The SmartInvestor Pelabur Bijak

MAY/JUN 2026 | ISSUE 397

FLIP TO BACK COVER

THE MID-YEAR REVIEW:

PLAY BY THE RULES, STAY AHEAD

EKSKLUSIF

KEPIMPINAN **TAN SRI DATO' SERI MOHD YUSSOF LATIFF** BERTERASKAN KHIDMAT DAN NILAI

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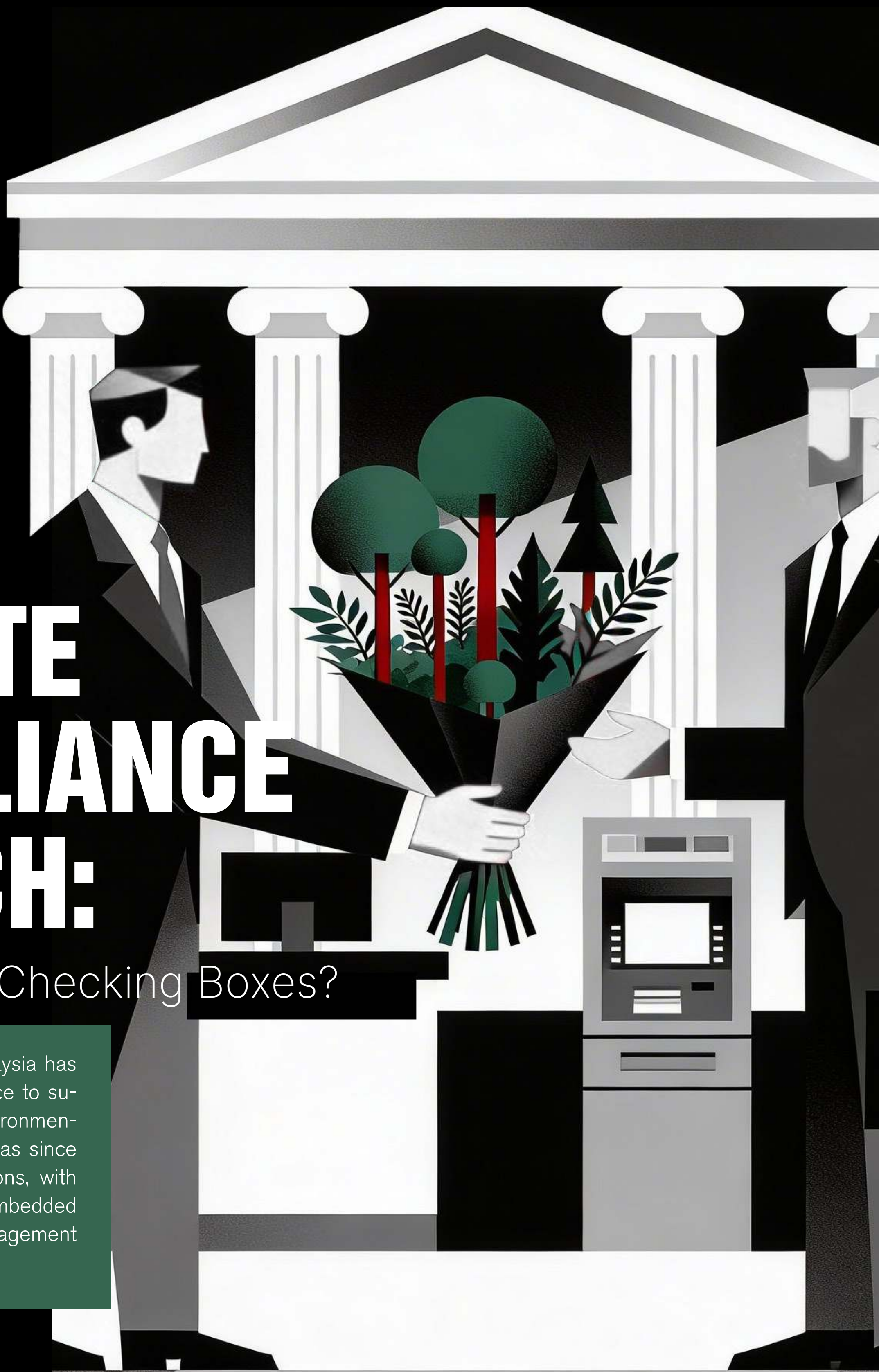
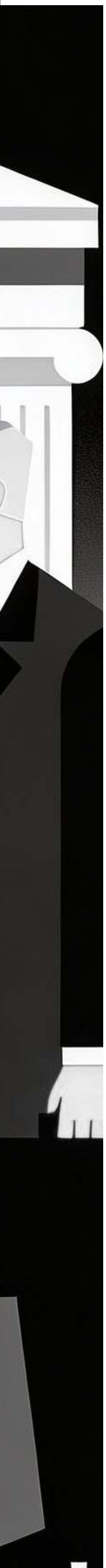
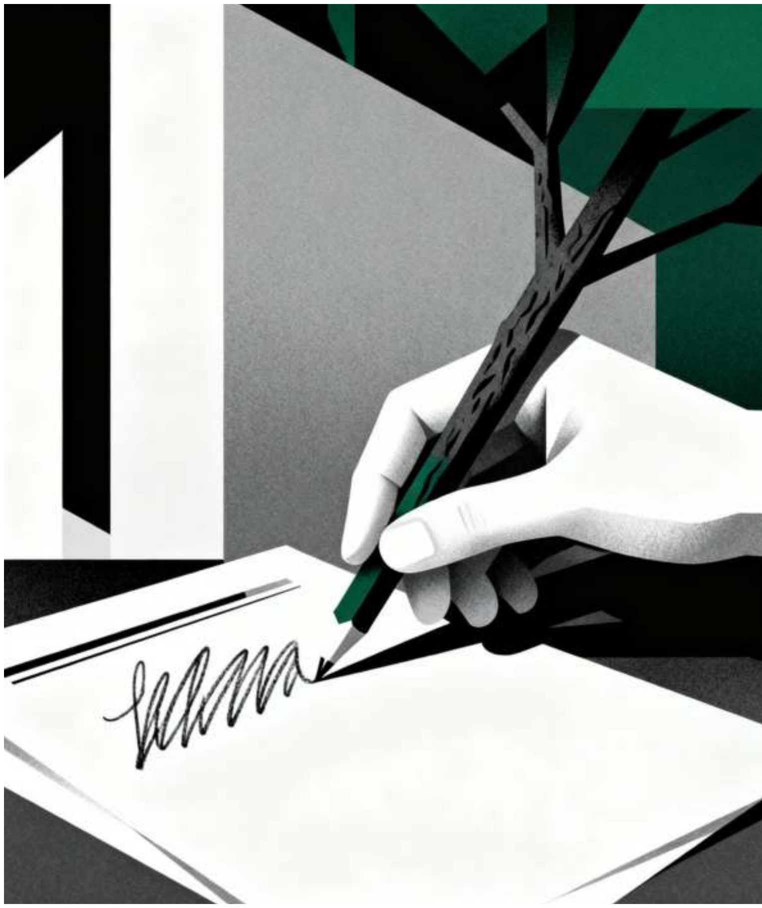


