

2025

INAUGURAL MALAYSIA RISK REPORT

**Shaping Malaysia's Future:
Addressing Risks, Embracing Opportunities**



TABLE OF CONTENTS

A WORD FROM OUR CHAIRPERSON	3
TOP BUSINESS RISKS FOR 2025	4
GLOBAL & MALAYSIAN RISK LANDSCAPE	5
TECHNOLOGY & CYBERSECURITY	8
CLIMATE & SUSTAINABILITY	11
EXTERNAL & THIRD-PARTY	13
VIEWS ON RISK CULTURE	15



A WORD FROM OUR CHAIRPERSON



It is with great pride that we present MARIM's Inaugural Malaysia Risk Report 2025, a landmark publication offering a comprehensive analysis of the key risks and emerging opportunities shaping Malaysia's economic and business landscape. This report underscores MARIM's commitment to advancing the practice of risk management across the nation.

As Malaysia continues its transition into a predominantly services-oriented economy, this report highlights the nation's distinct risk landscape, shaped by a blend of global and domestic influences. Prominent concerns include technological advancements, cybersecurity risks, climate-related challenges, reputational threats, geopolitical disruptions, and an increasingly complex regulatory environment. These risks differ significantly from those faced by neighboring countries, where natural disasters and political instability often dominate.

Additionally, elevated cost of capital and intense regional competition have emerged as key focal points for Malaysia's corporate and public sectors. These issues demand a proactive and collaborative approach to risk management that prioritises resilience and innovation.

The report draws on insights from the 2024 MARIM CRO Roundtable, complemented by data-driven and qualitative analysis of economic trends, technology risks, and climate impacts. It highlights practical strategies from leading industry practitioners to bridge theoretical frameworks with actionable solutions.

As Malaysia confronts a complex and interconnected global landscape, this report serves to empower businesses to anticipate risks, adapt to challenges, and seize opportunities for sustainable growth.

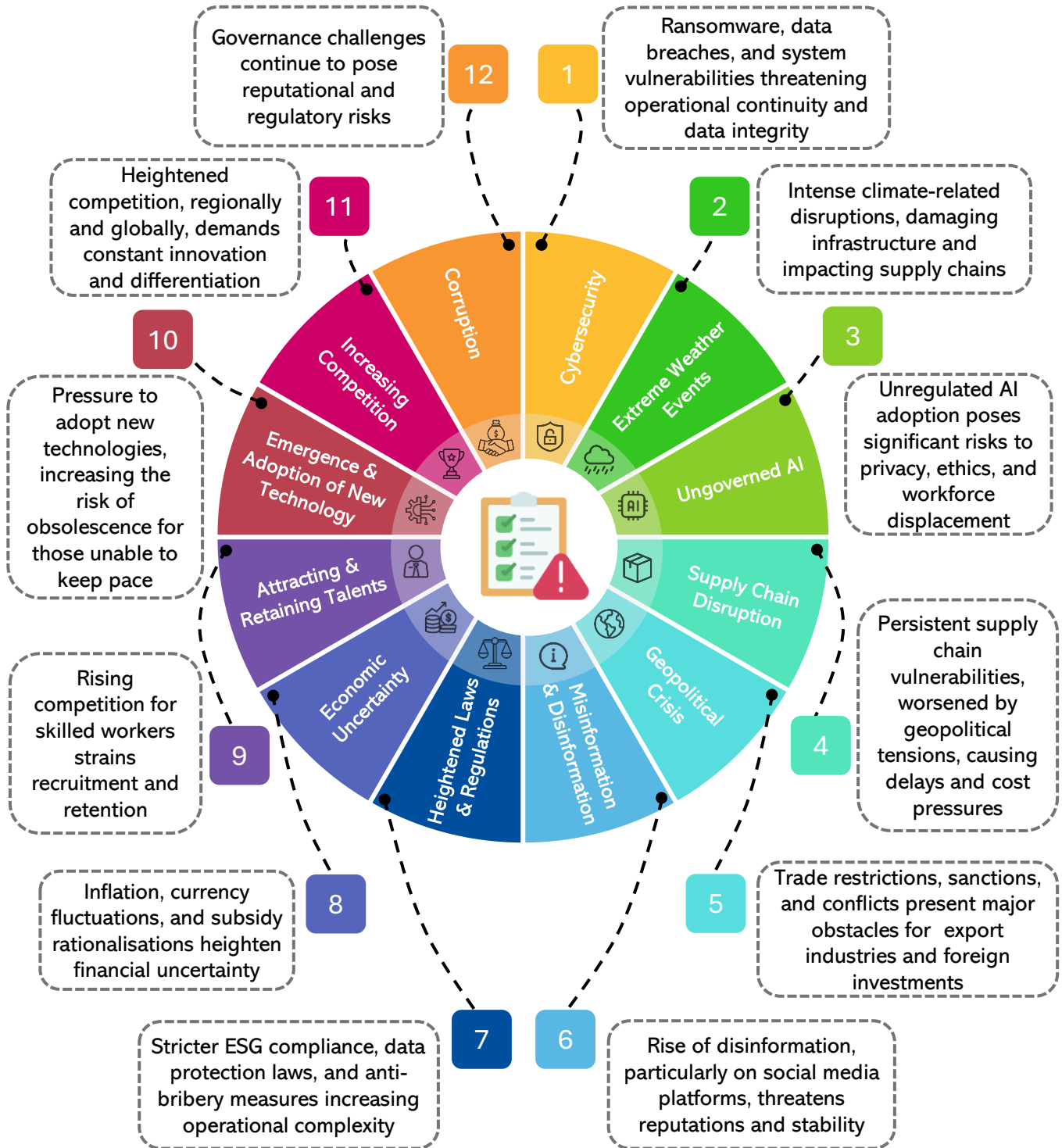
Through this inaugural initiative, we at MARIM reaffirm our commitment to being a cornerstone of Malaysia's risk management community, championing resilience, driving innovation, and fostering collaboration across all sectors.

