From Principles to Precision: Malaysia's Journey from VBIAF to CCPT

The evolution from Value-Based Intermediation Allocation Framework (VBIAF) to Climate Change and Principle-based Taxonomy (CCPT) represents a fundamental shift in how Malaysian financial institutions assess and categorise sustainable investments. This transformation moves beyond broad aspirational goals to create measurable, accountable frameworks that drive real climate action across industries.

The Three Fundamental Shifts

From Principles to Classifications

VBIAF established broad values and intentions across the financial sector. CCPT transforms these into clear, actionable categories with Green ✓, Amber ⚠️, and Red ❌ classifications that provide concrete guidance for investment decisions.

From Broad Impact to Climate Focus

Whilst VBIAF addressed the triple bottom line of economy, society, and environment, CCPT narrows its focus specifically to climate-related risks and transition pathways, providing targeted solutions for Malaysia's net-zero commitments.

From Guidance to Accountability

VBIAF encouraged better practices through voluntary adoption. CCPT establishes mandatory regulatory reporting requirements for banks, creating enforceable standards that ensure consistent application across the financial sector.

Furniture Manufacturing: Sustainable Timber Transformation

Johor's Furniture Industry Evolution

The transition from VBIAF to CCPT has revolutionised how Johor's furniture manufacturers approach timber sourcing and sustainability reporting.

VBIAF approach: *Encouraged the use of sustainable timber through general guidance and incentives.*

CCPT classification system:

- *Green: Certified sustainable wood sourcing with full traceability*
- *Amber: Plans to adopt sustainable practices but not yet fully compliant*
- *Red: Illegal logging or non-certified sourcing practices*

Automotive Industry: Accelerating Green Transition

Selangor's Automotive Supplier Transformation

Malaysia's automotive suppliers face critical decisions as the industry pivots towards electrification. The CCPT framework provides clear pathways for classification and investment.

Green Classification

Companies producing electric vehicle batteries, charging infrastructure, or EV components receive green classification, unlocking preferential financing and investment opportunities.

Red Classification

Suppliers still heavily dependent on petrol-engine exhaust systems and traditional combustion components face red classification, signalling transition urgency.

Amber Classification

Companies transitioning with hybrid technology development and clear electrification roadmaps receive amber status, acknowledging progress whilst encouraging acceleration.

Palm Oil: From Certification to Climate Action

Sarawak's Palm Oil Evolution

The palm oil sector exemplifies CCPT's precision in addressing complex sustainability challenges beyond simple certification.

VBIAF perspective: *RSPO certification was recognised as value-added sustainable practice.*

CCPT framework creates nuanced classifications:

- ***Green:*** *RSPO certified with methane capture technology and active reforestation programmes*
- ***Amber:*** *Partial compliance with documented transition plans and timelines*
- ***Red:*** *Open burning practices and continued deforestation activities*

Property Development: Building Green Futures

Klang Valley's Development Revolution

Property developers in Malaysia's most densely populated region now operate under clear sustainability classifications that influence financing access and market positioning.

1. **Green Projects**

   Developments achieving Green Building Index (GBI) or LEED certification, incorporating renewable energy, and demonstrating measurable carbon reduction

2. **Amber Transition**

   Projects with limited energy efficiency measures but committed improvement plans and sustainability targets

3. **Red Classification**

   High-carbon developments with no sustainability features or transition commitments face financing restrictions

