Frequently Asked Questions

on BNM Climate Change and Principle-based Taxonomy(CCPT)

CCPT Implementation Group

Version 2.0 | July 2026

Preface

The Joint-Committee on Climate Change Sub-committee 1 - Risk Management ("JC3 SC1") was established in September 2019 as part of the Bank's collective efforts to further strengthen and upskill the financial industry in climate action.

In April 2021, Bank Negara Malaysia (BNM) and the JC3 SC1 published the Climate Change and Principle-based Taxonomy ("CCPT"), a guidance document to facilitate financial institutions in identifying and classifying economic activities that could contribute to climate change objectives. The CCPT aims to provide an overview of climate change risk and its impact to the financial system as well as promoting financial flows to activities that will support the transition to a low carbon and climate resilient economy.

Subsequent to this, as mandated by the JC3 SC1, the CCPT Implementation Group ("CCPT IG") was established. The CCPT IG was co-led by Maybank and AIA Insurance Group, represented by members of various financial institutions group from local and foreign banks, insurance, as well as asset management companies. The CCPT IG serves as a collaborative platform for the financial industry players to share knowledge, experiences, and common issues on the operationalisation of CCPT within their institution.

This document was developed by the CCPT IG leads comprising of commonly asked queries raised by the CCPT IG members via discussions and deliberations during the CCPT IG meeting. Through this document, the CCPT IG provides its views and recommendations to guide financial industry players on the recommended best practices to effectively implement CCPT requirements with an objective to promote coherent industry-wide adoption. Should there be any further clarification required, please direct your queries to ccptig@bnm.gov.my

Revision Record

The revision records of the FAQs for BNM CCPT Reporting are as follows: -

Version	Effective Date	Description
Version 1.0	January 2024	First Issuance. This document was first published in January 2024 to provide greater clarity on areas pertaining to BNM's Dear CEO letter issued 14 November 2023 and implementation of CCPT.
Version 2.0	July 2026	This document has been updated to include additional Q&A and update existing clarifications following stakeholders' request for an updated FAQ.

No.	FREQUENTLY ASKED QUESTIONS - GENERAL
1.	**Guiding Principles Assessment**
(a)	<u>Question</u> In reference to the BNM CCPT document, FIs would need to assess GP1 and GP2 at the transactional level while GP3, GP4 and GP5 at the overall business level. Could the classification be based on assessment conducted only at the overall business level? For example, financing to a solar panel manufacturer would qualify C1 classification for all its transactions. <u>Answer</u> No, FIs would still be required to conduct transactional (for GP1 & GP2) and overall business (GP3 & GP4) assessments on their clients prior to deciding the appropriate CCPT classification. This is further explained below: - i. For GP1 and GP2 assessments, FIs should be assessing whether the purpose of financing/investment or use of proceeds support climate change mitigation and/or adaptation objectives. In situations where FIs cannot ascertain the purpose of financing/ investment due to various reasons, including absence of information in prospectus (e.g., for equity/ bonds), FIs can fall back to evaluate the primary economic activity of the company to determine whether the core operations of the company have a notable impact on climate change mitigation and adaptation efforts. For example, equity investments/ a bond issued by/working capital loan provided to a solar panel manufacturer can qualify to meet GP1. Conversely, equity investments/ a bond issued by/working capital loan provided to a mining company will not qualify to meet GP1 If the financing/ investment is intended for general purpose (e.g., working capital), then FIs need to assess at business level (business activity). For borrowers in the high emitting sectors, FIs need to determine the significance and materiality of the high emitting business to the overall business. Currently, there is no standard definition for Green pureplay companies in Malaysia yet. Internal guidance set by the FIs can be considered. ii. For GP3 and GP4 assessments, FIs shall be guided by the CCPT IG's GP3 and GP4 Due Diligence questionnaire. iii. For GP5 assessment, FI should be assessing whether the business activities contravene laws or regulation prescribed by the jurisdiction where the company operates.
(b)	<u>Question</u> What is the threshold that FIs need to use in determining if the client has made substantial contribution in meeting GP1 and/or GP2? <u>Answer</u> A transaction will be considered as meeting GP1 and/or GP2 where the allocation of proceeds satisfies the relevant thresholds for activities contributing to the respective GP1 and/or GP2 objectives as stipulated in FIs' approved policy and guidelines. However, FIs are not required to provide specific thresholds and quantitative justifications to substantiate their GP1 and/or GP2 assessments.

No.	FREQUENTLY ASKED QUESTIONS - GENERAL
(c)	Question Is the scope of coverage for GP3 limited to environmental factors? Answer GP3 covers environmental and climate factors. Under environmental factors, FIs should assess clients' overall business impact on pollution, loss of biodiversity, and use of energy, water and other natural resources. Under climate factors, FIs should assess the significant GHG emissions and adverse impact to climate arising from clients' overall business operations.
(d)	Question Should the scope of GP3 and GP4 assessment include the client's supply chain? Answer FIs are encouraged to conduct supply chain assessment for GP3 and GP4 where possible, on best effort basis.
(e)	Question How does transactional level assessment apply to fixed income assets and equities? Answer In general, transactional level assessments are to be conducted by looking at the use of proceeds, i.e., whether the proceeds are being channelled to activities that will contribute to GP1 and GP2 objectives. For fixed income securities, assessments shall be based on information specified in the prospectus. Refer to Q1a(i) for more details.
(f)	Question Should the guiding principles assessment be expanded to include assessment for facilities that the client has with other FIs? Answer No, the guiding principles assessment shall be conducted only to FIs' own facility.
(g)	Question How should FIs justify GP3 and GP4 assessment? Answer The justification to support GP3 and GP4 assessment can be both qualitative and quantitative. Quantitative justification may entail providing data (e.g., GHG emissions, land usage, energy consumption metrics, and the volume of water utilised by their clients). For this purpose, FIs should consider sourcing for relevant data from the JC3 SC5 data catalogue. In the absence of available data, FIs to consider using proxies (e.g., relative asset size, revenue, energy consumption), where relevant. More importantly, the justification should be properly documented by FIs.

