

Proposed Amendments to the Companies Act 2016 on Sustainability Reporting

On 30th April 2026, the Companies Commission of Malaysia (SSM) released the Consultative Document on the Proposed Amendments to the Companies Act 2016 (Act 777) on Sustainability Reporting. Through this release, the SSM highlights several proposed changes to the Act, while providing companies with a platform to share their views on the matter. Most significant of the key changes that are being proposed is the shift from voluntary sustainability disclosures to mandatory ones. Key stakeholders were invited to provide their feedback on the proposed changes during the consultation period, which ran until 2 June 2026.



The Core of the Amendments

One of the proposed core changes to the Act seeks to introduce a “comply or explain” approach for reporting by non-listed companies, whereby companies that are unable to report are required to provide a substantive explanation for non-compliance including highlighting data gaps, limitations and transition challenges. The requirements begin with climate disclosures on Scope 1 and 2 Greenhouse Gas emissions, followed by simplified sustainability disclosures. In the long-term, the framework will phase in more stringent requirements, such as the adoption of climate-related financial disclosures aligned with the International Sustainability Standards Board’s (ISSB’s) IFRS S2 Climate-related Disclosures standards. The incorporation of this tiered approach ensures proportional responsibility while encouraging broader participation in sustainability reporting.



Accountability and Assurance

A central feature of the amendments is enhanced accountability for directors. Proposed changes to Sections 252 and 253 of the Act would strengthen directors’ accountabilities, with penalties for non-compliance reaching up to RM20,000. Alongside this, the assurance framework will evolve from internal assurance to external limited assurance. These shifts in accountability and assurance encourage greater transparency when it comes to sustainability disclosures.

Implications for Business Strategy

For companies, the implications surrounding these amendments is that organisations will need to make changes to their internal control process such as through building internal capacity for ESG data collection and reporting. Risk management processes may need to be reviewed as well to ensure that the reports are compliant with the proposed amendments, requiring directors to shoulder more responsibilities. Simultaneously, early adoption of these amendments would better position Malaysian firms competitively in international markets, where incorporating these changes would enable companies to attain sustainability credentials which could open opportunities for investment and trade.

Looking ahead

As sustainability reporting continues to grow in Malaysia, new challenges will emerge when it comes to implementing key changes. Companies will need to be prepared to leverage on new developments to stay ahead or risk being left behind.

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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