

25/09/2024

UNEP Finance Initiative

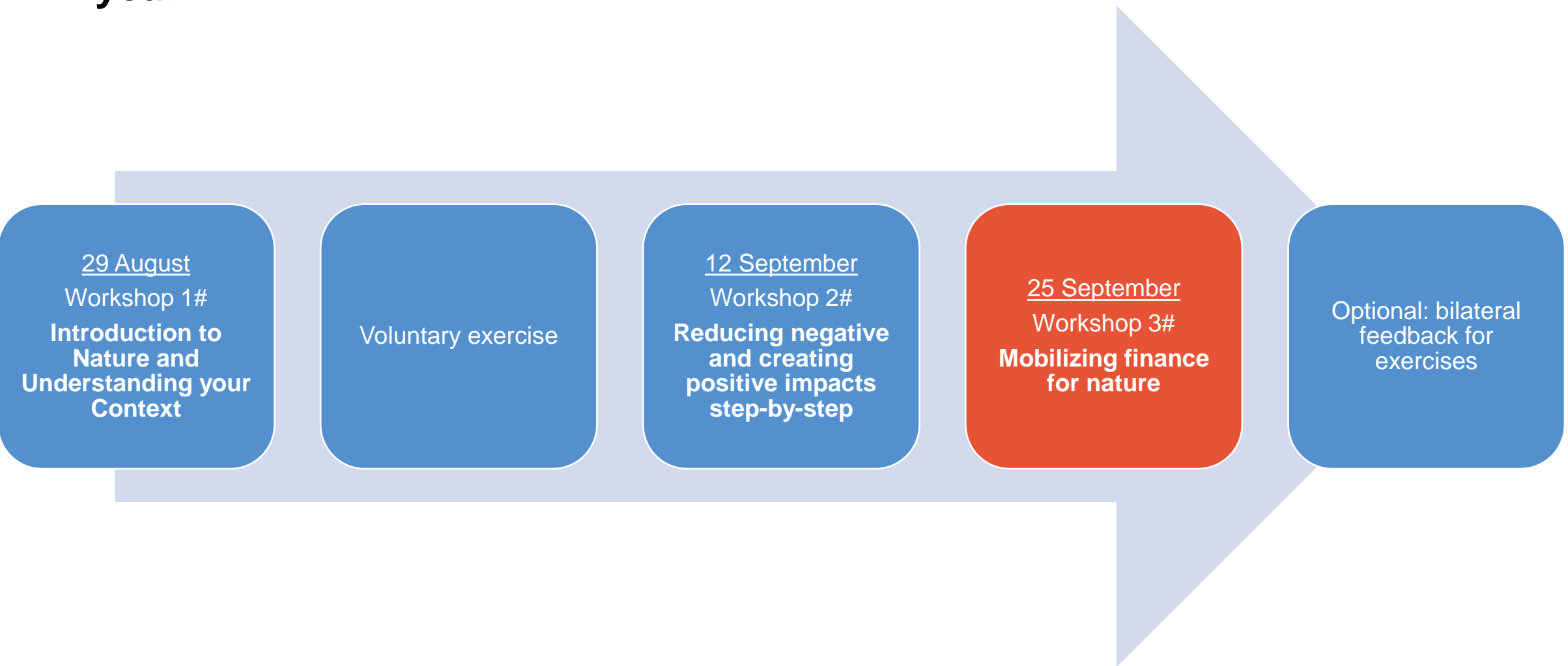
# PRB Nature capacity building programme

Asia Pacific

Workshop #3

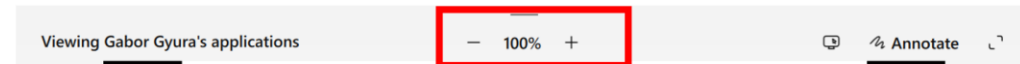


# Programme – 3 workshops and other activities during the year



## 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: **336699**) (anytime) – Slido is anonymous, so you don't even need to mention your name
- You can zoom on the slides in Webex using the plus button:



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**#336699**

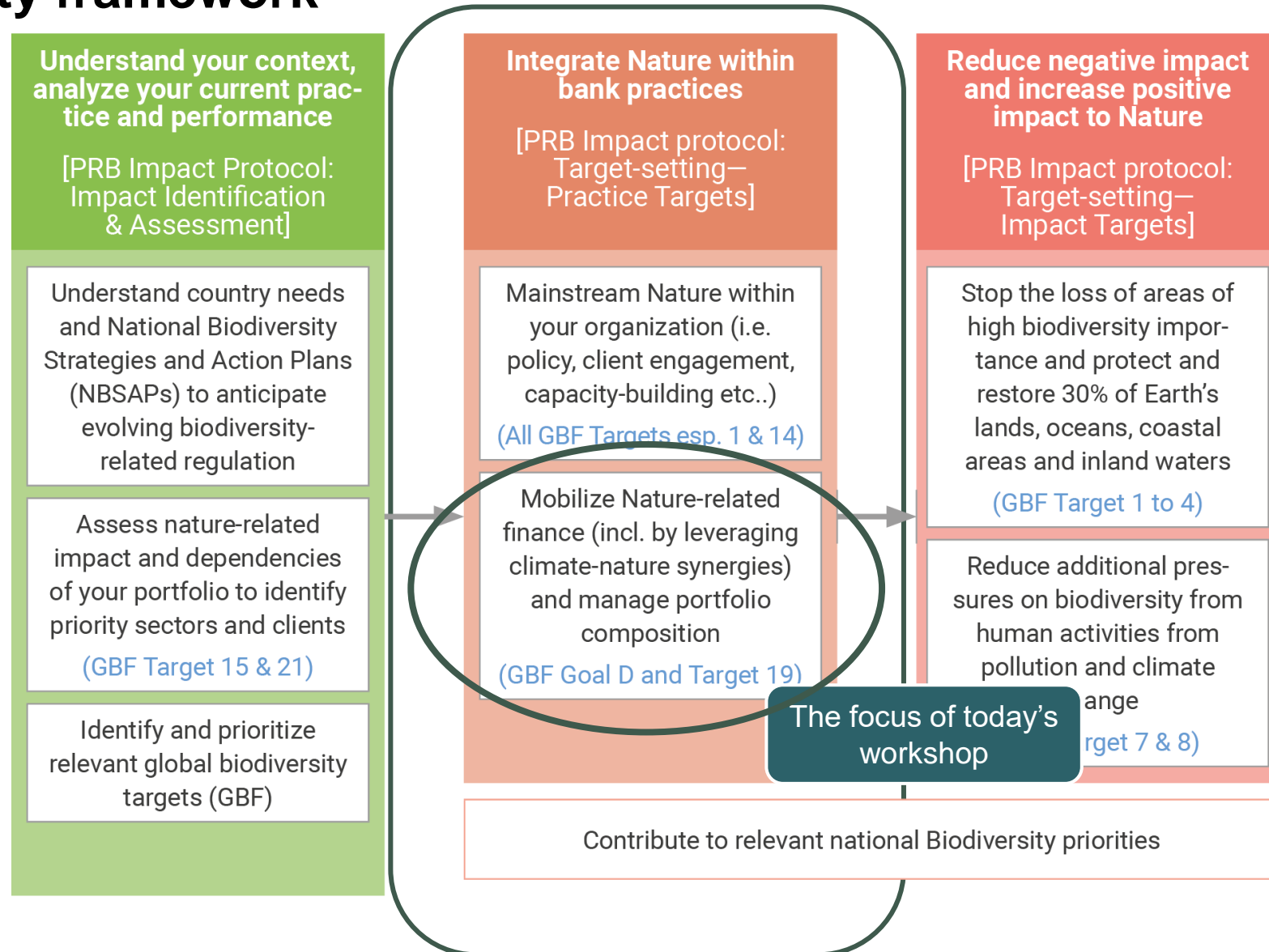
## Recap: what we covered at Workshop 2#



- Integrating nature within practices and processes
  - Policies and processes
  - Capacity Building, Culture & Governance
  - Client engagement
  - Stakeholder engagements



# High-level PRB approach in the context of the Global biodiversity framework



# Today's agenda

Opening and recap 10'

Categorizing clients and projects & the role of taxonomies 30'

Mizuho Financial Group's experience 20'

- Presentation by Ms. Kumiko Takahashi, Director, Sustainability Planning Department

Financial instruments supporting nature 30'

Briefly about practice target setting and reporting 5'

Closing 5'

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**Let's warm up! How do you feel before today's workshop?**

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**Do you have any takeaways from the previous workshops? Please tell us!**

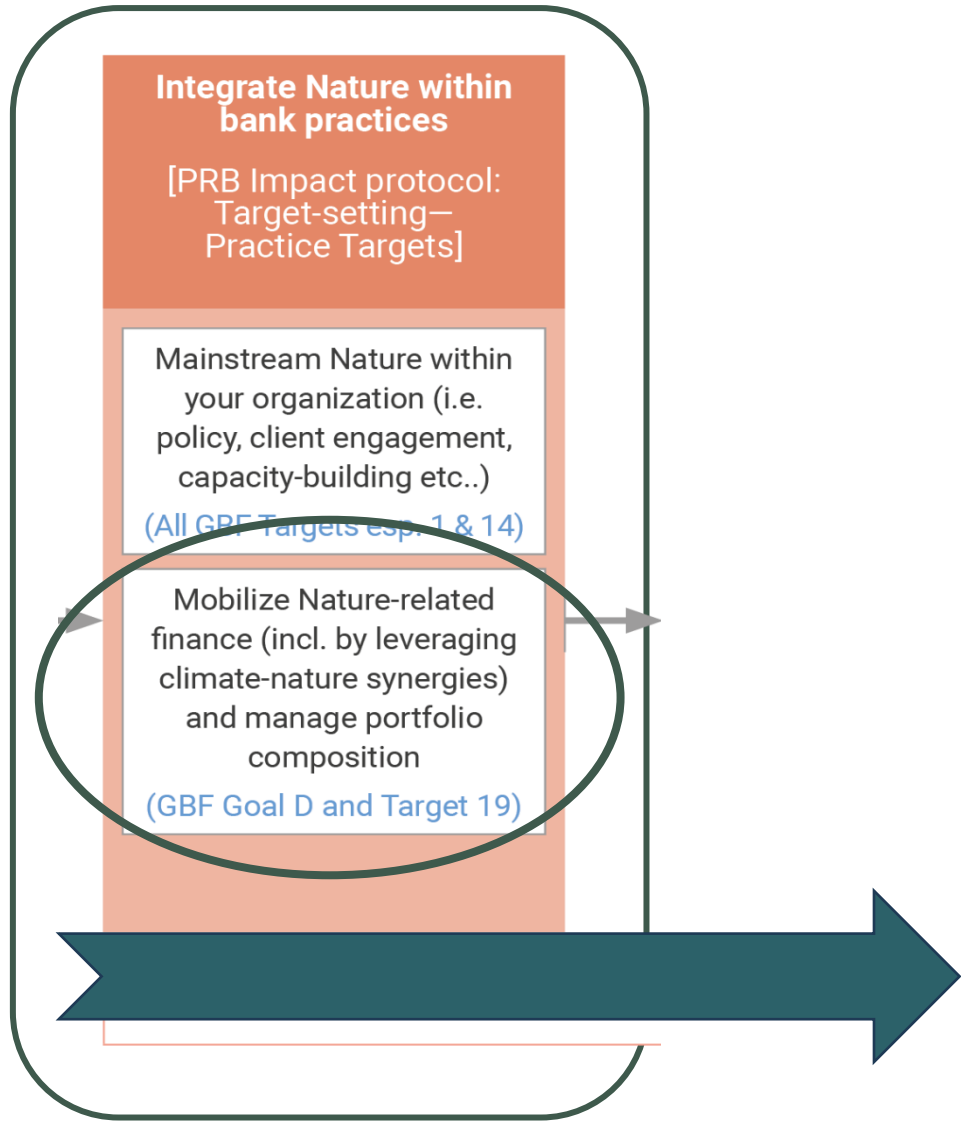
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# — Portfolio Categorization

# High-level PRB approach in the context of the Global Biodiversity Framework



A key function of a bank with regards to impact is where and how it can direct capital, and whether this shift in financial flows and portfolio composition supports a net change in positive or negative impact.

Therefore, it's highly important to categorise and track the financial flows and proportions of financial activity dedicated to nature-related activities.

# Portfolio Categorization

## An overview

**3 key levers for banks to reduce their negative impact and increase their positive impact on nature**

| "Nature-positive" clients & projects              | Clients in Transitionable "key negative" sectors/activities                              |   | Clients in non transitionable "key negative" sectors/activities          |
|---|--|---|--|
|   | Transition finance   | Under engagement  |  |
| Activities delivering GBF positive impact targets | Products that support clients in shifting from harmful to neutral or positive activities | Identified but not yet operationalised opportunities for client engagement (e.g., setting nature-related targets, developing mitigation plan) | Harmful activities where no transition is possible: earmark to wind-down |



# How to use the portfolio categorization

**In order to align the portfolio composition with the Global Biodiversity Framework**, banks should be able to broadly categorize financing transactions into whether they are a) 'positive' or contribute to the GBF, whether they are b) opportunities for transition finance, or indeed whether they should be c) of concern or trigger safeguards.

**Banks can use the 3 key levers (or categories)** in the following way:

1. Existing Customers:
  - a) Existing customers / assets can be mapped against these 3 levers based on their sector/ or industry activity
  - b) This can derive key actions for banks that can be taken for each customer based on their categorization
2. New Customers / Transactions:
  - a) New customers / transactions can be assessed against these categories to ensure new transactions are aligning with portfolio composition targets
3. Tagging and reporting of portfolio against the categories provide information on the level of alignment with the GBF and allows for the bank to attain portfolio composition targets.

A few key considerations:

- Not all use of proceeds by clients will be known, for example in corporate general-purpose lending, Thus a bank might have to look at the performance of the client overall rather than individual activities.
- The vast majority of finance for a typical bank will be in the transition category.

# Annex of PRB Nature Guidance - Key sector mapping & action guidance

## NATURE KEY SECTORS

November 2023

| Contents |  |  |
|----------|--|--|
| ■        | <b>Nature Key Sectors</b>                          | The sectors that are the most important to Nature (based on ISIC industry classification)              |
|          | <b>Nature Sector Screening and Action Resource</b> | A cheat sheet of recommended actions and metrics for banks in relation to nature key sectors.          |
| ■        | <b>Technical Annex</b>                             |  |
|          | > Methodology                                      | Explains how Key Sectors were identified based on sectoral mappings from several leading organisations |
|          | > Topic nomenclature                               | Displays and maps how the source initiatives name and refer to nature related topics                   |
|          | > Sector / activity classification                 | Provides a cross-walk between the industry classifications used by the different source initiatives    |

A consolidated list of key sectors for nature, based on existing mappings, including recommendations and guidance to assist with the next engagement steps for priority sectors.

# Categorising financeable activities by banks

Screening based on sector, industry - example

| Sector (ISIC)   | Industry        | Ecosystem / realm     | Description of Financed Activity | Outcomes (nature-related)  | Type of transactions (illustrative) | Action for bank | Engagement Recommendation  | Illustrative KPI on the financial product (IRIS+) | Illustrative KPI for bank at portfolio level on theme   | Included in major market standards? | Relevant GBF impact target |
|-----------------|-----------------|-----------------------|----------------------------------|--|-------------------------------------|-----------------|--|---|---|-------------------------------------|----------------------------|
| 1210 — Forestry | 0200 — Forestry | Terrestrial - forests | Regenerative agriculture         | Carbon sequestration, biodiversity uplift, improving the water cycle | Nature Positive                     | <b>SEEK OUT</b> | Support clients in Nature Positive category to grow and develop their businesses while maintaining standards | <a href="#">Forest Management Plan (O12622)</a>   | % of portfolio / volume of finance provided to nature positive (can be linked to climate solutions) - sample target e.g. USD 1 billion new lending to nature positive clients and / or activities by 2030 | ISO/TR 24699:2009                   | 2, 3, 7, 8, 10,11          |

## Realm : Forests

Sources: IFC [Biodiversity Finance Reference Guide](#), WEF AlphaBeta analysis, ENCORE, sustainable blue economy guidance, etc.



# Categorising financeable activities by banks

Screening based on sector, industry - example

| Sector (ISIC)                           | Industry  | Ecosystem / realm     | Description of Financed Activity   | Outcomes (nature-related)                   | Type of transactions (illustrative) | Action for bank               | Engagement Recommendation  | Illustrative KPI on the financial product (IRIS+)  | Illustrative KPI for bank at portfolio level on theme   | Included in major market standards?         | Relevant GBF impact target |
|---|---|-----------------------|------------------------------------|---|-------------------------------------|-------------------------------|--|--|---|---|----------------------------|
| 0219 — Growing of other perennial crops | 0831— Forest Nurseries and Gathering of Forest Products | Terrestrial - forests | Rubber plantation on degraded land | Improve biodiversity values via restoration | Transition Finance                  | <b>ENGAGEMENT OPPORTUNITY</b> | Opportunity to encourage client to integrate industry best practices | <a href="#">Species Extinction Threat (PD6363)</a> | % of portfolio / volume of finance provided to transition / deforestation-free portfolios by 2025 | Regenerative Organic Alliance certification | 2, 3, 7, 8, 10,11          |

## Realm : Forests

Sources: IFC [Biodiversity Finance Reference Guide](#), WEF AlphaBeta analysis, ENCORE, sustainable blue economy guidance, etc.

# Categorising financeable activities by banks

Screening based on sector, industry - example

| Sector (ISIC)                            | Industry    | Ecosystem / realm     | Description of Financed Activity           | Outcomes (nature-related)  | Type of transactions (illustrative) | Action for bank               | Engagement Recommendation  | Illustrative KPI on the financial product (IRIS+) | Illustrative KPI for bank at portfolio level on theme   | Included in major market standards? | Relevant GBF impact target |
|--|-------------|-----------------------|--|--|-------------------------------------|-------------------------------|--|---|---|-------------------------------------|----------------------------|
| 1010 — Processing and preserving of meat | 1010 — FMCG | Terrestrial - forests | Packing of beef or soy products for retail | Risks linked to deforestation in supply chain, depending on location and other factors | Avoid financing / Phase out         | <b>CHALLENGE / AVOID HARM</b> | No new finance for clients producing or buying beef or soya beans from land cleared or converted after 2008 in the Amazon. Exclude new financing where clients not willing to meet sustainability criteria (engage w client) | N/A (no product KPI for avoided finance)          | % of portfolio to be wound down or phased out consistent with the Paris agreement and GBF / deforestation-free portfolios by 2025 |                                     | 14 (if avoided)            |

## Realm : Forests

Sources: IFC [Biodiversity Finance Reference Guide](#), WEF AlphaBeta analysis, ENCORE, sustainable blue economy guidance, etc.

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**Company with chemically intensive cotton crop production and apparel supply chain operations that impact protected areas or areas of high water stress.**

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**Company with microirrigation projects which reduce water footprint, increase farm productivity and increase farmer incomes.**

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**Municipality company with activities Wastewater Treatment, Reuse, Conveyance Infrastructre, retrofitting existing infrasturcture.**

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# Categorising financeable activities by banks

## Screening based on realm - example

| Sector (ISIC)                            | Industry  | Ecosystem / realm | Description of Financed Activity  | Outcomes (nature-related)   | Type of transactions (illustrative) | Action for bank               | Engagement Recommendation  | Illustrative KPI on the financial product (IRIS+) | Illustrative KPI for bank at portfolio level on theme   | Example: Financial Products | Included in major market standards? | Relevant GBF impact target |
|--|---|-------------------|---|---|-------------------------------------|-------------------------------|--|---|---|-----------------------------|-------------------------------------|----------------------------|
| 3219 — Textiles                          | 1729 — Manufacture of fabric for industrial use, textiles | Freshwater        | Chemically intensive cotton crop production and apparel supply chain operations that impact protected areas or areas of high water stress | Loss of freshwater resources, water use inefficiency                  | Avoid financing / Phase out         | <b>CHALLENGE / AVOID HARM</b> | All new finance for water intensive sites in basins facing high water risks require verified water stewardship plans. Exclude new financing where clients not willing to meet sustainability criteria (engage w client)  | N/A (no product KPI for avoided finance)          | % of portfolio to be wound down or phased out consistent with the Paris agreement and GBF           | Sovereign lending           | Alliance for Water Stewardship      | 1, 2, 3, 10, 11, 12        |
| 4200 — Agriculture                       | 4100 — Agriculture Infrastructure                         | Freshwater        | Microirrigation projects which reduce water footprint, increase farm productivity and increase farmer incomes                             | Reduced abstraction of freshwater, reduced carbon and water footprint | Nature Positive                     | <b>SEEK OUT</b>               | Support clients in Nature Positive category to grow and develop their businesses while maintaining standards   | <a href="#">Water Type (OD7536)</a>               | % of portfolio / volume of finance provided to nature positive (can be linked to climate solutions) | Corporate loans, bonds      | Alliance for Water Stewardship      | 14 (if avoided)            |
| 4200 — Industrial / Urban Infrastructure | 4100 — Wastewater Treatment / Reuse Infrastructure        | Freshwater        | Wastewater Treatment, Reuse, Conveyance Infrastructure, retrofitting existing infrastructure  | Total Water Recycled and Reused                                       | Transition Finance                  | <b>ENGAGEMENT OPPORTUNITY</b> | Engagement with sovereign clients e.g. Municipal Corporations / Urban Local Bodies for identification of opportunities to implement wastewater reuse projects and discuss the potential of water reuse investments in water intensive industries emphasising the importance of circular economy principles | <a href="#">Water Discharged (OI0386)</a>         | % of portfolio / volume of finance provided to transition   | Sovereign lending           | Alliance for Water Stewardship      | 2, 3, 7, 8, 10,11          |
|  |   |                   |   | Total Groundwater conserved and harvested, Climate Resilience,        | Transition Finance                  |                               |  |   |   |                             | Alliance for Water Stewardship      | 2, 3, 7, 8, 10,11          |

### Realm : Freshwater

Sources: IFC [Biodiversity Finance Reference Guide](#), WEF AlphaBeta analysis, ENCORE, sustainable blue economy guidance, etc.