Food & Beverage SMEs: Packaging Revolution

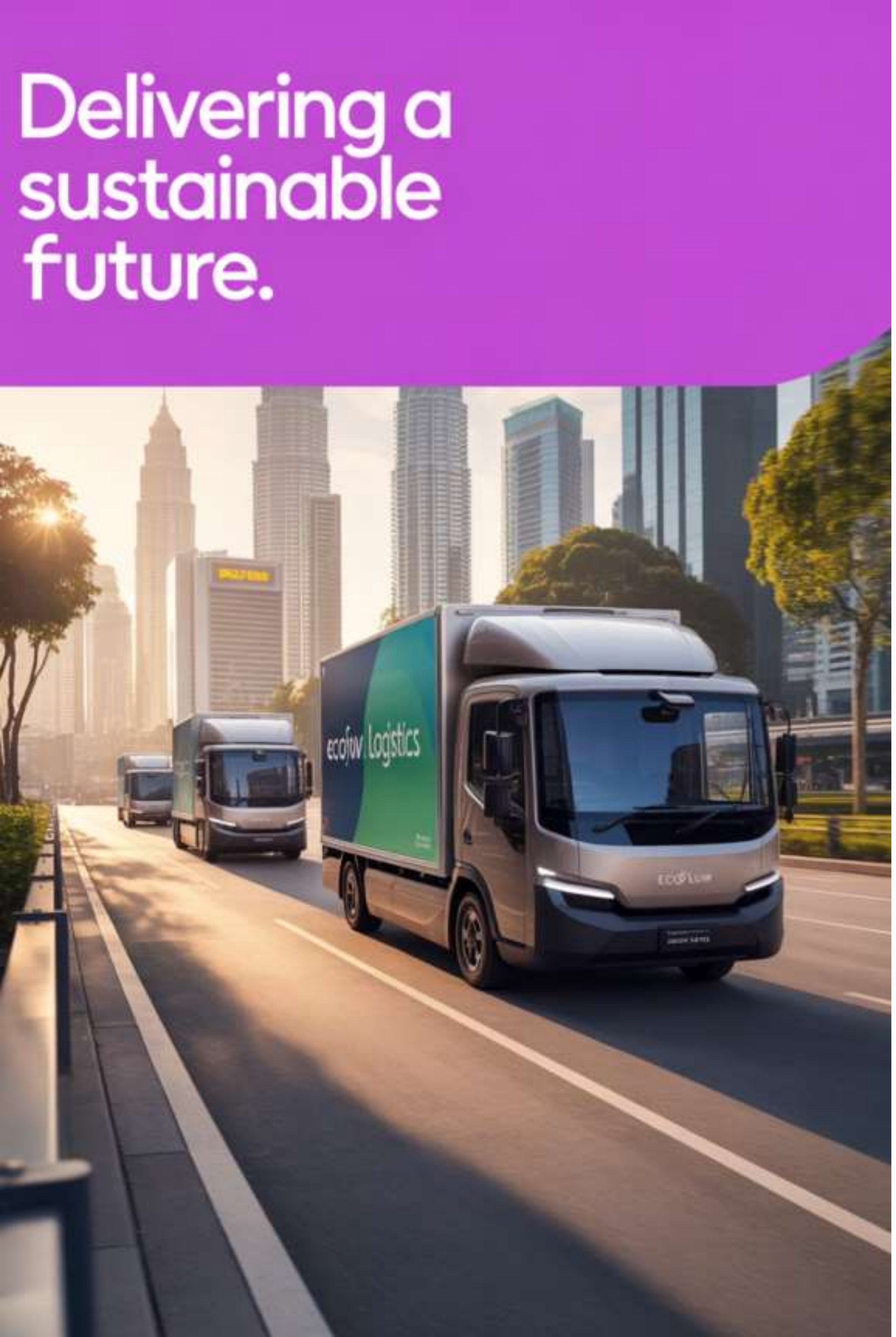
Malaysian's F&B Sustainability Drive

Small and medium enterprises in Malaysia's food and beverage sector demonstrate how CCPT classifications can drive meaningful change in traditionally overlooked areas.

VBIAF approach: *Generally encouraged ethical, community-oriented business practices without specific environmental targets.*

CCPT classifications provide concrete guidance:

- ***Green:*** *Complete transition to biodegradable packaging materials with verified supply chains*
- ***Amber:*** *Documented plans to reduce plastic usage by 2030 with interim milestones*
- ***Red:*** *Continued heavy reliance on single-use plastics without transition plans*



Trading & Logistics: Fleet Electrification

Kuala Lumpur's Trading Sector Transformation

General goods trading companies represent a significant portion of Malaysia's urban carbon footprint. CCPT's classification system drives systematic fleet modernisation across the sector.

1

Green Fleet

Companies operating energy-efficient logistics fleets with electric or hybrid vehicles, optimised routing systems, and carbon tracking capabilities

2

Transition Planning

Businesses with documented plans to electrify their fleet, including timelines, budget allocation, and interim efficiency measures

3

Traditional Operations

Diesel-only fleets without modernisation plans face restricted access to sustainable financing options

The Strategic Importance for Malaysian Industry

Why This Evolution Matters

The transition from VBIAF to CCPT represents more than regulatory change—it's a fundamental shift in how Malaysian businesses access capital, measure success, and position themselves in global markets.

VBIAF established the foundational understanding that value extends beyond profit margins to encompass social and environmental impact. This framework educated the market and created awareness of sustainable business practices.

CCPT builds upon this foundation by providing the operational framework needed to implement sustainable practices at scale. The classification system creates:

- *Measurable standards that eliminate greenwashing*
- *Comparable metrics across industries and sectors*
- *Clear pathways for improvement and transition*
- *Regulatory compliance that supports international standards*
- *Investment flows towards genuinely sustainable activities*

The Path Forward: From Why to How

VBIAF: The Foundation

*Provided the **WHY** behind sustainable finance—establishing values, creating awareness, and building market understanding of the triple bottom line approach to business success.*

CCPT: The Implementation

*Delivers the **HOW** through precise classifications, mandatory reporting, and clear transition pathways that transform sustainable intentions into measurable business outcomes.*

Malaysia's financial sector now possesses both the philosophical foundation and practical tools needed to drive meaningful climate action across all industries. The success of this transition will determine the country's competitiveness in an increasingly sustainability-focused global economy.