability matters while also provide greater clarity to stakeholders on how effective the listed issuer's response is to its material sustainability matters and allows for comparison across time and with other listed issuers, where possible.

***Proposed summary data and target(s) in prescribed format***

63. In addition to the above, the Exchange also noted the need to improve the ease of extraction of relevant sustainability data. Currently, such data is typically disclosed or presented within the main narrative for the material sustainability matter in differing formats (e.g. featured in graphical or chart formats for some material sustainability matters while others may be in the form of data tables) or visually complex illustrations (e.g. as part of a picture with multiple icons or images).

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<sup>46</sup> Current paragraph 6.2(c)(iii)(cc) of Practice Note 9, Main LR.

<sup>47</sup> Paragraph 6.2(c)(iii)(cc) of Practice Note 9, Main LR.



64. To address the issue above, the Exchange proposes to require a summary of the data and performance targets disclosed as part of the Sustainability Statement in a prescribed format<sup>48</sup>. This summary will be featured at the very end of the Sustainability Statement. This would ensure that sustainability data is made comparable as well as readily and easily available by listed issuers to key capital market stakeholders and the wider public.
65. For this purpose, the Exchange will be developing a prescribed template to ensure an adequate degree of standardisation is achieved. It is envisaged that the prescribed template would be as follows:

	<i>Year</i> <i>202X-2</i>	<i>Year</i> <i>202X-1</i>	<i>Year</i> <i>202X</i>	<i>Target(s)</i>
<b>Material Sustainability</b>				
<b>Matter:</b> _____				
<b>Indicator 1:</b> _____				
<b>Indicator 2:</b> _____				
<b>Indicator 3:</b> _____				
<b>Material Sustainability</b>				
<b>Matter:</b> _____				
<b>Indicator 1:</b> _____				
<b>Indicator 2:</b> _____				
<b>Indicator 3:</b> _____				

**Proposal IV - Issues for consultation**

14. Do you agree with the proposal to require disclosure of data for the last 3 financial years in respect of each reported indicator?
- Please state the reasons for your views and any suggestion for the desired duration of the data.
15. Do you agree with the proposal to require disclosure of the performance target(s) in respect of each reported indicator?
- Please state the reasons for your views.
16. Do you agree with the proposal to provide a summary of the data and performance targets disclosed as part of the Sustainability Statement, in a prescribed format, at the end of the Sustainability Statement?
- Please state the reasons for your views.

[End of Proposal IV]

<sup>48</sup> Paragraph 6.2(f) of Practice Note 9, Main LR.

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**Proposal V Requiring A Statement On Whether The Sustainability Statement Has Been Assured And The Scope Covered**

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66. There is currently no requirement for Sustainability Statements to be subjected to an assurance process. Instead, this practice is strongly encouraged as a matter of best practice especially since there is a growing chorus of key capital market stakeholders demanding for more credible and reliable sustainability disclosures by listed issuers<sup>49</sup>.
67. At this juncture, the Exchange proposes to **continue with the voluntary approach** for assurance of the Sustainability Statement so as not to place additional burden onto a listed issuer. Considering the overall degree of maturity of the market, the listed issuer's focus in the initial years should be on putting in place robust sustainability-related practices and data collection methodologies before subjecting these to an assurance process.
68. However, the Exchange **proposes to require a statement from the listed issuer on whether its Sustainability Statement has been subjected to internal review or independent assurance and, if so, the scope of the review or assurance ("Proposed Statement of Assurance")**<sup>50</sup>.
69. We believe that the Proposed Statement of Assurance will allow listed issuers to transition naturally into undertaking assurance as their sustainability reporting practices and disclosures mature.
70. We also noted that in Singapore and Hong Kong, external assurance of the sustainability or ESG reports are also largely still voluntary. Disclosures on assurance are only required if external assurance is conducted.
- (a) In *Singapore*, the current focus is on internal assurance.
- (i) In this regard, the SGX Listing Rules<sup>51</sup> requires a listed issuer's sustainability reporting process to be subjected to internal review. The listed issuer may additionally commission an independent external assurance on the sustainability report.
- (ii) If an external assurance is commissioned, the listed issuer should disclose that external assurance has been conducted, the scope covered, the identity of the external assurer, the standards used and key findings<sup>52</sup>.