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# Portfolio Categorization

Nature-positive clients and  
projects („seek out”)

# Deep Dive: Nature-positive clients and projects („seek out”)

| “Nature-positive” clients & projects              | Clients in Transitionable “key negative” sectors/activities                              |   | Clients in non transitionable “key negative” sectors/activities          |
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|   | Transition finance   | Under engagement  |  |
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# Nature-positive clients and projects („seek out”) Deep Dive

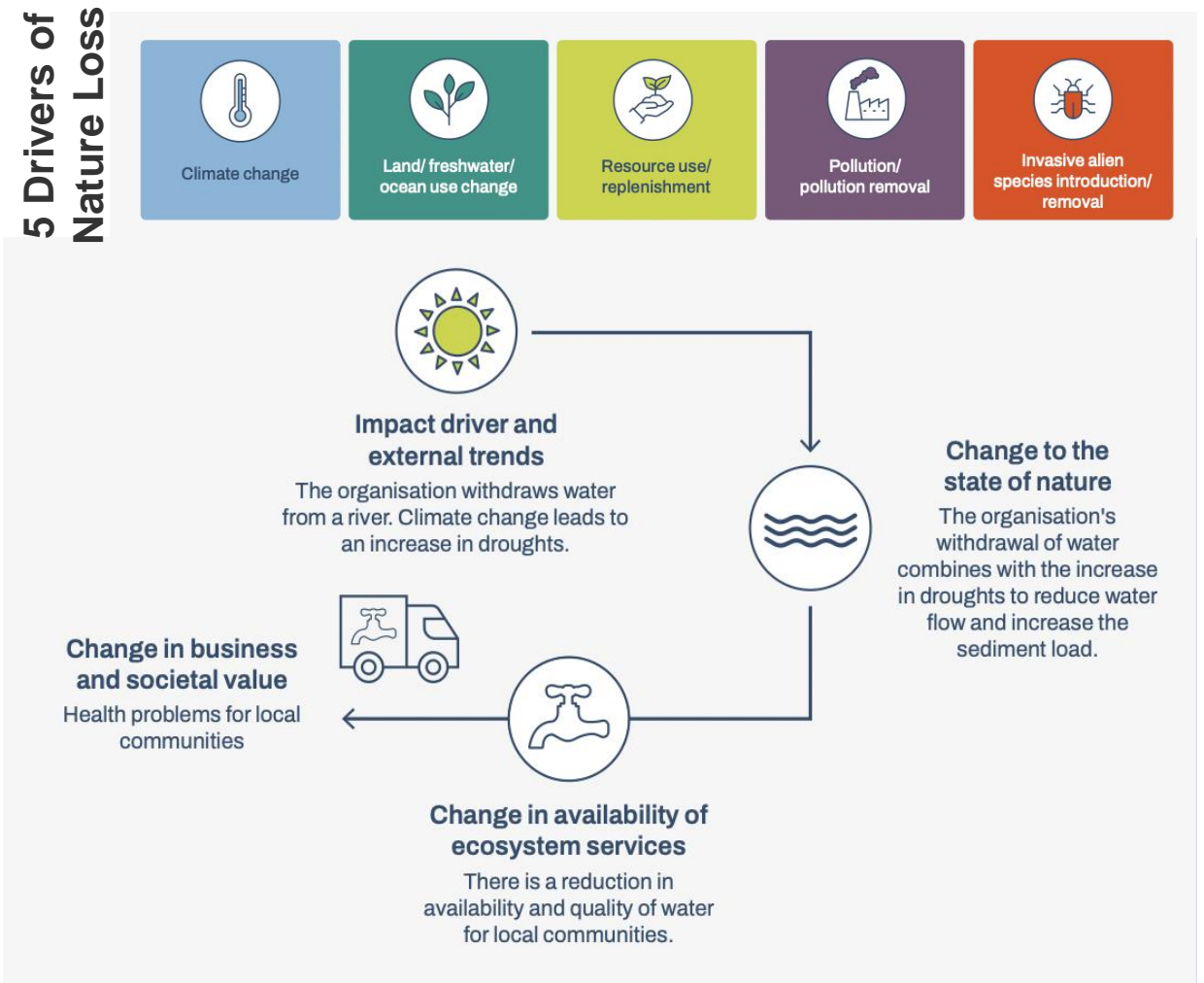
- Financing or enabling entities and activities that *develop* and *scale* **conservation**, **restoration** or **sustainable use**, delivering particularly on GBF targets 1–3 and 11.
- Your bank should transparently and clearly define what they define as “nature-positive”, cross-referencing to the GBF impact targets.
- These entities or activities are expected at this stage to be a small proportion of each bank’s portfolio given the challenge in developing relevant financial products.
- These are activities most likely present in the Substantial Contribution’ pillar of a sustainable finance taxonomy (if your country has a green or sustainable finance taxonomy).

**The term “nature-positive” is not defined in the Global Biodiversity Framework**

**Broadly speaking, the term is used to describe a world *where nature—especially biodiversity comprising species, genes, and ecosystems—is being restored and is regenerating rather than declining.***

# Nature-positive clients and projects („seek out”) Relevance of ‘Impact Pathways’

- An **impact pathway** describes how, as a result of a specific business activity, a particular impact driver can lead to changes in natural capital and flows of ecosystem services, and how these changes affect different stakeholders (TNFD, 2023).
- It is important to understand the difference between **impact drivers** and **impact to nature** (change to the state of nature), as many green & sustainable taxonomies consider reduction in impact drivers (such as pollution control) that is relevant to reduced pressures on nature, and only few directly address the impact to nature (such as restoration of ecosystems).





# Nature-positive clients and projects („seek out”) How taxonomies incorporate nature

Taxonomies offer a way for countries to ensure that local assets, activities, projects, and entities labelled as “green”, social, and sustainable make a substantial contribution to achieving both international goals and national development strategies and priorities.

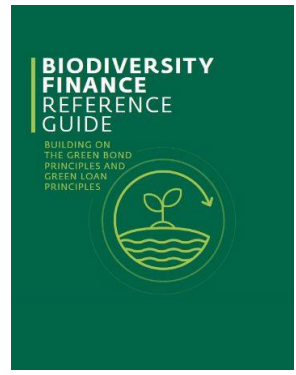
Taxonomies can provide guidance on what can be broadly considered as nature-positive. In general, they can address or incorporate nature-related assessment through part or all of the following approaches:

- as an **environmental objective (EO)**;
- as an eligible green category / project, through qualitative and/or quantitative **eligibility criteria**;
- as part of **do no significant harm (DNSH)** criteria (e.g. when nature is not the primary EO).



# Nature-positive clients and projects („seek out”) Green Taxonomies and relevant Nature Objectives

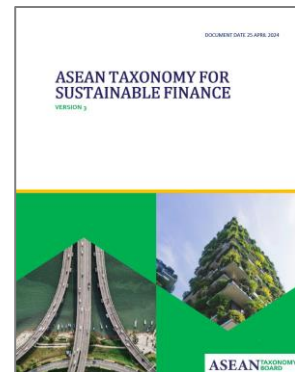
## Emerging international guidance documents on ‘Nature Finance’



[www.ifc.org/en/insights-reports/2022/biodiversity-finance-reference-guide](http://www.ifc.org/en/insights-reports/2022/biodiversity-finance-reference-guide)



[www.icmagroup.org/assets/documents/Sustainable-finance/Learning-resources/IFC-Blue-Finance-Guidance-Documents-January-2022-270122.pdf](http://www.icmagroup.org/assets/documents/Sustainable-finance/Learning-resources/IFC-Blue-Finance-Guidance-Documents-January-2022-270122.pdf)



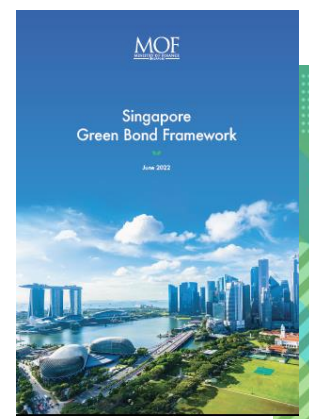
<https://www.theacmf.org/images/downloads/pdf/ASEAN-Taxonomy-Version-3.pdf>

## Regional Taxonomies: ASEAN Taxonomy for Sustainable Finance

## Nature Taxonomies in Asia Pacific

绿色债券支持项目目录（2021年版）

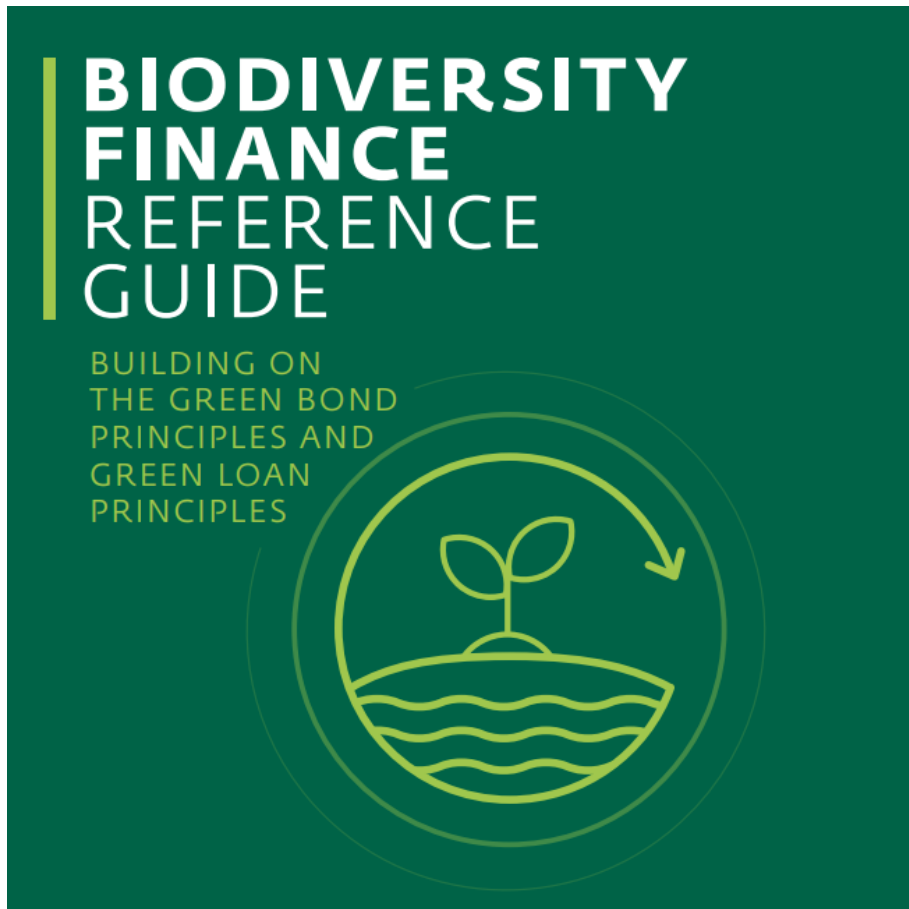
| 领域          | 项目名称  | 说明/条件   |
|-------------|---|---|
| 一、可再生能源类    |   |   |
| 1.1.1 可再生能源 | 风电、太阳能发电、生物质发电、水力发电、地热能发电、海洋能发电、氢能发电、储能发电、其他可再生能源发电 | 符合国家可再生能源发展规划，符合国家可再生能源发电上网电价政策，符合国家可再生能源发电补贴资金管理暂行办法，符合国家可再生能源发电项目开发建设管理暂行办法，符合国家可再生能源发电项目开发建设管理暂行办法，符合国家可再生能源发电项目开发建设管理暂行办法 |
| 1.1.2 可再生能源 | 风电、太阳能发电、生物质发电、水力发电、地热能发电、海洋能发电、氢能发电、储能发电、其他可再生能源发电 | 符合国家可再生能源发展规划，符合国家可再生能源发电上网电价政策，符合国家可再生能源发电补贴资金管理暂行办法，符合国家可再生能源发电项目开发建设管理暂行办法，符合国家可再生能源发电项目开发建设管理暂行办法                         |
| 1.1.3 可再生能源 | 风电、太阳能发电、生物质发电、水力发电、地热能发电、海洋能发电、氢能发电、储能发电、其他可再生能源发电 | 符合国家可再生能源发展规划，符合国家可再生能源发电上网电价政策，符合国家可再生能源发电补贴资金管理暂行办法，符合国家可再生能源发电项目开发建设管理暂行办法，符合国家可再生能源发电项目开发建设管理暂行办法                         |
| 1.1.4 可再生能源 | 风电、太阳能发电、生物质发电、水力发电、地热能发电、海洋能发电、氢能发电、储能发电、其他可再生能源发电 | 符合国家可再生能源发展规划，符合国家可再生能源发电上网电价政策，符合国家可再生能源发电补贴资金管理暂行办法，符合国家可再生能源发电项目开发建设管理暂行办法，符合国家可再生能源发电项目开发建设管理暂行办法                         |
| 1.1.5 可再生能源 | 风电、太阳能发电、生物质发电、水力发电、地热能发电、海洋能发电、氢能发电、储能发电、其他可再生能源发电 | 符合国家可再生能源发展规划，符合国家可再生能源发电上网电价政策，符合国家可再生能源发电补贴资金管理暂行办法，符合国家可再生能源发电项目开发建设管理暂行办法，符合国家可再生能源发电项目开发建设管理暂行办法                         |



## Sovereign Sustainable Finance Frameworks



# Nature-positive clients and projects („seek out”) Green Bond and Loan Principles – Biodiversity Reference Guide



[IFC’s Biodiversity Finance Reference Guide](#)

## Use of Proceeds

- To be consistent with the Green Bond Principles and Green Loan Principles, it is best practice for an issuer of green bonds or borrower of green loans with a biodiversity finance component to prepare a framework that clearly distinguishes the biodiversity activities for the **use of proceeds**.



- ▶ **Investment activities that seek to generate biodiversity co-benefits.** This category of accepted use of proceeds includes financing for activities within or through established business operations and production practices that seek to address the key drivers of biodiversity loss.
- ▶ **Investments in biodiversity conservation and/or restoration as the primary objective.** This category covers direct financing of conservation, restoration, and related services.
- ▶ **Investments in nature-based solutions to conserve, enhance, and restore ecosystems and biodiversity.** These solutions provide infrastructure-type and other services that are material to projects’ operations and that can displace or complement man-made structures (such as gray infrastructure).

# Nature-positive clients and projects („seek out”)

## Green Bond and Loan Principles – Biodiversity Reference Guide (1/3)

### Use of Proceeds



Examples:

- Climate-smart agriculture
- Measures that achieve conservation, greater efficiency, and sustainable water use
- Biodiversity-friendly fishing
- Sustainable tree-crop production

See full (but non exhaustive) list in IFC's guide

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# Nature-positive clients and projects („seek out”)

## Green Bond and Loan Principles – Biodiversity Reference Guide (2/3)

Examples:

- Conservation or restoration to create biodiversity credits
- Payments for ecosystem services
- Wetland conservation/restoration to provide and sustain ecosystem services
- Watershed management activities

See full (but non exhaustive) list in IFC's guide

### Use of Proceeds



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# Nature-positive clients and projects („seek out”) Green Bond and Loan Principles – Biodiversity Reference Guide (3/3)

Examples:

- Natural or ecological infrastructure that prevents runoff of agrochemicals and sediment into rivers or coastal water basins
- Green/blue urban infrastructure such as green roofs
- Nature-based solutions for solar farms

See full (but non exhaustive) list in IFC's guide

## Use of Proceeds



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# Nature-positive clients and projects („seek out”) ASEAN Taxonomy for Sustainable Finance – version 3 (1/2)

- “Protection of healthy ecosystems & biodiversity” is one of the four **environmental objectives** (EO3).
- It focuses on the incorporation of conservation, restoration, and protection mechanisms of the natural ecosystem and biodiversity. This is location and context specific.
- The Taxonomy also requires any Activity to fulfil three Essential Criteria (EC) for classification: **Do No Significant Harm (DNSH)**, **Remedial Measures to Transition (RMT)**, and **Social Aspects (SA)**.

