



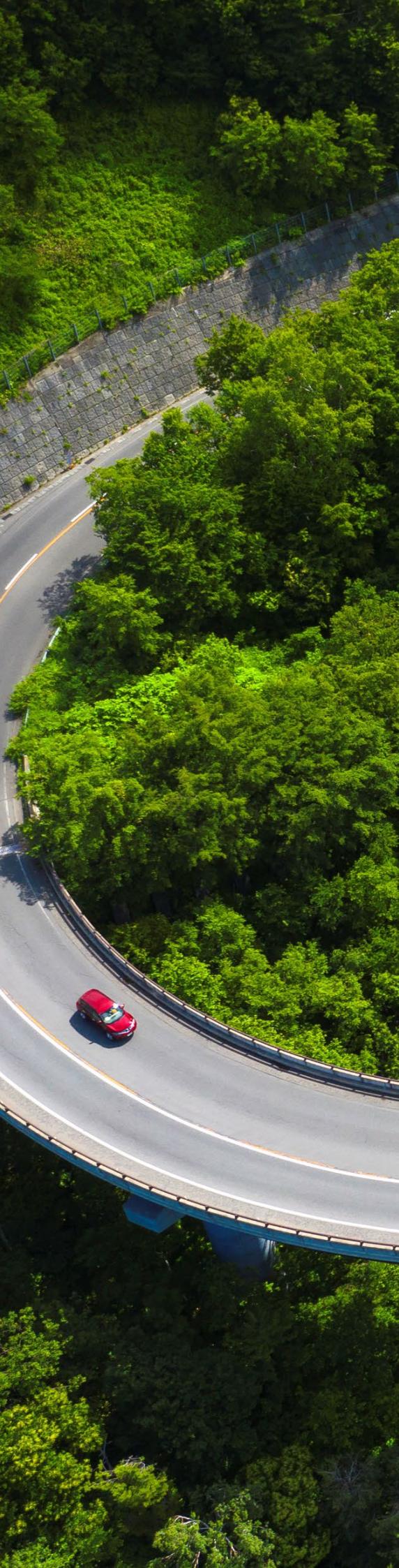
# Navigating TCFD and TNFD adoption in the financial sector

**Positioning Malaysia at the forefront  
of climate and nature resilience**



**September 2025**





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## Why the TCFD and the TNFD matter to Malaysia's financial sector

17%↓

Potential GDP loss across Asia and the Pacific by 2070 if GHG emissions remain unchecked.

Source: Asian Development Bank, 2024<sup>1</sup>

53%

of Asia Pacific's economic Gross Value Added (GVA) is moderately or highly dependent on nature.

Source: AIGCC and PwC, 2024<sup>3</sup>

Financial institutions (FIs) in Malaysia are at an important crossroads, witnessing increased climate change impacts to their operations and value chains, and facing intensifying scrutiny from investors and other key stakeholders. The demands for sound and reliable sustainability disclosures reflect rising stakeholder expectations on trust and transparency in recent years. The very stability of the financial system—and by extension, the economy—is at stake if the material financial risks of climate change and nature loss are not adequately addressed.

### Economic loss from climate inaction

Statistics from various studies present a sobering reminder of this. Asia Development Bank's Asia-Pacific Climate report found that by 2070, unchecked greenhouse gas (GHG) emissions could slash Gross Domestic Product (GDP) by 17% across Asia and the Pacific. The higher-income Southeast Asia region, including Malaysia, could see a drop of up to 22%. This loss comes from rising sea levels, heat waves reducing labour productivity and increased flooding.<sup>1</sup> The World Economic Forum's The Global Risks Report 2025 highlights a number of nature-related risks, both from short- to long-term perspective.<sup>2</sup>

### Nature dependency in the financial system

PwC's study, in collaboration with the Asia Investor Group on Climate Change (AIGCC), observed that nature is equally critical. About 53% of Asia Pacific's economic Gross Value Added (GVA) is moderately or highly dependent on nature. The regional stock exchanges are even more exposed, with 58% of market capitalisation being moderately or highly dependent on nature. Similarly, in Malaysia, 54% of Bursa Malaysia's market capitalisation is highly to moderately dependent on nature.<sup>3</sup>

<sup>1</sup> Asian Development Bank, Asia-Pacific Climate Report, 2024

<sup>2</sup> The World Economic Forum, The Global Risks Report 2025

<sup>3</sup> AIGCC and PwC, Nature at a Tipping Point, 2024



## Regulatory drivers accelerate sustainability disclosure trends

Regulatory readiness is a key factor prompting corporates, in particular the financial sector, to improve their sustainability disclosures. Both the Task Force on Climate-Related Financial Disclosures (TCFD) and the Taskforce on Nature-related Financial Disclosures (TNFD) empower companies to navigate the intertwined challenges of climate change and biodiversity loss, protecting investments from environmental disruptions and unlocking pathways to sustainable growth.



### The TCFD

has guided companies in addressing climate risks through its four key pillars:

1. Governance
2. Strategy
3. Risk and Impact Management
4. Metrics and Targets

### The TNFD

has expanded on these principles, aiding businesses in confronting nature-related vulnerabilities. By focusing on dependencies, impacts, risks and opportunities (DIROs), TNFD is encouraging a shift toward sustainable, nature positive actions.

### Global and local developments in sustainability reporting

With the introduction of the International Sustainability Standards Board (ISSB)'s IFRS Sustainability Disclosure Standards (IFRS S1 and IFRS S2) in 2023, which incorporate and build upon the TCFD recommendations, companies that apply these IFRS standards will also meet the core requirements of the TCFD framework.

Through the release of the National Sustainability Reporting Framework (NSRF), the country reached an important milestone, aligning our sustainability reporting with the IFRS Sustainability Disclosure Standards.

### Understanding and managing climate and nature factors

allow FIs to anticipate and mitigate risks before they materialise into costly setbacks.

## In a nutshell: How financial institutions (FIs) can benefit from sustainability reporting

In Malaysia, sustainability reporting is gaining prominence, yet the maturity levels of the TCFD and the TNFD vary across the corporate landscape, with TNFD adoption remaining largely voluntary.

