



**Spotlight on sustainability:**  
**Evaluating Malaysia's  
readiness for the  
IFRS Sustainability  
Disclosure Standards**



**January 2026**

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# 01

## Evaluating Malaysia's readiness for the IFRS Sustainability Disclosure Standards: Objectives and approach

### Overview

Increasing expectations on trust and transparency among stakeholders are urging businesses to take a hard look at how they disclose environmental, social and governance (ESG) issues and manage risks and opportunities. The introduction of Malaysia's National Sustainability Reporting Framework (NSRF)<sup>1</sup> contributes to greater connectivity between sustainability performance and financial reporting, which can provide clearer and more useful information to the capital market.

The NSRF sets mandatory reporting timelines and assurance requirements for Malaysia's largest companies.<sup>2</sup> Listed issuers with market capitalisation exceeding RM2 billion—referred to as Group 1—will be the first required to issue sustainability reports under the International Financial Reporting Standards (IFRS®) Sustainability Disclosure Standards, starting with annual reporting periods beginning 1 January 2025.

Our initial observations of current sustainability disclosures indicate varying levels of understanding and maturity among Malaysia's top companies. This has prompted the need to assess Corporate Malaysia's readiness in adopting the upcoming IFRS Sustainability Disclosure Standards, issued by the International Sustainability Standards Board (ISSB™).

This piece explores adoption readiness levels among Malaysian corporates and offers suggestions to support more consistent and effective sustainability and climate-related reporting going forward.

<sup>1</sup> PwC, [Spotlight on sustainability: National Sustainability Reporting Framework, 2024](#)

<sup>2</sup> These are Malaysia's 50 largest listed companies by market capitalisation as of 31 December 2024.

# Evaluating Malaysia's readiness for the IFRS Sustainability Disclosure Standards: Our methodology

## Purpose

To gain deeper insight into how Malaysia's leading corporates are progressing in alignment with the NSRF requirements, we conducted an evaluation on the latest available sustainability statements and/or reports of **Malaysia's top 50 listed companies**, classified within Group 1.

Their sustainability statements were **benchmarked** against key disclosure requirements of the IFRS Sustainability Disclosure Standards, specifically IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information' (IFRS S1) and IFRS S2 'Climate-related Disclosures' (IFRS S2). These are collectively referred to as the ISSB Standards.

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## Methodology

We developed an assessment tool based on nine key pillars to gauge readiness for the NSRF. These pillars align with the ISSB Standards and reflect the best practices of mature reporters.

Each company's disclosures were compared against the key disclosures outlined by the ISSB Standards. We referenced publicly available information, primarily sustainability statements and/or reports for the reporting periods ending 31 December 2024 to conduct this exercise.

A five-level maturity scale – 'Nascent' (1), 'Developing' (2), 'Established' (3), 'Integrated' (4), and 'Leading' (5) was used with predefined response options to enable an objective assessment of both the extent and quality of disclosures.



# 02

## Maturity assessment of Malaysia's top 50 listed companies

### Overall assessment of sustainability reporting maturity against the ISSB Standards

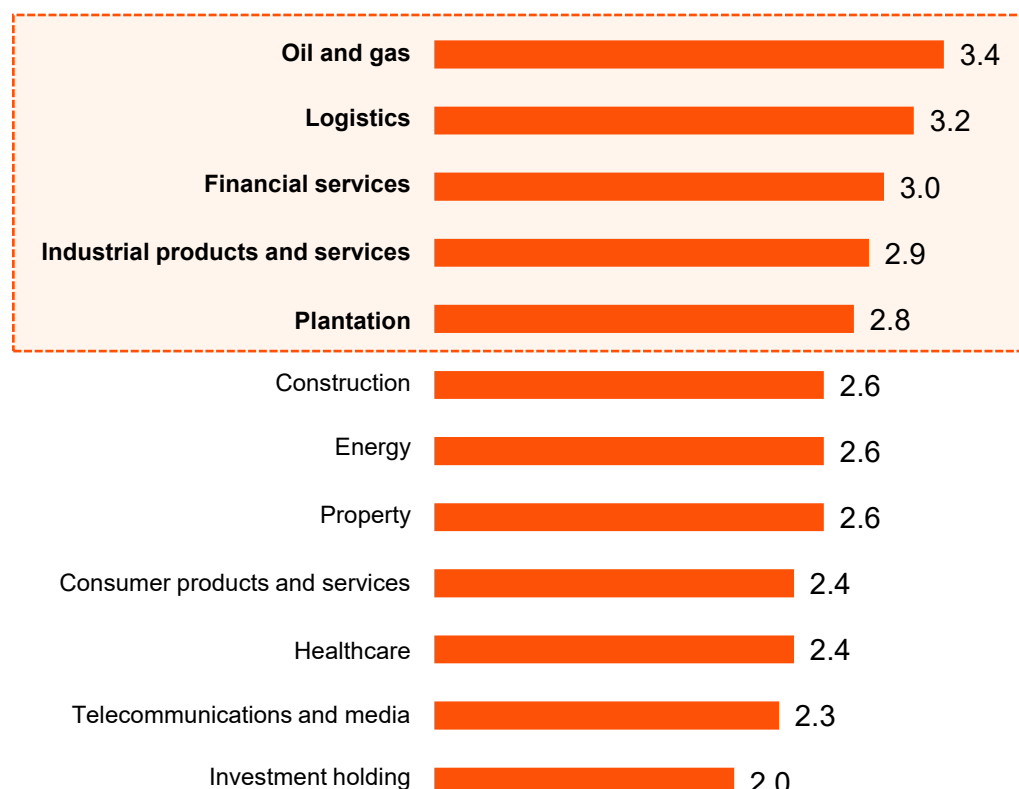
The maturity assessment of Malaysia's top 50 listed companies reveals an evolving sustainability reporting landscape with encouraging momentum across all sectors and the nine identified pillars. Currently, the overall readiness of the sample group is categorised as **'Developing.'**

#### Performance by sector

Maturity levels vary by sector. **Oil and gas, logistics, financial services, industrial products and services, and plantation** are leading the transition.

