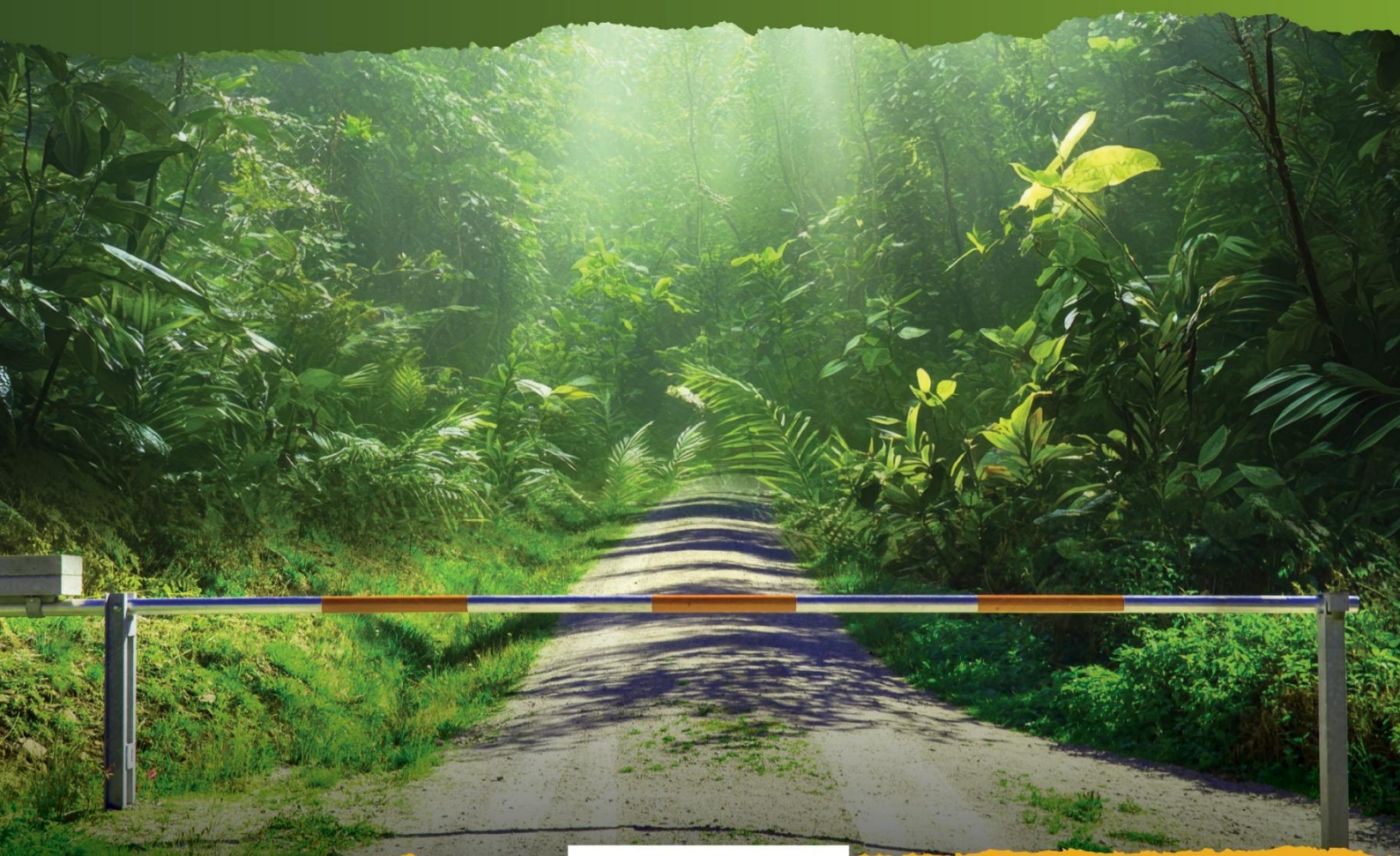


REGULATING FINANCE FOR BIODIVERSITY

An assessment for the Global Biodiversity Framework, 2026



About this report

This report was commissioned to Profundo by Rainforest Action Network, on behalf of the Forests & Finance Coalition. It provides an overview of the financial regulations for biodiversity in 11 key jurisdictions and offers concrete suggestions on how these regulations could support the achievement of critical biodiversity goals. Specifically, it provides assessments and proposals in relation to the obligations upon parties to the United Nations Convention on Biological Diversity, as set out in Target 14 of the Global Biodiversity Framework

About Forests & Finance

Forests & Finance is a coalition of eleven campaign, grassroots, journalistic and research organisations: Rainforest Action Network (RAN), TuK Indonesia (TuK), Profundo, Amazon Watch, Repórter Brasil, BankTrack, Sahabat Alam Malaysia (SAM), Friends of the Earth US (FOE), Centre pour Environnement et le Développement Cameroun (CED), Observatório da Mineração and Milieudefensie. We maintain an open-source database of financial flows to hundreds of companies involved in forest-risk commodity production, undertake an annual assessment of bank and investor policies, and expose cases of deforestation and rights violations connected to financial institutions. We coordinate investigations, analysis, advocacy and campaigns in support of the rights and control of communities in land and forest stewardship and seek to hold the financial sector to account for its role in facilitating social and environmental harm. More information about Forests & Finance can be found at forestsandfinance.org.

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Authorship

This report was researched and written by Pavel Boev and Pelin Akkaya, with contributions from Jan Willem van Gelder, Barbara Kuepper, Debbie Schepers, Tom Picken and Merel van der Mark. Correct citation of this document: P. Boev and P. Akkaya (2026, October), Regulating Finance for Biodiversity – An Assessment for the Global Biodiversity Framework, Amsterdam, The Netherlands: Forests & Finance.

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Abbreviations

Abbreviation	Full name of concept or organisation
ABS	Association of Banks in Singapore
ACRA	Accounting and Corporate Regulatory Authority
AIBIM	Association of Islamic Banks in Malaysia
ASEAN	Association of Southeast Asian Nations
BCB	Banco Central do Brasil
BCBS	Basel Committee on Banking Supervision
BDEAC	Central African Development Bank
BEAC	Bank of Central African States
BFP	Biodiversity Finance Plan
BI	Bank Indonesia
BNDES	Brazilian National Development Bank
BNG	Biodiversity Net Gain
BNM	Bank Negara Malaysia
BoC	Bank of Canada
BoJ	Bank of Japan
BRL	Brazilian Real
BSE	Beijing Stock Exchange
CapEX	Capital expenditure
CBD	Convention on Biological Diversity
CBES	Climate Biennial Exploratory Scenario
CEMAC	Central African Economic and Monetary Community
CCPT	Climate Change and Principle-based Taxonomy
CFA	Central African Financial Cooperation
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CITSB	Interinstitutional Committee of the Brazilian Sustainable Taxonomy
CMN	National Monetary Council of Brazil
COBAC	Central African Banking Commission
COP	Conference of the Parties
COSUMAF	Central African Financial Market Supervisory Commission
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CSA	Canadian Securities Administrators
CSER	Corporate social and environmental responsibility
CSSB	Canadian Sustainability Standards Board
CSDDD	Corporate Sustainability Due Diligence Directive
CSDS	Canadian Sustainability Disclosure Standard or Chinese Corporate Sustainability Disclosure Standard

Abbreviation	Full name of concept or organisation
CRMS	Climate Risk Management & Scenario Analysis
CSRC	China Securities Regulatory Commission
CSRD	Corporate Sustainability Reporting Directive
CVM	Securities and Exchange Commission of Brazil
DEFRA	Department for Environment, Food and Rural Affairs
DNSH	Do no significant harm
DBT	Department for Business and Trade
E&S	Environmental and social
EBA	European Banking Authority
ECB	European Central Bank
EFRAG	European Financial Reporting Advisory Group
EIA	Environmental impact assessment
EIOPA	European Insurance and Occupational Pensions Authority
ESAs	European Supervisory Authorities
ESFS	European System of Financial Supervision
ESG	Environmental, Social and Governance
ESMA	European Securities Market Authority
ESRB	European Systemic Risk Board
ESRS	European Sustainability Reporting Standards
EU	European Union
EUDR	EU Deforestation Regulation
F&F	Forests & Finance
FATF	Financial Action Task Force
FDIC	Federal Deposit Insurance Corporation
FIEA	Financial Instruments and Exchange Act
FOREST Act	Fostering Overseas Rule of law and Environmentally Sound Trade Act
FPIC	Free Prior and Informed Consent
FRC	Financial Reporting Council
FRFIs	Federally regulated financial institutions
FSA	Financial Services Act (Malaysia) or Financial Services Agency (Japan)
FYP	Five-Year Plan
GBP	Green Bond Principles
GBF	Kunming-Montreal Global Biodiversity Framework
GFIT	Green Finance Industry Taskforce
GHG	Greenhouse Gas
GSS	Green, Social, and Sustainable
GTAG	Green Technical Advisory Group
GSRAC	Social, Environmental, and Climate Risks and Opportunities

Abbreviation	Full name of concept or organisation
HCS	High Carbon Stock
HCV	High Conservation Value
HKEX	Hong Kong Exchanges and Clearing Limited
HM	His Majesty's
ICAAP	Internal Capital Adequacy Assessment Process
ICMA	International Capital Markets Association
IDX	Indonesian Stock Exchange
IFRS	International Financial Reporting Standards
IFSA	Islamic Financial Services Act
IPO	Initial public offering
ISPO	Indonesia Sustainable Palm Oil
ISSB	International Sustainability Standards Board
JBIC	Japan Bank for International Cooperation
JC3	Joint Committee on Climate Change
JPY	Japanese Yen
JCTBs	Japan Climate Transition Bonds
KLM	Macroprudential Liquidity Incentive Policy
KPIs	Key performance indicators
KYC	Know Your Customer
LCA	Agribusiness Letters of Credit
MAS	Monetary Authority of Singapore
MEE	Ministry of Ecology and the Environment
MIIT	Ministry of Industry and Information Technology
MNR	Ministry of Natural Resources
MoC	Ministry of Commerce
MoF	Ministry of Finance
MSMEs	Micro-, small-, and medium-sized enterprises
MSPO	Malaysian Sustainable Palm Oil
NBSAP	National Biodiversity Strategy and Action Plan
NDC	Nationally Determined Contribution
NDRC	National Development and Reform Committee
NFRA	National Financial Regulatory Administration
NFRD	Non-Financial Reporting Directive
NGFS	Network for Greening the Financial System
NGO	Non-governmental organization
NSRF	National Sustainability Reporting Framework
NT	National Target
OCC	Office of the Comptroller of the Currency

Abbreviation	Full name of concept or organisation
OECD	Organisation for Economic Co-operation and Development
OFR	Official Foreign Reserves
OJK	Financial Service Authority of Indonesia
OpEx	Operational expenditure
OSFI	Office of the Superintendent of Financial Institutions
PBoC	People's Bank of China
PRA	Prudential Regulation Authority
PSRAC	Policy of Social, Environmental, and Climate Responsibility
QIBs	Qualified Institutional Buyers
RAN	Rainforest Action Network
RSPO	Roundtable on Sustainable Palm Oil
SASAC	State-owned Assets Supervision and Administration Commission of the State Council
SAT	Singapore-Asia Taxonomy for Sustainable Finance
SBFN	Sustainable Banking and Finance Network
SC	Securities Commission Malaysia
SBF	Sustainability Bond Framework
SEC	Securities and Exchange Commission of the United States
SESC	Securities and Exchange Surveillance Commission
SFAC	Sustainable Finance Action Council
SFDR	Sustainable Finance Disclosures Regulation
SGX RegCo	Singapore Exchange Regulation
SIA	Social Impact Assessment
SMEs	Small and medium-sized enterprises
SMSG	Securities and Markets Stakeholder Group
SNCR	Rural Credit National System
SOEs	State-Owned Enterprises
SSBJ	Sustainability Standards Board of Japan
SSE	Shanghai Stock Exchange
SSFA	Singapore Sustainable Finance Association
STI	Straits Times Index
SZSE	Shenzhen Stock Exchange
SUSREG	Sustainable Financial Regulations and Central Bank Activities Tracker
TCFD	Task Force on Climate-Related Financial Disclosures
TCF	Transition Finance Council
TKBI	Indonesian Sustainable Finance Taxonomy
TNFD	Taskforce on Nature-related Financial Disclosures
TSB	Brazilian Sustainable Taxonomy
TSC	Technical Screening Criteria

Abbreviation	Full name of concept or organisation
UDEAC	Customs Union of Central African States
UEAC	Central African Economic Union
UK SRS	UK Sustainability Reporting Standards
UMAC	Central African Monetary Union
UNDP	United Nations Development Programme
UNDRIP	United Nations Declaration on the Rights of Indigenous Peoples Act
UNESCO	The United Nations Educational, Scientific and Cultural Organisation
UNGPs	UN Guiding Principles on Business and Human Rights
USD	United States Dollar
VBIAF	Value-Based Intermediation Financing and Investment Impact Assessment Framework
WWF	World Wide Fund for Nature

Summary

In December 2022, the parties to the United Nations Convention on Biological Diversity (CBD) adopted the Kunming-Montreal Global Biodiversity Framework (GBF), which sets out an ambitious pathway to reach the global vision of a world living in harmony with nature by 2050. Among the GBF's key elements are four goals for 2050 and 23 targets for 2030. This report specifically addresses the commitments of countries under target 14 of the GBF, which includes an obligation for states to fully integrate biodiversity and its multiple values into financial sector regulations and to align public and private financial flows with the goals and targets of the GBF.

Focus on eleven jurisdictions

Forests & Finance selected eleven jurisdictions that play important but differing roles in the financing of forest-risk activities. They include major producer countries, home jurisdictions of internationally significant banks and investors, financial centres, and regional regulatory jurisdictions. Together, they provide a strategically relevant cross-section of the regulatory systems governing finance for agricultural, forestry and mineral activities associated with tropical deforestation, ecosystem conversion and human rights abuses. These jurisdictions are:

- Brazil
- Canada
- Central African Economic and Monetary Community (CEMAC)
- China
- European Union
- Indonesia
- Japan
- Malaysia
- Singapore
- United Kingdom; and
- United States.

For nine national or supranational jurisdictions that report to the CBD, the study first examines their national targets, National Biodiversity Strategy and Action Plans (NBSAPs), and Seventh National Reports, before assessing relevant financial regulations. The United States is not a Party to the CBD. CEMAC is assessed as a regional financial regulatory jurisdiction rather than as a CBD Party; its six member states are individually Parties to the Convention, but their separate NBSAPs and national reports are outside the scope of the CEMAC chapter. The same author-developed assessment framework is applied across all eleven jurisdictions. In each jurisdiction, the study focuses on the forms of finance and financial regulation most relevant to agricultural, forestry and mineral activities associated with tropical deforestation and ecosystem conversion.

Types of financial regulation assessed

The analysis uses a broad definition of financial regulations, beyond what is normally defined as financial regulation or supervision. This definition encompasses all types of government laws, regulations, and guidelines that affect how financial institutions operate, especially when it comes to the financing of, and investments in, companies in the real economy. The following types of regulation are discerned:

- Monetary policies
- Banking regulations
- Capital market regulations
- Regulations on money laundering and financial crime
- Regulations on corporate disclosure
- Regulations stimulating the financing of sustainable activities

- Regulations protecting human rights and/or the environment

Assessment framework for the GBF alignment of financial regulations

Using Target 14 as the research starting point, Table 1 presents the assessment framework used to assess how the various types of financial regulation in a given jurisdiction are equipped to address three priority GBF targets, one from each of the three categories in which the GBF targets are structured. Each of these targets was further defined in an assessment criterion relevant to the study.

Table 1 Author-developed framework for assessing financial regulation against selected GBF targets

Group	Target	Regulatory criterion developed for this study
Reducing threats to biodiversity	1 Plan and manage all areas to reduce biodiversity loss.	Financial regulations do not allow financing of, or investment in, activities or companies responsible for deforestation or the conversion of natural ecosystems.
Meeting peoples' needs through sustainable use and benefit sharing	10 Enhance biodiversity and sustainability in Agriculture, Aquaculture, Fisheries and Forestry.	Financial regulations expect financial institutions to support a just transition in the Agriculture, Aquaculture, Fisheries and Forestry sectors, in ways that uphold the rights of workers, peasants, fisherfolk, Indigenous Peoples, traditional and local communities.
Tools and solutions for implementation and mainstreaming	15 Businesses assess, disclose and reduce biodiversity-related risks and negative impacts.	Financial regulations require transparent disclosure of all financing and investment portfolios and of the biodiversity and social impacts associated with these flows.

Assessment of the GBF alignment of financial regulations in eleven jurisdictions

Overall, the assessments of financial regulations in the eleven jurisdictions show a substantial implementation gap between international biodiversity commitments and financial regulations. Although the United States is the only country assessed that is not a Party to the Convention, the jurisdictions covered stand in different institutional relationships to the CBD. CEMAC is assessed as a regional regulatory jurisdiction whose six member states are individually CBD Parties.

Of the 33 completed scores across GBF Targets 1, 10 and 15 and eleven jurisdictions, no target-level assessment received a green score against the author-developed criteria, as shown in Table 2. Only three scores are yellow, while the remaining 30 are light red or dark red. The weakness is most pronounced on the criterion informed by Target 1, concerning finance for deforestation and natural-landscape conversion, where no jurisdiction scores above light red, and least pronounced on Target 15 (transparency), which accounts for the three yellow scores. This indicates that disclosure duties are emerging first while binding restrictions on financing of and investing in ecosystem conversion lag behind.

The assessment identifies a substantial gap between international biodiversity commitments and financial regulation: biodiversity is increasingly recognised, but no assessed jurisdiction requires financial institutions to align all financing and investment decisions with the GBF. The national targets and plans reviewed rarely treat the integration of biodiversity into financial regulation as a distinct, measurable objective, even where relevant regulatory initiatives exist outside the formal GBF implementation framework. As such, countries do not treat integrating biodiversity into financial regulations as a standalone objective within their national biodiversity strategies and plans.

Overall, the assessment has led to the following conclusions:

- **Financing of ecosystem conversion remains largely unrestricted.** No jurisdiction prohibits financial institutions comprehensively from financing or investing in companies involved in the conversion of natural landscapes. Existing restrictions apply only to particular products, institutions, activities or forms of illegal conversion.
- **Just transition principles are largely absent.** Financial regulations generally do not require banks and investors to support a just transition in agriculture, aquaculture, fisheries and forestry that protects workers, peasants, fisherfolk, Indigenous Peoples and traditional and local communities. Social safeguards are usually limited, voluntary or attached only to selected sustainable finance products.
- **Transparency remains incomplete.** Although disclosure requirements are developing more quickly than other forms of regulation, no jurisdiction requires full transparency of all financing and investment flows together with comprehensive disclosure of their biodiversity and social impacts.
- **Full alignment with the GBF is not required.** Even the strongest frameworks apply only to selected institutions, products or activities. Taxonomies and other sustainable finance tools mainly classify activities, while many relevant expectations remain voluntary and do not require institutions to redirect financing away from biodiversity loss.
- **Financial materiality continues to dominate.** Requirements to assess the impacts of financing on biodiversity remain limited, and double materiality is applied rarely and inconsistently.
- **Climate considerations, though also applied inconsistently and irregularly, largely remain the only sustainability issue addressed.** Most frameworks lack specific biodiversity indicators, science-based thresholds, transition plans and measurable portfolio targets.
- **Biodiversity is largely absent from monetary policy.** Biodiversity is rarely incorporated into central bank operations, even where climate considerations have begun to appear.
- **Regulatory trajectories are uneven and sometimes regressive.** Regulatory developments are uneven both within jurisdictions and among them and, in several cases (most notably the EU), have stalled or moved backwards, often under the pretext of improving competitiveness and removing administrative burden for business.
- **From recognition to binding alignment.** Overall, the regulatory frameworks reviewed increasingly recognise biodiversity, but recognition has not yet translated into alignment. Closing this gap requires a shift from voluntary risk awareness and product-level disclosure towards binding portfolio-level obligations embodied in mandatory regulations.

Table 2 Integration of biodiversity criteria in financial regulations in 11 jurisdictions

Assessment criteria	Target 1 Assessment	Target 10 Assessment	Target 15 Assessment
As defined by authors for the purpose of this study. The colours indicate alignment with the author-developed criteria.	Financial regulations do not allow financing of, or investment in, activities or companies responsible for deforestation or the conversion of natural ecosystems.	Financial regulations expect financial institutions to support a just transition in the Agriculture, Aquaculture, Fisheries and Forestry sectors, in ways that uphold the rights of workers, peasants, fisherfolk, Indigenous Peoples, traditional and local communities.	Financial regulations require transparent disclosure of all financing and investment portfolios and of the biodiversity and social impacts associated with these flows.

Assessment criteria	Target 1 Assessment	Target 10 Assessment	Target 15 Assessment
Brazil	(Light red) Brazil restricts government-controlled rural credit to companies violating laws on natural landscape conversion. However, it does not generally ban financing or investment in all converting companies, nor does it clearly cover standard bank credit or capital-market products.	(Light red) Brazil requires certain financial institutions to adopt social, environmental, and climate responsibility policies and prohibits rural credit for enterprises on Indigenous lands. However, no rules require them to support a just transition that upholds the rights of workers, Indigenous Peoples, or local communities.	(Light red) Brazil requires financial institutions to report on how they manage social, environmental, and climate risks. However, they need not disclose financing flows or assess social and environmental impacts, and no biodiversity transparency or impact requirements apply to agricultural investment products.
Canada	(Dark red) No banking or investment regulations currently prohibit financing or investment in activities or companies responsible for deforestation or natural landscape conversion. OSFI's B-15 addresses climate-related financial risk, yet does not envisage restrictions on financing nature conversion.	(Light red) Banks may face human-rights, labour, Indigenous rights, environmental-permitting and project-assessment issues in specific transactions, but financial regulators do not impose a broad duty on banks to "stimulate a just transition" in those sectors. OSFI's climate framework is prudential and risk-based, not focusing on just transition and biodiversity considerations	(Light red) There are partial climate and sustainability disclosure requirements and voluntary reporting standards, with rules addressing misleading ESG claims. However, there are no requirements envisaging a transparent disclosure of financing and investment flows or their biodiversity and social impacts at portfolio level. The proposed sustainable investment guidelines, or taxonomy, are voluntary and do not propose mandatory taxonomy reporting.
CEMAC	(Dark red) No regulations currently prohibit financing companies involved in deforestation or natural landscape conversion.	(Dark red) No regulations require financial companies to support a just transition in the Agriculture, Aquaculture, Fisheries and Forestry sectors, in ways that uphold the rights of workers, peasants, fisherfolk, Indigenous Peoples, traditional and local communities.	(Dark red) No regulations require financial institutions to disclose financing flows and their impacts on biodiversity and social issues. COSUMAF Guide on GSS Bonds requires issuers to disclose project descriptions and anticipated environmental/social impacts, but this is only applicable to GSS bond issuances, not to all investment flows.

Assessment criteria	Target 1 Assessment	Target 10 Assessment	Target 15 Assessment
China	(Light red) Financial regulations classify green finance without imposing portfolio-level requirements on banks or restricting financing for environmentally harmful activities. Financial authorities also encourage Chinese banks and insurers to establish grievance mechanisms to manage the ESG risks of their clients; however, there are no regulations prohibiting financing companies involved in the conversion of natural landscapes.	(Light red) Financial regulations stimulate the issuance of green bonds, whose proceeds can be used for a just transition of relevant sectors in China. But not necessarily all proceeds have to be used in this way; social criteria are weak, and the transition of these sectors overseas is not within the scope of the green bond guidelines. Normal corporate bonds are not covered either.	(Yellow) Corporate Sustainability Disclosure Standards are voluntary but will become mandatory in 2030. The disclosure requirement lists biodiversity loss and soil fertility change as part of the climate-related material risks for corporates to identify and report. There are no requirements set for the transparency and full disclosure of the biodiversity and social impacts of financial flows.
EU	(Light red) There are currently no regulations prohibiting investing in or financing of activities and companies responsible for deforestation or natural landscape conversion. While sustainable finance rules classify or disclose investments, exclusions are limited, and the EU Deforestation Regulation does not apply to the financial sector.	(Light red) Financial regulations encourage environmental transition but do not require financial institutions to support a just transition or protect affected communities. Human rights safeguards apply only to voluntary taxonomy alignment, while social standards under CSRD (ESRS S1 to S4) focus on disclosure rather than mandatory action, and the sectoral standards envisaged for agriculture, farming and fishing and for financial institutions were never adopted, with Omnibus I removing the legal basis for binding sectoral standards.	(Yellow) Regulations require ESG and biodiversity disclosures but fall short of full transparency on all investment flows and their impacts. Requirements envisage only limited biodiversity reporting obligations and uneven implementation of prudential ESG planning rules.
Indonesia	(Dark red) No regulations currently prohibit financing activities or companies responsible for deforestation or natural landscape conversion.	(Light red) Indonesia requires sustainable finance plans and reporting, while sector guidance and taxonomies address biodiversity and some social safeguards. However, these measures do not expressly require financial institutions to support a just transition	(Light red) Banks are not required to disclose their financing or investment portfolios. While listed companies, including banks, must report their own direct sustainability and biodiversity impacts, banks do not have to disclose the biodiversity

Assessment criteria	Target 1 Assessment	Target 10 Assessment	Target 15 Assessment
Japan	(Dark red) Currently, no banking or securities regulation broadly prohibits banks or investors from financing companies responsible for conversion of natural landscapes.	in agriculture, aquaculture, fisheries and forestry that upholds the rights of workers, peasants, fisherfolk, Indigenous Peoples and traditional and local communities. Palm oil financing guidelines encourage biodiversity risk assessment using HCV approaches, but sector-specific guidance for other high-risk sectors remains limited.	and social impacts of the companies they finance.
		(Dark red) Biodiversity risks may inform materiality, risk management, and transition disclosures for financial institutions and companies. However, financial regulators do not explicitly require financial institutions to support a just transition.	(Light red) Japan's sustainability disclosure rules focus on general sustainability and climate issues, without dedicated biodiversity or social impact requirements. These impacts may be reported based on materiality risk through general sustainability or climate disclosures, as well as related voluntary initiatives. In addition, Japan lacks an economy-wide green taxonomy.
Malaysia	(Light red) Financial regulations assess climate- and nature-related risks and encourage steering finance towards lower-climate-risk activities; however, they do not require financial institutions to refrain from financing harmful activities.	(Light red) Malaysia's principle-based financial regulation addresses Indigenous Peoples' rights to a limited extent, including provisions for exclusions suggested by financial authorities; however, it does not require financial institutions to support a just transition in biodiversity-risk sectors.	(Light red) Financial regulations require regular climate-related exposure reporting but do not cover nature-related impacts or require full disclosure of all financing flows.
Singapore	(Light red) No regulations currently prohibit financing activities or companies responsible for deforestation or natural landscape conversion. While MAS guidelines require banks	(Light red) The regulatory framework references high-risk sectors and (some) social issues are mentioned (SAT minimum safeguards; ABS on Indigenous Peoples and	(Light red) Regulations require listed and large non-listed banks to make sustainability and climate disclosures and manage environmental risks, including biodiversity loss.

Assessment criteria	Target 1 Assessment	Target 10 Assessment	Target 15 Assessment
UK	to manage environmental risks, including deforestation and land-conversion risks, they do not establish a financing ban.	communities), but no instrument requires financial institutions to stimulate a just transition. Aquaculture and fisheries are barely covered, and the just transition and community rights core of this GBF target appears only as illustrative guidance, not a strict requirement.	However, they do not require transparent disclosure of all financing and investment portfolios, nor full disclosure of biodiversity and social impacts of those portfolios.
	(Light red) No regulations currently prohibit financing companies involved in deforestation or natural landscape conversion. Biodiversity risks are recognised through stewardship and risk frameworks, but no binding exclusion, divestment requirement, or finance-sector forest-risk regulation is currently in place.	(Dark red) Financial regulations do not require or specifically promote a just transition in agriculture, aquaculture, fisheries, or forestry. Social and ESG considerations remain general, while just-transition obligations appear only in voluntary frameworks, not binding finance rules.	(Yellow) Financial regulations require some sustainability disclosures and anti-greenwashing measures but do not ensure full transparency on investment portfolios or their biodiversity and social impacts. Reporting initiatives remain climate-focused and apply a financial materiality rather than a double materiality approach, and they contain no uniform mandatory biodiversity impact indicators, or equivalent social-impact indicators, applicable to all banks and investors.
US	(Dark red) Financial regulations do not prohibit investment in companies involved in natural landscape conversion. The proposed FOREST Act would have restricted investments linked to illegal deforestation and conversion, but it was not enacted.	(Dark red) Financial regulations do not require financial institutions to support a just transition in agriculture, aquaculture, fisheries, or forestry. No sustainable finance taxonomy or investment-level social and environmental due diligence requirements are in place.	(Light red) Regulations require large institutional investors to disclose holdings, and ESG funds must meet ESG investment thresholds of 80% fund allocation. However, managers determine qualifying investments, and investors are not required to report biodiversity or social impacts.

Harmful subsidies reform

In addition to the financial regulations, the analysis of the national targets, NBSAPs, and national GBF reports also covered national commitments and the reported status of reforming biodiversity-

harmful subsidies. Overall, the progress towards eliminating, phasing out or reforming biodiversity-harmful incentives remains limited and uneven across the nine national or supranational jurisdictions for which national or regional GBF planning and reporting were reviewed. Only two report completed domestic subsidy reforms or a quantified decline in a relevant subsidy category: China reports having reformed harmful agricultural and forestry subsidies, while the EU reports a modest decline in fossil fuel subsidies from USD 158 billion in 2022 to USD 129 billion in 2023. Four jurisdictions, Brazil, Canada, Japan and Malaysia, remain largely at the stage of commitments, identification or assessment of harmful incentives, despite some advances in positive incentives. Brazil and Japan explicitly report insufficient progress, while Canada provides no data on the value of harmful subsidies. Malaysia is conducting a subsidy assessment with support from the UNDP-led Biodiversity Finance Initiative (BIOFIN). The UK reports supporting subsidy reform work in eight developing countries but does not seem to have made meaningful progress in phasing out its own harmful subsidies. Indonesia focuses mainly on positive incentives, while Singapore describes broader environmental measures without reporting the identification or reform of biodiversity-harmful subsidies. Overall, progress appears uneven and insufficient across all jurisdictions. Expanding positive incentives and supporting preparatory work are useful steps, but do not demonstrate that existing harmful incentives are being eliminated or reformed.

Mobilising finance for biodiversity

This research also examined what countries and jurisdictions report on mobilising financial resources for biodiversity, under GBF Target 19 and related resource mobilisation commitments. The national reports reviewed show uneven progress towards GBF Target 19 on mobilising financial resources for biodiversity, with funding not meeting commitments made under the KMGBF. Where funding is reported, it is predominantly public, while private contributions remain limited and difficult to measure. Canada reports increased domestic conservation investment and international biodiversity funding but assesses progress as insufficient. The EU considers its commitment to double external biodiversity financing to be on track. Separately, projected biodiversity-related expenditure in the EU budget remains below the planned 10% share for 2026 and 2027. The UK reports increased international support but assesses overall progress as insufficient. China has allocated approximately USD 59 million to the Kunming Biodiversity Fund against a USD 223 million commitment. Indonesia considers its resource mobilisation efforts on track, reporting USD 9.3 billion in domestic and international public biodiversity finance during 2017–2024, compared with approximately USD 0.6 billion from private and philanthropic sources. Malaysia reports an increase in biodiversity funding from USD 463 million in 2021 to USD 650 million in 2025 (mainly from public sources) but considers progress insufficient. Brazil likewise reports low funding, while Japan records a decline in international public biodiversity finance from USD 412 million in 2020 to USD 163 million in 2023. Singapore reports rising domestic expenditure, although it uses the National Parks Board's operating expenses as a proxy rather than measuring biodiversity-specific funding. It should be noted that figures are based on differing national definitions, periods and reporting methodologies and should not be treated as directly comparable.

The limited contribution attributed to private finance does not simply indicate a need to mobilise more private capital. It underlines the need to govern private finance: to redirect existing financial flows away from activities that harm biodiversity, require accountability for financed impacts, and ensure that finance presented as positive contributes to ecologically credible and rights-based outcomes.

Suggested reforms in the eleven jurisdictions

Based on the shortcomings identified in Table 2, we identified the most urgent and critical reforms that could be implemented across the eleven jurisdictions to bring them a step closer to meeting the targets of the GBF. This list is intended as a starting point for discussion, as it was beyond the scope of this research to consult a broad array of stakeholders on the recommendations.

- **Brazil**

Brazil already restricts regulated rural credit under the National Rural Credit System and the Rural Credit Manual, to farms with links to illegal deforestation, protected areas, and Indigenous lands, but these safeguards should be strengthened and extended. However, these restrictions do not apply to a wide range of investment products, which are being increasingly used to finance the agricultural sector. Key reforms include tightening rural-credit rules and introducing environmental and human rights restrictions for the fast-growing capital-market products that channel finance to agribusiness, notably CRAs and Fiagros, which fall outside the deforestation controls. The Sustainable Taxonomy, approved in 2025 and now in a testing and implementation phase, should be linked to mandatory disclosure, credible minimum safeguards, and time-bound requirements for portfolio alignment, rather than remaining only a classification exercise: closing loopholes, strengthening minimum safeguards and DNSH requirements, and connecting taxonomy alignment to financial products and regulation in order to shift financial flows to sustainable activities. Regulators and financial institutions, including state-owned banks, should reinforce screening, and implement the postponed deforestation-verification requirements without delay. This would ensure that ordinary bank lending and capital-market products, though already regulated, are brought under equivalent binding biodiversity, deforestation and human rights safeguards.

- **Canada**

Canada's framework is fragmented and predominantly climate-focused: OSFI's Guideline B-15 already operates as a mandatory supervisory expectation for federally regulated financial institutions, including climate scenario exercises and annual disclosures, but the reporting standards and proposed taxonomy remain voluntary or incomplete. In April 2025 the Canadian Securities Administrators paused National Instrument 51-107, which would have introduced mandatory climate disclosure for issuers, though this did not affect OSFI's requirements. Reform should move corporate reporting from financial materiality towards double materiality and a dedicated nature-related standard, so that companies disclose how their lending and investment affect biodiversity and society. Climate and biodiversity risks should be systematically integrated into the Bank of Canada's monetary policy operations (such as collateral eligibility and valuation, counterparty assessment, and any future corporate asset-purchase programme) while staying within its price and financial stability mandate. The proposed Canadian Sustainable Investment Guidelines should be broadened beyond climate, given measurable biodiversity criteria, and gradually connected to mandatory portfolio reporting and alignment. Fund-level anti-greenwashing rules should also be strengthened, requiring disclosure of full holdings and exclusions for deforestation, ecosystem conversion and serious biodiversity or Indigenous Peoples' rights impacts.

- **Central African Economic and Monetary Community (CEMAC)**

COBAC's prudential framework, which governs the region's banks, does not yet address climate, environmental, social or biodiversity-related risks, and only very limited building blocks exist elsewhere: COSUMAF's 2025 Green, Social and Sustainability Bond Guide, a narrow capital-market instrument in which biodiversity features only among eligible project categories, and BDEAC's environmental and social safeguards, which are part of an institutional policy applying to BDEAC-financed projects rather than a binding rule. Reform should start by establishing a sustainable finance taxonomy covering banking, capital markets and public

finance in the Community, with sector-specific criteria and no-conversion, human rights and just transition safeguards. COBAC should amend its prudential regulation to incorporate biodiversity protection, ecosystem dependence and no-deforestation and no-conversion into risk management, governance and board accountability, on a double-materiality basis, and by embedding biodiversity into supervision and stress testing. COBAC and COSUMAF should introduce portfolio-level disclosure and due diligence covering financed deforestation and ecosystem conversion, biodiversity dependencies, impacts and risks, and, where applicable, land tenure, labour and community rights, and FPIC. BEAC, in turn, should progressively integrate biodiversity-related criteria into its collateral, refinancing, reserve management and own portfolio frameworks within its mandate to safeguard monetary stability and promote financial stability.

- **China**

China's 2025 Green Finance Endorsed Projects Catalogue already functions as a taxonomy for green bonds and loans, so the priority is to strengthen and operationalise it by adding sector-specific criteria, exclusion lists, minimum safeguards and DNSH requirements, and by extending it to equities. Financing of natural landscape conversion, biodiversity loss and serious human rights violations should be prohibited across lending, underwriting and ordinary bond and share issuance, not just illegal deforestation. Underwriters should face mandatory comprehensive ESG due diligence, disclose their process, and use corporate sustainability information systematically in underwriting and pricing. An independent grievance mechanism, accessible to Chinese and overseas affected communities, should be established and backed by enforcement measures such as fines, capital add-ons, concentration limits, board accountability and, in serious cases, licence restrictions. The PBoC should integrate deforestation and broader nature-related risks into monetary policy tools, alongside the climate criteria already used in some operations.

- **European Union**

The EU has the most comprehensive sustainable finance architecture, but recent Omnibus I reforms have narrowed CSRD coverage, abandoned binding sectoral ESRS, and delayed and narrowed the CSDDD. A further weakness is that the financial sector itself remains largely outside the key nature rules. CRD VI makes only a passing reference to biodiversity and imposes no substantive requirements, so reform should turn this into concrete supervisory expectations, indicators and targets, with the ECB developing a nature risk framework for monetary policy and the EBA setting detailed expectations for biodiversity risk in collateral and prudential plans. On the investment side, the SFDR's Principal Adverse Impact reporting, which forces investors to assess the effects of their holdings on nature and not only the risks to themselves, should be preserved and strengthened rather than weakened as the proposed reform envisages, and investors should have to disclose which companies they actually finance. Binding fund-naming rules should be codified to stop unsustainable funds being marketed as sustainable, with exclusions extended to forest-risk sectors. The Taxonomy's biodiversity criteria, DNSH tests and minimum safeguards should be strengthened, and double materiality reinforced in the reporting rules where it belongs, mainly the CSRD and ESRS. Financial institutions should also be brought within the scope of deforestation and due diligence duties. The EU Deforestation Regulation does not apply to finance at all, and the CSDDD reaches financial institutions only for their upstream operations, not the impacts of their lending, investment and underwriting.

- **Indonesia**

In Indonesia, financial institutions are already required to prepare Sustainable Finance Action Plans, while ASEAN Taxonomy Version 4 and TKBI Version 3 contain sector-specific criteria, do no significant harm tests, social safeguards and methods for assessing portfolios. However, these frameworks remain insufficiently binding, do not require alignment across the full

portfolio and do not prohibit financing linked to deforestation or ecosystem conversion. OJK and the Ministry of Finance should make application of the Indonesian taxonomy binding in portfolio targets, client assessment, credit approval, exclusion policies and transition planning, while strengthening its biodiversity criteria and social safeguards. Existing Sustainable Finance Action Plans should be expanded into mandatory biodiversity and just transition plans for all relevant financial institutions, with clear deadlines and binding financing guidelines for palm oil, forestry, rubber, fisheries, aquaculture, agriculture, infrastructure and other high-risk sectors. Bank Indonesia should extend its macroprudential liquidity incentives to financing that makes a demonstrable contribution to biodiversity protection or restoration and meets robust social safeguards, and to integrate biodiversity risks and safeguards into collateral frameworks, asset purchases and the management of its own investments. OJK should complement these incentives with additional capital requirements, concentration limits or exposure limits for financing that harms biodiversity or human rights. Stronger enforcement, due diligence across corporate groups and reporting across the full portfolio would help convert Indonesia's existing sustainable finance framework into genuine obligations that protect workers, peasants, fisherfolk, Indigenous Peoples and traditional and local communities.

- **Japan**

Japan's approach to nature rests largely on nonbinding guidance and fragmented measures rather than firm requirements. Reform should begin with a formal sustainable finance or green taxonomy containing clear biodiversity, social and human rights criteria, including guidance on activities that should not be financed. Financial authorities should replace voluntary guidance with binding regulation based on double materiality, requiring banks and investors to assess and manage both their dependencies on biodiversity and the impacts of their financing. Biodiversity and human rights risks should be integrated into supervision, scenario analysis and stress testing, supported by mandatory transition plans for high-risk sectors and annual disclosure and due diligence requirements. The Bank of Japan should incorporate biodiversity into its monetary policy mechanisms, including its own investments, asset purchase programmes and collateral framework. Public financial institutions, guarantee schemes, export credit and development finance should also be aligned with biodiversity objectives. Greater coherence is needed so that Japan's biodiversity strategy, financial regulation, disclosure standards, monetary policy and public finance all support the same measurable and enforceable objectives. The central shift is from voluntary encouragement towards binding requirements that shape financing and investment decisions.

- **Malaysia**

Malaysia has useful foundations, including mandatory climate risk management and sustainability reporting requirements, but its framework remains predominantly climate-focused, and many nature-related tools still rely on principles-based guidance rather than binding rules. A significant recent development is the proposed Malaysia Taxonomy for Sustainable Finance, jointly developed by Bank Negara Malaysia and the Securities Commission Malaysia and published for public consultation in March 2026. The proposed taxonomy is intended to provide a unified national framework that builds on existing banking and capital market taxonomies. It expressly considers biodiversity and healthy ecosystems, resource resilience, social safeguards and science-based technical screening criteria. Regulators should finalise and implement the taxonomy without delay, retain and strengthen its nature-related provisions, and establish a clear timetable for making its application and reporting requirements mandatory. Regulators should also ensure meaningful consultation and representation of CSOs and communities and require financial institutions to incorporate CSOs' and communities' inputs into due diligence for forest-risk sectors. Biodiversity risks should also be integrated into stress testing, scenario analysis and supervisory requirements, supported by binding screening criteria for sectors such as palm oil, forestry, agriculture, fisheries and infrastructure. Financial institutions and investors should be required to disclose

nature-related risks, impacts and financing flows, supported by independent due diligence. Bank Negara Malaysia should incorporate climate and nature-related risks into monetary policy assessments, including their implications for inflation, credit and financial stability. Regulators should apply heavy fines, sanctions and remedial measures where institutions fail to comply. The priority should be to ensure that Malaysia's emerging unified taxonomy and its existing climate-focused tools become binding obligations that address biodiversity and community rights issues and are backed by credible supervision and enforcement.

- **Singapore**

Singapore has advanced sustainable finance tools, including the Singapore Asia Taxonomy and the MAS Guidelines on Environmental Risk Management, but their treatment of biodiversity remains limited and largely non-binding. The MAS Guidelines set expectations rather than firm obligations, so reform should turn the core expectations on governance, sector policies, portfolio metrics and disclosure into binding requirements, at least for the largest banks, and extend the climate-focused transition planning guidance to nature and biodiversity. The Singapore Asia Taxonomy should be made mandatory through a phased approach, with portfolio alignment targets for banks. Its biodiversity objective should be operationalised through dedicated technical screening criteria that go beyond DNSH tests, cover aquaculture and fisheries more fully, and identify activities that make a demonstrable contribution to biodiversity protection or restoration, alongside activities responsible for significant biodiversity harm. MAS already applies climate and ESG considerations to the Official Foreign Reserves, and this should be extended to biodiversity, alongside a nature risk framework for counterparties, collateral and any future targeted lending or asset purchase facilities.

- **United Kingdom**

The United Kingdom has strengthened anti-greenwashing and labelling rules but abandoned its green taxonomy, and its forest risk commodities regime, being developed under the Environment Act 2021, is not yet in force and does not cover financial institutions. The Bank of England should reform by integrating nature-related risk into supervision and develop a framework for biodiversity in monetary policy operations, including collateral eligibility. The PRA should extend its supervisory framework beyond climate, requiring banks to adopt sector-specific policies, conduct location-sensitive assessments, collect traceability data, gradually introduce nature-related scenario analysis, and eventually incorporate material nature risks into their internal capital and liquidity assessments. The review of financial regulation required by section 79 of the Financial Services and Markets Act 2023 should lead to direct due diligence requirements for financial institutions regarding financing linked to forest-risk commodities. The Government should reverse its decision to abandon the UK taxonomy and resume work on a taxonomy with a fully operational biodiversity objective, alongside a timetable for mandatory nature reporting based on double materiality.

- **United States**

The United States is the clearest case of regulatory reversal among the jurisdictions reviewed. The interagency climate risk principles have been withdrawn, climate-related structures within the Federal Reserve have been dismantled, and the SEC has proposed rescinding the federal climate disclosure rules. Reform should begin by restoring climate-related financial regulation and by ratifying the Convention on Biological Diversity and aligning federal policy and financial regulation with the Global Biodiversity Framework. The Federal Reserve should integrate biodiversity risks into its financial stability and supervisory frameworks through nature-related scenario analysis, clear supervisory expectations and improved risk assessment methods. The SEC should require corporate reporting on climate, biodiversity and social impacts on a double materiality basis, with clear metrics, targets and transition plans. Disclosure exemptions for private placements should be removed so that private issuers meet the same reporting standards as public issuers. The United States should also develop a sustainable finance

taxonomy and introduce sustainability due diligence obligations for large companies, including financial institutions. California has moved further than the federal government on climate disclosure, although part of its framework faces legal challenge, while comparable proposals in New York remain pending or have stalled.

General recommendations on aligning with the GBF targets

An important finding of this report is the weak connection between jurisdictions' biodiversity commitments and their financial regulations. Financial regulation receives limited and uneven attention in national targets, NBSAPs, and national reports, even where relevant regulatory measures have been introduced. Jurisdictions should therefore establish measurable, time-bound commitments under their GBF implementation frameworks to integrate biodiversity into monetary policy, banking and investment regulation, including prudential requirements, investment labelling, mandatory reporting and portfolio-level alignment with GBF goals and targets.

Beyond the jurisdiction-specific reforms, the report sets out cross-cutting recommendations grouped by type of regulation:

- **Integrate biodiversity into monetary policy.** Address biodiversity in collateral frameworks, asset purchase programmes, lending and refinancing facilities, reserve requirements and central bank portfolios.
- **Integrate biodiversity into prudential regulation.** Require double materiality, due diligence across the whole corporate group, transition plans, biodiversity stress tests and stricter treatment of high-risk financing.
- **Improve financial market transparency.** Require banks and institutional investors to disclose their financing and investments, portfolio biodiversity impacts and progress against transition plans.
- **Strengthen corporate reporting.** Require companies to report biodiversity and human rights impacts across the corporate group, including assets, financing relationships, and geolocation data in high-impact sectors.
- **Connect taxonomies to binding portfolio-alignment measures.** Cover biodiversity, human rights and harmful activities, and require Sustainable Finance Action Plans that align portfolios and phase out harmful financing.
- **Apply due diligence and no-deforestation rules to finance.** Require traceability, escalation and financing restrictions, while protecting affected communities through just transition safeguards, Free, Prior and Informed Consent and access to remedy.
- **Make requirements binding and enforceable.** Replace voluntary guidance with binding rules, credible sanctions, stronger regulatory expertise and science-based measurement.
- **Protect and reinforce existing regulations.** Prevent sustainability and biodiversity regulations for the financial sector from being relaxed or dismantled, broaden their scope and strengthen them over time.
- **Ensure the elimination of harmful subsidies.** Fully integrate GBF Target 18 into national strategies and targets, covering both the promotion of incentives that demonstrably support biodiversity protection, restoration and sustainable use and the reduction and elimination of biodiversity-harmful subsidies. Set measurable monetary reduction commitments contributing to the global goal of reducing harmful incentives by at least USD 500 billion annually by 2030.
- **Guarantee participation, accountability and remedy.** Ensure that Indigenous Peoples, affected communities and civil society, including Women and Youth organisations, participate in the design and oversight of financial regulation, and have access to independent grievance mechanisms and effective remedy.

Introduction

Biodiversity is not a peripheral environmental concern but a foundation of economic activity, human well-being and financial stability. Healthy ecosystems provide pollination, soil formation and fertility, nutrient cycling, freshwater supply and purification, natural pest and disease control, flood and erosion regulation, coastal protection, carbon storage and climate regulation.

Biodiversity also underpins genetic resources, food security and the discovery of biochemical compounds used in medicines and other products. The degradation of these systems can disrupt production and supply chains, weaken livelihoods, reduce the value of assets and collateral, and increase systemic risks. At the same time, lending, underwriting and investment decisions can either intensify or help reverse biodiversity loss.

Finance contributes to biodiversity loss by enabling the expansion of agricultural, forestry and mining activities that drive deforestation, ecosystem conversion and associated human rights harms. As this report shows, voluntary commitments and disclosure initiatives have not yet fully translated into comprehensive binding requirements to prevent financing of these activities. Green bonds, biodiversity credits and other mechanisms intended to mobilise conservation finance cannot substitute for mandatory regulations on harmful financial flows. Stronger regulation is needed to align lending and investment with biodiversity goals, supported by transparency, due diligence and effective enforcement. Yet progress across the assessed jurisdictions remains limited and uneven, with biodiversity still receiving insufficient attention in financial regulation.

Forests & Finance (F&F) is an initiative by a coalition of campaign, grassroots, journalistic and research organisations which aims to end tropical deforestation, encourage respect for human rights and support thriving economies that benefit people and planet. The coalition includes Rainforest Action Network (RAN), TuK Indonesia, Profundo, Amazon Watch, Repórter Brasil, BankTrack, Sahabat Alam Malaysia, Milieudefensie, CED Cameroun, Observatório da Mineração and Friends of the Earth US.

Collectively, F&F seeks to prevent financial institutions from facilitating environmental and social abuses common in mining and forest-risk commodity sectors: beef, palm oil, pulp & paper, rubber, soy and timber. By financing producers, traders and processors in the value chains of these commodities, financial institutions are facilitating biodiversity destruction and violation of the human rights of Indigenous Peoples and local communities. F&F seeks to hold the financial sector to account for these abuses and change financial institutions' practices through improved financial sector transparency, policies, systems and regulations. This report explores what role financial regulations should play in this respect.

As Forests & Finance focuses on deforestation in tropical regions, our work does not cover all forms of biodiversity loss worldwide. But tropical forest regions are important biodiversity hotspots, and the objectives of F&F are very much aligned with the Kunming-Montreal Global Biodiversity Framework (GBF) adopted in December 2022 by the Parties to the Convention on Biological Diversity (CBD). The GBF sets out an ambitious pathway to reach the global vision of a world living in harmony with nature by 2050.

Among the GBF's key elements are four goals for 2050 and 23 targets for 2030. Inspiring this study is target 14: *Integrate Biodiversity in Decision-Making at Every Level: Ensure the full integration of biodiversity and its multiple values into policies, regulations, planning and development processes, poverty eradication strategies, strategic environmental assessments, environmental impact assessments and, as appropriate, national accounting, within and across all levels of government and across all sectors, in particular those with significant impacts on biodiversity, progressively aligning all relevant public and private activities, fiscal and financial flows with the goals and targets of this framework.*

The CBD parties have agreed to review and update their National Biodiversity Strategy and Action Plans (NBSAPs) and to develop, update and implement national Biodiversity Finance Plans (BFPs).

The NBSAPs serve as the basic policy framework for implementing the CBD at the national level, and BFPs identify measures to mobilise necessary resources, reform harmful incentives and align public and private financial flows with national biodiversity priorities. Countries report their progress against the GBF targets in their 7th National Reports. For countries that are part of the Convention on Biological Diversity (CBD) and therefore Parties to the Kunming–Montreal Global Biodiversity Framework (GBF), we provide an analysis of their NBSAPs and 7th National Reports focusing on the following GBF Targets:

- Target 14: Integrate Biodiversity in Decision-Making at Every Level
- Target 15: Businesses Assess, Disclose and Reduce Biodiversity-Related Risks and Negative Impacts
- Target 18: Reduce Harmful Incentives by at Least USD 500 Billion per Year, and Scale Up Positive Incentives for Biodiversity
- Target 19: Mobilise USD 200 Billion per Year for Biodiversity From all Sources, Including USD 30 Billion Through International Finance

The 17th Conference of the Parties (COP) of the CBD, to be held in Yerevan (Armenia) from 19 to 30 October 2026, will be the second CBD COP after the adoption of the GBF, and it marks the halfway point to 2030 targets. Published ahead of COP17, this report provides concrete proposals for strengthening financial regulation in support of Target 14 and the wider GBF. These suggestions could be integrated into the NBSAPs and BFPs of the different countries. The report is meant for governments, financial regulators, civil society organisations campaigning on finance and financial regulation, and journalists.

The Forests & Finance database monitors financing to 500 company groups selected based on their scale and involvement across 22 selected commodities from agricultural, forestry (beef, cocoa, coffee, palm oil, pulp & paper, rubber, soy and timber), and mining activities (aluminium, chrome, cobalt, copper, gold, graphite, iron, lithium, manganese, nickel, Platinum Group Metals, potash, Rare Earth Elements (REE), zinc) associated with tropical forest, ecosystem, and rights risks. Chapter 1 uses these data, together with strategic considerations concerning producer countries, financial centres and regional regulatory systems, to explain the selection of the eleven jurisdictions.

Using Target 14 as the overarching starting point, the authors developed an indicative normative framework to assess how financial regulation contributes to selected GBF outcomes. The criteria are informed by Targets 1, 10 and 15 and by the GBF's wider rights and implementation principles. They represent the regulatory outcomes the authors consider necessary for alignment; they are not literal restatements of the selected targets. Appendix 1 explains the framework, scoring approach and limitations.

The report uses a broad definition of financial regulation, extending beyond what is normally considered financial regulation or supervision. This definition encompasses all types of government laws, regulations, and guidelines that affect how financial institutions operate, especially when it comes to financing and investing in companies in the real economy. The relevant types of regulations are further described in chapter 0.

Chapters 3 to 13 describe in detail the relevant financial regulations in each of the eleven jurisdictions, and assess the regulations against the author-developed biodiversity criteria used in this study. Each chapter ends with specific recommendations for legislators and financial regulators in that jurisdiction. Finally, chapter 14 summarises conclusions from the assessments across the eleven jurisdictions and chapter 15 formulates general recommendations for financial regulators and legislators to align financial regulations more broadly with the GBF.

The summary presents the principal findings and recommendations.

1

Key jurisdictions and forms of financing of forest-risk commodities

The Forests & Finance database monitors financing to 500 company groups selected based on their scale and involvement across 22 selected commodities from agricultural, forestry, and mining activities associated with tropical forest, ecosystem, and rights risks.

This chapter presents an overview of the trends in financing of forest-risk agricultural commodities and metals and minerals mining in tropical forest-rich regions from key jurisdictions. Within each of these jurisdictions, the types of financial institutions that play the most important roles in financing and investing in the forest-risk commodity sectors are presented. This analysis guides the selection of jurisdictions and types of financial regulation covered in Chapters 2 to 13.

1.1 The Forests & Finance (F&F) database

The Forests & Finance database monitors financing to 500 company groups selected based on their scale and involvement across 22 selected commodities from agricultural, forestry, and mining activities associated with tropical forest, ecosystem, and rights risks. Further details on company selection, financial data sources and adjustment methods are provided in the methodology section of the Forests & Finance website.¹

The forest-risk commodities include:

- **Agricultural commodities**

- Beef
- Cocoa
- Coffee
- Palm oil
- Pulp & Paper
- Rubber
- Soy
- Timber

- **Metals and minerals**

- Aluminium
- Chrome
- Cobalt
- Copper
- Gold
- Graphite

- Iron
- Lithium
- Manganese
- Nickel
- Platinum Group Metals
- Potash
- Rare Earth Elements (REE)
- Zinc

Financial flows were identified using commercial financing databases, company reports and other company publications, filings in company registers, media reports and analyst reports. The Brazilian Development Bank (BNDES) Transparency portal and Brazil's Central Bank portal were used to identify additional financial flows to forest-risk companies in Brazil.

The database contains information on corporate loans and underwriting facilities provided to the selected companies in the period 2013–26 (September). It also contains data on investment in bonds and shares of the selected companies as of September 2026.

Categories of financial flows

Financial institutions can provide finance to companies through various financial flows, which the F&F database groups into two broad categories:

Credit

- Corporate loans, including project finance, revolving credit facilities, trade finance and loans for general corporate purposes or working capital; and
- Underwriting of share and bond issuances.

Investment

- Managing or owning shareholdings; and
- Managing or owning investments in bonds

Many of the 500 companies for which the F&F database identifies financing flows are active in multiple commodities and/or have other business activities. Therefore, we applied “segment” adjusters to all financing and investment amounts we identified to more accurately present the proportion of financing or investment attributable to the different forest-risk sector operations of the selected companies. Where available financial information did not specify the purpose of financing, such adjusters were based on the proportion(s) of the company's forest-risk sector activities relative to its total activities. Further adjusters were calculated for companies operating in multiple geographies within the scope of this research.

All financing and investment amounts mentioned in this chapter are therefore forest-risk adjusted amounts: the total value of the loans given to the companies, or the total value of the investment made in the companies' shares and bonds, are not mentioned; only the values attributable to producing and trading the forest-risk commodities in tropical forest regions.

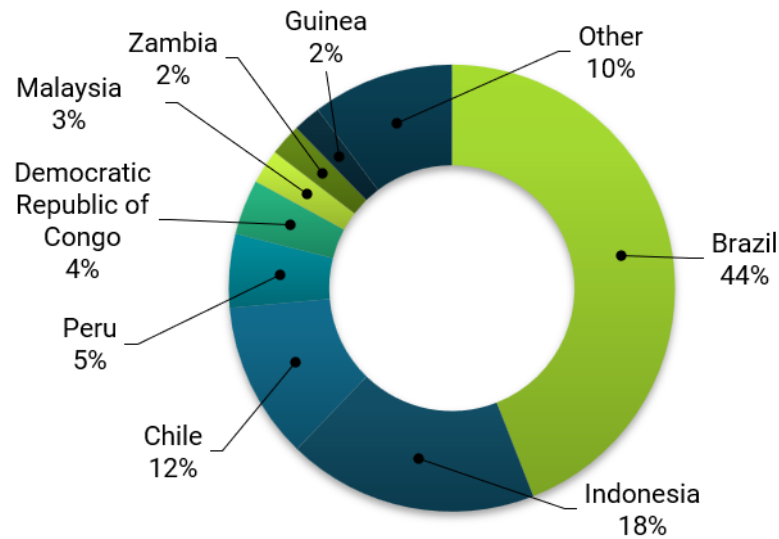
Credit flows reported below are cumulative for the periods referenced. Investment figures – i.e. investments in bonds and shares issued by the selected companies – represent the values of investments at the moment in time the research was conducted.

1.2 Forest-risk credit

Research by Forests & Finance found that 380 of the 500 selected company groups active in tropical forest-risk commodity sectors attracted USD 894 billion in loans and issuance underwriting services from January 2016 to mid- September 2026.

Figure 1 shows that 44% (USD 394 billion) of this credit was attributable to company activities in Brazil and a further fifth (USD 162 billion) was attributable to activities in Indonesia.

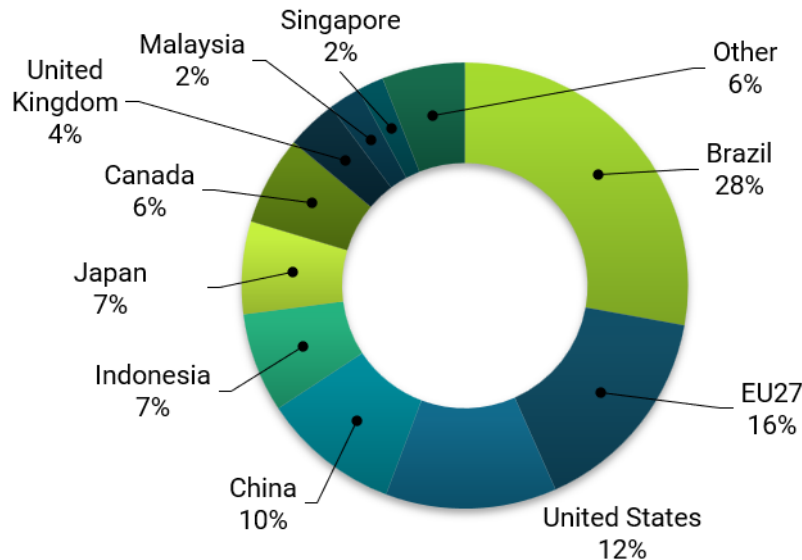
Figure 1 Forest-risk credit per forest-risk country (2016–September 2026)



Source: Forests & Finance

Figure 2 presents a breakdown of the same volume of loans and underwriting services for the period 2016–September 2026 by the country of origin of the banks providing this credit. It shows that almost 95% (USD 840 billion) of all identified forest-risk credit was provided by financial institutions from 10 countries/regions. Brazilian banks provided more than a quarter of the financing (USD 249 billion). They were followed by banks from the EU (USD 138 billion), the US (USD 111 billion), and China (USD 89 billion).

Figure 2 Forest-risk credit per country/region of financier (2016–September 2026)



Source: Forests & Finance

Table 3 provides an overview of the types of forest-risk credit provided by financial institutions from the top 10 countries/region. It shows that in some jurisdictions, such as Brazil, Indonesia and

Singapore, bank lending to forest-risk activities accounts for a higher proportion of forest-risk financing. In other jurisdictions, such as the United States, United Kingdom and Malaysia, issuance underwriting services account for a larger share of forest-risk financing. Bank lending activities and market-making services often fall under different regulatory supervisors.

Table 3 Forest-risk credit by financier country/region and type of finance (2016-September 2026)

Financier country	Type of finance		Value (USD millions)	Proportion of finance
Brazil	Loans	Corporate loan	227,525	91%
		Revolving credit facility	1,462	1%
	Loans Total		228,987	92%
	Underwriting	Bond issuance	18,263	7%
		Share issuance	1,837	1%
	Underwriting Total		20,101	8%
Brazil Total			249,088	
Canada	Loans	Corporate loan	9,357	16%
		Revolving credit facility	32,357	56%
	Loans Total		41,714	72%
	Underwriting	Bond issuance	14,113	24%
		Share issuance	1,899	3%
	Underwriting Total		16,012	28%
Canada Total			57,725	
China	Loans	Corporate loan	23,019	26%
		Other non-specified	1,914	2%
		Revolving credit facility	13,389	15%
	Loans Total		38,322	43%
	Underwriting	Bond issuance	46,067	52%
		Share issuance	4,977	6%
Underwriting Total		51,043	57%	
China Total			89,365	
EU27	Loans	Corporate loan	47,587	34%
		Other non-specified	224	0%
		Revolving credit facility	53,405	39%
	Loans Total		101,216	73%
	Underwriting	Bond issuance	35,973	26%
		Share issuance	1,305	1%
Underwriting Total		37,279	27%	
EU27 Total			138,495	
Indonesia	Loans	Corporate loan	41,855	65%

Financier country	Type of finance		Value (USD millions)	Proportion of finance
		Revolving credit facility	11,664	18%
	Loans Total		53,519	83%
	Underwriting	Bond issuance	10,603	16%
		Share issuance	329	1%
	Underwriting Total		10,931	17%
Indonesia Total			64,451	
Japan	Loans	Corporate loan	19,595	33%
		Other non-specified	1,278	2%
		Revolving credit facility	23,215	39%
	Loans Total		44,088	73%
	Underwriting	Bond issuance	15,527	26%
		Share issuance	472	1%
	Underwriting Total		16,000	27%
Japan Total			60,088	
Malaysia	Loans	Corporate loan	7,789	37%
		Revolving credit facility	4,699	23%
	Loans Total		12,489	60%
	Underwriting	Bond issuance	7,443	36%
		Share issuance	904	4%
	Underwriting Total		8,347	40%
Malaysia Total			20,836	
Singapore	Loans	Corporate loan	8,534	50%
		Other non-specified	19	0%
		Revolving credit facility	6,256	37%
	Loans Total		14,809	87%
	Underwriting	Bond issuance	1,602	9%
		Share issuance	523	3%
	Underwriting Total		2,125	13%
Singapore Total			16,934	
United Kingdom	Loans	Corporate loan	4,099	13%
		Revolving credit facility	13,369	41%
	Loans Total		17,468	53%
	Underwriting	Bond issuance	14,726	45%
		Share issuance	473	1%
	Underwriting Total		15,199	47%
United Kingdom Total			32,667	
United States	Loans	Corporate loan	17,972	16%

Financier country	Type of finance	Value (USD millions)	Proportion of finance
	Other non-specified	36	0%
	Revolving credit facility	31,386	28%
	<i>Loans Total</i>	<i>49,395</i>	<i>45%</i>
	Underwriting		
	Bond issuance	54,760	49%
	Share issuance	6,720	6%
	<i>Underwriting Total</i>	<i>61,480</i>	<i>55%</i>
United States Total		110,875	

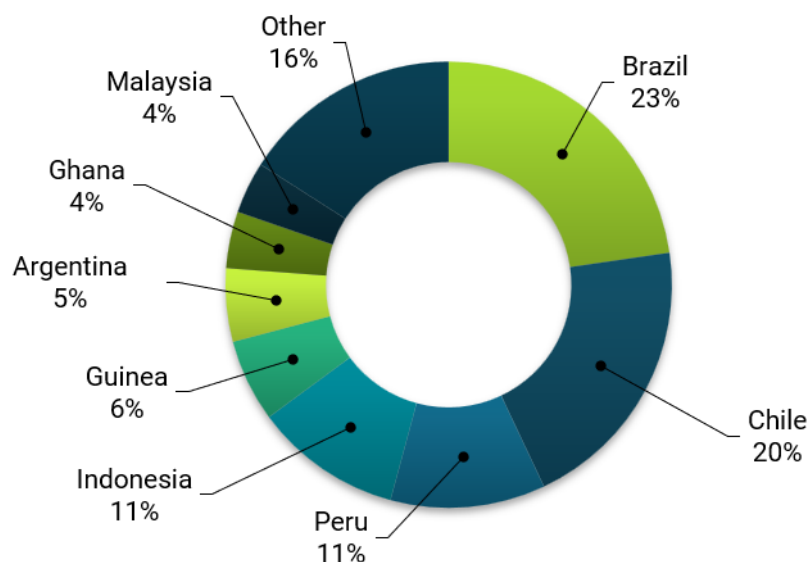
Source: Forests & Finance

1.3 Forest-risk investments

Forests & Finance found that as of September 2026, 192 of the 500 selected company groups active in tropical forest-risk commodity sectors attracted USD 494 billion in investments in bonds and shares they issued.

Figure 3 shows that almost a quarter (USD 112 billion) of this investment was attributable to company activities in Brazil, a further fifth (USD 100 billion) was attributable to activities in Chile, and activities in Peru and Indonesia attracted 11% each (USD 55 billion and USD 53 billion, respectively).

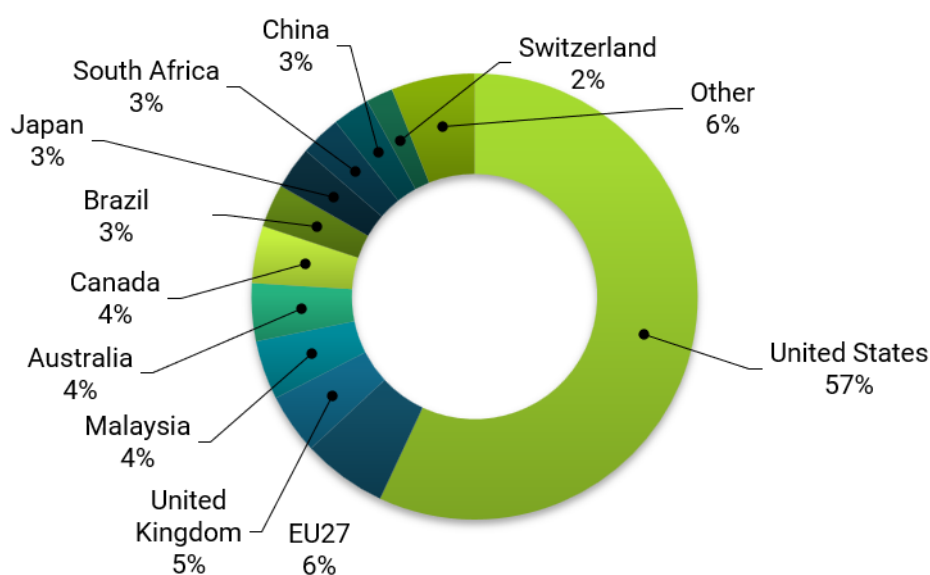
Figure 3 Forest-risk investment per forest-risk country (September 2026)



Source: Forests & Finance

Figure 4 shows a breakdown of the same volume of investments in September 2026 by the country of origin of the institutional investors. It shows that almost 60% (USD 281 billion) of all identified forest-risk investment in bonds and shares issued by the selected companies were made by US financial institutions. They were followed by financial institutions based in the EU (USD 30 billion), the United Kingdom (USD 22 billion) and Malaysia (USD 21 billion).

Figure 4 Forest-risk investment per country/region of financier (September 2026)



Source: Forests & Finance

In recent years, the Brazilian government has created several tax-exempt investment products through which private investors can invest in the agriculture sector. These investment products have gained significant popularity in the Brazilian financial market, experiencing a 500% increase from 2018 to 2023.² Due to a lack of transparency, F&F is not yet able to map all the outstanding investments, but government data shows that a number of Brazilian investment instruments for the agricultural sector had an outstanding value of USD 254 billion in June 2026.³

The Forests & Finance data demonstrate that a substantial share of identified forest-risk finance is connected to a relatively concentrated group of producer jurisdictions, bank and investor home jurisdictions, and financial centres. This concentration indicates that stronger financial regulation in these jurisdictions could influence significant volumes of forest-risk finance. The country chapters examine whether current regulatory frameworks are capable of doing so, including whether they address biodiversity impacts and the rights of Indigenous Peoples and local communities.

2

Types of financial regulation

This report uses a broad definition of financial regulations, beyond what is normally defined as financial regulation or supervision. This definition encompasses all types of government laws, regulations and guidelines which have an impact on how financial institutions operate, especially when it comes to financing and investing in companies in the real economy. To clarify which types of regulation are considered, this chapter offers an overview of the key objectives of the different types of laws, regulations and guidelines which are assessed in Chapters 3 through 13 in the eleven different jurisdictions.

