

29/08/2024

UNEP Finance Initiative

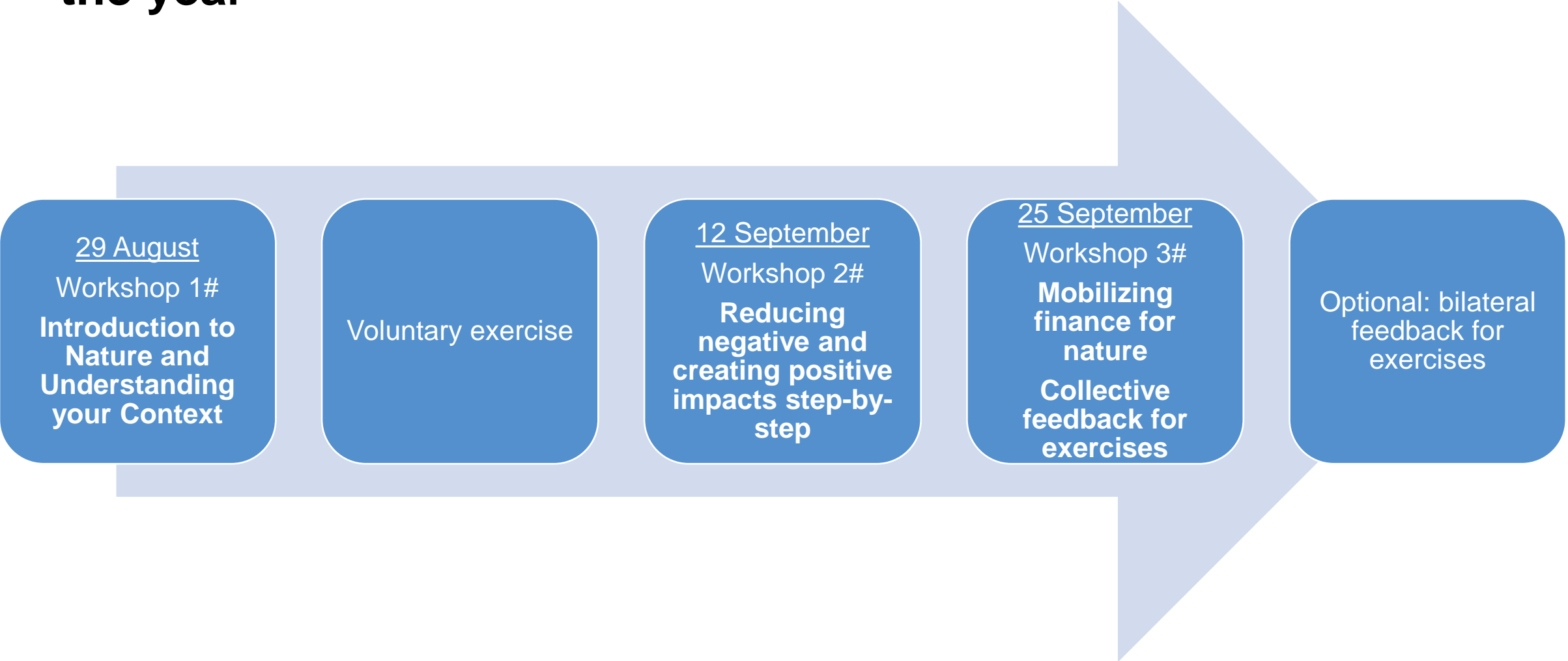
PRB Nature capacity building programme

Asia Pacific

Workshop 1#:
Introduction to Nature and Understanding your Context



Programme – 3 workshops and other activities during the year





MINISTERO DELL'AMBIENTE E DELLA SICUREZZA ENERGETICA

We would like to thank the Italian Ministry of Environment and Energy Security for supporting the UN system's contribution to a green and inclusive recovery by harnessing the power of financial systems to support the SDG Decade of Action, access of developing countries to sustainable finance and Multilateral Environmental Agreements.

Housekeeping rules & other information

- Slides and the recording will be shared after the workshop
- Please mute yourself during the workshop to avoid background noise
- Question and comments highly welcome during the session! You can
 - Raise your hand in Webex if you want to speak up (anytime)
 - Post questions in Webex's chat (anytime)
 - Post questions on Slido.com (voting code: **123456**) (anytime) – Slido is anonymous, so you don't even need to mention your name



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Introduction

Expected outcomes of the capacity building programme



Help you understand how your bank is affected by the nature crisis



Help you understand what steps every bank can take to contribute to mitigating nature loss



Help your bank draft a nature action plan and implement ideas heard at the workshops



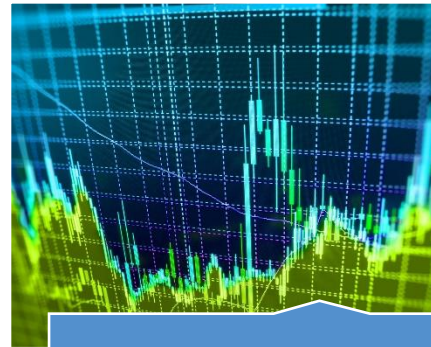
What are we going to talk about?

Different motivations for banks to deal with nature



UN environment programme | finance initiative
Principles for Responsible Banking

Impact management



Risks



Business opportunities



Emerging regulatory requirements

- Banks are increasingly recognizing the **financial risks** posed by nature degradation, such as physical risks from climate events and transition risks from regulatory changes.
- While sectors crucial to human needs are at risk, banks must balance risk management with **supporting transition pathways**.
- The interconnection of nature loss with economic stability has led global entities to develop frameworks for understanding and responding to nature-related risks.
- Banks vary in their approach to nature-positive financing, influenced by regulatory environments and market conditions.
- **Proactive banks are positioning themselves to benefit from regulatory compliance and emerging opportunities in nature-positive investments.**

Today's agenda

Introductions 15'

Overview of the Guidance 10'

Introduction to the PRB Nature Target Setting Guidance, its objectives, and its relevance to commercial banks

Nature for Banks 15'

Understanding the role of nature in banking and the importance of biodiversity

Step 1: Understand your context, analysing your baseline 40-50'

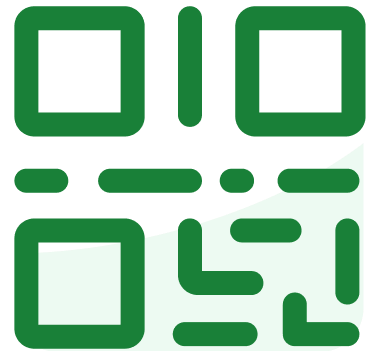
- The Global Biodiversity Framework and how it interacts with your national policies 10'
- A closer look at the Kunming-Montreal Global Biodiversity Framework 5'
- Assessing nature-related impacts and dependencies, risks and opportunities 10'
- The TNFD LEAP approach 15'

Presentation about CIMB's experience 20'

The evolving sustainable finance / ESG regulatory landscape around nature 10-15'

Closing 5'

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Join at slido.com
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① Start presenting to display the joining instructions on this slide.

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**Please tell us about yourself - name (optional!),
Bank name, Country name, Department**

ⓘ Start presenting to display the poll results on this slide.

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Has your bank already identified the 2 key impact areas?

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What would you like to gain from this workshop? What are your questions?

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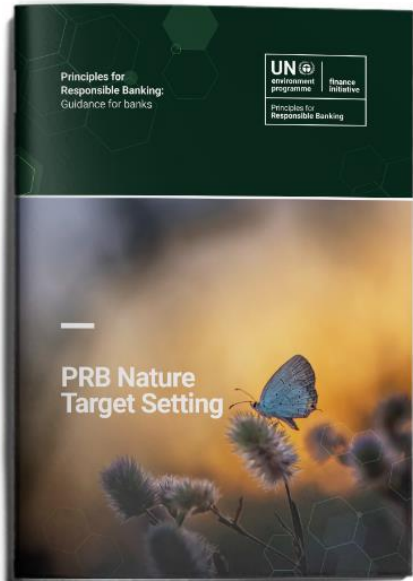
What comes to your mind when you hear the word "biodiversity"?

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— Overview of the Guidance

Introduction to the PRB Nature Target Setting Guidance, its objectives, and its relevance to commercial banks.

Overview

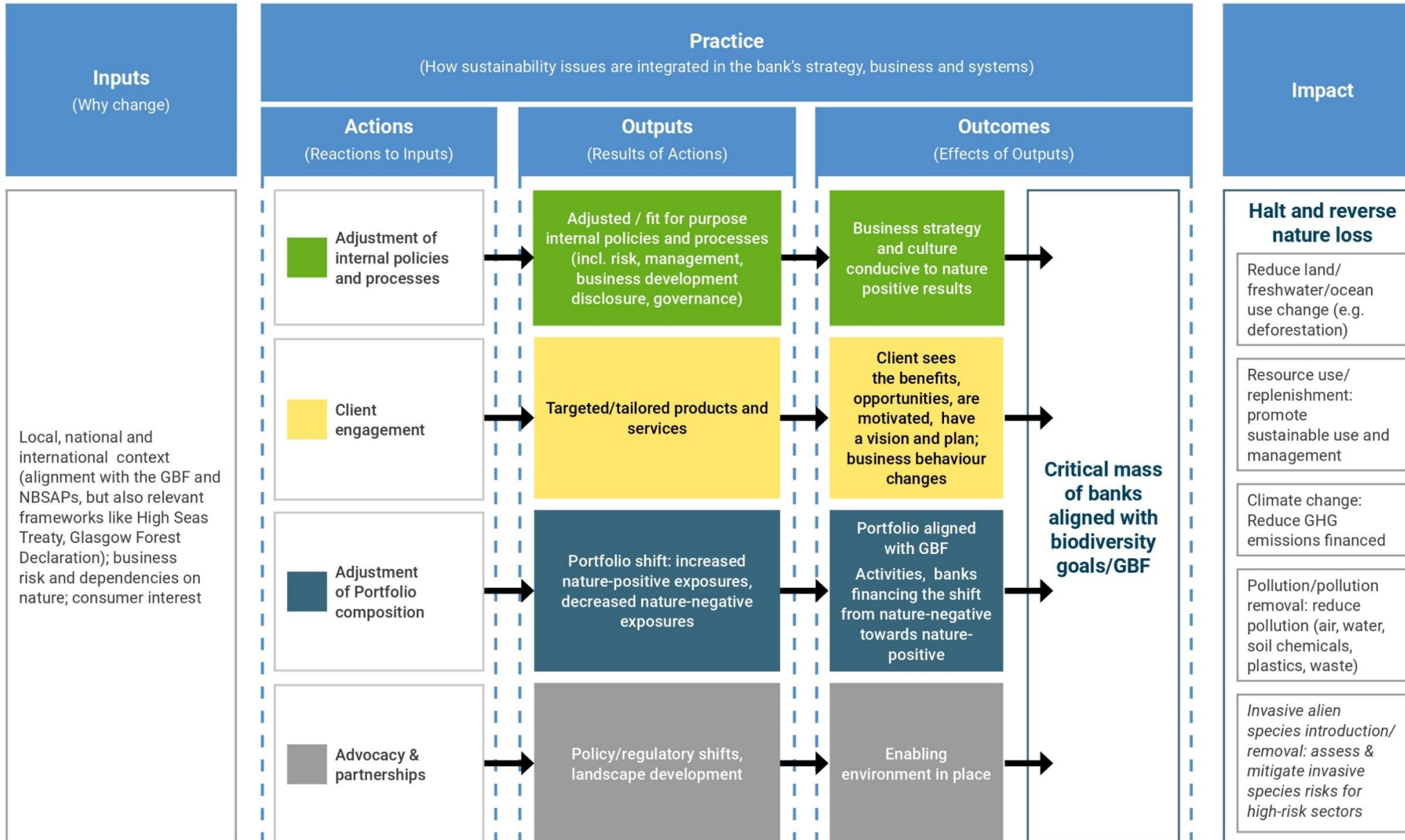


- Your role as financiers of economic activities places you at the forefront of influencing biodiversity outcomes. Banks can contribute to the shift towards sustainable practices and make a significant impact on nature-positive activities. How?
- Using the PRB guidance, we would like to help you integrate nature into your strategy and business processes, walking through the key steps:
- Why is nature important for banks?
- What is the Kunming-Montreal Global Biodiversity Framework and how is it relevant to banks?
- Assessing nature-related impact, risk, dependencies and opportunities and priority sectors.
- Identifying nature-related priority actions for your banks
- The target setting process step by step
- How to report and disclose on your nature-related practices

Find the PRB Guidance and many other resources here:

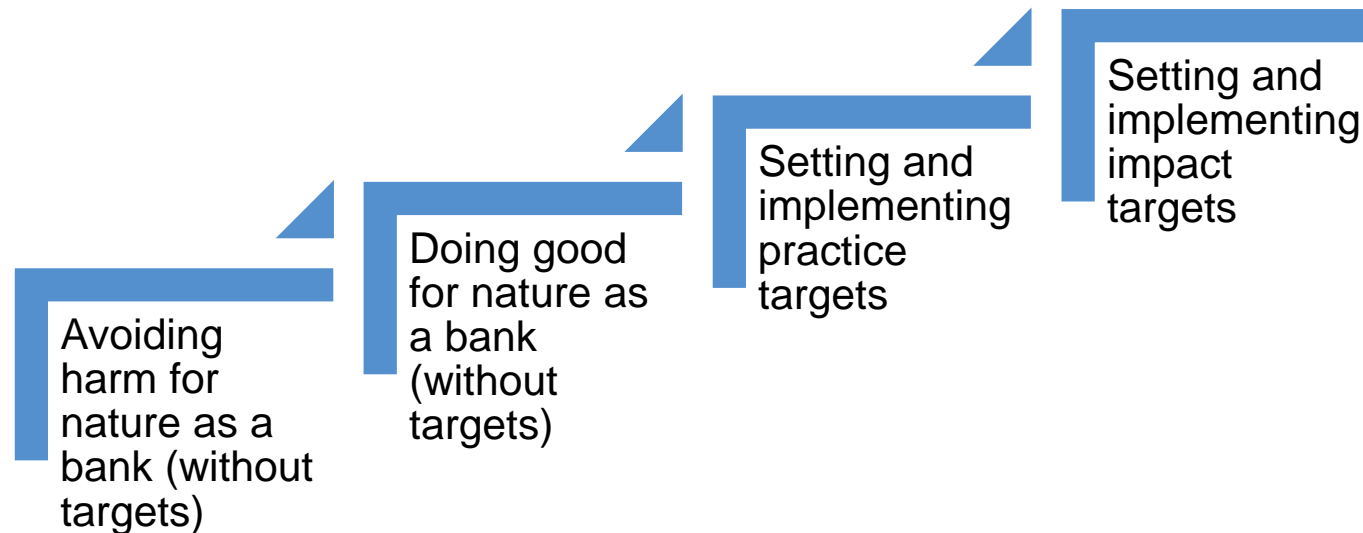
www.unepfi.org/banking/unep-fi-banking-members-space/capacity-building-activities/

Theory of Change for Nature



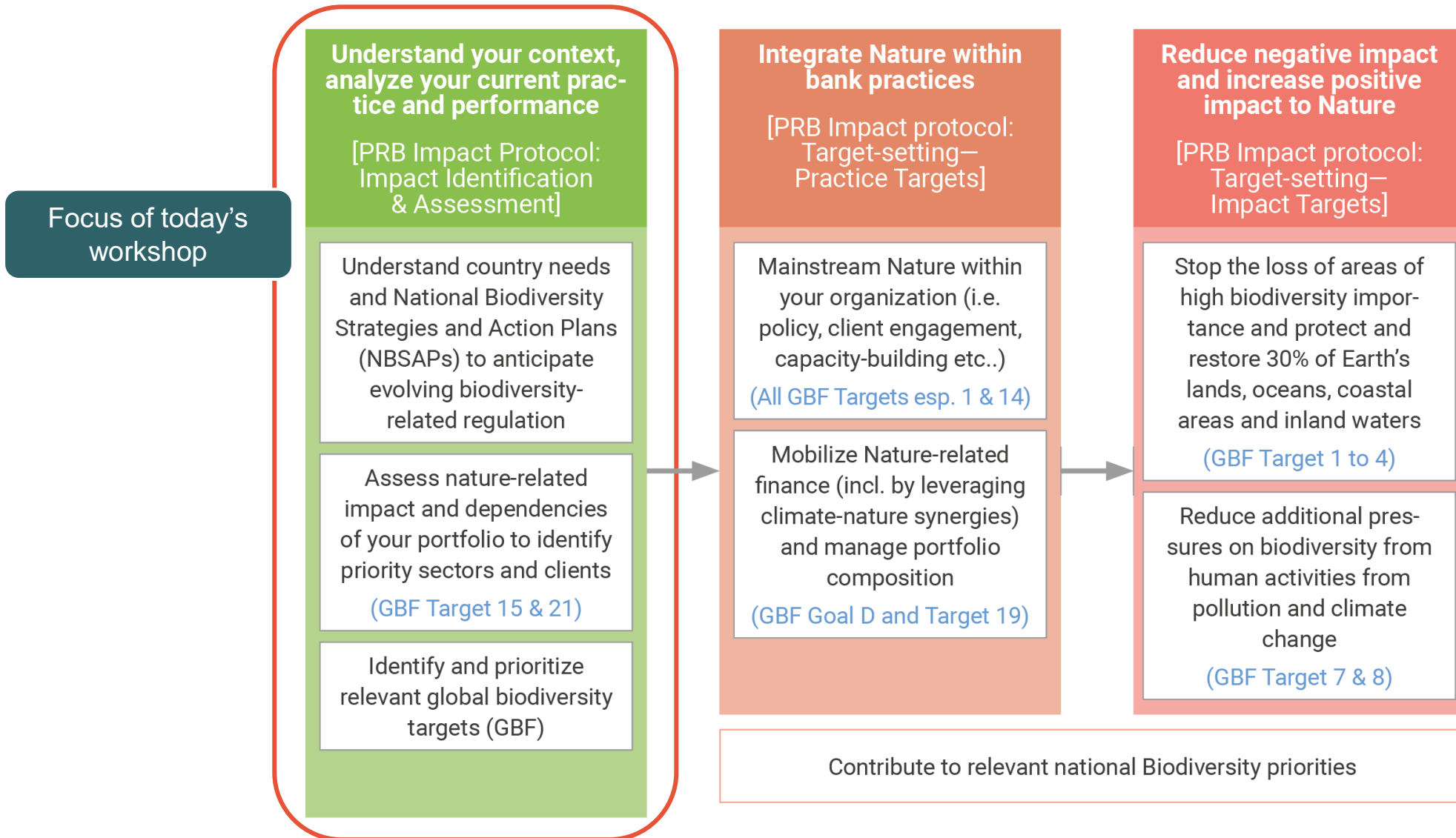
Progressive approach to manage your impacts

- Importantly, while we encourage you work on practice and impact targets, your bank can still address its impact on nature even if your bank is not planning to set nature targets in the near future.



- If you want to set targets, you can take a progressive approach —beginning with the **practice targets** which are the basis to **impact targets**, since nature is one of the to date more nascent impact areas with regards to available tools and established methodologies.
- In order to manage impacts, both practice and impact targets are relevant; impact targets enable understanding whether outcomes are changing as desired, practice targets are what make it possible to achieve the impact targets.
- For banks, whose impacts are indirect, impact targets often present a particular challenge.
- Practice targets covering the **bank’s policies on nature and the total sum shifted in the portfolio away from harmful and towards neutral or positive activity** do practically improve the bank’s impacts in material and important ways, although they do not yet constitute a full impact target.

High-level approach to align with the Global Biodiversity Framework

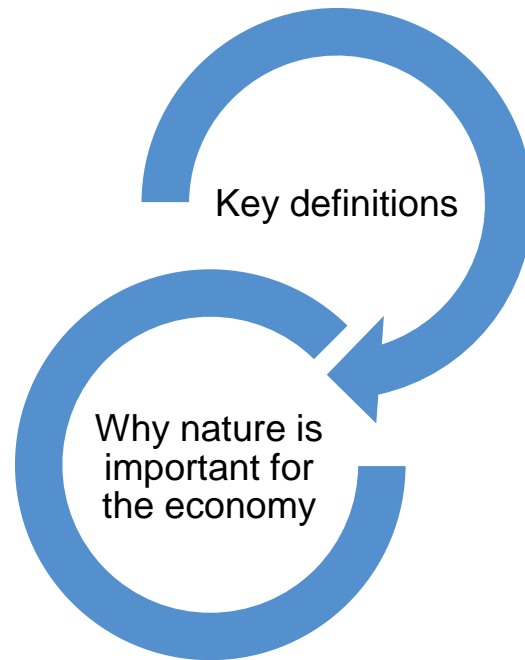




Nature for Banks

Understanding nature and its importance for
banking

Let's start with the basics



Key definitions: biodiversity vs nature

Biodiversity – the variety of life at all levels

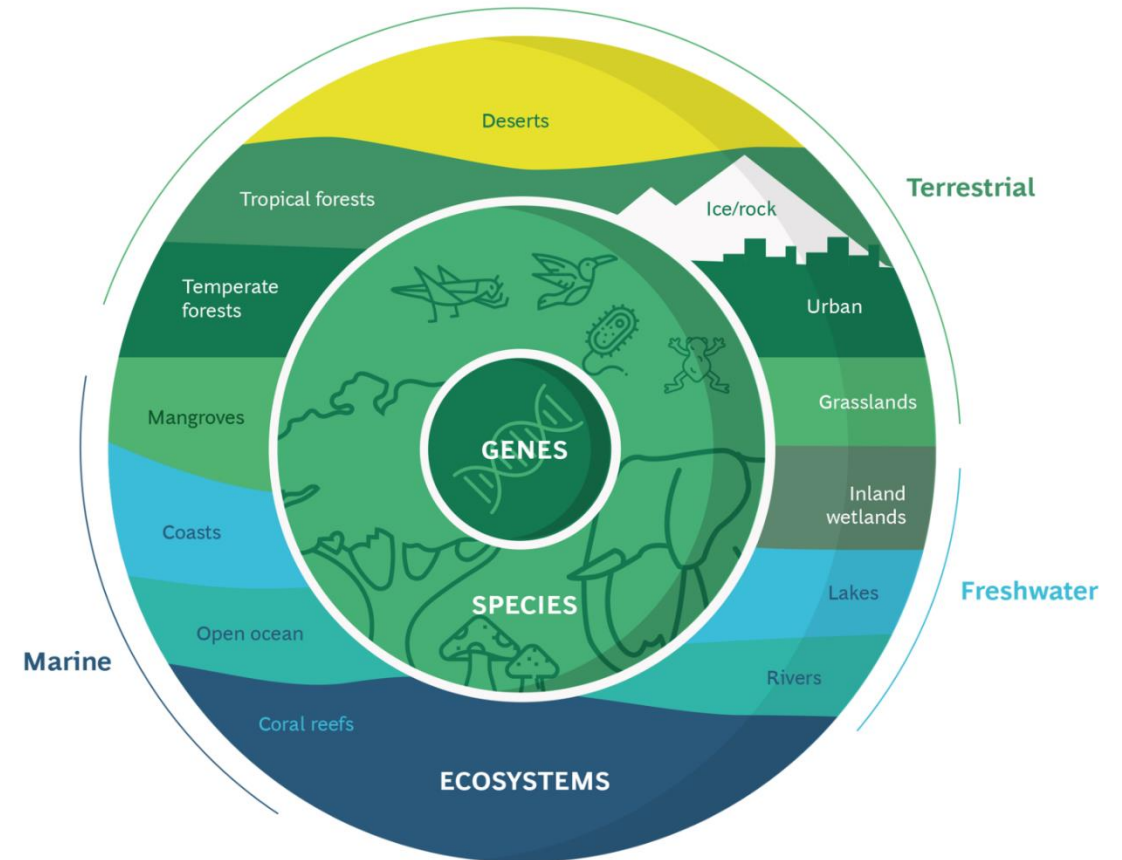
- The variability among living organisms from all sources, including terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.