CLIMATE COMPLIANCE CRUNCH:

Are Banks Just Checking Boxes?

Climate risk regulation in Malaysia has moved decisively from guidance to supervision. What began with environmental classification frameworks has since evolved into formal expectations, with climate-related risks being embedded within governance, risk management and disclosure processes.





In 2021, BNM issued the Climate Change and Principle-based Taxonomy (CCPT)[1], providing financial institutions with a principles-based framework to assess and categorise economic activities according to their climate objectives. This was followed by the Climate Risk Management and Scenario Analysis (CRMSA) Policy Document[2], which set supervisory expectations across governance, strategy, risk appetite, risk management, scenario analysis and disclosure.

At the capital markets level, SC introduced Malaysia's National Sustainability Reporting Framework (NSRF), developed through the Advisory Committee on Sustainability Reporting[3]. The framework adopts the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board, including IFRS S2 on climate-related disclosures[4].

The nation's regulatory architecture is clear—these frameworks signal that climate risks are no longer peripheral but must be treated as a financial and prudential concern.

REGULATION ALONE ISN'T ENOUGH—DO INSTITUTIONAL PRACTICES KEEP PACE WITH SUPERVISORY EXPECTATIONS?

PHYSICAL RISK IS ALREADY MATERIAL

BNM acknowledges that climate change presents risks to financial stability[5], especially when the exposure is tangible rather than abstract.

To illustrate, the Department of Statistics of Malaysia reported that the December 2021's flood disasters resulted in losses of RM6.1 billion, equivalent to 0.4 percent of Malaysia's nominal GDP[6]. Flood losses across homes, businesses and infrastructure highlight the economic impact of climate events, which can flow into banking portfolios through credit impairment and declining collateral values.

While the CRMSA clearly requires financial institutions to assess both physical and transition climate risks within their risk management processes[2], the complexity lies in the operationalisation of the requirement—understanding physical exposure at portfolio level requires translating environmental realities into financial terms.

Physical risk is highly localised, with site-specific factors like flood exposure and drainage varying widely and translating these granular environmental realities into portfolio-level financial metrics requires integrating environmental data with financial modelling—an area still evolving in many institutions.

Where environmental data are not systematically incorporated into credit assessment workflows, there is a risk that physical exposure is recognised conceptually but not fully reflected in pricing structures or risk appetite decisions.

[1] *Bank Negara Malaysia, Climate Change and Principle-based Taxonomy, 30 April 2021.*
[2] *Bank Negara Malaysia, Climate Risk Management and Scenario Analysis Policy Document, issued 2 December 2022; revised 17 March 2025.*
[3] *Securities Commission Malaysia, National Sustainability Reporting Framework, launched September 2024 through the Advisory Committee on Sustainability Reporting.*
[4] *International Sustainability Standards Board, IFRS S2 Climate-related Disclosures, effective for annual periods beginning on or after 1 January 2024.*
[5] *Bank Negara Malaysia, Financial Stability Review, Second Half 2022, Thematic Article on Climate-related Risks and Financial Stability.*
[6] *Department of Statistics Malaysia, Special Report on Impact of Floods in Malaysia 2021, 2022.*

SCENARIO ANALYSIS, COMPLIANCE TOOL OR STRATEGIC LEVER?

If physical risk reflects present exposure, scenario analysis is intended to test future resilience. The CRMSA requires financial institutions to conduct forward-looking climate scenario analysis, supported by the Joint Committee on Climate Change, co-chaired by BNM and SC, with scenarios developed by the Network for Greening the Financial System[7].

Scenario analysis, which introduces a longer-term lens into financial planning, encourages institutions to assess resilience under varying transition pathways and is dependent on the implementation quality, how effective insights inform decisions and should go beyond modelling sophistication alone.

Yet, the implementation across the market remains uneven, with three observable practical challenges:

