

PREAMBLE

In a [circular](#) dated 26 September 2022, BURSA MALAYSIA SECURITIES BERHAD (BURSA) enhanced the sustainability reporting framework to elevate the sustainability practices and disclosures of listed issuers. BURSA has, among other requirements, announced one for a Statement of Assurance to strengthen the credibility of the Sustainability Statement. A listed issuer may seek **two (2) types of assurance**, that is, internal review by its internal auditor or independent assurance performed in accordance with recognised assurance standards.

This directive was elaborated in the BURSA Main Market Listing Requirements (BURSA Main LR) in relation to Enhanced Sustainability Reporting Framework - Practice Note 9 [Appendix 1](#) Part III and [Appendix 2](#). Contents of the Sustainability Statement, Section 6.2e are to be read together with Chapter 10, BURSA Sustainability Reporting Guide 3.0.

This Frequently Asked Questions (“FAQ”) document aims to provide clarity to internal auditors on the roles they have to play in reviewing the Sustainability Statement. This FAQ, the first in a series to come, will mainly address the background of BURSA’s requirements, the planning aspects of the internal review followed by the execution of the internal review. It fosters an understanding of the processes, which will be executed in accordance with the International Professional Practices Framework (“IPPF”) 2017, issued by The Institute of Internal Auditors Inc., in order to achieve the desired consistency of quality and standards.

Please take a moment to explore this FAQ document. Should you have any questions or require additional information, we encourage you to reach out to Technical & Quality Assurance Department of The Institute of Internal Auditors Malaysia (IIAM). Together, internal auditors can continue to be an integral part of a listed issuer’s governance, risk and controls policies which includes good sustainability practices.

BACKGROUND

BURSA has released the updated [BURSA Sustainability Reporting Guide 3.0](#) to assist listed issuers in preparing the Sustainability Statement as required under the Listing Requirements (Paragraph 9.45(2) and Paragraph 29), Part A of Appendix 9C of BURSA Main LR (supplemented by Practice Note 9) and Paragraph 30 of Appendix 9C of the ACE Market Listing Requirements (BURSA ACE LR) (supplemented by Guidance Note 11).

Paragraph 6.2(e), Practice Note 9, BURSA Main LR and Paragraph 6.2(d), Guidance Note 11, BURSA ACE LR stipulates that in making the Sustainability Statement, a listed issuer must include the following disclosure:

“A statement on whether the listed issuer has subjected the Sustainability Statement to:

- (i) Internal review by its Internal Auditor;** or
- (ii) Independent assurance performed in accordance with recognised assurance standards, to strengthen the credibility of the Sustainability Statement,** and if so, the subject matter(s) and scope covered”.

This FAQ document will only discuss the scope of the internal review by the Internal Auditor, should the listed issuer opt to take this path. The Statement of Assurance is applicable for Sustainability Statements in annual reports for **financial year ending 31 December 2023 onwards**.



ROLES OF THE INTERNAL AUDITOR

BURSA strongly recommends that Sustainability Statements be subjected to an assurance process although it is not mandatory, as a matter of best practice (*page 137, chapter 30, BURSA Sustainability Reporting Guide 3.0*).

As such, the Board Audit Committee or equivalent (AC) is strongly encouraged to undertake an assurance process on the listed issuer's Sustainability Statement, and thus has an option to utilise its internal auditors. The assurance process can be included in the annual internal audit plan of the listed issuer, following the minimum guidelines in Listing Requirements detailed in the BURSA Sustainability Reporting Guide 3.0.

In performing the internal review of the Sustainability Statement, the Internal Auditor shall comply with the provisions of the International Professional Practices Framework ("IPPF") 2017, issued by the Institute of Internal Auditors Inc.