No.	FREQUENTLY ASKED QUESTIONS - GENERAL

(h) Question

Do banks still need to assess / report RM-managed SME loans beyond the 6 identified sectors?

Answer

No, for RM-managed SME loans, there is no need to assess/ report beyond the 6 identified high emitting sectors as follows:

a. Agriculture, forestry, and fishing
b. Manufacturing
c. Electricity, gas, steam, and air conditioning supply
d. Water supply, sewerage, waste management and remediation activities
e. Construction
f. Transportation and storage

However, if FIs wish to, they can continue to assess and classify for their internal usage.

Non-RM-managed SME loan/ financing is exempted from CCPT assessment. These exposures can be reported as “X – Not Applicable” in CCRIS. This is the default option for all exempted exposures. Nevertheless, if the SME is subjected to periodic and/or annual review at entity-level (not portfolio-level), then the exposure should be assessed for CCPT and tagged with the appropriate CCPT classification. For RM-managed non-SME loans/financing, CCPT assessment is required for all sectors.

2. **CCPT classification table**

(a) Question

How should exposures that do not meet GP1 and/or GP2, but meet GP3 be classified?

Answer

Such exposures will be reported under C5b. Kindly refer to updated CCPT classification table below:

GP1	GP2	GP3	GP4	Classification	
GP1 or GP2 or both		✓		C1	Supporting
GP1 or GP2 or both		✗	✓	C2	Transitioning
✗		✗	✓	C3	
GP1 or GP2 or both		✗	✗	C4	Watchlist
✗		✗	✗	C5a	
✗		✓		C5b	

3. **Classification of exposures ‘excluded’ from reporting**

(a) Question

What are the exposures that are excluded from CCPT assessment / reporting?

Answer

a. Corporate credit card loans/financing facilities;
b. Current account excess that is reported as overdraft loans/financing;
c. SME facilities that are not managed via bilateral FI-Client relationship approach or not subjected to annual and/or periodic review (per FI’s internal policy);

No.	FREQUENTLY ASKED QUESTIONS - GENERAL
	d. SME facilities that do not fall under any of the identified six (6) specific high emitting sectors as listed in 1 (h); e. Financial investment instruments exempted from CCPT reporting (refer to list provided in reporting template); and f. Loans and financing approved via straight-through processing (STP) g. Share margin financing for both retail and non-retail. Note: Facilities/Exposures arising from the above would be reported as "X (not applicable)" for CCRIS reporting.
4. (a)	**Certification and Global Environmental Standards** Question In reference to the CCPT document, FIs **could** rely on certification as one of the criteria in assessing GP3. i. Can GP3 be considered as met if only a small subset of a client's business is certified? For example, the client is an integrated palm oil company but only its refinery business is certified. ii. Is it sufficient for FIs to rely on certification obtained to decide as to whether the client's overall business activities are meeting GP3? Answer i. To be considered as meeting GP3 criteria, assessments are to be conducted on the client's overall business, rather than a small subset of the client's business. ii. While certification is not mandatory, the crucial aspect lies in FIs comprehending the certification's content and ensuring its adequacy in addressing the relevant GP3 criteria. In cases where the certification lacks comprehensive coverage, FIs should conduct additional assessments on client's overall business activities to ascertain whether the client meets GP3 requirements. FIs should not place sole reliance on external certification. This is because not having external certification does not necessarily mean the customer does not meet GP3/4. DDQ aims to understand client's risk and mitigation actions to address climate and environmental harm (even without any external certification).
(b)	Question How should FIs conduct assessment for areas where local policy requirements/standards differ from global environmental standards? Answer In instances where local requirements are contradictory to global environmental standards, the local requirements shall prevail.

No.	FREQUENTLY ASKED QUESTIONS - GENERAL
5.	**Validation and Reconciliation of CCPT Classification and Exposures**
(a)	Question Would there be any penalty for wrongful CCPT classification? Answer While currently, there will be no penalty imposed for wrongful classification, FIs are strongly encouraged to ensure accuracy of the CCPT classification.
(b)	Question Are there any recommendations for reconciliation of CCPT exposures? Answer The CCPT exposures reported should reconcile with exposures reported in the financial statements for the same period, where relevant. This should also tie in with the numbers reported for statistical submission (total and by sector/segment) to the Bank and the same data governance procedures shall apply.
(c)	Question What is the treatment for CCPT classification for clients whose outcomes have been reported to BNM, but found to be in contravention with environmental laws or regulations before their annual review is due? Answer Should new information be obtained in between credit review cycles, FIs are expected to reassess the CCPT rating and update the classification accordingly. The revised classification is to be reported in the following six-month CCPT reporting cycle and in CCRIS (as per FI internal policy).
6.	Question How should FIs classify new loans/financing and financial investments under 'prohibited activities'? Answer It is highly unlikely that FIs will be investing in prohibited activities upfront (during onboarding). However, in the event that customers are subsequently found to be involved in illegal activities (post on-boarding), FIs should then reassess and reclassify these exposures as 'prohibited activities' while determining the next course of action.
7.	Question Do FIs need to review the classification of existing and additional loans/financing and investments, and how frequent should the review be conducted? Answer Yes, FIs need to proactively review existing loans/financing and investments (for event triggered accounts) and reassess additional loans/financing and investments to ensure that the CCPT classifications reflect the current state of affairs at reporting date. For normal accounts, CCPT classification review should be conducted at least once a year.

