



GLOBAL CONFERENCE 2025

ENTERPRISE RISK MANAGEMENT:
RISING FROM THE ASHES

HOW CAN A CREDIBLE
TRANSITION PLAN DRIVE
BETTER RISK OUTCOMES?

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What is a Transition Plan?

A time-bound, science-aligned roadmap to substantiate the company's net zero commitment.

“A set of goals, actions and accountability mechanisms to align an organization’s business activities with a pathway to net zero GHG emissions that delivers real-economy emissions reduction in line with achieving global net zero.”

Transition plans are now standard asks by investors, banks and regulators

Transition plans should include strategies for:

Adaptation - to adjust to current and future climate impact, and

Mitigation - efforts to reduce greenhouse gas emissions (mitigation) into a unified plan

What is Climate Risk?

The manifestation of risk due to climate change impact:

Physical Risk

*Arising from **acute** (event-driven) and **chronic** (long-term shifts) in climate patterns.*

Physical risks may have financial implications, such as direct damage to assets/ infrastructure and indirect impact from supply chain disruption.

Acute: Floods, Heatwaves, Wildfires, Hurricanes, Cyclones

Chronic: Rising sea levels, mean temperatures, precipitation patterns

Transition Risk

Resulting from adjustment to a low-carbon economy.

*Transition entails extensive **policy, legal, technology, and market** changes to address mitigation and adaptation requirements to climate change.*

Why is Transition Planning important?

A study conducted on the creditworthiness of
647 non-financial Indian firms indicated...

(Smith School of Enterprise and the Environment, University of Oxford, UK)

- Firms with **higher transition risk** face significantly higher Probability of Default (PD) (~20% increase)
- **High emitters** have higher PD compared to low emitters after 2015 Paris Agreement (69% increase)
- Firms that are **not aligned** with Paris Agreement trajectory had higher PD (12% increase)
- Firms **exposed to future carbon pricing shocks** are financially riskier (15.2% increase)

What makes a Transition Plan credible?

AMBITIOUS

Align with the goals of the Paris Agreement

ACTIONABLE

Translate ambition into steps that can be taken in the near-term

ACCOUNTABLE

Integrate robust governance and resources to execute near-term plans

Ambitious—aligns with latest climate science

Paris Agreement

Overarching goal: “Hold the increase in global average temperature to well below 2°C above pre-industrial levels....”

Pursue efforts “to limit the temperature increase to 1.5°C above pre-industrial levels.”

Latest credible science-based reference scenarios

By using models from reputable global institutions such as the International Energy Agency (IEA) and Science-based Targets Initiative (SBTi).



Actionable—translate into near-term measures

Implementation Strategy

Prioritise action in high-exposure and climate-vulnerable operations.

Capital Allocation

Link capital investment decisions with decarbonisation goals and assess climate-adjusted returns on investments.

Metrics & Targets

Establish risk-based quantifiable and measurable goals to provide clarity and transparency.

Continuous Monitoring

Use climate scenarios (e.g. Network for Greening the Financial System) to test assumptions regularly and update the transition plan as policies, technological advancement and market development evolve.

Actionable—translate into near-term measures

Implementation Strategy

Transformation of the core business activities, products, and services should entail:

Climate Mitigation

Actions to reduce or prevent emission of GHG into the atmosphere by avoiding, reducing or enabling others to avoid or reduce GHG emissions.

To reduce long-term systemic risks by lowering exposure to **transition risks**

Climate Adaptation

Actions taken to lower the negative effects and/or moderate harm caused by climate change by increasing resilience.

To minimise immediate and chronic **physical risks** from climate change

Accountable—integrate governance & resources

Roles, Responsibilities, and Remuneration

Clear board oversight as well as management roles and responsibilities ensures the transition plan receives appropriate attention from both strategic and risk management perspectives.

Linkage of net zero transition plan targets with KPIs ensure long-term value creation.

Transparency through Disclosure

Aligning disclosures with latest sustainability standards to avoid greenwashing risks.

Capabilities and Culture

Equip internal capabilities with adequate training and upskilling programmes across all levels (board, management, employees).

How can Risk Professionals support?

**Integrate climate risk
into ERM framework**

**Lead climate scenario
analysis and stress
testing**

**Strengthen risk
controls in transition
activities. Set Risk
Appetite**

**Establish risk-based
targets within
transition plans**

**Upskill capabilities
for climate risk**

**Establish key risk
indicators in relation
to transition plan**

Case Study: AmBank Group



Ambitious...

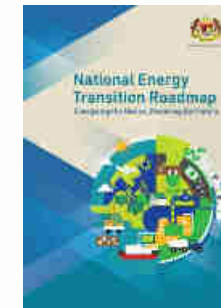
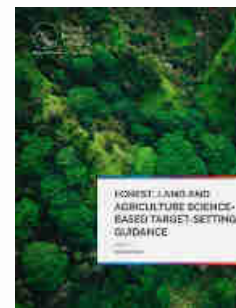
Underpinned by Paris Agreement overarching goal:

“Hold the increase in global average temperature to well below 2°C above pre-industrial levels....”

