



MALAYSIAN INSTITUTE  
OF ACCOUNTANTS

# MIA SUSTAINABILITY BLUEPRINT FOR THE ACCOUNTANCY PROFESSION

Integrating Sustainability into the Accountancy Profession



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# Contents

<b>Foreword</b>	<b>04</b>
<b>Executive Summary</b>	<b>06</b>
<b>Chapter 1: Introduction</b>	<b>09</b>
1.1 Introduction	10
1.2 Objectives of the Blueprint	11
<b>Chapter 2: The Sustainability Landscape</b>	<b>12</b>
2.1 Heightened Focus on Sustainability	13
2.2 Interconnectedness Between Stakeholders In Advancing Sustainability	15
2.3 The Call for Sustainability-Related Financial Information	22
<b>Chapter 3: Role of an Accountant</b>	<b>23</b>
3.1 Defining the Role of an Accountant	24
3.2 MIA Sustainability Blueprint for the Accountancy Profession	27
<b>Chapter 4: Accountants in Focus</b>	<b>29</b>
4.1 Commerce and Industry	31
4.2 Public Practice	41
4.3 Public Sector	49
4.4 Academia	58
<b>Chapter 5: Moving Forward</b>	<b>65</b>
5.1 Moving Forward with the Blueprint	66
5.2 Governance of the Blueprint	67
5.3 Enabling Accountants in the Sustainability Space	68
Annexure I: About the Survey	71
Annexure II: Capacity Building	78
Annexure III: References	80
Annexure IV: Acronyms and Abbreviations	84
Annexure V: Acknowledgements	88

# Message From The President



**Dato' Seri Dr. Mohamad Zabidi Ahmad**  
President

In achieving future relevance and advancing our nation building purpose, the Malaysian Institute of Accountants (MIA) strives to be aligned with the nation's sustainability agenda.

As partners to business, accountancy professionals must be equipped with the requisite tools and knowledge to propel the Malaysian sustainability movement in sync with major international accords and the sustainability agenda adopted by the global accountancy profession.

The MIA Sustainability Agenda was conceptualised in 2022 where a two-pronged approach was adopted for sustainability of the profession and the Institute. This led to the establishment of the Sustainability Blueprint Task Force to spearhead the development of MIA Sustainability Blueprint for the Accountancy Profession.

We are pleased to issue the Blueprint to support the accountancy professionals to embed sustainability within their current and future roles while contributing immensely to sustainable value creation for businesses and the nation. A Sustainability Committee has also been established to oversee the implementation of the Blueprint.





# Message From The Chief Executive Officer



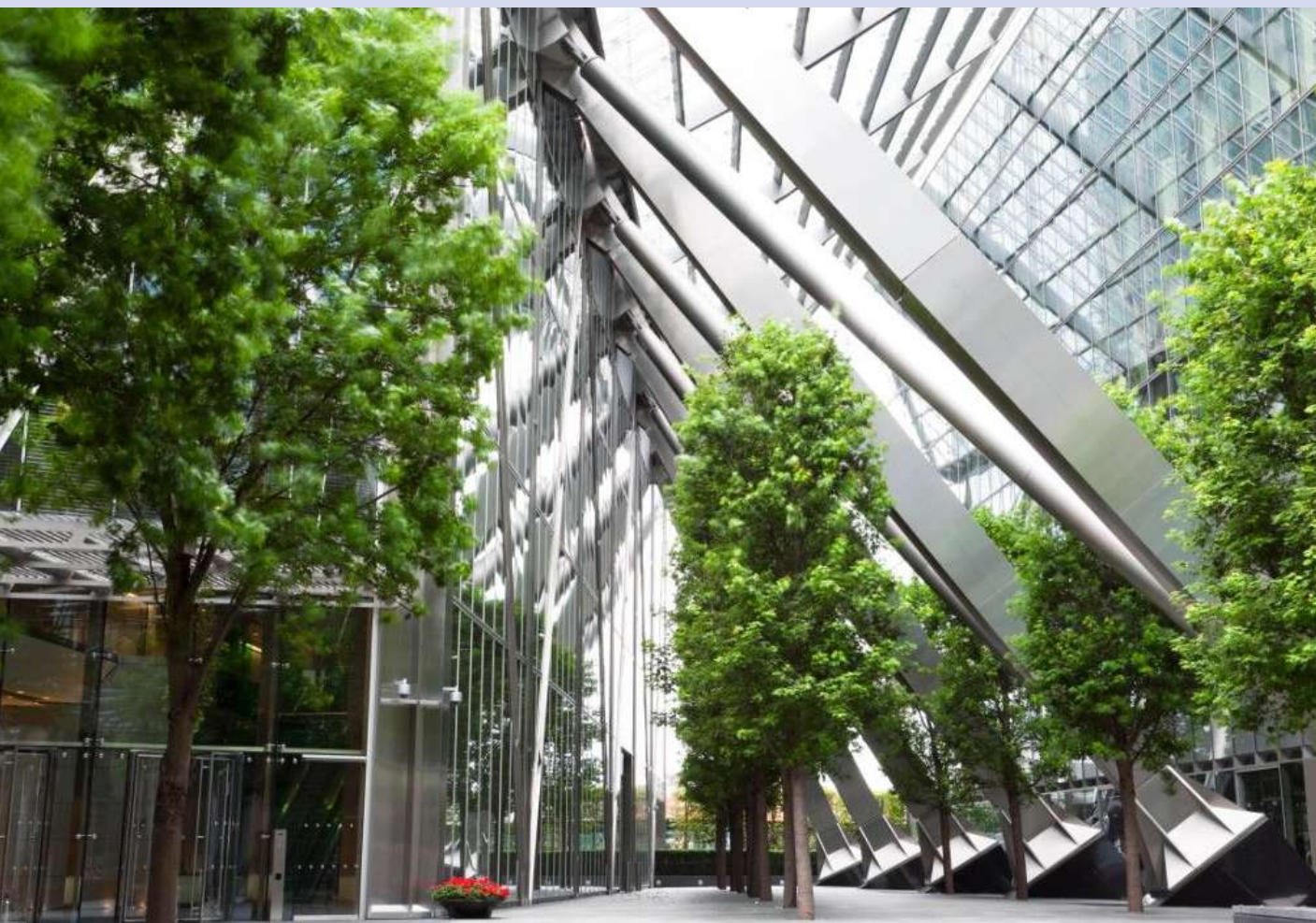
**Dr. Wan Ahmad Rudirman Wan Razak**  
Chief Executive Officer

On behalf of MIA, it is my privilege to present the MIA Sustainability Blueprint for the Accountancy Profession.

As the regulator and developer of the accountancy profession, MIA strongly advocates for accountancy professionals to lead and contribute to sustainable development and practices which are the new frontiers of business.

To drive our advocacy, the MIA has put in place a strategic framework to manage our sustainability agenda, which includes the launch and implementation of this Blueprint as well as the creation of a dedicated Sustainability Department that reports to the Sustainability, Digital Economy and Reporting (SDER) division.

It is our intention that this Blueprint will enable accountancy professionals to be future relevant, adaptable and resilient in navigating the transition to a more sustainable future.



# Executive Summary

## MIA Sustainability Blueprint for the Accountancy Profession

Malaysia's business landscape has undergone a transformative shift towards sustainability, driven by a combination of governmental initiatives, industry-led transformation, and changing consumer preferences. Sustainability is now no longer merely an advantageous addition to business practices but more of a necessity in order to remain competitive.

Accountants have a pivotal role to play in navigating this evolving landscape. The MIA Sustainability Blueprint for the Accountancy Profession sets out to empower accountants to align their practices with sustainability imperatives to achieve the following objectives:



The Blueprint outlines the following overarching aspirations for accountants in advancing sustainability:

<b>Sustainability Leaders</b> Key partners within their organisations in driving and overseeing organisational sustainability initiatives	<b>Future-Proof Profession</b> Sustainability embedded as part of the profession with the next-gen ready to take on the challenge
<b>Sustainability Advocators</b> Key players in contributing to the industry and national sustainability agenda	<b>Trust providers</b> Key players in providing trust on sustainability data and information (both as preparer and assurance provider)

In order to realise the above aspirations, a set of guiding principles have been identified to facilitate accountancy professionals in navigating their sustainability journey. The guiding principles are set out at three levels of maturity: Foundation, Intermediate and Advanced, each of which offers a path to reach their desired sustainability maturity.

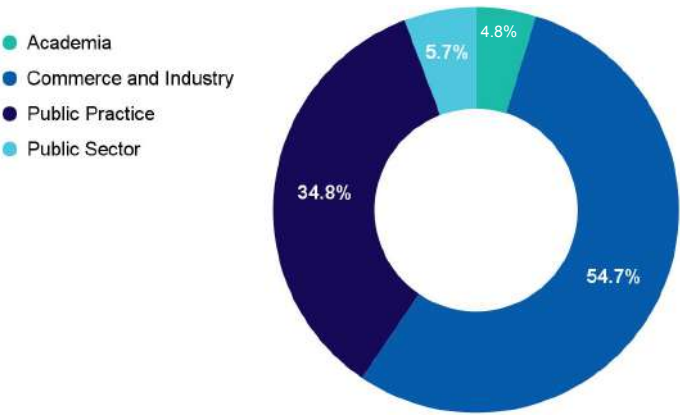
Sustainability Concepts	Offering Sustainability Related Services	Sustainability Reporting	Data Management and Analysis	Process of Sustainability Reporting
Sustainability Culture	Advocating Sustainability	Strategic Integration	Educating Sustainability	Researching Sustainability

# Executive Summary

## Insights from MIA Survey on Understanding Sustainability in the Accountancy Profession

From 16 November to 3 December 2023, MIA conducted a survey involving 1,034 accountants to gather insights regarding the adoption of sustainability across the profession. The survey provided valuable input for the development of this Blueprint.

### Respondents by accountancy sectors



**79%** of respondents are from non-listed organisations, with **45%** of those respondents are from organisations with less than 50 employees

The majority expected significant sustainability- related activities in the next

**1-3 years**

**87%**

of respondents believe that sustainability is important or very important to the accountancy profession

But only

**14%**

of respondents are highly involved in sustainability-related activities

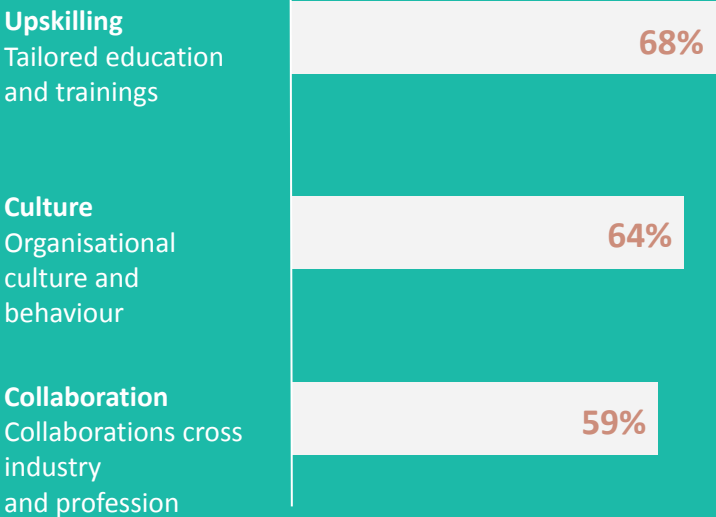
Challenges faced in incorporating sustainability into their role:

**69%** of respondents reported a **lack of knowledge and competency** on sustainability matters

**62%** of respondents reported a **lack of clarity and strategic direction** from the top

**59%** of respondents reported a **lack of guidance and support** within organisations

### Top 3 success factors in navigating sustainability within organisation



# Executive Summary

## Moving forward

Addressing the challenges of sustainability is a collective endeavor that involves multiple players in the industry, including the accountants. Achieving the aspirations outlined in this Blueprint necessitates not only individual efforts from accountants but also support from and collaboration with other stakeholders.

The following four key enablers and their success factors have been identified.



### Capacity Building

- Integration of sustainability within accountancy curricula
- Upskilling existing accountants



### Collaboration

- Cross-disciplinary collaborations
- Industries collaboration
- Inter-department collaboration within organisations
- Supporting Just Transition for local SMEs



### Culture

- Tone from the top
- Rules and regulations
- Processes and controls



### Data and Technology

- Improved data collection, analysis and reporting processes
- Enhanced IT infrastructures

## MIA supporting the profession on sustainability

The Institute will provide support in ensuring the accountancy profession stays relevant to business and market demands. MIA's role in seeing the implementation of the Blueprint includes:

1

Facilitating Blueprint Implementation

2

Advocating Sustainability within the Profession

3

Professional Upskilling Efforts

A Sustainability Committee has been established to lead the development of the overall MIA sustainability roadmap or plan, and oversee implementation of MIA's efforts in realising the success of integrating sustainability into the accountancy profession. The MIA Council oversees the implementation of the Blueprint with the assistance of the Oversight Committee, Nominating Committee, and Audit & Risk Management Committee.



# INTRODUCTION

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Chapter

1

# 1.1 Introduction

## The evolving sustainability landscape

Sustainability is reshaping us. Stakeholders expectations on the fundamental way that businesses and individuals conduct themselves have changed and continue to evolve. There is an urgent call to action for governments, corporates and individuals to champion sustainability for a better future, and this extends to the accountancy profession.

In the past, we have observed how the role of accountants evolves beyond than just traditional financial stewardship. The rigour of the discipline and ethical core has nurtured accountants to become one of the most versatile and sought-after professionals, able to take on various roles, including advisors, executives, and educators, due to their vast understanding of financial management, business operations, risk management, and internal controls.

## Accountants and sustainability

Today more than ever, accountants are important to organisations. Their contribution is essential to integrating sustainability as part of core business practices and this evolving landscape puts increased pressure on accountants to not only measure, monitor, and disclose financial information but also have a deep understanding of sustainability matters and its impact on organisations<sup>2</sup>.

### Development of sustainability strategy

The profession's ability to bridge financial understanding with sustainability principles will be instrumental in ensuring organisations align their business strategy with their sustainability agenda

Accountants will play an important role in the implementation of sustainability initiatives by contributing their financial management skills to the mitigation of enterprise risk as well as articulating sustainability opportunities

### Implementing sustainability

Given the mounting expectations, do accountants possess the necessary knowledge, skills, and support to meet these expectations? Do they have the relevant support including collaborative network and stakeholder relationship to undertake their roles in sustainability? This Blueprint will address these crucial questions and provide a framework to equip accountants for their role in driving change, which aligns with the purpose of MIA supporting economic growth and nation building. This Blueprint applies to existing and future accountants in Malaysia.

“

Accountants are very much at the **centre** of dealing and addressing sustainability-related matters, not just merely from a sustainability reporting perspective, but also as **advisors and decision makers**.

**Wan Ahmad Ikram Wan Ahmad Lotfi**

*Chairman of MIA Sustainability Blueprint Task Force (SBTF)*

”



## 1.2 Objectives of the Blueprint

The MIA Sustainability Agenda adopts a two-pronged approach that advocates sustainability for the accountancy profession as well as the Institute. This initiative aims to ensure future relevance of the profession by enhancing the profession’s competency, protecting public interest, and supporting sustainable nation building<sup>1</sup>.

In advocating for the accountancy profession, this Blueprint offers guidance and serve as a high-level roadmap for the accountants, who are at varying levels of sustainability maturity, as they embark on a journey towards embracing sustainability agenda within their respective roles.

The impetus for developing this Blueprint arises from the recognition that the increasing expectations of accountants as part of the evolving sustainability landscape necessitate an evaluation of our current readiness in terms of knowledge, skills, and support.

The objectives of the Blueprint are:

1

Establish aspirations for accountants in Malaysia with regards to sustainability

2

Analyse key challenges facing the accountancy profession in Malaysia based on domestic and global sustainability landscape

3

Enable accountants in the sustainability space

1 Malaysian Institute of Accountants, (23 Sep 2023), Integrated Annual Report 2023.



# THE SUSTAINABILITY LANDSCAPE

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Chapter

2



## 2.1 Heightened Focus on Sustainability

### 2030 Agenda for sustainable development and the 17 sustainable development goals

The United Nations (UN) in its 1987 Report of the World Commission on Environment and Development: Our Common Future<sup>3</sup> defined sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains two key concepts:

**the concept** of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given; and

**the idea** of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs.

In 2015, 193 world leaders adopted the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDG)<sup>4</sup>. The Agenda remains the world's roadmap for ending poverty, protecting the planet and tackling inequalities<sup>4</sup>. Malaysia's commitment to the UN SDGs is demonstrated in its achievements and milestones accomplished over the years below<sup>5</sup>:

**National SDG Roadmap:** The United Nation Country Team collaborated with the Government of Malaysia to formulate the National SDG Roadmap, outlining the path to achieving the SDGs across three phases between 2016-2030<sup>5</sup>. The initial focus is on identifying gaps and trialling methods for collaboration across sectors<sup>6</sup>.

**Malaysia SDG Summit 2019:** The two-day summit included over 2,600 participants in November 2019, launched by the Prime Minister of Malaysia. It featured critical discussions on the theme: 'The Whole of Nation Approach: Accelerating Progress on the SDGs'<sup>5</sup>.

**TogetherForSDGs Hub:** Announced during the SDG Summit 2019, the TogetherForSDGs hub is to bring together alternative solutions and resource providers from all sectors to align with national priorities, 2030 Agenda and SDGs. It provides a comprehensive view of SDG-related information and in turn, facilitates opportunities and supports communities in need<sup>5</sup>.

**Multi-Sectoral Support to COVID-19 Preparedness, Response & Recovery:** The UN development system in Malaysia provided coordinated responses, including public health response, humanitarian needs of vulnerable groups, and socio-economic response<sup>5</sup>.

**MySDG Trust Fund:** Announced in Budget 2021, the fund was established in cooperation with the Government of Malaysia with an initial allocation of RM20 million. The allocation is part of a 5-year national-development plan and will coordinate financing from various public and private sources systematically to facilitate the nation's sustainable development efforts<sup>5</sup>.

**Malaysia Plan Policy Advisory Papers:** Policy Advisory Papers, across economic, social and environmental sectors, were jointly developed by 11 UN agencies and submitted to the Economic Planning Unit as inputs for the development of the Twelfth Malaysia Plan<sup>5</sup>.

The national development priorities under the Twelfth Malaysia Plan is aligned to the 2030 Agenda for Sustainable Development and the 17 SDGs<sup>7</sup>.

<sup>3</sup> United Nations, (1987), Report of the World Commission on Environment and Development: Our Common Future.

<sup>4</sup> United Nations, (2023), The Sustainable Development Agenda .

<sup>5</sup> United Nations Sustainable Development Group, (2023), The Malaysia Multi-Country Office.

<sup>6</sup> PLANMalaysia, (2020), Malaysia SDGs Report 2020.

<sup>7</sup> Economic Planning Unit, Prime Minister's Department, (9 Jul 2021), Twelfth Malaysia Plan.

# 2.1 Heightened Focus on Sustainability

## Connecting sustainability and environmental, social, and governance (ESG)

<b>Sustainability<sup>8</sup>:</b> the practice of operating a business in a way that meets the economic, social and environmental needs of the present without compromising the ability of future generations to meet their own needs.	<b>ESG<sup>8</sup>:</b> a measured assessment of sustainability using various environmental, social, and governance metrics.
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Diagram 1 provides a description on aspects of ESG as well as illustrates how the landscape has progressed at global and national level.

Environmental	Social	Governance
Aspects of ESG (non exhaustive)		
Greenhouse gas (GHG) emissions, energy consumption, waste & water management, circularity, supply chain management	Human rights, human capital, diversity & inclusion, community investments, health & safety, just transition	Board diversity & representation, enterprise risk management
Landscape developments (non exhaustive)		
<p>In 2015, the Paris Agreement<sup>9</sup> was adopted by 195 parties to pursue the efforts of limiting the global temperature increase to 1.5°C above pre-industrial levels. It is a binding agreement that gathers nations to combat climate change.</p> <p>Thus, countries have set Nationally Determined Contributions (NDCs)<sup>10</sup> such as net zero and carbon neutrality targets, as well as actions to remain resilient to the impacts of climate change.</p> <p>Malaysia intends to reduce its economy-wide carbon intensity (against Gross Domestic Product (GDP)) of 45% in 2030 compared to 2005 levels (Emissions intensity of GDP in 2005: 0.531 tons CO<sub>2</sub>eq per thousand RM)<sup>17</sup></p>	<p>With the existence of the International Labour Organisation (ILO)<sup>11</sup> under the United Nations member States enact international labour standards which sets out basic principles and rights at work.</p> <p>Over the years, organisations across the globe have been impacted by the consequences of forced or child labour<sup>12</sup>, which have resulted in import/export bans of goods.</p> <p>The US Customs and Border Protection (CBP) issues Withhold Release Orders (WRO) to combat forced labour and human rights abuses in global supply chain<sup>13</sup>.</p>	<p>The Governance aspect in ESG is foundational in environmental and social commitments<sup>14</sup> - the need for effective corporate governance and ethical practices.</p> <p>Companies are increasingly using ESG ratings to evaluate their ESG performance. ESG raters analyse, compile and translate complex sustainability performance data as an integral process in building a sustainable investing ecosystem<sup>14</sup>. For example, FTSE4Good Bursa Malaysia Index utilises the FTSE Russell ESG Ratings<sup>15</sup>.</p> <p>The Malaysian Code on Corporate Governance has included consideration of sustainability as part of good corporate governance<sup>16</sup>.</p>

Diagram 1

8 HSBC, (20 Nov 2023), Sustainability vs ESG: What's the Difference and Why They Matter.

9 United Nations Climate Change, (2023) The Paris Agreement.

10 United Nations, Climate Action (2023) All About the NDCs.

11 International Labour Organisation, (20 February 2019) Rules of the Game: An introduction to the standards-related work of the International Labour Organization.

12 Reuters, (3 Feb 2023), U.S. lifts import ban on Sime Darby Plantation products.

13 United States Department of Labour, Bureau of International Labor Affairs, (2023), Information and Resources on Withhold Release Orders (WROs).

14 World Economic Forum, (Jun 2022), Defining the 'G' in ESG: Governance Factors at the Heart of Sustainable Business.

15 Bursa Malaysia, (Dec 2014), FTSE4Good Bursa Malaysia Index.

16 Securities Commission Malaysia, (28 Apr 2021), Malaysian Code on Corporate Governance.

17 Intended Nationally Determined Contribution of The Government of Malaysia (27 Nov 2015), United Nations Framework Convention on Climate Change.



## 2.2 Interconnectedness Between Stakeholders In Advancing Sustainability

The sustainability landscape is driven by multiple stakeholders: governments, capital providers, businesses as well as consumers and society as illustrated in Diagram 2. Each stakeholder plays a role in driving the ESG response, prioritising not only the financial gains but also societal benefits. In order to remain relevant, businesses and organisations are now expected to integrate sustainable practices within operations as well as provide transparency in their reporting and stakeholders engagement.