2.1 Central bank policies

Although the central bank in some countries is also responsible for supervising the financial sector (see sections 2.2 and 2.3), this section focuses on policies that are linked to the core tasks of all central banks: managing the supply of money to create a stable economic environment with limited inflation in which the economy can flourish. Regulations in this category include:

- **Regulations on collaterals:** To be able to lend money to companies, it is attractive for banks to borrow money continuously from the central bank at a relatively low interest rate. To limit risks to the central bank, banks are required to pledge a portion of their outstanding loans as collateral. Central banks already set requirements regarding the risk levels and other quality aspects of these collaterals. Sustainability requirements could be included in these regulations, for instance by aligning with a Sustainable Finance Taxonomy (see section 8).
- **Liquidity and refinancing schemes:** Central banks can provide banks with additional liquidity or funding on preferential terms where the banks finance activities that meet specified sustainability criteria. These schemes can take the form of targeted refinancing facilities, lower interest rates on central bank funding or reduced reserve requirements. By lowering funding costs or increasing the amount of liquidity available, they can encourage banks to provide more credit to sustainable or taxonomy-aligned activities.
- **Quantitative easing programmes:** In many countries in the world, the central bank regularly buys shares and corporate bonds from financial institutions. In this way, these financial institutions convert some of their illiquid assets into cash, which they can then use again to lend money to companies. Especially when an economy is (or potentially falling) into a recession, this so-called “quantitative easing” is a well-known strategy to get the economy running again. It provides large volumes of “new” money to financial institutions, which are encouraged to lend to companies at lower interest rates with the goal of stimulating economic activity.

Not all companies have benefited equally. Recent research by the European Central Bank (ECB, see also section 7.2.1) suggests that companies with high climate emissions have benefited from greater interest rate reductions than those of greener companies when the central bank follows an expansionary monetary policy. Conversely, Low-emission borrowers are affected less severely when monetary policy becomes restrictive. This likely happens because banks

become more risk-sensitive when credit conditions tighten and charge a larger climate-risk premium to high-emission companies, while also reducing lending to them more strongly.⁴

To counter this impact and to contribute actively to the climate transition, central banks are now considering only accepting shares and bonds issued by companies meeting certain sustainability requirements, for instance, defined in a Sustainable Finance Taxonomy (see section 8), to be acquired through their quantitative easing programmes.

- **Central bank investment policies:** The reserves of central banks are not only invested in gold, but also in shares and corporate bonds. Increasingly, central banks are introducing sustainability criteria into their own investment policies.

2.2 Banking regulations

With regard to the banking sector, financial regulators focus on risk management by financial institutions and the stability of the financial system. In the jargon of financial regulators, they distinguish between micro-prudential supervision (focusing on the risk management and stability of individual financial institutions) and macro-prudential supervision (focusing on the stability of the financial system as a whole, which is composed of many intertwined and mutually dependent financial institutions). Regulations in this category include:

- **Regulations on risk management and disclosure:** These regulations prescribe which systems financial institutions should have in place to categorise and manage the different risks they are facing by the financing of, and investment in, many different companies from various economic sectors in different countries and working with different currencies. To evaluate if financial institutions manage these risks in an appropriate manner, regulators can perform so-called “stress tests”. To strengthen public confidence in how banks operate and deal with risks, they must also disclose their risk-management system in their annual reports, on top of what is required from all companies in this respect (see section 2.5).

For banks, these risk-management regulations are quite similar at a global level because all jurisdictions assessed in this report base them on the different Basel Capital Accords and the guidelines of the Basel Committee on Banking Supervision (BCBS).⁵ Based on the work of the Network for Greening the Financial System (NGFS), the BCBS has in recent years started to integrate climate and biodiversity risks into its recommendations on risk management by banks. This is now influencing risk-management regulations by financial supervisors around the world.

- **Capital requirement regulations:** The regulations on capital requirements complement those on risk management. When a financial institution lends money, it is required to hold a sum of money equivalent to a percentage of the loan in reserve (as its own capital). The capital requirement percentage depends on the risk level of the loan. Typically, less risky lending requires a lower percentage to be held, while higher-risk activities require more. The regulations on capital requirements complement those on risk management. Banks must maintain a minimum amount of their own capital relative to their risk-weighted exposures, with riskier lending generally requiring more capital. This capital acts as a buffer against losses, helping banks remain solvent if a significant number of borrowers default.

The higher the proportion of a loan the bank needs to hold in reserve, the less money it has available to invest in profit-making activities such as lending. To compensate, banks will typically raise the cost of loans to higher-risk companies, for which it needs to maintain larger reserves. Some regulations now seek to encourage more lending to sustainable activities by lowering the percentage of a loan that must be held in reserve for a sustainable loan, or vice versa by raising the capital requirement for loans to environmentally harmful activities. These requirements would change the cost of loans (the interest rates) for different types of

companies and activities. But within the mandate of central banks or other financial regulators, such regulations remain focused on financial risk alone.

2.3 Capital market regulations

Next to financial stability (see section 2.1), financial regulators focus on the proper functioning of financial markets. This means ensuring that relevant information is shared equally and in a timely manner between all market participants, including companies attracting loans and issuing bonds and shares, institutional investors, private investors, banks and various other kinds of financial institutions. As private investors and consumers of financial services have less access to financial information and, in general, have a weaker position in the market, various regulations are explicitly aimed at protecting them. Regulations in this category include:

- **Regulations on consumer information on financial services:** These regulations ensure that consumers – including private investors – can trust that a financial institution’s descriptions of its products and practices are accurate and do warn sufficiently about the risks linked to some financial services.
- **Regulations on categorising and labelling investment funds:** These regulations are intended to avoid greenwashing and, at the same time, raise funds for the transition to a sustainable economy by categorising funds by the share of investment in companies contributing to a sustainable transition. This categorisation will be complemented by labelling requirements as (private) investors should be able to trust that investment funds labelled as “sustainable” do indeed invest in companies which are contributing to a sustainable transition. These regulations can be linked to a Sustainable Finance Taxonomy (see section 8) to define how companies and their activities can be categorised.
- **Regulations on portfolio information:** Managers of listed investment funds in most jurisdictions are legally required to publicly disclose a list of their investee companies per fund, on a quarterly or annual basis. This enables private investors to know which companies their funds are invested in. Usually, the requirement to publish a list of portfolio companies does not apply to institutional investors, including pension funds and insurance companies, even though they are also investing the savings of consumers.

2.4 Regulations on money laundering and financial crime

Regulations on money laundering and financial crime aim to address the role that financial institutions and other intermediaries can play in helping individuals and organisations to benefit from the proceeds of crimes. These regulations are fairly similar throughout the world, as they are all based on the recommendations of the Financial Action Task Force (FATF). The FATF has 40 member countries and is supported by all major international bodies. Their recommendations are focused on preventing the proceeds of crime from being spent or invested in assets in the legal economy.⁶ There is less attention to the financing of companies which might use this funding to commit crimes. Regulations in this category can include:

- **Regulations on money laundering:** These regulations set requirements for the checks which financial institutions have to do to ensure that they are not handling or transferring the proceeds of crime, which could be “laundered” by being deposited in legitimate bank accounts or by being invested in legal assets.
- **Know Your Customer (KYC) regulations:** These regulations require financial institutions and other intermediaries to perform adequate checks on who their clients are and to understand the sources of the wealth which they deposit in a bank account or want to transfer.
- **Beneficial Ownership registers:** As recommended by the Financial Action Task Force, many countries are obliging all companies to register their Ultimate Beneficial Owner (UBO) in a

public register as a tool to improve KYC procedures and to avoid indirect funding of companies or individuals involved in illegal activities or included on sanctions lists.⁷

- **Regulations restricting certain financial product offerings:** These regulations may explicitly require that certain types of financial products, such as credit subsidised by government, cannot be provided to individuals or companies that have faced penalties for infractions of certain laws.

2.5 Regulations on corporate disclosure

Regulations on corporate disclosure are partially driven by the objective of ensuring the proper functioning of financial markets, but they have a broader objective as well: ensuring the proper functioning of the real economy. These regulations apply to all companies, including financial institutions, to ensure that the government, customers, shareholders and business partners are well informed about the (financial) condition of the company and the risks it is facing. They often refer to the IFRS standards developed by the ISSB.

Corporate reporting requirements frequently refer to standards developed under the IFRS Foundation. The International Accounting Standards Board, or IASB, develops the IFRS Accounting Standards used for financial reporting, while the International Sustainability Standards Board, or ISSB, develops the IFRS Sustainability Disclosure Standards.⁸ The first two ISSB standards are IFRS S1, which sets general requirements for sustainability-related financial disclosures, and IFRS S2, which addresses climate-related disclosures.⁹ These standards are intended to provide a global baseline of sustainability information for investors and focus on risks and opportunities that could affect a company's financial prospects, rather than requiring comprehensive reporting of all environmental and social impacts.¹⁰

This type of regulation is relevant for financial institutions in two ways. First, financial institutions are companies themselves and must also follow these regulations. Second, corporate disclosure regulations help financial institutions collect the data necessary for their due diligence processes on (potential) corporate clients and investee companies, including, where relevant, biodiversity and human rights risks and impacts.

Regulations in this category include:

- **Financial reporting regulations:** All jurisdictions require companies to submit key details about the company to the Company Register and to produce an annual financial report which is available to the public. For listed companies, quarterly reports are often required as well. The requirements on what needs to be reported may differ greatly between jurisdictions and within jurisdictions between smaller and larger companies (although smaller companies might be subsidiaries of larger conglomerates). A balance sheet is often required, but a profit and loss statement is not always necessary. The level of detail required for the balance sheet, for instance, on which plantations are included on the assets side and which named bank loans are included on the liabilities side, can differ a lot. Some jurisdictions require companies at least to list their principal banker(s). This can make it easier for communities to track which financial institutions have financing ties to companies engaged in harmful activities in their local area.
- **Regulations on disclosure of financial risks:** In their financial reports, larger companies (and especially listed companies) usually have to identify and describe the risks that could seriously affect the company's financial health in the future. This helps to promote trust in the market and avoids sudden shifts in capital if investors dramatically reassess their risks. Following the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and other international bodies, some regulations make it explicit that the analysis of financial risks should include financial risks that arise from specific issues like climate change or biodiversity

loss, and require additional supplementary information. Requirements may be more extensive for listed companies.

- **Regulations requiring double materiality disclosure:** Similar to the financial risk disclosure regulations described in section 2.5, these regulations require companies to report on environmental and (possibly also) human rights issues that might affect the company's business when these risks are financially material. On top of this risk assessment, these regulations also require an analysis of how the company, directly or indirectly through its subsidiaries and its supply chain, has an impact on the environment and/or human rights – irrespective of whether this is a financial risk to the company. This “double materiality” analysis is based on a more holistic approach to financial stability and reporting. It recognises that biodiversity loss or climate change pose systemic threats to the economy, making all impacts potentially a financial risk to the economy – even if not financially risky to an individual company in the near term. It also addresses data quality issues related to differing assessments of financial materiality. For example, companies would be required to disclose their impacts under a double-materiality approach, even if they do not view those impacts as financially material.

2.6 Regulations stimulating the financing of sustainable activities

Confronted with the devastating impacts of climate change and the exhaustion of natural resources, many countries across the world are realising that more sustainable practices need to be fostered and financed. To give guidance to all stakeholders involved, including companies in the real economy and financial institutions, various types of regulations and guidelines are emerging in different countries to stimulate different forms of financing for activities which are categorised as (more) sustainable. Regulations in this category include:

- **Sustainable Finance Taxonomies:** A Sustainable Finance Taxonomy defines the real-world activities that can be considered as contributing to a sustainable economy, with the explicit goal of attracting more financing for such activities. Sometimes, the taxonomy also defines activities for financing which should be avoided, and additionally has an in-between category of activities which are not particularly unsustainable but which also do not contribute to a sustainable transition. Usually, taxonomies start by defining high-level, sector-agnostic principles which activities should meet. In later updates, these principles are then gradually further defined per economic sector in so-called Technical Screening Criteria for the activities taking place in these sectors.

It is important to note that taxonomies do not define what banks and other financial institutions should or should not do. They are intended to support other types of regulation, for instance by defining which activities could be eligible for government subsidies, for inclusion in green bonds (see below) or for inclusion in sustainable investment funds. Sometimes taxonomies require financial institutions to report on how far they follow the recommendations of the taxonomy in their financing decisions.

- **Regulations on green bonds:** Green bonds are used as an instrument to raise funding for activities which are seen as (relatively) sustainable. To avoid greenwashing and create a transparent market for green bonds, green bond regulations set rules for bond issuers (public bodies, companies and financial institutions) which want to issue green bonds to reap reputational benefits and benefit from slightly lower interest rates. These rules, inter alia, determine which activities are eligible for funding from the proceeds of green bonds. Increasingly, these regulations are linked to Sustainable Finance Taxonomies to define what activities are eligible for financing.
- **Regulations on sustainable finance transition plans:** These regulations demand that financial institutions develop a plan on how they will contribute to financing the transition to a sustainable economy. Such plans can define specific financial products, markets and client

groups which the financial institution wants to target. Increasingly, these regulations are linked to sustainable finance taxonomies that define which real-world activities should benefit from these sustainable finance plans.

2.7 Regulations protecting human rights and/or the environment

This broad category of laws and regulations has as its primary objective the protection of human rights and the environment. They are often inspired by the UN Guiding Principles on Business and Human Rights (UNGPs), a set of guidelines for states and companies to prevent, address and remedy human rights abuses committed in business operations. The guidelines, adopted in 2012, rest on three pillars:¹¹

- **Protect:** the state duty to protect human rights;
- **Respect:** the corporate responsibility to respect human rights; and
- **Remedy:** allow access to remedy for victims of business-related abuses.

Another international standard that is often referenced is the OECD Guidelines for Multinational Enterprises, developed by the Organisation for Economic Co-operation and Development (OECD).¹² The Guidelines are government-backed recommendations covering areas such as human rights, labour rights, the environment, disclosure, bribery and consumer interests. They call on multinational enterprises to conduct risk-based due diligence to identify, prevent and mitigate adverse impacts connected with their operations, products, services and business relationships. The 2023 edition also includes specific recommendations on climate change, biodiversity and supply chain due diligence.

Regulations in this category may include corporate, criminal or civil law requirements. They are focused mostly on companies in the real economy, although the UNGPs clearly indicate that financial institutions should not be excluded. Regulations in this category include:

- **Regulations on human rights and environmental due diligence:** These regulations articulate a set of steps or approaches that a company should take to identify human rights or environmental risks in their own operations and in their (international) supply chains. The regulations will define steps required to avoid or mitigate harms and may include a requirement to provide remedy to affected communities or Peoples. They often include a reporting obligation as well.

Some of these regulations exclude financial institutions, such as the European CSDDD. A different example is the French Duty of Vigilance Law that requires large multinational corporations operating in France, including financial institutions, to establish a plan covering all their international activities that “includes reasonable due diligence measures to identify risks and prevent serious violations of human rights and fundamental freedoms, the health and safety of Peoples and the environment, resulting from the activities of the company and those of the companies it controls”. The law also allows communities to seek remedy for harms.¹³

- **Human rights and environmental duty to prevent regulations:** These regulations articulate that companies can be held responsible for their role in extremely serious human rights violations, and in some cases extreme environmental issues. This can include severe civil or criminal penalties. For example, the French Duty of Vigilance law also includes a duty to prevent complicity.
- **Regulations on the import of products linked to deforestation:** These regulations aim to limit the import of products which caused or contributed to (illegal) forest degradation or deforestation, for example via commodities grown on forested land cleared after a certain date. Financial institutions might be included in the scope of such regulations by requiring them to undertake due diligence checks on companies involved in forest-risk supply chains. This would prevent the situation in which a country may prevent the import of products linked

to illegal deforestation, while banks from the same country provide financing to the companies producing and trading these products.

3

Brazil

This chapter assesses how Brazilian banking regulations and investment products address sustainability, with particular emphasis on biodiversity and the targets of the Global Biodiversity Framework. It shows that Brazil has introduced social, environmental and climate risk requirements and targeted restrictions on rural credit linked to illegal deforestation, protected areas, Indigenous lands and certain human rights violations. However, these safeguards do not comprehensively extend to ordinary bank lending or to rapidly growing capital market products that finance agribusiness, while reporting requirements do not provide full transparency into financing flows and their biodiversity and social impacts. The chapter reviews Brazil's biodiversity-related policies, starting with Brazil's National Biodiversity Strategy and Action Plan (NBSAP) and 7th National Report on progress towards the GBF, followed by an analysis of regulatory bodies, central bank policies, banking and market regulations, and sustainability initiatives beyond the NBSAP. The conclusion assesses current regulations against GBF targets and recommends stricter rules, mandatory requirements, and full integration of biodiversity into monetary and regulatory frameworks. The chapter therefore identifies significant regulatory gaps and proposes stronger rural credit screening, equivalent environmental and human rights requirements for agribusiness investment products, further implementation of the Brazilian Sustainable Taxonomy, stronger screening by regulators and financial institutions, including state-owned banks, implementation of the postponed deforestation verification requirements and strengthening of legislation that holds financial institutions accountable.

3.1 National actions to implement GBF targets in financial sector regulation

3.1.1 Brazil's national biodiversity targets

Brazil published its National Biodiversity Strategy and Action Plan (NBSAP) in December 2025 for the period 2025-2030. The document aims to connect sectoral policies, guide decision-making, promote biodiversity mainstreaming across government levels, and mobilise the necessary technical, institutional, and financial resources to achieve the GBF Targets.¹⁴

Brazil organises its national targets into three categories:

- Reducing threats to biodiversity.
- Meeting people's needs through the sustainable use and equitable sharing of benefits.
- Tools and solutions for implementation and mainstreaming.¹⁵

The third category of the national targets is defined as the "Strategic Objective D: Investing and Collaborating" of the long-term strategic objectives for 2050, which envisions: "*Adequate means of implementation, including financial resources, capacity building, technical and scientific cooperation, and access to and transfer of technology – are ensured, progressively closing the biodiversity finance gap in the country and aligning national financial flows with the National Biodiversity Strategy and the 2050 Vision*".¹⁶

Brazil recognises that funding for biodiversity remains inadequate, with a considerable gap between current conservation investments and the total required to address the ongoing biodiversity crisis.¹⁷ This involves boosting financial resources from all sources, reducing environmentally harmful economic and fiscal subsidies, expanding positive incentives for biodiversity, and encouraging private-sector engagement, financial support, and international cooperation.¹⁸

3.1.2 Actions to meet the biodiversity targets

The Brazilian National Biodiversity Strategy and Action Plan (NBSAP) 2025–2030 aims to be a strategic instrument for planning and action to meet CBD targets to reverse biodiversity loss by 2030 and long-term goals for 2050. The process to develop the NBSAP began in 2023 and brought together representatives from federal, state, and municipal governments; civil society; academia; Indigenous Peoples and Local Communities; family farmers and smallholders; and the private sector. Brazil's NBSAP follows the same structure as the overall GBF Targets and comprises 234 action points to achieve the GBF Targets.

The objectives of the National Biodiversity Strategy and Action Plan are to:

- Implement actions aimed at the conservation, sustainable use and benefit-sharing of biodiversity at the federal level.
- Monitor progress towards the 2050 Vision, the national targets and the action plan and its respective objectives.
- Integrate policies, programmes and sectoral plans relevant to the conservation, sustainable use and benefit-sharing of biodiversity.
- Promote the engagement of Indigenous Peoples and Local Communities in the implementation of the national biodiversity targets.
- Identify and operationalise financing mechanisms for the implementation of the NBSAP.
- Disseminate information on biodiversity and on Brazil's actions and commitments under the Convention on Biological Diversity.¹⁹

Below are specific national targets that aim to mobilise public and private finance to achieve the objectives of the NBSAP:

- **National Target 14: Integrate Biodiversity in Decision-Making at Every Level**

Closely following GBF Target 14, Brazil's Target 14 in the NBSAP aims to embed the management and use of biological resources and ecosystem services into decision-making at all government levels and across economic sectors, especially those that significantly affect biodiversity. Therefore, the NBSAP states that "all relevant public and private activities, along with fiscal and financial flows, should gradually be aligned with the objectives of the National Biodiversity Strategy and Action Plan (NBSAP)". Because of the similar wording, the NBSAP concludes that the alignment of the Brazilian national target with the global GBF Target 14 is high. What this target should mean for private financial flows is not made explicit, however.²⁰ To achieve the target, some of the planned actions are as follows:

- Implement the Ecological Transformation Plan, which was established as part of the Brazilian Sustainable Taxonomy (see section 3.7.1).
 - Identify public expenditure related to climate change, disaster risk management, and biodiversity.²¹
- **National Target 15: Businesses Assess, Disclose and Reduce Biodiversity-Related Risks and Negative Impacts**

Brazil translates the global GBF Target 15 almost identically into its NBSAP.²² Target 15's action plan focuses on encouraging companies—especially large and transnational corporations—and financial institutions to support initiatives that promote sustainable production practices, helping to achieve national biodiversity goals. To this end, planned actions are as follows:

- Integrate biodiversity considerations into Central Bank of Brazil Resolution No. 139/2021 and Brazilian Securities and Exchange Commission (CVM) Resolution No. 80/2022 (see section 3.5.1).
- Create mechanisms to incentivise corporate and financial-sector commitments to the target — such as seals and certificates issued by a Committee/Council — to add value to their products and operations.
- Establish a mechanism to validate and effectively monitor the GRSAC (Social, Environmental and Climate Risks and Opportunities Report) (see section 3.4.3) for the Central Bank and the CVM Resolution No. 80/2022 reference form, to prevent, mitigate and compensate biodiversity impacts.
- Support capacity-building for the private sector on concepts, criteria, tools and methodologies for reporting on operations, value chains and project portfolios with biodiversity-related risks and impacts.
- Establish a reporting framework that enables companies to regularly evaluate, disclose, and transparently monitor their risks, dependencies, impacts on biological diversity, and related opportunities across their operations, value chains, and project portfolios. This framework should also provide consumers with essential information to encourage sustainable consumption habits and, when relevant, ensure compliance with access and benefit-sharing regulations.
- Create a biodiversity and bioeconomy taxonomy.

Further details on these actions are not provided in the document.²³

- **National Target 18: Reduce Harmful Incentives by at Least USD 500 Billion per Year, and Scale Up Positive Incentives for Biodiversity**

Brazil's target 18 aligns closely with the global GBF target on reducing harmful subsidies and aims to eliminate subsidies and economic and fiscal incentives that directly harm biodiversity, and to progressively increase positive incentives for the conservation, restoration, and sustainable use of biodiversity. Main related actions are identified as follows:

- Identify and quantify subsidies and economic and fiscal incentives that are directly harmful to biodiversity, including subsidies for potentially polluting economic activities linked to regional development.
- Prepare a proposal to eliminate or reform subsidies and economic and fiscal incentives that are directly harmful to biodiversity, with monitoring and sanctioning mechanisms.
- Identify and create financing lines to incentivise biodiversity conservation.

Further details on these actions are not provided in the document.²⁴

- **National Target 19: Mobilise USD 200 Billion per Year for Biodiversity From all Sources, Including USD 30 Billion Through International Finance**

Target 19 aims to increase the volume of financial resources from both national and international sources (public and private). Brazil aims to contribute, proportionally with its GDP, to the global goal of mobilising at least USD 200 billion annually by 2030. The following are some action points in the NBSAP:

- Map and publicise the main financing sources for biodiversity as part of the national financing strategy for the NBSAP.

- Promote cooperation through partnerships between government, development banks, bilateral funders and the private sector to support biodiversity action.
- Regulate a biodiversity credit mechanism or an equivalent instrument.
- Regulate the carbon market.
- Establish and implement the Tropical Forests Forever Fund (TFFF)
- Create EcolInvest auctions targeted at biodiversity (see section 3.7.2).

Further details on these actions are not provided in the document.²⁵

3.1.3 Progress reported in the 7th National Report

Brazil published its 7th National Report in July 2026, which focuses on progress toward the national targets set in the NBSAP to achieve the GBF targets. Below is the reported progress in relation to identified GBF targets:

- **Target 14: Integrate Biodiversity in Decision-Making at Every Level**

Brazil reports in its 7th National Report that progress towards Target 14 is insufficient. It has been reported that while Brazil has advanced in integrating biodiversity into specific policies such as the National Bioeconomy Development Plan, New Industry Brazil, and the Ecological Transformation Plan, there remains significant progress to be made in embedding biodiversity and socio-biodiversity values into decision-making processes and national sectoral policies across sectors such as energy, agriculture, and fisheries.²⁶

- **Target 15: Businesses Assess, Disclose and Reduce Biodiversity-Related Risks and Negative Impacts**

As with Target 14, progress towards Target 15 has been insufficient. Although sustainability reporting has improved, the lack of legal requirements for companies to develop systematic metrics to measure biodiversity impact and dependence creates major structural barriers. The report highlights that without enforceable standards, biodiversity risks are hidden behind voluntary sustainability claims, which can lead to greenwashing. Consequently, the ecological value of nature is not incorporated into corporate financial statements, nor are traditional communities fairly compensated, stalling progress toward Target 15 of the NBSAP and distancing the private sector from essential environmental and social justice principles.²⁷

- **Target 18: Reduce Harmful Incentives by at Least USD 500 Billion per Year, and Scale Up Positive Incentives for Biodiversity**

Brazil reports in its 7th National Report that progress towards Target 18 is insufficient. Significant progress has been made in positive incentives, such as in PRONAF credit for socio-biodiversity and EcolInvest. Nevertheless, the primary objective—detecting, ranking, and phasing out subsidies detrimental to biodiversity—still largely remains in the initial phase. Brazil reports that issues include the lack of a central coordinating body, the absence of mandatory environmental assessments, and transparency gaps in incentive structures.

Recently, the authorities have been tasked with implementing reforms and eliminating harmful subsidies, but this may not be achieved by 2030. Meanwhile, Brazil reports that harmful subsidies persist: tax exemptions for pesticides, valued at USD 6 billion, were upheld by the Federal Supreme Court (STF), and about USD 3.2 billion in public rural credit still overlapped with deforestation alerts in 2025, overshadowing conservation efforts. Thus, despite some concrete progress, Brazil concludes that the fundamental issue of harmful financial flows remains unaltered.²⁸

- **Target 19: Mobilise USD 200 Billion per Year for Biodiversity From all Sources, Including USD 30 Billion Through International Finance**

Progress towards Target 19 has been insufficient, as reported by the Brazilian authorities. Considering that Brazil is the country with the highest biodiversity in the world, the funding allocated to its preservation and management is insufficient: expenditures on biodiversity protection total USD 2.4 billion over two decades, which remains small compared to other countries in the region. These expenditures represent, on average, 0.018% of the federal budget and 0.008% of GDP. When spread over the 22 years analysed, the average expenditure is USD 0.55 per capita.²⁹

The Tropical Forest Forever Fund (TFFF), a blended finance-based mechanism, has gained support from 66 countries, 39 of which are developing nations, covering over 90% of tropical forests in the developing world. These countries span all regions, including the Amazon, Congo, and Borneo-Mekong basins, and have contributed a total of USD 6.7 billion.

3.2 Overview of regulatory bodies for the financial sector

3.2.1 The National Monetary Council (CMN)

The National Monetary Council (CMN) sets the guidelines for monetary, credit, and exchange rate policies in Brazil, and approves the norms related to macroprudential regulation proposed by the Central Bank of Brazil (BCB). Currently, the CMN comprises the Minister of Finance, the Minister of Planning and Budget, and the Governor of the Central Bank of Brazil. Additionally, this authority sets the policy to be observed in the organisation and functioning of the securities market. The CMN assures coordination between two supervisory authorities for the financial sector: the Central Bank of Brazil and the Securities and Exchange Commission (CVM).³⁰

3.2.2 The Central Bank of Brazil (BCB)

The Central Bank of Brazil (BCB) is the monetary and banking supervisory authority in Brazil and proposes the regulations for the banking sector. In 2020, the BCB launched the Sustainability Agenda, which contains actions on regulation, supervision, the BCB's socio-environmental responsibility, partnerships, and policies. According to the BCB's 2025 Report on Social, Environmental and Climate-related Risks and Opportunities, 70% of the agenda's actions have been completed, including work on socio-environmental risk data collection and climate-risk stress testing³¹, while new sustainability-related disclosure requirements for financial institutions (see section 3.4.3) are set to take effect in 2027.³²

The BCB also updated its social, environmental, and climate responsibility policy in 2024, and the promotion of a sustainability culture within the institution remains part of its ongoing agenda through the Organisational Socio-Environmental Responsibility Committee of the Central Bank of Brazil and related planning instruments.³³

3.2.3 The Securities and Exchange Commission (CVM)

The Securities and Exchange Commission (CVM) regulates and supervises the capital market in Brazil. The CVM's responsibilities are defined by two laws: Law 6.385/76 (Securities Law), which established it, and Law 6.404/76 (Corporation Law), which governs the structure, organisation, and responsibilities of corporations. The CVM is authorised to issue regulations and interpretive guidance that align with these laws. Additionally, CVM Instructions serve as regulations that apply broadly within specific areas, such as securities offerings and collective investment schemes.³⁴ As explained further below (see section 3.5.1), CVM is responsible for regulating investment products for the agribusiness, such as Investment Funds in Agro-Industrial Production Chains (FIAGROs) and Agribusiness Receivables Certificates (CRAs).

3.2.4 Superintendence of Private Insurance (SUSEP)

The Superintendence of Private Insurance (SUSEP) is an independent agency under the Ministry of Finance, established by Decree-Law No. 73 on November 21, 1966. It oversees the insurance, private pension, capitalisation, and reinsurance sectors.³⁵ The agency is part of the National Council of Private Insurance (CNSP), which sets policies and standards for private insurance in collaboration with representatives from the Ministry of Finance, Justice, Social Security and Assistance, the Central Bank, and the Securities and Exchange Commission (CVM). The main activities of SUSEP are to establish guidelines and standards for private insurance policies, regulate the establishment, organisation, operation, and oversight of those who carry out activities subordinate to the National Private Insurance System and establish the general characteristics of insurance, open private pension, capitalisation, and reinsurance contracts, among others.

3.3 Central bank policies

3.3.1 Collateral and asset purchase policies

The BCB's 2020 Sustainability Agenda envisioned the creation of a 'green liquidity facility' and the use of sustainability criteria in managing international reserves and investments.³⁶ At the time of writing this report, these measures are not yet implemented. The BCB still continues to monitor developments in sustainable finance. It is considering the potential to apply different haircut conditions to Environmental, Social and Governance (ESG) collateral once the ESG securities market becomes sufficiently developed for quantitative methods that enable differentiation, contingent on a suitable taxonomy and the natural growth of the ESG securities market.³⁷

It is important to note that no sustainability criteria have been considered in the BCB's asset purchase programme.³⁸

3.3.2 Central bank reserves portfolio

The BCB is integrating sustainability criteria into the management of its reserves portfolio, which had a total value of USD 928 billion at the end of 2024. Since 2018, the BCB has expanded its green bond investments from less than USD 200 million to USD 2 billion by the end of 2024. BCB also tracks metrics related to climate risks, related to greenhouse gas emissions, energy profile, and implicit temperature rise, with the aim of improving the performance of its portfolio on these criteria.³⁹

3.4 Banking regulations

3.4.1 Assessment of environmental, social, and climate risks

Resolution CMN No. 4.943 of 15 September 2021 incorporated environmental, social, and climate risks into the risks that financial institutions should identify, measure, assess, monitor, report, control, and mitigate as part of their risk management to avoid potential financial losses for the bank that could arise due to their materialisation.⁴⁰ In particular, environmental risks include irregular, illegal, or criminal conduct, or activities against fauna or flora, including deforestation, fires in woods or forests, degradation of biomes or biodiversity, criminal pollution of air, water, and soil, exploitation of natural resources related to environmental degradation, including water, forest, energy, and mineral resources, among others. The objective of the risk assessment is to evaluate the potential impacts on the bank's financial position of such conduct or activities by clients of the bank.

The resolution requires a specific unit within the bank to be responsible for environmental and social (E&S) risk management. Banks are not expected to hold capital E&S risks as part of the capital requirements (Pillar 1). However, financial institutions are expected to integrate E&S and climate considerations into their Internal Capital Adequacy Assessment Process (ICAAP) (Chapter

IV of Resolution No. 4,557). This bank-specific assessment could result in capital allocation to cover losses arising from the materialisation of E&S risks (Pillar 2). Additionally, banks must conduct stress tests that account for assumptions about changes in climate patterns and the transition to a low-carbon economy.⁴¹

3.4.2 Policy on Social, Environmental, and Climate Responsibility (PSRAC)

According to the Resolution CMN No. 4.945 of 15 September 2021, financial institutions must implement a Policy on Social, Environmental and Climate Responsibility (PSRAC), proportional to their business model, operations, and complexity of the institution's products, services, and activities, and adequate to their exposure to ESG and climate risks. Each financial institution should develop its own PSRAC, comprising a set of social, environmental, and climate principles to be observed in its business activities and processes, as well as in its relationships with stakeholders. Deforestation is not explicitly mentioned, but the PSRAC should align with Resolution 4.943, which does mention deforestation as an environmental risk (see section 3.4.1). Financial institutions must also disclose the list of economic sectors subject to restrictions by the financial institution due to environmental, social, or climate issues. Furthermore, financial institutions must publish a list of products and services they offer that contribute positively to social, environmental, or climate-related outcomes.⁴²

Resolutions CMN no. 4,943 and no. 4,945 together take a "double materiality" approach by addressing both financial materiality - covering risks and impacts from environmental, social, and climate factors that financial institutions face - and social and environmental materiality, which relates to the impacts these institutions have on such issues. These resolutions adopt a comprehensive approach, acknowledging the bidirectional relationship between financial institutions and their external environment and incorporating ESG considerations into regulatory standards.⁴³

3.4.3 Disclosure of Social, Environmental, and Climate Risks and Opportunities (GRSAC Report)

The BCB Resolution No. 139 of 15 September 2021 demands that financial institutions licensed by the BCB disclose Social, Environmental, and Climate Risks and Opportunities in the GRSAC Report. The GRSAC report must contain information on the responsibilities of the financial institution in the management of social, environmental, and climate risks, as well as the real and potential impacts of these risks on business strategies and on risk management and capital management in the short, medium, and long term under different scenarios and processes for their management. The disclosure requirements follow the TCFD recommendations for climate-related issues and are adapted to social and environmental issues. It is important to note that the resolution does not specifically require the financial institution to conduct regular assessments of the impacts of its financing on environmental and social issues.⁴⁴

In 2024, the BCB launched a public consultation on a proposal to improve the norms related to the GRSAC report.⁴⁵ The proposal introduces new disclosure requirements aligned with the standards of the International Sustainability Standards Board (ISSB), consisting of quantitative (indicators) and qualitative information related to exposures to companies subject to climate risk. Additionally, the proposal seeks to standardise the disclosure of voluntary commitments and incorporates the disclosure of transition plans associated with the relevant effects of climate risk on the strategy and decision-making of financial institutions.⁴⁶

Recently, this public consultation has been followed up by another consultation, which aims to expand the scope of information to be disclosed in the GRSAC report, including new quantitative disclosure requirements (targets and metrics) that further align with international standards.⁴⁷ If approved, the requirement is intended to become effective on January 1, 2027.

3.4.4 Rural credit programmes

Given the importance of the agricultural sector to Brazil's GDP, the provision of rural credit is a primary public policy instrument for the long-term sustainability of the agribusiness sector, according to the BCB.⁴⁸ The national rural credit policy in Brazil is based on the Brazilian Agricultural Plan (Safrá Plan), which requires banks to allocate resources to farmers and other companies in the rural sector, often with subsidised interest rates. In the latest plan covering 2025-2026, USD 100.12 billion (BRL 516.2 billion) is allocated to agribusiness, making the plan the largest in history. The plan aims to promote sustainable practices, with up to a 1% reduction in interest rates for adopting sustainable agricultural practices and for having the Rural Environmental Registry.⁴⁹

The CMN sets the policies for rural credit, which are implemented through the Rural Credit National System (SNCR). The BCB oversees the SNCR, consisting of financial institutions that provide rural credit at regulated or market-based interest rates. Additionally, the BCB issues subsidiary regulations and supervises these institutions to ensure that rural credit reaches the intended beneficiaries.⁵⁰ Compliance with environmental and social requirements and land tenure laws is integral to this rural credit policy.

The Safrá Plan covers different programmes such as PRONAMP (medium-sized agribusiness) and PCA for rural producers (Programa para Construção e Ampliação de Armazéns). One of these programmes, Renovagro, promotes financing for the restoration of protected areas, the recovery of degraded pastures, and other investments in sustainable systems and practices. Another programme, Inovagro, supports investment in technological innovation to increase productivity and adopt good agricultural practices. One of the new measures in the latest plan is a requirement to comply with the recommendations of the Agricultural Zoning for Climatic Risk, which aims to enhance security and sustainability in production.⁵¹

The Manual of Rural Credit compiles the norms on rural credit adopted by the CMN and published by the BCB, including social and environmental restrictions on their provision. The most important are:⁵²

- CMN Resolution No. 3,876/2010 forbids the granting of rural credit to individuals or businesses who keep workers in slave-like conditions.
- BCB Resolution 5,081/2023 (which replaces and expands some earlier resolutions, such as the BCB Resolution no. 3,545/2008 that required documentary evidence of environmental compliance and rural property registration for financing agricultural activities in the Amazon biome⁵³) prohibits banks from providing rural credit to enterprises without an Environmental Rural Registry (CAR) or which are totally or partially located inside Conservation Units, Indigenous Lands or Public Forests Type B. Rural credit cannot be granted to firms located on rural properties subject to an embargo by a state or federal environmental authorities because of the economic use of areas illegally deforested on the rural property. Such embargoes are registered on the Registry of Environmental Assessments and Embargoes of the Brazilian Institute of the Environment and Renewable Natural Resources.
- CMN Resolution 5,021/2022 established that producers can be eligible for higher credit limits if they comply with a CAR analysed and validated by the corresponding state agency, and are in compliance with the Forest Code. Subsequently, CMN Resolutions 5,078/2023 and 5,102/2023 established that, in addition to an increase in working capital credit limits, producers can also obtain discounts on the interest rates paid on working capital operations.
- CMN Resolution 5,149/2024 sets further restrictions on the allocation of rural credit under the PRONAMP programme. Among others, it prohibits the allocation of rural credit to non-Indigenous Peoples for activities on Indigenous lands. It also prohibits rural credit for farms that are (partially) located in protected areas, unless their economic activities align with the protected areas' sustainable management plans.

In addition to the ones mentioned above, new resolutions integrated into the latest Safra Plan are as follows:

- CMN Resolution 5,193/2024 requires financial institutions to verify whether native vegetation has been suppressed after July 31, 2019, on the rural property where the project will take place, by consulting information provided by the Ministry of the Environment from the PRODES system database of the National Institute for Space Research.⁵⁴ Initially, the resolution set the implementation date as 2026. Later, CMN Resolution 5,303/2026 postponed the deadline by which financial institutions must verify deforestation on properties to grant rural credit. For large properties, the deadline is now January 2027, and for mid-sized properties, it is July 2027. For small properties, the requirement only needs to be met starting in January 2028.⁵⁵
- CMN Resolution 5,247/2025 and Resolution 5,257/2025 establish the BNDES Rural Debt Settlement Program, which aims to enable the settlement or amortisation of debts of rural producers affected by adverse climate events, thereby contributing to the restoration of the sector's productive capacity.⁵⁶

3.5 Capital market regulations

3.5.1 Regulations on investment products

The Brazilian government has created several investment products through which private investors can invest in the agriculture sector, namely CPRs, CRAs, LCAs, CDCAs and FIAGROs. These investment products have gained significant popularity in the Brazilian financial market, experiencing a 500% increase from 2018 to 2023.⁵⁷ The total outstanding value of these investment products reached USD 256 billion in July 2026.⁵⁸

The regulations covering the main investment products are described below:

- CVM Resolution No. 80/2022 regulates the registration process for securities issuers with the CVM and outlines their periodic and occasional disclosure requirements for securities traded on regulated markets.⁵⁹ Listed companies are required to disclose ESG-related information in their annual reference forms, covering environmental, social, and climate risks, ESG practices, and whether they publish sustainability reports or adhere to established reporting standards. CVM Resolution No. 80/2022 adopts a "comply or explain" policy for various ESG items.⁶⁰
- Law N° 14.130/21 has made it possible for financial institutions to offer FIAGROs (Investment Funds in Agro-Industrial Production Chains) to private and institutional investors. The money raised by these investment funds is invested in companies active in the agricultural supply chain. FIAGROs are regulated under Resolution CVM N° 214/2024.⁶¹ No social or environmental restrictions apply, as is the case for the rural credit programmes.
- Agribusiness Receivables Certificates (CRAs): CRAs are a fixed-income instrument to attract funds in the Brazilian capital market to finance agribusiness, regulated by Resolution CVM N° 60/2021. They are issued by securitisation companies after purchasing future receivables from rural producers via credit rights. They are exempt from individual income tax and the financial transactions tax, making them an attractive investment. However, CRAs are not protected by the Credit Guarantee Fund. No social or environmental restrictions apply, as is the case for the rural credit programmes (see section 3.4.4).

The green CRAs are fixed-income instruments issued in the same way as the CRAs previously described; however, the funds are directed to sustainable agribusiness projects. They are categorised as green investments if the allocation of funds meets ESG criteria, certified by a third-party auditor that audits the issuer's activities.⁶² In addition, it is possible to issue an additional "green" grade through certification under the Climate Bond Standards.⁶³ Currently, there is no separate statutory or regulatory regime that defines or mandates "green CRA" criteria; these criteria are based on voluntary commitments by issuers. In practice, some firms

have issued these instruments with zero-deforestation and deforestation-and-conversion-free commitments.⁶⁴ However, it has been reported that a Brazilian food and biodiesel producer issued a CRA that included suppliers subject to IBAMA (Brazilian Institute of Environment and Renewable Natural Resources) embargoes for illegal deforestation, raising questions about the rigour of the eligibility and due diligence criteria underpinning the “green” classification.⁶⁵

- Agribusiness Letters of Credit (LCAs): LCAs are issued by financial institutions to raise funds for participants in the agribusiness chain, other than farmers. Similar to CRAs, they are based on the securitisation of certificates of indebtedness and are exempt from income tax for individual investors. LCAs are regulated by Resolution CMN N° 5.006/2022. No social or environmental restrictions apply, as is the case for the rural credit programmes (see section 3.4.4).⁶⁶
- Incentives to finance environmental services: there is a proposed law by the Chamber of Deputies’ Finance and Taxation Committee (Bill No. 460/2024) to create the Green Credit Note (*Letra de Crédito Verde*), a fixed-income security aimed at raising funds from individuals and companies to finance projects for the recovery and maintenance of ecosystems and the sustainable development of the country.⁶⁷ This instrument includes tax incentives for investors. No social or environmental restrictions apply, as is the case for the rural credit programmes (see section 3.4.4).

3.5.2 Regulations against greenwashing

The CMN Resolution 5,252/2025 documents the accounting concepts and criteria to be observed by financial institutions and other institutions authorised by the BCB to operate in the measurement, recognition, and disclosure of sustainability assets and liabilities.⁶⁸ This resolution is linked to the TSB (see section 3.7.1). From 1 January 2027, financial institutions are required to obtain certification from a public authority or a qualified independent verifier for their assets (such as outstanding loans or investments) classified as sustainable, adopting national or international methodologies that establish criteria and rules for measuring, reporting and verifying emissions, in the case of carbon credits, to prevent greenwashing.⁶⁹

Another measure to prevent greenwashing is BCB Resolution 492/2025, which took effect on October 1, 2025.⁷⁰ The Resolution permits financial institutions to classify and report green bonds, sustainability-linked loans, and other ESG-aligned instruments in cross-border transactions and mandates disclosure and risk assessment of these assets to boost transparency in global sustainable flows by creating a cohesive system for taxonomy-aligned products across borders.⁷¹

3.5.3 CVM Sustainable Finance Action Plan

In August 2025, CVM published its Sustainable Finance Action Plan for the period 2025–2026.⁷² The previous action plan for the period 2023–2024 included the following objectives for the Brazilian capital market:

- Enhancement and creation of specific regulations;
- Supervision and addressing greenwashing;
- Guidance for market participants;
- Investor education;
- Training for the employees of the CVM;
- Institutional integrity; and
- Active transparency regarding the sustainable initiatives promoted by the capital market regulator.⁷³

The CVM argued that it achieved 80% of its goals, including the adoption of Resolution CVM 193, which enabled voluntary sustainability-related financial reporting under the ISSB standards. The 2025–2026 Action Plan aims to reinforce ISSB-aligned disclosure regulations, improve oversight to

prevent greenwashing, and develop a structured database of sustainability-themed issuances, among other objectives.⁷⁴ However, recent updates to the sustainability reporting requirements, as explained below (see section 3.6.1), raise questions about the extent to which sustainability-related goals are being achieved, given that most initiatives have been reversed over time.

The CVM identified three new strategic goals for the new plan:

- Implementation of technological tools to facilitate data monitoring and processing by creating a structured database dedicated to sustainable thematic emissions
- Enhancing the training programs for CVM's technical staff, such as training on international reporting standards (IFRS S1 and S2)
- Mapping the maturity of the Brazilian sustainable finance market through exploratory research and thematic oversight aims to identify gaps, best practices, and opportunities for regulatory improvement.⁷⁵

The updated Action Plan includes 14 initiatives, with a scope that prioritises the gathering and tracking of information essential to the CVM's operations. It involves developing and utilising structured databases, leveraging technology to enhance supervisory tasks, and collecting data through quantitative surveys of market participants.⁷⁶

3.5.4 Superintendence of Private Insurance (SUSEP) Regulation 666/2022

In August 2022, SUSEP published Regulation No. 666/2022, which set sustainability requirements for insurance companies, pension funds, capitalisation companies and local reinsurers.⁷⁷ The guidance helps companies manage sustainability and climate risks, including physical risks, transition risks, and litigation risks stemming from liability insurance claims or lawsuits due to failures in managing physical or transition climate hazards. Sustainability risk management includes conducting a materiality assessment to identify, evaluate, and categorise risks. Additionally, companies should develop a sustainability policy aligned with regulatory principles and guidance, focusing on developing and providing products or services, as well as on the performance of their activities and operations.⁷⁸

Despite regulatory requirements, the sector still lacked socio-environmental regulations to prevent deforestation incidents: In 2024, five properties in Mato Grosso with areas embargoed for illegal Amazon deforestation or farms overlapping Indigenous territories were still found to obtain agricultural insurance.⁷⁹ Following the incident, in 2025, the Interministerial Management Committee for Rural Insurance published Resolution No. 108/2025 that defined the socio-environmental conditions for policies contracted under the PSR (Rural Insurance Premium Subsidy Program). The Resolution states that the rural property where the insured crops or livestock are located must be registered in the CAR (Rural Environmental Registry). It also disallows subsidies if native vegetation has been removed after July 31, 2019, unless authorised by the Executive Branch, and introduces additional checks to prevent incidents.⁸⁰ The regulation took effect on 2 January 2026 and applies only to policies issued from that date onward.

3.6 Regulations on corporate disclosure

3.6.1 Sustainability Disclosure regulation

Brazil introduced annual sustainability and climate-related disclosures for publicly traded companies, aligned with the International Sustainability Standards Board (ISSB), through CVM Resolution 193 in 2023.⁸¹ The resolution stated that public companies and investment funds could start voluntary sustainability reporting under IFRS standards in 2024, and mandatory reporting for public companies would begin in 2026. However, in May 2026, the CVM amended the resolution to revoke the mandatory disclosure of sustainability-related financial information.⁸² The revised regulation makes sustainability reporting voluntary but establishes a “comply-or-explain” framework. Public companies that choose not to file a sustainability report must justify their

decision via a market announcement, including their reasons. On the other hand, companies that choose to file a sustainability report must comply with the Brazilian Sustainability Pronouncements Committee (CBPS) and ISSB standards.⁸³

Two NGOs filed a lawsuit against CVM, pointing to procedural flaws, such as a lack of public consultation and technical impact studies, and requesting urgent legal protection to suspend the new regulation.⁸⁴ Furthermore, it argues that the change constitutes an environmental and regulatory setback, violating constitutional principles and global commitments, including the Paris Agreement. The Federal Judge denied the injunction but required CVM to present a complete copy of the administrative process that underpinned the issuance of the Resolution.⁸⁵ CVM argued that the resolution was adopted for "regulatory flexibility" and protection for companies against supposedly high compliance costs and that it "acted within the strict limits of its discretion, so the regulatory adjustments made, culminating in CVM Resolution No. 244, are within legal parameters, and therefore the plaintiff's claims should be dismissed," the agency said in its defense.⁸⁶ Also in line with these developments, Brazil's NBSAP objective to encourage large and transnational corporations and financial institutions to support initiatives that promote sustainable production practices via transparency and disclosure requirements remains insufficient to fulfil the target, even though there have been sufficient improvements earlier.

3.7 Regulations stimulating the financing of sustainable activities

3.7.1 Brazilian Sustainable Taxonomy

Brazil approved the first edition of the Brazilian Sustainable Taxonomy (TSB) on 25 August 2025, developed by the Interinstitutional Committee of the Brazilian Sustainable Taxonomy (CITSB). The CITSB is chaired by the Ministry of Finance, comprises 27 government agencies, and has an advisory committee consisting of 18 civil society organisations. On 31 October 2025, the TSB was established as an instrument of the Ecological Transformation Plan as one of the six pillars of action, to provide a comprehensive framework to support Brazil's transition toward a low-carbon economy.⁸⁷

The TSB sets various objectives, including climate and environmental objectives for the protection and restoration of biodiversity and ecosystems, as well as for the conservation, sustainable management, and use of soil and forests, based on the finding that Forests and Biodiversity constitute a priority for Brazil.⁸⁸ These objectives are further elaborated in technical documents covering 8 sectors and a list of minimum safeguards. The sectors include agriculture, forestry protection, fishing and aquaculture, extractive industries, and construction, among others. An asset or an activity is included in the TSB if it:

- Makes a substantial contribution to one or more of the defined objectives;
- Does not cause significant damage to any of the other defined objectives; and
- Complies with the minimum safeguards listed in the plan.⁸⁹

There are several legal weaknesses in the TSB: The taxonomy focuses on sector-specific criteria for selected commodities rather than on cross-commodity or systemic criteria, limiting its effectiveness and reinforcing a big-commodity, business-as-usual model rather than driving broader transformation. Furthermore, it ignores Scope 3 emissions from mining, vaguely defines "irreplaceable areas", and allows controversial activities to be labelled as sustainable, such as the use of pesticides and the generation of energy from biomass, among many other loopholes and questionable sustainability practices.

Indigenous Brazilian NGOs therefore conclude that the TSB is "prioritising the status quo, intensification, and productive efficiency; the Brazilian Sustainable Taxonomy missed the opportunity to fully leverage its potential to direct resources toward ecologically and socially just transition practices".⁹⁰

The TSB envisioned 2026 as the pilot year; therefore, regulatory authorities are working to integrate the taxonomy into their regulations. On 28 April 2026, the Ministry of Finance approved the Internal Regulations of the Interinstitutional Committee of the Brazilian Sustainable Taxonomy (CITSB) to coordinate the implementation of the TSB.⁹¹ The BCB also plans to integrate the taxonomy into future regulations through a gradual, voluntary approach to guide financial institutions.⁹² The TSB is now in an official testing phase for large financial institutions in Brazil: On 1 June 2026, 16 banks were selected to participate in the testing phase through two separate committees on the Climate and Economic-Social Working Group, and the BCB will evaluate the results throughout 2026 on how to incorporate TSB criteria into the regulatory framework.⁹³

3.7.2 EcolInvest

As was also mentioned in Brazil's NBSAP, EcolInvest, part of the Novo Brasil Program, was established by the Brazilian Ministries of Finance and Environment and Climate Change to promote sustainable private investment and attract foreign funding for long-term initiatives by providing tools to mitigate exchange-rate risks. The program aims to support strategic projects in the green sector, ecosystem restoration, climate change infrastructure, and technological advances for ecological transformation.⁹⁴

EcolInvest aligns with the Safra Plan by channelling private investments into the Amazon's bioeconomy and infrastructure. In its first year, the program has mobilised more than USD 13.4 billion (BRL 75 billion) in domestic and international capital to fund projects classified as sustainable. However, this includes biofuel and cattle ranching projects, which are often found to have negative impacts on biodiversity.⁹⁵

Even though Brazil registers progress in positive incentives with programmes like EcolInvest, phasing out subsidies detrimental to biodiversity still largely remains in the initial phase; therefore, Brazil insufficiently fulfils the objectives for GBF Target 18, reducing harmful incentives, including subsidies.

3.7.3 National Bioeconomy Development Plan

Brazil has introduced the National Bioeconomy Development Plan, following the framework set by the National Bioeconomy Strategy in Decree No. 12,044/2024. Its goal is to make Brazil's rich biodiversity a fundamental part of the nation's economic growth by 2035, thereby promoting social inclusion and addressing the climate crisis.⁹⁶ The plan is structured into three pillars. Pillar 1 envisions the following with 2030 targets:

- Supporting 6,000 community-based businesses
- Increasing the number of contracts under the National Program for Strengthening Family Agriculture credit line by 20%, focusing on low-income producers, and doubling the annual gross value generated from socio-biodiversity
- Providing environmental service payments to 300,000 beneficiaries, including Indigenous Peoples, traditional peoples and communities, and family farmers
- Restoring 2.3 million hectares of native vegetation as part of bioeconomy value chains.⁹⁷

Pillar 2 emphasises bioindustrialization, particularly within health and wellness sectors. Meanwhile, Pillar 3 focuses on sustainable biomass generation from agricultural and forestry resources, including the development of the renewable biochemical industry and a target to boost national biofuel output by 70% by 2035.⁹⁸

The plan has been criticised for inaccuracies and a lack of transparency: it focuses on commodities produced by mechanised plantations rather than by traditional peoples; therefore, it lacks the social and environmental benefits that the plan associates with the term "bioeconomy".⁹⁹

In addition, increasing biofuel production is often associated with biodiversity problems, such as land clearing, deforestation, monoculture expansion, wetland drainage, and soil degradation, which can result in habitat loss and species decline if not carried out under strong biodiversity safeguards, robust policy frameworks, clear sustainability standards, and community participation.¹⁰⁰

3.7.4 Sovereign Sustainable Bond Framework

In 2024, Brazil submitted its latest Nationally Determined Contribution (NDC) to the Executive Secretary of the United Nations Framework Convention on Climate Change (UNFCCC) during COP29, the UN climate conference held in Baku, Azerbaijan. The updated NDC sets a 2035 target of reducing net greenhouse-gas emissions by 59–67% compared with 2005 levels, guided by the country's Climate Plan. The Climate Plan is supported by economic initiatives, as explained in earlier parts, including the Ecological Transformation Plan, the EcolInvest Brazil Program (see section 3.7.2), the Brazilian Sustainable Taxonomy (see section 3.7.1), and the Sustainable Sovereign Bonds.¹⁰¹

The Federal Government established the Sovereign Sustainable Finance Committee by Decree No. 11.532, dated May 16, 2023. The Sovereign Sustainable Bond Framework was developed following the guidelines of the International Capital Market Association (ICMA), particularly its principles for issuing themed bonds: Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines.¹⁰² The objective of the framework is to allocate resources to eligible environmental and social projects, such as promoting sustainability, mitigating climate change, conserving natural resources and fostering social development.¹⁰³ Shortly after its launch, the new 7-year benchmark bond, named GLOBAL 2031 ESG, was issued for USD 2.0 billion, whose proceeds are allocated to deforestation control, biodiversity conservation, the National Climate Change Fund, among many other climate and social objectives.¹⁰⁴

3.8 Other relevant initiatives

3.8.1 The Brazilian Development Bank (BNDES)

State-owned banks play an important role in implementing government policies in Brazil, including policies related to biodiversity-risk sectors. The Brazilian Development Bank (BNDES) is Brazil's main development financing agent. As a lender to, and a minority shareholder in major domestic companies, BNDES has played a fundamental role in stimulating the expansion of industry and infrastructure in the country.¹⁰⁵

BNDES allocates one-third of rural credit for investment in machinery and equipment, mostly through banks owned by machine manufacturers and private commercial banks.¹⁰⁶

BNDES now describes its purpose as: "Transforming the lives of generations of Brazilians by promoting sustainable development".¹⁰⁷ In the Brazilian government's Ecological Transformation Plan to tackle climate change, BNDES funding plays an important role. BNDES created a structure for issuing green, social, and sustainable bonds, with support from the Inter-American Development Bank, and launched its Sustainability Bond Framework (SBF).¹⁰⁸ Funds to be raised in future operations under SBF will be used to finance and refinance new or existing projects in BNDES's portfolio. Resource allocation is divided into six green and three social categories. The green categories comprise renewable energy, energy efficiency, sustainable management of water, wastewater, and sanitation, pollution prevention and control, clean transport, and environmentally sustainable management of natural resources and land use. The social categories include health, education, and support for micro-, small-, and medium-sized enterprises (MSMEs) and microcredit.¹⁰⁹

For decades, BNDES invested heavily in Brazil's major meatpacking giants, JBS and Marfrig, which grew into national powerhouses well before the bank divested from Marfrig in 2019. Additionally,

BNDES provided substantial credit to Minerva, another major Brazilian meatpacker. All three companies have been associated with extensive deforestation.¹¹⁰

BNDES also funded Sigma Lithium's Brazilian subsidiary in 2024, a move associated with several complaints from Guilombola communities, descendants of former enslaved people who fled into the forest for refuge, and Indigenous Peoples living near Sigma Lithium's facilities.¹¹¹

On the positive side, BNDES also blocked financing to rural producers suspected of illegal deforestation on their properties, enabled by the adoption of environmental monitoring using satellite imagery across Brazilian biomes, through MapBiomass deforestation alerts.¹¹²

3.9 Possible improvements of relevant regulations in Brazil

3.9.1 Assessment of current Brazilian regulations

This chapter has described and summarised the financial regulations in Brazil, which could potentially be relevant to aligning the financing flows managed by banks and investment products with the targets of the GBF. Table 4 presents the results of the assessment against the three author-developed criteria informed by selected GBF targets, using the methodology described in **Error! Reference source not found.**

Table 4 Assessment of current Brazilian regulations against GBF targets

Assessment criteria	Colour score	Justification
1 Financial regulations do not allow financing of, or investment in, activities or companies responsible for deforestation or the conversion of natural ecosystems.	Light red	Brazil has imposed restrictions on financial institutions providing government-controlled rural credit to companies that violate laws related to the conversion of natural landscapes. However, these restrictions do not amount to a general prohibition on financing or investing in all companies engaged in natural landscape conversion, nor do they clearly extend to normal bank credit or to all capital-market products, such as CRA and FIAGRO.
2 Financial regulations expect financial institutions to support a just transition in the Agriculture, Aquaculture, Fisheries and Forestry sectors, in ways that uphold the rights of workers, peasants, fisherfolk, Indigenous Peoples, traditional and local communities.	Light red	Financial regulations in Brazil require certain financial institutions to develop a policy on social, environmental, and climate responsibility, including setting social principles that these institutions should observe in their activities. Furthermore, the Manual of Rural Credit contains norms prohibiting financial institutions from providing credit to enterprises located on Indigenous lands. However, there are no specific norms requiring financial institutions to support a just transition in the Agriculture, Aquaculture, Fisheries and Forestry sectors, in ways that uphold the rights of workers, peasants, fisherfolk, Indigenous Peoples, traditional and local communities.
3 Financial regulations require transparent disclosure of all financing and investment portfolios and of the biodiversity and social impacts associated with these flows.	Light red	Financial regulations require financial institutions to elaborate on the GRSAC report, which must contain information on the financial institution's responsibilities in managing social, environmental, and climate risks. But transparency on the actual financing flows is not required, and the impacts on society and the environment do not have to be assessed. Also, for investment products that provide funding to the agricultural sector, there are no norms requiring transparency or an evaluation of the investment's impacts on biodiversity.

3.9.2 Progress towards meeting the GBF targets

The progress reported by Brazil in its 7th National Report aligns with the assessment made in this report. Although several measures have been undertaken, as explained in sections above, progress remains limited. Even though Brazil's national targets are highly aligned with the global GBF targets, the NBSAP 2025-2030 misses the opportunity to highlight and adjust the role of finance in conserving biodiversity by failing to elaborate on stricter, mandatory regulations for the financial sector and on better financial and monetary policies by the public authorities that integrate biodiversity-related impacts.

Brazil does not set time-bound, concrete action plans to introduce or update existing financial regulations for biodiversity conservation to realise the GBF targets. Although the 7th National Report argues that there has been “great effort in the country to increase financial resources for the environment in recent years and to establish environmental criteria for funding”¹¹³, current regulations can still be improved to integrate stronger banking and investment practices that address biodiversity-related risks and guide financial flows to the preservation and management of biodiversity. In light of all of this, the following sections provide recommendations for Brazilian legislators and financial sector regulators.

3.9.3 Recommendations for Brazilian legislators and financial sector regulators

Below are the most pressing recommendations for improving financial regulations in Brazil, to help align the financing flows managed by banks and investment products with the targets of the GBF:

- **Strengthen restrictions on (rural) credit**

When assessing (rural) credit, financial institutions should be required to consider the records of their clients, directly and in their supply chains, on deforestation and violations of human rights. The existing restrictions on providing rural credit could be strengthened by only granting rural credit if the client:

- Can prove legitimate ownership of the land, without overlap with protected areas;
- Has obtained all required environmental licences;
- Has not been deforesting on the property;
- Has not been involved in human rights violations; and
- Can provide traceability of their products.

These restrictions should also apply to normal bank credits to agricultural producers, as well as to downstream companies.

- **Introduce environmental and human rights restrictions for investment products**

It is recommended that the Brazilian government develop a clear framework for the issuance of investment products, such as CRAs, LCAs and FIAGROs. Financial institutions issuing the credit on which these investment products are built should use stringent eligibility criteria for their beneficiaries, consistent with the restrictions set out in the Manual of Rural Credit and the criteria mentioned in the previous bullet.¹¹⁴ Issuers must also manage the funds transparently, reporting on which agricultural enterprises and rural properties are financed and what the impacts of this financing are on biodiversity and human rights. Such reporting should be verified by independent third parties.

- **Fix the Sustainable Finance Taxonomy**

The Sustainable Finance Taxonomy (TSB) should update the minimum safeguards to ensure that negative impacts are not outweighed, so that the taxonomy does not serve as a vehicle for greenwashing certain activities, such as through vague definitions or by creating dangerous

loopholes. Clear requirements, methodologies, and deadlines for the do-no-significant-harm principle should be established for financial institutions, and certain practices with questionable sustainability, such as biomass production, should be prohibited. Alignment with the TSB should be a precondition for financial products, such as rural credit, bank loans, investment products, and asset purchase policies. Financial authorities should design and enforce policies for financial products and institutions that align with the TSB's principles.

- **Strengthen screening by state-owned banks**

State-owned banks play a pivotal role in executing Brazilian government policies. Yet the state-owned banks BNDES and Banco do Brasil have not adopted robust screening policies to ensure their credit and investment activities do not harm biodiversity and human rights.¹¹⁵ It is crucial that these banks' screening policies align with the Brazilian Sustainable Finance Taxonomy and support the GBF targets.

- **Integrate sustainability criteria in monetary policy**

BCB should further develop its policy to include social and environmental criteria in its collateral lists by aligning with the TSB. Similar criteria should be linked to its asset purchase programme and used to introduce preferential borrowing rates for sustainability-linked loans. To check which bonds and loans meet these criteria, verification by independent third parties should be required.

- **Improve biodiversity risk assessment**

Brazilian financial regulations for banks take a “double materiality” approach by addressing both financial materiality - covering risks and impacts from environmental, social, and climate factors that financial institutions face - and social and environmental materiality, which relates to the impacts these institutions have on such issues. Given the high volume of lending to deforestation-risk activities, regulations should also mandate regular disclosure of loan and investment portfolios, including exposure to biodiversity risks and impacts. Further, the BCB should require banks to periodically evaluate their techniques for stress scenarios, as nature-related risks continue to evolve.

- **Integrate sustainability criteria in capital adequacy ratios**

The BCB should consider incorporating social and environmental risks into the different approaches to calculate capital requirements in line with the TSB. This could take the form of an adjustment factor in the models used to calculate capital requirements under Pillar 1, incorporating these risks.¹¹⁶ Lower reserve requirements should be introduced for sustainable finance products, while higher capital requirements – and even exposure limits – would be required for companies harmful to landscapes and biodiversity.

- **Include transition plans in the PSRAC**

Financial institutions are required to establish a set of principles and guidelines on social, environmental and climate-related issues (PSRAC) to be observed by the institution. While the PSRAC should contain targets related to social, environmental and climate issues, the regulation does not require financial institutions to develop or adopt transition plans to meet these targets. According to the Guidelines for Climate Target Setting for Banks published by the UN Environment Programme,¹¹⁷ banks should set long-term and intermediate targets for their greenhouse gas emissions, establish a transition plan that includes actions, appropriate metrics to measure these targets, and report progress annually. The transition plans should align with Brazil's Sustainable Finance Taxonomy and should cover sectors with high impact on biodiversity, such as agriculture, livestock and forestry.

- **Improve disclosure and transparency**

The Report on Social, Environmental and Climate-related Risks and Opportunities (GRSAC) must contain information related to the governance of risk management for environmental, social and climate risks and real and potential impacts and the processes for management of these risks. The GSRAC report should be further improved by providing transparency regarding the companies the bank finances and by requiring regular assessments of the impacts of the bank's financing decisions on environmental and social issues, which would be aligned with Target 15 of the GBF. This would also incentivise banks to consider transition plans to mitigate their impacts in the medium and long term. By requiring financial institutions to disclose information against the TSB, the Brazilian government could define which activities create environmental, social, and climate risks and what should be expected of an effective transition plan for the sectors in which these activities take place.

- **Introduce stronger liability requirements for financial institutions**

Banks should be required to adopt more stringent measures to obtain environmental licences in their credit analysis and monitoring for their financing activities, with validation and thorough analysis by environmental agencies. Financial institutions should implement robust environmental and social due diligence aligned with international frameworks, monitor financed activities and supply chains in deforestation-risk sectors and go beyond the minimum requirements.

- **Hold financial institutions accountable**

BCB and criminal authorities should act if banks do not meet the requirements in existing regulations and the new regulations proposed above. Fines and sanctions such as capital additions, concentration limits, holding board members accountable, or (temporarily) revoking a banking licence should be used.

4

Canada

Canadian banks and investors play a significant role in financing forest-risk commodities, especially minerals. This chapter first examines Canada's national biodiversity targets, NBSAP commitments and reported progress under the GBF. These commitments address financial flows and biodiversity-related disclosure but do not constitute a comprehensive programme of financial regulatory reform. The analysis therefore extends to the wider financial regulatory framework, including developments not explicitly reflected in Canada's GBF commitments. It examines central bank policy, banking and investment regulation, sustainability disclosure, greenwashing rules and the proposed sustainable investment taxonomy. Overall, biodiversity remains weakly integrated into a framework focused primarily on climate-related financial risks and financial materiality. Stronger connections between regulatory reforms and GBF implementation are needed to establish a coherent approach.

4.1 National actions to implement GBF targets in financial sector regulation

4.1.1 Canada's national biodiversity targets

After signing the GBF, countries need to translate the global targets into national targets, taking into account their national circumstances, priorities and capabilities. They may retain the global targets largely as formulated or adapt and reorganise them to reflect their national context and development priorities. Canada has opted for close alignment with the GBF: its national targets largely retain the structure and substance of the 23 global targets, and Canada's 2030 Nature Strategy treats them as a holistic set of mutually reinforcing targets, all of which are considered important for achieving the GBF's overall objectives.¹¹⁸

One relevant modification concerns Target 15. Canada reproduces the full substantive wording of GBF Target 15 but spreads its implementation across several sub-sections of the 2030 Nature Strategy. Paragraph 15(a), concerning the monitoring, assessment and disclosure of biodiversity-related risks, dependencies and impacts by businesses and financial institutions, is addressed under "Target 15a: Business' role".¹¹⁹ It concerns the most relevant part of NT15 for the financial regulations.

Targets relevant to the present analysis of how biodiversity is being incorporated into financial regulations have been formulated as follows:

- **Target 14: Mainstreaming of biodiversity values and alignment of financial flows**

Target 14: Mainstreaming of biodiversity values retains almost exact GBF wording and requires the full integration of biodiversity and its multiple values into policies, regulations, planning, development processes, environmental assessments and, where appropriate, national accounting, across government and sectors.