No.	FREQUENTLY ASKED QUESTIONS - GENERAL
8.	<u>Question</u> How do FIs assess GP3 and GP4 of companies with diverse business holdings such as the following: i. Special purpose vehicle (SPVs) ii. Investment holding companies (IHCs) iii. Subsidiaries or associate companies <u>Answer</u> GP3 and GP4 are assessed at the borrowing entity in principle. i. <u>Special purpose vehicle (SPVs)</u> Since SPVs are created by a parent company or a group of companies to isolate financial risk and typically incorporated to develop a specific investment project such as an infrastructure facility, CCPT assessment should primarily focus on the parent company or, in the case of multiple shareholders, the entity with the largest ownership stake. This is because the SPV's risk exposure to environment is usually determined by the overall business nature, policies, and track record of its parent or sponsoring entities. However, if the SPV has its own primary business activities, then the CCPT assessment shall be conducted at the SPV's entity-level. ii. <u>Investment holding companies (IHCs)</u> Assessment of CCPT is to focus on investee/sub companies with the highest utilisation of funds provided by the IHC, or investees with the most substantial impact to the IHC's performance. Example of proxy info is investees' utilisation of funds, revenue contribution or investment proportion to IHC. Essentially, the IHC's significant harm to environment and remedial measures are premised based on its most significant investee companies. The assessment should be on entity basis and focusing on entity that has a direct relationship with the FI if the funds are not channelled to the Group. Therefore, it is confined only to the investment holding company (borrower) in line with this principle. iii. <u>Subsidiaries or associate companies</u> For a company's environmental or climate initiatives to be recognised as part of the group's remedial measures, the following principles should be evaluated: - a) Depth of relationship between the parent and subsidiary i.e. power of control a parent has on its subsidiary to show evidence that the subsidiary is required to adopt and is adopting its parent's remedial measures to transition; and b) Whether the parent's environmental or climate initiatives addresses the subsidiary's harm caused to the environment and other climate risk concerns identified from GP3 assessment. Please note that this principle could be applied to all types of parent-subsidiary relationship other than SPV.
9.	<u>Question</u> How should FIs assess remedial measures under GP4? How about the remediation plan under GP4 that is not linked to GP3? For example, for the manufacturers of petrol cars, the risk identified is the production of petrol cars that produces carbon that is harmful to the atmosphere. However, their remediation measure under GP4 is to produce electric vehicle (EV) but at the same time not reducing production of petrol cars.

No.	FREQUENTLY ASKED QUESTIONS - GENERAL
	Answer In addressing GP4, it must be linked to harm or risks identified under GP3. Otherwise, the impact remains unmitigated. For example, if the risk identified under GP3 is the high consumption of water resources, then a GP4 remedial measure could be the use of rain harvesting system to reduce water consumption, etc. FI may consider applying the mitigation hierarchy principles (Avoid, Minimise, Restore, Offset) when assessing remedial measures. In the above example, while the introduction of EVs may be a positive step, it does not address the ongoing emissions from continued ICE vehicle production, which remain unchanged. (This would be different if the company were actively phasing down ICE production while scaling up EVs.) For GP4, minimum documents required will need to show the timebound commitment / plan of the client to address specific risk(s) identified in GP3. Examples of acceptable documents are client's Net Zero Transition Plan, publicly announced plans in the client's annual report, press releases, ISO 14001 processes or other documents which support serious intention for remediation. Details are provided in the Guidance Notes and Minimum List of Documents for GP3 and GP4.
10.	Question Referring to GP4, what would be a reasonable timebound period for SMEs and non-SMEs to implement their remedial measures? Answer To assess on a case-to-case basis depending on the type of remedial measures committed.
11.	Question How can we determine if a borrowing entity complies with GP3 if there are risks identified? Answer The borrower would be deemed to have complied with GP3 if they have commenced remedial measure(s) deemed adequate (in accordance with FIs respective policies) in addressing each risk identified under GP3. Under GP3, there are 5 subcategories of risks. Remedial measures should address risks identified for each subcategory. For example, if a borrower has risks identified under "Pollution" and "GHG Emissions", the borrower must have at least 1 remedial measure to address the risk identified under "Pollution" and at least 1 remedial measure to address risk identified under "GHG Emissions". However, there may be instances where a single remedial measure can address multiple GP3 risk subcategories (e.g. GHG emissions and Pollution), provided it is adequate in mitigating each identified risk. For example, installing a clean combustion system may: - Reduce GHG emissions (e.g. CO_2), and - Reduce air pollutants (e.g. NOx, SOx, particulates) In such cases, the same measure can address both subcategories provided it is supported by adequate documentation/ justification.

No.	FREQUENTLY ASKED QUESTIONS - GENERAL
	Planned remedial measures (not yet implemented) are not adequate to address or comply with risks identified under GP3.
12.	<u>Question</u> Is it possible for a client to get different CCPT classifications across different portfolios in the same FI? <u>Answer</u> Yes, it is possible. GP1 and GP2 are assessed at the transaction or facility level. However, for GP3 and GP4, it should ideally have the same outcomes as it is assessed at the entity/ company level. FIs are expected to coordinate amongst the business segments within the FI for consistency and coherence or have appropriate documentation to support the different final CCPT classification.
13.	<u>Question</u> Is client's self-assessment of GP3 and GP4 acceptable where they are also required to provide supporting documentations to substantiate their self-assessment? <u>Answer</u> No, client's self-assessment at face value is not acceptable. FIs are required to perform their own assessments for all CCPT GPs. FIs may utilise relevant information and documentation provided by the client for due diligence purposes and to support the final classification, including but not limited to the Minimum List of Documents prescribed.
14.	<u>Question</u> Referring to DDQ 4.1 (a) on "Efficient use of resources" and DDQ 5.1 (a) on "GHG Emissions" under GP3, what is deemed 'significant'? <u>Answer</u> FIs may consider using the ENCORE tool (https://www.encorenature.org/en) and other relevant tools deemed acceptable by the respective FIs, to assess the inherent risk(s) clients face based on their industry/sector. It is not recommended to reference any specific threshold in determining sufficiency of a mitigation action. Instead, FIs should consider sector-specific or emissions intensity benchmarks. In line with the CCPT DDQ workshop held in April 2024, sectors rated "High" or "Very High" against the risks in ENCORE are considered material, and therefore deemed significant under GP3. FIs are required to perform their own assessments for all CCPT GPs in accordance with their accepted risk appetite. For GHG emissions, FIs may also refer to the sectors in the DDQ Guidance Notes in which Agriculture, Manufacturing, Transportation, Waste Management, Construction, and Energy sectors are deemed as significant GHG emitting sectors.