BURSA further requires that:

"The assurance team, be it internal review or external assurance, must possess a sufficiently competent level of expertise and knowledge on the subject matter being assured"

"in the case of internal reviews undertaken by the listed issuer's internal audit function, these specialist skills should be onboarded either via the hiring, training or engagement of external subject-matter experts for the purpose of the internal review exercise"

(page 18, toolkit: Governance, BURSA Sustainability Reporting Guide 3.0)

It is imperative therefore for an Internal Auditor to be:

- a) Equipped with sound understanding of sustainability principles and frameworks
- b) Familiar with relevant sustainability regulations and reporting requirements to ensure compliance and avoid legal issues
- c) Able to assess the risks associated with sustainability reporting and prioritise areas for audit focus.

Co-sourcing is an option where specialist skills or competency on certain matters are invited, including the hiring, training or engagement of external subject matter experts for the purpose of the internal review exercise.

FREQUENTLY ASKED QUESTIONS



1. What is Sustainability Statement?

- 1.1 Paragraph 29, Part A of Appendix 9C of BURSA Main LR, defines a Sustainability Statement as “a narrative statement of the listed issuer’s management of material economic, environmental and social risks and opportunities, in the manner as prescribed by the Exchange”.
- 1.2 Paragraph 6.1, Practice Note 9 of BURSA Main LR, further states that “All listed issuers should ensure that the Sustainability Statement contains information that is balanced, comparable and meaningful by referring to the Sustainability Guide issued by the Exchange”. In identifying the material economic, environmental and social risks and opportunities, the listed issuer should consider the themes set out in the BURSA Sustainability Reporting Guide 3.0.

It is to be noted that sustainability reporting has been mandatory in Malaysia for all PLCs, since 2016.



2. Who is responsible for preparing the Sustainability Statement?

- 2.1 BURSA Main LR requires a listed issuer to set out separately the Sustainability Statement in its annual report, unless it meets certain conditions (refer to Paragraph 9.25, BURSA Main LR). The listed issuer or its Board of Directors (BOD) must ensure that any statement disclosed pursuant to the BURSA Main LR:
 - a) Is clear, unambiguous and accurate
 - b) Does not contain any material omission
 - c) Is not false or misleading (refer to Paragraph 2.18(1), BURSA Main LR).

The BOD is ultimately responsible for the preparation of the Sustainability Statement.



3. Why would the listed issuer use the services of the Internal Auditor to conduct the internal review of the Sustainability Statement?

3.1 The Internal Auditor :

- a) Is competent because he/she has undergone the required external quality assessment review exercise, a mandatory requirement by the IPPF
- b) Is uniquely positioned within the listed issuer's work-environment, possessing an intimate understanding of the listed issuer's culture, values and strategic objectives
- c) Is an integral part of the governance, risk management and controls function of the listed issuer, and has easy access to the listed issuer's data to validate the information found in the Sustainability Statement
- d) Can ascertain the accuracy and completeness of disclosures and ensure that the Sustainability Statement accurately reflects the listed issuer's commitment to sustainability and its alignment with its broader corporate objectives, within prescribed timelines
- e) Is the internal "voice" in identifying areas where the listed issuer can improve its sustainability practices and reporting, and recommend needed measures for the listed issuer to be more environmentally and socially responsible
- f) Maintains a degree of independence and objectivity in the internal review of the Sustainability Statement. This independence ensures that the review of the Sustainability Statement is conducted fairly and impartially, helping to build trust among the stakeholders of the listed issuer.
- g) Is more cost-effective compared to hiring external auditors or consultants. The Internal Auditor is already on the listed issuer's payroll, so utilising his/her skills and knowledge can be a more budget-friendly option.



4. What is the coverage of the internal review of the Sustainability Statement?

4.1 The coverage of the internal review would be based on:

- a) Scope - All or selected indicators (both Common Indicators and Sector Specific Indicators)
- b) All or selected locations of the listed issuer.

Details of the Common Indicators and Sector Specific Indicators are provided in Chapter 7 of the BURSA Sustainability Reporting Guide 3.0.

4.2 Overall, with the ultimate aim of subjecting the entire Statement of Assurance to internal review, four (4) potential areas will be:

- a) Sustainability indicators accuracy
- b) Narratives on data collection processes, actions & reporting
- c) Management processes (materiality assessment, data gathering/collation, governance structure, approvals, etc)
- d) Disclosures developed according to standards (compliance).