Together, the companies within these five sectors make up 34% of the total sample.

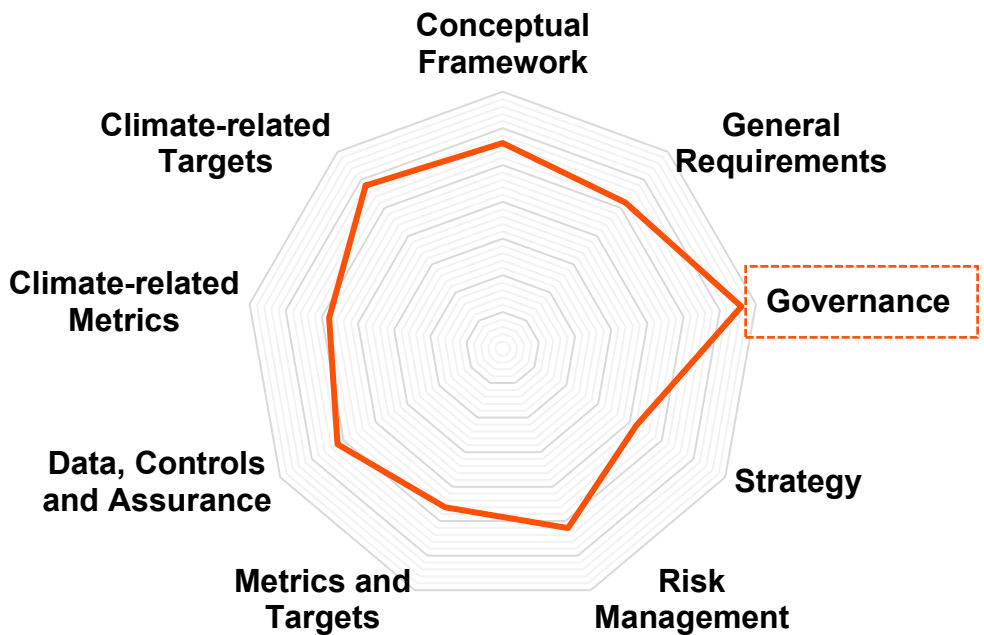
**Figure 1:** Malaysia's top 50 listed companies' sustainability reporting readiness for the ISSB Standards



## Performance by pillar

**Sustainability Governance** stands out as the strongest pillar, with an average readiness level of 'Established', while Strategy; Metrics and Targets; and Data, Controls and Assurance, are categorised as 'Developing' and show room for growth. We will cover each of the areas in more detail in the subsequent sections.

**Figure 2:** Sustainability reporting readiness among Malaysia's top 50 listed companies against the nine pillars aligned with the ISSB Standards



## Observations

Our assessment identified the most and least mature disclosure topics, and the most impactful areas to prioritise, aiming to help companies to promptly kickstart their reporting under the ISSB Standards in line with the NSRF. These insights highlight key strengths among companies and provide clear and actionable guidance for improvement across sectors.



**1** The financial services sector leads in overall readiness for the NSRF



**2** Companies show strong foundational sustainability oversight under the Governance pillar



**3** Opportunities for development in the Strategy pillar



**4** Opportunities for development in the Climate-related Metrics and Targets pillars



**5** Opportunities for development in the Data, Controls and Assurance pillar



# I. The financial services sector leads in overall readiness for the NSRF





## I. The financial services sector leads in overall readiness for the NSRF

Among Malaysia's top 50 listed companies, **financial services** leads with an average readiness level of 'Established'. Encouragingly, companies within the oil and gas, and logistics sectors that were included in our review demonstrate even higher levels of performance. While these insights are promising, the limited representation from these sectors means we cannot yet determine if this reflects wider industry trends.

Within the financial services sector, the three pillars with the highest scores are **Governance, Climate-related Targets and Risk Management**.

**Figure 3:** Financial services companies' sustainability reporting readiness under the ISSB Standards





## I. The financial services sector leads in overall readiness for the NSRF (cont.)

### Best practices observed in financial services include:

- Linking executive pay to sustainability
- Expanding coverage of Scope 3 targets
- Integrating sustainability into enterprise risk management

### Leading practices in Governance, Climate-related Targets, and Risk Management



**Governance:** Overall, financial services companies demonstrate strong transparency, with clear disclosures on board and management oversight, defined management responsibilities for sustainability-related risks and opportunities (SROs), and incorporation of SROs in strategic and financial decisions. Notably, all companies in our sample have linked senior executives' pay to sustainability performance, highlighting their commitment to responsible governance.



**Climate-related targets:** Scope 3 Greenhouse Gas (GHG) emissions targets, which are broader and more complex, are gaining more attention. Some financial services companies are leading the way by expanding Scope 3 categories to include financed emissions, which fall under Category 15: Investments – the largest source of their carbon footprint. A leading bank with regional presence, from our sample, has produced a special report on financed emissions, covering more than half of its financing and investment portfolios.



**Risk management:** A leading financial services company exemplifies best practices by conducting a comprehensive **double materiality assessment** (details below).

This approach helps the company identify and integrate important sustainability-related risks within its overall risk management framework. The company clearly discloses its processes for risk identification, assessment, and mitigation, including the potential impact of sustainability-related risks to its business.