No.	FREQUENTLY ASKED QUESTIONS - GENERAL
15.	<u>Question</u> The Manufacturing sector has been identified as one of the 6 high-emitting sectors for CCPT reporting for SME exposures. There are many sub-sectors under Manufacturing of which some of them are green industries e.g. manufacturing of solar panel, green chemicals and bioplastics. Does the Manufacturing sector prescribed by BNM mean "Manufacturing" as in its entirety (regardless of the subsectors) or only selected high-emitting sub-sectors? <u>Answer</u> FIs are expected to report for all sub-sectors under Manufacturing.
16.	<u>Question</u> Some key business activities are at the pre-operation or construction phase at the time of assessment. Should the GP3 and GP4 assessment be conducted based on current status i.e. construction or pre-operation stage? Example: Client's overall business is in operating and maintaining a natural gas power plant. However, the power plant is still in the early planning and construction stages. Should the GP3 and GP4 assessment be conducted based on current status which is the construction stage or still be conducted on overall business which is operating and maintaining a natural gas power plant? <u>Answer</u> GP3 and GP4 should be performed at entity level based on the conditions at the time of assessment. Assessment should be reviewed once it is in operations or during annual review, whichever earlier. Project level assessment will be applicable for GP1 and GP2 as the purpose of financing can be established regardless of the project stage.
17.	<u>Question</u> For SMEs, would it be sufficient to consider budget allocations towards transition plan implementation as a credible and acceptable step to show a customer/business is planning to mitigate the environmental harm? <u>Answer</u> Mitigation actions which are not implemented at time of assessment cannot be considered for GP3 but will address Question (d) of GP4 DDQ. The same principle applies for both SMEs and non-SME GP4 assessment.
18.	<u>Question</u> Given the financial industry is highly regulated by BNM, SC and to certain extent, Bursa Malaysia, can CCPT assessment be exempted and exposures to financial institutions or defaulted to C5b? Can the same be applied to non-bank financial institutions (NBFIs)? <u>Answer</u> Assessment needs to be conducted on all clients and classified accordingly.

No.	FREQUENTLY ASKED QUESTIONS - GENERAL
19.	Question With reference to DDQ for GP3 Ecosystem & Biodiversity Risk identification, how to determine the threshold of "near" environmentally sensitive areas (“ESAs”) or key biodiversity areas (“KBAs”)? Answer There are no standard thresholds defined for determining proximity to environmentally sensitive areas (ESAs) or key biodiversity areas (KBAs). Financial institutions are expected to apply context-specific judgement on a case-by-case basis, considering the nature, scale, and location of the borrower’s activities, and referencing available spatial data where relevant (e.g. ESA maps, IBAT, or local EIA guidelines). For example, IBAT applies sector-specific buffer distances to reflect a site's potential area of influence. FIs may refer to the buffer range table provided on the IBAT Biodiversity Disclosure site: https://www.ibat-alliance.org/biodiversity-disclosure (under Buffer tab). However, this distance is a general guide and may underestimate or overestimate actual biodiversity risks, depending on local conditions.
20.	Question In reference to Loans & Financing (1), does the classification of ‘others’ refer to the aggregation of industry sectors other than those listed in the reporting template? Answer Yes, all loans & financing are to be reported based on the industry sectors listed in the reporting template while the remaining are to be aggregated under ‘Others’.
21.	Question In reference to Loans & Financing (1), tables (a) and (b) refer to the reporting template applicable to Business non-SME and SME loans. If FIs offer loans only to retail customers, would these FIs be required to report their retail mortgages under the real estate sector classification? Answer No, FIs that offer loans to only retail customers are not required to submit reporting for tables (a) and (b). Retail mortgage loans/financing are to be reported under Loans & Financing (2) tables (c) to (f), provided that the loans/financing satisfy FIs’ green/sustainable product criteria.
22.	Question In reference to Loans & Financing (1) and (2), does the reporting of off-balance sheet exposures include undrawn commitments? Answer Yes, the reporting of off-balance sheet exposures for loans/financing does include undrawn commitments.

No.	FREQUENTLY ASKED QUESTIONS - LOANS & FINANCING (1) & (2)
23.	<u>Question</u> How should FI's classify defaulted/ impaired accounts which do not undergo annual reviews (e.g. legacy accounts)? Clients are usually uncontactable and any publicly available info to assess GP3 and GP4 may be meaningless since they would have ceased key business activities. <u>Answer</u> Exposures impaired before 2024 can be excluded from CCPT reporting and for CCRIS can be classified as 'Exempted - X', while those impaired from 2024 onwards need to be reported as per pre-impaired classification. For example, if the facility was classified as C3 prior to NPL, it should continue to be reported as C3 indefinitely from the year it becomes NPL (i.e. from 2024 onwards). Classification/ annual review to resume once the facility reverts to a performing loan.
24.	<u>Question</u> Does the scope of CCPT reporting cover exposures from vendor financing program? If yes, how shall the CCPT assessment be conducted? <u>Answer</u> Yes, the scope of CCPT reporting does cover exposures from vendor financing program. Vendor financing program is a form of lending in which FIs grant working capital credit lines to a vendor who then recommends extension of the credit lines (commonly in the form of corporate purchasing cards) to its principal clients. The credit lines shall be utilised to purchase vendor's products and inventories. In such scenario, CCPT assessment shall be based on the credit lending principles i.e. to whom the FIs has exposure with.
25.	<u>Question</u> How should loans/financing to high-net-worth clients be classified? Should the transaction be reported under Loans & Financing (1) for non-retail or Loans & Financing (2) for retail product? <u>Answer</u> The best way to determine how CCPT should be classified and treated (whether retail or non-retail) is to look at the segmentation of these clients under FIs' regulatory reporting. If the client falls under retail segmentation, the exposure should be aggregated at product level and reported under Loans & Financing (2). On the other hand, if the client falls under non-retail segmentation, the transaction should be classified C1 to C5**b** and to be reported under Loans & Financing (1) accordingly.
26.	<u>Question</u> In reference to Loans & Financing (2), does the scope of reporting cover personal unsecured loans/financing and credit card facilities? <u>Answer</u> Yes, only if the abovementioned facilities meet the FIs' green/sustainable product criteria.