### PwC Malaysia's analysis on the interconnections between the role of stakeholders in sustainability

*Public policies and regulations, direct impact on capital providers and influence investment decision making*

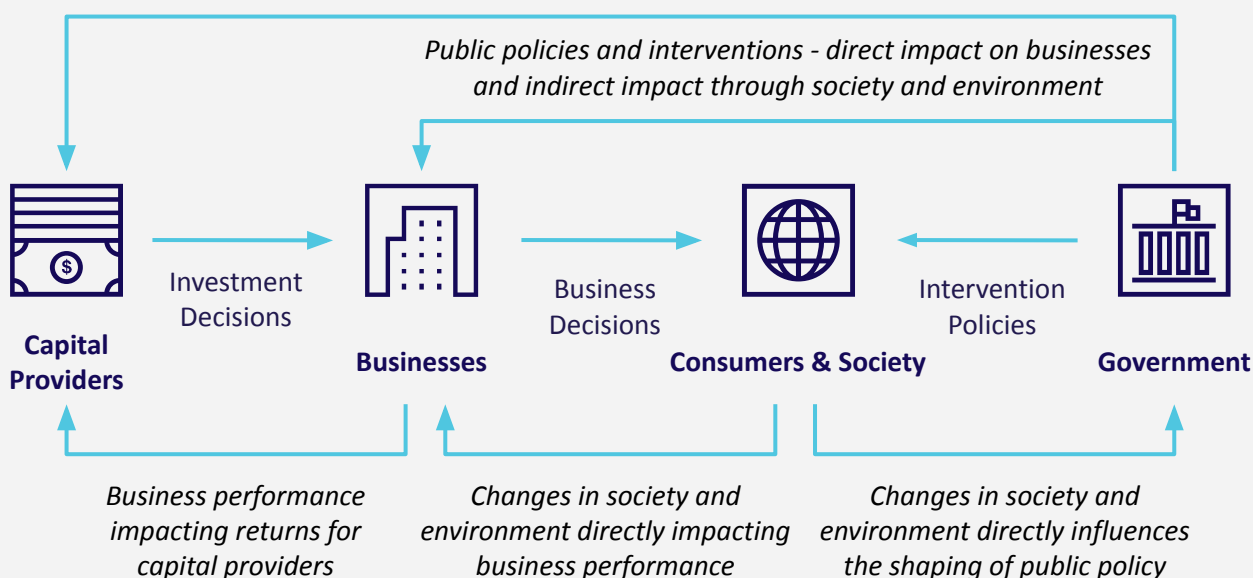


Diagram 2

Legend: → Impact Pathways

### 2.2.1 How governments respond to sustainability

#### Malaysia's decarbonisation agenda

Malaysia's NDC currently includes the commitment to reduce its economy-wide carbon intensity (against GDP) of 45% in 2030 compared to 2005 level (Emissions intensity of GDP in 2005: 0.531 tons CO<sub>2</sub>eq per thousand RM).<sup>17</sup>

In supporting this agenda, the Government of Malaysia launched the National Energy Transition Roadmap (NETR) on 29 August 2023.

NETR outlines the prioritisation criteria for energy transition initiatives to allow players in evaluating projects that are impactful and aligned with national aspirations. Ten flagship catalyst projects were identified in reducing GHG emissions by at least 10 Gg CO<sub>2</sub> equivalent per year<sup>18</sup>.

#### Malaysia's commitment to the Paris Agreement

- On 27 November 2015, Malaysia presented its Intended Nationally Determined Contribution (INDC) to the Secretariat of the United Nations Framework Convention on Climate Change (UNFCCC).
- Following Malaysia's endorsement of the Paris Agreement on 16 November 2016, the submitted INDC was officially recorded as Malaysia's NDC<sup>17</sup>.

<sup>17</sup> Intended Nationally Determined Contribution of The Government of Malaysia (27 Nov 2015), United Nations Framework Convention on Climate Change.

<sup>18</sup> Ministry of Economy, (Jul 2023), National Energy Transition Roadmap, Part 6: Flagship Catalyst Projects and Initiatives.

## 2.2 Interconnectedness Between Stakeholders In Advancing Sustainability

### 2.2.1 How governments respond to sustainability

#### Increasing regulatory requirements

In supporting the global and national commitments to the 2030 Agenda for Sustainable Development, its 17 SDGs and the 2015 Paris Agreement, regulators (supported by standard setters and other non-profits) continue to place emphasis on sustainability.

The following are selection of global and national regulatory developments that affects businesses:

**U.S. Securities and Exchange Commission (SEC) Climate-Related Disclosures** - The SEC proposed new rules for climate change disclosures<sup>19</sup>.

**California Climate Regulations** - The California government signed the Climate-Related Financial Risk Act<sup>20</sup> and Climate Corporate Data Accountability Act<sup>21</sup>.

**European Union** - The Corporate Sustainability Reporting Directive (CSRD) modernises and strengthens rules concerning social and environmental information that companies have to report. A broader set of companies will now be required to report on sustainability<sup>22</sup>.

**Singapore Exchange (SGX)** - Requires climate-related disclosure based on TCFD recommendations<sup>23</sup>.

**Sustainability Reporting Advisory Committee, Singapore** - Published a public consultation paper on proposed implementation of ISSB-aligned climate-related disclosures<sup>23</sup>.

#### The following are standards planned for adoption in various jurisdictions

- The International Sustainability Standards Board (ISSB) issued its inaugural global sustainability disclosure standards, International Financial Reporting Standards (IFRS) S1 and IFRS S26 on 26 June 2023
- Issuance of Task Force on Climate-Related Financial Disclosures (TCFD)<sup>25</sup> of which monitoring of progress have been taken over by the IFRS Foundation
- Issuance of Task Force on Nature-Related Financial Disclosures (TNFD)<sup>26</sup>

**Bank Negara Malaysia** - Enforced Climate Risk Management & Scenario Analysis and TCFD Application Guide requiring climate-related disclosures for financial institutions<sup>27</sup>

**Bursa Malaysia** - Issued enhanced Sustainability Reporting Requirements for listed companies<sup>28</sup>

**Capital Markets Malaysia** - Published Simplified ESG Disclosure Guide for SMEs in Supply Chains<sup>29</sup>

<sup>19</sup> United States Securities and Exchange Commission, (21 Mar 2022), SEC Press Release.

<sup>20</sup> California Legislative Information, (2023) SB-261, Greenhouse gases: climate-related financial risk 2023-2024.

<sup>21</sup> California Legislative Information, (2023), SB-253, Climate Corporate Data Accountability Act 2023-2024.

<sup>22</sup> European Union, (2023), Corporate Sustainability Reporting.

<sup>23</sup> Accounting and Corporate Regulatory Authority, (6 July 2023), Singapore's Sustainability Reporting Advisory Committee Recommends Mandatory Climate Reporting for Listed and Large Non-Listed Companies.

<sup>24</sup> International Financial Reporting Standards, (26 Jun 2023), ISSB issues inaugural global sustainability disclosure standards.

<sup>25</sup> Task Force on Climate-related Financial Disclosures, (2023), TCFD website.

<sup>26</sup> Task Force on Nature-related Financial Disclosures, (2023), TNFD website.

<sup>27</sup> Bank Negara Malaysia (30 Nov 2022), Climate Risk Management and Scenario Analysis.

<sup>28</sup> Bursa Malaysia (26 Sep 2022), Sustainability Reporting Guide and Toolkits (3rd Edition).

<sup>29</sup> Capital Markets Malaysia (18 Oct 2023), Simplified ESG Disclosure Guide (SEDG) for SMEs in Supply Chains.

## 2.2 Interconnectedness Between Stakeholders In Advancing Sustainability

### 2.2.1 How governments respond to sustainability

#### Launch of People's Income Initiative / *Inisiatif Pendapatan Rakyat (IPR)*

- The Federal Government of Malaysia has allocated RM750 million for IPR as part of the 2023 Budget<sup>30</sup>. The programme involves the following three initiatives: Usahawan Tani, Usahawan Makanan and Operator Perkhidmatan<sup>31</sup>.
- IPR focuses on a two-pronged strategy to increase the income of the severely poor and B40 families, and aims to solve daily economic problems through IPR initiatives<sup>31</sup>.
- Approximately 100,000 households are expected to benefit from this programme, which aims to upskill them into small-scale entrepreneurs. Participants will receive training and financial support from the government for two years in addition to an allowance to top up their monthly income to reach at least RM2,000 per month<sup>32</sup>.

#### Malaysia's commitment in ensuring corporate integrity

- Malaysia has taken several steps to address bribery and corruption. This includes the release of the National Anti-Corruption Plan 2019-2023 and the amendment of the Malaysian Anti-Corruption Commission (MACC) Act 2009. The amendment to MACC Act 2009 introduces "*corporate liability*" for corruption offences under Section 17A.
- It stipulates that a commercial organisation can be considered guilty if any of its employees and/or associates commit corruption for the benefit of the organisation. The commercial organisation is also considered guilty in the event whether or not, the upper management or its representatives are aware about the corruption acts committed by its employees or associates<sup>33</sup>.
- There is only one defence to this – that the person did not consent to the corrupt act – and they had exercised due diligence to prevent the corrupt act. This due diligence is known as "*Adequate Procedures*" of which a guideline has been published by the Prime Minister's Department on 4 December 2018<sup>34</sup>.
- This highlights the importance of appropriate governance, processes and organisational controls to be in place to prevent corrupt practices.

30 Ministry of Finance, 2023, Budget 2023 Speech.

31 Economic Planning Unit, 2023, *Inisiatif Pendapatan Rakyat*.

32 The Star, 27 Feb 2023, 100,000 households to benefit from upskilling drive.

33 Malaysian Anti-Corruption Commission, 1 Jun 2023, Section 17A Malaysian Anti-Corruption Commission (MACC) Act Enforced On 1st June 2020.

34 Prime Minister's Office of Malaysia, Dec 2018, *Guidelines On Adequate Procedures Pursuant To Subsection (5) of Section 17a Under.*

*The Malaysian Anti-Corruption Commission Act 2009.*



## 2.2 Interconnectedness Between Stakeholders In Advancing Sustainability

### 2.2.2 How capital providers respond to sustainability

#### Institutional investors are gearing for ESG

Institutional investors aim to maintain a healthy portfolio by taking on sustainability lens as part of their investment strategy. In meeting this, more investors are looking to align the sustainability targets and strategy of their investees to be in line with theirs.

The ambition is two-dimensional: to play their role in sustainability and to generate stable, long term, risk-adjusted financial returns<sup>35</sup>. Examples of areas that are being considered by institutional investors include scoring and assessments by ESG rating providers, implementation of climate risk assessment, as well as disclosure on sustainability data.

A Malaysian Institute of Certified Public Accountants (MICPA)-PwC Malaysia Survey Report “Embracing the ESG revolution: Zeroing in on investor expectations” finds that<sup>39</sup> 91% agree how a company manages ESG risks and opportunities is an important factor in investment decision making. The survey also mentions 88% agree that a company’s exposure to ESG risks and opportunities are considered when screening potential investment opportunities.

#### Local investors publicly announced their net zero responses

- **Commitment to a net zero portfolio aspirations**

One of the key categories in Scope 3 emissions for investment holding companies is Category 15: Investments which consists of GHG emissions from its investments in equity as well as debt. Reduction in Category 15 will require commitments by the investee companies in meeting their own net zero target and in extreme cases, for the investors to reassess their investment portfolios.

*Example:* Permodalan Nasional Berhad (PNB) has committed to a net zero portfolio by 2050 and aims to reduce its Scope 3 emissions through rebalancing their existing portfolio and actively engaging with investee companies to encourage emissions reduction over time<sup>36</sup>.

- **Setting up organisational net zero target**

Organisations have started to set their short, medium and long term targets in achieving net zero.

*Example:* Khazanah announced that it is committed to having carbon neutral operations by 2023 and subsequently having net zero emissions by 2050<sup>38</sup>.

35 Boffo, R., and R. Patalano, (2020), “ESG Investing: Practices, Progress and Challenges”, OECD Paris.

36 Permodalan Nasional Berhad, (2023), Towards a Net Zero Future.

37 Employees Provident Fund, (15 Nov 2022) Sustainability at the Heart of EPF Investment.

38 Khazanah Nasional Berhad, (2023) Sustainability at Khazanah - Our Framework and Targets.

39 Malaysian Institute of Certified Public Accountants and PwC, (Sep 2022), Embracing the ESG revolution: Zeroing in on investor expectations A MICPA-PwC Malaysia survey September 2022.

## 2.2 Interconnectedness Between Stakeholders In Advancing Sustainability

### 2.2.3 Consumers and society's responses to sustainability

The general public is increasingly aware of the importance of sustainability and demonstrates support for movements and progress in this area. Consequently, their spending habits are increasingly influenced by their sustainability ideals, shaped by media exposure, societal narratives and other factors that drive behavioural changes.

#### Consumers are taking notice of how companies respond to sustainability

- Based on the 11th Annual Conscious Consumer Spending Index<sup>40</sup> released in November 2023, there has been a three-year trend of significant growth in socially responsible spending.
- More than a quarter of respondents said they were familiar with the term B-Corp<sup>41</sup>, referring to certification given for companies who demonstrate high social and environmental performance, accountability, and transparency.
- Some notable B-certified brands include Nespresso, Patagonia, The Body Shop, and others.

#### >70% of consumers

are willing to pay more for food produced by local farmers and for goods made by a company known for ethical practices, such as supporting human rights or avoiding animal testing based on PwC's February 2023 Global Consumer Insights Pulse Survey<sup>42</sup>.

<sup>40</sup> Annual Conscious Consumer Spending Index, (28 Nov 2023), Socially Responsible Spending Experiencing Massive Growth.

<sup>41</sup> B Corp, (6 Oct 2023) Measuring a company's entire social and environmental impact.

<sup>42</sup> PwC, (26 Jun 2023), Global Consumer Insights Pulse Survey 2023.

## 2.2 Interconnectedness Between Stakeholders In Advancing Sustainability

### 2.2.4 How businesses respond to sustainability

The evolution of global and local regulations to meet stakeholder requirements has spurred noteworthy transformations within organisations. These changes are evident in some examples below:

#### 1. Establishment of Sustainability Functions

Organisations are instituting a dedicated sustainability function, which often involves the appointment of a Chief Sustainability Officer, highlighting a strategic commitment to managing and advancing sustainable practices within the organisation<sup>43</sup>.

#### 2. Board-level Oversight for Sustainability

Boards of Directors are establishing oversight or governing bodies at the highest level, including dedicated Board Sustainability Committees, in line with the recommendation of Malaysian Code on Corporate Governance (MCCG)<sup>16</sup>. Their roles include addressing sustainability matters, reflecting a commitment to integrating sustainability considerations into overarching organisational strategies.

#### 3. Integration into Management's Performance and Key Performance Indicators (KPIs)

ESG indicators have started to become a component of performance assessment, both at the individual and organisational levels. From key executives to employees, individuals are held accountable for achieving sustainability goals.

Stakeholder pressures layered with a regulatory push has caused a shift within organisations. This encompasses structural organisational changes, increased governance, focus on sustainability performance metrics and the integration of sustainability into decision-making processes. This underscores a collective commitment to actively advancing sustainable practices for long-term success.

### The domino effect of sustainability expectations to the supply chain

As government, capital providers, consumers and businesses reassess their sustainability responses, it is inevitable that the relationships between these parties and the companies they engage within their supply chain network would be reevaluated. This is because 90% of an organisation's greenhouse gas emissions, and 50% to 70% of operating costs, are attributable to its supply chains<sup>44</sup>.

As part of sustainability strategy, organisations may now require their suppliers to adhere to globally accepted sustainability practices. These requirements could include environmental considerations such as greenhouse gas emission management that local Small and Medium-sized Enterprises (SME) will find challenging to address but the requirements could potentially favour local suppliers, providing opportunities to local communities.

<sup>43</sup> Harvard Business Review (2 Mar 2023), *The 8 Responsibilities of Chief Sustainability Officers*.

<sup>16</sup> Securities Commission Malaysia, (28 Apr 2021), *Malaysian Code on Corporate Governance*.

<sup>44</sup> EY, (20 Sep 2022), *How sustainable supply chains are driving business transformation*.



## 2.2 Interconnectedness Between Stakeholders In Advancing Sustainability

### 2.2.4 How businesses respond to sustainability

#### Just Transition as part of sustainable supply chain

An article by the Harvard Business Review titled “A More Sustainable Supply Chain”<sup>45</sup>, dives into four approaches of how multinational companies are taking on a Just Transition approach in ensuring a collective shift towards a more sustainable future.

#### 1. Direct Approach

Organisations are setting and monitoring the social and environmental targets of their suppliers they directly conduct business with (first-tier suppliers) regarding their sources of materials (second-tier suppliers). For example, requirements that first-tier suppliers to only source materials from factories that meet international labour law standards.

#### 3. Collective Approach

Organisations are collaborating with other competitors and suppliers to develop and disseminate industry-wide sustainability standards. For example, the Responsible Business Alliance which includes members like Apple, IBM, and Dell requires their members to conduct approved audits on the facilities of at least 25% of their high-risk suppliers which includes labour, health & safety, and environmental risks<sup>46</sup>.

#### 2. Indirect Approach

Organisations are encouraging their suppliers to integrate sustainability strategies and management by means of organising trainings for suppliers and providing incentives for sustainability implementation.

#### 4. Global Approach

Organisations are collaborating internationally with those that share the same goal. For example, many organisations participate in the Carbon Disclosure Project’s Supply Chain Program where suppliers disclose information about their carbon emissions<sup>45</sup>. As a result, participating suppliers are now working on improving their disclosures and making investments in reducing their carbon footprints.

#### Case Study: Uniqlo inspecting their suppliers on working conditions and human rights compliance

- After Tokyo Stock Exchange Inc. increased their regulations on human rights<sup>47</sup>, Japanese companies including Fast Retailing (the owner of clothing brand “Uniqlo”) were pressured to review their production line to ensure that any Uniqlo product was no longer produced in Xinjiang, amidst alleged human rights abuses against the Uyghur Muslim minority.
- Uniqlo works on improving their traceability through on the ground compliance checks from first-tier suppliers to lower-tier suppliers (i.e.collection of cotton and seeds)<sup>48</sup>. Suppliers will need to keep abreast of the expectations in regard to ESG indicators to ensure that they are not left behind.

<sup>45</sup> Harvard Business Review, (Apr 2022), A More Sustainable Supply Chain.

<sup>46</sup> Responsible Business Alliance, Public Procurement.

<sup>47</sup> Nikkei Asia, (4 Apr 2023), Japan to urge greater scrutiny over human rights with new checklist.

<sup>48</sup> Nikkei Asia, (15 Jul 2021), Uniqlo says no forced Xinjiang labor used in making its products.

## 2.3 The Call for Sustainability-Related Financial Information

In our ongoing commitment to addressing sustainability challenges, a global movement has emerged in advocating for the development of universally accepted and comparable sustainability reporting standards and frameworks. This aligns seamlessly with the growing chorus demanding heightened transparency regarding sustainability-related financial information from regulators, capital providers and other stakeholders.

The momentum for sustainability disclosure has seen a surge in the past year. Each standard below delves into various sustainability topics, including the pressing issue of climate, guiding organisations to elevate their sustainability data and subsequently, performance. This not only fosters transparency but also facilitates meaningful comparisons and establishes a framework for accountability. These upcoming disclosures will require financial data, estimates and assumptions - which will include the involvement of accountants

<p><b>IFRS Sustainability Disclosure Standards (ISSB Standards)</b></p> <p>On 26 June 2023, the ISSB has issued its inaugural standards<sup>49</sup>:</p> <ul style="list-style-type: none"> <li>● <b>IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information</b></li> </ul> <p>Requires entities to disclose sustainability-related risks and opportunities that is relevant for stakeholder decision making.</p> <ul style="list-style-type: none"> <li>● <b>IFRS S2: Climate-related Disclosures</b></li> </ul> <p>A thematic standard that builds on the requirements of IFRS S1 and focuses on climate related disclosures.</p> <p>The Advisory Committee on Sustainability Reporting (ACSR) is responsible for the National Sustainability Reporting Framework (NSRF) in response to the implementation of ISSB standards in Malaysia. Key areas for consideration includes scope and timing for implementation, transition reliefs, and assurance-related issues<sup>50</sup>.</p>	<p><b>Climate-Related Disclosures in the United States</b></p> <ul style="list-style-type: none"> <li>● <b>SEC Climate-Related Disclosures</b> <ul style="list-style-type: none"> <li>○ The SEC proposed new rules for climate change disclosures on 21 March 2022<sup>19</sup>.</li> <li>○ Requires publicly traded companies to disclose how they are assessing, measuring and managing climate-related risks.</li> <li>○ Includes disclosure of greenhouse gas emissions and the requirements for assurance.</li> </ul> </li> <li>● <b>California Climate Regulations</b> <ul style="list-style-type: none"> <li>○ The California government signed the Climate-Related Financial Risk Act<sup>20</sup> and Climate Corporate Data Accountability Act<sup>21</sup> on 7 October 2023.</li> <li>○ Companies are required to submit biennial climate-related financial risk reports and disclose Scope 1 and 2 from 2026, and Scope 3 GHG emissions from 2027.</li> </ul> </li> </ul>	<p><b>European Sustainability Reporting Standards (ESRS)</b></p> <ul style="list-style-type: none"> <li>● The European Commission has adopted ESRS for use by all companies subject to CSRD on 31 July 2023<sup>51</sup> with staggered effective reporting date, from FY2024 for: <ul style="list-style-type: none"> <li>○ large listed companies, large banks and large insurance undertakings; and</li> <li>○ large non-EU listed companies.</li> </ul> </li> <li>● There are 12 ESRS, covering detailed disclosure requirements across ESG topics<sup>21</sup>: <ul style="list-style-type: none"> <li>○ General: ESRS 1 - 2</li> <li>○ Environment: ESRS E1 - E5</li> <li>○ Social: ESRS S1 - S4</li> <li>○ Governance: ESRS G1</li> </ul> </li> <li>● The ESRS also include double materiality which obliges organisations to report both on their impacts on people and the environment, and on how social and environmental issues create financial risks and opportunities.</li> </ul>
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49 International Sustainability Standards Board, (26 June 2023), International Sustainability Standards Board (ISSB).

50 Securities Commission Malaysia (15 February 2024), Advisory Committee On Sustainability Reporting (ACSR) Public Consultation Paper No. 1/2024 Proposed National Sustainability Reporting Framework.

19 United States Securities and Exchange Commission, (21 Mar 2022), SEC Press Release.

20 California Legislative Information, (2023) SB-261, Greenhouse gases: climate-related financial risk 2023-2024.

21 California Legislative Information, (2023), SB-253, Climate Corporate Data Accountability Act 2023-2024.

51 European Sustainability Reporting Standards, (2023).





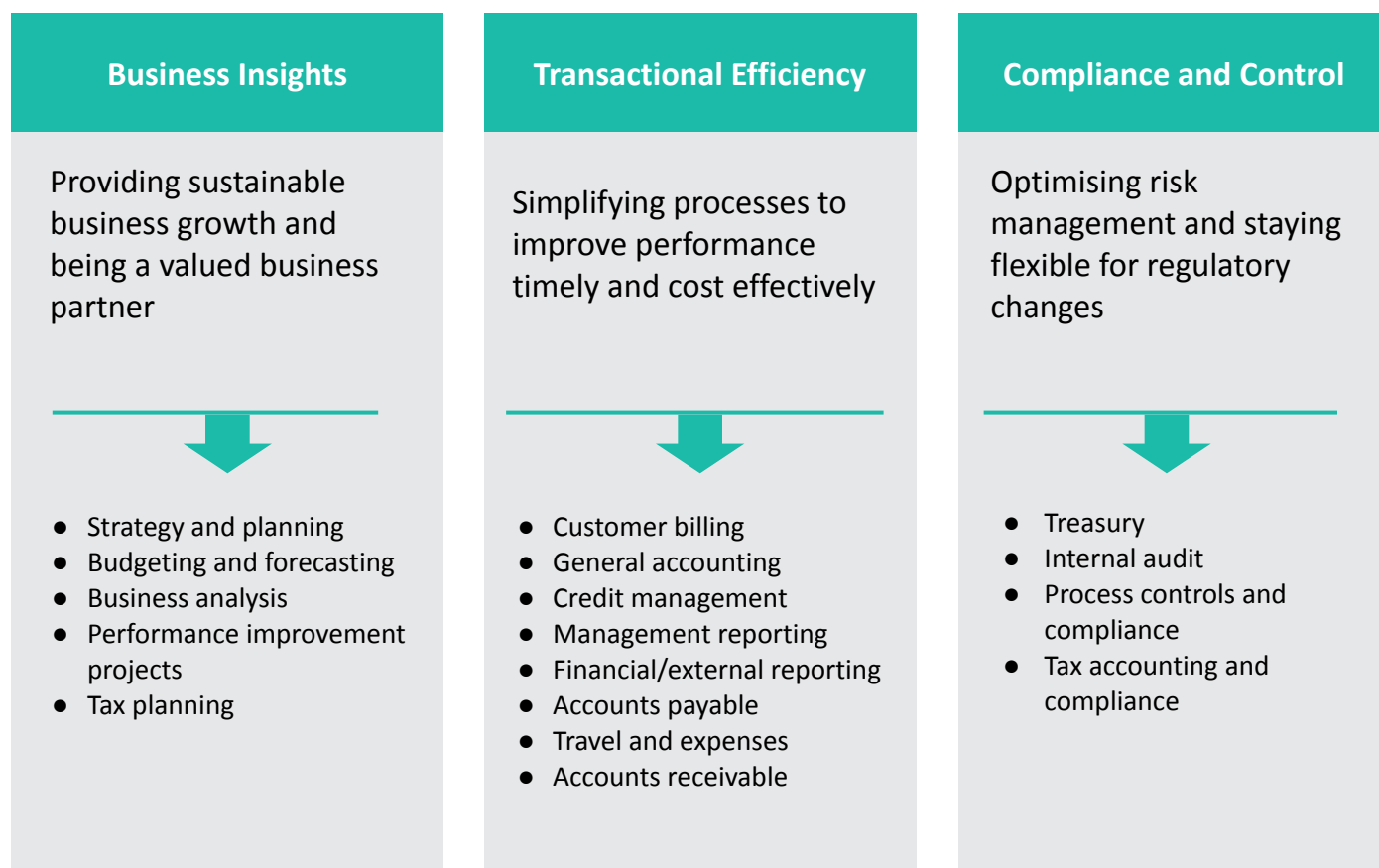
# ROLE OF AN ACCOUNTANT

Chapter

3

## 3.1 Defining The Role of An Accountant

The role of accountants has expanded beyond the realm of bookkeeping - as evidenced by Competency Framework for Finance Function in Public Interest Entities<sup>52</sup> and PwC's Finance Assessment Framework<sup>53</sup>. The three major dimensions of a finance function include the following<sup>53</sup>:



### The role of the accountancy profession within sustainability

In response to the imperative for a more sustainable future, accountants are called upon to undergo a shift by embracing a more integrated role with sustainability. This includes requiring accountants to apply principles of integrity, competence and due care in relation to sustainability matters as set out by the International Ethics Standards Board for Accountants (IESBA) in its International Code of Ethics for Professional Accountants which has been incorporated into the MIA By-laws.