We observe several trends among the FIs. Regulatory requirements from Bank Negara Malaysia (BNM) have contributed to the relative maturity of TCFD adoption among FIs. As for the TNFD, it supports FIs in identifying, assessing, responding to, and disclosing nature-related issues.

Consistent and comparable sustainability disclosures are crucial for FIs. The benefits include:



Better management of the systemic impact of climate and nature-related risks and opportunities by integrating TCFD and TNFD insights into their Know Your Customer (KYC) processes.



Deeper insights into client-related climate and nature risks.



More accurate risk assessments and valuations, helping to enhance the credibility of reports and promote improved decision-making and stakeholder engagement.

## Purpose of the study

Recognising the importance of these frameworks as a foundation for adhering to the ISSB standards, PwC has embarked on a study to evaluate the TCFD and TNFD adoption within Malaysia's financial sector. By comparing the climate and nature disclosure performance between financial year 2024 (FY24) and financial year 2023 (FY23), we are able to draw insights into the progress and alignment of sustainability disclosures in supporting risk assessment, long-term value creation and sustainable growth.





## Research methodology

To identify the adoption level of TCFD and TNFD reporting frameworks in Malaysia's financial sector, PwC assessed publicly available reports from Malaysian banks and insurance companies for FY23 and FY24, including sustainability, integrated, and annual reports.

Each institution's disclosures were compared against the recommended disclosures outlined by the TCFD and TNFD frameworks. The study also considers the level of TCFD adoption to assess alignment with BNM's requirements.

We applied a scoring system ranging from 'no alignment' to 'full disclosure' to rate the extent and quality of disclosures. This provides a quantifiable measure of the institutions' compliance with internationally recognised standards set by TCFD and TNFD.

For the purpose of this study, the terms 'financial sector' and 'institutions' refer specifically to the Malaysian banking and insurance subsectors respectively. Other subsectors, such as asset and wealth management, were excluded, as BNM's requirements only apply to banks and insurance. We did not include asset and wealth management companies in the study as the relevant disclosure data was not available at the time of review.



## Summary of findings from the study

Climate reporting is increasingly established, while nature-related disclosures are still in the early stages.

**FIs can accelerate progress** by aligning TNFD with the TCFD and ISSB frameworks.

- 1 Climate disclosure is more mature than nature disclosure among Malaysian FIs.** This is largely driven by BNM's mandates, such as TCFD-based reporting outlined in the Climate Risk and Scenario Analysis (CRMSA) policy and integration into mandatory reporting frameworks like the ISSB standards.
- 2 TNFD adoption is still in its early stages as it is voluntary.** But there are indications of a growing awareness and momentum toward nature-related financial disclosures. This includes the introduction of nature-related risk assessments alongside climate-related risks in the insurance sector.
- 3 FIs can accelerate TNFD adoption by leveraging its alignment with the TCFD framework and the ISSB standards,** as they share the same four foundational pillars. This alignment enables streamlined reporting and fosters a more comprehensive understanding of environmental risks.
- 4 Collaborative effort across the financial sector is crucial in addressing TNFD adoption challenges** like data availability and technical capacity. Engagement with regulators and sustainability experts and collaboration through industry platforms like the Joint Committee on Climate Change (JC3) is essential.





# Adopting the TCFD and the TNFD



## I. The financial sector

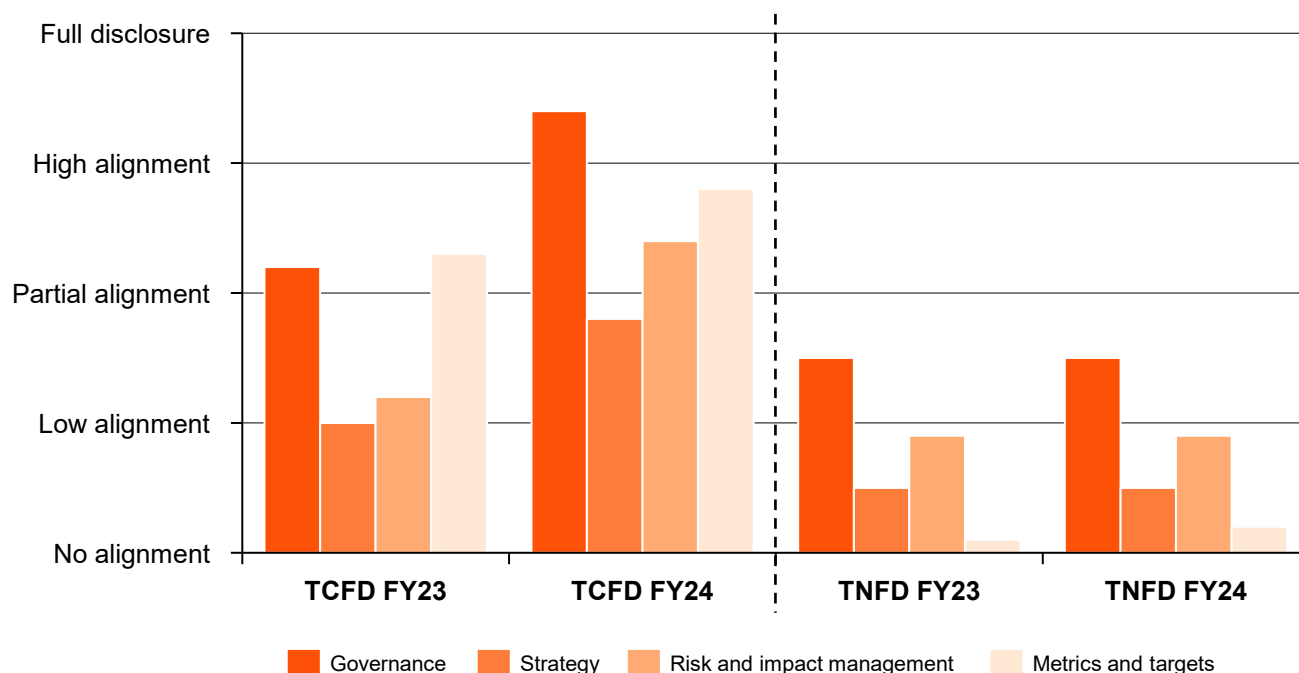
PwC's assessment found that the quality of sustainability reporting disclosures among FIs varies significantly between climate-related and nature-related information. There is a growing urgency for improved climate-related disclosures, but in spite of the attention given to encourage these practices, we don't see widespread traction.