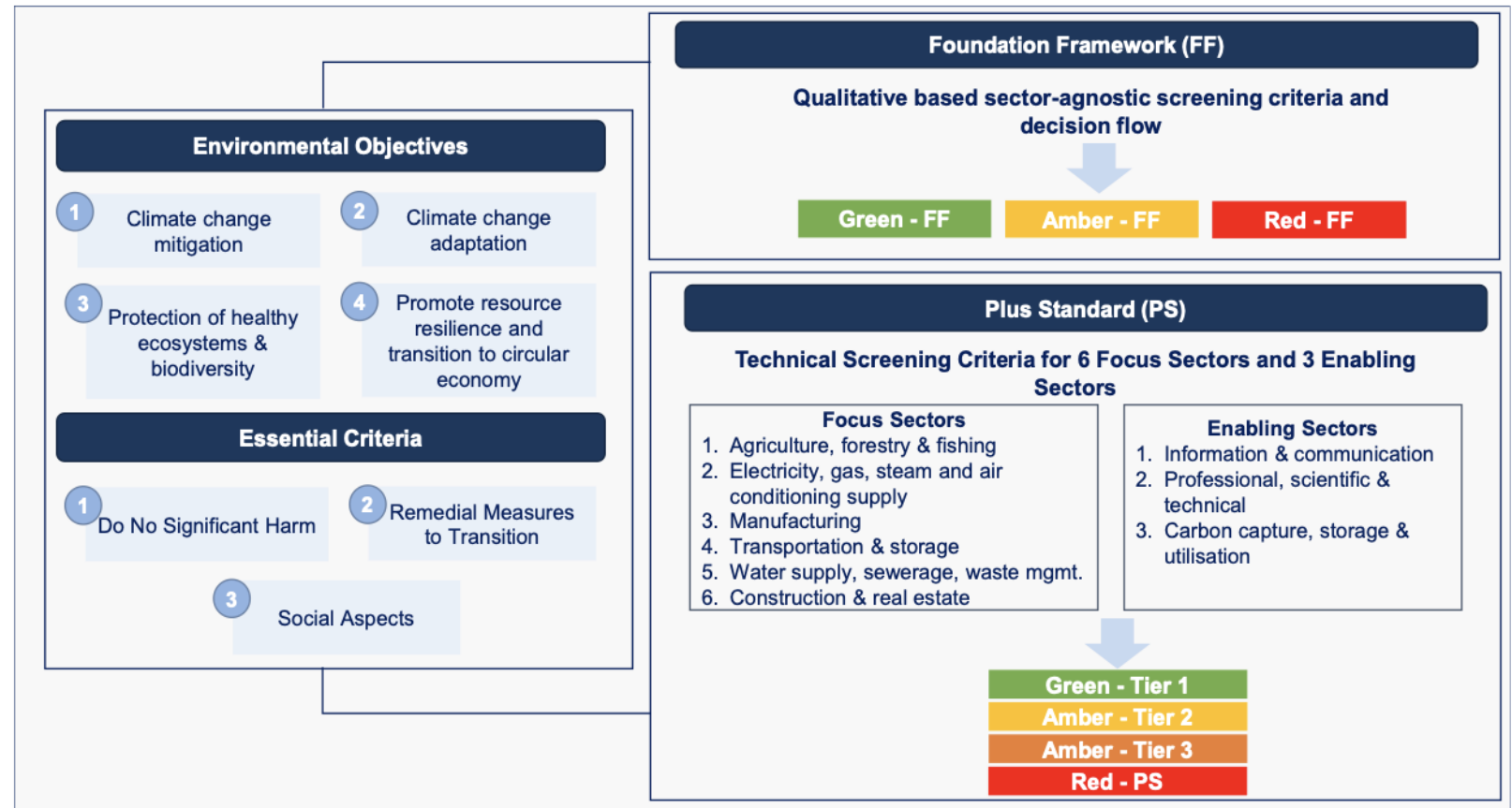
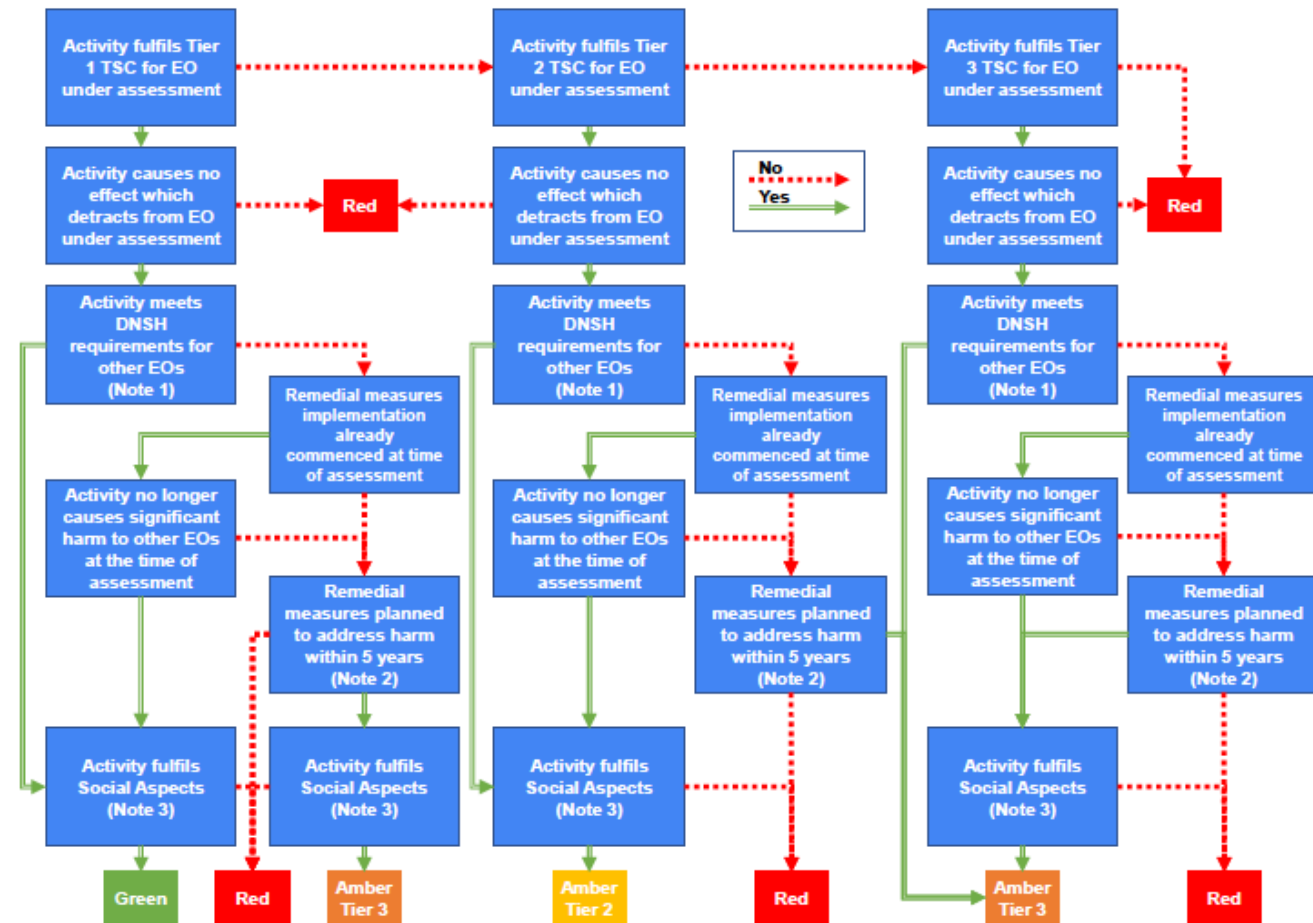


Figure 1: Structure of the ASEAN Taxonomy



# Nature-positive clients and projects („seek out”) ASEAN Taxonomy for Sustainable Finance – version 3 (2/2)

- To cater to diverse potential users, the approaches for assessment under the ASEAN Taxonomy include the principles-based **Foundation Framework (FF)** that allows for a qualitative assessment on Activities, and the **Plus Standard (PS)** which uses Technical Screening Criteria (TSC) to classify Activities as either ‘Green’ or ‘Amber’.
- The *right-side* figure shows the **PS Assessment Tree**, where the Company is required to provide evidence of the fulfilment of the terms of the EO (or EOs), DNSH (if material), RMT (if applicable) and Social Aspects.



**Notes**  
 1. DNSH Requirements are the same for all Tiers  
 2. Activity must be re-assessed to ensure harm has been remediated within 5 years  
 3. Social Aspects are the same for all Tiers



# Nature-positive clients and projects („seek out”) Indonesia Taxonomy for Sustainable Finance (1/2)



- The Taxonomy adopted some of the main features of the ASEAN Taxonomy for Sustainable Finance, including the four environmental objectives (EO), as well as the three essential criteria (EC), namely Do No Significant Harm/DNSH (EC1), Remedial Measures to Transition/RMT (EC2), and Social Aspect/SA (EC3).
- “Protection of Healthy Ecosystems and Biodiversity” is one of the four EOs under this taxonomy, i.e. EO3
- It is designed to assess an Activity using an EO and essential criteria (EC) approach. For corporates, the assessment will be conducted using Technical Screening Criteria (TSC), while for other types of issuers, the Sector-agnostic Decision Tree (SDT) Assessment will be used.
- EO3 is embedded in these different components of the Taxonomy, depending on the selected EO(s) of an Activity. *Refer to general principles in the following slide.*

# Nature-positive clients and projects („seek out”) Indonesia Taxonomy for Sustainable Finance (2/2)

## EO3: Protection of Healthy Ecosystems and Biodiversity

EO3 focuses on the incorporation of conservation, restoration, and protection mechanisms of the natural ecosystem and biodiversity. EO3 is location and context specific, typically relevant for Activities related to the agriculture, forestry and fisheries, real estate and manufacturing sectors. EO3 aims to promote positive impacts and minimize or eliminate negative impacts of an Activity on natural ecosystems and biodiversity.



### General Principles for EO3 Criteria

An Activity intended to promote EO3 shall conform with the following principles while simultaneously minimizing or eliminating negative impacts on the natural ecosystem and biodiversity:

1. Enable ecosystem restoration and/or facilitate the protection of ecosystems.
2. Implement necessary measures to protect ecosystems and biodiversity.
3. Enforce and empower existing policies related to the protection of natural areas.
4. Take into consideration the sustainable and equitable use of biodiversity and ecosystem services.
5. Substantially contributes to environmental protection from pollution by improving levels of air, water, and/or land quality, including the cleaning up of litter and other pollution.
6. Substantially contributes to achieving good environmental status of Bodies of Water, through protection, preservation, or restoration mechanisms; including improving water management and efficiency activities, as well as promoting the sustainable use of water through the long-term protection of available water resources.

### Examples of EO3 Criteria

1. Obtain and implement Environmental Impact Assessment/Environmental and Social Impact Assessment (AMDAL/UKL-IPL/SPPL).
2. Undertake the management of protected and/or rare, endangered, and endemic flora and fauna as documented in accordance with established provisions and/or scientific research/biodiversity studies.

**SDT assessment** are used for economic activities that fall under the scope of the Indonesia Taxonomy. The assessment is conducted by answering principle-based guiding questions, which can be adjusted according to user needs and local conditions.

## EO3: Protection of Healthy Ecosystems and Biodiversity

| List of Guiding Questions   |
|---|
| Does the Activity contribute to protecting, preserving, restoring, minimizing negative effects on ecosystems and biodiversity, or enable other stakeholders and/or Activities to protect ecosystems and biodiversity? |
| Fulfills question 1 or 2:   |
| 1. Does the activity contribute to one of the EO3 principles (as outlined in CHAPTER 2.B.1)?  |
| 2. Does the Activity enable other stakeholders (including communities) and/or other Activities in protecting ecosystems and biodiversity?   |

| General Guidelines of DSH EO3                                |   |
|--|---|
| Objective  | Condition Causing Significant Harm  |
| Sustainable use and protection of water and marine resources | The activity that harm ecology, water bodies, including surface water and groundwater, or marine waters should be addressed through appropriate measures;   |
| Pollution prevention and control                             | The activity results in increased emissions into the air, water, or land compared to conditions prior to its commencement;  |
| Protection of healthy ecosystems                             | The activity that significantly harms the condition and resilience of ecosystems or the conservation status of habitats and species, including community interests, should be carefully assessed and addressed. |

# Nature-positive clients and projects („seek out”) Singapore Green Bond Framework (1/2)

- Although not a taxonomy, Singapore’s sovereign Green Bond Framework incorporates nature in its environmental objectives and Green Categories (both biodiversity conservation and nature-based solutions).



*This Framework is an important component of Singapore’s overarching sustainability strategy.*

*Under this Framework, Singapore, can issue green bonds under the **Significant Infrastructure Government Loan Act 2021 (“SINGA”)**.*

*This national Framework also serves as a reference for Statutory Boards’ respective green bond frameworks.*


*For the eligibility criteria, the Framework took reference from existing market standards and principles (e.g. ICMA, CBI), wherever relevant and feasible.*







# Nature-positive clients and projects („seek out”) Singapore Green Bond Framework (2/2)



**Green Category: Climate Change Adaptation**



|  |   |
|--|---|
| <p><b>Environmental Objective</b><br/>Climate change adaptation</p>  | <p><b>Sub-categories</b></p> <ul style="list-style-type: none"> <li>Information support systems, such as climate observation and early warning systems</li> <li>Climate change resilient infrastructure, flood defence systems that reduce flood risks and other risk mitigation programmes</li> <li>Technical consultancy and subsequent engineering activities dedicated to adaptation to climate change</li> <li>Modelling system, for simulating, evaluating, and forecasting flood risks</li> <li>R&amp;D relating to coastal protection</li> <li>Nature-based solutions to strengthen climate resilience such as coastal and inland flood resilience, and measures to achieve Urban Heat Island (“UHI”) mitigation such as urban planning and building design to maximise shade and wind flow as well as the use of urban greenery to reduce heat absorption</li> </ul> |
| <p><b>Green Plan Pillar</b><br/>Resilient Future</p>   | <p><b>Examples of Eligible Expenditures</b></p> <ul style="list-style-type: none"> <li><i>Site-specific studies to tailor coastal protection strategies, and implementation of coastal adaptation measures. Site-specific studies at different segments of Singapore’s coastline will be progressively carried out to identify adaptation pathways and protection measures, which form Singapore’s long-term coastal protection plans.</i></li> <li><i>Development of Coastal-Inland Flood Model to manage inland and coastal flood risks holistically. The development of the Coastal-Inland Flood Model, that is capable of simulating and evaluating both inland and coastal flood risks holistically.</i></li> </ul>  |
| <p><b>SDGs mapping</b></p>  |   |

**Green Category: Biodiversity Conservation and Sustainable Management of Natural Resources and Land Use**



|  |  |
|--|--|
| <p><b>Environmental Objective</b><br/>Biodiversity conservation<br/>Natural resource conservation</p>  | <p><b>Sub-categories</b></p> <ul style="list-style-type: none"> <li>Improvement in sustainability and liveability of the urban environment             <ul style="list-style-type: none"> <li>Reforestation, conservation, habitat restoration, and species recovery</li> <li>Terrestrial and aquatic biodiversity conservation (e.g. habitat enhancement, nature corridors and nature ways for ecological connectivity)</li> </ul> </li> </ul>  |
| <p><b>Green Plan Pillar</b><br/>Resilient Future<br/>City in Nature</p>  | <p><b>Examples of Eligible Expenditures</b></p> <ul style="list-style-type: none"> <li><i>Transforming Singapore into a City in Nature. To transform Singapore into a City in Nature, we are conserving and extending Singapore’s natural capital island-wide, through the following key strategies:</i> <ul style="list-style-type: none"> <li>(i) Expanding the Nature Park Network;</li> <li>(ii) Intensifying nature in gardens and parks;</li> <li>(iii) Restoring nature into the urban landscape (e.g. through skyrise greenery); and</li> <li>(iv) Strengthening connectivity between Singapore’s green spaces (e.g. nature corridors, nature ways, and park connector networks).</li> </ul> </li> </ul> <p><i>NParks also works with the community to encourage nature stewardship, for example through planting an additional one million trees in Singapore under the OneMillionTrees movement. To promote community ownership, stewardship, and health and well-being, NParks’ programmes include Community in Nature, Community in Bloom, allotment gardens, Gardening with Edibles, and the development of an island-wide network of therapeutic and nature playgardens.</i></p> <ul style="list-style-type: none"> <li><i>Nature Conservation Masterplan. The Masterplan aims to systematically consolidate, coordinate, strengthen and intensify NParks’ biodiversity conservation efforts. It comprises 4 thrusts:</i> <ul style="list-style-type: none"> <li>(i) Conservation of key habitats;</li> <li>(ii) Habitat enhancement, restoration and species recovery;</li> <li>(iii) Applied research in conservation biology and planning; and</li> <li>(iv) Community stewardship and outreach in nature.</li> </ul> </li> </ul> <p>See more details <a href="#">here</a>.</p> |
| <p><b>SDGs mapping</b></p>    |  |

# — Portfolio Categorization

Clients in Transitionable  
"key negative" sectors/activities

# Deep Dive: Clients in Transitionable "key negative" sectors/activities

| "Nature-positive" clients & projects              | Clients in Transitionable "key negative" sectors/activities                              |   | Clients in non transitionable "key negative" sectors/activities          |
|---|--|---|--|
|   | Transition finance   | Under engagement  |  |
| Activities delivering GBF positive impact targets | Products that support clients in shifting from harmful to neutral or positive activities | Identified but not yet operationalised opportunities for client engagement (e.g., setting nature-related targets, developing mitigation plan) | Harmful activities where no transition is possible: earmark to wind-down |

# Clients in Transitionable "key negative" sectors/activities

## Deep Dive

### Transition finance

- Financing or enabling entities and activities that direct finance towards transition activities with nature KPIs.
- Example: activities within agriculture to improve biodiversity outcomes.

### Under engagement

- Where relationships with clients are still underway to encourage the development of transition plans, science-based targets or other.
- But this would ultimately lead to new financing opportunities as above (i.e. transition finance).



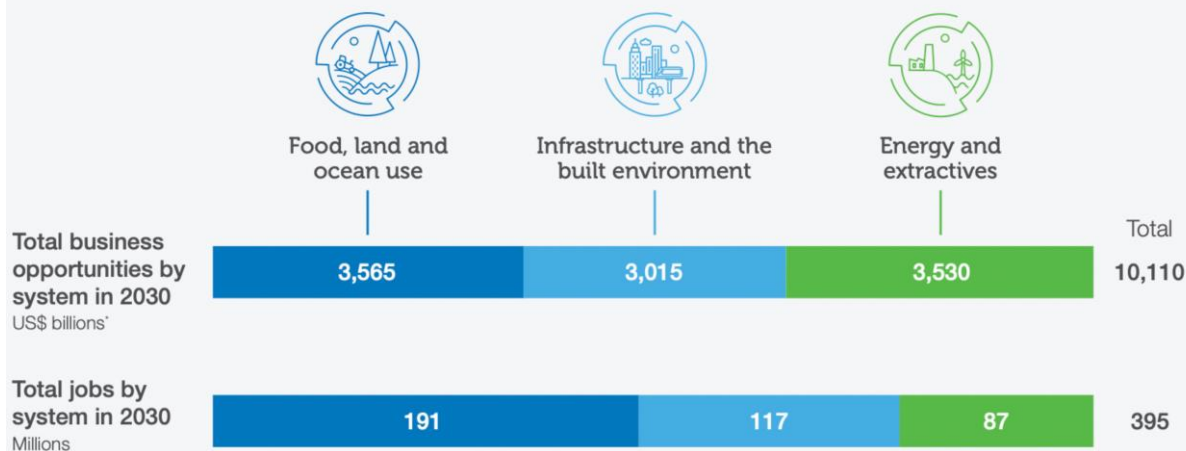
# Deep Dive: Clients in Transitionable "key negative" sectors/activities

## Transition to 'Nature-Positive' represents a significant investment opportunity

Together, the threats emerging from **three key socio-economic systems endanger around 80%** of the threatened or near-threatened species and require a critical shift towards nature-positive business models.

**15 priority transitions** across the three key socio-economic systems that can form the blueprint of a multistakeholder action agenda for nature-positive pathways.

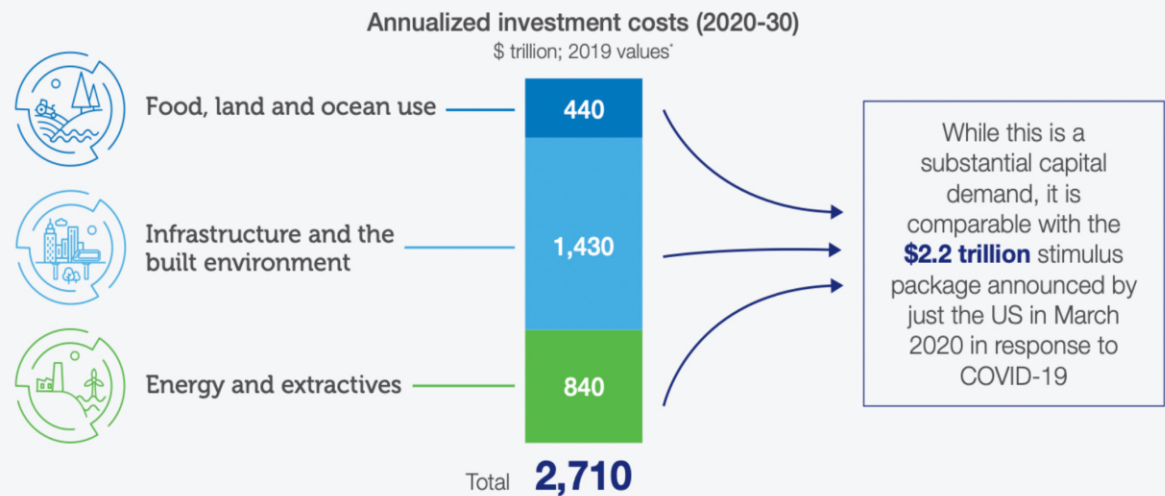
**15 transitions in the three socio-economic systems could deliver \$10.1 trillion of annual business opportunities and 395 million jobs by 2030**



\*Based on estimated savings or project market sizing in each area. These represent revenue opportunities that are incremental to business-as-usual scenarios. Where available, the range is estimated based on analysis of multiple sources. Rounded to nearest US\$5 billion.

SOURCE: Literature review; Market research; Expert interviews; AlphaBeta analysis

**Capital investment required to capture opportunities in the three systems is around \$2.7 trillion annually**









\* Based on estimated investment requirements to capture the business opportunities linked to transitions in each system. Rounded to nearest \$5 billion.

SOURCE: Literature review; Global Sustainable Investment Alliance; AlphaBeta analysis



# Deep Dive: Clients in Transitionable "key negative" sectors/activities

There are opportunities for financing the transition in many sectors

| System                                      | Industries  | Transitions                   |                                 |                                     |  |  |
|---|---|-------------------------------|---------------------------------|-------------------------------------|--|--|
|   |   | 1<br>Regenerative agriculture | 2<br>Nature-compatible products | 3<br>Nature-positive systems design | 4<br>Circular material flows and business models | 5<br>High-quality nature-based solutions |
| Food, fiber, and biofuels system            |  Agriculture, food, and beverages      | Key role/impact               | Key role/impact                 | Supporting role/impact              | Key role/impact                                  | Key role/impact                          |
|   |  Retail, consumer goods, and lifestyle | Key role/impact               | Key role/impact                 | Supporting role/impact              | Key role/impact                                  | Supporting role/impact                   |
| Infrastructure and built environment system |  Infrastructure and urban development  | Supporting role/impact        | Limited role/impact             | Key role/impact                     | Key role/impact                                  | Supporting role/impact                   |
|   |  Power and utilities                   | Supporting role/impact        | Limited role/impact             | Key role/impact                     | Limited role/impact                              | Key role/impact                          |
| Natural resources and energy system         |  Mining, metals, and oil             | Limited role/impact           | Supporting role/impact          | Key role/impact                     | Key role/impact                                  | Key role/impact                          |
|   |  Chemicals and advanced mfg.         | Key role/impact               | Key role/impact                 | Supporting role/impact              | Key role/impact                                  | Supporting role/impact                   |

■ Key role/impact   ■ Supporting role/impact   ■ Limited role/impact

# Deep Dive: Clients in Transitionable "key negative" sectors/activities

## Transition financing opportunities



**In value chain**

**Transition of real economy businesses' operations and value chain**

Finance the re-engineering of current business processes

- Finance efficiency-enhancing technologies and processes in operations (to reduce waste, recycle water, reduce energy use,...)
- Finance the transition towards a deforestation-free and conversion-free supply chain
- Finance the sustainable management of natural resources (e.g., timber, soil,...) in the value chain
- ...

