

6 June 2022

Regulatory Policy & Advisory
Bursa Malaysia Securities Berhad
9th Floor Exchange Square
Bukit Kewangan
50200 Kuala Lumpur

To Whom it May Concern,

Consultation Paper No. 1/2022, Review of the Sustainability Reporting Requirements Under the Main Market and ACE Market Listing Requirement

We are writing in response to the call for public comment on Consultation Paper No. 1/2022, Review of the Sustainability Reporting Requirements Under the Main Market and ACE Market Listing Requirement issued by Bursa Malaysia Berhad on 23 March 2022.

Thank you very much for the opportunity to comment on this consultation paper and thank you for your patience as we prepared our response. Please find our completed response form attached.

We write this letter with the understanding that the changes proposed in this consultation will serve as a further step for the Malaysia market to enhance sustainability disclosure requirements as it prepares for the imminent release of a globally-accepted set of reporting standards from the International Sustainability Standards Board (ISSB). We note and appreciate the similarity of approaches, with a set of general requirements (ie Proposed Common Sustainability Matters) as well as sector-specific reporting requirements and disclosures aligned with the Task Force on Climate-related Financial Disclosures Recommendations (TCFD). All of these are welcome developments.

We offer have a few questions and suggestions for your consideration:

1. Data series

We note that the proposed changes call for disclosure of three years of data in a prescribed format (Proposal IV). We support a prescribed format and suggest using standardised units for disclosure to ensure ease of comparability. We hope to see five years of data, rather than three, as well as graphs and narrative explanation of trends in the data. That said, we do support the regulator's plan to require this disclosure on a rolling basis, that is, one year of data in the first year, two years in the second year, and so on.

2. Timing of climate-related disclosure

Proposal II, Question 9 asks if we 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.

We suggest adopting a “climate first” approach whenever possible. We suggest the regulator consider swapping the timelines for most of the Common Sustainability Matters slated to be disclosed from FY2023 and the climate-related disclosures including TCFD and Scope 1, 2, and 3 emissions to be disclosed from FY 2024. The existing planned schedule implies that emissions data will not be reliably available until 2025, three years from now, which we believe is too late. We encourage the regulator to consider setting the climate disclosures for FY 2023 or as soon as practicable and other disclosures for FY 2024. Given the gravity and urgency of the climate change issue, we feel it should be given the first priority.

3. Indicators

We generally support the chosen indicators, but offer a few suggestions:

- Anti-corruption – consider adding an indicator for whether the listed entity has been subject to corruption investigation
- Diversity – consider re-wording the indicator to show numbers and percentages (ie 5 of 13 directors are female, 38.5%); consider adding disclosure of those who meet multiple diversity criteria, for example two directors are female and disabled.
- Health & Safety – consider adding disclosure of injuries or at least those requiring hospitalization
- Energy, Water, Emissions – consider including both absolute numbers and intensity figures, ie metric tonnes of CO2 equivalent per unit of physical or economic output

4. Targets

In addition to requiring disclosure of targets, we hope to see clear disclosure on whether previous targets have been met, and if not, forthright and balanced narrative explanations of why not.

5. Sectors

We notice that there are no sector-specific requirements for the Financial industry and we understand this is because they are covered under separate guidance for banks and financial services firms. We also notice there are no sector-specific requirements for the Technology and Telecommunications and Media sectors and would appreciate clarification as to why.

6. Assurance

We note that the proposed changes would require only disclosure of whether disclosures have been assured or not, but would not actually require assurance. We would like to point out that this will likely leave Malaysia behind best practice in the region. For example,

Taiwan is beginning to phase in required assurance for disclosures in its market, starting with Scope 1 and 2 greenhouse gas emissions for large firms from 2024, and extending to the whole market by 2029.

In addition, we also suggest requiring disclosure of the standard to which assurance was performed and to what level, ie what level of assurance is provided? (ie, auditors provide “limited” or “reasonable” assurance under the ISAE 3000 standard, developed by the IAASB for audit firms; while consultants provide “high” or “moderate” assurance under the AA1000 standard, developed by an organisation called AccountAbility).

In conclusion, we appreciate and support the proposed amendments to enhance Malaysia’s sustainability reporting requirements and thank the regulator for their kind attention. We would be pleased to discuss any of the points in our letter further with you.

Yours sincerely,

A handwritten signature in black ink that reads 'NEESHA WOLF' with a stylized flourish underneath.

Neesha Wolf
Research Director – Taiwan and Malaysia
Supporting Research Director – Japan