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<sup>49</sup> We also noted this feedback during our focus group sessions and survey responses. See paragraph 21.3(b)(v) of the Consultation Paper.

<sup>50</sup> Paragraph 6.2(e) of Practice Note 9, Main LR.

<sup>51</sup> Rule 711B(3) of the SGX Listing Manual.

<sup>52</sup> Paragraph 5.7 of Practice Note 7.6: Sustainability Reporting Guide, SGX Listing Manual.

- (iii) In fact, as a starting point for reporting, listed issuers are encouraged to disclose whether the sustainability report has undertaken external, internal or no assurance, and the scope of assurance if the organisation has undertaken external or internal assurance<sup>53</sup>.
- (iv) In **Hong Kong**, a listed issuer may seek independent assurance to strengthen the credibility of the ESG information disclosed. Where independent assurance is obtained, the listed issuer should describe the level, scope and processes adopted for the assurance, in the ESG report<sup>54</sup>.

**Proposal V - Issues for consultation**

17. Do you agree with the proposal in paragraph 68 of the Consultation Paper requiring a listed issuer to disclose whether it has subjected its Sustainability Statement to an assurance process (whether internal review or independent assurance) and, if so, to identify the scope of such review or assurance?

Please state the reasons for your views.

18. Is there any other information that should be disclosed in the Proposed Statement of Assurance?

Please state your suggestions and reasons for your suggestions.

*[End of Proposal V]*

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<sup>53</sup> Assurance is identified as a core ESG metric under the Governance heading. See SGX Core ESG Metrics at: [https://api2.sgx.com/sites/default/files/2021-12/SGX%20Core%20ESG%20Metrics\\_Dec%202021.pdf](https://api2.sgx.com/sites/default/files/2021-12/SGX%20Core%20ESG%20Metrics_Dec%202021.pdf)

<sup>54</sup> Paragraph 9 of Appendix 27: ESG Reporting Guide, HKEx Listing Rules.

## Summary of the Proposed Main LR Sustainability Reporting Amendments & Implementation Timelines

71. An illustration of the existing Sustainability Framework and how the Proposed Main LR Sustainability Reporting Amendments would fit into the design is set out below for ease of reference:

REQUIRED DISCLOSURES WITHIN THE SUSTAINABILITY STATEMENT*	
A narrative statement of the listed issuer’s management of material EES risks and opportunities (“ <b>Sustainability Statement</b> ”). The Sustainability Statement must include the following:	
(a)	Sustainability governance structure
(b)	Scope of Sustainability Statement & basis
(c)	<p><b>Materiality</b></p> <div style="background-color: #808080; color: white; text-align: center; padding: 2px;">Listed issuer undertakes &amp; reports on materiality assessment</div> <div style="border: 1px dashed black; padding: 5px;"> <ul style="list-style-type: none"> <li>(i) Listed issuer conducts stakeholder engagements to identify and prioritise its material sustainability matters.</li> <li>(ii) Listed issuer discloses the process and the material sustainability matters identified.</li> </ul> <p>Sustainability matters are considered material if they -</p> <ul style="list-style-type: none"> <li>(i) are significant to the listed issuer or influence decisions of stakeholders; and</li> <li>(ii) <b>fall within the Proposed Common Sustainability Matters; and</b></li> <li>(iii) <b>fall within the Proposed Sector Specific Sustainability Matters.</b></li> </ul> </div>
(d)	<p><b>Management of material sustainability matters</b></p> <div style="background-color: #808080; color: white; text-align: center; padding: 2px;">Listed issuer reports on its management of material sustainability matters</div> <div style="border: 1px dashed black; padding: 5px;"> <p>Disclosures include:</p> <ul style="list-style-type: none"> <li>(i) policies &amp; measures taken to manage these sustainability matters</li> <li>(ii) relevant indicators to demonstrate how the listed issuer has performed in managing these sustainability matters</li> </ul> <p style="color: red; margin-left: 20px;">+ 3 financial years’ data for each reported indicator</p> <p style="color: red; margin-left: 20px;">+ performance target(s) for each reported indicator</p> </div>
(e)	<b>Proposed TCFD Aligned Disclosures</b>
(f)	<b>Proposed Statement of Assurance</b>
(g)	<b>Proposed summary of data and performance targets in a prescribed template</b>

\*The matters stated in **red** font are the new proposals as discussed in the Consultation Paper.

