

BIODIVERSITY RISK INTEGRATION

An Assessment Framework for Financial Institutions in Asia Pacific



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BACKGROUND

WHY... Biodiversity?

- Ensures flow of essential goods and services
- 55% of the global economy is under threat
- Third most critical risk in the next decade
- Carbon myopia
- Interconnected with climate change; there is no net-zero without biodiversity

... Asia Pacific?

- Harbors 17 of 36 hotspots; 7 of 17 megadiverse countries; the highest marine biodiversity and seagrass diversity; half of the world's remaining mangrove areas; the longest coral reef
- Biodiversity has declined 55% over the last 50 years
- 63% of the region's GDP is at risk

... Financial Institutions?

- Possesses power to mobilize capital
- Has a broad client base for outreach activities and awareness building
- Also impacted by biodiversity loss; the dependencies and impact of clients on biodiversity expose them to physical and transition risks, which translate into financial risks

KEY OBJECTIVES

Set against the context of GBF Target 15, which calls on businesses and FIs to monitor, assess and transparently disclose their impact, dependencies and risks related to biodiversity, the project seeks to:

- 1.** Investigate the current state of biodiversity risk integration in APAC FIs through their sustainability reporting
- 2.** Build on the work of WWF-Singapore SUSBA and RESPOND to create a biodiversity-specific assessment framework
- 3.** Incorporate and harmonize existing biodiversity standards and frameworks, including TNFD and GBF

THE ASSESSMENT FRAMEWORK

6
PILLARS

20
INDICATORS

3
CRITERIA SCORING

4
Countries

37
FIs Assessed



Pillar 1: Purpose

9 indicators covering:

- Intention and strategy
- Stakeholder engagement
- Activities undertaken
- Alignment with GBF



Pillar 2: Policies

4 indicators covering:

- Monitoring and exclusions
- Actions for non-compliance
- Credits and mitigation efforts disclosure



Pillar 3: Processes

1 indicator covering:

- Process for existing client non-compliance
- Grace period and opportunities granted



Pillar 4: People

2 indicators covering:

- Training for employees
- Transparent accountability for biodiversity issues
- Personnel identified



Pillar 5: Products

1 indicator covering:

- Standalone product or integrated
- Taking into consideration the full suite of products and duration



Pillar 6: Portfolio

3 indicators covering:

- Credit / capital exposure
- Location of assets
- Disclosure of both physical and transition risk

KEY FINDINGS



INDONESIA
SINGAPORE



MALAYSIA
JAPAN

33
APAC FIs

4
INTERNATIONAL FIs

25
BANKS

12
ASSET MANAGERS

APAC BANKS

- More biodiverse countries (Malaysia and Indonesia) scored better
- Malaysian and Indonesian banks scored better than international banks under processes and products pillar
- Indonesian banks outscored banks in all other locations under products pillar
- No bank disclosed on participation in credits scheme
- No bank disclosed on biodiversity training provision
- No bank disclosed on asset locations
- No bank committed to GBF

APAC ASSET MANAGERS (AMs)

- International AMs outscored all AMs across all 6 pillars
- Singapore AMs have little fulfillment across all indicators
- International AMs scored highly for training provision and transparent accountability, while APAC AMs scored poorly
- No AM disclosed any measurable metrics for their goals and targets
- No AM disclosed investments in companies that develop/provide nature-based solutions
- No AM committed to GBF