As outlined in the research methodology, this study focuses on Malaysian banks and insurers. From our overall evaluation of TCFD and TNFD reporting adoption within the financial sector, we observed:

**FIs show stronger alignment with the TCFD**, especially in the Governance and Metrics and Targets pillars.

- 1** Partial to high level alignment with the TCFD framework:
  - notable year-on-year improvements across all four core pillars
  - the Governance and Metrics and Targets pillars scored particularly well, demonstrating high levels of alignment with the TCFD
- 2** Low level alignment with the TNFD framework:
  - marginal progress year-on-year across all four pillars

**Figure 1:** The Malaysian financial sector's disclosure alignment with the TCFD and the TNFD (FY23 and FY24)



Source: PwC analysis, 2025

## TCFD: A notable leap in adoption

### Governance leads in disclosure quality

The Governance pillar of the TCFD framework has seen robust and improving disclosures across the financial sector, particularly regarding how boards and management are informed about climate-related issues. FIs are increasingly detailing how climate-related responsibilities are structured and how progress against climate goals is tracked at the board level. Regulatory reinforcement including updated guidelines from the Securities Commission Malaysia and growing investor scrutiny has further incentivised high quality governance disclosures.

### Strategy integration shows early progress

Under the Strategy pillar, we observed some enhancements in how financial institutions disclose their integration of climate risks and opportunities into strategic and financial planning. Slight improvements noticed in FY24 disclosures is a good indication that FIs are starting to understand the potential impact of climate change to their businesses. In spite of this, significant gaps still exist in describing and quantifying how these impacts can potentially affect financial decisions and value creation strategies. This is especially pertinent around how strategies on investments, loans and divestments are influenced by climate change.

We observed **strong climate governance disclosures**, with clearer board-level oversight across the financial sector.

**Climate risks are starting to be integrated into strategy**, but clear quantification of financial impacts and value creation remains limited.





## **Risk management is advancing, with room for improvement**

The Risk and Impact Management pillar also saw improvements, particularly in disclosures of risk definitions and alignment with established classification frameworks. On the other hand, comprehensive materiality assessments, quantification of risk exposure and disclosures on integrating climate risks into existing risk frameworks (for instance, the enterprise risk management framework) remain underdeveloped because of capability and data limitations.

## **Strengthening metrics and targets disclosure**

Within the Metrics and Targets pillar, disclosures are strongest, particularly for Scope 1, Scope 2, and some categories of Scope 3 emissions, as well as for climate-related performance indicators. The financial sector shows maturity in aligning to GHG Protocol standards, enhancing comparability. On the flipside, climate opportunity metrics and internal carbon pricing disclosures are still relatively rare.

## **TNFD: Need for capacity building**

Adoption of the TNFD framework across the financial sector remains low, largely because the framework was recently introduced, and understanding and assessing nature-related DIROs is inherently complex. Many institutions still perceive these issues as peripheral, particularly in a financial services context, where direct operations and interaction with ecosystems such as forests and agriculture land is limited.

# 1/3

of FIs assessed have publicly indicated plans to integrate TNFD disclosures in their FY25 reports.

## **Leveraging TCFD foundations to advance TNFD adoption**

It's encouraging to note early signs of momentum emerging: around one-third of FIs assessed have publicly indicated plans to integrate TNFD disclosures in their FY25 reports. Encouragingly, overlaps between TNFD and TCFD metrics—especially within the Metrics and Targets pillar—are helping some institutions begin incorporating nature disclosures, even without explicit TNFD alignment. In addition, institutional investors, such as Permodalan Nasional Berhad (PNB), have also set expectations around the TNFD-aligned risk assessment and reporting framework for their investees.<sup>4</sup>

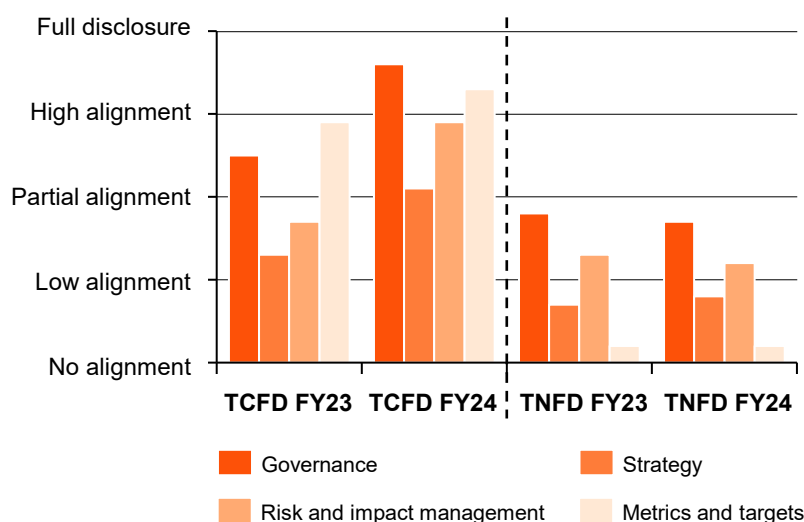
<sup>4</sup> PNB Nature and Biodiversity Policy, 2025



## II. The banking sector

Malaysia's commercial banks show greater maturity across all TCFD pillars compared to the TNFD. This is contributed by the regulatory push for mandatory TCFD adoption since April 2022, whereas TNFD is fairly new, published in September 2023.<sup>5</sup>

**Figure 2:** The Malaysian banking sector's disclosure alignment with the TCFD and the TNFD (FY23 and FY24)



Source: PwC analysis, 2025

### TCFD: Above-average adoption

#### Governance is leading in the banking sector

In relation to the Governance pillar, Malaysian banks are among the most transparent compared with the insurance sector, demonstrating strong disclosures around board oversight and management responsibilities for climate issues. The progress noted at the sector level is especially evident in this subgroup, where leadership commitment to climate risk is often well articulated through institution-wide initiatives such as CIMB's The Cooler Earth Sustainability Series and Alliance Bank's Sustainability Impact Programme.

