

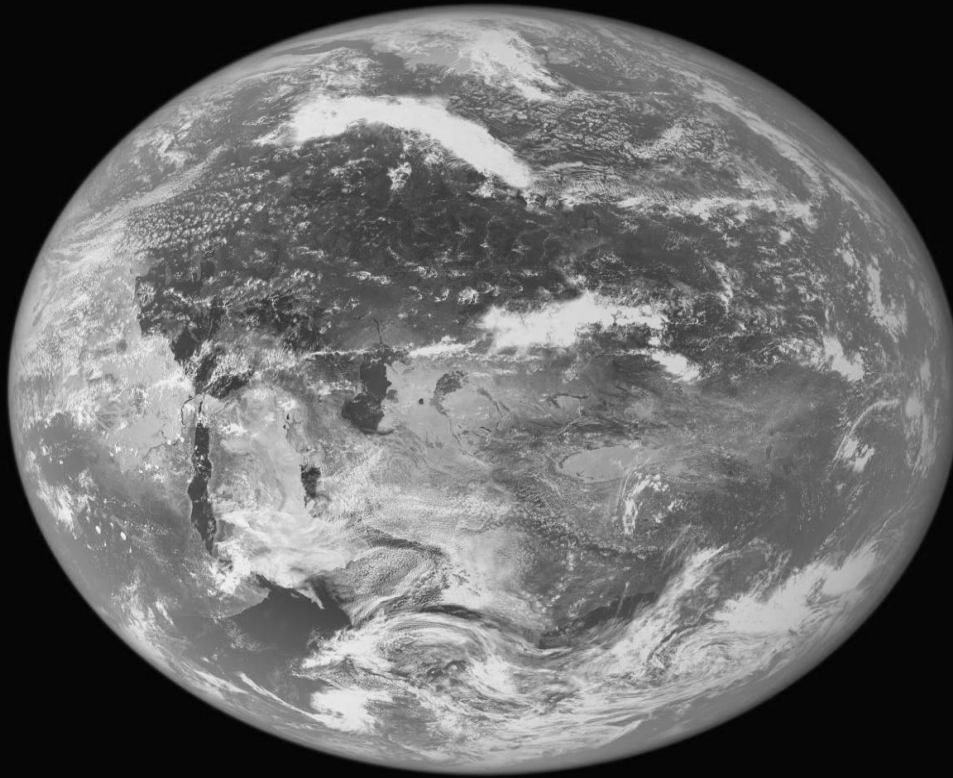


ARTICLE 10:

**FROM FRAMEWORK TO REPORTING:
PRACTICAL APPLICATION OF **IFRS** SUSTAINABILITY AND
ESRS**

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OVERVIEW- OF IFRS SUSTAINABILITY AND ESRS

By this stage in the series, the key question is no longer what sustainability reporting frameworks exist. It is how they are applied in practice.

In the earlier articles, we mapped the reporting landscape and explored practical starting points through ASEDG and GRI.

This final article turns to the more formal reporting space of IFRS Sustainability Standards Board –“ISSB “ - and European Sustainability Reporting Standards or “ ESRS” — and, more importantly, what those frameworks mean when applied to a real business.

That gets to the point faster.

Both frameworks push companies beyond broad ESG statements into more structured disclosure around governance, risk, strategy and metrics.

That distinction matters

THE STARTING POINT: TWO DIFFERENT REPORTING LENSES

A simple way to understand the difference is this.

Under IFRS Sustainability, the company asks:

What sustainability-related risks and opportunities could affect our cash flows, access to finance, cost of capital, or enterprise value?

Under ESRS, the company asks:

How do sustainability matters affect us, and how do we affect people and the environment?

That difference shapes the reporting outcome.

In practical terms, IFRS Sustainability is more investor-oriented and financially focused, while ESRS is broader and built around double materiality

A practical example: DemoAir Manufacturing Sdn Bhd

To make the distinction more practical, it helps to apply both frameworks to the same company. Using the same fictional manufacturer from the earlier article — DemoAir Manufacturing Sdn Bhd, a manufacturer of industrial ventilation fans, we can see how the same underlying sustainability data may lead to two different reporting narratives

In the carbon article, we showed how DemoAir could calculate:

- **Scope 1** from company fuel use and refrigerants,
- **Scope 2** from purchased electricity,
- **Scope 3** from purchased materials, logistics, waste, commuting, business travel and the use of sold products.