->Convention on Biological Diversity (1992) [Article 2; IPBES](#)

Nature – underpins and sustains human quality of life, includes ecosystems and their services

- The natural world, with an emphasis on the diversity of living organisms (including people) and their interactions among themselves and with their environment.
- Nature refers to all life on Earth including biodiversity and ecosystems (structure and functioning). This comprises forests, freshwater ecosystems such as rivers, ocean ecosystems such as coral reefs, mangroves).

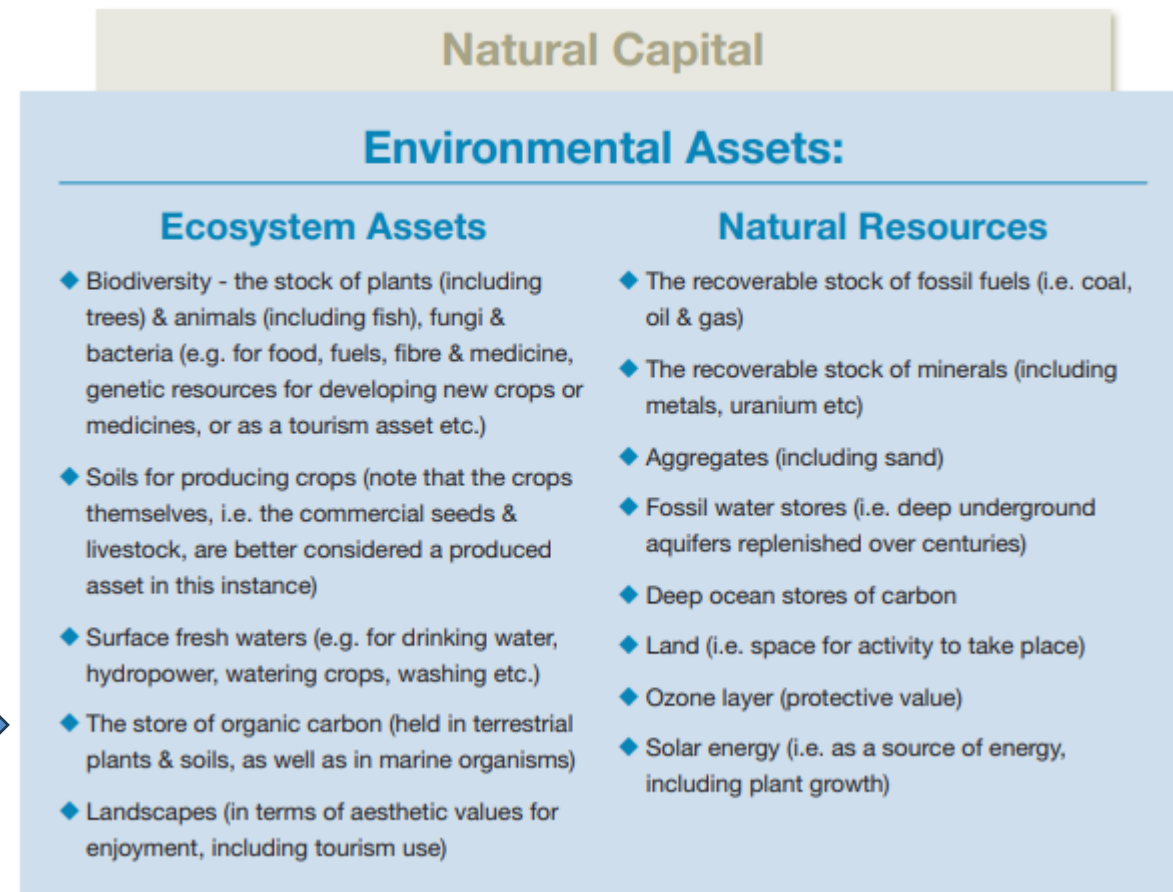
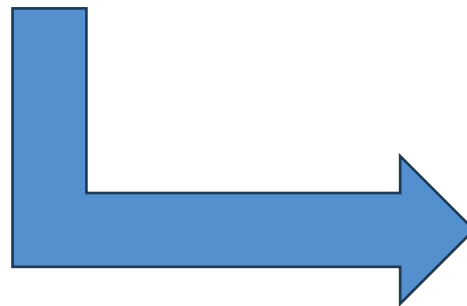
->Díaz, S et al. (2015). [The IPBES Conceptual Framework – connecting nature and people](#)



Key definitions: natural capital

Natural capital

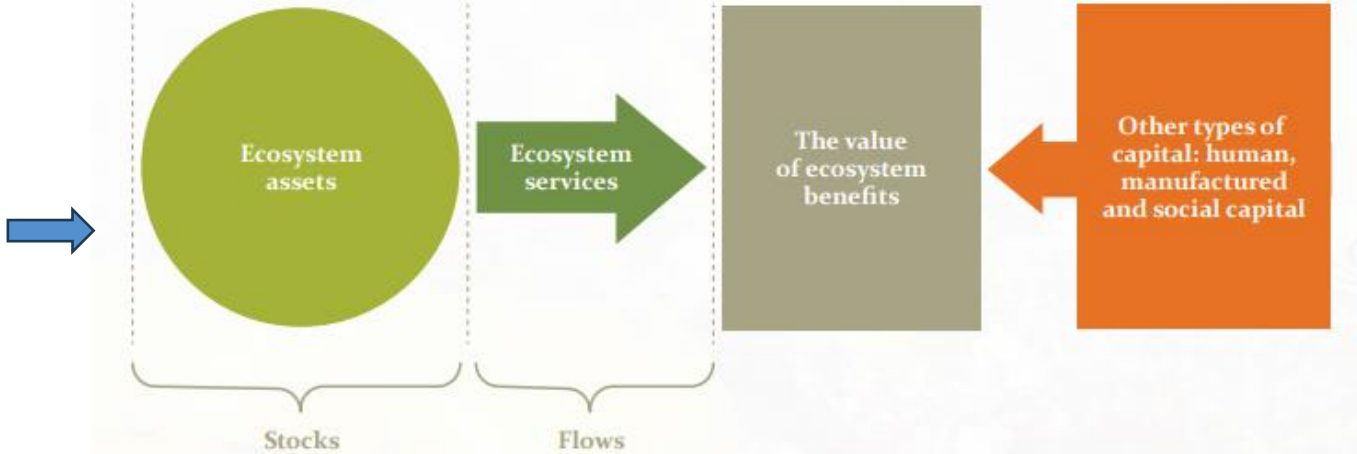
- The world's stocks of natural assets which include geology, soil, air, water and all living things. It is from this Natural Capital that humans derive a wide range of services, often called ecosystem services, which make human life possible. ->[CBD; Natural Capital Forum](#)
- Natural capital comprises both ecosystem assets (such as fresh water) and natural resources (such as fossil fuel deposits). ->[UNEP](#)



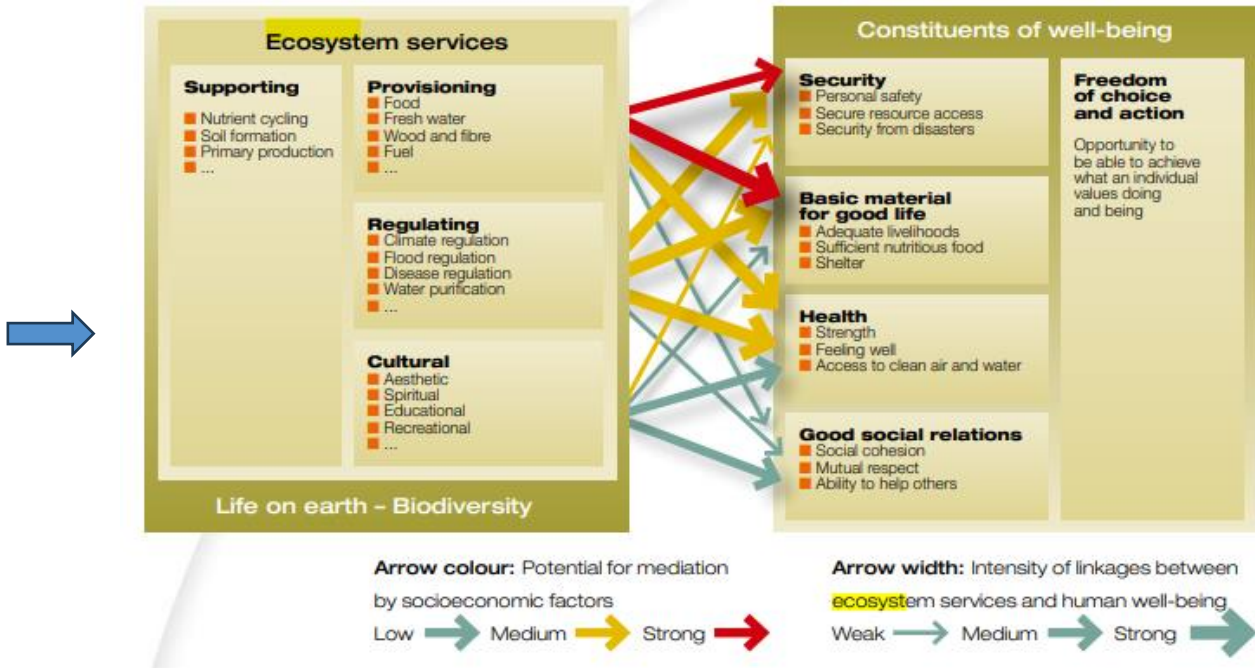
Key definitions: ecosystem services

Ecosystem services

- Ecosystem assets have the capacity to generate a basket of ecosystem services, and this capacity can be understood as a function of the extent (quantity) and condition (quality) of the ecosystem. ->[UNEP](#)

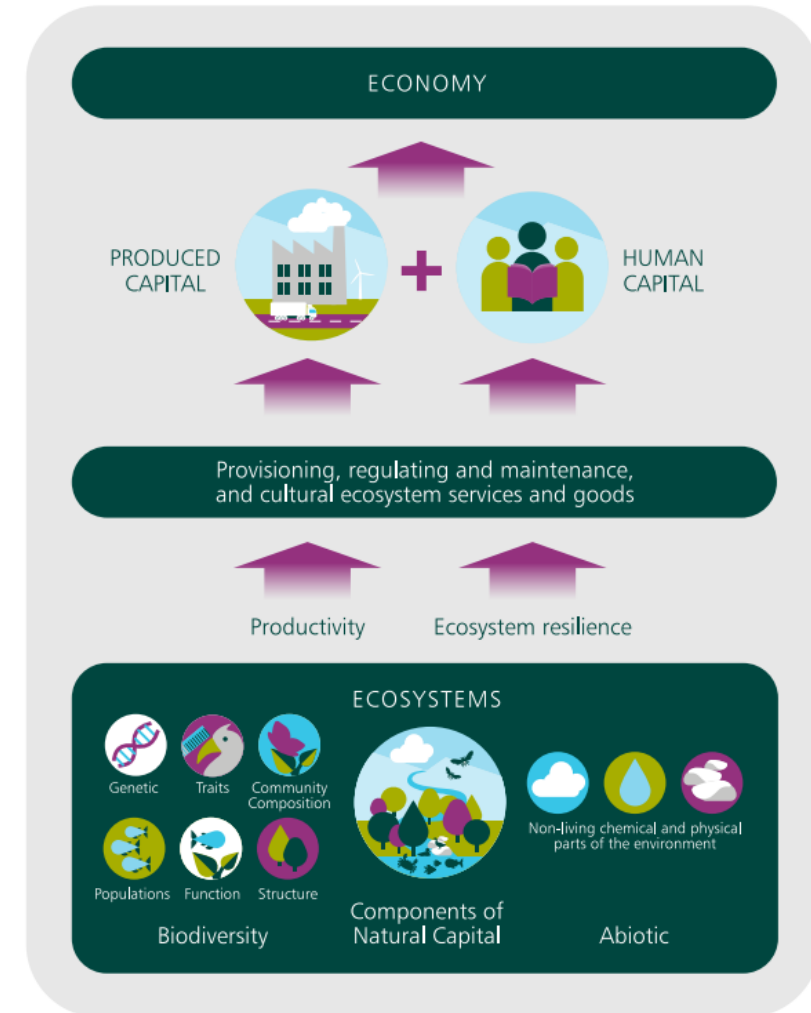
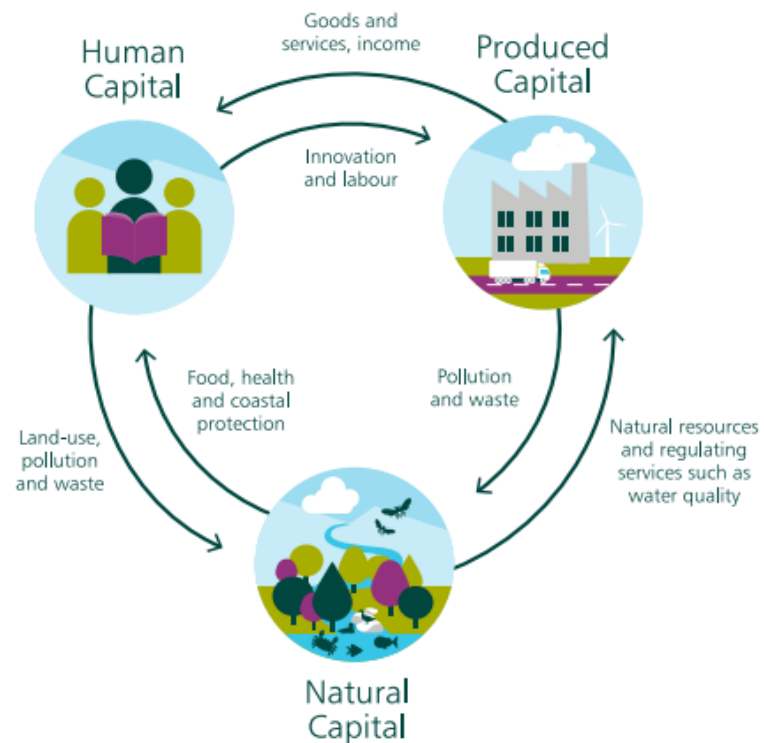


- Ecosystem services are the range of benefits that people obtain from ecosystems.
- They include soil formation, the provision of food and fibre, air quality and climate regulation, the regulation of water supply and quality and the cultural and aesthetic value of certain plants and species. ->[UNEPFI](#)

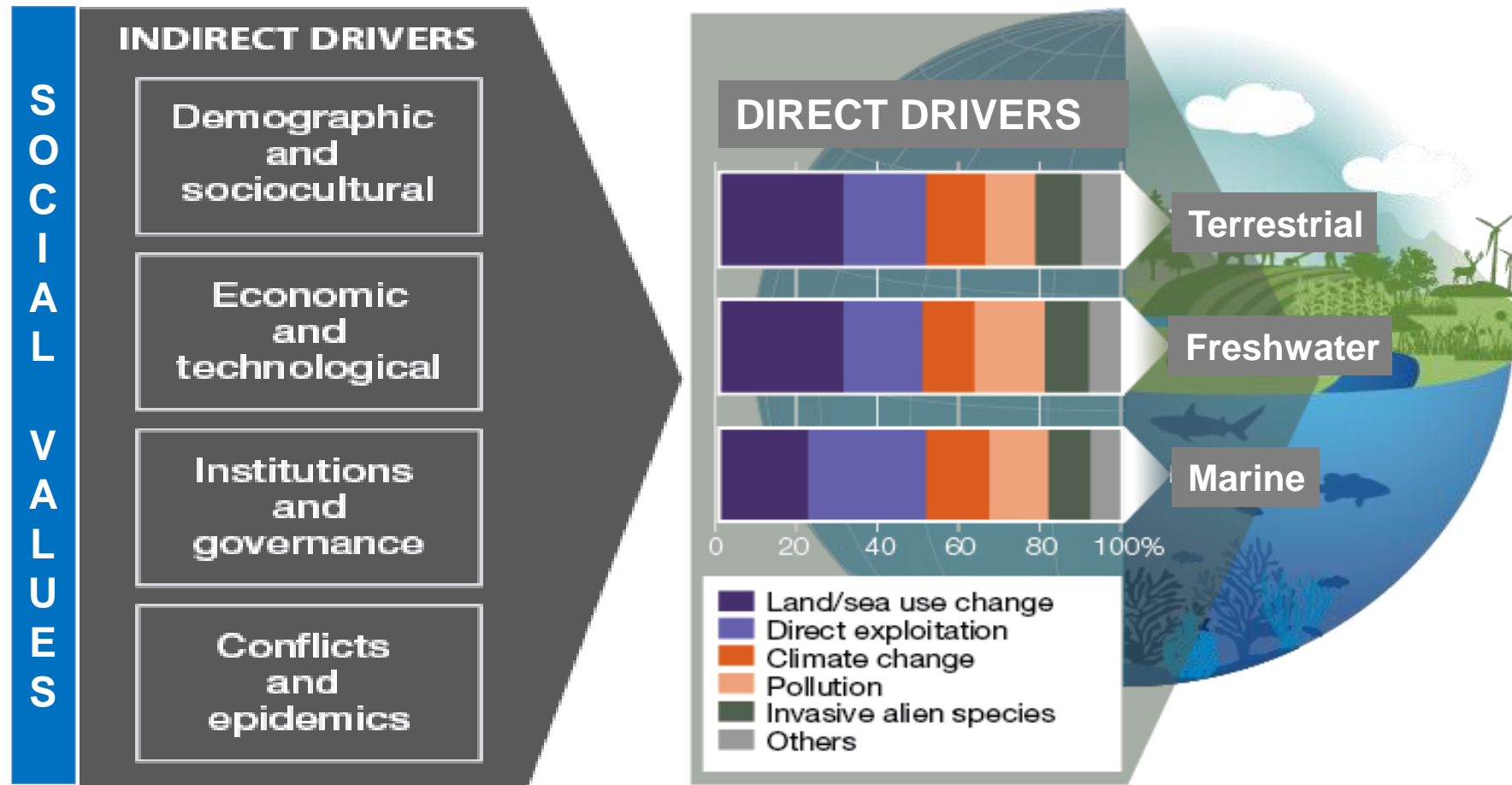


The importance of nature for the economy

- The global economy is deeply intertwined with natural resources, relying on them for essential inputs like raw materials, energy, and food.
- A significant portion of the world's GDP is moderately or highly dependent on nature, highlighting the economic risks associated with biodiversity loss and ecosystem degradation.

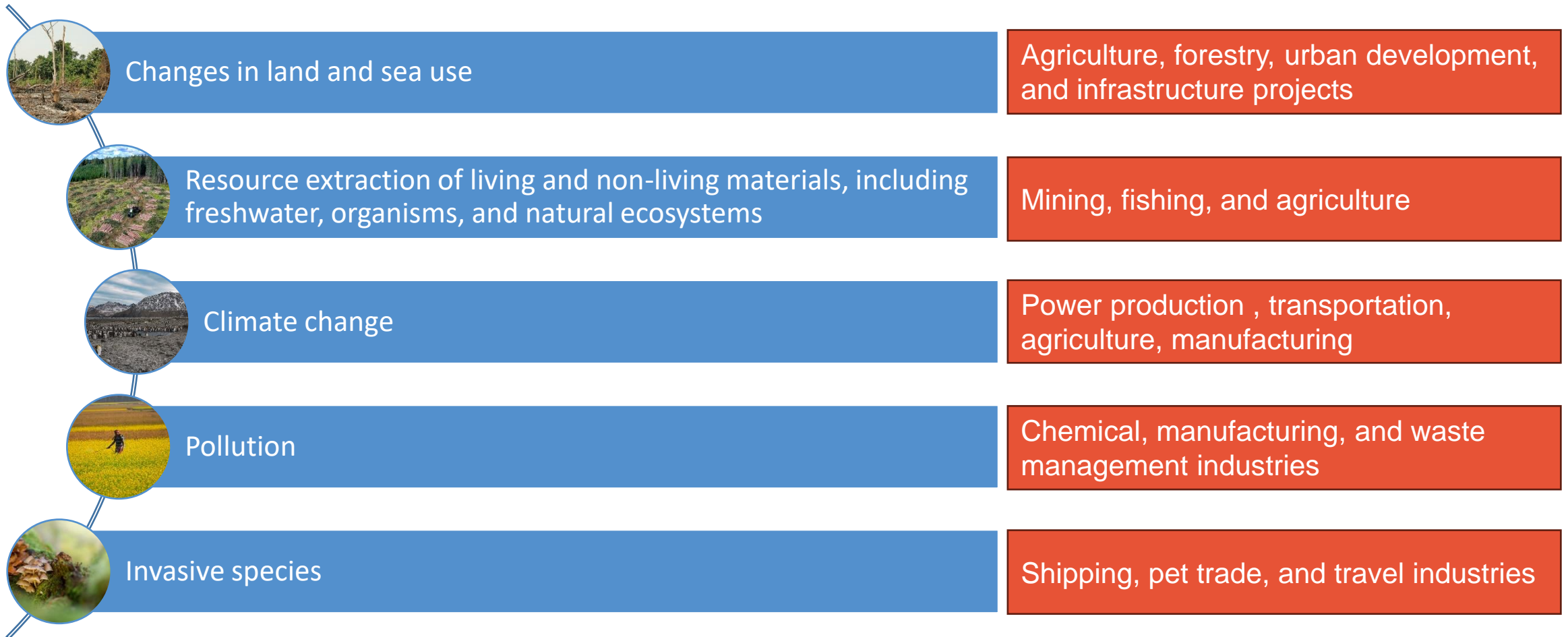


Direct drivers of change have accelerated during the past 50 years to levels unprecedented in human history



Underpinning the proximate causes of deterioration in nature are the root causes, or indirect drivers of change, e.g., economic growth, population growth, trade.