72. The following sets out an overview of the Proposed Main LR Sustainability Reporting Amendments and the respective implementation timelines:

No.	Contents of the Sustainability Statement	Implementation Timelines
(a)	<p>The following Proposed Common Sustainability Matters</p> <ul style="list-style-type: none"> <li>• Anti-corruption</li> <li>• Community/Society</li> <li>• Diversity</li> <li>• Energy Management</li> <li>• Health and Safety</li> <li>• Labour Practices and Standards</li> <li>• Supply Chain Management</li> <li>• Data Privacy and Security</li> <li>• Water</li> </ul>	<p>Applicable for Sustainability Statements in annual reports issued for FYE on or after 31 December 2023.</p>
(b)	<p>Additional disclosure items for every material sustainability matter</p> <ul style="list-style-type: none"> <li>• 3 financial years' data for each reported indicator</li> <li>• performance target for each reported indicator</li> </ul>	
(c)	<p>Proposed Statement of Assurance</p>	
(d)	<p>The Proposed Common Sustainability Matters - Emissions Management</p>	
(e)	<p>Proposed Sector Specific Sustainability Matters &amp; Indicators</p>	<p>Applicable for Sustainability Statements in annual reports issued for FYE on or after 31 December 2024.</p>
(f)	<p>Proposed TCFD Aligned Disclosures</p>	

[End of Part F]

## G. DETAILS OF THE PROPOSED ACE LR SUSTAINABILITY REPORTING AMENDMENTS

73. At present, an ACE Market listed corporation is only required to produce a narrative statement of its management of material EES risks and opportunities that should contain information that is balanced, comparable and meaningful<sup>55</sup> (“**Sustainability Statement**”). The ACE Market listed corporation is given freedom to conceptualise, approach and manage its sustainability matters as it deems fit.
74. This approach was taken when the Sustainability Reporting Framework was launched back in 2015 as the underlying intention then was to compel all ACE Market listed corporations to embark on a journey towards sustainability. Considering that ACE Market listed corporations typically have limited resources as well as internal capability to undertake sustainability initiatives, the disclosure requirements imposed are more basic as compared to the Main Market framework<sup>56</sup>.
75. While the current Sustainability Statement disclosure requirements above were appropriate in 2015, ACE Market listed corporations now operate in a very different business environment. As discussed in Part C of the Consultation Paper above, the sustainability ecosystem has undergone tremendous growth and development since then. Investors and other key stakeholders increasingly view good ESG as a “must have” rather than “nice to have” for businesses of all types and sizes. Hence, differences in expectations even between markets (e.g. between Main and ACE Market listed issuers) are now less distinct. For instance, as mentioned in paragraph 41 of the Consultation Paper, the CBAM<sup>57</sup> will impact all businesses with carbon-intensive processes that also form parts of global supply chains regardless of size and maturity in ESG practices. Overall, ACE Market listed corporations risk losing their competitiveness if sustainability issues are not adequately addressed.
76. Considering the developments above and in keeping with the underlying spirit of continuous improvement, the Exchange proposes to impose more detailed sustainability disclosure requirements on ACE Market listed corporations as part of the Proposed ACE LR Sustainability Reporting Amendments. This is to ensure that sustainability practices as well as disclosures are elevated across our capital market ecosystem and to align the ACE Market listed corporations’ practices and disclosures with their Main Market counterparts. We also found that this approach has been adopted in both Hong Kong and Singapore where the same sustainability framework of their Main Markets are applied to the GEM and Catalyst Markets respectively.

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<sup>55</sup> See paragraph 30 of Appendix 9C read together with Part III of Guidance Note 11, ACE LR.

<sup>56</sup> As mentioned in paragraph 4(a) of the Consultation Paper, the Sustainability Statement for Main Market listed issuers must include information on the governance structure put in place to manage sustainability matters; the scope and basis for the scope, of the Sustainability Statement; the material sustainability matters and how they are identified, why they are important to the listed issuer as well as how they are managed including details on related policies, measures or actions taken to deal with them and the indicators adopted.

<sup>57</sup> For more information, please see: [https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_21\\_3661](https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_3661) and [https://ec.europa.eu/taxation\\_customs/green-taxation-0/carbon-border-adjustment-mechanism\\_en](https://ec.europa.eu/taxation_customs/green-taxation-0/carbon-border-adjustment-mechanism_en).