Finance new products and revamping business model

- Finance the development of new products or services (e.g. alternative proteins)
- Invest in circular business models (e.g. refillable packaging and refill stations)
- Invest in regenerative agriculture, sustainable aquaculture & forestry
- Invest in ecotourism & recreation
- ...

**Beyond value chain**

**Conservation**

- Fund protected and conserved areas
- Fund other effective area-based conservation measures (OECM)
- Fund wildlife protection programs
- ...

**Restoration**

- Fund forest landscape restoration
- Fund mangrove restoration
- ...

**Transform the underlying systems**

- Invest in nature technology
- Invest in nature database and analytics
- Fund the enabling conditions (e.g. awareness, capacity building etc)
- ....

### Impact Mitigation Hierarchy



The mitigation hierarchy is a widely used tool that guides users towards limiting as far as possible the negative impacts on biodiversity (which follows the PS6 IFC standard, and the AR3T response action framework of SBTN)

World Economic Forum, 3 ways banks insurers and investors can help reverse biodiversity loss, 2024

# — Portfolio Categorization

Clients in non transitionable  
“key negative” sectors/activities

# Deep Dive: Clients in non transitionable “key negative” sectors/activities

| “Nature-positive” clients & projects              | Clients in Transitionable “key negative” sectors/activities                              |   | Clients in non transitionable “key negative” sectors/activities          |
|---|--|---|--|
|   | Transition finance   | Under engagement  |  |
| Activities delivering GBF positive impact targets | Products that support clients in shifting from harmful to neutral or positive activities | Identified but not yet operationalised opportunities for client engagement (e.g., setting nature-related targets, developing mitigation plan) | Harmful activities where no transition is possible: earmark to wind-down |

# Clients in non transitionable “key negative” sectors/activities

## Deep Dive

- Harmful activities which are earmarked to avoid new financing in line with scientific credible sources.
- Challenge harmful activities and earmark to wind-down where no transition planning is possible or the client is unwilling to consider after a period of engagement.
  - This may include historical finance which has been identified to contradict a policy related to nature, which would not be approved in present circumstances but has been earmarked to wind-down.
- A few considerations:
  - This category may be less useful for nature than for climate, as most lending and investing will be to companies with a mix of activities with different gradations of impacts.
  - For asset-based or project-based transactions (especially where use-of proceed is known) this may be useful.



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# Mizuho Financial Group's experience

Presentation by Ms. Kumiko Takahashi, Director, Sustainability  
Planning Department



# Mizuho's Initiative for Natural Capital

September 25, 2024

Sustainability Planning Department  
Mizuho Financial Group

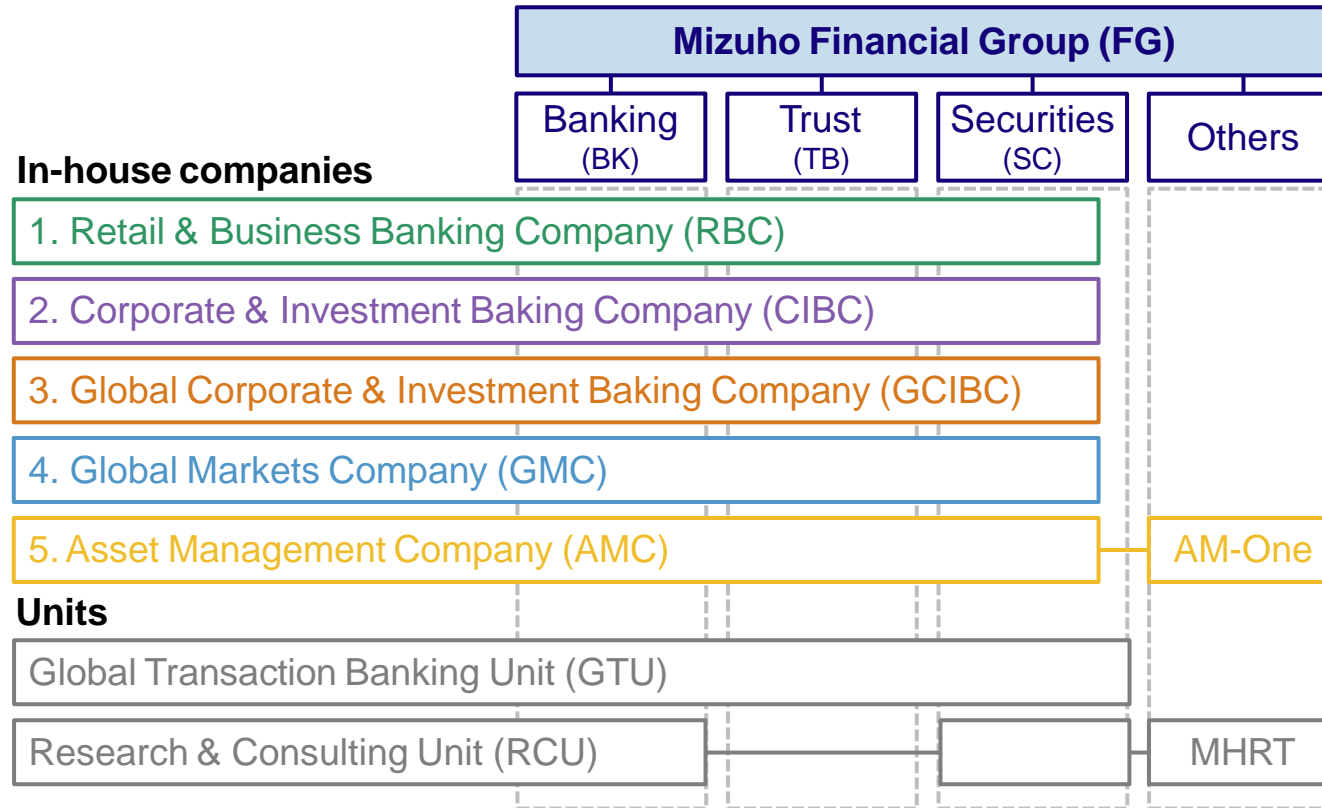
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**MIZUHO**

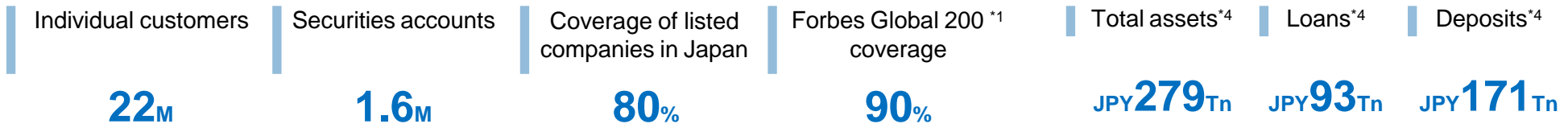
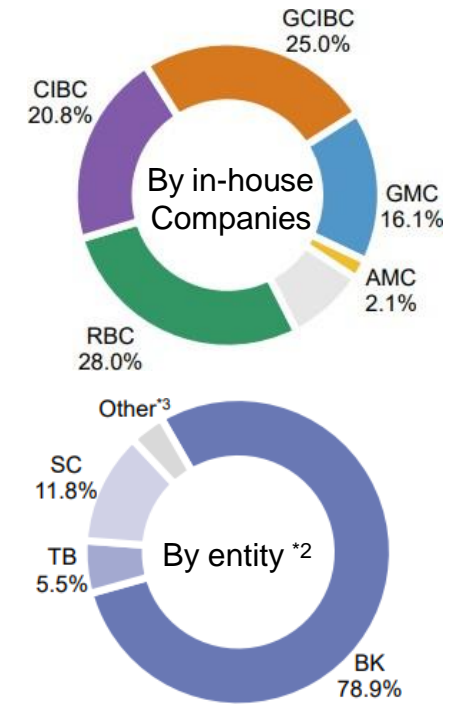
- **Mizuho's sustainability promotion structure**
- **Responding to natural capital**
  - (1) **Analysis of dependencies and impacts on natural capital**
  - (2) **Recognition of opportunities and risks and related initiatives**

# Mizuho's sustainability promotion structure

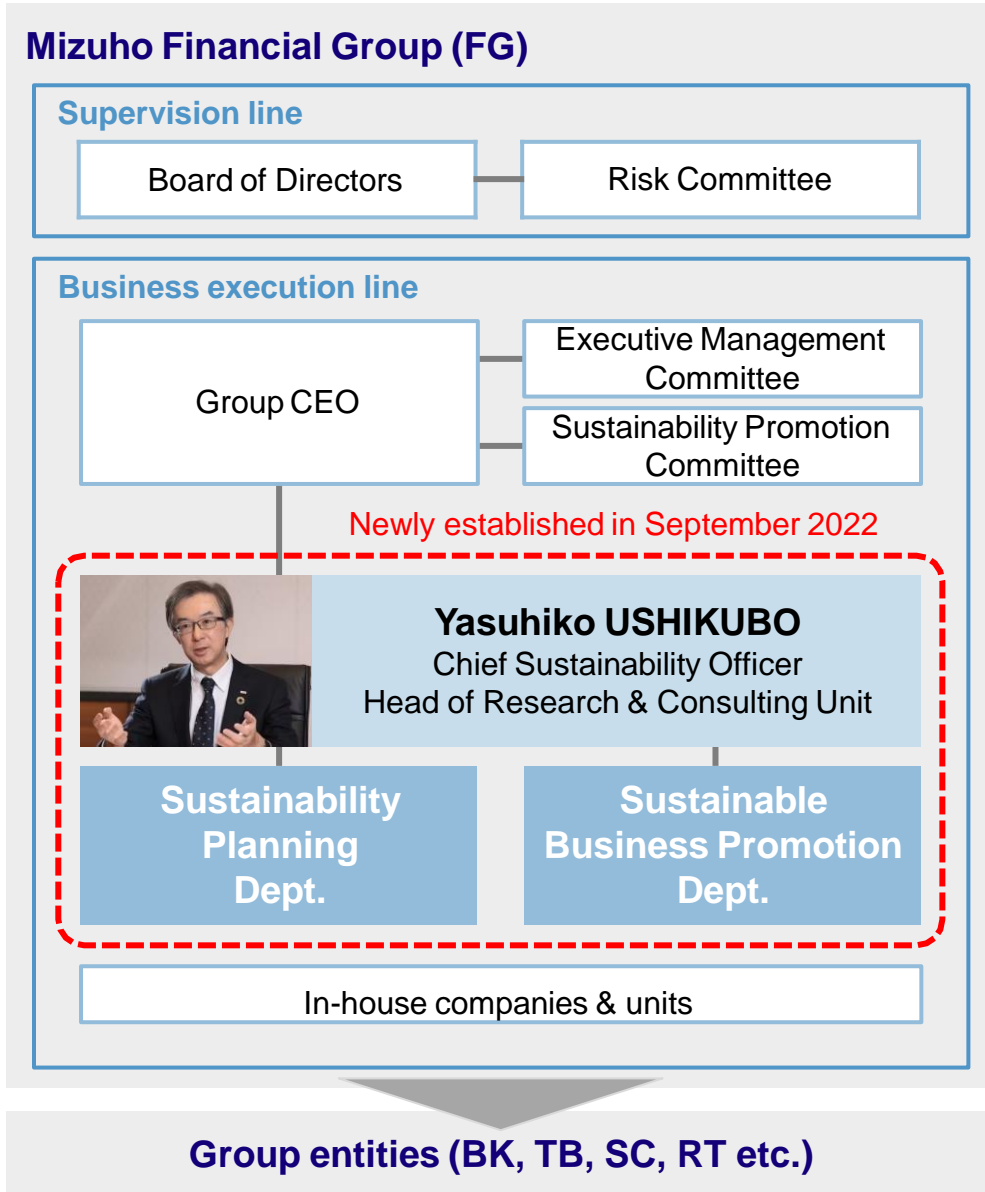
(As of March 2024/ Rounded figures)



## Gross profit by segment



\*1: Top 200 corporations from Forbes Global 2000. \*2: Consolidated basis per entity.  
 \*3: Incl. items which should be eliminated as internal transactions between subsidiaries on a consolidated basis.  
 \*4 Consolidated basis as of the end of FY2023  
 (Source) Mizuho Financial Group



### Sustainability Planning Department

- Group-wide strategic planning function in the sustainability

#### <Key functions>

- 1) Strategic planning & execution (climate change, natural capital, human rights)
- 2) Disclosure (research & analysis, GHG measurement)
- 3) Policy engagement & stakeholder communication
- 4) Internal enlightenment

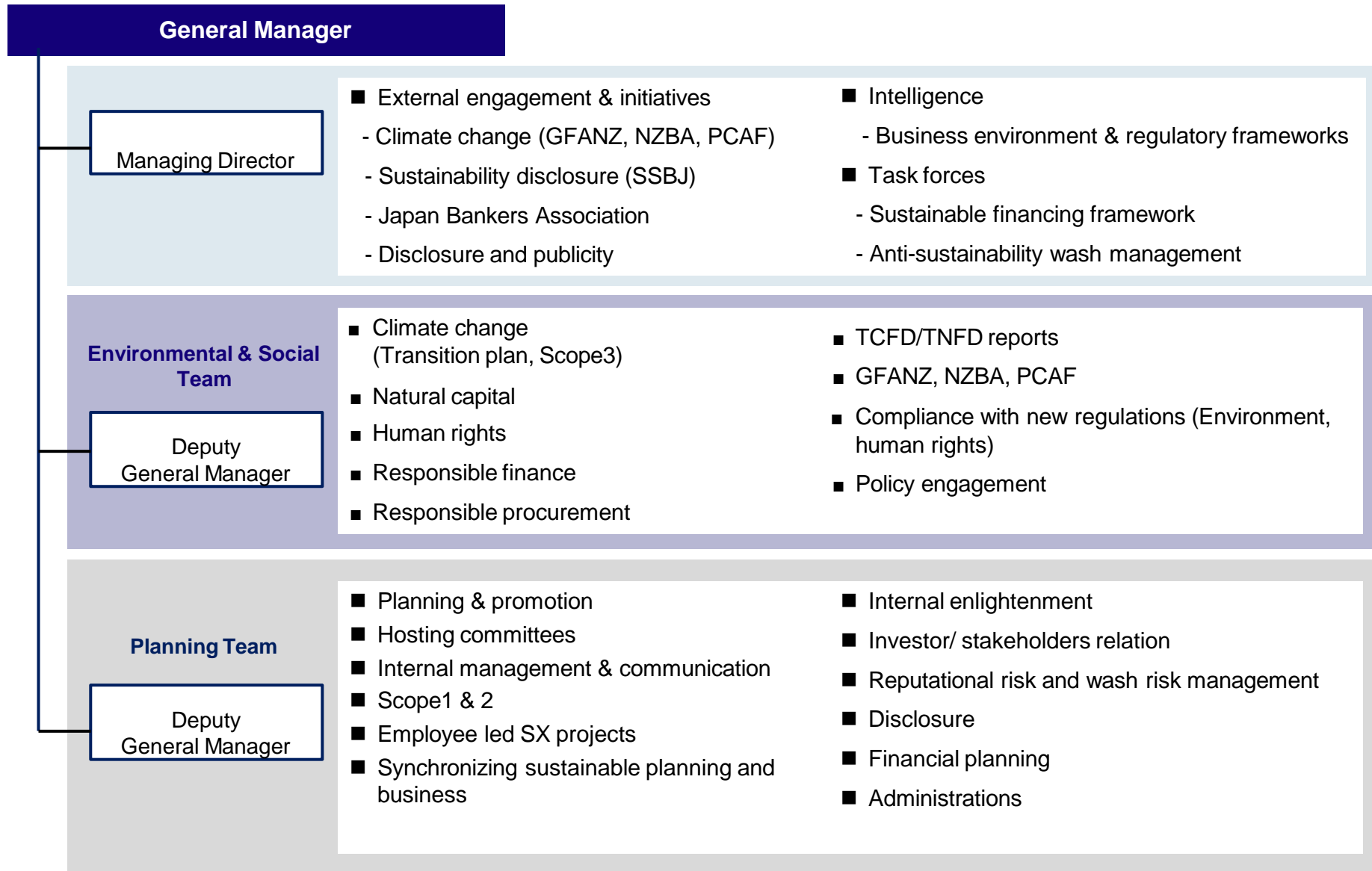
### Sustainable Business Promotion Department

- Sustainable business execution

#### <Key functions>

- 1) Business strategy planning & external publicity
- 2) Incubation & cultivation, strategic alliances and partnerships
- 3) Client engagement & business promotion in the transition





Responding to natural capital  
(1) Analysis of dependencies  
and impacts on natural  
capital

# Recognition of external environment

## a. What is natural capital?

Natural capital (including biodiversity) is the stock of renewable and non-renewable natural resources — such as plants, animals, air, water, soils, and minerals — that combine to yield a flow of benefits to people, the economy, and society. [While natural capital provides human society with benefits from ecosystem services, it is also subject to negative impacts, such as the loss of nature due to companies' business activities.](#)

## b. Developments within and outside Japan

Globally, [the Kunming-Montreal Global Biodiversity Framework \(GBF\) was adopted at the United Nations Biodiversity Conference \(CBD COP15\) in December 2022.](#) The framework clearly states that its goals are the information disclosure by companies and the promotion of investment in biodiversity by private companies. [The Japanese government](#), in response to such global developments, [established the National Biodiversity Strategy and Action Plan of Japan 2023-2030 in March 2023](#), which sets as its target the realization of a nature positive economy. To embody this biodiversity strategy, [the Japanese government released the Transition Strategies toward Nature Positive Economy in March 2024](#), which outlines directions for public and private sector initiatives.

## c. TNFD Recommendations

[The disclosure framework of the Taskforce on Nature-related Financial Disclosures \(TNFD\) recommendations was finalized in September 2023.](#) The recommendations enabled a phasing in of natural capital-related initiatives and disclosures by companies. The TNFD disclosure framework consists of the same four pillars as the TCFD disclosure recommendations framework (governance, strategy, risk management, and metrics and targets).

## d. The relationship between natural capital and climate change, the circular economy, and human society

[The IPBES-IPCC Co-Sponsored Workshop Report on Biodiversity and Climate Change, issued by the IPBES-IPCC in June 2021](#), clarified the relationship between biodiversity and climate change and their relationship with human society. The *National Biodiversity Strategy and Action Plan of Japan 2023-2030*, which was formulated based on the GBF and other international discussions, promotes nature-based solutions (NbS) as an approach to help solve social issues, including climate change measures, and emphasizes the importance of integrated efforts to address natural capital based on its interaction with climate change. Japan's *Transition Strategies toward Nature Positive Economy* also noted that during the transition to nature positive, carbon neutral, and the circular economy, it is possible to move ahead with effective initiatives with the understanding that depending on the methods chosen, either positive synergies or negative side effects (trade-offs) may occur.