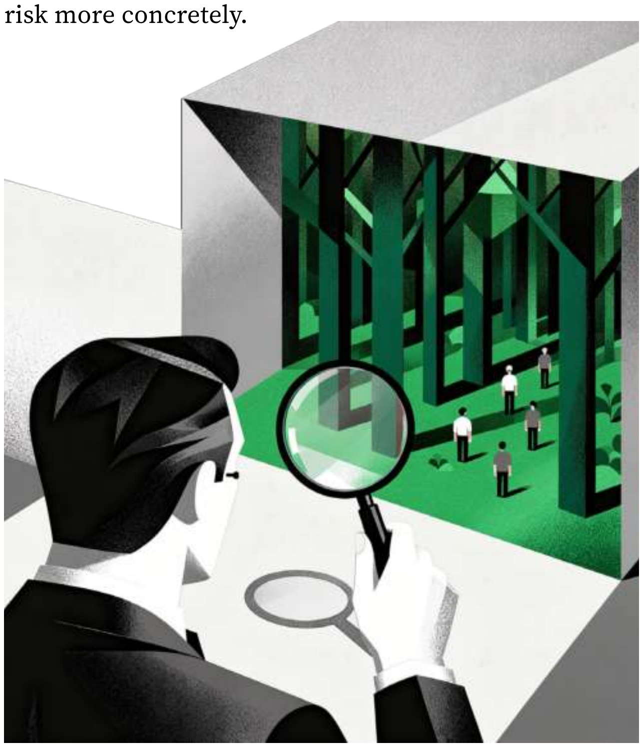
- **Data availability remains uneven:** While large listed companies are improving disclosures under the NSRF, broader corporate reporting maturity varies[3], affecting the reliability of borrower-level data used in climate modelling.
- **Modelling capability requires integration of environmental science, macroeconomic assumptions and credit analytics:** Developing this multidisciplinary capability demands sustained investment and institutional learning.
- **Scenario analysis delivers strategic value only when its findings are reflected in exposure management and capital allocation decisions:** If high-risk sectors are not subject to differentiated exposure management, or if capital allocation remains unchanged despite stress results, scenario analysis risks becoming procedural rather than transformative.

GOVERNANCE REQUIRES SUBSTANTIVE OVERSIGHT

Under the CRMSA, boards and senior management bear responsibility for overseeing climate-related risks. But effective oversight requires more than receiving periodic updates—instead, it requires the capacity to interrogate assumptions, understand exposure concentrations and evaluate mitigation strategies.

In environmental practice, technical findings are rarely straightforward as it often involves uncertainty ranges and scenario sensitivities. Meaningful governance therefore depends on familiarity with these complexities and the ability to translate technical insights into strategic judgement.

If climate governance remains isolated within sustainability functions rather than integrated into core risk committees, there is a risk of fragmentation between environmental assessment and financial decision-making. Embedding climate considerations into mainstream governance structures strengthens alignment with the intent of supervisory expectations. Beyond physical exposure and modelling complexity, policy developments are beginning to reshape transition risk more concretely.



[7] Network for Greening the Financial System, NGFS Climate Scenarios for Central Banks and Supervisors – Technical Documentation, January 2025 update.
[8] Ministry of Finance Malaysia, Budget 2026 Speech, announcement of carbon tax introduction beginning 2026 for selected sectors

TRANSITION RISK AND CARBON POLICY

Malaysia has plans to introduce a carbon tax beginning in 2026, initially covering the iron, steel and energy industries[8] — reflecting clearer transition policies and potential structural adjustments for emissions-intensive sectors.

For financial institutions with exposure to emissions-intensive sectors, transition risk is more defined as regulatory change, compliance costs and evolving market expectations may affect borrower resilience. Meanwhile, forward-looking credit assessment should consider these emerging policy signals to enable proactive portfolio adjustments.

While the opportunities for transition finance are significant particularly in renewable energy, decarbonisation and energy efficiency, credible classification and rigorous due diligence remain essential to ensure measurable outcomes and regulatory expectations are reflected in market disclosures.

DISCLOSURE QUALITY AND SYSTEMIC GAPS

The phased adoption of IFRS Sustainability Disclosure Standards under the NSRF will expand climate-related financial disclosures across Malaysia's capital markets[3,4]. Improved transparency enhances market discipline and supports informed capital allocation.