Importantly for the financial sector, it also requires progressively aligning relevant public and private activities and fiscal and financial flows with the goals and targets of the GBF.¹²⁰

- **Target 15a: Business' role**

Target 15a - Business' role is the target directly relevant to financial regulations. It requires legal, administrative or policy measures to ensure that large and transnational companies and financial institutions regularly monitor, assess and transparently disclose their biodiversity-related risks, dependencies and impacts, including across their operations, supply and value chains and portfolios, and progressively reduce negative impacts and biodiversity-related risks while increasing positive impacts.¹²¹

- **Target 18: Negative and positive incentives**

Target 18: Negative and positive incentives is formulated substantively the same as the corresponding GBF and requires the identification by 2025 and subsequent elimination, phasing out or reform of incentives, including subsidies, harmful to biodiversity, while scaling up positive incentives for conservation and sustainable use.¹²²

- **Target 19: Resource mobilisation – Financial resources**

Target 19: Resource mobilisation requires a substantial and progressive increase in financial resources from domestic, international, public and private sources, in line with global GBF targets. It expressly contemplates leveraging private and blended finance, impact funds, green bonds, biodiversity offsets and credits and other innovative instruments.¹²³

4.1.2 Actions to meet the biodiversity targets

Canada's 2030 Nature Strategy serves as its NBSAP and sets out actions to implement its national biodiversity targets. The following commitments are particularly relevant to financial regulation and the alignment of financial flows with biodiversity objectives:

- **Target 14: Integrate Biodiversity in Decision-Making at Every Level**

The Strategy translates Canada's Target 14 into measures related to governmental policy and regulatory decision-making. These include:

- The Climate, Nature and Economy Lens (CNEL) applied through the Cabinet Directive on Strategic Environmental and Economic Assessment is a mandatory federal assessment template for proposed government decisions.
- Continued development of environmental-economic and natural-capital accounting.
- Integration of ecological goods and services into regulatory cost-benefit analysis.¹²⁴

For future implementation, the federal government commits to taking steps towards an "Effects Management Framework" intended to mainstream biodiversity consistently into regulatory decision-making and to strengthen federal accountability for implementation of the GBF. It may also review and revise federal policies and programmes to better align them with the 2030 Nature Strategy.¹²⁵

These commitments, however, do not translate Target 14's financial flows ambition into specific financial-sector regulatory reforms. The Strategy does not envisage creating biodiversity-related requirements for bank lending, investment portfolios, prudential risk management or capital requirements. It also does not commit to measures for incorporating biodiversity into central banking or monetary policy. The financial flows commitment therefore remains substantially more general than the measures specified for mainstreaming biodiversity within federal governmental and regulatory decision-making.

- **Target 15: Businesses Assess, Disclose and Reduce Biodiversity-Related Risks and Negative Impacts**

One of Canada's most relevant commitments on financial regulation has been made under Target 15(a). There, it recognises that ensuring biodiversity-related disclosure by large companies and financial institutions will require coordination among federal, provincial and

territorial financial regulators and standard setters, and acknowledges that biodiversity-related financial disclosure in Canada remains at an early stage.¹²⁶

The Strategy includes a federal government commitment to continue monitoring and participating in international work on biodiversity-related disclosure, including the TNFD, ISSB and GRI. In addition, the government commits to working with provinces and territories towards mandatory climate-related financial disclosure across the Canadian economy.¹²⁷

For biodiversity specifically, however, the commitments remain preparatory. The federal government will seek advice from federal and provincial regulators, the private sector, Indigenous partners and biodiversity experts on how biodiversity-related disclosure could be implemented through legal, administrative or policy measures. It will also identify datasets and existing monitoring, reporting and verification processes relevant to financial decision-making and encourage the ISSB and Canadian Sustainability Standards Board to develop nature-related financial-disclosure standards, including working with Crown corporations (organisations owned by the federal or a provincial government but operated separately from regular government departments, such as the Bank of Canada, Business Development Bank of Canada, Farm Credit Canada, etc.)¹²⁸ towards their possible future adoption.¹²⁹

The Strategy therefore contains a clear commitment to develop the architecture for biodiversity-related financial disclosure, but it does not itself establish mandatory biodiversity reporting requirements or a timetable for introducing them. Nor does it specify a commitment to adopt biodiversity-related disclosure rules particular to banks, insurers, asset managers or investment firms.

- **Target 18: Reduce Harmful Incentives by at Least USD 500 Billion per Year, and Scale Up Positive Incentives for Biodiversity**

In terms of subsidies, Canada's federal government has committed to:

- By mid-2025, undertake foundational work to define incentives, including subsidies, compile an inventory of incentives from sectors and activities that may have an impact on biodiversity, and develop a framework to assess incentives for their impacts.
- Build on current or planned initiatives to address negative incentives affecting biodiversity, seeking to harness synergies and enhance coherence with other initiatives. For example, once entered into force, the WTO Agreement on Fisheries Subsidies will help in addressing certain negative incentives in the marine fisheries sector.
- By 2030, substantially and progressively reduce the value of incentives and subsidies with harmful impacts on biodiversity, starting with the most harmful, while scaling up positive incentives for the conservation and sustainable use of biodiversity through work on other targets. This work will include developing an implementation plan, with key partners, to eliminate, phase out, and/or reform incentives, in a proportionate, just, fair, effective, and equitable way.¹³⁰

At the same time, Canada has not set a measurable goal in monetary terms, stating that it will contribute to the overarching GBF target of reducing harmful subsidies by at least USD 500 billion per year by 2030, but not specifying its contribution.¹³¹

- **Target 19: Mobilise USD 200 Billion per Year for Biodiversity From all Sources, Including USD 30 Billion Through International Finance**

Under the Strategy, the Canadian federal government will continue identifying how its funding instruments and convening power can be used more effectively to attract private-sector resources for biodiversity. The Strategy also states that the government may also explore additional opportunities, including:

- Developing a national resource mobilisation plan and exploring models of public-private partnerships, blended finance, impact funds, green bonds, and fiscal incentives to de-risk and spur investments and help build a nature-positive economy.
- Supporting development of natural capital accounting and valuation, the development of biodiversity-related tools for the financial sector, and leveraging existing voluntary private sector initiatives, such as the Net-Zero Challenge (a federal initiative supporting businesses in developing and implementing plans to achieve net-zero emissions by 2050).¹³²
- Creating a public listing of companies' nature-positive activities to facilitate private sector involvement and recognition.
- Providing the support and tools necessary to mainstream biodiversity more deeply within the Canadian economy.¹³³

Canada does not establish a specific aggregate financing target under Target 19, but the Strategy identifies several concrete funding commitments, including for the International Biodiversity Program, the Global Environment Facility, and international climate finance commitments for nature-based solutions with biodiversity co-benefits. It also reports approximately USD 9.3 billion (CAD 12.5 billion) in recent domestic federal nature funding and USD 6.4 billion (CAD 9.0 billion) raised through green bonds.¹³⁴

4.1.3 Progress reported in the 7th National Report

Canada's Seventh National Report records steps to incorporate biodiversity into government decisions and increased public funding for conservation, but assesses progress in both areas as insufficient. Measures to align financial flows with the GBF and require biodiversity-related disclosure remain under development. The following section outlines these findings by target:

- **Target 14: Integrate Biodiversity in Decision-Making at Every Level**

In terms of financial sector regulations, the 7th National Report does not identify any biodiversity-specific banking, investment, prudential or monetary policy measures implemented under Target 14, which is not surprising, as both the NTs and the NBSAP are not directly focusing on financial regulations reform. It reports only that the finance sector, alongside other sectors, has been developing tools, guidance and standards to integrate biodiversity considerations.¹³⁵ Canada correspondingly assesses policies, regulations, strategies or plans for aligning fiscal and financial flows with the GBF (indicator 14.5) as "Under development."¹³⁶

More generally, implementation has focused on mainstreaming biodiversity into federal government decision-making. The Climate, Nature and Economy Lens was introduced in April 2024, and approximately 15% of federal proposals required more detailed biodiversity analysis in its first year.¹³⁷

Canada also reports work on natural capital and environmental-economic accounting, regulatory cost-benefit analysis and federal impact assessment.

Overall, Canada assesses its progress towards Target 14 as insufficient.¹³⁸

- **Target 15: Businesses Assess, Disclose and Reduce Biodiversity-Related Risks and Negative Impacts**

Under Target 15, the Report records several steps towards nature-related disclosure. Canada joined the TNFD Forum in 2022 and contributed to the development of the TNFD recommendations. It also reports continued engagement with the ISSB and GRI and notes that the Canadian Sustainability Disclosure Standards, CSDS 1 and CSDS 2, were issued in December 2024 in alignment with IFRS S1 and S2.¹³⁹

The Report states that after the TNFD recommendations were released, Manulife Investment Management became the first (and, according to the Report, the only) major Canadian financial institution to adopt the recommendations, publishing its first TNFD-aligned timberland and

agriculture nature disclosure in January 2024.¹⁴⁰ This represents voluntary market practice rather than a regulatory requirement.

Canada accordingly assesses Target 15 overall as "progress towards target but at an insufficient rate."¹⁴¹ In the detailed binary assessment, the position is clearer still: legal, administrative or policy measures requiring large companies and financial institutions to monitor, assess and disclose biodiversity-related risks, dependencies and impacts across operations, value chains and portfolios are classified as "Under development".

- **Target 18: Reduce Harmful Incentives by at Least USD 500 Billion per Year, and Scale Up Positive Incentives for Biodiversity**

For indicator 18.2, concerning the value of subsidies and other incentives harmful to biodiversity, the Report states "No data available." Canada reports no national data on the value of biodiversity-harmful subsidies. For positive incentives, it relies on OECD data showing 34 biodiversity-related economic policy instruments, with no increase in their number since 2022.¹⁴²

- **Target 19: Mobilise USD 200 Billion per Year for Biodiversity From all Sources, Including USD 30 Billion Through International Finance**

Canada reports considerably more concrete financial mobilisation than the Strategy itself suggested. Federal conservation-related investments during 2020-2025, including Nature Legacy, Enhanced Nature Legacy, Project Finance for Permanence, marine conservation and the Natural Climate Solutions Fund, totalled more than USD 10.0 billion (CAD 13.6 billion).¹⁴³

International biodiversity funding also increased. The report records an increase from USD 129.0 million (CAD 175.0 million) in 2020 to USD 231.0 million (CAD 314.0 million) in 2023, with estimated total international biodiversity funding of USD 669.0 million (CAD 907.0 million) over 2020-2023. It also reports that 20% of Canada's USD 4.0 billion (CAD 5.3 billion) international climate-finance commitment for 2021-2026 was directed to projects using nature-based solutions and generating biodiversity co-benefits.¹⁴⁴

Canada's dedicated USD 258.0 million (CAD 350.0 million) International Biodiversity Program for 2023-2026 includes USD 148.0 million (CAD 200.0 million) for the Global Biodiversity Framework Fund, with Canada identified in the Report as the Fund's first and largest donor.¹⁴⁵

Green-bond mobilisation has also expanded substantially. Canada reports that USD 9.3 billion (CAD 13.0 billion) in federal green bonds had been issued, of which USD 6.4 billion (CAD 9.0 billion) had been allocated by the end of 2025, including more than USD 515.8 million (CAD 700.0 million) allocated specifically to nature-related programmes.¹⁴⁶ Reported private biodiversity finance is much smaller, at USD 0.58 million (CAD 1.0 million) in 2022 and USD 10.5 million (CAD 14.0 million) in 2023 under the D.3 indicator.¹⁴⁷

Despite this substantial resource mobilisation, Canada assesses Target 19 overall as "Progress towards target but at an insufficient rate", without explaining the reasons for this assessment.¹⁴⁸

4.2 Overview of regulatory bodies for the financial sector

4.2.1 Office of the Superintendent of Financial Institutions (OSFI)

The Office of the Superintendent of Financial Institutions (OSFI) is an independent agency within the Government of Canada. It is tasked with supervising "*federally regulated financial institutions and pension plans in Canada to contribute to public confidence in the financial system*".¹⁴⁹ OSFI works on three key dimensions to regulate Canada's financial industry:

- Monitoring the financial system for potential risks;

- Providing guidance to financial institutions and pension plans on how to minimise risks;
- Supervising financial institutions and pension plans to make sure they're following our guidance.¹⁵⁰

OSFI supervises and regulates federally registered financial institutions in Canada, including banks, foreign bank branches, trust and loan companies, life insurance companies, fraternal benefit societies, and property and casualty insurance companies. Canada's banking system includes 6 systemically important banks and many small and medium-sized banks.

4.2.2 Bank of Canada

The Bank of Canada (BoC) is the country's central bank. Its core responsibilities are monetary policy, financial stability, currency, funds management and regulatory oversight. It sets and implements policy to maintain price stability, mainly by influencing inflation through the policy interest rate and other monetary tools. It monitors financial system risks, provides liquidity to financial markets, and helps safeguard key financial infrastructures. It designs, issues and distributes secure, reliable and high-quality Canadian banknotes. It also manages the Government of Canada's bank accounts, conducts auctions of government securities and provides financial services to the government. In addition, it oversees payment systems and financial market infrastructures, including work related to stablecoins and consumer-driven banking.¹⁵¹

The BoC's role in sustainable finance regulation is indirect and system-focused rather than rule-setting for banks or capital markets. It does not act as Canada's main prudential or securities regulator. Instead, it assesses how climate change may affect monetary policy, financial stability, market functioning, payment systems, and its own balance sheet. Its climate-related work focuses on identifying, measuring and disclosing climate-related financial risks, including risks connected to its physical operations, financial assets and pension plan.¹⁵²

4.2.3 Canadian Securities Administrators (CSA)

The Canadian Securities Administrators (CSA) is an umbrella organisation of Canada's provincial and territorial securities regulators. It coordinates securities regulation across Canada, including rules and guidance on issuer disclosure, investment funds, market conduct, investor protection and ESG-related disclosure.¹⁵³ The CSA does not replace provincial regulators; it helps harmonise their approaches nationally.¹⁵⁴

CSA's role is focused on capital markets disclosure, investor protection and anti-greenwashing. It does not decide what is "sustainable" as an economic policy matter, but it regulates how issuers, investment funds and market participants describe ESG or sustainability-related products and risks (see section 4.5.1).¹⁵⁵

4.2.4 The Canadian Sustainability Standards Board (CSSB)

The Canadian Sustainability Standards Board (CSSB), an independent standard-setting board within Canada's nongovernmental financial reporting and assurance standard-setting system, known as Financial Reporting & Assurance Standards Canada (FRAS Canada), develops sustainability disclosure standards for Canadian entities. FRAS Canada is supported by CPA Canada but operates through independent boards and public interest oversight; it is not a government organisation or regulatory authority. Its role is to set and maintain Canadian Sustainability Disclosure Standards (CSDS) and contribute to internationally recognised sustainability reporting standards. The CSSB uses the ISSB global baseline as its starting point, while making Canadian modifications where needed to serve the public interest. Its standards are intended to improve the consistency, comparability and usefulness of sustainability-related financial information in Canada. The CSSB is a standard-setter, not an enforcement regulator; mandatory application depends on adoption by securities regulators, legislators or other authorities.¹⁵⁶

4.3 Central bank policies

4.3.1 Monetary policy

The BoC does not systematically integrate ESG considerations into its monetary policy implementation tools. It does not take ESG factors into account in corporate asset purchase programmes, nor does it incorporate such considerations into its collateral framework. Similarly, the Bank does not appear to apply ESG criteria in managing its foreign exchange reserve portfolio. It also does not offer subsidised lending facilities or preferential, targeted refinancing lines based on ESG objectives, nor does it adjust reserve requirements for banks on the basis of ESG considerations.¹⁵⁷

The BoC is a member of the NGFS (see section 2.1). The BoC's 2024 Annual Report, published in 2025, confirms continued participation in the NGFS. It states that central banks collaborated on climate-related risks through the NGFS and that the BoC played an important role in creating an NGFS handbook on incorporating climate considerations into macroeconomic models.¹⁵⁸

However, the BoC has not defined science-based climate or environmental nominal anchors beyond its conventional mandate. It has also not established a science-based transition plan for designing a net-zero and nature-positive financial centre. This reflects the limited translation of Target 14 into financial regulation: the 2030 Nature Strategy does not commit to incorporating biodiversity into central banking or monetary policy, and the 7th National Report reports no such measures

4.3.2 Bank of Canada's own sustainability commitments and processes

The BoC has made operational climate commitments, including reducing building-related emissions, moving toward net-zero operational emissions, and integrating climate change into planning and decision-making.¹⁵⁹ Its climate work is framed as supporting its mandate to promote the economic and financial welfare of Canadians, while recognising that primary responsibility for climate policy rests with the Government of Canada.¹⁶⁰

The BoC has also published climate-related disclosures, including annual climate-related risk reports. Its 2025 disclosure states that the report covers physical operations, the Bank's balance sheet, and the BoC Pension Plan, and that it is prepared in accordance with federal expectations to adopt TCFD standards.¹⁶¹ The Bank has allocated internal attention and resources to climate-related risk management, including regular risk assessments for its physical operations and reporting on balance-sheet and Pension Plan exposures.¹⁶²

The BoC does not regularly publicly report on its exposure to and management of climate-related risks and opportunities in line with international disclosure framework recommendations. It does not assess and disclose the exposure of its portfolios to ESG risks. It also does not publicly disclose the share of its portfolio aligned with existing classification systems for sustainable or unsustainable activities. Finally, the BoC does not have a phase-out plan for assets linked to the most environmentally harmful activities in its corporate asset purchase program and asset management practice.¹⁶³

4.4 Banking regulations

4.4.1 Guideline B-15 Climate Risk Management

OSFI's Guideline B-15: Climate Risk Management applies to federally-regulated financial institutions (FRFIs), including banks, insurers, and trust and loan companies (but not foreign bank branches). The guideline mainly treats climate change as a prudential risk. It covers physical risks from acute and chronic climate events, transition risks from the shift to a low-carbon economy, and related liability risks.¹⁶⁴

FRFIs are expected to assess how climate-related risks may affect their business model, strategy, capital planning, operations, exposures and balance sheet. Senior management has overall accountability for climate risk management, and institutions are expected to integrate climate considerations into governance, risk appetite, enterprise risk management, internal controls, data, tools, reporting and decision-making.¹⁶⁵

The Guideline also expects institutions to use climate scenario analysis to assess the effect of physical and transition risks across short-, medium- and long-term horizons. FRFIs will also be required to complete standardised climate scenario exercises and report results to OSFI on a regular basis. Capital and liquidity planning should reflect climate-related risks. Institutions are also expected to assess the effect of climate-related stress events on liquidity buffers.¹⁶⁶

OSFI also sets expectations for annual public climate-related financial disclosures. These disclosures should be relevant, specific, comprehensive, balanced, reliable, verifiable, proportionate to the institution's size and complexity, and consistent over time. They must be made publicly available (for example, on the institution's website), no later than 180 days after the end of a fiscal year.¹⁶⁷

B-15 is a supervisory guidance, however, it is not optional. OSFI uses guidelines to communicate prudential expectations for FRFIs it supervises. B-15 repeatedly states that FRFIs are expected to implement the requirements, and in some areas, such as standardised climate scenario exercises, it says FRFIs will be required to report results to OSFI periodically. In practice, B-15 should be treated as a mandatory supervisory expectation for in-scope FRFIs, applied on a risk-based and proportionate basis.¹⁶⁸

Thus, B-15 illustrates a broader regulatory development that is not reflected in Canada's GBF implementation: it establishes a prudential framework for climate risk, but does not extend it to biodiversity.

4.5 Capital market regulations

4.5.1 Sustainability labels, claims, and anti-greenwashing regulations for investments

The CSA Staff Notice 81-334 – ESG-Related Investment Fund Disclosure was first published in January 2022, and revised in March 2024. It applies to investment funds and provides guidance on how existing securities law requirements govern ESG-related fund disclosure and sales communications. It addresses whether a fund may market itself as ESG-focused or as considering ESG factors, and aims to improve clarity and consistency in ESG-related fund disclosure and sales communications.

CSA Staff Notice 81-334 sets out the following classification of funds:

- **ESG Objective Funds:** funds whose investment objectives expressly refer to ESG factors.
- **ESG Strategy Funds:** funds whose investment objectives do not refer to ESG factors, but which use ESG strategies where ESG factors play a significant role in the investment process.
- **ESG Limited Consideration Funds:** funds whose investment objectives do not refer to ESG factors, but which use ESG strategies where ESG factors play only a limited role in the investment process. Together, ESG Objective Funds, ESG Strategy Funds and ESG Limited Consideration Funds are referred to as ESG-Related Funds.
- **Non-ESG Funds:** funds that do not take ESG factors into account in their investment process.¹⁶⁹

4.5.2 Canada's Sustainable Investment Guidelines (Canadian Taxonomy)

The development of Canada's sustainable investment guidelines (sometimes referred to as the Canadian Taxonomy) began with the establishment of the Sustainable Finance Action Council

(SFAC) in May 2021. In September 2022 the SFAC published the Taxonomy Roadmap Report, which established the framework's foundational architecture. Following a reconfirmation of government support in October 2024, the Canadian Climate Institute and Business Future Pathways were selected in December 2025 to lead the initiative's implementation. Immediate next steps involve establishing an independent Taxonomy Council and technical working groups to finalise the guidelines. The strategy targets a phased rollout: investment criteria for the first three priority sectors are expected by late 2026, with the remaining three sectors scheduled for completion by fall 2027.

The proposed Sustainable Investment Guidelines would identify both green and transition activities and investments.¹⁷⁰ Banks, investors and issuers could use them when classifying loans and bonds or assessing products marketed as sustainable.¹⁷¹ The Guidelines are voluntary and will not, by themselves, impose requirements on financial institutions.¹⁷² Their practical impact on financial regulation will depend on whether Canadian authorities use them in disclosure rules, financial product standards or prudential frameworks.¹⁷³

- **Classification of activities**

The proposed classification of eligible activities covers both green and transition activities. Green activities include low- or zero-emitting activities, such as green hydrogen, solar and wind energy generation, or activities that enable them, such as electricity transmission lines and hydrogen pipelines. Transition activities are defined as decarbonising emission-intensive activities that are critical to sectoral transformation and aligned with a net-zero, 1.5°C transition pathway, such as installing lower-emitting electric furnaces for steel production. The following classification has been proposed:

- **Green activities:**

- Do not have material scope 1 and 2 emissions;
- Have low or zero downstream scope 3 emissions; and,
- Sell into or benefit from markets that are expected to grow in the global net-zero transition.

- **Transition activities:**

- Have material scope 1 and 2 emissions but make significant emission reductions;
- Have low or zero scope 3 emissions; and,
- Do not create carbon lock-in and path dependency.

As well as activities that:

- Have material scope 3 emissions but significantly reduce their scope 1 and 2 emissions;
- Do not face immediate demand-side risk (i.e., market contraction); and,
- Have lifespans proportionate to when global demand for their products is expected to decline.¹⁷⁴

- **Biodiversity considerations**

In the Taxonomy Roadmap Report, biodiversity is addressed in a very limited way through the DNSH criteria. To be taxonomy-eligible, a project must demonstrate that it does not cause significant collateral damage to the protection and restoration of biodiversity and ecosystems. This ensures that climate mitigation efforts do not negatively impact local habitats or water resources. Therefore, biodiversity conservation is not a standalone goal or environmental objective, and hence, the taxonomy does not cover related activities, such as sustainable

tourism or sustainable use of non-timber forest products. The only currently eligible activity with potentially high positive impact on biodiversity is afforestation.

The taxonomy could potentially support Target 14's objective of aligning financial flows with biodiversity goals, but it is not identified as an implementation measure under Canada's GBF commitments and remains voluntary and primarily climate-focused.

- **Indigenous Peoples' rights**

The Canadian taxonomy integrates Indigenous Peoples' rights through both its governance structure and technical eligibility criteria. Indigenous representatives sit on the Taxonomy Council, the high-level body responsible for strategic oversight and approving investment guidelines. The initiative specifically mandates that its governance and outcomes comply with the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP).

Technically, the framework protects Indigenous rights. For an investment to be taxonomy-eligible, the project must demonstrate that it does not infringe on the rights of Indigenous communities or nations and adheres to UNDRIP. This ensures that climate mitigation efforts (such as pipelines or renewable energy projects) do not proceed without appropriate consultation or respect for Indigenous sovereignty.

Furthermore, a secondary strategic objective of the taxonomy is to support a just transition for Indigenous Peoples. This includes promoting Indigenous equity participation in green and transition projects, ensuring the move to a net-zero economy fosters reconciliation and economic resilience for Indigenous partners.

4.6 Regulations on corporate disclosure

Canada currently has voluntary sustainability disclosure standards, but no mandatory climate disclosure rule for issuers under the Canadian Securities Administrators framework. The CSA had been developing proposed National Instrument 51-107 to introduce mandatory climate reporting, but paused this work in April 2025 "to support Canadian markets and issuers as they adapt to the recent developments in the U.S. and globally".¹⁷⁵ At the same time, it paused proposed amendments to the existing corporate governance disclosure requirements concerning diversity. The proposed climate-disclosure rule reflected the commitment in Canada's 2030 Nature Strategy to work towards mandatory climate-related financial disclosure, but did not address Target 15(a)'s biodiversity-related disclosure objective.

4.6.1 Canadian Sustainability Disclosure Standard (CSDS 1&2)

In 2024, CSSB used the international reporting standards IFRS S1 and IFRS S2, issued by the International Sustainability Standards Board (ISSB) in 2023, as the baseline for Canada's first sustainability disclosure standards: CSDS 1 (general sustainability disclosures) and CSDS 2 (climate). Canada did not rewrite the substance of the ISSB standards. The starting point was alignment with the ISSB global baseline, with Canadian modifications mainly dealing with effective dates and transition relief.¹⁷⁶

IFRS S1, the base for Canada's CSDS 1, sets the general framework for disclosing sustainability-related financial information. It requires entities to report material sustainability-related risks and opportunities that could reasonably affect their cash flows, access to finance or cost of capital, using a structure based on governance, strategy, risk management, and metrics and targets.¹⁷⁷

Accordingly, IFRS 2, focuses specifically on climate-related disclosures. It requires entities to disclose material climate-related risks and opportunities, including physical and transition risks, climate strategy and resilience, greenhouse gas emissions, climate-related targets, and the metrics used to assess and manage climate-related financial effects.¹⁷⁸

Both standards focus only on reporting financial materiality, not double materiality. They do not require disclosure of all significant impacts the entity has on people, society or the environment unless those impacts create financially material risks or opportunities for the entity.¹⁷⁹ Therefore, Canadian standards also only focus on financial materiality, but not on the companies' material impact on people and the environment.

The final CSDS 1 and CSDS 2 did not materially alter the substance or architecture of IFRS S1 and IFRS S2; the Canadian changes mainly provide additional implementation time. The standards are effective for annual reporting periods beginning on or after 1 January 2025. For a calendar-year entity applying them from that date, broader non-climate sustainability disclosures begin for periods starting 1 January 2027, while Scope 3 Greenhouse Gas (GHG) emissions and quantitative climate scenario analysis disclosures begin for periods starting 1 January 2028. The final standards also allow temporary delays in publishing sustainability disclosures: up to nine months after year-end in year one and six months after year-end in years two and three.¹⁸⁰

Unlike several of the regulatory developments discussed above, Canada expressly reports CSDS 1 and CSDS 2 in its 7th National Report to the CBD as progress under Target 15. However, they do not establish the biodiversity-specific disclosure framework contemplated under Target 15(a).

4.6.2 National Instrument 58-101 Disclosure of Corporate Governance Practices

National Instrument 58-101 — Disclosure of Corporate Governance Practices is a Canadian securities-law rule that requires reporting issuers to publicly disclose information about their corporate governance practices. In practical terms, it tells public companies what they must disclose about:

- the composition and independence of the board of directors;
- board mandates and responsibilities;
- position descriptions for the board chair, committee chairs, CEO, etc.;
- orientation and continuing education for directors;
- ethical business conduct and any written code of conduct;
- nomination of directors;
- compensation governance;
- board committees;
- board assessments.¹⁸¹

In April 2023, the CSA proposed amendments to 58-101. The proposal would have expanded corporate governance diversity. The proposed changes would have required or encouraged more disclosure about broader diversity characteristics, potentially including categories such as Indigenous Peoples, racialised persons, persons with disabilities, LGBTQ2SI+ persons, and other underrepresented groups. The aim was to give investors more information about board nominations, board renewal, and diversity practices.¹⁸² However, in April 2025, the CSA announced that it was pausing work on both the new mandatory climate-related disclosure rule and amendments to the diversity-related disclosure requirements.¹⁸³

4.7 Other relevant regulations

4.7.1 Metal and Diamond Mining Effluent Regulations (MDMER)

The Metal and Diamond Mining Effluent Regulations (MDMER), adopted under the federal Fisheries Act, are one of Canada's major nationwide environmental regulations applying directly to mining operations. They apply to metal and diamond mines that discharge more than 50 m³ of effluent per day and deposit specified harmful substances into waters covered by the Fisheries Act; placer mining is excluded.¹⁸⁴ The Regulations set limits for pollutants including arsenic, copper, cyanide, lead, nickel and zinc, require effluent testing and reporting, and oblige mine operators to conduct

environmental effects monitoring to assess impacts on fish, fish habitat and fisheries resources.¹⁸⁵

The obligations fall on mine owners and operators, rather than on banks or investors financing the mines. Where a mine proposes to use a natural water body frequented by fish for mine waste disposal, the operator must prepare a fish habitat compensation plan addressing the expected habitat loss and measures to offset it. The operator must also provide an irrevocable letter of credit from a recognised Canadian financial institution, or another equivalent financial guarantee, sufficient to cover the costs of implementing the compensation plan.¹⁸⁶ This financial guarantee requirement involves financial institutions, but the MDMER do not impose biodiversity-related lending, investment or due diligence requirements on banks or investors themselves.

4.8 Possible improvements of relevant regulations in Canada

4.8.1 Assessment of current Canadian regulations

This chapter has described and summarised the financial regulations in Canada that could be relevant to aligning bank and investor financing flows with the targets of the GBF. Table 5 presents the results of the assessment against the three author-developed criteria informed by selected GBF targets, using the methodology described in Appendix 1.

Table 5 Assessment of current Canadian financial regulations against GBF targets

Assessment criteria	Colour score	Justification
1 Financial regulations do not allow financing of, or investment in, activities or companies responsible for deforestation or the conversion of natural ecosystems.	Dark red	There is currently no Canadian banking or securities rule that generally bans banks or investors from financing companies involved in deforestation, land conversion, wetland conversion, habitat loss or natural-landscape conversion. OSFI's B-15 is about climate-related financial risk, not a nature-conversion exclusion rule.
2 Financial regulations expect financial institutions to support a just transition in the Agriculture, Aquaculture, Fisheries and Forestry sectors, in ways that uphold the rights of workers, peasants, fisherfolk, Indigenous Peoples, traditional and local communities.	Light red	Canadian banks may face human-rights, labour, Indigenous Peoples' rights, environmental-permitting and project-assessment issues in specific transactions, but financial regulators do not impose a broad duty on banks to "stimulate a just transition" in those sectors. OSFI's climate framework is prudential and risk-based, not focusing on just transition and biodiversity considerations.
3 Financial regulations require transparent disclosure of all financing and investment portfolios and of the biodiversity and social impacts associated with these flows.	Light red	Canada has partial disclosure obligations: OSFI requires climate-related financial disclosures from federally regulated financial institutions; CSDS 1 and CSDS 2 provide voluntary sustainability and climate disclosure standards, unless adopted by regulators or legislators; securities regulators address misleading ESG disclosure through capital markets rules and guidance; and the Competition Act addresses greenwashing. The proposed Canadian sustainable investment guidelines, or taxonomy, are also voluntary and do not propose mandatory taxonomy reporting. None of these regimes requires full disclosure of all financing and investment flows or full disclosure of the

Assessment criteria	Colour score	Justification
		biodiversity and social impacts associated with those flows.

Canadian banking and investment regulations remain limited in their treatment of sustainability. The key focus is still climate change, and even there, guidelines and requirements are largely based on financial materiality. Requirements are framed around assessing how climate change may affect investments, loan collateral, institutional resilience, and transition risk exposure, rather than around the environmental or social impacts of financial institutions' lending and investment activities.

Biodiversity issues, deforestation and land conversion, freshwater, and marine ecosystems are only marginally covered, mainly through the DNSH criteria in the proposed Canadian taxonomy.

Reporting also remains largely voluntary. The Canadian Sustainability Disclosure Standards are based on IFRS S1 and IFRS S2, for general sustainability-related disclosures and climate-related disclosures, respectively. The Canadian adaptation does not introduce significant changes to the substance of the IFRS standards, but it does provide more relaxed implementation timelines, including two- to three-year transition reliefs for selected reporting expectations.

Therefore, the targets of the Global Biodiversity Framework are only weakly reflected in current Canadian banking and investment regulations, and several areas are not addressed through binding financial regulatory requirements.

4.8.2 Progress towards meeting the GBF targets

Overall, Canada demonstrates some progress in implementing its national targets, but progress is uneven. For the relevant targets (NT14, NT15, NT18, and NT19), the 7th National Report generally assesses progress as "towards the target but at an insufficient rate." Biodiversity is increasingly integrated into federal decision-making, but Canada has no standalone GBF-related objective on integrating biodiversity into financial-sector regulation. The 7th National Report does not specifically address biodiversity in monetary policy, prudential regulation, bank lending or investment regulation.

Canada has made more progress on transparency and reporting, including engagement with the TNFD, ISSB and GRI and development of CSDS 1 and 2 based on IFRS S1 and S2. However, these remain voluntary and do not impose biodiversity-specific portfolio-alignment obligations. The 7th National Report says that just one major Canadian financial institution to adopt the TNFD recommendations.

Canada also reports about substantial amounts of biodiversity finance, but this remains predominantly public, while reported private finance is modest. On subsidies, the emphasis has been on positive incentives and preparatory work on harmful incentives; the headline indicator on the value of harmful subsidies reports "No data available."

The key gap, however, is not just insufficient progress, but the limited integration of financial-sector regulation into Canada's GBF implementation framework, at both the planning and reporting stages. This does not mean that Canada is not incorporating biodiversity into banking and investment regulation or monetary policy at all (though currently biodiversity is treated as peripheral). However, the existing developments are not directly connected to Canada's GBF commitments or systematically captured in the 7th National Report.

4.8.3 Recommendations for Canadian legislators and financial sector regulators

Below are the most pressing recommendations for improving financial regulations in Canada, to help align the financing flows managed by banks and investment products with the targets of the GBF:

- **Integrate biodiversity impacts into monetary policy**

The BoC should move from assessing and disclosing climate-related financial risk to systematically integrating it into the design of its operational tools, while remaining within its price- and financial-stability mandate. Biodiversity considerations must be integrated along with the climate requirements.

On the collateral framework, the Bank should incorporate climate- and biodiversity-related financial risk into the way it accepts and values the assets that financial institutions pledge when they borrow from it. In particular, when an asset is more exposed to these risks (for instance, bonds issued by carbon-intensive companies vulnerable to the low-carbon transition, or assets physically exposed to hazards such as flooding, wildfire, crop failure or collapse of ecosystem services), the Bank should require a larger valuation buffer (the discount it applies to pledged collateral, known as a "haircut") and reflect that risk in its assessment of counterparties. Framed as protection of the Bank's balance sheet against the impaired creditworthiness of climate-exposed assets, this is broadly consistent with the Bank's risk-management responsibilities.

The Bank of Canada should also assess introducing targeted refinancing or liquidity facilities that provide banks with preferential terms for lending to activities that meet clear sustainability criteria. Eligibility should be linked to the Canadian Sustainable Investment Guidelines once they are finalised and expanded to cover biodiversity. Activities linked to deforestation, ecosystem conversion or serious human rights impacts should not qualify. Any such facility should be designed and applied within the Bank's price and financial stability mandate.

As for asset purchases, although the Bank does not currently operate an active corporate programme, it should already commit to a climate and nature risk framework that would apply if large-scale corporate purchases are reactivated in the future.

- **Strengthen banking regulations**

OSFI should strengthen Guideline B-15 by extending it beyond climate risk to nature-related financial risks, including biodiversity loss, deforestation, ecosystem degradation, water stress and risks linked to Indigenous Peoples' rights. Banks should be required to identify, assess and manage these risks across their lending and investment portfolios, not only as reputational issues but as prudential risks affecting credit quality, capital planning, liquidity and business-model resilience.

OSFI should also make B-15 more consequential by linking climate- and nature-risk management to supervisory action. This should include mandatory portfolio-level scenario analysis, exposure limits or capital add-ons for high-risk sectors where needed, stronger disclosure of financed emissions and nature-related exposures, and clear consequences for institutions that fail to integrate these risks into ICAAP, governance, risk appetite and lending decisions.

- **Strengthen capital market regulations**

CSA Staff Notice 81-334, which is currently guidance only and creates no binding legal requirements, should be converted into binding anti-greenwashing rules for ESG-related investment funds, incorporated into a National Instrument (such as amendments to NI 81-102 and NI 81-101) rather than left as a staff notice. Funds should not be allowed to use ESG,

sustainability, green, climate, nature, biodiversity or transition-related names or claims unless these are backed by clear objectives, binding investment criteria and measurable outcomes.

The CSA should introduce minimum requirements for ESG Objective Funds and ESG Strategy Funds, including mandatory disclosure of full portfolio holdings, the methodology used to assess ESG impacts, and the extent to which the fund is exposed to high-risk sectors such as fossil fuels, deforestation-risk commodities, mining, industrial agriculture, fisheries, aquaculture and large-scale infrastructure. Funds marketed as sustainable should also be subject to robust exclusions for activities linked to deforestation, ecosystem conversion, serious biodiversity harm, violations of Indigenous Peoples' rights, and other human rights impacts.

ESG Limited Consideration Funds should not be allowed to use sustainability-related names or claims implying positive environmental or social impact. This would extend the existing framework, in which these categories serve to determine disclosure expectations rather than as investor-facing labels, by attaching binding naming and marketing consequences to them – a step the current greenwashing concerns already justify. The CSA should also require regular reporting on stewardship, escalation, and real-world outcomes, so investors and civil society can assess whether ESG claims translate into changes in portfolio companies' behaviour.

- **Improve and enhance the Taxonomy**

Canada's taxonomy is currently under development, with investment guidelines for the first three priority sectors expected by the end of 2026 and three further priority sectors scheduled for completion by fall 2027. This makes the present moment particularly important for ensuring that the taxonomy is robust from the outset. As currently conceived, the taxonomy is a climate-focused tool, organised around "green" and "transition" investment labels. From an environmental perspective, its scope should be broadened to address nature as well as climate: biodiversity should be treated as a distinct objective, with specific activities attributed to it and clear TSC attached, including relevant thresholds, timelines and permanence requirements. The taxonomy's design already includes a "DNSH" principle with an environmental dimension, but so far this is only a high-level commitment. As the council develops the actual screening criteria, the biodiversity dimension of "DNSH" should be made specific, measurable and enforceable, including concrete criteria covering deforestation, habitat and ecosystem conversion, and protected and biodiversity-sensitive areas, rather than left as a general reference to "environmental outcomes."

It is also important that the taxonomy moves beyond its current voluntary status. The taxonomy is presently intended as a voluntary market tool, but if Canada is to meet its biodiversity commitments (including the Kunming-Montreal Global Biodiversity Framework adopted under the CBD, and in particular Target 14 on aligning all financial flows with biodiversity goals and Target 15 on the assessment and disclosure of biodiversity risks and impacts by financial institutions) taxonomy alignment should become a mandatory element of financial sector regulation. We recommend a graduated approach: first, mandatory reporting by banks and investors on the taxonomy eligibility and alignment of their portfolios; and, building on that, binding commitments requiring a specific and rising share of lending and investment portfolios to be taxonomy-aligned.

- **Improve transparency and reporting**

First, both Canadian standards (CSDS 1 and CSDS 2) are based on financial materiality only. They require transparency on how climate and other sustainability-related issues may affect the financial performance of companies and financial institutions (indeed, the standards are titled in terms of "sustainability-related financial information") but not on how those companies'

activities, lending or investment decisions affect nature and society. This should be corrected, and Canadian sustainability reporting standards should be based on double materiality.

Second, because CSDS 1 and CSDS 2 are based on the ISSB standards, they inherit the same climate-first architecture: a dedicated standard for climate (CSDS 2), while all other environmental and social issues are grouped together in the general standard (CSDS 1) and phased in only after climate. Although the general standard can, in principle, cover other environmental issues, it provides no nature-specific metrics or methodology. Canada should therefore develop a dedicated nature-related reporting standard. It should require companies and financial institutions to report on their impacts on deforestation, habitats, species, pollution, marine and terrestrial ecosystems, genetic diversity, landscape-level biodiversity and other nature-related issues.

In April 2025, the CSA paused its work on a mandatory climate-disclosure rule, and has not set a mandatory timeline. These standards should be mandatory rather than voluntary, with reporting beginning as soon as possible and without further widening of the already-generous transition reliefs (which currently defer broader-than-climate and Scope 3 disclosures), so investors, regulators, affected communities, and civil society can access timely, comparable information.

- **Hold financial institutions accountable**

OSFI, provincial prudential and conduct regulators (such as FSRA, the AMF and BCFSa), and provincial and territorial securities regulators should act when banks, insurers, credit unions, investment funds, and other regulated financial institutions fail to meet existing binding requirements and supervisory expectations, or any new regulations. Enforcement should follow a clear escalation ladder. Supervisory intervention and remedial directions should be the first response, including prudential agreements and compliance directions in the federal sector. Where breaches are prudential in nature, regulators should apply institution-specific capital add-ons and tighten exposure or concentration limits.

5

The Central African Economic and Monetary Community (CEMAC)

The CEMAC was established in 1994 to promote harmonised development, cooperation, and exchange among its member states. Its members are Cameroon, the Central African Republic, Chad, Equatorial Guinea, Gabon, and the Republic of the Congo. CEMAC regulations are binding and directly applicable in every member state, whereas directives bind member states to the result to be achieved, leaving national authorities to choose the form and means. Climate, environmental, and social risks are currently not accounted for in the CEMAC prudential framework. The financial authorities, organised under the Central African Banking Commission (COBAC), are well positioned to integrate biodiversity and broader ESG requirements into regional banking standards, which could strengthen financial system stability while supporting efforts to combat biodiversity loss and rights violations. All six CEMAC countries are parties to the Kunming–Montreal Global Biodiversity Framework, and they published their NBSAPs separately. They all reported progress in their 7th National Reports, except the Central African Republic. Since this chapter focuses on CEMAC's biodiversity-related financial regulations as a whole, countries' NBSAPs and 7th National Reports are not discussed. The chapter is organised as follows: the first part identifies key regulatory bodies. The subsequent section focuses on central bank policies, followed by banking and capital markets regulations in CEMAC. Finally, the last section provides the regulatory assessments and recommendations for CEMAC legislators and financial regulators.

5.1 Overview of regulatory bodies for the financial sector

CEMAC comprises two principal unions: the Central African Economic Union (Union Économique de l'Afrique Centrale, UEAC) and the Central African Monetary Union (Union Monétaire de L'Afrique Centrale, UMAC). The common economic market aims to ensure the free movement of people, goods, capital and services; stable management of the common currency; a safe environment for economic activities and business in general; and harmonised national sectoral policy regulations. Under the UMAC, member countries share a common currency (CFA Franc), a regional institution for the supervision and regulation of the banking and financial sector (Central African Banking Commission/Commission Bancaire de l'Afrique Centrale, COBAC), and a central bank (Bank of Central African States/Banque des États de l'Afrique Centrale, BEAC). The Central African Financial Market Supervisory Commission (Commission de Surveillance du Marché Financier de l'Afrique Centrale, COSUMAF) oversees the Community's financial market.

5.1.1 Central African Banking Commission (COBAC)

Established by the Convention of 16 October 1990 in Yaoundé, the Central African Banking Commission (COBAC) serves as the regulatory authority overseeing all credit institutions and microfinance establishments within the CEMAC. COBAC became operational in 1993 as part of a

wider effort to address problems in banking oversight. It has substantial powers in banking regulation and supervision across member states, with core functions including:

- **Administrative authority:** issuing binding opinions in approval procedures formally handled by national monetary authorities. It may place a credit institution¹⁸⁷ under provisional administration and appoint liquidators when licences are withdrawn.
- **Regulatory authority:** setting accounting rules and prudential norms, including, inter alia, capital adequacy, liquidity ratios, and risk diversification. Its prudential framework draws largely on Basel principles, adapted to member states' economies.
- **Supervisory authority:** through its General Secretariat, conducting on-site and off-site inspections to ensure compliance with banking rules and the strict application of its prudential standards. It reports findings to national monetary authorities.
- **Sanctioning authority:** functioning as a quasi-judicial body, as it may impose disciplinary sanctions alongside national judicial proceedings, including warnings, operational restrictions, suspension or removal of auditors and managers, and license withdrawals.¹⁸⁸

Consequently, COBAC is the regional banking regulator and supervisor, while national finance ministries and authorities retain specific functions not transferred to COBAC, notably the formal granting of banking licences. National authorities' decisions must be compatible with regional law and member-state governments cannot overrule COBAC's binding opinions, prudential rules, supervisory measures or sanctions in matters assigned to it, as community acts prevail over conflicting national law. A contested COBAC decision may only be suspended or annulled by the CEMAC Court of Justice, not unilaterally by national authorities or courts.¹⁸⁹

5.1.2 UMAC Ministerial Committee

As the ministerial organ within the CEMAC institutional framework, the UMAC Ministerial Committee adopts the regulations and directives necessary to implement the Community's objectives in the banking, monetary, and financial fields. UMAC's objectives include, inter alia, adopting harmonised banking regulations, strengthening common banking and financial rules, and ensuring the control of their application, with harmonisation and control of banking activity assigned to COBAC. Moreover, it decides on increases or reductions of BEAC's capital; gives assent to proposed amendments to BEAC's statutes; ratifies BEAC's annual accounts approved by the Board; and decides on the allocation of results.¹⁹⁰

5.1.3 Bank of Central African States (BEAC)

The Bank of Central African States (BEAC) is the common monetary authority for CEMAC, managing the Community's monetary policy and issuing currency for the six member countries. Its key objectives include defining and supervising CEMAC's monetary policy and promoting financial stability. The Bank provides substantial institutional and operational support for banking supervision across the Community.¹⁹¹

5.1.4 Central African Financial Market Supervisory Commission (COSUMAF)

The Central African Financial Market Supervisory Commission (COSUMAF) is the regional authority for the supervision, regulation and control of the Central African capital market, within the CEMAC/UMAC framework. Its core mandate includes, inter alia, the protection of savings invested in financial instruments and other investment products, the clear and transparent communication of investor information, and safeguarding the proper functioning of the market.¹⁹²

COSUMAF can issue regulatory instruments, including instructions, circulars, opinions, recommendations and notices, to implement the regional financial market rules.¹⁹³

5.2 Central bank policies

Climate and environmental risks are increasingly recognised in research and strategic initiatives of the Bank of Central African States (BEAC).¹⁹⁴ In 2024, it hosted the international forum on 'Pathways to Sustainable Finance' organised by the Sustainable Banking and Finance Network (SBFN),¹⁹⁵ which it regarded as a first milestone in developing a sub-regional sustainable finance strategy.¹⁹⁶ Also in 2024, BEAC initiated the development of a Roadmap Towards Sustainable Finance for the CEMAC region that refers to biodiversity loss and climate risk.¹⁹⁷

In 2025, BEAC announced plans to convert the B window of the money market into a green window (Guichet Vert) to address rising climate risks across the six CEMAC nations.¹⁹⁸ The initiative aims to channel central-bank liquidity into low-carbon and climate-resilient projects by assigning different haircuts to eligible collateral. This strategy encourages lending to sectors that are more sustainable and less susceptible to climate-related risks.

The measure was introduced as a work-in-progress project, and publicly available information does not confirm its implementation through binding operational rules. Additionally, the approach mainly emphasises climate issues and has not yet set comparable standards for biodiversity, deforestation, ecosystem conversion, ecosystem dependencies, human rights, or community impacts.

5.3 Banking regulations

CEMAC banking regulations impose binding prudential, governance, and supervisory requirements applicable to individual banks and other regulated institutions. COBAC's prudential framework combines quantitative and qualitative requirements. It largely follows the principles established by the Basel Committee for Banking Supervision. Quantitative rules cover issues such as capital adequacy, solvency, liquidity and risk concentration. Qualitative rules require risk identification and monitoring, as well as prudential reporting and disclosure.

None of the regulations in the COBAC framework appears to address biodiversity loss or other ESG-related financial risks, nor do they impose requirements for due diligence disclosure or double materiality reporting for financial institutions or companies. IMF technical assistance to CEMAC appears to have focused on tax transparency and extractive industry oversight rather than ESG-risk financial disclosure.¹⁹⁹

5.3.1 Internal Control in Credit Institutions and Financial Holding Companies

COBAC Regulation R-2016/04 on Internal Control in Credit Institutions and Financial Holding Companies requires financial institutions to implement, for each risk, a system for identification, analysis, measurement, monitoring, mitigation, or control, as well as risk management, including, in particular, risk mapping that identifies and assesses all risks arising from internal factors (Article 10).²⁰⁰ Article 2 defines a risk taxonomy that includes, inter alia, concentration, credit, excessive leverage, liquidity, market, and compliance risk.

The Regulation sets out requirements for financial institutions to have internal control, documentation, and reporting systems (Articles 3, 7, 12). Moreover, financial institutions should conduct a stress test on the most significant risks at least once a year, with the results submitted to the Secretary General of COBAC. Scenario analysis forms part of COBAC's prudential framework (Article 61). GBF-relevant issues are not included.

5.3.2 Risk Coverage for Credit Institutions

COBAC Regulation R-2010/01 on Risk Coverage for Credit Institutions requires credit institutions to maintain, at all times, a risk coverage ratio of at least 8% (Article 1).²⁰¹ The financial risks are identified and quantified in the capital and liquidity adequacy assessments (Articles 3, 4, 5). This regulation also makes no reference to biodiversity- or other ESG-related risks.

5.4 Capital market regulations

Capital market regulations in the CEMAC can be considered to have only negligible importance for financing biodiversity-risk activities. However, it is noteworthy that COSUMAF has taken initial steps to integrate ESG and environmental considerations into its capital-market guidance. Its 2025 Guide on Green, Social and Sustainability (GSS) Bonds (Guide relatif à l'émission d'obligations vertes, socialement responsables et durables en Afrique Centrale), co-developed with the IFC and aligned with the ICMA Green Bond Principles (GBP),²⁰² aims to promote the role of the financial market in financing projects that address sustainability needs, and to allocate more funding to projects with a positive environmental and/or social impact.²⁰³ The Guide refers to terrestrial and aquatic biodiversity conservation only in the context of the ICMA categories for eligible projects.²⁰⁴

For its 2026 priority actions, COSUMAF has a dedicated objective to pursue actions in favour of “sustainable, social, and ESG finance”. This involves guidance on sustainable financial instruments and funds, carbon footprint disclosure, ESG awareness-raising, and a tool to assess the quality of ESG reports.²⁰⁵

5.5 Regulations on money laundering and financial crime

5.5.1 Prevention and Suppression of Money Laundering and the Financing of Terrorism

CEMAC Regulation No. 01/03 (2003) on money laundering and COBAC R-2023/01 on due diligence obligations of regulated institutions in the fight against money laundering, terrorist financing and proliferation are indirectly related to biodiversity conservation, as they shape how banks assess environmental risks in their financing decisions.

CEMAC Regulation No. 01/03 (2003) establishes harmonised Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT) obligations for CEMAC countries.²⁰⁶ It addresses customer due diligence, reporting suspicious transactions, record-keeping, and compliance program requirements for all accountable institutions within the CEMAC zone. The mechanism requires financial institutions to identify the true owners of funds suspected of being linked to criminal activity. Although biodiversity protection is not explicitly mentioned, the framework could allow this aspect to be incorporated within the Regulation's interpretation.

5.6 Regulations on corporate disclosures

5.6.1 EITI and endorsing regulations

Several CEMAC countries are members of the Extractive Industries Transparency Initiative (EITI), which requires them to disclose information across the extractive industry value chain – from how extraction rights are awarded, to how revenues flow through government and how they benefit the public.²⁰⁷ The EITI Standard is not legally binding, but member countries should ensure their compliance. For instance, Cameroon issued Decree No. 2024/00165 of 31 January 2024 on the reorganisation and functioning of the EITI Committee; Law No. 2023/014 on the Mining Code, which increasingly incorporates the transparency requirements demanded by the EITI, such as contract publication.²⁰⁸ Non-compliance with the Standard's requirement for civil society engagement led to the country's suspension in February 2024 by the EITI Board: Cameroon must implement some twenty corrective measures imposed under the 2023 EITI Standard before the reinstatement assessment scheduled for April 2027.²⁰⁹

The EITI Standards apply exclusively to extractive companies and governments, and financiers would be involved only in exceptional cases where they have directly participated in the transactions covered by the EITI Standard. Countries adopting the EITI Standard should mandate financial institutions that fund extractive sector projects and companies to disclose their exposures, key contract details, and beneficial ownership information of financed entities. This

ensures transparency across the entire capital chain, from resource extraction to the financial sector.

5.7 Regulations stimulating the financing of sustainable activities

5.7.1 Cameroon Sustainable Finance Framework

Cameroon has adopted a sustainable finance framework aligned with international best practices. Published in March 2025 by the Ministry of Finance and validated by an independent opinion from S&P Global Ratings²¹⁰, this document sets out the rules under which the State can earmark a portion of its future borrowing for green, blue, and social projects such as education and health, as well as sustainable finance instruments, whose proceeds are allocated to both green and social expenditures. The sustainable financing instruments may include bonds (including Sukuks and guaranteed bonds), loans and other types of financing instruments.

Under the category of Protection and Restoration of Biodiversity and Ecosystems, the eligibility criteria focus on financing activities related to procuring, maintaining, and sustainably managing natural resources, including:

- Certified forests (FSC, PEFC or equivalent)
- Environmentally sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes
- Sustainable agricultural practices, climate-smart agriculture and agroforestry.²¹¹

Despite its broad title, the framework sets rules only for sovereign borrowing, not for financial institutions' activities.

5.8 Other relevant regulations

5.8.1 Environmental and Social Policy of the Central African Development Bank

The Central African Development Bank (Banque de Développement des États de l'Afrique Centrale, BDEAC) has developed an Environmental and Social Policy that applies to projects submitted for BDEAC financing. While this policy is not a generally applicable CEMAC regulation, it is relevant because BDEAC directs regional public and blended finance toward infrastructure, agriculture, and other sectors that may have significant biodiversity impacts. It requires environmental and social assessment, the integration of environmental considerations into investment decisions, and the monitoring of financed or co-financed projects. It distinguishes low-, medium-, and high-risk projects, with the latter requiring detailed environmental and social impact assessments.²¹² However, publicly available materials do not demonstrate that BDEAC currently requires no-deforestation and no-conversion commitments, quantified biodiversity baselines or targets, or other alignment with GBF standards.

The bank states that it provides support to commercial banks to improve their CSR practices and knowledge of the forestry sector, as well as to project developers in the forestry and wood sector to promote the development of viable investment projects.²¹³

5.8.2 Draft CEMAC Mining Code

Mining is an increasingly important economic sector in CEMAC member states, whose impacts on biodiversity and the environment more broadly can be substantial. The African Mining Vision (AMV), adopted by the African Union in 2009, and its African Minerals Governance Framework (AMGF), constitute a continental policy reference framework for the mining sector.²¹⁴ Following this, representatives from CEMAC, national ministries, BEAC, COSUMAF, and the Central African Securities Exchange (BVMAC), among others, recently discussed a draft unified Community Mining Code. The aim is to make it a binding legal instrument that would supersede national mining

codes.²¹⁵ For member states, a shared framework is seen as an opportunity to strengthen their negotiating position with international mining corporations, including on environmental and social standards, and to provide greater transparency in the allocation and management of mining rights. However, the timeline for finalising the instrument remains unclear,²¹⁶ and the draft text does not appear to be publicly available online. According to the CEMAC website, it entails, inter alia, the harmonisation of national mining legislation, transparency and accountability in the sector, a framework for artisanal mining, and provisions addressing environmental and socio-economic impacts.²¹⁷

5.9 Possible improvements of relevant CEMAC regulations

5.9.1 Assessment of current CEMAC regulations

This chapter has described and summarised the financial regulations in the CEMAC region that could be relevant to aligning financing flows with the GBF targets. Table 6 presents the results of the assessment against the three author-developed criteria informed by selected GBF targets, using the methodology described in Appendix 1.

Table 6 Assessment of current CEMAC regulations against GBF targets

Assessment criteria	Colour score	Justification
1 Financial regulations do not allow financing of, or investment in, activities or companies responsible for deforestation or the conversion of natural ecosystems.	Dark red	There are currently no regulations prohibiting financing of companies involved in the conversion of natural landscapes.
2 Financial regulations expect financial institutions to support a just transition in the Agriculture, Aquaculture, Fisheries and Forestry sectors, in ways that uphold the rights of workers, peasants, fisherfolk, Indigenous Peoples, traditional and local communities.	Dark red	There are no regulations requiring financial companies to support a just transition in the Agriculture, Aquaculture, Fisheries and Forestry sectors, in ways that uphold the rights of workers, peasants, fisherfolk, Indigenous Peoples, traditional and local communities.
3 Financial regulations require transparent disclosure of all financing and investment portfolios and of the biodiversity and social impacts associated with these flows.	Dark Red	There are no regulations that require financial institutions to disclose financing flows and their impacts on biodiversity and social issues. COSUMAF Guide on GSS Bonds requires issuers to disclose project descriptions and anticipated environmental/social impacts, but this is only applicable to GSS bond issuances, not to all investment flows.

COBAC's current prudential framework does not yet account for climate, environmental, and social risks. This omission limits the framework's ability to anticipate emerging vulnerabilities, protect the system against future shocks, and support the transition to a more sustainable and resilient financial system.

5.9.2 Recommendations for CEMAC legislators and financial sector regulators

The existing CEMAC instruments provide only limited building blocks, particularly COSUMAF's GSS bond rules and BEAC's environmental and social safeguards, and they do not align overall public and private financial flows with the GBF. The following improvements are recommended:

- **Establish and implement a regional sustainable finance taxonomy**

The CEMAC Commission, UMAC, BEAC, COBAC and COSUMAF should develop a common classification framework covering banking, capital markets and public finance. It should identify biodiversity-positive activities and those that cause significant harm; include sector-specific criteria for agriculture, aquaculture, fisheries, forestry, mining, and infrastructure; and incorporate no-conversion, human rights, and just transition safeguards.

- **Establish binding regulatory frameworks and integrate biodiversity considerations**

The UMAC Ministerial Committee and COBAC should move beyond voluntary guidance by incorporating climate- and biodiversity-related financial risks and impacts into binding prudential rules. Regulation COBAC R-2016/04 should be amended or supplemented by issuing a circular letter to include biodiversity loss, ecosystem dependence, deforestation, and associated social risks across risk taxonomies, governance, internal controls, group-wide risk management, and board accountability. The framework should adopt a double materiality approach to enhance transparency and accountability. The introduction of climate stress tests can be carried out through an amendment, supplementary instruction, or supervisory guidance within the existing framework. This instrument should specify minimum data requirements, scenarios, time horizons, governance responsibilities, reporting templates, and supervisory follow-up procedures. Additionally, it should make clear that climate stress testing does not replace the assessment of broader environmental, biodiversity, and social risks.

- **Integrate biodiversity risks into supervision and stress testing**

COBAC should require banks to identify exposures to nature-sensitive sectors, assess physical and transition risks, set risk appetite and concentration limits, and prepare credible transition plans for high-risk portfolios. Biodiversity and climate scenarios should be integrated into supervisory reviews and system-wide stress tests, supported by common data templates, regulator training, and public reporting of aggregate results. Regulators should mandate higher capital buffers for high-risk activities. System-wide stress tests should also incorporate biodiversity considerations.

- **Introduce biodiversity-related disclosure requirements and due diligence**

COBAC and COSUMAF should require portfolio- and group-level disclosure of biodiversity dependencies, impacts, risks and financed activities, including exposure to deforestation and ecosystem conversion. Financial institutions should conduct risk-based due diligence covering environmental legality, land tenure, labour rights, community rights, and comprehensive FPIC where applicable; establish accessible grievance and remediation mechanisms; and restrict new or continued financing where serious impacts or unresolved violations cannot be addressed. As there is currently no CEMAC instrument in force in relation to FPIC requirements for Indigenous Peoples of the Congo Basin (Baka, Bagyeli, Bakola), regulators should include social safeguards to protect Indigenous Peoples and local communities, such as making FPIC mandatory for activities affecting these groups. COSUMAF should extend anti-greenwashing, impact reporting, and external assurance requirements beyond labelled bonds. The assessment of banks' climate, environmental, and social compliance should be made publicly available in COBAC's annual report. A training programme for regulators and bank executives on the supervision and management of climate, environmental, and social risks should be developed and implemented.

- **Incorporate biodiversity into monetary policy and public finance mechanisms**

BEAC should assess how biodiversity-related risks affect monetary and financial stability and progressively integrate relevant criteria into its collateral, refinancing, reserve management and own-portfolio frameworks, within its mandate. BDEAC, public banks, pension and guarantee funds, sovereign issuers, and other public-finance bodies should apply common exclusion and safeguard criteria, disclose their portfolios, and cease supporting activities that cause deforestation, the conversion of critical ecosystems, or rights violations.

- **Ensure coherence across policy tools**

The sustainable finance roadmap should set out clear responsibilities, timelines, indicators and monitoring arrangements for BEAC, COBAC, COSUMAF, BDEAC, the CEMAC Commission and member states. Financial rules should align with best international practices in investment policy to incorporate biodiversity strategies, land-use and forest governance rules. The CEMAC Investment Charter, currently under review,²¹⁸ and state-aid controls should identify and phase out harmful incentives and introduce positive incentives that support restoration and a just transition. Development and implementation should include meaningful participation by civil society, Indigenous Peoples and local communities, notably women and youth.

- **Hold financial institutions accountable**

New biodiversity-related requirements should be accompanied by clearly allocated enforcement responsibilities for COBAC, COSUMAF and the relevant national authorities. COBAC should be able to require corrective action from banks, impose prudential measures, suspend responsible managers and, in serious or repeated cases, revoke the bank's licence to operate. COSUMAF should sanction misleading sustainability claims and breaches of capital market disclosure requirements. The regional framework should also provide accessible procedures through which communities affected by financed activities can raise complaints and seek remedies.

6

China

Chinese banks and investors play a significant role in financing the production and trade of agricultural, forestry, and mineral forest-risk commodities. This chapter starts with the National Biodiversity Strategy and Action Plan actions to implement GBF targets in financial sector regulation and the reported progress in the 7th National Report; and moves to an overview of regulatory bodies for the financial sector involved, followed by a discussion of major regulations and policies, such as the Green Credit Guidelines and the Sustainability Taxonomy and assesses the extent to which biodiversity considerations are integrated into these regulations and policies. The chapter highlights several regulatory gaps in biodiversity safeguards within China's financial regulatory system, particularly regarding foreign activities involving forest-risk commodities.

6.1 National actions to implement GBF targets in financial sector regulation

6.1.1 China's national biodiversity targets

For 2030, China aims to establish policies, regulations, systems, standards, and monitoring mechanisms for biodiversity conservation, while prioritising key areas. The goals are aligned with the global GBF targets; however, China is restructuring its NBSAP and reformulating action areas to suit its national needs.

The overall objective of the NBSAP is to effectively reduce biodiversity loss, substantially improve conservation and management efforts, and foster a positive environment in which everyone participates in protecting biodiversity. To that end, the following priority areas are established:

- Priority area I: Mainstreaming biodiversity
- Priority area II: Addressing threats of biodiversity losses
- Priority area III: Sustainable use of biodiversity and benefit-sharing
- Priority area IV: Modernising biodiversity governance capacity

These five priority areas have 27 action points in total.²¹⁹ Priority action 5 under Priority area I and priority action 26 under Priority area IV are most relevant for this current study.

6.1.2 Actions to meet the biodiversity targets

Under these priority areas in the NBSAP, the following ones are related to the regulations that aim to promote the protection and conservation of biodiversity in China:

- **Priority action 5: Business and biodiversity**

This action aims to develop mechanisms to scientifically assess the biodiversity impacts of corporate activities and to encourage the inclusion of biodiversity information in mandatory environmental disclosures, corporate supervision, management activities, and sustainability reports, such as ESG reports. It relates to global GBF Targets 15, 10 and 19. The action is highly aligned with GBF Target 15 (transparency, disclosure, and biodiversity-related impacts), whereas the alignment is reported by China as low for Target 19 (mobilisation of financial resources).

The priority action encourages financial institutions to include biodiversity considerations in their investment and financing decisions. By 2030, the goal is to establish a long-term framework that helps enterprises conserve and sustainably use biodiversity, promoting a development model that aligns with sustainable practices and harmonises with nature. It also involves regular monitoring, assessment, and transparent reporting of the risks, dependencies, and impacts of key industries on biodiversity.²²⁰

- **Priority action 26: Diversified investment and financing mechanisms**

This action plan relates to the global GBF Targets 18 and 19, and China reports that its alignment is high. The goal is to strengthen the optimal allocation of financial resources while providing targeted support for biodiversity conservation as needed, by mobilising enthusiasm from various financial institutions, leveraging government-guided funds to regulate and drive efforts, guiding social capital to participate in biodiversity conservation and restoration, and actively seeking international financial support.

Additionally, consideration of biodiversity factors will be integrated into the green financial system, for example by including biodiversity protection in the Catalogue of Projects Supported by Green Bonds, thereby encouraging more social funding for biodiversity efforts.

Most importantly, policies that hinder biodiversity should be gradually reformed and eliminated. Moreover, monetary policy tools for carbon emission reduction will be fully articulated, optimising synergistic effects between biodiversity and climate investments. By 2030, a diversified biodiversity financing mechanism will be established, significantly enhancing investment levels, efficiency, and transparency.²²¹

6.1.3 Progress reported in the 7th National Report

China published its 7th National Report in March 2026, which focuses on progress toward the national targets set in the NBSAP to achieve the GBF targets. Below is the reported progress in relation to identified GBF targets:

- **Target 14: Integrate Biodiversity in Decision-Making at Every Level**

China reports that it fully integrates biodiversity and its multiple values into policies, regulations, planning, development processes, and poverty eradication strategies at all levels of government, and that policies, regulations, strategies, or plans are in place to fully align all relevant public and private activities and fiscal and financial flows with the goals and targets of the Framework.

However, for GBF Target 14, no action points were formulated to regulate the financial sector and public policy. Instead, Target 14 was linked to action points on developing the legal framework for biodiversity conservation, establishing standards for assessing the value of biodiversity and ecological products, integrating biodiversity conservation into urban laws, plans, and policies, and improving governance mechanisms for biodiversity conservation, which, in our assessment, might have indirect repercussions for financial regulations.

- **Target 15: Businesses Assess, Disclose and Reduce Biodiversity-Related Risks and Negative Impacts**

China states that it has implemented comprehensive measures for large and transnational companies and financial institutions to monitor, assess, and transparently disclose their risks, dependencies, and impacts on biodiversity across their operations, supply and value chains, and portfolios, and to progressively reduce their negative impacts on biodiversity and increase their positive impacts. Some of the relevant measures are as follows (see section 6.4.3):

- In October 2024, the Chinese Society for Environmental Sciences released the *Corporate Environmental, Social, and Governance (ESG) Information Disclosure Indicator System*

(T/CSES 164-2024), which explicitly lists biodiversity as one of the corporate ESG information disclosure indicators, which is in recommendation status.

- In November 2024, the *Corporate Sustainable Disclosure Standards—Basic Standards (Trial)* were introduced to promote the construction of China's sustainable disclosure standards system and standardise corporate sustainable development information disclosure. The standards are voluntary for the time being, pending the definition of their scope of implementation. The number of Chinese companies proactively disclosing their risks, dependence on, and impact on biodiversity continues to increase. In 2024, 2,481 listed companies disclosed sustainable development reports, with an overall disclosure rate of 46.09%. Among the companies that released reports, 44.54% involved ecosystem and biodiversity conservation.²²²
- China released standards for green finance classification, including biodiversity conservation projects such as "ecological protection" and "ecological restoration" within its support scope. This established the foundation for funding biodiversity efforts.
- In October 2024, the People's Bank of China issued the *Opinions on Giving Full Play to the Role of Green Finance in Serving the Construction of a Beautiful China*, which explicitly emphasised support for areas such as "ecosystem protection and restoration, biodiversity conservation, and pollution control." It also called for strengthening financial backing to realise the value of ecological products and promoting an ecological protection compensation mechanism.
- In January 2025, the State Financial Supervision and Administration Bureau, along with the People's Bank of China, released the *Implementation Plan for High-Quality Development of Green Finance in the Banking and Insurance Industries*, clarifying that improving ecological quality and conserving biodiversity are key priorities for financial support.²²³ These regulatory developments set objectives and expectations for financial institutions to support biodiversity conservation.
- In January 2025, Bank of China became the first Chinese financial institution to officially join TNFD. Following this, many domestic commercial banks began exploring and implementing disclosure practices. By December 2025, eight commercial banks had published TNFD reports.²²⁴

- **Target 18: Reduce Harmful Incentives by at Least USD 500 Billion per Year, and Scale Up Positive Incentives for Biodiversity**

China reports that it has finalised reforms to subsidies harmful to biodiversity, making these subsidies and related incentives ineffective. For example, agricultural subsidies previously encouraged excessive use of pesticides and fertilisers, harming soil health and ecosystems, were modified. In forestry, policies that risked promoting the conversion of natural forests into monoculture economic forests have also been reformed.²²⁵

- **Target 19: Mobilise USD 200 Billion per Year for Biodiversity From all Sources, Including USD 30 Billion Through International Finance**

China committed to contribute USD 223 million (RMB 1.5 billion) to establish the Kunming Biodiversity Fund to support biodiversity conservation efforts in developing countries. In October 2024, the fund's first batch of nine small-scale projects, covering six continents and 15 developing countries, totalled USD 2.1 million. In total, China allocated approximately USD 59 million to the fund.²²⁶

6.2 Overview of regulatory bodies for the financial sector

6.2.1 Financial sector regulators

China's main financial regulatory bodies are:

- **China Securities Regulatory Commission (CSRC)**

As China's main policymaker and regulator of the securities sector, the China Securities Regulatory Commission (CSRC) drafts laws, regulations, and rules, and formulates principles, policies, and development plans for securities, futures, and fund markets. It performs law enforcement in the bond market and oversees the capital markets by regulating and supervising the issuance, listing, admission, trading, custody and settlement of stocks, convertible bonds and corporate bonds on the exchange market.