# Nature-related dependencies and impacts, risks and opportunities

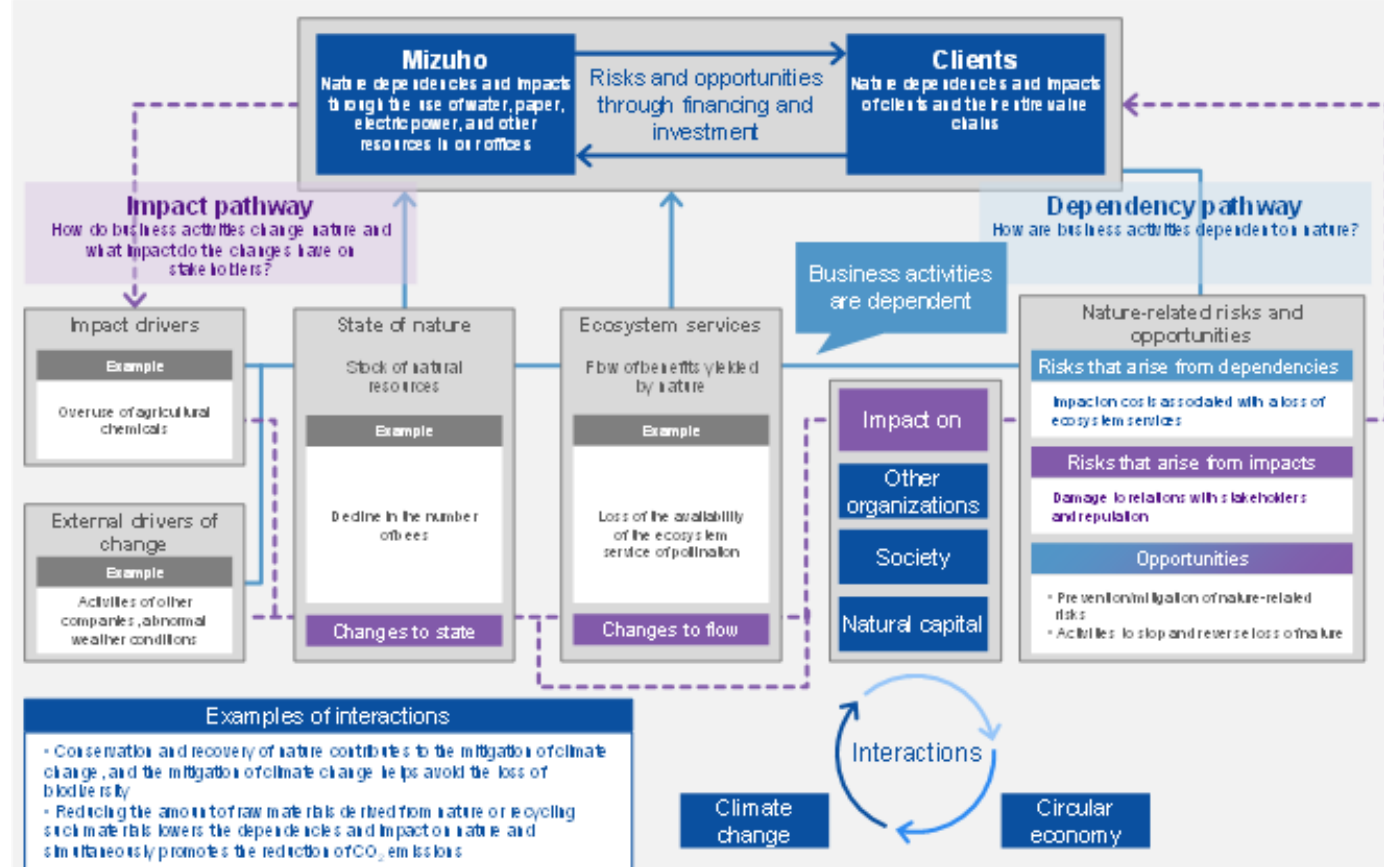
## a. Nature-related dependencies and impacts

- Nature-related dependencies are aspects of environmental assets and ecosystem services that companies rely on for their business activities to function.
- Nature-related impacts are changes in the state of nature (quality or quantity) that are triggered by companies' business activities.

## b. Nature-related risks and opportunities

- Nature-related risks arise from dependencies and impacts on nature.
- Nature-related opportunities are activities that create positive outcomes for both the company and nature through positive impacts or mitigation of negative impacts on nature.
- [Mizuho is both dependent on and impacts natural capital — through our own direct operation and through our financing activities, such as financing and investment to clients — and, thus, we are also exposed to the corresponding risks and opportunities.](#)

Relationship between nature-related dependencies, impacts, risks and opportunities/their relationship with natural capital, climate change, and the circular economy



# Mizuho's nature-related dependencies and impacts

Companies, in addition to depending on and impacting natural capital through their own business activities (direct operations), are connected to natural capital through their entire value chain, from upstream to downstream. Consequently, responses to natural capital must consider both the company's own business activities and its entire value chain. [The additional guidance for financial institutions in the TNFD Recommendations states that, much like the relationship between Scope 1 and 2 emissions \(GHG emissions from direct operations\) and Scope 3 emissions \(GHG emissions from financing and investment\) with respect to climate change, the natural capital dependencies and impacts of financial institutions, in particular, through investments, loans, and other financing activities are larger than those from direct operations.](#) Mizuho's basic approach is to respond to natural capital dependencies and impacts through our own direct operations and through our investments, loans, and other financing activities. Among these however, [Mizuho puts priority on responding to natural capital dependencies and impacts through financing and investment, as it is crucial for both capturing opportunities and risk management. To this end, Mizuho conducted an analysis in FY2023 of its loan portfolio using the LEAP approach.](#)

## a. Natural capital dependencies and impacts of Mizuho's direct operations

- [Mizuho conducts business operations in retail branches, offices, administration centers, IT system centers, and other physical locations and is pursuing initiatives to reduce the natural capital dependencies and impacts of our own direct operations.](#)
- Specific initiatives include reducing and recycling water and paper, reducing and recycling waste, and converting to renewable energy for used electric power. Mizuho furthermore keeps track of the usage of resources at own facilities, discloses tap water and sewer water usage, reductions in paper usage, and the percentage of waste materials that are recycled, and advances initiatives by setting KPIs for some metrics. See the ESG Databook 2023 for further details([https://www.mizuho-fg.co.jp/csr/mizuhocsr/report/data/pdf/esg\\_databook.pdf](https://www.mizuho-fg.co.jp/csr/mizuhocsr/report/data/pdf/esg_databook.pdf)).

## b. Natural capital dependencies and impacts of Mizuho's financing and investment

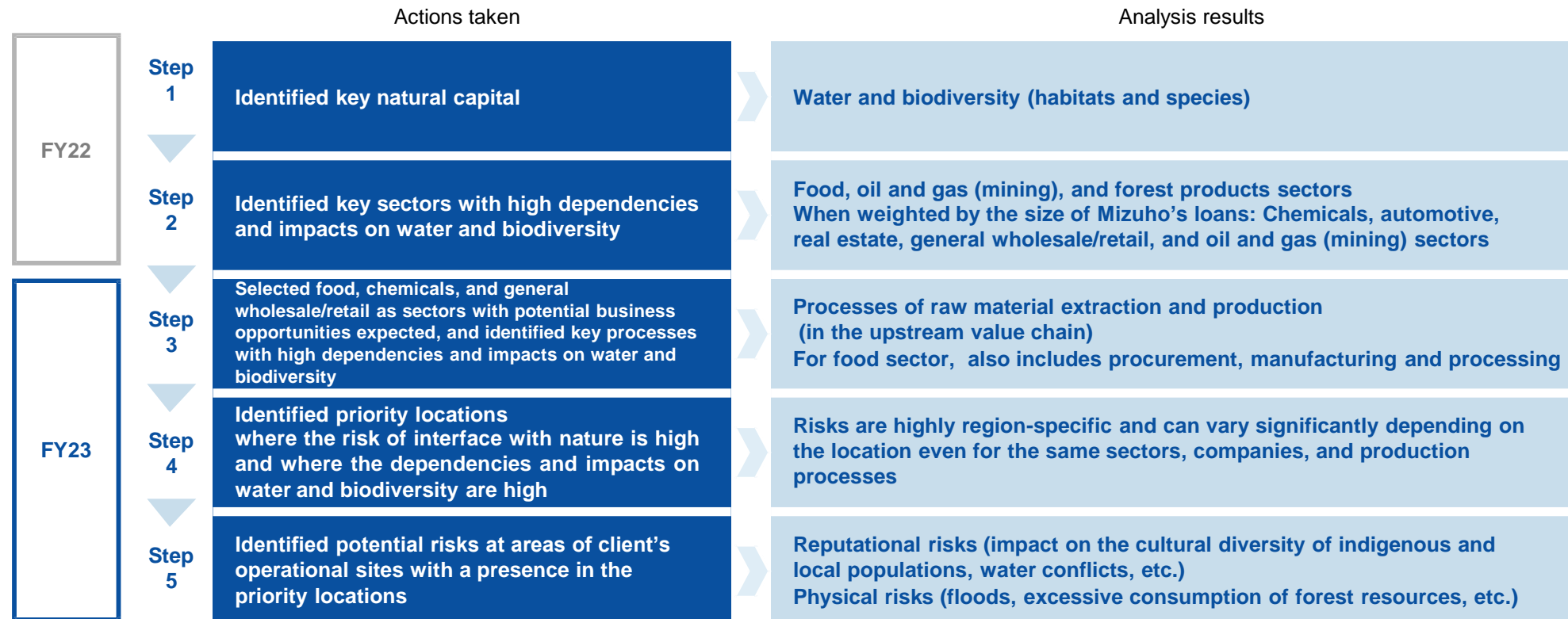
- Mizuho conducts financing and investment transactions with a diverse range of clients in Japan and overseas and is connected to natural capital through the clients and their supply chains that we finance, making it an important issue for Mizuho to respond to natural capital through our financing and investment.
- Therefore, evaluating how clients, in their business activities, depend on natural capital and what the potential negative impacts they may have on it, and then taking actions based on this evaluation, contributes to the conservation and recovery of natural capital and lead to a change in money flow towards nature-positive outcomes.
- [Mizuho used the LEAP approach to analyze our loan portfolio. From these analyses, we comprehend the natural capital dependencies and impacts of our clients, who are borrowers of our financing.](#)
- [The findings will be utilized for appropriate risk management related to natural capital as well as for capturing business opportunities.](#)
- [We also actively work toward the realization of a sustainable society while closely linking our responses to natural capital to responding to climate change and realizing a circular economy.](#)



## Analysis of Mizuho's loan portfolio (LEAP approach)

- Mizuho, in FY2022, identified the key natural capital and sectors in our loan portfolio using ENCORE.
- In FY2023, of the key identified sectors from the FY2022 analysis, [we analyzed the food, chemicals, and general wholesale/retail sectors using the LEAP approach](#) presented in the TNFD Recommendation's disclosure framework.
- From the results, [we identified processes in each sector with high natural capital dependencies and impacts \(Step 3\), identified clients' operational sites located in priority locations which are at high risk associated with the interface with nature, with high dependencies and impacts on water and biodiversity \(Step 4\), and identified high risk items at these client operational sites \(Step 5\)](#). At the same time, we recognize that although the tool used for this analysis can understand general characteristics, further in-depth analysis is needed to ascertain the unique conditions at each client operational site.
- Referencing the results of Step 3, [we revised the \*Environmental and Social Management Policy for Financing and Investment Activity\* in March 2024 and established new policies for the mining sector and the fisheries and aquaculture sectors](#).

### Analysis using the LEAP approach

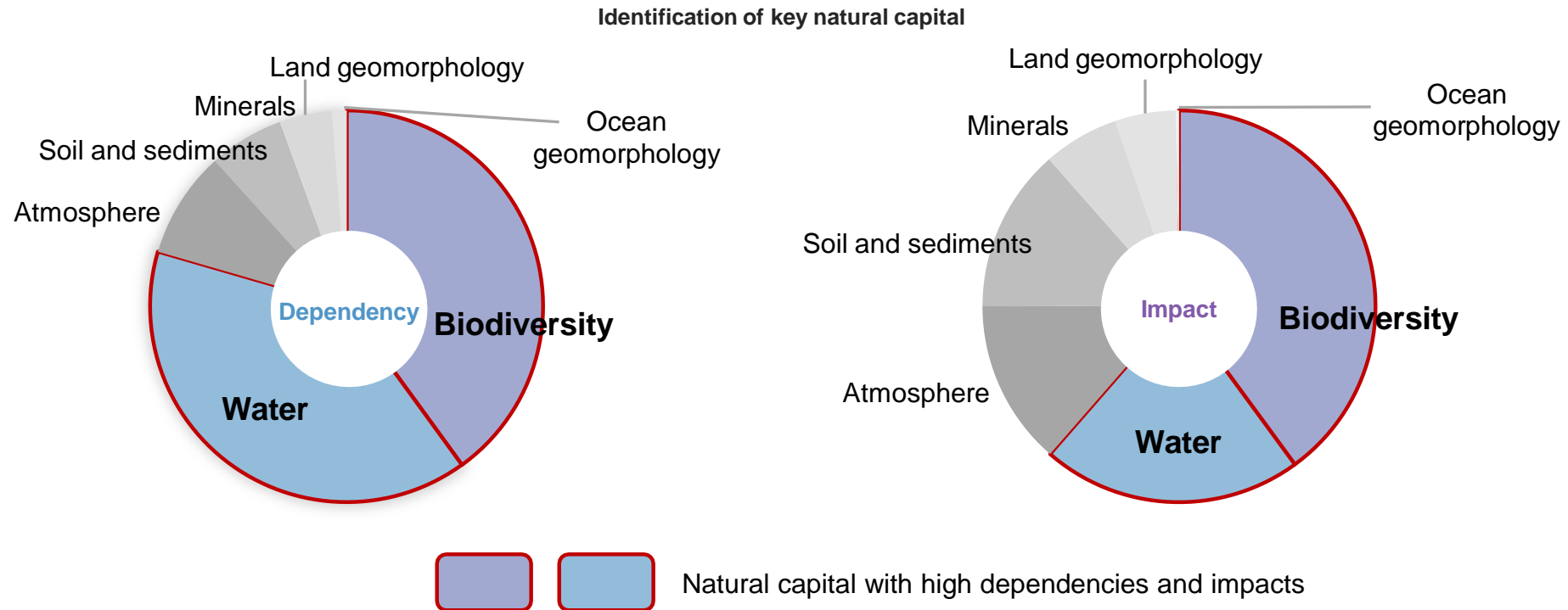


# LEAP approach - FY2022 analysis (Step1 and Step2)

- Step 1 and Step 2 — [Identification of key natural capital and sectors: Based on the ENCORE qualitative evaluation scores and weighted by the composition of Mizuho's loan portfolio](#), we rated each sector's natural capital dependencies and impacts on a three-level scale (High, Medium, and Low) and identified key natural capital and sectors.

Results of the analysis of Mizuho's loan portfolio

|                     |  |
|---------------------|--|
| Key natural capital | Water, biodiversity (habitats and species) |
|---------------------|--|



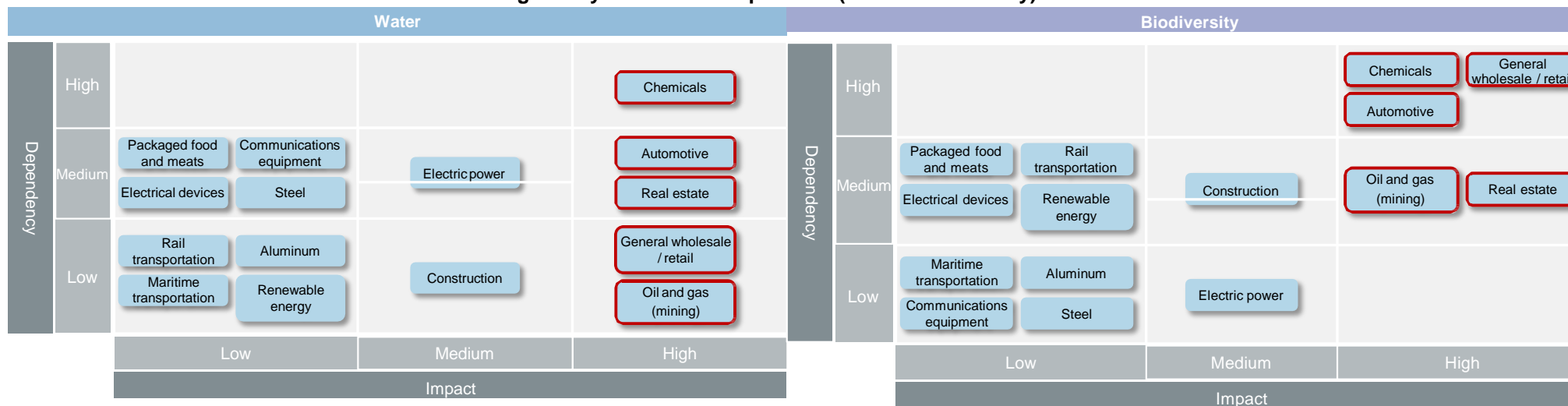
# LEAP approach - FY2022 analysis (Step1 and Step2)

- From this analysis, we recognized that the key natural capital aspects in Mizuho's loan portfolio were water and biodiversity and that the sectors with high dependencies and impacts on water and biodiversity were the chemicals, automotive, real estate, general wholesale/retail, and oil and gas (mining) sectors. We also verified that if the composition of Mizuho's loan portfolio was not accounted for, the sectors with high dependencies and impacts on water and biodiversity were the food (packaged food and meats), oil and gas (mining), and forest product sectors.

## Results of the analysis of Mizuho's loan portfolio

|  |   |
|--|---|
| Sectors with high dependencies and impacts on water and biodiversity | <ul style="list-style-type: none"> <li>➤ Not accounting for Mizuho's loan portfolio (size of loan amounts): Food, oil and gas (mining), and forest products sectors</li> <li>➤ Accounting for Mizuho's loan portfolio (size of loan amounts): Chemicals, automotive, real estate, general wholesale/retail, and oil and gas (mining) sectors</li> </ul> |
|--|---|

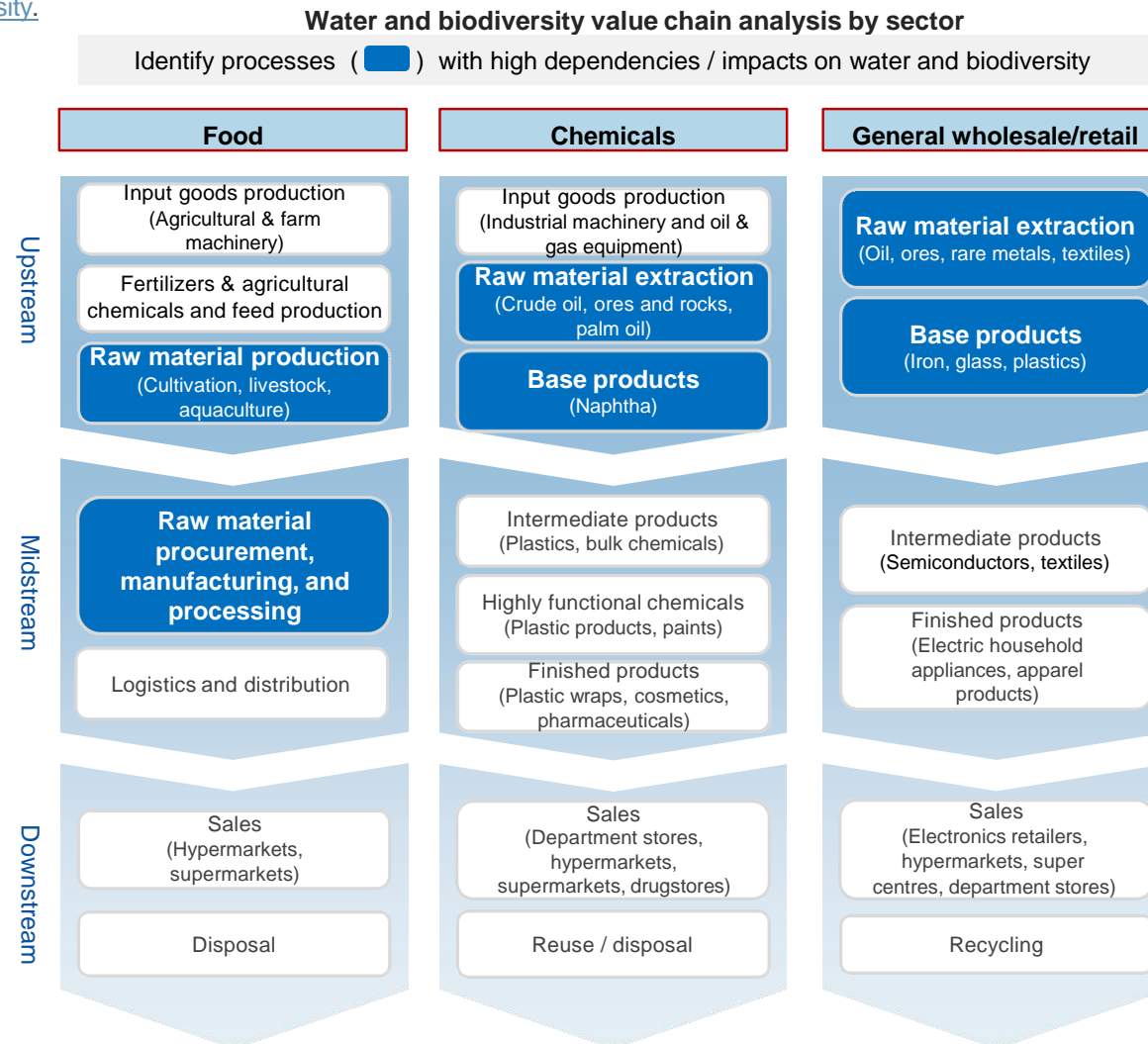
## Results of qualitative assessments of sector-specific dependencies and impacts, weighted by Mizuho's loan portfolio (water / biodiversity)