... credible yet pragmatic

By using models from reputable global institutions such as IEA and SBTi.

And integrating Malaysia’s commitment and aspirations to achieve Net Zero emissions by 2050.



Case Study: AmBank Group



Actionable...

Seven hard-to-abate sectors ¹		Outstanding Balance (%)	Percentage of Financed Emissions (%)
 Palm Oil		19.0	36.7
 Thermal Coal Mining		0.3	2.1
 Power Generation		16.9	13.5
 Oil & Gas		25.8	10.9
 Cement Manufacturing		0.3	5.1
 Iron & Steel Manufacturing		17.1	28.8
 Commercial Real Estate ²		20.6	2.9
TOTAL		100	100
AmBank Group's non-retail excluding financial services, trading, and other services ³		39	45

Source: AmBank Group Sustainability Report FY2025

Case Study: AmBank Group



Actionable...

Our Net Zero Strategy Approach

Setting 2030 Near-term Targets

01

Identify select hard-to-abate sectors and set emission intensity targets to guide decarbonisation efforts.

Establishing Our Position Statements

02

Define sector-specific criteria to support our customers in their decarbonisation and transition efforts.

These position statements complement our existing prohibitions.

Supporting Our Customers

03

Provide sustainable, transition, and green financing solutions supported by our SFP Framework and by internal guidelines to help customers transition.

Case Study: AmBank Group



Actionable...

Setting 2030 near-term targets

Economic Focus Area	Agriculture		Energy		Built Environment		
Sector	Palm Oil	Thermal Coal Mining	Power Generation	Oil & Gas	Cement Manufacturing	Iron & Steel Manufacturing	Commercial Real Estate
Value Chain Scope	Oil palm plantations, Crude Palm Oil (CPO) milling and integrated palm oil companies	Thermal coal mining	Power generation operators	Integrated National Oil & Gas company, Crude oil refineries, Exploration & Production (E&P) companies	Cement manufacturers	Crude steel manufacturers	Operational phase of commercial buildings
FY 2024 Baseline	189 tCO ₂ e/ tonne of CPO		468 kgCO ₂ e/ MWh of power produced	108 tCO ₂ e/ RM million financed	0.89 tCO ₂ e/ tonne of cement	1.26 tCO ₂ e/ tonne of steel	182 kgCO ₂ e/ m ² of building floor area
2030 Near-term Target	149 tCO ₂ e/ tonne of CPO		379 kgCO ₂ e/ MWh of power produced	73 tCO ₂ e/ RM million financed	0.57 tCO ₂ e/ tonne of cement	1.05 tCO ₂ e/ tonne of steel	148 kgCO ₂ e/ m ² of building floor area

Establishing our position statements

Sectors	Position Summary
Palm Oil	No Deforestation, No New Peat, and No Exploitation (NDPE) compliance, support sustainable palm oil
Thermal Coal	Full Phase out by 2030
Power Generation	No new coal plants, support renewables
Oil & Gas	Support cleaner energy transition
Cement	Support credible decarbonisation
Iron & Steel	Support sustainable tech adoption
Real Estate	Finance green & efficient buildings



Case Study: AmBank Group

Actionable...

Supporting our customers

Sustainable Financing

Supports socio-economic growth while integrating sustainability principles, contributing to one or more UN SDGs.

Transition Financing

Supports the transition of sectors and firms from emission-intensive business models (i.e. hard-to-abate sectors) to environmentally sustainable alternatives aligned to the goals of the Paris Agreement.