### Key concept: Double materiality

- Materiality in the ISSB Standards (Financial Materiality) – in the context of sustainability-related risks and opportunities (SROs), the information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions of primary users of general purpose financial reports
- Double materiality expands the concept of materiality to include both how sustainability-related issues affect the company financially (financial materiality), and how the company's activities affect the environment and society (impact materiality)



## I. The financial services sector leads in overall readiness for the NSRF (cont.)

**Financial services companies** are on a strong footing, but IFRS S2's greater data granularity and integration requirements demand more rigorous, standardised, and detailed climate disclosures.

### Regulatory support and framework alignment

The higher readiness level of financial services companies compared to other sectors is partly attributed to Bank Negara Malaysia's requirement for financial institutions to produce annual Task Force on Climate-Related Financial Disclosures (TCFD)-aligned climate-related disclosures, starting from the reporting period of 1 January 2024. This is a requirement under the Climate Risk Management and Scenario Analysis policy.

This initiative is further supported by the Joint Committee on Climate Change (JC3), which issued a TCFD Application Guide to help financial services companies integrate TCFD recommendations into their operations.

Collectively, these initiatives support the sector's relative maturity in adopting TCFD recommendations, consistent with our findings in the 'Navigating TCFD and TNFD adoption in the financial sector'<sup>3</sup> report which show partial to high levels of alignment with the TCFD framework. IFRS S2 builds on TCFD recommendations, maintaining the core pillars while introducing additional disclosure requirements.

While financial services companies are better prepared than other sectors, additional efforts are needed to fully meet the requirements of the ISSB Standards. These standards require more detailed disclosures such as **climate-related scenario analysis**, as well as both qualitative and quantitative disclosures of current and anticipated financial effects.

### Key concept: Climate-related scenario analysis

The ISSB Standards requires an entity to disclose information on the resilience of the entity's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the entity's identified climate-related risks and opportunities.

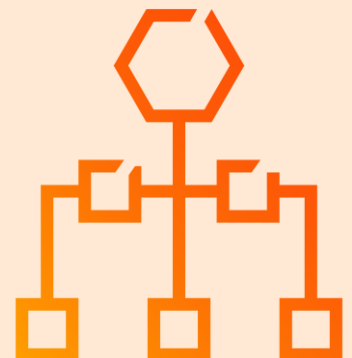
Climate-related scenario analysis is used to assess the entity's climate resilience, through an approach that is commensurate with the entity's circumstances.

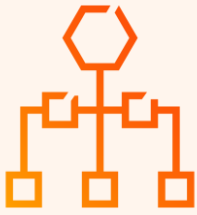
Transparency about the assumptions, methods, and scenarios used is vital to demonstrate resilience and inform stakeholders.

<sup>3</sup> PwC, [Navigating TCFD and TNFD adoption in the financial sector, 2025](#)



## II. Companies show strong foundational sustainability oversight under the Governance pillar





## II. Companies show strong foundational sustainability oversight under the Governance pillar

### Building on strong governance

96% of companies in our sample have formal sustainability governance structures. Board should prioritise linking performance and incentives to sustainability targets for greater accountability and impact.

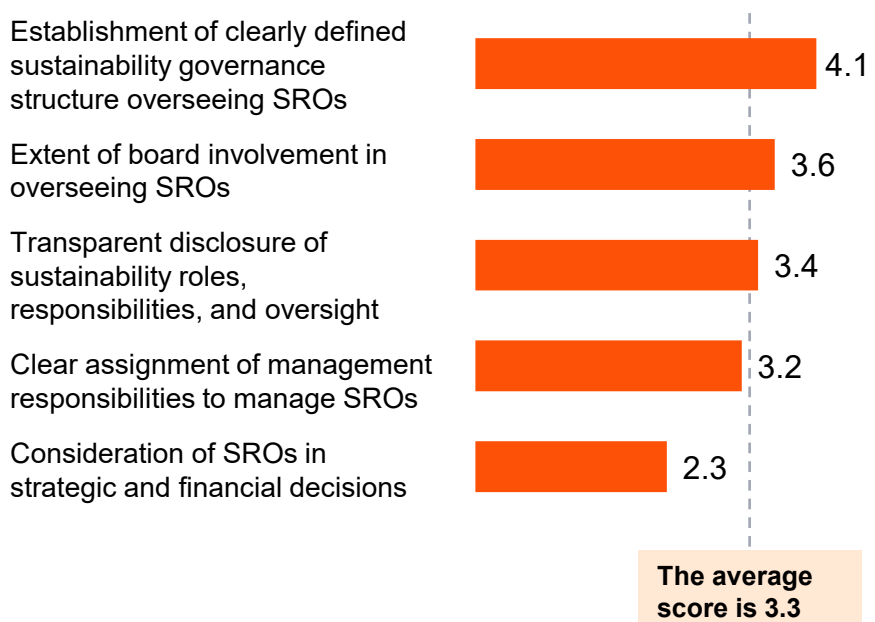
As previously noted, the companies assessed demonstrated strong performance in the sustainability governance pillar. This represents an important initial step in embedding sustainability considerations into their operations—especially when viewed alongside other areas identified in our study—that present opportunities for growth.

96% of companies have set up formal governance structures dedicated to sustainability, attaining an 'Integrated' readiness level, with board members actively overseeing sustainability matters ('Integrated'). Additionally, majority of the companies have governance roles and oversight mechanisms that are transparently disclosed ('Established'), and management teams with clearly defined sustainability responsibilities ('Established').

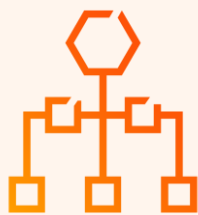
### Regulatory support

The Securities Commission of Malaysia (SC) has played a key role in advancing governance through its introduction of sustainability-related best practices in the Malaysian Code on Corporate Governance 2021. According to the SC's Corporate Governance Monitor 2025<sup>4</sup> (CG Monitor), over 98% of companies adopted three out of five best practices related to sustainability in 2024. Boards and management were observed to have formalised oversight, kept abreast of national reporting expectations, and communicated their sustainability goals and performance.