  Sectors with high dependencies and impacts on both water and biodiversity

# LEAP approach - FY2023 analysis (Step3)

- Step 3 — Identification of key processes: From the key sectors identified in the FY2022 analysis, we selected the food, chemicals, and general wholesale/retail sectors as sectors expected to provide business opportunities in the future, and identified key processes in each sector’s value chains with high dependencies and impacts on water and biodiversity (a total of 31 major clients were analyzed that are related to the value chains of the relevant sectors).
- From this analysis, [we recognized that the upstream value chain processes of raw material production and raw material extraction were processes with high dependencies and impacts on water and biodiversity in all three sectors — food, chemicals, and general wholesale/retail. We also recognized that in the food sector the midstream value chain process of raw material procurement, manufacturing, and processing, in addition to raw material production, had high dependencies and impacts on water and biodiversity.](#)



## LEAP approach - FY2023 analysis (Step4 and Step5)

- Step 4 — Identification priority locations: We began by selecting 10 specific clients so as to encompass the value chain of each sector, with reference to the key processes in the food, chemicals, and general wholesale/retail sectors identified in Step 3. We next evaluated the risk of contact with nature (contact with locations that are susceptible to impacts) [using IBAT, AQUEDUCT, and ENCORE](#) targeting 10 operational sites each of the 10 clients (for a total of 100 operational sites). We also [identified as priority locations 10 operational sites of six clients](#) (all manufacturing sites) that are involved with processes with high natural capital dependencies and impacts and that were evaluated as high risk.
- Step 5 — Identification of risks: [Using the WWF biodiversity/water risk filters, we identified risks related to water and biodiversity at client operational sites located in the priority locations identified in Step 4.](#) From this analysis, [we recognized significant variance in risks among the operational sites, even for the same sector, company, and production process, because of high regional specificity.](#)

**Analysis of risks at the operational sites of selected Mizuho clients**

| Company  |                    | Food manufacturer A                                 | Chemical manufacturer B             | Chemical manufacturer C  | Chemical manufacturer D | General wholesaler/retailer E            | General wholesaler/retailer F         |
|--|--------------------|---|-------------------------------------|--------------------------|-------------------------|--|---------------------------------------|
| Value chain                                    |                    | Raw material procurement, manufacturing, processing | Highly functional chemicals         | Intermediate products    | Intermediate products   | Base products (Iron, plastic)            | Finished products (Apparel products)  |
| Operational site<br>Step 4: Priority locations |                    | Thailand and China                                  | Indonesia, Germany, and China       | China                    | Singapore               | Thailand and the Netherlands             | China                                 |
| Identified high risks items<br>Step 5          | Reputational risks | Cultural diversity                                  | Cultural diversity, water conflicts | Cultural diversity       | Cultural diversity      | Water conflicts                          | Cultural diversity                    |
|  | Physical risks     | Pollutants, water scarcity, biodiversity            | Flooding, pollutants, biodiversity  | Pollutants, biodiversity | Biodiversity            | Pollutants, water scarcity, biodiversity | Excessive deforestation, biodiversity |

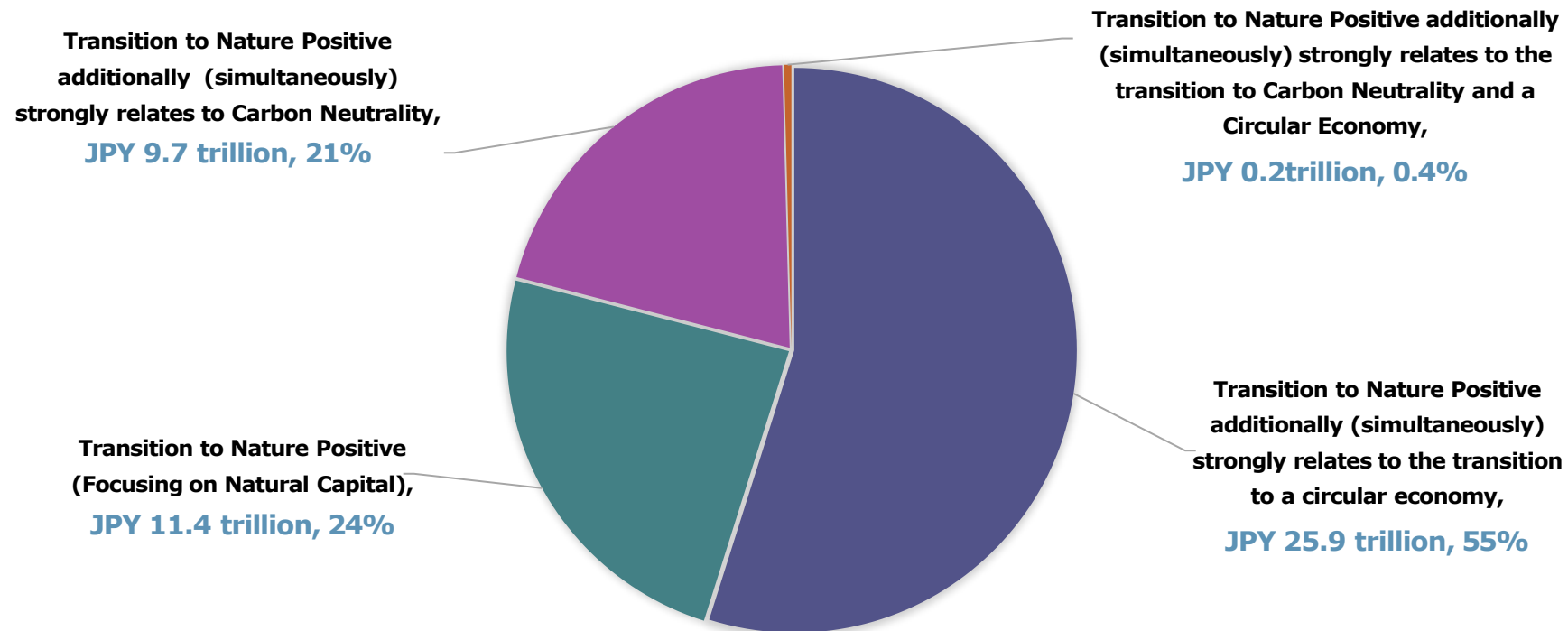
(2) Recognition of opportunities and risks and related initiatives



## Recognition of opportunities for Mizuho

- [The Transition Strategies toward Nature Positive Economy released by the Japanese government in March 2024 estimated that nature positive-related business opportunities in Japan in 2030 will be worth approximately JPY 47 trillion.](#) The paper also estimated that over three-fourths of these opportunities will be strongly connected to carbon neutrality and the circular economy.
- [We also recognize natural capital-related business opportunities for Mizuho in the transition to a nature positive economy as being intimately connected to climate change responses and the realization of a circular economy and that integrated responses to these issues are opportunities.](#)
- Mizuho regards client responses to natural capital as business opportunities for Mizuho and actively pursues the realization of a sustainable society while closely linking our efforts with responses to climate change and the realization of a circular economy.

Nature positive-related business opportunities in Japan in 2030 will be worth approximately JPY 47 trillion



# Mizuho's initiatives to capture opportunities

## a. Support for client transitions to a nature positive economy

- Mizuho provides support in the form of financing arrangements and consulting services to clients with high natural capital dependencies and impacts, while making use of analyses of the natural capital dependencies and impacts in our loan portfolio. We also work on funding and assisting technology development and innovative companies with data and technologies in nature-related fields that will drive the transition of company activities to nature positive.

### Mizuho's support for client transitions to a nature positive economy

#### 1. Nature capital-related financing — Fundraising for business activities that contribute to nature positive

##### Blue Finance Arrangements

Arranged financing for 13 deals in FY2023 (up 12 deals year on year)

SC

Arranged Maruha Nichiro's blue bond, first of its kind in Japan

SC

Arranged Iwate Prefecture's green/blue bond, first of its kind in local government

BK

Financed Hoshino Resorts REIT's blue loan, first of its kind in J-REIT



#### 2. Natural capital-related consulting — Visualization / disclosure of risks and opportunities

##### Support for TNFD disclosure

RT

Provide consulting services related to natural capital to clients in the automotive, chemicals, food, and other sectors

- Support for evaluation and disclosures in line with TNFD framework
- Researches of technology development that contributes to biodiversity protection
- Support for setting strategies and targets for nature



##### "Mizuho Nature-Positive Design<sup>(R)</sup>"

RT

Support for initiatives such as procurement of sustainable raw materials and stronger traceability assurance using satellite data in collaboration with Kokusai Kogyo



#### 3. Promotion of R&D and innovation in nature-related fields

— Promote technology development that contributes to the transitions to a nature positive economy

##### Conservation of biodiversity

Mizuho Capital

Invested in Biome Inc., which operates biodiversity big data

Biome has created its own platform that gathers real-time biodiversity data via smartphones



##### Evaluation and verification project of sustainable procurement of natural capital from the ASEAN region

RT

BK

The evaluation and verification project of sustainable procurement of natural capital from the ASEAN region, which uses cutting-edge technology in partnership with Kokusai Kogyo, was selected as a project by the Japan government's Cabinet Office / the Ministry of the Environment



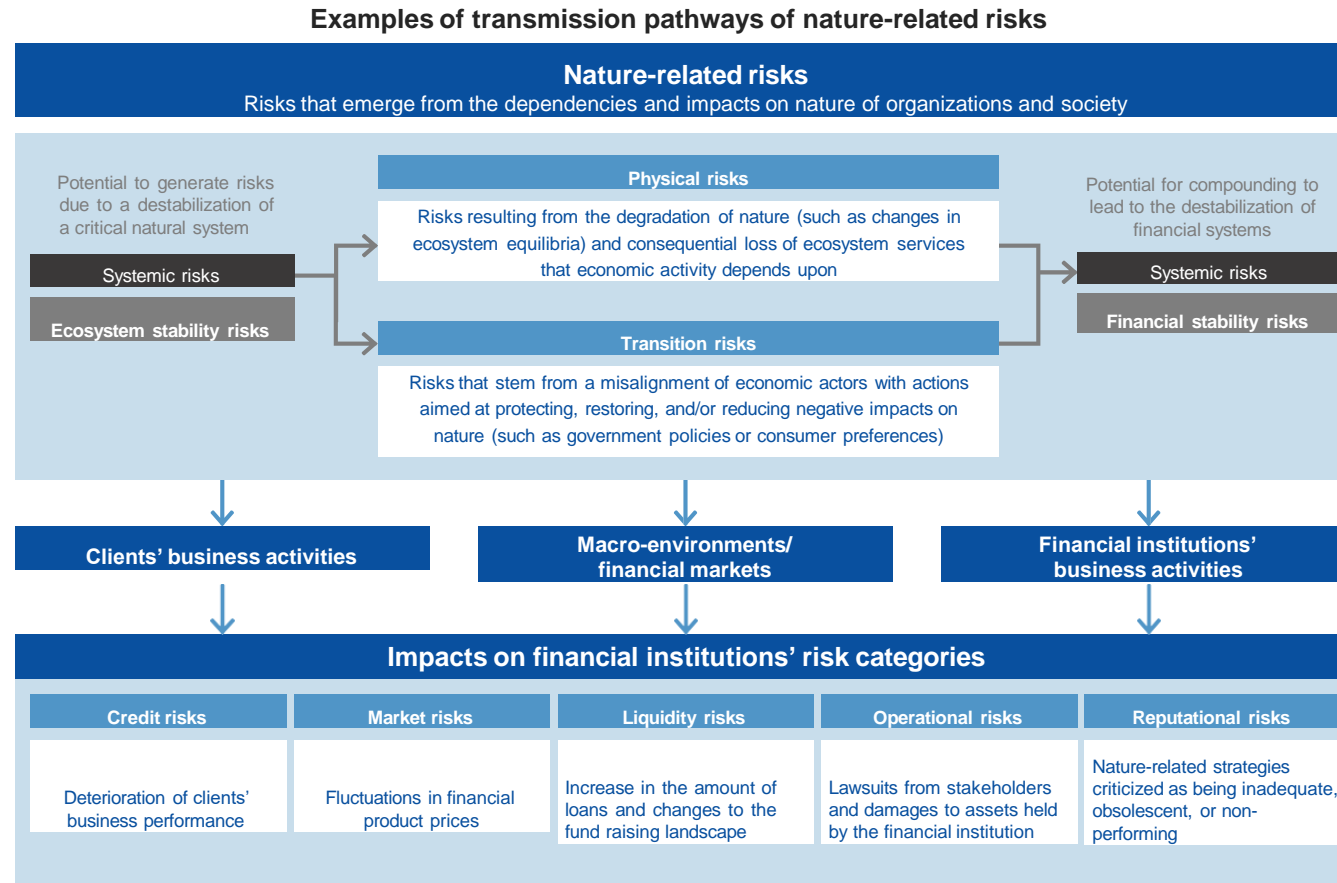
Partner organizations and academics include Yokohama Rubber, UCC Ueshima Coffee, Biome, and BirdLife International Tokyo

# Recognition of risks for Mizuho

When companies respond to natural capital, it is imperative first to put priority on examining ways to avoid and reduce negative impacts on nature, in line with the mitigation hierarchy approach. Mizuho understands that it is crucial that we take steps to prevent or mitigate negative impacts on nature that occur through our direct operations or through Mizuho financing and investment. Mizuho is working on preventing and mitigating negative impacts on nature that occur through financing and investment within the framework of our environment and society risk management.

## a. Transmission pathways of nature-related risks

Nature-related risks for a financial institution occur through not only the institution's direct operations but also through its financing activities such as financing and investment and market transactions. Nature-related risks have ripple effects on credit risks and other forms of risks. Mizuho is working on more detailed determinations of nature-related risks.



## Mizuho's risk management initiatives

- [After having established our Environmental Policy and our Environmental and Social Management Policy for Financing and Investment Activity as well as applying the Equator Principles, Mizuho has worked toward preventing and mitigating negative impacts on the environment and society, including natural capital, under these respective frameworks.](#)
- Under the *Environmental and Social Management Policy for Financing and Investment Activity*, we have constructed a process to prevent or mitigate negative impacts on nature that verifies whether a client or project we are considering for financing or investment will have a significant negative impact on the surrounding natural environment or ecosystems or whether the prospective client or project respects the rights of indigenous peoples or local communities. Moreover, we do not provide financing or investment to projects with particularly high impacts on the natural environment. [The policy was revised in March 2024 and established new policies for the mining sector and the fisheries and aquaculture sectors.](#)
- Under the Equator Principles, prior to financing in projects that involve large-scale developments or construction, we, together with the client, identify, evaluate, and manage environmental and social risks and impacts, in order to prevent or mitigate negative impacts on the natural environment or local communities.

### March 2024 revisions to the ES Policy (revisions take effect in July 2024)

| Sector  | Main revisions   | Key perspectives  |
|---|--|---|
| Human rights issues                                   | <ul style="list-style-type: none"> <li>• Expanded the types of human rights issues covered under the ES Policy from forced labor, child labor, and human trafficking to include a diverse range of human rights issues</li> </ul>  | <ul style="list-style-type: none"> <li>• Respect for human rights</li> </ul>  |
| Coal-fired power generation                           | <ul style="list-style-type: none"> <li>• Made it possible to consider financing and investment for the early retirement of existing coal-fired power generation, as an exception even in cases that fall under coal-fired power generation prohibition clauses</li> </ul>  | <ul style="list-style-type: none"> <li>• Climate change action</li> </ul>   |
| Weapons and arms                                      | <ul style="list-style-type: none"> <li>• Prohibits financing and investment in which will be used for the manufacture, sales, or distribution of nuclear weapons</li> <li>• Prohibits transactions with companies engaged in sales and distribution of cluster munitions, anti-personnel mines, and biological and chemical weapons as well as those engaged in their manufacture</li> </ul> | <ul style="list-style-type: none"> <li>• Respect for human rights</li> </ul>  |
| Woody biomass power generation (mono-fuel combustion) | <ul style="list-style-type: none"> <li>• Newly establishes the policy and verifies environmental and social risks                             <ul style="list-style-type: none"> <li>- Verifies the measurement of lifecycle GHG emissions, evaluates fuel sustainability and cascade use, etc.</li> </ul> </li> </ul>   | <ul style="list-style-type: none"> <li>• Climate change action</li> <li>• Natural capital conservation</li> </ul>           |
| Mining (excluding quarrying)                          | <ul style="list-style-type: none"> <li>• Newly establishes the policy and verifies environmental and social risks                             <ul style="list-style-type: none"> <li>- Verifies tailings disposal, forced and child labor, and the rights of indigenous people and local communities, etc.</li> </ul> </li> </ul>  | <ul style="list-style-type: none"> <li>• <b>Natural capital conservation</b></li> <li>• Respect for human rights</li> </ul> |
| Fisheries and aquaculture                             | <ul style="list-style-type: none"> <li>• Newly establishes the policy and verifies environmental and social risks                             <ul style="list-style-type: none"> <li>- Verifies of IUU fishing and destructive and indiscriminate fishing practices, etc.</li> </ul> </li> </ul>   | <ul style="list-style-type: none"> <li>• <b>Natural capital conservation</b></li> <li>• Respect for human rights</li> </ul> |

## Sector-specific exposure based on recommended disclosures under the TNFD Recommendations

- [The additional guidance for financial institutions in the TNFD Recommendations states that financial institutions should disclose their financial exposure \(for banks, the absolute amount or percentage of lending volume\) to 16 sectors considered to have material nature-related dependencies and impacts](#), as a core sector disclosure metric. The table below provides the state of Mizuho's financial exposure to 16 sectors, based on the recommended disclosure items in the TNFD Recommendations.
- We strive to determine risks associated with our financial exposure, in accordance with the development of nature-related databases and scenarios, standardization of analysis methodologies, and the promotion of initiatives and information disclosures by corporate clients.

