



Review of Sustainability Reporting Requirements Under the Main Market and ACE Market Listing Requirements

Introduction

Since the onset of the COVID-19 pandemic, the imperative for greater compliance with Environmental, Social and Governance ("**ESG**") standards has accelerated through societies across the globe. Investors, public interest groups and governments around the world are calling for higher ESG standards among businesses, demonstrating a trend that is clearly on the uptick. The COP26 meeting which was held in Glasgow last November has witnessed greater commitment by member countries to reduce greenhouse gas emissions. In line with this, Malaysia, as part of its pledge to global standards, presented its updated Nationally Determined Contributions (NDCs) on climate ambition to reduce economy-wide carbon intensity (against GDP) by 45% by 2030¹. These commitments translate into a need for higher quality of information to be provided by companies to the public on the steps they are taking in addressing sustainability risks and opportunities. At the same time, the impact of climate change on businesses also requires a data-driven approach to ensure that companies themselves have the resilience to manage these risks.

In 2015, Bursa Malaysia (alternatively, "**Exchange**") introduced its sustainability reporting framework which became applicable for annual reports issued for financial years ending on or after 31 December 2016. The approach at the time was premised on the fact that companies may be at varying levels of understanding and that preparation of the Sustainability Statement required under Practice Note 9 of Bursa's Main Market Listing Requirements can be challenging for early reporters and smaller listed issuers. However, fast forward some six years, the market regulator is cognisant that a more standardised approach with quantitative reporting metrics will provide a sound basis for comparative analysis on a company's material ESG risks. Moreover, as many Malaysian companies, including those

¹ Interview with COP26 lead delegate Datuk Seri Zaini Ujang, Secretary General of the Ministry of Environment and Water (KASA), reported in the Edge Malaysia, 22 November 2022, "After COP 26, Malaysia's Road Forward".

which are listed, are part of the global supply chain, there is mounting pressure on companies to adhere to international standards in terms of ESG compliance.

Bearing this in mind, Bursa Malaysia, on 23 March 2022, issued a Consultation Paper containing seven main proposals on sustainability reporting and seeking the views of the public on the proposed amendments to the Main Market Listing Requirements ("**Main LR**") and the ACE Market Listing Requirements ("**ACE LR**"). The proposals in summary are as follows:

Main Market Proposals

Proposal I – Common Sustainability Matters

This involves requiring disclosure of prescribed sustainability matters and indicators that are deemed material for listed issuers across all sectors.

Whilst issuers are at present required to include a Sustainability Statement in their respective Annual Reports, the main changes sought to be introduced by these proposed amendments are that issuers would have to report on 10 Common Sustainability Matters which include areas such as anti-corruption, investment in community, diversity, energy and water consumption, data breaches, labour standards, emissions and supply chain management. These disclosures are sought to be made compulsory for all issuers.

The proposed timeline for disclosures is for annual reports issued for Financial Year End ("**FYE**") on or after 31 December 2023 except for emissions management which is proposed to apply to annual reports issued for FYE on or after 31 December 2024.

Proposal II – Climate Change Related Disclosures in Line with the Task Force on Climate-Related Financial Disclosures ("TCFD")

Often, the focus on sustainability related measures is directed towards the impact that a company's operations have on the environment. However, with global warming caused by greenhouse gas emissions, there is a compelling case for comparable and clear information about the risks and opportunities presented by climate change *on* a company's operations. The philosophy behind TCFD's initiatives is that the adoption of its standards will ensure that the effects of climate change will become routinely considered in business and investment decisions.

In terms of climate-related disclosures, the Exchange proposes to introduce climate-related disclosures which are aligned with the TCFD Recommendations, for all listed issuers ("**Proposed TCFD Aligned Disclosures**"). The Proposed TCFD Aligned Disclosures will cover the four pillars under the TCFD Recommendations 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.

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 III – Prescribed Sustainability Matters

This proposal would involve disclosure of prescribed sustainability matters and indicators that are deemed material for listed issuers in specified sectors. This is over and above the proposed Common Sustainability Matters and would be mandatory for issuers who fall within the sectors that have been identified.

The Exchange proposes to adopt a mandatory approach for the Proposed Sector Specific Sustainability Matters and sets out a clear expectation on the minimum sustainability information required for a specific sector. The Exchange's methodology in this regard involves mapping out sustainability matters, such as biodiversity, human rights, amount of material used to produce and package products and services, screening of suppliers against social impacts, total waste generated and total effluents discharged, against specific industries such as construction, plantation, property, energy, REITS and logistics, among others.

