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Is Your Board Asking the Right ESG Questions?

Executive Summary

Effective ESG governance does not begin with a sustainability report. It begins with the questions a board is willing to ask, and how persistently it asks them.

Stakeholder expectations, regulatory requirements and sustainability disclosure obligations in Malaysia are all moving in the same direction: from voluntary narrative to mandatory, auditable disclosure. As this shift accelerates under the National Sustainability Reporting Framework (NSRF) and IFRS S1/S2, boards are expected to move beyond passive endorsement of management's ESG updates and provide active, evidenced oversight of ESG-related risks and opportunities.

Why Board Questions Matter

Board oversight of ESG is not about running day-to-day sustainability activities — that remains management's job. The board's role is to challenge management, test the assumptions behind stated targets and risk assessments, and ensure that material ESG issues are receiving attention proportionate to their financial and reputational significance.

This distinction matters because a board that simply receives and approves ESG reports, without probing the data or the process behind it, has not discharged its oversight duty — it has outsourced it. Regulators and assurance providers increasingly look for evidence of genuine board engagement, not just a governance chart that names a sustainability committee.

> **VeriSustain Insight**
> *A board's ESG maturity is often reflected not by the sustainability report it publishes, but by the questions directors consistently ask throughout the year.*

15 ESG Questions Every Board Should Ask

Strategic Direction

1. Which ESG issues are most material to our business?
2. How are ESG considerations integrated into our corporate strategy?
3. What ESG opportunities can create long-term value?

Risk Management

4. Have ESG risks been integrated into our enterprise risk management framework?
5. What climate-related risks could affect our business model?
6. Are emerging ESG risks adequately monitored?

Governance & Accountability

7. Who is accountable for ESG performance across the organisation?

8. Does management provide meaningful ESG performance information?

9. Do our remuneration and incentive structures support ESG objectives?

People & Culture

10. Does organisational culture support responsible business conduct?

11. Are workforce wellbeing, diversity and employee engagement being effectively managed?

Reporting & Disclosure

12. Are our ESG disclosures supported by credible evidence?

13. Are we prepared for IFRS S1 and IFRS S2 sustainability disclosure expectations?

Future Readiness

14. How do stakeholder expectations continue to evolve?

15. Are we building resilience for the next five to ten years?

Malaysian Case Example

A Malaysian manufacturing company initially viewed ESG reporting as a compliance exercise, managed by a small sustainability team with limited board visibility. Over time, increased customer requests for climate-related information and supply chain transparency changed that picture: key accounts began asking for Scope 1 and 2 emissions data, and in some cases Scope 3 estimates, as a condition of continued business.

In response, the board began receiving regular ESG updates rather than an annual summary. Directors started asking where the emissions figures came from, whether the data could withstand external scrutiny, and who within management was accountable if a customer or auditor challenged it. That shift — from passive review to active questioning — is the same shift every board eventually needs to make, whether it is driven by a customer, a regulator, or an assurance provider.

Linking Board Questions to IFRS S1 & IFRS S2

The ISSB standards place significant emphasis on governance as one of four core pillars, alongside strategy, risk management, and metrics and targets. Under IFRS S1 and IFRS S2, entities are expected to disclose the governance processes, controls and procedures used to monitor and manage sustainability- and climate-related risks and opportunities — including which committee or individual director holds oversight responsibility, and how the board's decision-making incorporates sustainability considerations.

This means the questions a board asks are no longer just good governance practice — they are the substance behind a disclosure. If a company states that "the board reviews climate risk quarterly," that statement needs to be true and evidenced, not aspirational. Directors should understand, in practical terms, how sustainability and climate-related risks are governed, reported and challenged within their own organisation before that governance narrative goes into a disclosure that a regulator or assurance provider may later test.

Bursa Malaysia Perspective

Boards that regularly discuss ESG risks, opportunities and performance — rather than receiving a once-a-year briefing ahead of report sign-off — are generally better positioned to support credible sustainability reporting and long-term value creation. This pattern of engagement is also what assurance providers and institutional investors increasingly look for when assessing the quality of a company's governance around its NSRF and Bursa Sustainability Reporting Guide (SRG) disclosures.

Board ESG Discussion Checklist

- What are our top five ESG risks?
- What are our top three ESG opportunities?
- Who owns ESG performance?
- Are ESG risks integrated into our ERM framework?
- What ESG data can management confidently defend under scrutiny?

Key Takeaways

Effective ESG oversight begins with asking the right questions, consistently, throughout the year — not with the sustainability report itself. ESG governance, at its core, is about protecting long-term enterprise value: identifying where the organisation is exposed, where it is prepared, and where the gap between what is disclosed and what is actually practised needs to close before someone outside the boardroom finds it first.

About VeriSustain

VeriSustain MyESG PLT supports organisations in ESG governance, sustainability reporting, materiality assessments, climate risk management, enterprise risk management integration, ESG training and assurance readiness programmes.

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