**Figure 4:** Performance overview of how Malaysia's top 50 listed companies are aligning with the Governance pillar



<sup>4</sup> Securities Commission Malaysia, Corporate Governance Monitor 2025



## II. Companies show strong foundational sustainability oversight under the Governance pillar (cont.)



### **Recommendation: Strengthen Governance by embedding sustainability into incentives and strategic decisions**

Companies should prioritise linking board and senior management evaluations and remuneration to clear sustainability targets to enhance accountability and support progress towards long-term value creation. Currently, fewer than 40% of the companies in our sample disclose this information.

The CG Monitor<sup>5</sup> also highlights challenges in defining measurable, strategy-aligned key performance indicators (KPIs) and accessing relevant data—both essential for effectively embedding sustainability into strategy.

Additionally, companies should leverage the board effectiveness evaluation process to assess the effectiveness of sustainability governance. While this is not a requirement under the ISSB Standards, it aligns with their emphasis on transparency and robust governance. It also addresses the requirements for disclosure on how boards and senior management determine the availability of appropriate skills and competencies in response to sustainability-related risks and opportunities.

To further strengthen sustainability integration, governance bodies should embed SROs into their strategic planning, risk management and financial decision-making processes. This enables effective risk management, capitalises on emerging opportunities, and supports long-term value creation. Currently, the companies in our sample are assessed as 'Developing' in this respect.

### **Aligning practices with IFRS S1 disclosure requirements**

All of the above recommendations align with the disclosure requirements outlined in IFRS S1's Governance pillar, which includes:

- Disclose how companies link the governance body's performance and remuneration to sustainability targets
- Explain how SROs are integrated into the company's strategy, risk management and financial decision-making processes
- Describe the skills, competencies and plans to develop the capabilities of those charged with governance to effectively oversee sustainability matters

<sup>5</sup> Securities Commission Malaysia, Corporate Governance Monitor 2025



### III. Opportunities for development in the Strategy pillar





### III. Opportunities for development in the Strategy pillar

**Malaysian companies are encouraged to integrate sustainability and actively manage SROs in line with the growing awareness of environmental risks across Asia Pacific.**

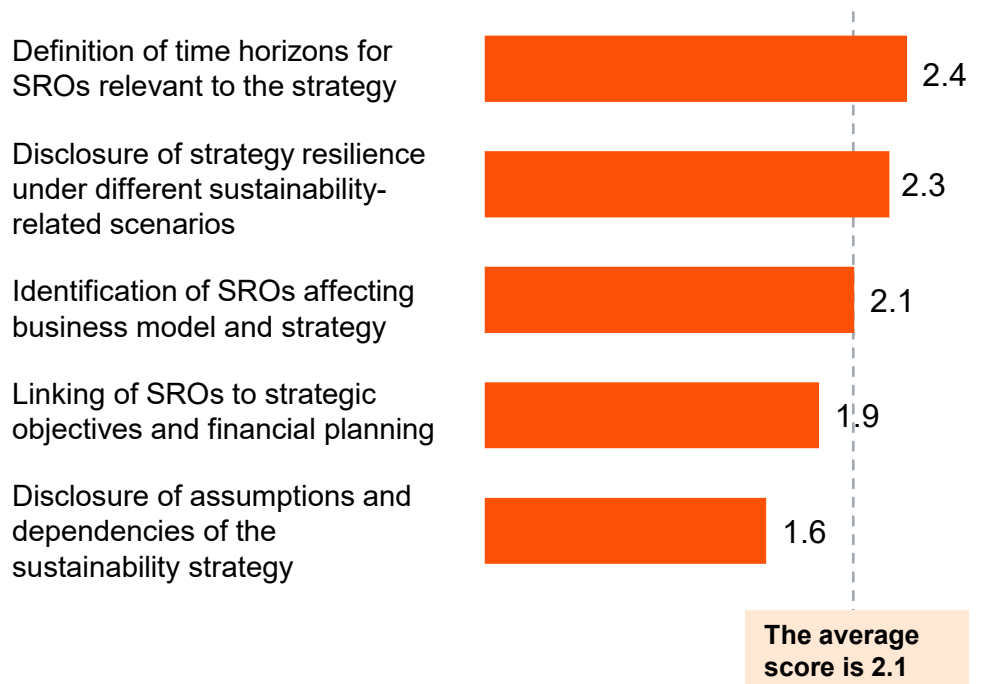
A large proportion of leading companies in Malaysia have yet to fully integrate sustainability-related matters within their strategic frameworks, with gaps in the level of detail disclosed on SROs and the time horizons.

They will need to embed SROs formally into their strategic objectives and financial planning processes. This includes explicit disclosure on how they incorporate SROs within key strategic documents used for decision-making, such as business plans.

In contrast, an average of 79% of companies across the Asia Pacific region have identified environmental risks with significant financial effects. By investing in climate risk mitigation, these companies can earn US\$11 for every US\$1 spent. These returns are not just long-term—leading companies reported US\$598 billion in financial value from climate-related opportunities in 2024 alone.<sup>6</sup>

This clearly demonstrates the benefits of transparent disclosure and embedding of SROs into core business strategies, enabling companies to unlock new growth opportunities, enhance value creation, and strengthen their valuation.