How would DemoAir report this information under IFRS Sustainability, and how would that differ under ESRS?



IFRS SUSTAINABILITY VS ESRS — PRACTICAL DISTINCTIONS

Aspect	IFRS Sustainability (IFRS S1 / S2)	ESRS
Governing authority	Issued by the International Sustainability Standards Board (ISSB) under the IFRS Foundation. (ifrs.org)	Developed for use under the EU sustainability reporting regime, with the European Commission adopting the standards and EFRAG providing technical support. (finance.ec.europa.eu)
Nature of the standard	A global baseline sustainability disclosure standard intended for adoption or use by jurisdictions, regulators and stock exchanges. (ifrs.org)	A regional regulatory sustainability reporting standard used within the EU corporate reporting system. (finance.ec.europa.eu)
Jurisdictional reach	Intended for global use, subject to adoption, alignment or incorporation by jurisdictions. In Malaysia, the reporting direction is increasingly aligned through the NSRF.	Applies within the EU corporate sustainability reporting framework and affects companies in scope of the CSRD, with wider influence on EU-linked supply chains. (finance.ec.europa.eu)
Main audience	Primarily investors and capital providers , through general purpose financial reports. (ifrs.org)	Broader stakeholder and regulatory audience , while still including financially relevant information. (finance.ec.europa.eu)
Core reporting lens	Financial materiality — focuses on sustainability-related risks and opportunities that could affect enterprise value, cash flows, access to finance or cost of capital. (ifrs.org)	Double materiality — considers both how sustainability matters affect the company and how the company affects people and the environment. (efrag.org)
Main focus	Sustainability-related financial disclosures, with IFRS S2 specifically addressing climate-related risks and opportunities. (ifrs.org)	Broader sustainability reporting across environmental, social and governance topics, with climate as one part of the wider ESRS structure. (finance.ec.europa.eu)
Structure of reporting	Built around governance, strategy, risk management, and metrics & targets . (ifrs.org)	Built around general requirements plus topical standards, with materiality assessment as a key driver of what gets reported. (efrag.org)
Climate disclosures	Climate sits at the centre of IFRS S2 , including disclosure of governance, strategy, risk management, metrics and targets for climate. (ifrs.org)	Climate is addressed mainly through ESRS E1 , but within a broader sustainability reporting architecture. (finance.ec.europa.eu)
GHG emissions treatment	Requires disclosure of material Scope 1, Scope 2 and Scope 3 emissions and refers to the GHG Protocol for measurement. (ifrs.org)	Also requires climate-related emissions disclosure where material, but within the broader ESRS system and double-materiality approach. (finance.ec.europa.eu)
In-scope entities	Depends on how the standard is adopted or required by each jurisdiction, regulator or exchange. In Malaysia, the phased NSRF rollout points listed issuers and large non-listed entities increasingly toward IFRS-based sustainability disclosure.	Determined by the EU's corporate sustainability reporting rules for entities in scope of the CSRD. (finance.ec.europa.eu)
Assurance / compliance context	Assurance and compliance depend largely on local jurisdictional adoption and regulatory requirements.	Embedded in a more formal EU regulatory reporting environment, including assurance pathways under the CSRD framework. (finance.ec.europa.eu)
Use of other references	Can work alongside measurement references such as the GHG Protocol and may be supported by internal or external guidance, but remains centered on investor-useful disclosure. (ifrs.org)	Often requires broader sustainability data and materiality analysis, and may overlap in practice with impact-oriented reporting approaches, though it remains its own EU reporting standard. (efrag.org)
Practical reporting burden	More focused and narrower in lens, especially for investor-oriented reporting. (ifrs.org)	Generally broader and more data-intensive in practice because of wider topical coverage and double materiality. (efrag.org)
Best practical fit	Particularly relevant for listed companies, capital-market-facing businesses, and jurisdictions aligning with the ISSB baseline. In Malaysia, this is increasingly important under NSRF.	Particularly relevant for companies directly in scope of EU reporting requirements or those with significant EU-facing exposure. (finance.ec.europa.eu)



How DemoAir would apply IFRS Sustainability

Under **IFRS S1 and IFRS S2**, DemoAir would not begin by trying to report every ESG topic.

It would begin by identifying the sustainability-related risks and opportunities that could materially affect the business.

For a manufacturing company like DemoAir, these could include:

- rising electricity costs,
- climate-related regulation,
- embedded carbon exposure in steel and aluminium,
- customer demand for more energy-efficient products,
- supply-chain disruption,
- climate-related physical risks affecting operations.