However, reporting breadth does not automatically translate into integration depth. Decision-useful disclosure requires

explicit linkage between climate risk assessments and financial metrics such as asset valuation, impairment considerations and capital expenditure planning. From a practitioner's perspective, strengthening methodological consistency and assurance coverage will enhance comparability and reliability of climate data. As data quality improves, financial analysis can become more robust and aligned with supervisory objectives.

MOVING FROM ALIGNMENT TO RESILIENCE

Malaysia's climate risk framework is aligned with international standards and supported by clear supervision with both physical and transition risks increasingly material and defined. However, the priority now is not expanding on regulation but deepening execution.

Institutions that treat climate compliance as a reporting obligation may satisfy supervisory requirements in form but those that embed environmental intelligence into credit assessments, capital allocation and board deliberation will build real resilience.

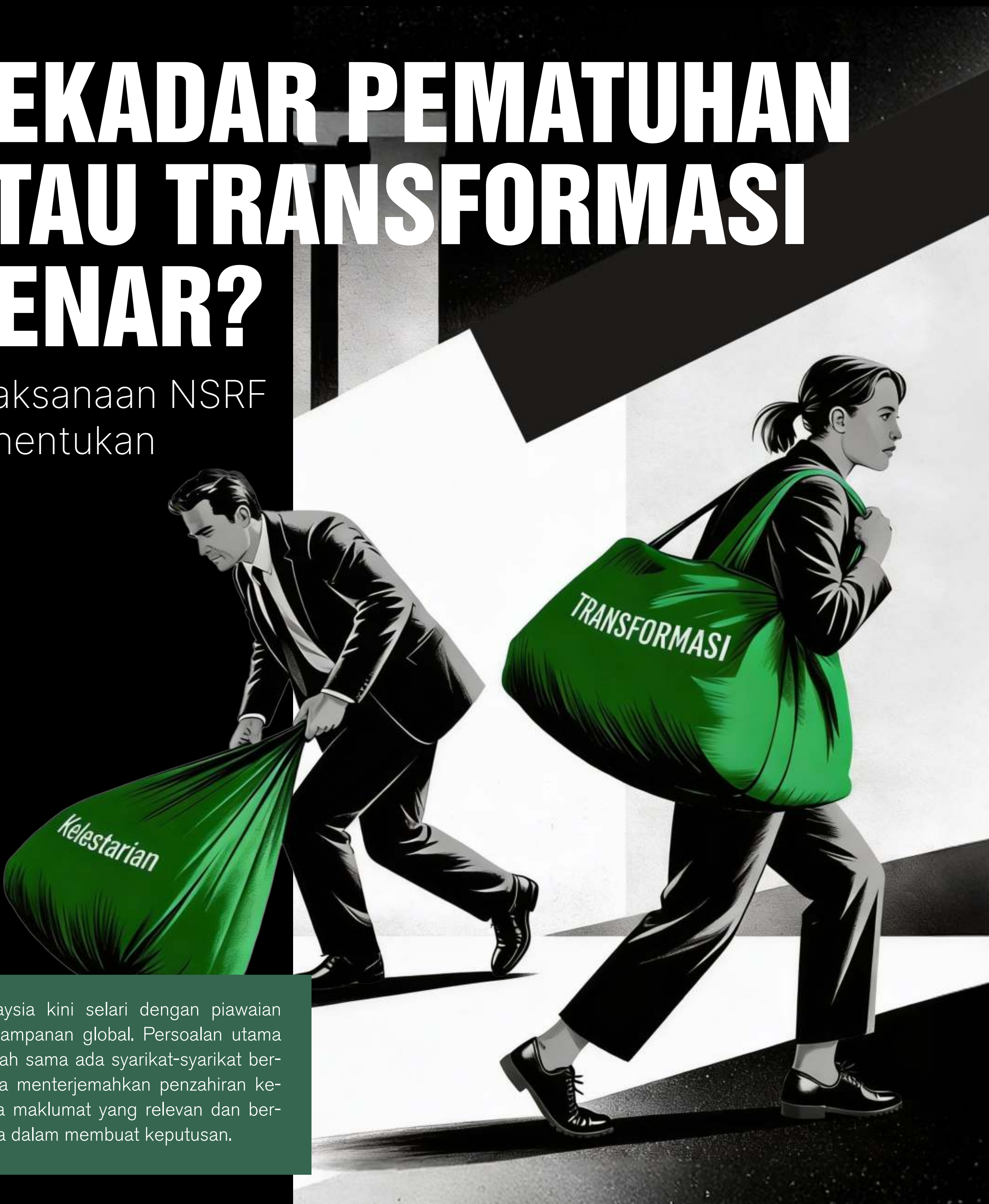
Climate risk is no longer an abstract sustainability issue—it is a determinant of asset quality, capital adequacy and long-term financial stability. Through true integration, institutions will not only stay in line with regulations but instead, better positioned to navigate tightening scrutiny and future volatility.

