

ESG Framework Malaysia: Guidelines, Reporting Standards & Ratings

By: [Kishan Jasani](#)



Contents

- [What Is ESG and Why Does It Matter in Malaysia?](#)
- [ESG Framework in Malaysia: Regulatory Landscape](#)
- [ESG Reporting Standards in Malaysia](#)
- [ESG Ratings in Malaysia](#)
- [ESG Compliance in Malaysia](#)
- [ESG Audit: Why It's Important](#)
- [ESG Services for Businesses in Malaysia](#)
- [Challenges Malaysian Companies Face in ESG](#)
- [FAQs About ESG Framework in Malaysia](#)
- [Final Thoughts](#)

Environmental, Social, and Governance (ESG) considerations are becoming integral to how businesses define resilience and relevance.

In Malaysia, this evolution is shaped by regulatory developments, investor scrutiny, and shifting consumer expectations where it all converges toward a more transparent and accountable corporate environment.

Against this backdrop, ESG alignment is steadily becoming an integral part of business in Malaysia. What was once viewed as a forward-looking initiative is now quietly shaping how regulators, investors, and stakeholders evaluate performance, resilience, and long-term relevance.

This article explores Malaysia's ESG framework, outlining compliance requirements, reporting standards, audit readiness, and the advisory services available to support businesses navigating this transition.

What Is ESG and Why Does It Matter in Malaysia?

Environmental, Social, and Governance (ESG) refers to the three pillars used to evaluate a company's impact beyond financial performance:

- **Environmental:** How a company manages its carbon emissions, energy efficiency, waste, and resource usage.
- **Social:** Labour practices, workplace diversity, employee welfare, and community engagement.
- **Governance:** Transparency, anti-corruption measures, board diversity, and shareholder rights.

In Malaysia, ESG is no longer just about brand reputation—it directly affects investment attractiveness, market competitiveness, and regulatory compliance.

For more insights, read our [press release on ESG reshaping Malaysia's business landscape](#).

ESG Framework in Malaysia: Regulatory Landscape

Malaysia has progressively introduced frameworks and policies to guide businesses on ESG compliance. The various institutions involved in shaping the ESG regulatory landscape are outlined as below:

1. Securities Commission Malaysia (SC)

The SC introduced the Sustainable and Responsible Investment (SRI) Roadmap for the Malaysian Capital Market as a strategic blueprint to guide the development of a vibrant SRI ecosystem.

The SC had also launched the National Sustainability Reporting Framework (NSRF), which sets out a phased approach for ESG reporting across listed and large non-listed companies, with external assurance and globally comparable disclosures expected to become standard practice over time.

2. Bursa Malaysia

Bursa Malaysia has implemented mandatory sustainability reporting for listed companies, guided by the 2022 update to its Sustainability Reporting Guide.

Starting with financial year ending 31 December 2025, Main Market issuers must include climate-related disclosures, three years of performance data, targets, and a statement of internal review or external assurance in their annual Sustainability Statement.

3. Bank Negara Malaysia (BNM)

BNM introduced the Climate Change and Principle-based Taxonomy (CCPT) in April 2021 to provide a common framework for financial institutions in classifying economic activities based on their impact on climate change and the environment.

It helps the financial sector identify, classify, and support sustainable activities, while managing climate-related risks and driving the country's transition towards a greener economy.

4. Ministry of International Trade and Industry (MITI)

MITI introduced the National Industry Environmental, Social, and Governance (i-ESG) framework to promote sustainable development among manufacturing companies.

The policy framework is designed to support the country's commitment to reducing greenhouse gas emissions by 45 % in 2030 and achieving carbon neutrality by 2050.

5. Government Incentives

Tax deductions available for ESG-related expenses, such as green certifications and reporting. See our [ESG Tax Deduction Rules update](#).

