MSWG
MINORITY SHAREHOLDERS WATCH GROUP

CLIMATE GOVERNANCE MALAYSIA

MALAYSIA'S FIRST WAVE OF NSRF

What Malaysia's First Reporters Reveal and What Must Come Next

A joint study by MSWG and Climate Governance Malaysia examining the quality, completeness and decision-usefulness of sustainability-related financial disclosures by 91 Group 1 listed issuers in Malaysia's first NSRF reporting cycle.

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FOREWORD

Malaysia's adoption of the National Sustainability Reporting Framework (NSRF) marks an important step in strengthening the quality, consistency and comparability of sustainability-related financial disclosures across the capital market. By aligning with the International Sustainability Standards Board's IFRS S1 and IFRS S2 Standards, the NSRF establishes a common reporting baseline intended to help investors understand how sustainability-related risks and opportunities may affect a company's prospects.

The first reporting cycle provides an important early view of how Malaysia's largest listed issuers are translating these requirements into practice. Against this backdrop, the Minority Shareholders Watch Group (MSWG) and Climate Governance Malaysia (CGM) jointly examined the sustainability-related disclosures of 91 Group 1 listed issuers with a financial year ending 31 December 2025, focusing on the quality, completeness and decision-usefulness of the information disclosed.

The findings show meaningful progress. Governance structures are being established, climate-related risks are increasingly identified, scenario analysis is emerging, and emissions inventories are becoming more developed. At the same time, an important challenge remains: connecting these disclosures more clearly to strategy, capital allocation, financial performance, cash flows and corporate decision-making. Governance responsibilities may be visible, but the decisions and consequences arising from that oversight are often less so.

This report does not assess the underlying sustainability performance of the companies reviewed, nor does it provide an audit, assurance opinion or legal determination of compliance with IFRS S1 or IFRS S2. Rather, it seeks to identify market-wide patterns, areas of progress and priorities for further development, while providing practical insights to support boards, preparers, regulators, investors and other market participants as reporting practices continue to mature.

The first reporting cycle has demonstrated that Malaysian listed issuers can build the architecture for sustainability-related financial disclosures. The task ahead is to ensure that the information produced becomes more connected, financially meaningful and capable of informing real decisions. Achieving this will be essential if sustainability reporting is to strengthen corporate resilience, market confidence and the long-term allocation of capital.

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EXECUTIVE SUMMARY

Malaysia's first mandatory sustainability reporting cycle shows meaningful progress in building the foundations for ISSB-aligned disclosure, while also identifying areas where reporting practices and capabilities can continue to mature. MSWG and CGM's assessment of 91 Group 1 listed issuers recorded a validated composite disclosure score of 54.6%, with companies generally stronger in identifying climate-related risks, establishing governance responsibilities and describing risk-management processes. Areas requiring further development include quantifying financial impacts and exposures, demonstrating how climate considerations influence Board decisions and providing measurable evidence of performance.

Finding 1 — Climate risks are visible; the financial bridge is still missing.
Climate risks are widely identified, but their effects on financial position, performance and cash flows remain insufficiently quantified and connected.

Finding 2 — Governance is visible on paper; the decisions it shapes are not.
Governance responsibilities are well disclosed, but how climate oversight influences strategy, capital allocation, risk appetite and accountability is less evident.

Finding 3 — Risk processes are ahead of the data needed to manage performance.
Risk management is relatively well-developed, but the metrics, targets and data needed to measure exposure, performance, and outcomes continue to lag.

Finding 4 — Five technical bottlenecks account for nearly two-thirds of confirmed gaps.
Nearly two-thirds of confirmed gaps are concentrated in climate-related targets, climate resilience, cross-industry metrics, financial effects and GHG emissions.

Finding 5 — The first cycle proves capability, but reporting maturity remains uneven.
The first cycle demonstrates reporting capability, but significant differences in data maturity, connectivity, controls and Board engagement remain across listed issuers.

Overall, the first wave reflects meaningful progress in establishing the foundations for sustainability-related financial reporting in Malaysia. The reporting architecture is taking shape, but the next stage must move beyond identifying risks and describing processes towards demonstrating financial impact, measurable outcomes and clearer links to corporate decision-making. Strengthening these connections will be critical to making sustainability-related disclosures more comparable, financially meaningful and decision-useful for boards, investors and other capital market participants.

THE FIRST WAVE: WHAT WE EXAMINED AND WHY IT MATTERS

Malaysia's implementation under the NSRF marks a significant shift in corporate reporting. Sustainability-related information is no longer expected to stand apart from mainstream financial reporting. It must help investors understand how sustainability-related risks and opportunities could affect a company's strategy, business model, financial position, performance and future cash flows.

Group 1 companies of Bursa Malaysia Main Market-listed issuers with a market capitalisation of RM2 billion and above entered the first mandatory reporting cycle for annual periods beginning on or after 1 January 2025. As the earliest cohort, these listed issuers provide an important first view of how Malaysian companies are applying the new requirements, where capabilities are developing and where further guidance, stronger systems or clearer governance may be needed. Their experience will also provide valuable lessons for subsequent groups entering the framework.

MSWG and CGM jointly examined the sustainability-related disclosures of 91 Group 1 listed issuers with a financial year ending 31 December 2025. The review covered annual reports, integrated annual reports, sustainability reports and corporate governance reports announced through Bursa Malaysia and available as at 30 June 2026.

The assessment applied a Securities Commission Malaysia (SC)- supported methodology and an AI-assisted process, with subsequent human review. Artificial intelligence enabled the systematic evaluation of a substantial volume of disclosures at scale. The results were subsequently subjected to human review and validation to strengthen consistency, contextual judgement and reliability.

Two complementary instruments were used: a high-level 30-item Scorecard assessing overall disclosure quality and decision-usefulness, and a Detailed Compliance Checklist of 205 items providing a more granular examination of the requirements. Fifty checklist items were selected for full human validation alongside the Scorecard. Together, these formed the principal validated result, while the remaining items were used diagnostically to identify broader patterns and recurring technical gaps.

The study covered six interconnected areas: general reporting requirements, governance, strategy, risk management, metrics and targets, and judgements, uncertainties and errors. Particular attention was given to whether identified risks and opportunities were connected with financial effects, strategic responses, resource allocation and corporate decision-making.

Importantly, the assessment examined the information disclosed and not the companies' underlying sustainability performance. It was not an audit or assurance engagement, nor did it provide a legal determination of compliance with IFRS S1 or IFRS S2. An absence of disclosure was recorded only as an absence of disclosed information and should not automatically be interpreted as an absence of corporate action. Accordingly, the findings should be read as indicators of reporting maturity and priorities for further implementation and capacity-building, rather than as findings of compliance or deficiency.

The purpose of the study is not to produce a league table, but to identify market-wide signals from the first reporting cycle. By showing where disclosures are strongest, where they become less decision-useful and where recurring gaps are concentrated, the study establishes a practical baseline for strengthening Malaysia's next cycle of sustainability-related financial disclosures.

Assessment snapshot

POPULATION	VALIDATED CORE	VALIDATED RESULT	EXPANDED VIEW
91 PLCs	**30 + 50 items**	**54.6%**	**59.4%**

Population: Group 1 listed issuers with a 31 December 2025 financial year-end. Validated core: 30-item Scorecard + selected 50 DCC (final assessed). Expanded view: 30-item Scorecard + full 205 DCC (155 items retain diagnostic status).

How the population is spread

Consumer Products & Services is the largest sector with 18 listed issuers, followed by Property (12), Financial Services (11), Industrial Products & Services (10) and Technology (10); together these five sectors account for 67.0% of the population.

The remaining 30 listed issuers are spread across eight other sectors, which supports a market-wide view but not strong sector-by-sector comparison.

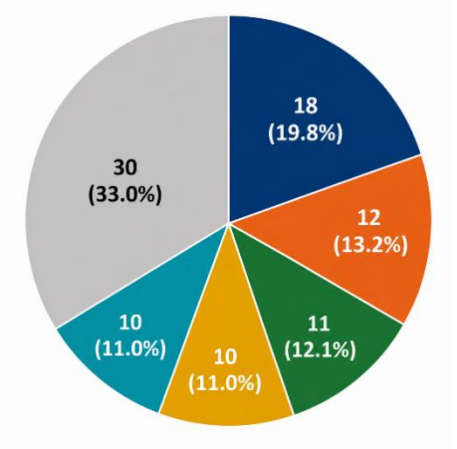

Figure 1: Distribution of the 91 Group 1 listed issuers by sector.

What the assessment is and is not

(1) It measures disclosed information against the Scorecard and DCC — it is not an audit, assurance engagement or legal opinion.

(2) It does not establish the quality of a listed issuer's underlying sustainability performance, and no listed issuer is described as "compliant" or "non-compliant" with IFRS S1 or IFRS S2 based solely on these scores.

(3) The 30-item Scorecard and the selected 50 DCC items are final, assessed results. The remaining 155 DCC items per listed issuer retain diagnostic status and support the wider analysis in this summary.

Who We Assessed, and From What

The evidence boundary for each listed issuer was its annual or integrated annual report and, where applicable, a separate sustainability report and corporate governance report, all obtained from Bursa Malaysia announcements available by 30 June 2026. A listed issuer's reporting package often comprises more than one document, and the four report types are not mutually exclusive: AR and IAR are mutually exclusive primary reports, while an SR or CGR may sit alongside either.