No.	FREQUENTLY ASKED QUESTIONS - LOANS & FINANCING (1) & (2)
27. (a) (b) (c) (d) (a-c) (d)	**Loans & Financing (2) – Retail Green/Sustainable Product** <u>Question</u> What is the scope of 'sustainable product' in this context? Does it only include environmental factors? For auto loan portfolio, shall fuel efficient vehicles and alternatively-fuelled vehicles be considered as meeting green/sustainable product criteria? Shall other retail consumer products such as ASB and unit trust loans be considered as green/sustainable? What should be reported in Loans & Financing (2) if FIs do not provide green/sustainable retail loans/financing? <u>Answer</u> While the Bank does not specify scope or criteria for sustainable financial products, the BNM CCPT guiding principles may be used as a baseline in developing the features of FIs' green/sustainable financial products. FIs should leave the Loans & Financing (2) blank.
28.	<u>Question</u> Are straight-through processing (STP) loans and financing included in the scope of CCPT assessment and reporting? <u>Answer</u> No, as there would be no RMs managing these transactions just like other programme lending products.
29.	<u>Question</u> Are loans fully collateralised by cash included in the scope of CCPT assessment and reporting? <u>Answer</u> Yes.

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No.	FREQUENTLY ASKED QUESTIONS - FINANCIAL INVESTMENT
30.	Question What are the figures to be reported for new and outstanding financial investments? Is it based on outstanding amount or approved limit? Answer The reporting figures for new and outstanding financial investments will be based on outstanding amount.
31.	Question Would the reporting of new and outstanding financial investments (FVOCI and amortised cost) be based on exposures that are still in the book at the end of reporting period? Answer a) *New financial investment for the 6-month period:* To reflect the movements in investment assets, the reporting would be based on the change of outstanding amount between two reporting periods (i.e. the difference between outstanding amount for the reporting period and outstanding amount reported for the last reporting period). For example: New financial investments for the 6-month period ended 31 December 2022 = Outstanding financial investments as at 31 December 2022 – Outstanding financial investments as at 30 June 2022 b) *Outstanding financial investments as at reporting period:* Equivalent to the outstanding exposure that is still in the book at the end of the reporting period.
32.	Question Would real estate properties purchased by FIs be considered as financial investment asset? Answer No, real estate properties purchased by FIs (regardless of the purpose) would not be considered as financial investment asset. The CCPT reporting template requires FIs to report financial assets as per MFRS 9 financial instruments definition. Real estate properties (physical assets) would not be considered as financial assets as they were not traded on the financial markets, and the value was not derived from contractual claims. FIs' investments in Real Estate Investment Trusts (REITs) on the other hand, would be considered as financial investment assets. In addition, the CCPT IG opined that FIs' ownership of real estate properties would have been included in its Scope 1 and 2 GHG emissions computation. Hence, the assets should not be reported as part of the CCPT reporting.

No.	FREQUENTLY ASKED QUESTIONS - FINANCIAL INVESTMENT
33.	**Scope of Reporting for Financial Investment Assets**
(a)	<u>Question</u> What are the types of financial investment assets subjected to the CCPT classification and reporting? <u>Answer</u> All financial investment assets in the banking book as reported in the financial statements except those that are exempted as per 33 (b).
(b)	<u>Question</u> What are the types of financial investment assets exempted from CCPT classification and reporting? <u>Answer</u> The types of financial investment assets exempted from CCPT classification and reporting are as follows: - i. Instruments issued by sovereign entities* and supranational organisations ii. Instruments issued by Bank Negara Malaysia iii. Collective investment scheme (CIS) iv. Exchange traded funds (ETS) v. Derivatives and structured products, examples include Structured Deposits, Credit Linked Notes, Equity Linked Notes vi. Fixed and call deposits/placements with FIs (classified under amortized cost by ITOs) vii. Investment-linked funds (applicable to ITOs only) Note: *Consistent with CCRIS reporting requirements
(c)	<u>Question</u> Are financial investment assets issued by statutory bodies* subjected to CCPT classification and reporting? <u>Answer</u> Yes, statutory bodies are subjected to CCPT classification. While it is noted that the information to conduct CCPT assessment for financial instruments issued by these entities may not be sufficient or available at this juncture, but in the spirit of ensuring that financial flows are channelled towards climate resilient and low carbon economy, the CCPT classification and reporting for these financial instruments should not be exempted. Note: * Statutory bodies are entities that meet these two criteria i.e. 1) Ownership by Federal Government and 2) Establishment by Act/Law.
(d)	<u>Question</u> Are corporate bonds guaranteed by sovereign entities, government-owned entities and Bank Negara Malaysia subjected to the CCPT classification and reporting? <u>Answer</u> The best way to determine CCPT assessment on corporate bonds is to determine if it is government-owned or government guaranteed. If the corporate bonds are guaranteed by these entities, it is required to be classified and reported. While it is noted that the information to conduct CCPT assessment for financial instruments issued by these entities may not be sufficient