The Governance pillar shows the most transparency among Malaysian banks, with well-articulated leadership commitment to climate risk.

<sup>5</sup> Bank Negara Malaysia and Securities Commission Malaysia joint statement, 2022



There is partial alignment with the Strategy pillar, highlighting room for improvement in capex, R&D and scenario analysis disclosures.

### **Strategy integration with room for improvement**

In the Strategy pillar, banks demonstrate solid disclosures around climate commitments and the integration of risks into strategic planning—particularly in core lending and product offerings. Even so, consistent with sector-wide findings, disclosures on climate-linked capital expenditure (CAPEX), research and development (R&D), or scenario analysis remain limited. As climate risks and strategic investments are long-term in nature, these continue to be key areas for future enhancement.

### **Risk management strengthened by industry collaboration**

Banks are also demonstrating specific Risk and Impact Management disclosures distinct to their industry, which align closely with the improvements seen sector-wide. Banks tend to be more advanced in formalising their risk assessment processes and referencing classification frameworks. The work of industry groups like the Joint Committee on Climate Change (JC3) has supported this progress by fostering capacity-building and alignment within the banking industry.

### **Metrics and Targets show strong emissions reporting**

As with the wider financial sector, banks are the strongest in the Metrics and Targets pillar, with well-established emissions reporting practices and integration of climate KPIs into governance and performance management. Yet, disclosures around internal carbon pricing and opportunity-related metrics continue to lag.



## TNFD: More explicit disclosures required

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The adoption of the TNFD framework among banks is still in its early stages, often integrated within broader climate disclosures rather than being distinctly labelled or separated into dedicated nature-focused sections.

### **Nature risks may be embedded but not explicitly disclosed**

Banks may be addressing biodiversity, water, or deforestation risks within climate narratives. As an example, through No Deforestation, No Peat and No Exploitation (NDPE) commitments, banks are restricting financing for activities violating these policies in sectors such as palm oil, forestry and property. But the absence of explicit TNFD references diminishes the clarity and measurability of these efforts. The difficulty lies not necessarily in a lack of action, but in the invisibility of nature-specific disclosures.

### **Banks paving the way for TNFD adoption**

Even so, banks are among the early movers in signalling future TNFD alignment. Institutions that have announced plans to formally adopt TNFD in FY25 are setting a precedent for the sector. These early adopters can play a pivotal role in mainstreaming nature-related disclosures, providing replicable examples of how TCFD-aligned institutions can extend into the TNFD territory—particularly through shared data infrastructure and overlapping risk and impact frameworks

Banks are acting on nature risks, but a lack of TNFD references limits clarity and measurability.





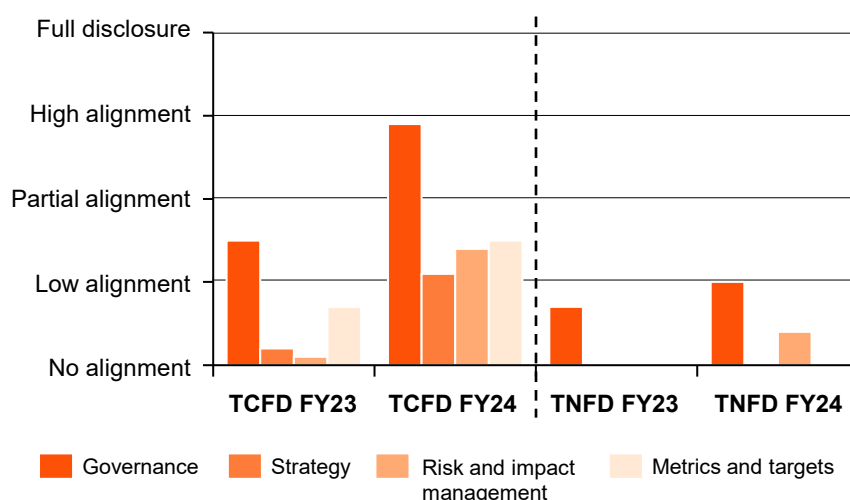


### III. The insurance sector

The insurance sector continues to show lower maturity than Malaysian banks in overall disclosure depth.

Malaysian insurance companies, like their banking counterparts, demonstrate greater maturity in disclosing climate-related risks in alignment with the TCFD framework than in adopting the TNFD. While performance across all four TCFD pillars have improved compared to FY23, the sector continues to exhibit lower maturity than Malaysian banks in terms of overall disclosure depth. Encouragingly though, a clear upward trend is emerging, particularly as insurers respond to increasing regulatory expectations and climate-related financial exposures that directly impact their core business models.

**Figure 3:** The Malaysian insurance sector's disclosure alignment with the TCFD and the TNFD (FY23 and FY24)



Source: PwC analysis, 2025

### TCFD: Progressing with opportunities for further improvements

#### Governance advances through stronger board oversight

The Governance pillar of the TCFD framework stands out as the strongest for insurance companies. There have been notable advancements in board-level engagement and the integration of climate considerations into strategic decision-making processes. While we have noted similar developments across the financial sector more broadly, insurers show growing alignment with best practices by formalising board and management oversight of climate risks—a necessary evolution given the sector's risk-centric nature. This has made good progress from 2023 to 2024, but disclosure is still lacking in the insurance sector compared to the banking sector.

Opportunities remain to enhance climate disclosures by (1) deepening the analysis of financial impacts, (2) improving climate risk assessments, and (3) strengthening the reporting of environmental metrics.