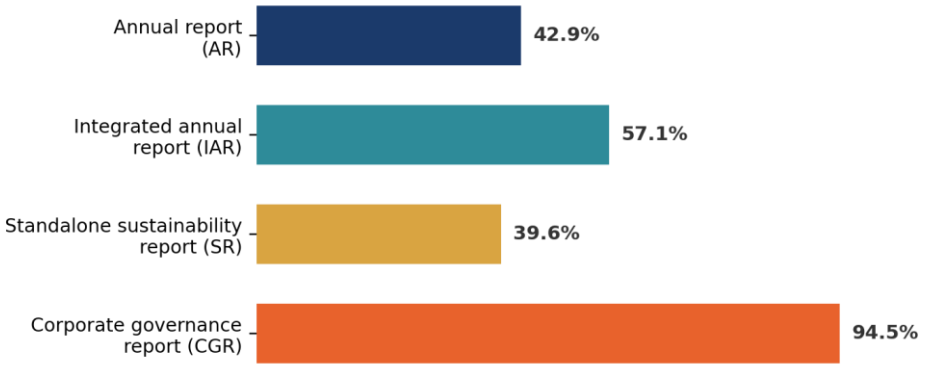

Figure 2: Availability of each report type across the 91-listed issuer population (each bar uses all 91 listed issuers as its denominator).

Corporate governance reports are close to universal (94.5%), while standalone sustainability reports are the least common primary vehicle (39.6%); many listed issuers instead embed sustainability information within an integrated annual report. This matters for Climate Governance Malaysia's members: when an ISSB-aligned statement is embedded within a longer integrated report rather than a standalone report, its visibility and navigability for investors depend heavily on the layering and cross-referencing practices highlighted in Findings 1 and 4.

Validated Composite Disclosure Score — 54.6%

This is the primary, final result. It combines the 30-item Scorecard with the selected-50 DCC result, using a central weighting of 70:30. Both inputs are final, assessed outcomes; this is the number that should be treated as the headline market result.

Expanded Composite Disclosure Index — 59.4%

This combines the same 30-item Scorecard with the full 205-item DCC, of which 155 items per listed issuer retain diagnostic rather than final status. It is a broader, exploratory view, not an alternative final score.

Why the two measures differ

The 4.8 percentage-point gap between 54.6% and 59.4% reflects the scope and item composition of the two assessment instruments — the selected 50 DCC items were purposively chosen to avoid duplicating the Scorecard and to stress-test disclosure quality, while the full 205 items include many narrower or conditional requirements that are more frequently satisfied. The gap is not evidence that underlying disclosure improved between the two views.

Why materiality and connectivity matter

IFRS S1 requires material information about sustainability-related risks and opportunities that could reasonably affect an entity's prospects, and IFRS S2 applies that objective to climate-related risks and opportunities. Materiality is assessed against the needs of primary users of general purpose financial reports, not the volume of sustainability activity described.

Connectivity is an explicit IFRS S1 requirement, not a stylistic preference: listed issuers must show how climate-related risks and opportunities connect to governance, strategy, financial effects, metrics and targets, and the related financial statements. A report can address many separate requirements while still offering opportunities to improve decision-usefulness where those connections are not clearly visible, a central theme running through the five findings that follow.

Overall results at a glance

Measure	Mean	Median	Std. dev.	Range
30-item Scorecard	55.3%	56.7%	15.3%	1.1%–82.2%
Selected 50 DCC	53.0%	53.2%	20.1%	4.0%–97.8%
Validated composite	54.6%	57.6%	15.1%	2.0%–83.0%
Full 205 DCC (diagnostic)	68.9%	73.7%	16.6%	17.2%–95.4%
Expanded composite (diagnostic)	59.4%	62.8%	14.8%	5.9%–84.1%

Table 1: Headline statistical table, NSRF Group 1 Disclosure Analysis (Draft Final, 28 July 2026).

FINDING 1 CLIMATE RISKS ARE VISIBLE; FINANCIAL CONNECTIVITY IS STILL DEVELOPING

Most PLCs can now identify their climate-related risks and describe how these may affect their operations and business models. However, the disclosures often stop short of explaining what those risks could mean in financial terms.

Only about one-third of listed issuers disclosed how climate-related risks could affect their financial position, financial performance or cash flows over the short, medium and long term. Information on the potential effects on revenue, operating costs, capital expenditure, asset values and financing requirements also remained limited.

For capital market participants, this represents an important area for further development. Knowing that a company faces transition risk, flooding, water stress or rising energy costs is only the starting point. Investors also need to understand the potential scale and timing of the exposure, which parts of the business are most affected and whether the company has allocated sufficient resources to respond.

Without this financial connection, it is difficult to assess whether a climate-related risk is material to the company's prospects, whether management's response is proportionate or how the exposure should be reflected in valuation and investment decisions. Lengthy climate narratives may therefore provide considerable information without giving investors the insight needed to compare companies or price risk.

Better disclosures would connect material climate-related risks and opportunities to the business's financial drivers. This may include expected effects on revenue, costs, capital expenditure, asset values, insurance, financing and cash flows. Where a precise figure cannot yet be determined, listed issuers can still provide useful ranges, sensitivities, proportions of exposed assets or scenario-based estimates.

Where quantification is not presently possible, listed issuers should explain what prevents it, which business or financial areas may be affected and how the company plans to improve its assessment. Investors do not necessarily expect artificial precision, but they do need sufficient information to understand the direction, potential magnitude and timing of the financial effect.

The next stage of reporting maturity is therefore clear: climate-related risks must move beyond the sustainability narrative and become more visibly connected with financial planning, capital allocation and the financial statements.

How disclosure develops along the financial-effects pathway

The disclosures reveal a clear pattern. Almost all listed issuers identified their climate-related risks and opportunities, and explained how these could affect their business models. However, the level of disclosure declines as companies move towards quantifying financial consequences.

While 96% of listed issuers identified relevant risks and opportunities and all listed issuers described potential business-model effects, only 36% disclosed the expected effects on financial performance and cash flows, and 32% explained how their financial position could change. Where climate effects could not be separated from other business factors, only 7% provided a combined quantitative estimate.

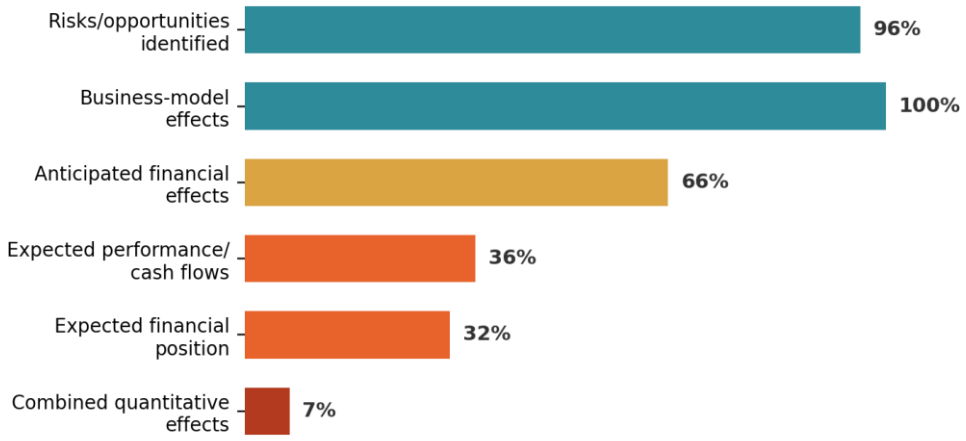

Figure 3: How disclosure declines from identifying climate-related risks to quantifying their financial consequences.

This drop-off is important for capital market participants. Identifying a risk tells investors what could happen, but not how significantly it could affect the company. Without information on the potential impact on earnings, cash flows, asset values or financial position, investors may struggle to assess materiality, compare exposures across companies or reflect climate-related risks in valuations.

The areas where financial disclosure was most limited are summarised below.

Requirement	Score
Expected change to financial position over short/medium/long term	**31.9%**
Expected change to financial performance and cash flows	**35.6%**
Significant risk of material adjustment to carrying amounts next period	**17.6%**
If no separate quantitative effect, combined quantitative effect with other factors	**6.7%**

Table 2: Proportion of listed issuers providing information on selected financial effects.

The findings do not suggest that every climate-related effect must be expressed as a single precise figure. Depending on the nature of the exposure and the information available, companies may use financial ranges, scenario-based estimates, sensitivities or the proportion of assets and activities exposed. Where quantification is not yet possible, a clear explanation of the affected financial areas, key uncertainties and steps towards future quantification would still provide investors with useful insight.

The central opportunity for the next reporting cycle is therefore to build a clearer bridge between the climate-related risks described and their potential financial consequences.

Disclosure in Practice: Sunway Real Estate Investment Trust

Sunway REIT quantifies effects across several time horizons, including RM3.0 million of current physical-risk expenditure (waterproofing and flood mitigation across specific properties), a medium-term RM6.3 million electricity-tariff sensitivity linked to renewable energy targets, and a long-term worst-case flood-exposure estimate of RM286 million (2.68% of total asset value) — while explaining why the scenario is considered remote given portfolio-wide flood insurance.

Source: Sunway Real Estate Investment Trust, Integrated Annual Report 2025, pp. 160-169.

Disclosure in Practice: Frontken Corporation Berhad

Frontken discloses RM1.871 million of climate-related capital expenditure (4.4% of total), estimated FY2025 renewable-energy savings of RM0.3 million, and RM4.912 million carrying value of assets exposed to physical risk. The disclosure connects climate narrative to financial scale, though it remains qualified because some figures are management estimates and asset-level climate tagging is incomplete.

Source: Frontken Corporation Berhad, Annual Report 2025, pp. 39–40.

Disclosure in Practice: IHH Healthcare Berhad

IHH applies climate-scenario analysis across all hospitals and major non-hospital laboratories in its operating markets, identifies the scenarios used, and explains important judgements and measurement uncertainties. The disclosure nevertheless illustrates an area for further development, as financial outcomes are not yet quantified consistently across the full operating base.