The proposed implementation timeline for such disclosures would be for Sustainability Statements in annual reports issued for FYE on or after 31 December 2024.

Proposal IV – Disclosure of Quantitative Information

This proposal would involve disclosure of how the listed issuer has performed in managing its material sustainability matters. This would enable greater clarity as to the effectiveness of the issuer's response to its material sustainability matters and allows for better comparison across time and other listed issuers, where relevant. The following information is proposed to be disclosed:

- (a) at least three financial years' data for each reported indicator;
- (b) performance target(s) in respect of each reported indicator; and
- (c) a summary of such data and corresponding performance target(s) in a prescribed format.

Where a material sustainability matter is reported for the first time, the Exchange recognises that a listed issuer may not be able to provide three years' worth of data at first instance. Hence, they are expected to disclose such data on a rolling basis, i.e., in the first year of reporting, data is to be provided for at least one financial year; in the second year, at least two years' worth of data, so that by the third year of reporting, the issuer would have three years of data to comply with this requirement.

Proposal V – Assurance Process

This proposal involves requiring a statement on whether the Sustainability Statement has been subjected to internal review or independent assurance, and if so, the scope covered. The approach at this juncture is for this disclosure to be made on a voluntary basis, given the overall degree of maturity of the market and so as not to burden listed issuers. This is also consistent with the approach in Singapore and Hong Kong.

ACE Market Proposals

In so far as the ACE Market Listing Requirements are concerned, Bursa Malaysia's **Proposal no VI** revolves around greater alignment between the ACE Market sustainability reporting requirements with that of the Main Market in the following manner:

(a) General Disclosures

This proposal involves 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. In terms of management of the material sustainability matters, the Exchange is proposing to require disclosure on the details of the policies to manage the sustainability matters, the measures or actions taken to deal with the sustainability matters and indicators which demonstrate how the listed issuer has performed in managing the sustainability matters. The timeline for this disclosure of Proposed Prescribed General Disclosures is for annual reports issued for FYE on or after 31 December 2023.

(b) Proposed Common Sustainability Matters

This proposal is similar to that proposed for the Main Market listed issuers. This is made bearing in mind the increasing expectations of ACE market issuers and the need to streamline disclosure practices with the Main Market. The proposed timeline for these disclosures is for annual reports issued for FYE on or after 31 December 2025 for all areas of disclosure except for emissions management which is to apply to annual reports issued for FYE on or after 31 December 2026.

(c) Disclosure of Quantitative Information

In the same manner as the Main Market, it is proposed that listed issuers provide the following data:

- (i) at least three 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.

The proposals above are to be implemented for Sustainability Statements in annual reports issued for FYE on or after 31 December 2025.

(d) Assurance Process

As to the assurance process on sustainability statements, Bursa proposes a similar approach with the Main Market, i.e., there will not be such a requirement but instead issuers are to disclose whether the Sustainability Statement has been subjected to an internal review or independent assurance and the scope of such review or assurance.

Proposal VII - Climate Change Impact for ACE Market Companies

Bursa points out in its Consultation Paper that given the pervasive impact of climate change, providers of finance and other key capital market stakeholders will be increasing the pressure on companies to devote attention to this issue. However, instead of mandating adoption of TCFD standards of reporting on the impact of climate change to companies as proposed for the Main Market, it is proposed that ACE Market companies be required to disclose a basic plan to facilitate their consideration of climate change related risks and opportunities when transitioning to a low carbon economy. This would include the role of the board and senior management in overseeing and executing this plan, and the strategies and initiatives to reduce climate-related risks and increase opportunities in this space.

The Proposed Transition Plan Disclosures are to be implemented for Sustainability Statements in annual reports issued for FYE on or after 31 December 2026.

Conclusion

Given the far-reaching changes that are proposed by Bursa Malaysia, listed companies are encouraged to consider these proposals and provide their feedback to ensure that their views are taken into account when the changes are implemented.

Responding to the Public Consultation

Bursa Malaysia invites comments on the Consultation Papers with responses to be submitted to it by 18 May 2022. We invite you to share your thoughts with us or reach out to us if you would like assistance with your submissions to the Exchange.