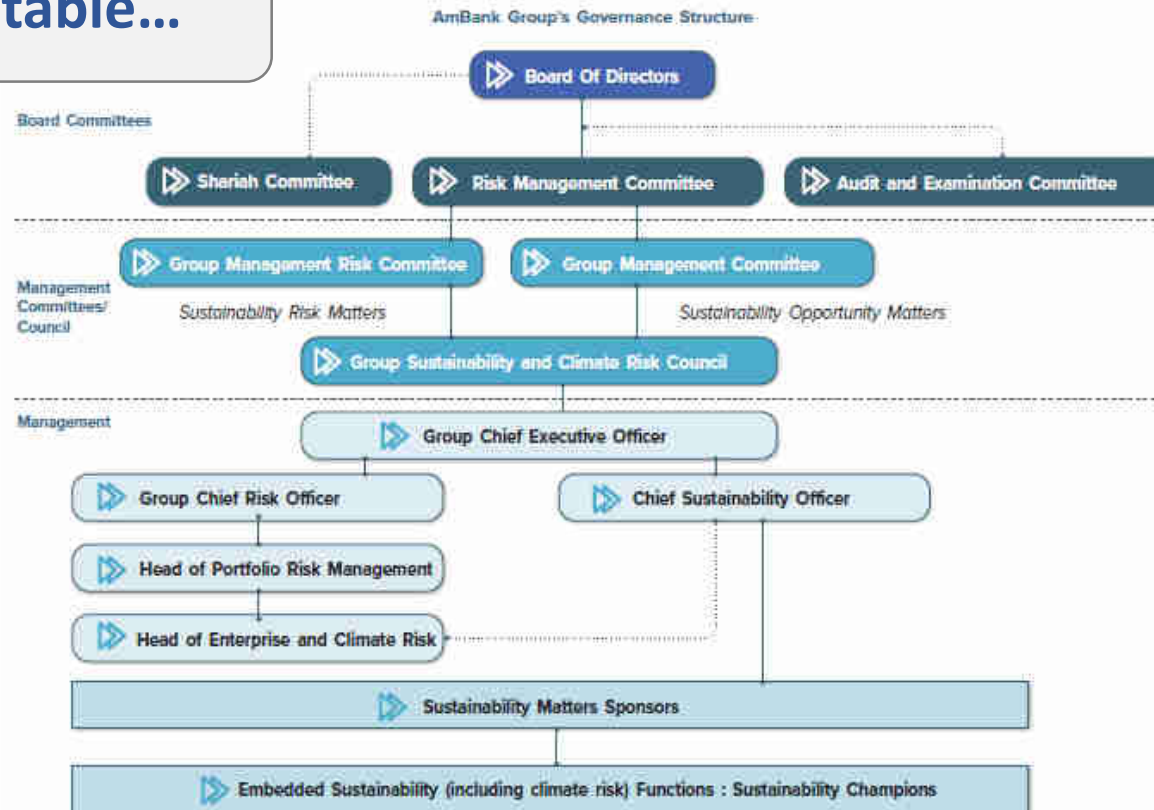
Green Financing

Dedicated support to activities generating environmental benefits (i.e. climate mitigation or adaptation) or contribution to creating or sustaining a low-carbon economy.

Case Study: AmBank Group



Accountable...



Risk Management Functions

Roles and Responsibilities

Portfolio Risk Management

Specialises in managing both enterprise-wide and portfolio-specific climate-related risks.

Climate Risk

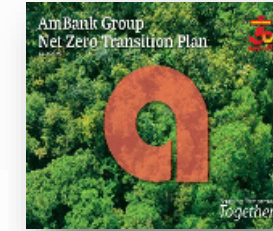
- Assesses the broader implications of climate risks across AmBank Group.
- Monitors portfolio emissions and other crucial climate-related impact indicators.

Group Operational Risk

Conducts detailed climate-related risk assessments to enhance capabilities to manage operational climate-related risks in branches, main buildings, data centres, and Third-party Service Providers.

Case Study: AmBank Group

Accountable...



- The Group has integrated sustainability into its leadership performance framework since 2021.
- At the beginning of every financial year, Group Sustainability works with GCEO & Group Nomination and Remuneration Committee (GNRC) to design KPIs for senior management to ensure accountability of sustainability objectives.

Our Key Sustainability Documents



Sustainability Report 2025

Highlights our progress and actions taken to integrate sustainability across our operations.



Scan to view full report



Net Zero Transition Plan (NZTP)

Outlines our pathway towards achieving Net Zero by 2050.



Scan to view the NZTP White Paper



Sustainable Finance Product (SFP) Framework

Outlines the principles and criteria for classifying, labelling, and evaluating sustainable finance products offered.



Scan to view the SFP Framework

Visit our corporate website, www.ambankgroup.com/sustainability – for further information

Case Study: AmBank Group

Scenario Analysis

As part of our climate risk assessment, we use three distinct NGFS transition scenarios to evaluate how different climate pathways may impact portfolio performance over a 30-year time horizon. These scenarios encompass:

NGFS Scenarios		
Reference Scenarios	Key Characteristics	Warming Outlook
Orderly Transition	Strong climate policies and green technology breakthroughs were introduced early. Lower transition and physical risks.	-1.5°C
Disorderly Transition	Climate action delayed until 2030, followed by the abrupt implementation of strict policies. Elevated transition and physical risks.	-1.8°C
Hot House World	No new policies beyond 2025. High physical risks due to uncontrolled warming.	+2°C



As part of our climate risk assessment, we use three distinct NGFS transition scenarios to evaluate how different climate pathways may impact portfolio performance over a 30-year time horizon.

The insights from our scenario analysis help inform risk decisions and prioritise exposures across sectors, business segments, and product levels.

To ensure that material climate risk is considered in capital planning, the climate-related expected credit loss has been incorporated into our ICAAP.

The following modelling approach has been developed to guide our understanding of the climate change impact:



How do TPs Drive Better Risk Outcomes?

**Value Protection -
manage risks and
protect assets**

**Improve credibility
with investors and
stakeholders (e.g.
employees)**

**Improve access to
capital**

**Unlock business
value through
transition activities
and efficiencies**

**Shared value with
society – just
transition**

**Regulations and
disclosure**



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THANK YOU

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-  ierp_official