77. At the same time, the Exchange recognises the need to still maintain a differentiated approach to better cater to the distinctive circumstances of ACE Market listed corporations (e.g. taking into account resource and capability constraints). Hence, the proposed stipulated disclosure requirements for the ACE Market remain relatively less demanding as compared to requirements for the Main Market. In addition, the ACE Market listed corporation will also be accorded sufficient time to adopt the more detailed set of requirements.
78. Details of the Proposed ACE LR Sustainability Reporting Amendments are discussed below.

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**Proposal VI Aligning The ACE Market Sustainability Reporting Requirements With That Of The Main Market**

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79. As discussed above, the Exchange is proposing to align the sustainability reporting framework under the ACE LR with that of the Main LR, where appropriate. This is aimed at improving the quality of Sustainability Statements as well as practices of ACE Market listed corporations, on par with their Main Market counterparts.
80. **Proposed Prescribed General Disclosures**
- 80.1 In this regard, we are proposing to require disclosure of detailed information currently reported by the Main Market listed issuers, for the ACE Market listed corporations as follows (“Proposed Prescribed General Disclosures”)<sup>58</sup>:
- (a) the governance structure in place to manage the EES risks and opportunities (“sustainability matters”);
  - (b) the scope of Sustainability Statement and basis for the scope;
  - (c) the material sustainability matters and -
    - (i) how they are identified;
    - (ii) why they are important to the listed corporation; and
    - (iii) how they are managed including details on -
      - (aa) policies to manage these sustainability matters;
      - (bb) measures or actions taken to deal with these sustainability matters; and
      - (cc) indicators relevant to these sustainability matters which demonstrate how the listed corporation has performed in managing these sustainability matters.
- 80.2 We will also clarify in the ACE LR that sustainability matters are considered material if they reflect the listed corporation’s significant EES impacts, or substantively influence the assessments and decisions of stakeholders<sup>59</sup>.
- 80.3 We believe that the Proposed Prescribed General Disclosures are appropriate as they guide ACE Market listed corporations in internalising management of sustainability matters within their organisations in a more structured manner and ensuring that key salient information is made transparent to stakeholders.

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<sup>58</sup> Paragraphs 6.2 (a), (b) and (c) of Guidance Note 11, ACE LR.

<sup>59</sup> Paragraph 6.3(a) and (b) of Guidance Note 11, ACE LR.



***Proposed implementation timelines***

80.4 As ACE Market listed corporations are currently expected to make reference to the Sustainability Reporting Guide when preparing their Sustainability Statements, they would already be familiar with the Proposed Prescribed General Disclosures. Nonetheless, the Exchange proposes to implement the Proposed Prescribed General Disclosures for Sustainability Statements in annual reports issued for FYE on or after **31 December 2023**, to give ACE Market listed corporations adequate time to formalise the necessary processes and procedures.

**81. Proposed Common Sustainability Matters**

81.1 Similar to the proposal for the Main Market listed issuers, the Exchange is proposing to **introduce the Proposed Common Sustainability Matters as discussed in Proposal I of the Consultation Paper<sup>60</sup>, for the ACE Market listed corporations.** The Proposed Common Sustainability Matters are as follows:

No.	Common Sustainability Matters	Common Indicators
(a)	Anti-corruption	(i) Percentage of employees that have received training on anti-corruption by employee category  (ii) Percentage of operations assessed for corruption-related risks  (iii) Confirmed incidence of corruption and action taken
(b)	Community/Society	(i) Total amount invested in the community where the target beneficiaries are external to the listed issuer  (ii) Total number of beneficiaries of the investment in communities
(c)	Diversity	(i) Percentage of employees by gender, age group, ethnicity and disability, for each employee category  (ii) Percentage of directors by gender, age group, ethnicity and disability
(d)	Energy management	(i) Total energy consumption
(e)	Health and safety	(i) Number of work-related fatalities  (ii) Lost time incident rate

<sup>60</sup> See the discussion in paragraphs 28 to 37 of the Consultation Paper.