Source: IHH Healthcare Berhad, Integrated Annual Report 2025, pp. 122 and 126–132.

FINDING 2 GOVERNANCE STRUCTURES ARE WELL ESTABLISHED; DECISION LINKAGES ARE LESS VISIBLE

Across the first reporting cycle, governance structures are easy to find. Listed issuers generally identify the Board or committee responsible for climate oversight and explain management's role in supporting that oversight.

What is harder to see is governance in action. Disclosures rarely explain which material climate-related matters reached the Board, what options or trade-offs were considered, what decisions followed and how those decisions affected strategy, capital allocation or risk appetite. Responsibility is clearly visible; the consequences of that oversight are less consistently disclosed.

This distinction is reflected in the findings. All listed issuers identified the body responsible for climate oversight, while 99% described management's role. However, only 33% disclosed whether the responsible body had considered trade-offs associated with climate-related risks and opportunities, and only 19% quantified the linkage between climate-related performance and remuneration.

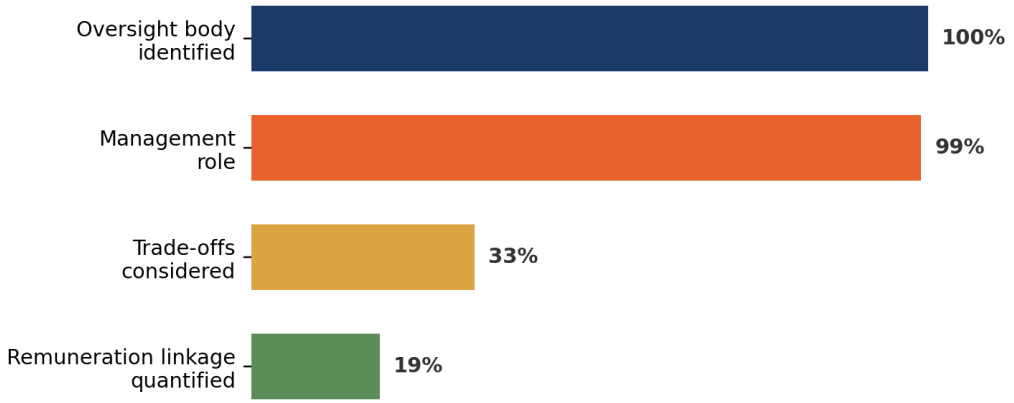

Figure 4: Governance structures are widely disclosed, but evidence of trade-offs, accountability and resulting decisions is considerably less visible.

The existence of a sustainability committee provides only limited insight. Investors also need to understand whether climate-related risks and opportunities are influencing the company's strategic direction, investment priorities and use of capital. Without that decision trail, it is difficult to determine whether Board oversight is active and consequential or primarily procedural. Investors do not need a detailed account of every Board discussion or access to commercially sensitive deliberations. A concise disclosure can still explain:

- the material climate-related issue considered;
- the principal options or trade-offs assessed;
- the decision or strategic response that followed;
- any effect on capital allocation, financial planning or risk appetite;
- the metric used to monitor implementation; and
- how management is held accountable for delivery.

Disclosure in Practice: SD Guthrie Berhad

SD Guthrie names both its Board Sustainability Committee and a Sustainable Financing and Reporting Steering Committee co-chaired by the CFO and Chief Sustainability Officer, connecting them to materiality assessment and target-methodology oversight. The disclosure provides a useful example of connected governance arrangements, with further opportunity to quantify how that oversight influences remuneration or major decisions.

Source: SD Guthrie Berhad, Sustainability Report 2025, pp. 12 and 27–28; Integrated Report 2025, pp. 91–94.

Disclosure in Practice: RHB Bank Berhad

RHB presents its net-zero strategy, financed-emissions targets, sustainable-finance mobilisation, operational emissions, calculation methods and data limitations as a single connected reporting package, supported by Board- and management-level oversight — moving beyond naming responsible bodies to giving that oversight measurable portfolio and operational outcomes to monitor.

Source: RHB Bank Berhad, Sustainability Report 2025, pp. 18–25, 40 and 59–60; Online Sustainability Supplement 2025, pp. 28–34 and 40–43.

From Responsibility to Consequence

The broader findings show different levels of maturity across governance disclosures. Disclosures are strongest when describing who is responsible and how governance processes are organised. They become less developed when addressing whether the Board has the necessary climate-related competencies, how it evaluates competing priorities and what decisions result from its oversight.

Requirement (abbreviated)	Rate
Identity of the governance body/individual responsible for oversight	**100.0%**
How the body/individual factors climate into strategy, transactions and risk policy	**100.0%**

Requirement (abbreviated)	Rate
Management's role in governance processes, controls and procedures	**98.9%**
Whether management uses controls/procedures to support oversight	**100.0%**
How the body/individual assures itself of appropriate skills and competencies	**60.4%**
Whether the body/individual has considered trade-offs from climate risks/opportunities	**33.0%**

Table 3: Selected governance disclosures across the 91 listed issuers.

Effective governance disclosure does not require longer descriptions of committee structures or additional pages of governance charts. Its value lies in showing how oversight affects corporate behaviour.

For investors, the most useful disclosure is one that connects the Board's oversight with an observable consequence, such as a change in strategy, approval of resilience expenditure, reassessment of an investment, modification of risk appetite, adoption of a transition target or alignment of management incentives. This provides a stronger basis for evaluating whether climate governance is embedded in the company's decision-making and accountability framework.

FINDING 3 RISK PROCESSES ARE AHEAD OF THE DATA NEEDED TO MANAGE PERFORMANCE

A clear imbalance has emerged between the processes used to identify climate-related risks and the information available to manage them. Listed issuers generally describe how they identify, assess and integrate climate risks into enterprise risk management. However, the metrics, targets and data needed to measure exposure, guide decisions and track outcomes are considerably less developed. Climate-related metrics and targets extend beyond GHG emissions measurement: they include the indicators used to measure climate-related risks and opportunities, assess progress towards targets and explain how climate considerations affect business performance and decision-making.

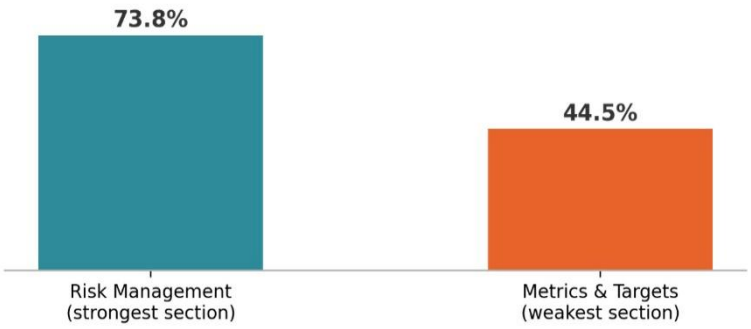

Figure 5: Risk-management processes are more developed than the metrics and targets needed to measure performance.

This is reflected in the difference between risk management, which recorded the strongest result at 73.8%, and metrics and targets, which recorded the weakest at 44.5%.

A well-described risk process is useful only if it produces information that can influence decisions. Investors need to understand the scale of the company's exposure, the actions being taken, the resources committed and whether those actions are delivering measurable results.

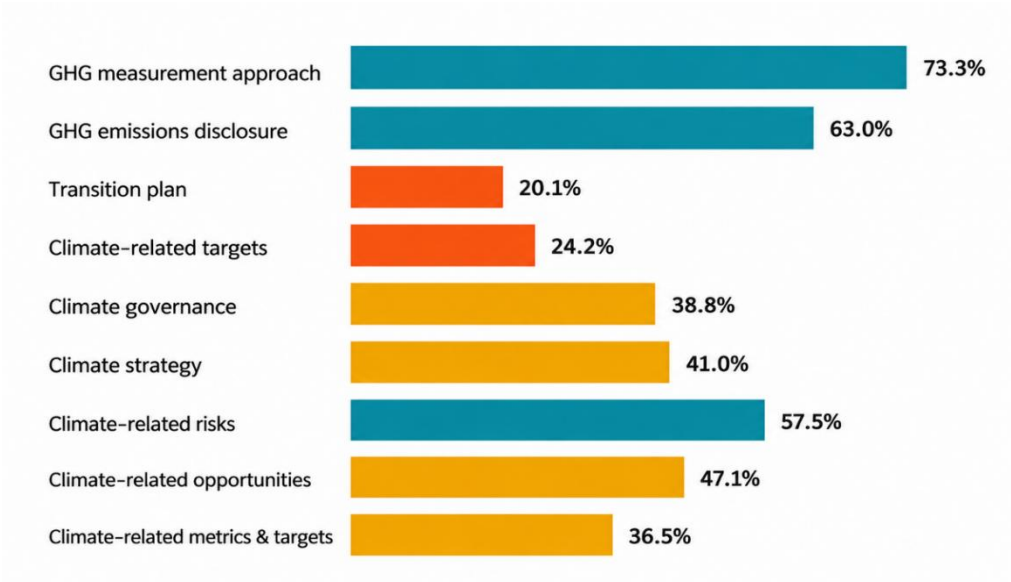

Figure 6: Emissions measurement is advancing more quickly than the metrics that link climate exposure to enterprise value and corporate decision-making.

The disclosures suggest that emissions measurement is becoming more established. However, companies are generally less able to quantify the value of assets or business activities exposed to transition and physical risks. Only 20.1% disclosed quantified transition-risk exposure, while 24.2% disclosed quantified physical-risk exposure. The use of carbon pricing in decision-making also remained limited at 38.8%.