### **Strategy shows progress but lacks depth and detail**

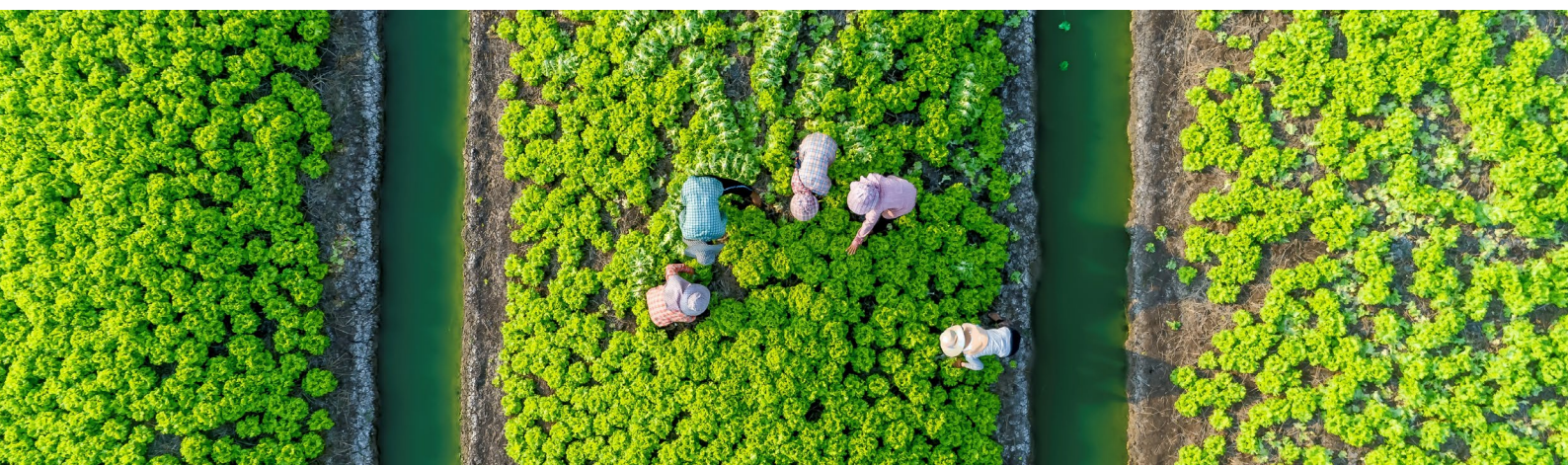
In the Strategy pillar, insurers have made strides in communicating GHG emission reduction commitments but they still fall short of fully articulating the strategic and financial implications of climate-related risks and opportunities. Disclosures on supply chain and operational impacts, capital allocation and scenario analyses remain limited. This is consistent with patterns observed across the broader financial sector, where aligning long-term climate planning with shorter business cycles continues to be a challenge for both banks and insurance companies.

### **Risk management improves but transparency still lags**

The Risk and Impact Management pillar has seen tangible improvement from FY23, particularly in regulatory awareness, risk terminology alignment and the integration of climate risks into enterprise risk frameworks. However, insurance companies fall behind banks in identifying, assessing and managing climate-related risks. Similar to banks, insurance companies still struggle with disclosing methodologies used to assess the potential size and scope of risks. Given their core function as risk bearers, enhanced transparency in this pillar is especially critical for insurers to meet stakeholder expectations, particularly to preserve policyholder trust and ensure solvency resilience.

### **Emissions metrics improve while details remain limited**

In the Metrics and Targets pillar, insurers are currently showing strong performance in GHG emissions disclosure for Scope 1 and 2 emissions, and some categories within Scope 3, as well as in reporting environmental metrics related to water, energy, land use and waste. A lack of detail continues to be observed in internal carbon pricing, emission intensities, financed emissions and forward-looking targets.





Essential next steps to align with the TNFD include conducting readiness and DIRO assessments, piloting nature-related metrics and engaging technical biodiversity expertise.

## TNFD: Early stages of adoption

The insurance sector's alignment with the TNFD framework remains in its infancy. Encouragingly, like the banking industry, nature-related considerations are beginning to surface—particularly within Governance and Risk and Impact Management disclosures. Although modest, these improvements reflect a growing awareness of the financial risks posed by biodiversity loss, land-use change and natural ecosystem degradation—particularly in property, agriculture and health insurance portfolios.

### Governance structures show early signs of formal oversight

Similar to banks, nature-related disclosures often exist within the broader context of climate risk reporting and are not always explicitly labelled under the TNFD framework. This overlap creates challenges in benchmarking actual TNFD adoption. It's encouraging to observe that some insurers have started formalising oversight structures to address nature-related risks, including assigning responsibilities to sustainability or risk committees. This indicates an early but important shift towards TNFD-aligned governance.

### Risk management evolves to address nature threats

Insurance companies also show signs of gradually incorporating nature-related risks into enterprise-wide risk management practices. For example, risks like deforestation and land degradation are beginning to be assessed in relation to flood exposure models and catastrophic loss projections—leveraging existing TCFD-based tools and methodologies.

### Strengthening TNFD alignment in insurance

To achieve full TNFD alignment, insurers will need to increase the visibility of these efforts by explicitly referencing nature-related risks in governance documents and risk assessments. Essential next steps include conducting readiness and DIRO assessments, piloting nature metrics and engaging technical biodiversity expertise. This structured progression will not only enhance disclosure quality but also enable insurers to better manage systemic environmental risks, build resilience and support Malaysia's broader transition to a nature-positive economy.





# Next steps to future-proof your finances against climate and biodiversity risks

## 7X return

Every US\$1 spent on addressing physical climate risks delivers an average return of US\$7.

Source: Carbon Disclosure Project (CDP), 2025<sup>6</sup>

Based on the findings from our study, the Malaysian financial sector is showing progress by partially aligning with TCFD recommendations. Malaysian banks are leading the way in TCFD disclosure maturity. On the other hand, the financial sector in Malaysia has yet to incorporate TNFD recommendations into its respective sustainability disclosures. This indicates that overall TNFD reporting trends remain at an early stage, with most FIs merely mentioning general nature-related topics rather than adopting a comprehensive TNFD-aligned approach in nature-related disclosures.