Additionally, it regulates the securities market behaviour of listed companies, non-exchange-listed public companies, bond issuers, and their shareholders and financial controllers, including information disclosure on the securities market. CSRC's regulatory and supervisory power also extends to foreign companies issuing and listing securities in the Chinese domestic exchange market.²²⁷

China has two different types of corporate bonds: exchange-traded corporate bonds issued by corporates on stock exchanges, and enterprise bonds issued by China's central state-owned enterprises on both stock exchanges and China's inter-bank bond market.²²⁸ The National Development and Reform Committee (NDRC, see section 6.2.3) is responsible for reviewing and approving the issuance of both types of corporate bonds.

- **People's Bank of China (PBoC)**

The People's Bank of China (PBoC) focuses on the formulation of monetary policy and the management of macroprudential risks. Additionally, the PBoC also supervises the interbank bond market and leads the formulation of national rules for corporate credit bond markets and their derivatives. The supervision of financial holding companies and other financial groups, as well as the protection of consumers of financial products, was transferred in March 2023 to the newly established NFRA.²²⁹

- **National Financial Regulatory Administration (NFRA)**

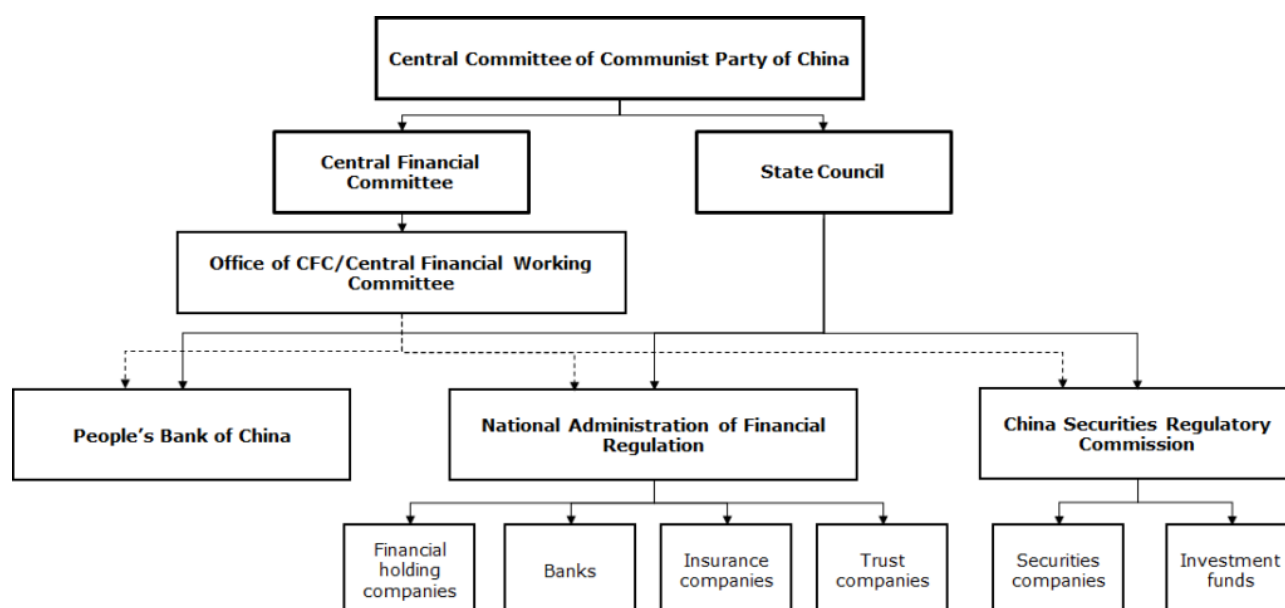
Although not directly responsible for supervising the capital and securities markets, the National Financial Regulatory Administration (NFRA) has a significant effect on corporate bond issuances. The NFRA is responsible for regulating China's banking and insurance institutions, as well as financial holding companies, and oversees their business conduct and information disclosures. In this role, the NFRA assesses risks and compliance, and punishes violations and misconduct.²³⁰

- **Ministry of Finance (MoF)**

The Ministry of Finance (MoF) is the central governmental body responsible for formulating and implementing fiscal policies, managing government expenditures, debt and revenues. It also formulates national tax rules for the capital market and establishes policies that favour the entry of medium- and long-term funds into the market, supporting green finance and inclusive finance.²³¹

On behalf of the State Council, the MoF exercises the investor rights and responsibilities related to State-Owned Enterprises (SOEs) in the financial sector and formulates national regulations for the management of these financial SOEs. This means that the MoF acts as the dominant shareholder for most of the major Chinese banks that provide securities services for corporate bond issuers on the capital market, such as underwriting and advising.²³²

Figure 5 China's new financial regulatory regime since the reform of March 2023



Source: B. Chen (2023, September 11), "What China's reforms mean for financial regulation", OMFIF, online: <https://www.omfif.org/2023/09/what-chinas-reforms-mean-for-financial-regulation/>, viewed in December 2025.

6.2.2 Environmental authorities

Biodiversity risks mainly fall under the responsibility of two Chinese ministries. Although these ministries do not directly regulate the capital market, they have an indirect influence. They set standards on ecology, the environment, and natural resource protection and conservation. These standards should be observed by all companies operating in China, including those attracting loans in China and those issuing bonds on the Chinese capital markets.

- **Ministry of Ecology and the Environment (MEE)**

The Ministry of Ecology and the Environment (MEE) is responsible for establishing and improving China's fundamental ecological environment system. It drafts and enforces relevant laws and regulations, formulates and implements departmental rules, and organises the formulation of ecological environmental standards, benchmarks and technical specifications.²³³

- **Ministry of Natural Resources (MNR)**

The Ministry of Natural Resources (MNR) is responsible for natural resources in the country, including land, minerals, forests, grasslands, wetlands, water, and marine resources. MNR oversees the regulation of territorial space use, drafts laws and regulations related to natural resources and territorial space planning, formulates departmental rules, and supervises and inspects their implementation.²³⁴

6.2.3 Economic and corporate regulators

China has various authorities and regulators that issue regulations and set guidelines for different types of companies, including companies issuing bonds on the capital markets. The actions of these regulators can therefore influence how such companies deal with biodiversity risks.

- **National Development and Reform Committee (NDRC)**

As China's macroeconomic supervisory and regulatory body under the State Council, the National Development and Reform Committee (NDRC) is responsible for drafting and formulating plans, laws, regulations, and rules on national economic and social development,

as well as economic system reform. It determines market access, oversees and approves major investment projects, and develops and implements policies aimed at promoting sustainable development and environmental protection.²³⁵

Although NDRC is not a primary regulator of the capital market, its policies and approvals ensure that capital market activities align with the country's economic and sustainable development objectives.

The NDRC is responsible for facilitating the financing of large-scale infrastructure projects, which often involve raising capital through bonds and other financial instruments. Moreover, while the direct regulation of financial instruments falls under the purview of the CSRC (see section 6.2.1) the NDRC influences the development and use of financial instruments through its economic and industrial policies.

- **Ministry of Industry and Information Technology (MIIT)**

The Ministry of Industry and Information Technology (MIIT) is responsible for the research, formulation, and implementation of industrial development strategies, sector plans, and policies, with the goal of guiding the development of technical regulations and industry standards, as well as approving fixed-asset investments in the industrial, communications, and IT sectors. Key areas of focus include promoting high-tech industries; revitalising equipment manufacturing and coordinating plans for major technical equipment; monitoring industrial operations; advancing energy conservation, resource efficiency, and clean production; supporting small and medium-sized enterprises; and coordinating inter-ministerial efforts to reduce corporate burdens.²³⁶

In September 2023, the CPC and the State Council delegated the responsibility of promoting and supervising the development of medium and small enterprises to MIIT.²³⁷ Although MIIT does not directly regulate the capital markets, its policies impact industries and corporates that participate in these markets.

- **Ministry of Commerce**

The Ministry of Commerce (MoC) has the mission to formulate the strategies, guidelines and policies for developing domestic and foreign trade and international economic cooperation; draft the laws and regulations governing domestic and foreign trade, foreign investment in China, foreign assistance, overseas investment and foreign economic cooperation; and devise relevant departmental rules and regulations. MoC also studies and puts forward proposals on harmonising domestic legislation on trade and economic affairs, as well as bringing Chinese economic and trade laws into conformity with multilateral and bilateral treaties and agreements.²³⁸

- **State-owned Assets Supervision and Administration Commission of the State Council (SASAC)**

The SASAC is a specialised regulatory body set up by the State Council, tasked with supervising and overseeing SOEs, except for financial SOEs which fall under the supervision of MoF as explained in section 6.2.1. Its primary mandate is to ensure that these enterprises operate efficiently and sustain profitability. Additionally, SASAC works towards enhancing corporate governance within SOEs, promoting transparency, risk management and accountability.²³⁹

6.2.4 Stock exchanges

There are four stock exchanges in China:

- SSE (Shanghai Stock Exchange);
- SZSE (Shenzhen Stock Exchange);

- BSE (Beijing Stock Exchange); and
- HKEX (Hong Kong Exchanges and Clearing Limited).

Established in 1990, SSE and SZSE are the primary exchanges in mainland China, while BSE was officially launched in 2021 and focuses on innovative small and medium-sized enterprises (SMEs). HKEX, formed in its current structure in 2000, provides a platform for companies to raise capital through initial public offerings (IPOs) and secondary offerings.

While the stock exchanges themselves are not regulatory bodies, they exert significant influence over companies that issue shares and bonds. Companies seeking to list their securities on any of these exchanges must adhere to the exchanges' listing requirements, rules and regulations, which include initial listing requirements and ongoing disclosure and reporting obligations. Non-compliance with these regulations can lead to penalties, including fines, suspension of trading or even delisting from the exchange. More than in other jurisdictions, the Chinese stock exchanges can be seen as part of the regulatory environment in which financial institutions operate.

6.2.5 Hierarchy and enforceability of Chinese regulatory instruments

It is essential to note that regulatory documents issued by various authorities and regulators can differ in form, including regulations, measures, guidelines, and notices. The status or weight of these regulatory documents varies. In principle, regulations carry the highest legal authority and enforceability, followed by measures, which provide detailed instructions for implementation. Guidelines and notices offer advisory recommendations. In other words, compliance with regulations is mandatory, while adherence to measures, guidelines and notices is often encouraged but not always legally required. That said, the actual effectiveness of, and compliance with, measures and guidelines also largely depend on various factors, such as the regulator's determination to enforce them and the incentives provided to companies and financial institutions. In China, it is always prudent to heed recommendations from government bodies.

6.3 Central bank policies

6.3.1 Monetary incentives for green credits

Most distinctive in China's approach is the innovative use of its central bank's balance sheet to create direct financial incentives. The PBoC strategically adjusted traditional monetary policy tools to favour green finance in 2018 by expanding the scope of the Medium-term Lending Facility Collateral Framework to accept green bonds as high-quality collateral and relaxing credit rating requirements for them, thereby directly enhancing their liquidity and attractiveness to banks.²⁴⁰ More directly, the *Carbon Emission Reduction Facility* provides low-cost funds to financial institutions and guides them to extend carbon reduction loans at rates close to the loan prime rate of the same maturity. It sends a clear policy signal to enhance financial institutions' awareness of the importance of the green transition, encourage more social capital to support the green and low-carbon industries, and advocate the philosophy of green living, green production and the circular economy, which will help achieve the "dual carbon" goals.²⁴¹ This suite of tools demonstrates approaches for ESG integration to yield tangible financial benefits for banks in China, successfully aligning market incentives with national sustainability goals.

6.4 Banking regulations

The current regulatory architecture governing China's banking sector is characterised by a predominance of voluntary standards, primarily articulated through high-level *guidelines* and *opinions*. Although these instruments signal policy intent, they lack binding enforcement mechanisms and are therefore insufficient to induce a systemic shift in lending practices or capital allocation. Where formal regulations do exist, they are largely limited to two domains. First, they focus on banking supervision, particularly on information disclosure and reporting requirements.

Second, they address the classification of green finance by defining which activities qualify as “green,” without imposing portfolio-level requirements on banks or restricting financing for environmentally harmful activities. In light of these developments, it could be argued that China implemented measures to achieve NBSAP objectives of incorporating biodiversity considerations and transparency and disclosure requirements for financial institutions; however, given that current regulations do not restrict financing for environmentally harmful activities, the progress reported by China remains limited. China’s NBSAP does not elaborate on how biodiversity considerations could be further integrated into financial regulations, nor does it impose mandatory requirements on financial institutions.

As these classification frameworks are discussed in section 6.7.1, the present paragraph focuses on regulations governing banking-sector supervision and highlights the most relevant voluntary standards.

6.4.1 Banking supervision framework

China's banking supervision framework for ESG and green finance blends mandatory regulation with market incentives. The foundation of this framework is the *Green Credit Guidelines (2012)*, issued by the China Banking Regulatory Commission (former body of NFRA), which serves as the cornerstone regulatory document. It mandates a top-down, bank-wide management system that compels financial institutions to integrate Environmental and Social (E&S) risks holistically into their core operations—from board-level strategy and governance down to daily credit processes, contractual agreements, and public disclosure.²⁴² This principle-based supervision is given teeth through supporting instruments, such as the *Green Credit Key Performance Indicators (2014)*, which enforce accountability by requiring senior management to report annually to the board on implementation progress.²⁴³ While highly effective in transforming credit practices, this core regulatory approach is primarily focused on the lending book and does not yet comprehensively cover other significant banking activities, such as asset management or investment banking, representing a notable limitation in its scope.

As in the capital market, banks in China also employ the sustainable finance taxonomy to define what constitutes a “green” economic activity and to channel investment accordingly. The most updated *Green Finance Endorsed Projects Catalogue (2025 Edition)*²⁴⁴ and its predecessors, *Green Bonds Endorsed Projects Catalogue (2021 Edition)* and the *Green and Low-Carbon Transition Industry Guidance Catalogue (2024 Edition)*²⁴⁵, all operate as positive lists that clearly delineate eligible project categories for green financing. Particularly, the 2021 *Green Bonds Endorsed Projects Catalogue* employed the DNSH principle and excluded coal-fired power projects, signalling a deliberate tightening of standards and a commitment to aligning with global climate objectives.²⁴⁶

These Catalogues serve as a reference for the green credit statistics produced by the PBoC and NFRA to fulfil the banking green credit supervision goal. It provides an incentive for banks to disclose information on green credit projects in compliance with the Catalogue, thereby encouraging them to identify project opportunities within the Catalogue's scope. China's Catalogue currently lacks granular TSC and does not incorporate social criteria, indicating an area for future development.

The credibility of this market is bolstered by the *Guidelines for Green Bond Assessment and Certification Practices (Interim, 2018)*, jointly issued by the PBoC and CSRC, which regulate third-party assessment institutions to ensure transparency and prevent greenwashing.²⁴⁷ According to the 2018 Guidelines, the Green Bond Standards Committee further released three documents to ensure implementation details:

1. Implementation Rules for Market-Based Evaluation of Green Bond Assessment and Certification Institutions (Trial);
2. Market-Based Evaluation Criteria for Green Bond Assessment and Certification Institutions;

3. List of Materials for Market-Based Evaluation of Green Bond Assessment and Certification Institutions.

6.4.2 The Guiding Opinions on Establishing the Green Financial System

The *Guiding Opinions on Establishing the Green Financial System* were jointly published by the PBoC, the MoF, the NDRC, the Ministry of Environmental Protection (the former body of MEE), the CSRC, the China Banking Regulatory Commission, and the China Insurance Regulatory Commission (the former bodies of NFRA) in 2016. It is considered China's first and overarching national green finance strategy. Its significance has been stressed to make "China the world's first economy to establish a relatively comprehensive green financial policy framework".²⁴⁸ The Guiding Opinions emphasise that the primary objective of building this system is to mobilise and incentivise more social capital to flow into green industries while more effectively curbing polluting investments. Establishing this system would not only accelerate China's transition towards a green economy but also promote technological advancement in areas such as environmental protection, new energy, and energy conservation. This, in turn, would expedite the cultivation of new economic growth drivers and enhance the nation's overall growth potential.²⁴⁹

6.4.3 Green finance guidelines and other non-binding policy instruments

The Chinese regulatory environment is characterised by an accelerating shift toward institutionalising ESG factors within the banking sector. Through a series of guiding opinions and sector-specific mandates, the government has laid the foundation for sustainability reporting, aiming to transition from purely voluntary participation to a more standardised disclosure regime.

Regarding ESG information disclosures, the 2021 *Guidelines for Financial Institutions' Environmental Information Disclosure* (issued by PBoC) provide the principles that financial institutions should follow when reporting on environmental information, also covering finance and investment activities.²⁵⁰ Though the document specifies that reported environmental impacts of investment and financing activities should cover the topic of "green supply chain and its impact on the environment", overseas activities are not explicitly covered.

A primary focus of recent policy instruments is establishing robust risk-management expectations for financial institutions. The *Green Finance Guidelines for the Banking and Insurance Sectors* (2022) represent a significant step in this direction, requiring institutions to effectively identify, monitor, and manage ESG risks - including energy consumption, environmental protection, pollution, and climate change - across their portfolios.²⁵¹ This is reiterated in the 2024 *Guiding Opinions on Further Strengthening Financial Support for Green and Low-Carbon Development*, which were jointly issued by the PBoC and six other ministries. The *Guiding Opinions* set out a comprehensive roadmap for advancing the country's financial system and emphasise the need to strengthen policies and standards, risk management practices, products, and markets, as well as ESG information disclosure.²⁵²

Notably, the 2022 *Green Finance Guidelines* encourage Chinese banks and insurers, for the first time, to establish grievance mechanisms as a tool for managing the ESG risk of their clients. The grievance mechanism provides a channel through which communities impacted by financing or investment can be heard, while investors can effectively and efficiently address the risks associated with their financing and investment.

The voluntary 2022 *Green Finance Guidelines* encourage ESG risk management but omit specific requirements for corporate bond underwriting - a major channel for capital to forest-risk sectors. While the new CSDS mandates value chain reporting for companies in these sectors from 2026 to 2030, its effectiveness is critically undermined by two gaps:

- First, the absence of sector-specific standards means disclosures will lack the granular, comparable metrics on deforestation and community impacts needed for precise financial risk assessment.
- Second, there is no parallel regulatory mandate requiring banks and underwriters to systematically integrate the data disclosed by companies into their credit due diligence and pricing models. Consequently, the CSDS establishes an architecture for corporate transparency but fails to incorporate an actionable link that would enable financial institutions to effectively mitigate their indirect exposure.

6.5 Capital market regulations

6.5.1 Regulations on the functioning of the capital market

China's capital market regulatory landscape, primarily governed by the CSRC, PBoC, and NDRC, establishes a comprehensive framework for transparency and fiduciary accountability. While the current regime focuses heavily on financial solvency and administrative compliance, it provides the necessary legal architecture to incorporate broader ESG considerations.

Due diligence is a core pillar of the current regulatory landscape, though its application is largely focused on financial solvency and administrative compliance. Under the *Measures for the Administration and the Registration of Security Issuance* (issued by the CSRC in 2023), due diligence is not a one-time event but a continuous requirement, from the pre-issuance phase through the life of the security.²⁵³

This mandate extends beyond the issuer to encompass the entire ecosystem of securities service providers, including sponsors, underwriters, and trustees. These intermediaries are legally prohibited from assisting in the concealment of information and are required to perform ongoing monitoring after a security is listed. It covers the security issuance activities of companies listed on the SSE and SZSE and applies to stocks, convertible corporate bonds, depositary receipts, and other securities approved by the State Council.²⁵⁴

Furthermore, the *Measures for the Administration of Information Disclosure Concerning Corporate Credit Bonds* (issued in 2020 by the PBoC, NDRC, and CSRC) establish strict requirements for the "lawful use of raised funds," including board-level disclosure systems and transparent reporting of project allocations.²⁵⁵ This emphasis on fund traceability ensures that any significant deviation from a bond's stated purpose must be disclosed in advance, offering a potential mechanism for tracking environmental commitments.

At present, foundational documents do not explicitly mandate ESG as a standalone category of due diligence. However, the framework is designed around a broad definition of materiality that increasingly captures sustainability risks. Article 28 of the 2023 *Measures for the Administration and the Registration of Security Issuance of Listed Companies* serves as a "catch-all" provision, requiring listed companies to disclose all information necessary for investors to make informed decisions, regardless of whether specific disclosure templates exist.²⁵⁶ This implies that in sectors sensitive to climate change or biodiversity loss, such as agriculture and forestry, ESG factors that threaten repayment capacity or operational benefits are already subject to disclosure.

The 2023 *Measures for the Administration of the Issuance and Trading of Corporate Bonds* reinforce this by designating bond issuers as primarily responsible for promptly reporting "significant matters," a term that encompasses litigation and substantial changes to projects.²⁵⁷ For companies producing, trading or processing forest-risk commodities, deforestation and land degradation in overseas jurisdictions increasingly represent material financial risks rather than purely reputational ones. For a Chinese listed company reliant on such commodities, an overseas supply chain disruption caused by environmental litigation, local regulatory crackdowns on illegal logging, or the loss of biodiversity-dependent ecosystem services constitutes a "significant

matter”. Because these events directly threaten the continuity of supply and the legal standing of the issuer, they should fall within the mandatory disclosure perimeter of the current capital market rules.

The trajectory of the Chinese capital market oversight is moving toward the formalisation of sustainability standards. In its *Opinions on Strengthening Supervision, Preventing Risks and Promoting High-quality Development of the Capital Market*, the State Council in April 2024 called for enhanced, tightened supervision of issuance, underwriting, and information disclosure for supported projects, and for strengthening corporate governance (Articles 2 and 3).²⁵⁸ While ESG matters remain largely unaddressed in this document, “improving the sustainability information disclosure system of listed companies” is briefly mentioned (Article 8). Initial steps have now been taken, with the MoF having issued the *Corporate Sustainability Disclosure Standards* (CSDS) in 2024, as is further detailed in section 6.6.1.

6.6 Regulations on corporate disclosure

6.6.1 Measures for the Administration of Legal Disclosure of Enterprise Environmental Information

Encouraging Chinese companies to disclose ESG-related information has been a growing policy priority in recent years. Until recently, sustainability disclosures in China were largely voluntary, with policy guidance encouraging, but not requiring, companies to report ESG-related information. An example of such voluntary standards is the 2022 *Measures for the Administration of Legal Disclosure of Enterprise Environmental Information*.²⁵⁹ This approach is now shifting toward mandatory disclosure. In February 2024, China’s three stock exchanges, under the supervision of the CSRC, released ESG reporting guidelines. These require companies included in the SSE 180, STAR 50, SZSE 100, and ChiNext indices, as well as companies listed both domestically and overseas, to disclose ESG information starting in 2026. The CSRC also encourages other companies to issue ESG reports on a voluntary basis.²⁶⁰

In addition, the MoF issued the *Corporate Sustainability Disclosure Standards* (CSDS) in 2024. The CSDS comprises three pillars:

- Basic Standard, which establishes core disclosure requirements on governance, environmental impacts, social policies, and risk management. It sets out general principles, reporting frameworks, and baseline disclosure obligations applicable across all industries, including transparency on sustainability risks, response strategies, and stakeholder engagement;
- Thematic Standards, including sector-specific standards addressing issues such as carbon emissions, water management, biodiversity impact, and labour practices.
- Application guidance, providing practical implementation support for companies adopting the standards.

The Basic Standards, released in December 2024, comprise six chapters and 31 articles.²⁶¹ Chapter 1 outlines core reporting requirements and notably requires disclosures to “consider the value chain context” (Article 4), defined as the full range of relationships, resources, and activities across all stages of an enterprise’s value creation, from product or service conception through delivery, use, and end-of-life. Additionally, Article 5 stipulates that the reporting entity for sustainability disclosures must be consistent with the one used for financial statements. The CSDS seems to adopt a double-materiality approach here, but the degree of substantive alignment will become clearer once sector-specific standards are released, which is expected to occur in phases between 2027 and 2029.

The first thematic standard, *Corporate Sustainability Disclosure Standard No. 1 – Climate (for Trial Implementation)* (Draft for Comments), was released in December 2025. It requires corporates to conduct climate-related scenario analyses with key assumptions regarding land use conditions,

natural resources, and ecological conditions. Corporations are also required to identify and disclose their Scope 3 greenhouse gas emissions, measured across their value chain. Furthermore, it specifically lists biodiversity loss and soil fertility change as part of the climate-related material risks for corporates to identify and report.²⁶² These disclosure requirements, once strictly applied to companies in the forestry, mining, and agriculture sectors, could help generate analysis of forest-related risks across the supply chains, potentially leading to improvements in forest management practices.

Implementation of the CSDS will begin on a voluntary basis and gradually transition to full mandatory compliance by 2030, including for non-listed small and medium-sized enterprises.²⁶³ So far, investors, creditors, and regulatory authorities are defined as users of corporate reported information on which financing decisions are based.²⁶⁴ In terms of scope, the CSDS therefore extends beyond current European proposals on sustainability reporting.²⁶⁵

6.7 Regulations stimulating the financing of sustainable activities

6.7.1 Sustainable Finance Taxonomy

China's Sustainable Finance Taxonomy is spelt out in the *Green Finance Endorsed Projects Catalogue* (2025 Edition).²⁶⁶ This updated catalogue was jointly issued by the PBoC, NFRA and CSRC and replaces the *Green Bonds Endorsed Projects Catalogue* (2021 Edition) and the *Green and Low-Carbon Transition Industry Guidance Catalogue* (2024 Edition).²⁶⁷ It expands the scope beyond green bonds to cover a wider range of green financial assets. The 2025 edition therefore provides an updated framework for identifying projects eligible for green finance, including both bonds and loans, and establishes a standardised classification system for all green financial assets issued in China's onshore market, excluding equities. Offshore issuers can use the Catalogue as a reference.²⁶⁸

Earlier editions of the catalogue focused solely on core industrial sectors. In contrast, the 2025 edition broadens its coverage to include trade, distribution, and end-use consumption.²⁶⁹ Categories of green activities include "Resource Recycling" (3.2), "Ecological Agriculture, Forestry, Animal Husbandry and Fisheries" (5.1), and "Ecological Protection and Restoration" (5.2). Importantly, though, the category "Resource Recycling" (3.2) not only covers end-of-life activities as one might expect, but also covers extraction of onshore petroleum, natural gas, and minerals, including copper, lead, zinc, nickel, cobalt, tin, antimony, aluminium, magnesium, and other common non-ferrous metal ores.²⁷⁰

Beyond the activities listed in the Catalogue, the Chinese Sustainable Finance Taxonomy does not impose any minimum eligibility requirements. In this respect, the Taxonomy deviates from other international green finance frameworks, such as the European Taxonomy for Sustainable Activities, which explicitly requires that eligible activities do no significant harm to any of the environmental objectives listed in the regulation and that the activities must be carried out in compliance with the Organisation for Economic Cooperation and Development's (OECD) Guidelines for Multinational Enterprises and the UNGPs.²⁷¹

The Chinese *Sustainable Finance Taxonomy* (as included in the *Green Finance Endorsed Projects Catalogue*) applies only to onshore markets. In case Chinese banks directly finance overseas projects in forest-risk sectors, they cannot rely on official definitions or eligibility criteria for green overseas projects. This leaves banks without a standardised framework to assess or label their international project finance. This contrasts with domestic practice, where the *Sustainable Finance Taxonomy* directs capital towards more sustainable projects. The Chinese *Taxonomy* does not include a general DNSH principle as a core criterion to prevent the financing of projects that degrade local ecosystems and communities.

6.7.2 Policies on Greening Chinese Overseas Investments

China employs voluntary-based policies to guide the green development of overseas investments. For example, the *Guidelines for Ecological and Environmental Protection in Foreign Investment and Cooperation Projects* (2022, issued by MEE and MoC), cover new projects (including reconstruction and expansion), mergers and acquisitions, and contracted projects involving Chinese overseas investment.²⁷² The *Guidelines* encourage Chinese companies to adopt internationally accepted environmental standards - or, where more stringent, China's domestic standards – when implementing overseas projects. They further clarify that ecological and environmental protection encompasses pollution prevention, climate change mitigation and adaptation, ecosystem conservation, biodiversity protection, and other related areas.

For direct project finance and investments under initiatives like the Belt and Road Initiative, oversight relies on non-binding guidelines (e.g., *2022 Guidelines for Ecological and Environmental Protection in Foreign Investment*). These documents are significant for encouraging the adoption of international or Chinese standards and EIAs, but their voluntary nature means compliance is inconsistent and lacks verification. They represent a policy signal rather than an enforceable safeguard.

Furthermore, the *Opinions on Jointly Promoting Green Development of the Belt and Road* (issued in 2022 by the NDRC, Ministry of Foreign Affairs, MEE, and MoC), reinforce enterprises' responsibility for their overseas environmental behaviour.²⁷³ The *Opinions* aim to guide businesses to strictly comply with the regulations and standards of the host countries on environmental protection, encouraging them to carry out environmental protection efforts “with reference to the generally accepted international rules and standards or higher Chinese standards”. The *Opinions* call on enterprises to conduct an EIA at the project level before commencing activities.²⁷⁴ They also recommend that companies publish environmental reports on a regular basis, and guide relevant industry associations and chambers of commerce to establish codes of conduct for environmental performance in enterprises' overseas investments.

6.8 Possible improvements of relevant regulations in China

6.8.1 Assessment of current Chinese regulations

This chapter has described and summarised the financial regulations in China that could be relevant to aligning financing flows related to corporate bond issuances with the targets of the GBF. Table 7 presents the results of the assessment against the three author-developed criteria informed by selected GBF targets, using the methodology described in Appendix 1.

Table 7 Assessment of current Chinese regulations against GBF targets

Assessment criteria	Colour score	Justification
1 Financial regulations do not allow financing of, or investment in, activities or companies responsible for deforestation or the conversion of natural ecosystems.	Light red	Financial regulations classify green finance by defining which activities qualify as “green,” but do not clearly restrict the financing of activities that are harmful to biodiversity. Financial authorities also encourage Chinese banks and insurers to establish grievance mechanisms to manage the ESG risks of their clients; however, there are no regulations prohibiting financing companies involved in the conversion of natural landscapes.
2 Financial regulations expect financial institutions to support a just transition in the Agriculture, Aquaculture, Fisheries and	Light red	Financial regulations do stimulate the issuance of green bonds, whose proceeds can be used for a just transition of relevant sectors in China. But not necessarily all proceeds have to be used in this way;

Assessment criteria		Colour score	Justification
	Forestry sectors, in ways that uphold the rights of workers, peasants, fisherfolk, Indigenous Peoples, traditional and local communities.		social criteria are weak, and the transition of these sectors overseas is not in the scope of the green bond guidelines. Normal corporate bonds are not covered either.
3	Financial regulations require transparent disclosure of all financing and investment portfolios and of the biodiversity and social impacts associated with these flows.	Yellow	Corporate Sustainability Disclosure Standards are voluntary but will become mandatory in 2030. The disclosure requirement lists biodiversity loss and soil fertility change as part of the climate-related material risks for corporates to identify and report. There are no requirements set for the transparency and full disclosure of the biodiversity and social impacts of financial flows.

6.8.2 Progress towards meeting the GBF targets

China's NBSAP is not fully aligned with the GBF targets. China has reorganised the GBF targets, and some are more detailed than others. For instance, China's NBSAP does not elaborate on how biodiversity considerations could be further integrated into financial regulations, nor does it impose mandatory requirements on financial institutions.

Even though China reports that significant progress has been made on 21 of the 27 national targets, several issues still need to be addressed, such as improving the legal and policy system for biodiversity conservation, increasing fiscal investment, strengthening the guiding role of fiscal funds, innovating ecological financial products, supporting the operation and development of ecological products, broadening the financing channels for biodiversity conservation, strengthening the mobilisation of social capital, and improving the efficiency of fund use.²⁷⁵

6.8.3 Recommendations for legislators and financial regulators in China

Below are some recommendations to improve Chinese regulations on the issuance of corporate bonds and bank lending to limit financing for corporate activities that lead to deforestation.

- **Incorporate biodiversity considerations in the monetary policy**

The PBoC has incorporated climate goals into its main monetary policy through various methods, like accepting green loans as collateral in its standing lending facility and including high-grade green bonds in its medium-term lending program.²⁷⁶ Deforestation or broader nature-related risks should also be incorporated into the central bank's mandate and policy tools.

- **Prohibit illegal activities and deforestation**

Impose explicit requirements in financial regulations that prohibit companies from raising funds, through issuances of (normal) bonds or shares, for illegal activities and for activities leading to conversion of natural landscapes, biodiversity loss or human rights violations.

- **Develop the Sustainable Finance Taxonomy further**

Develop the *Green Bond Catalogue* into a Sustainable Finance Taxonomy that includes sector-specific lists of eligible activities and activities that should be avoided because they pose significant risks to biodiversity and climate, particularly those involving deforestation and habitat destruction.

- **Enhance requirements for green bonds**

Explicitly mandate that 100% of the funds raised through green bonds must be allocated exclusively to activities aligned with the *Green Bond Catalogue* (to be further elaborated in a Sustainable Finance Taxonomy) and establish clear and enforceable sanctions for issuers found to be non-compliant with green bond regulations. Enhance independent third-party verification and certification processes to ensure that activities funded through green bonds are aligned with the Green Bond Catalogue (to be further elaborated in a Sustainable Finance Taxonomy) and that investors and stakeholders are assured about the social and environmental impacts of their investments.

- **Strengthen sustainability reporting by issuers**

Build on the recent guidance published by the Chinese stock exchanges and on the *Draft Principles for Corporate Sustainability Disclosure – Basic Principles* to introduce comprehensive and mandatory sustainability reporting standards for issuers, to create more transparency on where financial flows are going and what the social and biodiversity impacts are in China and overseas. Such disclosures need to be audited. Mandatory and audited disclosure of information in accordance with unified requirements at issuance and over the lifetime of (green) bonds, especially a unified quantitative description of environmental performance and environmental risks, is an effective way to enhance the transparency of financial flows.

- **Establish mandatory requirements for banks**

China's banking sector is currently governed mostly by guidelines, lacking binding enforcement and making them inadequate for causing a systemic change in lending practices or capital allocation. The regulations should have portfolio-level requirements on banks and restrict financing of environmentally harmful activities.

- **Improve due diligence by underwriters**

Mandate financial institutions to conduct comprehensive ESG due diligence when underwriting or advising on corporate bonds, or when providing other securities services, and to be transparent regarding their due diligence processes.

- **Strengthen sustainability reporting by financial institutions**

Make the *Guidelines for Financial Institutions Environmental Information Disclosure* mandatory. This document should oblige, not just encourage, financial institutions to disclose environmental information, including the impacts on biodiversity and human rights of their underwriting services.

- **Create a grievance mechanism for the financial sector**

Building on the Green Finance Guidelines for Banking and Insurance Sectors, an independent grievance mechanism should be created for the Chinese financial sector. This should offer a channel through which (Chinese and foreign) communities that are impacted by financing, investment or the underwriting of bonds or shares can be heard and find access to remedy.

- **Hold banks, issuers and underwriters accountable**

The various Chinese regulators should act if issuers or underwriting banks do not meet the requirements in existing regulations and the new regulations proposed above. Fines and sanctions such as capital add-ons, concentration limits, holding board members accountable, or (temporarily) revoking a (banking) licence should be used.

7

The European Union

The European Union is an important source of financing for forest-risk commodities in agriculture, forestry and mining through bank loans and investments in shares and bonds. This chapter first examines the EU's national targets, NBSAP and Seventh National Report. As the EU Biodiversity Strategy for 2030 predates the GBF, the subsequently adopted national targets clarify how global commitments translate into EU measures. Financial regulation features prominently in these commitments, but biodiversity integration focuses mainly on disclosure, due diligence and classification rather than mandatory portfolio alignment. The analysis therefore extends to the wider regulatory framework, including ECB monetary policy, banking and prudential rules, taxonomies, green bonds, sustainability reporting and deforestation-related regulation. It considers measures both within and beyond the EU's GBF commitments, including recent reforms that have narrowed or delayed sustainability requirements, and identifies changes needed to channel finance away from biodiversity-harmful activities.

7.1 National actions to implement GBF targets in financial sector regulation

7.1.1 Biodiversity targets of the European Union

The EU translated and tailored the 23 GBF targets into 45 EU targets, drawing on existing EU legislation and targets. The Commission says that these 45 targets “draw on existing objectives in EU policy and legislative instruments” and are aligned with the GBF targets.²⁷⁷

It should be taken into account that the EU's NBSAP, the EU Biodiversity Strategy for 2030, was published in 2020, before the Kunming-Montreal Global Biodiversity Framework was formally adopted. The EU subsequently developed a separate set of GBF-aligned targets in 2024,²⁷⁸ which in some areas is more up-to-date and more detailed regarding the EU's actions and commitments than the 2020 Strategy. The EU then published its 7th National Report, which summarises progress not only in implementing the 2020 Strategy but also against these subsequently adopted GBF-aligned targets.

- **Target 14: Integrate Biodiversity in Decision-Making at Every Level**

Target 14 is not reproduced verbatim. The EU separates general policy mainstreaming from biodiversity/natural-capital accounting. Notably, the EU target wording itself does not reproduce the GBF's explicit reference to progressively aligning fiscal and financial flows. Target 14 is translated into:

- *14a Mainstreaming biodiversity*: Systematically assess the economic, social and environmental impact of EU policy initiatives, including biodiversity, applying the Do-No-Significant-Harm and Polluter Pays Principles and fostering ‘Do Good’ and ensure strategic environmental assessments and environmental impact assessments are undertaken for all relevant decisions concerning plans, programmes and projects.
- *14b UN System of Environmental Economic Accounting (UNSEEA)*: Ensure the full integration of biodiversity and its multiple values into national accounting.²⁷⁹

- **Target 15: Businesses Assess, Disclose and Reduce Biodiversity-Related Risks and Negative Impacts**

GBF Target 15 is translated into EU Targets 15a, 15b, 15c and 15d. For the purposes of this assessment, the analysis focuses on EU Target 15a, which is directly relevant to financial regulation and expressly covers corporate sustainability reporting requirements. Targets 15b, 15c and 15d concern consumer information, due diligence requirements relating to the use of genetic resources and associated traditional knowledge, and sustainable production respectively, and are therefore outside the scope of this analysis.

- *15a Business biodiversity monitoring, assessment and disclosure:* Strengthen corporate sustainability reporting requirements through the Corporate Sustainability Reporting Directive and the Sustainable Finance Disclosure Regulation, including through mandatory disclosure requirements.²⁸⁰

- **Target 18: Reduce Harmful Incentives by at Least USD 500 Billion per Year, and Scale Up Positive Incentives for Biodiversity**

GBF Target 18 is translated into EU Targets 18a, 18b, and 18c, and lacks a reference to the global USD 500 billion target or Europe's potential share in this target:

- *18a Identifying biodiversity-harmful incentives:* Identify biodiversity-harmful incentives (including subsidies).²⁸¹
- *18b Reducing biodiversity-harmful incentives:* Phase out environmentally harmful subsidies, in particular fossil fuel subsidies, without delay and ensure reporting on all harmful incentives.²⁸²
- *18c Increasing positive incentives:* Strengthen environmentally positive incentives.²⁸³

- **Target 19: Mobilise USD 200 Billion per Year for Biodiversity From all Sources, Including USD 30 Billion Through International Finance**

GBF Target 19 is translated into EU Targets 19a, 19b, and 15c:

- *19a Increasing biodiversity-related international financial resources:* Double external biodiversity financing from the EU budget from approximately USD 4 to 8 billion over the period 2021-2027.²⁸⁴
- *19b Biodiversity spending under the EU budget:* Dedicate 7.5% of the EU's 2021-2027 Multiannual Financial Framework to biodiversity objectives in 2024, and 10% in 2026 and 2027.²⁸⁵
- *19c Mobilising financing for EU biodiversity beyond the EU budget:* Mobilise adequate financing for EU Biodiversity from EU Member States, the private sector, including the financial sector, and stakeholders, including philanthropies.²⁸⁶

7.1.2 Actions to meet the biodiversity targets

The EU's NBSAP is the EU Biodiversity Strategy for 2030, Bringing nature back into our lives, adopted in 2020. As the Strategy predates the GBF, the EU subsequently developed a separate set of GBF-aligned national targets. While the previous subsection sets out how the relevant GBF targets were translated at EU level, this subsection examines the corresponding commitments and measures contained in the Strategy and the subsequent EU National Targets.

- **Target 14: Integrate Biodiversity in Decision-Making at Every Level**

The Strategy goes significantly beyond general mainstreaming and explicitly addresses the financial system. The EU Commission commits to strengthening the biodiversity-proofing of EU funding, including through appropriate use of criteria established under the EU Taxonomy. Because the Commission had not yet developed biodiversity-specific taxonomy criteria when it adopted the Strategy in 2020, it also planned to adopt a delegated act under the Taxonomy

Regulation establishing a common classification of economic activities that substantially contribute to the protection and restoration of biodiversity and ecosystems.

The Strategy also envisaged a *Renewed Sustainable Finance Strategy* to help ensure that the financial system contributes to mitigating biodiversity-related risks and more comprehensively accounts for the effects of biodiversity loss on companies' profitability and long-term prospects. It also called for methods, criteria, and standards to better integrate biodiversity into public and business decision-making, including measuring the environmental footprint of products and organisations and developing natural capital accounting.²⁸⁷

- **Target 15: Businesses Assess, Disclose and Reduce Biodiversity-Related Risks and Negative Impacts**

The *2020 Biodiversity Strategy* announced a sustainable corporate governance initiative addressing environmental due diligence across economic value chains and referred to the ongoing review of the *Non-Financial Reporting Directive (NFRD)* to improve corporate environmental disclosure, including biodiversity.²⁸⁸

The EU's subsequent GBF-aligned targets document is considerably more specific. EU Target 15a calls for strengthening corporate sustainability reporting requirements through the Corporate Sustainability Reporting Directive (CSRD) and the Sustainable Finance Disclosure Regulation (SFDR), expressly including mandatory disclosure requirements. The document further refers to the CSRD requirements for sustainability reporting to cover biodiversity and ecosystems (subsequently operationalised through the European Sustainability Reporting Standards (ESRS)), the SFDR and its technical disclosure standards, the EU Taxonomy framework, a delegated regulation providing a dedicated reporting standard on biodiversity and ecosystems, and the Corporate Sustainability Due Diligence Directive (CSDDD).²⁸⁹

- **Target 18: Reduce Harmful Incentives by at Least USD 500 Billion per Year, and Scale Up Positive Incentives for Biodiversity**

Under Target 18a, the EU plans to "identify biodiversity-harmful incentives (including subsidies)". These include environmentally harmful energy subsidies, including fossil-fuel subsidies, as well as non-energy environmentally harmful subsidies. EU targets also refer to the existing requirements for Member States to report on objectives for phasing out energy subsidies and to the development of a methodology for identifying non-energy environmentally harmful subsidies.²⁹⁰

Under Target 18b, the EU commits to phasing out environmentally harmful subsidies, particularly fossil-fuel subsidies, without delay and to ensuring reporting on all harmful incentives. The targets document refers to the 8th Environment Action Programme, which requires phasing out environmentally harmful subsidies at Union, national, regional, and local levels, and to reporting requirements under the *Regulation on the Governance of the Energy Union and Climate Action* on progress in phasing out energy and fossil-fuel subsidies. It also refers to reporting by Member States on reform efforts concerning non-energy environmentally harmful subsidies.²⁹¹

Target 18c calls for strengthening environmentally positive incentives. The measures listed include incentives under the CAP and the LIFE Programme. The Targets document also lists the EU Taxonomy among the legislative instruments that it treats as providing environmentally positive incentives. It explains that the Taxonomy Regulation establishes criteria for determining whether an economic activity, and consequently an investment, is environmentally sustainable, thereby helping investors compare investment opportunities and incentivising investee companies to make their business models more environmentally sustainable. However, the Taxonomy is fundamentally a classification framework rather than an incentive instrument in the conventional sense, such as a subsidy, tax benefit or payment scheme.²⁹²

- **Target 19: Mobilise USD 200 Billion per Year for Biodiversity From all Sources, Including USD 30 Billion Through International Finance**

Under Target 19a, the EU plans to double external biodiversity financing from its budget from USD 4 to 8 billion between 2021 and 2027. The measures to achieve this target include the Multiannual Financial Framework (MFF), the Neighbourhood, Development and International Cooperation Instrument (NDICI), including the European Fund for Sustainable Development Plus (EFSD+), and the Instrument for Pre-Accession Assistance (IPA III).²⁹³

Target 19b addresses domestic financial resources and envisages that 7.5% of the EU's 2021-2027 MFF should be dedicated to biodiversity objectives, increasing to 10% by 2026. The document lists a range of EU funding instruments contributing to this objective, including the Common Agricultural Policy (CAP), cohesion funds, Horizon Europe, InvestEU LIFE and the Recovery and Resilience Facility. It also refers to the objective of mobilising at least USD 23 billion per year for biodiversity and to a dedicated natural capital and circular economy initiative of around USD 11 billion over ten years.²⁹⁴

Target 19c is particularly relevant to the banking and investment sectors. It calls for mobilising adequate biodiversity financing from EU Member States, the private sector (including the financial sector), and other stakeholders, including philanthropies. The listed measures include the InvestEU Regulation (also covering financial and advisory products for natural capital), the EU Taxonomy Regulation and its biodiversity and ecosystem screening criteria, the CSRD and SFDR, which the document links to transparency on corporate biodiversity financing, and the EU Green Bond Standard Regulation.²⁹⁵

7.1.3 Progress reported in the 7th National Report

The following bullet points summarise the EU's assessment of progress towards the relevant GBF targets, as presented in its Seventh National Report:

- **Target 14: Integrate Biodiversity in Decision-Making at Every Level**

The EU reports substantial regulatory mainstreaming. The *Better Regulation* framework applies biodiversity-related Do No Significant Harm (DNSH) assessment to EU policy initiatives, while the revised EU Financial Regulation extends DNSH requirements across programmes and activities financed under the MFF. Target 14a is nevertheless assessed as "Progress made but at an insufficient rate."²⁹⁶

Natural-capital accounting is more advanced. Regulation (EU) 2024/3024 requires Member States to compile ecosystem accounts, with reporting beginning in 2026, and Target 14b is assessed as "On track to achieve target."²⁹⁷

- **Target 15: Businesses Assess, Disclose and Reduce Biodiversity-Related Risks and Negative Impacts**

The 7th National Report states that the CSRD and ESRS require biodiversity and ecosystem reporting by companies within scope. It also reports that the SFDR applies to financial market participants, including banks, asset managers and pension funds, requiring disclosure of sustainability risks and Principal Adverse Impacts in investment processes.²⁹⁸

The EU Taxonomy provides a further regulatory component: the 2023 Environmental Delegated Act establishes technical screening criteria for activities substantially contributing to the protection and restoration of biodiversity and ecosystems.²⁹⁹ The 7th National Report also reports the CSDDD and a Commission methodology for financial institutions to assess financial risks associated with biodiversity loss, although the latter remains voluntary.³⁰⁰

The EU assesses Target 15a as "On track to achieve target."³⁰¹ At the same time, the Report notes ongoing simplification and narrowing of parts of the corporate sustainability framework.

At the same time, the 7th National Report does not identify mandatory biodiversity-related portfolio-alignment requirements for banks and investors. Nor does it connect implementation of the GBF to ECB monetary policy or prudential regulation.

- **Target 18: Reduce Harmful Incentives by at Least USD 500 Billion per Year, and Scale Up Positive Incentives for Biodiversity**

The EU shows mixed progress in eliminating biodiversity-harmful subsidies. Under Target 18a, it reports fossil-fuel subsidies of USD 158 billion in 2022 and USD 129 billion in 2023, with 98% of the latter characterised as environmentally harmful. Evidence on non-energy harmful subsidies remains less systematic. Target 18a is assessed as “Progress made but at an insufficient rate.”³⁰²

Though the EU legislation requires mandatory reporting on environmentally harmful energy subsidies (and the Nature Restoration Regulation requires Member States' restoration plans to identify relevant harmful subsidies and measures to phase them out or reform them) the Report states that current work is still focused primarily on identification and reporting as a basis for subsequent reform, and progress under Target 18b is assessed as “Unknown”.³⁰³

The 7th National Report refers to the EU Taxonomy, CAP incentives, nature credits and the EU Green Bond Standard as positive incentives, though many of these measures (in particular, the Taxonomy and the Green Bond Standard) are not incentives per se, but rather enabling legislation that can facilitate private investment in biodiversity.

- **Target 19: Mobilise USD 200 Billion per Year for Biodiversity From all Sources, Including USD 30 Billion Through International Finance**

The EU reports substantial mobilisation of public resources for the GBF implementation. Its USD 8 billion external commitment to global biodiversity finance for 2021–2027 is assessed as on track, with a current estimate of USD 8.2 billion.³⁰⁴

For domestic EU spending, biodiversity-related expenditure accounted for 7.6% of the EU's total budget (USD 16.7 billion) in 2024 and 7.9% (USD 17.6 billion) in 2025. However, projected expenditure of approximately 7.8% in 2026 and 8% in 2027 remains below the 10% target, and Target 19b is therefore assessed as “Progress made but at an insufficient rate”.³⁰⁵

On mobilising private finance, the outcomes appear more modest. The EU's biodiversity financing indicator reached USD 24 billion in 2023 but fell to USD 17.9 billion in 2024. Biodiversity-related public and private investment mobilised through InvestEU amounted to USD 172 million in 2023 and USD 446 million in 2024.

The Report expressly acknowledges that nature restoration and protection continue to rely mainly on public funding, while the headline indicator for private biodiversity funding (D.3) is still “to be developed”.³⁰⁶

7.2 Overview of regulatory bodies for the financial sector

The regulatory system in the European Union consists of various institutions. Regulatory power is divided over the EU's main decision-making bodies, supported by specialised agencies that advise the main decision-making bodies during the policy development process and oversee implementation once regulations have been adopted.³⁰⁷

7.2.1 Main decision-making bodies and regulators in the EU

Three European law-making bodies are central to the EU's regulatory system, namely the European Commission, the European Parliament and the Council of the European Union.

- **European Central Bank (ECB)**

The European Central Bank (ECB) is the central bank of the euro area and the main banking supervisor within the Banking Union. Under the Single Supervisory Mechanism, it directly supervises significant banks, while national competent authorities supervise less significant banks under ECB oversight.³⁰⁸ The ECB is relevant to biodiversity because its supervisory priorities for 2026–2028 include climate- and nature-related risks. It expects banks to assess and manage short-, medium- and long-term risks stemming from the climate and nature crises, and plans to review prudential transition plans and conduct targeted on-site inspections of climate- and nature-related risk management.³⁰⁹

- **European Banking Authority**

The European Banking Authority (EBA) is an EU authority responsible for developing harmonised prudential rules for banks, promoting supervisory convergence and contributing to the EU Single Rulebook.³¹⁰ It is especially relevant for biodiversity because its Guidelines on the management of environmental, social and governance risks make ecosystem degradation and biodiversity loss operational within banks' risk-management frameworks. The Guidelines require institutions to identify, measure, manage and monitor ESG risks, including through plans intended to ensure resilience over the short, medium and long term.³¹¹

- **European Commission**

Headed by a college of 27 Commissioners, the European Commission is a supranational EU body holding the power of initiative, meaning that the Commission is responsible for planning, preparing and proposing new European legislation.

- **European Parliament**

In contrast to most parliaments, the European Parliament cannot propose new legislation itself, but it can amend legislative proposals put forward by the Commission. In addition, legislative proposals need to be approved by the European Parliament before they can be adopted, usually on the basis of a simple majority vote. While the European Parliament does not have a right of initiative, it may request the Commission to prepare a legislative proposal if the request is supported by a majority of the component Members of the European Parliament, under Article 225 TFEU.³¹²

- **Council of the European Union**

The Council of the European Union (the Council) is a co-legislative institution comprising the relevant national ministers of the respective policy areas in question. Like the European Parliament, the Council does not have the direct right to initiate, but can cast amendments and needs to approve a legislative proposal. The Council may also request the Commission to submit proposals. Votes in the Council usually require a qualified majority.

The three main law-making institutions are therefore supported by specialised supervisory and standard-setting bodies. In the banking sector, the ECB and EBA are particularly important because they translate the general legislative framework into supervisory expectations, technical standards, guidelines and supervisory practice.

7.2.2 Specialised agencies

In the aftermath of the 2008 financial crisis, the European Union has set up a European System of Financial Supervision (ESFS), built on two pillars combining macro-prudential supervision (through the establishment of the European Systemic Risk Board (ESRB)) and micro-prudential supervision, coordinated by three European Supervisory Authorities (ESAs).³¹³ The focus in this section is on the latter, in particular on micro-prudential supervision of the European investors' market. Two ESA bodies are relevant in this respect, namely:

- **European Securities and Markets Authority (ESMA)**

The European Securities and Markets Authority (ESMA) is the European authority mandated to ensure the integrity, transparency, efficiency and orderly functioning of EU financial markets, and to ensure that the taking of investment risks is appropriately regulated and supervised within EU financial markets. ESMA is an independent authority accountable to the European institutions (the Commission, Parliament and Council). It also advises the European institutions on issues related to its area of competence.³¹⁴

Stakeholder consultation on ESMA's policies under development is facilitated by the Securities and Markets Stakeholder Group (SMSG), composed of thirty representatives from academia, civil society and (financial) markets.³¹⁵

- **European Insurance and Occupational Pensions Authority (EIOPA)**

The European Insurance and Occupational Pensions Authority (EIOPA) is an independent authority mandated to contribute to regulation, supervisory convergence and consistent supervision in the EU's insurance and occupational pensions sectors.³¹⁶ On issues related to its expertise, EIOPA also provides advice to the European institutions, both on request and on its own initiative.

Like the SMSG, stakeholder consultation on EIOPA's policies under development is facilitated by the Insurance and Reinsurance Stakeholder Group and the Occupational Pensions Stakeholder Group, each composed of 30 members from academia, civil society and (financial) markets.³¹⁷

EIOPA works closely together with ESMA and the European Banking Authority (EBA) through the Joint Committee of the European Supervisory Authorities. Given the focus of this chapter on the EU investors' market, we will focus on ESMA and EIOPA.

ESMA's and EIOPA's decisions are made by their respective Boards of Supervisors, comprising the heads or representatives of relevant competent authorities of each EU member state. In addition, representatives from the European Commission, the ESRB and other ESA bodies also participate in the Boards of Supervisors, albeit only as observers without voting powers.³¹⁸

Apart from ensuring market stability and consumer protection, ESMA and EIOPA have a specific mandate to provide guidance on the integration of sustainability considerations into relevant EU financial legislation and to promote their coherent implementation across member states.³¹⁹ As such, ESMA and EIOPA are pivotal in addressing sustainability risks, including biodiversity risks, through EU investment regulations.

7.3 Central bank policies

7.3.1 Monetary policies

Monetary policy for the euro area is primarily a Eurosystem function. The European Central Bank (ECB) Governing Council sets monetary policy for the euro area, while the national central banks of euro-area Member States implement it through the Eurosystem's operational framework. National central banks therefore remain operationally important, but they do not set separate monetary policy for euro-area Member States. EU Member States outside the euro area retain their own national monetary policy until they adopt the euro.³²⁰

The ECB's primary objective is price stability. However, without prejudice to that objective, the European System of Central Banks must support the general economic policies of the EU, and the ECB has also recognised that environmental protection requirements must be integrated into its policies and activities.³²¹ This provides the legal and policy basis for considering environmental risks, including biodiversity and nature degradation, where they affect inflation, macroeconomic conditions, financial stability or the Eurosystem's balance sheet.

In practice, the ECB's monetary policy work has so far focused mainly on climate change, although its broader policy framework increasingly recognises nature-related risks. The ECB has incorporated climate and nature-related considerations into its broader policy framework and has acknowledged that nature degradation can affect monetary policy. Its climate and nature strategy identifies water scarcity, deforestation, soil erosion and pollinator losses as factors that can affect prices and inflation.³²²

ECB research, originating in Boldrini et al. and restated in the ECB's 2024 Economic Bulletin, found that 72% of euro-area non-financial corporations are critically dependent on at least one ecosystem service, and that around 75% of euro-area corporate loans are granted to firms critically dependent on at least one ecosystem service.³²³

Operational measures have continued to focus on climate rather than nature. In July 2026, the ECB decided to extend the use of climate factors in the Eurosystem collateral framework to certain credit claims against nonfinancial corporations, building on the climate factor already applied to marketable corporate assets. Collateral that is more sensitive to climate transition uncertainty will receive a larger reduction in value, with implementation expected no earlier than the end of 2027. This strengthens the treatment of climate risk in monetary policy operations, but does not introduce an equivalent factor for biodiversity or wider nature-related risks.³²⁴

Biodiversity is not yet reflected in monetary policy instruments in the same operational way as climate. The most concrete monetary-policy measure is the Eurosystem's climate factor in the collateral framework, implemented on 15 June 2026, which adjusts the collateral value of certain non-financial corporate bonds to reflect climate-transition uncertainty.³²⁵ This measure is climate-focused and does not create biodiversity-based collateral haircuts, eligibility criteria, asset-purchase exclusions or nature-related performance requirements. Biodiversity therefore remains relevant mainly as an emerging macroeconomic and balance-sheet risk, rather than as a distinct operational criterion in EU monetary policy.

This ECB work has developed outside the measures identified in the EU National Targets and the 7th National Report, which do not connect GBF implementation to ECB monetary policy. It nevertheless represents a relevant development for Target 14, although biodiversity has not yet been translated into operational monetary policy instruments.

7.4 Banking regulations

7.4.1 Capital Requirements Directive VI: governance, risk management and prudential plans

Directive (EU) 2024/1619, known as the Capital Requirements Directive VI (CRD VI), strengthens the integration of environmental, social and governance (ESG) risks into banks' governance, strategy and prudential supervision. It applies principally to European Union-authorized credit institutions and banking groups, at individual, sub-consolidated or consolidated level as applicable. Member States were required to transpose CRD VI by 10 January 2026 and to apply most national implementing measures from 11 January 2026.³²⁶ Transposition has nevertheless been uneven: the Commission's transposition-status page recorded full transposition by only eight Member States as of 8 June 2026.³²⁷

CRD VI requires banks to maintain strategies, policies, processes and systems for identifying, measuring, managing and monitoring ESG risks over short-, medium- and long-term horizons. Banks must integrate material ESG risks into governance, risk appetite, internal controls and assessment of capital needs. Their management bodies must also approve prudential plans for monitoring and addressing the financial risks arising from ESG factors. These plans must include timelines, intermediate quantifiable targets and milestones, and must consider risks arising from the transition towards relevant European Union and national environmental objectives. CRD VI expressly refers to the GBF in the context of transition risks arising from relevant European Union and Member State regulatory objectives. This makes biodiversity relevant to banks' prudential

plans where GBF-related policy measures, including biodiversity protection, restoration or land-use regulation, may create financial risks for banks or their counterparties.³²⁸

CRD VI is also relevant because its recitals contain explicit biodiversity and portfolio alignment language. Recital 40 states that institutions should be required to assess the alignment of their portfolios with the Union's ambition to become climate neutral by 2050 and to avert environmental degradation and biodiversity loss. However, this language is not reproduced in the operative provisions as a standalone biodiversity portfolio alignment duty. Article 76(2) instead requires banks' management bodies to prepare plans with quantifiable targets and processes to monitor and address the financial risks arising from ESG factors, including transition trends linked to relevant European Union and Member State regulatory objectives. The result is an important gap: biodiversity and portfolio alignment are recognised in the Directive's stated ambition, but the binding obligation remains framed primarily as a prudential financial risk management requirement.³²⁹

7.4.2 Capital Requirements Regulation (CRR) III: ESG definitions and Pillar 3 disclosures

Regulation (EU) 2024/1623, known as the Capital Requirements Regulation III (CRR III), complements CRD VI and applies directly without national transposition. For sustainability purposes, CRR III is important because it introduces common definitions of ESG factors, ESG risks and environmental risk, and because it extends Pillar 3 ESG-risk disclosure requirements to all institutions, subject to proportionality.³³⁰

CRR III anchors biodiversity in the Level 1 banking package. It states that common examples of ESG factors include greenhouse gas emissions, biodiversity and water use in the environmental area. It also defines ESG risks and environmental risks by reference to potential negative financial impacts on institutions arising through counterparties or invested assets.³³¹

However, CRR III does not create a separate biodiversity-specific prudential obligation. Its quantitative disclosure framework remains more developed for climate than for biodiversity and does not, in itself, require banks to align lending with biodiversity targets or prohibit financing connected with deforestation or ecosystem conversion.

The EBA has also rejected the introduction of a general green supporting factor or brown penalising factor in capital requirements. In its 2023 report on environmental and social risks in the prudential framework, it stressed that environmentally sustainable exposures are not necessarily less risky and that environmental harm is not, by itself, a sufficient measure of financial risk. It therefore favoured risk-based improvements to the existing prudential framework rather than automatic capital reductions or increases based on whether an activity is classified as green or harmful.³³²

7.4.3 European Banking Authority Guidelines on the management of ESG risks

The European Banking Authority (EBA) Guidelines on the management of ESG risks specify how banks should implement the ESG-risk obligations introduced by CRD VI and CRR III. Banks must conduct regular ESG-risk materiality assessments; assess risks at counterparty, sector, portfolio and geographic level; collect relevant data; establish risk indicators and limits; engage with materially exposed counterparties; and incorporate material ESG risks into their Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process.³³³

The Guidelines apply from 11 January 2026 to institutions other than small and non-complex institutions, and from 11 January 2027 to small and non-complex institutions.³³⁴

The EBA Guidelines treat biodiversity as an important consideration. They require banks' environmental-risk assessments to cover at least climate-related factors, ecosystem degradation and biodiversity loss. Banks should consider whether counterparties' business models or supply chains may be disrupted by biodiversity loss, water stress, pollution or the decline of ecosystem

services. They are also expected progressively to develop indicators concerning portfolio dependencies and impacts on ecosystem services and exposures to counterparties with material dependencies or negative impacts on biodiversity.³³⁵

At the same time, the framework remains prudential and financial-materiality-based. Biodiversity-related dependencies, exposures and impacts are relevant where they may generate credit, market, operational, reputational, litigation or business-model risks for the bank. The framework does not require banks to apply full double materiality, align all lending with biodiversity targets, or prohibit financing connected with deforestation or ecosystem conversion.

7.4.4 European Banking Authority Guidelines on environmental scenario analysis

The EBA published final Guidelines on environmental scenario analysis on 5 November 2025. These Guidelines complement the EBA Guidelines on the management of ESG risks by specifying how institutions should conduct environmental scenario analysis. They apply from 1 January 2027, giving banks additional time to develop the necessary governance, data and modelling capabilities.³³⁶

The Guidelines require banks to use environmental scenario analysis to assess the resilience of their business models, strategies and risk profiles to environmental risks. They are relevant to biodiversity because their scope is not limited to climate change and may cover broader environmental risk drivers, including ecosystem degradation, water scarcity, land-use change and biodiversity loss.³³⁷

Like the wider prudential framework, the Guidelines remain focused on financial risk. They help operationalise forward-looking assessment of environmental risks, but do not require banks to align lending portfolios with biodiversity targets or restrict financing linked to deforestation or ecosystem conversion.

The EBA Guidelines (together with CRD VI, and CRR III discussed above) demonstrate that broader sustainability considerations, including biodiversity, are already being incorporated into the EU prudential framework, even though these measures are not part of the EU National Targets or its reporting in the 7th National Report. Prudential regulation therefore represents an additional area of regulatory development beyond the measures currently planned as part of the EU's GBF process.

7.5 Capital market regulations

When talking about European regulations, this chapter refers to the plethora of European laws, which in practice take one of two forms: EU regulations directly apply in the EU member states after their entry into force, whilst EU directives require transposition into national law, leaving member states some leeway in determining how to apply these rules.³³⁸ In March 2018, the European Commission unveiled its strategy for a financial system that supports the EU's climate and sustainable development agenda, better known as the EU Sustainable Finance Action Plan.³³⁹ Several key regulations came out of this action plan, which set the regulatory framework on transparency and due diligence for investors in the European Union. They include the EU Taxonomy for Sustainable Activities (the EU Taxonomy), the EU Green Bonds Regulation, and the Sustainable Finance Disclosure Regulation (SFDR). In the sub-sections below, these key regulations are outlined, explaining how each one aims to address transparency and due diligence of EU investors with a specific focus on biodiversity-related issues.

In 2025-2026, the wider disclosure framework has also been affected by the Omnibus I simplification package, which narrows and delays certain corporate sustainability reporting and due diligence obligations and limits taxonomy reporting requirements for some companies. These changes do not replace the EU Taxonomy, the EU Green Bond Regulation or the SFDR, but they are

relevant for investors because they affect the sustainability data available for investment analysis and disclosure.³⁴⁰

7.5.1 Sustainable Finance Disclosure Regulation

The Sustainable Finance Disclosure Regulation (SFDR) was introduced as a core part of the EU's 2018 Sustainable Finance Action Plan alongside the EU Taxonomy.³⁴¹ The regulation requires financial market participants, including certain investors such as insurance companies, investment firms and pension funds, to disclose whether and how ESG risks are integrated in investment policies.

In addition, financial market participants – including investors – need to disclose on their websites where they have considered Principal Adverse Impacts (PAIs) of investment decisions on sustainability factors, including a statement on due diligence policies with respect to those PAIs. This concept aims to better display negative social and environmental impacts which investment can have. Where PAIs have not been considered, a clear reason for not doing so needs to be disclosed.³⁴² For larger financial market participants, including those with more than 500 employees, PAI reporting is mandatory rather than optional.

The SFDR has further provisions regarding investment funds offered by fund managers to the public. In market practice, funds are often described in accordance with differing levels of sustainability, as laid down in Articles 6, 8 and 9 of the Regulation. This categorisation is based on how far the funds take ESG risks into account and if the funds have sustainability objectives. If funds have considered PAIs is not mentioned amongst the defining criteria. The European Commission proposed amendments to the SFDR in November 2025,³⁴³ including changes to product categorisation, but as of June 2026 the proposal has not yet been adopted. The current Article 6, 8 and 9 framework therefore remains in force.

- **Article 6**

Article 6 requires investors to indicate whether and how ESG risks have been considered in investment decisions. Where ESG risks are not integrated into investment policies, financial institutions need to provide a reason for not doing so and whether they intend to consider such risks in the future.³⁴⁴ Accordingly, Article 6 funds can include unsustainable investment.

- **Article 8**

Article 8 spells out the requirements for funds that make investments which promote environmental or social characteristics but which do not have sustainable investment as their main objective.

- **Article 9**

Article 9 sets requirements for financial products that have sustainable investment as their objective. Where an index has been designated as a reference benchmark, disclosures must explain how that index is aligned with the objective and how it differs from a broad market index; where no index has been designated, disclosures must explain how the objective is to be attained. For Article 9 products with an environmental objective, EU Taxonomy disclosures are required, including information on the relevant environmental objective and how and to what extent the underlying investments are in taxonomy-aligned economic activities.³⁴⁵

It is important to note that the SFDR only spells out reporting requirements and does not set any substantive due diligence requirements to identify and address ESG risks, including on biodiversity. Notably, the reporting requirements under SFDR are limited as they do not generally require European investors to disclose the full list of companies in which they are actually investing. As such, the extent to which SFDR advances transparency of and on the EU investors market remains limited. SFDR itself does not create a substantive sustainability label, although ESMA's fund-name Guidelines now restrict the use of ESG- and sustainability-related terms in fund names.³⁴⁶

Therefore, confusion still exists with respect to the definition of “sustainable investment” under the SFDR. The European Commission opts for a discretionary approach that does not set detailed minimum requirements for funds to qualify as “sustainable” but leaves it to fund managers to determine this and disclose the methodology by which the fund's positive contribution is established.³⁴⁷ As ESG-data provider Matter puts it, “this could be seen as a departure from the activity-based logic employed in the EU Taxonomy”.³⁴⁸

To mitigate this pitfall, ESMA published Guidelines³⁴⁹, now applicable to new funds and after a transition period to existing funds, on the use of ESG or sustainability-related terms in funds’ names, including:

- Funds using sustainability-related terms should meet an 80% threshold linked to the proportion of investment used to meet E&S characteristics or sustainable investing objectives of the fund;
- They should exclude companies involved with the exploration, mining, extraction, distribution or refining of hard coal and lignite (>1% revenue), oil fuels (>10% revenues), gaseous fuels (>50% revenue) or electricity generation with a GHG intensity of more than 100 g CO₂-eq/kWh (>50% revenue).³⁵⁰

The SFDR is one of the financial regulations most directly connected to EU Target 15a, which identifies it as part of the EU’s mandatory sustainability disclosure framework. The 7th National Report likewise reports the SFDR under Target 15, although the Regulation does not itself require biodiversity due diligence or portfolio alignment.

7.6 Regulations on corporate disclosure

7.6.1 EU Corporate Sustainability Reporting Directive (CSRD)

The Corporate Sustainability Reporting Directive (CSRD) was introduced in 2022 and obliges in-scope companies, including some financial undertakings, to disclose sustainability-related information. Following Omnibus I, the CSRD scope has been narrowed and now generally covers companies with more than 1,000 employees and above EUR 450 million net annual turnover. For third-country undertakings, the updated requirements apply only where the parent undertaking has net turnover above EUR 450 million in the EU and the relevant EU subsidiary or branch generates turnover above EUR 200 million.³⁵¹ The Directive is relevant to investors in two ways. First, it lays direct requirements on large European investment firms with respect to sustainability-related information. Second, the CSRD is of importance because investors rely on information published by the companies they invest in to comply with the reporting requirements under the SFDR (section 7.5.1) and with the CSDDD where they are subject to due diligence requirements under that Directive (section 7.8.2).