No.	Common Sustainability Matters	Common Indicators
		(iii) Number of employees trained on health and safety standards
(f)	Labour practices and standards	(i) Total hours of training by employee category (ii) Percentage of employees that are contractors or temporary staff (iii) Total number of employee turnover by employee category
(g)	Supply chain management	(i) Proportion of spending on local suppliers
(h)	Data privacy and security	(i) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data
(i)	Water	(i) Total volume of water used
(j)	Emissions management	(i) Scope 1 emissions in tonnes of CO <sub>2e</sub> (ii) Scope 2 emissions in tonnes of CO <sub>2e</sub> (iii) Scope 3 emissions in tonnes of CO <sub>2e</sub> (at least on business travel and employee commuting)

- 81.2 This means that an ACE Market listed corporation must disclose the Proposed Common Sustainability Matters and its management of these sustainability matters, in its Sustainability Statement. This is in addition to the Proposed Prescribed General Disclosures and other material sustainability matters identified by the listed corporation.
- 81.3 The Proposed Common Sustainability Matters would form a solid foundational baseline for all ACE Market listed corporations. Apart from streamlining practices as well as disclosures with the Main Market, this would also serve as a springboard towards adherence to international sustainability reporting frameworks.
- 81.4 The Exchange believes that it is critical that ACE Market listed corporations achieve this foundational baseline in terms of sustainability practices and disclosures due to increasing expectations.

***Proposed implementation timelines***

81.5 With regards to the implementation timelines, the Exchange proposes to accord ACE Market listed corporations a longer grace period to understand and familiarise themselves with the requirements. Hence, the Proposed Common Sustainability Matters will be implemented according to the following timelines:

No.	Requirements	Timelines
(a)	<ul style="list-style-type: none"> <li>▪ Anti-Corruption</li> <li>▪ Community/Society</li> <li>▪ Diversity</li> <li>▪ Energy Management</li> <li>▪ Health and Safety</li> <li>▪ Labour Practices and Standards</li> <li>▪ Supply Chain Management</li> <li>▪ Data Privacy and Security</li> <li>▪ Water</li> </ul>	Effective for Sustainability Statements in annual reports issued for FYE on or after <b>31 December 2025</b>
(b)	<ul style="list-style-type: none"> <li>▪ Emissions Management</li> </ul>	Effective for Sustainability Statements in annual reports issued for FYE on or after <b>31 December 2026</b>

**82. Proposed Disclosure of 3 Financial Years’ Data and Performance Target(s)**

82.1 As mentioned earlier, one of the primary aims of revising the Sustainability Framework is to enhance overall comparability of sustainability disclosures across the entire capital market (i.e. covering both Main Market and ACE Market).

82.2 In this regard, we are also proposing to adopt Proposal IV of the Consultation Paper<sup>61</sup>, for the ACE Market listed corporations. More specifically, **when making disclosures pertaining to the management of each prioritised sustainability matter including the Proposed Common Sustainability Matters, an ACE Market listed corporation must disclose the following for each reported indicator<sup>62</sup>:**

- (a) data for the last 3 financial years; and
- (b) performance target(s).

<sup>61</sup> See paragraphs 58 to 65 of the Consultation Paper.

<sup>62</sup> Paragraph 6.2(c)(iii)(cc) of Guidance Note 11, ACE LR.

- 82.3 In addition, the Exchange **proposes to require the ACE Market listed corporation to provide a summary of the data and performance targets disclosed as part of the Sustainability Statement, in a prescribed format<sup>63</sup>**. This summary will be featured at the very end of the Sustainability Statement.

***Proposed implementation timelines***

- 82.4 The proposals above are to be implemented for Sustainability Statements in annual reports issued for FYE on or after **31 December 2025**. This provides listed corporations with reasonable time to put in place the relevant processes for collation of data.

**83. Proposed Statement of Assurance**

- 83.1 Similar to the Main Market listed issuers, we will not be requiring Sustainability Statements by ACE Market listed corporations to be subjected to an assurance process. This will continue to be a best practice.

- 83.2 However, we are **proposing to require an ACE Market listed corporation to disclose the Proposed Statement of Assurance as discussed in Proposal V of the Consultation Paper<sup>64</sup> i.e. a statement on whether the Sustainability Statement has been subjected to internal review or independent assurance and the scope of such review or assurance<sup>65</sup>**.