A handwritten signature in black ink, appearing to read "Faizatul Farhah Ghazali".

Faizatul Farhah Ghazali
Chairperson, MARIM

TOP BUSINESS RISKS FOR 2025

The 2024 MARIM CRO Roundtable survey ranked the top risks based on their perceived impact and relevance across Malaysian industries. The findings reveal a mix of technological, environmental, and economic, and geopolitical challenges that businesses must navigate in 2025.



These risks emphasise the urgent need for Malaysian businesses to **strengthen cybersecurity, integrate ESG principles, adapt to climate risks, and develop innovative talent strategies** to remain competitive in an increasingly volatile landscape.

Global Risk

On the international front, geopolitical uncertainties, including potential changes to US trade policies, pose a threat to Malaysia's export-reliant economy. A 1% drop in US demand could reduce Malaysia's GDP by 0.05%, excluding cascading impacts on broader global trade dynamics. This underlines the importance of businesses to diversify trade partnerships and reduce over-reliance on single markets to ensure resilience.

EY Geostrategic Survey 2024

Strategy

- 1. Geopolitical multiverse
- 2. Geopolitics of AI
- 3. Domestic challenges in the US and China
- 4. Global elections supercycle

Supply Chain

- 5. Prioritising economic security
- 6. Diversification agenda
- 7. Geopolitics of the ocean

Sustainability

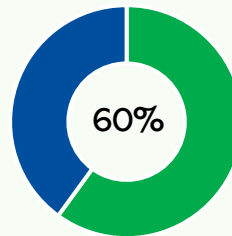
- 8. Competition for commodities
- 9. Dual-track green policies
- 10. Climate adaption imperative

According to Ernst & Young (EY) geostrategic survey, the 2020s have unfolded as a transformative decade, marked by successive global crises that have reshaped economies, societies, and corporate priorities. From pandemics to geopolitical tensions, organisations are navigating an increasingly volatile landscape, underscoring the importance of proactive risk management.

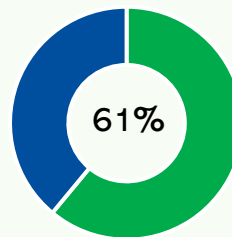


Adam Zechariah from EY Consulting, Enterprise Risk highlights that organisations are finding it difficult to identify, track and manage the new risk landscape.