From the Survey, only a small percentage of respondents are currently involved in sustainability efforts despite its perceived level of importance.

**87%**

of respondents view that the topic of sustainability is important or very important to the profession

However, only **14%**

of the respondents are highly involved in sustainability-related activities in their organisation. This includes sustainability data collection activities, implementing sustainability initiatives and sustainability reporting

<sup>52</sup> Malaysian Institute of Accountants, (Jun 2019), Competency Framework for Finance Function in Public Interest Entities.

<sup>53</sup> PwC, (7 Jul 2015), Breaking away: How leading finance functions are redefining excellence.



# 3.1 Defining The Role of An Accountant

## Challenges in embedding sustainability within the profession

Integrating sustainability into the fabric of the profession is a nuanced endeavour, far from a straightforward task. Diagram 3 highlights key challenges that the accountancy profession face in incorporating sustainability considerations into their role:

### Key challenges in incorporating sustainability in the accountancy profession

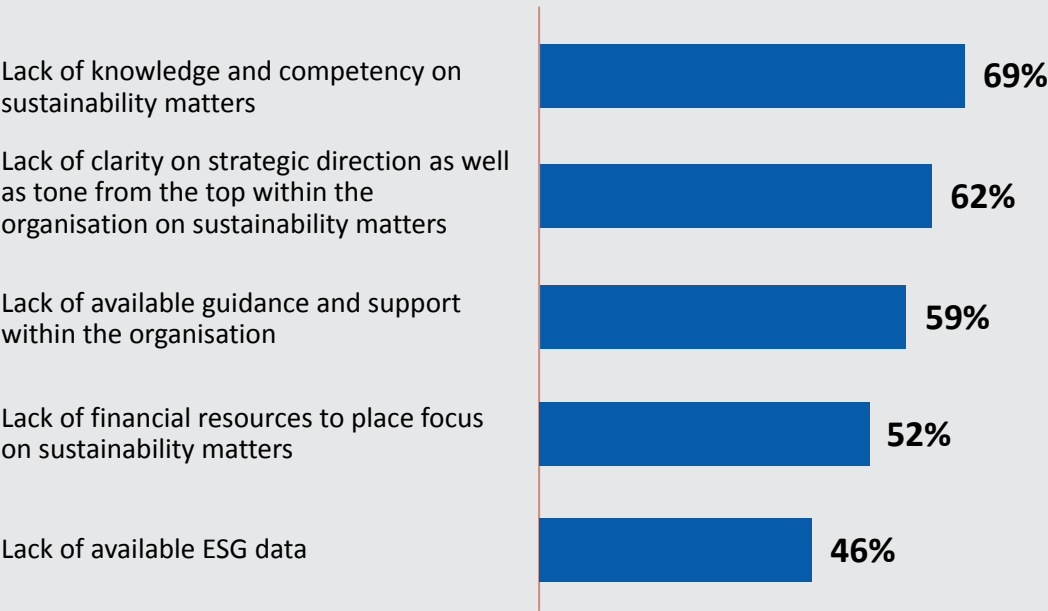


Diagram 3

69% of respondents reported that the lack of knowledge and competency is the biggest challenge for embedding sustainability within the accountancy profession, followed by the lack of strategic direction within their organisations on sustainability matters.

These findings highlight the importance of setting clear sustainability goals and strategy within the organisation which includes the required upskilling and capacity building to address these needs.

## 3.1 Defining The Role of An Accountant

To seamlessly integrate sustainability as part of the accountancy profession, it becomes imperative for this Blueprint to discern and cater to the varied needs of accountancy professionals, recognising and honouring the diverse roles they embody. Only through a nuanced understanding of these distinct roles can the accountancy profession authentically embrace sustainability, ensuring its integration is both effective and harmonious. In breaking down the aspirations and competency required in regards to sustainability, this Blueprint breaks down the profession into the following:

### Accountants in Focus



#### Commerce and Industry

Accountants in commerce and industry are employed by organisations to provide advice on financial matters or general management and may even serve as directors of the organisation<sup>54</sup>. This group of accountants form an integral part of an organisation's management.

These may refer to company accountants, tax managers, internal auditors, corporate planners, Chief Financial Officer (CFO), Chief Executive Officer (CEO), member of the Board of Directors or risk officers<sup>54</sup>.

The Blueprint will also look into how accountants working in Micro, Small and Medium Enterprises (MSME) are able to navigate through this transformation. This is important as 48.2% of the Malaysian workforce are employed in MSMEs<sup>55</sup>.



#### Public Practice

Public practice is the term used to describe accounting firms that are operated by individuals in sole-proprietorship or partnership / limited liability partnership<sup>54</sup>.

This includes professional accountants that provide the services of auditing; accounting and all forms of accounting related consultancy; accounting related investigations or due diligence; forensic accounting; taxation, tax advice and consultancy; bookkeeping; costing and management accounting; insolvency, liquidation and receiverships; provision of management information systems and internal controls; and provision of secretarial services under the Companies Act 2016<sup>54</sup>.

The public practice sector also includes Small and Medium Practices (SMP), who are integral in providing services to MSMEs.



#### Public Sector

Accountants in the public sector are those employed throughout the public sector, i.e. in government and statutory bodies.

Key functions include financial management and reporting, providing accounting advice, enforcement of financial management and accounting procedures as stipulated under relevant laws, and establishing a financial accounting and management accounting information system.



#### Academia

Accountants in academia include researchers, lecturers, faculty deans and head of departments<sup>1</sup>.

This group of accountants are involved in the education sector. Their involvement includes the training of future accountants as well as performing accountancy research.

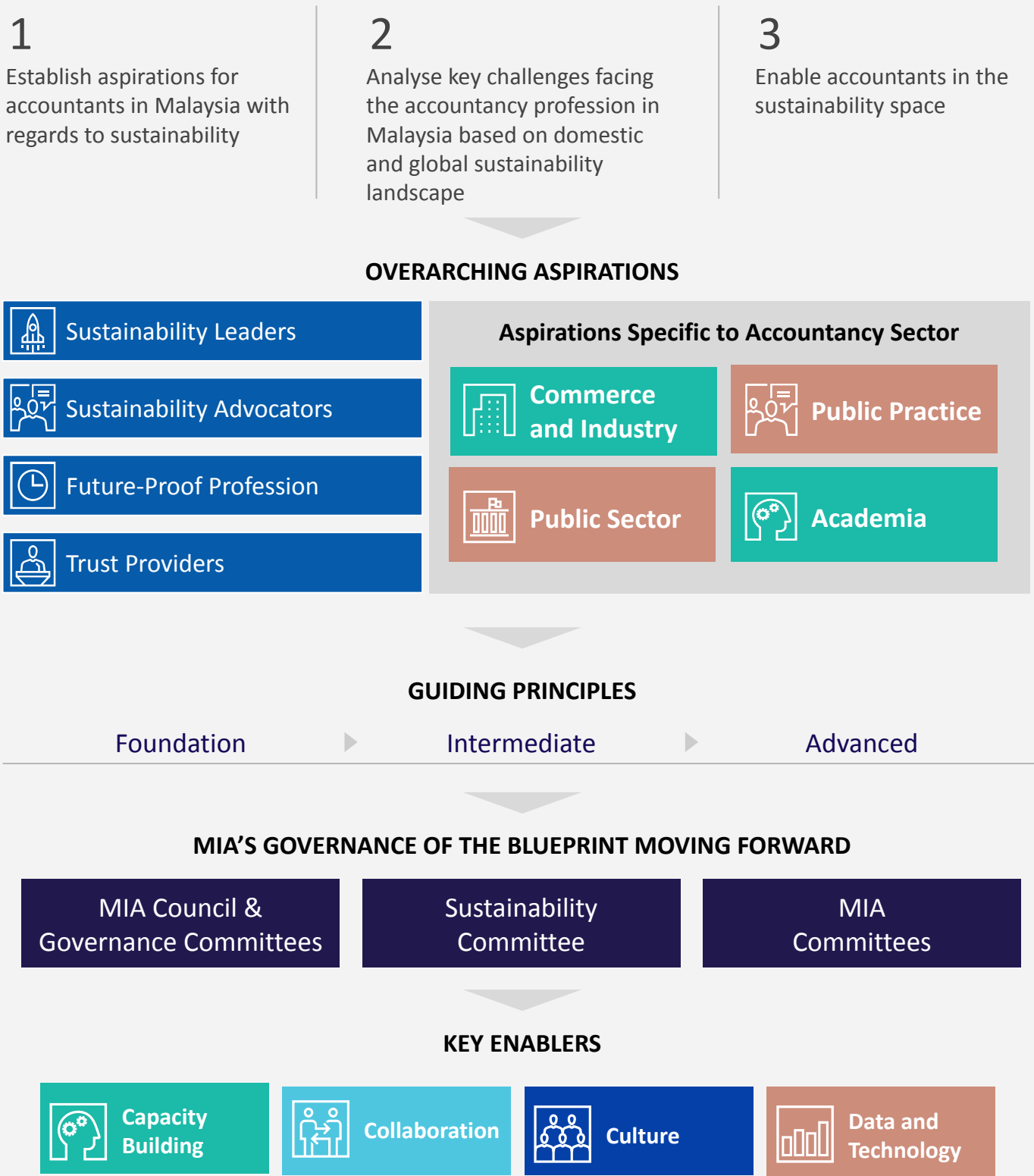
The types of accountants listed on this page are general and non-exhaustive.

<sup>54</sup> Malaysian Institute of Accountants (Jul 2020), *Business Excellence Guide for SMEs*.

<sup>55</sup> Department of Statistics Malaysia, (2022) *Micro, Small & Medium Enterprises (MSMEs) Performance 2022*.

# 3.2 MIA Sustainability Blueprint For The Accountancy Profession

The MIA Sustainability Blueprint for the Accountancy Profession acts as a foundation in driving the sustainability agenda within the profession as illustrated in the framework below. Based on the objectives of the Blueprint, the Blueprint sets out four overarching aspirations of the accountancy profession. To realise these aspirations, a set of guiding principles have been identified to guide each accountancy sector. The guiding principles are set out at three levels of sustainability maturity.





# 3.2 MIA Sustainability Blueprint For The Accountancy Profession

## The overarching aspirations for the accountancy profession

**Sustainability leaders**

Key partners within their organisations in driving and overseeing organisational sustainability initiatives

**Sustainability advocates**

Key players in contributing to the industry and national sustainability agenda

**Future-proof profession**

Sustainability embedded as part of the profession with the next-gen ready to take on the challenge

**Trust providers**

Key players in providing trust on sustainability data and information (both as preparer and assurance provider)

Importance of the sustainability aspirations

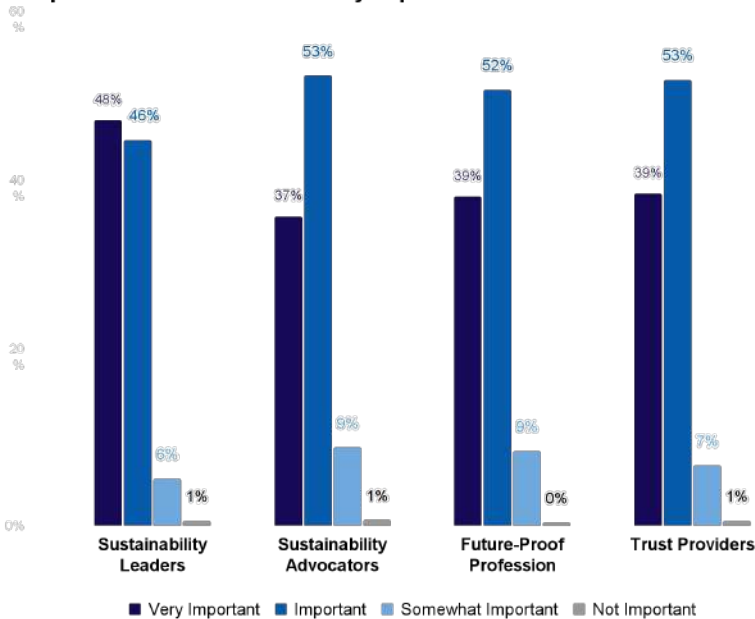


Diagram 4

The next Chapter will deep dive into specific aspirations for the four accountancy sectors based on what MIA believes will be important to the profession in contributing to the industry as well as the nation’s sustainability goals and targets.

The success factors highlighted in Diagram 5 are further discussed in Chapter 5 of this Blueprint as part of the key enablers for accountants in the sustainability space.

From the Survey, it was evident that the four aspirations are important to the expanding role of the accountancy profession. Respondents gravitate towards “Sustainability Leaders” with 48% responded “Very Important” in comparison to the other aspirations.

It is important that this is supported with the following success factors as indicated by the respondents: tailored education and trainings, organisational culture and behaviour, and collaboration across industry and profession.

### Top 3 success factors in navigating sustainability within organisation

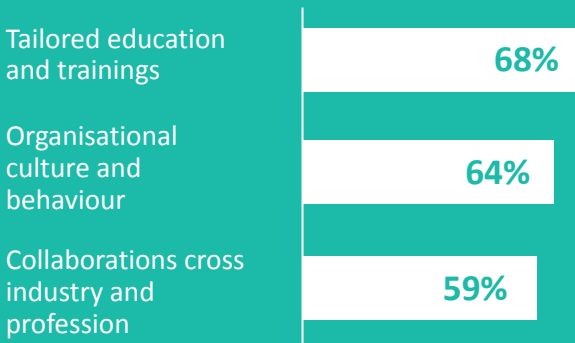


Diagram 5



# ACCOUNTANTS IN FOCUS

Chapter

4

# Understanding Accountants In Focus

## Guiding Principles

Chapter 4 sets out guiding principles for each of the accountancy sectors to act as general guidelines in facilitating the accountant's sustainability journey. The guiding principles are meant to be read through an individual lens, and have been structured into three different levels to provide the accountants with an understanding of their current sustainability maturity. This will also provide a pathway for accountants to achieve the desired level of sustainability maturity, subject to the accountant's own aspiration as well as organisation's needs.

The three different levels are as follows:

1. **Foundation:** Accountants who are at the initial stage in exploring and obtaining an understanding of key sustainability concepts and familiar with relevant regulations and reporting frameworks. In some cases, they have started to provide information and solve simple problems. They are also aware of sustainability initiatives within their organisation.
2. **Intermediate:** Accountants who have moved beyond basic concepts of sustainability and are working towards a more comprehensive understanding. They have started to provide key insights, solve complex problems, and active participation in the integration of sustainability into day-to-day operations and culture.
3. **Advanced:** Accountants who have a high level of sustainability expertise and are able to integrate various technical competencies in contributing to sustainability initiatives. They are able to effectively present and communicate sustainability-related matters to a wide-range of stakeholders. They are driving sustainable practices within their organisations and leading the narrative across industries.







# ACCOUNTANTS IN FOCUS

## Commerce and Industry

# 4.1 Commerce and Industry

## Overview

Accountants in commerce and industry fulfil varying roles - they provide advice on financial matters, business practices, general management and may even serve as risk analysts, financial controllers, tax managers, budget controllers and company secretaries. In some cases, they may even serve as Directors and Board members of the organisation itself<sup>56</sup>. As of 30 November 2023, these accountants represent 65% of MIA members<sup>57</sup>.

The followings are examples of areas where accountants in commerce and industry, who are often placed at the frontline of industry, would be affected by the sustainability agenda:

### 4.1.1 Consideration of sustainability as part of business strategy and risk assessment

The global and national targets aimed at limiting the increase in global temperatures to 1.5°C above pre-industrial levels are increasingly influencing regulatory policies<sup>9</sup>. Industries traditionally labeled as 'brown' — *characterised by high carbon emissions* — are facing the imperative for a strategic shift in their business approach<sup>58</sup>.

Adapting to these changes is not only a necessity for environmental stewardship but also essential for the long-term viability of businesses. This transition demands that climate change and the governance of overseeing transition forms an integral part of organisational enterprise risk management and long-term investment strategy.

### 4.1.2 Enhanced sustainability reporting and assurance requirements by global and local regulators

The requirements for disclosing sustainability-related financial information now require skill set and knowledge that are traditionally placed within the finance function such as risk assessment, data analytics, controls implementation and regulatory reporting. It is expected that this information should undergo the same level of scrutiny and governance as financial reporting, including the expectation of assurance. In specific jurisdictions, there is a mandate for limited assurance on such non-financial information, with the expectation that reasonable assurance will follow suit.

### 4.1.3 Focus on sustainability by internal and external stakeholders

Organisations are impacted by growing pressures from stakeholders including institutional shareholders, regulators and consumers to respond to the growing emphasis on sustainability. Communicating and managing shareholder expectations have long been within a strategic CFO's ambit, and this role will now be expanded to include sustainability considerations.

### 4.1.4 Impact to the MSMEs

The decarbonisation effort, along with a focus on human rights, extends not only within individual organisations but also across their supply chain. In the Malaysian context, this supply chain prominently includes SMEs and in some cases, micro entities. Notably, Scope 3 emissions will cover fifteen categories, including transportation and distribution, as well as the procurement of goods and services<sup>59</sup>.

Accountants play an integral role in this transition. They bridge the gap between financial and non-financial aspects of the business in order to ensure sustainability-related risks are included and communicated well as part of organisation agenda<sup>60</sup>.

<sup>56</sup> Malaysian Institute of Accountants, (2013), *Choosing an Accountant for Your Business*.

<sup>57</sup> Malaysian Institute of Accountants, (30 Nov 2023), *Member by Employment*.

<sup>9</sup> United Nations Climate Change, (2023) *The Paris Agreement*.

<sup>58</sup> Natix Corporate and Investment Banking, (29 Apr 2021), *Brown Industries: Our Transition Tightrope*.

<sup>59</sup> Yale University, (2023), *Sustainability Scope 3 Emissions*.

<sup>60</sup> Association of Chartered Certified Accountants, (25 Oct 2021), *Climate action and the accountancy profession: Building a sustainable future*.

# 4.1 Commerce and Industry

## Survey Insights

From the Survey, respondents from commerce and industry stated the following timeline in adopting sustainability-related activities:

Timeline of sustainability initiatives adoption in commerce and industry

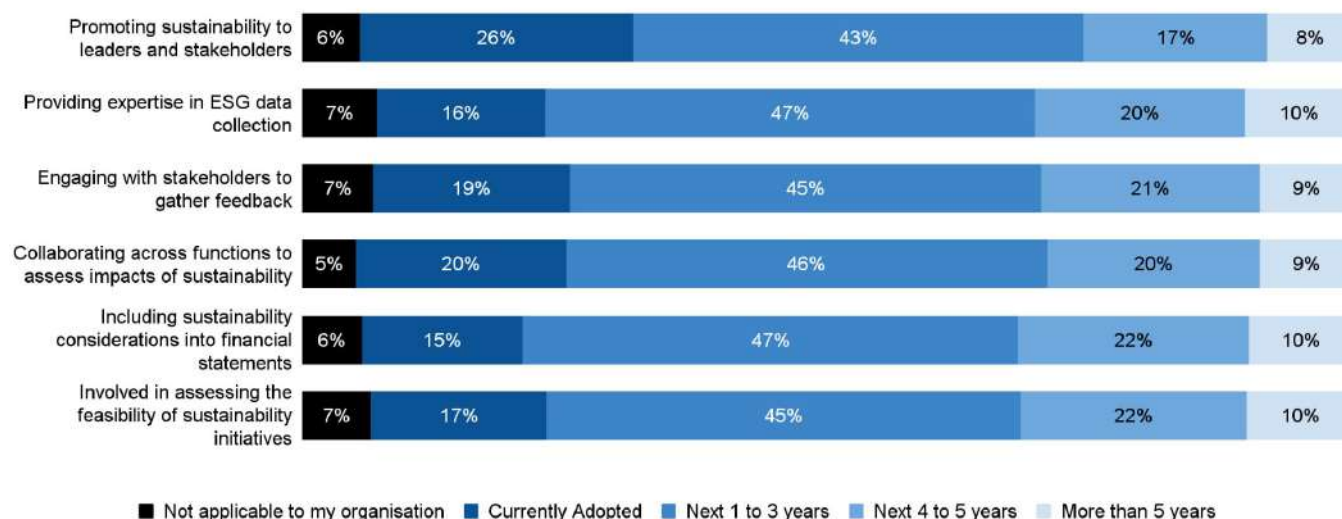


Diagram 6

## What are the challenges faced by accountants in commerce and industry in embedding sustainability as part of their role?

### Knowledge

**71%** of respondents faced a lack of awareness on the standards and guidelines for sustainability

**67%** of respondents reported managements are expecting accountants and finance functions to contribute knowledge on ESG matters as data owners

### Culture

**43%** of respondents face a lack of regulatory requirements resulted in low priority over sustainability

- **45%** of them are from organisations with more than RM50 million yearly revenue
- **32%** from organisation with less than RM5 million yearly revenue

### Data and technology

**57%** of respondents faced gaps in their organisation data and technological infrastructure to support sustainability efforts



# 4.1 Commerce and Industry

## Aspirations



### Sustainability Leaders

#### Embed sustainability as part of business strategy and operation

Today, accountants in commerce and industry provide insights on how business decisions are translated into financial returns. Moving forward, sustainability risks and opportunities should be integrated as part of decision-making and business planning, with emphasis on aligning financial choices with broader sustainability goals and contributing to effective risk management<sup>61</sup>. On this, accountants play an important role in communicating organisation's sustainability aspirations and goals to its stakeholders<sup>62</sup>.

As organisations implement sustainability initiatives; governance structures, processes and controls are expected to be put in place; requiring involvement of accountants.

#### Foster a sustainability mindset across organisation

Leadership from the top, especially from executives such as the CFO, is instrumental in cultivating a culture of sustainability within an organisation. The role of accountants who hold a senior position should extend beyond financial management and include shaping the values and priorities of the organisation.



### Sustainability Advocators

#### Advocate for sustainability policies and across their supply chains

Accountants within commerce and industry possess a unique opportunity to leverage their financial expertise for the development and implementation of internal sustainability policies and initiatives. By effectively communicating the cost implications of sustainable practices and highlighting the long-term benefits of such initiatives, accountants can play a pivotal role in driving the integration of sustainability into organisational strategies.