Drivers of biodiversity loss – what economic sectors are responsible for these?

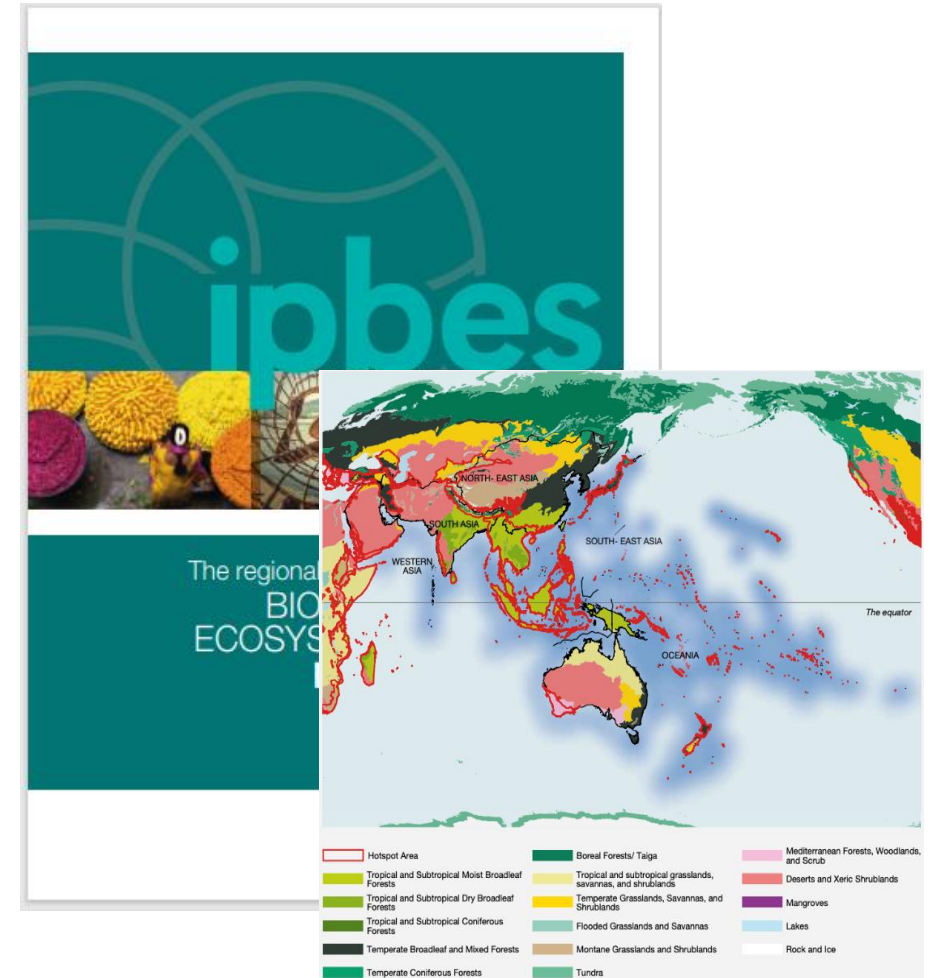


Questions & answers



Asia-Pacific – One of the most biodiverse regions in the world under severe threat

- Asia-Pacific is considered **one of the most biodiverse regions in the world.**
- The IPBES report found that Asia-Pacific has relatively high levels of biodiversity and simultaneous high levels of threat to biodiversity.
- Of the 36 biodiversity hotspots in the world, 17 are located in the Asia-Pacific region.
- These hotspots are areas of exceptional biodiversity that are also **under severe threat from human activities.**
- The report states that Asia-Pacific is the only region where the majority of countries (70%) have more than 50% of their native species threatened.
- Additionally, Asia-Pacific has the highest percentage of threatened freshwater species (72%) and the highest percentage of threatened mammal species (36%) globally.



Recommended source for your context analysis:
[The IPBES regional assessment report on biodiversity and ecosystem services for Asia and the Pacific](#)

APAC's economy heavily relies on biodiversity and ecosystem services

- The Asia-Pacific region's economy heavily relies on biodiversity and ecosystem services, with sectors like agriculture, forestry, fisheries, and tourism being directly dependent on healthy ecosystems.
- Biodiversity and ecosystem services have contributed to the rapid economic growth in the region, although in turn had various impacts on biodiversity and ecosystem services.
- Research highlights that these risks threaten food security, livelihoods, sustainable development and the overall economic stability of the region, making biodiversity conservation a critical economic priority.
- In Asia-Pacific, **as much as 63% of the region's GDP is at risk** because of nature loss, which is a higher share than the global average.¹



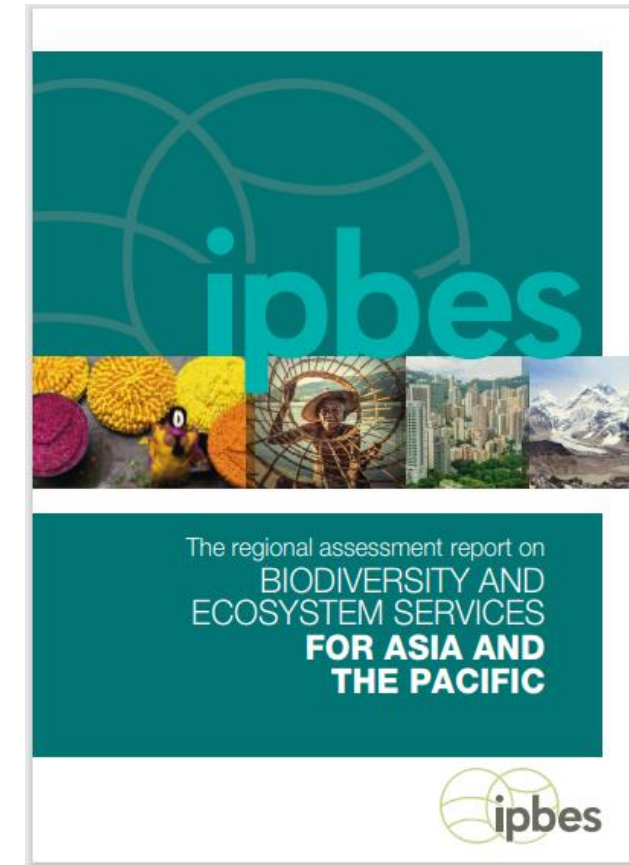
Recommended source for your context analysis:

[The IPBES regional assessment report on biodiversity and ecosystem services for Asia and the Pacific](#)

¹ Temasek, AlphaBeta, "New Nature Economy: Asia's Next Wave," Ecosperity, 29 September 2021.

The importance of nature and biodiversity for Asia Pacific (1/2)

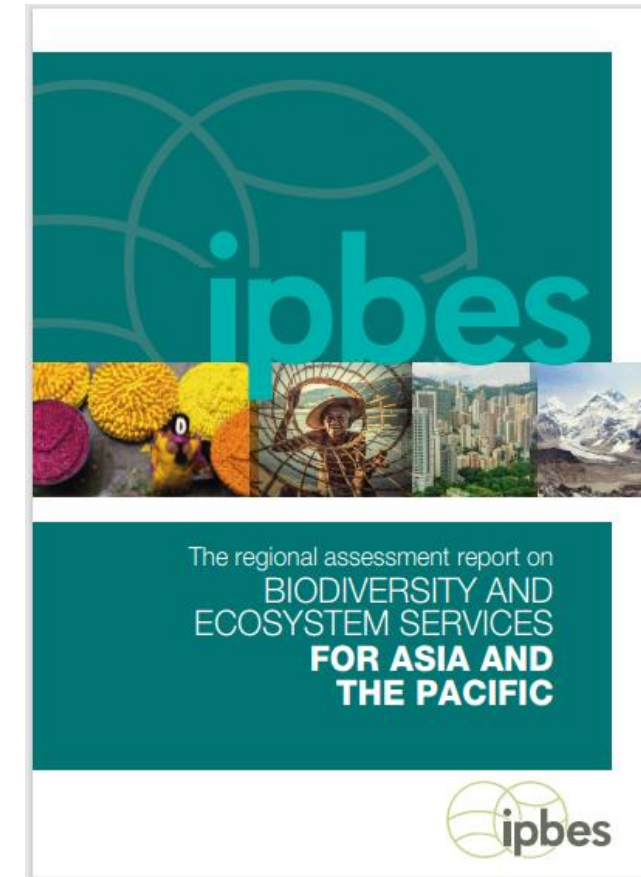
- **Agriculture and Food Security:** Biodiversity underpins agriculture in the Asia-Pacific by providing essential ecosystem services such as pollination, pest control, and soil fertility. The loss of biodiversity threatens crop yields and food security, impacting the livelihoods of millions of people reliant on farming.
- **Fisheries and Coastal Protection:** Marine biodiversity in the Asia-Pacific supports one of the world's most productive fisheries, crucial for food security and employment. Coral reefs, mangroves, and other coastal ecosystems also provide natural protection against storms and erosion, reducing economic losses from natural disasters.
- **Tourism Revenue:** The Asia-Pacific region is home to some of the world's most biodiverse areas, which are major attractions for tourism. Countries like Thailand, Indonesia, and Australia generate significant revenue from eco-tourism, which is directly tied to the conservation of natural habitats and species.



Recommended source for your context analysis:
[The IPBES regional assessment report on biodiversity and ecosystem services for Asia and the Pacific](#)

The importance of nature and biodiversity for Asia Pacific (2/2)

- **Health:** Biodiversity is vital for public health in the Asia-Pacific, providing medicinal resources and supporting traditional knowledge systems that many communities rely on. Many natural products used in traditional medicine and modern pharmaceuticals are derived from the region's rich biodiversity.
- **Climate Change Mitigation and Adaptation:** Healthy ecosystems in the Asia-Pacific, such as forests and wetlands, play a critical role in climate change mitigation by sequestering carbon and regulating the climate. They also help communities adapt to climate impacts by providing natural barriers and resources that enhance resilience.



Recommended source for your context analysis:
[The IPBES regional assessment report on biodiversity and ecosystem services for Asia and the Pacific](#)

National Assessments of the State of the Environment

Example: Australia

Overall, the state and trend of the environment of Australia are poor and deteriorating:

- Australia has lost more mammal species than any other continent and continues to have one of the highest rates of species decline among countries.
- Overall, the number of species listed as endangered has grown by 8% since 2016. This number will increase substantially in coming years as a result of the 2019–20 bushfires.
- These outcomes are the result of increasing pressures from climate change, habitat loss, invasive species, pollution and resource extraction.
- Multiple pressures that create cumulative impacts that amplify threats to our environment, and abrupt changes in ecological systems like what has already been recorded in the past 5 years.
- Australia has diverse landscapes and seascapes, from the desert interior to farming lands, beaches, coral and temperate reefs, open oceans, wetlands and rainforests.
- Within the living fabric of Australia's diverse landscapes and seascapes is a complex system of ecosystems of living organisms intertwined with the physical environment they inhabit.
- At least 19 Australian ecosystems have been reported to be showing signs of collapse or near collapse.

Australia

State of the Environment



2021

Combining scientific, traditional and local knowledge, Indigenous and non-Indigenous people have worked together to create this first holistic assessment of the state of Australia's environment.

The report aims to help shape policy and action, influence behaviours, and assess our actions as stewards of the Australian environment.

Our environment is under extreme pressure. Read the report. Make an impact. Heal Country. Our future wellbeing and prosperity depend on it.

Recommended source for your context analysis:

<https://soe.dcceew.gov.au/>

National Assessments of the State of the Environment

Example: ASEAN

Key nature-related issues:

- **Species Decline:** 22% of assessed species in ASEAN are threatened, with 1,183 critically endangered and over 29 species extinct or extinct in the wild.
- **Deforestation and Habitat Loss:** ASEAN lost about 7.2% (148,000 km²) of naturally regenerating tropical forests from 2010 to 2020. Significant declines in peatland forests, especially in Indonesia.
- **Marine and Coastal Degradation:** ASEAN has 35% of the world's mangroves and 30% of coral reefs, heavily impacted by human activities. One-third of reef-forming corals, sharks, and marine mammals are threatened.

Key drivers for nature loss in ASEAN:

- **Urbanization and Economic Growth:** Rapid urban expansion and economic development increase resource extraction and pollution. Over half of urban growth involves converting agricultural land.
- **Agricultural Expansion:** Significant land conversion for agriculture affects natural habitats and ecosystems, increasing environmental pressure.
- **Climate Change:** More frequent and intense extreme weather events accelerate biodiversity loss and reshape ecosystems, impacting coastal and marine environments.

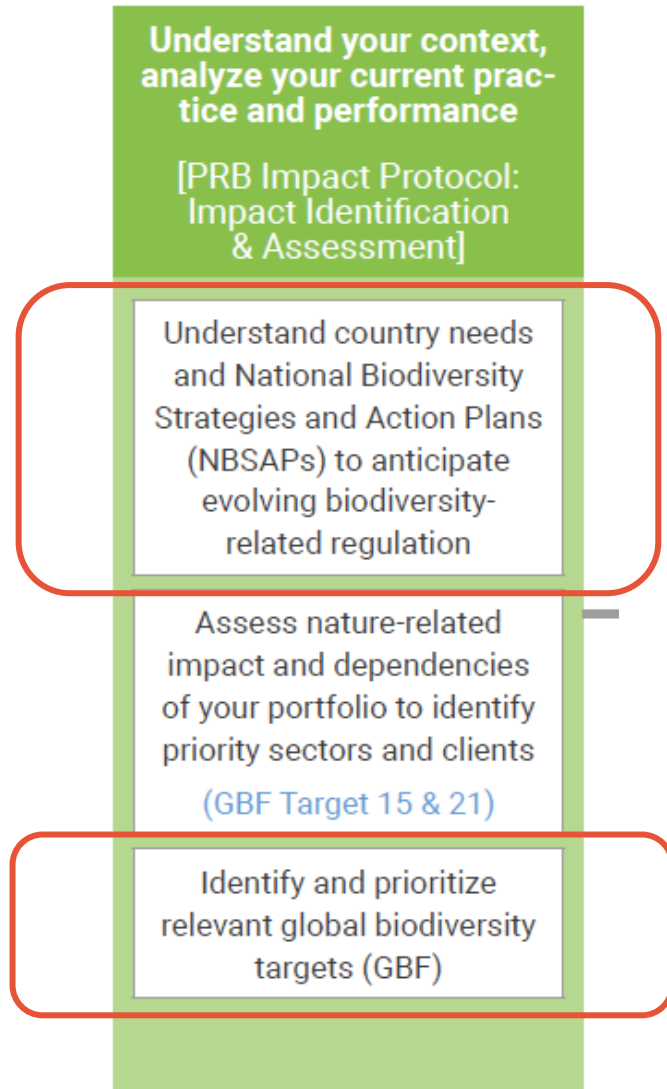


Sixth ASEAN State of the Environment Report



Recommended source for your context analysis:
<https://asean.org/serial/sixth-asean-state-of-the-environment-report/>

High-level approach of the PRB



- Banks should understand the **context** in which they are operating, i.e., the main **nature-related challenges and priorities** in the main countries in which it is operating and identify the relevant international, regional or national frameworks to align with.
- Let's understand how we can think about regional and country needs!
- First we start with the global picture and then we zoom on AME.



The Global Biodiversity Framework and how it interacts with your national priorities

First inputs for your context analysis

Convention on Biological Diversity and the Global Biodiversity Framework

- Signed by 150 government leaders at the 1992 Rio Earth Summit, the **Convention on Biological Diversity (CBD)** is dedicated to promoting sustainable development.
- Is an international treaty aimed at conserving biological diversity, promoting sustainable use of its components, and ensuring the equitable sharing of benefits arising from genetic resources.
- The **Global Biodiversity Framework (GBF)** of 2022, agreed upon at the Kunming-Montreal meeting, builds upon the CBD by setting specific targets and goals to halt and reverse biodiversity loss by 2030, providing a more detailed and action-oriented roadmap towards achieving the overarching objectives of the CBD.
- For the moment, we'll just very briefly discuss the GBF – we zoom into it in the second half of our workshop.



Convention on
Biological Diversity



Objectives and targets of the Kunming-Montreal Global Biodiversity Framework

Four global goals for 2050

- A** Integrity, connectivity and resilience
- B** Sustainable use and management
- C** Utilization benefits
- D** Means of implementation

and 23 targets for 2030

Targets for reducing threats to biodiversity

1. Territorial planning to curb land- and sea-use change. *
2. Restore at least 30% of degraded ecosystems.
3. Conserve at least 30% of areas of importance for biodiversity through protected areas or other effective area-based conservation measures.
4. Halt human-induced extinction of species.
5. Sustainable use, harvesting and trade of wild species, preventing overexploitation. *
6. Eliminate and reduce the impacts of invasive alien species.
7. Reduce the risks and negative impact of pollution from all sources (such as fertilizers and pesticides).
8. Minimize the impact of climate change and foster positive impacts on biodiversity.

Targets for meeting people's needs

9. Sustainable management and use of wild species (production). *
10. Sustainable agriculture, aquaculture, fisheries and forestry.
11. Restore, maintain and enhance ecosystem services through nature-based solutions and ecosystem-based approaches.
12. Green and blue spaces in cities and urban areas.
13. Fair and equitable sharing of benefits from genetic resources and the digital sequence information of genetic resources.

Targets for tools and solutions for implementation and mainstreaming

14. Mainstreaming biodiversity and its multiple values in all sectors (including development planning, poverty eradication, national accounts, etc.).
15. Assessment, monitoring and reporting by companies and financial institutions of their dependence and impacts on biodiversity.
16. Encourage and support sustainable consumption (through regulatory frameworks, available information, reducing food waste by 50%, etc.).
17. Establish and implement biotechnology, biosafety and benefit-sharing measures.
18. By 2025, phase out or reform incentives that are detrimental to biodiversity and multiply positive incentives.
19. Increase financial resources from all sources (domestic, private, innovative schemes, co-benefits, non-monetary collective actions). *
20. Capacity-building and development, cooperation, innovation, access and technology transfer.
21. Management of available information, data and knowledge (including traditional knowledge and practices) for decision-making. *
22. Full and equitable participation in decision-making by Indigenous Peoples, local communities, women, girls and young people, and ensure full protection of environmental rights defenders. *
23. Gender equality in the implementation of the Framework.

So you might wonder....

What do these global frameworks mean for my bank and for my daily job?



What do these global frameworks mean for my bank?

- The GBF has a similar significance about nature as the Paris Agreement for climate!
- Your banks should align with the **GBF** (as the overarching framework), and the **respective national biodiversity priorities** of any country that it is headquartered in and/or is providing finance to.
- This is critical as understanding the main policy goals to align with in a given context—i.e. the specific nature objectives that impact and practice targets can then be derived from—is much more locally embedded for nature than banks may be accustomed from in addressing climate.
- **So understanding if the GBF is important (see later slides), but it is just as important to get familiarized with the local priorities!**

GBF highlights the importance of women, indigenous peoples (ips) and local communities (lcs). As compared to some previous CBD agreements, the GBF more prominently foregrounds a human rights-based, gender-responsive and socially equitable approach to nature which intersects with social issues and facilitates a “just nature transition”.

National Biodiversity Strategies and Action Plans (NBSAPs) and National Biodiversity Finance Plans

What are NBSAPs?

- They are comprehensive frameworks set by countries in response to the **Convention on Biological Diversity's** requirements.
- They outline **strategies, actions, and measures** each country plans to take to conserve its biological diversity, promote sustainable use of its components, and achieve equitable sharing of benefits arising from the use of genetic resources.
- NBSAPs **are tailored to each country's specific needs**, priorities, and capacities, serving as a key tool for integrating biodiversity considerations into different sectors of national planning and development processes.
- These documents should provide a guide for you finance nature-positive activities, similar to the Nationally Determined Contributions (NDCs) in the climate space.

Why is it Important for Banks to Understand NBSAPs?

Aligning with National Priorities: NBSAP outlines the country's strategic goals for biodiversity conservation and sustainable use of natural resources. By aligning their financial activities with these goals, banks can ensure their investments support national priorities. This alignment helps banks contribute to national development objectives, enhancing their role as responsible banks

Identifying Investment Opportunities: NBSAP identifies specific areas where action is needed, such as combating climate change, improving biodiversity understanding, and promoting sustainable resource use. Banks can use this information to identify and invest in projects that address these needs.

Mitigating risks: Banks face financial risks when natural resources are depleted or ecosystems are damaged. Understanding NBSAPs helps banks anticipate and mitigate these risks.

