MSWG
MINORITY SHAREHOLDERS WATCH GROUP

The Observer
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MALAYSIA'S FIRST WAVE OF NSRF

The first wave of sustainability reporting based on National Sustainability Reporting Framework (NSRF) shown meaningful progress, while challenges emerge.

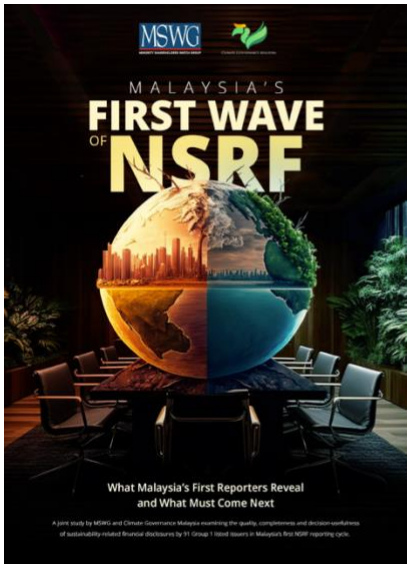
MALAYSIA’S FIRST WAVE OF NSRF: FROM REPORTING TO REAL DECISIONS

For many years, sustainability reporting sat somewhat apart from a company's financial story. Annual reports explained revenue, profit, cash flow and capital expenditure, while sustainability reports discussed emissions, climate risks, environmental initiatives and long-term sustainability ambitions. The two conversations often ran in parallel, even as the underlying issues became increasingly connected.

Malaysia’s adoption of the National Sustainability Reporting Framework (NSRF) changes this expectation significantly. Sustainability-related information is no longer intended to stand apart from mainstream corporate reporting. It should help investors understand how sustainability-related risks and opportunities could affect a company’s strategy, business model, financial position, performance and future cash flows.

The first mandatory reporting cycle therefore represents more than another disclosure requirement. It marks the beginning of a different approach to corporate reporting, where sustainability, financial performance, strategy and governance are expected to become increasingly connected.

Against this backdrop, MSWG and Climate Governance Malaysia (CGM) jointly examined the sustainability-related disclosures of 91 Group 1 listed issuers with financial years ending 31 December 2025. The assessment covered their annual, integrated, sustainability and corporate governance reports and focused on the quality, completeness and decision-usefulness of the information disclosed.



Importantly, the study was not designed to declare companies compliant or non-compliant with IFRS S1 or IFRS S2, nor was it an assessment of their underlying sustainability performance. Instead, it provides an early picture of where Malaysian companies have progressed and where reporting capabilities still need to mature.

The results show meaningful progress, but they also reveal where the real challenge begins.

The Risks Are Visible, But Where Is the Financial Impact?

Companies were generally stronger in identifying climate-related risks, establishing governance responsibilities and explaining risk-management processes. The more difficult areas involved quantifying financial impacts, connecting climate considerations to Board decisions and demonstrating measurable outcomes.

One finding illustrates this particularly well. Some 96% of the companies assessed identified relevant climate-related risks and opportunities, while all described potential effects on their business models. Yet only 36% disclosed expected effects on financial performance and cash flows, while 32% explained expected changes to their financial position. Where climate effects could not be separately quantified, only 7% provided a combined quantitative estimate.

Put simply, companies appear increasingly able to tell investors what the risk is, but many are still developing the ability to explain what the risk may cost.

Imagine a company identifying flooding as a material climate risk. That tells shareholders something important, but it naturally leads to further questions. Which assets are exposed, how significant are those assets, what additional expenditure may be required to protect them and what could happen to revenue, profit or cash flow if a major event occurs?

The same applies to transition risk. A company may identify carbon pricing or changes in energy policy as potential risks, but shareholders also need to understand the financial exposure and how management intends to respond.

Without this financial connection, investors find it difficult to assess materiality, compare companies or determine whether management's response is proportionate to the risk.