ABOUT THE EXPERT

Dr. Vijayalakshmi Samuel brings over 30 years of experience in environmental, health and safety consulting, advising corporations and government agencies on ESG strategy, Net Zero frameworks and decarbonisation aligned with international standards. A registered EIA Consultant, Green Industry Auditor and ISO 14001 Lead Auditor, she has led projects across Asia-Pacific, Azerbaijan, South Africa and Australia.

SEKADAR PEMATUHAN ATAU TRANSFORMASI BENAR?

Pelaksanaan NSRF Menentukan



Malaysia kini selari dengan piawaian kemampanan global. Persoalan utama adalah sama ada syarikat-syarikat bersedia menterjemahkan penzahiran kepada maklumat yang relevan dan berguna dalam membuat keputusan.

Landskap pelaporan kemampanan di Malaysia telah mengalami perubahan ketara ke arah kematangan kawal selia. Dengan pengenalan Rangka Kerja Pelaporan Kemampanan Kebangsaan (NSRF), Malaysia kini secara rasmi menyelaraskan piawaian kemampanannya dengan garis dasar global yang ditetapkan oleh International Sustainability Standards Board (ISSB), khususnya International Sustainability Standards Board Sustainability Disclosure Standards S1 and S2 (IFRS S1 and S2).[1]

Pada asasnya, langkah ini mencerminkan satu peralihan kawal setia yang ketara dan menandakan hasrat Malaysia untuk memposisikan dirinya dalam arus perdana pasaran modal global.[2] Namun begitu, penyelarasan kawal selia ini tidak semestinya menjamin perubahan yang bermakna. Ujian sebenarnya ialah sama ada tahap kesiapsiagaan pelaksanaan negara setanding dengan aspirasi kawal selia, serta sama ada syarikat akan memanfaatkan NSRF atau sekadar terjerumus kepada formaliti pematuhan.

DARIPADA NARATIF KE INTEGRASI

Peralihan kepada pelaporan sejajar ISSB bukan sekadar satu latihan teknikal. Ia memerlukan pengintegrasian kemampanan ke dalam seni bina pelaporan kewangan—merangkumi struktur tadbir urus, rangka kerja pengurusan risiko, kawalan dalaman, perancangan strategik dan metrik prestasi—dan bukan dianggap sebagai naratif selari semata-mata.

IMPLIKASINYA JELAS: KEMAMPANAN BUKAN SEKADAR FUNGSI KOMUNIKASI SAHAJA, SEBALIKNYA MERUPAKAN FUNGSI TERAS DALAM PELAPORAN KEWANGAN.

Perubahan ini menuntut lebih daripada templat dan senarai semak; ia memerlukan transformasi minda merentasi operasi syarikat. Tambahan, NSRF perlu dianggap sebagai rangka tindakan kerana ia membentuk tingkah laku dan mengubah perilaku.

KEBERKESANAAN NSRF?