No.	FREQUENTLY ASKED QUESTIONS - FINANCIAL INVESTMENT
	or available at this juncture, but in the spirit of ensuring that financial flows are channelled towards climate resilient and low carbon economy, the CCPT classification and reporting for these financial instruments should not be exempted. If the corporate bonds are owned by the government, it is exempted from the CCPT assessment.
(e)	Question Does the scope of CCPT reporting include financial instruments issued by local and foreign issuers? Answer Yes, the scope of CCPT reporting include financial instruments issued by both local and foreign issuers.
34.	Question Should the reporting requirement for financial investment assets be based on MFRS 9 or MFRS 139 requirements? Answer Financial investment assets should be reported based on MFRS 9 requirement for classification of FVTPL, FVOCI and financial investments at amortised cost. Please note that the MFRS 139 requirement is only applicable to licensed insurer that has applied for temporary exemption from the MFRS 9 requirement.
35.	Question Are the CCPT reporting requirements for financial investment assets the same for both commercial banks and ITOs? Answer No, the CCPT reporting requirements for financial investment assets are different for commercial banks and ITOs. The reporting for FVTPL is only applicable to ITOs while investment-linked funds are exempted.
36.	Question What is the rationale behind reporting of FVTPL (trading book instruments) for ITOs? Answer The rationale is that ITOs could hold FVTPL instruments up to maturity in contrast to the banking institutions.
37.	Question Is there any reference provided for FIs to classify financial investment assets and instruments to streamline the CCPT classification across financial industry? Answer No, FIs are required to make own assessment on the CCPT classification for financial investment assets and instruments. While the Bank does not have a specific reference for classifying these assets, the CCPT guiding principles may be used as a baseline for assessment and classification.

No.	FREQUENTLY ASKED QUESTIONS - FINANCIAL INVESTMENT
38.	<u>Question</u> How are the "Minimum List of Documents" collected for Corporate Bonds, particularly corporate bonds guaranteed by sovereign entities, government-owned entities, and Bank Negara Malaysia? <u>Answer</u> *Explore limiting this requirement for activities that has relationship managers only.* For corporate bonds, FIs are expected to rely on publicly available offering documents, such as the prospectus or information memorandum prepared by the lead arranger, which usually discloses the issuer's activities and use of proceeds for CCPT assessment. Where needed, this may be supplemented by other public disclosures (e.g. annual or sustainability reports), and for guaranteed corporate bonds, the assessment continues to be based on the underlying corporate activity financed, using best-available information consistent with the principle-based approach of CCPT.
39.	<u>Question</u> Are Bond/Sukuk issuers required to disclose information to facilitate CCPT assessment or perform self-classification before issuance? <u>Answer</u> Not at this juncture. FIs are required to source for the information from clients.
40.	<u>Question</u> Can we automatically classify green, sustainable, or SRI-compliant bonds/ sukuks as meeting GP1 and GP2 by default? <u>Answer</u> Not all green, sustainable, or SRI-compliant bonds/ sukuks are climate-related (i.e. contribute to GHG reduction or climate resilience) although the majority would be. FIs are required to perform their own assessments for all CCPT GPs. Evidence such as third-party assessments may be used as supporting documentation for GP1/ GP2 assessment. If the allowable use of proceeds for a Green, Sustainability or SRI bond includes activities beyond those related to GP1 and/or GP2, the transaction should be assessed based on the actual use of proceeds or other documentary evidence. FIs may rely on the actual use of proceeds report, which may be reported on a portfolio basis (including other bond tranches). If the allowable use of proceeds is restricted solely to GP1 and/or GP2-related activities, FIs may tag the bond as meeting both GP1 and/or GP2 requirements while awaiting the actual use of proceeds report. However, FIs should reassess and reclassify the bond accordingly during subsequent reviews, or once the actual use of proceeds information becomes available.
41.	<u>Question</u> Should soft underwritten exposures be included in the CCPT reporting? <u>Answer</u> No, soft underwritten exposures are to be excluded from the CCPT reporting.

No.	FREQUENTLY ASKED QUESTIONS - FINANCIAL INVESTMENT
42. (a) (b)	 <u>Question</u> The hard underwriting exposure (i.e. off-balance sheet exposure) starts from the committed date in the underwriting contract until the share/bond issuance date. Once it is issued, it will become part of financial investment of FIs (i.e. on balance sheet exposure). How should the hard underwriting exposure be reported in the CCPT reporting template? <u>Answer</u> Hard underwriting exposure prior to issuance is to be reported as part of the 'newly approved and accepted loans / financing' in the "Loans & Financing (1)" tab, Post issuance, the exposure is to be reported under the "Financial Investment" tab. <u>Question</u> For equity underwriting facility for IPO/rights issue/private placement exercise, the amount to key in for new financial investments for 6 months period is based on the total committed/underwriting amount or 25% of Credit Conversion Factor (CCF) of nominal value under Financial Investment tab? <u>Answer</u> To input the 25% of Credit Conversion Factor (CCF) of nominal value.
43.	<u>Question</u> Other than loans and financing, is the Minimum List of Documents mandatory to be used for financial investments and or other transactions subject to CCPT? <u>Answer</u> Yes, on best effort basis
44.	<u>Question</u> For those FIs' financial investment -unquoted shares under banking book, can we apply the same treatment as with SME exposures/financing (i.e., excluding those not meeting the listed criteria) and exclude them from the application of DDQ & CCPT excel half-yearly reporting? These unquoted shares refer to those held for socio-economic reasons and/or subscribed by Malaysian's financial institutions to support government / BNM in the development of Malaysia's financial markets. Examples include shares issued by Cagamas Berhad, Financial Park (Labuan) Sdn Bhd, Payments Network Malaysia Sdn Bhd (PayNet), Credit Guarantee Corporation Malaysia Berhad (CGC), Labuan Reinsurance (L) Ltd & others. FIs will not have a relationship manager to manage this equity exposure or to perform periodic or annual credit review. <u>Answer</u> Exposures to CGC and similar institutions are not exempted. Kindly classify them accordingly. Generally, if these exposures have no climate objectives nor have any impact to climate/ environment, they may be classified as C5b.