**Proposal VI - Issues for consultation**

***Proposed Prescribed General Disclosures***

19. Do you agree that a listed corporation must disclose the Proposed Prescribed General Disclosures as set out in paragraph 80.1 of the Consultation Paper, in its Sustainability Statement?

Please state the reasons for your views.

20. Do you agree with the proposed implementation timeline for the Proposed Prescribed General Disclosures as set out in paragraph 80.4 of the Consultation Paper i.e. applicable for Sustainability Statements in annual reports issued for FYE on or after 31 December 2023?

If not, please provide your recommendations and reasons for such recommendations.

<sup>63</sup> Paragraph 6.2(e) of Guidance Note 11, ACE LR. An illustration of the prescribed format is set out in paragraph 65 of the Consultation Paper.

<sup>64</sup> See paragraphs 66 to 70 of the Consultation Paper.

<sup>65</sup> Paragraph 6.2(d) of Guidance Note 11, ACE LR.

***Proposed Common Sustainability Matters***

21. Do you agree with the proposal for a listed corporation to disclose the Proposed Common Sustainability Matters as well as the management of such matters, in its Sustainability Statement?

Please state the reasons for your views.

22. Do you agree with the common sustainability matters as set out in paragraph 81.1 of the Consultation Paper?

Please state the reasons for your views

23. Do you agree with the common indicators as proposed in paragraph 81.1 of the Consultation Paper?

Please state the reasons for your views.

24. Are there any sustainability matters or indicators that should be added or removed from the list of Proposed Common Sustainability Matters?

Please state your suggestions and reasons for your suggestions.

25. Do you agree with the proposed implementation timelines for the Proposed Common Sustainability Matters as set out in paragraph 81.5 of the Consultation Paper?

If not, please provide your recommendations and reasons for such recommendations.

***Proposed Disclosure of 3 Financial Years' Data and Performance Targets***

26. Do you agree with the proposal to require disclosure of data for the last 3 financial years in respect of each reported indicator?

Please state the reasons for your views and any suggestion for the desired duration of the data.

27. Do you agree with the proposal to require disclosure of the performance target(s) in respect of each reported indicator?

Please state the reasons for your views.

28. Do you agree with the proposal to provide a summary of the data and performance targets disclosed as part of the Sustainability Statement, in a prescribed format, at the end of the Sustainability Statement?

Please state the reasons for your views.

29. Do you agree with the proposed implementation timeline as set out in paragraph 82.4 of the Consultation Paper i.e. applicable for Sustainability Statements in annual reports issued for FYE on or after 31 December 2025?

If not, please provide your recommendations and reasons for such recommendations.

***Proposed Statement of Assurance***

30. Do you agree with the proposal in paragraph 83.2 of the Consultation Paper requiring a listed corporation to disclose whether it has subjected its Sustainability Statement to an assurance process (whether internal review or independent assurance) and, if so, identify the scope of such review or assurance?

Please state the reasons for your views.

31. Is there any other information that should be disclosed in the Proposed Statement of Assurance?

Please state your suggestions and reasons for your suggestions.

*[End of Proposal VI]*

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**Proposal VII Introducing Disclosure Of A Basic Plan To Transition Towards A Low-Carbon Economy**

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84. As discussed in Proposal II of the Consultation Paper, climate change is a key agenda not only globally but for Malaysia as well. Unsurprisingly, we observe various climate change-related interventions or responses on both the local and international levels.
85. ACE Market listed corporations are not spared from the impacts of climate change. Therefore, investors, providers of finance and other key capital market stakeholders will be putting more pressure on corporations and their boards to devote attention to as well as address the impacts of climate change especially pertaining to the long-term viability of their businesses.
86. Following from the above, there is a real need for ACE Market listed corporations to urgently internalise climate-related risks and opportunities in improving their business resilience. However, the Exchange takes cognisance that ACE Market listed corporations are less mature in their sustainability reporting and typically have less resources and more limited internal capabilities as compared to their Main Market counterparts.
87. Hence, instead of mandating the adoption of climate reporting in alignment to the TCFD Recommendations as proposed for the Main Market, we propose to require a more limited set of climate change-related disclosures for the ACE Market. Specifically, ACE Market listed corporations are required to **disclose a “basic” plan to facilitate their consideration of climate change-related risks and opportunities when transitioning towards a low carbon economy (“transition plan”)** and include the following information (“Proposed Transition Plan Disclosures”)<sup>66</sup>:
- (a) **The role of the board and senior management in overseeing and executing the transition plan.**
  - (b) **The strategies and initiatives to reduce climate-related risks and increase climate-related opportunities.**
88. A listed corporation may refer to the TCFD’s “Task Force on Climate-related Financial Disclosures: Guidance on Metrics, Targets and Transition Plans” that was issued in October 2021 (“TCFD Guidance”)<sup>67</sup> for further guidance in disclosing a more comprehensive transition plan.
89. To provide ease to listed corporations when preparing the Proposed Transition Plan Disclosures and users of such information when accessing and reviewing them, the Exchange **proposes that such disclosures be made in a dedicated section within the Sustainability Statement.**