Advocacy also extends towards influencing the supply chain through promoting sustainability standards among suppliers and partners.

#### Cross-collaborating with other professionals as well as industries

Organisations operate in an interconnected ecosystem and collaboration is crucial across industries and professions. A mature organisation should extend its commitment to sustainability by actively involving smaller suppliers within its supply chain in this collective journey, recognising the significance of inclusive efforts beyond its immediate boundaries.



### Future-Proof Profession

#### Agility in adopting change

The role of accountants and their way of working continue to evolve. Recent technological adoption, such as the use of Robotic Process Automation (RPA) replacing manual input provides a more efficient and effective way of working. In the same vein, embedding sustainability will allow accountants to not only be more effective in their value creation role but continue being relevant.

#### Position accountancy as an attractive career choice

Accountants in commerce and industry will play a key role in attracting the next generation into the accountancy profession by sharing their experiences in sustainability and showcasing it as a dynamic career choice, offering significant growth opportunities and exposure to a wide variety of experiences.

<sup>61</sup> International Federation of Accountants, (Aug 2006), Information Paper: Why Sustainability Counts for Professional Accountants in Business.

<sup>62</sup> The Future of Commerce, (2023), How to embed sustainability in your business – and bottom line.



# 4.1 Commerce and Industry

## Aspirations



Trust Providers

### **Produce reliable sustainability reports that meet stakeholder expectations**

Accountants are highly proficient in both regulatory reporting as well as internal control management, two critical components in producing quality sustainability reports. As stewards of an organisation's data and analytical resources, accountants are strategically positioned to collaborate with sustainability practitioners in enhancing an organisation's sustainability reporting practices and performance.





# 4.1 Commerce and Industry

## Guiding Principles

This section covers the Guiding Principles for the accountants in the commerce and industry sector as well as those that currently fulfill management, finance function and organisational support roles within the public practices, public sector entities and institutes of higher learning.

FOUNDATION	INTERMEDIATE	ADVANCED
<b>1. Sustainability Concepts</b>		
<ul style="list-style-type: none"> <li>Understand basic sustainability concepts (climate change, biodiversity, human rights, etc.)</li> <li>Understand the impact of related sustainability matters to the organisation, industry, as well as its stakeholders across the ecosystem</li> </ul>	<ul style="list-style-type: none"> <li>Understand sustainability from a technical standpoint (greenhouse gas accounting, carbon tax regulations, etc.)</li> <li>Independently analyse and apply sustainability principles to facilitate effective decision making, risk management, and controls implementation</li> <li>Understand the linkage between sustainability initiatives and potential financial impact</li> </ul>	<ul style="list-style-type: none"> <li>Be recognised as a sustainability expert in their respective field</li> <li>Apply significant estimates and judgements in both financial and sustainability reporting</li> </ul>
<b>2. Sustainability Reporting</b>		
<ul style="list-style-type: none"> <li>Understand the regulatory requirements in relation to preparation of sustainability report for the organisation</li> <li>Understand the sustainability reporting frameworks and standards that are relevant to the organisations at a high-level basis</li> </ul>	<ul style="list-style-type: none"> <li>Understand the data and disclosure requirements in accordance with the sustainability reporting framework and standards adopted by the organisation</li> <li>Involved in providing currently available financial data as part of the overall preparation of sustainability report for the organisation</li> </ul>	<ul style="list-style-type: none"> <li>Involved in the preparation of sustainability report e.g. providing sustainability-related financial data for climate-risk scenario analysis</li> <li>Able to understand and communicate insights on sustainability-related performance data to stakeholders, including their linkage to financial statements</li> </ul>
<b>3. Data Management and Analysis</b>		
<ul style="list-style-type: none"> <li>Understand and identify data required for sustainability-related reporting</li> </ul>	<ul style="list-style-type: none"> <li>Record and report sustainability data as an integral component of management reporting on a regular basis</li> </ul>	<ul style="list-style-type: none"> <li>Facilitate seamless data entry and processes for operational, financial and sustainability purposes</li> <li>Leverage data transformation and visualisation techniques to gain business intelligence, insights and analytics on sustainability practices</li> </ul>



# 4.1 Commerce and Industry

## Guiding Principles

FOUNDATION	INTERMEDIATE	ADVANCED
<b>4. Process of Sustainability Reporting</b>		
<ul style="list-style-type: none"> <li>Sustainability reports are manually prepared on an ad-hoc basis</li> </ul>	<ul style="list-style-type: none"> <li>Use of stand-alone system for the purpose of preparing a sustainability report</li> <li>Minimal interface between sustainability reporting system and other systems within the organisation's IT infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Utilise Enterprise Resource Planning (ERP) system, with high level of integration between operational and financial systems</li> <li>Able to generate operation, financial and sustainability reports from a single source of data</li> </ul>
<b>5. Sustainability Culture</b>		
<ul style="list-style-type: none"> <li>Have an awareness of the organisation's sustainability initiatives and in some instances, assist in cultivating a sustainable culture</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to the strategic implementation of sustainability initiatives within the organisation, actively supporting the development of a sustainable culture</li> </ul>	<ul style="list-style-type: none"> <li>Formulate and implement effective strategies to instill a culture of sustainability across all levels of the organisation</li> <li>Sustainability is part of the way of working and the default organisation culture</li> </ul>
<b>6. Advocating Sustainability</b>		
<ul style="list-style-type: none"> <li>Actively participate and promote sustainability as part of the organisation's initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Lead sustainability-related initiatives within the organisation</li> </ul>	<ul style="list-style-type: none"> <li>Advocate for and influence sustainability-related policies at the industry and national level</li> </ul>
<b>7. Strategic Integration</b>		
<ul style="list-style-type: none"> <li>Be involved in formulating organisation's sustainability strategy and plan</li> </ul>	<ul style="list-style-type: none"> <li>Embed sustainability-related consideration as part of organisational strategy and risk management process, including the short and medium term targets</li> <li>Report sustainability-related data as part of organisation's reporting process, together with operational and financial reporting</li> </ul>	<ul style="list-style-type: none"> <li>Continuously identify potential sustainability-related risks and opportunities as part of their role within the organisation (e.g. green investments)</li> <li>Monitor progress and provide early-warning if sustainability targets are not being met</li> <li>Long term business targets and development includes sustainability consideration</li> </ul>

# 4.1 Commerce and Industry

## Guiding Principles

FOUNDATION	INTERMEDIATE	ADVANCED
8. 'S' in ESG		
<ul style="list-style-type: none"><li>• Participate in community investments that are in line with the organisation's mission and vision</li><li>• Advocate for diversity, equity, and inclusion practices within the organisation</li></ul>	<ul style="list-style-type: none"><li>• Embed sustainability and social responsibility as part of organisational processes (such as preference to local suppliers or underserved communities e.g. single mothers and refugees)</li><li>• Implement internal policies that align with local and globally human rights policies</li></ul>	<ul style="list-style-type: none"><li>• Able to measure return on social capital and community investments</li><li>• Able to demonstrate and articulate value of socially responsible products (e.g. social financing) for various stakeholders (i.e. shareholders and community)</li></ul>



# 4.1 Commerce and Industry

## Case Study: Embedding sustainability within finance operations

The 3 major dimensions of a finance function are:

Business insights

Transactional efficiency

Compliance and control

### Current Role:

Providing sustainable business growth and being a valued business partner

- Strategy and planning
- Budgeting and forecasting
- Business analysis
- Performance improvement projects
- Tax planning

## Embedding sustainability as part of business insights

The table below provides an illustration of how the traditional finance role can be enhanced by embedding sustainability specifically from the lens of business insights.

	Budgeting and forecasting	Business analysis	Performance improvement projects	Tax planning
Traditional Finance Role	<ul style="list-style-type: none"> <li>• Short term, medium term and long term financial budgeting</li> <li>• Project budgeting and forecasting, including analysing rate of returns for long term projects</li> </ul>	<ul style="list-style-type: none"> <li>• Review organisation's performance (actual vs target, actual vs peers)</li> <li>• Identify areas of potential growth, merger and acquisitions, new investments</li> </ul>	<ul style="list-style-type: none"> <li>• Review the financial performance to identify areas of potential improvements for the purpose internal process and organisation's cost reduction initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Planning for tax structure across a group of companies, including across various regions</li> <li>• Maximisation of tax benefits (Pioneer Status, Green Investment Tax Allowance, etc.)</li> </ul>
Embracing Sustainability	<ul style="list-style-type: none"> <li>• Longer term forecasting will need to include consideration of impact of climate change (transition and physical risks and opportunities)</li> <li>• Modelling for scenario analysis under TCFD recommendations</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring of the financial impact and performance of ESG initiatives, including impact to scorecards and KPIs</li> <li>• Provide analytics and insights across the sustainability goals, initiatives, performance and its financial impact</li> <li>• Performing a Social Return on Investment analysis as part of quarterly reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Draw insights from the organisation's sustainability performance to supplement the performance analysis to identify potential areas for performance improvement</li> <li>• Incorporate sustainability objectives in the balanced scorecard to measure divisional performance</li> </ul>	<ul style="list-style-type: none"> <li>• Assessing impact of potential carbon tax on operations e.g. Carbon Border Adjustment Mechanism</li> <li>• Setting up Internal Carbon Pricing mechanism (price, accounting, monitoring)</li> </ul>



## 4.1 Commerce and Industry

### Just Transition: SMEs in focus

- MSMEs in Malaysia play a pivotal role in the economy. In 2022, SMEs contributed up to 38.2% of the country's GDP<sup>63</sup> and MSMEs contributed 48.2% of the nation's employment<sup>64</sup>. With this, they form a significant portion of the nation's supply chain and are key players in Malaysia's decarbonisation strategy.
- Despite the absence of regulatory reporting requirements for SMEs, their significance in contributing to an organisation's Scope 3 emissions is prompting increasing pressure for the integration and reporting of sustainability as part of their operations.
- Given their limited resources, certain sustainability-related matters may fall into the purview of accountants. Hence, industry collaboration becomes crucial in upskilling SMEs in the following areas:

Sustainability awareness and technical knowledge (climate change, biodiversity, etc.)

Ensuring that their businesses are sustainability-ready

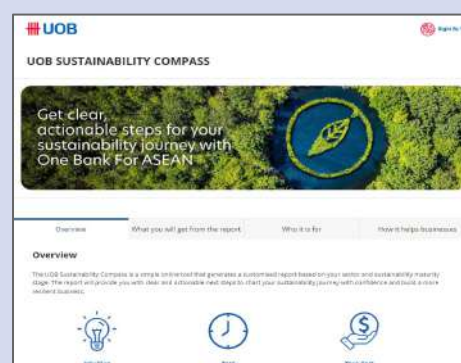
### Case Study: United Overseas Bank (UOB) Sustainability Compass

Primarily designed for SMEs, the UOB Sustainability Compass offers guidance to assist businesses in overcoming their inertia and kick start their sustainability journeys<sup>65</sup>.

Based on a 5-minute questionnaire, the online tool generates reports tailored to the SMEs sector and sustainability readiness. It provides these SMEs a sustainability roadmap, with references to key legislations, available certifications based on their sector, and also recommended sustainable financing solutions<sup>66</sup>.

UOB has also launched Jom Transform – Sustainability Accelerator Program (JT-SAP) with the objective to equip Malaysian SMEs with the competencies needed to adopt sustainability practices and accelerate the transition to a low-carbon economy<sup>67</sup>.

The programme is centred on a 3E framework (Evaluate, Engage and Execute). More than 150 guests from SMEs and industry associations attended a three-day workshop where they learnt international case studies, key trends, solutions and insights on sustainability to help them future-proof their businesses and improve their competitiveness. The programme was organised in collaboration with the Malaysian Green Technology and Climate Change Corporation (MGTC), Capital Markets Malaysia (CMM), PwC Malaysia, Green Real Estate (GreenRE), and Thoughts In Gear (TIG)<sup>66</sup>. Further details may be found on the UOB official website: <https://www.uob.com.my/default/sustainability/compass/index.page>



<sup>63</sup> Reuters, (5 Jun 2023), Malaysian Industrial Development Authority: Access all areas – European SMEs and Malaysia.

<sup>64</sup> Bernama, (27 Jul 2023), Malaysia's MSME GDP surges 11.6 Pct in 2022.

<sup>65</sup> United Overseas Bank Malaysia, (2023), UOB Sustainability Compass: Get your customised report in 5 minutes.

<sup>66</sup> The Edge Malaysia, (18 Oct 2023), UOB Malaysia launches Sustainability Accelerator Programme to boost SMEs' transition to low carbon economy.

<sup>67</sup> United Overseas Bank Malaysia, (13 Oct 2022), Industry-first sustainability tool to help companies overcome initial barriers in their green journey.



# **ACCOUNTANTS IN FOCUS**

## **Public Practice**



## 4.2 Public Practice

### Overview

As of 30 November 2023, approximately 23% of MIA members work in public practice<sup>57</sup>. Accountants in public practice are uniquely positioned to spearhead the implementation of sustainability initiatives. Their competencies in financial analysis, regulatory compliance and risk assessments are transferable to sustainability-related services, such as sustainability assurance, reporting, and advisory.

The followings are examples of areas where accountants in public practice would be affected by the sustainability agenda:

#### 4.2.1 Evolving regulatory landscape requiring insight and upskilling

There is an inherent complexity on the sustainability landscape exacerbated by the increasing regulatory requirements at global and national level. In certain instances, the public practice accountants plays a crucial role in influencing these regulations and providing insightful guidance on their implications for the corporate environment. This underscores the imperative for accountants in public practice to upskill themselves, equipping them with the necessary expertise to effectively fulfil this role.

#### 4.2.2 Enhanced sustainability reporting and assurance requirements by global and local regulators

Given recent regulatory advancements across the globe, organisations are now obligated to routinely report sustainability-related financial information as part of their regulatory reporting. It is expected that this information should undergo the same level of scrutiny and governance as financial reporting, including the expectation of assurance. In specific jurisdictions, there is a mandate for limited assurance on this non-financial information, with the expectation that reasonable assurance will follow soon after.

#### 4.2.3 Supporting companies on their sustainability journey

The increasing implementation of sustainability initiatives will require technical competencies that may not be readily available within individual organisations, necessitating advisory support from external consultants.

Research from Verdantix displays that the ESG and sustainability consulting market is set to grow to over \$48 billion by 2028 with a Compound Annual Growth Rate (CAGR) of 27%<sup>68</sup>. This presents a promising avenue for growth, particularly for public practices in Malaysia, with a pronounced impact on SMPs catering primarily to the SMEs market in the country.

Globally, accounting firms are investing substantially into their sustainability practices. The funds are utilised to hire vast global networks of sustainability experts and to develop comprehensive training programmes<sup>69</sup>.

Despite their established reputation in traditional accounting, a recent benchmarking study by the International Federation of Accountants (IFAC) suggests that firms are at risk of losing market share in ESG assurance engagements to alternative service providers<sup>70</sup>. Globally, although these firms account for 57% of ESG assurance engagements in 2021, the market share of audit firms in the market has reduced by 6 percentage points from a high of 63% in 2019<sup>71</sup>.

<sup>57</sup> Malaysian Institute of Accountants, (30 Nov 2023), Member by Employment.

<sup>68</sup> Verdantix, (6 Nov 2023), Market Size And Forecast: ESG And Sustainability Consulting 2022-2028 (Global).

<sup>69</sup> Business Insider, (14 Jun 2022), The Big Four accounting firms need sustainability experts — and are investing big in training in order to get them.

<sup>70</sup> Business Insider, (24 Feb 2022), EY Is Paying Staff to take MA in Sustainability.

<sup>71</sup> Institute of Chartered Accountants in England and Wales, (14 Nov 2023), Audit firms risk losing out in race for ESG assurance.



# 4.2 Public Practice

## Overview

As organisations move towards a low-carbon economy and continuously implement their sustainability initiatives, accountants in public practice are increasingly at risk of losing out on sustainability opportunities to other professionals. Critical areas that are traditionally performed by accountants in the public practice such as regulatory reporting, data analytics, assurance, and risk management may be impacted by sustainability considerations.

## Survey Insights

From the Survey, respondents from public practice stated the following timeline in adopting sustainability-related activities:

Timeline of Sustainability Initiatives Adoption in Public Practice

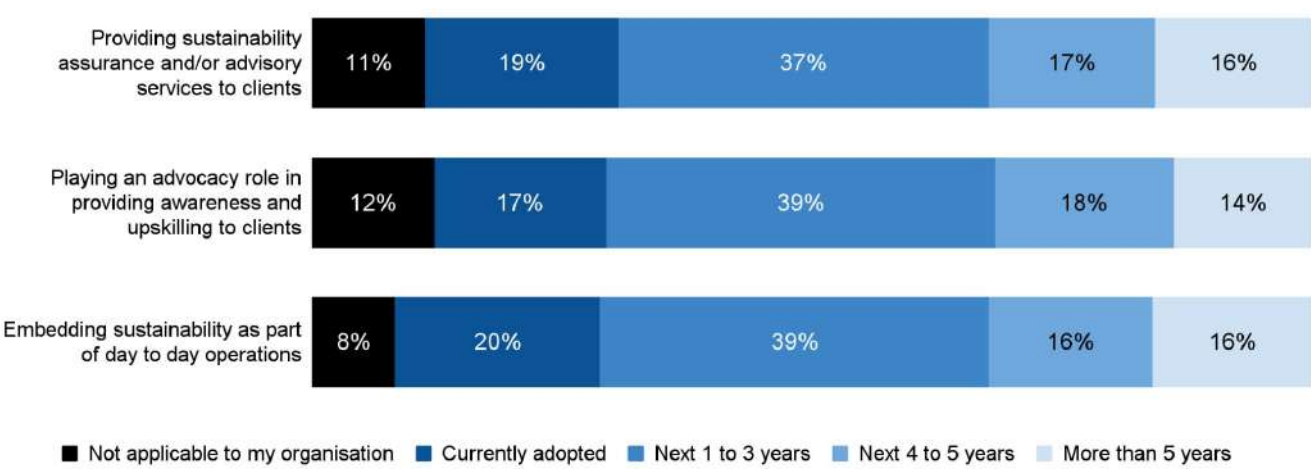


Diagram 7

### What are the challenges faced by the accountants in public practice in embedding sustainability as part of their role?

Knowledge	Standards	Market
<p><b>60%</b> of respondents are unsure of the sustainability information and criteria required to be able to provide sustainability-related services</p>	<p><b>53%</b> of respondents faced a lack of regulatory requirements resulted in lower demand in sustainability-related services</p> <hr/> <p><b>78%</b> of respondents faced a lack of awareness on the standards and guidelines in regards to sustainability</p>	<p><b>51%</b> of respondents reported a low sustainability maturity in the market resulting in lower demand</p> <hr/> <p><b>75%</b> of respondents faced a knowledge gap as clients are expecting consultants and auditors to contribute</p>

## 4.2 Public Practice

### Aspirations



#### Sustainability Leaders

##### **Lead by example in driving sustainability agenda**

Accountants in public practice can lead by example in demonstrating a commitment to sustainability of their practice. They can inspire broader industry awareness and influence the adoption of sustainable practices within their supply chain network, creating a more environmentally and socially conscious business landscape.

##### **Foster a sustainability mindset across practice**

Leadership from the top is instrumental in cultivating a culture of sustainability across all levels within the practice to actively contribute to the organisation's sustainability objectives beyond client-servicing responsibilities. The role of accountants who hold a senior position are integral in shaping the values and priorities of the practice.



#### Sustainability Advocators

##### **Advocate for sustainability policies**

Accountants within the public practice are exposed to a multitude of stakeholders including corporates, SMEs, public sectors, governments, and regulators. Those with deep industry experience are able to effectively communicate the impact of sustainability across different industries and sectors. Where needed, accountants can provide their expertise and knowledge in sustainability to help shape the national sustainability targets and policies.

##### **Cross-collaborating with other professionals as well as industries**

The public practice operates in an interconnected ecosystem and collaboration is crucial across industries and professions. A mature practice should extend its commitment to sustainability by actively engaging with their clients, suppliers, regulators, governments, and even the academia in this collective journey, recognising the significance of inclusive efforts beyond its immediate boundaries.



#### Future-Proof Profession

##### **Agility in adopting change**

Accountants in public practice are expected to be kept abreast with regulatory development and understanding its impact to businesses. In the case of sustainability, this necessitates the ability to bridge both financial and non-financial information, ensuring integration into current client service. For instance, understanding the impact of climate change to financial audit is essential.

##### **Position accountancy as an attractive career choice**

Accountants in public practice will play a key role in attracting the next generation into the profession by sharing their experiences in sustainability and showcasing it as a dynamic career choice, offering significant growth opportunities and exposure to a wide variety of experiences.



#### Trust Providers

##### **Act as advisers in sustainability practices**

Accountants in public practice can expand their service offerings to include sustainability-related services such as sustainability assurance, sustainability data collection support and other sustainability-related advisory services. In some instances, they could be one of the key subject matter experts on certain sustainability topics.

## 4.2 Public Practice

### Guiding Principles

The Guiding Principles listed in this section should be read together with the Guiding Principles highlighted in section 4.1 Commerce and Industry for the accountants that currently fulfill management, finance function and organisational support roles within the public practices.

FOUNDATION	INTERMEDIATE	ADVANCED
<b>1. Sustainability Concepts</b>		
<ul style="list-style-type: none"> <li>Understand key sustainability concepts (climate change, biodiversity, human rights, etc.)</li> <li>Understand the significance of related sustainability topics to organisations and industries</li> </ul>	<ul style="list-style-type: none"> <li>Understand sustainability from a technical standpoint (greenhouse gas accounting, carbon tax regulations, etc.)</li> <li>Understand the linkage between sustainability initiatives and potential financial impact</li> <li>Incorporate consideration of sustainability as part of services performed</li> </ul>	<ul style="list-style-type: none"> <li>Be recognised as a sustainability expert in their respective field</li> </ul>
<b>2. Offering sustainability-related services</b>		
<ul style="list-style-type: none"> <li>Explore potential opportunities to provide sustainability-related services to existing and potential clients</li> </ul>	<ul style="list-style-type: none"> <li>Provide sustainability-related services and establish long-term relationships with clients</li> </ul>	<ul style="list-style-type: none"> <li>Establish a reputation as a leading provider of sustainability-related services through consistently delivering high-quality results</li> </ul>
<b>3. Sustainability Reporting</b>		
<ul style="list-style-type: none"> <li>Understand the regulatory requirements in relation to preparation of sustainability report in the related jurisdiction, including the relevant sustainability reporting frameworks and standards</li> <li>Understand new development in sustainability reporting and assurance standards</li> </ul>	<ul style="list-style-type: none"> <li>Understand the data and disclosure requirements in accordance with the sustainability reporting framework and standards</li> </ul>	<ul style="list-style-type: none"> <li>Able to understand and communicate insights on sustainability-related performance data to stakeholders, including its linkage to financial statements</li> </ul>
<b>4. Sustainability Culture</b>		
<ul style="list-style-type: none"> <li>Have an awareness of the practice's sustainability initiatives and in some instances, assist in cultivating a sustainable culture</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to the strategic implementation of sustainability initiatives within the practice, actively supporting the development of a sustainable culture</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability is part of the way of working and the default practice culture</li> </ul>



## 4.2 Public Practice

### Guiding Principles

FOUNDATION	INTERMEDIATE	ADVANCED
<b>5. Advocating Sustainability</b>		
<ul style="list-style-type: none"> <li>Actively participate and promote sustainability as part of the practice's initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Lead sustainability-related initiatives within own practice</li> </ul>	<ul style="list-style-type: none"> <li>Advocate for and influence sustainability-related policies at the industry and national level</li> </ul>
<b>6. Strategic Integration</b>		
<ul style="list-style-type: none"> <li>Formulate practice-wide sustainability framework and roadmap, with clear sustainability targets</li> </ul>	<ul style="list-style-type: none"> <li>Embed sustainability-related consideration as part of practice's strategy and risk management process</li> <li>Report sustainability-related data as part of practice's reporting process, together with operational and financial reporting</li> </ul>	<ul style="list-style-type: none"> <li>Continuously identify potential sustainability-related risks and opportunities, in addition to continuously refining practice's sustainability roadmap and targets</li> </ul>
<b>7. 'S' in ESG</b>		
<ul style="list-style-type: none"> <li>Participate in community investments that are in line with the organisation's mission and vision</li> <li>Advocate for diversity, equity, and inclusion practices within the organisation</li> </ul>	<ul style="list-style-type: none"> <li>Embed sustainability and social responsibility as part of organisational processes (such as preference to local suppliers or underserved communities e.g. single mothers and refugees)</li> <li>Implement internal policies that align with local and globally human rights policies</li> </ul>	<ul style="list-style-type: none"> <li>Able to measure return on social capital and community investments</li> <li>Establish a social-focused services and products to serve businesses (sustainability assurance on social indicators, social accounting, social impact assessment, etc.)</li> </ul>

## 4.2 Public Practice

### Just Transition: SMPs in focus

According to IFAC, SMPs are defined as firms that employ a small team of professionals primarily serving SMEs<sup>72</sup>. In Malaysia, SMPs are poised for significant disruption.