5. Can the Internal Auditor accept the validity of third-party expert reports adopted / presented in the Sustainability Statement?

5.1 Inclusion of and relying on third-party expert reports can be a valuable part of this assessment process, but it should be done carefully to maintain the credibility and transparency of the Sustainability Statement. In doing so, the Internal Auditor should be guided by the IPPF – Practice Guide Reliance by Internal Audit on Other Assurance Providers which provides the principle of relying on the work performed by both internal and external assurance providers.

Ultimately, the Internal Auditor as an Internal Reviewer has to provide an objective assessment of the listed issuer's sustainability performance and the information presented in the Sustainability Statement.

5.2 If the Internal Reviewer requires to carry out an expansion on due diligence of third-party reports on sustainability matters, the following factors can be considered:

- a) Assessing the qualifications and independence of the third-party experts who conducted the sustainability assessments
- b) Reviewing the methodologies and criteria used in the third-party reports to ensure they align with the listed issuer's sustainability goals and industry standards
- c) Cross-referencing the information in the third-party reports with the listed issuer's internal data and processes to identify any discrepancies or inconsistencies in sustainability practices
- d) Ensuring that the third-party reports are up-to-date and relevant to the reporting period covered by the Sustainability Statement
- e) Considering the limitations and potential biases of the third-party reports and highlighting them to be included if necessary in the Sustainability Statement.



6. What is the key reference for the internal review of a listed issuer's Sustainability Statement?

The internal review will be closely aligned to BURSA Main LR with guidance from [BURSA Sustainability Reporting Guide 3.0](#), toolkits and updated [amendments/enhancements](#) thereof.



7. Does the internal review of the Sustainability Statement extend to all subsidiaries globally in the listed issuer's Group?

- 7.1 The internal review should cover disclosures in the Sustainability Statement of the listed issuer, based on the criteria of minimum information required to be disclosed.
- 7.2 If disclosures and the key indicators are identified with / related to subsidiaries directly impacted by the themes, then the internal review will need to align these with both financial and ESG reporting. However, in terms of materiality, the internal review may cover all pertinent factors possible and report accordingly.



8. What are the potential red flags to watch out for in the internal review of the Sustainability Statement?

Section 1: Legal and Regulatory Compliance

- a) Non-compliance with the Sustainability Reporting Guide (Guide) and Malaysian Code on Corporate Governance (MCCG) and other relevant legal and regulatory requirements
- b) Inaccurate or incomplete disclosure of material sustainability information which may breach legal and regulatory requirements.

Section 2: Data Accuracy and Completeness

- a) Inconsistencies or errors in data collection and reporting
- b) Incomplete or outdated information that fails to reflect the listed issuer's sustainability performance.

Section 3: Transparency and Disclosure

- a) Lack of transparency in reporting methodologies and data sources
- b) Insufficient disclosure of significant sustainability risks or controversies.

Section 4: Verification and Assurance

- a) Inadequate third-party verification or a lack of third-party reports
- b) Discrepancies between the audited financial statements and the Sustainability Statement.

Section 5: Stakeholder Engagement and Communication

- a) Inadequate engagement between stakeholders, leading to unaddressed concerns
- b) A mismatch between stated sustainability goals and actual actions or outcomes.



9. What could be the top risks in internal review of the Sustainability Statement?

Section 1: Resource Constraints and Competency Gaps

- a) Limited resources and budget to perform the internal review of the Sustainability Statement
- b) Availability of skilled internal auditors with familiarity on sustainability matters.

Section 2: Interpretation and Compliance of Bursa Listing Requirements

- a) Navigating the complex and evolving regulatory landscape for sustainability reporting
- b) Ensuring alignment between the organisation's Sustainability Statement and Bursa Malaysia's disclosure requirements.
- c) Interpretation of data/formulas used to substantiate the Sustainability Statement.

Section 3: Timeliness of Internal Review Reporting and Submissions to the Audit Committee

- a) Meeting tight reporting timelines while conducting thorough sustainability reviews
- b) Balancing the need for accuracy and completeness with the urgency of reporting.