The CSRD builds on the 2014 Non-Financial Reporting Directive (NFRD),³⁵² which placed some very broadly defined environmental and social reporting requirements on large public-interest entities with more than 500 employees, including listed companies, banks, insurance undertakings and other entities designated by Member States. With the CSRD, the European Union sets more specific sustainability-related reporting requirements, which are developed by the European Financial Reporting Advisory Group (EFRAG) in the European Sustainability Reporting Standards (ESRS), and formally adopted by the European Commission. The first set of ESRS was adopted in 2023 and applied from financial year 2024 for the first reporting wave, but the standards are now being simplified under the Omnibus process. As of June 2026, revised ESRS had been published for feedback but were not yet adopted or in force.³⁵³

The ESRS differentiate between three categories of reporting standards.³⁵⁴

- **Cross-cutting standards**

The first set of ESRS entered into force on 1 January 2024 and consists of sector-agnostic reporting standards. The cross-cutting standards are ESRS 1 General Requirements and ESRS 2 General Disclosures.³⁵⁵ ESRS 1 sets out the general principles for sustainability reporting under the ESRS, including double materiality, reporting boundaries, value-chain information and the structure of sustainability statements. ESRS 2 sets out general disclosure requirements that apply across sustainability topics, including governance, strategy, impact, risk and opportunity management, and metrics and targets. The first reporting wave, covering companies previously subject to the NFRD, applied the ESRS for financial year 2024, with the first reports published in 2025. Later reporting waves have since been affected by the Stop-the-clock Directive and Omnibus I: companies previously due to report for financial years 2025 or 2026 have had their reporting obligations postponed, while many companies that were previously expected to report, including listed SMEs, have been removed from the CSRD scope under the narrowed framework.³⁵⁶

- **Topical standards**

The topical standards focus on environmental (ESRS E1- E5), social (ESRS S1-S4) and governance (ESRS G1) related disclosures. With respect to biodiversity, the most important topical standard is ESRS E4 Biodiversity and Ecosystems.³⁵⁷

- **Sector-specific standards**

Sector-specific ESRS were originally intended to supplement the sector-agnostic ESRS for high-impact sectors, including oil and gas, mining and coal mining, road transport, agriculture, farming and fishing, financial institutions, energy and utilities, motor vehicles, food and beverages, and textiles.³⁵⁸ However, none has been adopted. Their adoption was postponed to 30 June 2026,³⁵⁹ and Omnibus I goes further by removing the legal basis for future binding sector-specific ESRS.

The disclosure requirements under ESRS 2 and topical ESRS (including ESRS E4 on biodiversity and ecosystems) are structured into four areas for reporting:

- Governance
- Strategy
- Impact, risks and opportunities management, and
- Metrics and targets

With respect to biodiversity-related risks, this means that companies are required, under ESRS E4, to disclose what biodiversity and ecosystems-related impacts, dependencies, risks, and opportunities are most material to their business operations. The disclosure must comprise a double materiality approach, meaning that corporations report both on how biodiversity and ecosystem-related risks affect them, and how their operations and activities affect biodiversity and ecosystems. Identification of these impacts, dependencies, risks and opportunities needs to be based on the undertaking's materiality assessment. Where biodiversity and ecosystems scenario analysis is used, companies may disclose the selection of specific scenarios/forecasts and why they were selected, including whether they are informed by authoritative bodies such as the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES).³⁶⁰

Additionally, companies and financial undertakings in scope need to illustrate how biodiversity and ecosystems-related considerations are integrated into their company strategies, business models and risk-management systems. Specifically, they are required to disclose their most material biodiversity and ecosystem risks, formulate concomitant metrics and targets and disclose whether they are GBF-aligned. In doing so, companies and financial institutions may also disclose a biodiversity transition plan, but this is not mandated.³⁶¹ Importantly, the disclosures under ESRS are subject to assurance.³⁶²

Notably, the disclosure requirements under ESRS E4 are subject to a two-year phase-in period where financial undertakings with 750 or fewer employees do not have to report on biodiversity and ecosystems-related risks. Additionally, financial undertakings do not have to report on their anticipated financial effects from biodiversity and ecosystem-related impacts, risks and opportunities for the first year of reporting. And, furthermore, for the first three years of reporting, they may choose to report qualitatively on these anticipated effects rather than using quantitative indicators.³⁶³ For first-wave companies, the 2025 ESRS “quick fix” also provides additional flexibility for financial years 2025 and 2026 (meaning that they also can omit information on, amongst other things, the anticipated financial effects of certain sustainability-related risks).³⁶⁴

In addition to ESRS requirements, financial institutions in scope of the CSRD are also required to report under the EU Taxonomy Regulation (section 7.7.1), subject to the narrowed CSRD scope and the taxonomy-disclosure simplifications discussed above.³⁶⁵

As discussed earlier in this chapter, the CSRD and ESRS form part of the EU’s implementation of Target 15a and are reported in the 7th National Report as progress under that target. However, recent reforms have narrowed the number of companies covered and delayed some reporting requirements, limiting how widely these disclosure rules apply.

7.7 Regulations stimulating the financing of sustainable activities

7.7.1 EU Taxonomy for Sustainable Activities

In 2020, the European Union adopted the EU Taxonomy Regulation for Sustainable Activities (the EU Taxonomy) within the context of the European Green Deal. By defining criteria for economic activities deemed environmentally sustainable, the classification system aims to counter greenwashing and advance sustainable investment decisions.³⁶⁶ As such, the EU Taxonomy is a system of criteria to determine whether an economic activity is environmentally friendly. Accordingly, the EU Taxonomy only classifies activities, but does not prohibit undertaking or investing in economic activities that are not classified as environmentally friendly.

The European Green Deal

Designed as the EU’s compass to achieve its sustainability goals, the European Green Deal was launched in 2019 by the Commission as a set of policy initiatives with the overarching aim of making the EU climate neutral by 2050. To reach this target, the EU’s net greenhouse gas emissions should be reduced by at least 55% by 2030 compared to 1990 levels.³⁶⁷

Under the Green Deal umbrella, the Commission has also formulated objectives to stimulate a circular economy, just transitions, and biodiversity and ecosystem restoration. The EU Biodiversity Strategy for 2030 is part of this agenda, and includes targets such as establishing the legal protection of at least 30% of the EU’s land area and 30% of its seas.³⁶⁸

To achieve these goals, the Commission has pledged to mobilise at least EUR 1 trillion in sustainable investment over the decade following the launch of the European Green Deal Investment Plan, including “unlocking at least EUR 20 billion a year for nature” as part of the EU 2030 Biodiversity Strategy.³⁶⁹

The EU Taxonomy lies at the foundation of various other sustainable finance regulations. In this way, the classification system aims to advance sustainable investment decisions by linking other regulations and directives to the EU Taxonomy, with the aim of providing incentives to investors within the EU market to align their activities with the standards formulated in the taxonomy. These incentives could be reputational or based on higher profit margins for sustainable finance products like green bonds.³⁷⁰

According to the EU Taxonomy Regulation (Article 9), economic activities qualify as environmentally sustainable if they contribute significantly to one or more of the following environmental objectives:

- Climate change mitigation;
- Climate change adaptation;
- The sustainable use and protection of water and marine resources;
- The transition to a circular economy;
- Pollution prevention and control;
- The protection and restoration of biodiversity and ecosystems.³⁷¹

In addition, the economic activity should:

- do no significant harm (DNSH) to any of the other environmental objectives;
- be *carried out in compliance with minimum safeguards (based on the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights)*;³⁷² and
- comply with TSC, which are contained in delegated acts and their technical annexes.³⁷³

While recognising interlinkage with other environmental objectives formulated under Article 9, the objective on the protection and restoration of biodiversity and ecosystems is of particular importance for alignment with the GBF targets. Examples of economic activities that would fall within this category include sustainable land-use management, including sustainable agricultural practices, sustainable forest management or the protection, restoration or conservation of terrestrial, marine and other aquatic ecosystems.³⁷⁴

Which economic activities meet the fairly broad environmental objectives of the EU Taxonomy needs to be further detailed in TSC. Until 2024, TSC were only developed for climate-related activities, meaning that only climate-related activities could be taxonomy-aligned. On 1 January 2024, additional screening criteria for the environmental objectives relating to water and marine resources, circular economy, pollution prevention and biodiversity entered into force.³⁷⁵ For the biodiversity objective, these criteria list specific activities, including conservation and restoration of habitats, ecosystems and species, and certain tourism and accommodation activities that contribute to conservation or restoration. They also include DNSH criteria for those activities. However, the biodiversity objective remains relatively narrow in sectoral coverage compared with the climate objectives.

These TSC clarify that an economic activity can contribute significantly to the environmental objective of “the protection and restoration of biodiversity and ecosystems” in one of the following two ways:

- by directly contributing to the protection of biodiversity and ecosystems through conservation and restoration activities;
- through ecotouristic activities that contribute to conservation or restoration measures, either financially or in-kind, for example by offering educational opportunities on conservation-related topics to raise awareness on appropriate behaviour.³⁷⁶

To be considered as directly contributing to the protection of biodiversity and ecosystems, the economic activity has to aid at least one of the following:

- maintaining the good condition of ecosystems, of species, of habitats or of habitats of species;
- re-establishing or restoring ecosystems, habitats or habitats of species towards good condition, including through increasing their area or range.³⁷⁷

The term “good condition” is specified as “a state where the key characteristics of an ecosystem, namely its physical, chemical, compositional, structural and functional state, and its landscape and seascape characteristics, reflect the high level of ecological integrity, stability and resilience necessary to ensure its long-term maintenance”.³⁷⁸ To adequately assess and monitor the ecological condition, the activity should include a detailed mapping of the area in scope and be accompanied by a management plan and a guarantee of permanence. The latter can be achieved if the activity takes place in an area classified as protected under international protocols or national laws or through public or private contractual arrangement, although the regulation does not

mandate a time span to guarantee the permanence of conservation or restoration outputs and impacts.

Furthermore, some biodiversity-related activities can be taxonomy-aligned through the TSC related to climate change, pointing towards the interlinkages between the various environmental objectives formulated under the taxonomy framework. For example, the TSC on climate-change mitigation include criteria on biodiversity conservation for the forestry sector.³⁷⁹ This means that an activity where the forest management objective is to conserve biological diversity can be classified under the environmental objective of climate-change mitigation. The TSC mention a few examples in this respect, such as forest management in wildlife reserves and the protection of High Conservation Value areas and key wildlife habitats. Yet the scope of these interlinked, biodiversity-related activities remains limited.

The EU Taxonomy also sets out reporting requirements in Article 8 of the regulation, covering non-financial undertakings, asset managers, credit institutions, investment firms and insurance companies that are subject to EU sustainability-reporting obligations, originally under the 2014 Non-Financial Reporting Directive and now under the Corporate Sustainability Reporting Directive, as amended by the Omnibus simplification package. Following the Omnibus changes, the CSRD and related taxonomy-reporting scope is narrowed to companies with more than 1,000 employees and above EUR 450 million net annual turnover. For third-country undertakings, the updated requirements apply only where the parent undertaking has net turnover above EUR 450 million in the EU and the subsidiary or branch generates turnover above EUR 200 million. In-scope undertakings must disclose the extent to which their turnover, capital expenditure, operating expenditure, assets or investments relate to taxonomy-aligned, taxonomy-eligible and taxonomy non-eligible activities.³⁸⁰ The 2026 taxonomy-disclosure simplification also introduces materiality-based reliefs: non-financial undertakings may refrain from assessing taxonomy eligibility and alignment for activities that cumulatively account for less than 10% of the denominator of the relevant turnover, capital expenditure (CapEX) or operational expenditure (OpEx) key performance indicators (KPIs), while reporting them separately as non-material. Financial undertakings benefit from a corresponding 10% materiality threshold for use-of-proceeds assets whose proceeds are known, and from a temporary opt-out from detailed taxonomy reporting until the end of 2027 if they do not make taxonomy-alignment claims.³⁸¹

The EU Taxonomy is therefore directly embedded in the EU's biodiversity commitments and GBF reporting: it is identified in the Biodiversity Strategy and subsequent EU National Targets as a measure supporting biodiversity integration, positive incentives and mobilisation of private finance, and is also reported under Targets 15 and 18 in the 7th National Report.

Under the current EU Taxonomy framework, sustainability is defined in rather narrow terms to capture only environmental sustainability criteria. Initially, the Commission's plan was to create a complementary Social Taxonomy framework.³⁸² In this context, the Platform on Sustainable Finance prepared an advisory report proposing a structure for a Social Taxonomy within the current EU legislative framework for sustainable finance and sustainable governance.³⁸³ According to these experts, a Social Taxonomy could bring clarity on the definition of social sustainability for investment and drive capital flows to activities that contribute to the realisation of human rights. In spite of this preparatory work, the efforts to develop a Social Taxonomy framework have stalled because of opposition from some member states, despite appeals from civil society as well as the financial sector itself stressing the merits of a Social Taxonomy framework.³⁸⁴ As of mid-2026, no EU Social Taxonomy has been proposed or adopted.

7.7.2 EU Green Bonds Regulation

The European Green Bonds Regulation (Regulation (EU) 2023/2631), entered into force on 21 December 2023 and has applied since 21 December 2024. It requires that the proceeds of any bond marketed as a "European Green Bond" (or EUGB) must generally be allocated in full in

accordance with the EU Taxonomy (see section 7.7.1).³⁸⁵ This creates a voluntary EU standard for bonds using the “European Green Bond” or “EuGB” designation to support public and private issuers in raising funds for investments in sustainable assets or activities. Bonds issued as European Green Bonds are subject to supervision by national competent authorities where the Regulation assigns issuer supervision powers to them. External reviewers, whose pre-issuance and post-allocation reviews are required for European Green Bonds, are registered and supervised by ESMA.³⁸⁶

The EU directly links the European Green Bond Standard to its GBF implementation. Thus, the EU National Targets list it under Target 19c as a measure for mobilising biodiversity finance, while the 7th National Report refers to it under Target 18 in its discussion of positive incentives.

7.8 Regulations protecting human rights and/or the environment

In addition to the transparency and due diligence regulations covering European investors directly, the EU has developed corporate reporting and due diligence regulations. While these regulations were not developed specifically for the financial sector, they could be expanded to cover some financial institutions, including investors. Three regulations are relevant in this respect: the Corporate Sustainability Reporting Directive (see section 7.6.1) and associated EU Sustainability Reporting Standards, the Regulation on Deforestation-free products (EUDR) and the European Corporate Sustainability Due Diligence Directive (CSDDD).

However, their relevance for investors should be assessed in light of recent EU simplification reforms: Omnibus I has narrowed the scope of the CSRD and CSDDD, while the EUDR’s entry into application has been postponed to 30 December 2026 for large and medium operators and 30 June 2027 for micro and small operators.³⁸⁷ The EUDR has also been subject to implementation simplifications, including country-risk benchmarking that enables simplified due diligence for low-risk countries, the possibility to cover multiple shipments or batches under a single due diligence statement, a shift of due diligence-statement obligations towards the first operator placing relevant products on the EU market or exporting them, and draft Annex I product-scope changes proposing, among other things, the removal of cattle hides, skins and leather from scope.³⁸⁸

7.8.1 European Regulation on Deforestation-free products (EUDR)

In 2023, the EU Regulation on Deforestation-free Products (EUDR) entered into force. The Regulation prohibits specified commodities and products from being placed or made available on the EU market, or exported from it, unless they are deforestation-free, have been produced in accordance with the relevant legislation of the country of production and are covered by a due diligence statement. The EUDR covers seven forest-risk commodities (cattle, cocoa, coffee, oil palm, rubber, soya and wood) as well as specified products containing, produced from or made using these commodities.³⁸⁹ In July 2026, the European Commission adopted a delegated act removing cattle hides, skins and leather from the Regulation’s product scope. At the time of writing, the delegated act remained subject to scrutiny by the European Parliament and the Council before entering into force.³⁹⁰

EUDR’s entry into application has since been postponed: the main obligations apply from 30 December 2026 for large and medium operators, and from 30 June 2027 for micro and small operators.³⁹¹

Not all forest-risk commodities are covered: apart from leather, mining products are also not included in the EUDR scope. The regulation also does not apply to products originating from biomes that do not fall under the EU definition of “forests”, like the Cerrado.

The Commission has now published the country benchmarking classification under the EUDR. Countries, or parts thereof, are classified as low, standard or high risk. This classification affects the level of due diligence required from operators and the level of scrutiny by competent

authorities. Belarus, the Democratic People's Republic of Korea, Myanmar and the Russian Federation are currently classified as high risk.³⁹²

Specifically, the EUDR only allows the listed forest-risk commodities on the EU market if:

- They are deforestation-free. In this context, key definitions include:
 - Forests: "land spanning more than 0.5 hectares with trees higher than five metres and a canopy cover of more than 10%, or trees able to reach those thresholds in situ, excluding land that is predominantly under agricultural or urban land use";
 - Deforestation: "the conversion of forest to agricultural use, whether human-induced or not";
 - Forest degradation: "structural changes to forest cover, taking the form of the conversion of: (a) primary forests or naturally regenerating forests into plantation forests or into other wooded land; or (b) primary forests into planted forests".³⁹³
- They are produced in accordance with the relevant legislation of the country of production. In this context examples of relevant legislation of the country of production include laws on environmental protection, land-use rights, and human and labour rights.³⁹⁴
- They are covered by a due diligence statement, entailing:
 - The collection of information, data and documents on the type of product, its quantity, country and region of production, polygon-level geolocation, and contact information of suppliers. The information needs to be verifiable and kept for five years by companies after a relevant commodity has been imported or exported;³⁹⁵
 - Conduct a risk assessment, taking into account (amongst other things) the country of production and complexity of the supply chain, in particular difficulties in connecting relevant products to the plots of land where they were produced;³⁹⁶
 - Mitigate identified risks, for example by collecting additional information, carrying out independent audits, or building capacity of smallholders in the supply chain through additional support.³⁹⁷

For products produced exclusively in countries or parts thereof classified as low risk, operators may apply simplified due diligence: they must still collect the required information, but they are not required to conduct the full risk assessment and risk mitigation steps unless relevant new information arises or there is a risk of circumvention or mixing with products of unknown origin or from standard- or high-risk countries.³⁹⁸

Compliance checks are carried out by national authorities on a risk-based basis, taking into account, among other things, the country risk classification. In the case of non-compliance, companies are fined proportionate to the environmental damage and value of the commodities or products, the amount of which can be up to 4% of the company's EU turnover. Additionally, companies may face a temporary prohibition from trading any of the commodities and products in scope of the regulation in cases of serious or repeated infringements.³⁹⁹

Under the latest simplification, the submission of due diligence statements is concentrated mainly at the level of the first operator placing the relevant commodity or product on the EU market or exporting it. Downstream operators and traders generally do not need to submit a new due diligence statement for products already covered by an upstream due diligence statement or, where applicable, a simplified declaration. Instead, they must collect and keep the relevant reference number or simplified-declaration identifier and pass it further down the supply chain where required.⁴⁰⁰

The financial sector is currently not covered by the EUDR and so the regulation does not impose any transparency or due diligence requirements on financial institutions. The EUDR now contains a provision stating that the Commission must carry out a general review by 30 June 2030, including an assessment of the role of financial institutions in preventing financial flows that contribute

directly or indirectly to deforestation and forest degradation, and whether specific obligations for financial institutions are needed.⁴⁰¹

7.8.2 EU Corporate Sustainability Due Diligence Directive (CSDDD)

On 24 May 2024 the Council of the EU formally adopted the Corporate Sustainability Due Diligence Directive (CSDDD), which will oblige very large companies to prevent, mitigate and remedy human rights abuses and adverse environmental impacts. The Directive entered into force on 25 July 2024 and has since been amended by the Omnibus I simplification package. Member States must now adopt and publish national transposition measures by 26 July 2028 and apply them from 26 July 2029, except for Article 16 reporting measures, which apply for financial years starting on or after 1 January 2030.⁴⁰²

The directive also covers certain regulated financial institutions, including institutional investors, but these are only subjected to due diligence requirements with respect to their upstream value chain, not with regard to financial services. As such, the directive has little direct implications for EU investors, although investment in non-compliant companies may carry additional reputational risks.

As part of the broader simplification process, the specific review clause on additional due diligence requirements for regulated financial undertakings has been removed. Instead, the Commission must submit a general report on the implementation, effectiveness and efficiency of the Directive by 26 July 2031 and every five years thereafter, accompanied, where appropriate, by a legislative proposal.⁴⁰³

7.9 Possible improvements of relevant regulations in the European Union

7.9.1 Assessment of current European regulations

This chapter has described and summarised the financial regulations in the European Union that could be relevant to aligning investor financing flows with the targets of the GBF. presents the results of the assessment against the three author-developed criteria informed by selected GBF targets, using the methodology described in **Error! Reference source not found.**

Table 8 Assessment of current European Union regulations against GBF targets

Assessment criteria	Colour score	Justification
1 Financial regulations do not allow financing of, or investment in, activities or companies responsible for deforestation or the conversion of natural ecosystems.	Light red	EU financial regulations do not prohibit banks or investors from financing companies involved in the conversion of natural landscapes. CRD VI, CRR III and the EBA Guidelines require banks to assess environmental risks, including biodiversity loss and ecosystem degradation, but only where these create financial risks for the institution. They do not require banks to exclude harmful clients or align lending with biodiversity targets. The EU Taxonomy and SFDR classify or disclose investments rather than prohibit harmful financing, while the EU Deforestation Regulation does not cover the financial sector.
2 Financial regulations expect financial institutions to support a just transition in the Agriculture, Aquaculture, Fisheries and Forestry sectors, in ways that uphold the rights of	Light red	EU banking and investment regulations provide some incentives for environmental transition, but they do not require financial institutions to support a just transition in agriculture, aquaculture, fisheries and forestry or to protect the rights of workers, peasants, fisherfolk, Indigenous Peoples and traditional and local communities. CRD VI and the EBA Guidelines require banks to manage financial risks arising from environmental and social factors, but they do

Assessment criteria	Colour score	Justification
workers, peasants, fisherfolk, Indigenous Peoples, traditional and local communities.		not require banks to produce positive social outcomes or set engagement and financing targets for these sectors. The EU Taxonomy contains minimum human rights safeguards based on the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, but these apply only where an institution claims taxonomy alignment. The same limitation applies to the voluntary European Green Bond designation. The proposed Social Taxonomy has stalled. The CSDDD does not apply due diligence requirements to lending, investment or underwriting, while the social standards under the CSRD require disclosure rather than action. The planned sector standards for agriculture, farming and fishing and for financial institutions were not adopted, and Omnibus I removed the legal basis for binding sector standards.
3 Financial regulations require transparency of all investment flows and full disclosure of biodiversity and social impacts of these flows.	Yellow	EU regulations require banks and investors to take relevant steps towards transparency, but they do not ensure full disclosure of all financing and investment flows or their biodiversity and social impacts. CRR III introduces ESG disclosures for banks, while CRD VI and the EBA Guidelines require banks to assess and manage environmental risks, including biodiversity loss. These requirements are based mainly on financial materiality and do not require banks to disclose all financed companies or the impacts of their financing. The SFDR requires investors to disclose how ESG risks are integrated and, for larger financial market participants, to report principal adverse impacts. ESRS E4 requires companies within the scope of the CSRD to report material biodiversity impacts, dependencies, risks and opportunities using double materiality. However, SFDR reporting remains largely at portfolio level and does not generally identify all investee companies. The Omnibus reforms have also narrowed or delayed disclosure: Omnibus I reduced the scope of the CSRD and removed binding sector standards; taxonomy reporting now includes a 10% materiality threshold and temporary relief for financial undertakings not claiming alignment; and the 2025 quick fix allows all first wave companies to omit ESRS E4 for financial years 2025 and 2026, subject to limited summary reporting where biodiversity is material. CRD VI also remains unevenly transposed.

7.9.2 Progress towards meeting the GBF targets

The EU is substantially more advanced than other jurisdictions reviewed in this report in terms of directly connecting its GBF commitments to financial regulation. Most importantly, EU Target 15a itself identifies the CSRD and SFDR and expressly commits to mandatory disclosure. This is complemented by biodiversity criteria under the EU Taxonomy, ESRS biodiversity reporting, corporate due diligence and the EU Green Bond Standard. Financial sector regulation is, therefore, directly integrated into the EU's GBF targets and implementation reporting.

At the same time, biodiversity integration into financial sector regulations remains largely focused on due diligence, disclosure, and classification, such as the taxonomy and the Green Bond Standard. The 7th National Report does not connect biodiversity implementation to ECB monetary policy or prudential supervision, does not report biodiversity-specific capital or lending

requirements, and does not envisage a binding requirement to align lending and investment portfolios with biodiversity objectives. The Commission's biodiversity-risk methodology for financial institutions also remains voluntary.

For the EU, the key gap is the depth and breadth of biodiversity integration into regulations, which is currently becoming even broader with the recent wave of simplifications and partial dismantling of the existing sustainability legislation.

7.9.3 Recommendations for European legislators and financial sector regulators

This section formulates some recommendations on how the financial regulations in the European Union could be improved to limit investment in corporate activities leading to (tropical) deforestation and biodiversity loss.

- **Incorporate biodiversity considerations into monetary policy**

The ECB has begun integrating climate considerations into monetary policy operations, including by incorporating a climate factor into the Eurosystem collateral framework. However, biodiversity and nature-related risks are not yet reflected in monetary policy instruments in the same operational way. This is a significant gap, given the ECB's own recognition that nature degradation can affect prices, inflation, financial conditions and the Eurosystem's balance sheet.

The ECB should develop a nature risk framework for monetary policy operations. This should assess how biodiversity loss, water scarcity, soil degradation, deforestation and ecosystem service decline may affect counterparties, collateral and monetary policy portfolios. In particular, the ECB should examine whether collateral linked to high biodiversity risk sectors or locations should be subject to enhanced due diligence, valuation adjustments or eligibility limits where nature-related risks are financially material. Any future asset purchase or credit support programmes should also include biodiversity safeguards, including restrictions on issuers materially linked to deforestation, ecosystem conversion or destruction of critical habitats.

- **Make CRD VI prudential plans operational for biodiversity**

Capital Requirements Directive VI already contains portfolio alignment language, including the objective of averting environmental degradation and biodiversity loss, but this is not yet translated into a clear operational duty for banks. EU legislators and the European Banking Authority should clarify how banks should assess this alignment in practice, including through common methodologies and indicators for exposures to high-biodiversity-impact sectors, forest-risk commodities, protected and biodiversity-sensitive areas, ecosystem dependencies, and counterparties with significant negative impacts on biodiversity. Without such guidance, the biodiversity and portfolio alignment language in CRD VI risks remaining largely aspirational rather than becoming a consistent supervisory practice across Member States.

EU legislators and supervisors should also make the biodiversity dimension of prudential plans more explicit. Banks with material exposure to high-impact sectors such as agriculture, forestry, fisheries, mining, infrastructure, food production and real estate should be required to assess how GBF-related policy measures, ecosystem degradation and biodiversity loss may affect their business models, counterparties and portfolios. Prudential plans should include sector policies, location-sensitive risk assessments, traceability expectations for high-risk value chains and clear milestones for reducing material nature-related financial risks. This would strengthen the current framework without converting prudential regulation into a full double materiality regime.

- **Strengthen EBA expectations for biodiversity risk management**

The EBA should develop more specific supervisory expectations for biodiversity-related risk management. These should include minimum expectations on sector and geographic screening, exposure to protected areas and biodiversity sensitive locations, dependencies on ecosystem services, deforestation and conversion risk, and engagement with counterparties in high-risk sectors. The EBA should also develop common biodiversity-related indicators for banks, including exposures to forest-risk commodities, activities in or near sensitive ecosystems, and counterparties with significant dependencies or negative impacts on biodiversity. This would improve consistency across Member States and reduce the risk that biodiversity is treated unevenly by banks and national supervisors.

- **Broaden the EU Taxonomy to classify harmful activities, strengthen biodiversity criteria and permanence requirements, and develop a Social Taxonomy**

The EU Taxonomy aims to incentivise nature-positive investment, but as such it is only a system of criteria to determine whether an economic activity is environmentally sustainable. The incentives should come from other regulations linked to the EU Taxonomy, but up till now, the positive incentives have been very weak and negative incentives to limit the financing of, and investment in, corporate activities leading to (tropical) deforestation and biodiversity loss are absent. The Platform on Sustainable Finance talks in this respect of the "binary classification" problem: the taxonomy may identify economic activities with a significant positive impact on sustainability, but it does not classify harmful economic activities.⁴⁰⁴ Developing a separate taxonomy (or broadening the existing taxonomy) to classify economic activities with detrimental environmental impacts, including impacts on biodiversity and ecosystems, would incentivise transparency and accountability of EU investors with respect to their investment decisions and help limit the financing of corporate activities that lead to (tropical) deforestation and biodiversity loss. In this respect, the EU Taxonomy is surpassed by more recent taxonomies developed in other jurisdictions. In addition, a dedicated social Taxonomy is needed to ensure that social issues can be addressed through dedicated social financing instruments, rather than only through DNSH criteria for environmental objectives. The Platform on Sustainable Finance's report on the Social Taxonomy is a good starting point.⁴⁰⁵

Another concern is the "guarantee of permanence" required when taxonomy proceeds are allocated to biodiversity conservation activities. For conservation, permanence is in fact secured through robust measures, such as indefinite legal protection (designation as a protected area, Natura 2000 site or OECM, or a statutory conservation land-use plan), reinforced by an ongoing obligation to produce a new management plan before the previous one expires.⁴⁰⁶ The alternative contractual option appears to be weaker, as it sets no minimum duration and requires only that the arrangement "can ensure" conservation objectives are achieved and maintained. Given that biodiversity conservation and ecosystem restoration are often a matter of decades,⁴⁰⁷ this contractual route should be strengthened, for instance, by requiring a minimum commitment period, so that the taxonomy can contribute meaningfully to the GBF targets.

Although TSC have now been added for all six environmental objectives, including biodiversity and ecosystems, the coverage remains uneven and still insufficient for many sectors with high biodiversity impacts. Some of the criteria have been criticised by civil society as reflecting political or industry pressure rather than a strictly science-based approach.⁴⁰⁸ Strengthening TSC for all sectors with high biodiversity impacts must remain a priority, while maintaining the requirement in the taxonomy regulation to base the criteria on "*conclusive scientific evidence and the precautionary principle*".⁴⁰⁹

- **Preserve Principal Adverse Impact disclosure and tighten SFDR fund rules**

A strong point of the SFDR is that it requires investors not only to report on ESG risks of sustainability issues (the financial impacts for their own portfolios), but also on the so-called Principal Adverse Impacts (PAIs) of their investment on society and the environment. This forces investors to evaluate sustainability factors from a double materiality perspective, considering not only their own financial risks but also the (potential) detrimental impacts on society and the environment. This element should be preserved and strengthened, especially because the Commission's proposed SFDR reform would remove the requirement for financial market participants to disclose at company level how they consider PAIs. However, if not complemented by a requirement to be transparent on which companies they actually invest in and how the impacts of these companies are assessed, the impact assessments made by investors can stay very high-level as civil society and other stakeholders cannot assess how they assess companies with high deforestation risks.

Another crucial pitfall of the Sustainable Finance Disclosure Regulation (SFDR) is that fund managers can still label funds containing unsustainable investment as sustainable. To prevent such greenwashing in the future, the Commission should ensure that the final SFDR reform codifies strong, binding rules on the use of ESG- and sustainability-related fund names and marketing claims, building on ESMA's fund-naming guidelines, which are now applicable. These labelling guidelines by ESMA will address the definition shortcoming of the SFDR to some extent, but ESMA's present exclusion list is mainly focused on fossil fuels (as well as controversial weapons, tobacco, and companies in breach of the UN Global Compact principles or OECD Guidelines) and does not consider forest-risk sectors sufficiently. Therefore, the formal requirements should be expanded to cover the most critical forest-risk sectors.

Additionally, biodiversity-related prerequisites for Article 9 funds should not only be grounded in negative formulations (i.e., Do No Significant Harm). There should be minimum criteria to determine the positive effects of Article 9 funds (and any future categorised products) on conservation and restoration objectives. Alignment with the EU Taxonomy framework would be a cogent advancement.

The SFDR 2.0 proposal rightly moves to reserve sustainability-related names and marketing claims for categorised products. EU regulators should ensure these restrictions are made strong and binding in the final text, and should go further by requiring robust exclusions for deforestation and other biodiversity-harmful activities, which the current naming-guideline exclusions do not address.

- **Reverse the narrowing of the CSRD and strengthen biodiversity reporting and transition plans**

With respect to strengthening transparency, the recently developed EU sustainability reporting requirements comprise significant steps in the right direction. However, this progress has been weakened by the Omnibus I simplification package, which narrows the CSRD's scope and delays reporting for some companies.

ESRS E4 on biodiversity and ecosystems directly contributes to Targets 14 and 15 of the GBF as it requires companies, including large institutional investors (where they remain covered by the CSRD), to disclose material biodiversity-related impacts, risks, opportunities, targets and transition-plan information.

However, while investors have to justify the selection of the forecasts or scenarios they use to identify biodiversity-related risks, ESRS E4 does not detail any criteria for scenario-based risk-assessment modelling. To ensure that modelling approaches adequately reflect ecosystemic realities, including the effects of environmental tipping points, scenario requirements should move beyond conventional, linear forecast models that are traditionally used in the financial sector to assess climate risks.⁴¹⁰ ESRS criteria should also be more fully detailed for different economic sectors. This is particularly important because the development of binding sector-

specific ESRS, including for financial institutions and high-impact sectors, has been discontinued; instead, the Commission may issue non-binding sector-specific guidance to support application of the ESRS.

Additionally, while CSRD encourages companies and financial institutions, including large institutional investors, to develop a transition plan in line with GBF targets, those plans are not mandatory. To strengthen the CSRD's alignment with the targets of the GBF, EU regulators should reverse the narrowing of the CSRD's scope, retain strong and mandatory ESRS E4 disclosure requirements, adopt sector-specific biodiversity reporting requirements for high-impact sectors and financial institutions, and require in-scope companies and financial institutions to develop biodiversity transition plans in line with GBF targets.

- **Extend the scope of EUDR to financial institutions**

With respect to the European Regulation on Deforestation-free products (EUDR), it is a critical shortcoming that the regulation does not place any responsibility on investors and other financial institutions. The fact that EU investors are allowed to invest in the production of commodities which are prohibited in the EU market illustrates a critical gap in the EU's transparency and due diligence regulatory framework. The amended review clause now pushes consideration of the role of financial institutions into the Commission's general EUDR review due by 30 June 2030. This is inadequate given the urgency of halting finance linked to deforestation and forest degradation. The Commission should bring forward this assessment and present a legislative proposal imposing deforestation-related due diligence obligations on financial institutions.

- **Extend the CSDDD to lending, investment and underwriting**

Like the EUDR, a critical shortcoming of the EU Corporate Sustainability Due Diligence Directive (EU CSDDD) is that the directive does not cover investment directly. This gap has become more serious following the Omnibus I amendments, which removed the specific review clause on additional due diligence requirements for regulated financial undertakings in relation to financial services and investment activities. The EU should restore this review clause and, more importantly, introduce binding due diligence obligations for financial institutions' lending, investment and underwriting activities. The French Duty of Vigilance Act, which entered into force in 2017, does apply to large financial institutions and therefore serves as a precedent in this respect.⁴¹¹

- **Hold financial institutions accountable**

ESMA, national financial supervisors, and criminal authorities should act if investors do not meet the requirements of existing and proposed regulations. Fines and sanctions such as holding board members accountable, (temporarily) revoking a licence, or not allowing market access for certain financial products should be used.

8

Indonesia

This chapter assesses how Indonesia's financial regulations address biodiversity-related risks and impacts and support the GBF targets. It first examines Indonesia's adapted national targets, its Biodiversity Strategy and Action Plan 2025–2045 and its Seventh National Report. Financial regulation is explicitly reflected in these commitments, particularly through reporting targets and responsibilities assigned to financial authorities. However, the commitments focus mainly on disclosure and resource mobilisation, without establishing a comprehensive, time-bound programme of financial regulatory reform. The analysis therefore extends to Indonesia's wider regulatory framework, including monetary policy, prudential regulation, lending and capital market regulations, sector-specific financing guidance and national and ASEAN sustainable finance taxonomies. Proposed reforms include stronger prudential and monetary measures, making taxonomies binding, requiring mandatory biodiversity and just transition plans, sector-specific due diligence, and portfolio-level disclosure of financed biodiversity and human rights impacts.

8.1 National actions to implement GBF targets in financial sector regulation

8.1.1 Indonesia's national biodiversity targets

As part of implementing the GBF, Indonesia has formulated 20 National Biodiversity Targets under its Indonesian Biodiversity Strategy and Action Plan (INDONESIA'S NBSAP) 2025-2045.⁴¹² Unlike other jurisdictions (for example, the UK), which largely reproduced the wording and numbering of the corresponding GBF targets, Indonesia has rearranged and adapted the global targets according to its national circumstances and priorities. Indonesia's NBSAP itself characterises the GBF as a flexible framework to be translated according to Indonesia's national needs, priorities and capabilities.⁴¹³

As a result, there is no single Indonesian national target that corresponds directly to GBF Target 14. National Target 16 (NT16), "Mainstreaming Biodiversity into National Development," is related to both GBF Target 14 and GBF Target 21. It focuses principally on incorporating biodiversity into national and subnational development planning, biodiversity management plans and environmental-economic accounting.⁴¹⁴ Indonesia assesses the alignment of NT16 with GBF Target 14 as "Medium".⁴¹⁵ The wider GBF Target 14 requirement to progressively align fiscal and financial flows with biodiversity objectives is retained in the associated GBF binary indicator (standardised GBF reporting questions used to assess whether specific measures are fully or partially implemented, under development, or not in place), but is not reproduced as such in the formulation of NT16.⁴¹⁶

For financial sector legislation and regulation, National Target 18 (NT18) "Transparency in Private and Financial Sectors regarding Biodiversity Management and Reduce negative impacts of business operation to Biodiversity" (most closely related to GBF Target 15) is therefore at least as important as NT16 and is the most directly finance-specific national target. NT18 concerns enhancing transparency in the private and financial sectors in biodiversity management and

reducing the negative impacts of business operations. Indonesia's financial regulators, including the Financial Services Authority (OJK), the Ministry of Finance, and Bank Indonesia, are assigned to implement it.⁴¹⁷

Two further national targets are relevant to the wider financial framework. NT19 seeks a substantive and progressive increase in financial support for effective, efficient and transparent implementation of Indonesia's NBSAP and, therefore, can be linked to GBF Target 19. Its policy measures include strengthening institutions and policies for biodiversity finance mobilisation, increasing international funding and national budget allocations, developing blended and market-based finance and improving the efficiency of biodiversity funding disbursement.⁴¹⁸

NT20, related to GBF Target 18, concerns incentive reform, although Indonesia has formulated this considerably more narrowly than the global target: the national target focuses on developing positive incentives for biodiversity rather than on identifying, eliminating, phasing out or reforming incentives harmful to biodiversity.⁴¹⁹ The CBD submission itself assesses the alignment of NT20 with GBF Target 18 as "Low".⁴²⁰

8.1.2 Actions to meet the biodiversity targets

In this section, we summarise how Indonesia's national biodiversity targets have been translated into its national biodiversity strategy and action plan:

- **National Targets 16, 18, 19 and 20: Mainstreaming biodiversity into financial and economic decision-making**

Indonesia's NBSAP places financial strengthening, regulation and law enforcement within its third overarching goal on strengthening biodiversity governance. Under Strategy 3.3, "Financial Development and Strengthening, as well as Involvement of the Private Sector", Indonesia commits to strengthening institutions and policies for biodiversity financing, increasing domestic and international financial resources, developing innovative financial solutions, improving the effectiveness of financial distribution and developing biodiversity-related incentives. NT18, NT19 and NT20 are expressly identified as the national targets implementing this strategy.⁴²¹

NT16 complements this finance-specific strategy through broader biodiversity mainstreaming. Indonesia's NBSAP records Presidential Instruction No. 1 of 2023 on Mainstreaming Biodiversity in Sustainable Development, which requires ministries/institutions and regional governments to mainstream biodiversity into development actions and planning. The Ministry of Finance is among the bodies identified as supporting implementation.⁴²²

The IRSAP's implementation framework also envisages continuing development and updating of statutory regulations relating to biodiversity management, stronger law enforcement, and increased institutional capacity to formulate biodiversity-related policies and regulations.⁴²³ However, these are broad biodiversity governance commitments rather than specific obligations to amend banking, investment or prudential legislation.

- **National Target 19: Mobilising finance domestically and internationally**

The NBSAP identifies a significant gap in financing biodiversity preservation. It estimates that implementing the national targets will require approximately USD 4.4 to 4.7 billion (IDR 70.69-75.53 trillion) annually, compared with substantially lower current (mostly public) biodiversity expenditures, and therefore envisages a transition from reliance on public funding to a broader financing model involving private capital, blended finance, public-private partnerships, and market-based solutions.⁴²⁴

The funding strategy includes increasing private funding, strengthening policies and institutions governing biodiversity finance, developing innovative financial solutions, expanding financing through the bioeconomy, increasing access to international funding including the

Global Biodiversity Framework Fund, and developing biodiversity-related incentives and disincentives. Potential instruments identified by the NBSAP include green and blue bonds, biodiversity credits, biodiversity investment funds, ecological fiscal transfers, nature-related disclosure, debt-for-nature swaps and blended-finance mechanisms.⁴²⁵

- **National Target 20: Incentives reform**

NT20 further links biodiversity and fiscal policy, primarily focusing on developing positive incentives. It refers to mechanisms including tax incentives and ecological fiscal transfers and establishes a national indicator based on the number of policies providing positive incentives for biodiversity.⁴²⁶

This approach appears to be substantially narrower than GBF Target 18, which, in the first place, requires Parties to identify and eliminate, phase out or reform incentives harmful to biodiversity. Indonesia's national-target submission explicitly recognises this difference by assigning NT20 only a "Low" degree of alignment with GBF Target 18.⁴²⁷

- **National Target 18: Transparency, disclosure and reduction of biodiversity-related impacts**

The most concrete finance-related regulatory commitment in the NBSAP is NT18. The NBSAP expressly refers to OJK Regulation No. 51/POJK.03/2017 on Sustainable Finance, under which financial services institutions must prepare Sustainable Finance Action Plans and publish annual sustainability reports. The NBSAP presents these reporting obligations as an existing foundation for enhancing private- and financial sector transparency on biodiversity and environmental management.⁴²⁸

NT18 establishes a measurable national indicator: the percentage of companies and financial institutions reporting on biodiversity and environmental management. The NBSAP sets milestones of 30% by 2025, 50% by 2030 and 80% by 2045. Its associated action group is specifically to enhance biodiversity-management disclosure by the private sector and financial institutions.⁴²⁹

The commitment nevertheless remains predominantly disclosure-oriented. NBSAP identifies existing sustainable finance and corporate environmental reporting requirements, however, it does not envisage biodiversity-specific prudential capital or liquidity requirements, mandatory biodiversity alignment at the portfolio level, exclusions from financing biodiversity-damaging activities, or mandatory goals on nature-positive investments.⁴³⁰

8.1.3 Progress reported in the 7th National Report

In this section, Indonesia's progress in reaching its national biodiversity goals is summarised. Although Indonesia's national targets are formulated differently from the global GBF targets, its reported progress is summarised below under the corresponding global targets to ensure consistency and facilitate comparison with the other jurisdictions assessed in this report.

- **Target 14: Integrate Biodiversity in Decision-Making at Every Level**

Indonesia's 7th National Report assesses NT16 overall as "On track to achieve target".⁴³¹ However, the picture is more nuanced for the underlying GBF Target 14 binary indicators. Indonesia reports that biodiversity is fully integrated into policies, regulations and planning at different levels of government and fully mainstreamed across sectors. By contrast, it assesses measures to progressively align relevant public and private activities with the GBF as only partially implemented and similarly assesses the existence of policies, regulations, strategies or plans to align fiscal and financial flows as only partially implemented.⁴³²

- **Target 15: Businesses Assess, Disclose and Reduce Biodiversity-Related Risks and Negative Impacts**

The 7th National Report assesses NT18 as "On track to achieve target". It reports a substantial increase in sustainability reporting to OJK: the number of entities reporting rose from 505 in 2021 to 959 in 2024.⁴³³

However, the more detailed GBF Target 15 assessment is considerably more cautious. Thus, Indonesia assesses measures requiring large companies and financial institutions to monitor, assess and transparently disclose biodiversity-related risks, dependencies and impacts as only partially implemented. Measures on relevant consumer information are also assessed as partial. Measures requiring companies and financial institutions to progressively reduce negative biodiversity impacts and increase positive impacts are also reported as partially implemented.⁴³⁴

The Report further acknowledges that, although companies submit sustainability reports to OJK, the information reported has not yet been systematically analysed for the negative impacts of business activities on biodiversity.⁴³⁵ This is a significant limitation from the perspective of GBF Target 15 and a double-materiality approach to biodiversity-related financial regulation

- **Target 18: Reduce Harmful Incentives by at Least USD 500 Billion per Year, and Scale Up Positive Incentives for Biodiversity**

Under NT20, the Seventh National Report reports a range of positive fiscal and non-fiscal biodiversity incentives, including tax or non-tax exemptions, transfers, concessional or de-risking finance, certification and ecolabelling mechanisms and payments for ecosystem services.⁴³⁶

However, the Report treats the GBF indicator on the value of subsidies and other incentives harmful to biodiversity as "Not relevant". It states that Indonesian subsidies are designed as support programmes for priority groups and sectors and are subject to policy considerations intended to minimise adverse environmental and social effects.⁴³⁷ Consequently, the reported implementation remains focused on increasing positive incentives rather than systematically identifying, quantifying and reforming biodiversity-harmful subsidies.

- **Target 19: Mobilise USD 200 Billion per Year for Biodiversity From all Sources, Including USD 30 Billion Through International Finance**

Under NT19, the Seventh National Report assesses the national target as "On track" and reports specific progress in mobilising domestic public, international public and private biodiversity finance. International public biodiversity finance totalled USD 1.7 billion during the period of 2017-2024, accounting for approximately 17% of total identified biodiversity expenditure.⁴³⁸ Domestic public biodiversity finance was substantially larger (USD 7.6 billion over the same period) and accounting for approximately 77% of identified expenditure, with the central government expenditure prevailing.⁴³⁹ Private and philanthropic biodiversity finance totalled USD 0.6 billion, or approximately 5.9% of identified biodiversity expenditure, although the Report notes that this should be regarded as a conservative estimate because of data limitations and the voluntary nature of reporting.⁴⁴⁰

The Report provides little detail on the specific activities or programmes to which these resources were allocated. On international public finance, it states only that the funding supported a range of biodiversity conservation and capacity-building initiatives across sectors.⁴⁴¹

At the same time, implementation of the proposed innovative finance architecture remains incomplete. The report states that no data were yet available for the national indicator measuring the proportion of innovative financing proposals followed up. It further states that a

Biodiversity Finance Plan was under preparation and was expected to provide the framework for blended finance, biodiversity-related fiscal instruments and private-sector engagement.⁴⁴²

8.2 Overview of regulatory bodies for the financial sector

8.2.1 Bank Indonesia (BI)

Bank Indonesia (BI) is Indonesia's central bank and is mandated to maintain rupiah stability, payment-system stability and financial-system stability in support of sustainable economic growth.⁴⁴³ In the sustainability field, BI has integrated green finance mainly through macroprudential tools: its Macroprudential Inclusive Financing Ratio^a allows banks to fulfil part of their inclusive-financing requirement through securities for development and sustainable finance, including green and social bonds.⁴⁴⁴

8.2.2 Financial Services Authority (OJK)

The Financial Services Authority (Otoritas Jasa Keuangan, or OJK) regulates and supervises Indonesia's banking, capital-market, carbon-exchange, insurance, pension-fund, financing and other financial-services sectors.⁴⁴⁵ It is the main authority for sustainable finance regulation, including POJK 51/2017 on sustainable finance, green and sustainability-linked bond/sukuk rules, the Indonesia Taxonomy for Sustainable Finance (TKBI, see section 8.7.2), and climate-risk supervision. In 2026, OJK published TKBI Version 3, covering all NDC-related sectors,⁴⁴⁶ and launched the Climate Risk and Banking Resilience Assessment to assess banks' exposure to climate risks.⁴⁴⁷

8.2.3 Ministry of Finance (MoF)

The Ministry of Finance (Kementerian Keuangan, or MoF) leads fiscal policy and plays a central role in climate budgeting and sovereign sustainable finance instruments, including Green Sukuk and SDG securities. Its Directorate General of Budget Financing and Risk Management publishes annual Green Sukuk Allocation and Impact Reports, with the latest edition listed for 2025.⁴⁴⁸ The Ministry is also working with OJK and BI to establish a Sustainable Finance Committee under Law No. 4/2023; according to a 2025 Green Finance Institute note, Indonesia's climate-related budget allocation averaged around 3.2% of the national budget, or IDR 89.2 trillion per year, over 2018–2023.⁴⁴⁹

8.2.4 Association of Southeast Asian Nations (ASEAN)

As a member of the Association of Southeast Asian Nations (ASEAN), Indonesia also participates in the development of the regional sustainable-finance policy landscape, including the ASEAN Taxonomy for Sustainable Finance, an overarching classification system for sustainable activities. The currently applicable ASEAN Taxonomy is Version 4, launched in November 2025.⁴⁵⁰

Over recent years, Indonesian regulations and supervisory expectations in the area of sustainable finance have been rapidly evolving, including the adoption of the P2SK Law in 2023,⁴⁵¹ which aims to embed sustainable finance principles in Indonesia's financial regulatory framework and mandates financial institutions to integrate ESG considerations into their operations and decision-making processes. The law also encourages the development and promotion of green financial products, such as green bonds and loans.

^a Macroprudential Inclusive Financing Ratio is a policy innovation to stimulate credit growth, particularly to MSMEs, corporate MSMEs and low-income individuals, thereby accelerating the economic recovery and strengthening financial inclusion. RPIM is a ratio that measures the proportion of a bank's lending portfolio allocated to inclusive financing.

At the same time, most of the regulations currently in place are primarily focused on climate change. Though biodiversity is now also being gradually included in some regulations (for example, on reporting), the scope remains very limited, and there is little on-the-ground impact from these regulations.

8.3 Central bank policies

BI mandates include ensuring the stability of the Indonesian rupiah and contributing to financial system stability through its policy mix, including monetary, macroprudential, and payment system policies. BI also provides technical assistance, training and capacity building to increase awareness about sustainable and green finance for commercial banks. As part of the NGFS (see section 2.1), it cooperates with other central banks to learn about and potentially adopt best practices from other countries and jurisdictions. Relevant regulatory steps taken by BI are discussed in the following sub-sections.

8.3.1 Reduced reserve requirements for environmental credit

In 2023, Bank Indonesia's Macroprudential Liquidity Incentive Policy (KLM) began to incorporate green-financing considerations into the calculation of liquidity incentives for banks. The KLM framework was originally regulated under PBI No. 11/2023 and PADG No. 11/2023, but has since been amended and replaced. The current framework is set out in PBI No. 9/2025 on Macroprudential Liquidity Incentive Policy⁴⁵² and PADG No. 27/2025 on the Implementation Regulation for KLM,⁴⁵³ both effective from 1 December 2025. The Macroprudential Liquidity Incentive Policy (KLM) is provided in the form of a reduction in the banks' current accounts at Bank Indonesia for the purpose of fulfilling the minimum reserve requirement that must be met on average.⁴⁵⁴

Lower reserve requirements increase banks' liquidity capacity to finance eligible sectors. The 2025 framework also includes a separate interest-rate channel linked to banks' setting of credit or financing rates in line with BI's policy direction. The eligible green credit and financing is limited to specified categories. Initially, these only included property credit or property financing for environmentally friendly properties and motor vehicle loans or motor vehicle financing for environmentally friendly motor vehicles.⁴⁵⁵ Later amendments added credit/financing for water supply, waste management, waste treatment and recycling, and the 2025 PADG now refers to green financing for environmentally friendly property, environmentally friendly motor vehicles, and waste management and recycling.⁴⁵⁶

Green financing for other types of activity, including biodiversity conservation, is not expressly included in the KLM green-financing category. Environmental and social considerations safeguards also do not appear to apply across all other sector groups eligible for KLM incentives, suggesting that ESG integration within the KLM instrument remains limited. This is not specific to Indonesia, but reflects a broader policy gap in many jurisdictions.

PADG KLM also provides incentives for lending to broader sector groups, including agriculture, industry and downstream processing, services, construction, real estate and housing, and MSMEs, cooperatives, inclusion and sustainability. To the extent that these groups include environmentally sensitive sectors, the framework does not appear to impose general ESG conditions on such financing.

8.3.2 Central bank reserves portfolio

BI has also integrated ESG considerations into the management of its foreign-exchange reserves portfolio. According to OMFIF, a UK-based independent think tank, "ESG assets are part of Bank Indonesia's reserves portfolio, along with other impact-labelled bonds such as green bonds and sustainability-linked bonds. In line with [its] commitment to engage in impact investing, these bonds have a growing share of total exposure in the reserves portfolio".⁴⁵⁷ However, BI does not

appear to publicly disclose the share of its own portfolio ESG-aligned or taxonomy-aligned, including by reference to the ASEAN Taxonomy or Indonesia's sustainable-finance taxonomy.⁴⁵⁸

8.3.3 Corporate asset purchase programme and collateral framework

BI does not currently take ESG considerations into account when implementing corporate asset purchase programmes or in its collateral framework. In addition, BI has not communicated a phase-out plan on assets linked to the most environmentally harmful activities in its corporate asset purchase programme.⁴⁵⁹ This is, however, generally a new ground for all central banks, so BI will need to adjust the relevant policies, together with the central banks in other jurisdictions. Currently, neither the NBSAP nor the 7th National Report translates Indonesia's general commitments to preserve biodiversity into specific requirements for BI's reserves management, asset purchases or collateral framework.

8.4 Banking regulations

The OJK first published the country's Sustainable Finance Roadmap for the period 2015–19, which outlines the strategic vision for developing sustainable finance.⁴⁶⁰ OJK subsequently issued a second Sustainable Finance Roadmap for 2021–2025, aimed at accelerating ESG implementation in Indonesia's financial sector.⁴⁶¹

Subsequently, OJK has issued circular letters and implementation guidelines on many aspects of sustainable finance, from green bonds to financing the palm-oil industry. In addition, OJK has developed and is regularly updating the TKBI, with TKBI Version 3 published in 2026.⁴⁶² These regulations will be discussed in the following sub-sections.

While OJK has introduced sustainable-finance and climate-risk expectations through separate regulatory and supervisory instruments, ESG considerations do not appear to have been incorporated into rule-based micro-prudential requirements for banks through differentiated capital or liquidity metrics. Thus, banks are currently not expressly required, on the basis of publicly available rules, to integrate ESG considerations in their ICAAP as a formal prudential-capital requirement. Minimum capital requirements or capital add-ons for banks also do not incorporate ESG considerations through a differentiated risk-based approach. Commercial banks are not expected to integrate ESG considerations into their liquidity risk-management process. Liquidity ratios are not currently adjusted to take ESG considerations into account, through a differentiated risk-based approach.⁴⁶³

This prudential gap is also reflected in the NBSAP, which does not envisage biodiversity-specific capital or liquidity requirements, portfolio-alignment obligations or exclusions from financing activities harmful to biodiversity, such as large-scale industrial agriculture, tropical timber, or deep-sea mining.

8.4.1 Sustainable Finance Roadmap Phase II (2021–2025)

The Phase II Sustainable Finance Roadmap (2021–2025) was designed as guidance for the financial sector and as a reference point for the regulators and other relevant stakeholders in shaping sustainable finance in Indonesia. It built upon the Sustainable Finance Roadmap Phase I (2015–19), which was the initial step in a broader strategy to embed sustainable finance principles in Indonesia's banking and investment sectors and focused on raising awareness, developing green financial products, building capacity and implementing pilot projects.

The roadmap was aimed at creating an ecosystem encompassing seven key elements: policy, product, market infrastructure, coordination among ministries/institutions, non-government support, human resources and awareness.⁴⁶⁴

The document outlined several activities planned by the end of 2025, including developing supporting infrastructure, creating research centres, providing training, creating a monitoring and

evaluation mechanism for the implementation of sustainable finance and developing new products. However, the roadmap lacks specific measurable time-bound commitments and details on what the planned activities should look like.

The roadmap also contains a list of activities that are considered sustainable for the purposes of sustainable finance, which overlaps with areas later addressed in Indonesia's sustainable-finance taxonomy framework, including renewable energy, energy efficiency, pollution prevention and control, sustainable transport, water and wastewater management, climate change adaptation, eco-efficient projects, green buildings, Micro-, Small- and Medium-sized Enterprises, sustainable nature resources and land use, terrestrial and aquatic biodiversity conservation and other environmentally friendly business activities (this last category is not clearly defined).

As of June 2026, OJK does not appear to have published a direct successor to the cross-sector Sustainable Finance Roadmap Phase II (2021–2025). However, OJK has continued to develop the sustainable-finance framework through related instruments, including the Indonesia Sustainable Capital Market Roadmap 2026–2030⁴⁶⁵ and updates to the Indonesia Taxonomy for Sustainable Finance.

8.4.2 Implementation of Sustainable Finance Regulation

OJK Regulation (POJK) Number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers and Public Companies was issued by OJK in 2017 to require financial services institutions, issuers and public companies to implement sustainable finance and support the country's sustainable and equitable economic development. The idea behind the regulation was to help channel capital flows to the more environmentally sustainable and socially beneficial activities in line with sustainable-finance principles, including responsible investment, sustainable business strategy and social and environmental risk management.

The regulation applies to financial services institutions (banks, capital market institutions, insurance companies, pension funds, and other financial services institutions), issuers (defined as companies planning an IPO) and public companies (defined as companies whose shares are owned by at least 300 shareholders and have a paid-up capital of at least Rp 3 billion, or several shareholders and paid-up capital as stipulated by a government regulation).⁴⁶⁶

Entities in the scope of the regulation are required to develop annually a Sustainable Finance Action Plan, which must be prepared by the Board of Directors, approved by the Board of Commissioners and submitted to OJK. The action plan must be provided together with an implementation timeline. They are also required to publish sustainability reports, either as part of annual reports or as standalone documents.

A Sustainable Finance Action Plan needs to include the following aspects:

- Development of Sustainable Financial products and/or services, including an increase in financing, investment or portfolio placements in financial instruments or projects that are in line with Sustainable Finance implementation, as outlined in the Technical Guidelines for implementing Sustainable Finance (see section 8.4.3);
- Internal capacity development of the Financial Services Institution (LJK); and
- Adjustments on organisational, risk management, governance, and/or LJK standard operating procedure standards that are in line with the principles of Sustainable Finance implementation.⁴⁶⁷

Under the regulation, financial services institutions that are required to implement corporate social and environmental responsibility (CSER) activities must allocate a portion of their CSER funds to support activities related to the implementation of Sustainable Finance. Financial services institutions that are not subject to CSER obligations may allocate funds for this purpose voluntarily,

but are not required to do so.⁴⁶⁸ Entities that are on track to implement the requirements stipulated in the regulation, are entitled to receive incentives (for example, involving Financial Institutions, Issuers and Public Companies in human resource competency development programmes or the conferring of the Sustainable Finance Awards). Those who fail to comply will face written reprimands from the regulator.

The regulation is a framework document: the Technical Guidelines discussed in section 8.4.3 provide more details on its implementation.

Unlike several of the regulatory developments discussed below, POJK 51/2017 is expressly incorporated into Indonesia's NBSAP: it is identified under NT18 as an existing basis for enhancing biodiversity-related transparency in the business and financial sectors.

8.4.3 Technical Guidelines for implementing Sustainable Finance

In 2018, OJK published Technical Guidelines for Banks on the Implementation of OJK Regulation POJK Number 51/POJK.03/ 2017, which offers comprehensive guidelines on how banks can put into practice the requirements of the Implementation of Sustainable Finance Regulation discussed in section 8.4.2. It provides templates and examples of how to compose a Sustainable Finance Action Plan and monitor its implementation. Among the key performance indicators a financial institution could monitor, the Technical Guidelines propose:

- The amount and quality of the bank's financing for sustainable business activities, compared with the amount and quality of the bank's total financing;
- The amount and quality of financing per sustainable business activity category;
- The amount and quality of the bank's productive assets used for sustainable business activities, compared with the amount and quality of the bank's total productive assets; and/or
- The type of Sustainable Finance products and/or services that will be launched.⁴⁶⁹

It also contains a list of criteria for determining sustainable and unsustainable business activities, explaining which activities are deemed unsustainable:

- Any activity involving all forms of forced labour, exploitation of children under the age of 16;
- Commercial logging operations in tropical wet forests;
- Production and trade of timber or other forestry products from forests that are not managed sustainably;
- Production or activities that take over land ownership from Indigenous Peoples without the community/population's consent;
- Production or trade of illegal products or activities pursuant to Indonesian regulations or international conventions/agreements including on ozone-layer depleting substances, wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

These exclusions are also included in the DNSH criteria of the TKBI (see section 8.7.2).

As of June 2026, the 2018 Technical Guidelines for Banks do not appear to have been replaced or updated. However, OJK has also published separate 2024 technical guidance for financing companies and Sharia financing companies on the implementation of POJK 51/POJK.03/2017.⁴⁷⁰ These are non-bank financial institutions that provide funding or capital goods financing, such as consumer finance, leasing or other financing services, including on a Sharia-compliant basis. The 2024 guidance therefore applies to the financing-company sector, not to banks, and does not replace the banking-sector guidelines.

8.4.4 Guidelines on climate-risk stress testing

In 2023, OJK published initial guidelines for banks' climate-risk stress testing, which applied initially to banks participating in OJK's climate-related financial-risk task force.⁴⁷¹ From 2026 onwards, this will become obligatory for all Indonesian banks.

In 2024, OJK published the Climate Risk Management & Scenario Analysis (CRMS) Guidelines for banks, an integrated framework covering governance, strategy, risk management and disclosure for assessing banks' resilience to climate change.⁴⁷² OJK describes CRMS as a developing framework, with initial reporting by pilot banks. Separately, a 2023 University of Indonesia report stated that OJK planned to require banks to factor climate-related risks into lending decisions from 2026.⁴⁷³

8.4.5 Palm Oil Plantation Credit and Financing Guidelines

The Palm Oil Plantation Credit and Financing Guidelines issued by OJK in 2019 were developed in collaboration with a number of non-governmental organisations (NGOs), including the World Wide Fund for Nature (WWF). This document outlines guidelines for financing the palm oil industry.⁴⁷⁴ As of June 2026, the Guidelines do not appear to have been replaced by newer OJK banking-sector guidance.

According to the Palm Oil Guidelines, banks should encourage their customers to apply for sustainable palm-oil certification following the ISPO scheme mandated by the government and other voluntary certifications such as the Roundtable on Sustainable Palm Oil (RSPO). Since the Guidelines were issued, the ISPO framework has been updated: Presidential Regulation No. 16/2025 replaced Presidential Regulation No. 44/2020 and broadened the ISPO certification system to cover oil-palm plantation business, the downstream palm-oil industry and palm-oil bioenergy business.⁴⁷⁵ It suggests that banks can assess the risk profile of (potential) customers, for example, by looking at the target time the company has set to be certified by one of these schemes and how many plantation units the company has certified. It views sustainability certification schemes as an easy indicator for banks to ensure that a company has complied with sustainability standards. However, different actors have varying opinions on certification schemes, with some farmers, fishers, local communities and NGOs criticising them over the quality and robustness of their requirements and assurance mechanisms.

Banks should evaluate whether customers have internal or publicly available policies with which to respond to ESG issues. Based on their experience and policies, banks are also expected to develop exclusion lists. Overall, a comprehensive approach to client evaluation is recommended, including an assessment of any controversies (and steps taken to rectify them) using publicly available information from the media and online information platforms.⁴⁷⁶

The guidelines also encourage banks to use the High Conservation Value (HCV) approach while determining the biodiversity-related risks of a particular client or specific project site, depending on its location, proximity to protected or biodiversity-rich areas and on-site biodiversity values.⁴⁷⁷

Indonesia's NBSAP does not specifically require such sector-specific lending guidance. Therefore, the Palm Oil Guidelines represent a more targeted biodiversity-related regulatory measure developed independently from Indonesia's GBF implementation framework.

8.4.6 P2SK Law (Financial Sector Omnibus Law) on developing and strengthening the financial sector

At the end of the 2022 session of the House of Representatives, the House passed Law No. 4 of 2023 on Financial Sector Development and Strengthening (P2SK Law) which revised 16 laws in the financial sector. The regulation of sustainable finance under the law means that there is an increase in the legal status of sustainable finance, from previously only being in the form of OJK regulations. This opens up opportunities to apply sustainable finance in investment. It stipulates

the implementation of sustainable finance in three ways: integrating environmental, social and governance aspects in business practices and investment strategies; developing products, transactions and services for financing sustainable activities and transition financing; and capacity building. does not set out detailed operational requirements equivalent to those in OJK regulations; instead, it requires sustainable-finance implementation at statutory level and leaves further implementing provisions to the relevant financial-sector authorities and the Minister, according to their respective mandates.⁴⁷⁸

The P2SK Law establishes a Sustainable Finance Committee, consisting of the Ministry of Finance as the coordinator, the Financial Services Authority and Bank Indonesia, to support the development of sustainable finance. The membership of this committee only represents regulators for the financial sector: the environment and natural resources sectors are not involved in the committee. P2SK also lacks detailed substantive norms on human rights and the environment. It does not establish a dedicated grievance or remedy mechanism for communities or other stakeholders affected by activities financed through sustainable-finance products or transactions. Transparency and accountability are addressed only at a general level, including through the requirement to prepare sustainability reports, with further detail left to implementing regulations and sectoral rules.⁴⁷⁹

8.5 Capital market regulations

8.5.1 ESG regulations and performance of the Indonesian Stock Exchange (IDX)

The Indonesian Stock Exchange is one of the largest and fastest-growing stock exchanges in Southeast Asia, reaching 902 listed companies and planning to go over 1,000 in the near future.⁴⁸⁰ IDX is actively trying to integrate environmental and social considerations both in its own performance and in its requirements for, and expectations of, the listed companies. Most of the major commercial banks are also listed companies, and the requirements put forward by IDX have an impact on their sustainability practices.

Currently, listed companies are required to report on their social and environmental performance, including biodiversity, in line with the OJK Implementation of Sustainable Finance Regulation (section 8.4.2) and the Technical Guidelines for implementation of sustainable finance (section 8.4.3). IDX also issues its own sustainability report following these regulations.

IDX initiated a partnership with the Indonesian Biodiversity Foundation (KEHATI), a body founded in 1994 and tasked with “finding innovative ways to conserve, manage and utilize Indonesia's biodiversity in a sustainable manner”.⁴⁸¹ As part of this partnership, IDX launched several indices related to sustainability management.⁴⁸² These include SRI-KEHATI,⁴⁸³ ESG Sector Leaders IDX KEHATI⁴⁸⁴ and ESG Quality 45 IDX KEHATI.⁴⁸⁵

8.6 Regulations on corporate disclosure

8.6.1 Circular Letter on sustainability disclosures

OJK Circular Letter No. 16/2021 Regarding the Form and Substance of the Annual Report of Issuers (Emiten) and Public Companies outlines the format and scope of sustainability disclosures by issuers and public companies, including financial institutions. Their sustainability reports must at least contain information about the company's sustainability strategy and the rationale behind it, and an overview of its sustainability performance covering economic, environmental and social aspects. They should at least contain information on energy use, emissions reduction, waste and effluents reduction, and biodiversity conservation. In terms of biodiversity, the reporting must focus on two key aspects:

- impacts on conservation areas near or around a company's assets or production facilities, and
- its biodiversity conservation efforts.⁴⁸⁶

The covered entities must therefore report on their positive and negative impacts on the biodiversity on their sites and surrounding areas, especially on efforts to increase the carrying capacity of the ecosystem. As the requirement applies to own sites, banks only report on the direct impacts of their buildings and other facilities, which are negligible or non-existent.

The Circular Letter also provides examples of biodiversity impacts and efforts to minimise the negative ones and enhance positive change. It lists replanting degraded areas, in particular with endemic flora, planting fruit trees as part of agroforestry efforts both to preserve forests and empower local communities, and so on. For new developments, it gives an example of a company that has conducted an AMDAL (Environmental Impact Assessment) and engaged in the UKL-UPL (Efforts for Environmental Management and Monitoring) before opening a new mine. As an example of a post-closure clean up, it features a mining company that collaborates with a biodiversity research centre to restore the former mining area and surrounding landscape (measured by the number of hectares restored and trees replanted) and to contribute to making the site an eco-tourism destination.⁴⁸⁷

In addition to mitigating the negative impacts, the Circular Letter encourages companies to engage actively in conservation efforts and to support relevant projects, such as protecting keystone species and entire ecosystems like orang-utans or coral reefs.

Beyond biodiversity impacts and efforts, companies within the scope of this regulation are required to report on the material environmental and social risks associated with their operations. While this is broader than financial materiality in the narrow sense, the primary focus remains on risks that may affect the company itself, including its business continuity, operational performance, reputation or overall sustainability, rather than on all environmental and social impacts caused by the company. Issuers and public companies must also follow the principle of prudence while measuring and reporting on ESG risks.⁴⁸⁸

These disclosure requirements support NT18's transparency objective, but remain narrower than GBF Target 15: the 7th National Report assesses requirements to disclose biodiversity-related risks, dependencies and impacts as only partially implemented.