SMEs will also face the pressure to measure and report their sustainability data as part of their involvement in the supply chain. With their limited resources, they will leverage on the SMPs for guidance as well as assistance on how this can be implemented.

SMPs are critical in providing support to local SMEs in Malaysia due to the relative size of the management and their limited access to industry talents as well as subject matter experts. Based on a survey by Association of Chartered Certified Accountants (ACCA) in 2021, only 8% of SMPs have significant involvement in tackling climate change<sup>73</sup>.

On 19 October 2023, Capital Markets Malaysia (CMM), an affiliate of the Securities Commission Malaysia launched the Simplified ESG Disclosure Guide (SEDG) targeted at SMEs within global supply chains. The document provides ESG-related frameworks and provides guidelines on ESG disclosures for SMEs<sup>74</sup>. This is an area of where SMPs could assist the SMEs in their sustainability initiatives.

With an anticipated rise in sustainability-related regulatory requirements in the upcoming years, the SMEs provide important opportunities for SMPs to expand their services beyond traditional audit and accounting. This could include support services on sustainability reporting, sustainability assurance and other sustainability-related advisory services.

### Case study: The impact of climate risks in financial audit

Whilst there has been continued development in both sustainability reporting (e.g. Bursa's Enhanced Sustainability Reporting Requirements, IFRS Sustainability Disclosure Standards) and assurance standards (ISSA 5000 "General Requirements For Sustainability Assurance Engagements"), focus should also be placed on the impact of climate risks to the audit of financial statements. The IFRS Foundation has issued two educational materials illustrating how companies need to consider climate-related matters that have material effect on their financial statements:

- Effects of climate-related matters on financial statements prepared in accordance with IFRS, republished July 2023<sup>75</sup>
- Effects of climate-related matters on financial statements prepared in accordance with the IFRS for SMEs Accounting Standard, published May 2023<sup>76</sup>

In addition, the International Auditing and Assurance Standards Board (IAASB) has issued a guidance on The Consideration of Climate-Related Risks In An Audit of Financial Statement on 1 October 2020.

<sup>72</sup> International Federation of Accountants, (2023), *Small and Medium Practices Advisory Group*.

<sup>73</sup> Association of Chartered Certified Accountants, (24 Nov 2021), *Accountants and SMEs Creating a Sustainable World: SME Community Views*.

<sup>74</sup> Capital Markets Malaysia, (18 Oct 2023), *Simplified ESG Disclosure Guide (SEDG) for SMEs in Supply Chains*.

<sup>75</sup> International Financial Reporting Standards, (Jul 2023), *Effects of climate-related matters on financial statements*.

<sup>76</sup> International Financial Reporting Standards, (May 2023), *Effects of climate-related matters on Financial statements prepared in accordance with the IFRS for SMEs Accounting Standard*.

## 4.2.2 Public Practice: Case Studies

### Sustainability initiatives of public practice firms

As organisations respond to the growing emphasis on sustainability, public practice firms are actively embracing this shift by incorporating their own sustainability targets as part of their operational frameworks. This involves setting specific goals and benchmarks related to ESG considerations.

#### Spotlight: Public practice firms have made significant sustainability commitments globally

- **Commitment to net zero**

This goal involves commitment for the firm to achieve net-zero carbon emissions, where the total amount of greenhouse gases emitted is balanced by an equivalent amount removed from the atmosphere.

*Example:* BDO is currently carbon neutral and has submitted both short term (2030) and long term (2050) targets for review by the Science Based Targets Initiative (SBTi) Net-Zero Standard<sup>77</sup>.

- **Commitment to emission reductions**

This focuses on reducing the amount of greenhouse gas emissions produced by organisations. This can include specific targets for lowering emissions from various sources such as business travel, operational activities, and supply chains.

*Example:* Deloitte has committed to 50% reduction in business travel emissions by 2030<sup>78</sup>.

- **Commitment to a carbon action plan**

This involves setting in place an action plan to support the carbon ambition and to move from ambition to progress.

*Example:* EY has set out a seven-point action plan to reach net zero in 2025 with a 40% reduction in absolute GHG emissions across Scopes 1, 2 and 3 emissions against FY19 baseline<sup>79</sup>.

- **Commitment to renewable energy**

These goals emphasises the transition to and increased reliance on renewable energy sources, such as solar or wind power.

*Example:* KPMG has committed to 100% renewable energy by 2030<sup>80</sup>.

- **Supply chain commitment**

This involves encouraging or requiring a significant portion of an organisation's supply chain to adopt and commit to net-zero emissions practices, extending the responsibility for sustainability beyond the organisation itself.

*Example:* PwC has committed to 50% of purchased goods and services suppliers (by emissions) setting science-based targets to reduce their own climate impact by 2025<sup>81</sup>.

<sup>77</sup> BDO, (2023), BDO Commits to New Net Zero Targets.

<sup>78</sup> Deloitte, (Jun 2023) Deloitte 2023 Global Impact Report.

<sup>79</sup> EY, (20 September 2022). EY is carbon negative and will be net zero in 2025.

<sup>80</sup> KPMG, (2023), Our Impact Plan.

<sup>81</sup> PwC, (10 Oct 2023), PwC 2023 Network Environmental Report.





# ACCOUNTANTS IN FOCUS

## Public Sector

## 4.3 Public Sector

### Overview

Accountants in public sector mainly operate across various levels of government - federal, state and local as well as in town municipalities, statutory bodies, legislative bodies, agencies, and state owned enterprises (SOE). Depending on their specialisation, they may be involved either in day-to-day financial operations or in policy-making and strategic decision-making. As of 30 November 2023, public sector accountants account for 10% of MIA members<sup>57</sup>.

The followings are examples of areas where accountants in public sector would be affected by the sustainability agenda:

#### 4.3.1 Sustainability considerations impacting policy making and national strategies

The shift towards sustainability will affect the public sector in the form of policy making and setting national strategies. Malaysia is a party to the Paris Agreement and has submitted its NDCs to the UNFCCC, outlining its climate action and emission reduction targets. Notably, Malaysia has pledged to reduce its economy-wide carbon intensity (against GDP) by 45% in 2030 compared to 2005 level. Consequently, forthcoming government policies will need to take into account alignment with this commitment<sup>82</sup>.

#### 4.3.2 Implementation of policy and regulation

The New Industrial Master Plan 2030 (NIMP) issued in 2023 by the Ministry of Investment, Trade, and Industry (MITI) introduces 4 strategies and 10 action plans under Mission 3: “Push for Net Zero” in efforts to decarbonise Malaysia’s manufacturing industries and present new economic opportunities for Malaysia to position itself in green growth areas<sup>83</sup>. It serves as a roadmap, highlighting potential projects that should be the focal point of forthcoming fiscal policies and strategies. In areas where adoption of new technologies requires significant upfront capital investment, collaboration between government agencies and industries becomes imperative.

#### 4.3.3 Monitoring national sustainability goals and targets

Following the formation of roadmaps and policies, the public sector will need to monitor and report progress. Similar to accountants in commerce and industry, accountants in the public sector are entrusted to oversee progress of initiatives. The involvement of accountants within public sector could extend beyond traditional financial management to encompass a broader responsibility in contributing to the effective implementation of government sustainability-related programmes.

#### 4.3.4 Enhanced sustainability reporting and assurance requirements by global and local regulators

Disclosing sustainability-related financial information now requires skill set and knowledge that are traditionally placed within the finance function such as risk assessment, data analytics, controls implementation, and regulatory reporting. In addition, the International Public Sector Accounting Standards Board recently established a Sustainability Steering Committee to lead its research and scoping for Sustainability Reporting for the public sector<sup>84</sup>.

In ensuring success for state and national level targets, it is important for sustainability practices to be embedded into governmental practices so that sustainability-related risks and opportunities are comprehensively addressed and effectively communicated. In addition, accountants play an important role in increasing cross-collaboration between both government bodies and industry players. Their role extends to promoting a holistic understanding of sustainability challenges, encouraging dialogue, and facilitating the exchange of expertise and resources.

<sup>57</sup> Malaysian Institute of Accountants, (30 Nov 2023), Member by Employment.

<sup>82</sup> Ministry of Economy, (10 Sep 2023), Government direction on ESG firm-

<sup>83</sup> Ministry of Investment, Trade, and Industry. (1 Sep 2023). New Industrial Master Plan 2030.

<sup>84</sup> IPSASB, Sustainability Reporting.

# 4.3 Public Sector

## Survey Insights

From the Survey, respondents from the public sector stated the following timeline in adopting sustainability-related activities:

Timeline of Sustainability Initiatives Adoption in Public Sector

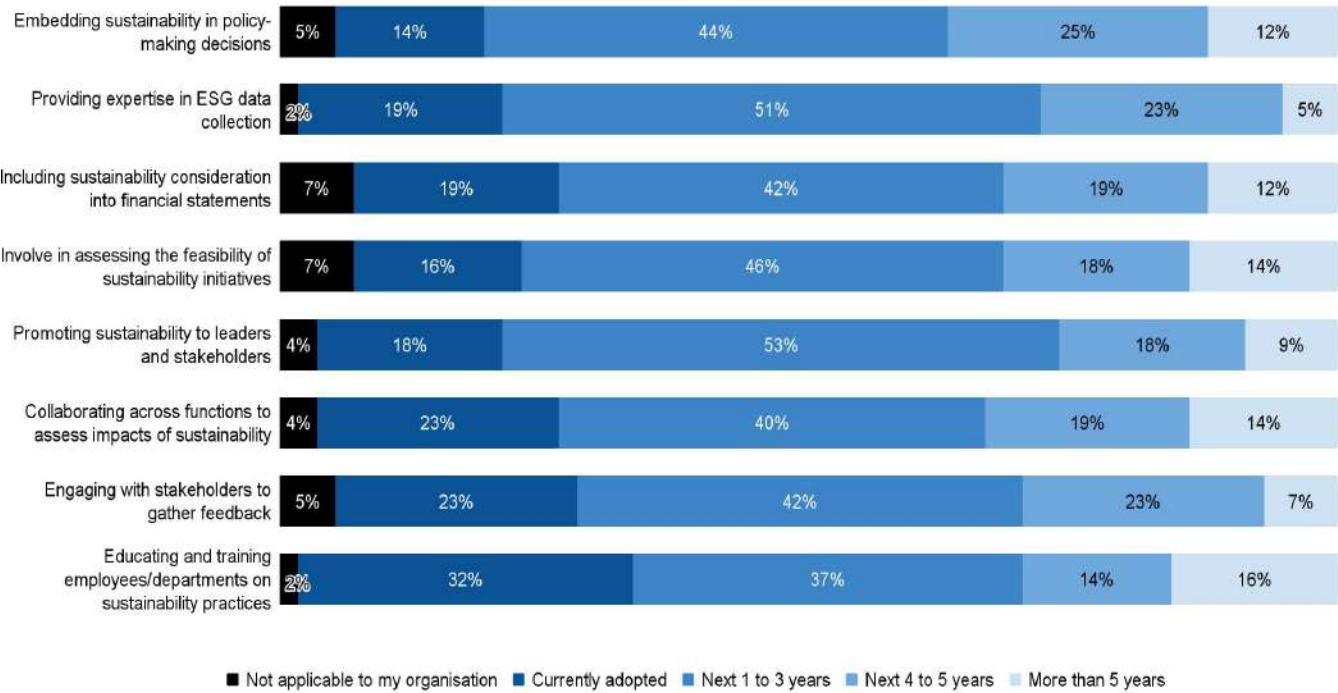
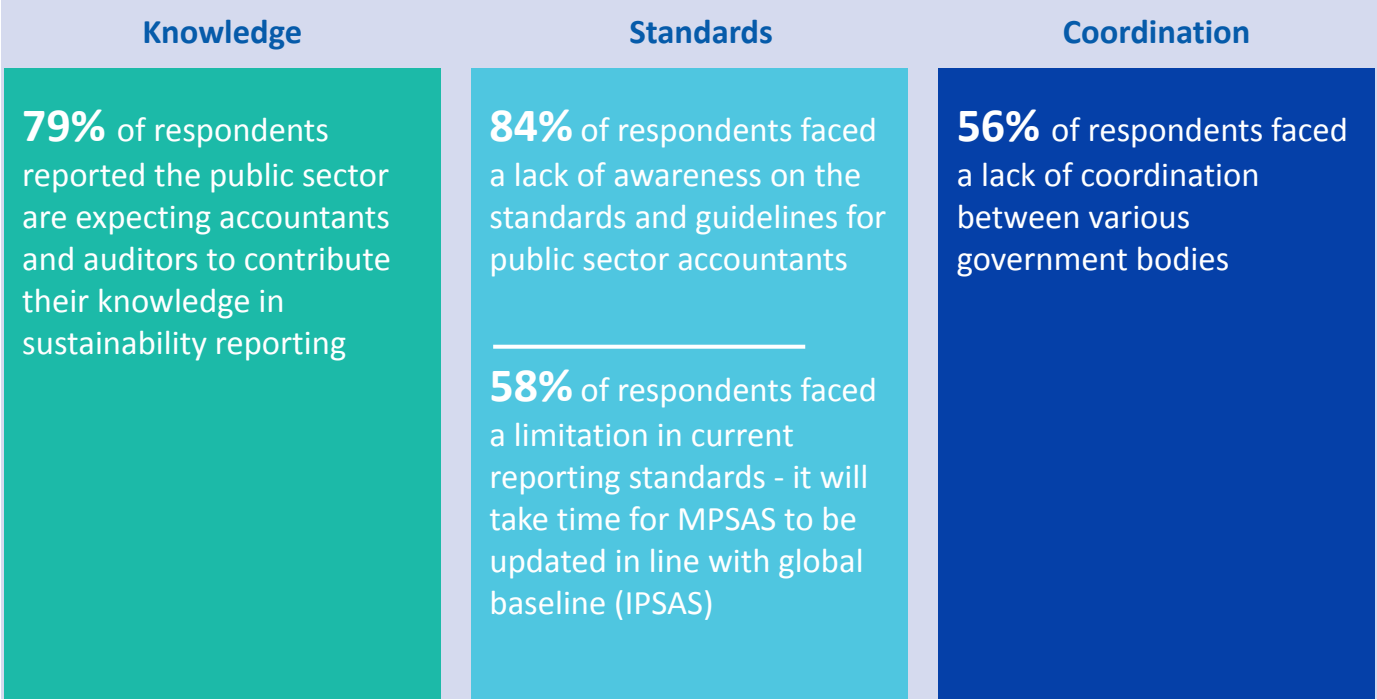


Diagram 8

## What are the challenges faced by accountants in public sector in embedding sustainability as part of their role?





## 4.3 Public Sector

### Aspirations



#### Sustainability Leaders

##### **Embed sustainability as part of government's policies and practices**

Public sector accountants are vital to incorporating sustainability in government policies, practices and initiatives. Moving forward, sustainability risks and opportunities should be integrated as part of national budgeting, decision-making and financial planning, with emphasis on aligning financial consideration with national SDGs.

##### **Foster a sustainability mindset across organisation**

Leadership from the top is instrumental in cultivating a culture of sustainability within an organisation. The role of accountants who hold a senior position should extend beyond just financial management and include shaping values and priorities of the organisation.



#### Sustainability Advocators

##### **Cross-collaborating between government bodies with industries**

In both administrative and policy making capacities, public sector accountants will serve as crucial intermediaries between government bodies and industry players. They will facilitate conversation to bridge the gap between government policies and industry needs.



#### Future-Proof Profession

##### **Agility in adopting change**

The role of accountants and their way of working continue to evolve. Recent technological adoption, such as the use of Robotic Process Automation (RPA) replacing manual input provides a more efficient and effective way of working. In the same vein, embedding sustainability will allow accountants to not only be more effective in their value creation role but continue being relevant.

##### **Position accountancy as an attractive career choice**

Accountants in public sector will play a key role in attracting the next generation into the accountancy profession by sharing their experiences in sustainability and showcasing it as a dynamic career choice, offering significant growth opportunities and exposure to a wide variety of experiences.



#### Trust Providers

##### **Improve reliability of sustainability data**

Public sector bodies have the responsibility to produce various data that will be used by the public as part of their preparation of sustainability report and their decision-making processes. Accountants in the public sector are strategically positioned to provide improvement recommendations on how certain data are compiled and collated, ensuring the reliability of those data.

## 4.3 Public Sector

### Guiding Principles

The Guiding Principles listed in this section should be read together with the Guiding Principles highlighted in section 4.1 Commerce and Industry for the accountants that currently fulfill management, finance function and organisational support roles within the public sector entities.

FOUNDATION	INTERMEDIATE	ADVANCED
<b>1. Sustainability Concepts</b>		
<ul style="list-style-type: none"> <li>Understand important sustainability concepts (climate change, biodiversity, human rights, etc.)</li> <li>Understand the impact of related sustainability matters at the national, state, industry and organisational level, as well as the impact on various stakeholders across the ecosystem</li> </ul>	<ul style="list-style-type: none"> <li>Understand sustainability from a technical standpoint (greenhouse gas accounting, carbon tax regulations, etc.)</li> <li>Independently analyse and apply sustainability principles to facilitate effective decision making and policy making</li> <li>Understand the linkage between sustainability initiatives and potential financial impact at public sector level</li> </ul>	<ul style="list-style-type: none"> <li>Be recognised as a sustainability expert in their respective field</li> </ul>
<b>2. Data Management and Analysis</b>		
<ul style="list-style-type: none"> <li>Understand and identify data required for sustainability-related reporting</li> </ul>	<ul style="list-style-type: none"> <li>Record and report sustainability data as an integral component of management reporting on a regular basis</li> </ul>	<ul style="list-style-type: none"> <li>Facilitate seamless data entry and processes for operational, financial and sustainability purposes</li> <li>Leverage data analytics to assess progress towards previously established sustainability targets and gain insights for future strategic planning</li> <li>Utilise data-driven decision-making processes to enhance sustainability initiatives and policy-making</li> </ul>
<b>3. Process of Sustainability Reporting</b>		
<ul style="list-style-type: none"> <li>Sustainability reports are manually prepared on an ad-hoc basis</li> </ul>	<ul style="list-style-type: none"> <li>Use of stand-alone system for the purpose of preparing a sustainability report</li> <li>Minimal interface between sustainability reporting system and other systems within the organisation's IT infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Utilise the ERP system, with high level of integration between operational and financial systems</li> <li>Able to generate operation, financial and sustainability reports from a single source of data</li> </ul>

## 4.3 Public Sector

### Guiding Principles

FOUNDATION	INTERMEDIATE	ADVANCED
<b>4. Sustainability Culture</b>		
<ul style="list-style-type: none"> <li>Have an awareness of the government's sustainability targets and initiative</li> <li>Participate in governmental rollouts of sustainability initiatives and assist in cultivating a public awareness on sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to the strategic implementation of sustainability initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Formulate and implement effective strategies aimed at the public for advancement of the national sustainability target, including net zero strategy</li> </ul>
<b>5. Advocacy and Collaboration</b>		
<ul style="list-style-type: none"> <li>Actively participate and promote sustainability as part of the public sector's initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Host cross-sector dialogues to advocate for sustainability initiative and bridge the gap between government policies and stakeholder needs</li> </ul>	<ul style="list-style-type: none"> <li>Monitor and evaluate key success metrics on sustainability-related collaborations between public sector and industry</li> </ul>
<b>6. Strategic Integration</b>		
<ul style="list-style-type: none"> <li>Be involved in formulating the government's sustainability strategy and plan, either at local government, state, ministerial or national level</li> </ul>	<ul style="list-style-type: none"> <li>Embed sustainability-related consideration as part of policy-making process, including short and medium term targets</li> <li>Report sustainability-related data as part of the public sector's reporting process, together with operational and financial reporting</li> </ul>	<ul style="list-style-type: none"> <li>Continuously identify potential sustainability-related risks and opportunities as part of their role within the public sector</li> <li>Monitor progress and provide early-warning if sustainability targets are not being met</li> <li>Include sustainability targets in long term strategy and targets</li> </ul>
<b>7. 'S' in ESG</b>		
<ul style="list-style-type: none"> <li>Participate in community investments that are in line with the organisation's mission and vision</li> <li>Advocate for diversity, equity, and inclusion practices within the organisation</li> </ul>	<ul style="list-style-type: none"> <li>Embed sustainability and social responsibility as part of organisational processes (such as preference to local suppliers or underserved communities e.g. single mothers and refugees)</li> <li>Implement internal policies that align with local and globally human rights policies</li> </ul>	<ul style="list-style-type: none"> <li>Able to measure return on social capital and community investments</li> <li>Establish governmental policies to support a just sustainability transitions</li> <li>Able to demonstrate and articulate value of socially responsible services for various stakeholders (i.e. citizens, lenders, community, etc.)</li> </ul>



## 4.3 Public Sector

### Spotlight: How DBKL is advocating sustainability within Kuala Lumpur

- As a local authority, Dewan Bandaraya Kuala Lumpur (DBKL) plays a key role in driving sustainability efforts within local communities and businesses. In 2021, DBKL launched the Kuala Lumpur Climate Action Plan 2050<sup>85</sup> joining a series of earlier publications that document the City's actions relating to climate change, including Kuala Lumpur City Hall's (KLCH) Carbon Management Plan, the Kuala Lumpur Low Carbon Society Blueprint 2030, and the Draft Kuala Lumpur Structure Plan 2040.
- The Kuala Lumpur Climate Action Plan 2050 is anchored on 4 key components:

<b>Emissions Neutral</b>	Develop a pathway to deliver an emissions neutral City by 2050 and set an ambitious interim target for 2030
<b>Governance and Collaboration</b>	Detail the governance, powers and the partners to engage in order to accelerate the delivery of the City's mitigation targets and adaptation goals
<b>Resilience to Climate Hazards</b>	Demonstrate how the City will adapt and improve its resilience to the climate hazards that will intensify over time
<b>Inclusivity and Benefits</b>	Outline the social, environmental and economic benefits expected from implementing the plan and ensure the equitable distribution of benefits

- The implementation of these initiatives would be an area where accountants could be involved as a sustainability leader within the organisation. Decarbonisation process is expected to be capital intensive and will require a thorough resource allocation process. Moving forward, approval for future capital investments and sustainability initiatives will need to include sustainability considerations, beyond just operational and financial aspects.

## 4.3 Public Sector

### Spotlight: Supplementary support from JC3 in BNM's regulatory documents

As part of implementation of regulatory requirements, issuance of a taxonomy and public engagement plays a crucial role in its success. This is evidenced by the Joint Committee on Climate Change (JC3) on BNM's climate-related regulations.

#### Climate Change and Principle-based Taxonomy (CCPT)

In 2021, Bank Negara Malaysia (BNM) released the Climate Change and Principle-based Taxonomy (CCPT) guidance document, providing a framework that facilitates assessments of economic activities and their associated impacts on climate mitigation, adaptation and the transition to low carbon and/or more sustainable practices<sup>86</sup>.

#### CCPT Supplementary Documents

Published and continuously updated by JC3 Sub-committee 1 (JC3 SC1) via the Climate Change and Principle-based Taxonomy Implementation Group (CCPT IG), the following documents aim to facilitate effective implementation of CCPT classification<sup>87</sup>.