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<sup>66</sup> Paragraph 6.4 of Guidance Note 11, ACE LR.

<sup>67</sup> See [https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics\\_Targets\\_Guidance-1.pdf](https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf).

90. We believe that through the Proposed Transition Plan Disclosures, the following aims will be met:
- (a) address concerns from key capital market stakeholders that significant “contributors to climate change” include not just “large” listed issuers but also smaller ones with significant environmental footprints as well; and
  - (b) direct ACE Market listed corporations’ attention to the management of climate-related risks and opportunities which would put them in good stead to enhance their business resilience, capitalise on unfolding opportunities and transition towards a low-carbon economy.

***Proposed implementation timelines***

91. The Proposed Transition Plan Disclosures are to be implemented for Sustainability Statements in annual reports issued for FYE on or after **31 December 2026**. We believe the longer grace period will allow sufficient time for the ACE Market listed corporations to familiarise themselves with the requirements and put in place the necessary reporting infrastructure to comply with the Proposed Transition Plan Disclosures.

**Proposal VII - Issues for consultation**

32. Do you agree that all listed corporations must disclose the Proposed Transition Plan Disclosures as set out in paragraph 87 of the Consultation Paper?

Please state the reasons for your views.

33. Is there any information that should be included or removed from the Proposed Transition Plan Disclosures?

Please state your suggestions and reasons for your suggestions.

34. Do you agree that the Proposed Transition Plan Disclosures should be provided in a dedicated section within the Sustainability Statement?

Please state the reasons for your views.

35. Do you agree with the proposed implementation timeline for the Proposed Transition Plan Disclosures as set out in paragraph 91 of the Consultation Paper i.e. applicable for Sustainability Statements in annual reports issued for FYE on or after 31 December 2026?

If not, please provide your recommendations and reasons for such recommendations.

*[End of Proposal VII]*



## Summary of the Proposed ACE LR Sustainability Reporting Amendments & Implementation Timelines

92. An illustration of the existing Sustainability Framework and how the Proposed ACE LR Sustainability Reporting Amendments would fit into the design is set out below for ease of reference:

REQUIRED DISCLOSURES WITHIN THE SUSTAINABILITY STATEMENT*	
A narrative statement of the listed corporation’s management of material EES risks and opportunities (“Sustainability Statement”). <b>The Sustainability Statement must include the following:</b>	
(a)	<b>Sustainability governance structure</b>
(b)	<b>Scope of Sustainability Statement &amp; basis</b>
(c)	<p><b>Materiality</b></p> <div style="border: 1px dashed black; padding: 5px;"> <p style="text-align: center; background-color: #D9E1F2;"><b>Listed corporation undertakes &amp; reports on materiality assessment</b></p> <p>(i) Listed corporation conducts stakeholder engagements to identify and prioritise its material sustainability matters.</p> <p>(ii) Listed corporation discloses the process and the material sustainability matters identified.</p> <hr style="border-top: 1px dashed black;"/> <p>Sustainability matters are considered material if they -</p> <p>(i) are significant to the listed corporation or influence decisions of stakeholders; and</p> <p>(ii) fall within the Proposed Common Sustainability Matters.</p> </div>
(d)	<p><b>Management of material sustainability matters</b></p> <div style="border: 1px dashed black; padding: 5px;"> <p style="text-align: center; background-color: #D9E1F2;"><b>Listed corporation reports on its management of material sustainability matters</b></p> <p>Disclosures include:</p> <p>(i) policies &amp; measures taken to manage these sustainability matters</p> <p>(ii) relevant indicators to demonstrate how the listed corporation has performed in managing these sustainability matters</p> <p style="padding-left: 20px;">+ 3 financial years data for each reported indicator</p> <p style="padding-left: 20px;">+ performance target(s) for each reported indicator</p> </div>
(e)	<b>Proposed Transition Plan Disclosures</b>
(f)	<b>Proposed Statement of Assurance</b>
(g)	<b>Proposed summary of data and performance targets in a prescribed template</b>

\* The matters stated in red font are the new proposals as discussed in the Consultation Paper.