### **Sustainability disclosures drive resilience and long-term value**

Enhancing TCFD and TNFD disclosures allows financial institutions to better identify and manage climate and nature-related risks, moving from value at risk to resilience. This increased transparency not only boosts investor confidence and ensures regulatory compliance—in the case of the NSRF requirements especially for climate disclosure—but also creates competitive advantages through improved reputation and long-term value creation.

To achieve these outcomes, financial institutions should focus on three key areas:

1

Strengthening strategy and risk and impact management pillars under the TCFD

2

Integrating climate and nature assessments and preparing for TNFD reporting

3

Preparing for IFRS S2 aligned disclosures

<sup>6</sup> CDP, *The Disclosure Dividend 2025*



## I. Strengthening Strategy and Risk and Impact Management pillars under the TCFD

Observations indicate that among the four pillars of the TCFD framework, companies can implement several proactive measures in the Strategy and Risk and Impact pillars:

### **Invest in climate scenario analysis tools**

Understanding the potential impact of climate change on assets is crucial for FIs. Without investing in climate scenario analysis tools, FIs risk being unaware of stranded assets and their ripple effects on the supply chain. This lack of insight can lead to mismanagement of climate risks and opportunities, resulting in financial losses. By identifying vulnerabilities early, FIs can strategically allocate resources to mitigate risks and capitalise on opportunities, ensuring long-term resilience.

### **Align with regulatory and industry standards**

Consistency and comparability in climate disclosure are vital for maintaining trust and credibility. Aligning with regulatory and industry standards ensures that an FI's climate report is on par with peers, avoiding reputational damage. This alignment not only meets legal requirements but also enhances stakeholder confidence, leading to more informed investment decisions and a stronger market position.

### **Informed strategic decision-making through cross-functional collaboration**

Armed with relevant, consistent and comparable climate data, FIs can make informed strategic decisions. Climate change affects all facets of operations simultaneously, requiring a collaborative approach. Decision-making cannot occur in silos; cross-functional collaboration, for instance, between risk and internal audit teams ensures that all aspects of the institution are aligned and that climate strategies are integrated into core business operations, enhancing overall effectiveness and impact.

### **Conduct regular risk assessments**

Managing climate risks is an ongoing journey—not a one-time task. Regular risk assessments allow FIs to continuously evaluate and refine their strategies. By routinely assessing risks, decisions, implementations and impacts as part of the internal audit approach to the client onboarding process, FIs can adapt to new information and changing circumstances. This ensures that their climate strategies remain relevant and effective over time.





## II. Integrating climate and nature assessments and preparing for TNFD reporting

Although TNFD-aligned disclosure is not yet mandatory in Malaysia, early engagement is crucial for FIs to stay aligned with emerging global standards and regulatory expectations. NSRF is now mandatory, which includes IFRS S1 that requires the disclosure of nature-related risk and opportunities if deemed material to the organisation.

In the case of banks and insurance companies, there is a higher probability that nature-related issues are material because of their financial portfolio in sectors that depend on and are impacting nature.

Nature-related risks also pose significant risks to the economy and financial system that need to be managed. This is in light of the 54% of Bursa Malaysia's market capitalisation being moderately or highly dependent on natural resources, as observed in PwC and AIGCC's study '[Nature at a Tipping Point](#)'. Sectors such as construction, agriculture, and food and beverage are particularly reliant on nature ecosystem services.

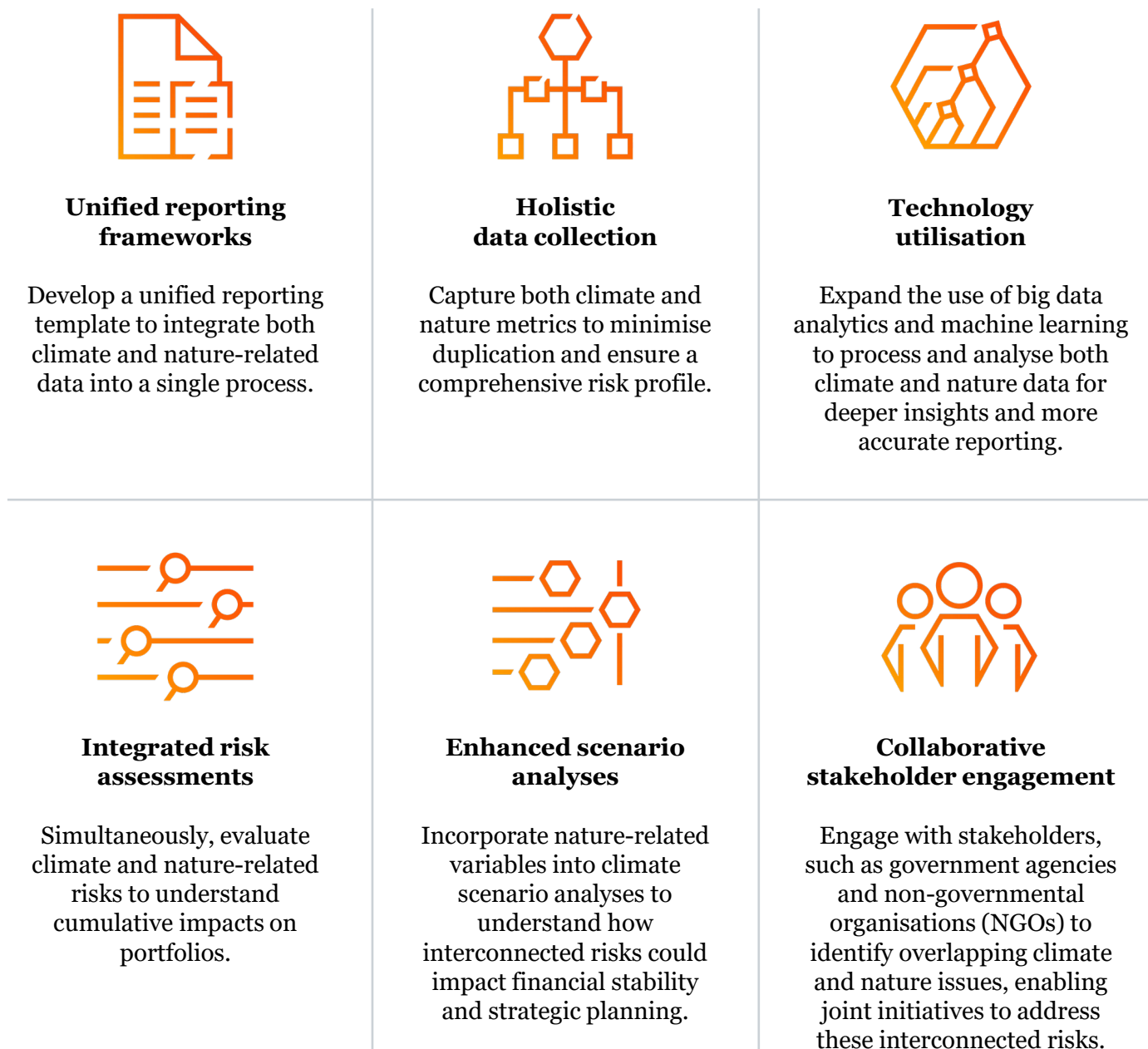
### Streamlining TNFD reporting through alignment with TCFD disclosure process