NSRF telah dimasukkan ke dalam Syarat Penyenaraian Bursa Malaysia, disokong oleh penyeliaan kawal selia Suruhanjaya Sekuriti Malaysia (SC) dan akan dikuatkuasakan secara berperingat[3]:

- Penerbit Kumpulan 1 (syarikat dalam pasaran utama dengan pemodelan pasaran melebihi RM 2 billion) perlu melaksanakan peralihan lebih awal.
- Penerbit Kumpulan 2 dan Kumpulan 3 masing-masing diberikan tempoh pelaksanaan yang berbeza, dengan Kumpulan 3 diberikan tempoh peralihan paling panjang.

[1] International Sustainability Standards Board (ISSB), IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information, 2023.
[2] Boardroom Limited, Malaysia's NSRF: A Game Changer for Corporate Sustainability, 2025.
[3] Securities Commission Malaysia, National Sustainability Reporting Framework (NSRF) & Implementation Roadmap, 2024.

Pendekatan berperingkat ini mengiktiraf perbezaan tahap kesiapsiagaan operasi, kematangan sistem dan sumber dalaman, selaras dengan inisiatif Policy, Assumptions, Calculators, and Education (PACE) oleh SC.

Di peringkat antarabangsa, peralihan yang serupa seperti Sustainability Disclosure Requirements (UKSDR) di United Kingdom, yang diperkenalkan oleh Financial Conduct Authority, juga dilaksanakan secara berfasa sebelum diperluaskan kepada keperluan pelaporan yang lebih kompleks.[4]

Walaupun, rangka kerja ini berstruktur, berselia dan mempunyai cara penguatkuasaan yang jelas, namun, persoalan yang lebih utama ialah sejauh mana kesiapsiagaan operasi.

JURANG KESIAPSAGAAN MERENTASI PASARAN

Kesiapsiagaan operasi dalam kalangan syarikat tersenarai di Bursa Malaysia masih tidak sekata. Syarikat berskala besar, khususnya yang mempunyai permodalan pasaran melebihi RM2 bilion, lazimnya telah memiliki pasukan kemampanan, struktur tadbir urus serta sistem pelaporan digital. Bagi mereka, NSRF lebih merupakan proses pengukuhan dan pemantapan. Sebaliknya, peralihan adalah lebih bersifat struktur untuk syarikat kecil.

Tambahan lagi, pengintegrasian kemampanan ke dalam pengurusan risiko, kawalan kewangan serta metodologi yang didokumenkan masih kurang matang. Pemetaan dan jaminan pelepasan Skop 3 turut menambah kerumitan pelaksanaan. Penerbit Kumpulan 3, termasuk syarikat di Pasaran ACE dan entiti tidak tersenarai, menghadapi kekangan keupayaan yang lebih besar. Namun masa sahaja tidak menjamin kesiapsiagaan. Nilai pelaporan kemampanan akhirnya bergantung kepada keteguhan tadbir urus, kawalan dalaman serta sistem data yang menyokongnya.

CABARAN BERSTRUKTUR YANG TERSIRAT

Walaupun pelarasan peraturan ini jelas dan ketara, terdapat empat cabaran sistemik dalam pelaksanaannya:

1. **Ketulusan Data**
   Kebanyakan syarikat Malaysia, terutama 'midcap' dan penerbit kecil, masih mengumpul data metrik kemampanan secara manual, dengan Skop 3 bergantung pada rantaian bekalan yang kurang jelas. Namun, pelaporan selaras ISSB memerlukan data bertaraf audit. Tanpa metodologi, kawalan dan kebolehkesanan yang tepat, penzahiran mungkin nampak lengkap tetapi kurang dipercayai, seterusnya melemahkan keyakinan pelabur.
2. **Keupayaan Dalaman dan Jurang Perlembagaan**
   Laporan kemampanan kini berkait rapat dengan kewangan, risiko, strategi dan operasi, tetapi

[4] *Taylor Wessing, The UK's Progress Towards a Sustainability Disclosure Requirements Framework, 2025.*

fungsi kemampanan masih lemah dan terasing dari aspek kewangan syarikat. Integrasi risiko iklim juga tidak sekata, dengan pengetahuan Lembaga Pengarah berbeza merentasi pasaran. Walaupun penasihat luaran boleh membantu, kredibiliti syarikat bergantung pada keupayaan dalaman, kefahaman Lembaga dan integrasi kemampanan dalam tadbir urus.