**Sector-specific financial exposure based on recommended disclosures under the TNFD Recommendations**  
(referred to March 31, 2024)

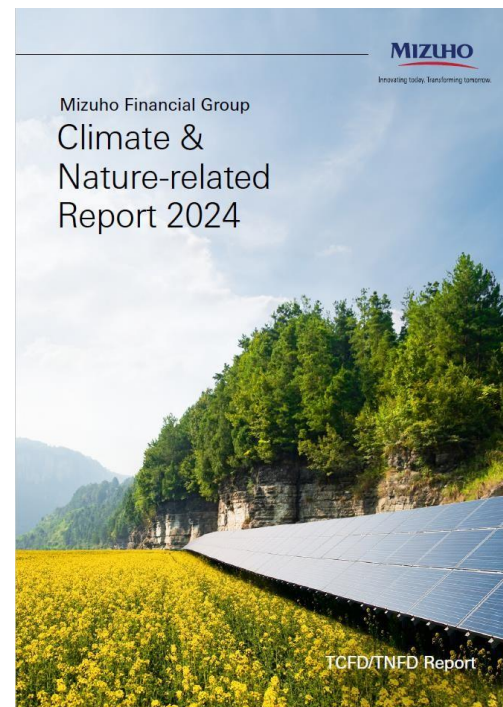
| Sector  | Exposure<br>(JPY<br>trillions) | Percentag<br>e of<br>total |
|---|--------------------------------|----------------------------|
| Oil, gas and combustible fuels  | 3.0                            | 3.4%                       |
| Chemicals   | 2.8                            | 3.1%                       |
| Construction materials  | 0.5                            | 0.5%                       |
| Containers and packaging  | 0.1                            | 0.1%                       |
| Metals and mining   | 2.4                            | 2.8%                       |
| Paper and forest products   | 0.5                            | 0.6%                       |
| Construction services (includes manufacture of metal products)  | 1.6                            | 1.8%                       |
| Sewerage, waste collection, treatment and disposal  | 0.1                            | 0.1%                       |
| Transport and associated services (includes passenger airlines)   | 3.5                            | 4.0%                       |
| Automobiles   | 3.4                            | 3.9%                       |
| Textiles, apparel and luxury goods  | 0.2                            | 0.3%                       |
| Beverages and food products (includes agriculture)  | 1.8                            | 2.0%                       |
| Personal care products  | 0.2                            | 0.2%                       |
| Pharmaceuticals   | 0.8                            | 0.9%                       |
| Semiconductors and semiconductor equipment  | 0.3                            | 0.3%                       |
| Utilities (including electric utilities, gas utilities, independent power and renewable electricity producers, and water utilities) | 5.9                            | 6.6%                       |
| <b>Total for the sectors above</b>  | <b>27.0</b>                    | <b>30.6%</b>               |
| <b>Total for all sectors</b>  | <b>88.4</b>                    | <b>100%</b>                |



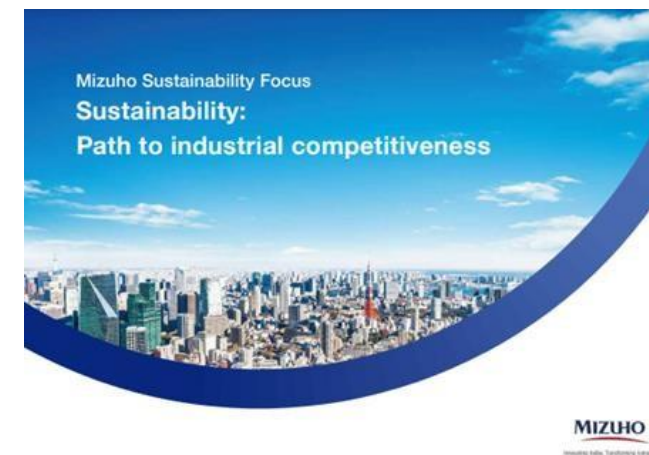
# Actionable solutions for a sustainable future



[https://www.mizuhogroup.com/binaries/content/assets/pdf/mizuhoglobal/sustainability/overview/report/sustainability\\_progress\\_2024.pdf](https://www.mizuhogroup.com/binaries/content/assets/pdf/mizuhoglobal/sustainability/overview/report/sustainability_progress_2024.pdf)



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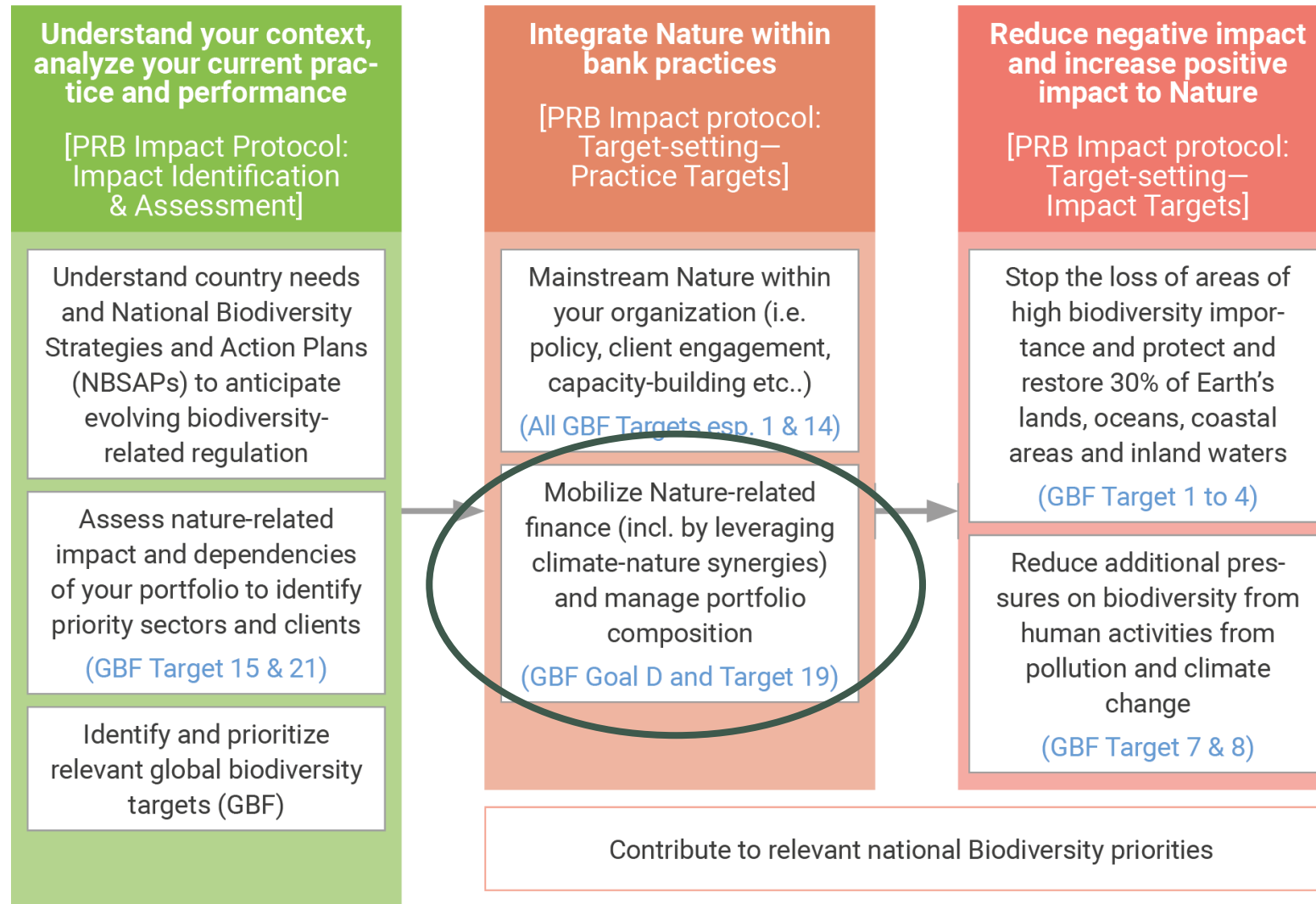
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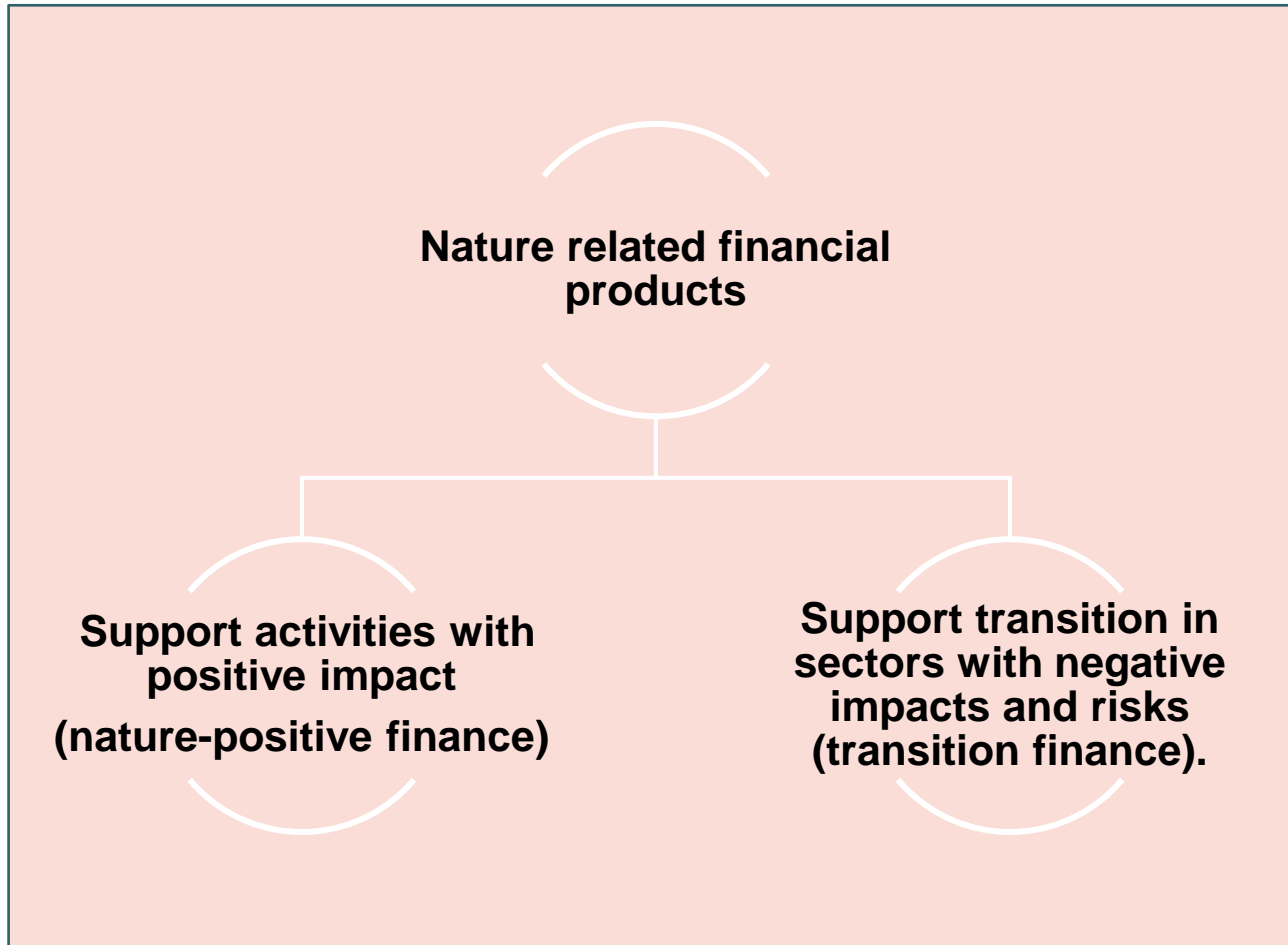
# — Financial Instruments supporting Nature

# High-level PRB approach in the context of the Global biodiversity framework



# Nature Finance

## A Simple Overview



- In practice there might not be a clear borderline between the two categories.
- Tailored financial products are ideally the outcome of successful client engagement (see previous slides).



# Nature Finance

## Trending Financial Products for Nature – Summary





# Nature Finance

## Trending Financial Products for Nature (1/2)



| Finance Activity                  | Description  |
|-----------------------------------|--|
| <b>Green/Blue Bonds/ SL Bonds</b> | When structured properly, bonds can be an effective mechanism to raise financing for large scale nature-related projects or transition activities or underpin debt-for-nature conversion. Sustainability-linked bonds with nature KPIs are few but increasing.                     |
| <b>Green/Blue / SL Loans</b>      | Sustainability-linked loans with nature KPIs are few but increasing, while this is a more established approach for climate finance.  |
| <b>Nature Performance-Bonds</b>   | Operate like debt-for-nature swaps, involving restructuring a lending company's debt in return for pledges towards conservation initiatives.   |
| <b>Debt-For-Nature Swaps</b>      | Are transactions where participating countries or entities agree to buy and eliminate a portion of another country's debt at a reduced rate. In return, the recipient country commits to investing a specified sum in conservation efforts or making similar conservation pledges. |
| <b>Blended Finance</b>            | Involves merging public and private funds, often combining philanthropic or concessional finance with commercial capital to target market deficiencies and attain social or environmental objectives.  |
| <b>Concessional Finance</b>       | Entails providing loans or investments with advantageous terms (like lower interest rates) linked to performance. Typically offered by DFIs, philanthropic program-related investments, and banks with a focus on environmental and social impact.                                 |

# Nature Finance

## Trending Financial Products for Nature (2/2)



| Finance Activity                                       | Description   |
|--|---|
| <b>Credit Guarantees (Risk Mitigation Instruments)</b> | Guarantees reduce the risk associated with the borrower while insurance (not normally provided by banks) can provide compensation if a specified risk materialises.   |
| <b>Pooled Investments vehicles</b>                     | Aggregate capital across multiple investors. A portfolio approach of aggregating small nature-related projects can bundle nature projects and meet the risk-return profile requirements of commercially oriented investors. |
| <b>Actively managed funds and ETFs</b>                 | There are now about 900 funds with a nature-related theme in the market.  |
| <b>Private Equity &amp; Venture Capital</b>            | Newly dedicated VC companies investing in nature or established PE and VC firms announcing biodiversity as a core business are emerging.  |
| <b>High-quality, high-integrity, carbon credits</b>    | Carbon credits have the potential to compensate for emissions in a way that would also halt and possibly reverse nature loss.   |
| <b>Biodiversity Credits</b>                            | Intended to result in measurable positive outcomes for species, ecosystems and natural habitats. The market for these is nascent and their design needs to mature further.  |

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# Financial Instruments For Nature

## Fixed Instruments (Examples) (Green/Blue Bonds)

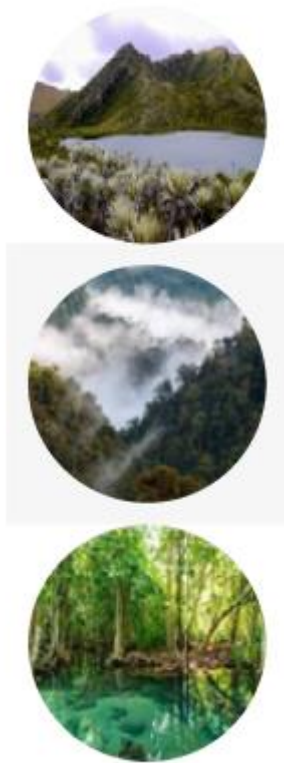
## Example: ANZ

# Climate and nature linked financing to meat sector clients

|                            |                              |
|----------------------------|------------------------------|
| <b>Ecosystem</b>           | Terrestrial, water           |
| <b>Sector</b>              | Food/red meat sector         |
| <b>Region</b>              | New Zealand                  |
| <b>Type of initiative</b>  | Mobilising finance           |
| <b>Type of product</b>     | Sustainability linked loan   |
| <b>Type of finance</b>     | Nature positive              |
| <b>Nexus</b>               | Nature x climate x pollution |
| <b>GBF target in focus</b> | Target 1–4, 7, 8, 15, 19, 21 |

## What?

In April 2022, ANZ supported Silver Fern Farms Limited to refinance NZD 320 million in working capital facilities and linking the financing to the company achieving pre-determined climate and nature linked performance targets.





## Example: ANZ #2

### Sustainability linked financing in energy sector

|                            |                                       |
|----------------------------|---------------------------------------|
| <b>Ecosystem</b>           | Terrestrial, forests                  |
| <b>Sector</b>              | Energy                                |
| <b>Region</b>              | New Zealand/Australia                 |
| <b>Type of initiative</b>  | Mobilising finance                    |
| <b>Type of product</b>     | Sustainability linked loan            |
| <b>Type of finance</b>     | Nature positive                       |
| <b>Nexus</b>               | Nature x climate x pollution x social |
| <b>GBF target in focus</b> | Target 1–4, 7, 8, 15, 19, 21          |



Image: Endeavour Energy

### What?

In March 2022, ANZ participated in Endeavour Energy’s AUD 920 million syndicated Sustainability Linked Loan (SLL).

Further details: [Endeavour Energy signs landmark \\$920 Million Sustainability-Linked Loan to become the first known Australian electricity distribution network to access sustainability linked financing | Endeavour Energy](#)



## Example: Biodiversity Bond (Colombia) – World's First

- BBVA and IFC announced the world's first biodiversity bond in the amount of \$50 million.
- Use of proceeds: The resources will be used to finance projects focusing on reforestation, the regeneration of natural forests on degraded land, mangrove conservation or restoration, climate-smart agriculture, wildlife habitat restoration, among others.
- BBVA Colombia is the issuing bank, with IFC acting as structurer and investor.
- In addition to the investment, the transaction, includes advisory services to set the eligibility criteria and indicators that aim to foster best practice in sustainable management of natural resources.

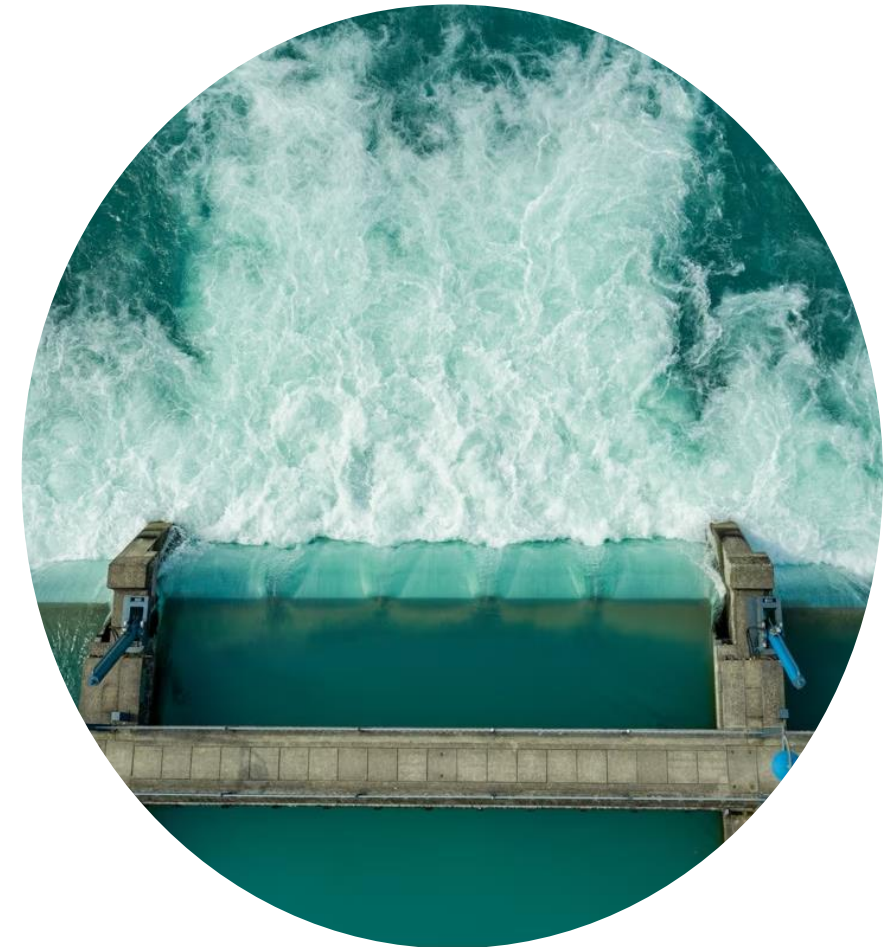


# Example: Sustainability-Linked Loan (Spain/global)

## Water footprint linked loans

|                     |  |
|---------------------|--|
| Ecosystem           | Freshwater   |
| Sector              | Energy/utilities                                     |
| Region              | Spain, Italy, EU                                     |
| Type of initiative  | Mobilising finance                                   |
| Type of product     | Revolving credit facility/sustainability-linked loan |
| Type of finance     | Transition finance                                   |
| Nexus               | Nature x climate x pollution                         |
| GBF target in focus | Target 1-4, 7, 8, 15, 19, 21                         |

- In 2022, BBVA introduced two of the world’s pioneering Sustainability-Linked Loans related to water.
- One is a Revolving Credit Facility (RCF) linked to the water footprint of *Iberdrola* (Jul 2022) to the tune of EUR 2.5 billion.
- For Iberdrola, the floating Interest margin is linked to
  - the performance of two **water related indicators** (Scope 1 Water consumption, Scope 2 CDP Water score) and
  - its credit rating.
- These metrics are reported by Iberdrola in its annual audited Sustainability Report and CDP website.





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# Financial Instruments For Nature

## Debt Conversion (Examples)

# Debt Conversion: Gabon

Gabon and The Nature Conservancy (TNC) launched Africa's first "debt-for-nature" swap.

## Purpose:

- Refinance \$500 million of Gabon's national debt, generating \$163 million for marine conservation over 15 years.

## Goals:

- **Marine Protection:** Expand marine protected areas to 30% of Gabon's ocean.
- **Biodiversity Conservation:** Protect endangered species like leatherback turtles, Atlantic humpback dolphins, and West African manatees.
- **Economic Development:** Support Gabon's "blue economy" through sustainable practices and improved management of marine resources.

## Partnerships:

- **Key Players:** TNC, Bank of America, US International Development Finance Corporation (DFC).
- **Funding Mechanism:** Issuance of new blue bonds with political risk insurance from DFC.

---

# Financial Instruments For Nature

## Funds (Examples)



# Impact Fund: Africa Conservation and Communities Tourism Fund (ACCT Fund)

The Nature Conservancy and ThirdWay Partners established blended finance investment fund to support conservation tourism in sub-Saharan Africa.

## Objectives:

- **Support Tourism:** Provide flexible financing to help tourism operators in Botswana, Kenya, Namibia, South Africa, Tanzania, Zambia retain jobs and continue conservation efforts.
- **Promote Sustainability:** Link financial support to measurable conservation and community outcomes.
- **Economic Resilience:** Strengthen and expand tourism operations, benefiting local economies.