No.	FREQUENTLY ASKED QUESTIONS - INSURANCE / TAKAFUL
45.	Question Would life insurers and family takaful operations be required to classify and report investment assets from its investment-linked policy? Answer No, life insurers and family takaful operators would not be required to classify and report investment assets from their investment-linked policies.
46.	Question Does the Bank plan to extend the classification of assets by industry sector categorisation to insurance books? Answer As communicated in various platforms, the Bank is currently exploring the applicability of CCPT for insurance and takaful underwriting under Phase 2.
47.	Question Does the reporting apply to new products/investments starting from January 2022 onwards? Answer The reporting will be applicable to both new and existing products/investments. Kindly refer to the headings of each table and the Instructions section of the 'Insurance or Takaful Cover' tab.
48.	Question Is the information required for Claim Count, Gross Claims Incurred and Net Claims Incurred generated based on the corresponding policy/certificate count for each cover between the corresponding periods or generated based on all claims that occur between the corresponding periods? Answer As per the CCPT Reporting Template Glossary, the Gross Claim Incurred and Net Claims Incurred refer to the claims paid plus increase/less decrease in provisions for outstanding claims liabilities during the 6-month period, gross and net of reinsurance/retakaful recoveries respectively, regardless of the date of occurrence of the claims.
49.	Question Do the Gross Claims Incurred and Net Claims Incurred inputs refer to the relevant product claims experience (inclusive of non-flood claims) or confined to the claims related to flood events only? Answer For Crops/Plantations, Electric/Hybrid cars, Solar-energy production, Wind-energy production and Hydro-energy production, the ‘Gross Claims Incurred’ and ‘Net Claims Incurred’ inputs refer to the relevant product claims experience (inclusive of non-flood claims). For Flood under Motor class, Flood under Fire class and Flood under Other class, please refer to the response in Q.50 below.

No.	FREQUENTLY ASKED QUESTIONS - INSURANCE / TAKAFUL

50. Question

In reference to Insurance or Takaful Cover (1), some FIs are unable to separate the gross earned premium/contribution and net earned premium/contribution for the flood peril and non-flood perils for the items Flood under Motor class, Flood under Fire class and Flood under Other class. As such, do they include both flood claims and non-flood claims in the Gross Claims Incurred and Net Claims Incurred?

Answer

For the items Flood under Motor class, Flood under Fire class and Flood under Other class, the Bank's objective is to monitor the policy/certificate and claims exposure on flood only. However, the Bank takes note of the difficulties for some FIs to separate the Gross Earned Premium/Contribution and Net Earned Premium/Contribution for the flood peril and non-flood perils. In this regard, the items 13, 14, 15 and 17 of Glossary in the reporting template are superseded with the following definitions:

Tab	No.	Data Item	Remarks
Insurance or Takaful Cover (1) and (2)	13	Flood under Motor class	Refers to all Motor policies/certificates (including for electric/hybrid cars) that cover flood and the premium/contribution for flood **can be segregated**.
	14	Flood under Fire class	Refers to all Fire policies/certificates that cover flood and the premium/contribution for flood **can be segregated**. These shall exclude covers for crops/plantations as well as solar-energy, wind-energy and hydro-energy production.
	15	Flood under Other class	Refers to all other policies/certificates that cover flood. These shall exclude covers for crops/plantations as well as solar-energy, wind-energy and hydro-energy production. For gross earned premium/contribution and net earned premium/contribution only, these may include all basic covers and add-ons/extensions that cover both flood peril and non-flood perils that cannot be separated from the flood peril. In addition, Motor and Fire policies/certificates that cover both flood peril and non-flood perils that cannot be separated from the flood peril shall be reported here.
	17	Electric/Hybrid cars	Refers to all Motor policies/certificates that cover electric/hybrid cars.

No.	FREQUENTLY ASKED QUESTIONS - INSURANCE / TAKAFUL

The Gross Claims Incurred and Net Claims Incurred shall exclude non-flood claims. For better clarity, FIs shall report the data items under each class based on the following illustration:

Insurance/Takaful cover for	For the period from 1 Jan 2022 to 30 Jun 2022					
	Number of Policies/ Certificates	Number of Claims	Gross Earned Premium/Contribution (RM)	Net Earned Premium/Contribution (RM)	Gross Claims Incurred (RM)	Net Claims Incurred (RM)
Flood under Motor class	Flood Only	Flood Only	Flood Only	Flood Only	Flood Only	Flood Only
Flood under Fire class	Flood Only	Flood Only	Flood Only	Flood Only	Flood Only	Flood Only
Flood under Other class	Flood Only	Flood Only	All Perils (Flood & Non-Flood)	All Perils (Flood & Non-Flood)	Flood Only	Flood Only

The Bank expects FIs to improve their internal capabilities to separate the Gross Earned Premium/Contribution and Net Earned Premium/Contribution for the flood peril and other non-flood perils over time.

51. Question

Should Contractors' All Risks policy / Erection All Risks policy be included as part of covers for Flood under other class?

Answer

Yes, if the above-mentioned policies include flood cover.

52. Question

Which classes of flood data are required for CCPT reporting?

Answer

Flood data is only required for ‘Flood Cover under Motor/Fire/Other class’. For other classes, please provide the total exposure for both flood and non-flood covers.

53. Question

Would this new CCPT reporting replace the current quarterly flood exposure reporting (i.e. by state)?

Answer

Yes, the new BNM CCPT reporting (version Sep 2022) replaces the current quarterly flood exposure reporting.