ESG Reporting Standards in Malaysia

Malaysian companies often adopt a mix of local and international reporting standards:

Local Standards

- Bursa Malaysia Sustainability Reporting Guide
- Climate Change and Principle-based Taxonomy (CCPT) for financial institutions

International Standards Commonly Adopted

- Global Reporting Initiative (GRI) : Widely used for sustainability disclosures.
- Sustainability Accounting Standards Board (SASB) : Sector-specific metrics.
- IFRS S1 and S2 (International Sustainability Standards Board) : Now forming the global baseline for ESG reporting. IFRS S2 builds directly on the TCFD (Task Force on Climate-related Financial Disclosures) framework, covering climate-related risks, opportunities, and scenario analysis. Companies in Malaysia are increasingly expected to adopt hybrid ESG reporting—combining Bursa's requirements with international best practices for global credibility.

Learn more in our [ESG reporting landscape and regulator role press release](#).

ESG Ratings in Malaysia

ESG ratings evaluate how well companies perform on the sustainability metrics. These ratings are used by investors, regulators, and stakeholders to assess risks and opportunities.

Common ESG Ratings Providers in Malaysia

- FTSE4Good Bursa Malaysia Index: Recognises Malaysian companies with strong ESG practices.
- MSCI ESG Ratings: Widely used by global investors.
- Sustainalytics: Provides ESG risk ratings across industries.

Why Ratings Matter

- Influence investment decisions by local and foreign investors.
- Help companies benchmark their performance against peers.
- Enhance brand reputation and stakeholder trust.

ESG Compliance in Malaysia

As regulatory frameworks mature and investor scrutiny deepens, companies are being quietly assessed on how proactively they respond. ESG disclosures are moving from voluntary statements to structured, auditable commitments. Those who wait risk falling behind not just in compliance, but in credibility.

To navigate this shift, ESG compliance in Malaysia typically involves:

1. Conducting ESG materiality assessments to identify key risks and opportunities.
2. Aligning practices with Bursa Malaysia and Securities Commission's guidelines.
3. Performing regular ESG audits to verify disclosures.
4. Engaging external experts for ESG assurance and advisory services.

Explore our [Sustainability and Climate Change Services](#) to strengthen your ESG compliance journey.

ESG Audit: Why It's Important

Broad commitments are no longer sufficient as investors, regulators, and stakeholders now expect tangible evidence. In this environment, ESG audits offer a way to move from intention to verification, helping companies demonstrate that their sustainability claims are not just well-meaning, but well-managed.

Against this backdrop, an ESG audit serves as an independent evaluation of a company's ESG reporting and practices. It is increasingly recognised as a marker of maturity, especially as **Malaysia's regulatory frameworks begin to formalise expectations around assurance and disclosure quality.**

Under the National Sustainability Reporting Framework (NSRF), external reasonable assurance over sustainability disclosures will take effect in phases—beginning in 2027 for Main Market listed issuers

with market capitalisation of RM2 billion and above, followed by other Main Market issuers in 2028, and ACE Market companies and large non-listed entities in 2029.

As these timelines approach, early engagement with ESG audits positions companies to lead the conversation, rather than react to it.

Benefits of ESG Audits

- Ensure credibility and transparency of ESG disclosures.
- Identify gaps in compliance with local/international standards.
- Improve investor confidence and access to capital.
- Mitigate risks related to greenwashing accusations.

Grant Thornton Malaysia provides ESG assurance and audit services to help businesses meet both local compliance and global expectations.

ESG Services for Businesses in Malaysia

Across Malaysia, **ESG is steadily becoming part of how companies are assessed by regulators, investors, and the market.** What began as a voluntary initiative is now shaping decisions around financing, reputation, and long-term positioning.

As expectations mature, many businesses are choosing to formalise their approach, translating broad commitments into structured, credible action.

For companies navigating ESG adoption, a full suite of services can support that transition with clarity and confidence:

- ESG Strategy Development – Designing roadmaps aligned with Malaysia’s ESG framework.
- Materiality Assessments – Identifying critical ESG risks relevant to your sector.
- Sustainability Reporting – Preparing reports compliant with Bursa and global standards.
- ESG Training & Seminars – Building organisational awareness.
See our [ESG Seminar on Corporate Malaysia](#).
- Climate Risk & Carbon Management – Supporting net-zero transition goals.
- ESG Audit & Assurance – Independent verification of ESG disclosures.