Enhancing Reputation and Anticipating Regulation: Supporting NBSAPs demonstrates a bank's commitment to sustainability and responsible practices, enhancing its reputation. Additionally, aligning with national and international biodiversity strategies helps banks anticipate environmental regulations and standards, avoiding potential legal and reputational issues.

NBSAPs

- So does my country have an NBSAP?
- Many Asia Pacific countries have developed at least one National Biodiversity Strategy and Action Plan (NBSAP) as part of their commitment to the Convention on Biological Diversity (CBD).
- Find your NBSAP here: www.cbd.int/countries



BIODIVERSITY CONVENTION | CARTAGENA PROTOCOL | NAGOYA PROTOCOL | COUNTRIES | PROG

COUNTRY PROFILES

Malaysia

Main References
National Biodiversity Strategy and Action Plan (v.3)
 • English version (PDF) (Summary)

National Website
 • National CHM
<http://www.mybis.gov.my>

Sixth National Report
 • Published on the CHM

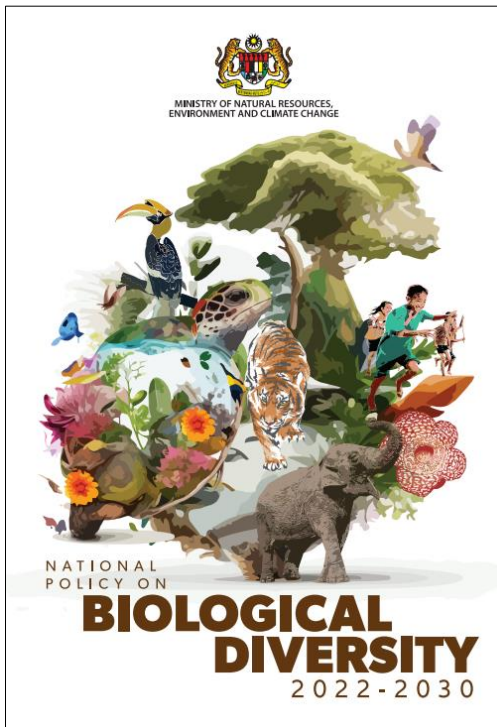
Search other National Reports and NBSAPs submitted by this country

National Contacts
[Full details of national contacts >](#)

NOTE: Please consult Section VII of the Sixth National Report to access an updated biodiversity profile containing biodiversity facts and information on NBSAP implementation, among other details, prepared by the Party concerned. Sixth national reports prepared using the online reporting tool are posted on the respective country webpage on the CBD website and on the **CBD CHM**. Sixth national reports prepared "offline" are posted in PDF at the **National Reports homepage**.

NBSAPs – example of Malaysia

The National Policy on Biological Diversity 2022–2030, through its 5 goals, 17 targets, and 61 actions, provides the direction and framework for Malaysia to conserve its biodiversity, promote its sustainable use, and ensure fair and equitable sharing of its benefits in the face of increasingly complex challenges.



[Malaysia National Policy](#)

NATIONAL POLICY ON **BIOLOGICAL DIVERSITY** 2022-2030

POLICY STATEMENT

“Malaysia is committed to conserve its biological diversity, promote its sustainable use and ensure the fair and equitable sharing of benefits arising from the utilisation of biological resources.”



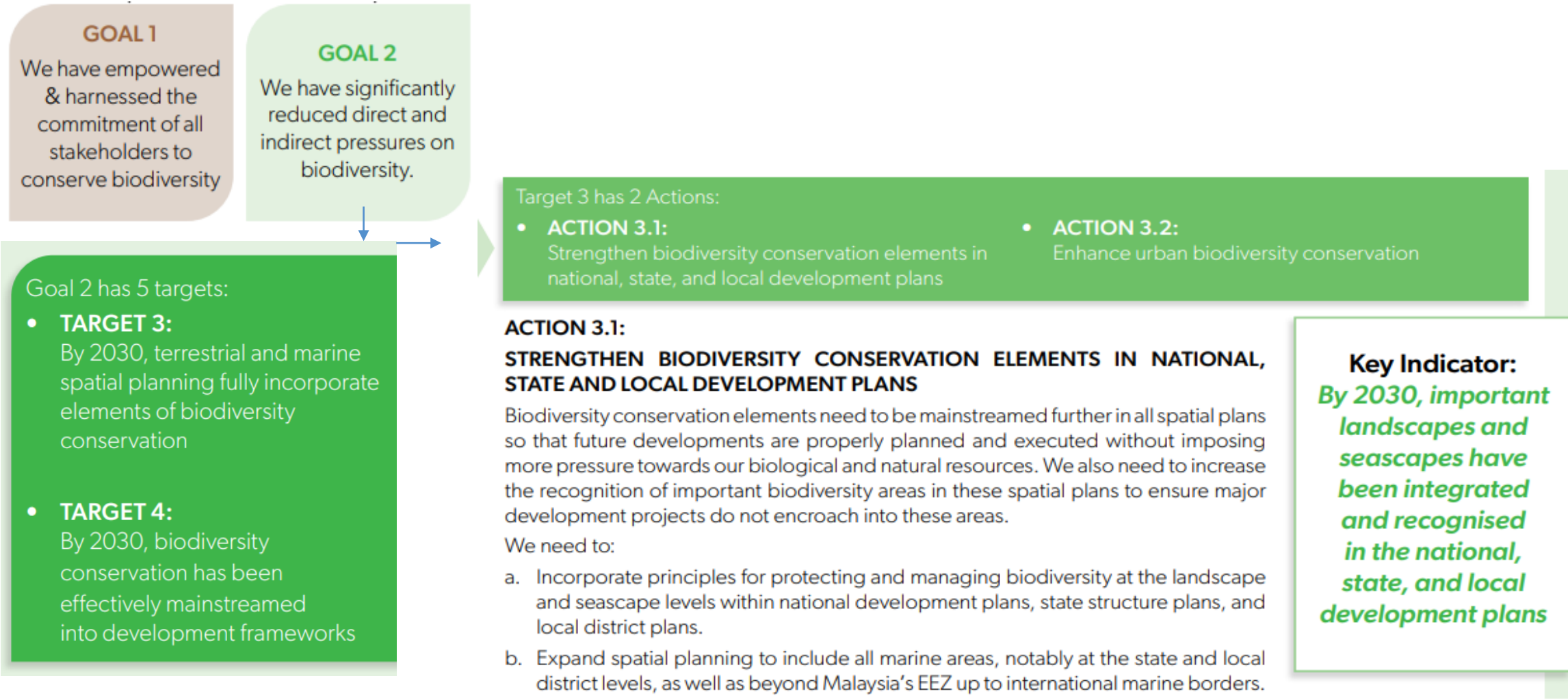
NBSAPs – example of Malaysia



Goal 2 has 5 targets:

- **TARGET 3:**
By 2030, terrestrial and marine spatial planning fully incorporate elements of biodiversity conservation
- **TARGET 4:**
By 2030, biodiversity conservation has been effectively mainstreamed into development frameworks
- **TARGET 5:**
By 2030, our forest governance and management has been strengthened for biodiversity conservation
- **TARGET 6:**
By 2030, our agrofood, agricommodity, and fisheries production are managed and harvested sustainably
- **TARGET 7:**
By 2030, the synergies between tourism and conservation are fully realised

NBSAPs – example of Malaysia



NBSAPs – example of Australia

	Aichi biodiversity targets	Sustainable Development Goals
Goal 1: Connect all Australians with nature		
Encourage Australians to get out into nature		
Empower Australians to be active stewards of nature		
Increase Australians' understanding of the value of nature		
Respect and maintain traditional ecological knowledge and stewardship of nature		
Goal 2: Care for nature in all its diversity		
Improve conservation management of Australia's landscapes, waterways, wetlands and seascapes		
Maximise the number of species secured in nature		
Reduce threats and risks to nature and build resilience		
Use and develop natural resources in an ecologically sustainable way		
Enrich cities and towns with nature		
Goal 3: Share and build knowledge		
Increase knowledge about nature to make better decisions		
Share and use information effectively		
Measure collective efforts to demonstrate our progress		



[See CBD Strategy and Action Plan - Australia](#)

Note that NBSAPs are being revised

- The Kunming-Montreal Global Biodiversity Framework (GBF) of 2022 has prompted countries to update their National Biodiversity Strategy and Action Plans (NBSAPs) to align with its new goals and targets.
- Countries are expected to integrate these updated objectives into their national biodiversity strategies to contribute to the global effort of preserving biodiversity.
- Countries are expected to submit their revised and updated NBSAPs and Action Plans (NBSAPs), aligned with the GBF, by COP 16 (happening in October/November 2024, in Colombia).
- Importantly, while your countries might be in the process to update their NBSAPs, you may want to engage with relevant [CBD national focal points](#) to understand major priorities for the update and to support the development of accompanying Biodiversity Finance Plans.

- **This represents an opportunity for closer stakeholder engagement!**
- In the case that there is no updated NBSAP, your banks should generally align with the GBF goals and targets and refer to the previous version of the NBSAP for broad guidance.

What are National Biodiversity Finance Plans?

- All NBSAPs will eventually be accompanied by a Biodiversity Financing Plan (BFP) that includes opportunities for private finance mobilisation.
- The BFP is the guiding document for implementing the most optimal finance solutions to reach national biodiversity targets.
- These plans identify current funding levels, financial needs, and gaps for implementing NBSAPs.
- Again, as a bank you might have a great opportunity to support your relevant ministries/authorities to prepare a **good biodiversity finance plan!**

National Biodiversity Finance Plans – example of Thailand



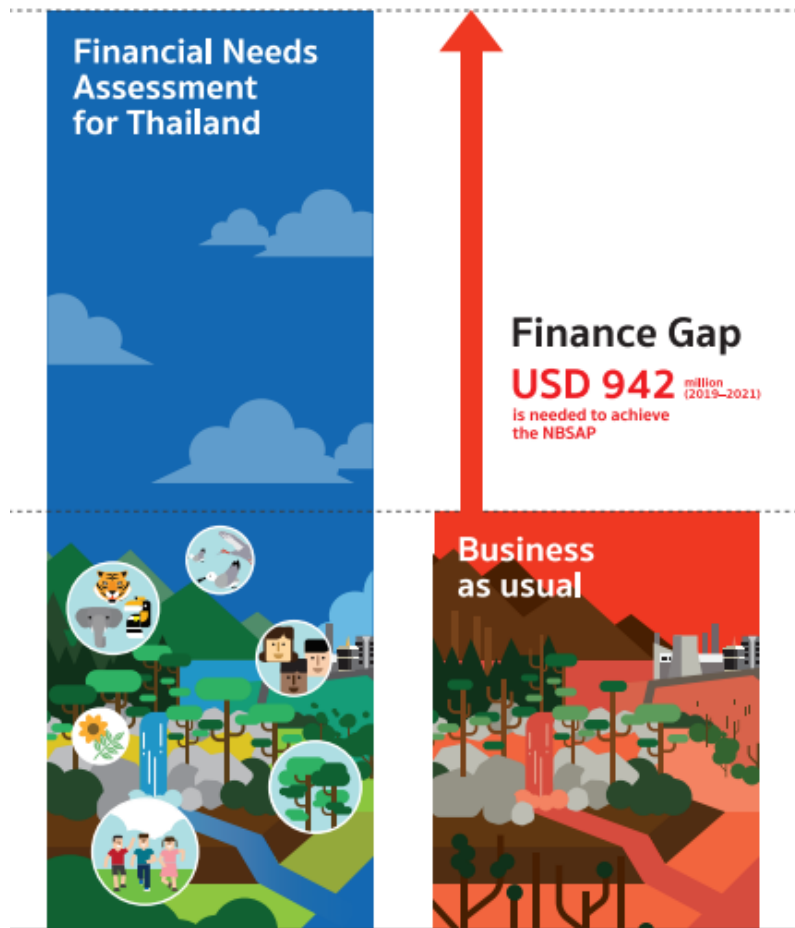
[See The Biodiversity Finance Plan | United Nations Development Programme \(undp.org\)](https://undp.org)

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National Biodiversity Finance Plans – example of Thailand

FIGURE 1
Finance gap to achieve the NBSAP (2019-2021)



Thematic areas: SUSTAINABLE TOURISM			
Recommended Finance solutions	Sector	Finance results	Source of Finance
Increasing sources of revenue for safeguarding biodiversity and environmental management	Tourism	Generate revenues	Market based
	Coral reefs	Realignment	
	Pollution management (Plastic waste)	Avoid future cost	Deliver better
Thematic areas: WILDLIFE AND PROTECTED AREAS			
Recommended Finance solutions	Sector	Finance results	Source of Finance
Deployment of conservation vehicle license plates to support wildlife conservation in Thailand	Wildlife Protected Areas	Generate revenues	Market based

Thematic areas: GOVERNMENT BUDGET			
Recommended Finance solutions	Sector	Finance results	Source of Finance
Enhancing effectiveness and biodiversity impact of local budgets in Thailand	Local government units	Deliver better Realignment Avoid future cost	Public Sector
Thematic areas: PRIVATE SECTOR			
Recommended Finance solutions	Sector	Finance results	Source of Finance
Mobilizing the private sector and impact investment in support of biodiversity - Public- Private Partnership - Ecotourism - Nutrient trading - Impact investment	Mangroves Pollution management Micro, small and medium scale enterprises (MSMEs)	Generate revenues	Private Sector

National Biodiversity Finance Plans – example of New Zealand

- The NZ BIOFIN Assessment is ongoing to estimate the biodiversity needs before creating a NZ biodiversity finance plan.
- The Assessment is a four-stage review of how much is being spent on biodiversity in Aotearoa New Zealand, and on what, including:
 - Policy and Institutional Review – current biodiversity finance.
 - Biodiversity Expenditure Review – how well biodiversity finance is being spent.
 - Financial Needs Assessment – how much we should spend, and on what.
 - Biodiversity Finance Plan – how to fund the work.

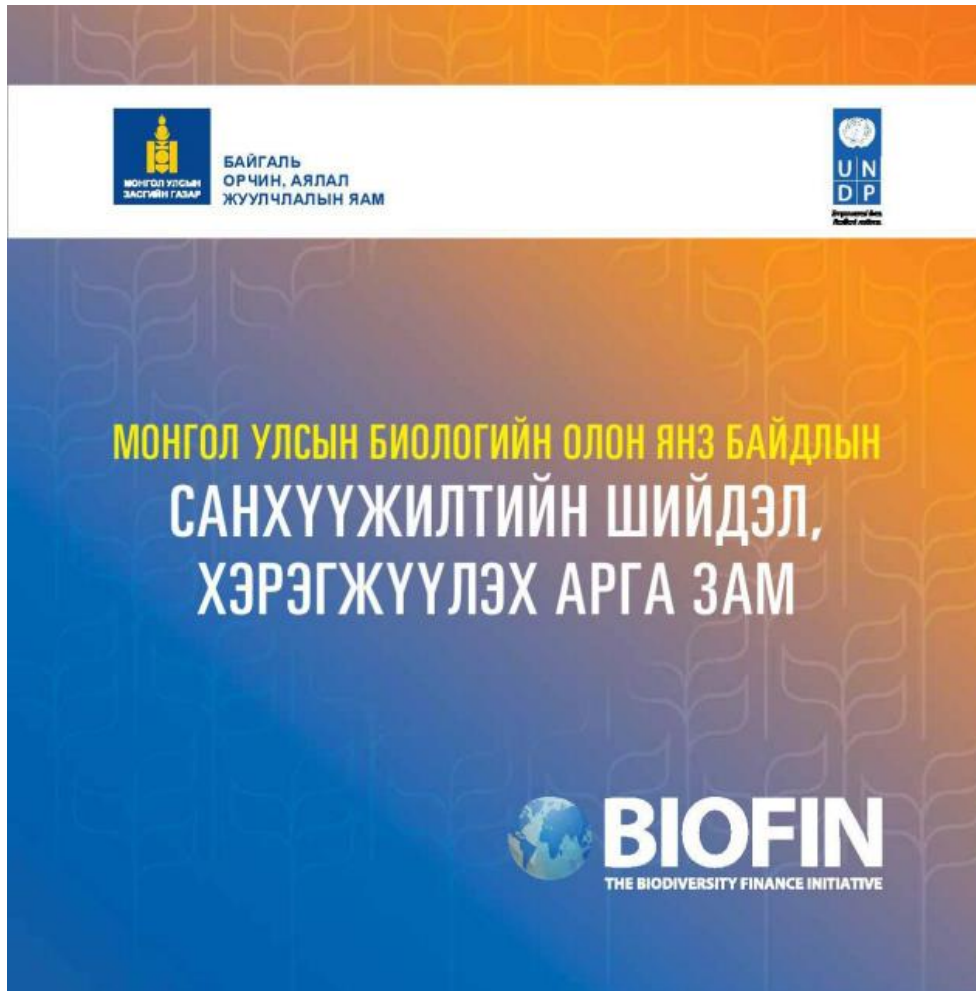
The Assessment has a line of sight to the Aotearoa NZ Biodiversity Strategy, which provides the overall strategic direction for biodiversity in Aotearoa New Zealand for the next 30 years.



New Zealand BIOFIN Assessment

[See New Zealand will conduct Biodiversity Finance Assessment using BIOFIN methodology | BIOFIN](#)

National Biodiversity Finance Plans – example of Mongolia



The required financing needs for the implementation of the Medium-term Action Plan of the National Biodiversity Program (NBP) of Mongolia were estimated.

The financing needs have been defined by the identified activities, yearly needs and by NBP strategic areas. The financing gap for the implementation of the medium-term plan was estimated at 136.6 million MNT or 51.8 million USD.

We hope you don't feel like this



slido



The Global Biodiversity Framework of 2022 aims to guide international and national efforts to preserve and protect nature, with targets that address the urgent need to halt biodiversity loss and ensure the sustainable use of natural resources by 2050

ⓘ Start presenting to display the poll results on this slide.

slido



NBSAPs are strategic plans under the Convention on Biological Diversity (CBD) guiding national efforts to conserve biodiversity, promote sustainable use, and share benefits equitably.

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Our bank shouldn't follow the NBSAP if it is not aligned with the GBF of 2022.

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National Biodiversity Finance Plans will require each bank to prepare a strategic framework designed to increase financial support for biodiversity conservation.

ⓘ Start presenting to display the poll results on this slide.

A closer look at the Kunming-Montreal Global Biodiversity Framework

The ‘Finance Target’ set by the Kunming-Montreal Global Biodiversity Framework 2022

Private sector finance to play a key role to **halt and reverse nature loss** by 2030 through portfolio alignment and transition financial flows to sustainability.



- The GBF calls for aligning finance from public and private sources with the objectives and targets of the GBF (equivalent to article 2.c in Paris Agreement)
- Each of the 4 goals and 23 targets have a link to finance.
- Banks have a key role in implementing the GBF because of
 - their lending and investing activities in high impact and high dependency sectors.
 - banking generally being the most common form of financing in emerging markets/ Global South countries and off-balance sheet such as project finance.
 - their market power in directing capital flows towards nature-positive activities.

Relevance of GBF targets to banks

GBF targets	Relevance to banks
Target 14	This target calls for policies, regulations and an enabling environment for the alignment of private and public financial flows to ensure that financial institutions and businesses start aligning their activities across all sectors with the goals and targets of the GBF
Target 15	This target calls for large businesses and financial institutions to regularly monitor, assess and fully and transparently disclose risks , dependencies and impacts on biodiversity, along their operations, value chains and portfolios, with the aim of reducing negative impacts on biodiversity and increasing positive impacts.
Target 19	This target requires an increase of the level of financial resources from all sources, including by: leveraging private finance; promoting blended finance; implementing strategies for raising new and additional resources; and encouraging the private sector to invest in biodiversity , including through impact funds and other instruments.
Target 21	This target highlights the importance of education and links to banks' important roles educating and guiding their clients in transition planning and identification of new sustainable activities.
Targets 1 to 4	These targets focus on stopping the loss of areas of high biodiversity importance and protecting and restoring 30% of Earth's lands, oceans, coastal areas and inland waters. This is most relevant for sectors that have a direct physical footprint within such areas or in their supply chains (e.g., agriculture, energy and mining). Meeting the targets will deliver co-benefits for climate mitigation and adaptation through, for example, the conservation or restoration of carbon sinks (e.g. peatlands) and habitats that play an important role for coastal productivity and protection against coastal erosion (e.g., mangroves, coral reefs, seagrass).
Targets 5 to 8	These targets focus on reducing other pressures on biodiversity from human activities , including from plastic pollution, fertilisers, pesticides and other hazardous chemicals (as detailed in target 7) and from climate change (target 8). This is most relevant to sectors with high pollution potential (e.g., agriculture, chemicals, manufacturing and mining) and with high greenhouse gas emissions (e.g., energy and transportation).
Targets 9 to 13	These targets focus on meeting people's needs in relation to nature , including through the sustainable management of agriculture, aquaculture, fisheries and forestry (as detailed in target 10).