This highlights an important implementation priority. A company may identify climate change as a material risk and describe how that risk is managed, but investors are left with limited information on how much of the business is exposed, how progress will be measured or whether the company's response is adequate.

Targets also vary considerably in quality. A credible target requires more than an end date and an ambition. It should have a clear baseline, defined scope, interim milestones, accountable owners and a transparent method for measuring progress. Where carbon credits form part of the strategy, companies should also explain the planned role of those credits, the assumptions applied and the controls used to assess their credibility.

To strengthen reporting, companies should focus on a smaller set of decision-useful measures that link climate risk to business performance. These may include:

- the value or proportion of assets and activities exposed to physical and transition risks;
- revenue, expenditure or capital allocated to climate-related risks and opportunities;
- internal carbon prices used in planning and investment decisions;
- interim milestones towards longer-term targets;
- performance against the baseline and reasons for any deviation; and
- the relationship between climate-related performance and management accountability.

The next stage, therefore, is not to create a longer inventory of indicators. It is to develop reliable, comparable and decision-linked information that enables boards and investors to determine whether identified risks are being managed effectively and whether corporate resilience is improving over time.

Where Data Capabilities Can Develop Further

The wider findings reinforce the same pattern. Emissions measurement is comparatively more developed, but companies are less able to connect emissions and climate exposure with capital deployment, carbon pricing, management accountability and financial outcomes.

GHG emissions disclosures recorded a 65.1% result, reflecting the progress made in measuring and reporting Scope 1, Scope 2 and, to a lesser extent, Scope 3 emissions. Climate-related targets recorded 57.3%, indicating that many listed issuers have begun establishing targets, although disclosures on baselines, interim milestones, validation and the intended use of carbon credits remain uneven.

Other cross-industry metrics recorded a lower result of 41.5%. These measures are particularly relevant to investors because they address the extent to which assets and business activities are exposed to climate risks and opportunities, the capital deployed in response, the use of internal carbon pricing, and the linkage between climate performance and remuneration.

Financed-emissions disclosures recorded the lowest result at 28.0% among the financial institutions and asset managers to which the requirements applied. Differences in coverage, methodology and reporting boundaries continue to limit comparability across institutions.

Section	What it tests	Full-205 rate
GHG Emissions (I)	Scope 1–3 measurement, methods, disaggregation, Scope 3 verification	**65.1%**
Other Cross-Industry Metrics (K)	Exposure to risk/opportunity, capital deployment, carbon pricing, remuneration link	**41.4%**
Climate-Related Targets (N)	Target scope, baseline, milestones, validation, carbon-credit credibility	**57.3%**
Financed Emissions (J, conditional)	AM/CB/IN financed-emissions exposure, coverage and methodology	**28.0%**

Table 4: Disclosure results for selected areas supporting the measurement and management of climate-related performance.

The findings indicate that the next challenge is not simply to report more indicators. Companies need a smaller set of reliable measures that connect identified risks with business exposure, capital allocation and measurable outcomes. Without that connection, investors may know that a climate-related risk exists but remain unable to assess its scale or whether the company's response is effective.

Disclosure in Practice: RHB Bank Berhad

RHB links its net-zero strategy to financed-emissions targets, sustainable-finance mobilisation and operational emissions. It identifies scenario sources, calculation methods and data limitations, and states transparently that it does not use a shadow carbon price — avoiding a misleading inference from silence.

Source: RHB Bank Berhad, Sustainability Report 2025, pp. 18–19, 40 and 42–60; Online Sustainability Supplement 2025, pp. 28–34.

Disclosure in Practice: MISC Berhad

MISC explains maritime-emissions calculations by reference to IMO methodology, discloses an internal carbon price of USD60 per tonne of CO_2e, and explains that the price is used in investment assessment and climate-related decision-making. A further opportunity is to show how the use of the internal carbon price translates into financial effects across material decisions.

Source: MISC Berhad, Integrated Annual Report 2025, pp. 244–245.

Disclosure in Practice: Tenaga Nasional Berhad

TNB reports anticipated revenue ranges for renewable-energy opportunities, potential unrealised-revenue ranges where adaptation is inadequate, and RM139 million earmarked for climate adaptation — giving scale to strategy and extending the metrics discussion beyond an emissions inventory.

Source: Tenaga Nasional Berhad, Integrated Annual Report 2025, pp. 76–80 and 116.

FINDING 4 FIVE AREAS ACCOUNT FOR NEARLY TWO-THIRDS OF IDENTIFIED DISCLOSURE GAPS

The areas identified for further development across the first reporting cycle are not spread evenly. Nearly two-thirds of all confirmed disclosure gaps are concentrated in five areas: climate-related targets, climate resilience, other cross-industry metrics, financial effects and GHG emissions.

This concentration is important because it provides the market with a focused improvement agenda. Companies do not need to address every reporting weakness at once. Concentrating resources, guidance and capability-building on these five areas could materially improve the overall quality and decision-usefulness of future disclosures.

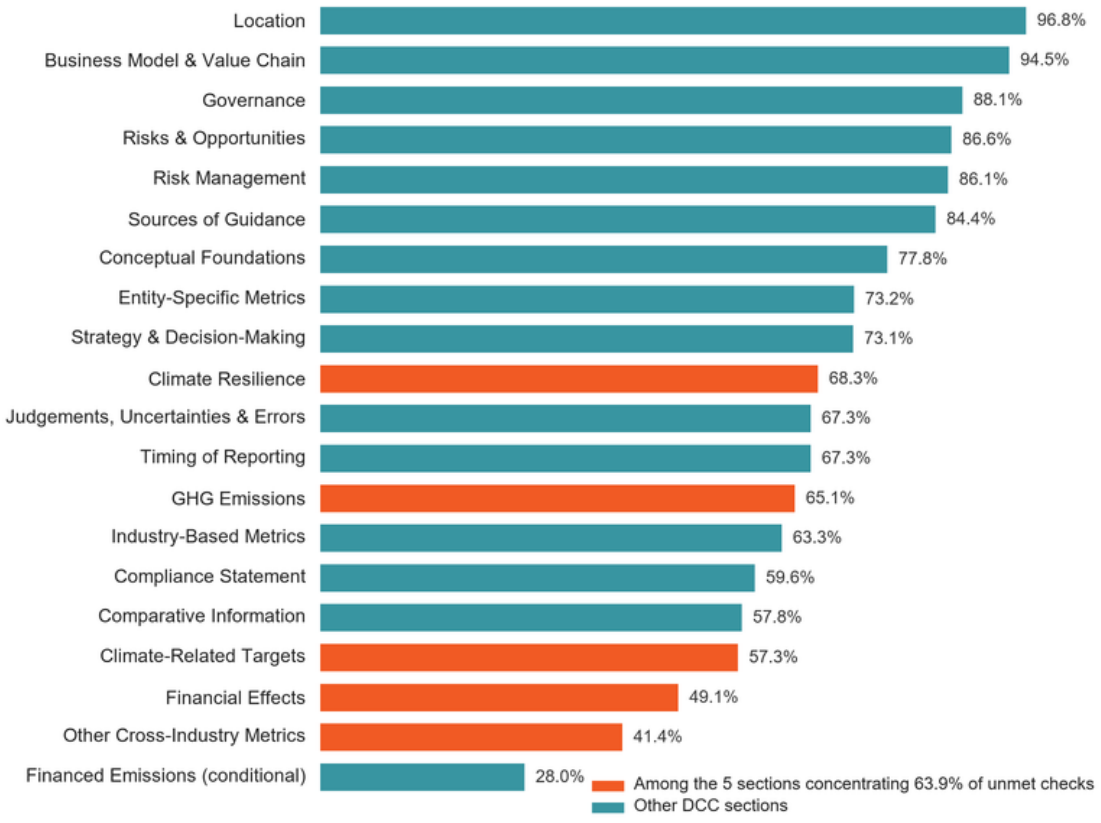

Figure 7: Disclosure results across the principal reporting areas. The highlighted areas account for 63.9% of all confirmed disclosure gaps.

Where Further Development Is Concentrated

Of the 4,255 confirmed disclosure gaps identified, 2,718 arose from these five areas. Climate-related targets accounted for the largest number, followed by climate resilience, other cross-industry metrics, financial effects and GHG emissions.

Section	Unmet checks	Lowest disclosure rate in the section
Climate-Related Targets (N)	892	N169 — third-party scheme used to verify carbon credits (10.0%)
Climate Resilience (G)	628	G60 — ability to redeploy, repurpose or decommission assets (31.9%)
Other Cross-Industry Metrics (K)	502	K132 — assets/activities aligned to climate opportunities (9.9%)
Financial Effects (F)	349	F54 — combined quantitative effect where a single figure is not available (6.7%)
GHG Emissions (I)	347	I100 — extent Scope 3 emissions are measured using verified inputs (11.4%)

Table 5: The five areas accounting for 63.9% of confirmed disclosure gaps.

These figures measure where gaps occur most frequently, rather than providing a standalone measure of the quality of each reporting area. Sections with more requirements or more listed issuers will naturally generate more observations. Nevertheless, the concentration provides a useful indication of where additional attention could have the greatest market-wide impact.

The underlying implementation priorities are practical and interconnected.:

- Climate-related targets: Targets often lack clear baselines, interim milestones, defined scopes and credible explanations of how progress will be measured. Disclosures on the intended use and verification of carbon credits also remain limited.

- Climate resilience: Scenario analysis is increasingly being undertaken, but companies provide less information on how their strategies and business models would respond under different climate conditions. The ability to redeploy, repurpose or retire vulnerable assets is particularly unclear.