This does not mean that every climate-related risk must immediately be translated into one precise number. Companies can use ranges, sensitivities, proportions of exposed assets or scenario-based estimates. Where quantification is not presently possible, explaining why and setting out how the company intends to improve its assessment can itself provide valuable information.

The direction, however, is clear. Sustainability risks must increasingly be connected to the financial consequences that matter to investors.

The Board Is There, But What Did It Decide?

A similar story emerges from the governance findings. The governance architecture is generally visible. All the companies assessed identified the body responsible for climate oversight, while almost all explained management's role in supporting that oversight. That is an important foundation, but identifying responsibility is not the same as demonstrating what that responsibility produces.

Only 33% disclosed whether the responsible governance body had considered trade-offs associated with climate-related risks and opportunities, while only 19% quantified the linkage between climate-related performance and remuneration.

For shareholders, the distinction is significant.

A company may disclose that its Board oversees sustainability, supported by a sustainability committee and management working groups. Such information tells shareholders where responsibility sits, but much less about whether climate considerations are actually influencing strategy, investment decisions, capital allocation or risk appetite.

The more meaningful question is what happened after the Board considered the issue. Did the Board approve additional expenditure to strengthen the resilience of important assets? Did it reconsider an investment because the economics changed under a different climate scenario? Did it alter its risk appetite, revise its strategy or change management incentives? Governance becomes more meaningful when shareholders can see the connection between oversight and consequence.

Processes Are Ahead of the Information

The first reporting cycle also reveals an interesting imbalance between processes and information. Risk management recorded the strongest result among the main reporting themes at 73.8%, while metrics and targets recorded the weakest at 44.5%. Companies therefore appear to have progressed further in explaining how they identify and manage climate risks than in developing the metrics, targets and data required to measure exposure and performance.

This is understandable. Establishing a governance or risk-management process may be easier than building reliable data across an organisation and its value chain. Quantifying physical risks, transition exposure, Scope 3 emissions and financial effects requires methodologies, assumptions, internal controls and coordination between finance, risk, sustainability and operations.

Nevertheless, a sophisticated risk-management process has limited value if it does not eventually produce information that supports decisions.

Investors need to understand the scale of the exposure, the resources committed to manage it, and whether those actions deliver measurable results. The next stage should therefore not simply involve creating more indicators but developing reliable measures that connect climate risks with business exposure, capital allocation and outcomes.

More Pages Do Not Necessarily Mean Better Reporting

There was also considerable variation across the 91 companies. Validated results ranged from 2.0% to 83.0%, demonstrating that companies entered the first NSRF cycle at very different stages of reporting maturity. Interestingly, company size or report length alone cannot explain the differences.

This is an important lesson. Sustainability reports have become longer and increasingly sophisticated over the years. Companies may disclose numerous policies, frameworks, initiatives and indicators, but volume does not necessarily make the information useful to investors.

A lengthy report can still leave shareholders uncertain about what is financially material, what management is doing about it and whether the response is working. Information may also be scattered across the annual report, sustainability report, corporate governance report and online disclosures, making it difficult to see the complete picture. The objective should therefore not simply be more disclosure, but better connected disclosure.

A company may address numerous individual reporting requirements, but if investors cannot connect the sustainability risk to strategy, financial effects, metrics, targets and ultimately the financial statements, the information may still fall short of being truly decision-useful.

The Conversation at General Meetings Must Also Change

As sustainability reporting becomes more closely connected with financial reporting, shareholders should also evolve the questions they ask at general meetings. Minority shareholders should probe how sustainability-related risks affect the company financially, how the Board responds to those risks and whether management can demonstrate measurable outcomes. Some questions shareholders should consider asking include:

1) What are the most financially material climate-related risks facing the company, and what could their impact be on revenue, costs, assets, cash flows and profitability over the short, medium and long term?

2) How much capital has the company allocated, or expects to allocate, to address these material climate-related risks, and how does the Board determine whether this level of investment is sufficient?