Relevance of GBF targets to banks - key areas of action for banks

Dimension	Early action	GBF target
Corporate culture	<ul style="list-style-type: none"> • Board-level acknowledgement of nature loss as priority issue alongside climate change • Build awareness/ capacity, adapted to role / position • Adopt roadmap for biodiversity mainstreaming including target setting 	T14
Risk	<ul style="list-style-type: none"> • Analyse exposure to biodiversity-related risks, dependencies and impacts per sector, geography, asset class • Integrate nature within risk assessment process with adapted materiality criteria (incl. valuation of nature loss and extended time horizon) • Assess institution wide risk exposure and build transition scenarios 	T15, T18
Sector policies and sustainability safeguards	<ul style="list-style-type: none"> • Strengthen sector policies including exclusion criteria with consideration of sectors with largest impact on nature • Strengthen safeguards application including consideration of 5 main pressures on nature (as per IPBES) 	T14, T15
Financial services	<ul style="list-style-type: none"> • Prioritise financial services most exposed to nature-related risks and impacts in risks review and safeguards application • Invest in sustainable finance products targetted at addressing nature / nature-climate crisis – eg green loans, green bonds, biodiversity credits, etc • Encourage and promote consideration of nature and climate within financial arranger / advisory mandates 	T18, T19
Front office / client engagement	<ul style="list-style-type: none"> • Strengthen client engagement on nature / climate-nature related risks, dependencies and impacts • Support client engagement into green transition eg through bonified interest rate / reduced risk premium etc 	T14, T18, T19
Reporting / disclosures	<ul style="list-style-type: none"> • Anticipate regulatory compliance eg with SFDR / CSRD • Adopt analysis & reporting framework – with particular focus on TNFD given rising policy & market support 	T15

Questions & answers



High-level approach of the PRB

Understand your context, analyze your current practice and performance

[PRB Impact Protocol: Impact Identification & Assessment]

Understand country needs and National Biodiversity Strategies and Action Plans (NBSAPs) to anticipate evolving biodiversity-related regulation

Assess nature-related impact and dependencies of your portfolio to identify priority sectors and clients
(GBF Target 15 & 21)

Identify and prioritize relevant global biodiversity targets (GBF)

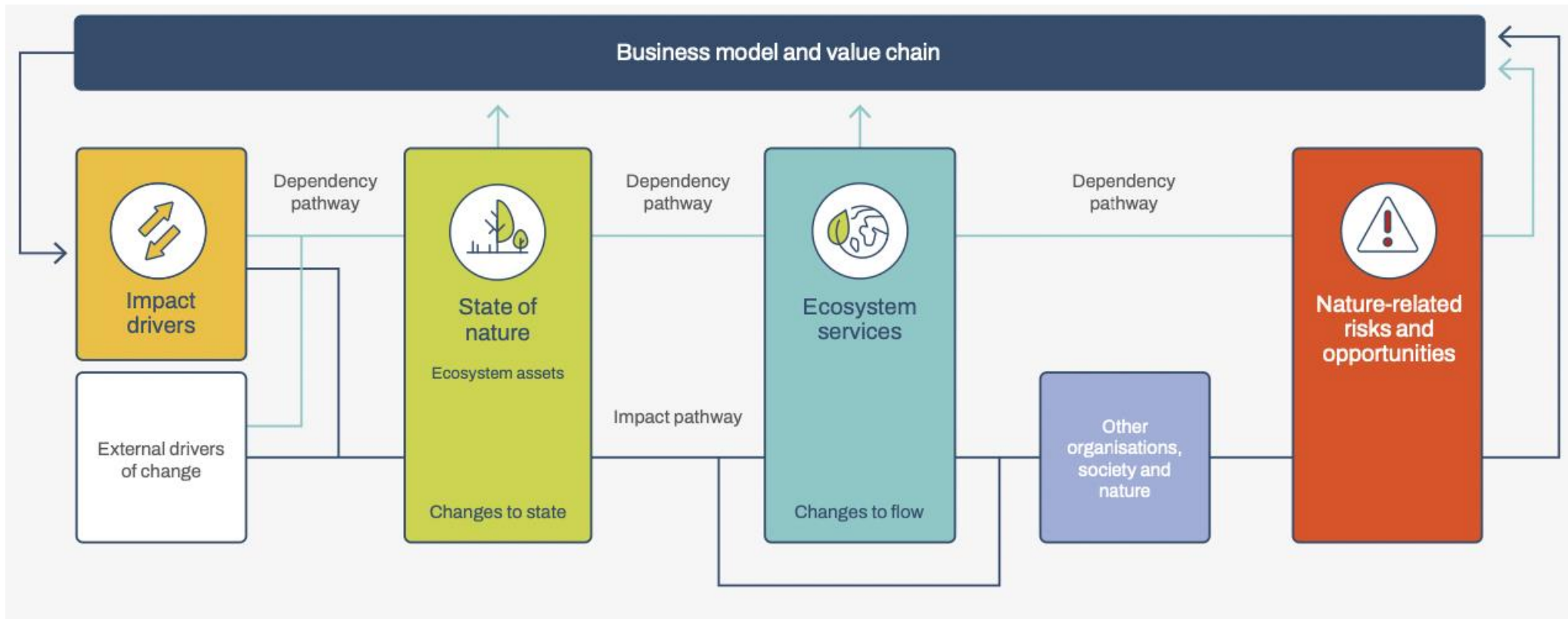
- Your bank should understand the extent to which your portfolio and business strategy are exposed to nature-related **impacts and dependencies, risks and opportunities**.
- This initial assessment should give you clarity on your bank's exposure, therefore allowing to **define priority areas for action** to
 - reduce or mitigate impacts on nature,
 - strengthen the consideration of nature within its investment policy and processes, and
 - set targets for nature (if relevant)



Nature and its relevance in a business context

Organizations interface with nature through 4 concepts referred to as 'nature-related' issues:

- Dependencies – of the organisation on nature;
- Impacts – on nature caused, or contributed to, by the organisation;
- Risks – to the organisation stemming from their dependencies and impacts; and
- Opportunities – for the organisation that benefit nature through positive impacts or mitigation of negative impacts on nature.





—
The Experience of CIMB

Bank peer sharing presentation



CIMB's Biodiversity & Nature Approach

PRB Workshop for APAC

29 Aug 2024

MOVING FORWARD WITH YOU

Proprietary to CIMB



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Our Approach to LEAP

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Challenges

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Challenges

An Introduction to CIMB

Our Presence

Our Retail and Institutional Customers: Around



25 Million

Our Self-Service Access Points:



6,889

Our Retail Branches:



601

Our Workforce: Over



33,000



MALAYSIA
Branches: **217**



SINGAPORE
Branch: **1**



THAILAND
Branches: **54**



INDONESIA
Branches: **309**
Payment and Cash Centres, Digital Lounges and Mobile Cash Vans: **90**



PHILIPPINES
Branches/Offices: **1**



VIETNAM
Branches/Offices: **2**



CAMBODIA
Branches/Offices: **14**



MYANMAR
Representative Office: **1**

OTHER MARKETS

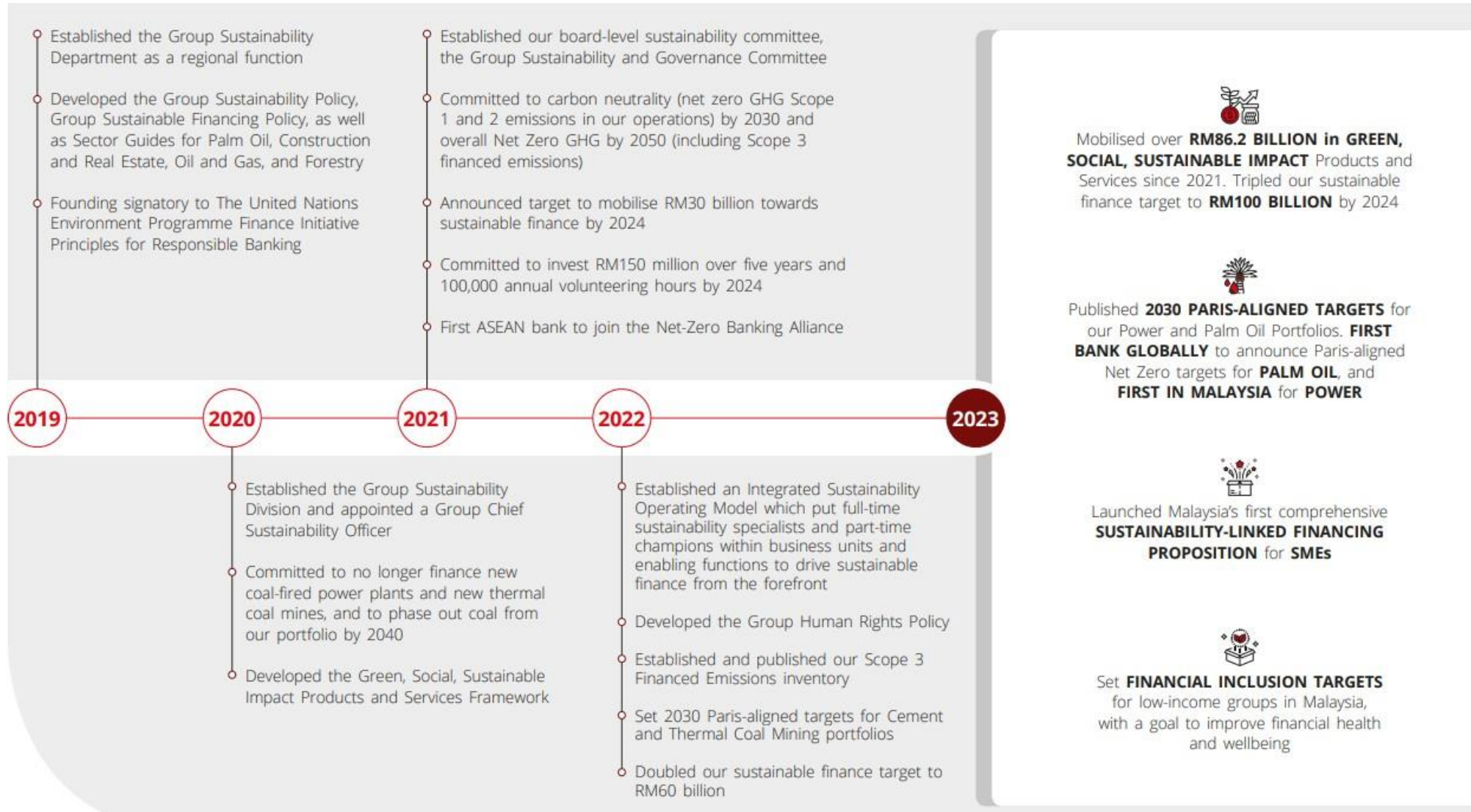


GREATER CHINA
Branches: **2**
(Shanghai, Hong Kong)

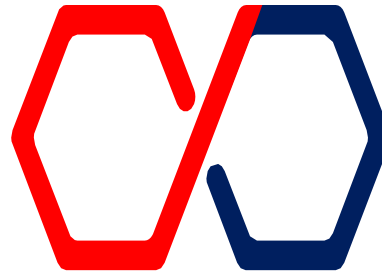


UNITED KINGDOM
Branch: **1**

Our Sustainability Journey



Overview of CIMB's Approach to Sustainable Finance



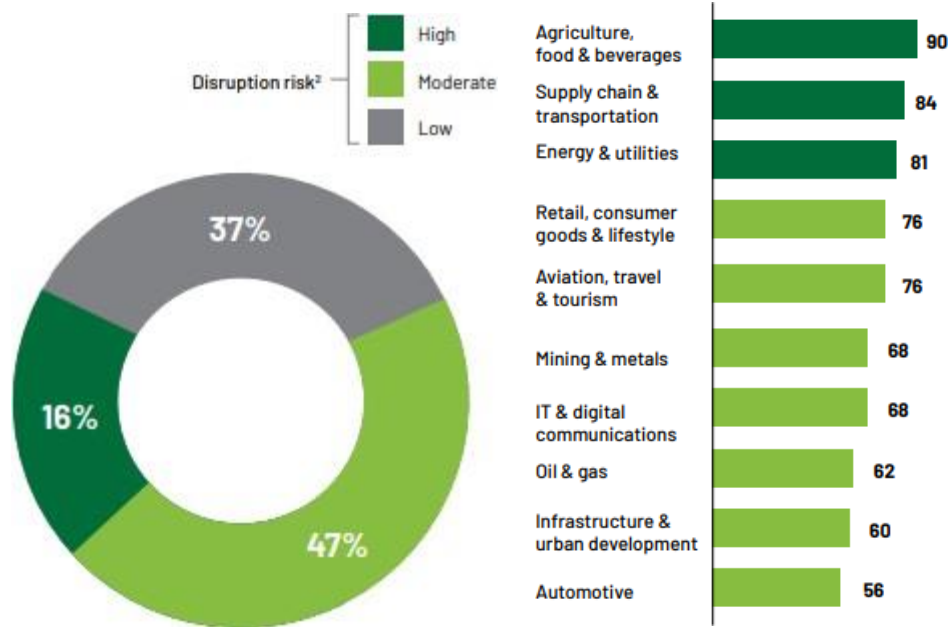
The Business Case for Action on Biodiversity for CIMB

APAC¹

63% of GDP in Asia Pacific (US\$19.5 trillion) is at risk of disruption from biodiversity and nature loss (*high or moderate risk of disruption*)

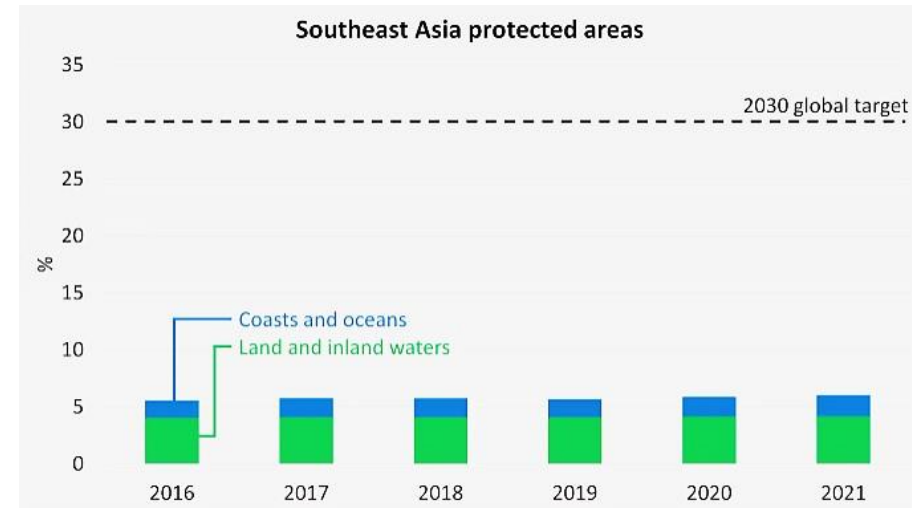
ECONOMIC VALUE AT RISK IN ASIA PACIFIC
Percent of 2019 GDP disrupted by biodiversity and nature loss

TOP 10 INDUSTRY SECTORS AT RISK OF DISRUPTION
Disruption risk (Max = 100)



Southeast Asia^{2,3,4}

5x the total size of protected areas should ↑ in the next 8 years for ASEAN to reach the **30% conservation milestone** by 2030



Under business-as-usual, up to 42% of all species in Southeast Asia could be lost, of which half would be global extinctions.
However, protecting Southeast Asia's forests and seas can generate over \$2.19 trillion annually.

1. NEW NATURE ECONOMY: ASIA'S NEXT WAVE, 2. Unravelling the Drivers of Southeast Asia's Biodiversity Loss, 3. Southeast Asia's biodiversity protection challenge, by the numbers, 4. How Southeast Asia can simultaneously protect nature and generate \$2 trillion a year

The Business Case for Action on Biodiversity for CIMB

Chart 1.1: Dependency on ecosystem services (physical risk)

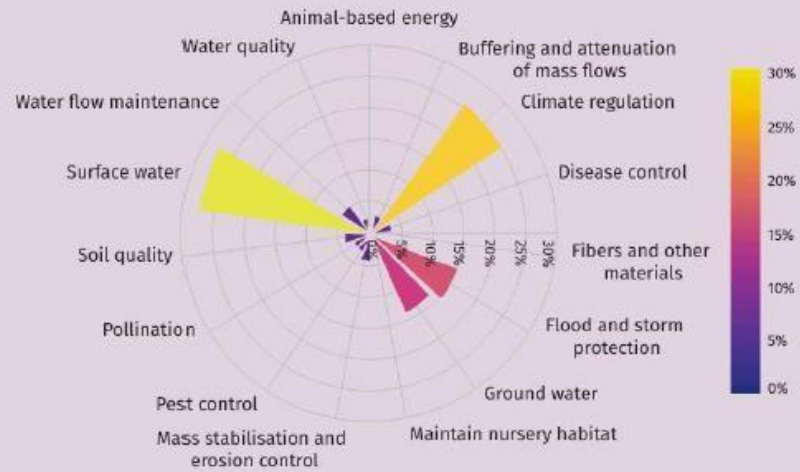
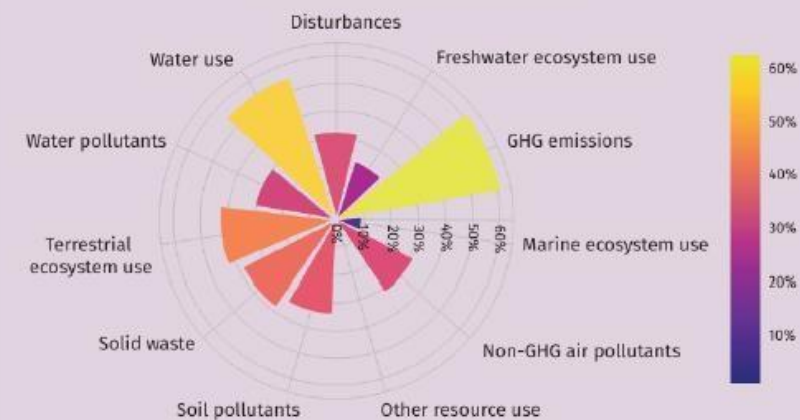
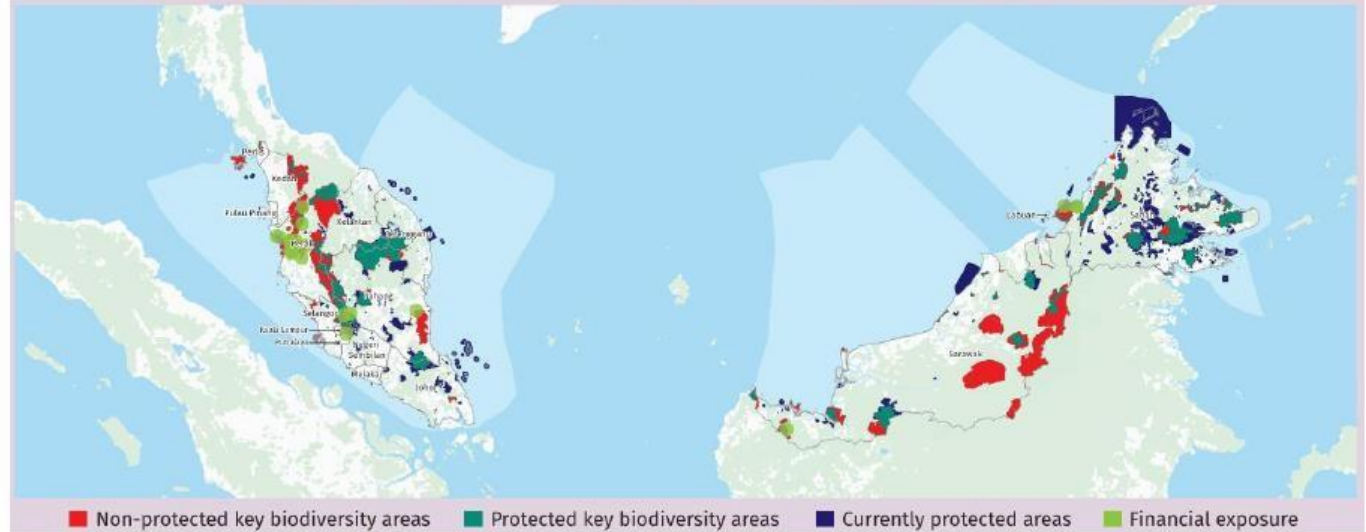


Chart 1.2: Impact of business activities on ecosystem services (transition risk)



Source: ENCORE, BNM, WB calculations

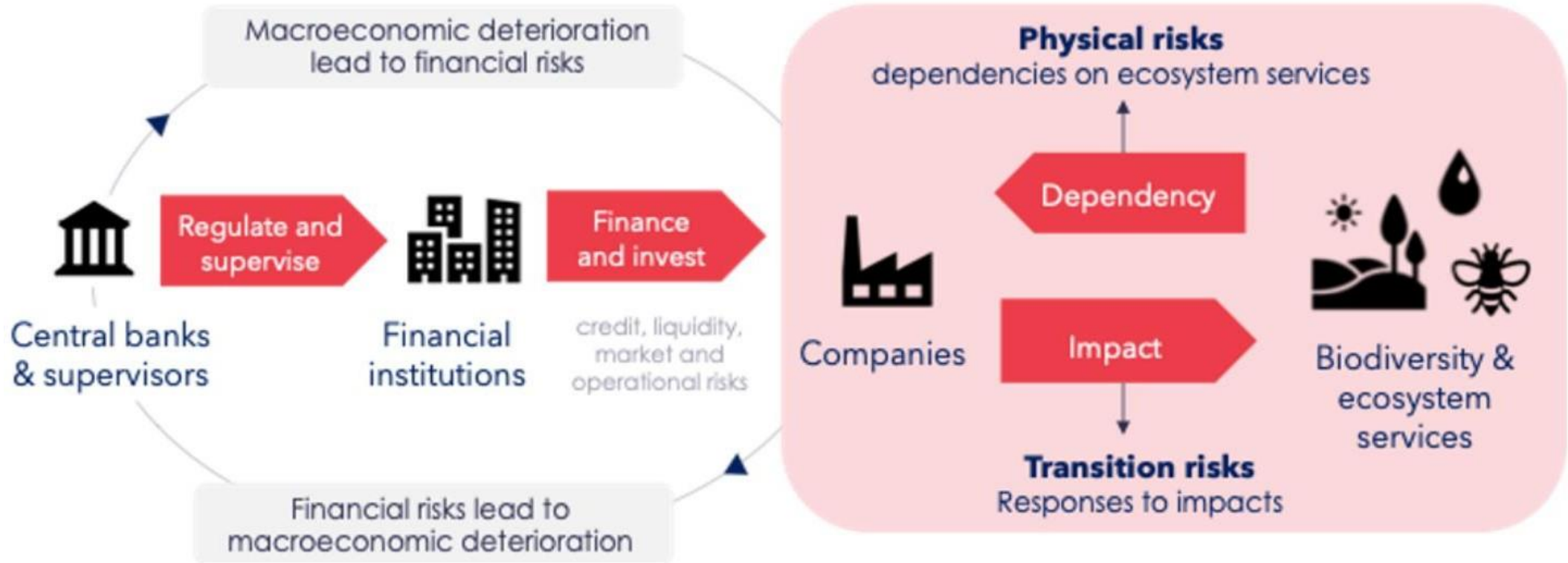
Chart 1.3: Commercial residential and non-residential purchase lending exposure by postal code area of Malaysian banks to non-protected Key Biodiversity Area (KBA)



- RM 329 million commercial lending are granted to firms actively operating in non-protected Key Biodiversity Areas (KBA) as of current. This could pose transition risk to the banking sector and real economy should new protection areas are created.
- 54% of commercial lending portfolio may be exposed to physical risk due to high dependency on ecosystem services (ES), such as surface water and climate regulation.
- 87% of commercial lending are channeled to sectors which highly impact natural assets and ES, such as real estate activities and wholesale trade. They contribute to the proliferation of impact drivers which in turn severely affects ES and natural assets, i.e. GHG emissions, water use etc.