- Cross-industry metrics: Information on the value or proportion of assets and activities exposed to climate risks and opportunities remains limited, making it difficult for investors to assess the scale of exposure.

- Financial effects: As highlighted in Finding 1, the connection between climate-related risks and their expected effects on financial position, performance and cash flows is still weak.

- GHG emissions: Emissions measurement is developing, but Scope 3 coverage, the use of verified inputs and transparency over estimates, exclusions and reporting boundaries remain uneven.

Implementation Priorities Should Be Addressed Together

These areas frequently intersect because they depend on many of the same underlying capabilities. Weak target design is often associated with an unclear transition plan. Incomplete scenario assumptions limit both resilience analysis and the estimation of financial effects. Inconsistent emissions data weaken target-setting, progress measurement and management accountability.

The practical response is therefore not to treat the disclosure framework as a long list of independent requirements. Companies should develop connected workstreams that bring together:

- targets and transition planning;
- scenario analysis, resilience and financial planning;
- sector-specific risks and industry-based metrics; and
- GHG data, internal controls and assurance readiness.

For regulators and market institutions, the findings provide a clear basis for targeted guidance, worked examples and capability-building. For companies, this indicates where investment in systems, data, and cross-functional coordination is most likely to strengthen the next reporting cycle.

FINDING 5 THE FIRST CYCLE PROVES CAPABILITY, BUT REPORTING MATURITY REMAINS UNEVEN

The first reporting cycle reveals a market in transition. Companies have invested considerable effort in establishing governance arrangements, identifying climate-related risks, developing emissions inventories and responding to the new reporting requirements. This provides a meaningful foundation for future reporting.

However, maturity levels vary widely among the 91 listed issuers. The validated results ranged from 2.0% to 83.0%, showing that companies are entering the NSRF at very different stages of readiness. Variation is also visible within individual reporting themes, particularly in strategy, financial effects, metrics and targets.

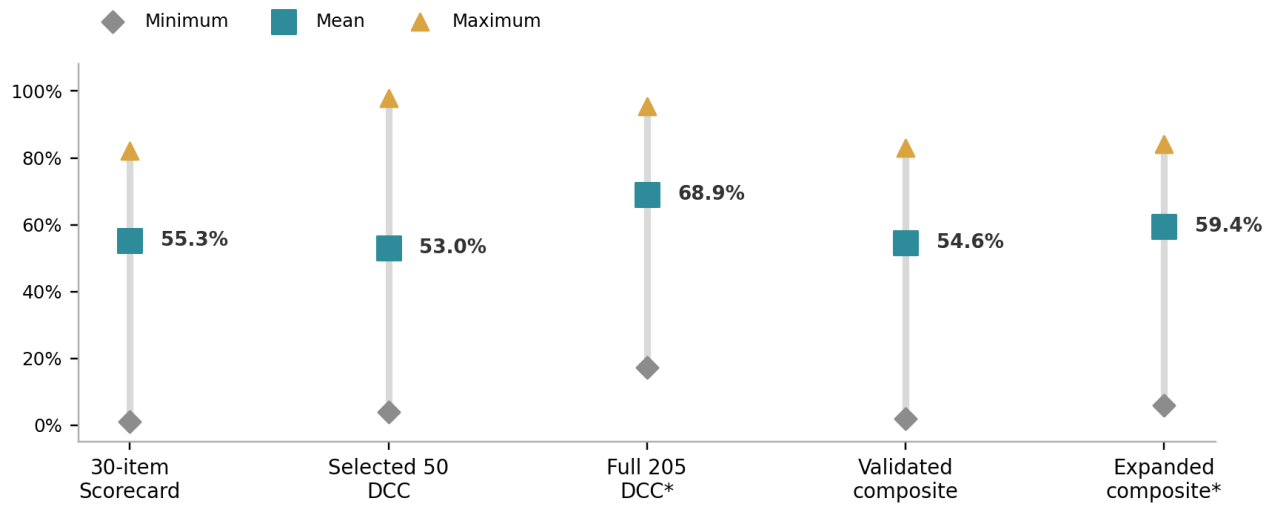

Figure 8: The wide range of results reflects different levels of reporting maturity across the first cohort

The differences cannot be explained by company size or disclosure length alone. More mature reporting is distinguished by how well information is connected across governance, strategy, risk management, financial planning, metrics and targets. It also reflects the strength of the company's internal data, controls, cross-functional coordination and Board engagement.

A longer sustainability report is not necessarily a more useful report. Extensive narrative, multiple frameworks and numerous indicators can still leave investors without a clear understanding of what is financially material, how the company is responding and what progress has been achieved.

Similarly, information spread across annual reports, sustainability reports, corporate governance reports and online disclosures can make the overall picture difficult to follow. Cross-referencing and layering are helpful only when they allow readers to locate connected

information easily. Where assumptions, risks, targets and financial effects are fragmented across different documents, the reporting may be technically extensive but difficult to use.

Different Strengths, Different Stages of Maturity

The results across the six themes show that companies have generally made greater progress in establishing risk management and governance processes. Reporting is less developed in areas requiring judgement, quantification and evidence of performance, particularly metrics and targets and the disclosure of judgements, uncertainties and errors.

Scorecard theme	Mean	Median	Range
Risk Management	73.8%	66.7%	**0.0%–100.0%**
Governance	62.0%	61.1%	**0.0%–94.4%**
General Requirements	59.7%	66.7%	**0.0%–100.0%**
Strategy	56.6%	60.0%	**3.3%–90.0%**
Judgements, Uncertainties & Errors	49.1%	66.7%	**0.0%–100.0%**
Metrics & Targets	44.5%	44.4%	**0.0%–81.5%**

Table 6: Results across the six principal reporting themes.

This unevenness affects comparability. Two companies may address the same reporting requirement but provide very different levels of specificity, connectivity and financial relevance. The presence of a disclosure therefore does not necessarily mean that investors have received information of equal quality or usefulness.

CLIMATE GOVERNANCE MALAYSIA POSITION NOTE

REPORTING HAS BEEN BUILT. DECISION-GRADE INFORMATION HAS NOT

Malaysia is among the first jurisdictions in the world to mandate ISSB-aligned reporting. The 91 Group 1 Main Market Listed issuers with RM2 billion or more in market capitalisation began climate-first reporting for financial years starting 1 January 2025, with full IFRS S1 and IFRS S2 application and reasonable assurance on Scope 1 and 2 from 2027.

The first wave shows real effort — governance structures were established, boards engaged, scenario work was attempted, and emissions inventories were built largely from scratch — and that is a national achievement worth stating plainly.

The five appendices to this paper, prepared independently and by different hands, nonetheless converge on one conclusion: the cohort has built the machinery of reporting without yet producing information a board, a regulator or an investor can act on. The causes are split between the state and the preparers, and both must move before 2027.

What the state has not supplied

IFRS S2 asks companies to explain how climate risk affects strategy, capital allocation and resilience, which requires a credible national trajectory to calibrate against — a carbon price, a legislated pathway, a grid decarbonisation schedule, sectoral targets. Malaysia's are still forming. The Climate Change Bill remains under the Attorney General's Chambers' review; the announced carbon tax on energy, iron and steel has been deferred; and the 2035 Nationally Determined Contribution (NDC) sets an absolute reduction from an unspecified peak that cannot be used as a company-level planning assumption. Reporting obligations are hard-edged, dated and enforceable; the policy they describe is soft, deferred and undated. Preparers are being asked to price a risk the state has not priced. Left unaddressed, this becomes a cost argument in the boardroom, disclosure flattens to boilerplate for want of a safe harbour, and adaptation spending — already the weakest area in the first wave — is deferred first. The failure mode is not loud: disclosure regimes hollow out.

What the disclosures do not yet show

The quantitative work sets the stakes. Dividing FY2025 profit after tax by disclosed emissions provides a break-even carbon price for each profitable listed issuer: the price at which a year of carbon cost would equal a year of earnings. 20 companies have a Scope 1–3 break-even below RM1,000/tCO_2e, but RM1,000 is not a safety threshold — it sits within the IPCC 1.5°C-aligned range of roughly RM695–RM1,186/tCO_2e, so companies above it should not automatically be regarded as resilient. Of the remaining 71 listed issuers, 6 are loss-making, for which an earnings-based break-even is not meaningful, while 65 have break-even prices above RM1,000/tCO_2e. Among those 65, however, 33 disclose either no Scope 3 emissions or only

business travel and commuting categories, meaning that some apparently high break-even prices may reflect incomplete emissions denominators rather than genuinely low exposure.

The concentration among the 20 companies is below RM1,000/tCO_2e, nevertheless striking. Together, they account for 202 million tonnes, or 79% of the cohort's 256 million tonnes of disclosed emissions. Just 6 listed issuers — Petronas Dagangan, Tenaga Nasional, Maybank, Malakoff, SD Guthrie and Press Metal — account for roughly three-quarters of that exposed total. The same 20 companies represent RM551 billion, or 41% of the 91-company cohort's RM1.334 trillion market capitalisation and approximately 27% of Bursa Malaysia's RM2.04 trillion Main Market at the end of June 2026. At a carbon price of RM100/tCO_2e, 9 companies would lose more than half of FY2025 profit, and 9 would already be past break-even. Exposure also bears no clear relationship to company size or sector, limiting the usefulness of portfolio-level screening.

Yet the disclosure base is not sufficiently consistent to treat these comparisons as decision-grade. Scope 3 accounts for 57% of disclosed emissions, but 8 companies disclose no Scope 3 emissions at all, 28 report only business travel and commuting, and reporting boundaries can shift between years. The claim-integrity review reaches a related conclusion from a different angle: 13 of the 19 companies assessed have strong IFRS S1 and IFRS S2 disclosure architecture, yet most headline sustainability narratives remain insufficiently substantiated. Process evidence frequently stands in for outcome evidence — policies and certifications for measured change, and net-zero ambitions without corresponding interim targets or funded capital expenditure.