- **Due Diligence Questions (DDQ) for assessment of BNM CCPT Guiding Principles 3 & 4 (GP3 & GP4)** - designed by CCPT IG in collaboration with World Wildlife Fund (WWF), the DDQ aims to assist in evaluating an organisation's environmental impact and measures undertaken to mitigate negative impact, in line with the CCPT guiding principle 3 'no significant harm to the environment' and guiding principle 4 'remedial measures to transition' criteria<sup>88</sup>.
- **Guidance Notes (GN) to facilitate adoption of DDQ for GP3 & GP4** - the GN provides detailed guidance to support the adoption of DDQ for GP3 & GP4 assessment<sup>89</sup>.
- **Frequently Asked Questions (FAQs) on BNM CCPT reporting template** - the document contains commonly asked questions on CCPT assessment. It represents the views and recommendations of the CCPT IG with the aim to guide financial industry players to ensure consistent and effective implementation of CCPT reporting requirements<sup>90</sup>.

#### SME Focus Group (SFG)

The SME Focus Group (SFG) under JC3 announced on 23 October 2023, five key initiatives to support SMEs in transitioning to a greener economy<sup>91</sup>:

- **Greening Industrial Parks** - transition the operations of industrial parks to low-carbon and sustainable practices
- **Greening Value Chain programme with Bursa Malaysia** - Enable SMEs within PLC supply chains to start measuring and reporting their GHG emissions
- **RM1 billion portfolio guarantee scheme for ESG financing**
- **ESG Jumpstart Portal** - one-stop information portal in building ESG capabilities
- **Green AgriTech** - encourage adoption of green technology and sustainable practices

<sup>86</sup> Bank Negara Malaysia, (30 Apr 2021), *Climate Change and Principle-based Taxonomy*.

<sup>87</sup> Bank Negara Malaysia, (17 Apr 2023), JC3 SC1 via CCPT IG issues CCPT reporting template FAQs and Due Diligence Questions in assessing CCPT Guiding Principles 3 & 4.

<sup>88</sup> Bank Negara Malaysia, (Jan 2024), *Due Diligence Questions In assessing BNM Climate Change Principle-based Taxonomy's Guiding Principles 3 and 4*.

<sup>89</sup> Bank Negara Malaysia, (Jan 2024), *Guidance Notes In answering the due diligence questions for Guiding Principles 3 and 4*.

<sup>90</sup> Bank Negara Malaysia, (Jan 2024), *Frequently Asked Questions On BNM Climate Change Principle-based Taxonomy*.

<sup>91</sup> Securities Commission Malaysia, Oct 2023), *JC3 Announces Initiatives To Support An Inclusive Transition To A Greener Economy*.



## 4.3 Public Sector

### Spotlight: Malaysian Sustainable Palm Oil (MSPO) certification programme under the Department of Standards Malaysia

The Roundtable on Sustainable Palm Oil (RSPO) is an international, multi-stakeholder membership organisation established in 2004 that develops a set of environmental and social criteria for the sustainable production of palm oil. The first iteration of the standard, called the RSPO Principles & Criteria (RSPO P&C) was finalised in 2007.

RSPO certification is designed to address concerns related to deforestation, habitat destruction, and social issues associated with palm oil cultivation<sup>92</sup>. It sets standards that palm oil producers must meet to be certified as environmentally and socially responsible.

However, the RSPO P&C was designed primarily for larger plantation companies that can benefit from economies of scale and the certification of independent smallholder farmers/growers has been largely inaccessible due to:

- technical requirements (e.g. foliar and soil assessments for nutrient content, High Conservation Value assessments, etc.)<sup>93</sup>; and
- cost concerns of the pre-assessment, audit and documentation process<sup>93</sup>.

As of the end of 2021, the RSPO reported 417,000 hectares of smallholder growers achieving RSPO certification out of a total of 4.5 million hectares overall (just over 9%)<sup>94</sup>. As a comparison, smallholder growers account for 30-40% of oil palm cultivation globally<sup>95</sup>.

As a response, the Malaysian government launched the Malaysian Sustainable Palm Oil (MSPO) certification programme, a national certification scheme where the sustainability standards are similar to the RSPO certification, but where smallholder certification is subsidised by the Malaysian government through the Malaysian Palm Oil Board (MPOB)<sup>96</sup>.

MSPO certification started to be implemented in 2015 and in 2022 the certification changed from a voluntary certification scheme to a mandatory regulatory requirement in Malaysia, where uncertified companies face penalties including having their operating licenses revoked<sup>96</sup>.

Under the MSPO Scheme, smallholders are provided with financial aid, in addition to the regular smallholder incentives provided by MPOB such as subsidised pesticides and fertilisers, as well as free on-going technical support<sup>97</sup>. The government had also provided some financial incentives for all levels of oil palm growers in Malaysia. Discounts of either 30% or 70% were available for acquiring an MSPO certification depending on the size of estate and type of processing facility<sup>95</sup>.

As of 2022, 96% of Malaysian palm oil production including industrial stakeholders, SMEs, and smallholders are MSPO certified<sup>98</sup>.

<sup>92</sup> Roundtable on Sustainable Palm Oil, (2023), STANDARDS REVIEW 2022 - 2023.

<sup>93</sup> SeNSOR Programme, (Sep 2014), Barriers to smallholder RSPO certification.

<sup>94</sup> Roundtable on Sustainable Palm Oil, (2022), RSPO Impact Report 2022.

<sup>95</sup> CABI Agriculture and Bioscience, (11 Oct 2021), Oil palm in the 2020s and beyond: challenges and solutions.

<sup>96</sup> Efeca, (Mar 2022), Palm Oil Certification Schemes: MSPO.

<sup>97</sup> Malaysian Palm Oil Certification Council, FAQs.

<sup>98</sup> The Edge Malaysia, (29 Nov 2022). Certification key for smallholders as demand for sustainable palm oil surges - RSPO .





# ACCOUNTANTS IN FOCUS

## Academia

## 4.4 Academia

### Overview

Accounting professionals in academia encompass a diverse group comprising lecturers, faculty deans, and heads of departments<sup>54</sup>. As of 30 November 2023, 2% of MIA members are actively engaged in academia<sup>57</sup>. The followings are examples of areas where accountants in academia would be affected by the sustainability agenda:

#### 4.4.1 Upskilling demand from practicing accountants on sustainability topics

Organisations are facing increasing pressures from stakeholders to address the growing emphasis on sustainability. The preceding *Accountants in Focus* sections have offered insights into the evolving role of accountants in response to these pressures.

A multifaceted approach is required to meet these demands, encompassing continuous upskilling and technical certifications of which support will be needed from those in academia. This requires academic professionals to continuously upskill themselves through independent learning and collaborative efforts with industry experts.

#### 4.4.2 Expectations that future-graduates are equipped with sustainability knowledge

Academia plays a vital role in shaping the next generation of accountants. In meeting current workforce demand, there is an urgent need for a revision of tertiary accounting curricula to include sustainability-related courses<sup>99</sup>.

#### 4.4.3 The need for research in addressing industry's sustainability challenges

Academic researchers currently contribute significantly to research and innovation aimed at addressing contemporary challenges within the accountancy profession. This could be further expanded to deepen and broaden our current understanding of sustainability practices within the profession, including addressing industry challenges as sustainability initiatives are being implemented.

In light of recent advancements in global sustainability trends, it is imperative for the accountancy profession to undergo a transformation that aligns with the needs of the industry, including those in academia.

<sup>54</sup> Malaysian Institute of Accountants (Jul 2020). *Business Excellence Guide for SMEs*.

<sup>57</sup> Malaysian Institute of Accountants, (30 Nov 2023), *Member by Employment*.

<sup>99</sup> The CPA Journal, (Nov 2021), *Integrating Sustainability into the Accounting Curriculum*.

## 4.4 Academia

### Survey Insights

From the survey, respondents from academia stated the following timeline in adopting sustainability-related activities:

#### Timeline of Sustainability Initiatives Adoption in Academia

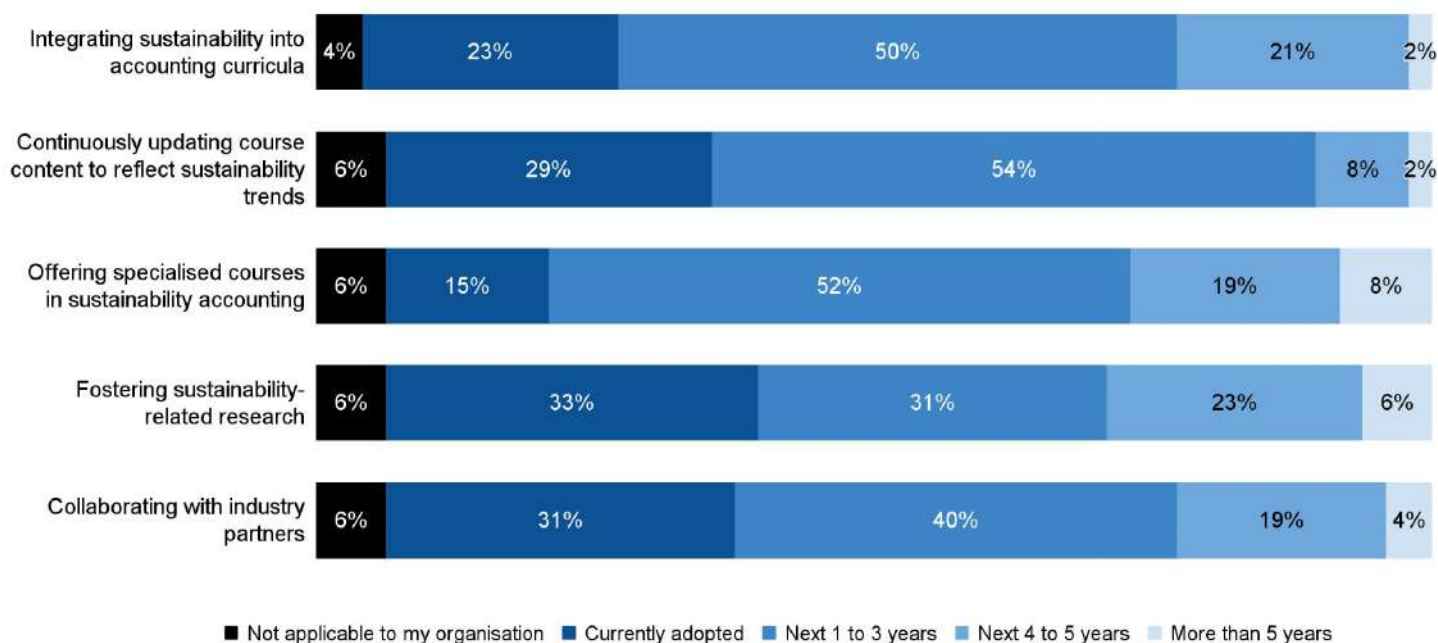


Diagram 9

### What are the challenges faced by accountants in academia in embedding sustainability as part of their role?

#### Data and Technology

**79%** of respondents faced a limited access to sustainability data and resources on sustainability programmes and research

- **86.1%** of these respondents being either lecturers or professors

#### Resources

**61%** of respondents faced a lack of awareness on the regulatory compliance related to sustainability

#### Culture

**50%** of respondents faced a resistance in changing the mindset and culture of academic institutions towards sustainability

**53%** of respondents faced a lack of faculty engagement in incorporating sustainability topics into their teaching and research



## 4.4 Academia

### Aspirations



#### Sustainability Leaders

##### **Be at the forefront of providing solutions in new areas of sustainability-related accounting**

Innovation is a foundational component in advancing sustainability practices, and accountants in academia will contribute through conducting in-depth research and providing industry solutions on sustainability as part of their chosen field. Moreover, collaboration with researchers in other disciplines is essential in generating comprehensive insights on sustainability<sup>100</sup>.

##### **Foster a sustainability mindset across organisation**

As educators, accountants in academia have the opportunity to lead by example in fostering sustainability principles into the faculty and students within their organisations. The role of accountants extends beyond the classroom and should also include shaping the values and priorities of the organisation.



#### Sustainability Advocators

##### **Cross-collaborating with other professionals as well as industries**

Through active involvement in joint research projects and advisory roles, accountants in academia can contribute valuable insights as well as advocate for the integration of sustainable accounting practices within organisations. By leveraging their expertise, they can influence corporate culture and champion the incorporation of sustainability as part of business strategy through their contribution in research and insights.



#### Future-Proof Profession

##### **Produce sustainability-ready graduates to meet workforce demand**

Accountants in academia are responsible in educating the concept as well as technical understanding on sustainability to future graduates. In order to achieve this, the current curricula should be updated to include sustainability-related courses and programmes, exposing students to the intersection of their chosen field and sustainability.



#### Trust Providers

##### **Promote ethical practices and social responsibility**

Accountants in academia can foster ongoing dialogue on the ethics regarding sustainability within the accountancy profession. Their position in research allows them to explore and discover new trends and ways to improve sustainability practices. In addition, their engagement with various key stakeholders as well as students can nurture a culture of integrity and ethical consciousness.

<sup>100</sup> Maran, L., Bigoni, M., & Morrison, L. (Jun 2023). Shedding light on alternative interdisciplinary accounting research through journal editors' perspectives and an analysis of recent publications, 93. *Critical Perspectives on Accounting*.

## 4.4 Academia

### Guiding Principles

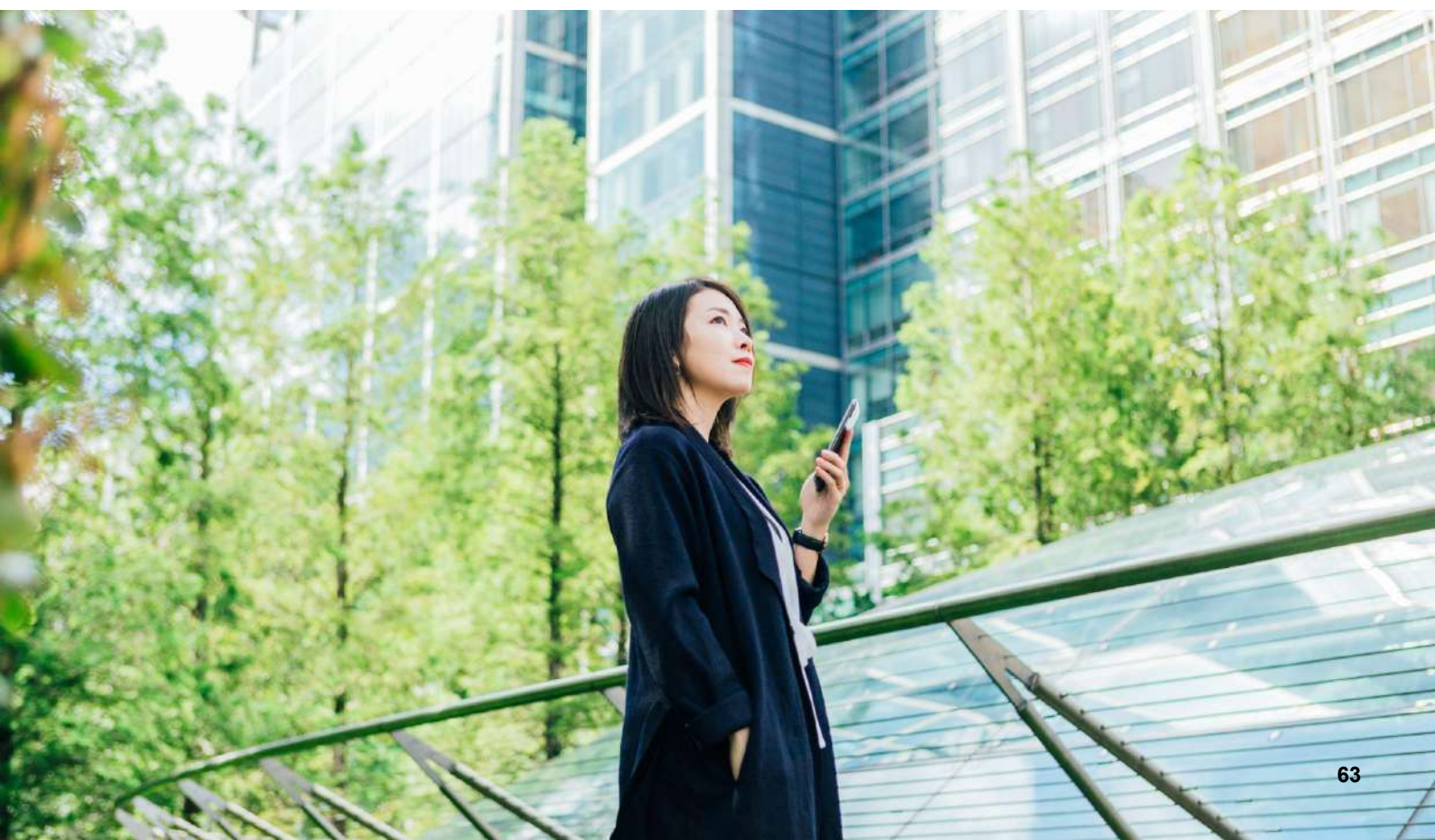
The Guiding Principles listed in this section should be read together with the Guiding Principles highlighted in section 4.1 Commerce and Industry for the accountants that currently fulfill management, finance function and organisational support roles within higher learning institutions.

FOUNDATION	INTERMEDIATE	ADVANCED
<b>1. Sustainability Concepts</b>		
<ul style="list-style-type: none"> <li>Understand basic sustainability concepts (climate change, biodiversity, human rights, etc.)</li> <li>Understand the impact of related sustainability matters to organisations at micro and macro-economic level, as well as its impact to stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Understand sustainability from a technical standpoint (greenhouse gas accounting, carbon tax regulations, etc.)</li> <li>Understand the analysis and application of sustainability principles and its impact to decision and policy making</li> <li>Understand the linkage between sustainability initiatives and potential financial impact</li> </ul>	<ul style="list-style-type: none"> <li>Be recognised as a sustainability expert in their respective field</li> <li>Advance the frontiers of accounting knowledge through research</li> </ul>
<b>2. Sustainability Reporting</b>		
<ul style="list-style-type: none"> <li>Understand the regulatory requirements in relation to preparation of sustainability report in the related jurisdiction, including the relevant sustainability reporting frameworks and standards</li> </ul>	<ul style="list-style-type: none"> <li>Understand the data and disclosure requirements in accordance with the sustainability reporting framework and standards adopted by the organisation</li> </ul>	<ul style="list-style-type: none"> <li>Able to understand and communicate insights on sustainability-related performance data to stakeholders, including its linkage to financial statements</li> </ul>
<b>3. Sustainability Culture</b>		
<ul style="list-style-type: none"> <li>Have an awareness of the organisation's sustainability initiatives and in some instances, assist in cultivating a sustainable culture</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to the strategic implementation of sustainability initiatives within the organisation, actively supporting the development of a sustainable culture</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability is part of the way of working and the default organisation culture</li> <li>Student-led sustainability clubs are established to collaborate on impactful sustainability-related projects</li> </ul>
<b>4. Advocating Sustainability</b>		
<ul style="list-style-type: none"> <li>Actively participate and promote sustainability as part of the organisation's initiatives</li> <li>Participate in community initiatives of advocating sustainability to the wider community</li> </ul>	<ul style="list-style-type: none"> <li>Lead sustainability-related initiatives within own organisation</li> </ul>	<ul style="list-style-type: none"> <li>Advocate for and influence sustainability-related policies at the industry and national level</li> </ul>

## 4.4 Academia

### Guiding Principles

FOUNDATION	INTERMEDIATE	ADVANCED
<b>5. Educating Sustainability</b>		
<ul style="list-style-type: none"> <li>● Integrate sustainability principles into current courses and introduce students to the relevance of sustainability in accounting practices</li> <li>● Collaborate with industry players for sustainability-related seminars and/or workshops e.g. guest lecturers, student/community outreach</li> </ul>	<ul style="list-style-type: none"> <li>● Develop and deliver dedicated sustainability-related courses as part of the overall curricula that covers varying topics across environment, social and governance aspect</li> <li>● Engage students in practical applications of sustainability principles</li> </ul>	<ul style="list-style-type: none"> <li>● Lead innovative teaching approaches in sustainability and contribute to the development of advanced sustainability-related curricula</li> </ul>
<b>6. Researching Sustainability</b>		
<ul style="list-style-type: none"> <li>● Conduct literature reviews on foundational sustainability-related topics</li> <li>● Explore potential opportunities for sustainability-related research</li> </ul>	<ul style="list-style-type: none"> <li>● Initiate independent research projects on sustainability-related themes, demonstrating proficiency in utilising a mix of quantitative and qualitative research methods</li> <li>● Engage in interdisciplinary collaborations</li> </ul>	<ul style="list-style-type: none"> <li>● Lead and supervise major research initiatives in sustainability-related themes</li> <li>● Establish collaborations with industry players and policy makers as a subject matter expert</li> </ul>





## 4.4 Academia

### Spotlight: How universities are championing net zero agenda

#### Sustainable Campuses

Universities are increasingly aspiring to becoming more sustainable. This trend reflects a growing awareness of the impact that academic institutions can have on the environment, local communities, and global sustainability efforts.

- Globally, UN Environment collaborates with universities to establish Green Universities Networks at both national and regional levels<sup>101</sup>. These networks aim to empower institutions to integrate strategies for low-carbon, climate-resilient development into their educational programmes, training initiatives, and campus operations.
- Locally, the University of Malaya (UM) aspires to become a carbon-neutral campus by 2050<sup>102</sup> and has introduced the UM Carbon Neutrality Acceleration Living Labs programme covering the following values: environmental impact, academics, student experience, culture change and university operation<sup>103</sup>.

#### Academic Programmes on Sustainability

In line with the need to incorporate sustainability into the business and accounting curricula, sustainability-related electives and courses are now offered at universities.

- Monash University Malaysia provides an opportunity to take “Sustainability and Responsible Management” as a minor under their Bachelor of Business and Commerce undergraduate programme<sup>104</sup>.
- Universiti Sains Malaysia (USM) has incorporated sustainability in their accountancy curricula with sustainability electives such as “Sustainability of Issues, Challenges and Prospects” can be taken under their Bachelor of Accounting programme<sup>105</sup>.

### Building sustainable solutions through industry partnerships

- On 3 November 2023, Alliance Bank Berhad announced collaboration with two academic institutions in the country, Monash University Malaysia and the International Centre for Education in Islamic Finance (INCEIF University) to help SMEs fast-track their adoption of ESG<sup>106</sup>.
- The collaboration aims to use industry-based insights from the research to develop pragmatic solutions to help Malaysian businesses adopt ESG, whether they are operating in a conventional or Islamic marketplace.

<sup>101</sup> UN Environment Programme, (14 May 2019), *First in class: how schools and universities are practising what they preach on carbon emissions*.

<sup>102</sup> University of Malaya, (9 Dec 2021), *University of Malaya Sustainability Policy 2021-2030*.

<sup>103</sup> University of Malaya, *Global Issues And Community Sustainability: Making The World A Better Place*.

<sup>104</sup> Monash University Malaysia, *Bachelor of Business and Commerce*.

<sup>105</sup> Universiti Sains Malaysia, *WSU 101 Sustainability: Issues, Challenges And Prospects*.

<sup>106</sup> Alliance Bank (3 Nov 2023), *Alliance Bank Collaborates with Leading Academic Institutions on Industry-based Sectoral Playbooks to Help SMEs*.