**Figure 5:** Performance overview of how Malaysia's top 50 listed companies are aligning with the Strategy pillar



<sup>6</sup> CDP, The 2025 Disclosure Dividend in APAC, 2025



### III. Opportunities for development in the Strategy pillar (cont.)



#### Recommendation: Enhance SROs identification through a double materiality lens

- **Identify SROs** by leveraging current enterprise risk management processes to determine which are applicable from a financial materiality perspective. To complement the ISSB Standards, companies can consider conducting a **double materiality assessment**. This extends beyond traditional financial materiality (outside-in perspective) but also considers impact materiality which takes into account the company's broader environmental and social impacts (inside-out perspective).

Over time, as market sentiments change and regulatory requirements evolve, areas which were previously only material from the impact perspective could also be material from a financial lens.

This approach provides a more comprehensive view of the areas where sustainability may influence the organisation—not only through financially material SROs but also through potential impacts that have yet to become financially material.

- Building on this, the ISSB Standards require disclosures of SRO impacts beyond the current reporting period, providing forward looking information across relevant **time horizons**. Practically, this means companies should demonstrate a balanced approach that integrates the following actions: managing immediate risks, enhancing long-term resilience, and capitalising on sustainability and climate opportunities.

#### Key concept: Time horizons

Time horizons refer to short-, medium- and long-term periods over which SROs could reasonably be expected to occur, with impact on the company's financial condition and outcome.

Companies should clearly define these periods in the context of their business and align them with their strategic planning horizons.



### III. Opportunities for development in the Strategy pillar (cont.)

Companies should address **broader ESG risks and opportunities beyond climate**, such as nature and social factors, which are increasingly important to investors.



#### **Recommendation: Integrate broader sustainability risk factors beyond climate-related risks**

Building on the double materiality assessment, companies should **look beyond climate-related risks** to include nature and social factors, which will be the focus of the next two ISSB Standards. Several research and industry insights further emphasise the need for companies to broaden their sustainability focus beyond climate:

- PwC's study, conducted in collaboration with the Asia Investor Group on Climate Change (AIGCC)<sup>7</sup> highlights the critical role of nature, with approximately 53% of Asia Pacific's economic Gross Value Added (GVA) being moderately or highly dependent on nature. Malaysia's stock market is even more exposed. 54% of Bursa Malaysia's market capitalisation is highly to moderately reliant on nature.
- A recent staff paper<sup>8</sup> issued by the ISSB on investor interest in human capital-related information indicates that investors increasingly focus on factors such as working conditions and health and safety—not only within the company but across its value chain. They are demanding more granular and quantitative information in these areas to inform their investment decisions.



<sup>7</sup> AIGC and PwC. *Nature at a tipping point*, 2024

<sup>8</sup> IFRS. *Analysis of evidence of investor interest in human capital-related information*, 2025



### III. Opportunities for development in the Strategy pillar (cont.)



#### **Recommendation: Enhance cross-functional collaboration and foster finance-enabled sustainable transformation**

Foster collaboration across the C-suite **for a cohesive and sustainable transformation**, with the Chief Financial Officer (CFO) facilitating the effort. Cross-functional teamwork among strategy, risk management, sustainability, and finance teams is essential to identify SROs, assess their impact, and integrate them in strategic decision-making.

The finance function, which manages the company's financial data, is in a unique position to do more than just report sustainability metrics. It can help change finance processes and make sustainability a key part of the business strategy and day-to-day plans, based on PwC's report 'Redefining the role of the finance function'.<sup>9</sup>

For example, a plantation company in our sample incorporates GHG emissions considerations into all proposed investments, acquisitions, divestments, and capital expenditure decisions.

As the finance function evolves, it will shift its focus from transactional efficiency towards delivering deeper business insights. Here are some examples of sustainability-driven considerations that illustrate this transition:

#### **Figure 6:** Sustainability-driven considerations illustrating the shift from transactional efficiency towards delivering deeper business insights



Include the impact of climate change in long-term budgeting and forecasting



Monitor the financial impact and performance of ESG initiatives



Incorporate environmental, social, and economic impact analysis in periodic reporting



Draw insights from the organisation's sustainability performance to enhance performance analysis



Assess the potential impact of carbon tax on operations, including implementation of Internal Carbon Pricing (ICP)

<sup>9</sup> PwC, Spotlight on sustainability: Redefining the role of the finance function, 2024



## IV. Opportunities for development in the Climate-related Metrics and Targets pillars





## IV. Opportunities for development in the Climate-related Metrics and Targets pillars

Companies are disclosing commitments to decarbonisation targets, especially Scope 1 and 2 GHG emissions.

Under the ISSB Standards, companies are expected to expand and deepen climate-related targets, focusing on Scope 3 to accelerate tangible impact.

### Decarbonisation targets exist, but Scope 3 efforts need strengthening

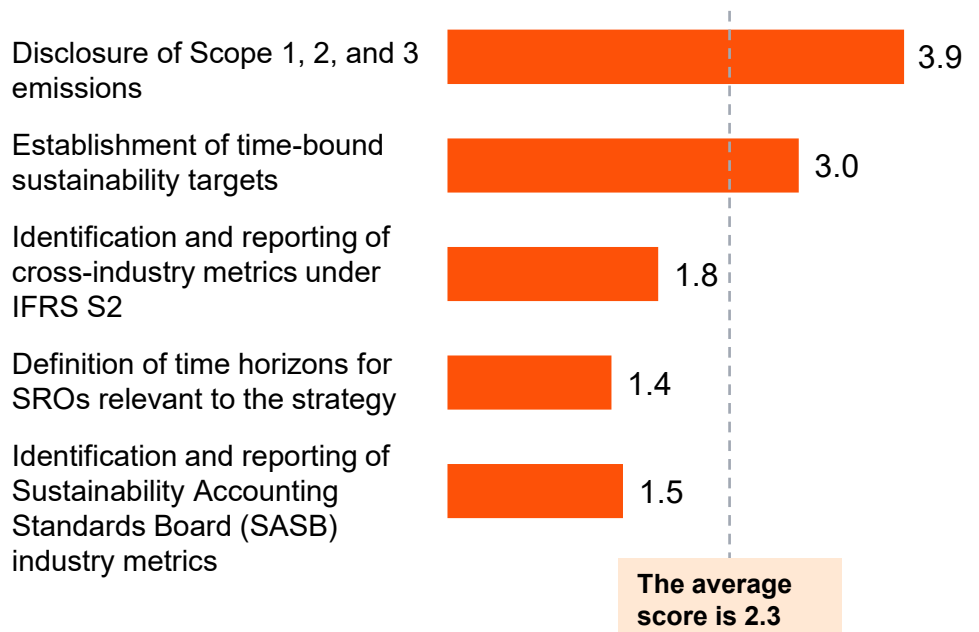
All the companies in our sample have set climate-related targets, primarily committing to net zero by 2050. Most reduction efforts focus on Scope 1 and 2 emissions, with partial disclosures of Scope 3 emissions generally limited to less complex activities such as business travel. **Only 2%** of our sample fully disclose material Scope 3 emissions, despite these often constituting a large proportion of a company's GHG emissions i.e. 65-95% of most companies' carbon footprint.<sup>10</sup>