Two blind spots and one caution about scores

Physical risk is the shared gap. The property-sector comparison finds two listed issuers at very different stages of readiness — one adopting IFRS S1 and IFRS S2 in full, with assured data and quantified targets, the other still at TCFD adoption, with no disclosed targets or oversight frequency — and neither discloses a physical risk assessment for flooding, water scarcity or haze.

Value-chain emissions are the second: Pavilion REIT continually enhances its assets, yet Category 2 capital goods appear nowhere in its report, and the review of that report did not ask for them. Scores will not surface either. Binary compliance scoring records whether a requirement is addressed, not whether the disclosure is decision-useful; the 70:30 composite weighting has no theoretical basis and alternative weightings move up to 17 companies by more than five ranking positions; and first-cycle automated scoring proved systematically over-generous, with almost every human revision downward.

What should follow

Government: national policy clarity before the 2027 milestones — a dated carbon price trajectory, a legislated pathway and a grid schedule — rather than further relief from reporting.

Regulators: specify Scope 3 category coverage rather than leaving it to materiality judgement, place financed emissions on a common basis and timeline, and require physical risk and scenario quantification in substance.

Boards: ask at what carbon price profit reaches zero, how far that is from where policy is heading, and what the answer implies for capital allocation now rather than in 2030.

What the assessment findings tell us

The study is serious, methodologically self-aware work — better disciplined than most commercially published disclosure indices and unusually willing to publish evidence against its own instruments.

It refuses the framing that would render it useless, stating on page 8 that no listed issuer is described as compliant or non-compliant, and maintains that discipline throughout. Its central finding is the right one and is correctly grounded in IFRS S1 as a requirement rather than a preference: risks identified at 96%, business-model effects at 100%, descend to expected financial position at 32%, and combined quantitative effects at 7%.

Disclosure survives for as long as it remains narrative and weakens where it must become financial. The methodological findings are particularly revealing: 193 ratings across five issuers were missing and excluded from the relevant calculations, while human validation resulted overwhelmingly in downward revisions — 392 of 406 Scorecard changes and 675 of 678 checklist changes. These findings suggest that apparent disclosure coverage should not, by itself, be read as evidence of depth, accuracy or decision-usefulness.

Technical risks: concentrated, fixable, and none disturbs a finding

Four matters most. The expanded composite is probably biased upward: Section 3.5 explains the 15.9-point gap above the validated result entirely by item composition, but 155 of the 205 items per listed issuer were never human-validated, and on the validated subset human review moved almost every score down. Diagnostic labels do not travel; numbers do, and the expanded composite feeds into the results presented in Table 6: Results across the six principal reporting themes.

Second, the named bottom-five tables are drawn from the same unvalidated measures, which mismatches the reputational weight of naming with the measure's assessment status.

Third, the transition reliefs are the largest confound and are not measured — no rule is stated for when a relief-eligible omission is a valid N/A rather than a scored zero, and the ACSR will ask first how much of the 54.6% is capability gap and how much is lawful use of reliefs the regulator granted.

Fourth, one ranked listed issuer was rated on roughly 63 of 205 items, and a validated-composite minimum of 2.0% against a full-205 minimum of 17.2% for the same population points to evidence-retrieval failure rather than reporting behaviour.

Alongside these sit nine reconciliation errors to correct before publication, headed by the expanded composite shown as 59.2% where the stated components give 59.4%.

Two conceptual gaps that point the same way

The first is interpretive. The draft reads every gap developmentally — capability, data readiness, sequencing — and prescribes capability remedies. Malaysian boards did not encounter climate risk for the first time in 2025. Against that backdrop, where a large listed issuer discloses no assessment of asset-level exposure, no application of carbon pricing, no quantified financial effects and no quantified linkage between climate-related performance and remuneration, the collective absence of these disclosures raises a more fundamental question: whether these matters have been assessed and found immaterial, or whether the underlying assessment has yet to be undertaken or disclosed.

Under IFRS S1, that is not neutral, and the relief for listed issuers lacking skills or resources was available and disclosable. The draft already concedes the principle by classifying RHB's explicit statement that it uses no shadow carbon price as leading practice, because it avoids a misleading inference from silence. The remedies differ: if the cause is capability, guidance answers it; if the cause is an unstated materiality conclusion, only requiring the conclusion to be stated will reach it — which is cheaper, faster and available to the ACSR now.

The international-law position has also hardened: in May 2026 the General Assembly adopted resolution A/80/L.65, with Malaysia's affirmative vote, operationalising the International Court of Justice's rare unanimous 2025 opinion that climate protection is a binding obligation of States. Domestic implementation is now a question of timing.

The second is weighting. Equal weighting is transparent but treats items that are consequentially unequal as equal: 97.8% of listed issuers can classify a risk as physical or transitional, while 24.2% disclose the amount and percentage of assets vulnerable to physical risk. The market can name the hazard and cannot size it.

That is the item that gates insurability — what is not insurable is not investable — yet insurance receives only incidental treatment, appearing in a sector template rather than as a substantive consideration. In a country where floods account for around 85% of natural disasters and only 36% of the RM6.1 billion loss from the December 2021 floods was covered, this is a substantive omission rather than a scoping choice.

In a country where only 36% of the RM6.1 billion December 2021 flood loss was covered, that is a substantive omission. It is also largely outside domestic control because catastrophe capacity is ceded offshore: pricing, appetite, and the models behind both sit with global reinsurers, which makes Malaysia a price taker on its own physical risk and turns a listed-issuer-level disclosure gap into systemic exposure.

Insurability is the binding constraint

Insurance is what converts a physical hazard into a financeable risk. As the Chair of the Operating Committee of the Insurance Development Forum has put it, what is not insurable is not investable; more bluntly, no investment can occur without insurance.

Insurance is therefore not a downstream detail of adaptation but the mechanism through which adaptation is priced, and capital is unlocked — and it is systematically undervalued in developing markets, where the protection gap is widest.

The gap is measured, not asserted. The European Insurance and Occupational Pensions Authority (EIOPA) reports that only around a quarter of losses from extreme weather and climate events in Europe are insured. Swiss Re records USD 137 billion in insured losses in 2024 against USD 318 billion in total economic losses, and states that 80 to 90% of natural catastrophe losses go uninsured in developing countries, compared with 40 to 50% in developed ones; in Asia, the gap is commonly put at around 90%.

Malaysia's own most recent test is unambiguous: Bank Negara reported RM6.1 billion of economic losses from the December 2021 floods, of which only RM2.2 billion, or 36%, was insured or covered, and restated the position in January 2026 as roughly two-thirds — about RM4 billion — uninsured.

The direction of travel matters more than the level, because insurers withdraw when they cannot price. The Congressional Budget Office has documented reduced availability in high-risk United States markets; California has legislated a mandatory moratorium on non-renewal after declared disasters; and comparable Australian analysis has mapped areas that are becoming effectively uninsurable.

There is a further feature of the Malaysian structure that deserves to be stated, because it changes who controls the outcome. Catastrophe capacity is not held domestically. Bank Negara's tiered cession rules require local placement first, then Labuan, then foreign reinsurers, but the effect of the tiering is to route the peak layers offshore, and retention is lowest precisely in the large and specialised classes. The December 2021 floods make the point: Malaysian insurers bore an estimated RM1.5 billion to RM2 billion in losses, roughly a quarter to a third of the insured total, with the balance recovered from reinsurers abroad. Malaysia's national reinsurer now writes the majority of its gross premiums overseas.

The consequence is that the price of Malaysian flood risk, the appetite to carry it, and the catastrophe models on which both decisions rest are determined outside the country and outside the supervisory perimeter. Neither the regulator nor policymakers see the model assumptions, the loss estimates or the appetite decisions that will set terms at the next renewal.

Malaysia is a price taker on its own physical risk. That is not a market inconvenience: a repricing or withdrawal decided offshore transmits directly into domestic asset values, collateral values and the cost of debt, and it does so through a channel the authorities can observe only after the fact. Weak listed-issuer-level disclosure makes it worse, because the data that an offshore underwriter cannot obtain from Malaysian listed issuers is replaced by conservative assumptions priced against the whole market.

A disclosure gap at the listed issuer level therefore becomes a systemic exposure at the market level.

The prudential consequences extend beyond insurance. As climate risks intensify and insurance protection becomes more constrained, affected assets may face lower valuations and collateral values, potentially increasing loss severity for lenders. Bank Negara Malaysia has separately emphasised the need for financial institutions to measure, manage and stress-test such climate-related risks.

The chain is short and made entirely of the study's own findings. Risk Management is the strongest Scorecard section at 73.8%, and 97.8% of listed issuers can classify a risk as physical or transitional, yet only 24.2% disclose the amount and percentage of assets vulnerable to physical risk, 36.7% address exposed assets on the checklist, and 9.9% address the corresponding business-activities item.

A listed issuer that has not assessed which assets are exposed cannot quantify the financial effect; one that cannot quantify the effect cannot show an underwriter that the exposure is bounded; and an underwriter who cannot see a bounded exposure prices for the worst case, restricts terms, or declines. Cover withdrawn or repriced moves asset values, collateral values and the cost of debt — before any carbon price arrives. Four in five of the cohort have not taken the first step.

The disclosure is achievable within the existing framework and the first cycle: Sunway REIT discloses a RM286 million worst-case flood scenario at 2.68% of total assets with RM3.0 million of physical-risk expenditure, and Tenaga Nasional a RM139 million adaptation allocation. The ask is narrow — cross-tabulate the physical-risk items already scored and report how many listed issuers complete the full chain, which requires no new scoring.