3) What significant decisions has the Board made during the year as a result of its oversight of climate-related risks and opportunities?

4) What measurable targets has the company established for its material climate-related risks, and how does the Board monitor whether management is delivering against them?

5) What material climate-related financial information is the company currently unable to quantify, why is it unable to do so, and when does the Board expect this information to become available?

These questions bring sustainability back to what ultimately matters to shareholders: risk, capital allocation, financial performance, accountability and long-term shareholder value.

The First Cycle Is a Beginning, Not the Destination

Malaysia's first mandatory NSRF reporting cycle has laid the foundation. Companies are identifying climate risks, establishing governance structures and building the systems needed to support sustainability-related financial reporting.

But having the architecture is not the same as having meaningful reporting. A longer sustainability report does not make a company more sustainable, and identifying a risk does not mean the risk is being effectively managed.

The next test is harder. Boards must show how these risks influence strategy, capital allocation and financial outcomes, while management must produce information that investors can actually use.

Ultimately, NSRF should not become another reporting exercise measured by pages, policies and promises. Its value will be measured by whether better disclosure leads to better decisions, better accountability and better protection of long-term shareholder value.

[END]

MSWG AGM/EGM WEEKLY WATCH

The following are the AGMs/EGMs of companies on the Minority Shareholders Watch Group's (MSWG) watch list for this week.

The summary of points of interest is highlighted here, while the details of the questions to the companies can be obtained via MSWG's website at www.mswg.org.my.

QUICK-TAKE

Date & Time	Company	Quick-take	Voting Position
14.09.26 (Mon) 10.00 am	APB Resources Berhad (AGM)	For FYE 2026, the Group recorded revenue of RM103.38 million, representing an increase of 9.59% from RM94.33 million in FYE 2025. The improvement was mainly driven by stronger execution and recognition of fabrication projects during the financial year. Loss after tax narrowed to RM16.54 million from RM81.24 million previously. The reduction in losses was mainly attributable to three key factors: higher gross profit from the core fabrication business, lower losses on quoted shares and reduced finance costs.	Borrowing from moneylending company at the rate of 18% per annum seems like a distress signal. MSWG will vote "AGAINST" the resolution relating to authority to allot and issue shares as funding flexibility does not address the underlying issue and it is not unlikely to resolve the Company's financial condition.
15.09.26 (Tue) 11.00 am	George Kent (Malaysia) Berhad (AGM)	George Kent's Group revenue rose to RM167.83mil in FYE2026 from RM137.51mil in FYE2025, driven mainly by stronger contributions from the ITS and Infrastructure Construction divisions. Gross profit improved to RM40.26mil. However, the Group recorded a loss before tax of RM16.84mil (FYE2025: Profit of RM2.42mil) and a loss after tax of RM18.39mil, largely due to a RM16.48mil net foreign exchange loss from USD strengthening.	MSWG will vote "FOR" all resolutions, except "AGAINST" Ordinary Resolution 5, as Dato' Ahmad Khairummuzammil Mohd Yusoff has served as an independent director of the Company for more than nine years, having been appointed to the Board on 30 June 2015.
15.09.26 (Tue) 11.00 am	Sapura Industrial Berhad (EGM)	The Company proposed to undertake the disposal of two adjoining parcels of land in Bandar Baru Bangi for a total cash consideration of RM42.33 million.	MSWG will vote "AGAINST" the resolution on provision of financial assistance.