10. Any certification / accreditation course on sustainability reporting that internal auditors can take?

- 10.1 Certified Internal Auditor (CIA) accreditation is available. To find out more and how to register, please click [here](#).
- 10.2 IIAM will conduct courses that will provide understanding and requirements on the execution of the internal review for sustainability reporting.

EXECUTION OF INTERNAL REVIEW PROCESS OF THE SUSTAINABILITY STATEMENT

Creating an internal audit programme for the review of a sustainability statement involves systematic planning, implementation and evaluation of the listed issuer's sustainability practices.

The framework we provide for the internal review of the Sustainability Statement adheres to the IPPF Performance Standards and is further contextualised and aligned to BURSA'S requirements for the review and assurance of the listed issuer's Sustainability Statement by the Internal Auditor.

PHASE 1

ANNUAL AUDIT PLANNING

- 1.1 The Chief Audit Executive (CAE) will prepare a three-year internal review plan of the Sustainability Statement for the Senior Management and AC of the listed issuer.

Example: The CAE will map milestones to incorporate a three-year plan to align with the BURSA Sustainability Reporting on the Common Indicators:

Year 1 - 9 Indicators

Year 2 - 11 Indicators

Year 3 - 11 Indicators + Task Force on Climate-related Financial Disclosures (TCFD)

- 1.2 The AC will approve the risk-based Annual Audit Plan for the year in question, which will include the Sustainability Statement review covering strategy, plan and resources requirements.
- 1.3 The CAE will communicate significant interim changes of the Annual Audit Plan, including the Sustainability Statement review plan, to the AC for approval.

The range of IPPF Standards applied for the above internal audit processes are elaborated in the 2000 to 2100 series of the [IIAM GIAF 2.0](#)

PHASE 2

ENGAGEMENT PLANNING

- 2.1 The Internal Audit Team (IA Team) will plan the Sustainability Statement review to determine the objectives, subject matter (selected indicators), scope, boundaries, resource allocations and other related matters pertaining to the internal review.
- 2.2 Some considerations to be applied in determining the scope of review are:
 - a) Readiness/ maturity of the sustainability data reporting processes
 - b) Stakeholder needs/ expectations
 - c) Listed issuer's material matters
 - d) Risk assessment
 - e) Complexity of company's structure and operations
- 2.3 The audit programme, approved by the CAE will consist of objectives, scope and audit steps.

Example: **Indicator 5 - Health and Safety (H & S)**

Percentage of employees that have received training on health and safety by department category.

- a) Audit Objective
- b) Audit Scope
- c) Audit Steps with guidelines on audit queries* and required audit evidence*.

Example: Audit Steps

- i) Determine the breakdown of staff from each department
- ii) Ascertain the needs of each type of H & S regulatory compliance by sectors
- iii) Review the relevance of H & S programmes conducted during the year
- iv) Conduct outcome-based interviews/discussion with key personnel on H & S measures in the department

- v) Conduct interview/discussion with Senior Management in charge of providing data/figures on H & S in the Sustainability Statement.

Example Audit Queries*

- i) How many training programmes were run in the year in question?
- ii) What type of H & S programmes were conducted?
- iii) Has the data reported the percentage of staff from each department who participated in the training?
- iv) How is data on training recorded and collected?
- v) Are they manually maintained or are systems used for recording training programmes attended by staff?

Example Audit Evidence*

- i) Collect documentation to confirm training sessions attendance
- ii) Tabulate data for presentation to CAE
- iii) Report findings / discrepancies (if any) to CAE.