3. **Disiplin Kematerialan**
   Piawaian ISSB menekankan konsep kematerialan kewangan dimana syarikat perlu menilai risiko dan peluang kemampanan yang mempengaruhi nilai perusahaan berasaskan bukti. Pematuhan rutin tanpa analisis mendalam boleh menjadikan pelaporan panjang tetapi kurang bernilai dari segi pandangan strategik.
4. **Ketulusan dan Kedudukan Strategik**
   Walaupun syarikat mungkin risau mendedahkan maklumat strategik, bukti global menunjukkan pelaporan kemampanan yang kukuh meningkatkan kepercayaan pelabur dan daya tahan kewangan dalam jangka panjang. Bagi syarikat yang berkembang ke pasaran Eropah atau Amerika Syarikat, pematuhan NSRF bukan sekadar pematuhan, tetapi asas penjajaran strategik.[5]

UNTUK PERHATIAN PELABUR

Seiring dengan NSRF, pelabur sewajarnya memantau sekiranya:

- Data pelepasan karbon telah melalui proses pengesahan atau sekadar didedahkan secara umum
- Risiko kemampanan diintegrasikan ke dalam pengurusan risiko perusahaan
- Penzahiran menjelaskan implikasi kewangan dengan jelas dan terperinci
- Sistem data berstruktur dan diperkasakan oleh teknologi
- Pengawasan tadbir urus dilaksanakan secara berkesan

Fasa peralihan ini menunjukkan bahawa syarikat yang melabur dalam kesiapsiagaan operasi berkemungkinan besar turut melabur dalam daya tahan jangka panjang.

Sumber: International Sustainability Standards Board (IFRS S1 & S2), Securities Commission Malaysia (NSRF Implementation Roadmap), dan laporan awam industry

PELAKSANAAN ADALAH TITIK KRITIKAL

NSRF di Malaysia mencerminkan transformasi peraturan yang bermakna. Dengan pengenalan keperluan pengesahan, penjajaran piawaian global dan pendekatan pelaksanaan yang berfasa menunjukkan reka bentuk kawal selia yang dirangka secara strategik.

Meskipun, rangka kerja ini mempunyai kandungan asas yang kukuh, namun realitinya, kejayaan sebenar hanya dapat ditentukan oleh keberkesanan pelaksanaan. Sekiranya syarikat menanamkan kemampanan dalam tadbir urus, pengurusan risiko dan peruntukan modal, NSRF dapat membentuk sifat baharu korporat. Namun, sekiranya pelaporan masih mengikut prosedur sahaja, ia boleh menjadi pematuhan secara formal semata-mata. Tanggungjawab kini beralih kepada lembaga pengarah, pihak pengurusan dan pengamal.

MENGENAI PAKAR

Dr. Vijayalakshmi Samuel mempunyai lebih 30 tahun pengalaman dalam perundingan alam sekitar, kesihatan dan keselamatan. Beliau adalah penasihat kepada syarikat dan agensi kerajaan mengenai strategi ESG, rangka kerja Net Zero serta usaha penyahkarbonan selaras dengan piawaian antarabangsa. Seorang Perunding EIA berdaftar, Juruaudit Industri Hijau dan Ketua Juruaudit ISO 14001, Dr. Vijayalakshimi telah menerajui projek di seluruh Asia-Pasifik, Azerbaijan, Afrika Selatan dan Australia.

[5] *International Compliance Association / International Compliance Insight, Sustainability Disclosure Requirements: Lessons Learned So Far, 2025.*