Under the ISSB Standards, companies are required to begin disclosing relevant Scope 3 categories; however transitional reliefs—allowing companies to defer Scope 3 disclosures for the first two years of applying IFRS S2—are available through the NSRF provisions.

One of the plantation companies in our sample is proactively reducing Scope 3 emissions through supplier engagement, regenerative agriculture and nature-based solutions. PwC's study in collaboration with the National University of Singapore (NUS)<sup>11</sup> shows positive momentum amongst Asia Pacific companies, with those measuring and managing Scope 3 emissions increasing from 50% in 2023 to 63% in 2024.

To accelerate tangible impact, companies are encouraged to broaden and deepen climate-related targets, particularly in addressing Scope 3 emissions.

**Figure 7:** Performance overview of how Malaysia's top 50 listed companies are aligning with the Climate-related Metrics and Targets pillars



<sup>10</sup> PwC, [Tackling the Scope 3 challenge, 2022](#)

<sup>11</sup> PwC and NUS, [Sustainability Counts III: Traversing the landscapes of sustainability reporting in Asia Pacific and beyond, 2024](#)



## IV. Opportunities for development in the Climate-related Metrics and Targets pillars (cont.)

With carbon tax on the horizon, companies should accelerate ICP adoption, ensure accurate emissions reporting, and integrate climate risks in decision making.



### **Recommendation:** **Build capacity for enhanced sustainability metrics disclosure**

The maturity of Malaysian companies in disclosing their adoption of internal carbon pricing (ICP), the IFRS S2's cross-industry metrics, as well as IFRS S2's sector-specific metrics, range from 'Nascent' to 'Developing' as these are relatively new requirements. Companies should prepare to disclose:

- **Their use of ICP in decision-making**, including price per tonne of emissions and its role in guiding investments and risk management
- **IFRS S2's cross industry metrics** that cover emissions, climate-related physical and transition risks, capital deployment, ICP, and related remuneration, with clear methodologies; and **consider and apply the relevant IFRS S2 industry-specific metrics** in identifying the SROs as well as the applicable material information.



### **Recommendation:** **Navigate carbon tax with ICP as a strategy**

Malaysia's upcoming carbon tax, to be introduced in 2026, will present financial and operational challenges, especially among the targeted high-emission sectors such as iron, steel, and energy. Ripple effects are anticipated across sectors like manufacturing, property, construction, and logistics due to rising energy and raw material costs.

This reality underscores the urgent need for impacted companies to adopt ICP<sup>12</sup> in managing their potential carbon tax impact, and strengthening climate disclosures to effectively prepare for potential costs and regulatory changes.

### **Key concept: Cross-industry and sector-specific metrics**

The IFRS S2 establishes requirements for companies to report on climate-related risks and opportunities that may impact their financial conditions. Central to these disclosures are:

- Standardised cross-industry metrics on core areas relevant to all companies regardless of sector
- Sector-specific metrics aligned with Sustainability Accounting Standards Board (SASB) Standards - these tailored metrics address industry-specific climate impacts and risks.

<sup>12</sup> PwC, Carbon tax: A catalyst for Malaysia's carbon market?, 2024



## V. Opportunities for development in the Data, Controls and Assurance pillars





## V. Opportunities for development in the Data, Controls and Assurance pillars

Significant data gaps persist, from limited SROs to missing scenario analyses. With Reasonable Assurance expected to be mandated in phases soon, companies must strengthen data collection and reporting.

### Ensuring reliable and investor-grade sustainability disclosures

The information reported under the ISSB Standards is expected to be of investor-grade quality. Companies are required to establish effective governance frameworks that ensure the accuracy and reliability of disclosures, including comprehensive data governance and control mechanisms over sustainability-related information.

Our findings reveal several data gaps that need to be addressed:

- **70% of companies provide high-level SROs or no SROs** - Under the ISSB Standards, a connected disclosure between the SROs and the material information related to strategy, risk management, and metrics and targets for each SRO is expected
- **96% offer limited to no scenario analysis to test business resilience under different sustainability-related scenarios** - Qualitative and quantitative Climate-related Scenario Analysis is a required disclosure under IFRS S2
- **98% disclose partial or no Scope 3 emissions** – IFRS S2 requires disclosure of Scope 1, 2 and 3 GHG emissions, including the approach being used to measure the GHG emissions

### Assurance practices and emerging requirements

The NSRF underscores the importance of external assurance in sustainability reporting to further strengthen investor trust in the reliability of disclosures.