8.7 Regulations stimulating the financing of sustainable activities

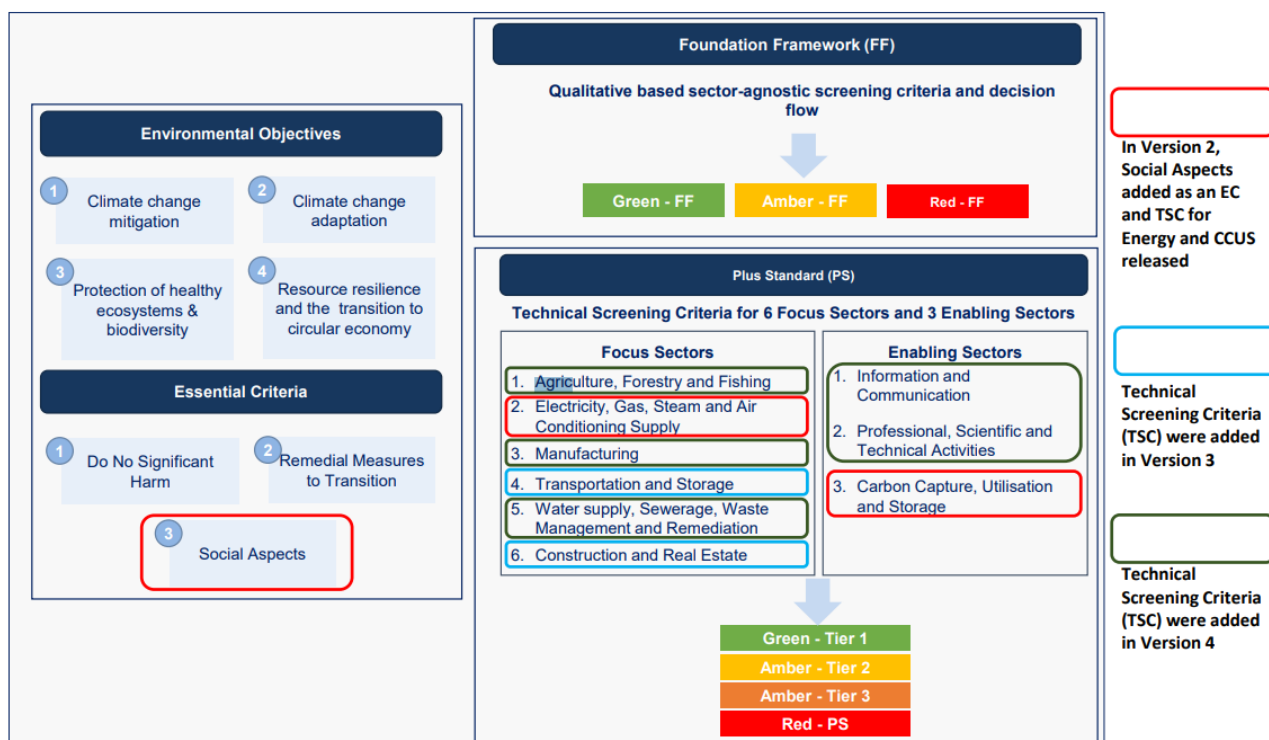
8.7.1 ASEAN Taxonomy

The ASEAN Taxonomy is developed to stimulate the sustainable development of the ASEAN economies. It is a flexible and adaptable tool which is regularly updated to reflect both the market expectations and the technological advancements in the relevant sectors. It has been developed progressively through successive versions. Version 4, released on 6 November 2025, is the current version and completes the development phase of the ASEAN Taxonomy by providing complete Plus Standard coverage across all six focus sectors and three enabling sectors.⁴⁸⁹ Earlier versions introduced the Foundation Framework and TSC (TSC) for sectors such as energy, transportation and storage, and construction and real estate; Version 4 added TSC for the remaining focus sectors (Agriculture, Forestry and Fishing; Manufacturing; Water Supply, Sewerage, Waste Management and Remediation) and for the remaining enabling sectors, Information and Communication and Professional, Scientific and Technical Activities.⁴⁹⁰

The ASEAN Taxonomy is divided into two parts: the foundation framework, designed for companies or governments beginning their sustainability journey, and the stricter plus standard, intended for those aiming to demonstrate their ability to meet more rigorous environmental criteria. Both parts employ a traffic light system, categorising activities as Green, Amber or Red based on their environmental impact.⁴⁹¹ TSC for different economic sectors classify the activities undertaken in these sectors, based on their contributions to environmental objectives (EOs) using quantitative, qualitative or nature of activity-based criteria. To qualify as Green or Amber, an activity or project must either lead to a positive benefit to one or several environmental objectives

(EOs) or create some form of utility whilst displacing another provider of that utility which detracts from one or more environmental objectives. Red activities are those that are not currently aligned with the ASEAN Taxonomy.⁴⁹²

Figure 6 Structure and evolution of the ASEAN Taxonomy (Indonesia)



Source: ASEAN Taxonomy Board (2025, November), ASEAN Taxonomy Version 4, p. 23

The ASEAN Taxonomy currently envisages four environmental objectives:

4. Climate change adaptation;
5. Climate change mitigation;
3. Protection of healthy ecosystems and biodiversity; and
4. Resource resilience and the transition to a circular economy.

According to the ASEAN Taxonomy Document, “Protection of healthy ecosystems and biodiversity” focuses on the incorporation of conservation, restoration, and protection mechanisms of the natural ecosystem and biodiversity. This is location and context specific, and typically relevant for activities related to agriculture, forestry and fishing, real estate, and industry”.⁴⁹³ The taxonomy further stipulates that any activity or project intended to promote the biodiversity environmental objective shall conform with a number of principles while at the same time minimising or eliminating any direct or indirect adverse effects on the natural ecosystems and biodiversity. The principles related to Environmental Objective 3 (Biodiversity) are summarised in Table 9.

Table 9 E03 (Biodiversity) Criteria in the ASEAN Taxonomy

Number	Criterion
1.	Enable ecosystem restoration and/or facilitate the protection of ecosystems.
2.	Implement necessary measures to protect ecosystems and biodiversity, including but not limited to actions such as the adoption of sustainable logging practices and ensuring timber products are sourced from sustainably managed forests.

Number	Criterion
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 contribute 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 contribute 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.

Source: ASEAN Taxonomy Version 4, p. 31.

Version 4 has introduced TSC for all six focus sectors and three enabling sectors, including Agriculture, Forestry and Fishing, where biodiversity and ecosystem considerations are particularly relevant. Nevertheless, the treatment of EO3 remains more principles-based and sector-specific than a fully developed, cross-sector biodiversity classification framework, so there may still be uncertainty in classifying activities that create biodiversity-related risks outside the activities and sectors covered by the Plus Standard.

8.7.2 Indonesian Taxonomy

The first version of the Indonesian Taxonomy was launched in 2022. In February 2024, OJK published the Indonesia Taxonomy for Sustainable Finance (Taksonomi untuk Keuangan Berkelanjutan Indonesia, or TKBI), which transformed the earlier Indonesia Green Taxonomy. OJK subsequently issued TKBI Version 2 in February 2025 and TKBI Version 3 in 2026, which is the current version.⁴⁹⁴

According to OJK, “TKBI is a classification of economic activities that support Indonesia's efforts and Sustainable Development Goals covering economic, environmental, and social aspects, and acts as a guide to improve capital allocation and sustainable financing in supporting the achievement of Indonesia's net zero emission target in 2060 or earlier.”⁴⁹⁵ The taxonomy has been expanded through successive versions. TKBI Version 3 completes the development of classification standards for NDC-related sectors (Energy, Construction and Real Estate, Transportation and Storage, Agriculture, Forestry and Fishing, Manufacturing, and Water Supply, Sewerage, Waste Management and Remediation) and associated enabling sectors (Information and Communication, and Professional, Scientific and Technical Activities).⁴⁹⁶

On 31 March 2026, OJK updated the TKBI Version 3 book. The update adds TSC for Manufacturing Batch 2 activities and clarifies how the sector-agnostic decision tree should be used for small and medium-sized manufacturing activities. It also updates several annexes: it refines the DNSH treatment for certain enabling-sector activities, adds guidance for assessments in the consumer segment, and updates the list of relevant regulations. OJK states that these changes form an integral part of TKBI Version 3.⁴⁹⁷ This means the March update did not create a new taxonomy version, but amended and completed parts of Version 3, especially manufacturing coverage and supporting assessment guidance. Manufacturing Batch 2 sectors/activities for which TSC were added include:

- Organic and inorganic basic chemical industry
- Plastic and synthetic rubber industry in primary forms from recycled materials
- Glass industry and glass products
- Textile industry
- Apparel industry
- Footwear industry
- Low-carbon gas industry, including hydrogen⁴⁹⁸

Like the ASEAN Taxonomy, the TKBI covers four environmental objectives: climate change mitigation, climate change adaptation, protection of healthy ecosystems and biodiversity, and resource resilience and the transition to a circular economy. The biodiversity objective (EO3) is the most relevant for the topic of this report. Currently, 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 minimise or eliminate negative impacts of an Activity on natural ecosystems and biodiversity”*.⁴⁹⁹

According to the Taxonomy, an eligible activity aiming to promote EO3 must comply with the following principles while *“simultaneously minimising or eliminating negative impacts on the natural ecosystem and biodiversity”*. Thus, an activity is expected to:

- Enable ecosystem restoration and/or facilitate the protection of ecosystems.
- Implement necessary measures to protect ecosystems and biodiversity.
- Enforce and empower existing policies related to the protection of natural areas.
- Take into consideration the sustainable and equitable use of biodiversity and ecosystem services.
- 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.
- Substantially contributes to achieving good environmental status of Water Body, 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.

TKBI Version 3 adds TSC for the agriculture, forestry and fishing sector, covering agriculture, plantations, fisheries and marine activities, social forestry, and conservation, restoration and maintenance of natural forests. Biodiversity is therefore now reflected more directly in the taxonomy, although its treatment remains sector-specific rather than a fully cross-sector biodiversity classification framework.

The TKBI follows the ASEAN Taxonomy in its two-fold approach containing both TSC and the principles-based approach (the sector-agnostic decision tree). However, this two-fold scheme is applied in a different way: TSC must be applied by large companies, while the sector-agnostic decision tree is reserved for MSMEs.

Under TKBI, an activity may qualify as green, transition or unqualified (if it is listed in the TKBI but does not meet the "Green" and "Transition" classification requirements), an approach also similar to the ASEAN green-amber-red classification system.

As part of the DNSH criteria, the Taxonomy puts forward a number of requirements for the preservation of biodiversity. These include:

- Ensure that EIA approval is obtained;
- Identify and manage environmentally detrimental risks associated with biodiversity;
- Develop all relevant management plans, such as biodiversity management plans, in consultation with stakeholders and ensure implementation for potentially impacted areas, particularly water bodies. The management plan should demonstrate a genuine commitment to minimising environmental impacts through appropriate water management throughout the activity life cycle;
- Monitor compliance with and effectiveness of mitigation measures established as project commitments.

In addition, it provides a list of examples of protected areas and areas with high biodiversity conservation value which need to be taken into account. The list includes nature reserves, Ramsar

sites, World Heritage Sites, areas protected by Indigenous Peoples and local communities including community conservation areas, and other area types.

Implementing the TKBI can support Indonesia's contribution to the global GBF objective of aligning financial flows with biodiversity goals, even though its own current NBSAP does not actually require financial institutions to align their portfolios with the taxonomy or Indonesia's biodiversity targets.

8.7.3 Green Bond Regulation

The initial OJK Green Bond Regulation outlined the principles and requirements for issuing green bonds, a financial tool aimed to finance or refinance underlying green projects. According to the regulation, "considering that Green Bond is a new product in the Indonesian capital market, the formulation of this Financial Services Authority Regulation refers to the standard issuance of Green Bond issued by the ICMA". That is, it followed the key ICMA principles, including the use of proceeds requirements, and establishes similar eligible categories of sustainable activities, including renewable energy and energy efficiency, pollution prevention and control, climate change adaptation, water and wastewater management, and others. In terms of biodiversity, it covered the management of biological natural resources and sustainable land use, and the conservation of terrestrial and aquatic biodiversity.

In 2023, OJK Regulation Number 60 /POJK.04/2017 was replaced by Regulation 18/POJK.04/2023, which is considerably broader in scope, and apart from the green bonds/sukuk, also covers social bonds/sukuk, sustainability bonds/sukuk, sustainability-linked bonds/sukuk, and sukuk linked to waqf (Islamic endowments). It is, therefore, an important piece of legislation concerning Islamic finance and the sustainable capital market, rather than Islamic banking specifically.⁵⁰⁰

Already one of the top-ten Islamic banking markets globally,⁵⁰¹ Islamic banking still is a fast-growing segment of Indonesia's financial sector, with "*...robust demand for Islamic products and services and significant market potential*", as reported by S&P Global in May 2026.⁵⁰² Besides OJK, there are a number of other organisations and associations bringing together institutions engaged in Islamic finance and standard-setting: the General Council for Islamic Banks and Financial Institutions (CIBAFI), the National Sharia Economy and Finance Committee (KNEKS), the Association of Indonesian BMTs, and the Indonesian Islamic Fintech Association.

The key features of POJK 18/2023 include requirements on registration documents, use of proceeds, external verification, status changes on Green sukuk, Social bonds/sukuk, Sustainability bonds/sukuk, and Sukuk-linked waqf, and reporting. POJK 18/2023 lists biodiversity among the categories for which the proceeds of green bonds can be used. However, for the biodiversity-related use-of-proceeds category, it does not contain any specific targets, thresholds, or KPIs, or any examples of projects or activities with potentially beneficial impacts on biodiversity.

According to the Indonesian Centre for Environmental Law (ICEL), this regulation offers an improvement compared to POJK No. 60 of 2017, which relied on "environmental experts in the assessment process, [while POJK 18/2023] relies on external review providers to conduct the assessment".⁵⁰³ This appears to be a step forward to increase transparency and trust in sustainable finance instruments, and ultimately to foster their uptake by Indonesian FIs.

Indonesia's NBSAP expressly identifies green and blue bonds as potential instruments for mobilising biodiversity finance. POJK 18/2023 is an important step in developing Indonesia's regulatory framework for sustainable-finance instruments, including by expressly recognising biodiversity as an eligible use-of-proceeds category for green bonds and sukuk. However, it does not establish a distinct blue-bond category or specific eligibility criteria for blue bonds, and Indonesia does not appear to have a separate OJK regulation for blue bonds. Although Indonesia has issued sovereign Blue Bonds under its Sustainable Government Securities Framework,⁵⁰⁴ the

absence of a dedicated regulatory framework for blue bonds, particularly for corporate issuance, remains a regulatory gap. Developing such a framework would help give effect to the NBSAP's identification of blue bonds as a biodiversity-finance instrument.

8.8 Other relevant regulations

8.8.1 Implementation of Reclamation and Post-Mining Activities in Mineral and Coal Mining

Technical implementing guidance for Indonesia's mining reclamation regime was issued in 2025 through Minister of Energy and Mineral Resources Decision No. 344.K/MB.01/MEM.B/2025 on Technical Guidelines for the Implementation of Reclamation and Post-Mining Activities in Mineral and Coal Mining.⁵⁰⁵ The Decision applies to mineral and coal mining operations and sets detailed requirements for reclamation and post-mining planning, implementation, reporting and financial guarantees, including for mining in both land and marine areas.⁵⁰⁶ It therefore addresses biodiversity-related impacts through requirements for rehabilitation and environmental recovery during and after mining. The obligations apply to mining licence holders and operators rather than to banks or investors. Financial institutions may nevertheless be involved indirectly through reclamation guarantees, although the Decision does not impose biodiversity-related lending, investment or due diligence obligations on them.

8.9 Possible improvements of relevant regulations in Indonesia

8.9.1 Assessment of current regulations in Indonesia

This chapter has described and summarised the financial regulations in Indonesia which could potentially be relevant to align the credit flows of foreign and domestic banks with the targets of GBF. Table 10 presents the results of the assessment against the three author-developed criteria informed by selected GBF targets, using the methodology described in **Error! Reference source not found..**

Table 10 Assessment of current Indonesian regulations against GBF targets

Assessment criteria	Colour score	Justification
1 Financial regulations do not allow financing of, or investment in, activities or companies responsible for deforestation or the conversion of natural ecosystems.	Dark red	There are currently no regulations which prohibit financing of companies involved in conversion of natural landscapes.
2 Financial regulations expect financial institutions to support a just transition in the Agriculture, Aquaculture, Fisheries and Forestry sectors, in ways that uphold the rights of workers, peasants, fisherfolk, Indigenous Peoples, traditional and local communities.	Light red	Under POJK 51/POJK.03/2017, financial services institutions must prepare Sustainable Finance Action Plans and publish sustainability reports. OJK's palm oil financing guidelines encourage biodiversity risk assessment using the HCV approach, while ASEAN Taxonomy Version 4 and TKBI Version 3 include criteria for agriculture, forestry and fishing and some social safeguards. These measures recognise aspects of the criterion, but general planning and reporting obligations, sector guidance and taxonomy classification do not establish binding requirements for financial institutions to support a just transition in agriculture, aquaculture, fisheries and forestry that upholds the rights of workers, peasants, fisherfolk, Indigenous Peoples and traditional and local communities.

Assessment criteria	Colour score	Justification
3 Financial regulations require transparent disclosure of all financing and investment portfolios and of the biodiversity and social impacts associated with these flows.	Light red	There is no requirement to report which companies a bank is financing or investing in, but listed companies do need to report which banks are financing them. Financial regulations require listed companies, including banks to report on their direct sustainability impacts, including on biodiversity. Thus, listed companies must report on their positive and negative impacts on the biodiversity on their sites and surrounding areas, but banks are not required to report on the impacts of the companies they finance. TKBI Version 3 provides a more developed classification framework, including entity- and portfolio-level assessment, while POJK 18/2023 replaced POJK 60/2017 and expanded the regime for sustainability-based debt securities and sukuk, including green sukuk, social bonds/sukuk, sustainability bonds/sukuk, sukuk-linked waqf and sustainability-linked bonds. However, these instruments still do not require full disclosure of all financing and investment flows or full disclosure of the biodiversity and social impacts of all financed companies.

8.9.2 Progress towards meeting the GBF targets

The key gap in the NBSAP is how it treats financial regulation within Indonesia's national biodiversity targets. The framework does contain references to regulatory action in the financial sector, including an implementation indicator under NT18 for policies, regulations and rules relating to biodiversity safeguards in financial institutions. However, reforming legislation is not positioned as a high-level national target or outcome in its own right.

NT16 focuses on mainstreaming biodiversity into national development through the integration of the NBSAP into planning documents of ministries and agencies, provincial and regency/city governments and non-government actors, alongside education, public awareness, biodiversity-management planning at national and subnational levels, and biodiversity economic accounting. NT18 focuses on transparency and disclosure by companies and financial institutions, while NT19 aims mainly to increase and mobilise financial support for biodiversity.

The NBSAP therefore provides some basis for developing biodiversity-related financial regulation, but does not set a measurable time-bound commitment for strengthening banking and investment regulation.

8.9.3 Recommendations for Indonesian legislators and financial sector regulators

The following improvements are recommended to better align the financing flows managed by banks in Indonesia with the GBF targets:

- **Enhance monetary policies and ensure they incorporate the necessary biodiversity safeguards**

Introduce differentiated reserve requirements. BI should expand its Macroprudential Liquidity Incentive Policy so that biodiversity-positive financing, restoration, sustainable community forestry, agroecology and other taxonomy-aligned activities can qualify for preferential treatment, while OJK should introduce higher capital requirements, capital add-ons, concentration limits or exposure limits for financing companies harmful to biodiversity and human rights.

Incorporate biodiversity in Bank Indonesia's monetary policy. Bank Indonesia should aim to integrate biodiversity and human rights considerations into its monetary policies. This means incorporating biodiversity risk indicators in managing its own portfolio, in its assets purchase programmes and in its collateral framework. BI should also introduce preferential borrowing rates for sustainability-linked loans.

- **Strengthen and make binding the ASEAN and Indonesian Taxonomies**

ASEAN Taxonomy Version 4 and TKBI Version 3 now include TSC for agriculture, forestry and fishing, as well as DNSH, social-aspect criteria and portfolio-assessment methodology. The priority is therefore no longer simply to develop taxonomy criteria, but to ensure that they become binding and consequential for banks. OJK and the Ministry of Finance should require banks to apply the TKBI in portfolio target-setting, client assessment, credit approval, exclusion policies and transition planning. The existing biodiversity criteria should also be made more specific and measurable, while DNSH and social-aspect tests should be strengthened so that activities linked to deforestation, ecosystem conversion, unresolved land conflicts, violations of Indigenous Peoples' rights or other serious human-rights impacts cannot qualify as sustainable or transition finance.

- **Make a transition plan mandatory for all banks and financial institutions**

Strengthen the expectations for the Sustainable Finance Action Plans which banks and financial institutions are already required to make, by requiring them to develop time-bound biodiversity and just transition plans which would ensure that their portfolios align with the taxonomies. It is important that banks are given clear guidance how to include these principles in their mandatory Sustainable Finance Action Plan (see the following recommendations) and that the inclusion and operation of these principles is supported by a robust enforcement practice.

- **Develop sector-specific financing and investment guidelines and binding requirements for high biodiversity-risk sectors**

OJK should strengthen the existing Palm Oil Guidelines and develop and launch guiding and reference documents for all the sectors with substantial risks to biodiversity. These sectors should include timber (including plantation forestry), natural rubber, fishing and aquaculture, industrial agriculture, large-scale infrastructure, tourism and others. The guidelines should stimulate a just transition in the Agriculture, Aquaculture, Fisheries and Forestry sectors which supports the rights of workers, peasants, fisher folk, Indigenous Peoples, traditional and local communities. This means that the guidelines should align with the taxonomies with regard to activities that contribute positively to biodiversity and human rights, while they should also define which activities should be avoided because of their negative biodiversity and social impacts. The guidelines should be derived from international standards and agreements, including the GBF, and should become mandatory.

- **Require due diligence of the full corporate group**

Funding provided to a specific company is often lent to a subsidiary, parent or sister company within the same corporate group. It is therefore important that the due diligence requirements for banks on social and environmental risks and impacts are broadened from their direct clients to the entire corporate groups they belong to.

- **Require more comprehensive biodiversity monitoring and reporting**

Even though banks and other financial institutions (FIs) are already required to report on biodiversity, the scope of mandatory disclosures (reporting on impacts on conservation areas near or around a company's assets or production facilities, and its biodiversity conservation efforts) remains limited and often irrelevant for the financial sector. Banks and financial institutions must be required to measure and report on their biodiversity-related exposure –

through their financing and investment – and on the impacts of these on society and the environment. Banks should also be transparent about which companies they are financing and on the complaints they received regarding the impacts on biodiversity and human rights of their financing. OJK should require portfolio-level disclosure of financed deforestation, conversion, biodiversity loss and human-rights impacts, rather than limiting biodiversity reporting to banks' own operational sites and conservation donations.

- **Hold financial institutions accountable**

OJK and criminal authorities should act if banks do not meet the requirements in existing regulations and the new regulations proposed above. Fines and sanctions such as capital additions, concentration limits, holding board members accountable, or (temporarily) revoking a banking licence should be used. The Sustainable Finance Committee established under the P2SK Law should also be strengthened by involving environmental and natural-resource authorities and by creating clear accountability, grievance and remedy mechanisms for communities affected by activities financed through sustainable finance products or transactions.

9

Japan

This chapter analyses how biodiversity issues are integrated into the regulatory environment for Japan's financial sector. It begins with an analysis of Japan's national targets under the National Biodiversity Strategy and Action Plan and progress reported in the 7th National Report, followed by an overview of Japanese financial authorities and an outline of current banking and capital market regulations. Japan's regulatory system follows a market-driven, fragmented approach based on financial materiality, largely operationalised through financial authorities' recommendations rather than binding policies. Climate-related issues are addressed through guidance documents that lay the groundwork and set out the supervisory approach of financial authorities, aiming to promote better practices at financial institutions for integrating and managing climate-related risks and opportunities.

9.1 National actions to implement GBF targets in financial sector regulation

9.1.1 Japan's national biodiversity targets

Japan drafted its National Biodiversity Strategy and Action Plan for 2023-2030 and published it in March 2023. Japan restructured the general GBF targets accordingly and does not follow the overall GBF structure. Therefore, Japan's national targets are not directly linked to GBF targets, and they may encompass several targets simultaneously.

Japan sets 40 national targets in total. These targets do not follow the overall GBF structure, as one national target might correspond to several GBF targets simultaneously, or vice versa. Japan organises its national targets into five basic strategies:

- Basic Strategy 1: Restoration to Healthy Ecosystems
- Basic Strategy 2: Application of Nature-based Solutions to Address Social Challenges
- Basic Strategy 3: Realisation of Nature-Positive Economies
- Basic Strategy 4: Recognition of the Value of and Actions for Biodiversity in Daily Life and Consumption Activities (Changing Individual Behaviour)
- Basic Strategy 5: Development of a Base that Underpins Activities for Biodiversity Conservation and Promotion of International Coordination.⁵⁰⁷

Under Basic Strategy 3, Japan's NBSAP emphasises the importance of private capital and urges the government to enhance financial institutions' understanding of nature-related risks and opportunities. This should be based on disclosures from TNFD assessments. Additionally, the government should offer technical guidance on disclosures and target-setting related to biodiversity and natural capital for businesses, including financial institutions. It should also establish schemes to promote dialogue between corporations and financial institutions on activities that consider biodiversity and natural capital.⁵⁰⁸

Basic Strategy 5 focuses on the need to adopt the required legislative, financial, or tax measures and to promote international cooperation, including financial support. Specifically, the government aims to implement the biodiversity conservation measures detailed in the NBSAP by updating

relevant laws, allocating budgets, and promoting efforts such as encouraging private-sector investments. This also includes measures to identify subsidies harmful to biodiversity and to reassess the relevance of the identified incentives.⁵⁰⁹

The strategy considers the role of finance in conserving and restoring biodiversity by developing a framework to link biodiversity conservation and natural capital management to finance and the economy. The strategy aims to enhance financial institutions' understanding of nature-related risks and opportunities. It is based on information disclosed through TNFD's nature-related assessments and includes technical guidance on biodiversity and natural capital disclosures, as well as setting related targets for financial institutions.⁵¹⁰ The strategy also considers increasing green finance and ESG investments through private financing instruments such as green bonds.

9.1.2 Actions to meet the biodiversity targets

In light of the goals set out in the NBSAP, Japan establishes the following targets. Targets are classified into "state-oriented" and "action-oriented" categories. "State-oriented targets" specify the desired status by 2030, while "action-oriented targets" outline the steps needed to reach these.

State-oriented targets under Basic Strategy 3 are as follows:

- 3-1 ESG finance that contributes to biodiversity conservation is promoted, and resources are appropriately allocated to measures that contribute to biodiversity conservation
- 3-2 Steady progress is being made in reducing the negative impact of business activities on biodiversity, increasing positive impacts, reducing biodiversity-related risks for businesses and financial institutions, and promoting actions to ensure sustainable production systems.⁵¹¹

Based on these state-oriented targets, the following is the action-oriented target in relation to finance:

- 3-1 Promote quantitative assessment of dependence and impact on biodiversity, analysis of current status, science-based target-setting, and information disclosure by businesses, develop a foundation for promoting investments and financing by financial institutions and investors, and promote activities to conserve and restore biodiversity from the perspective of investment and financing.⁵¹² This action-oriented target relates to global GBF Targets 15 and 19.

Basic Strategy 5 sets out the following state-oriented targets:

- 5-1 Information infrastructures for biodiversity are developed, survey and research results and provided data and tools are utilised in various sectors, and collaboration between various entities is promoted at various spatial scales under spatial plans that take biodiversity into consideration
- 5-2 Funding for biodiversity conservation is secured to improve the funding gaps for global biodiversity conservation
- 5-3 Japan's support to developing countries in capacity building is progressed, and the results are reflected in the measures taken in each country to promote biodiversity conservation.⁵¹³

The related action-oriented targets under Basic Strategy 5 are as follows:

- 5-4 Implement efforts to enhance resource mobilisation, including identifying and reviewing incentives that are harmful to biodiversity.⁵¹⁴ This relates to global GBF Targets 18 and 19.

In light of these targets, below are the expected roles for relevant entities:

- National Government: In Basic Strategy 3, which links biodiversity with the economy, the government will create guidelines for eco-friendly business practices, establish certification systems, and lay the groundwork for biodiversity-focused investments and financing, including transparency measures. Additionally, it will promote examples of good practice to ensure that

biodiversity considerations are integrated into all business activities, while staying aligned with international trends.⁵¹⁵

- **Businesses:** In sectors like agriculture, forestry, and fisheries, companies should consider biodiversity and participate in sustainable practices. For development projects, measures must be implemented to avoid harming biodiversity. Financial institutions, meanwhile, are expected to support biodiversity conservation through ESG finance, such as prioritising loans to environmentally conscious activities.⁵¹⁶

9.1.3 Progress reported in the 7th National Report

Japan published its 7th National Report in February 2026, which focuses on progress toward the national targets set in the NBSAP to achieve the GBF targets. Below is the reported progress in relation to identified GBF targets:

- **Target 14: Integrate Biodiversity in Decision-Making at Every Level**

This has been targeted under State-oriented target 5-1, as mentioned above, and several action-oriented targets relate to global GBF Target 14. Although the 7th National Report states that alignment with GBF Target 14 is medium, the identified actions are not related to improving biodiversity regulations in the financial sector.

Japan emphasises various avenues to embed biodiversity considerations into policymaking at multiple levels. This includes promoting academic research in biodiversity-related fields, such as linking biodiversity to the social economy and incorporating natural capital into national economic statistics. The country also focuses on developing human resources and tools for data dissemination and utilisation to support effective policymaking and decision-making. Additionally, Japan encourages public participation in biodiversity conservation activities and aims to strengthen support for planning efforts, including local biodiversity strategies and action plans.⁵¹⁷

- **Target 15: Businesses Assess, Disclose and Reduce Biodiversity-Related Risks and Negative Impacts**

- **State-oriented target 3-1:** ESG finance that contributes to biodiversity conservation is promoted, and resources are appropriately allocated to measures that contribute to biodiversity conservation. This target relates to global GBF Targets 15 and 19. Japan reports that the progress towards the target has been insufficient.

The target focused on strengthening efforts to create a mechanism for biodiversity assessment and information disclosure, facilitate data sharing across supply chains, and establish a platform for sharing expertise and information among national governments and businesses. Japan's 7th National Report highlights a growing number of domestic signatory organisations committing to biodiversity-related investment and financing principles, such as the Principles for Responsible Investment (PRI) and the Principles for Financial Action for the 21st Century, demonstrating progress. It also notes that amounts raised through green bonds and green loans, which include biodiversity conservation and related purposes as eligible uses of funds, have been increasing.⁵¹⁸

However, efforts to establish legal, administrative or policy measures aimed at encouraging and enabling business and financial institutions, and in particular for large and transnational companies and financial institutions, to progressively reduce their negative impacts on biodiversity, increase their positive impacts, reduce their biodiversity-related risks and promote actions to ensure sustainable patterns of production have been partially met.⁵¹⁹

- **State-oriented target 3-2:** Steady progress is being made in reducing the negative impact of business activities on biodiversity, increasing positive impacts, reducing biodiversity-

related risks for businesses and financial institutions, and promoting actions to ensure sustainable production systems.

Japan reports that progress is on track to achieve the target. The main achievements are as follows: ecological and material footprints are declining, the percentage of businesses that take biodiversity conservation into account when providing products and services is increasing, and the number of companies disclosing their biodiversity-related risks, dependencies, and impacts is rising. In addition, there has been an overall upward trend in the percentages of businesses that incorporate biodiversity into their policies, set quantitative biodiversity targets and indicators, and adopt TNFD.⁵²⁰

- **Action-oriented target 3-1:** The target aims to promote quantitative assessment of dependence on and impact on biodiversity, analysis of current status, science-based target-setting, and information disclosure by businesses; develop a foundation for promoting investments and financing by financial institutions and investors; and promote activities to conserve and restore biodiversity from the perspective of investment and financing.

Japan reports that progress remains on track to meet the target. Sessions explaining quantitative evaluation methods and biodiversity-related disclosure for businesses occur multiple times annually, and since 2025, similar sessions have been held for financial institutions and investors, with their frequency now monitored. Additionally, guidelines and materials concerning quantitative evaluation methods for both businesses and financial institutions, including disclosure procedures, have been issued.

In addition, the Guidance on Nature-Related Information Analysis aligned with TNFD recommendations for financial institutions was published on 31 March 2025. In April 2025, the Guidance on TNFD Disclosure for Forestry was released, followed by the Green Bond and Green Loan Guidelines Annex 1 (Green List) in July 2025. The Green List offers examples of projects that qualify as green, aiming to support green finance through green bonds and green loans.⁵²¹

- **Target 18: Reduce Harmful Incentives by at Least USD 500 Billion per Year, and Scale Up Positive Incentives for Biodiversity**

- **Action-oriented target 5-4:** The target aims to implement measures to enhance resource mobilisation, including identifying and reviewing incentives that harm biodiversity.

It is reported that progress towards the target has been insufficient. No calculations have been conducted regarding positive incentives aimed at promoting biodiversity conservation and sustainable use, nor on the impact of subsidies and other incentives that may harm biodiversity (headline indicators). It is stated that further evaluation will be pursued and that Japan plans to review the frameworks of different incentives, including domestic subsidies, if they are detrimental to biodiversity.⁵²²

- **Target 19: Mobilise USD 200 Billion per Year for Biodiversity From all Sources, Including USD 30 Billion Through International Finance**

- **State-oriented target 5-2:** Funding for biodiversity conservation is secured to improve the funding gaps for global biodiversity conservation.

Japan reports that progress towards the target is being made but at an insufficient rate. International public funding, including official development assistance for biodiversity and ecosystem conservation and sustainable use, has been declining since 2020, and additional efforts are underway. The amount went down from USD 412 million in 2020 to USD 163 million in 2023.⁵²³

- **Action-oriented target 5-4:** It is reported that progress towards the target has been insufficient. Even though Japan reports that it has contributed to the Kunming-Montreal

Global Biodiversity Framework Fund, made ongoing contributions through the Japan Biodiversity Fund to the secretariat of the Convention on Biological Diversity (CBD) and the United Nations Development Programme, there were no calculations made to measure the value of subsidies and other incentives harmful to biodiversity.⁵²⁴

9.2 Overview of regulatory bodies for the financial sector

9.2.1 Bank of Japan (BoJ)

The Bank of Japan (BoJ) oversees the macroprudential supervision of the banking and financial sectors. While it is not a regulatory authority under the Banking Act, the BoJ conducts on-site inspections through bilateral agreements with financial institutions that hold accounts with the BoJ, as authorised by the Bank of Japan Act. Additionally, the BoJ examines overseas branches of banks and monitors financial institutions remotely. Its supervision encompasses both domestic Japanese financial entities and foreign banks operating in Japan.⁵²⁵ The BoJ's objectives are "to issue banknotes and to carry out currency and monetary control" and "to ensure smooth settlement of funds among banks and other financial institutions, thereby contributing to the maintenance of stability of the financial system".⁵²⁶ The BoJ established the Climate Coordination Hub in 2021 to "promote information sharing and coordination on various measures and address issues related to climate change".⁵²⁷

9.2.2 Financial Services Agency (FSA)

In Japan, the main financial regulator is the Financial Services Agency (FSA), which supervises securities, insurance, and various other financial industries. The FSA was established as an external body of the Cabinet Office by Article 64 of Act No. 89 of 1999 (Act for Establishment of the Cabinet Office), and the Minister of State for Financial Services is appointed within the Cabinet Office (Article 11 of the same Act). The following are some of the matters managed by the FSA:

- Planning and policy-making of financial systems
- Inspection and supervision of private sector financial institutions, including banks, insurance companies, etc.
- Establishment of rules for trading markets
- Establishment of business accounting standards
- Surveillance of compliance with rules in markets⁵²⁸

The FSA publishes its strategic priorities biannually. Main points concerning ESG issues from the last one, pertaining to July 2025 - June 2026, are as follows:

- The FSA will require certain listed companies to disclose their responses to climate change risks
- The FSA will keep evaluating third-party assurance systems to verify the reliability of disclosed sustainability information, taking into account both domestic and international developments
- The FSA will encourage impact investment, providing financial support to companies that seek to address social issues and boost corporate value through innovative business practices
- The FSA will expand transition finance in Asia to achieve global Green Transformation
- To improve transparency and integrity in carbon credit trading, the FSA is considering the development of high-level principles for trading participants and exchanges to follow.⁵²⁹

9.2.3 Securities and Exchange Surveillance Commission (SESC)

The Securities and Exchange Surveillance Commission (SESC) aims to promote market transparency while safeguarding investors. It is led by a chairman and two commissioners appointed by the Prime Minister and operates independently of the FSA. The SESC's Executive

Bureau handles tasks such as market surveillance, monitoring Financial Instruments Business Operators, investigating market misconduct, including insider trading, inspecting disclosure documents, and conducting criminal probes into serious violations. When statutory breaches are found during inspections or investigations, the SESC can recommend to the FSA's Commissioner that disciplinary actions be taken or that administrative monetary penalties be imposed.⁵³⁰

9.2.4 Sustainability Standards Board of Japan (SSBJ)

The Sustainability Standards Board of Japan (SSBJ), a nongovernmental standard-setting body established within the Financial Accounting Standards Foundation (FASF), a private sector nonprofit public interest foundation, was created in July 2022 to develop Sustainability Disclosure Standards for Japan, aiming to align Japanese standards with the International Sustainability Standards Board's (ISSB) IFRS Sustainability Disclosure Standards. In March 2025, the SSBJ issued its inaugural sustainability disclosure standards and decided to incorporate all requirements of IFRS S1, General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2, Climate-related Disclosures and to add any jurisdiction-specific alternatives when considered necessary.⁵³¹

9.3 Central bank policies

9.3.1 Fund-Provisioning Measure to Support Efforts on Climate Change

On June 18, 2021, the Bank of Japan introduced the "Fund-Provisioning Measure to Support Efforts on Climate Change," designed to assist private financial institutions that disclose a specific level of their climate change initiatives. This measure enables these institutions to obtain funds from the BoJ based on their investments or loans related to their climate change efforts.⁵³² The preliminary outline of the Fund was as follows:

- Eligible counterparties are financial institutions that disclose a certain level of information on their efforts to address climate change
- Eligible investments or loans are the ones made by counterparties mentioned above, including green loans/bonds, sustainability-linked loans/bonds with performance targets related to efforts on climate change, and transition finance
- The interest rate will be 0 per cent, provided for 1 year, with a possibility of rolling over for an unlimited amount of time during the implementation period of the measure, until the end of March 2031.⁵³³

As of the time of writing, the interest rate is 0.75 per cent per annum.⁵³⁴ As of January 2025, these loans made up nearly 14% of the BoJ's total loan portfolio.⁵³⁵ However, this policy's effectiveness might be compromised by the unclear definition of green investment, stemming from the lack of solid guidelines or a national taxonomy.⁵³⁶

9.4 Banking regulations

9.4.1 Supervisory Guidance on Climate-related Risk Management and Client Engagement

Following the recommendations published by the Expert Panel on Sustainable Finance in December 2020, the FSA finalised the "Supervisory Guidance on Climate-related Risk Management and Client Engagement".⁵³⁷ The guidance is non-binding and lays the groundwork for the FSA's supervision and inspection approach to promote better practices at financial institutions with respect to climate change. The guidance, published to improve how Japanese banks incorporate

ESG requirements, emphasises the need for these banks to manage climate-related risks and support their clients in understanding climate-related risks and opportunities.⁵³⁸

The FSA expects financial institutions to ensure the following when developing strategies and an internal control framework to address climate change:

- The recognition of the profit opportunities for both financial institutions and clients in establishing resilient business foundations against climate change, alongside the risks climate change presents to their own and their clients' businesses
- Strategies to boost their businesses' resilience against climate change and support their clients' efforts toward carbon neutrality; formulating and executing a business plan with defined targets, evaluation metrics, and deadlines, all aligned with the response strategies for climate change
- Communicating the progress of their climate change response strategies to stakeholders such as customers, shareholders, creditors, and authorities through disclosure and reporting
- Assigning powers and responsibilities within the organisation and ensuring that appropriate control functions and policies with respect to risk management and client support for responding to climate change
- Allocating necessary management resources to implement the strategies for responding to climate change, including securing and developing human resources, educating employees, and developing IT systems; and initiatives to collect, aggregate, and analyse available high-quality data and information to understand the opportunities and risks related to climate change.⁵³⁹

As Japan's NBSAP takes a market-driven approach to integrate biodiversity into financial regulation via technical advice and promoting dialogue to enable and steer financial institutions, it does not establish mandatory requirements for financial institutions to integrate biodiversity and nature-related considerations. Therefore, even though Japan reports certain progress, such as increasing adoption of biodiversity-related voluntary standards by financial institutions, as explained in the 7th National Report, the NBSAP misses the opportunity to effectively reflect on the need to incorporate biodiversity investment and financing frameworks to prohibit harmful financial flows.

9.4.2 Basic Guidelines on Climate Transition Finance

In 2021, the Financial Services Agency, the Ministry of Economy, Trade and Industry, and the Ministry of the Environment of Japan formulated the Guidelines on Climate Transition Finance to support achieving the 2050 carbon-neutral goals and the Paris Agreement for financial institutions and investors, in line with the Climate Transition Finance Handbook of the ICMA. Consequently, the following four elements and their related disclosure approaches were operationalised in line with the ICMA Handbook:

- Issuer's climate transition strategy and governance, which has a long-term target aligning with the goals of the Paris Agreement, interim targets, a credible pathway to decarbonization, disclosed in the company's reports in line with the international reporting frameworks such as the Recommendations of the TCFD
- Business model environmental materiality, indicating that climate change is an environmentally material part of business activities
- Climate transition strategy to be science-based, including targets and pathways
- Implementation transparency, such as providing information on the implementation of the investment plan with assumed climate-related outcomes and impacts.⁵⁴⁰

The Guidelines on Climate Transition Finance were updated in 2025, in line with the 2023 update of the ICMA Handbook, to better reflect international developments.⁵⁴¹

9.4.3 Climate-scenario analysis

The BoJ, alongside the FSA, started in 2021 conducting climate-scenario analysis in cooperation with three major banks and three major non-life insurance groups, using scenarios published by the NGFS (see section 9.2.1) as common scenarios.⁵⁴² The second edition of the climate-related risk scenario analysis was conducted in 2025. With these analyses, the BoJ and FSA aim to examine transition risks, improve the resilience of the financial system, and ensure sustainable business solutions.⁵⁴³

As mentioned in the previous section, the BoJ also conducts on-site examinations of the financial system. In the latest one, conducted in 2026, the BoJ encourages financial institutions to improve their climate change scenario analysis based on their size and characteristics, and to align with international discussions on the regulation, supervision, and risk management of climate-related financial risks.⁵⁴⁴ With regard to climate change responses, the BoJ engages in dialogue with financial institutions on the following issues, according to their size and characteristics:

- the identification and management of climate-related financial risks
- information disclosure, and
- engagement with corporate customers.⁵⁴⁵

9.5 Capital market regulations

9.5.1 Financial Instruments and Exchange Act (FIEA)

The Financial Instruments and Exchange Act (FIEA, Act No. 25 of 1948)⁵⁴⁶, which was amended by the Act for the Amendment of the Securities and Exchange Act (Act No. 65 of 2006) and the Act for the Development of Relevant Acts for Enforcement of the Act for the Amendment of the Securities and Exchange Act, etc. (2006 Act No. 66) is the regulatory framework that governs securities and financial instruments.⁵⁴⁷

The FIEA was amended in 2023, and the FSA requires listed companies to disclose sustainability-related matters in their annual reports and other disclosure materials.⁵⁴⁸ This also applies, in practice, to listed banks, requiring them to take ESG requirements into account in their disclosure documents.⁵⁴⁹ The amendments took effect for reports relating to the fiscal year ending on or after 31 March 2023. Reporting entities must disclose their governance and risk management approaches concerning sustainability issues. If relevant, they should also report on their strategy, metrics, and targets, aligning the four pillars with the TCFD recommendations.⁵⁵⁰

9.5.2 Stewardship Code

In July 2025, the FSA published the third edition of the Stewardship Code for institutional investors. The purpose of the code is to define the responsibilities of institutional investors in improving medium- to long-term investment returns for their clients and beneficiaries by actively enhancing the corporate value and sustainable growth of investee companies. This is achieved through constructive engagement or meaningful dialogue, with a focus on sustainability that encompasses medium- to long-term ESG factors and is aligned with their investment strategies.⁵⁵¹ The Code adopts a comply-or-explain approach, and the FSA expects public disclosure of acceptance by institutional investors.

9.5.3 Guidelines for Financial Instruments Business Operators

In March 2023, the FSA introduced the Guidelines for Financial Instruments Business Operators to tackle greenwashing in publicly offered ESG investment funds. The Guidelines introduced explicit checkpoints to assess whether fund names accurately reflect the strategy, ensuring consistency

between declared objectives, investment choices, and disclosures. They also evaluate the manager's governance, resources, and expertise in ESG analysis, along with due diligence and monitoring of holdings.⁵⁵² The Guidelines were updated in 2025, consolidating the earlier ESG anti-greenwashing checkpoints into the broader supervisory framework without materially altering their substance.⁵⁵³

9.5.4 Code of Conduct for ESG Evaluation and Data Providers

In 2022, the FSA published the Code of Conduct for ESG Evaluation and Data Providers, following the wide usage of ESG data and evaluation practices.⁵⁵⁴ Evaluation organisations are encouraged to publicly endorse the Code of Conduct by posting their commitment on their websites and notifying the FSA, to promote transparency and enable stakeholders to see which organisations follow standardised ESG evaluation practices and identify deviations.⁵⁵⁵

9.5.5 Corporate Governance Code

The Financial Services Agency (FSA) has amended the Corporate Governance Code by placing new requirements on listed companies regarding sustainability, diversity, and inclusion from April 2021 onwards.⁵⁵⁶ The Corporate Governance Code states that companies should "take appropriate measures to address sustainability issues, including social and environmental matters", such as "...taking care of climate change and other global environmental issues, respect for human rights, fair and appropriate treatment of the workforce including caring for their health and working environment, fair and reasonable transactions with suppliers, and crisis management for natural disasters".⁵⁵⁷ In addition, the Code requires companies to ensure diversity and the active participation of women.

9.6 Regulations stimulating the financing of sustainable activities

9.6.1 Japan Climate Transition Bonds

Japan Climate Transition Bonds (JCTBs) Framework, part of Japan's Green Transformation, which aims to transform the structure of industry and society from a fossil-fuel-centric to a clean-energy-centric one, was developed on 7 November 2023 as a tool to raise the necessary funds to promote the GX in Japan.⁵⁵⁸ The JCTBs are the world's first sovereign climate transition funds, planned to issue USD 133 billion (JPY 20 trillion) of GX-enabling bonds over the next decade.⁵⁵⁹ Since February 2024, the BoJ has incorporated the JCTBs into its liquidity management, including open market operations and collateral framework, treating JCTBs on par with standard Japanese sovereign bonds.⁵⁶⁰ However, the evidence indicates that transition bonds funded industries with little evidence of emissions reductions, as the term "transition" is too vague to exclude non-climate-related projects.⁵⁶¹ As of March 2026, cumulative issuance has reached approximately USD 26 billion (JPY 4.2 trillion).⁵⁶²

9.6.2 Green Bond and Green Loan Guidelines

The first Green Bond Guidelines were issued in 2017 by the Ministry of Environment and have been updated regularly since then. The 2020 update also included guidelines for green loans and sustainability-linked bonds and loans.⁵⁶³ The aim of the guidelines is to increase green bond and loan issuances and investments in Japan by preventing "greenwashing" of financial products.

The 2022 update introduced a green list for financial products, identifying eligible green projects for green bonds and loans, and reporting on KPIs and negative environmental impacts.⁵⁶⁴ Key updates in the 2023 revision aligned the guidelines with international standards and national strategies, such as the International Capital Market Association and the Japanese National Biodiversity Strategy 2023-2030 to achieve Japan's NBSAP target of mobilising finance for biodiversity implementation. Although there has been progress in enhancing resource

mobilisation, the absence of calculations regarding harmful subsidies has meant that progress towards achieving the NBSAP target of eliminating harmful financial flows has been insufficient.

9.7 Regulations protecting human rights and/or the environment

9.7.1 The Clean Wood Act

On 20 May 2016, the Act on Promotion of Use and Distribution of Legally-Harvested Wood and Wood Products (the Clean Wood Act) was passed, and it took effect on 20 May 2017.⁵⁶⁵ Before the Clean Wood Act was enacted, legality checks were only required under the Act on Promoting Green Purchasing, which applied solely to wood and wood products procured by the government. The Clean Wood Act obligated business entities to make efforts to verify the legality of all wood and wood products defined by the Act, regardless of whether they are supplied to the government or sold in the private sector. To comply with the Clean Wood Act, business operators were required to check the legality of the wood and wood products they handle, whether for public or private use.⁵⁶⁶

The Act was criticised for its penalties for non-compliance, which were too low, leading major companies to treat non-compliance as an operational cost; for example, the highest penalty would be about USD 6,500 (JPY 1 million) for an offender.⁵⁶⁷

In 2023, the Act to Partially Amend the Act on Promotion of Distribution and Use of Legally Harvested Timber (Revised Clean Wood Act) was passed, and it came into force on 1 April 2025.⁵⁶⁸ The Act established mandatory measures to prevent illegal logging and guarantee that only legally harvested timber is sold in Japan, covering both domestic and imported wood products.

The 2023 revisions established a risk-based framework requiring mandatory legality due diligence for Type 1 businesses, such as importers and upstream operators purchasing directly from producers. Essential responsibilities include collecting and verifying raw material information, such as species, harvest locations, and government certificates. They must also confirm a high likelihood that the timber was not harvested illegally, maintain records, and provide information upon request. The scope now also includes retailers as wood-related businesses.⁵⁶⁹

Even though the Act was revised, its focus on timber legality has been seen as a source of concern, with the argument that deforestation-free and socially responsible supply chains are overlooked, creating a “loophole market” in Japan for products linked to destructive forest conversion.⁵⁷⁰ It is argued that Japanese regulators should advance from simply requiring legality and chain-of-custody certification to implementing NDPE-aligned, concession-level traceability and thorough human rights and environmental due diligence.

9.8 Other relevant regulations

9.8.1 Japan Bank for International Cooperation (JBIC)

The Japan Bank for International Cooperation (JBIC) was established on 1 April 2012 in accordance with the JBIC Act.⁵⁷¹ The JBIC is owned by the Japanese government, and its main role is to contribute to the sound development of Japan by conducting lending, investment, and guarantee operations while complementing private-sector financial institutions.⁵⁷²

On 28 October 2021, JBIC released its ESG Policy, which includes responding to the energy transition by financing green and transition projects and issuing green bonds, among other objectives.⁵⁷³

Even though the Japanese government committed to ending direct support to fossil fuels, the JBIC still continues to provide financing: for instance, the JBIC agreed to provide USD 636 million in financing for a 1.2-gigawatt Vung Ang 2 coal-fired power plant project in Vietnam, which is expected to emit around 6.6 million tons of carbon dioxide per year over a 25-to-30-year lifespan.⁵⁷⁴

In March 2024, the JBIC announced the project financing of USD 93 million and USD 167 million each to two natural gas-fired combined cycle power projects located in San Luis Potosi and Salamanca, Mexico.⁵⁷⁵ According to Friends of the Earth Japan, Japan has been the leading supporter of upstream fossil fuel projects, providing USD 2.5 billion annually, accounting for nearly half (49%) of all upstream fossil fuel finance, despite its commitment to end international public financing for fossil fuel projects.⁵⁷⁶

9.9 Possible improvements of relevant regulations in Japan

9.9.1 Assessment of current regulations in Japan

This chapter has described and summarised the financial regulations in Japan that could be relevant to aligning financing and investment flows with the targets of the GBF. Table 11 presents the results of the assessment against the three author-developed criteria informed by selected GBF targets, using the methodology described in Appendix 1.

Table 11 Assessment of current Japanese regulations against GBF targets

Assessment criteria	Colour score	Justification
1 Financial regulations do not allow financing of, or investment in, activities or companies responsible for deforestation or the conversion of natural ecosystems.	Dark red	Currently, no banking or securities regulation broadly prohibits banks or investors from financing companies engaged in deforestation, land conversion, wetland destruction, habitat loss, or alteration of natural landscapes.
2 Financial regulations expect financial institutions to support a just transition in the Agriculture, Aquaculture, Fisheries and Forestry sectors, in ways that uphold the rights of workers, peasants, fisherfolk, Indigenous Peoples, traditional and local communities.	Dark red	For banks, investors, and listed companies, biodiversity-related issues may be relevant to overall materiality, risk management practices, and transition risk disclosures if biodiversity loss affects their businesses. However, financial regulators do not explicitly require financial institutions to support a just transition.
3 Financial regulations require transparent disclosure of all financing and investment portfolios and of the biodiversity and social impacts associated with these flows.	Light red	Japan's SSBJ standards currently focus on overall sustainability and climate disclosures, without a dedicated rule for biodiversity and social impacts. These impacts may be reported based on materiality risk through general sustainability or climate disclosures, as well as related voluntary initiatives. Japan lacks an economy-wide green taxonomy, and existing disclosure rules do not mandate comprehensive reporting of the full scope of biodiversity and social impacts associated with all financing and investment flows.

9.9.2 Progress towards meeting the GBF targets

Japan reports that disclosure of information on the impact of business activities, investments, and loans on biodiversity, and the securing of global funding and international cooperation based on that disclosure, are progressing. However, 22 of 40 national targets were assessed as "progress towards but at an insufficient rate", 9 as "no significant change," and 1 as "unknown", and only 8 out of the total of 40 national targets were assessed as "on track to achieve target".⁵⁷⁷

The main gaps in financial regulations on biodiversity still remain in the NBSAP and the 7th National Report: Japan takes a market-based approach to the role of financial institutions in

biodiversity conservation and management through guidelines and voluntary disclosure requirements. Steps to create legal, administrative, or policy measures that mandate business and financial institutions to reduce their negative impact on biodiversity, enhance their positive contributions, lower biodiversity-related risks, and support sustainable production practices have not been introduced. No progress was made in identifying harmful subsidies, as no calculations had been conducted yet.

9.9.3 Recommendations for legislators and financial sector regulators in Japan

The following improvements are recommended to better align the financing flows in Japan with the GBF targets:

- **Establish and implement a formal sustainable finance or green taxonomy**

The financial system in Japan rests on a market-driven, fragmented structure and is supervised and regulated by guidelines. The lack of an enforceable national classification framework results in inadequate resource allocation and misguided flows towards non-green investments. The taxonomy should include sectoral guidance for sectors at high biodiversity risk and specify which activities to avoid, with explicit biodiversity, social, and human rights criteria. The absence of clear definitions and classification systems for what qualifies as green leads to ongoing activities that harm nature, and a solid definition of what constitutes green investment would improve consistency, comparability, and integrity in sustainable finance.

- **Establish binding regulatory frameworks and include biodiversity considerations**

Rather than depending on voluntary guidance, financial authorities should create binding regulations for financial institutions. This would ensure accountability when rules are broken, instead of relying on market forces to resolve issues after environmental damage has occurred. Japan's financial regulation still needs stronger biodiversity-specific disclosure, due diligence, and supervision to align finance with the goals of the NBSAP 2030. Financial regulations should incorporate the double materiality principle to understand and account for financial institutions' impacts on biodiversity and social issues.

- **Integrate biodiversity risks**

Japanese financial authorities should require financial institutions to integrate biodiversity and human rights risks into their business operations with mandatory transition plans for high-risk sectors and disclosure requirements in line with international standards. The Financial Services Agency and BoJ should incorporate biodiversity-related risks into their scenario analysis and stress testing.

- **Introduce biodiversity-related disclosure requirements and due diligence**

Financial authorities should introduce mandatory biodiversity-related disclosure requirements for financial institutions with the aim of identifying their exposure to biodiversity loss, deforestation, and associated human rights harms. Financial institutions should be required to publish annual disclosures of biodiversity and human rights impacts. Disclosure rules should apply to entire corporate groups, including subsidiaries, special purpose vehicles, and overseas operations, to prevent the concealment of impacts. Financing should be restricted when there is non-compliance with relevant laws on the environment, land, labour, and community consent throughout their operations and supply chains. Due diligence requirements should be complemented with accountability structures, such as relevant grievance mechanisms for actions that contribute to biodiversity loss or rights violations.

- **Incorporate biodiversity in monetary policy mechanisms**

The BoJ and its relevant monetary policy tools, such as climate change funds, should integrate biodiversity and human rights considerations, as well as incorporate biodiversity risk indicators

in managing its own portfolio, in its asset purchase programmes and in its collateral framework. In addition, public finance, such as government-related financial institutions, public guarantee schemes, export credit, and development finance, should be aligned with biodiversity objectives and should not finance activities that drive deforestation, land conversion, or ecosystem degradation.

- **Hold financial institutions accountable**

Biodiversity should be embedded in binding rules that financial authorities can enforce, rather than relying on voluntary guidance and supervisory encouragement as at present. Strong fines and sanctions should be applied to hold financial actors accountable for non-compliance with biodiversity and human rights. Financial actors that fail to comply should be held accountable through penalties and remedial mechanisms for affected communities and ecosystems.

10

Malaysia

This chapter analyses the regulatory environment for Malaysia's financial sector with respect to biodiversity issues. It begins with an analysis of Malaysia's National Biodiversity Strategy and Action Plan and 7th National Report, followed by an overview of financial authorities and an outline of the regulatory framework and sustainability initiatives. The analysis presented in this chapter is based on Sahabat Alam Malaysia's Regulating Finance for Forests and Community Rights in Malaysia report⁵⁷⁸ and additional primary research on the current financial regulations. The final part provides an assessment and formulates recommendations for legislators and financial sector regulations in Malaysia. Malaysian financial regulators have so far taken a cautious approach to sustainability. This indicates a slow approach and limited direct incorporation of critical risks into financial policies. The principle-based approach, rather than a stronger regulatory and accountability framework, makes it difficult for financial institutions to redirect capital away from activities that harm people and the environment.

10.1 National actions to implement GBF targets in financial sector regulation

10.1.1 Malaysia's national biodiversity targets

Malaysia drafted its National Biodiversity Strategy and Action Plan (NBSAP) for 2022-2030 and published the document in July 2024. Malaysia reorganises the general GBF Targets according to its national plan. National Targets 4, 6 and 17 relate to the GBF targets that are the focus of this report. The 7th National Report, published in February 2026, outlines progress against the general GBF Targets.

Malaysia sets five national goals aligned with the GBF. These are as follows:

- Goal 1: Empowering and harnessing the commitment of all stakeholders to conserve biodiversity
- Goal 2: Reducing direct and indirect pressures on biodiversity
- Goal 3: Safeguarding all key ecosystems, species and genetic diversity
- Goal 4: Ensuring biodiversity is used safely, and the benefits from its utilisation are shared equitably
- Goal 5: Improving the capacity, knowledge and skills of all stakeholders to conserve biodiversity.⁵⁷⁹

Each goal translates into 17 specific targets and 61 action points to be met by 2030. These targets closely align with the GBF targets and are tailored to national circumstances. Because Malaysia drafts its own national targets, each target may correspond to several GBF Targets. For instance, National Target 4, which aims to integrate biodiversity conservation principles into development frameworks, relates to GBF Targets 14, 15, and 19. National Target 6 and National Target 17 relate to GBF Targets 18 and 19, respectively.

In relation to financial regulations, Malaysia's NBSAP aims to embed biodiversity conservation into investment and financing frameworks, redirect, reform, or eliminate perverse and harmful economic subsidies in the agrifood and agrocommodity, aquaculture and fisheries sectors. Furthermore, NBSAP states the objective of mobilising USD 123 million through annual public funds and mobilising private finance to contribute to biodiversity conservation. Below the ones relevant to biodiversity-related financial regulations in Malaysia are further analysed.

10.1.2 Actions to meet the biodiversity targets

Malaysia formulates the following National Targets relevant to biodiversity-related financial regulations in the NBSAP:

- **National Target 4: By 2030, biodiversity conservation has been effectively mainstreamed into development frameworks**

In relation to Goal 2, with National Target 4, Malaysia aims to integrate conservation principles and measures into the creation of new policies and the revision of existing development plans, and to enhance monitoring processes to ensure that development proceeds sustainably and does not increase pressure on biodiversity. This target relates to global GBF Targets 14, 15 and 19. To that end, Action 4.1 aims to "strengthen safeguards for biodiversity through the financial sector"⁵⁸⁰, through the following points:

- Develop a national System of Environmental and Economic Accounting (SEEA) framework that acknowledges biodiversity and ecosystem service values in the country's economy
- Develop and mainstream a Sustainable and Responsible Taxonomy for Biodiversity as a classification instrument to aid responsible investment and financing
- Develop a framework for biodiversity-related financial disclosure to regulate and support biodiversity reporting and risk assessments by financial sector firms
- Encourage and incentivise companies to engage with federal agencies and relevant national programmes in adopting their ESG goals that strengthen biodiversity conservation and safeguards.⁵⁸¹

- **National Target 6: By 2030, our agrifood, agrocommodity, and fisheries production are managed and harvested sustainably**

Malaysia's National Target 6 relates to the global GBF Target 18. The comprehensive action plan for Target 6 focuses on transforming harmful economic subsidies into beneficial incentives to promote the transition to sustainable agrifood and agricultural commodity sectors.

- **National Target 17: By 2030, there is a significant increase in funds and financial incentives for biodiversity conservation from both government and non-government sources**

In relation to Goal 5 and GBF Target 19, Malaysia's National Target 17 reports a growing need to establish and strengthen sustainable funding sources for biodiversity conservation, using innovative financing mechanisms to ease the financial burdens at all levels of government. Accordingly, this can be achieved by engaging the private and financial sectors through incentives and sustainable partnerships. To that end, Target 17 formulates three action points:

- **Action 17.1:** Increase public funds available for biodiversity conservation
- **Action 17.2:** Mobilise green conservation financing from the private sector
- **Action 17.3:** Diversify the revenue streams of state governments for biodiversity conservation

10.1.3 Progress reported in the 7th National Report

Malaysia published its 7th National Report in February 2026, which focuses on progress toward the national targets set in the NBSAP to achieve the GBF targets. Below is the reported progress in relation to identified GBF targets:

- **Target 14: Integrate Biodiversity in Decision-Making at Every Level**

Malaysia reports that progress towards National Target 4 is on track and that it has taken systematic steps to integrate biodiversity considerations into its national economic planning, sectoral policies, and financial and regulatory frameworks. In 2021, the Central Bank of Malaysia introduced the Climate Change and Principles-based Taxonomy, helping financial institutions classify economic activities while incorporating a "do no significant harm" principle for ecosystems and biodiversity. Supported by the World Bank and UNDP, it has also launched pilot projects for TNFD in the construction and agriculture sectors to develop national guidelines (see section 10.2.2).⁵⁸²

Although climate-related disclosure is progressing, the assessment of nature-related risks remains voluntary, with limited uptake of TNFD. Malaysia reports that pilot programs are underway to develop capacity and provide guidance.⁵⁸³

- **Target 15: Businesses Assess, Disclose and Reduce Biodiversity-Related Risks and Negative Impacts**

Malaysia notes that progress in corporate sustainability reporting and in financial sector practices regarding biodiversity-related risks is ongoing, and that the target is partially met. This includes initial pilot projects under the UNDP–BNM–World Bank Biodiversity Finance Initiative to promote the adoption of the TNFD Disclosures, as well as the rollout of the National Sustainability Reporting Framework aligned with international standards (see section 10.2.2).

However, and most importantly, biodiversity-specific risks, dependencies, and impacts are still not consistently evaluated or disclosed across operations, supply chains, or investment portfolios. Current initiatives are mainly in their early stages and focus on capacity building and on preparing companies and financial institutions rather than on establishing mandatory requirements.⁵⁸⁴

- **Target 18: Reduce Harmful Incentives by at Least USD 500 Billion per Year, and Scale Up Positive Incentives for Biodiversity**

On progress towards national Target 6, the 7th National Report notes that the lack of a national biodiversity plan is a setback to fulfilling the GBF's core mandate to reform harmful subsidies. The report outlines that the first priority is to develop and implement a national biodiversity finance plan that will serve as the strategic framework to unify existing tools and systematically identify and gradually eliminate harmful subsidies in sectors such as agriculture and fisheries.⁵⁸⁵ Malaysia is presently conducting a study, with support from the BIOFIN Project, to evaluate subsidies that could be detrimental to biodiversity.

- **Target 19: Mobilise USD 200 Billion per Year for Biodiversity From all Sources, Including USD 30 Billion Through International Finance**

Malaysia reports progress toward national Target 17, but at an insufficient rate. A key part of Target 17 was mobilising private funding for biodiversity. Malaysia reports that financial resources for biodiversity rose from USD 463 million in 2021 to USD 650 million in 2025, mainly from public sources, with private, NGO, and external financing as well. This included instruments such as the Malaysia Forest Fund (MFF), which manages market-based tools such as Forest Carbon Offsets (FCOs) and non-market tools such as Forest Conservation

Certificates (FCCs). Additionally, the Bursa Carbon Exchange (BCX) was launched as a domestic trading platform.

Policy measures supported green bonds and sukuk, with regulatory frameworks and market facilitation led by the Securities Commission Malaysia. Tax deductions for corporate conservation donations also helped boost private sector involvement.

Nonetheless, progress in creating more effective regulatory signals and market incentives, such as improving sustainable finance taxonomies and nature-related disclosure requirements, remains inadequate. Securing transparency in biodiversity-related financial flows has also been impossible due to the absence of a biodiversity budget-tagging system aligned with NBSAP targets.

10.2 Overview of regulatory bodies for the financial sector

10.2.1 Ministry of Finance

The Ministry of Finance (MoF) is the ultimate approving authority for financial policies in Malaysia. The MoF oversees the banking and financial services sector and, as the main regulator, bases its actions on recommendations from the regulatory agencies that supervise financial institutions and capital market intermediaries.⁵⁸⁶ As explained in detail below (see section 10.4.1), the MoF, with the central bank, publishes the Financial Sector Blueprints.

10.2.2 Bank Negara Malaysia

Bank Negara Malaysia (BNM) is the central bank of Malaysia and is responsible for promoting monetary and financial stability. The BNM also conducts regulation and supervision of financial institutions and actively promotes financial inclusion.⁵⁸⁷

In 2019, the BNM launched its sustainability initiatives by establishing the Joint Committee on Climate Change (JC3).⁵⁸⁸ It is co-chaired by the BNM Assistant Governor and the Chief Sustainability Officer of the Securities Commission Malaysia (SC, see section 10.2.3). Its members include members of Bursa Malaysia and 25 financial industry players. The JC3 published the Sustainable and Transition Finance Guidance in 2025 to:

- Provide guidance on the recommended sustainable and transition finance principles that banks should adhere to when extending sustainable or transition finance to real economy companies
- Supplement banks with existing practical tools that can be used to assess alignment against the recommended principles
- Spur capital deployment and align financial flow towards activities, assets and real economy companies that are credibly transitioning
- To prevent any inconsistent incentives towards poorly transitioning activities, assets or entities to minimise greenwashing risk.⁵⁸⁹

BNM published a report in partnership with the World Bank mapping Malaysian banks' exposures to nature-dependent sectors,⁵⁹⁰ and since 2023, it has been preparing for a TNFD pilot⁵⁹¹ – a nature risk assessment guide for Malaysian financial institutions. Concerns remain that the pilot may inherit TNFD's core limitations.⁵⁹² The report was published in June 2026 and recommended that financial institutions could begin by voluntarily integrating nature-related considerations into existing risk management and climate frameworks, actively helping to close data gaps by engaging with clients in high-risk sectors to collect granular location data, embedding nature-related risk assessments into core strategy, and adopting scenario analysis to strategically invest in and finance nature-positive outcomes.⁵⁹³ As explained in detail below, BNM also requires

climate-focused stress testing for banks and insurers to assess their resilience to climate-related shocks.⁵⁹⁴

10.2.3 Securities Commission Malaysia (SC)

The Securities Commission Malaysia (SC), established on 1 March 1993 under the Securities Commission Act 1993 (SCA), is a self-funded statutory entity responsible for regulating and developing Malaysia's capital market.⁵⁹⁵ The SC is responsible for establishing rules and enforcing regulations governing the capital market. It supervises capital market activities and institutions, including exchanges, clearing houses, and registered operators. The SC reports to the MoF, and its accounts are submitted to Parliament annually.⁵⁹⁶

10.3 Central bank policies

BNM acknowledges the climate risk to monetary and financial stability and is preparing the Malaysian financial system to be more sustainable and climate-resilient.⁵⁹⁷ However, BNM does not currently incorporate climate-related considerations into its monetary policies. Monetary policy focuses on “monetary stability conducive to the sustainable growth of the Malaysian economy”.⁵⁹⁸ Regarding climate risk, BNM has been addressing it primarily by regulating and supervising financial institutions to help them transition to a low-carbon economy. Additionally, BNM incorporates sustainable practices into its own operations.⁵⁹⁹

10.4 Banking regulations

10.4.1 Financial Sector Blueprints

The financial system in Malaysia is guided by financial sector blueprints published by the Ministry of Finance and BNM. The latest is the Financial Sector Blueprint 2022-2026.⁶⁰⁰ The blueprint has the following strategic goals in relation to climate:

- Integrating climate-related and environmental risks in prudential regulation and supervision, such as the implementation of the Climate Change and Principle-based Taxonomy (CCPT) (see section 10.7.2)
- Supporting an orderly transition to a low-carbon economy via scaling up green finance, such as by 2026, 50% of new financing classified as “climate-supporting” and “transitioning” under CCPT
- And integrating climate risks in the Bank’s internal functions and operations.⁶⁰¹

10.4.2 Financial Services Act and Islamic Financial Services Act

The Malaysian financial system is governed by the Financial Services Act (FSA)⁶⁰² and Islamic Financial Services Act (IFSA)⁶⁰³, which came into force in 2013. The FSA and IFSA consolidate multiple separate laws into a unified legislative framework for the conventional and Islamic financial sectors. These laws include the Banking and Financial Institutions Act 1989, Islamic Banking Act 1983, Insurance Act 1996, Takaful Act 1984, Payment Systems Act 2003, and Exchange Control Act 1953.