Source: Bank Negara Malaysia

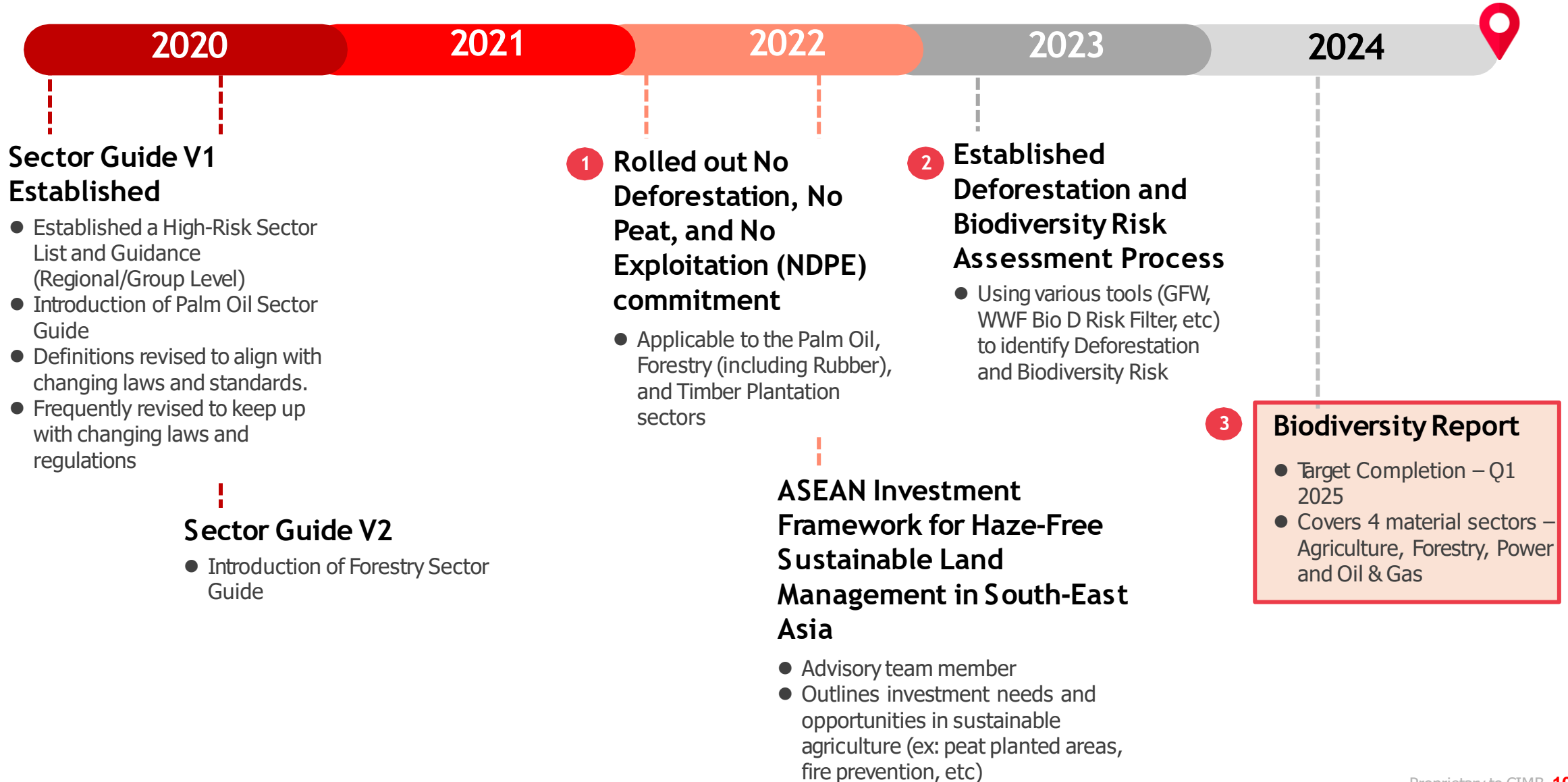
The Business Case for Action on Biodiversity for CIMB



The relationship between biodiversity and financial institutions is indirect and two-way

Source: Network for Greening the Financial System

Our Approach to Biodiversity



AGENDA

1 Introduction

2 Our Approach to Biodiversity

3 Our approach to LEAP

4 Challenges

1. Commitment to No Deforestation, No Peat, and No Exploitation (NDPE)



No Deforestation

Avoiding deforestation when developing land for commodities or projects, as well as regulating burning, and promoting the reduction of GHG emissions on existing plantations



No Development on Peat

No new peatland developments and encouraging Best Management Practices on existing peat plantations, promoting restoration of peat wherever feasible



No Exploitation

No exploitation of workers and small-scale growers, seeking Free, Prior and Informed Consent from local communities, and demonstrating respect for human rights

Under our NDPE policy, we will not finance or facilitate capital raising for companies that:

Are directly involved in the new conversion of High Conservation Value (HCV) areas

Are directly involved in the new conversion on peat

Lack legal rights and a policy/commitment on respecting FPIC of indigenous and local communities

Lack policy/commitment on no exploitation of workers and respecting labour rights.

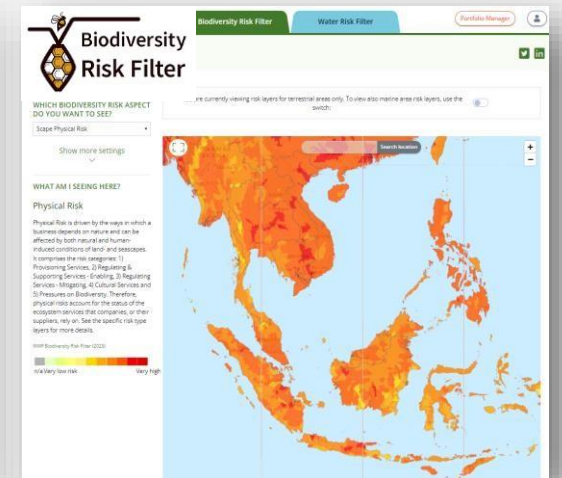
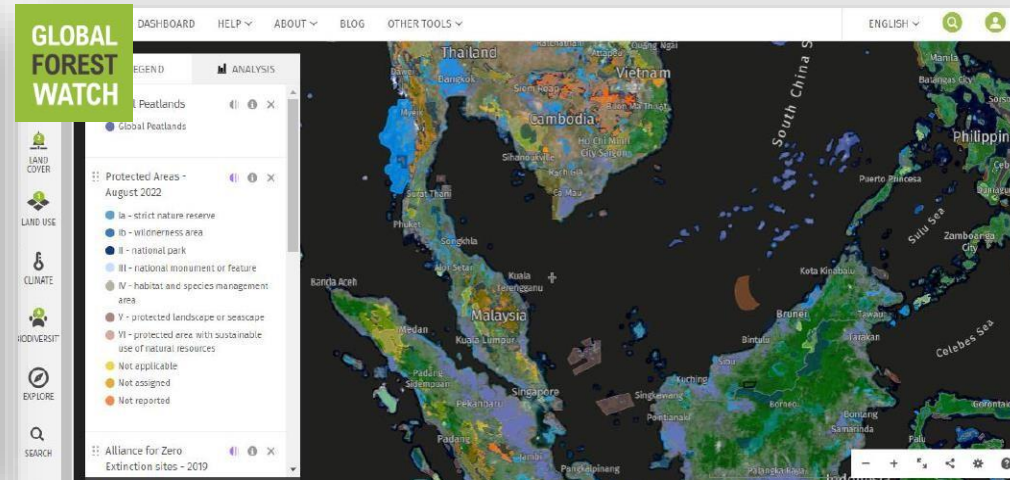
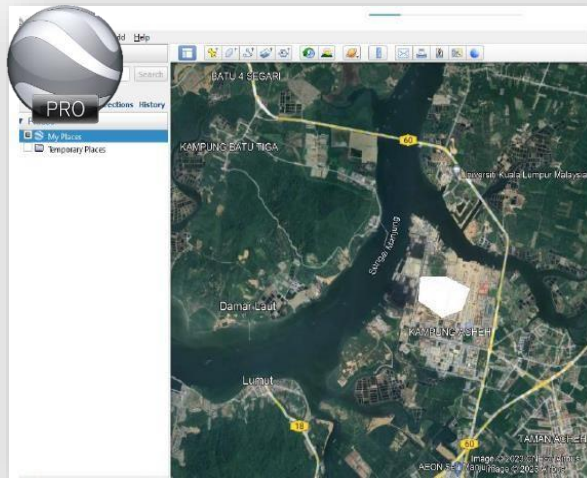


In 2023, CIMB **engaged with and issued action plans to 17 clients** on NDPE since the introduction of NDPE commitment requirements to the **Palm Oil and Forestry (including Rubber) sectors**

2. Biodiversity Risk Assessment - Overview

In 2023, we developed a **Deforestation and Biodiversity Risk Assessment** process as part of our due diligence to assess biodiversity risk in the projects and clients that we finance

- ✓ The process relies on a synthesis of data from three separate web applications providing real time information on peatlands, areas managed for conservation goals, including UNESCO-MAB Biosphere Reserves and Ramsar Sites, as well as IUCN Management categories.



Global Forest Watch

WWF Biodiversity Risk Filter

2. Biodiversity Risk Assessment - Scope

Facilities* request received by RM for financing that involves **land clearing** of green areas & reclamation (>5,000 m² size):

- Construction/ Infra/ Utilities (e.g. highways, hydropower dams, transmission lines, airport)
- Mining
- Timber/ Logging – new/ expansion
- Oil palm /other agriculture – new/ expansion
- Real estate – new/ expansion
- Others (check with RM if any clearing of green/ areas that are not developed yet)

Trigger Events :

- **Project Financing** - get location via coordinates, boundary of Site
- **Working capital** - ask if Client is planning any new development(s) involving land clearing of >5,000 m²

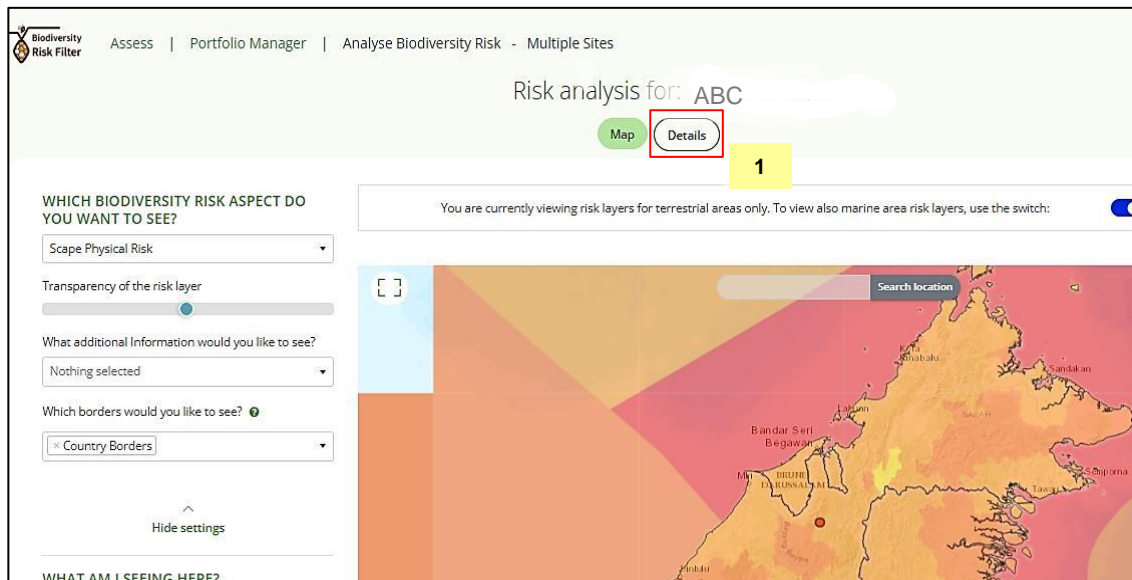
*Type of Facilities:

- *New*
- *Annual Review*
- *Enhancement/ Amendment that involve new Project/ development*
- *Project Financing - get location via coordinates, boundary of Site), land financing*
- *Working capital - ask if Client is planning any new development(s) involving land clearing of >5,000 m²)*

Biodiversity Risk Assessment - WWF Biodiversity Risk Filter (ESDD)

A

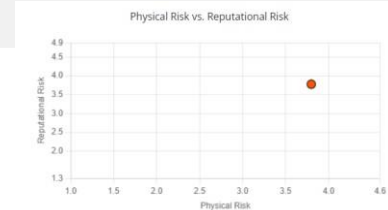
- Click on Details
- See Physical Risk VS Reputational Risk
- Click on Top 10 risk indicators (To guide us in data searching, i.e. in EIA if it has mentioned the impacts and mitigation measures)



Biodiversity Risk Assessment - WWF Biodiversity Risk Filter (ESDD)

B

- What's next - Determining if Action Plan/ further documentation is needed



WWF BRF

Reputational Risk	Physical Risk					R Type	AP and Description
	VL	L	M	H	VH		
VL	Light Green	Light Green	Light Green	Light Yellow	Light Yellow	R with AP	Biodiversity Survey with Management Plans (HCV 1, 2 & 3)
L	Light Green	Light Green	Light Yellow	Light Yellow	Light Orange	R with AP	HCV Survey (HCV 1 - 6)
M	Light Green	Light Yellow	Light Yellow	Light Orange	Light Orange	R with AP	HCV Survey & NDPE Policy
H	Light Yellow	Light Yellow	Light Orange	Light Orange	Light Orange	Not R	n.a
VH	Light Yellow	Light Orange	Light Orange	Light Orange	Light Orange	Not R	n.a

Falls under High - **Recommend with Action Plan (AP)**

What type of Action Plan?

1. Carry out HCV survey
2. Have NDPE policy
3. Make avail Management and conservation plan(s)

- If all 1,2 and 3 is available - then no AP is needed.
- Set alerts for deforestation in GFW

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4 Challenges

Building a business case: As a material matter, the biodiversity approach should align with CIMB's portfolio and operations

Material Matter



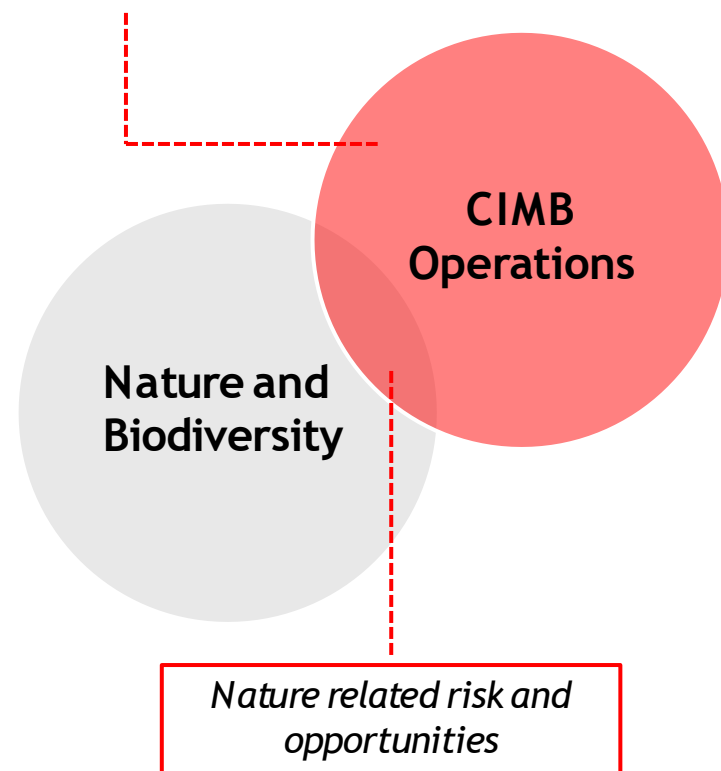
Biodiversity and Ecosystem Integrity

New material matter, added to reflect nature as an emerging risk in the banking industry and its increasing importance to our stakeholders

Sector prioritization approach

Net-Zero to Nature Positive

The alignment of financial institutions with net-zero targets has created a compelling need to explore nature-related risks and opportunities.



Factors for prioritization:

- ✓ Criticality for Net Zero and Biodiversity Risks
- ✓ Relevance to ASEAN and to CIMB
- ✓ Aligned to TNFD and PRB focus sectors
- ✓ Potential for Nature Positive Impact

By mapping CIMB's sector exposure and TNFD priority sectors, CIMB's suggested focus sectors for biodiversity can be established

Sector	Importance	Reason
✓	Very High ▲	<ul style="list-style-type: none"> 5th most material sector in CIMB MY's portfolio TNFD priority sector (High Dependency)
✓	Very High ▲	<ul style="list-style-type: none"> 6th most material sector in CIMB MY's portfolio TNFD priority sector (High Dependency, Paper and forest products) Direct relation to nature and biodiversity
✓	Very High ▲	<ul style="list-style-type: none"> 7th most material sector in CIMB MY's portfolio TNFD priority sector (High Dependency)
✓	Very High ▲	<ul style="list-style-type: none"> Highest exposure in CIMB MY's portfolio More than 40% in mortgages – not material
✓	High ▲	<ul style="list-style-type: none"> 2nd most material sector in CIMB MY's portfolio TNFD priority sector Automotive exposure is the highest – not material
✓	High ▲	<ul style="list-style-type: none"> 3rd most material sector CIMB MY's portfolio Partial TNFD priority sector
Infrastructure	Medium —	<ul style="list-style-type: none"> 4th most material sector in CIMB MY's portfolio Currently, not material for TNFD
Construction	High ▲	<ul style="list-style-type: none"> Not a high exposure Sector for CIMB MY's portfolio Material Industry for CIMB MY's portfolio TNFD priority sector
Livestock and Fisheries	Medium —	<ul style="list-style-type: none"> Not a high exposure Sector for CIMB MY's portfolio May partially be a TNFD priority sector (Aquaculture)
Metals and Mining	Medium —	<ul style="list-style-type: none"> Not a high exposure Sector for CIMB MY's portfolio Material Industry for CIMB MY's portfolio TNFD priority sector

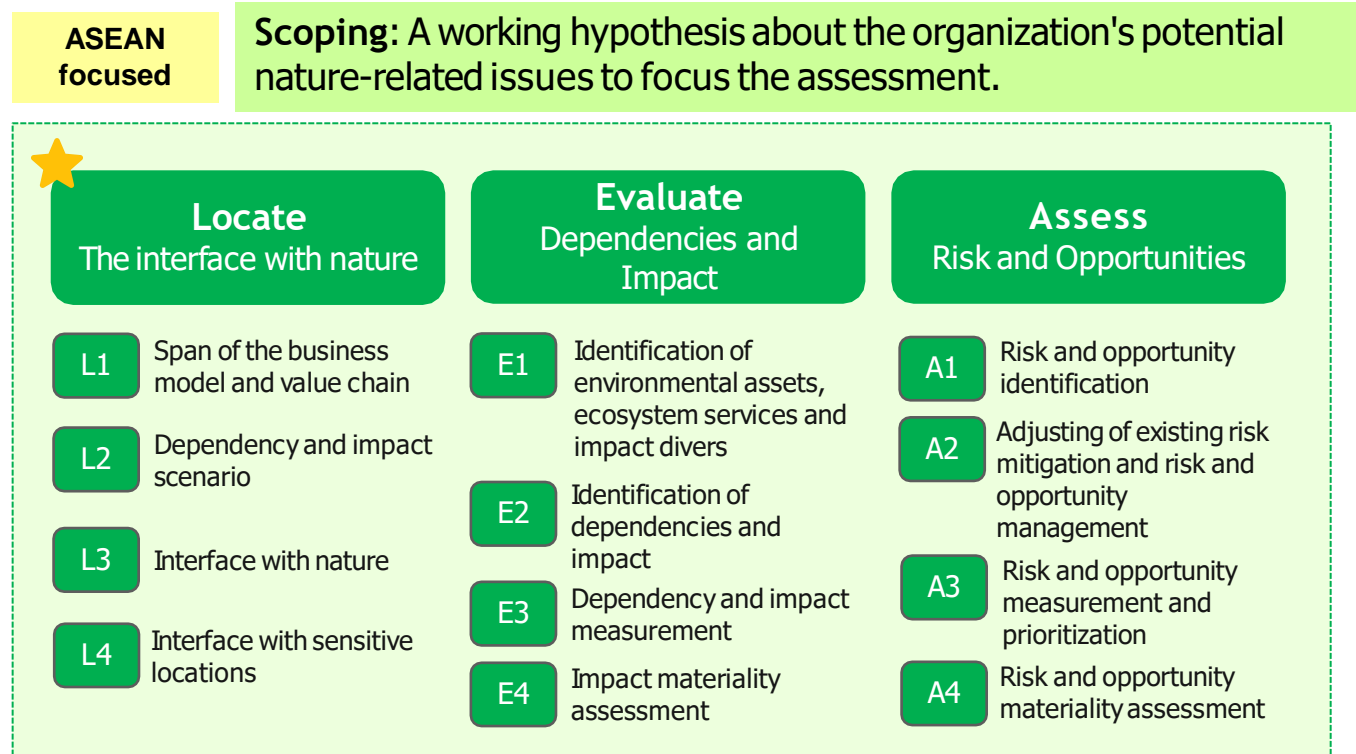
Industries to look into further:

Chemicals	Water	Land	Wood and wood products	Beverages and food products (includes agriculture)	Biotechnology and Pharmaceuticals
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✓ Net Zero Sectors

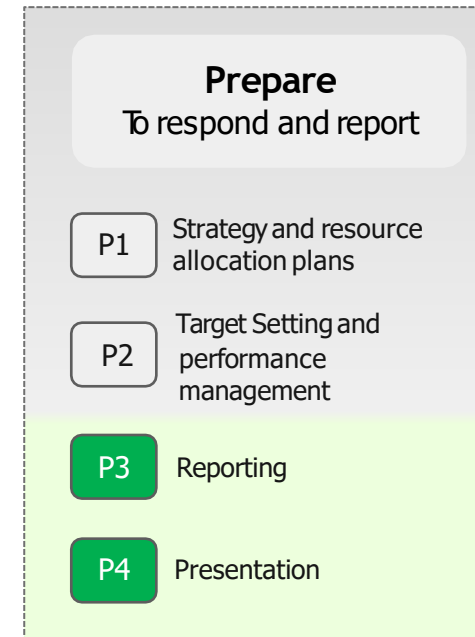
As part of the risk assessment exercise, we will adopt TNFD's LEAP approach

Primary Focus (Work In Progress)



We are currently working on the **Locate and Evaluate** phase for the 4 selected sectors. In this section we mainly locate the organization's interface with nature and evaluate dependencies and impacts of the companies in our portfolio. Once this is completed, we will start with the **Assess** phase where we start assessing nature-related risks and opportunities associated with our clients.