## Key Achievements:

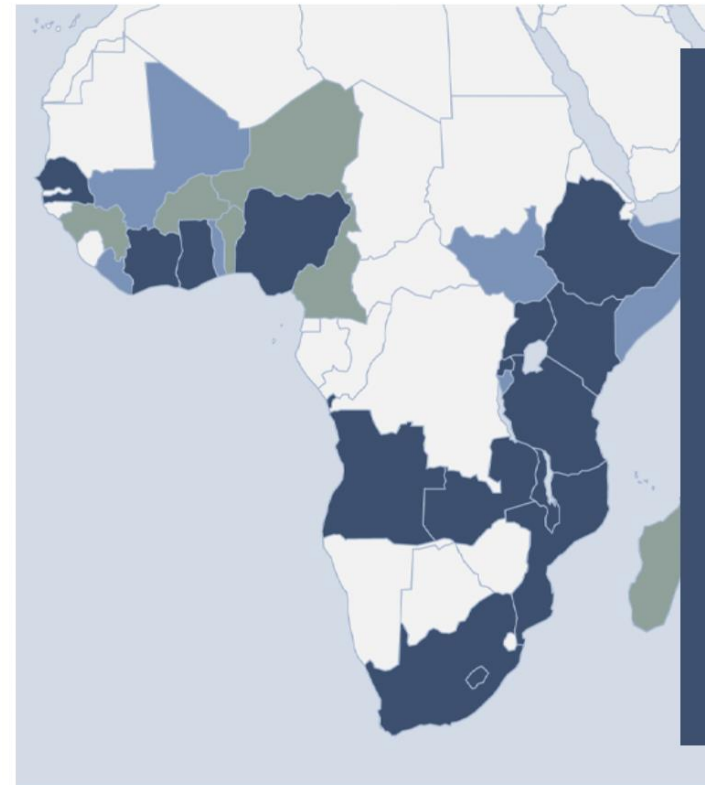
- **Job Retention:** Over 1,000 jobs retained across 35 camps.
- **Economic Impact:** \$1.3 million injected into local economies.
- **Conservation:** 84,000 km<sup>2</sup> protected through \$4.9 million in annual conservation payments.

## Blended finance structure:

- Includes both commercial and catalytic tranches of investment capital
- Covenants to deliver measurable employment, conservation, and clean energy impacts

# Impact Fund: The African Forestry Impact Platform (AFIP)

- *The African Forestry Impact Platform (AFIP) is a large scale , professionally managed, long term investment vehicle focused on growth of African forestry and to attract commercial capital.*
- *AFIP’s mandate is to invest in plantation forestry assets, sustainable natural forest management and down-stream processing.*
- *AFIP is managed by New Forests Asset Management, a specialist global forestry investment management business with over 5.7 bnUSD in assets under management (AUM).*



| KEY INFORMATION    |                      |
|--------------------|----------------------|
| SECTOR:            | Scalable enterprises |
| COMMITMENT (MNOK): | 757.7                |
| YEAR:              | 2023                 |
| REGION:            | Africa               |
| COUNTRY:           | Regional             |
| DOMICILE:          | Singapore            |
| INSTRUMENT:        | Funds                |
| STATUS:            | Active               |
| MANDATE:           | Development          |

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**What barriers do you see with nature positive finance for your bank?**

① Start presenting to display the poll results on this slide.

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**In which financial instruments do you see the biggest "nature positive" potential for your bank?**

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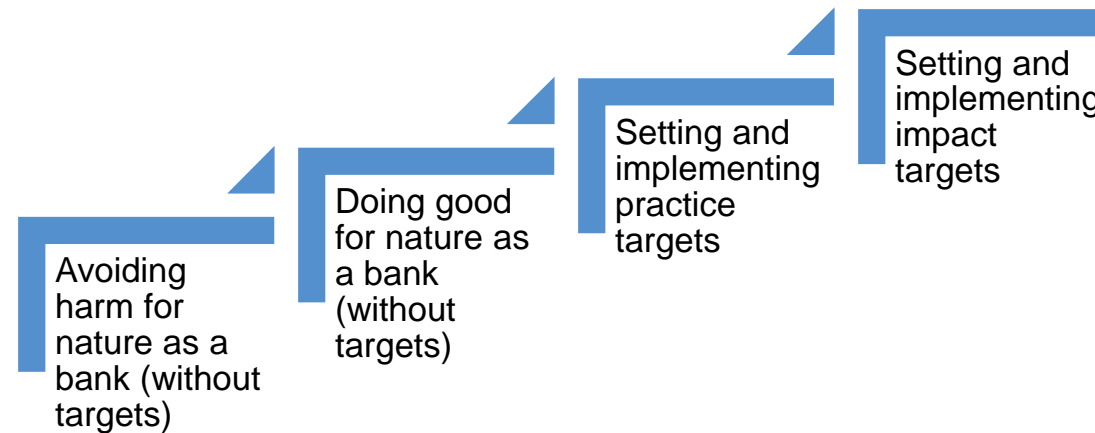


# — Briefly about practice targets



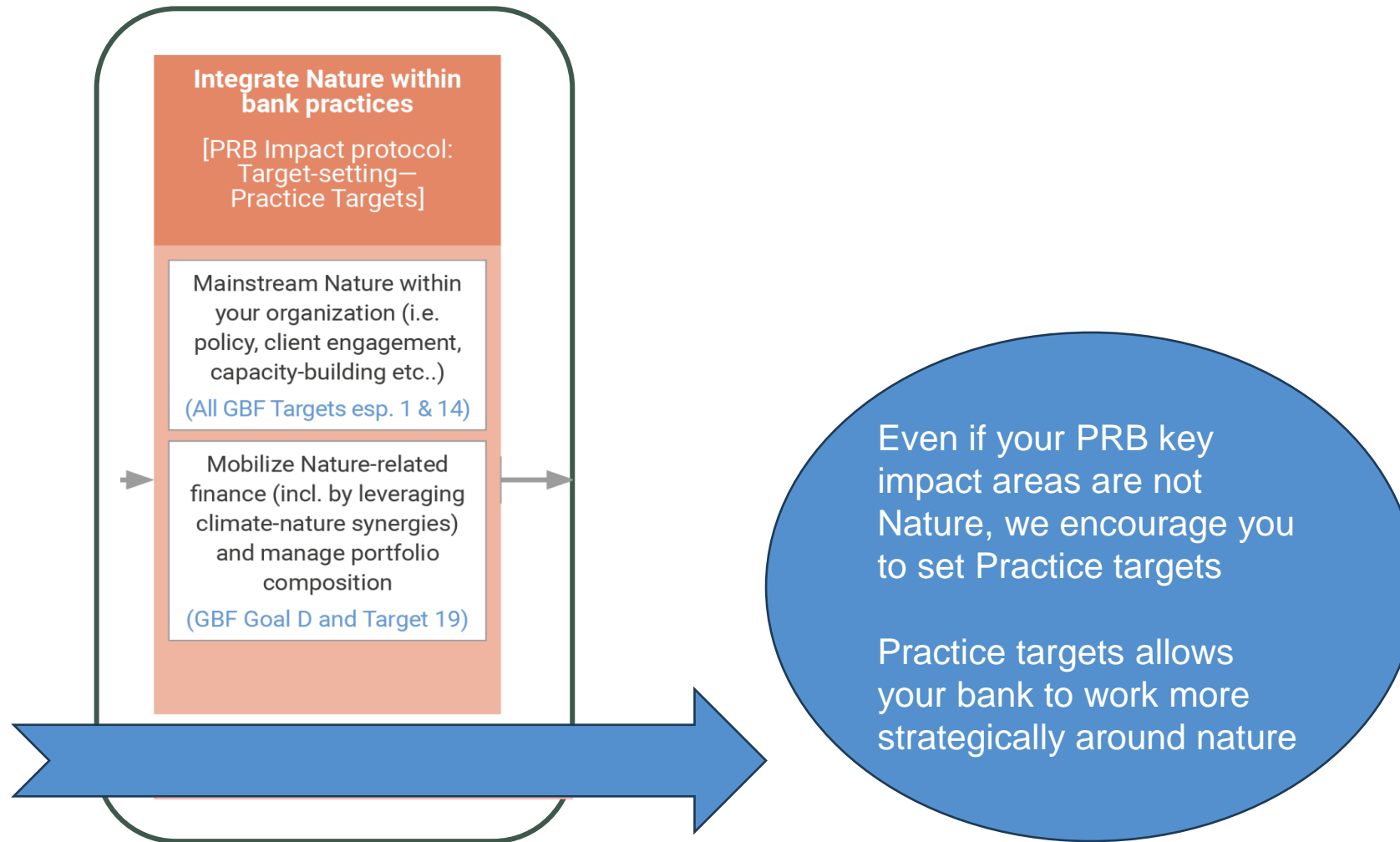
# Recap from Workshop 1#: Progressive approach to manage your impacts

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

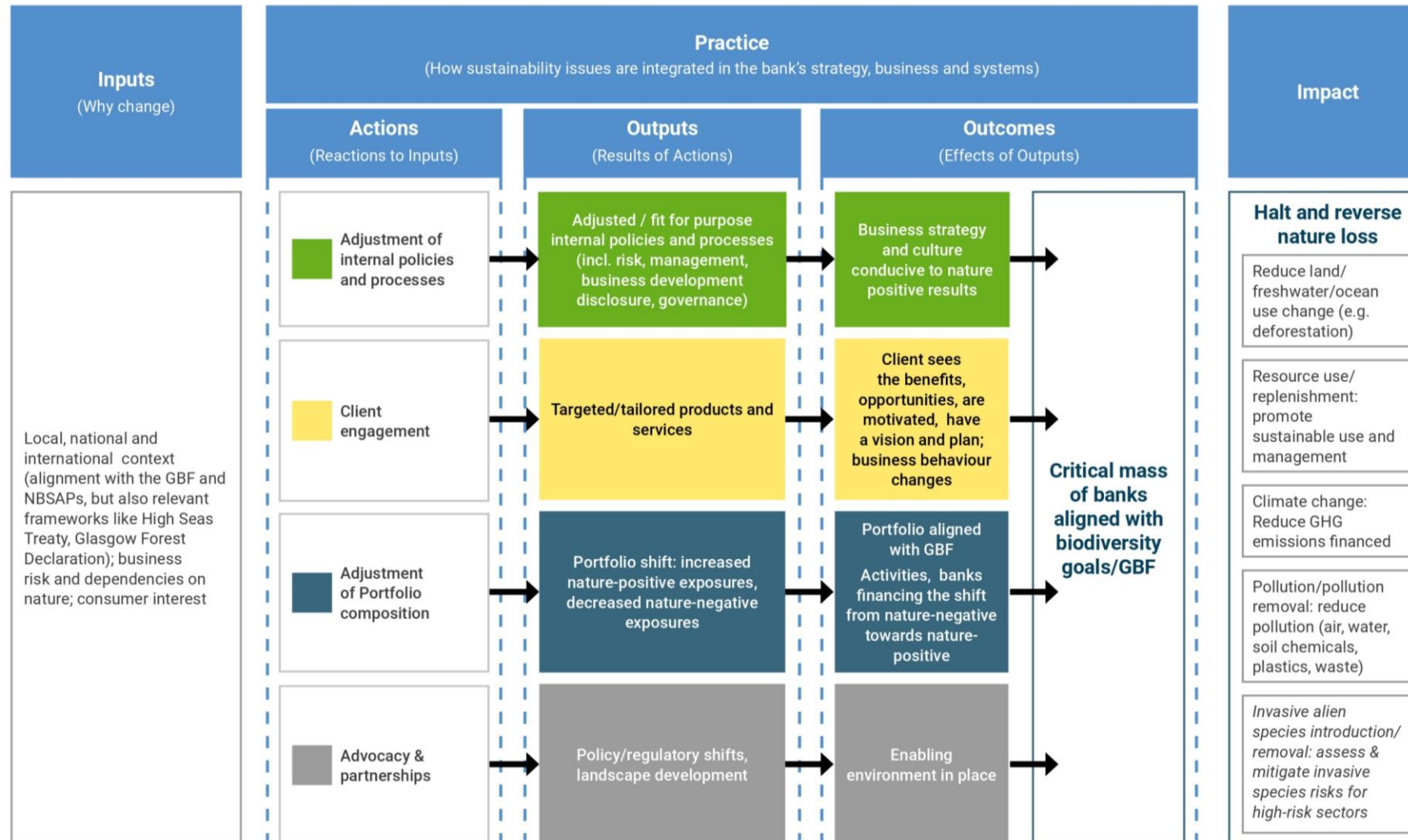


- If you want to set targets, you can take a progressive approach —beginning with the **practice targets** which are the basis to **impact targets**, since nature is one of the to date more nascent impact areas with regards to available tools and established methodologies.
- In order to manage impacts, 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 PRB approach in the context of the Global Biodiversity Framework



# Recap from Workshop 1#: Theory of Change for Nature



# PRB key recommended priority nature-related targets\*

## 1 Mobilizing Finance & Portfolio Alignment

- Provide **USD [XX] volume** of lending / capital markets facilitation to **contribute to closing the USD 700 billion biodiversity funding gap** (GBF Goal D & Target 19).
- Provide **USD [XX] volume** of lending / capital markets facilitation for **transition finance for clients in identified priority sectors** (e.g., sustainability-linked bonds/loans with defined nature related KPIs).
- **Phase out financing the most harmful activities**, as identified by knowledge consensus.

## 2 Client Engagement

- **Engage formally with [XX] largest financing clients in identified priority sectors** on their material nature-related impacts and dependencies and resulting risks and opportunities to **encourage them to improve their own management** of nature related issues, **reduce their pressures related to nature loss** and **disclose relevant nature-related metrics**.

## 3 Policies & Processes

- **Develop** (or update, if already existing) **and implement risk management and associated policies and due diligence systems for all identified sectors with a high impact on nature** and for specific activities that are known to generate significant nature-related impact.

\* *Headline targets and actions are suggested, for banks to individually take forward based on their own business and regional context.*

# Hypothetical practice and impact target examples

| Hypothetical bank, key risks/dependencies/impacts in portfolio   | Sample targets to tackle the identified risks/dependencies/impacts and related opportunities  |
|--|---|
| <p>Medium-sized bank focused on agriculture and supply chains in Amazon and Cerrado biomes of Brazil. Regulatory risks around deforestation. Impacts related to land, climate, biodiversity and water especially linked to cattle intensification.</p> | <p><b>Policy:</b> 100% of new loans and investments linked to cattle are applying the IFACC Environmental Framework.<sup>40</sup></p> <p><b>Client Engagement:</b> 80% of existing clients in high impact sectors are engaged to be aware of the framework. 60% have adopted the framework by 2025.</p> <p>80% of direct suppliers to clients are traced, and 80% of cattle across the portfolio are traced, including 100% from high deforestation areas.</p> <p><b>Impact targets:</b> Quantity of avoided carbon emissions by clients applying the Environmental Framework in TCO<sub>2</sub>.</p> <p>Estimated area of natural ecosystem conversion avoided across the portfolio: % annual reduction to 2030.</p> |



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**How do you feel about practice target setting for nature?**

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# — Briefly about reporting

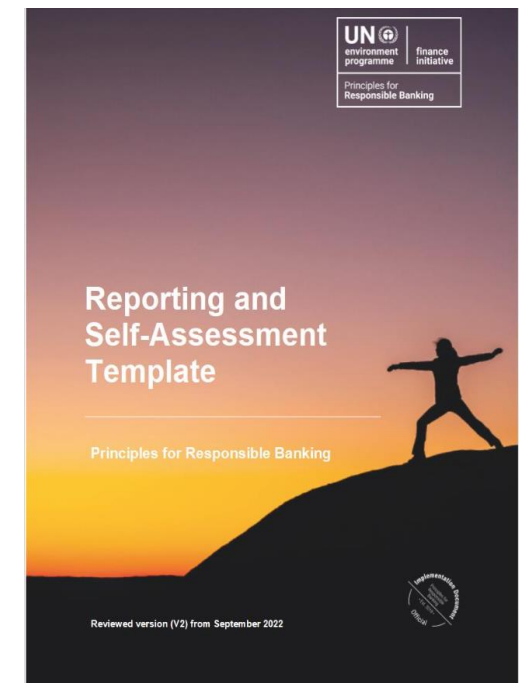
## Briefly about reporting

- We encourage you to consider reporting in line with the TNFD.
- If doing TNFD reporting, we recommend using the TNFD core global metrics for dependency, impact, risk and opportunity as adapted for financial institutions in [TNFD additional guidance for financial institutions supplement](#).
- Please refer to [TNFD's](#) and to [our website](#) for further guidance and resources on TNFD reporting

PRB banks setting nature-related targets should report on their targets through Section 2.2 of the PRB Reporting and Self-Assessment Template.

### Specifically, PRB banks should disclose:

- a. Alignment: international, regional or national policy frameworks your bank is aligning with.
- b. Baseline: baseline for selected indicators and current level of alignment.
- c. SMART targets (incl. key performance indicators (KPIs): detailed target and KPI to monitor progress towards reaching the target.
- d. Action plan: actions including milestones your bank has defined to meet the set targets.







# — Closing

# Nature offering for member banks

UNEP FI is offering a wide range of nature-related activities to support member banks in rapidly building capacity to act on nature loss.

## Highlights

- PRB working groups on Nature and Pollution risk
- TNFD implementation support via new UNEP FI Risk Centre
- Regional workshop on Nature
- Online training through PRB Academy
- Preparations for CBD COP 16
- Discussion Paper on Nature-positive Finance (forthcoming)
- PRB Nature Sector Guidance (agri,mining planned) (forthcoming)



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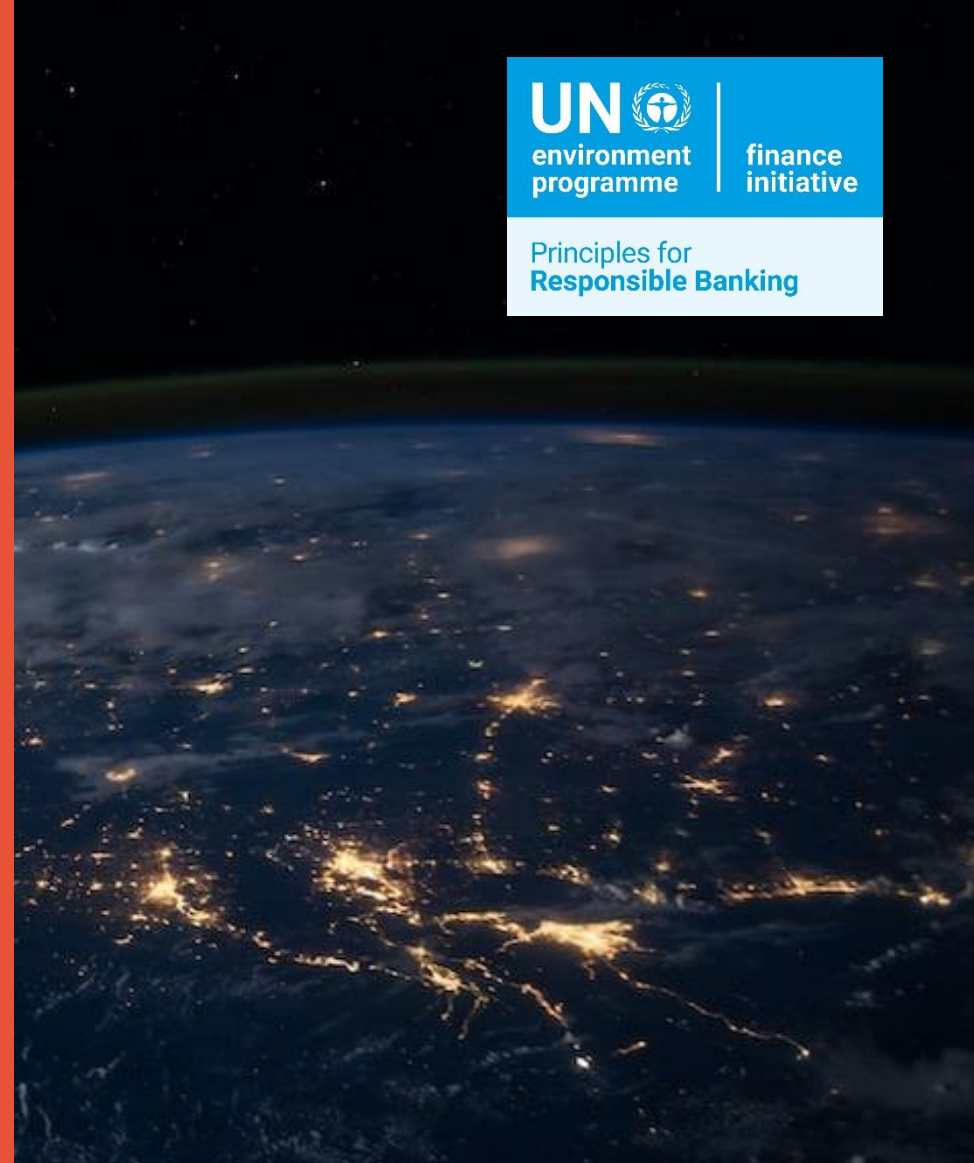
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