# MOVING FORWARD

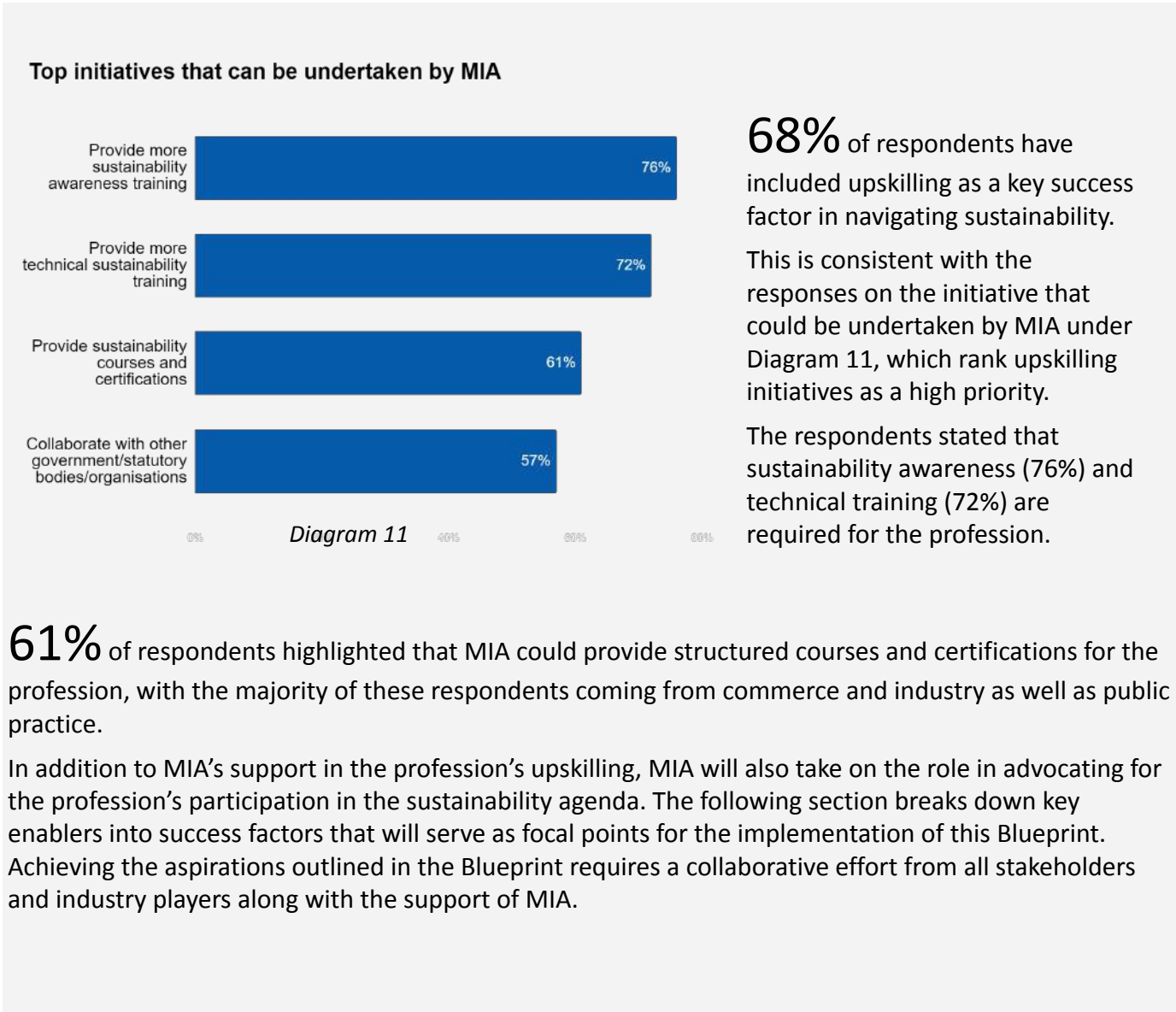
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Chapter

5

# 5.1 Moving Forward with the Blueprint

In line with MIA’s vision and purpose, the Institute will provide support in ensuring the accountancy profession stay relevant to business and market demands. MIA’s role in seeing the implementation of the Blueprint includes:

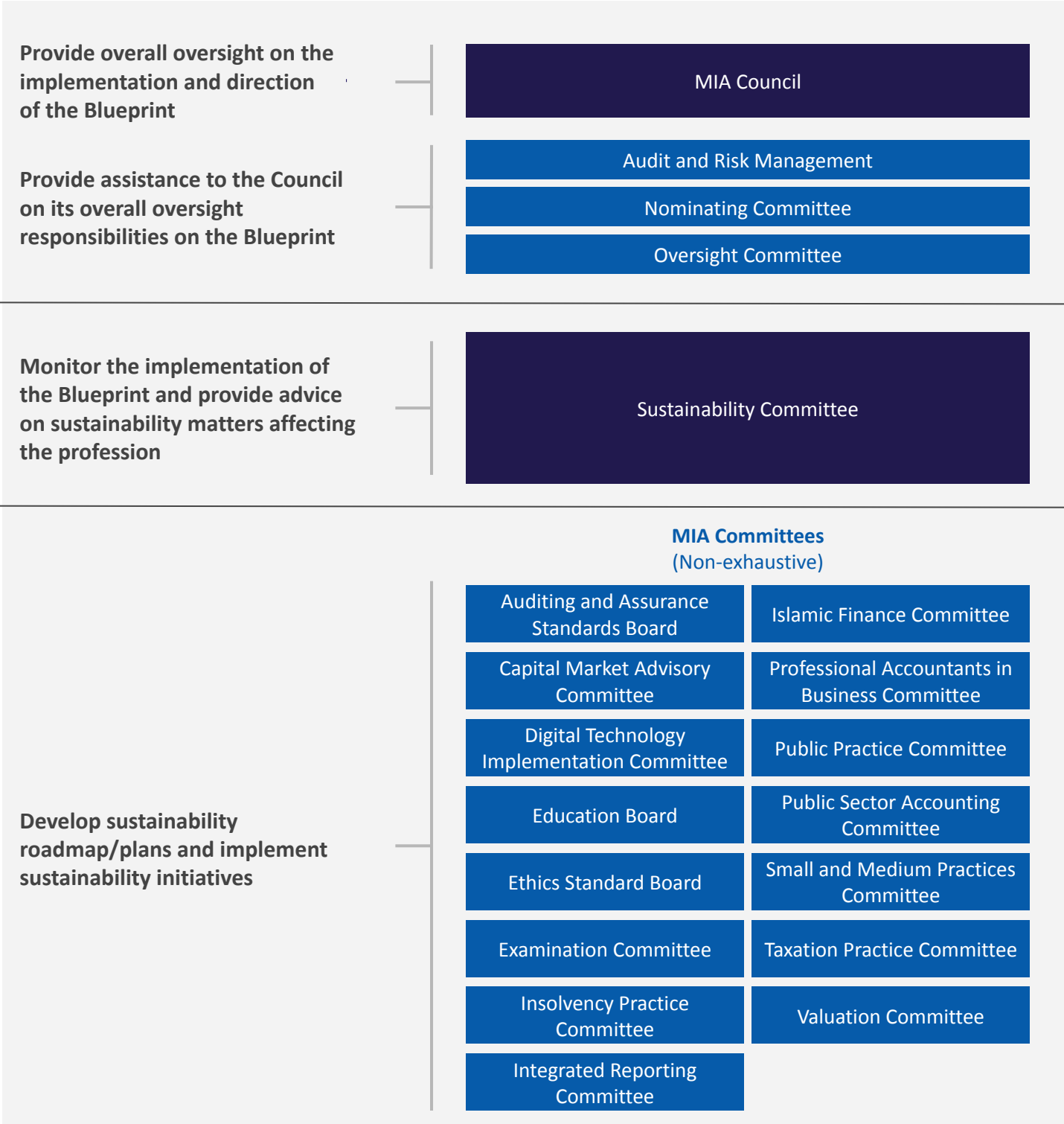




# 5.2 Governance of the Blueprint

## Governance


A Sustainability Committee has been established to take ownership and oversee the implementation of MIA’s efforts in realising the success of integrating sustainability into the accountancy profession. The governance structure of MIA in relation to the implementation of the Blueprint is as set out below.






The following section elaborates on the key enablers and success factors in realising the aspirations. MIA will work together with accountants as well as other stakeholders in addressing this pivotal agenda.

## 5.3 Enabling Accountants in the Sustainability Space

In achieving the aspirations, the following are identified enablers and success factors, which are non-exhaustive for the successful implementation of this Blueprint. The implementation of these enablers and success factors will require a collaborative effort across the industry, involving both individual and organisations alike.

Enablers	Success Factors
<b>Capacity Building</b> 	<ul style="list-style-type: none"> <li>• <b>Integration of sustainability within accountancy curricula</b> - to produce sustainability-ready accountants, updated curricula will need to be developed to take into consideration how sustainability will be impacting the profession.</li> <li>• <b>Upskilling existing accountants</b> - current accountants will need to be continuously upskilled with sustainability-related technical knowledge, in line with the continuous professional development required for chartered accountants. Accountants in academia will also need to be upskilled to fulfil their role in producing the next-generation of accountants.</li> </ul> <p>Upskilling initiatives will need to be outlined, with clearly defined pathways that are tailored to different types of accountants. These programmes should take into consideration the diverse sustainability topics, industry-specific focuses and varying levels of proficiency in sustainability. This should be supplemented by a formal certification programme that provides standardisation and validation of skill set amongst the practitioners.</p> <p>See Appendix II for a non-exhaustive list of sustainability topics that could be considered in the learning pathways.</p>
<b>Collaboration</b> 	<ul style="list-style-type: none"> <li>• <b>Cross-disciplinary collaborations</b> - sustainability requires a high level of technical expertise that could be unfamiliar to accountants. Collaboration with subject matter experts from other disciplinary field, whether internal or external, is critical for:             <ul style="list-style-type: none"> <li>◦ upskilling through knowledge transfer; and</li> <li>◦ ensuring success in meeting organisation's sustainability initiatives.</li> </ul> <p>Examples of cross-disciplinary collaborations could include:</p> <ul style="list-style-type: none"> <li>◦ Collaboration between accountants in industry and accountants in academia to increase understanding of sustainability across the profession. This could be done via industry sharing in the classroom, literature review on the impact of sustainability to businesses, joint research papers in addressing industry's challenges in implementing sustainability, etc.</li> <li>◦ Partnering with subject matter experts (e.g. engineers, agronomists, actuary) not only for upskilling but also to address the needs of business in implementing its sustainability initiatives</li> </ul> </li> <li>• <b>Industries collaboration</b> - an open industry platform (e.g. roundtable discussion or public dialogue) may support not just the exchange of ideas and best practices but provide an avenue for generating industry-wide solutions to address industry-specific sustainability challenges. Avenues like the roundtable discussions will support in streamlining direction for sustainability initiatives in the respective industries.</li> </ul>

## 5.3 Enabling Accountants in the Sustainability Space

Enablers	Success Factors
<b>Collaboration (cont'd)</b> 	<ul style="list-style-type: none"> <li>• <b>Inter-department collaboration</b> - collaboration across disciplines and specialisations is critical, especially within an organisation. Departments should foster collaboration when working on sustainability initiatives, reducing instances where they are working in silo.</li> <li>• <b>Supporting Just Transition for local MSMEs</b> - involvement with the MSMEs are vital as they form a significant part of national supply chain. An organisation's transition plan should address SMEs, which could include providing awareness sessions, operational implementation support, and funding incentives.</li> </ul>
<b>Culture</b> 	<ul style="list-style-type: none"> <li>• <b>Tone from the top</b> - a clear governance framework and implementation plan of sustainability initiatives are essential in guiding professionals in supporting the sustainability agenda within the organisation. This will allow organisations to determine where organisational resources (e.g. financial, headcount and capabilities) should be effectively directed.</li> <li>• <b>Rules and regulation</b> - a successful implementation of sustainability initiatives at industry and national level will need to be supplemented with the relevant policy and regulatory requirements at the relevant industry.  The shift from voluntary sustainable practices to mandatory compliance from organisations will act as enablers for Board of Directors, management and key stakeholders to take sustainability more seriously. However, the introduction of new regulations, policies and standards should only act as a benchmark and to view these requirements as opportunities to improve the performance of organisations.<sup>107</sup></li> <li>• <b>Processes and controls</b> - as sustainability initiatives are being implemented, it is critical for it to be formally operationalised and form part of organisation's day-to-day activities. This will include approval of organisation's new sustainability-related policies, documentation of new and updated Standard Operating Procedures as well as Operating Manual, inclusion of sustainability considerations as part of Enterprise Risk Management process, etc.</li> </ul>
<b>Data and Technology</b> 	<ul style="list-style-type: none"> <li>• <b>Improve the data collection, analysis and reporting processes</b> - existing data collection processes may need to be reviewed and further enhanced to effectively capture sustainability-related information required for decision-making and reporting. Additionally, data collection processes may need to be established for new indicators with controls put in place.</li> <li>• <b>Enhanced IT infrastructures</b> - in some cases, investment on upgrading the current IT infrastructure might be needed to facilitate the upcoming regulatory reporting requirements on sustainability-related financial data.</li> </ul>

Addressing the challenges of sustainability is a collective endeavour that involves multiple players in the industry, including the accountants. Achieving the aspirations outlined in this Blueprint necessitates not only individual efforts from accountants but also support from and collaboration with other stakeholders.





The MIA Sustainability Blueprint for the Accountancy Profession was established with the aim of understanding key issues in aligning the accountancy profession with the global shift towards sustainability, establish aspirations for the accountants with regards to sustainability, and outline the knowledge and competencies required for accountants in relation to sustainability.

The realisation of the Blueprint will need joint efforts from all stakeholders. Organisations and regulators alike will need to advocate that the role of accountants have gone beyond traditional role and that the profession's support as well as insights are pivotal in the success of any sustainability agenda. MIA will play its part in guiding the accountancy profession to ensure the future relevance of the profession and drive sustainable nation building.



# ABOUT THE SURVEY

Annexure

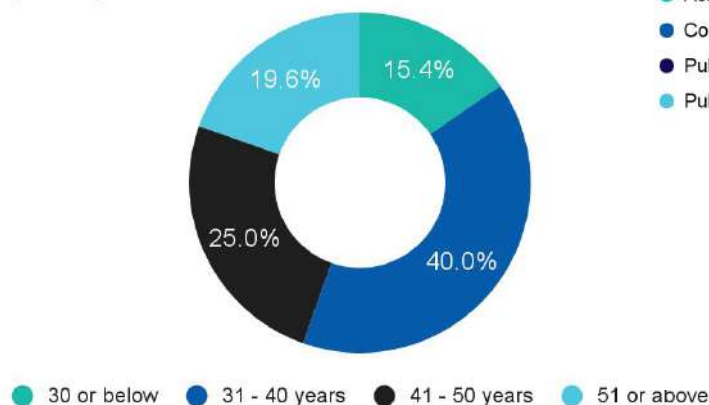
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# About The Survey

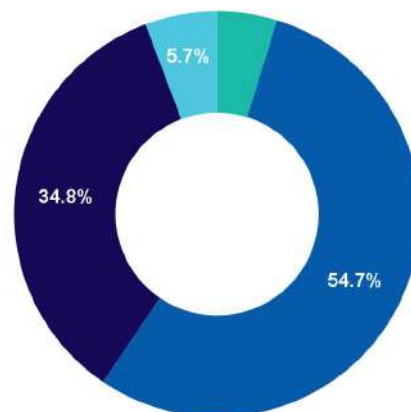
In developing this Blueprint, a survey was conducted to ascertain the collective views of MIA members on the sustainability outlook for the accountancy profession in Malaysia. The survey was conducted from 20 November 2023 to 3 December 2023.

## Individual profiles of the respondents

Age Range



Academia  
Commerce and Industry  
Public Practice  
Public Sector

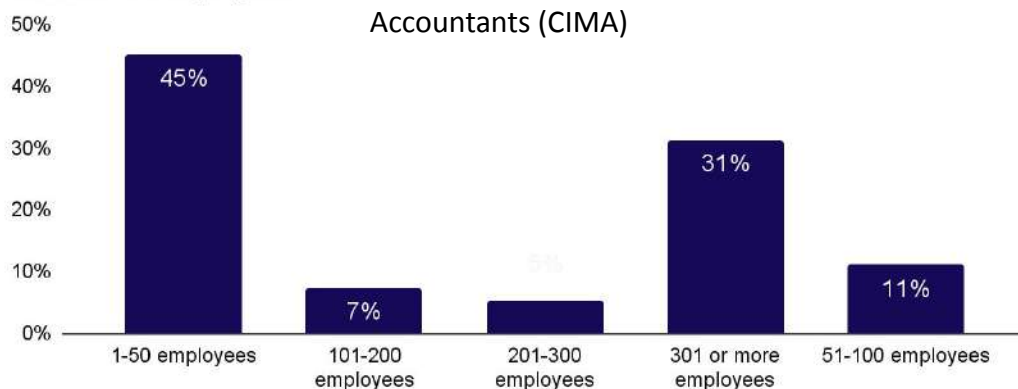


## Organisational profile of the respondents

**21.4%**  
Listed

**78.6%**  
Non-listed

Number of Employees



**62.9%** of respondents are also member of other professional bodies e.g. ACCA, MICPA, Chartered Institute of Management Accountants (CIMA)

The higher ratio of respondents from non-listed organisations are attributed from the following sectors:

- 4.3% Academia
- 33.6% Public Practice
- 38.6% Commerce & Industry
- 4.0% Public Sector

The respondents are mainly from the following industries:



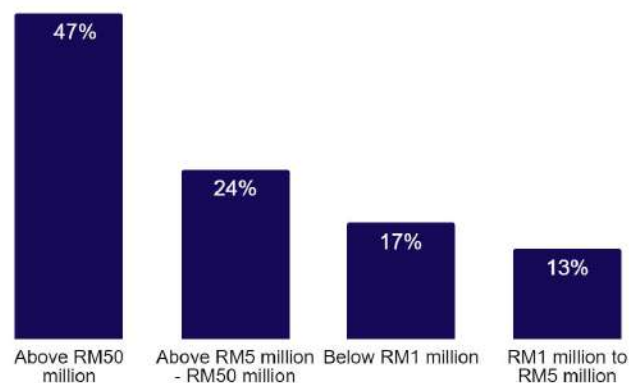


# Survey Results - Commerce and Industry

## Profiles of Commerce and Industry

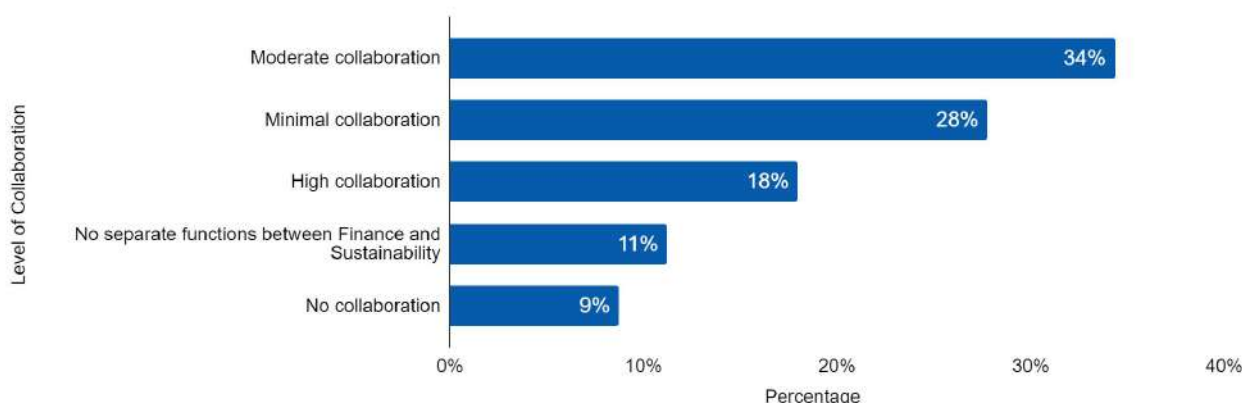
Position	Count
Account & Finance	55%
Unidentified	13%
Other Management	3%
Corporate Services	3%
Internal Audit	2%
Assurance / Audit	2%
Advisory / Consulting	2%
Company Secretary	1%
Board member	0%
Chief Executive Officer	0%
Chief Financial Officer	0%
Chief Security Officer	0%

Organisation Size by Revenue

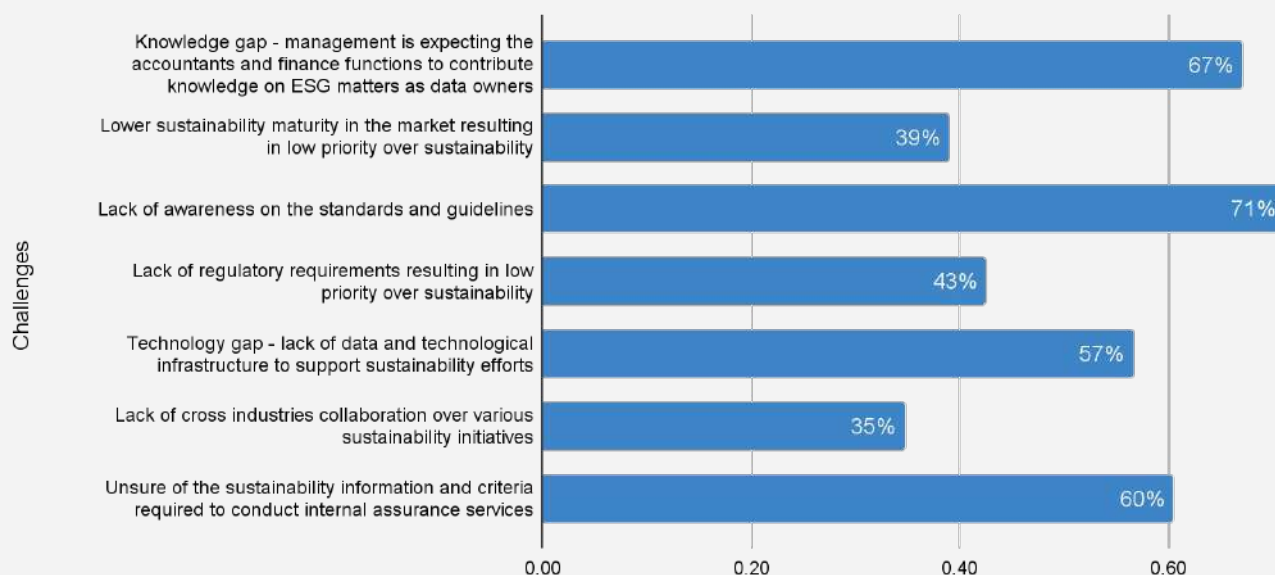


## Integration of sustainability

Level of collaboration between finance and sustainability teams



## What are the other challenges faced by your profession in providing assurance or advisory services relating to sustainability to clients ?