Contacts



Shanti Geoffrey
Partner

T +603 2273 1919
M +601 7963 1117
shanti.geoffrey@christopherleeong.com



Annette Soh
Partner

T +603 2273 1919
M +601 11664 9864
annette.soh@christopherleeong.com



Tan Yi Li
Partner

T +603 2267 2691
M +601 11239 1023
yi.li.tan@christopherleeong.com



Chor Jack
Partner

T +603 2267 2729
M +601 2216 0199
jack.chor@christopherleeong.com



Yon See Ting
Partner

T +603 2267 2647
M +601 7233 0079
see.ting.yon@christopherleeong.com



Looi Zhi Min
Partner

T +603 2267 2701
M +601 6330 6917
zhi.min.looi@christopherleeong.com

Our Regional Contacts

RAJAH & TANN | *Singapore*

Rajah & Tann Singapore LLP
T +65 6535 3600
sg.rajahtannasia.com

R&T SOK & HENG | *Cambodia*

R&T Sok & Heng Law Office
T +855 23 963 112 / 113
F +855 23 963 116
kh.rajahtannasia.com

RAJAH & TANN 立杰上海

SHANGHAI REPRESENTATIVE OFFICE | *China*

**Rajah & Tann Singapore LLP
Shanghai Representative Office**
T +86 21 6120 8818
F +86 21 6120 8820
cn.rajahtannasia.com

ASSEGAF HAMZAH & PARTNERS | *Indonesia*

Assegaf Hamzah & Partners

Jakarta Office

T +62 21 2555 7800
F +62 21 2555 7899

Surabaya Office

T +62 31 5116 4550
F +62 31 5116 4560
www.ahp.co.id

RAJAH & TANN | *Lao PDR*

Rajah & Tann (Laos) Co., Ltd.
T +856 21 454 239
F +856 21 285 261
la.rajahtannasia.com

CHRISTOPHER & LEE ONG | *Malaysia*

Christopher & Lee Ong
T +60 3 2273 1919
F +60 3 2273 8310
www.christopherleeong.com

RAJAH & TANN | *Myanmar*

Rajah & Tann Myanmar Company Limited
T +95 1 9345 343 / +95 1 9345 346
F +95 1 9345 348
mm.rajahtannasia.com

GATMAYTAN YAP PATACSIL

GUTIERREZ & PROTACIO (C&G LAW) | *Philippines*
Gatmaytan Yap Patacsil Gutierrez & Protacio (C&G Law)
T +632 8894 0377 to 79 / +632 8894 4931 to 32
F +632 8552 1977 to 78
www.cagatlaw.com

RAJAH & TANN | *Thailand*

R&T Asia (Thailand) Limited

T +66 2 656 1991
F +66 2 656 0833
th.rajahtannasia.com

RAJAH & TANN LCT LAWYERS | *Vietnam*

Rajah & Tann LCT Lawyers

Ho Chi Minh City Office

T +84 28 3821 2382 / +84 28 3821 2673
F +84 28 3520 8206

Hanoi Office

T +84 24 3267 6127
F +84 24 3267 6128
www.rajahtannlct.com

Rajah & Tann Asia is a network of legal practices based in Asia.

Member firms are independently constituted and regulated in accordance with relevant local legal requirements. Services provided by a member firm are governed by the terms of engagement between the member firm and the client.

This update is solely intended to provide general information and does not provide any advice or create any relationship, whether legally binding or otherwise. Rajah & Tann Asia and its member firms do not accept, and fully disclaim, responsibility for any loss or damage which may result from accessing or relying on this update.

Our Regional Presence



Christopher & Lee Ong is a full service Malaysian law firm with offices in Kuala Lumpur. It is strategically positioned to service clients in a range of contentious and non-contentious practice areas. The partners of Christopher & Lee Ong, who are Malaysian-qualified, have accumulated considerable experience over the years in the Malaysian market. They have a profound understanding of the local business culture and the legal system and are able to provide clients with an insightful and dynamic brand of legal advice.

Christopher & Lee Ong is part of Rajah & Tann Asia, a network of local law firms in Cambodia, China, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. Our Asian network also includes regional desks focused on Brunei, Japan and South Asia.

The contents of this Update are owned by Christopher & Lee Ong and subject to copyright protection under the laws of Malaysia and, through international treaties, other countries. No part of this Update may be reproduced, licensed, sold, published, transmitted, modified, adapted, publicly displayed, broadcast (including storage in any medium by electronic means whether or not transiently for any purpose save as permitted herein) without the prior written permission of Christopher & Lee Ong.

Please note also that whilst the information in this Update is correct to the best of our knowledge and belief at the time of writing, it is only intended to provide a general guide to the subject matter and should not be treated as a substitute for specific professional advice for any particular course of action as such information may not suit your specific business or operational requirements. It is to your advantage to seek legal advice for your specific situation. In this regard, you may call the lawyer you normally deal with in Christopher & Lee Ong.