Adam further emphasises the need for interconnected and agile risk strategies in today's complex global environment, aligned with the insights from EY's Global Board Risk Survey:



of boards agree emerging risks are insufficiently addressed in risk management frameworks



of boards agree board directors are not aligned on the business' most material risks

EY Global Board Risk survey

Malaysia’s economy in 2025 is projected to **grow steadily between 4.0%–5.0%, anchored by strong private consumption, increased investments, and favourable labor market conditions.**

However, this positive outlook is **tempered by a combination of domestic and global risks** that necessitate strategic adaptation by businesses and policymakers.

Key Projections	2025f
GDP growth (annual change,%)	4.0-5.0
CPI (annual change,%)	2.0-3.0
OPR (year-end,%)	3.00
Fiscal balance (% of GDP)	-3.7
Government debt (% of GDP)	63.5
Gross MGCS and GII issuance (RM bil)	155-165
Gross corporate bond issuance (RM bil)	110-120

Sources: RAM, Dept. of Statistics Malaysia (DOSM), Bank Negara Malaysia, Bond Pricing Agency Malaysia

Malaysia’s Strategic Response

To navigate global challenges and leverage emerging opportunities, Malaysia has **articulated a forward-looking strategy, encapsulated in Budget 2025.** This comprehensive plan is built upon three foundational pillars:

1 Broadening the Revenue Base & Reducing Inequality
SST and excise duty expansion, alongside a tax on dividend income, aim to boost revenue and reduce income disparities.

Key measures such as the minimum wage hike to RM1,700 in February 2025 and civil servant salary adjustments are expected to stimulate household spending and drive private consumption. However, the **removal of RON95 fuel subsidy in mid-2025 may indirectly strain lower-income households through heightened inflationary pressures.**

2 Competitiveness in the Global Landscape

The New Investment Incentive Framework (NIIF) promotes diversification, job creation, and regional clusters to enhance Malaysia's global competitiveness. Tax reforms under the Global Minimum Tax and the 2026 carbon tax underscore Malaysia's commitment to sustainability and global standards. While these measures aim to attract investments, careful execution is needed to minimise business costs.

3 Digital Economy & AI

Accelerating AI adoption and providing tax incentives for digitisation in key sectors, such as plantations and smart logistics, position Malaysia as a leader in the digital economy, aim to address challenges in technology adoption and workforce development.



Faizatul Farhah, MARIM Chairperson and Head of Risk, Integrity & Compliance at UEM Edgenta, speaks

about the societal risks associated with the rising cost of living, emphasizing:



Economic inequality:

The removal of subsidies without targeted safeguards may disproportionately burden lower-income groups, widening wealth disparities



Social unrest:

Financial strain on vulnerable communities could heighten tensions, particularly if subsidy reforms are poorly communicated or executed



Public trust:

Ineffective implementation of subsidy policies risks eroding confidence in government institutions, complicating efforts to manage societal risks

Abid Adam from Axiata Group Berhad says: *“Malaysia’s economy is influenced by external forces, but it is still fundamentally driven by domestic demand, which serves as a stabilising factor amidst global uncertainties. As Malaysia works toward advancing its economy under the 2030 Vision, this domestic focus provides an important buffer against external headwinds.”*

Abid also points out a significant constraint i.e. Malaysia’s slower growth compared to other ASEAN countries. This challenge could hinder sustained economic expansion and limit the growth of consumer demand.

To address these challenges, **Malaysia must leverage its strong domestic demand while adopting policies that encourage workforce development, innovation, and strategic partnerships.**