The directors' duties position, stated precisely

The careful version of this argument is considerably stronger than the loose one, and the loose one is easy to rebut.

The loose version holds that where a risk has been the subject of years of regulatory emphasis, a board's silence entitles a court to infer that the board applied its mind and concluded the risk immaterial. That proposition does not appear in the leading opinions and should not be attributed to them. The starting point is the influential Australian Hutley line of opinions on directors' duties and climate risk, whose reasoning a Malaysian legal opinion has since applied to section 213 of the Companies Act 2016. What those opinions establish is narrower and harder for a listed issuer to answer. The 2016 Hutley opinion concluded that climate risks are already legally foreseeable and that directors who fail to consider them may breach the duty of care and diligence; the 2019 supplement found it increasingly difficult for directors of companies of scale to pretend that climate change will not intersect with their firms' interests; and the 2021 further supplement described the standard of care expected of a reasonable director as having been considerably elevated. Malaysia has its own opinion to the same effect — that directors here are duty-bound to proactively and urgently apprise themselves of all aspects of climate change that can affect their companies and ensure proper disclosure of such risks.

The foundation under all of this has since been strengthened. The (ICJ) Court's opinion of 23 July 2025 was unanimous— only the fifth unanimous advisory opinion in its history— and held that States carry binding obligations to protect the climate system, arising not only from the climate treaties but from customary international law, with international responsibility following a breach. On 20 May 2026, the General Assembly adopted resolution A/80/L.65 by 141 votes to eight with 28 abstentions, expressly to operationalise that opinion; Malaysia supported it.

The resolution does not itself bind, but it removes the argument that the obligations are contested, and it makes domestic implementation a matter of sequencing. For directors, the significance is evidentiary rather than doctrinal: the foreseeability on which the Hutley line of opinions rests is no longer an inference from policy signals but the declared position of the principal judicial organ of the United Nations, endorsed by the General Assembly with Malaysia's support. The instruments through which the obligation will reach Malaysian companies — the National Climate Change Bill, carbon pricing, and supervisory expectations — are already in formulation.

A board that has not considered the point has less room in 2026 than it did in 2025, and the direction of travel is clear.

On silence, the 2021 opinion runs in the opposite direction to the loose version: it restates the general principle that silence constitutes misleading or deceptive conduct where the circumstances give rise to a reasonable expectation that a relevant fact, if it existed, would be

disclosed. In a voluntary regime, that expectation must be established. Under a mandatory framework, it is created by the framework itself — IFRS S1 states what must be disclosed, so the expectation is not merely reasonable but prescribed.

The effect is a dilemma rather than an inference, and the dilemma is the point: either the board did not consider the matter, in which case it sits within the exposure the opinions describe; or it did consider the matter and concluded it immaterial, in which case that conclusion is a significant judgement IFRS S1 requires to be disclosed and defended against the available evidence.

Neither branch is comfortable, and no board can occupy both. An affirmative statement of the basis for omission is therefore in the listed issuer's own interest rather than merely the regulator's: it is the only route out.

Carbon pricing is the sharpest illustration, because the risk is one the government itself announced. The Prime Minister, as Finance Minister, told Parliament in the Budget 2025 speech on 18 October 2024 that a carbon tax would be introduced on the iron, steel and energy industries by 2026 and reaffirmed this at Budget 2026. It has since been deferred — confirmed under review in April 2026, with the Ministry of Finance telling the Dewan Rakyat in June 2026 that the policy is in its final phase of formulation and the National Climate Change Bill will supply the monitoring, reporting and verification basis. Deferral does not remove foreseeability; it narrows the uncertainty to timing and rate, the ordinary condition of every material fiscal risk a board is expected to plan for.

Against that, 38.8% of the cohort disclose that carbon pricing informs decision-making. Three in five are silent about an instrument their own government has announced, reaffirmed and continued to draft.

The connectivity requirement gives this financial consequence. IFRS S1 requires that the data and assumptions behind the sustainability disclosures be consistent with those used in preparing the financial statements, and that significant differences be disclosed. The IFRS Foundation has stated since 2020 that existing accounting standards already require climate-related matters to be considered where material, and the mechanism is straightforward: IAS 36 requires that assets not be carried above their recoverable amount, and IAS 16 requires that useful lives and residual values be reviewed at each year-end.

If transition and physical risks are absent from impairment tests, cash-flow projections, discount rates and useful lives, carrying values are too high, depreciation is too low, impairments are deferred and reported profit is correspondingly overstated. Where a company discloses material climate risk in the front half and reports profit in the back half without reflecting it in any estimate, the accounts may not give a true and fair view — though the proposition that the true and fair view requirement operates above and beyond compliance with accounting

standards rests on persuasive legal opinion rather than settled authority, and should be stated as such.

The factual predicate needs no qualification, because it is the study's own finding: financial effects disclosed at 50.3% and combined quantification at 7%.

BOX ARTICLE I: THE MISSING HALF OF THE SIGNAL

Malaysia is among the earliest jurisdictions to make ISSB-aligned reporting mandatory. Group 1 Main Market listed issuers of RM2 billion and above began climate-first reporting for financial years starting 1 January 2025. Our review of the 91 companies in this first wave finds meaningful effort: governance structures have been established, boards are increasingly engaged, scenario analysis is emerging and emissions inventories are being built and strengthened. The reporting architecture is taking shape.

Disclosure is running ahead of direction

IFRS S2 asks companies to explain how climate risk affects strategy and capital allocation, which requires a credible national reference point to plan against, such as a carbon price or a legislated emissions pathway. Several of these remain in development: the Climate Change Bill is still under Attorney General's Chambers review, the announced carbon tax on energy, iron and steel has been deferred, and the 2035 NDC target has not yet been translated into a company-level planning assumption. Reporting obligations are dated and enforceable; the policy environment they rely on is still forming.

The asymmetry has a predictable cost

Unaddressed, the gap becomes a cost argument in the boardroom. Assurance, systems and value-chain data are paid for now while the benefit is indefinite; disclosing a transition plan against an absent national pathway creates challengeable forward-looking statements, so with no safe harbour the rational response is boilerplate; and where neighbours phase in more slowly, disclosure is reframed as a Malaysian-specific burden. Sustainability reverts from board strategy to a compliance line.

The resulting degradation is systemic, not company-by-company. Disclosure quality flattens to template language; assurance providers, data vendors and the emerging advisory market lose the demand signal needed to build capacity; lobbying shifts towards dilution and further reliefs.

Adaptation and resilience spending — already the weakest area in the first wave — is deferred first, being least visible to investors and least mandated. The consequence is a market that has under-invested in resilience, where physical risk then arrives indirectly: flooded supplier estates, disrupted logistics corridors, repriced or uninsurable assets, credit deterioration in bank portfolios, and losses in SME value chains that never had to report and were never prepared.

Those costs transfer to households, to public disaster relief and to the fiscal balance sheet — while the disclosure regime that could have surfaced them earlier is discredited for asking companies to look ahead when the state would not.

Malaysia's first-mover position is an asset that depreciates if left unsupported. Disclosure regimes do not fail loudly; they hollow out. The window to prevent that runs from now to the 2027 full-adoption and assurance milestones, and the instrument is national policy clarity — not further relief from reporting. Suggestions are shared as to measures which would close the gap.

BOX ARTICLE II: TWO PROPERTY-SECTOR REPORTERS, TWO STAGES OF READINESS

Comparative desk-based review of two Group 1 property-sector issuers' application of IFRS S1 and IFRS S2, based on FY2025 annual reports and sustainability disclosures.

The review compares the two listed issuers across the four TCFD-derived pillars carried into IFRS S2 — governance, strategy, risk management, and metrics and targets — using only publicly disclosed information. It is a disclosure-quality assessment, not an assurance opinion or a judgement on underlying performance: an absence of disclosure is recorded as an absence of disclosure, not as an absence of management activity.

One listed issuer demonstrates more advanced reporting maturity

The more advanced listed issuer has applied IFRS S1 and IFRS S2 without using the optional climate-first transition relief. Climate oversight is supported by formal Board- and management-level governance structures, with defined review and approval processes. Targets are quantified and time-bound, including a net-zero ambition and annual emissions-intensity reduction targets. Emissions data are independently assured, while the disclosures recognise the significance of tenant-related Scope 3 emissions.

The listed issuer also demonstrates stronger connectivity between sustainability commitments and business activity through green-certified properties and the use of sustainable finance. Taken together, these features indicate a more developed reporting architecture across governance, metrics, targets and assurance.

The second listed issuer is on a credible but earlier path

The second issuer has adopted the TCFD framework and begun progressing towards application of IFRS S2, supported by sustainability-related reporting indices and stated commitments covering climate change, water, pollution and waste, and sustainable supply chains.

Governance structures for risk and sustainability are in place, but several elements of the disclosure architecture remain less developed. These include the frequency of climate-related oversight, disclosure of Board climate expertise, scenario analysis, quantified emissions-reduction targets and current-year emissions information. Sustainability achievements are also presented primarily at the asset or product level rather than through a consolidated portfolio-wide assessment.

The comparison illustrates an important distinction in first-wave reporting: having sustainability governance and initiatives in place is not the same as having a mature, connected and decision-useful IFRS S1/S2 disclosure architecture.

The shared gap is physical risk

Despite different stages of reporting maturity, both issuers provide limited disclosure of physical climate risk. Asset-level exposure and adaptation measures for flooding, water scarcity, drought and haze are not comprehensively addressed, while scenario analysis remains limited. This leaves an important gap between climate disclosure and its implications for asset resilience, capital expenditure, insurance and long-term property values.