Key features of the new legislation include:

- Enhanced clarity and transparency in law implementation and administration, with clearly defined regulatory objectives and accountability of Bank Negara Malaysia in maintaining financial stability.
- A strong emphasis on Shariah compliance and governance within the Islamic financial sector. The IFSA offers a comprehensive legal framework fully aligned with Shariah principles across all regulatory and supervisory activities, from licensing to winding up.

- Adoption of differentiated regulatory requirements tailored to the nature of financial intermediation activities and their systemic risks.
- Provisions to regulate financial holding companies and unregulated entities, addressing systemic risks from interactions among regulated and unregulated institutions, activities, and markets.
- Reinforced business conduct standards and consumer protection measures to boost confidence in financial products and services.
- Enhanced mechanisms for effective, early enforcement and supervisory interventions.⁶⁰⁴

10.4.3 Value-Based Intermediation Assessment Framework

The BNM published the first Value-Based Intermediation Financing and Investment Impact Assessment Framework (VBIAF) in 2019 to help financial institutions assess financing and investment decisions from an ESG risk angle.⁶⁰⁵ Technically, it was an industry-driven effort, specifically by the Association of Islamic Banks in Malaysia (AIBIM), inspired by values-based banking and aligned with relevant Shariah standards.⁶⁰⁶

The VBIAF aimed to stimulate growth in local Islamic banks by attracting investments from clients focused on sustainability. Despite its goal, the initiative initially faced resistance, as institutions worried that ESG risk management might make them less competitive by lengthening approval times and increasing operational expenses. To address these concerns, BNM first introduced the concept of 'nurturing'—or gently encouraging—clients who do not meet ESG-related contract terms within the VBIAF, implicitly discouraging the cancellation of financing or withdrawal of investments.

Below is a sample exclusion framework suggested by the VBIAF:

- Biodiversity loss and deforestation: World Heritage Sites as classified by the United Nations Educational, Scientific and Cultural Organisation (UNESCO), wetlands on the Ramsar list, areas as per the IUCN categories I to IV, key biodiversity areas, endangered species of wild flora and fauna, logging of or trade in illegally harvested or uncertified timber as well as logging in uncertified primary forest, HCV forests, high carbon stock, planting on peatland
- Labour rights: Activities causing human rights violations, including child labour, forced labour, trafficked labour
- Human rights: Activities resulting in the infringement of the rights of Indigenous and/or vulnerable groups without their FPIC
- Water and pollution: Activities which endanger local water security and activities that cause pollution.⁶⁰⁷

Although the VBIAF was developed by and originally intended for Islamic financial institutions, its principles and methodologies are broadly relevant. Therefore, BNM has been recommending the framework for application across all banks and banking units, including conventional ones.⁶⁰⁸ However, there is no firm indication that it is indeed universally practised.

As a corporate-driven initiative, the VBIAF serves as a voluntary framework, providing banks with flexibility in implementation, which is often influenced by internal factors such as 'risk appetite' and 'client relationships'.

10.4.4 VBIAF Sectoral Guides

Despite having limited practical implications, the VBIAF helped pave the way for subsequent initiatives. One notable outcome has been the development of sectoral guides. These guides are more detailed and applicable to conventional banks financing these sectors, providing parameters

that help financial institutions apply an ESG risk score to credit and investment decisions, allowing them to factor ESG impacts into their final outcomes.

To date, a total of ten guides have been published to assist financial institutions in making sustainability-aligned decisions for projects across various sectors, including energy, construction, mining, and transportation.⁶⁰⁹

Among the initial releases in early 2021 was the sectoral guide for palm oil.⁶¹⁰ Another sectoral guide relevant to this report's focus is the Agriculture, Forestry and Fisheries guide, published in 2024.⁶¹¹

These sectoral guides were developed primarily by the banking industry and subsequently endorsed by BNM. In that regard, they are similarly lenient and flexible in application and lack structured mechanisms for community and civil society participation. Nonetheless, they are a step forward because they contain more specific assessment metrics.

The Palm Oil guide has a short section listing criteria for initial onboarding. The checklist resembles more a general table of specifications than a sustainability-focused one, particularly the items marked as “minimum information required”⁶¹²:

- Land: Description, valid use term & planning permission, EIA and/or social impact assessment (SIA) report, FPIC
- Biodiversity loss and deforestation: Land clearance method, desktop biodiversity assessment
- Water, pollution and resource use: Waste management plan, diesel purchasing and storage permit
- Labour rights and working conditions: Use of migrant and vulnerable workers
- Occupational safety and health: Certification of fitness for machinery, certificate of competency, sufficient protection
- Governance: Status of Malaysian Sustainable Palm Oil (MSPO)/RSPO certification and time-bound action plan

Customers do not necessarily have to be certified in reference to MSPO, RSPO or ISPO. If they are not certified, all that is required is a “time-bound action plan”. Furthermore, banks can rely solely on these certification schemes – widely criticised for poor social, deforestation and traceability standards⁶¹³ – without conducting independent due diligence.

The second sectoral guide on Agriculture, Forestry and Fishing was published almost five years after the initial cohort of guides, making it an important upgrade. It introduces, for the first time, timber – an industry highly relevant to forests – while drawing on existing sectoral guidance for the other major agri-commodity, palm oil.

The new guide introduces several positive developments. It presents a more substantive approach, offering greater detail on various types of environmental and social risks. The inclusion of risk mitigation measures and customer onboarding checklists makes it more aligned with sustainability best practices.

The VBIAF Guide on Agriculture, Forestry and Fishing Onboarding checklist for forestry customers is as follows:

- Land:
 - Land description (e.g., size, type of land, proximity to water source, primary forest, peat, Indigenous Peoples, communities, and livelihoods affected) is disclosed
 - FPIC and resettlement & adequate compensation plans are in place
- Biodiversity loss and deforestation:

- Impact assessments (such as EIA, SIA, HCV and High Carbon Stock (HCS)) have been undertaken
- Land clearance methods have been selected to minimise impacts
- Biodiversity management/preservation action plan is in place
- Human rights and community relations:
 - Stakeholder management policy institutionalised, including requirements for FPIC, resettlement & adequate compensation plan and transparent grievance/complaints mechanism
 - Engagement programmes, including awareness, supporting community events
 - Community relations managed in line with international frameworks, covenants and best practices
- Governance mechanisms:
 - Sustainability commitment, strategy and relevant ESG policies and risk management framework, including monitoring mechanism, transparency, and disclosures publicly made available
 - If none, a credible (time-bound) plan to mitigate ESG issues is made available
 - Industry standards and/or relevant certifications obtained
 - Outstanding legal claims relating to the customer's environmental and social performance disclosed
 - Issues reported (i.e., media backlash, protests by the community, etc.) and how they were resolved.⁶¹⁴

However, parts of the guide still echo previous practices, relying heavily on generic environmental reports from government agencies and existing industry accreditations – despite ongoing concerns about their rigour and credibility.

The absence of clear quantitative targets keeps the focus on risk mitigation rather than on proactively preventing harm. As a result, financial institutions may continue financing high-risk clients as long as minimal harm-reduction measures can be demonstrated. Setting firm, time-bound targets – such as an early no-deforestation/no-conversion cut-off date, zero new peat development, and full traceability to the plantation⁶¹⁵ – could transform the guides from qualitative harm-mitigation checklists into measurable, prevention-first safeguards.

As with the VBIAF itself, BNM has no mandate to enforce the VBIAF Sectoral Guides, which remain advisory in nature.

10.4.5 Climate Risk Management and Scenario Analysis

In 2022, the BNM published the Climate Risk Management and Scenario Analysis.⁶¹⁶ It is so far the only document for financial institutions that sets out requirements related to climate (and some broader environmental risks). It mandates that banks and insurers make climate considerations integral to their governance, risk management, stress testing, and disclosure practices.

The policy outlines a fairly comprehensive strategy that employs “three lines of defence” to assess climate-related risks. The most basic assessment takes place during regular processes – such as client onboarding, credit application, credit review, monitoring and engagement, and new product approval. The next “line of defence” consists of independent risk management and compliance. The final line involves an internal audit unit.

The financial sector was given close to two years to develop appropriate capacity and capabilities to fulfil the requirements, which came into full effect by the end of 2024.

This policy is undermined by two main issues. First, it lacks specific details about biodiversity and human rights considerations. Second, consistent with the current regulatory approach, non-

compliant customers remain eligible for financing. The oft-repeated palm oil case study reminds financial institutions to take a 'nurturing' approach towards uncertified businesses, even when they may violate national forest-related laws and policies such as mandatory palm oil certification and conditions imposed by the Department of Environment Malaysia.

10.4.6 Climate Risk Stress Testing Exercise

BNM released the Climate Risk Stress Testing Exercise, intended to prompt financial institutions to project their performance under different climate scenarios.⁶¹⁷ An annual required exercise, its first reporting was due by mid-2025.

This exercise, too, reflects a recurring limitation in BNM's climate change-related documents: it does not directly or comprehensively cover forest-related risks. As part of the exercise, financial institutions are required to assess their ten largest customers by exposure across eight economic sectors, including agriculture, forestry and fishing, and the oil palm sub-sector. The sectors are evaluated based on their vulnerability to transition and physical risks.

10.5 Capital market regulations

10.5.1 Sustainable and Responsible Investment Sukuk Framework

In 2014, the SC launched the Sustainable and Responsible Investment Sukuk Framework to support the issuance of green Islamic bonds. Additionally, the SC requires liquidity buffers for financial market infrastructures, including systems and entities responsible for clearing, settlement, and recording financial transactions.

10.6 Regulations on corporate disclosure

10.6.1 National Sustainability Reporting Framework

The National Sustainability Reporting Framework (NSRF), published in October 2024, is the latest formal initiative by the SC and the first mandated policy.⁶¹⁸ It makes International Financial Reporting Standards IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures) mandatory for companies, starting with large publicly listed corporations (market capitalisation of at least USD 489 million), including financial institutions, from 2025.

The NSRF, in its focus, is an extension of BNM's climate change-related policymaking in recent years. It makes headway by aligning reporting to global benchmarks, namely those issued by the International Sustainability Standards Board under the IFRS Foundation, the foremost standard-setting body for the capital markets.

As with previous documents, however, the NSRF is narrowly focused on climate and does not fully encompass nature-related impacts. Even though it requires disclosure of Scope 3 greenhouse gas emissions, it is commonly accepted that broader effects on biodiversity and ecosystems are not captured by carbon accounting.

In an implicit acknowledgement of these shortcomings, the IFRS Foundation has been working with the TNFD to add nature-related financial disclosures to existing climate standards.⁶¹⁹ Unfortunately, numerous weaknesses of the TNFD make it likely that anything based on it — including BNM's TNFD-aligned pilot currently in development — will offer limited value.⁶²⁰

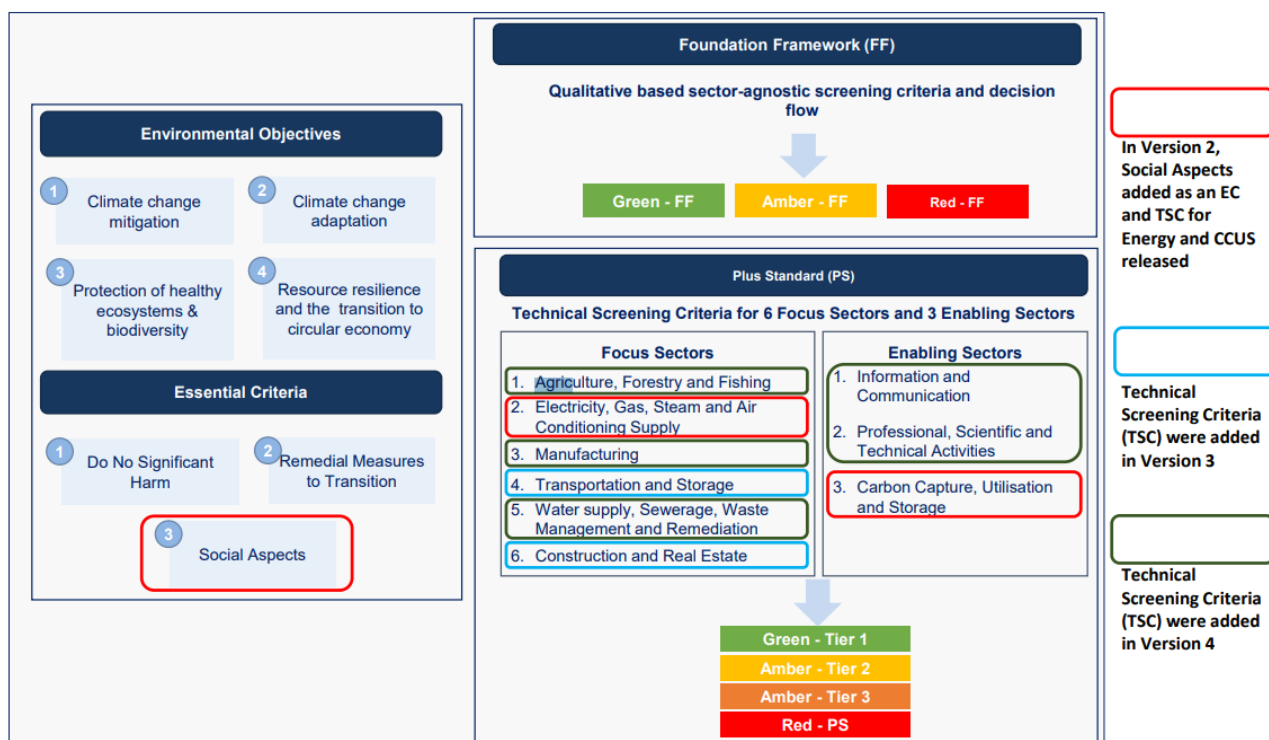
10.7 Regulations stimulating the financing of sustainable activities

10.7.1 ASEAN Taxonomy

The ASEAN Taxonomy is developed to stimulate the sustainable development of the ASEAN economies. It is a flexible and adaptable tool which is regularly updated to reflect both the market expectations and the technological advancements in the relevant sectors. It has been developed progressively through successive versions. Version 4, released on 6 November 2025, is the current version and completes the development phase of the ASEAN Taxonomy by providing complete Plus Standard coverage across all six focus sectors and three enabling sectors.⁶²¹ Earlier versions introduced the Foundation Framework and TSC (TSC) for sectors such as energy, transportation and storage, and construction and real estate; Version 4 added TSC for the remaining focus sectors (Agriculture, Forestry and Fishing; Manufacturing; Water Supply, Sewerage, Waste Management and Remediation) and for the remaining enabling sectors, Information and Communication and Professional, Scientific and Technical Activities.⁶²²

The ASEAN Taxonomy is divided into two parts: the foundation framework, designed for companies or governments beginning their sustainability journey, and the stricter plus standard, intended for those aiming to demonstrate their ability to meet more rigorous environmental criteria. Both parts employ a traffic light system, categorising activities as Green, Amber or Red based on their environmental impact.⁶²³ TSC for different economic sectors classify the activities undertaken in these sectors, based on their contributions to environmental objectives (EOs) using quantitative, qualitative or nature of activity-based criteria. To qualify as Green or Amber, an activity or project must either lead to a positive benefit to one or several environmental objectives (EOs) or create some form of utility whilst displacing another provider of that utility which detracts from one or more environmental objectives. Red activities are those that are not currently aligned with the ASEAN Taxonomy.⁶²⁴

Figure 7 Structure and evolution of the ASEAN Taxonomy (Malaysia)



Source: ASEAN Taxonomy Board (2025, November), ASEAN Taxonomy Version 4, p. 23

The ASEAN Taxonomy currently envisages four environmental objectives:

5. Climate change adaptation;
6. Climate change mitigation;
7. Protection of healthy ecosystems and biodiversity; and
8. Resource resilience and the transition to a circular economy.

According to the ASEAN Taxonomy Document, “Protection of healthy ecosystems and biodiversity” focuses on the incorporation of conservation, restoration, and protection mechanisms of the natural ecosystem and biodiversity. This is location- and context-specific, and typically relevant for activities related to agriculture, forestry and fishing, real estate, and industry.⁶²⁵ The taxonomy further stipulates that any activity or project intended to promote the biodiversity environmental objective shall conform with a number of principles while at the same time minimising or eliminating any direct or indirect adverse effects on the natural ecosystems and biodiversity. The principles related to Environmental Objective 3 (Biodiversity) are summarised in Table 12.

Table 12 E03 (Biodiversity) Criteria in the ASEAN Taxonomy

Number	Criterion
1.	Enable ecosystem restoration and/or facilitate the protection of ecosystems.
2.	Implement necessary measures to protect ecosystems and biodiversity, including but not limited to actions such as the adoption of sustainable logging practices and ensuring timber products are sourced from sustainably managed forests.
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 contribute 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 contribute 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.

Source: ASEAN Taxonomy Version 4, p. 31.

Version 4 has introduced TSC for all six focus sectors and three enabling sectors, including Agriculture, Forestry and Fishing, where biodiversity and ecosystem considerations are particularly relevant. Nevertheless, the treatment of E03 remains more principles-based and sector-specific than a fully developed, cross-sector biodiversity classification framework, so there may still be uncertainty in classifying activities that create biodiversity-related risks outside the activities and sectors covered by the Plus Standard.

10.7.2 Climate Change and Principle-based Taxonomy

The next major milestone for BNM was the Climate Change and Principle-based Taxonomy (CCPT) published in 2021.⁶²⁶ It is a classification system to help financial institutions within BNM’s purview categorise their clients’ businesses based on climate change impact.

This was a collaborative effort by BNM and various market participants – banks, insurers, fund managers, institutional investors, and the SC. As with previous regulatory initiatives, there was a discussion paper for public consultation, but it lacked structured mechanisms for community and civil society participation.

The taxonomy is mandatory, but only for disclosure: BNM requires financial institutions to make half-yearly submissions of their climate-related exposures in line with the CCPT's classification system (and in accordance with JC3's supplementary guidance on minimum documentation⁶²⁷).

The CCPT also lays the foundation for BNM's aspiration to have at least 50% of all new bank financing aligned with climate-supporting or transition activities by 2026, as outlined in the Financial Sector Blueprint 2022-2026.⁶²⁸ However, since classification is the sole prerequisite, the 50% target is not a statutory or enforceable quota. Progress is to be pursued through facilitation and oversight rather than through prescriptive measures, while prudential norms are mentioned only in the context of climate risks.

To BNM's credit, it continues to work on improving the consistency of reporting under the CCPT. These efforts include standardising due diligence and providing tailored guidance for SMEs. This means that financial institutions could be held accountable if they make misleading sustainability claims. There is also a call for institutions to obtain assurance that any certification genuinely makes substantial contributions to climate and environmental objectives, but the guidance is high-level, with ambiguity around acceptable standards, the types of evidence required, and verification methods.

The taxonomy is "principles-based" and deliberately non-prescriptive to remain industry-agnostic. However, this flexibility also creates ambiguity in implementation: its key due diligence principles – 'No Significant Harm to the Environment' (Guiding Principle 3) and 'Remedial Measures to Transition' (Guiding Principle 4) – can appear conflicting without an explicit exclusion list or clearly defined no-go activities. To resolve this, the framework should establish time-bound, verifiable transition criteria and identify activities incompatible with climate and environmental objectives.

Recognising the existing limitations, the JC3 is working on a new taxonomy that is based on the ASEAN taxonomy, which includes nature and is more technical rather than principles-based (see section 10.7.4).

10.7.3 Sustainable and Responsible Investment Taxonomy

The SC has its own taxonomy, the Principles-based Sustainable and Responsible Investment Taxonomy for the Malaysian capital market.⁶²⁹ It is a classification system of economic activities similar to BNM's, but for institutional investors.

The SC's taxonomy looks more extensive and covers environmental and social issues more broadly. Within the environmental component, it features an objective related to protecting ecosystems and biodiversity, while the social component addresses conduct towards affected communities and wider society.

In that sense, it has greater relevance to the regulation of forest finance and community rights. However, like the CCPT, the investment taxonomy is principles-based – it is neither specific nor mandatory. Local investment funds are not obliged to follow the taxonomy, nor are they obliged to exit or even engage with investees that fail to meet the sustainability criteria.

That is concerning, given the extent to which Malaysian investors contribute to forest-risk businesses globally: 64% among countries with tropical forests, based on F&F data.⁶³⁰

As mentioned earlier, the JC3 is working on a new taxonomy detailed in the section below.

10.7.4 Malaysia Taxonomy for Sustainable Finance

Bank Negara Malaysia (BNM) and the Securities Commission Malaysia (SC), in collaboration with the Joint Committee on Climate Change (JC3), are working on the Malaysia Taxonomy for Sustainable Finance, which expands on previous principle-based taxonomies, such as the CCPT (see section 10.7.2) and the SRI Taxonomy (see section 10.7.3). The ASEAN Taxonomy (see section 10.7.1) serves as the foundation of the currently developed Malaysia Taxonomy.

Developing the taxonomy aims to advance regional interoperability, consistency, and comparability in sustainable finance. It also lowers the operational burden for businesses, especially those engaged in cross-border trade. JC3 will create practical guidance and tools customised for local implementation. A pilot program involving selected members will run before the full reporting rollout in 2028 to identify implementation challenges and guide necessary refinements.⁶³¹

However, this taxonomy also has some shortcomings, permitting flexible self-assessments and declarations that rely on stated policies rather than verified practices.⁶³² The proposed taxonomy also misses the mark in protecting forests and biodiversity and, most importantly, in safeguarding the rights of Indigenous Peoples and local communities: social safeguards are not assessed at the project/activity level but at the entity level only, allowing companies to access “green” financing based on broad human rights policies, or missing clear “Red” classifications for deforestation, peatland conversion, and encroachment on Indigenous customary lands. Furthermore, the proposed taxonomy does not introduce sanctions for misclassification and financing Red-classified activities, or provide a mechanism to hold financial institutions accountable for biodiversity or social harm.⁶³³

The development of the taxonomy is an important step towards achieving Malaysia’s NBSAP objective of biodiversity conservation by mainstreaming biodiversity conservation into development frameworks, helping financial institutions classify economic activities while incorporating a “do no significant harm” principle for ecosystems and biodiversity, which aligns with GBF Target 14. However, to fully progress towards the target, current regulations should effectively address the above limitations. As improvements to sustainable finance taxonomies and nature-related disclosure requirements remain inadequate, progress towards the NBSAP targets remains limited.

10.8 Other relevant initiatives

10.8.1 Climate Data Catalogue

The Climate Data Catalogue is an initiative of the Joint Committee on Climate Change (JC3). It provides a reference source for climate and environmental data relevant to financial-sector use cases. The 2024 update included 28 new data items on biodiversity and nature-related financial risks, while a supplementary note issued around the same time standardises the documentary evidence that financial institutions should obtain to assess compliance with BNM’s climate change taxonomy, Guiding Principles 3 (‘No Significant Harm’) and 4 (‘Remedial Measures to Transition’).⁶³⁴ Its latest update in 2025 includes “environmental and sustainability indicators such as air and water quality, waste and water management, biodiversity risk mapping, land use and species restoration, and climate risk data”.⁶³⁵

10.9 Possible improvements of relevant regulations in Malaysia

10.9.1 Assessment of current regulations in Malaysia

This chapter has described and summarised the financial regulations in Malaysia that could be relevant to aligning the financing and investment flows with the targets of the GBF. Table 13 presents the results of the assessment against the three author-developed criteria informed by selected GBF targets, using the methodology described in Appendix 1.

Table 13 Assessment of current Malaysian regulations against GBF targets

Assessment criteria		Colour score	Justification
1	Financial regulations do not allow financing of, or investment in, activities or companies	Light red	Financial regulations assess climate- and nature-related risks and encourage steering finance towards lower-climate-risk activities; however, they do not

Assessment criteria		Colour score	Justification
	responsible for deforestation or the conversion of natural ecosystems.		require financial institutions to refrain from financing harmful activities.
2	Financial regulations expect financial institutions to support a just transition in the Agriculture, Aquaculture, Fisheries and Forestry sectors, in ways that uphold the rights of workers, peasants, fisherfolk, Indigenous Peoples, traditional and local communities.	Light red	The principle-based system of financial regulation in Malaysia addresses issues related to Indigenous Peoples' rights to a limited extent, including provisions of exclusions suggested by the financial authorities; however, mandatory requirements are not set for financial institutions to support a just transition in biodiversity-risk sectors.
3	Financial regulations require transparent disclosure of all financing and investment portfolios and of the biodiversity and social impacts associated with these flows.	Light red	Financial regulations require regular climate-related exposure reporting but do not cover nature-related impacts or require full disclosure of all financing flows.

10.9.2 Progress towards meeting the GBF targets

The consideration of the role of financial regulations in the biodiversity conversation is limited within Malaysia's NBSAP and national targets. Malaysia reports progress in developing financial instruments to bridge the biodiversity funding gap, including market-based mechanisms such as the Bursa Carbon Exchange (BCX) and the Malaysia Forest Fund (MFF), which open new avenues for private capital and link climate and biodiversity finance (see section 10.1.3).

On the other hand, the lack of a national biodiversity plan and mandatory disclosure requirements for financial institutions are considered major setbacks to achieving the targets of the NBSAP. The mandate for nature-related financial disclosures is considered a priority for accelerated action by the Central Bank of Malaysia and the Securities Commission to integrate TNFD-aligned disclosures into Malaysia's sustainability reporting requirements, directing scrutiny towards biodiversity risks and opportunities.

10.9.3 Recommendations for legislators and financial regulators in Malaysia

Malaysian financial regulators have so far taken a cautious approach to sustainability. This is reflected both in a gradual pace and in minimal direct integration of critical nature risks into financial policies. Financial authorities' approach in Malaysia has been more in line with a gentle "principle-based" approach, which stands in stark contrast to the "rule-based" standards that currently apply to climate change issues.⁶³⁶ A more proactive approach – in which environmental and social risks are integrated directly into credit policies – may be more effective. Sector-specific regulation and collective enforcement are likely the only pathways to mitigating material ESG risks and achieving high standards of sustainability across the entire financial sector. Therefore, financial regulators should set a clear timeline for transitioning to mandatory and binding rules to protect forests and community rights. Below are the recommendations to better align financing and investment flows in Malaysia with the GBF targets:

- **Incorporate climate and nature-related risks into monetary policy**

BNM acknowledges the climate risk to monetary and financial stability and is preparing the Malaysian financial system to be more sustainable and climate-resilient.⁶³⁷ However, BNM does not currently incorporate climate-related considerations into its monetary policies. In addition, although regulators have acknowledged and started tackling nature-related risks at

the supervisory level, such as through guidance like TNFD's LEAP, nature is not as explicitly or specifically incorporated as climate in monetary policy decisions. Malaysia's financial authorities should incorporate climate- and nature-related risks into monetary policy by treating them as significant factors in inflation, credit, and financial stability assessments. Additionally, it is imperative to enhance data collection, scenario analysis, and disclosure frameworks to ensure that climate and nature risks are consistently integrated into financing and capital allocation processes.

- **Strengthen and finalise the Malaysia Taxonomy for Sustainable Finance**

BNM and the SC should strengthen the draft Malaysia Taxonomy for Sustainable Finance before it is finalised. The final taxonomy should retain its biodiversity, water, circular economy and social objectives, while introducing binding technical screening criteria, an explicit exclusion list for activities incompatible with climate and nature objectives, and time-bound and verifiable transition criteria. Indigenous Peoples, local communities and civil society organisations should be given a structured role in the taxonomy process. The authorities should also establish a phased timetable for integrating the taxonomy into binding financial product, disclosure and supervisory requirements and monitor compliance once these requirements take effect.

- **Integrate nature and social considerations into the Malaysian Taxonomy**

The proposed Malaysia Taxonomy for Sustainable Finance should implement mandatory, enforceable rules with penalties, and improve transparency and reporting by requiring detailed data for sectors at risk of deforestation. It should include social safeguards to protect Indigenous Peoples and local communities, such as making Free, Prior, and Informed Consent (FPIC) mandatory for activities affecting these groups, assessed at both the organisation and project levels for land-intensive sectors. The taxonomy should also feature a national "Red List" that automatically bans financing for activities like forest clearance, peatland drainage, encroachment on traditional lands, and causing irreversible damage to environmentally sensitive areas or human rights. Additionally, the taxonomy should establish penalties for misclassification and funding activities labelled as Red, along with a mechanism to hold financial institutions responsible for biodiversity and social impacts.

- **Integrate nature into stress testing and scenario analysis**

Financial authorities should integrate biodiversity risks into stress testing and scenario analysis for the banking and insurance sectors, and guidelines should be developed for financial institutions on how to perform such stress tests. In addition, guidelines should include a list of encouraged business activities that contribute positively to biodiversity and human rights for financing and investment.

- **Establish mandatory disclosure requirements**

Regulators should mandate reporting on nature risks and associated risk management practices. For risk mitigation, independent due diligence should be incorporated into risk management practices of financial institutions. Financial regulators should also require financial institutions and institutional investors to identify and measure biodiversity-related risks, incorporating the social component, and to fully disclose information on forest-risk clients (including parent groups and financial intermediaries) and projects.

- **Develop binding TSC for specific biodiversity-risk sectors**

Based on the Value-Based Intermediation Financing and Investment Impact Assessment Framework, financial regulators should make it mandatory for financial institutions to take nature-related risks into their financing and investment criteria. For instance, setting firm, time-bound targets such as an early no-deforestation/no-conversion cut-off date, zero new

peat development, and full traceability to the plantation could transform the guides from qualitative harm-mitigation checklists into measurable, prevention-first safeguards.

- **Hold financial institutions accountable**

Apply strong fines and sanctions to hold financial actors accountable for non-compliance with biodiversity and human rights. Any financial actors that fail to comply ought to be held accountable through penalties and remedial mechanisms for affected communities and ecosystems.

11

Singapore

This chapter assesses how Singapore's financial regulations incorporate biodiversity considerations and support the GBF targets. It first examines Singapore's national targets, NBSAP and Seventh National Report. Singapore's existing NBSAP remains aligned with the earlier Aichi Biodiversity Targets, while its separately submitted GBF national targets do not cover the targets most relevant to financial regulation. The Seventh National Report nevertheless addresses these global targets directly. The analysis then examines the wider regulatory framework, including central bank policy, banking and prudential regulation, environmental risk guidance, sustainability reporting and the sustainable finance taxonomy. Though Singapore has made certain progress in supervisory expectations and reporting, overall its financial regulatory framework only incorporates climate (and to a much lesser extent other sustainability considerations) and is largely based on financial materiality.

11.1 National actions to implement GBF targets in financial sector regulation

11.1.1 Singapore's national biodiversity targets and actions

Singapore has not yet adopted a GBF-aligned National Biodiversity Strategy and Action Plan (NBSAP). Its current NBSAP, *Conserving Our Biodiversity*, was last updated in 2019 and contains national targets aligned with the Aichi Biodiversity Targets rather than the GBF.⁶³⁸ Singapore's 7th National Report states that revision of the NBSAP in alignment with the GBF remains "In Progress", with completion expected by 30 September 2026.⁶³⁹

Pending that revision, Singapore submitted a separate set of national targets to the CBD in October 2024. These targets cover GBF Targets 1, 2, 4, 5, 8, 12, 20 and 21. None of the four targets most directly relevant to financial regulation (Targets 14, 15, 18 and 19) is represented by a Singapore national target.⁶⁴⁰

These omissions also reflect the approach taken in Singapore's existing Aichi-aligned NBSAP. For Aichi Target 3 on incentive reform, the closest predecessor of GBF Target 18, Singapore states that no national target will be tracked, on the basis that the target is aimed at larger countries with substantial natural resources, extractive industries or large-scale agriculture. For Aichi Target 20 on financial-resource mobilisation, the predecessor of GBF Target 19, Singapore similarly tracks no national target because it is "generally able to source its funding internally for biodiversity-related projects." By contrast, Aichi Target 2 on integrating biodiversity values, the closest predecessor of GBF Target 14, is reflected in a national target, but only in the narrower form of applying science and ecological principles to land-use planning.⁶⁴¹

Although Singapore's national targets do not address Targets 14, 15, 18 or 19, its 7th National Report reports directly against these global targets.

11.1.2 Progress reported in the 7th National Report

The following assessment should be read with some caution. It is based on Singapore's 7th National Report, in which Singapore reports directly against the global GBF targets. However,

Singapore's current NBSAP remains aligned with the earlier Aichi Biodiversity Targets, while its separate 2024 GBF national targets do not address Targets 14, 15, 18 or 19. Singapore reports that revision of its NBSAP to align it with the GBF is still in progress, with completion expected in Autumn 2026. It therefore remains to be seen how these four global targets will ultimately be reflected in Singapore's revised national biodiversity framework.

- **Target 14: Integrate Biodiversity in Decision-Making at Every Level**

On financial sector regulations, Singapore's 7th National Report does not report biodiversity-specific measures on banking, investment regulation, prudential supervision, or monetary policy under Target 14. The main focus there is the City in Nature (Singapore's urban greening vision, which succeeds City in a Garden and shifts toward integrating biodiversity and ecosystems into urban planning) and its integration into the Singapore Green Plan 2030. Singapore nevertheless rates overall progress towards global Target 14 as *"On track to achieve target."*⁶⁴²

At the same time, the more detailed assessment, broken down by sub-indicators, provides a more nuanced and somewhat contradictory picture. Singapore reports that biodiversity and its multiple values are fully integrated into policies, regulations, planning, development processes and poverty-eradication strategies at all levels of government.

It also reports that biodiversity is partially integrated into policies, regulations, plans and strategies across sectors to ensure mainstreaming, and that policies, regulations, strategies and plans are in place to some extent to progressively align relevant public and private activities with the goals and targets of the GBF.

At the same time, Singapore reports that it does not use environmental-economic accounting to quantify the monetary and non-monetary values of biodiversity, and that there are no policies, regulations, strategies or plans in place to progressively align fiscal and financial flows with the goals and targets of the GBF.⁶⁴³

- **GBF Target 15: Businesses assess, disclose and reduce biodiversity-related risks and negative impacts**

The 7th National Report explicitly says that:

*"Singapore is taking a climate-first approach towards mandatory sustainability reporting due to the urgency to combat climate change. There are currently **no plans to mandate biodiversity requirements** for Singapore companies in legislation. Any future changes will be subject to public consultation."*⁶⁴⁴

All five binary questions under indicator 15.b are answered "No", including whether legal, administrative or policy measures require large companies and financial institutions to monitor, assess and disclose biodiversity-related risks, dependencies and impacts across their operations, value chains and portfolios.⁶⁴⁵

At the same time, according to the 7th National Report, Singapore Exchange (SGX)-listed companies must publish annual sustainability reports, and identification of material ESG factors became mandatory for financial years beginning on or after 1 January 2026. Biodiversity may therefore be disclosed where a listed company considers it material, with GRI 304 (Global Reporting Initiative's former Biodiversity standard, which has been replaced by GRI 101: Biodiversity from 2026) and TNFD cited as frameworks used voluntarily. Non-listed companies have no mandatory biodiversity-disclosure requirement.⁶⁴⁶

- **GBF Target 18: Reduce Harmful Incentives by at Least USD 500 Billion per Year, and Scale Up Positive Incentives for Biodiversity**

Singapore's 7th National Report treats GBF Target 18 as "Not applicable", explaining that it has no large-scale natural resource extraction or agricultural activities. It provides no data for

positive biodiversity incentives under indicator 18.1 and classifies the value of harmful subsidies and other incentives under indicator 18.2 as “Not relevant.”⁶⁴⁷

The Report does mention fossil-fuel and carbon taxes as measures supporting environmental sustainability. However, it does not identify or quantify biodiversity-harmful subsidies or incentives, nor report a programme for their elimination, phasing out or reform. This approach appears to be very much in line with the position already taken by the country in its 2019 NBSAP, where biodiversity-related incentive reform was treated as largely inapplicable to Singapore because of its economic structure.

- **GBF Target 19: Mobilise USD 200 Billion per Year for Biodiversity From all Sources, Including USD 30 Billion Through International Finance**

Singapore’s 7th National Report treats Target 19 as “Not applicable.”⁶⁴⁸ At the same time, the report records an increase in domestic public funding from USD 252 million (SGD 340.9 million) in 2020 to USD 366 million (SGD 454.8 million) in 2024. However, this is a proxy indicator: Singapore uses NParks’ (Singapore’s government agency responsible for parks, greenery, biodiversity, and nature conservation) total operating expenses because NParks is responsible for biodiversity and greenery, rather than reporting biodiversity-specific expenditures.⁶⁴⁹

Reported private funding is considerably smaller, ranging from USD 5 million (SGD 6.8 million) to USD 10.8 (SGD 13.4 million) annually during 2020–2025, with USD 8.4 million (SGD 10.8 million) in 2025. This figure is also a proxy indicator, as it only shows philanthropic donations to NParks’ Garden City Fund, and does not include economy-wide private investment in biodiversity.

The Report therefore demonstrates domestic public resourcing of biodiversity, but provides little evidence of private capital mobilisation through the financial system.

11.2 Overview of regulatory bodies for the financial sector

11.2.1 The Monetary Authority of Singapore (MAS)

The Monetary Authority of Singapore (MAS) is Singapore’s central bank and integrated financial regulator. It is tasked with promoting monetary stability, financial stability, and maintaining a sound and progressive financial centre.⁶⁵⁰ MAS supervises and regulates Singapore’s financial sector, including banks, insurers, capital markets intermediaries, financial advisers, payment service providers, and market operators.⁶⁵¹

MAS works on several key dimensions to regulate and develop Singapore’s financial industry:

- Conducting monetary policy and managing Singapore’s Official Foreign Reserves (OFR);
- Regulating and supervising financial institutions to ensure safety, soundness, market integrity, and effective risk management;
- Developing Singapore as an international financial centre, including through sustainable finance, fintech, and regional financial connectivity.

11.2.2 Accounting and Corporate Regulatory Authority (ACRA)

The Accounting and Corporate Regulatory Authority (ACRA) is Singapore’s “national regulator of business registration, financial reporting, public accountants, and corporate service providers”.⁶⁵² It is also responsible for the development of the Singapore Sustainability reporting and assurance requirements.

11.2.3 Singapore Sustainable Finance Association (SSFA)

The Singapore Sustainable Finance Association (SSFA) is not a regulator, but it performs a quasi-regulatory market coordination role in Singapore's sustainable finance landscape. Established with MAS support, SSFA develops industry guidance, practical tools and common approaches to help financial institutions implement Singapore's sustainable finance agenda. Its work is organised through Communities of Practice, including Taxonomy, Transition Finance, Impact and Blended Finance, Carbon Markets, Adaptation and Resilience, and Natural Capital and Biodiversity.⁶⁵³

On biodiversity, SSFA has a dedicated Natural Capital and Biodiversity workstream. Its 2025 white paper provides practical guidance for financial institutions on integrating nature-related risks and opportunities into financing decisions, including identifying material exposure to sectors dependent on natural capital such as agriculture, mining, manufacturing and real estate. In the whitepaper, SSFA treats the GBF as the global reference framework for nature finance, using it to justify financial-sector action on biodiversity, frame biodiversity-financing needs, and guide financial institutions in setting nature-related strategies, financing targets and portfolio-level risk-management practices.⁶⁵⁴

11.3 Central bank policies

11.3.1 Monetary policy

The MAS does not appear to integrate environmental and social (E&S) considerations across most of the monetary policy implementation tools covered by these criteria. There is no evidence in the publicly available documents that MAS takes E&S considerations into account in corporate asset purchase programmes, its collateral framework, subsidised lending facilities or preferential targeted refinancing lines, or reserve requirements for banks.⁶⁵⁵

However, MAS explicitly integrates climate and ESG considerations into the management of Singapore's OFR. In its Sustainability Report 2024/2025, MAS states that it has been implementing a strategy to identify, assess and manage climate-related financial risks and opportunities associated with investment of the OFR portfolio.⁶⁵⁶ MAS has also described targeted portfolio actions intended to protect the portfolio from climate transition risks and benefit from low-carbon opportunities, including climate-related exclusions, stewardship and engagement, and systematic integration of ESG considerations into the evaluation of external fund managers. Its stated expectation is that these measures will help reduce the Weighted Average Carbon Intensity of MAS' equities portfolio by up to 50% by FY2030, compared with FY2018, aligned with a transition to net zero by 2050.⁶⁵⁷

Overall, although these measures are not reflected in Singapore's current national biodiversity targets or reported in the 7th National Report as measures under GBF Target 14, MAS has nevertheless integrated climate and broader ESG considerations into the management of its Official Foreign Reserves. These measures can support the wider objective of integrating biodiversity considerations into financial decision-making, although biodiversity is not yet explicitly incorporated.

11.3.2 MAS' sustainability commitments and processes

MAS is an active member of the NGFS (see section 2.1), including its Steering Committee, and participates actively in various NGFS initiatives.⁶⁵⁸

Internally, MAS has established dedicated governance and resources for sustainability. Its Sustainability Group, led by the Chief Sustainability Officer, is tasked with steering sustainability efforts across MAS, developing internal capabilities, coordinating MAS' developmental and regulatory green and sustainability initiatives, and driving strategic sustainable finance collaborations with regional and international counterparts.⁶⁵⁹ MAS also uses a Green Finance

Steering Committee, chaired by MAS' Managing Director, as the key decision-making body for green finance and sustainability initiatives.⁶⁶⁰

11.4 Banking regulations

11.4.1 Guidelines on Environmental Risk Management for Banks

MAS addresses sustainability through both prudential supervision and market development. Its main regulatory instruments include separate Guidelines on Environmental Risk Management for banks,⁶⁶¹ insurers,⁶⁶² and asset managers,⁶⁶³ which set sector-specific expectations on governance, strategy, risk management, scenario analysis, and disclosure of environmental risks. MAS has also issued transition planning guidelines for banks, insurers, and asset managers, focused on managing climate-related physical and transition risks.⁶⁶⁴ Guidelines for insurers and asset managers are out of the scope of this research; however, the focus of this section is on the banking sector guidelines.

The Guidelines on Environmental Risk Management for Banks were published by MAS in 2020 (and effective from June 2022) and aim to enhance the banking sector's resilience to and management of environmental risk through sound risk management practices. They apply to all banks, merchant banks, and finance companies in Singapore, specifically where these institutions extend credit to corporate customers, underwrite capital market transactions, or undertake other activities exposing them to material environmental risk. They apply on a group basis to locally incorporated banks; branches or subsidiaries of global groups may rely on their Group's framework, provided it meets MAS's expectations. Banks must implement the guidelines in a way commensurate with the size and nature of their activities and their risk profile.⁶⁶⁵ The substantive expectations fall under three areas:

- Governance and strategy: the Board and senior management must incorporate environmental considerations into the bank's risk appetite, strategy, and business plans, with reference to international agreements such as the Paris Agreement and national policies, across both short- and long-term horizons. The Board approves the framework and policies, embeds environmental risk into the risk appetite framework, and sets clear roles; senior management implements and reviews the framework, runs escalation processes, updates the Board, and allocates resources.⁶⁶⁶
- Risk management: banks must build a systematic framework using the three-lines-of-defence model, identify and assess environmental risk at customer and portfolio levels (with sector-specific policies for higher-risk sectors), conduct enhanced due diligence on higher-risk transactions, engage higher-risk customers to improve their risk profiles (using covenants, targets, pricing, or exit as needed), develop portfolio tools and metrics, build scenario analysis and stress-testing capabilities covering physical and transition risk, and invest in staff capacity building.⁶⁶⁷
- Disclosure: banks should disclose their approach to managing environmental risk at least annually, in line with well-regarded frameworks such as the TCFD recommendations (governance, strategy, risk management, and metrics and targets), and review disclosures regularly.⁶⁶⁸

It is important to note that risk assessment is expected at both the customer/transaction level and the portfolio level. Thus, at the portfolio level, banks should build both quantitative and qualitative tools and metrics to track and evaluate material environmental risk. Such metrics can help measure how much of a portfolio is concentrated in higher-risk regions and industries, quantify the carbon intensity of borrowers operating in high-risk sectors, or factor environmental risk into how collateral is valued. Banks are also encouraged to test whether their lending portfolio lines up with global climate goals and reference points, including the Paris Agreement.⁶⁶⁹

At the customer level, banks should keep a continuous watch for any harmful environment-related activity or signs that a customer may be breaching the bank's policies. Drawing on its risk assessment, the bank should reach out to each customer presenting higher environmental risk and encourage them to strengthen their environmental risk profile and move toward sustainable business practices over time, all while upholding the bank's own risk management standards.⁶⁷⁰

Looking beyond climate change, customer and portfolio metrics can also be applied to assess how reliant key customer segments are on ecosystem services and natural capital. This may include *"...assessing the impact of water stresses on corporates' financial performance, or considering the impact of biodiversity loss on crop production and profitability of relevant industries such as the food production and processing industries"*.⁶⁷¹

As confirmed by the quote above, the Guidelines are not based on double materiality. The language in the guidelines points to financial materiality only: environmental risks are assessed because they may create material financial impacts for customers and, through credit, market, operational, liquidity or reputational channels, for banks.

Guidelines are not legally binding like a regulation and are explicitly illustrative, not prescriptive. However, MAS supervises against them, engages banks on implementation, and treats unjustified gaps as a mark against a bank.

The Guidelines therefore show that biodiversity is addressed in supervisory practice even though Singapore's current national targets omit GBF Target 15. Their focus on financial risk and their non-binding disclosure expectations are consistent with Singapore's own reporting in the 7th National Report that mandatory measures under Target 15 are not in place.

11.4.2 Guidelines on Environmental Risk Management (Banks) - Transition Planning

Guidelines on Environmental Risk Management (Banks) - Transition Planning were developed as an addition to the original 2020 Guidelines. They were published in March 2026 and are expected to take effect in September 2027 after an 18-month transition period.⁶⁷²

The 2026 Transition Planning Guidelines thus must be considered together with the 2020 ones. They narrow the focus to climate-related risks and to one process: transition planning. In particular, the Transition Planning Guidelines envisage:

- A forward-looking, multi-year view of risk.
- An explicit instruction not to indiscriminately withdraw credit from higher-risk customers, to avoid stranded assets and a disorderly transition.
- Deeper expectations on customer engagement, sectoral/portfolio differentiation, scenario analysis, data and proxy-data limitations, metrics, and managing risks from any decarbonisation targets set.
- Treating "green" customers as themselves risk exposed.

The latter point requires some clarification. The guidelines point out that companies generating revenue from climate solutions can be particularly exposed to their own distinct risks: uncertainty around whether a new technology actually develops and gets adopted, supply chain challenges, and a shifting operating environment. A solar or battery startup, for example, may depend on technology that does not scale as expected, subsidies that get withdrawn, or supply chains that bottleneck, any of which can hurt its ability to repay. So the point is that climate-solutions customers carry transition risk too, just of a different kind: not the risk of being left behind by decarbonisation, but the risk that the green technology or market they're betting on doesn't fully develop. Such an approach seems to be shared by other jurisdictions (see section 7.3.2).

11.4.3 ABS Guidelines on Responsible Financing

The Guidelines on Responsible Financing are industry-led soft-law guidelines issued by the Association of Banks in Singapore (ABS) and are not binding legislation. The current version was published on 1 June 2018, replacing the first version from 8 October 2015.⁶⁷³ The Guidelines define minimum standards for responsible financing to be integrated into ABS member banks' and financial institutions' business models, while allowing members to adopt higher internal standards.⁶⁷⁴

The Guidelines apply to ABS member banks and financial institutions and focus on ESG integration in financing decisions. Their ESG scope includes, among others:

- GHG emissions;
- deforestation and forest degradation;
- biodiversity loss and critical ecosystem services;
- pollution, contamination and resource efficiency;
- labour standards, human rights, community relations, health and safety, food security and Indigenous Peoples;
- ethics, integrity, risk management and reporting.⁶⁷⁵

The Guidelines also identify elevated-risk sectors that banks should consider when developing responsible financing policies, including agriculture, forestry, chemicals, infrastructure, defence, mining and metals, fossil-fuel energy and waste management.⁶⁷⁶ In implementation, ABS members are expected to disclose senior management commitment and policy frameworks, establish governance and internal controls, allocate resources, train staff and engage relevant stakeholders such as regulators, NGOs and civil society.⁶⁷⁷

Biodiversity is therefore treated as an ESG risk factor, not as a standalone financing objective. The Guidelines mention biodiversity loss, deforestation, forest degradation and critical ecosystem services, but do not prescribe biodiversity-specific due diligence tests, quantitative thresholds or measurable biodiversity outcomes.⁶⁷⁸

11.5 Capital market regulations

11.5.1 ABS Sustainable Private Banking and Wealth Management Guidelines

The ABS Sustainable Private Banking and Wealth Management Guidelines were issued on 14 October 2022 as industry-led soft-law guidance for private banking and wealth management. In the same way as the general banking standards, they define minimum private banking standards for ABS member banks, while allowing members to adopt higher standards and clarifying that examples in the Guidelines are illustrative rather than exhaustive.⁶⁷⁹

The Guidelines apply to private banking activities, whether conducted through a standalone private bank or within a wider banking group. They cover wealth planning, investments and financing, and also guide client advisory and execution activities for investment allocation where appropriate. ESG integration covers discretionary portfolio management, investment advisory and execution mandates.⁶⁸⁰

The Guidelines frame sustainable private banking through four approaches:

- exclusion;
- ESG integration;
- thematic investing;
- impact investing.⁶⁸¹

Private banks are expected to review and disclose sustainability policies, explain activity coverage, disclose ESG research and analysis processes, allocate resources, train senior management and staff, provide product-level sustainability information where possible, incorporate sustainability

metrics into client profiling and lending decisions where appropriate, and disclose material ESG risks and impacts at portfolio level.⁶⁸²

Biodiversity is more explicitly covered than in the Responsible Financing Guidelines (see section 11.4.3), but still treated as part of ESG integration rather than as a standalone biodiversity framework. The Guidelines refer to ending deforestation and protecting biodiversity, and expect sustainability policies to cover:

- biodiversity loss;
- deforestation or ecosystem conversion;
- water management;
- ocean sustainability;
- high-risk sectors such as agriculture, forestry and land use.⁶⁸³

Although these Guidelines concern private banking and wealth management, they are included here only because they are issued by the Association of Banks in Singapore and apply to wealth management activities carried out by banks. In substance, however, they are closer to asset management and capital market guidance than to core banking regulation. Other Singapore capital market regulations are not discussed separately in this chapter because they have more limited relevance to forest risk commodities and biodiversity.

11.6 Regulations on corporate disclosure

11.6.1 Singapore sustainability reporting requirements

Singapore's sustainability reporting framework is shaped by two bodies with different mandates. ACRA (see also section 11.2.2) oversees the corporate reporting framework, including sustainability reporting and assurance for companies within its scope, while Singapore Exchange Regulation (SGX RegCo) sets sustainability reporting requirements for SGX-listed issuers through the SGX Listing Rules. The two have coordinated Singapore's phased introduction of climate-related disclosures, but their requirements apply through different legal channels.⁶⁸⁴

This matters for banks because a Singapore bank may fall within the framework in several capacities: as an SGX-listed issuer (subject to SGX requirements), as a large non-listed company (potentially subject to ACRA climate reporting and assurance requirements), and as an MAS-supervised financial institution (subject to separate supervisory expectations on environmental risk management and disclosure).⁶⁸⁵⁶⁸⁶

For an SGX-listed bank, annual sustainability reporting is mandatory under SGX Listing Rule 711A: the issuer must issue a sustainability report to shareholders and SGX for each financial year, generally alongside its annual report.⁶⁸⁷ Under Rule 711B, the report must cover material environmental, social and governance factors; climate-related disclosures; policies, practices and performance; targets; the reporting framework used; and a board statement and governance structure for sustainability practices.⁶⁸⁸

The climate-reporting requirements are phased. From FY2025, all listed companies must report Scope 1 and Scope 2 greenhouse gas emissions. STI constituents must also report other ISSB-based climate-related disclosures from FY2025 and Scope 3 emissions from FY2026. Non-STI listed issuers with market capitalisation of USD 784 million (SGD 1 billion) or more must report other ISSB-based disclosures from FY2028; other listed issuers follow from FY2030. Scope 3 reporting remains voluntary for non-STI issuers until further notice.⁶⁸⁹

ACRA's requirements apply to non-listed companies with annual revenue of at least USD 784 million (SGD1 billion) and total assets of at least USD 391 million (SGD 500 million).⁶⁹⁰ Unless exempted through adequate parent-level reporting, these companies must report ISSB-based climate-related disclosures, including Scope 1 and 2 emissions, from FY2030. Scope 3 remains

voluntary until further notice, and external limited assurance for Scope 1 and 2 emissions applies from FY2032.⁶⁹¹

The required disclosures follow the ISSB structure, covering how the company manages climate-related risks and opportunities through governance, strategy, risk management, and metrics and targets.⁶⁹²

For banks, reporting may extend beyond operational emissions. SGX guidance states that Scope 3 covers other indirect value-chain emissions and that larger issuers and financial-sector issuers should expand scenario analysis beyond direct operations to include indirect GHG emissions. It also refers to IFRS S2 metrics such as assets or business activities vulnerable to transition and physical risks, and capital expenditure, financing or investment deployed towards climate-related risks and opportunities.⁶⁹³ A listed bank subject to full ISSB-based climate reporting may therefore need to consider lending, investment and other portfolio exposures where relevant and material, but neither SGX nor ACRA imposes a separate bank-only obligation to publish a dedicated portfolio climate report.

Biodiversity is not a mandatory standalone topic under ACRA's roadmap, but SGX's Sustainability Reporting Guide expressly lists biodiversity as a possible environmental factor, alongside materials, energy, water, GHG emissions, effluents and waste.⁶⁹⁴ A listed bank should therefore report biodiversity or nature-related risks where material, for example through financing exposure to agriculture, forestry, infrastructure, mining, real estate or other land-use-sensitive sectors. Separately, MAS' Environmental Risk Management Guidelines for Banks treat environmental risk as including climate change, biodiversity loss, pollution and land-use change, and apply to all banks, merchant banks and finance companies.⁶⁹⁵

The reporting requirements are based on financial, not double materiality: information is considered to be material if omitting, misstating or obscuring it could reasonably be expected to influence decisions of primary users of general-purpose financial reports.⁶⁹⁶ SGX's broader framework requires issuers to consider their value chain and stakeholders when identifying material ESG factors, but the test remains linked to the issuer's business, strategy, value creation and investor decision-usefulness.⁶⁹⁷ This situation directly reflects Singapore's reporting under GBF Target 15: biodiversity may be disclosed where it is considered material, but there is no mandatory requirement for companies or financial institutions to disclose biodiversity risks, dependencies and impacts across their operations, value chains and portfolios.

11.7 Regulations stimulating the financing of sustainable activities

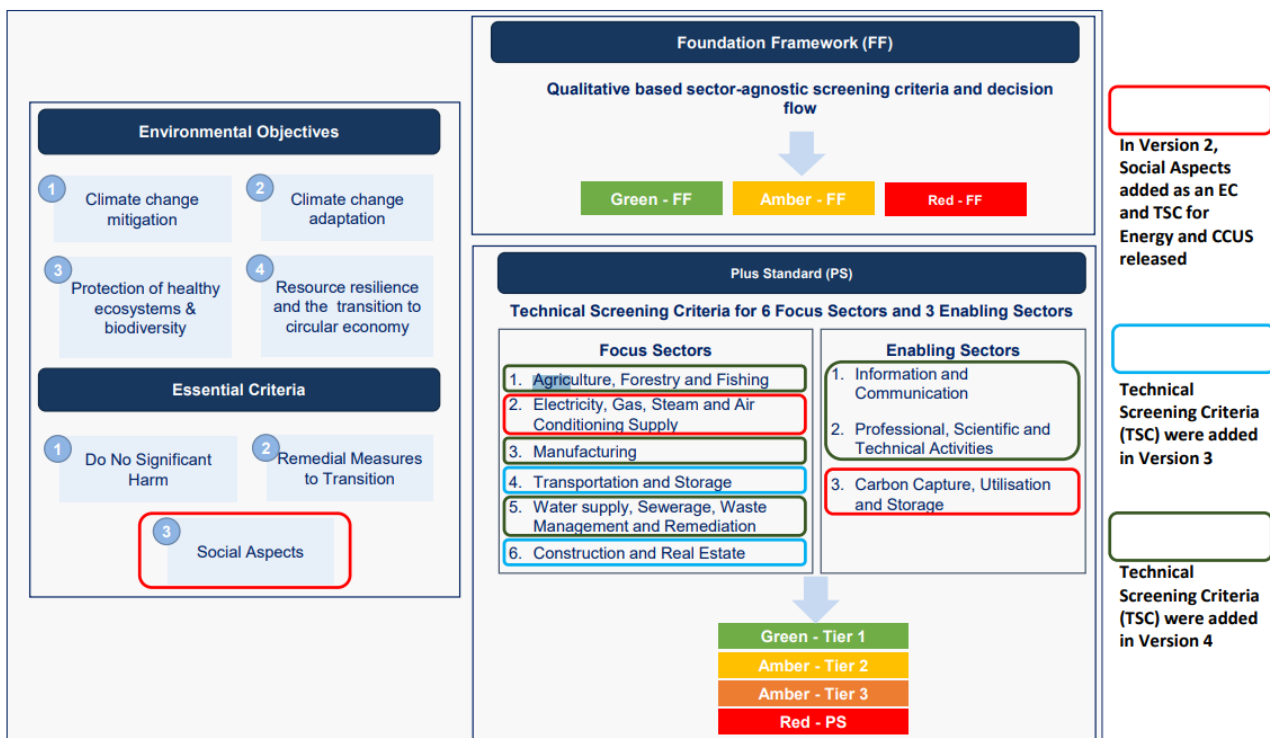
11.7.1 ASEAN Taxonomy

The ASEAN Taxonomy is developed to stimulate the sustainable development of the ASEAN economies. It is a flexible and adaptable tool which is regularly updated to reflect both the market expectations and the technological advancements in the relevant sectors. It has been developed progressively through successive versions. Version 4, released on 6 November 2025, is the current version and completes the development phase of the ASEAN Taxonomy by providing complete Plus Standard coverage across all six focus sectors and three enabling sectors.⁶⁹⁸ Earlier versions introduced the Foundation Framework and TSC (TSC) for sectors such as energy, transportation and storage, and construction and real estate; Version 4 added TSC for the remaining focus sectors (Agriculture, Forestry and Fishing; Manufacturing; Water Supply, Sewerage, Waste Management and Remediation) and for the remaining enabling sectors, Information and Communication and Professional, Scientific and Technical Activities.⁶⁹⁹

The ASEAN Taxonomy is divided into two parts: the foundation framework, designed for companies or governments beginning their sustainability journey, and the stricter plus standard, intended for those aiming to demonstrate their ability to meet more rigorous environmental criteria. Both parts employ a traffic light system, categorising activities as Green, Amber or Red

based on their environmental impact.⁷⁰⁰ TSC for different economic sectors classify the activities undertaken in these sectors, based on their contributions to environmental objectives (EOs) using quantitative, qualitative or nature of activity-based criteria. To qualify as Green or Amber, an activity or project must either lead to a positive benefit to one or several environmental objectives (EOs) or create some form of utility whilst displacing another provider of that utility which detracts from one or more environmental objectives. Red activities are those that are not currently aligned with the ASEAN Taxonomy.⁷⁰¹

Figure 8 Structure and evolution of the ASEAN Taxonomy (Singapore)



Source: ASEAN Taxonomy Board (2025, November), ASEAN Taxonomy Version 4, p. 23

The ASEAN Taxonomy currently envisages four environmental objectives:

9. Climate change adaptation;
10. Climate change mitigation;
11. Protection of healthy ecosystems and biodiversity; and
12. Resource resilience and the transition to a circular economy.

According to the ASEAN Taxonomy Document, "Protection of healthy ecosystems and biodiversity" focuses on the incorporation of conservation, restoration, and protection mechanisms of the natural ecosystem and biodiversity. This is location and context specific, and typically relevant for activities related to agriculture, forestry and fishing, real estate, and industry".⁷⁰² The taxonomy further stipulates that any activity or project intended to promote the biodiversity environmental objective shall conform with a number of principles while at the same time minimising or eliminating any direct or indirect adverse effects on the natural ecosystems and biodiversity. The principles related to Environmental Objective 3 (Biodiversity) are summarised in Table 14.

Table 14 E03 (Biodiversity) Criteria in the ASEAN Taxonomy

Number	Criterion
1.	Enable ecosystem restoration and/or facilitate the protection of ecosystems.
2.	Implement necessary measures to protect ecosystems and biodiversity, including but not limited to actions such as the adoption of sustainable logging practices and ensuring timber products are sourced from sustainably managed forests.
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 contribute 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 contribute 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.

Source: ASEAN Taxonomy Version 4, p. 31.

Version 4 has introduced TSC for all six focus sectors and three enabling sectors, including Agriculture, Forestry and Fishing, where biodiversity and ecosystem considerations are particularly relevant. Nevertheless, the treatment of E03 remains more principles-based and sector-specific than a fully developed, cross-sector biodiversity classification framework, so there may still be uncertainty in classifying activities that create biodiversity-related risks outside the activities and sectors covered by the Plus Standard.

11.7.2 Singapore-Asia Taxonomy for Sustainable Finance

The Singapore-Asia Taxonomy for Sustainable Finance (SAT) was launched in December 2023 as a voluntary reference framework for green and transition finance. It was developed by the Green Finance Industry Taskforce (GFIT), convened by the MAS, and is intended to provide science-based TSC for economic activities and projects aligned with Singapore's and the wider region's environmental objectives.⁷⁰³

The SAT is particularly focused on transition finance in the Asian context. It covers eight priority sectors: Energy, Transportation, Real Estate and Construction, Industry, Carbon Capture and Storage, Information and Communications Technology, Waste and Water, and Forestry and Agriculture. These sectors account for around 90% of ASEAN greenhouse gas emissions and more than 40% of ASEAN economic value-added.⁷⁰⁴ The SAT also includes criteria for managed coal phase-out, aimed at providing a credible standard for the early retirement of coal-fired power plants aligned with a 1.5°C decarbonisation pathway.⁷⁰⁵

• Classification of activities

The SAT uses a traffic-light classification system, distinguishing between Green, Amber and Ineligible activities. Activities are classified based on their contribution to at least one environmental objective, while not causing significant harm to the other environmental objectives.⁷⁰⁶

- **Green activities** are activities that substantially contribute to climate change mitigation by operating at near-zero emissions or by being aligned with a 1.5°C pathway. The SAT generally expects new activities, such as new power plants or new buildings, to meet Green criteria, reflecting the aim of avoiding long-term carbon lock-in.⁷⁰⁷
- **Amber activities** are transition activities that are not yet aligned with a 1.5°C pathway but are either moving towards a Green transition pathway within a defined timeframe or facilitating significant emissions reductions in the short term. The Amber category is

generally intended for existing activities and infrastructure, not new projects, and is designed to recognise credible transition where immediate Green alignment is not yet feasible.⁷⁰⁸

- The SAT also includes **Amber measures**, which are specific decarbonisation measures or investments that can help green an activity even where the activity as a whole does not yet meet the Green or Amber activity-level criteria. This is particularly relevant for users seeking to finance specific transition measures in hard-to-abate sectors.⁷⁰⁹
- **Ineligible activities** are activities that do not comply with Green or Amber criteria, are not moving sufficiently rapidly towards a 1.5°C-aligned trajectory, are directly incompatible with such a pathway, or fall outside the current scope of the Taxonomy (which does not mean that they are automatically inherently harmful).⁷¹⁰

- **Key requirements and reporting expectations**

To claim SAT alignment, an activity must fall within the Taxonomy's sectoral and activity scope and meet the relevant TSC. The SAT recognises five environmental objectives:

- Climate change mitigation;
- Climate change adaptation;
- Protection of healthy ecosystems and biodiversity;
- Promotion of resource resilience and circular economy; and
- Pollution prevention and control.

However, the current TSC focus on substantial contribution to climate change mitigation, with the other environmental objectives expected to be developed in future iterations.⁷¹¹

The SAT assessment process includes five main steps: identifying eligible activities, assessing substantial contribution to one environmental objective, applying DNSH criteria to the other environmental objectives, applying minimum social safeguards, and determining alignment.⁷¹²

The SAT also sets out reporting expectations. Issuers claiming alignment should disclose the percentage of their business aligned with the Taxonomy by revenue, CapEx or OpEx, the relevant environmental objective, and the basis for alignment on an activity-by-activity basis. For Green activities, issuers should describe quantitatively and qualitatively how the activity meets the relevant TSC. For Amber activities, issuers should explain how the activity supports transition, including the current alignment with transition thresholds, the operational plan to reach Green thresholds, target dates and, where relevant, CapEx or OpEx requirements.⁷¹³

SSFA has issued guidance that supports financial institutions and corporates in applying the SAT criteria to green and transition financing. SSFA states that this guidance is not binding regulatory advice, but it helps standardise market practice.⁷¹⁴

The SAT is already being used by market participants. Singapore's three local banks have either completed or are in the process of updating their sustainable finance frameworks to integrate the SAT, while other banks are using it as a reference for transition finance eligibility or as an additional assessment tool alongside other taxonomies and market standards. Corporates such as Green Steel and OUE Limited have also referenced the SAT in structuring sustainable financing solutions.⁷¹⁵

- **Biodiversity considerations**

Biodiversity is formally recognised in the SAT because "protect healthy ecosystems and biodiversity" is one of the Taxonomy's five environmental objectives. However, the current version does not yet operationalise biodiversity as a standalone eligibility objective. The SAT states that the current criteria focus on climate change mitigation, while the other four environmental objectives, including biodiversity, are not covered in this version and are expected to be added in future iterations.⁷¹⁶

Biodiversity is therefore addressed mainly through the DNSH framework. The DNSH assessment is intended to ensure that activities contributing to climate change mitigation do not cause significant harm to the other environmental objectives, including healthy ecosystems and biodiversity.⁷¹⁷

The SAT's biodiversity-related DNSH requirements are relatively detailed. For activities with potential biodiversity impacts, the Taxonomy commonly requires an EIA in accordance with national and international standards, implementation of mitigation measures to protect biodiversity and ecosystems, and additional assessment for sites or operations located in or near biodiversity-sensitive areas, including protected areas, UNESCO World Heritage Sites and Key Biodiversity Areas. For such sites, the SAT expects a site-level biodiversity management plan, mitigation measures to reduce impacts on species and habitats, and long-term biodiversity monitoring and evaluation.⁷¹⁸

The most directly biodiversity-relevant eligible activities are found in the Forestry and Agriculture sectors. In forestry, the SAT includes sustainable forest management, forestry plantations, and conservation, restoration and maintenance of natural or pristine forests. The Taxonomy recognises that forests are important not only for carbon sequestration and climate mitigation, but also for preserving biodiversity.⁷¹⁹

In agriculture, the SAT includes Green criteria for low-carbon crop management practices such as regenerative agriculture, organic farming, precision agriculture, agroforestry, controlled-environment agriculture, use of organic and biofertilisers, biological pest and weed control, nurseries, and monitoring and tracking technologies. These activities are primarily framed as climate mitigation activities, but several may also deliver biodiversity co-benefits.⁷²⁰

The DNSH criteria for agriculture are more directly biodiversity-oriented. They require that activities do not lead to the conversion, fragmentation or unsustainable intensification of high-nature-value land, wetlands, forests or other high-biodiversity-value areas, and that activities should not result in a decrease in the diversity or abundance of species and habitats of conservation importance.⁷²¹

Overall, biodiversity treatment in the SAT is meaningful but not yet comprehensive. It goes beyond a generic DNSH clause by including detailed biodiversity safeguards and by covering forestry and agriculture activities with potential biodiversity co-benefits. However, biodiversity is not yet a standalone eligibility objective, and the SAT does not currently provide a broad classification of biodiversity-positive economic activities, such as sustainable tourism, non-timber forest product value chains, or ecosystem restoration, beyond the listed forestry and agriculture activities.

SAT is another relevant development beyond Singapore's current national GBF targets: it formally recognises biodiversity as an environmental objective, but its voluntary status and the absence of criteria for biodiversity as a standalone eligibility objective mean that it does not establish mandatory alignment of financial flows with GBF biodiversity goals.

11.8 Recommended improvements for the relevant regulations in Singapore

11.8.1 Assessment of current Singaporean regulations

The assessment framework consists of three criteria, based on GBF targets. For each of the three groups of GBF targets, one target is selected. An interpretation is made for each target on what this target should mean for financial regulations. Table 15 presents the results of the assessment against the three author-developed criteria informed by selected GBF targets, using the methodology described in Appendix 1.

Table 15 Assessment of current Singaporean regulations against GBF targets

Assessment criteria	Colour score	Justification
1 Financial regulations do not allow financing of, or investment in, activities or companies responsible for deforestation or the conversion of natural ecosystems.	Light red	Singapore's financial regulations do not prohibit banks from financing activities or companies responsible for deforestation or the conversion of natural ecosystems. The MAS Guidelines on Environmental Risk Management for Banks set supervisory expectations for banks to identify, assess and manage material environmental risks at customer and portfolio levels, including deforestation and land-use change. The voluntary Singapore-Asia Taxonomy addresses biodiversity through its Do No Significant Harm criteria, while the industry-led ABS Guidelines on Responsible Financing identify agriculture and forestry as elevated risk sectors. These measures recognise aspects of the criterion through risk management and classification, but do not prohibit financing ecosystem conversion.
2 Financial regulations expect financial institutions to support a just transition in the Agriculture, Aquaculture, Fisheries and Forestry sectors, in ways that uphold the rights of workers, peasants, fisherfolk, Indigenous Peoples, traditional and local communities.	Light red	The voluntary Singapore-Asia Taxonomy includes criteria for agriculture and forestry and minimum social safeguards, while the industry-led ABS Guidelines on Responsible Financing refer to labour standards, human rights, Indigenous Peoples and community relations. Coverage of aquaculture and fisheries remains limited. These provisions recognise aspects of the criterion, but do not establish a comprehensive regulatory expectation that banks support a just transition in agriculture, aquaculture, fisheries and forestry in ways that uphold the rights of workers, peasants, fisherfolk, Indigenous Peoples and traditional and local communities.
3 Financial regulations require transparent disclosure of all financing and investment portfolios and of the biodiversity and social impacts associated with these flows.	Light red	Singapore's regulatory framework requires banks, where they are listed companies or large non-listed companies, to make sustainability and climate-related disclosures, and it expects banks to consider environmental risks, including biodiversity loss, in risk management. However, it does not require transparent disclosure of all financing and investment portfolios and of the biodiversity and social impacts associated with these flows.