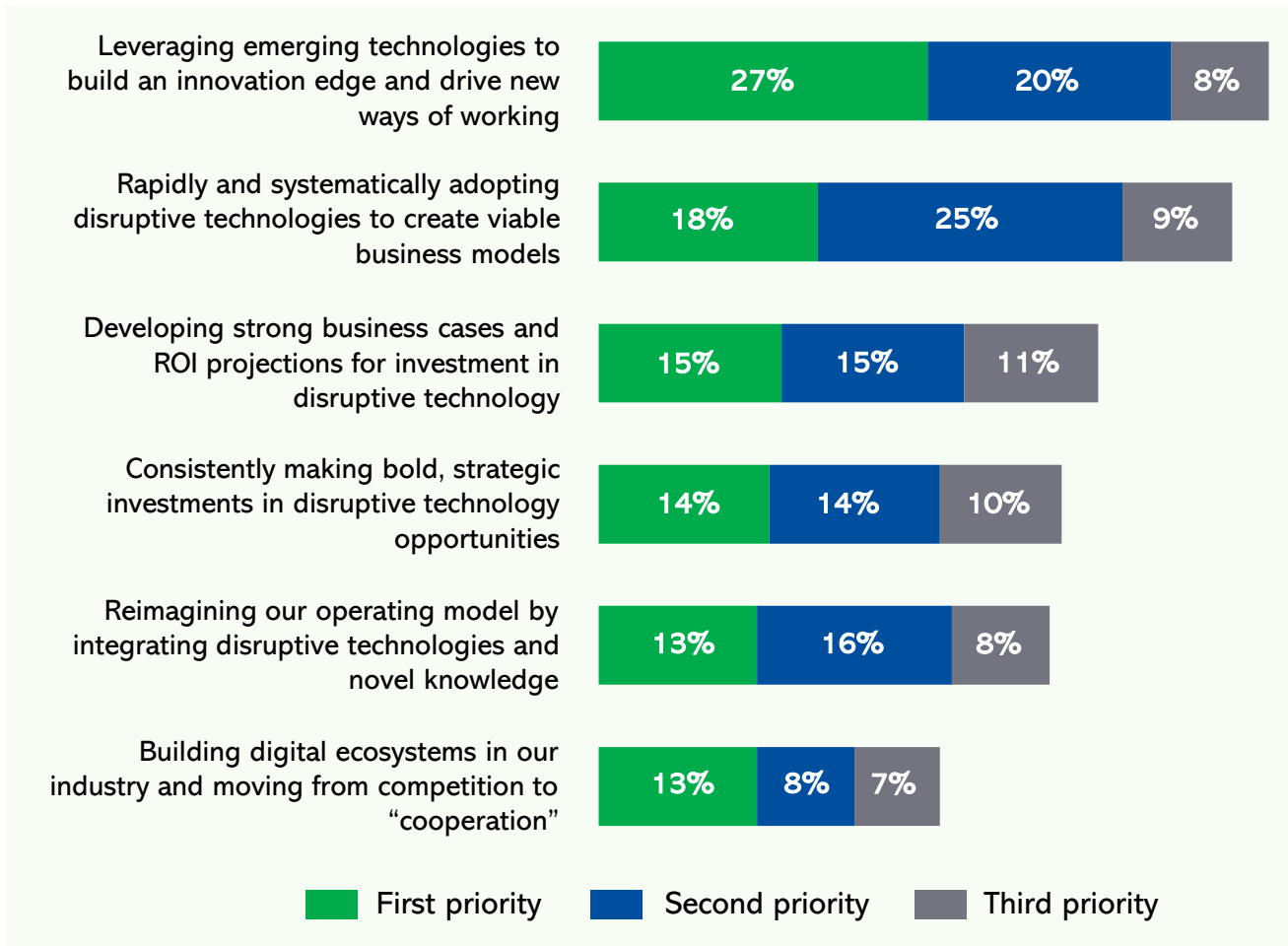


The integration of technology into Malaysian industries has driven growth, innovation, and efficiency through advancements in AI, big data, and predictive analytics. At the same time, these technologies also expose businesses to evolving threats like ransomware, data breaches, and system vulnerabilities, making cybersecurity a critical priority.

“With Malaysia’s digital economy projected to contribute 25.5% of GDP by 2025, investing in comprehensive cybersecurity frameworks is vital to protect sensitive data, maintain operational continuity, and support economic growth”

EY CEO Outlook 2024

Emerging technologies present dual challenges: risks from rapid advancements and opportunities for strategic adoption. The insights from EY’s CEO Outlook 2024 emphasises how embracing innovation while managing associated risks can serve as a cornerstone for sustainable growth and resilience.





Cybersecurity: A Top Concern

Cybersecurity has been consistently ranked as the leading risk for 2025 by panelists of the 2024 MARIM CRO Roundtable.

A December 2024 report by Kaspersky revealed that **Malaysian organisations faced 19.62 million web-based attacks in the first half of the year, ranking among the highest in Southeast Asia.** This alarming figure reflects the increasing complexity and frequency of cyberattacks targeting businesses in Malaysia.