Date & Time	Company	Quick-take	Voting Position
		In addition, the Company proposed to provide financial assistance to its 51%-owned joint venture company, SIB ZZT Sdn Bhd, to finance the development costs and facilitate the operations of the manufacturing facilities in Gurun for the production of lithium battery precision structural components. The Company also proposed to undertake a share buy-back of up to 10% of its total number of issued shares.	Under this proposal, SIB assumes RM58.0 million financial exposure or about half its net assets, for a 51%-held venture. Further, the transaction allows that partner to recover RM16.9 million of its advances from upcoming bank debt, leaving SIB to carry an uncommitted RM19.9 million interest-free bridging loan, pledge its land in Gurun, and guarantee RM30.0 million in bank facilities. Absorbing the project's credit risk and encumbering core assets without a guarantee from ZZT.
17.09.26 (Thur) 10.00 am	Mi Technovation Berhad (EGM)	MI is proposing the listing of its semiconductor materials subsidiary, Mi Material, on the Mainboard of SGX. Post listing, MI's shareholding will decrease from 100% to 72.38% or 70.66% if the over-allotment option is fully exercised. The IPO comprises new shares and existing/vendor shares. Mi Material expects to raise SGD93.75 million (RM298 million) from the new shares. The proceeds will fund US and Singapore R&D, Malaysia and Taiwan expansion as well as working capital. Separately, MI will sell existing Mi Material shares and expects to receive SGD32.5 million (RM103.3 million), mainly to fund expansion of VTBU. The listing will unlock Mi Material's value through independent market valuation, give MI shareholders direct exposure to its growth, sharpen strategic focus and provide Mi Material with direct access to capital markets.	MSWG will vote "AGAINST" Resolution 6 on the participation and subscription of MI Material shares an by independent director. In line with good corporate governance practices, MSWG does not support granting or allocating shares to INEDs, whose role is to provide independent oversight, checks and balances, and objective judgement in the best interests of all shareholders.

POINTS OF INTEREST

Company	Points/Issues to Be Raised
APB Resources Berhad (AGM)	1. Note 20(g) on page 143 discloses an unsecured RM2.0 million loan from a licensed moneylending company at a flat interest rate of 18% per annum. Note 20(f) on page 142 also discloses a P2P investment note carrying an 11.75% flat interest rate. This is despite the Group having RM11.87 million in cash and short-term deposits at year-end, while finance costs amounted to RM6.41 million for the year. Given the relatively high cost of these borrowings, please explain why the Company had to rely on moneylenders and P2P financing instead of conventional bank or trade facilities? What is Company's plan and timeline to repay these high-cost borrowings and reduce the Group's financing costs? 2. The derecognition of Globetronics Technology Berhad (Globetronics) as an associate in FY 2025 resulted in a RM68.70 million loss. The Group recorded a further RM18.90 million fair value loss in FY 2026. The carrying value of the quoted shares has now fallen to RM11.20 million, compared with the original acquisition cost of RM140.00 million. These shares are also pledged as security for Term Loan 1, which had an outstanding balance of RM71.08 million (Note 20(a)). a) Given that the value of the pledged Globetronics shares has declined by more than 90% from their original acquisition cost, has the lending bank issued any margin call, required a mandatory debt repayment or requested additional collateral? If so, please provide details of the actions taken by the Group. b) What is the Board's strategy and timeline for monetising or otherwise disposing of this non-core equity holding, particularly given the potential for further declines in its market value and adversely affect the Group's financing position?
Sapura Industrial Berhad (EGM)	Under the Proposed Provision of Financial Assistance (Part A, Section 3.2, Pages 7–9), SIB holds a 51% equity interest in SIB ZZT Sdn Bhd and is expected to assume aggregate contingent and cash exposure of RM58.0 million, equivalent to approximately 48.7% of the Group's audited NTA of RM119.2 million. By comparison, Funa Micro Technology Pte Ltd (FMT), which holds a 49% equity interest, is providing RM5.0 million in pledged cash and RM20.0 million in collateral. Further, upon drawdown of Banking Facility I, FMT will recover RM16.9 million of its initial advances. This would reduce FMT's capital exposure, while SIB would continue to have RM30.0 million of corporate guarantees and a RM8.1 million charge over the land. Against this backdrop, please provide some further clarification on the rationale for the respective levels of financial exposure assumed by SIB and FMT? In particular, what contractual protections, commercial

	considerations or corresponding economic benefits are in place to ensure that the risks assumed by SIB are appropriately compensated?

[END]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