Influenced by Bursa Malaysia's Main Market Listing Requirements, several companies in our sample have obtained some form of assurance on their ESG disclosures. While Bursa Malaysia supports voluntary assurance, it is important to note that the ISSB Standards currently do not include explicit assurance requirements, meaning, assurance practices fall under jurisdictional regulations and are shaped by market expectations.

Although over half of the companies assessed currently have some form of assurance on their sustainability statements and/or report, it is mostly limited assurance focused on selected metrics such as Scope 1 and 2 GHG emissions, energy consumption, and employee training hours—particularly within the property, construction, and plantation companies in our sample.

Notably, no company has achieved reasonable assurance.<sup>13</sup> Assurance requirements are anticipated to be mandatory for Group 1 reporting starting 1 January 2027, based on the Advisory Committee on Sustainability Reporting (ACSR)'s consultation paper.<sup>14</sup>

<sup>13</sup> Reasonable assurance is a high level of assurance where the practitioners express an opinion in a positive form. This typically involves extensive evidence-gathering activities to provide a basis for the assurance opinion compared to the requirements of a limited assurance engagement.

<sup>14</sup> [Securities Commission, Public Consultation Paper \(No. 2/2025\) on Proposed Framework for Sustainability Assurance, 2025](#)



## V. Opportunities for development in the Data, Controls and Assurance pillars (cont.)



**Recommendation:**  
**Implement an effective sustainability reporting strategy with quality data, controls and assurance**

### **Navigating sustainability reporting complexity**

ISSB Standards require detailed and interconnected sustainability and financial information. This increases the need for robust data management, integrated systems and strong controls to ensure accurate reporting and cross-functional collaboration, and to support informed decision-making.

### **Embedding sustainability into processes and controls**

To meet these evolving demands, companies must:

- Establish strong governance with clear sustainability committee roles and defined accountability for strategy development and reporting
- Develop integrated systems that facilitate accurate and timely data collection, analysis, and reporting of sustainability information
- Implement rigorous data governance and control mechanisms to maintain data integrity, protect privacy, and comply with regulatory requirements—for internal operations as well as ESG data from customers and suppliers
- Continuously monitor, evaluate, and enhance sustainability practices, leveraging both internal and external assurance for credibility

### **Phased adoption approach**

Companies are encouraged to adopt the ISSB Standards in phases, progressively building reporting capabilities through targeted investments in senior leadership time, processes, and technology. This staged approach lays the foundation for continuous improvement and long-term compliance success.

### **Key concept: Connected information**

IFRS S1 requires companies to present sustainability-related financial disclosures so users can understand:

- the connections among the various SROs;
- the relationships between disclosures within the sustainability report (such as governance, strategy, risk management, and metrics), and
- their links to other general purpose financial reports including the related financial statements.

Companies need to use data and assumptions consistent with those in the financial statements, and clearly identify which statements the disclosures relate to.

# 03

## Unlocking potential financial value beyond compliance

### Harnessing data for business value

Beyond compliance, sustainability data and insights serve as valuable resources to **drive informed business decisions**. According to PwC's Global Sustainability Reporting Survey 2025,<sup>15</sup> over two-thirds of executives from 496 companies across 40 countries have reported significant or moderate value from enhancing their sustainability data under frameworks like the European Sustainability Reporting Standards<sup>16</sup> and the IFRS Standards. These leaders used the data to shape their business decisions or strategies including meeting other regulatory requirements, improving risk management, and driving supply chain transformation (see Figure 8).

In a separate analysis by Carbon Disclosure Project (CDP),<sup>17</sup> companies in the Asia Pacific region that invested US\$4.5 million in sustainability initiatives based on environmental risk insights generated average gains of US\$36.5 million. This delivered 8.1 times return on investment for them.

Results like this demonstrate that well-informed sustainability efforts can deliver not only regulatory compliance but also strong financial outcomes and strategic value.

**Figure 8:** How companies are leveraging sustainability reporting to inform business decisions or strategies (from PwC's Global Sustainability Reporting Survey 2025)



<sup>15</sup> PwC, [Global Sustainability Reporting Survey 2025, 2025](#)

<sup>16</sup> The European Sustainability Reporting Standards (ESRS) provide a consistent framework for companies to disclose ESG information, enhancing transparency and comparability.

<sup>17</sup> CDP, [The 2025 Disclosure Dividend in APAC, 2025](#)

## Unlocking potential financial value beyond compliance (cont.)



### **Growing investor interest further drives ISSB Standards adoption**

Investor interest in sustainable finance continues to grow, reinforcing the importance of high-quality sustainability disclosures. According to the Global Sustainable Investment Review 2024,<sup>18</sup> US\$16.7 trillion is invested globally in sustainable assets, with a 49% increase in sustainable investment assets over the last two years. This is based on publicly available assets under management (AUM) data from Morningstar.

Growing capital allocation trends like this underscore expectations for transparent and reliable sustainability data—motivating Malaysian companies to align with the ISSB Standards to better meet these expectations and attract sustainable capital.

<sup>18</sup> [Global Sustainable Investment Alliance, Global Sustainable Investment Review 2024, November 2025](#). The AUM reported is limited to legal fund public disclosures made by asset managers.

# 04

## Getting ready for reporting under the IFRS Sustainability Disclosure Standards

### Critical factors for successful ISSB Standards adoption (non-exhaustive)

Advancing governance and embedding sustainability within the organisation are among the factors driving effective sustainability adoption to unlock value from sustainability data.

