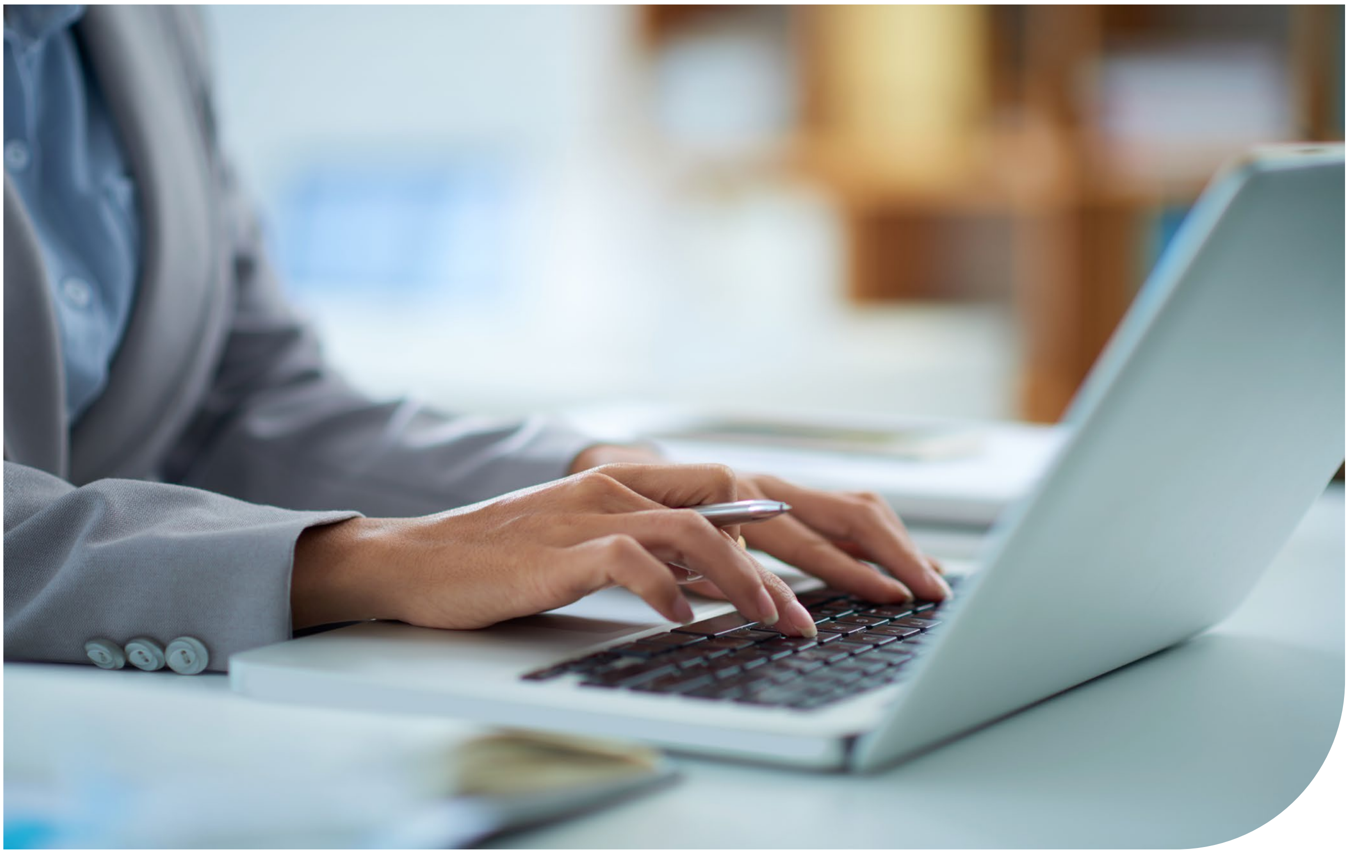
Mandatory Sustainability Assurance Requirement

The Securities Commission Malaysia's new [Policy Document on Mandatory Sustainability Assurance Requirements] introduces mandatory external reasonable assurance over Scope 1 and Scope 2 greenhouse gas emissions for specified categories of companies.

The requirements will be implemented progressively from 2028 to 2030, one year later than the dates proposed in the June 2025 public consultation. Although the revised timetable gives companies additional preparation time, the direction is clear: emissions disclosures are moving beyond voluntary corporate communications and towards information expected to withstand independent scrutiny.



A phased pathway to reasonable assurance

The requirements apply according to the company groupings established under Malaysia's National Sustainability Reporting Framework:

Group 1	Main Market listed issuers with a market capitalisation, excluding treasury shares, of RM2 billion or more as at 31 December 2024 or at the date of listing if listed subsequently must obtain reasonable assurance for annual reporting periods beginning on or after **1 January 2028**.
Group 2	All other Main Market listed issuers must comply for annual reporting periods beginning on or after **1 January 2029**.
Group 3	ACE Market listed issuers and large non-listed companies with annual revenue of at least RM2 billion must comply for annual reporting periods beginning on or after **1 January 2030**.