# Survey Results - Public Practice

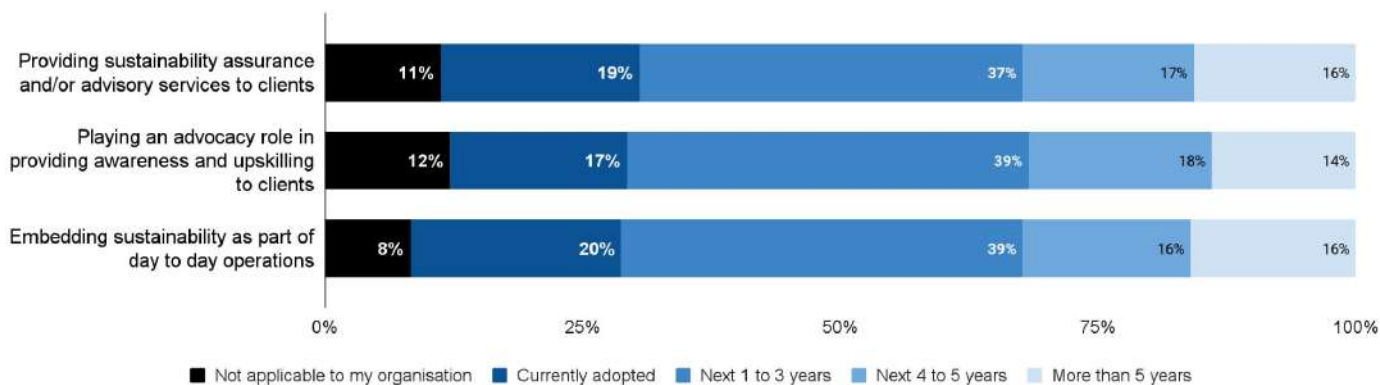
## Profiles of Public Practice

Position	Count
Partner	38%
Senior Manager to Director	33%
Manager and below	27%
Sole proprietor	1%
Unidentified	1%

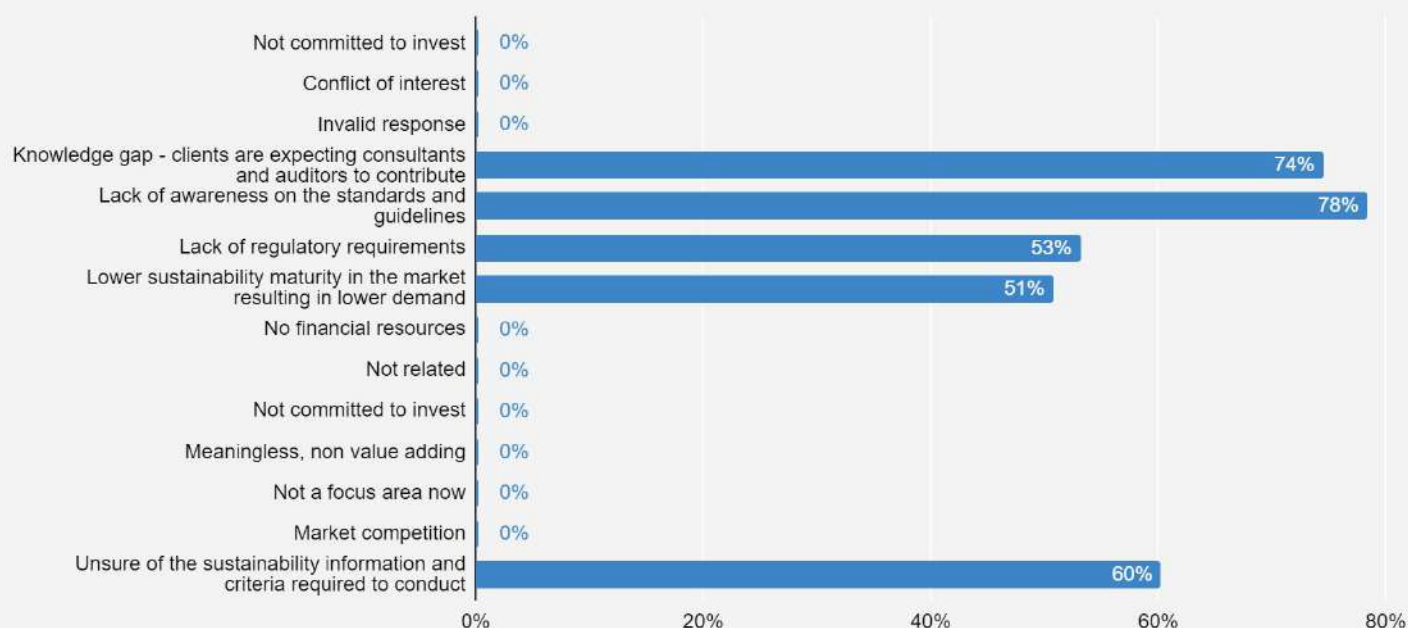


## Integration of sustainability

How soon do you expect to see the following sustainability-related activities being adopted within your organisation?



## What are the other challenges faced by your profession in providing assurance or advisory services relating to sustainability to clients ?

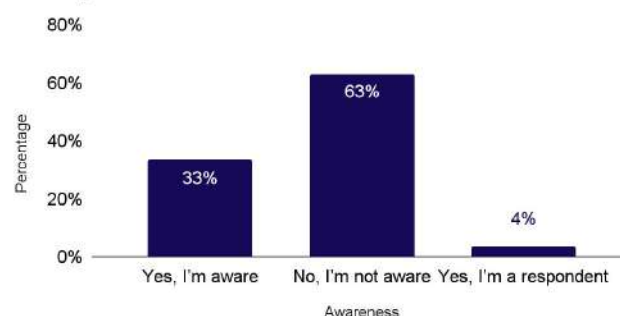


# Survey Results - Public Sector

## Profiles of Public Sector

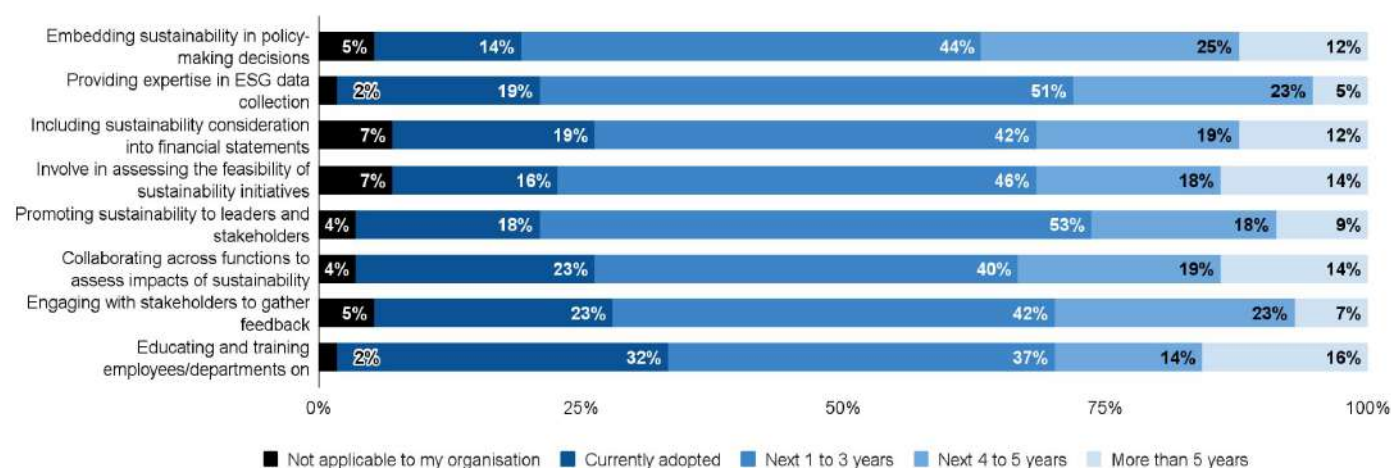
Position	Count
Head of Division of Unit	44%
Executive	42%
Head of Department or Agency	12%
Board of Director	2%

Awareness of IPSASB's Consultation Papers issued and the developments

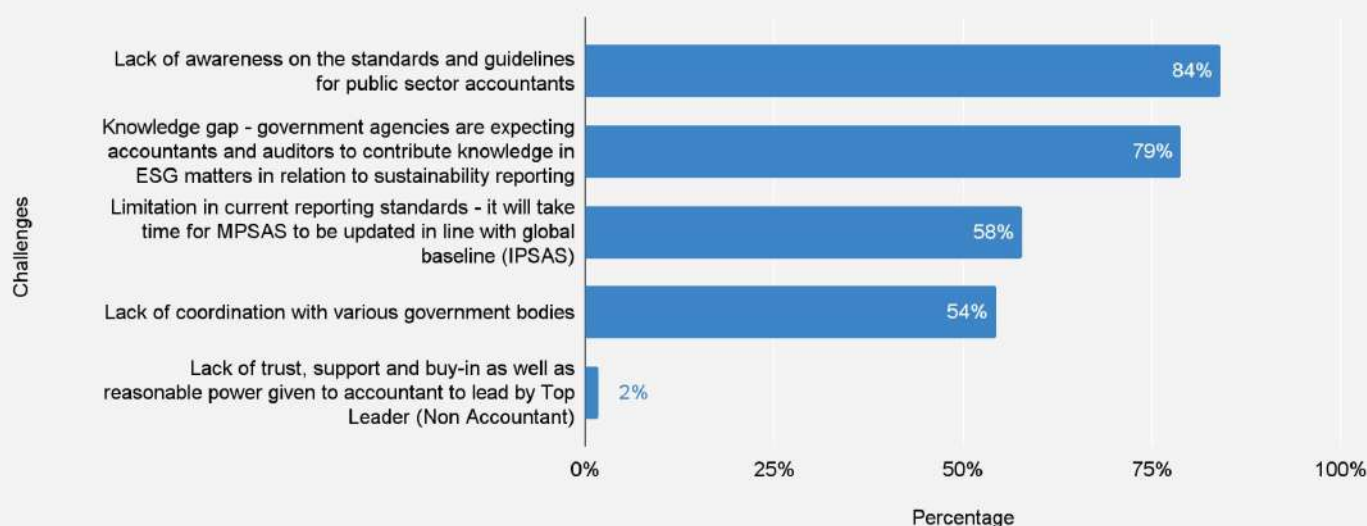


## Integration of sustainability

How soon do you expect to see the following sustainability-related activities being adopted within your organisation?



What are the other challenges faced by your profession in providing assurance or advisory services relating to sustainability to clients ?





# Survey Results - Academia

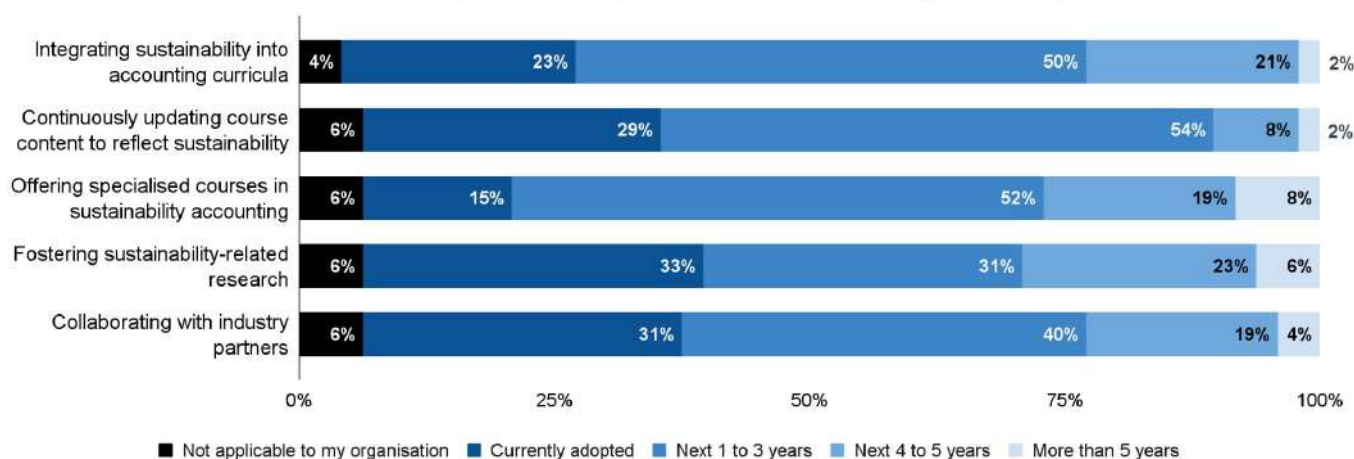
## Profiles of Academia

Position	Count
Associate Professor and below	56%
Lecturer or Senior Lecturer	19%
Professor	10%
Top Management	8%
Corporate (Accountant or others)	4%

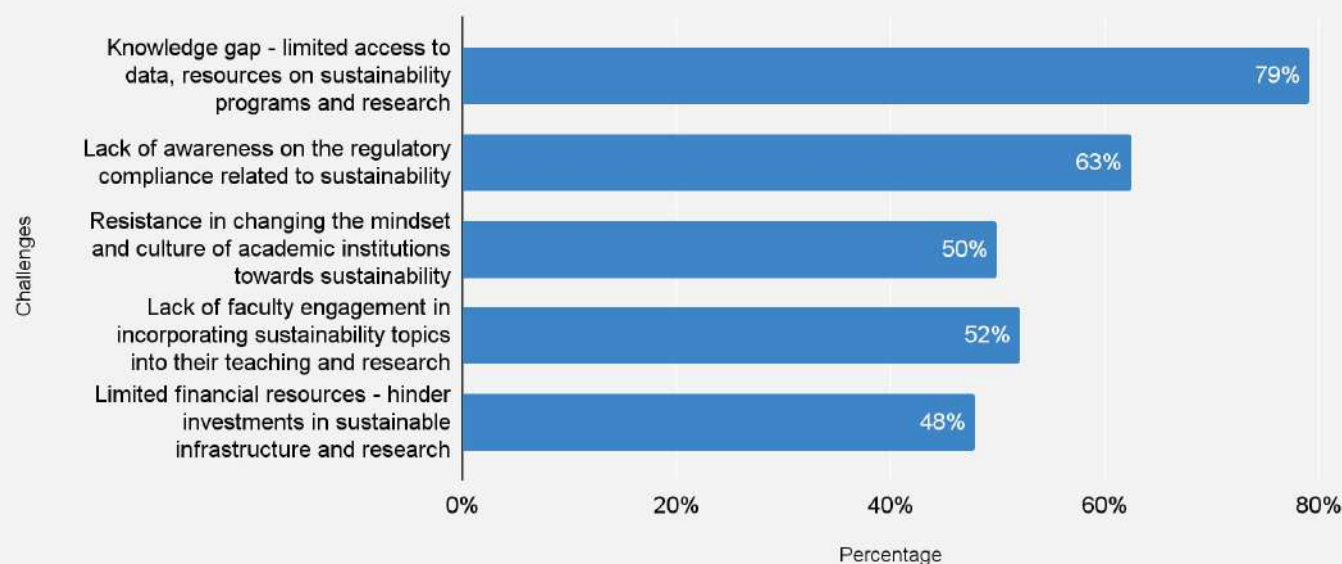


## Integration of sustainability

How soon do you expect to see the following sustainability-related activities being adopted within your organisation?

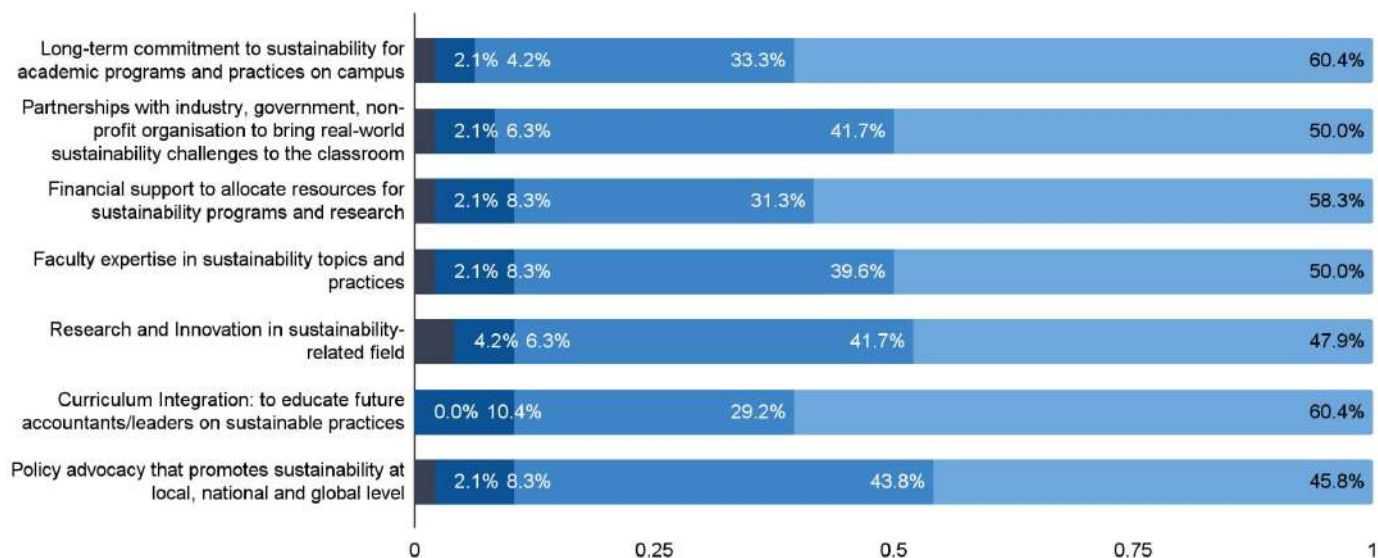


What are the other challenges faced by your profession in providing assurance or advisory services relating to sustainability to clients ?

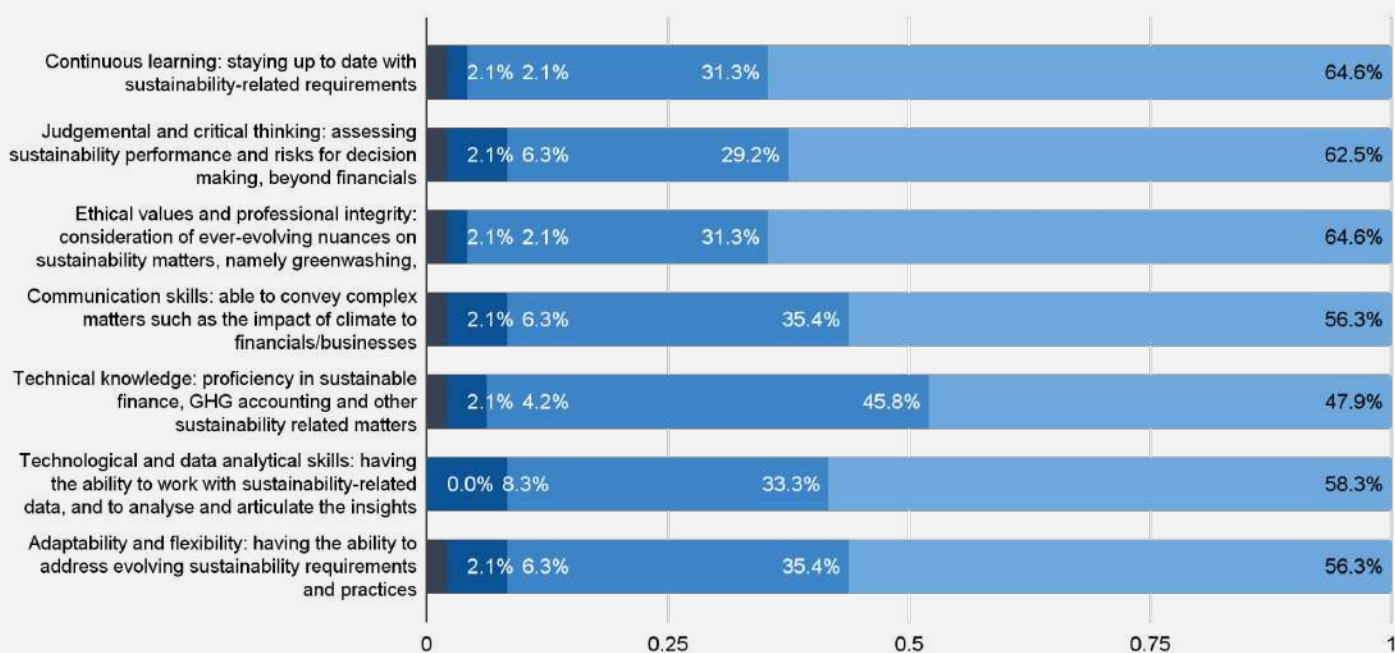


# Survey Results - Academia

## Importance of enablers in meeting sustainability expectations



## Qualities and skills for accounting students



# CAPACITY BUILDING

Annexure





# Capacity Building Topics

To create value through the integration of sustainability into the profession, capacity building is one of the enablers highlighted. This includes a tangible and practical plan in the development of learning pathways for the accountants.

The list below are examples of sustainability training topics covering a breadth of topics across the environment, social, and governance aspects. Further deliberation is required to ensure that the training programme takes into consideration of the three sustainability maturity levels.

## General



- Sustainability Awareness
- What is ESG
- Stakeholder Expectations in Sustainability
- Sustainable Investment
- ESG Data
- Value Creation in Sustainability
- EU Taxonomy for Sustainable Activities
- ESG in executive pay and incentives

## Social



- Advancing the 'S' in ESG
- ESG: The S in a fair transition
- Fairness in the Workforce
- International Diversity Management
- Labour Rights and Working Conditions

## Environment



- Carbon Taxes and Pricing
- Circular Economy Reporting
- Climate Change
- Climate Resilience
- Climate Risk and Opportunity
- Climate Risk Management Cycle
- Climate Risk Identification
- Climate Risk Assessment - Methods, Tools, and Scenario Analysis
- Energy Transition and Renewables
- Environmental Risks
- GHG Protocol, Methodology, and Calculations
- Net Zero & GHG Emissions
- Tax credits and incentives
- Tax transparency and total tax contribution
- Sustainable Supply Chain

## Governance



- Building a Robust ESG Reporting Strategy
- Operationalising Sustainability
- Pillars of Effective Governance
- Upholding Governance on Sustainability
- Sustainability Reporting Essentials
- Task Force on Climate-related Financial Disclosures (TCFD)
- IFRS S1 and S2 Requirements
- Corporate Sustainability Reporting Directive (CSRD)
- Sustainability Assurance
- Reviewing Sustainability Report for Internal Auditors

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# ACRONYMS & ABBREVIATIONS

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Annexure

IV



# Acronyms And Abbreviations

ACCA	Association of Chartered Certified Accountants
ACRS	Advisory Committee on Sustainability Reporting
BNM	Bank Negara Malaysia
CAGR	Compound Annual Growth Rate
CBP	United States of America Customs and Border Protection
CCPT	Climate Change and Principle-based Taxonomy
CCPT IG	Climate Change and Principle-based Taxonomy Implementation Group
CEO	Chief Executive Officers
CFO	Chief Financial Officers
CIMA	Chartered Institute of Management Accountants
CSRD	Corporate Sustainability Reporting Directive
CMM	Capital Markets Malaysia
DBKL	Dewan Bandaraya Kuala Lumpur
DDQ	Due Diligence Questions
ESG	Environmental, Social and Governance
ESRS	European Sustainability Reporting Standards
ERP	Enterprise Resource Planning
FAQs	Frequently Asked Questions
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GP3	Guiding Principles 3
GP4	Guiding Principles 4
GreenRE	Green Real Estate
GN	Guidance Notes
IAASB	International Auditing and Assurance Standards Board
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
ILO	International Labour Organisation
INCEIF University	International Centre for Education in Islamic Finance
INDC	Intended Nationally Determined Contribution
IPR	Inisiatif Pendapatan Rakyat
ISSB Standards	IFRS Sustainability Disclosure Standards
ISSB	International Sustainability Standard Board
JC3	Joint Committee on Climate Change
JC3 SC1	Joint Committee on Climate Change Sub-committee 1
JT-SAP	Jom Transform – Sustainability Accelerator Program

# Acronyms And Abbreviations

KLCH	Kuala Lumpur City Hall
KPI	Key Performance Indicator
MACC	Malaysian Anti-Corruption Commission
MCCG	Malaysian Code on Corporate Governance
MGTC	Malaysian Green Technology and Climate Change Corporation
MIA	Malaysian Institute of Accountants
MICPA	The Malaysian Institute of Certified Public Accountants
MITI	Ministry of Investment, Trade, and Industry
MPOB	Malaysian Palm Oil Board
MSME	Micro, Small, and Medium Enterprises
MSPO	Malaysian Sustainable Palm Oil
NDC	Nationally Determined Contribution
NIMP	New Industrial Master Plan
NETR	National Energy Transition Roadmap
NSRF	National Sustainability Reporting Framework
PNB	Permodalan Nasional Berhad
RPA	Robotic Process Automation
SBTF	Sustainability Blueprint Task Force
SBTi	Science Based Targets Initiative
RSPO	Roundtable on Sustainable Palm Oil
RSPO P&C	Roundtable on Sustainable Palm Oil Principles & Criteria
SDER	Sustainability, Digital Economy and Reporting
SDG	Sustainable Development Goals
SEC	United States of America Securities and Exchange Commission
SEDG	Simplified ESG Disclosure Guide
SFG	SME Focus Group
SGX	Singapore Exchange
SME	Small and Medium Enterprises
SMP	Small Medium Practices
SOE	State Owned Enterprises
TCFD	Task Force on Climate-Related Financial Disclosures
TIG	Thoughts In Gear
TNFD	Task Force on Nature-Related Financial Disclosures
UM	University of Malaya
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change

# Acronyms And Abbreviations

USM	Universiti Sains Malaysia
WRO	Withhold Release Orders
WWF	World Wildlife Fund





# ACKNOWLEDGMENTS

Annexure



# Acknowledgements

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