Abid Adam shares that Axiata faced an overwhelming number of cyberattacks and

cyber security incidents in 2024, demonstrating the vast scale of the challenges businesses face in the digital age. He emphasises that while achieving 100% cybersecurity is unattainable, having **real-time data visibility is crucial for identifying and mitigating threats effectively.**

Concerns are also raised about the **misuse of emerging technologies like deepfakes and AI**, recounting a phishing scam where attackers used a deepfake video of a senior management during an online meeting, along with a convincing communication channel, to deceive employees into compromising security systems. This incident highlights the **increasing sophistication of cyber threats and emphasises the urgency to adopt data-driven insights and advanced threat detection systems.**

Leveraging Technology for Risk Mitigation

Panelists at the MARIM CRO Roundtable highlight the dual role of technology in mitigating risks while navigating the vulnerabilities it creates:



Ryan Loh, Tenaga Nasional Berhad (TNB) :

“In response to increased cyberattacks in 2024, TNB established a Cybersecurity Operations Center and “Red Teams to address system vulnerabilities. Integrating IT and OT systems requires a unified risk management approach to ensure resilience and security.”



Nuranisah Mohd Anis, SP Setia :

“AI-driven analytics enhance early vulnerability detection and integrating emerging trends into risk reports. This proactive approach has improved the organisation’s ability to present measurable risk insights to its board, aligning decision-making with data-driven strategies.”



Frashad Shah, Digital Nasional Berhad (DNB) :

“As we push for digitalisation, the risks and threats also grow. At DNB, we prioritise focusing our resources to ensure that our infrastructure remains secure and uncompromised, guaranteeing uninterrupted access to the 5G network.”



Azizul Rahman, DRB-HICOM :

“AI and big data are vital for navigating market changes, such as the transition from internal combustion engines (ICEs) to electric vehicles (EVs). At DRB-HICOM, ongoing efforts in advanced analytics aim to enhance decision-making and effectively tackle the challenges of this shift.”

Cybersecurity Future Outlook

Malaysia’s Cybersecurity Act 854 mandates protecting critical infrastructure and incident reporting, highlighting the government’s commitment to cybersecurity. Businesses must adopt proactive measures to comply and strengthen their defenses.

Key Recommendations for Addressing Cybersecurity Risks:

- 1 Strengthen Cybersecurity Measures:** Invest in advanced infrastructure to counter emerging threats. Conduct regular audits to identify vulnerabilities and adopt global best practices to remain resilient
- 2 Incident Response Planning:** Develop comprehensive incident response plans that define clear roles and responsibilities. Ensure robust internal and external communication to manage recovery efforts and maintain public trust
- 3 Enhance Digital Risk Intelligence:** Leverage AI and analytics to predict risks, implement preventive strategies, and foster partnerships across sectors to share intelligence, resources, and best practices.
- 4 Embed Cybersecurity in Corporate Culture:** Implement training programs to raise awareness among employees, ensuring cybersecurity becomes a priority

As cyberattacks grow more complex, businesses must remain vigilant, leveraging robust cybersecurity measures and fostering awareness to combat the ever-evolving risks in the digital era.

Climate-related risks are becoming increasingly urgent for Malaysian businesses, as **extreme weather events, resource scarcity, and environmental degradation** disrupt industries and communities. Addressing these risks is vital for business continuity but also essential for tapping into opportunities in the growing sustainability market.

Climate and Sustainability Risks

Malaysia's vulnerability to floods, heatwaves, and droughts has caused significant disruptions across industries. From 2021 to 2023, flood-related losses totaled RM7.9 billion, with RM622.4 million recorded in 2022 alone, mostly affecting states like Terengganu, Kelantan, and Pahang.



Industries like palm oil production face considerable challenges; **Dzulkifly Mohd Yusof** from FGV Holdings explains:

"Climate change on rainfalls patterns in East Malaysia for example may pose some threats to agriculture industry in the region. Hence, the need to strengthen the industry's participation for climate resilience."

In addition to climate, the global shift to sustainability drives businesses to meet growing demands for environmental accountability and adapt to evolving regulations.

For example, the European Union's Corporate Sustainability Reporting Directive (CSRD) is reshaping global supply chains, directly impacting Malaysian exporters dependent on European markets.