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To prepare for evolving global standards, FIs should incorporate nature-related considerations into their existing climate disclosure processes. The structural similarities between the TCFD and TNFD frameworks allow FIs to streamline reporting while working towards a more thorough TNFD-aligned approach and supporting alignment with IFRS S1 reporting at the same time.

Integrating climate and nature-related disclosures offers strategic benefits. This integration can enhance reporting efficiency by leveraging the shared four core pillars of the TCFD and TNFD frameworks. FIs can then progressively develop a comprehensive TNFD-aligned strategy by addressing the specific financial impacts derived from nature-related DIROs. FIs should expand the scope and processes of climate reporting to include nature-related resources, data and analysis.

**Figure 4:** Key strategies to integrate climate and nature-related disclosures



Source: PwC analysis, 2025



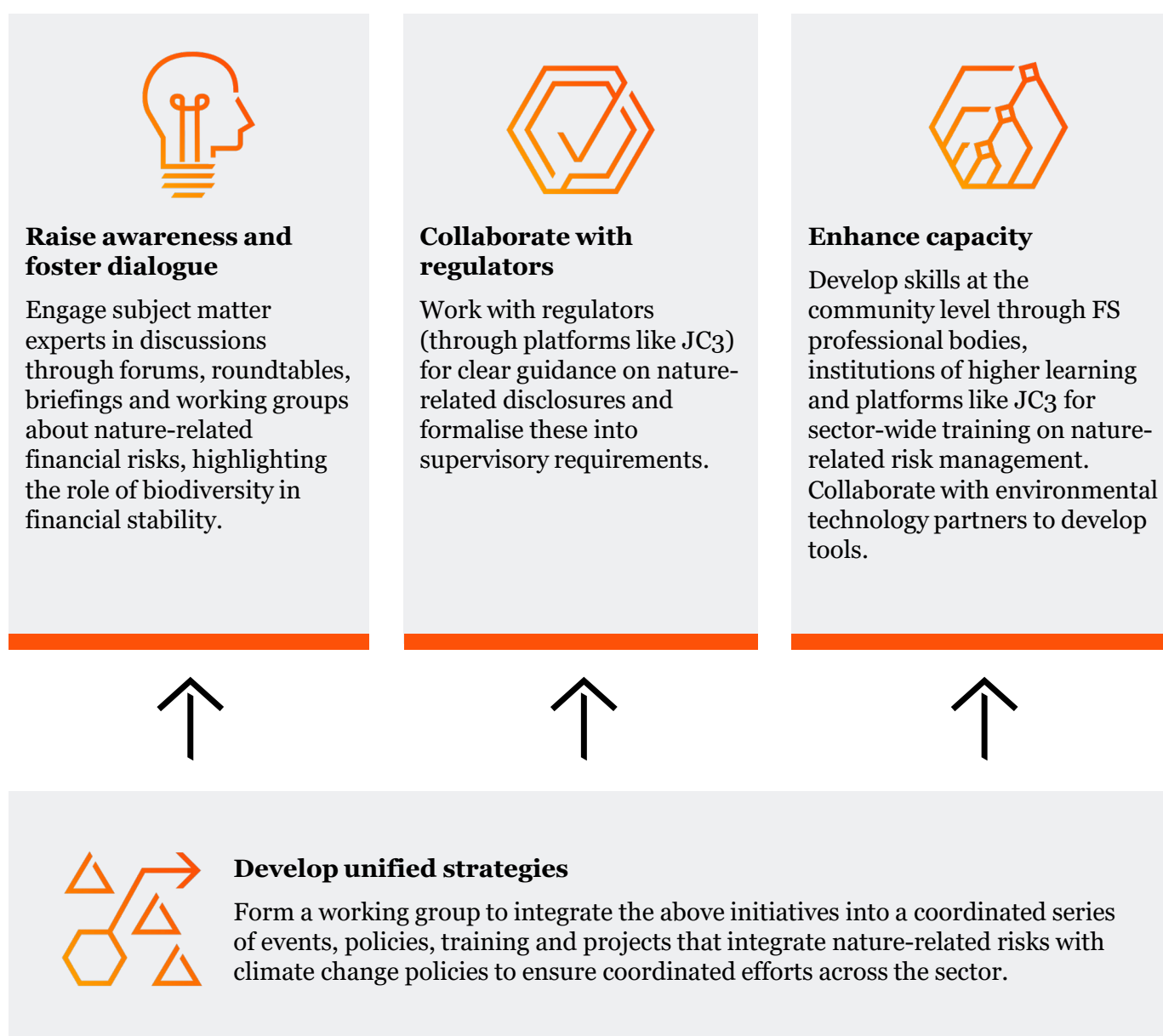


## Strengthening industry-wide capabilities for TNFD reporting

To progressively transition from integrated disclosures to comprehensive TNFD adoption, FIs are making efforts to focus on the areas where the TNFD extends beyond the TCFD, particularly in assessing nature dependencies, impacts and location-specific risks.