Figure 9: Critical factors for the successful adoption of ISSB Standards<sup>19 20</sup>



#### Advance governance, building on existing strengths in transparency and disclosure

Involve the board of directors early in the adoption process to:

- **Align** sustainability with business goals for maximum impact
- **Define** responsibility and accountability for strategies and reporting
- **Allocate resources** (financial, human, technological) to drive execution



#### Effective change management including personnel upskilling

- **Communicate** a clear vision to align and motivate stakeholders early on
- **Adopt** phased change management initiatives to promote buy-in
- **Establish** a continuous feedback mechanism to address stakeholder concerns
- **Provide** targeted training and development to equip staff with the necessary skills



#### Enhancing data quality and governance

- **Standardise** data collection methods for consistent and accurate sustainability data gathering
- **Strengthen** data governance and readiness to align sustainability reporting with existing financial reporting systems
- **Embed** SROs within the enterprise risk management framework



#### Strengthening emissions and climate risk readiness

- **Account** for Scope 1, 2, and 3 GHG emissions to establish a clear baseline, using GHG Protocol
- **Conduct** climate scenario analyses using qualitative and quantitative methods, with appropriate tools to assess climate-related risks and opportunities
- **Establish** realistic ICP and emissions cap; integrating ICP impacts into financial planning and decisions



#### Enhance collaboration across the organisation

- **Foster** strong partnerships between the Chief Sustainability Officer and CFO, as well as other C-suites
- **Ensure** clear roles and responsibilities between business functions to identify, assess and manage SROs
- **Coordinate** cross-functional efforts such as strategy, risk management, human resources, digital, and procurement
- **Leverage** internal audit to ensure data accuracy and integrity

<sup>19</sup> PwC, [Spotlight on sustainability: National Sustainability Reporting Framework, 2024](#),

<sup>20</sup> PwC, [Navigating TCFD and TNFD adoption in the financial sector, 2025](#), PwC analysis

# Getting ready for reporting under the IFRS Sustainability Disclosure Standards (cont.)

## Practical guidance for reporting

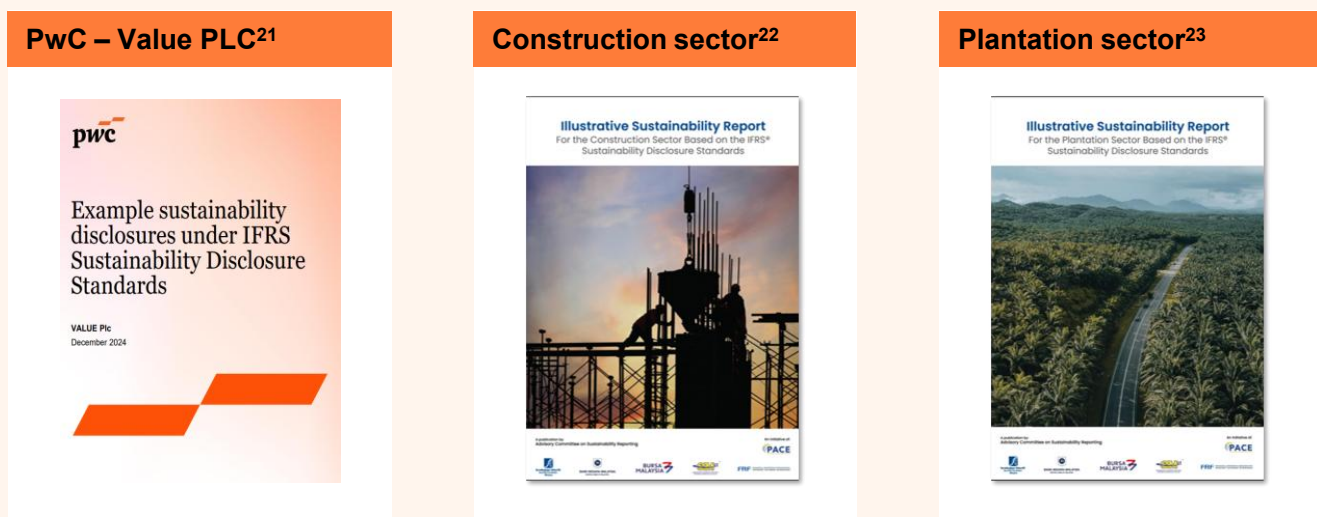
To support companies in preparing their ISSB-aligned sustainability reports, PwC globally has published illustrative disclosures for a fictional entity, aligned with these Standards.<sup>21</sup>

Additionally, the Advisory Committee on Sustainability Reporting (ACSR) has released two sector-specific Illustrative Sustainability Reports for the construction<sup>22</sup> and plantation<sup>23</sup> sectors.

These resources offer practical guidance to help companies tailor ISSB Disclosure Standards to their unique industry contexts.



Figure 10: Illustrative Sustainability Reports



<sup>21</sup> PwC, Example sustainability disclosures under IFRS Sustainability Disclosure Standards, 2025

<sup>22</sup> ACSR, Illustrative Sustainability Report for the Construction Sector Based on the IFRS Sustainability Disclosure Standards, 2025

<sup>23</sup> ACSR, Illustrative Sustainability Report for the Plantation Sector Based on the IFRS Sustainability Disclosure Standards, 2025

## Conclusion

# Alignment with the ISSB Standards supports transparency and long-term growth

Aligning with the ISSB Standards offers significant value beyond meeting regulatory requirements. Strategic advantages to Malaysian companies that embed sustainability into core operations include enhanced transparency, stronger investor confidence, and improved risk management. Engaging management, directors, shareholders, and other stakeholders early and regularly is crucial to ensure everyone is aligned and supportive throughout the process.

To effectively embed sustainability within the organisation, companies should set clear milestones—such as enhancing governance structures, improving data quality, and integrating climate disclosures. These steps will build momentum and enable continuous improvement over time, benefitting stakeholders in the capital market.





At PwC, we draw on the collective skills and experience of more than 370,000 people across our network of firms in 149 countries to help build trust in society and solve important problems. We believe the opportunities of tomorrow require action today. Speak to us and explore how your business can strategically position itself to drive value and growth.

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