The range of IPPF Standards applied for the above internal audit process components are elaborated in the 2200 series of [IIAM GIAF 2.0](#)

PHASE 3

PERFORMING THE ENGAGEMENT

- 3.1 The IA Team will perform corroborative inquiries with relevant stakeholders (internal, external assurance providers, line and Senior Management) to ascertain the reporting process.
- 3.2 The IA Team will perform substantive testing and sighting of the documents to validate the narrative and figures reported in the Sustainability Statement.
- 3.3 The IA Team will document in the audit working papers the observations, findings and an overall opinion on the accuracy of the disclosures. At the same time, the IA Team may provide recommendations for continuous improvements to enhance governance, risks and controls in the reviewed areas.
- 3.4 The IA Management Team will supervise and review the audit working papers to ensure that the audit criteria relate to observations and reports in the Sustainability Statement, such as:
 - a) Supervision: Supervise engagement to ensure objectives are achieved, quality is assured and staff is developed
 - a) Compliance: Assess adherence to local and international sustainability practices
 - b) Performance: Evaluate the effectiveness of sustainability programmes and initiatives
 - c) Transparency: Review the accuracy and completeness of sustainability reporting.

The range of IPPF Standards applied for the above internal audit process components are elaborated in the 2300 series of [IIAM GIAF 2.0](#)

PHASE 4

REPORTING

- 4.1 The IA Team will communicate regularly to line and Senior Management, to inform on timely remedial measures/actions on adverse findings.
- 4.2 The IA Team will follow-up to see if rectifications aligned to observations highlighted by internal auditors are actioned before wrapping-up the internal review processes.
- 4.3 The IA Team will submit an internal review report to the CAE, detailing audit findings and recommendations for positive practices and areas of continuous improvement. These are to be communicated to line and Senior Management in line with internal audit communication standards.
- 4.4 Following the conclusion of the internal review, the CAE will issue a Statement of Assurance to the Senior Management and the AC.

"Please refer to Pages 139 and 140 (Scenarios 1 to 4) of the BURSA Sustainability Reporting Guide 3.0 for sample templates of the Statement of Assurance disclosure by the IA Team".
- 4.5 The CAE is responsible for ensuring that the AC approves the Statement of Assurance before finalisation of the Sustainability Statement.

The range of IPPF Standards applied for the above internal audit process components are elaborated in the 2400 to 2600 series of [IIAM GI/AF 2.0](#)

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ANNEXURE

Global Sustainability Reporting Standards References

The following list of frameworks and guidance is the most comprehensive known to-date established by globally-accepted [Sustainability Reporting Standards Setters](#). At present, twenty-nine (29) countries and territories maintain some degree of mandatory ESG disclosure regulations. Each national or territorial policy differs in the degree to which institutions must disclose ESG data and which companies qualify for the more stringent standards.

Cited in BURSA Sustainability Reporting Guide 3.0

- 1 [Global Reporting Initiative \(GRI\)](#)
- 2 [European Financial Reporting Advisory Group \(EFRAG\)](#)
- 3 [FTSE Russell FTSE4GoodCriteria](#)
- 4 [International Financial Reporting Standards Foundation \(IFRS\)](#)
- 5 [International Sustainability Standards Board \(ISSB\)](#)
- 6 [Sustainability Accounting Standards Board \(SASB\)](#)
- 7 [Task Force on Climate-related Financial Disclosures \(TCFD\)](#)
- 8 [Task Force on Nature-related Financial Disclosures \(TNFD\)](#)

Other References:

- 9 [Carbon Disclosure Project \(CDP\)](#)
- 10 [Centre for Sustainable Organisations \(CSO\)](#)
- 11 [EU Non-Financial Reporting Directive](#)
- 12 [International Integrated Reporting Council \(IIRC\)](#)
- 13 [ISO 26000](#)
- 14 [Organisation for Economic Co-operation and Development \(OECD\)](#)
- 15 [Science-based Targets Initiative \(SBTi\)](#)
- 16 [UN Global Compact \(UNGC\)](#)
- 17 [United Nations Sustainable Development Goals \(SDGs\)](#)



DISCLAIMER

The IIAM publishes this FAQ for informational and educational purposes. This guidance material is not intended to provide definitive answers to specific individual circumstances and, as such, is only intended to be used as a guide. The IIAM recommends seeking independent expert advice related to specific situations. The IIAM accepts no responsibility for anyone placing sole reliance on this guidance.

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