What boards should ask for

Publish asset-level physical risk screening for flood, drought and haze, with exposure, thresholds, capital plans and insurance implications.

- Disclose scenario analysis against named climate pathways rather than relying on only alignment with headline reduction trajectories.
- For issuers at an earlier stage of reporting maturity: establish and disclose a baseline year, quantified interim targets and current-year Scope 1 and 2 emissions data as it progresses towards full IFRS S2 application.
- Both listed issuers: progressively extend assurance, clearly identifying the scope, standard and assurance practitioner for each material metric.

BOX ARTICLE III: AT WHAT CARBON PRICE DOES THE PROFIT DISAPPEAR?

For each of the 91 Group 1 listed issuers we divided FY2025 profit after tax by disclosed emissions to give one comparable figure in ringgit per tonne: the price at which a year of carbon cost equals a year of earnings.

The cohort represents RM1,334 billion of market capitalisation — about two-thirds of Bursa's Main Market at RM2.04 trillion as at end-June 2026 — and 256 million tonnes of disclosed Scope 1–3 emissions.

The measure is a static gauge, not a forecast: it assumes no emissions abatement, cost pass-through, free allocation or exemption threshold, and that every disclosed tonne is priced. It is therefore intended to illustrate relative earnings sensitivity rather than predict the actual financial effect of future carbon-pricing policy.

Five findings

First, exposure is concentrated. Only 20 companies have a Scope 1–3 break-even below RM1,000/tCO2e, yet those 20 carries 79% of disclosed emissions. Together, these companies represent RM551 billion, or 41% of the cohort's market capitalisation and approximately 27% of Bursa Malaysia's Main Market capitalisation at end-June 2026. Just six of these 20 companies account for roughly three-quarters of the disclosed emissions within this more exposed group.

Second, material earnings sensitivity emerges well below RM1,000/tCO_2e. At a carbon price of RM100/tCO_2e, nine companies would face a hypothetical carbon cost exceeding half of FY2025 profit, while three would already exceed their estimated break-even carbon price. The analysis therefore indicates that, for a subset of the cohort, carbon pricing could become financially significant at considerably lower price levels.

Third, company size offers little indication of exposures. Break-even carbon prices show no clear relationship with market capitalisation, and exposure is distributed across companies of different sizes and sectors. Carbon-price sensitivity therefore cannot be reliably inferred from company scale, sector classification or index weight alone.

Fourth, Scope 3 materially changes the picture. Scope 3 accounts for 57% of the cohort's disclosed emissions, meaning that assessments based only on operational emissions can materially understate value-chain exposure. For some listed issuers, incorporating disclosed Scope 3 emissions significantly reduces the estimated break-even carbon price and alters the apparent level of earnings sensitivity.

Fifth, comparability remains constrained by uneven emissions disclosure. Eight companies disclose no Scope 3 emissions, while 28 report only business travel and employee commuting. Financed emissions are also reported inconsistently, and reporting boundaries may change between years. These differences affect the denominator used in the break-even calculation and limit direct comparison across listed issuers.

Earnings at risk, 85 profitable companies

Carbon price (RM/tCO2e)	>5% of profit at risk	>25% at risk	Full year erased
15 (low end, Malaysian discussion)	11	2	1
45 (high end, Malaysian discussion)	18	9	2
100 (intermediate benchmark)	33	15	3
368 (IPCC 2°C pathway, 2030)	57	27	13
900 (IPCC 1.5°C pathway, 2030)	66	48	18

A high break-even figure should not be read as resilience.

Sixty-five companies sit above RM1,000/tCO2e with a median near RM4,800 and outliers past RM200,000 However, 33 of these 65 companies disclose either no Scope 3 emissions or only business travel and employee commuting. An apparently high break-even price may therefore reflect an incomplete emissions denominator rather than genuinely low carbon exposure.

The RM1,000/tCO_2e level used in the analysis should consequently be understood as a reference point for presenting the distribution, not a threshold for resilience or materiality. It also falls within the range of carbon prices associated with more stringent climate-transition scenarios. Companies above this level should therefore not automatically be regarded as insulated from carbon-price risk.

Implications

Boards: ask management at what carbon price profit reaches zero and how far that is from where policy is heading. For the nine companies below RM155/tCO2e this is a capital allocation question now, not a 2030 question.

Regulators: Group 1 reporting will deliver limited comparability until Scope 3 category coverage is specified rather than left to materiality judgement, and financed emissions are placed on a common basis and timeline.

Investors: exposure correlates with neither size nor sector, so it cannot be screened at portfolio level and must be calculated company by company from the disclosures. Emissions are from each company's own FY2025 reporting; profit after tax and market capitalisation (24 March 2026) from Bursa Malaysia data. Six loss-making companies are excluded. Because most figures rest on incomplete Scope 3 disclosure, the earnings-at-risk counts are a floor rather than an estimate, and any ranking is directionally useful but not yet decision-grade.

BOX ARTICLE IV: SUSTAINABILITY CLAIMS INTEGRITY AND IFRS S1/IFRS S2 ALIGNMENT

The review assesses sustainability claim quality and IFRS S1/IFRS S2 disclosure architecture across 13 topics, from climate and energy transition to labour, supply chain and data governance. Each company's principal hotspot is tested against five lenses — Context, Intent, Governance, Evidence and Impact — scored Yes, Partial or No and materiality-weighted.

The exercise is a desk assessment of publicly available disclosures. It is not an assurance opinion, an ESG rating or finding of intentional greenwashing.

What the screening shows

13 of the 19 are assessed Strong on both IFRS S1 and IFRS S2 architecture; 5 are Partial on both and 1 is Partial on IFRS S1 only. No company falls in a higher integrity risk band: 13 are Moderate and 6 Lower.

Strong architecture is not the same as substantiated claims, however — on the claim-by-claim test, most headline narratives are marked "partial / needs evidence", meaning credible but not yet supported by sufficient boundary clarity, methodology, verification or outcome data.

Five weaknesses recur across the cohort

Incomplete Scope 3 coverage; limited quantification of financial effects; insufficient disclosure of trade-offs and capital allocation; inconsistent group boundaries; and assurance that covers only selected indicators. The ten integrity gaps reduce to one pattern — process evidence standing in for outcome evidence.

Policies, certifications and awards replace measured change; net-zero ambitions appear without interim targets, abatement sequence or funded capex; "zero incident" claims arrive without population, thresholds or near-miss context; renewable and Scope 2 claims rest on market-based instruments without location-based emissions or additionality; supplier codes lack coverage, audit findings or remediation; and community activity counts are reported as impact.

The strongest disclosures, by contrast, connect materiality, board oversight, enterprise risk management, scenario analysis, targets and measured outcomes in a single chain.

From disclosure architecture to financial evidence

The central challenge is therefore not simply whether a sustainability matter is disclosed, but whether the disclosure demonstrates its financial relevance and underlying evidence.

Climate-related claims are particularly instructive. Statements on transition preparedness become more decision-useful when they are connected to quantified effects on revenue, operating expenditure, capital expenditure, asset values, insurance and financing. Similarly, emissions targets become more meaningful when the underlying emissions boundary, calculation methodology, exclusions and progress against interim milestones are transparent.

The carbon-price sensitivity analysis presented in Box Article IV provides one illustration of this distinction. It shows how apparently similar climate disclosures can imply materially different financial exposures once emissions are connected to earnings. The exercise should not be interpreted as estimating a future carbon-tax liability; rather, it demonstrates why sustainability claims need to be assessed alongside the financial assumptions and exposures that underpin them.

Recommendations

The next stage of reporting maturity should therefore focus less on adding narrative and more on strengthening the evidence behind existing claims. Companies should:

- Maintain an evidence register for material sustainability matters, identifying the responsible owner, metric, target, baseline, methodology, assurance status and connection to financial information.

- Expand Scope 3 reporting in line with material sector and value-chain exposures, while clearly disclosing data quality, estimation methodologies, boundaries and exclusions.

- Quantify, where material and reasonably estimable, the potential effects of climate-related risks and opportunities on revenue, operating expenditure, capital expenditure, asset values, insurance, financing and working capital under relevant scenarios.

- Strengthen connectivity between sustainability disclosures and financial decision-making, including capital allocation, risk management and transition planning.

- Progressively widen assurance beyond selected indicators towards material sustainability metrics and more complete greenhouse-gas inventories.

The objective is not simply more disclosure, but more verifiable, financially connected and decision-useful disclosure. Strong IFRS S1/IFRS S2 architecture provides the foundation; the next test is whether the claims built upon that architecture are supported by evidence of implementation and measurable outcomes.

DEFINITIONS

This section defines key terms, acronyms and abbreviations used throughout this report.

Terms	Definition
ACSR	Advisory Committee on Sustainability Reporting.
AM	Asset Management
AR	Annual Report.
CB	Commercial Banking
CGR	Corporate Governance Report.
DCC	Detailed Compliance Checklist
GHG	Greenhouse Gas.
IAR	Integrated Annual Report.
IAS	International Accounting Standard.
IFRS S1 / IFRS S2	The International Sustainability Standards Board's standards on general sustainability-related and climate-related disclosures, which the NSRF is aligned with.
IN	Insurance
IPCC	Intergovernmental Panel on Climate Change.
ISSB	International Sustainability Standards Board.
NDC	Nationally Determined Contribution.
NSRF	National Sustainability Reporting Framework.
PLC	Public Listed Company.
Scorecard	The assessment component used to evaluate selected sustainability disclosure requirements
tCO_2e	Tonnes of carbon dioxide equivalent

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