Challenges Malaysian Companies Face in ESG

While ESG adoption is gaining traction, many companies especially SMEs are encountering structural and operational hurdles that can slow progress or dilute impact. These challenges typically surface through:

- Cost of compliance for SMEs.
- Lack of standardisation across industries.
- Limited expertise in ESG measurement and reporting.

- Pressure from global supply chains to demonstrate ESG alignment.

How a company approaches these challenges can quietly influence how it is perceived by investors, regulators, and supply chain partners.

In a landscape where expectations are becoming more defined, professional ESG advisory and assurance services offer a way forward of helping businesses navigate complexity with clarity, credibility, and confidence.

FAQs About ESG Framework in Malaysia

Q1: What is the ESG framework in Malaysia?

It consists of regulatory guidelines from Bursa Malaysia, SC, MITI, and BNM that govern sustainability reporting, compliance, and climate risk management.

Q2: What is the NSRF?

The NSRF is Malaysia's national framework for sustainability reporting, aligning local disclosure requirements with the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB). It aims to improve the availability of reliable, comparable, and decision-useful ESG information across sectors.

Q3: Which standards are included under the NSRF?

The NSRF incorporates:

IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S2: Climate-related Disclosures These standards form the baseline for ESG reporting in Malaysia and are expected to be complemented by other frameworks (e.g. GRI, SASB) where relevant.

Q4: Who is required to comply with the NSRF?

Compliance is phased based on entity type and market capitalisation:

Main Market listed issuers with market cap $\geq$ RM2 billion: Effective for financial years ending on or after 31 December 2025

Other Main Market listed issuers: Effective for financial years ending on or after 31 December 2026

ACE Market companies and large non-listed entities: Effective for financial years ending on or after 31 December 2027

Q5: When will reasonable assurance be required?

External reasonable assurance over sustainability disclosures will take effect in parallel with reporting obligations:

Effective for financial years ending on or after 31 December 2027: For Main Market issuers $\geq$ RM2 billion

Effective for financial years ending on or after 31 December 2028: For other Main Market issuers

Effective for financial years ending on or after 31 December 2029: For ACE Market companies and large non-listed entities

Q6: What kind of disclosures are expected?

Companies will be required to disclose material sustainability-related financial information, including:

Governance and strategy around ESG risks and opportunities

Metrics and targets, including Scope 1, 2, and 3 GHG emissions

Connectivity between sustainability and financial reporting

Q7: Are there transition reliefs or exemptions?

Yes. The NSRF includes transition reliefs to support adoption, such as phased implementation, limited assurance options in early years, and flexibility in disclosure location and format. These are designed to accommodate varying levels of ESG maturity across sectors

Q8: Is ESG compliance mandatory in Malaysia?

Yes, for listed companies. Bursa Malaysia requires mandatory sustainability disclosures. For non-listed firms, compliance is increasingly expected by supply chains and investors.

Q9: What are ESG ratings?

They are independent evaluations of a company's environmental, social, and governance performance, used by investors to assess sustainability risks.

Q10: What is an ESG audit?

An independent review of a company's ESG practices and reporting to ensure accuracy, credibility, and compliance.

Q11: How can Grant Thornton help with ESG?

We provide end-to-end ESG services including advisory, audits, reporting, and training to help Malaysian businesses align with both local and international standards.

Final Thoughts

The ESG framework in Malaysia is evolving rapidly, with regulators strengthening guidelines and investors demanding transparency. Companies that prioritise ESG compliance, audits, and reporting not only reduce risks but also gain a competitive advantage in attracting capital and building trust.

At Grant Thornton Malaysia, we support organisations in navigating ESG challenges through expert advisory, assurance, and training.

Whether you need help with ESG audits, sustainability reporting, or compliance services, our team ensures your business is future-ready.

Learn more about our [Sustainability and Climate Change Services](#) today.