The reporting would then be structured around four core areas

1. Governance

DemoAir would explain who oversees sustainability and climate-related matters, how the board is informed, and which management team members are responsible for monitoring and reporting these issues.

2. Strategy

The company would explain how climate-related matters affect its business model, financial planning and competitiveness. For DemoAir, this could include electricity-intensive production, exposure to

3. Risk Management

DemoAir would describe how sustainability and climate-related risks are identified, assessed and managed. This could include integrating climate risks into the corporate risk register, monitoring supplier exposure, and assessing operational disruption risks.

4. Metrics and Targets

This is where the earlier carbon work becomes highly useful. DemoAir could disclose:

- Scope 1, Scope 2 and relevant Scope 3 emissions,
- emissions intensity by revenue,
- electricity consumption,
- waste metrics,
- product efficiency indicators,
- emissions or efficiency targets.

So in practice, **IFRS reporting is not just a carbon table.**

It is a structured explanation of what matters financially, why it matters, how it is governed, how it is managed, and which metrics support the disclosure.

For DemoAir, IFRS reporting would be built around the four familiar pillars of governance, strategy, risk management, and metrics and targets. The company would not be expected to report on every ESG topic. Instead, it would focus on the sustainability-related risks and opportunities that could materially affect the business.

How DemoAir would look different under ESRS

Now take the same company and apply **ESRS**.

Some of the data would still matter.

Emissions would still matter. Governance would still matter. Strategy would still matter.

But the reporting lens becomes broader.

Under **ESRS**, the same company would still report emissions, governance and strategy. But the exercise would not stop at business risk. It would extend to the company's impacts on people and the environment, which is why ESRS often feels broader and more data-intensive in practice

That could bring in questions such as:

- What are the environmental impacts of steel, aluminium and packaging use?
- What waste, water or pollution impacts arise from operations?
- Are workers exposed to health and safety risks?
- Are there impacts across the value chain?
- What happens to the product at end of life?
- Are communities affected by logistics or operations?

That is why ESRS often feels more **expansive** in practice.

For the same company, the reporting exercise becomes wider, because the company is not only explaining **business risk**. It is also explaining **impact**.

The practical difference

For the same demo manufacturing company, the distinction can be summarised simply:

Under IFRS Sustainability, DemoAir reports sustainability matters primarily through the lens of **enterprise value and investor-useful information**.

Under ESRS, DemoAir reports sustainability matters through the lens of both **financial effects and outward impacts on people and the environment**.

That is why the **same underlying emissions dataset** can sit inside two different reporting narratives.

Where they still overlap

Even though the reporting lens differs, the preparation required for both is not entirely different.

A company like DemoAir would benefit under either system from:

- better sustainability governance,
- stronger data collection,
- clearer internal accountability,
- reliable greenhouse gas accounting,
- measurable targets,
- more disciplined reporting processes.

This is one of the most important practical lessons.

A company that already has sound carbon data, clearer governance, basic sustainability policies and a more organised reporting process is in a much stronger position whether it is reporting under **IFRS Sustainability** or responding to **ESRS-related expectations**.

What this means for Malaysian businesses

For Malaysian businesses, the more immediate reporting direction is becoming clearer.

For Malaysian businesses, the more immediate reporting direction is becoming clearer. Formal disclosure expectations are increasingly aligned with IFRS S1 and IFRS S2, particularly through the wider national direction already discussed earlier in the series.

That means the **practical application of IFRS Sustainability** is the more immediate issue for many Malaysian listed and listing-bound companies.

At the same time, companies with:

- EU customers,
- EU-linked supply chains,
- export exposure to Europe,
- or sustainability information requests from multinational buyers,

should not ignore **ESRS**, even if they are not directly reporting under EU rules themselves.

Final thought

Across this article series, the message has become increasingly clear: sustainability reporting is no longer a peripheral exercise. It is becoming more structured, more strategic and more central to how businesses explain risk, opportunity, performance and direction.

We began with the fundamentals of carbon measurement, moved through **Scope 1, Scope 2 and Scope 3**, explored how reporting can be organised through practical guides such as **ASEDG** and **GRI**, and then stepped into the more formal reporting space of **IFRS Sustainability** and **ESRS**.

The lesson is not that every company must report under every framework. It is that businesses need to understand **which frameworks are most relevant to them, what those frameworks are designed to do, and how reporting expectations are evolving**.