Mitigation and Adaptation Strategies

A combined approach of mitigation and adaptation is essential to tackle climate and sustainability risks effectively. Key strategies include:

1. Energy Transition:

Malaysia's target of 31% renewable energy by 2025 drives the adoption of clean energy. Malaysia Airports invests in solar energy and efficient infrastructure, while FGV Holdings focuses on renewable initiatives to lower emissions. These efforts align with national climate goals and boost sustainability competitiveness.



"In the healthcare sector, managing carbon footprints is a critical priority."

IHH Healthcare hospitals are adopting measures to monitor and reduce emissions, particularly from operations involving gaseous substances, to ensure sustainable healthcare practices."

- Nili Shayrina Saat, IHH Healthcare

2. Mitigating Climate Risks Through Data and Collaboration:



Satpal Singh from PLUS Malaysia Berhad stresses the importance of climate risk assessments,

which integrate historical climate data with predictive models to identify high-risk areas. PLUS collaborates with Majlis Daerah (District Councils) and state governments to mitigate urban development issues in flood-prone areas such as Setia Alam and Klang.

Satpal highlighted that climate risks are amplified by poorly planned urban development, which disrupts natural water flow and drainage systems, in addition to climate change impacts.

3. Climate Prediction Through Technology and Analytics:

Advanced technology is crucial in managing climate risks. TNB utilises GIS mapping, climate data analytics to predict and manage climate risks such as floods and solar flares, ensuring operational resiliency in energy generation and distribution.

4. Embedding ESG in Risk Management:

Integrating sustainability principles into corporate strategies has become a critical element of effective risk management. SP Setia integrates ESG into decision-making to align with global goals and foster innovation. Embedding ESG into risk management requires setting measurable targets, conducting regular assessments, engaging stakeholders, and maintaining transparent reporting practices.



“Financial institutions including Bank Rakyat are driving sustainability by funding renewable energy projects. These initiatives help businesses mitigate risks while meeting sustainability targets, demonstrating the critical role of green financing in Malaysia’s transition to a sustainable economy.”

- Ahmad Shukri Abd Rahman, Bank Rakyat

Businesses today rely heavily on external partners and third-party providers, bringing both opportunities and risks. The 2024 MARIM CRO Roundtable highlighted challenges like supply chain disruptions, information leakages, and geopolitical tensions, showing how third-party vulnerabilities can disrupt operations, damage reputations, and affect financial stability.

Managing Supply Chain Risks

The COVID-19 pandemic exposed some weaknesses in global supply chains, particularly in the healthcare sector. Private hospitals, as noted by Nili Shayrina Saat from IHH Healthcare, encountered drug shortages at the height of the pandemic. To address these shortages, collaboration with Malaysia's Ministry of Health (MOH) became vital, relying on government stockpiles of essential medications to fill supply gaps. While effective as a temporary solution, this approach however incurred substantial financial costs, hence the need for diversified supply chains and strategic public-private partnerships to prepare for future crises.

Additionally, Malaysian businesses operating internationally face additional challenges due to **limited governmental support in other countries**. In contrast to Malaysia's proactive policies, many nations lack equivalent frameworks,

requiring companies to independently navigate supply chain risks. This highlights the need for region-specific risk management strategies that consider varying levels of government assistance and regulatory landscapes.

Geopolitical tensions, including trade restrictions, sanctions, and regional conflicts intensify supply chain challenges by heightening the risk of sourcing delays and shortages especially for critical raw materials. To navigate these complexities, businesses must adopt a **global perspective, diversify supply sources, and implement robust third-party risk management frameworks**. This includes comprehensive due diligence during onboarding, continuous monitoring of third-party activities, and proactive strategies to mitigate regulatory and geopolitical risks.



“Russia-Ukraine conflict

illustrates how sanctions and

trade disruptions can impact companies reliant on suppliers

from affected regions or associated with sanctioned nations and their allies.”

- Richard Ong, Sime



Managing Third-Party Risks

With increasing reliance on external vendors for data management, third-party risks in data security have become a pressing concern for businesses. **High-profile incidents, such as disruptions or security breaches stemming from third-party systems,** have highlighted how external weaknesses, rather than internal failings can disrupt operations and harm reputations, even for organisations with strong internal safeguards.