The phased approach recognises that organisations have different levels of reporting maturity. Nevertheless, companies should not interpret the extended implementation dates as a reason to delay. Reasonable assurance depends on systems, controls and evidence that often need to operate throughout the reporting period. Weaknesses identified only after year-end may be difficult or impossible to correct retrospectively.

Why reasonable assurance represents a major change

Reasonable assurance is a significantly more demanding level of assurance than the limited assurance commonly obtained over sustainability information today.

In a limited assurance engagement, the practitioner performs procedures designed to conclude whether anything has come to their attention that causes them to believe the information is materially misstated. A reasonable assurance engagement requires more extensive and persuasive evidence to reduce engagement risk to an acceptably low level. Its conclusion is expressed positively, although it still does not constitute an absolute guarantee that every error will be detected.

For companies, this means that producing a plausible emissions figure will no longer be enough. Management must be able to demonstrate how the figure was derived, which facilities and operations were included, what methodologies and emission factors were applied, and how the underlying information was reviewed and approved.

This brings sustainability information closer to the disciplines traditionally associated with financial reporting. Estimates and judgement will remain unavoidable, but they must be supported by transparent methodologies, consistent application and sufficient evidence.

Scope 1 and Scope 2 are only the starting point

Scope 1	Scope 2
Covers direct emissions from sources owned or controlled by the reporting entity.	Generally, addresses indirect emissions associated with purchased electricity, steam, heating and cooling.

These categories are often more measurable than Scope 3 emissions, which extend across a company's value chain. Even so, Scope 1 and Scope 2 inventories can contain substantial complexity. Common challenges include incomplete site boundaries, inconsistent utility data, estimated consumption, changes in organisational structure, manual spreadsheet adjustments and insufficient documentation supporting emission factors.

The policy states that mandatory external assurance over Scope 3 emissions and other sustainability disclosures will be determined later. Organisations that begin strengthening Scope 3 governance now will be better placed for future requirements, particularly because value-chain data is usually more fragmented and dependent on third parties.

A common assurance standard

The policy provides that independent sustainability assurance should be performed in accordance with the International Standard on Sustainability Assurance 5000, General Requirements for Sustainability Assurance Engagements.

ISSA 5000 is a comprehensive, framework-neutral standard developed by the International Auditing and Assurance Standards Board. It can be applied to sustainability information prepared under different reporting frameworks and supports both limited and reasonable assurance engagements.

Under the Malaysian policy, practitioners conducting engagements in accordance with ISSA 5000 must operate within a quality-management system compliant with International Standard on Quality Management 1. They must also comply with the International Ethics Standards for Sustainability Assurance, including the relevant independence requirements.

These provisions are important because confidence in an assurance conclusion depends not only on the procedures performed, but also on the competence, objectivity, ethical conduct and quality controls of the assurance provider.

What applies during the transition?

Until mandatory external assurance takes effect, Main Market and ACE Market listed issuers must continue disclosing whether their sustainability information has been subject to internal review by the internal auditor or independent assurance performed in accordance with ISSA 5000.

This transitional expectation gives companies an opportunity to test their reporting arrangements before reasonable assurance becomes compulsory. A readiness assessment or voluntary limited assurance engagement can identify weaknesses in reporting boundaries, source documentation, calculation methods, governance and internal controls while there is still time to address them.

Internal audit can also play a valuable role, and can assess control design, test whether controls operate consistently and help determine whether the emissions-reporting process is ready for independent examination.

Moving beyond compliance

The most important implication of the policy is that assurance readiness cannot be treated as a year-end compliance project. It requires a controlled reporting process.

Companies should begin by establishing clear accountability for emissions information. Data owners need to understand what they are responsible for producing, how frequently it must be reviewed and what evidence must be retained. Reporting boundaries and calculation methodologies should be formally documented, including the treatment of acquisitions, disposals, leased assets, renewable-energy instruments and data gaps.

Controls should then be embedded at the point where information originates. These may include reconciliations of utility data to invoices and accounting records, review of emission factors, validation of manual adjustments, investigation of unusual movements and documented management approval.

Technology can improve consistency and traceability, but it cannot compensate for poorly designed processes. Even sophisticated sustainability platforms depend on reliable source data, defined responsibilities and effective review controls.

Boards and audit committees will also need greater visibility over sustainability reporting. Their oversight should extend beyond the final emissions totals to the integrity of the systems, methodologies and controls, IT or otherwise, used to produce them.

An opportunity to build trust

Mandatory reasonable assurance will undoubtedly raise expectations and require investment. However, it also presents an opportunity.

More reliable emissions data can support better operational decisions, improve the credibility of transition plans and strengthen engagement with investors, lenders, customers and supply-chain partners. It can also reduce the risk of greenwashing allegations by ensuring that public claims are supported by robust evidence.

The new policy therefore marks more than another reporting obligation. It signals that sustainability information is becoming part of the core corporate reporting architecture. For Malaysian companies, the central question is no longer whether sustainability disclosures will be scrutinised, but whether their data, controls and governance will be ready when that scrutiny arrives.

Should your organisation be interested in addressing the complexities of these changes while also staying prepared for it, do reach out us to find out how we can help you tackle challenges and take advantage of new opportunities.

Contact us to discuss how we can help with our Sustainability and Climate Change Services

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