For many businesses in Malaysia, the immediate direction is becoming clearer through **NSRF** and the growing importance of **IFRS S1 and IFRS S2**. For companies with broader international exposure, especially into Europe, **ESRS** may also become increasingly relevant.

For SMEs and supply-chain companies, the journey may begin more practically through **ASEDG**, with **GRI** serving as a useful reference for stronger report structure and content.

Ultimately, good sustainability reporting is not just about compliance. It is about building clarity — clarity on risks, opportunities, impacts, governance, performance and direction.

In the end, sustainability reporting is no longer only about what a company says. It is increasingly about how clearly, credibly and consistently it can show what matters.

DEMO-AIR MANUFACTURING — PRACTICAL APPLICATION UNDER IFRS SUSTAINABILITY VS ESRS

DemoAir Manufacturing — Practical Application Under IFRS Sustainability vs ESRS		
Reporting Area	DemoAir under IFRS Sustainability (IFRS S1 / S2)	DemoAir under ESRS
Starting question	What sustainability-related risks and opportunities could affect DemoAir’s cash flows, access to finance, cost of capital, or enterprise value?	What sustainability matters affect DemoAir, and how does DemoAir affect people and the environment?
Materiality approach	Focus on financial materiality — for example, rising electricity costs, carbon-related regulation, product efficiency demand, and supply-chain disruption.	Focus on double materiality — including both financial effects and impacts such as waste generation, worker safety, supply-chain impacts, and product end-of-life effects.
Main climate focus	Climate-related risks and opportunities under IFRS S2, including physical risk, transition risk, and strategic opportunities such as energy-efficient products.	Climate under ESRS E1, but considered within a wider set of environmental, social and governance disclosures.
Use of emissions data	Scope 1, Scope 2 and relevant Scope 3 emissions are disclosed as part of climate-related metrics and targets, linked to business risk and strategy.	Emissions data is still important, but may sit alongside broader disclosures on environmental impacts, workers, value chain and product lifecycle.
Governance disclosure	Explain who oversees sustainability and climate issues, how the board is informed, and how management monitors climate-related matters.	Disclose governance, but within a broader sustainability statement that may include wider governance and impact oversight.
Strategy disclosure	Explain how sustainability and climate affect business strategy, financial planning, market positioning and resilience.	Explain not only strategic risk and resilience, but also broader sustainability impacts arising from the business model and operations.
Risk management	Show how climate and sustainability-related risks are identified, assessed and integrated into corporate risk management.	Show how material sustainability matters are assessed across both inward risks and outward impacts.

DemoAir Manufacturing — Practical Application Under IFRS Sustainability vs ESRS

Reporting Area	DemoAir under IFRS Sustainability (IFRS S1 / S2)	DemoAir under ESRS
Operational example for DemoAir	Discuss factory electricity use, reliance on steel and aluminium, transition risk, and the commercial opportunity in lower-energy fan products.	Discuss those same issues, but also look more broadly at worker safety, waste, water, supply-chain impacts and end-of-life product impacts if material.
Product disclosure angle	Focus on how product energy efficiency affects competitiveness, customer demand and future revenues.	Also consider how the product affects environmental outcomes over its full lifecycle, including disposal and broader impact.
Social topics	Included where they create material sustainability-related financial effects.	Included more broadly where they are materially relevant from an impact and/or financial perspective.
Reporting outcome	A more focused, investor-oriented disclosure built around governance, strategy, risk management, and metrics & targets.	A broader sustainability reporting outcome shaped by double materiality and wider topical coverage.
Main practical takeaway	DemoAir reports sustainability through the lens of enterprise value and investor-useful information.	DemoAir reports sustainability through the lens of both enterprise value and real-world impacts.
Use of industry guidance and peers	DemoAir should refer to industry-based guidance and relevant peer practices to identify sector-relevant sustainability risks, opportunities, metrics and disclosures, especially for investor-useful reporting.	DemoAir's reporting is shaped more by the double materiality assessment and the ESRS disclosure requirements, with the focus extending beyond peer metrics to the company's impacts on people and the environment.

Note: In applying IFRS Sustainability, companies should refer to relevant industry-based guidance and sector peers to help shape sector-relevant disclosures. Under ESRS, the starting point is broader: the company's double materiality assessment and the applicable ESRS requirements determine what must be reported, with the focus extending beyond peer-based investor metrics to wider impacts on people and the environment.