Secondary Focus (KIV)



We will defer the **Prepare** phase (mainly P1 and P2) until we establish clear target setting and performance measurement methodologies with appropriate data and metrics.

At the moment, we are working on Locate for our four focus sectors: Agriculture, Forestry, Power and Oil & Gas

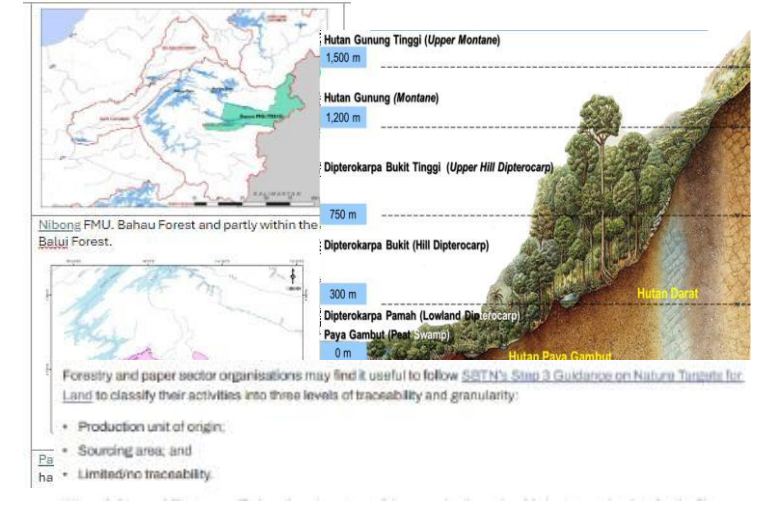
1 Mapping of sectors

Chosen Sector	Materials - Forest Products				
DEPENDENCIES	Sector/Sub-industry	Production of forest & wood based	Small scale forestry	Large scale forestry	
1. Animal-based energy			VH	VL	
2. Bio-remediation			H	M	
3. Buffering and attenuation of mass flows					
4. Climate regulation		H	VH	VH	
5. Dilution by atmosphere and ecosystems					
6. Disease control					
7. Fibres and other materials					
8. Filtration					
9. Flood and storm protection					
10. Genetic materials					
11. Groundwater					
12. Maintain nursery habitats					
13. Mass stabilisation and erosion control					
14. Mediation of sensory impacts					
15. Pest control					
16. Pollination					
17. Soil quality					
18. Surface water					
19. Ventilation					
20. Water flow maintenance					
21. Water quality					
Ecosystem Services	IMPACTS	Sector/Sub-industry	Production of forest & wood based	Small scale forestry	Large scale forestry
	1. Disturbances				
	2. Freshwater ecosystem use				
	3. GHG emissions		H	H	H
	4. Marine ecosystem use				
	5. Non-GHG air pollutants				
	6. Other resource use				
	7. Soil pollutants		H	M	
	8. Solid waste				
	9. Terrestrial ecosystem use		H	VH	VH
	10. Water pollutants		H	M	H
	11. Water use				
Assets	Assets				
1. Atmosphere	1. Atmosphere		H	VH,H,H	VH,H
2. Habitats	2. Habitats		H	VH,H,H	VH,H
3. Land geomorphology	3. Land geomorphology		H	VH,H,H	VH,H
4. Minerals	4. Minerals		H	VH,H,H	VH,H
5. Ocean geomorphology	5. Ocean geomorphology		H	VH	VH
6. Soils and sediments	6. Soils and sediments		H	VH,H,H	VH,H
7. Species	7. Species		H	VH,H,H	VH,H
8. Water	8. Water		H	VH,H,H	VH,H

2 Reasoning



3 Client Mapping Exposure



- Breakdown internal sector descriptions
 - Heatmapping (ENCORE)
- *If a sub-sector is not found on ENCORE, find tools that can measure exposure or use scientific papers to back the assessment.

Which part of the value chain has:

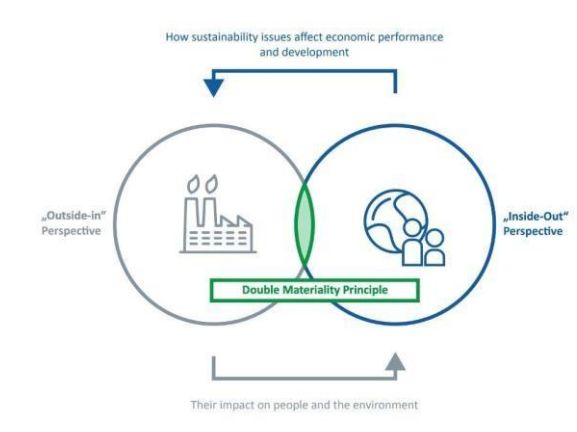
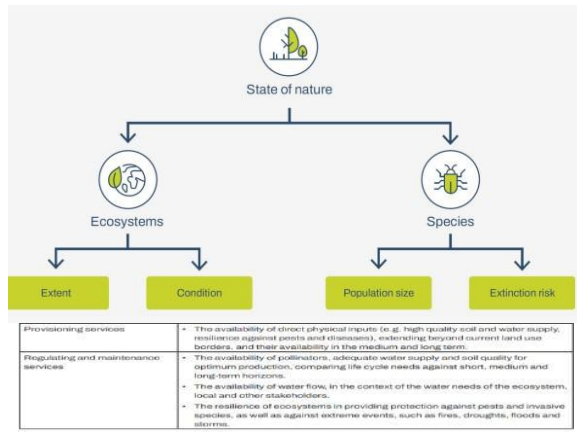
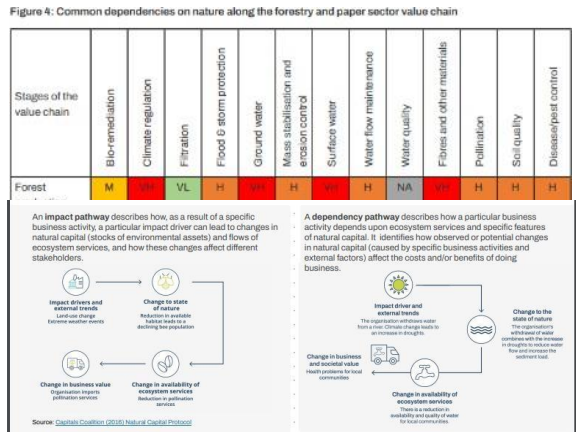
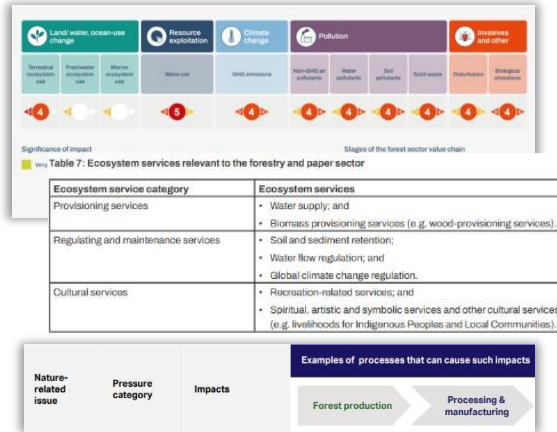
- The highest dependency
- The highest impact
- The highest risk imposed on nature
- What are the reasons?

Deep dive in Evaluate

- A study on our top 5-10 clients for each sector
- Where are our moderate and high dependencies and impacts located?
- Biome classification
- Location-based analysis (inclusive of sensitive locations, if any)

Next, we will be moving on to the Evaluate phase wherein we will deep dive into the dependencies and impacts of all four sectors

1 Impact Drivers 2 Dependency and Impacts 3 Measurement 4 Materiality Assessment



- Identify “high impact” portfolio companies
- Assess their associated environmental assets, ecosystem services, and impact drivers.
- Analyze common impact drivers (similar to Locate)

- Identify indirect dependencies and impacts
- Combine impact drivers, external factors, ecosystem services, and their interactions to assess how these influence nature, both within and outside organizational boundaries.

- Assess the magnitude and extent of our nature dependencies arising from top 5-10 portfolio companies.
- Determine the severity of their negative impacts and the scale of their positive contributions to nature.

- Which of the identified impacts are material?
- What specific factors should organizations prioritize to distinguish between material and immaterial impacts, and how can these findings be used to inform strategic decision-making and risk management?

AGENDA

1 Introduction

2 Our Approach to Biodiversity

3 Our Approach to LEAP

4 **Challenges**

As we navigate through our Biodiversity/Nature journey, we have come across some challenges:



Data Availability and Quality



Incorporating Biodiversity into Financial Decision-Making



Lack of Standardized Metrics and Frameworks amid Evolving Regulatory Landscapes

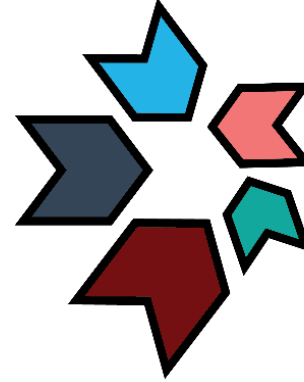


Engagement and Awareness



Limited Internal Expertise

**THANK YOU
FROM TOMORROW**

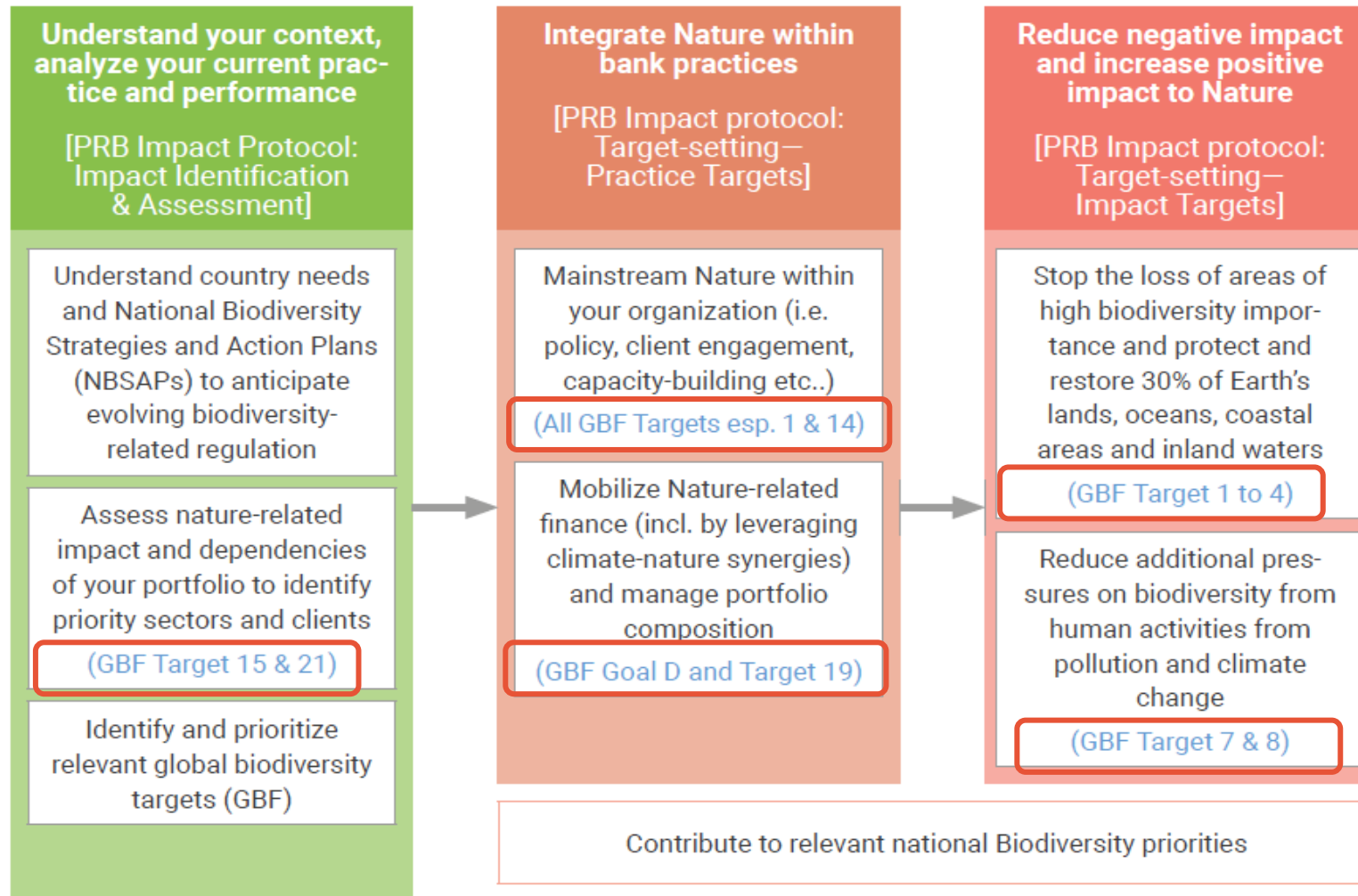


Contact us at sustainability@cimb.com

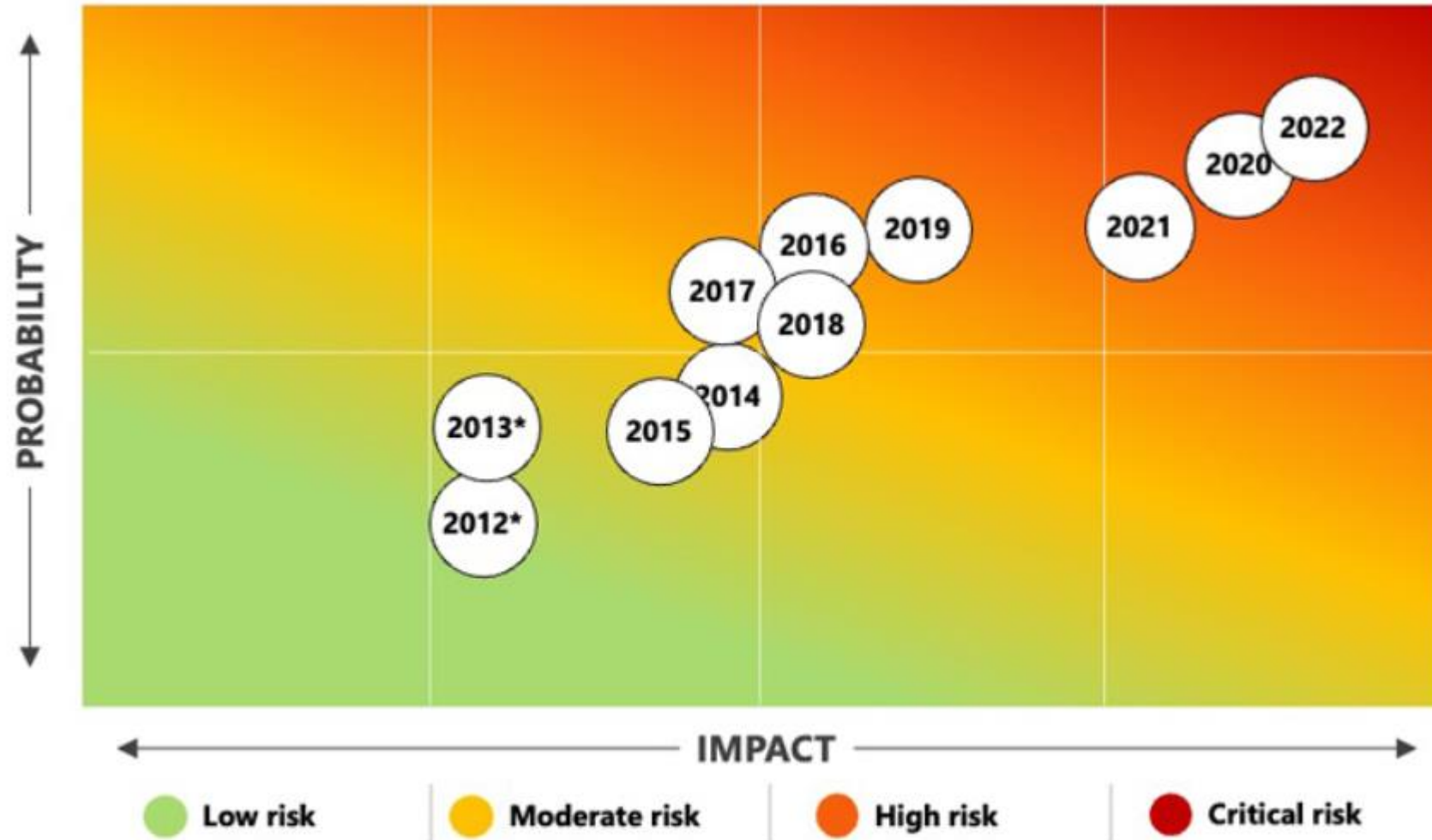
The evolving sustainable finance / ESG regulatory landscape around nature

Further inputs for your context analysis

The regulatory environment is also key part of the context analysis

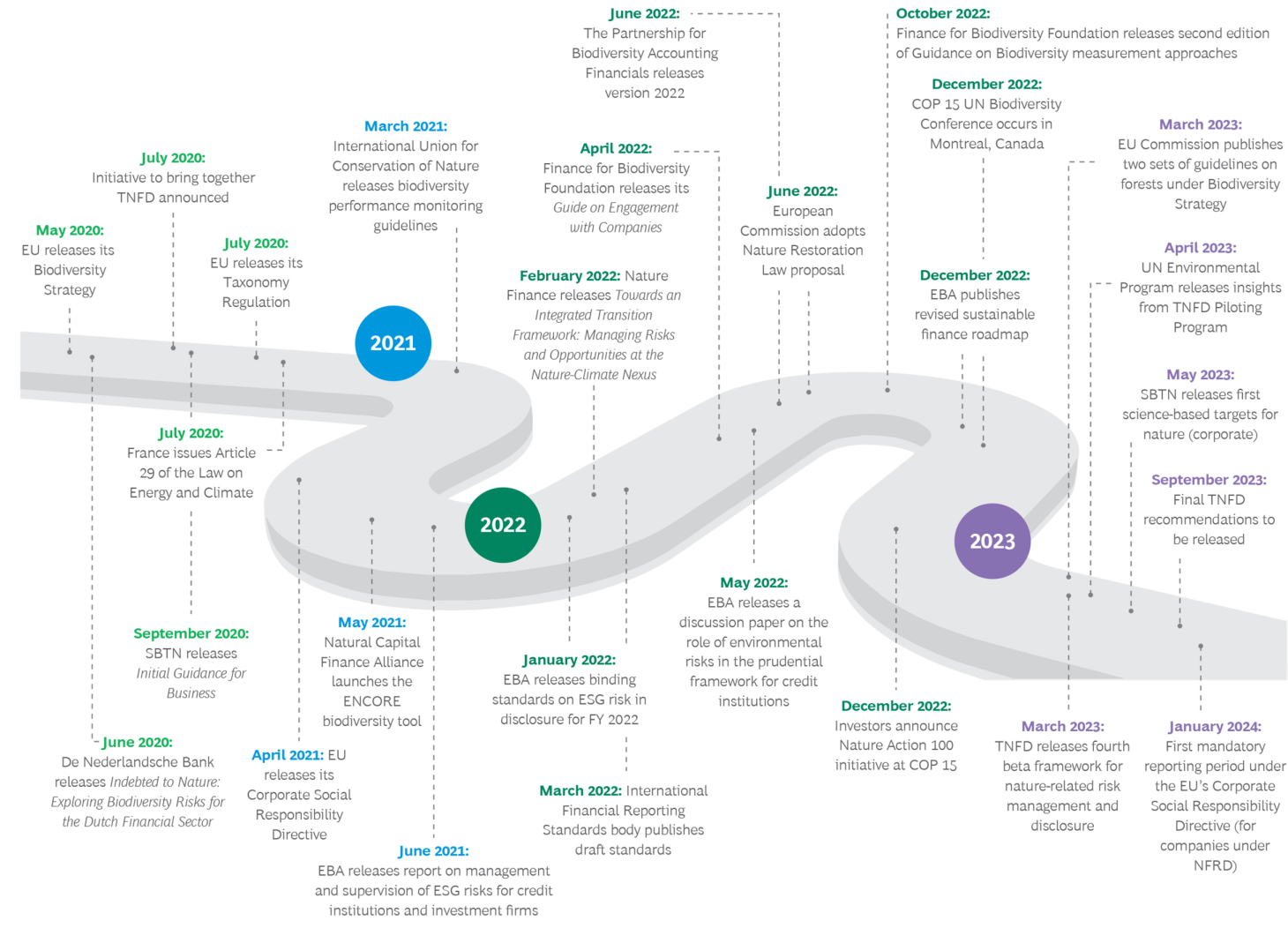


Awareness about nature risks, and in particular biodiversity loss, is rising



Perception of risk to the global economy from the loss of biodiversity and ecosystem services

Nature increasingly included in corporate (ESG) and bank regulations



Source: BCG analysis.