93. The following sets out an overview of the Proposed ACE LR Sustainability Reporting Amendments and the respective implementation timelines:

No.	Contents of the Sustainability Statement	Implementation Timelines
(a)	The Proposed Prescribed General Disclosures i.e. governance, scope and basis of Sustainability Statement, materiality assessment as well as management of material sustainability matters including policies, measures or actions taken and indicators	Applicable for Sustainability Statements in annual reports issued for FYE on or after 31 December 2023.
(b)	The following Proposed Common Sustainability Matters <ul style="list-style-type: none"> <li>• Anti-corruption</li> <li>• Community/Society</li> <li>• Diversity</li> <li>• Energy Management</li> <li>• Health and Safety</li> <li>• Labour Practices and Standards</li> <li>• Supply Chain Management</li> <li>• Data Privacy and Security</li> <li>• Water</li> </ul>	Applicable for Sustainability Statements in annual reports issued for FYE on or after 31 December 2025.
(c)	Additional disclosure items for every material sustainability matter <ul style="list-style-type: none"> <li>• 3 financial years' data for each reported indicator</li> <li>• performance target for each reported indicator</li> </ul>	
(d)	Proposed Statement of Assurance	
(e)	The Proposed Common Sustainability Matters - Emissions Management	Applicable for Sustainability Statements in annual reports issued for FYE on or after 31 December 2026.
(f)	Proposed Transition Plan Disclosures	

[End of Part G]

## H. FEEDBACK SOUGHT

The Exchange invites and welcomes comments from the public on the Proposed Amendments as discussed above. Comments can be given by filling up the template as attached in the *Attachment*.

## **ANNEXURE A    PROPOSED    MAIN    LR    SUSTAINABILITY    REPORTING AMENDMENTS**

*[Please see Annexure A enclosed with the Consultation Paper]*

## **ANNEXURE B    PROPOSED   ACE   LR   SUSTAINABILITY   REPORTING AMENDMENTS**

*[Please see Annexure B enclosed with the Consultation Paper]*

## ATTACHMENT

## TABLE OF COMMENTS

*[Please see the Attachment setting out the Table of Comments enclosed with the Consultation Paper]*

## APPENDIX      BURSA MALAYSIA'S PERSONAL DATA NOTICE

In relation to the Personal Data Protection Act 2010 and in connection with your personal data provided to us in the course of this consultation, please be informed that Bursa Malaysia's personal data notice ("**Notice**") is available at [www.bursamalaysia.com](http://www.bursamalaysia.com). Kindly ensure that you read and are aware of the Notice.

If you are submitting personal data of an individual other than yourself ("**data subject**"), please ensure that prior to such submission, you have provided the data subject with written notice of the Notice unless section 41 of the Personal Data Protection Act 2010 ("**PDPA**") applies or Bursa Malaysia otherwise specifies in connection with the PDPA.

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Berhubung Akta Perlindungan Data Peribadi 2010 dan berkenaan semua data peribadi anda yang diberikan di dalam proses konsultasi ini, sila ambil maklum bahawa notis Bursa Malaysia mengenai data peribadi ("**Notis tersebut**") boleh didapati di [www.bursamalaysia.com](http://www.bursamalaysia.com). Sila pastikan yang anda membaca dan memahami Notis tersebut.

Jika anda mengemukakan data peribadi individu pihak ketiga ("**Subjek Data**"), anda mesti memastikan bahawa Subjek Data telah diberi notis bertulis mengenai Notis tersebut terlebih dahulu kecuali seksyen 41 Akta Perlindungan Data Peribadi 2010 ("**APDP**") terpakai atau Bursa Malaysia sebaliknya menyatakan berkenaan dengan APDP.

[End of the Appendix]