Richard Ong from Sime stresses the need for strong oversight in third-party data handling through audits, compliance expectations, and anti-bribery standards. Including **"right-to-audit" clauses in contracts ensures accountability and mitigates outsourcing risks.**



"Third-parties play a crucial role in our value chains, but differing objectives can create significant risks. For instance, one party may prioritise profits while another focuses on broader goals. Aligning strategies with organisational objectives and fostering balanced partnerships is vital in achieving mutual success."

- Halimy Abdul Hamid, Menteri Besar Selangor Inc.

The Way Forward

Organisations should adopt a **proactive and collaborative approach to effectively address external, third-party, and fourth-party risks in Malaysia.** This includes conducting thorough due diligence on direct and indirect partners, leveraging technology to monitor risks in real time, and fostering open communication to build trust and shared accountability. Contracts should include provisions for continuity planning, while aligning with both local and international regulatory standards.

By extending oversight to fourth parties and encouraging transparency across the supply chain, organisations can better manage vulnerabilities, enhance operational resilience, and build more secure partnerships.

Risk culture is the foundation of effective risk management, shaping how an organisation identifies, assesses, and addresses risks. A strong risk culture fosters accountability, transparency, and proactive engagement, enabling organisations to navigate uncertainties and seize opportunities with confidence.

The 2024 MARIM CRO Roundtable explores risk culture strategies, supported by specific examples, to cultivate a robust risk culture and promote a mindset shift that positions risks as potential enablers of strategic advantage:

“Building a strong risk culture requires a mindset shift where risk management is a shared responsibility. **Departments must own their risks, address challenges, and leverage Key Risk Indicators (KRIs)** to identify inefficiencies, uncover opportunities, and enhance performance.



For instance, in Malaysia Airports, passenger complaints about slow check-ins or airport congestion can highlight areas for improvement,

prompting investments in solutions such as biometric check-in systems or self-service bag drop facilities. These initiatives not only address risks but also enhance operational efficiency and customer satisfaction.

In addition, **crises can also act as catalysts for transformative change.** In challenging times, organisations can realign their priorities, streamline processes, and discover new avenues to build resilience.”

- Lim Wai Yin, Malaysia Airports



“Risk, when handled intelligently, can become a powerful strategic advantage, helping to drive innovation, build

resilience and ensure long-term growth.

Embracing risk of technological disruption has been key for us in improving patient care, enhancing overall quality care and improving operational efficiency.

Workforce shortages, especially in nursing, remain a major challenge for private healthcare providers. However, we see this as an opportunity to strengthen our processes and frameworks. By improving training programs and creating a steady pipeline of skilled talent from our University to our system, we aim to meet future demands.

Risk management is also **embedded at every level of the organisation with dedicated risk representatives across various functions**, allowing us to respond to challenges quickly and effectively.”

- Sharizul Baseri, KPJ Healthcare Berhad

GET TO KNOW MARIM

MARIM is a non-profit trade association representing corporations which practice Risk and Insurance Management in Malaysia.

MARIM was founded in 1992, and it is managed by an Executive Committee elected by its members.

The main objective of MARIM is to promote, foster and develop concepts and practices of Risk and Insurance Management

Vision

To be a recognised leader in Risk Management



BENEFITS

Networking

A platform to open new avenues of networking, encouraging enthusiasm among the members who have been actively involved in the association in learning, sharing and continuously build their reputation.

Resources

Offers useful knowledge and reliable information of real experiences from Professional Risk Practitioners.

Educational Lectures

Free seat for Forum and Seminar are always be allocated for our active members. The free participation adds interest, engages directly to the speakers and encourage dialogue among the participants.



MEMBERSHIP

BECOME A MEMBER TODAY!
3 EASY WAYS TO JOIN MARIM:

-  www.marim.org
-  marim.membership@gmail.com
-  +603 – 7955 0284





Malaysian Association of
Risk and Insurance Management

Promoting the Best Risk Management Practices and Standards

**Malaysian Association of Risk and
Insurance Management (MARIM)**

EL 11-11 Amcorp, Menara
Melawangi,

No. 18, Jalan Persiaran Barat,
46050 Petaling Jaya Selangor

T : +6(03)-7955 0284

E : marim.event@gmail.com

E : marim.secretariat@gmail.com