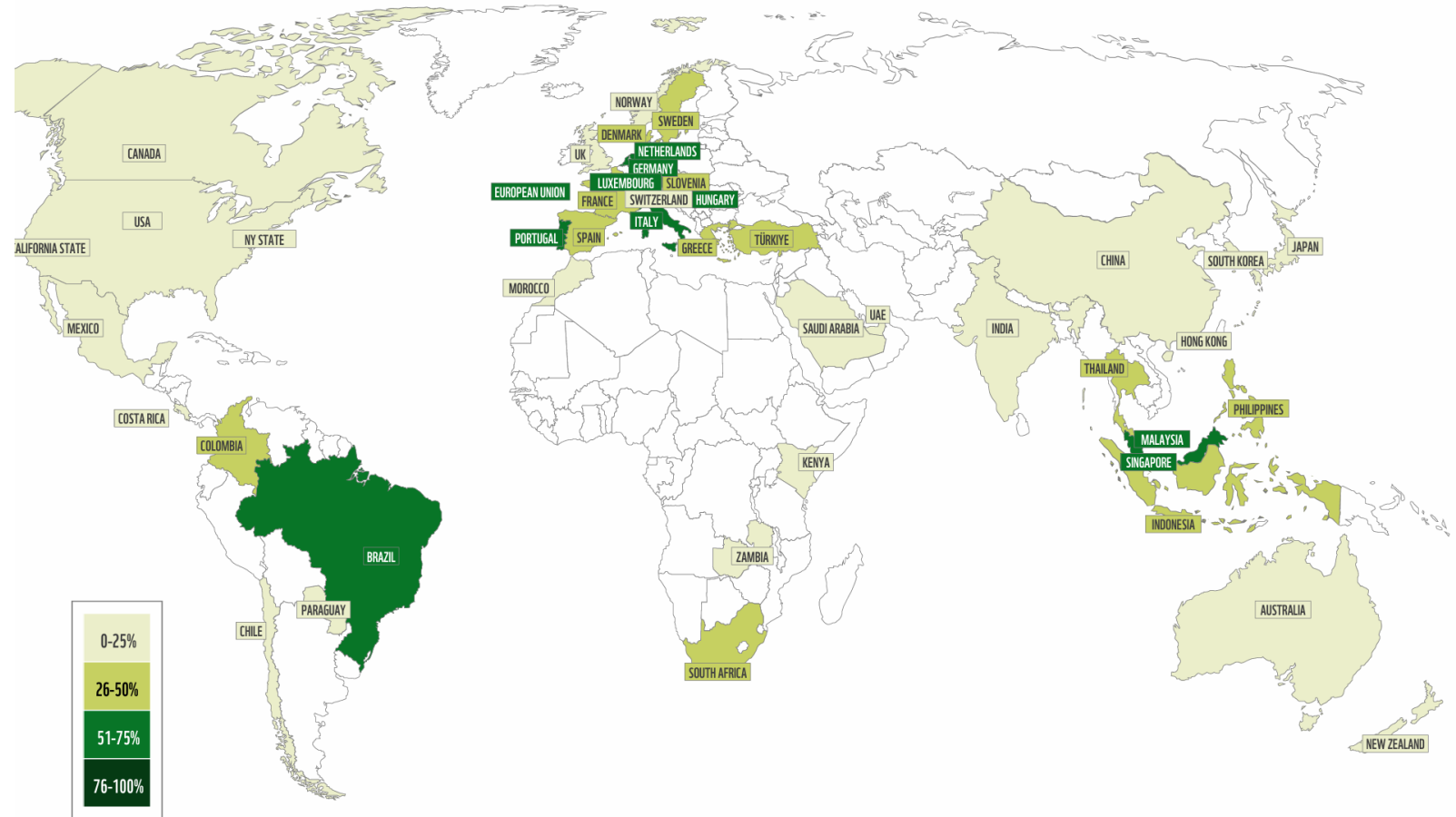
Note: EBA = European Banking Authority; ENCORE = Exploring Natural Capital Opportunities, Risks and Exposure; SBTN = Science Based Targets Network; TNFD = Taskforce on Nature-related Financial Disclosures.

Nature risks are starting to be reflected in banking supervision globally

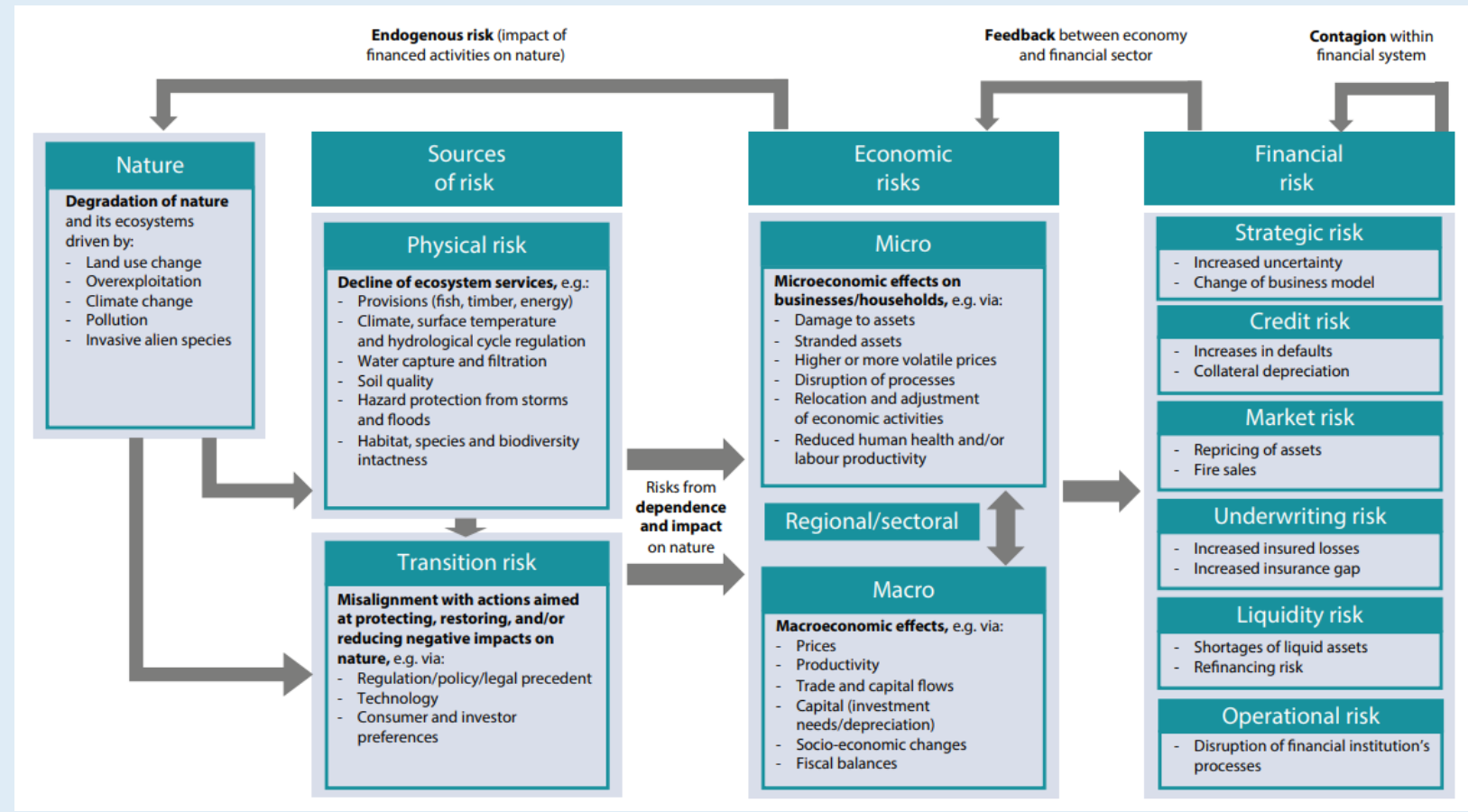
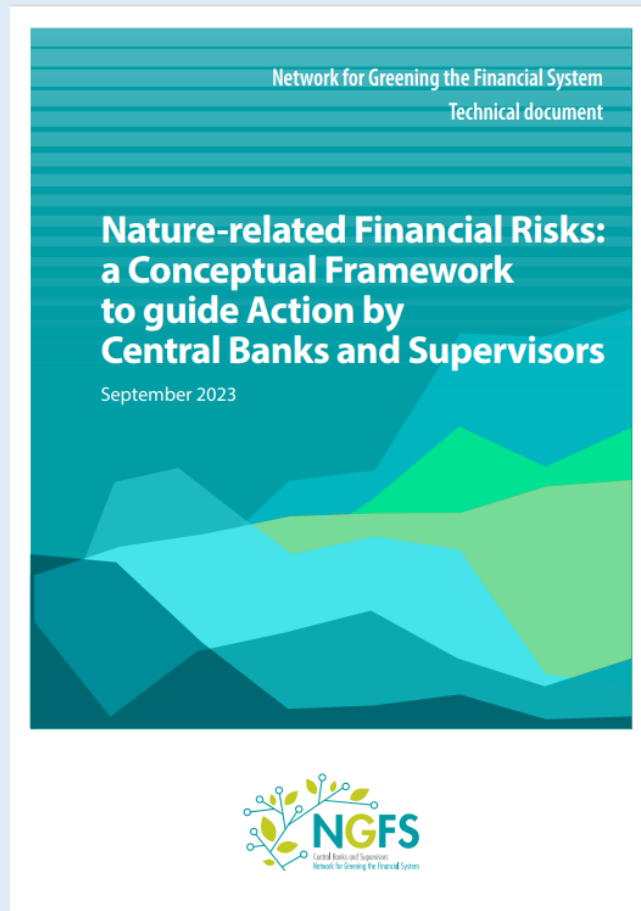
WWF SUSREG assessment

- WWF publishes an annual assessment of sustainable finance regulations of 45 countries globally (SUSREG)
- The 2023 report concludes that 10 countries meet more than half of the criteria for nature risk, incl. EU, Brazil, Malaysia and Singapore
- The oversight of nature risk still falls behind that of climate risk as 23 countries still fall below 25% mark for nature risk (vs only 6 countries for climate risk)

FIGURE 3: INTEGRATION OF BROADER ENVIRONMENTAL RISKS INTO BANKING SUPERVISION



A common framework is evolving among central banks and supervisors about the impact of nature-related risks on banks



Several authorities from both emerging markets and advanced economies already have regulatory and supervisory initiatives on nature risk underway



Stocktake on Nature-related Risks

Supervisory and regulatory approaches and perspectives on financial risk



18 July 2024

An overview of guidance and requirements on nature risk

Financial authorities are in different stages of considering whether nature-related risks should be included in their overall work on financial risks. Several authorities have issued supervisory guidance for banks on the management of nature-related risks. Guidance on nature-related risks is often less detailed than on climate-related risks.

Examples of regulatory initiatives outside of APAC

- Banco Central Do Brasil (2017), Integrated Risk Management ([link](#)); Banco Central Do Brasil (2021), Social, Environmental and Climate Responsibility ([link](#))
- European Central Bank (2020), Guide on climate-related & environmental risks ([link](#))
- Dutch Central Bank (2023), Guide for managing climate & environmental risks ([link](#))
- European Banking Authority (2024), Draft guidelines on the management of ESG risk ([link](#)); European Parliament (2024), Review of the Capital Requirements Directive
- Swiss Financial Market Authority (2024), Circular on nature-related financial risks ([link](#))

Financial authorities in Singapore, Hong Kong and China have published guidelines for banks that address nature-related risks

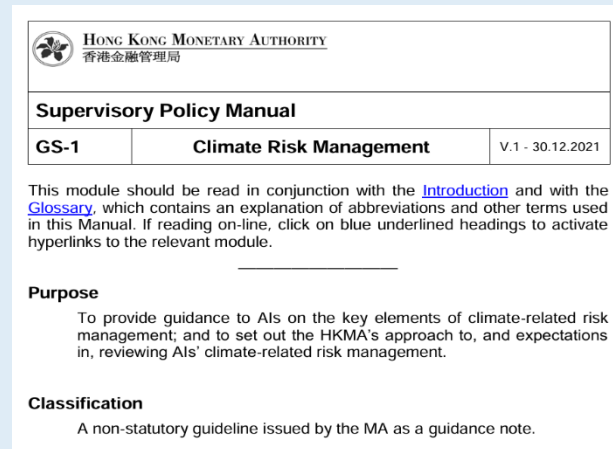
Singapore



Guidelines on Environmental Risk Management for Banks (2020)

These guidelines cover covering financial risks resulting from climate change, loss of biodiversity, pollution & changes in land use

Hong Kong



Supervisory Policy Manual on Climate Risk Management (2021)

While the focus lies on climate risk, banks are expected not to overlook the risks resulting from other environmental risks

China



Green Finance Guidelines for Banking & Insurance Sector (2022)

Key evaluation indicators for the implementation of green finance relate to biodiversity protection

Malaysia is accelerating integration of nature risks in banking supervision by assessing the level of risk in its banking sector

MALAYSIA



- Malaysia started greening its banking supervision with the publication of the Value Based Intermediation Assessment Framework (VBIAF) framework in 2019.
- The central bank (Bank Negara Malaysia) together with the industry initiatives like the Joint Committee on Climate Change (JC3) and the VBIAF industry working group have issued several guidance and expectations for the financial institutions.
- Key documents published during 2020-2023: 10 VBIAF guides for high-risk sectors, climate change principle-based taxonomy, climate risk management and scenario analysis guide, and the TCFD application guide.
- The central bank assessed the exposure of Malaysian banks to sectors and regions that are highly vulnerable to nature-related risks using the ENCORE framework.
- The central bank announced that financial institutions in Malaysia will run the industry-wide climate risk stress test exercise in 2024 and the aggregated results will be published by 2025.

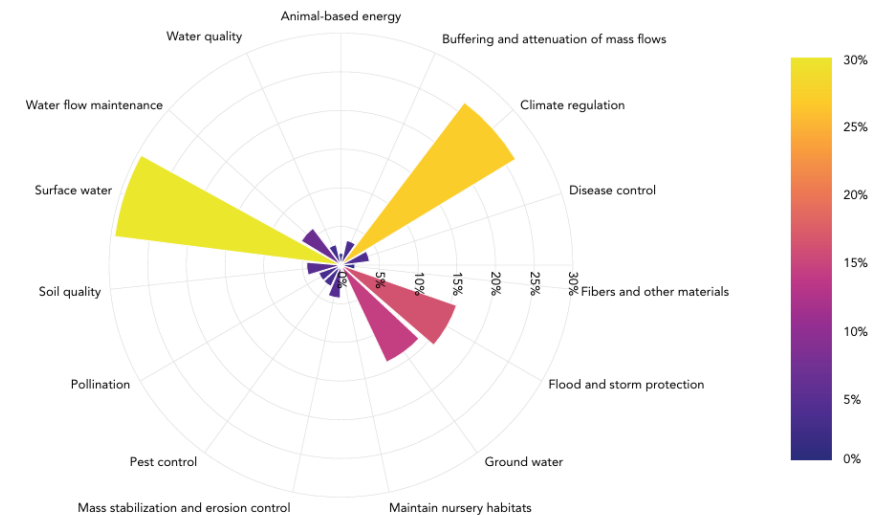


A selection of findings of World Bank study on nature risk

- 54% of the Malaysian commercial lending portfolio is exposed to sector that depend to a high or very high extent on ecosystem services
- This dependency is primarily related to surface water, climate regulation such as carbon storage and flood and storm protection.

Figure 2. Percentage of Malaysian banks' commercial loans to sectors with high and very high scores on nature-related risk dimensions

(a) Dependency on ecosystem services (physical risk)



Questions & answers



Next steps

- To support you to start off the journey...
-we will be circulating an optional written exercise that can help you to put things into practice.
- Eventhough it is voluntary, we strongly encourage you to prepare it (at least partially). You can also request an individual consultation while you are working on the exercise.
- All intructions will be sent in the email by Ella

Categories	Questions	Additional support information	Your input
Bank name	<i>[Please insert your bank's name]</i>		Please provide your responses in the below cells. Note that you will be able to continuously build upon these questions throughout your participation in the capacity building workshops.
Name and Role of Respondent	<i>[Please insert your name and role]</i>		
Analysed country	Please complete the analysis for at least one country where you have significant operations. If you want to cover more countries, please create a copy of this sheet.		
State of Nature	Examine the critical nature and biodiversity issues within your country, such as key biodiversity areas and protected regions, impacts of invasive species, habitat fragmentation, and pollution on biodiversity . Identify the most pressing challenges and areas of significant ecological value. These elements will provide a comprehensive background for understanding how various economic activities or sectors contribute to nature loss	As a first step, it is recommended to review the country's profile on the CBD webpage: https://www.cbd.int/countries	
Evolving policy and regulatory framework on Nature and Biodiversity	National priorities: Identify your country's National Biodiversity Strategy and Action Plan and any other relevant strategies and/or designed to mititgate, protect ot restore nature and biodiversity.		
Exisiting/emerging ESG-related frameworks and requiremements with nature compenent relevant to the banking sector	Nature in bank/corporate ESG regulations: Identify if nature is/planned to be included in your national/regional bank regulatory framework (e.g. regulatory requirement to set up processes to identify nature risks) and also if corporations are/planned to be subject to ESG regulations that include nature (e.g. disclosure requirements that include nature related issues)		

Coming soon...

Workshop 2# – 12 September

- Mainstreaming nature within the organisation
- Policies and processes
- Client engagement
- Stakeholder engagements
- Bank peer sharing part

Workshop 3# – 25 September

- Mobilizing financial resources for nature
- Categorizing clients and projects
- Products and innovative solutions
- Target setting
- Case studies
- Reporting and disclosures

- We will also send you an optional (voluntary) written exercise in an email.
- We encourage you to do this exercise, as this should help you start putting things into practice

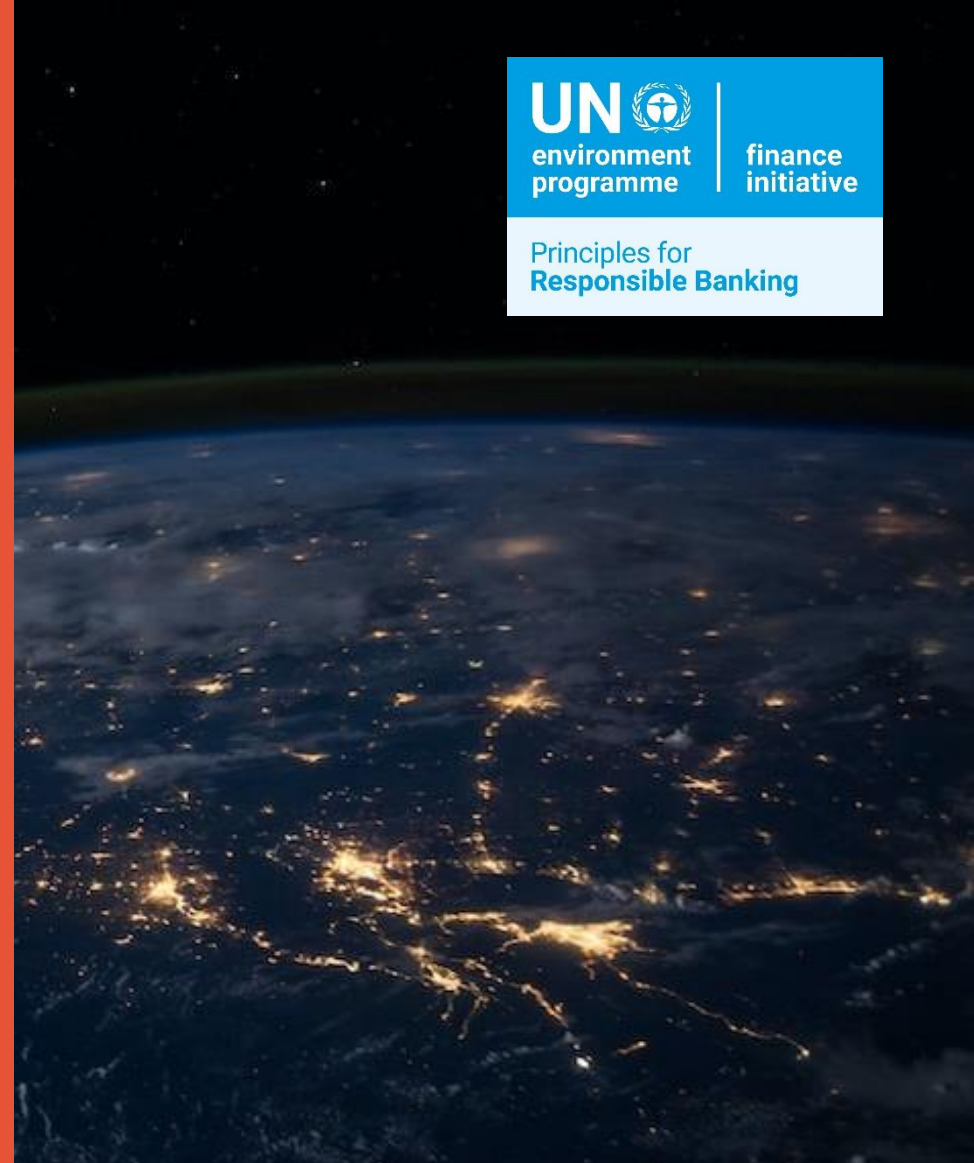
Thank you for your attention!

Slides will be shortly shared in email.

General UNEP FI contact:
nirnita.talukdar@un.org (Regional Lead for APAC)

Specifically for the climate capacity building:
gabor.gyura@un.org
(Capacity building consultant)

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