Given the low alignment of TNFD reporting among FIs, significant capacity building is needed across the industry. This effort can be coordinated at the financial community level through associations (such as The Association of Banks in Malaysia, General Insurance Association of Malaysia, Life Insurance Association of Malaysia), professional bodies (such as the Asian Institute of Chartered Bankers) and institutions of higher learning.

**Figure 5:** Recommended measures to advance TNFD reporting at the financial community level



## Enhancing TNFD reporting capabilities at the FI level

At the FI level, several measures can be taken to prepare for TNFD reporting and manage nature and climate-related risks. These include better risk assessment measures and increased funding.

**Figure 6:** Recommended measures for FIs to advance TNFD reporting in their companies



### Improve risk monitoring and data collection

Leverage the LEAP framework to strengthen systems to identify interactions between nature-related and climate risks, streamlining data across financial products.



### Conduct nature-related stress testing

Develop stress-test scenarios for nature-related risks and review high-exposure companies, particularly those in sensitive areas.



### Promote innovative finance solutions

Create and support nature-based solutions projects focused on biodiversity and ecosystem management.



### Monitor credit issuance

Implement systems to assess future business activities in environmentally protected areas, reducing regulatory exposure.

Source: PwC analysis, 2025

For more insights on recommended actions for FIs to support and advance TNFD-aligned reporting, please refer to:

- The TNFD's practical guide, "Getting started with adoption of the TNFD recommendations,"
- Bank Negara Malaysia and the World Bank Group's "An Exploration of Nature-related Financial Risks in Malaysia"





### III. Preparing for IFRS S2 aligned disclosures

With JC3 requiring mandatory TCFD-aligned disclosures for banks and insurance companies from June 2024 onwards, Malaysia's financial sector must transition from its current state of partial alignment with TCFD recommendations to a more detailed and structured approach in managing and reporting its climate-related issues. Moreover, IFRS S2 is now mandatory under the NSRF starting from FY2025 for listed companies with a market capital of over RM2 billion. Although IFRS S2 has incorporated the TCFD framework, it introduces additional disclosure requirements, requiring greater data availability, granularity and integration into financial reporting.

The standard mandates that climate-related disclosures are made with the same rigour and consistency as financial statements. As a result, IFRS S2 is more rigorous and standardised than the TCFD, introducing deeper and more specific disclosure requirements in areas such as emissions reporting, scenario analysis, and quantitative and qualitative financial impacts.

#### Enhancing climate reporting for IFRS S2 alignment

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The Malaysian financial sector can build on its existing partially aligned TCFD reporting to further enhance its climate-related reporting as part of its strategy to achieve alignment with IFRS S2.

The IFRS Foundation has released a publication titled 'Comparison - IFRS S2 Climate-related disclosures with the TCFD recommendations' to help companies understand climate-related disclosures required by IFRS S2 that are in addition to the TCFD. Figure 7 on the next page outlines key actions that FIs can take to strengthen their readiness for IFRS S2-aligned reporting, focusing on more in-depth emissions and climate risk disclosures, managing data quality and enabling systems to support robust climate-related reporting.

#### For more information:

FIs can also refer to PwC's [Spotlight on sustainability: National Sustainability Reporting Framework](#) for practical steps to guide them as they embark on their sustainability reporting journey.

**Figure 7:** Key actions to prepare for IFRS S2 aligned reporting

### Strengthening emissions and climate risk readiness



#### **Report baseline GHG emissions**

Account systematically for Scope 1 to Scope 3 GHG emissions to establish a clear emissions baseline.

IFRS S2 mandates GHG emissions disclosure using GHG Protocol standards, while the TCFD allows methodological flexibility based on company context.



#### **Conduct climate scenario analyses**

Perform both qualitative and quantitative assessments to identify climate risks and opportunities affecting the FI.

IFRS S2 offers more structured and standardised guidance for scenario analysis than the TCFD.

### Enhancing data quality and governance



#### **Document processes**

Develop thorough documentation of standard operating procedures (SOPs) and compile a detailed reporting manual.

This serves as a guide for data collection, collation and reporting activities, ensuring consistency, accuracy and compliance with IFRS S2 requirements.



#### **Establish robust data collection methods**

Develop standardised data collection processes and templates for consistent and accurate gathering of environmental data.



#### **Institute data governance**

Implement strong data governance frameworks and conduct readiness assessments to optimise data management, similar to the scope and scale used in financial reporting systems.

### Establishing reporting enablers



#### **Improve reporting management systems**

Integrate advanced reporting tools and systems to enhance data collection, analysis and governance as well as improve efficiency, accuracy and turnaround time in ESG reporting. This ensures compliance with IFRS S2 requirements while maintaining transparency and reliability in disclosures.



#### **Upskill sustainability competencies**

Develop customised training programmes to enhance employee competencies in sustainability practices. These programmes ensure employees have the necessary knowledge and expertise to effectively manage and report on sustainability metrics.





# Conclusion

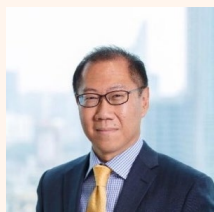
The financial sector has a clear opportunity to address the risks of global warming and biodiversity loss. Early action pays off. The first step begins with acquiring the right data and implementing robust reporting—namely through alignment with frameworks such as the TCFD, TNFD and IFRS S2. Without these disclosures, it becomes increasingly difficult to set meaningful targets, measure progress or respond strategically to emerging risks.

Now is the time to bring climate and nature considerations into the core of decision-making—across boardrooms, executive teams, shareholders and stakeholders. Together, we can make informed decisions and build a resilient financial sector geared for sustainable growth. Let's move forward, adapt and shape the future.



At PwC, we draw on the collective skills and experience of more than 370,000 people across our network of firms in 149 countries to help build trust in society and solve important problems. We believe the opportunities of tomorrow require action today. Speak to us and explore how your business can strategically position itself to drive value and growth.

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