How to Explain CCPT to a Relationship Manager:

A Practical Banker’s Guide with Examples

5 **CCPT** Classifications with Real-World Examples:

Classification	Meaning	Real-World Example
GP1 / GP2	Green – aligned with climate mitigation/adaptation	A solar farm developer, or a palm oil company certified under MSPO & shifting to methane capture
Amber	In transition with credible plans	A manufacturing plant still using coal energy but has a 3-year plan to switch to solar and adopt energy-efficient processes
Red	Harmful with no credible transition	A logging company with no reforestation plan or a factory with recurring environmental fines and no remediation commitment
White	Neutral, not in scope	Law firms, advertising agencies, general consulting businesses
Grey	Insufficient data	SME applying for working capital without disclosing its business nature or sustainability practices

What Should Relationship Managers Actually Do?

Here's 5 practical steps / approach I recommend for RMs

1. Know Your <u>Borrower's</u> Business Activities

<u>Look for</u>:

1. What is the borrower's core revenue-generating activity?
2. Is it energy or resource-intensive?
3. Is the activity covered under the CCPT classification list?

<u>Example</u>: For a logistics company — are they transitioning to electric vehicles or still operating diesel trucks with high emissions?

What Should Relationship Managers Actually Do?

2. Check for a Credible Transition Plan

Look for:

1. Written sustainability strategy;
2. Commitment to adopt renewable energy, reduce emissions, or improve waste management ;
3. External certifications (e.g. ISO 14001, MSPO/RSPO, SBTi targets)

Example: A cement producer using coal but investing RM20 million in carbon capture technology with a 5-year timeline = potentially **Amber**

What Should Relationship Managers Actually Do?

3. Work with ESG/Credit Risk/SME (subject matter expert) Units

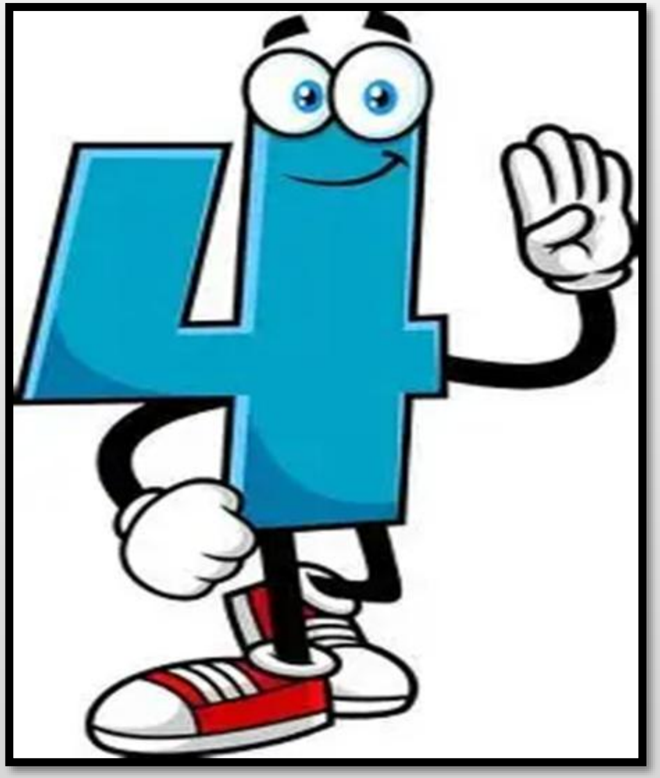
Most RMs are not expected to classify on their own. Banks usually have internal ESG tools or CCPT classification guides.

<u>BUT</u>

RMs must **<u>initiate</u>** the conversation and ask relevant questions

<u>Example</u>: Forwarding the borrower's sustainability report or environmental audit to Risk/ESG teams for assessment

What Should Relationship Managers Actually Do?



4. Document the Assessment Clearly

Ensure the credit paper/memo includes:

1. The CCPT classification (e.g. **Amber** – transitioning with clear plan)
2. Key justifications (e.g. MSPO certification, RM5m solar investment, etc disclosed by customer)
3. Gaps or red flags (RM's observation is key)

Example: "The borrower is classified as **Amber** due to its commitment to shift 50% of its fleet to EVs by 2026. Plan submitted and supported by board resolution."

What Should Relationship Managers Actually Do?

5. **Monitor & Review**

Especially important for **Amber exposures**, where the business is in transition

Post-disbursement actions:

1. Track KPIs like energy efficiency upgrades, emissions reduction, or ESG audits
2. Request progress reports annually or semi-annually
3. Reassess CCPT classification as the client improves (or regresses)

Example – Palm Oil SME (Red)

Client fails to adopt NDPE policy after 12 months.

➢ Bank may suspend further disbursement or reprice the facility.

Why **CCPT** Matters More Than Ever?

Since July 2022, all financial institutions in Malaysia must **report their exposures by CCPT categories**. Over time, this data feeds into:

1. Internal risk models and stress testing
2. Pricing decisions (e.g. +25bps for Red, –10bps for Green)
3. Regulatory capital planning
4. ESG disclosures aligned to IFRS S2/TCFD

A well-informed RM can help shape better deals, faster approval, and more resilient portfolios.

How to Explain CCPT to a Relationship Manager:

Final Thought

1. RMs don't need to be climate experts — but they do need to ask better questions.
2. Understanding CCPT isn't just about compliance. It's about credit quality, borrower engagement, and building trust in a low-carbon economy.

- **Know the activity.**
- **Assess the plan.**
- **Classify with confidence.**