54. Question

Which worksheet should be populated for policy with flood coverage attached to the standalone green product and would it be acceptable to indicate the policies attached with the premium for flood (if bundled with other products)?

Answer

For policy with flood coverage attached to the standalone green product, FIs are to populate the data in Insurance or Takaful Cover (2). This includes any other additional insurance/takaful products that aid the management of climate-related risks and are not covered by Insurance or Takaful Cover (1). Please provide 'all basic covers and add-ons/extensions that cover flood peril and other non-flood perils that cannot be separated from the flood peril' as per the instructions provided.

No.	FREQUENTLY ASKED QUESTIONS - INSURANCE / TAKAFUL
55.	Question What are the products covered under Insurance or Takaful Cover (2)? Answer Insurance or Takaful Cover (2) is applicable to all Insurance/Takaful products that aid the management of climate-related risks, i.e. not just standalone green products.
56.	Question Should environmental liability product be reported under Insurance or Takaful cover (2)? Answer Yes, environmental liability product should be reported under Insurance or Takaful cover (2) if an ITO underwrites this business.
57.	Question What is the rationale behind the use of Gross Earned Premium instead of Gross Written Premium? Answer The rationale of using Gross Earned Premium instead of Gross Written Premium is to be consistent with the basis of computing claims ratio (i.e. Gross Claimed Incurred divided by Gross Earned Premium) to assess the adequacy of premium earned for paying claims incurred. Gross Written Premium includes both earned and unearned premium which is deemed not fit for purpose.
58.	Question Should the Gross Claimed Incurred count correspond to the policy underwritten during the accounting period? Answer Yes, the Gross Claims Incurred count should be based on all claims that occur during the accounting period.
59.	Question Is there any guidance provided on categorising the data if the required information is unavailable via system? Answer In reference to the 'Instructions' section, the data should be provided on a best effort basis, and an ITO should ensure that requisite efforts are made to obtain the required data.
60.	Question If there is a Fire or All Risks policy being arranged to insure solar panel installed on roof top for energy savings or in return, the energy be generated is sold back to TNB, where should we classify the risk? Answer This should be reported under "Solar-energy production".

No.	FREQUENTLY ASKED QUESTIONS - INSURANCE / TAKAFUL
61.	<u>Question</u> Where the Bioenergy risks should be reported? <u>Answer</u> Bioenergy risks should be reported in the Insurance or Takaful Cover (2).
62.	<u>Question</u> In reference to Insurance or Takaful Cover (1), where should ‘Directors and Officers Liability’ cover for hydro-energy production be reported? <u>Answer</u> ‘Directors and Officers Liability’ cover for hydro-energy production should be reported under hydro-energy production cover.
63.	<u>Question</u> For General Insurance, the largest segment is Motor where it is catered for individuals. How would GP1 and GP2 be applied to individuals? <u>Answer</u> Currently this provision is out of scope. The CCPT reporting template does not require it at the moment.
64.	<u>Question</u> Are policy loans required to be classified in the CCPT reporting template? <u>Answer</u> Policy loans are considered individual loans as opposed to retail loans. As such, they are not required to be classified.
65.	<u>Question</u> Would like to understand the applicability of the DDQ in the underwriting process - are ITOs required to use the DDQ during the onboarding of every commercial/corporate client? Else, are we given the flexibility to decide the necessity of utilising the DDQ according to internal assessments of the client's climate exposure? <u>Answer</u> As communicated in various platforms, the Bank is currently exploring the applicability of CCPT for insurance and takaful underwriting under Phase 2. Certainly, it is at the ITO’s discretion to explore the adoption of DDQ to the entity’s risk assessment, due diligence, and risk management.

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Acronyms

ASB	Amanah Saham Bumiputera
CCPT	Climate Change and Principle-based Taxonomy
C1	Category 1 – Climate supporting
C2	Category 2 – Transitioning
C3	Category 3 – Transitioning
C4	Category 4 – Watchlist
C5	Category 5 - Watchlist
ENCORE	Exploring Natural Capital Opportunities, Risks and Exposure
FI	Financial Institution
FVOCI	Financial investments at fair value through other comprehensive income
FVTPL	Financial investments at fair value through profit and loss
GP1	Guiding Principle 1 – Climate change mitigation
GP2	Guiding Principle 2 – Climate change adaptation
GP3	Guiding Principle 3 – No significant harm to the environment
GP4	Guiding Principle 4 – Transition and remedial efforts
GP5	Guiding Principle 5 – Prohibited activities
GHG	Greenhouse Gas
IHC	Investment Holding Companies
ITO	Insurance and Takaful Operators
MFRS	Malaysia Financial Reporting Standards
REIT	Real Estate Investment Trust
SME	Small Medium Enterprise
SPV	Special Purpose Vehicle

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- Maybank
- MBSB
- Mizuho Bank Malaysia
- OCBC Al-Amin Bank
- OCBC Bank Malaysia
- Public Bank
- RHB Bank

Investment Bank

- Kenanga Investment Bank Berhad

Asset Management Company

- MNRB Holdings
- UOB Asset Management

Insurance Company

- AIA Public Takaful
- AIG
- Am General Insurance
- Am Met Life
- Etiqa
- Generali
- Gibraltar BSN Life
- Great Eastern Life Insurance
- Hong Leong Assurance
- Hong Leong MSIG Takaful
- Liberty Insurance
- Lonpac Insurance
- Malaysian Life Reinsurance
- Manulife Insurance
- MCIS Insurance
- MPI General
- MSIG-Asia
- Pacific & Orient Insurance Co
- Prudential Assurance Malaysia
- Sun Life Malaysia Assurance
- Swiss Re Malaysia
- Syarikat Takaful Malaysia Keluarga
- Syarikat Takaful Malaysia Am
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- Tune Malaysia
- Zurich Insurance

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