11.8.2 Progress towards meeting the GBF targets

Singapore presents a particularly clear planning-stage gap in integrating biodiversity into financial regulation. Its current NBSAP is still the 2019 Aichi-aligned plan, while its interim 2024 GBF national targets omit Targets 14, 15, 18 and 19 altogether. The new GBF-aligned NBSAP is only expected by the end of September 2026. Though its 7th National Report does report on these targets, it explicitly answers “No” on alignment of fiscal and financial flows, and commits to keeping sustainability reporting climate-oriented, underlining that mandatory biodiversity reporting is currently not envisaged.

Singapore's claim that it has no significant domestic resource extraction or agriculture does not justify treating Target 18 as irrelevant. Under this target, the GBF requires Parties to identify and reform incentives harmful to biodiversity, without limiting them to incentives for domestic resource extraction. Target 14 also requires aligning all relevant public and private activities and fiscal and financial flows, which a jurisdiction largely dependent on its intermediary and transshipment role in global commodity flows cannot ignore. The key gap is that Singapore's GBF planning and reporting approach largely omits biodiversity-related financial regulation. The 7th National Report does not explicitly link biodiversity impacts and risk to banking and investment regulation, prudential

supervision, monetary policy, or financial-flow alignment. However, this does not mean that Singapore has no relevant sustainable-finance measures outside the GBF process – it does, as this chapter demonstrates above. At the same time, adding explicit financial regulation goals to the national GBF commitments would likely streamline the legislative process and support faster and more profound regulatory reform.

11.8.3 Recommendations for the legislators and financial sector regulators in Singapore

This section formulates recommendations on how Singapore's financial regulations could be improved to limit investment in corporate activities leading to (tropical) deforestation and biodiversity loss.

- **Incorporate biodiversity considerations into monetary policy**

Although MAS' core monetary policy functions remain focused on monetary and financial stability, biodiversity can be integrated more clearly into the way MAS manages risks in its own monetary and investment operations. Biodiversity loss may affect macroeconomic and financial conditions through food price volatility, water stress, land use change, supply chain disruption and declining ecosystem services. MAS already applies ESG considerations to the management of the OFR, so the next step would be to extend this approach to biodiversity and natural capital risks.

MAS should assess the exposure of the OFR to sectors with high biodiversity dependencies or impacts, including agriculture, forestry, mining, food production, real estate and water-intensive industries. It could also introduce enhanced due diligence, stewardship expectations or exclusions for issuers linked to deforestation, ecosystem conversion, severe pollution or activities in biodiversity-sensitive areas.

For monetary policy operations more generally, MAS could develop a nature-related risk framework for counterparties, collateral and any future targeted lending or asset purchase facilities.

- **Strengthen MAS Guidelines on Environmental Risk Management for Banks (and Transition Planning addendum)**

The MAS Guidelines on Environmental Risk Management (Banks) are Singapore's central instrument for nature in banking, but they fold biodiversity into a broader notion of environmental risk, are framed on financial materiality, and rely on non-binding 'should' language. MAS should operationalise nature beyond climate, making nature-related risk assessment, covering both dependencies and impacts, a distinct, verifiable expectation, and adopting the TNFD recommendations as the reference framework alongside the TCFD/ISSB climate baseline.

Most importantly, the Guidelines manage deforestation and land-conversion risk but do not constrain the financing itself. MAS should set explicit expectations for high-risk commodity supply chains (such as palm oil, pulp and paper, timber, rubber, soy, cattle and mining), including no-deforestation / no-conversion due diligence, traceability to the plantation or concession level, cut-off dates for recent conversion and, over time, restrictions on financing tied to illegal or recent conversion of natural landscapes. The core expectations (governance, sector policies, portfolio metrics and disclosure) should move selectively from 'should' to enforceable requirements for the largest banks, and the 2026 Transition Planning Guidelines – currently climate-only – should be widened to address nature and biodiversity transition risks.

MAS should examine whether material biodiversity risks are adequately reflected in banks' internal capital adequacy assessments, including through the use of nature-related scenario analysis and stress testing. Any resulting adjustment to capital requirements should be based

on demonstrated financial risk rather than an automatic reduction for sustainable activities or increase for environmentally harmful activities.

- **Expand the coverage of the Singapore-Asia Taxonomy for Sustainable Finance and make portfolio-level compliance mandatory**

The Singapore-Asia Taxonomy for Sustainable Finance recognises 'protection of healthy ecosystems and biodiversity' as one of five objectives but does not yet operationalise it, addressing biodiversity mainly through DNSH tests. Singapore (through MAS and the GFIT) should operationalise the biodiversity objective with dedicated TSC beyond DNSH, and classify biodiversity-positive activities (ecosystem restoration, nature-based solutions, sustainable tourism, and non-timber forest-product value chains) supported by clear, science-based criteria demonstrating a material contribution to biodiversity protection or restoration. Coverage should be extended to aquaculture and fisheries, which are currently insufficiently covered, and the minimum social safeguards should be given concrete, verifiable criteria on the rights of workers, Indigenous Peoples and local communities so the taxonomy supports a just transition rather than only an environmental one.

A purely green-and-transition taxonomy signals what to finance but not what to avoid. Singapore should consider a complementary classification of activities that are significantly harmful to biodiversity and drive deforestation, so that the taxonomy can also steer financing away from the most damaging activities and support GBF targets.

Importantly, the Taxonomy should be made mandatory, with a phased-in approach to aligning targets at the portfolio level for banks.

- **Introduce mandatory nature reporting and portfolio impact disclosure under SGX and ACRA rules**

Singapore's disclosure regime is built around climate. Biodiversity has to be reported only where it is material, and the framework as a whole rests on financial materiality rather than impact (double) materiality.

SGX RegCo and ACRA should draw up a separate timetable for nature reporting. Biodiversity disclosure could start as a comply-or-explain obligation and become a firm requirement on a set date. Banks and other issuers with heavy exposure to agriculture, forestry, mining, infrastructure and real estate should be first in scope, since those sectors carry the most biodiversity risk.

The current rules capture the risk that nature loss poses to a bank, but they say nothing about the harm a bank's own lending and investment cause. Regulators should require a portfolio-level nature metric that makes this visible. A practical option is the share of a portfolio tied to sectors that drive deforestation or land conversion, reported the same way banks now report financed emissions. In the sectors that do the most damage, financial-materiality reporting should be paired with an assessment of real-world impact, and companies and financial institutions within scope should have to publish biodiversity transition plans consistent with the GBF targets.

- **Hold financial institutions accountable**

MAS should specify the consequences of failing to meet binding biodiversity risk management, transition planning and disclosure requirements. These may include enhanced supervisory scrutiny, additional capital requirements where risks are inadequately managed, exposure limits, restrictions on business expansion and action against responsible directors or senior managers. SGX RegCo and ACRA should require correction of incomplete or misleading nature-related disclosures and apply proportionate financial, listing or market access sanctions in serious cases. A mechanism should also be created for communities affected by financed activities to submit complaints and seek remedies.

12

The United Kingdom

This chapter assesses how UK banking and investment regulations address sustainability, with particular emphasis on biodiversity and the targets of the Global Biodiversity Framework. It shows that the UK has developed relatively advanced climate-risk, disclosure, stewardship and anti-greenwashing rules, but biodiversity remains only partially integrated. Most requirements address nature loss only where it is financially material, while binding duties concerning biodiversity impacts, deforestation-linked finance and alignment of investment decisions with nature-positive outcomes remain limited. The chapter, therefore, identifies significant regulatory gaps and proposes stronger prudential expectations, financial sector due diligence, mandatory nature-related reporting and the resumption of work on an interoperable UK Green Taxonomy.

12.1 National actions to implement GBF targets in financial sector regulation

12.1.1 Biodiversity targets of the United Kingdom

The UK largely retains the structure and substance of the global GBF targets, adopting one national target for each global target rather than splitting or combining them. Targets 14 and 15 closely follow the global wording, while Targets 18 and 19 adapt the global quantitative finance goals by framing them as objectives to which the UK will contribute, rather than as UK-specific amounts.

- **UK target 14:** The UK will ensure the full integration of biodiversity and its multiple values into policies, regulations, planning and development processes, poverty eradication strategies, strategic environmental assessments, environmental impact assessments and, as appropriate, national accounting, within and across all levels of government and across all sectors, in particular those with significant impacts on biodiversity, progressively aligning all relevant public and private activities, and fiscal and financial flows with the goals and targets of this framework.⁷²²
- **UK target 15:** The UK will take legal, administrative or policy measures to encourage and enable business, and in particular to ensure that large and transnational companies and financial institutions: (a) regularly monitor, assess and transparently disclose their risks, dependencies and impacts on biodiversity, including with requirements for all large as well as transnational companies and financial institutions along their operations, supply and value chains, and portfolios; (b) provide information needed to consumers to promote sustainable consumption patterns; (c) report on compliance with access and benefit-sharing regulations and measures, as applicable; in order to progressively reduce negative impacts on biodiversity, increase positive impacts, reduce biodiversity-related risks to business and financial institutions, and promote actions to ensure sustainable patterns of production.⁷²³
- **UK target 18:** The UK will identify by 2025, and eliminate, phase out or reform by 2030, incentives, including subsidies, harmful for biodiversity, in a proportionate, just, fair, effective and equitable way, while contributing to the global target to reduce them by at least USD 500 billion per year by 2030, starting with the most harmful incentives, and scaling up positive incentives for the conservation and sustainable use of biodiversity.⁷²⁴

- **UK Target 19** broadly follows global Target 19 (Mobilise USD 200 Billion per Year for Biodiversity From all Sources, Including USD 30 Billion Through International Finance), but frames the quantitative financing objectives as goals to which the UK will contribute rather than as UK-specific amounts. It calls for a substantial increase in biodiversity finance from all sources, including through:
 - increased international biodiversity finance;
 - increased domestic public finance and resource mobilisation;
 - greater mobilisation of private finance, including blended finance;
 - wider use of instruments such as green bonds and biodiversity credits;
 - stronger alignment between biodiversity and climate finance;
 - support for collective action and non-market approaches; and
 - improved transparency and effectiveness of biodiversity finance.⁷²⁵

12.1.2 Actions to meet the biodiversity targets

The NBSAP presents much of the UK's finance-related biodiversity activity in terms of mobilising private capital, supporting nature markets, financing international programmes and supporting market-led disclosure architecture. TNFD is explicitly described as a "*global, market-led*" initiative receiving UK financial support, rather than as a mandatory domestic reporting regime.⁷²⁶ The NBSAP does not itself prescribe detailed biodiversity-specific requirements governing UK FIs' lending or investment decisions, prudential capital or liquidity treatment, Bank of England collateral or monetary-policy operations, or mandatory portfolio alignment.⁷²⁷ Its finance commitments are therefore considerably more focused on market development, mobilisation of finance and encouragement of nature-related disclosure than on binding biodiversity-specific financial regulations.

- **Target 14: Integrate Biodiversity in Decision-Making at Every Level**

In support of Target 14, the UK's NBSAP commits to mainstreaming biodiversity across government and society, with implementation through the strategies and policies of its constituent countries.⁷²⁸ The NBSAP also supports the market-led Taskforce on Nature-related Financial Disclosures, although it explicitly associates this initiative with Target 15.⁷²⁹ Domestically, it points out to a call for evidence for the Financial Services Growth and Competitiveness Strategy on the financial sector's role in supporting a net zero, climate resilient and nature positive economy.⁷³⁰ Financial regulation is therefore relevant to its commitments, but the NBSAP does not expressly envisage establishing biodiversity-related requirements for lending, investment portfolios, monetary policy or prudential supervision. Its approach focuses on strategic alignment, capacity building and support for disclosure rather than defined regulatory reforms.⁷³¹

- **Target 15: Businesses Assess, Disclose and Reduce Biodiversity-Related Risks and Negative Impacts**

Regarding financial sector transparency and reporting, the NBSAP records that the UK provided USD 6.3 million (GBP 4.6 million) over 2021–2025 to the global, market-led Taskforce on Nature-related Financial Disclosures (TNFD).⁷³² It presents TNFD as enabling businesses and financial institutions to assess, report and act on nature-related risks, opportunities, impacts and dependencies, recognises TNFD as a leading mechanism for operationalising GBF Target 15, and notes that the UK Government has encouraged closer integration between TNFD and the ISSB sustainability-reporting baseline.⁷³³

- **Target 18: Reduce Harmful Incentives by at Least USD 500 Billion per Year, and Scale Up Positive Incentives for Biodiversity**

To support Target 18, the UK's NBSAP identifies the phase-out of Direct Payments to farmers in England between 2021 and 2027 and the introduction of schemes that reward environmental outcomes. It highlights Landscape Recovery, which supports ecosystem restoration through agreements lasting at least 20 years and requires projects to secure private finance before entering long-term implementation agreements.⁷³⁴ Internationally, the NBSAP commit USD 9.6 million (GBP 7.2 million) to the Nature Positive Economy programme, delivered with the UNDP Biodiversity Finance Initiative (BIOFIN) and Financial Sector Deepening Africa, to help governments, businesses and regulators integrate nature into economic and financial decisions, including by repurposing environmentally harmful subsidies.⁷³⁵ However, the NBSAP does not set out a comprehensive programme for identifying and reforming harmful incentives across all sectors or quantify the UK's contribution to the global annual reduction goal.⁷³⁶

- **Target 19: Mobilise USD 200 Billion per Year for Biodiversity From all Sources, Including USD 30 Billion Through International Finance)**

The UK NBSAP for 2030 identifies mainstreaming and finance as one of the shared priorities for GBF implementation across the UK and its constituent parts, stating that responding to the biodiversity and climate crises requires action across multiple sectors and financing involving both governments and the private sector.⁷³⁷ In England, for example, the NBSAP also highlights increased private-sector investment in nature through the development of high-integrity nature markets.⁷³⁸ More specifically, under "Mobilising Sustainable Finance," the NBSAP states that the UK Government is committed to being a global leader on sustainable finance and refers to the Financial Services Growth and Competitiveness Strategy process examining the financial sector's role in supporting a "*net zero, climate resilient and nature positive economy*".⁷³⁹ In Wales, the NBSAP reports that the Welsh Government's 2022 Biodiversity Deep Dive generated recommendations that are being incorporated into the draft Securing a Sustainable Futures Bill. One of those recommendations is to "*unlock public and private finance*" for nature at a much greater scale and pace.⁷⁴⁰ Internationally, the UK has committed around USD 5.4 billion (GBP 4 billion) to ensure global implementation of the GBF targets. This figure includes USD 4 billion (GBP 3 billion) under its International Climate Finance pledge to protect and restore nature by the end of 2026, USD 678.6 million (GBP 500 million) via the Blue Planet Fund, USD 448 million (GBP 330 million) input into the Global Environment Facility Trust Fund, and USD 74.6 million (GBP 55 million) via the GBF Fund. An additional USD 135.7 million (GBP 100 million) is planned to be channelled to biodiversity protection and combating poverty via the Biodiverse Landscapes Fund.⁷⁴¹

The UK also plans to allocate USD 9.7 million (GBP 7.2 million) to the Nature Positive Economy programme under the Biodiversity Finance Initiative (BIOFIN) and Financial Sector Deepening Africa (FSD). These funds are earmarked to ensure assistance to "*governments, businesses, and regulators to implement the GBF by integrating nature into their economic and financial decision-making, understanding and managing their nature-related risks, capitalising on growing opportunities to invest in their natural assets, and repurposing subsidies harmful to the environment*".⁷⁴²

12.1.3 Progress reported in the 7th National Report

Overall, the Seventh National Report presents progress as concentrated primarily in sustainability reporting, disclosure and voluntary nature-related risk frameworks, while reporting little progress in biodiversity-specific banking regulation, prudential supervision, investment-allocation requirements or monetary policy. This is consistent with the UK's own assessment that alignment of financial flows under Target 14 remains partial⁷⁴³ and that implementation of Target 15 is progressing at an insufficient rate.⁷⁴⁴

- **Target 14: Integrate Biodiversity in Decision-Making at Every Level**

The UK reports on implementation of Target 14 separately for England, Scotland, Wales and Northern Ireland, alongside UK-wide measures and actions in several Overseas Territories and Crown Dependencies.⁷⁴⁵

At UK level, the report highlights updated Green Book guidance (the government's framework for assessing the costs, benefits and impacts of proposed policies, programmes and projects) with supplementary guidance on valuing biodiversity. It also records further development of natural capital accounts, which estimate the value of natural assets and the benefits they provide, helping government departments consider nature in spending and policy decisions.⁷⁴⁶

In England, the strengthened Biodiversity Duty requires public authorities to consider what action they can take to conserve and enhance biodiversity. Other reported measures include Biodiversity Net Gain requirements for development and the publication of 24 Local Nature Recovery Strategies by December 2025. Scotland reports biodiversity duties for public bodies and its integration into planning and economic strategies. Wales requires public authorities to maintain and enhance biodiversity across their functions, while Northern Ireland reports a biodiversity duty for public bodies and requirements to consider biodiversity when preparing plans to deliver carbon budgets.⁷⁴⁷

Overall, the UK assesses progress as insufficient and records only partial achievement across all five mainstreaming indicators, including alignment of fiscal and financial flows with the GBF. Its Target 14 reporting does not report progress in introducing biodiversity-specific requirements for lending, investment, monetary policy or prudential supervision.

- **Target 15: Businesses Assess, Disclose and Reduce Biodiversity-Related Risks and Negative Impacts**

The most concrete progress related to integrating biodiversity into financial regulations discussed in the Report concerns transparency and sustainability reporting. Under Target 15, the report states that the FCA has introduced sustainability disclosure requirements for asset managers, including mandatory reporting on sustainability risks and opportunities. It also reports progress on UK Sustainability Reporting Standards (UK SRS), intended to enable market participants to measure, manage and report sustainability risks, including nature-related risks. At the time of reporting, however, UK SRS were to be made available for voluntary use, with decisions on mandatory application to economically significant entities and updated FCA requirements for listed companies still to follow.⁷⁴⁸

The Seventh National Report also records further implementation of the NBSAP's support for TNFD. Whereas the NBSAP reported USD 6.1 million (GBP 4.6 million) of UK funding for the global, market-led initiative over 2021–2025,⁷⁴⁹ the Seventh National Report reports USD 7.5 million (GBP 5.6 million) over 2021–2026 and continued UK support for voluntary market adoption.⁷⁵⁰ The number of companies beginning TNFD-aligned reporting increased from 36 in 2024 to 47 in 2025, while 92 UK-based organisations had committed to TNFD-aligned reporting by November 2025.⁷⁵¹ Of the organisations reporting to TNFD in 2025, 28 were financial institutions or financial-services businesses.⁷⁵² This indicates progress in implementing the NBSAP's emphasis on TNFD and nature-related disclosure, but mainly through a market-led and voluntary reporting architecture rather than a comprehensive mandatory biodiversity-reporting regime.

The report itself recognises these limitations. It states that there is no single framework under which all applicable companies report their biodiversity-related risks, dependencies and impacts, and that reporting remains optional.⁷⁵³ It consequently assesses measures requiring large companies and financial institutions to monitor, assess and disclose biodiversity-related risks, dependencies and impacts across their operations, value chains and portfolios as only partially implemented. Measures intended to ensure that companies and financial institutions

progressively reduce their negative biodiversity impacts and increase their positive impacts are also assessed as partially implemented.⁷⁵⁴

The 7th National Report gives little specific attention to anti-greenwashing regulations. It notes that UK SRS should help ensure that sustainability claims “stand up to scrutiny” and reports the FCA sustainability disclosure requirements.⁷⁵⁵ but it does not describe the FCA’s specific anti-greenwashing rule. Nor does the report identify biodiversity-related progress under anti-money-laundering or financial-crime regulation.

- **Target 18: Reduce Harmful Incentives by at Least USD 500 Billion per Year, and Scale Up Positive Incentives for Biodiversity**

The UK reports progress towards Target 18 on reforming biodiversity-harmful incentives and expanding positive incentives, but assesses the rate of progress as insufficient. It has developed a methodology for screening subsidies against seven environmental objectives and applied it across sectors including energy, agriculture, fisheries, forestry and transport. Interim results show that subsidies screened as potentially environmentally harmful declined from USD 53.6 million (GBP 40.2 million) in 2020 to USD 28.7 million (GBP 21.5 million) in 2022, measured in 2022 prices. However, these figures cover only the available subsidy data, concern broader environmental harm and do not provide a comprehensive inventory of biodiversity-harmful incentives.⁷⁵⁶

The clearest reported reforms concern agriculture. England is phasing out area-based direct payments and replacing them with Environmental Land Management schemes that reward environmental outcomes. By April 2025, 50% of England’s farmed land was actively managed under environmental schemes. Scotland reports support for over 3,000 farms through its Agri-Environment Climate Scheme and the rollout of biodiversity audits. Wales describes its planned Sustainable Farming Scheme, intended to replace existing direct payments by 2029, while Northern Ireland reports changes through its Sustainable Agriculture Programme and the launch of the Farming with Nature Transition Scheme in June 2025.⁷⁵⁷

Internationally, the UK’s Nature Positive Economy Programme, delivered with the UNDP Biodiversity Finance Initiative (BIOFIN), has supported subsidy-reform work in eight developing countries. Activities include mapping subsidies, assessing biodiversity impacts and developing reform options; funding was extended for work in six countries during 2025/2026.⁷⁵⁸

- **Target 19: Mobilise USD 200 Billion per Year for Biodiversity From all Sources, Including USD 30 Billion Through International Finance.**

The Seventh National Report reports partial progress in aligning financial flows with biodiversity objectives. Under Target 14, the UK states that “*Further work is needed to align all relevant public and private activities, fiscal and financial flows*” with the GBF. It assesses overall progress towards Target 14 as “*Progress made but at an insufficient rate*” and describes progress as “*tangible but fragmented*”. More specifically, the UK assesses both the alignment of public and private activities and the alignment of fiscal and financial flows as only “*Partially*” achieved.⁷⁵⁹ The Seventh National Report does not report progress in introducing biodiversity-specific banking or prudential requirements, or in incorporating biodiversity into Bank of England monetary policy or central bank operations. The 7th National Report reports progress in implementing the NBSAP’s commitments to mobilise resources internationally. Thus, under Target 19, it states that the UK provided USD 1.7 billion (GBP 1.3 billion) of International Climate Finance towards nature between 2021/22 and 2023/24 and recommitted to delivering a total of USD 4 billion (GBP 3 billion) between 2021 and 2026, including USD 2 billion (GBP 1.5 billion) for forests.

The Report also records the UK’s USD 440 million (GBP 330 million) commitment to the eighth replenishment of the Global Environment Facility Trust Fund for 2022-2026 and a total contribution of USD 73 million (GBP 55 million) to the Global Biodiversity Framework Fund.

Overall, UK public-sector funding for international biodiversity reached approximately USD 748 million (GBP 560 million) in 2023/24, although progress towards Target 19 is assessed as *"progress made but at an insufficient rate"*.⁷⁶⁰

The 7th National Report also records implementation of the Nature Positive Economy Programme. Under Target 18, it states that the programme, delivered in partnership with UNDP's Biodiversity Finance Initiative (BIOFIN), has supported work to repurpose environmentally harmful subsidies in eight developing countries. The Report further states that funding was extended for 2025/26 to continue subsidy-reform work in six countries. It does not, however, restate the NBSAP's specific USD 9.6 million (GBP 7.2 million) allocation or refer specifically to the Financial Sector Deepening Africa component.⁷⁶¹

12.2 Overview of regulatory bodies for the financial sector

The UK demonstrates a diverse institutional landscape of governmental, regulatory, standard-setting and market-shaping bodies working on the sustainable finance policy environment. The key current players include HM Treasury, the Financial Conduct Authority (FCA), the Bank of England and its Prudential Regulation Authority (PRA), the Department for Environment, Food and Rural Affairs (DEFRA), the Department for Business and Trade (DBT), the Financial Reporting Council (FRC), and the Transition Finance Council (TFC). The main bodies are profiled below.

12.2.1 Bank of England

The Bank of England, the UK's central bank, is responsible for monetary policy and financial stability. It sets the official Bank Rate, supports the stability of the UK financial system, and regulates major banks, building societies, credit unions, insurers and investment firms through the Prudential Regulation Authority (PRA, see section 12.2.2).⁷⁶² As part of its climate-related work, the Bank continues to assess climate-related risks to the UK economy, the financial system, regulated firms and its own operations.⁷⁶³ Nature-related financial risks, including biodiversity loss, have also been recognised by the Bank as a potential source of financial risk, although the Bank's current formal supervisory and disclosure work remains more developed on climate than on biodiversity.⁷⁶⁴

12.2.2 Prudential Regulation Authority (PRA)

The Prudential Regulation Authority (established in 2013 under the Financial Services Act as part of the replacement of the Financial Services Authority) is a subsidiary of the Bank of England that is tasked with regulating and supervising banks, building societies, credit unions, insurers and major investment firms.⁷⁶⁵ The PRA's climate-related work focuses on the financial risks that climate change and the transition to a net-zero economy create for regulated firms.⁷⁶⁶ PRA does not currently impose biodiversity-specific prudential requirements on banks or insurers.

12.2.3 His Majesty's (HM) Treasury

His Majesty's (HM) Treasury is the UK Government's economic and finance ministry. Its responsibilities include public spending, financial services policy, strategic oversight of the tax system, public infrastructure investment, and ensuring that the economy is growing sustainably.⁷⁶⁷ In sustainable finance, HM Treasury plays a central role in developing the UK's wider sustainable finance framework, including policy on sustainability disclosures, transition finance, ESG ratings providers and other financial services regulation.

12.2.4 Department for Environment, Food and Rural Affairs (DEFRA)

Though not a financial regulator per se, DEFRA is one of the key government departments most directly relevant to biodiversity, nature recovery and nature-related finance. It is responsible for

improving and protecting the environment, growing a green economy, sustaining rural communities, and supporting the food, farming and fishing sectors.⁷⁶⁸

The Department for Business and Trade is responsible for the UK Sustainability Reporting Standards (UK SRS) process and for deciding how sustainability standards should be incorporated into the UK corporate reporting framework.

12.2.5 Transition Finance Council (TFC)

The Transition Finance Council is a current market-shaping body in the UK sustainable finance landscape. It was co-launched by HM Government and the City of London Corporation in February 2025 to take forward the roadmap and recommendations of the Transition Finance Market Review and to support the UK's ambition to become a global hub for raising and deploying transition finance.⁷⁶⁹ The Council is primarily focused on transition finance, rather than biodiversity finance specifically. However, it remains relevant to the broader sustainable finance architecture because transition finance policy affects how capital is mobilised for high-emitting and hard-to-abate sectors. In March 2026, the TFC published a year-end progress report, reporting outputs including exposure drafts of transition finance guidelines and an implementation handbook, policy briefs, and stakeholder engagement across domestic and international organisations.⁷⁷⁰

12.2.6 Financial Conduct Authority (FCA)

The FCA was established on 1 April 2013, taking over conduct and relevant prudential regulation from the Financial Services Authority. It regulates the conduct of around 42,000 businesses, prudentially supervises around 41,000 firms, and has around 17,000 firms subject to prudential standards in its Handbook.⁷⁷¹ In the sustainable finance context, the FCA is responsible for enhancing the transparency of sustainable investment products and reducing greenwashing.

12.3 Central bank policies

12.3.1 Monetary policy

Biodiversity is not currently integrated into the Bank's monetary-policy instruments through nature-related eligibility criteria, asset-purchase tilts, exclusions or biodiversity performance requirements. The previous Corporate Bond Purchase Scheme included climate-related requirements, but the Bank had disposed of all remaining corporate bonds by April 2024. The scheme is therefore no longer in operation and cannot be used to impose environmental conditions.⁷⁷²

The Bank's current assessment of environmental risks to its financial operations remains centred on climate-related physical and transition risks. Its 2026 disclosure applies carbon-intensity measures, emissions estimates and climate scenario analysis to sovereign bonds, counterparties, collateral and lending operations, but does not apply equivalent indicators for biodiversity loss, ecosystem dependence or nature-related transition risk.⁷⁷³ Accordingly, biodiversity remains an emerging analytical issue for the Bank rather than a substantive component of its current monetary-policy framework.

12.3.2 Bank of England's own policies and internal organisation

The Bank of England's environmental policies for its own operations remain focused principally on climate change and greenhouse gas emissions rather than biodiversity. Its 2026 Climate Transition Plan update sets a target of reducing greenhouse gas emissions from its physical operations by 90% by 2040 against a restated 2015/16 baseline, after which residual emissions would be neutralised.⁷⁷⁴ The plan covers emissions from the manufacture of banknotes and buildings, energy use, business travel, procurement, and the supply chain, but it does not establish a biodiversity or nature-related target, a nature-positive commitment, or indicators to measure the

Bank's impacts and dependencies on ecosystems. The Bank's 2026 climate-related financial disclosure similarly reports climate-risk and carbon metrics but does not report biodiversity-related metrics or targets.⁷⁷⁵

The Bank has nevertheless acknowledged that biodiversity loss and ecosystem degradation can create financial risks through the physical consequences of declining ecosystem services and through changes in policy, technology and consumer behaviour. In 2022, the Bank stated that its early work suggested that nature loss could generate financial risks, while recognising that further work was required to assess their materiality and determine whether they were already captured by the existing regulatory framework.⁷⁷⁶ As of 30 June 2026, this recognition has not resulted in a dedicated internal biodiversity strategy or formal nature-related financial disclosure by the Bank.

The decision to feature UK wildlife on the next series of banknotes may increase public visibility of biodiversity, but it is primarily a banknote-design and security initiative and should not be treated as a biodiversity policy or conservation measure.⁷⁷⁷

12.4 Banking regulations

12.4.1 Climate Biennial Exploratory Scenario (CBES)

The Bank of England launched its first Climate Biennial Exploratory Scenario (CBES) in June 2021 and published the results on 24 May 2022. The exercise examined the financial risks that climate change could create for the largest UK banks and insurers. It considered three possible scenarios: Early Action, Late Action and No Additional Action. The first two examined different pathways towards net-zero emissions, while the third focused on the physical risks that could arise if governments did not introduce further climate policies.⁷⁷⁸

The CBES found that climate change was likely to reduce the profitability of banks and insurers, and that the overall costs would be lowest where the transition was started early and managed effectively. It also identified important gaps in firms' data, modelling and ability to assess climate-related risks. The CBES was an exploratory exercise rather than a regulatory capital stress test, and its results were not used to set capital requirements.⁷⁷⁹

The previous expectation that a second climate CBES would take place in 2023 should be removed. As of 30 June 2026, the Bank's current climate scenario-analysis materials continue to refer to the 2021 CBES and do not announce a second climate CBES.⁷⁸⁰ The word "biennial" refers to the Bank's wider framework for exploratory scenario exercises and does not mean that the same climate exercise must automatically be repeated every two years.

The CBES focused on climate-related physical and transition risks. It did not include a separate biodiversity-loss or ecosystem-degradation scenario and did not specifically assess banks' and insurers' exposure to nature-related dependencies and impacts. It should therefore not be presented as a biodiversity or nature-risk assessment.

12.4.2 Supervisory Statement SS5/25

On 3 December 2025, the Prudential Regulation Authority published Supervisory Statement SS5/25 on banks' and insurers' management of climate-related risks. SS5/25 replaced the earlier Supervisory Statement SS3/19 in its entirety.⁷⁸¹

SS5/25 organises the PRA's expectations into five areas applicable to all firms: governance, risk management, climate scenario analysis, data and disclosures. It also contains separate provisions for banks and insurers. For banks, these include accounting and the treatment of material climate-related risks within internal capital and liquidity assessments. For insurers, they include investments, own risk and solvency assessments, Solvency Capital Requirements and the Solvency II balance sheet.⁷⁸²

The expectations are intended to be applied proportionately, taking account of each firm's business model, size, complexity and exposure to material climate risks. Following the publication of SS5/25, firms were required to review their existing arrangements and prepare credible plans to address any remaining gaps. From June 2026, firms should be able to demonstrate a credible and ambitious timetable for completing this work.⁷⁸³

SS5/25 continues to focus specifically on climate-related risks rather than biodiversity or wider nature-related risks. In the accompanying policy statement, the PRA addressed consultation feedback on the exclusion of nature risk and expressly stated that it had not established the policy is focused on climate-related risk and that it has not set specific expectations for nature-related risks. It nevertheless expects added, however, that firms are still expected to manage all relevant financial risks that are relevant to their businesses to which they are exposed, and stated that it may update its position if nature-related risks become sufficiently material that the PRA will continue to monitor and assess all sources of risk and may update its position if needed.⁷⁸⁴

The PRA is also required, where relevant, when exercising its functions, to have regard to environmental targets under the Environment Act 2021. However, this requirement applies to the PRA's own decision-making and does not, in itself, create biodiversity-related duties for individual banks or insurers.⁷⁸⁵

12.4.3 Nature-related Risk: Handbook for Financial Institutions

Some voluntary work on nature-related financial risks has been undertaken through the Climate Financial Risk Forum, which is jointly convened by the PRA and the FCA. In October 2024, the Forum published a handbook to help financial institutions understand and manage nature-related risks. However, the handbook is industry-produced, does not necessarily represent the PRA's position and does not constitute regulatory guidance.⁷⁸⁶ Accordingly, as of June 2026, biodiversity is recognised as an emerging financial-risk issue, but it is not incorporated into formal PRA supervisory expectations in the same way as climate change.

12.5 Capital market regulations

12.5.1 UK Stewardship Code 2026

The UK Stewardship Code 2026 applies from 1 January 2026 and provides a stewardship framework for asset owners, asset managers and service providers. Participation is voluntary. Signatories are expected to explain how they integrate stewardship into investment, identify and respond to market-wide and systemic risks, engage with investee entities, exercise investor rights and oversee external managers and service providers.⁷⁸⁷

The Code itself refers broadly to environmental and social issues rather than establishing biodiversity-specific requirements. However, the FRC's accompanying guidance expressly identifies biodiversity and deforestation (alongside climate change, water scarcity, and pollution) as possible environmental risks across the market. Signatories may explain how they identify, assess and respond to such risks through investment processes, engagement, collaboration and participation in policy or standard-setting initiatives.⁷⁸⁸

This makes the Stewardship Code one of the clearest UK investment frameworks in which biodiversity is expressly recognised. Nevertheless, neither becoming a signatory nor the Code's guidance requires an investor to adopt biodiversity targets, conduct portfolio-wide nature-impact assessments or exclude investments connected with ecosystem damage.

12.5.2 Occupational Pension Schemes (Investment) Regulations 2005

The Occupational Pension Schemes (Investment) Regulations 2005 require trustees of schemes that must prepare a Statement of Investment Principles to set out their policies on financially material considerations. These include environmental, social and governance considerations,

including climate change, over the appropriate investment time horizon. Trustees must explain how these considerations are taken into account in the selection, retention and realisation of investments. The Statement must also cover voting and engagement policies and certain aspects of trustees' arrangements with asset managers.⁷⁸⁹

The Regulations do not expressly refer to biodiversity, ecosystem dependencies, deforestation or nature-related risks. The Pensions Regulator has nevertheless stated that trustees should consider material financial risks arising from both climate change and nature loss when making long-term investment decisions.⁷⁹⁰ This represents the regulator's interpretation of trustees' broader investment and fiduciary responsibilities; it is not a separate biodiversity requirement contained in the Regulations.

Accordingly, biodiversity should be considered only where trustees determine that it is financially material to investment risk or returns. The Regulations do not require schemes to adopt biodiversity targets, exclude particular sectors or companies, or allocate capital to nature-positive investments.

12.5.3 Occupational Pension Schemes Climate Change Regulations

The Occupational Pension Schemes Climate Change Governance and Reporting Regulations 2021 require trustees of in-scope schemes to establish governance and risk-management processes for climate-related risks and opportunities. They include requirements concerning scenario analysis, metrics, targets, investment strategy and oversight of asset managers.⁷⁹¹

The requirements apply to occupational pension schemes with relevant assets of at least USD 1.3 billion (GBP 1 billion), including qualifying defined benefit, defined contribution and hybrid schemes. They also apply to all authorised master trust schemes and authorised collective money purchase schemes, regardless of their asset size.⁷⁹² Schemes with assets below USD 1.3 billion (GBP 1 billion) are generally outside the regime unless they fall within one of these authorised categories. If an in-scope scheme's relevant assets subsequently fall below USD 668 million (GBP 500 million), it may cease to be subject to the ongoing governance requirements, subject to the detailed reporting and authorisation rules.⁷⁹³

These Regulations are climate-specific. They do not impose equivalent governance, scenario-analysis, metric or target requirements for biodiversity or nature loss. For affected pension schemes, biodiversity therefore remains subject to the broader financially material ESG considerations under the 2005 Investment Regulations rather than the detailed requirements of the climate-governance regime.

12.5.4 Local Government Pension Scheme investment regulations

The Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 govern the management and investment of LGPS assets in England and Wales. They replaced the previous 2016 regulations and entered into force on 30 June 2026.⁷⁹⁴

Under the accompanying statutory guidance, each administering authority's Investment Strategy Statement must explain its approach to responsible investment. The guidance defines responsible investment as an approach under which environmental, social and governance factors are considered in investment decisions and addressed through the appropriate exercise of investor rights and influence. It states that administering authorities should consider all ESG factors that are financially material to investment performance.⁷⁹⁵

The guidance also permits an administering authority to take non-financial considerations into account where this would not create a risk of significant financial detriment and where there is good reason to believe that scheme members would support the decision. An authority may therefore express a preference for investments that have a positive non-financial impact while providing an acceptable financial return.⁷⁹⁶

Neither the Regulations nor the guidance specifically mentions biodiversity. An administering authority may nevertheless include biodiversity, natural capital or nature-related risks within its responsible-investment priorities where these are financially material or where the conditions for considering non-financial factors are satisfied. No biodiversity target, minimum nature-related allocation or mandatory exclusion policy is imposed.

12.5.5 Sustainability Disclosure Requirements and investment-label regime

The FCA introduced the Sustainability Disclosure Requirements (SDR) and investment-label regime through Policy Statement PS23/16 in November 2023. The anti-greenwashing rule came into force on 31 May 2024, investment labels became available from 31 July 2024, and naming and marketing rules for asset managers came into force from 2 December 2024. The regime aims to reduce greenwashing and improve the information available to consumers of sustainable investment products.⁷⁹⁷

The anti-greenwashing rule has applied since 31 May 2024 to all FCA-authorised firms that make sustainability-related claims about financial products or services.⁷⁹⁸ This includes banks, insurers and investment firms where they make such claims. The claims must be fair, clear and not misleading. The FCA's supporting guidance states that claims should be correct and capable of substantiation, clear, complete, and based on fair and meaningful comparisons.⁷⁹⁹

The more detailed naming, marketing and disclosure requirements apply principally to UK asset managers and in-scope UK funds. Asset managers may also choose to use one of four labels: Sustainability Focus, Sustainability Improvers, Sustainability Impact or Sustainability Mixed Goals.⁸⁰⁰ At least 70% of the assets of a labelled product must be invested in accordance with its sustainability objective, using a robust, evidence-based standard that provides an absolute measure of sustainability.⁸⁰¹

Overseas-domiciled funds are not subject to the UK labelling regime. Distributors offering an overseas fund that uses sustainability-related terms must inform retail investors that the fund is not subject to the UK SDR.⁸⁰²

The FCA consulted on extending the SDR and labels to portfolio-management services. However, it subsequently delayed the publication of final rules while considering the practical difficulties that portfolio managers might face. As of June 2026, this extension had not been finalised.⁸⁰³

The SDR does not create a dedicated biodiversity label or prescribe a standard biodiversity metric. Nevertheless, an investment product with a nature or biodiversity objective may use an appropriate label where it meets the relevant criteria.⁸⁰⁴ A manager making claims such as "biodiversity positive", "nature aligned" or "deforestation free" must be able to substantiate those claims under the anti-greenwashing rule.⁸⁰⁵ The regime is therefore directly relevant to asset managers marketing nature-related funds and to banks making biodiversity-related claims about their financial products, although it does not require firms generally to adopt biodiversity targets.

12.5.6 Regulation of ESG ratings providers

HM Treasury consulted on a future regulatory regime for ESG ratings providers in 2023 and published its consultation response in November 2024.⁸⁰⁶ The Financial Services and Markets Act 2000 (Regulated Activities) (ESG Ratings) Order 2025 subsequently established the statutory basis for bringing certain ESG ratings activities within the FCA's regulatory perimeter.⁸⁰⁷

In December 2025, the FCA published Consultation Paper CP25/34, setting out its proposed rules and guidance for ESG ratings providers.⁸⁰⁸ The consultation closed on 31 March 2026. As of August 2026, the FCA had not yet published its final Policy Statement and rules, which are planned for the fourth quarter of 2026. The new regulatory regime is expected to take effect on 29 June 2028.⁸⁰⁹⁸¹⁰

ESG ratings influence investment and capital allocation decisions.⁸¹¹ Where ratings methodologies incorporate biodiversity and nature-related factors, their regulation may therefore influence how these considerations are incorporated into investment decisions. However, the statutory framework does not, in itself, establish biodiversity criteria or require financial institutions to direct capital towards biodiversity-positive activities. Its contribution will depend partly on the final FCA rules concerning the transparency, governance and reliability of ratings methodologies, including how biodiversity and nature-related factors are treated.

12.6 Regulations on corporate disclosure

12.6.1 UK Sustainability reporting standards

The Department for Business and Trade is responsible for the UK SRS process and for deciding how sustainability standards should be incorporated into the UK corporate reporting framework. The process is supported by the UK Sustainability Disclosure Technical Advisory Committee, which provides technical advice, and by the Financial Reporting Council, which acts as secretariat.⁸¹²

The Department published final UK SRS S1 and UK SRS S2 on 25 February 2026. The standards are available for voluntary use by any entity.⁸¹³ UK SRS S1 provides the general framework for reporting sustainability-related risks and opportunities, while UK SRS S2 contains climate-specific requirements.⁸¹⁴

UK SRS S1 can cover biodiversity and nature-related matters where they could reasonably be expected to affect an entity's cash flows, access to finance or cost of capital over the short, medium or long term.⁸¹⁵ Its scope may therefore include risks arising from ecosystem degradation, dependence on natural resources, deforestation, nature-related regulation or the biodiversity impacts of financed and invested activities where those matters affect the entity's financial prospects.

UK SRS S1 recognises that an entity's dependencies on, and impacts upon, natural and other resources can create sustainability-related financial risks and opportunities.⁸¹⁶ However, it does not impose a general double-materiality requirement: an environmental impact is not reportable solely because it is significant for biodiversity if it could not reasonably be expected to affect the entity's prospects.

Where no specific UK SRS addresses a nature-related matter, an entity may consider the SASB Standards and the CDSB Framework Application Guidance for Biodiversity-related Disclosures when identifying relevant disclosures and metrics.⁸¹⁷ UK SRS S1 therefore provides a possible route for biodiversity reporting but does not contain a uniform set of mandatory biodiversity indicators applicable to every company, bank or investor.

As of 30 June 2026, UK SRS were not themselves mandatory. The FCA had consulted on replacing its existing TCFD-aligned rules for listed issuers with requirements aligned with UK SRS. The proposals would require reporting against UK SRS S2, while wider sustainability reporting under UK SRS S1 would initially operate on a "comply or explain" basis.⁸¹⁸ The FCA expected to publish final rules in autumn 2026, with the proposed regime taking effect for accounting periods beginning on or after 1 January 2027.⁸¹⁹

These proposals are relevant to listed banks, listed asset managers and other listed financial institutions. Biodiversity reporting would nevertheless depend on whether nature-related risks and opportunities are financially material to the particular entity.

12.7 Regulations stimulating the financing of sustainable activities

12.7.1 UK Taxonomy

The UK Government aims to develop and implement its own national green finance taxonomy based on international standards and best practices, and interoperable with other such frameworks. In 2020, former Chancellor Rishi Sunak first announced plans to implement a green taxonomy, which would build on the scientific metrics of the EU Taxonomy. A newly set-up UK Green Technical Advisory Group (GTAG) would review these metrics to ensure they suit the UK market.⁸²⁰ These plans were reconfirmed in the 2023 Green Finance Strategy, along with a suggestion to develop a transition taxonomy or to include certain transitional activities within one Taxonomy.⁸²¹

During its advisory work, GTAG published a suite of nine substantive advice papers, together with related statements, on how the UK Taxonomy should be developed, operated and maintained. GTAG had been convened in June 2021 for an initial two-year period and completed its advisory work in October 2023, when it published its final advice paper on the long-term institutional home for the UK Taxonomy. Although no formal closure date appears to have been published, GTAG is no longer an active advisory body.⁸²²

Biodiversity was treated as one of the environmental objectives that a UK Green Taxonomy could cover, but the Government never published an official draft taxonomy containing UK-specific biodiversity activity classifications or TSC. In the 2021 Greening Finance Roadmap, the proposed Taxonomy was structured around six environmental objectives, including the “protection and restoration of biodiversity and ecosystems”, defined at a high level as protecting, conserving or restoring biodiversity, achieving the good condition of ecosystems, or preventing their deterioration.⁸²³

In November 2024, the Government launched a UK Green Taxonomy Consultation to collect stakeholder opinions on the role and the added value of the future UK Green Taxonomy within the broader context of sustainable finance regulations. The consultation closed for responses in February 2025.⁸²⁴ On 15 July 2025, HM Treasury published the consultation response and confirmed that the Government had decided not to proceed with the development of a UK Green Taxonomy. The response stated that the consultation had not put forward a specific UK Taxonomy framework for comment, and that views on the value and use cases of a UK Taxonomy were mixed.⁸²⁵

As a result, as of 30 June 2026, there is no active UK Green Taxonomy development process in which civil society could intervene to advocate for biodiversity safeguards.⁸²⁶ Any such advocacy would need to focus instead on other elements of the UK sustainable finance framework, including sustainability reporting standards, transition-plan requirements, and nature-related finance policy. HM Treasury’s consultation response specifically pointed to UK Sustainability Reporting Standards, transition plans, the FCA’s fund labelling and anti-greenwashing rules, and other sustainable finance policies as part of the broader framework supporting market transparency.⁸²⁷

12.8 Regulations protecting human rights and/or the environment

The UK has developed several complementary initiatives intended to improve the transparency of sustainability-related risks, opportunities and claims. These initiatives apply to different entities and serve different purposes. For financial products and services, the Financial Conduct Authority’s Sustainability Disclosure Requirements regulate sustainability-related claims, investment labels and product disclosures. For corporate reporting, the UK Sustainability Reporting Standards provide a framework for disclosing financially material sustainability-related risks and opportunities. In parallel, the former Transition Plan Taskforce developed voluntary guidance on how companies and financial institutions may disclose their plans for responding to the transition to a lower-carbon economy. Climate transition planning guidance occasionally refers to

deforestation and safeguarding the natural environment, but it does not establish specific or binding biodiversity requirements for banks or investment firms. Hence, it is not considered in this regulations assessment.

12.8.1 The UK's approach to deforestation regulations

The UK's forest-risk commodities regime has recently moved forward but is not yet in force in Great Britain. On 23 June 2026, the Government announced that it intends to consult later in 2026 on regulations under Schedule 17 of the Environment Act 2021, alongside strengthened UK Timber Regulation requirements. The proposed regime would apply to businesses in Great Britain with annual turnover above USD 1.3 million (GBP 1 million) that use wood, cattle, cocoa, coffee, palm oil, rubber, soy or specified derived products. Businesses would have to conduct due diligence, collect geolocation information and demonstrate compliance with relevant laws in the country of production. The Government aims to align the commodities and supply-chain information requirements broadly with the EU Deforestation Regulation (see section 7.8.1), although the initial UK standard concerns illegal deforestation rather than the EUDR's wider deforestation-free standard. Legislation is expected in 2027. In Northern Ireland, the EUDR is expected to apply in phases from 30 December 2026.⁸²⁸

Banks and investment firms are not currently directly covered merely because they finance or invest in companies using these commodities. However, section 79 of the Financial Services and Markets Act 2023 requires HM Treasury, within nine months of the first implementing regulations, to review whether UK financial regulations adequately address financing connected to prohibited forest-risk commodities. The regime is therefore indirectly relevant now through investment, credit, supply-chain and reputational risks, and may lead to future financial-sector measures.⁸²⁹

12.8.2 Biodiversity Net Gain (Town and Country Planning Act)

DEFRA has led the development of the Nature Markets Framework, published on 30 March 2023, which sets out the Government's approach to scaling up private investment in nature recovery and sustainable farming.⁸³⁰ The Government has set a target for private investment flows into nature recovery in England to reach at least USD 668 million (GBP 500 million) per year by 2027, rising to more than USD 1.3 billion (GBP 1 billion) per year by 2030.⁸³¹ DEFRA is also responsible for key biodiversity policy mechanisms that interact with the private sector, including Biodiversity Net Gain (BNG) requirements.

In England, most developments subject to planning permission must deliver at least a 10% increase in biodiversity value under Schedule 7A of the Town and Country Planning Act 1990, inserted by the Environment Act 2021.⁸³² The requirement applies to major developments from 12 February 2024 and to small sites from 2 April 2024. Developers must submit a biodiversity gain plan and may meet the requirement through on-site habitat improvements, registered offsite biodiversity units or, as a last resort, statutory biodiversity credits. Significant onsite and offsite gains must generally be maintained for at least 30 years.⁸³³

The regime does not directly regulate banks, asset managers or institutional investors merely because they finance or invest in a development company. It is nevertheless relevant to property and infrastructure finance because BNG obligations can affect project costs, planning approval, construction timetables and long-term land-management commitments. It may also create opportunities for landowners and natural-capital investors supplying offsite biodiversity units. A separate BNG regime for nationally significant infrastructure projects will apply to applications submitted from 2 November 2026.⁸³⁴

12.9 Possible improvements of relevant regulations in the United Kingdom

12.9.1 Assessment of current UK regulations

This chapter has described and summarised the financial regulations in the United Kingdom that could be relevant to aligning investor financing flows with the targets of the GBF. Table 16 presents the results of the assessment against the three author-developed criteria informed by selected GBF targets, using the methodology described in **Error! Reference source not found.**

Table 16 Assessment of current UK regulations against GBF targets

Assessment criteria	Colour score	Justification
1 Financial regulations do not allow financing of, or investment in, activities or companies responsible for deforestation or the conversion of natural ecosystems.	Light red	UK financial regulations do not prohibit banks, pension funds, asset managers or other investors from financing companies involved in converting forests, wetlands or other natural landscapes. Biodiversity and deforestation are recognised in the voluntary UK Stewardship Code guidance, and financially material nature-related risks may be considered under pension investment rules, but neither framework requires exclusion or divestment. The proposed forest-risk commodities regime also does not yet apply directly to finance; it only provides for a future review of whether additional financial-sector regulation is needed. The relevant issues are therefore acknowledged, but only through recommendations, risk consideration and prospective policy development rather than a binding financing or investment ban.
2 Financial regulations expect financial institutions to support a just transition in the Agriculture, Aquaculture, Fisheries and Forestry sectors, in ways that uphold the rights of workers, peasants, fisherfolk, Indigenous Peoples, traditional and local communities.	Dark red	UK financial regulation neither requires nor specifically encourages financial institutions to support a just transition in agriculture, aquaculture, fisheries or forestry, and no binding rule conditions investment policies on protecting the rights of workers, peasants, fisherfolk, Indigenous Peoples, or traditional and local communities. Where investment and pension frameworks refer to ESG or social considerations, those references are generic and sector-neutral, and do not connect such considerations to these sectors, to affected communities or to a just transition objective. Just-transition concepts appear only in voluntary instruments, such as the Stewardship Code guidance and the Transition Plan Taskforce framework, and the closest legal link between these sectors and community rights arises outside financial regulation, in the commodity due diligence regimes, whose obligations fall on commodity users rather than on financiers or investors.
3 Financial regulations require transparent disclosure of all financing and investment portfolios and of the biodiversity and social impacts associated with these flows.	Yellow	UK regulations require some relevant transparency measures, but they do not provide transparency for all investment flows or require full disclosure of their biodiversity and social impacts. The FCA's SDR regime imposes mandatory anti-greenwashing, naming, marketing and disclosure requirements (at both product and entity level for relevant firms and funds) including where biodiversity-related claims are made. Pension schemes must disclose certain ESG and stewardship policies, and larger schemes must publish full climate reports, although the latter obligation is climate-only. However, the UK SRS, including UK SRS S1, remained voluntary as of 30 June 2026; the

Assessment criteria	Colour score	Justification
		standards apply a financial-materiality rather than double-materiality approach, and they contain no uniform mandatory biodiversity-impact indicators, or equivalent social-impact indicators, applicable to all banks and investors.

12.9.2 Progress towards meeting the GBF targets

The regulatory assessment undertaken for this report provides a somewhat fuller picture. In particular, UK financial regulation has progressed further on market conduct and anti-greenwashing than the 7th National Report records. The FCA's anti-greenwashing rule has applied since May 2024 to sustainability-related claims made by FCA-authorized firms, including banks, insurers and investment firms, while the wider Sustainability Disclosure Requirements include naming, marketing, labelling and disclosure requirements for relevant funds and asset managers. These rules also apply where biodiversity- or nature-related claims are made, although they do not establish a mandatory biodiversity metric or require firms generally to adopt biodiversity targets.

The investment framework is also somewhat broader than the 7th National Report indicates: biodiversity and deforestation are expressly recognised in guidance accompanying the voluntary UK Stewardship Code, while pension investment rules can bring nature-related risks into investment decisions where they are financially material.

These measures nevertheless do not require biodiversity targets, portfolio-wide nature-impact assessments, exclusions from biodiversity-damaging activities or minimum allocations to nature-positive investments.

The fundamental issue, however, is that the UK's NBSAP does not set time-bound and measurable commitments or goals for strengthening banking and investment regulations and ensuring that they adequately address biodiversity loss and biodiversity-related risks and impacts from a double-materiality perspective. Instead, the NBSAP focuses primarily on commitments relating to market development, mobilisation of finance and encouragement of nature-related disclosure, rather than on the introduction of nationwide, binding biodiversity-specific financial regulation.

12.9.3 Recommendations for UK legislators and financial sector regulators

This section presents recommendations for improving the UK's financial regulations to limit investment in corporate activities that lead to (tropical) deforestation and biodiversity loss.

- **Integrate biodiversity risks into the Bank of England's monetary policy**

Although the Bank of England's monetary policy mandate is centred on price stability, biodiversity loss can still be relevant to the effective conduct of monetary policy. The Bank already recognises nature loss as a potential source of financial risk, but biodiversity is not yet reflected in its monetary policy operations in the same way as climate risk. It should therefore begin integrating nature-related considerations into the risk-management framework for monetary-policy tools, especially where biodiversity loss may affect counterparties, collateral or the Bank's own balance sheet.

The Bank should develop a clear framework for assessing biodiversity and ecosystem-related risks in its monetary policy operations. This should cover counterparties, collateral, lending facilities and any future asset-purchase schemes. The framework should identify exposures to sectors and locations with high biodiversity dependencies or impacts, including agriculture, forestry, fisheries, food supply chains, mining, infrastructure and real estate.

The Bank should also assess whether collateral accepted in its lending operations is exposed to material nature-related risks. This could include risks linked to deforestation, water stress,

ecosystem degradation, protected areas, land-use restrictions and biodiversity-related litigation. Where these risks are financially material, they should be reflected in collateral eligibility and valuation.

- **Extend PRA supervisory expectations for banks to nature-related risks**

The PRA should extend its supervisory framework beyond climate and introduce proportionate expectations for material nature-related risks. Large banks should be required to assess both their dependencies on ecosystem services and the impacts of their lending, investment and other financing activities on nature.

Banks with significant exposure to agriculture, forestry, fisheries, mining, infrastructure and real estate should be required to adopt sector-specific policies, conduct location-sensitive assessments and collect relevant traceability data. Nature-related scenario analysis should be introduced gradually. Banks should disclose and manage both their dependencies and impacts on nature, while financially material nature-related risks should ultimately be incorporated into their internal capital and liquidity assessments.

- **Introduce financial sector due diligence for forest-risk commodities**

The review required by section 79 of the Financial Services and Markets Act 2023 should lead to direct financial-sector requirements rather than remain a general assessment exercise.

Banks, asset managers, pension funds and insurers should conduct due diligence on financing and investments linked to forest-risk commodities. This should include production-site traceability, assessment of land conversion, disclosure of unresolved risks and time-bound engagement with clients and investee companies.

The UK should also move beyond legality under producer-country law and adopt a no-deforestation and no-conversion standard. After a transition period, financing linked to recent conversion of forests, wetlands, peatlands or other important ecosystems should be restricted, based on credible science-based cut-off dates.

- **Require mandatory nature reporting under the UK SRS and FCA rules**

The Government and FCA should establish a timetable for mandatory nature-related reporting, beginning with listed financial institutions and companies highly exposed to land conversion, deforestation, pollution, water use and ecosystem degradation.

Reporting should be based on double materiality, covering both financially material nature-related risks and the significant biodiversity impacts of lending, underwriting and investment. This deliberately goes beyond the financial-materiality basis of the UK SRS, which is not capable of capturing impacts on biodiversity that do not translate into enterprise value. TNFD-aligned requirements, extended to impact disclosure, would provide a workable starting point. Financial institutions should disclose exposure to high-impact sectors and sensitive locations, engagement outcomes, exclusion and escalation policies where applied, restoration finance and progress against measurable targets.

Common portfolio indicators, such as the share of financing linked to high-risk commodities or activities in biodiversity-sensitive areas, would improve comparability.

- **Reverse the UK Taxonomy decision**

The Government should revisit its 2025 decision to abandon the UK Green Taxonomy and resume work on a comprehensive taxonomy with a fully operational biodiversity objective. That decision was assessed primarily in light of the net-zero transition. It left unresolved a separate problem: the UK has no framework for classifying nature-positive activities, and neither the SDR, the UK SRS, nor the transition plan requirements provide one.

The taxonomy should define biodiversity-positive activities, including ecosystem restoration, sustainable forestry, regenerative agriculture, sustainable fisheries and aquaculture, peatland and wetland restoration, and credible nature-based solutions. It should also identify activities that cause significant harm to biodiversity, such as recent conversion of natural ecosystems, destruction of critical habitats and illegal or unsustainable harvesting.

To support cross-border finance and reduce compliance costs, the UK Taxonomy should be designed to be interoperable with the EU Taxonomy (particularly its environmental objectives, substantial-contribution criteria, and DNSH approach) while adapting to the UK policy and market context. On biodiversity specifically, the UK should go further than the EU's currently limited criteria and develop the objective in full. Strong interoperability would improve comparability, reduce fragmentation and give banks a clearer basis for classifying, financing and reporting nature-positive and environmentally harmful activities.

- **Hold financial institutions accountable**

The PRA should require banks and insurers to remedy material deficiencies in the identification and management of biodiversity risks, and use capital or exposure measures where those deficiencies create prudential concerns. The FCA should enforce the nature-related disclosure, labelling and anti-greenwashing requirements proposed above through financial penalties, restrictions on products or activities and, where warranted, withdrawal of permissions. Persistent or serious failures should engage the responsibility of relevant senior managers under the Senior Managers and Certification Regime. Criminal enforcement should remain available where the conduct constitutes an offence.

13

The United States

This chapter examines how US banking and investment regulation addresses sustainability, with a focus on biodiversity and the GBF. It finds that although the US had begun introducing ESG transparency and due diligence requirements, particularly for climate-related financial risks, many of these requirements were rolled back under the Trump Administration. The US is not a party to the Convention on Biological Diversity (CBD), and the US regulatory framework falls well short of the GBF's objectives. The chapter recommends that US regulators restore climate-related financial regulation, strengthen corporate disclosure on climate, biodiversity, and social impacts, and introduce sustainability due diligence obligations for large companies, including financial institutions.

13.1 Overview of regulatory bodies for the financial sector

13.1.1 The Federal Reserve (Fed)

The Federal Reserve (Fed), established by the Federal Reserve Act of 1913, serves as the United States' central bank and the monetary and regulatory authority of the banking system. It comprises the Board of Governors in Washington, D.C., and 12 Federal Reserve Banks across the country. The system performs five primary roles:

- Setting monetary policy;
- Ensuring financial stability;
- Supervising financial institutions;
- Maintaining safe and efficient payment systems; and
- Supporting consumer protection and community growth.⁸³⁵

13.1.2 The Office of the Comptroller of the Currency (OCC)

The Office of the Comptroller of the Currency (OCC) functions as an independent agency within the U.S. Department of the Treasury. It is responsible for chartering, regulating, and supervising all national banks, federal savings associations, and federal branches and agencies of foreign banks.⁸³⁶

13.1.3 The Federal Deposit Insurance Corporation (FDIC)

The Federal Deposit Insurance Corporation (FDIC) is an independent agency created by Congress in 1933 in response to the thousands of bank failures that occurred in the 1920s and early 1930s. The FDIC has the following three functions:

- Insuring deposits;
- Examining and supervising financial institutions for safety and soundness and consumer protection; and
- Resolving failed banks.

The FDIC insures deposits at over 4,000 financial institutions and directly supervises and examines more than 2,700 banks and savings associations.⁸³⁷

13.1.4 The Securities and Exchange Commission (SEC)

The Securities and Exchange Commission (SEC) oversees securities exchanges, securities brokers and dealers, investment advisors, and mutual funds at the national level. Investment banks are also regulated by the SEC. While there are many other regulators, the SEC plays the most important role in regulating institutional investors.

13.1.5 State regulators

Each American state has its own securities regulator, which enforces laws that cover the same activities the SEC regulates but are limited to securities sold or persons who sell them within each state. In addition, the states are also in charge of the regulation of (investment by) insurance companies.

13.1.6 Financial Industry Regulatory Authority

Despite what its name suggests, the Financial Industry Regulatory Authority is a non-governmental, self-regulatory organisation that supervises and regulates the conduct of broker-dealers.⁸³⁸ Its climate and environmental regulations primarily focus on the sell side of the capital markets.

13.2 Central bank policies

The Federal Reserve Act requires the Fed to implement monetary policy to effectively achieve the goals of maximum employment, stable prices, and moderate long-term interest rates. Although the Act specifies three separate objectives, the Fed's overall mandate is frequently referred to as the dual mandate because the goals of maximum employment and stable prices result in moderate interest rates.⁸³⁹

Historically, the Fed has distanced itself from green monetary policies: only by 2019 did it adopt a limited approach by recognising some relevance of climate change to its monetary and prudential objectives, while avoiding any support for decarbonisation.⁸⁴⁰

In 2021, a Fed Governor shared views on how climate change poses economic costs and major risks to both individual financial institutions and the stability of the broader financial system, particularly through physical damage, transition risk, and mispricing of assets. He announced that the Fed would build new microprudential and macroprudential tools, such as the Supervision Climate Committee and the Financial Stability Climate Committee. He also shared that the Fed sees scenario analysis, better disclosures, and cross-border cooperation as key responses.⁸⁴¹

However, following President Trump's inauguration, the Fed exited the NGFS in January 2025.⁸⁴² In March 2025, the Fed disbanded internal groups related to climate risk, including the Supervision Climate Committee, the Financial Stability Climate Committee, the Climate Committee on Economic Activity, and the Climate Data Committee.⁸⁴³

The latest appointment of the Fed Chair also reflects a growing decoupling from climate-related issues under Trump's presidency: Kevin Warsh has criticised central banks' involvement in climate change, arguing that it is a "politically charged" issue that the bank would be better off avoiding.⁸⁴⁴

13.3 Banking regulations

13.3.1 Interagency Principles for Climate-Related Financial Risk Management for Large Financial Institutions

In October 2023, the OCC, the Fed and the FDIC jointly issued principles that provide a high-level framework for the largest financial institutions, those with over USD 100 billion in total

consolidated assets, to manage exposures to climate-related financial risks.⁸⁴⁵ The guidelines required that all supervised financial institutions implement risk management processes tailored to their size, complexity, and risk profile, identify and effectively address all material risks in their operating environment, and be resilient against various risks, including emerging ones.

However, after President Trump returned to the White House, the OCC withdrew from interagency climate risk guidance in March 2025, with the FED and FDIC following suit in October of the same year. By that point, all three regulators had withdrawn from the Interagency Principles for Climate-Related Financial Risk Management for Large Financial Institutions, arguing that the existing safety and soundness standards already require all supervised institutions to have effective risk management mechanisms.⁸⁴⁶

13.3.2 Climate scenario analysis

In 2024, the Fed carried out a climate scenario risk analysis involving six major bank holding companies. The aim was to understand how large banks manage climate risks and to improve the capacity of both these banks and their supervisors to identify, estimate, monitor, and handle climate-related financial risks.⁸⁴⁷ The analysis showed the inadequacy of the largest banks in basic risk analysis and in managing climate-related issues, including data and modelling challenges stemming largely from differences in banks' business models and risk views. It is argued that the Fed's inaction in requiring banks to address and plan for climate risks stems from a "fear of being accused of being a climate policymaker or climate regulator"; however, this poses serious risks to the banking industry, the financial system, and the global economy.⁸⁴⁸ There has not been an update to the climate scenario analysis exercise.

13.4 Capital market regulations

13.4.1 Transparency regulations for investors

Under a 1975 amendment to the Securities Exchange Act of 1934, all institutional investment managers in the United States with more than USD 100 million under management must report all their holdings of shares and bonds in a so-called Form 13F. These filings must be submitted electronically to the SEC's EDGAR database, which is searchable by the public.⁸⁴⁹ Institutional investors are not required to publish any ESG data at the federal level.

13.4.2 Regulations preventing greenwashing

In 2023, the SEC modified the Investment Company Act, the "Names Rule", which addresses fund names that are likely to mislead investors about a fund's investment and risks, to prevent greenwashing.⁸⁵⁰ Before this modification, the rule already required registered investment funds whose names suggest a particular type of investment (e.g., sectoral or geographical focus) to invest at least 80% of their assets in investments aligned with that focus.

However, funds focusing on ESG or sustainability were not covered by this requirement. With the amendments, funds with particular characteristics or a thematic investment focus, such as incorporating one or more ESG factors, are now included in the regulation. To ensure the fund invests at least 80% of its assets in line with its investment focus, the regulation sets record-keeping requirements. This implies that the fund is required to maintain written documentation that includes:⁸⁵¹

- The fund's record of which assets are invested in accordance with the investment focus the fund's name suggests, and the basis for including each such asset in the 80% basket;
- The value of the fund's 80% basket, as a percentage of the value of the fund's total assets;
- The reasons for any departures from the 80% investment policy;
- The dates that the fund identifies any departures from the 80% investment policy; and
- Any notice sent to the fund's shareholders pursuant to the rule.

The records under this requirement must be maintained for at least six years following the creation of each required record. Another requirement is that funds must define the terms used in the fund's name, including the criteria the fund uses to select the investment the term describes, as set out in the fund's prospectus. Additionally, funds are required to report in Form N-PORT the percentage of the fund's assets invested according to the investment focus implied by the fund's name, for each portfolio investment, whether it is included in the fund's calculation of assets in the fund's 80% basket, and the definition of the terms used in the fund's name.

However, for funds whose names include sustainability terms, this regulation does not require the assets they invest in to align with any sustainability standard or taxonomy. It is up to the fund manager to define which assets align with the fund's investment focus and name.

As a result of the current presidency's memorandum, titled "Regulatory Freeze Pending Review"⁸⁵², the latest SEC actions are as follows: the SEC announced a six-month extension of the compliance dates of the "Names Rule" in March 2025, extending the deadline for compliance for larger groups from December 2025 to June 2026 and for smaller groups from June 2026 to December 2026.⁸⁵³

In February 2026, the SEC proposed further amendments to Form N-PORT. The proposal would give funds an additional 15 days to submit monthly portfolio reports, reduce the publication of these reports from monthly to quarterly, remove certain reporting fields, including the three fields concerning compliance with the Names Rule, and add information concerning funds with exchange-traded fund share classes.⁸⁵⁴ These changes have not yet been adopted.⁸⁵⁵

Separately, the SEC postponed compliance with the Names Rule-related Form N-PORT reporting requirements until 17 November 2027 for fund groups with at least USD 10 billion in net assets and 18 May 2028 for smaller fund groups.⁸⁵⁶ The extension applies only to the Form N-PORT reporting requirements; it does not repeal or postpone the other substantive requirements of the Names Rule.⁸⁵⁷

13.5 Regulations on corporate disclosure

13.5.1 Financial transparency regulations for issuers

Under the Securities Act of 1933, SEC regulations require companies issuing shares and bonds on the stock exchange to be transparent about their financial situation and risks in prospectuses, quarterly and annual reports, and separate stock exchange filings. Since the 1990s, these filings have had to be submitted electronically to the SEC's EDGAR^b database, which can be searched by everyone.⁸⁵⁸

However, Rule 144A of the Securities Act of 1933, originally adopted by the SEC in 1990, exempts issuers from public filing requirements if their securities are sold to Qualified Institutional Buyers (QIBs): investors that own and invest at least USD 100 million in securities on a discretionary basis. For these private placements, issuers have few reporting requirements. After the Sarbanes-Oxley Act was adopted in 2002, which led to a number of new SEC regulations for companies seeking to issue public offerings, the popularity of Rule 144A private placements increased, as they were exempt from those regulations.⁸⁵⁹ Furthermore, in 2020, the SEC updated the definition of QIBs, expanding the list of company types that may be considered QIBs and thus allowing a broader application of exempt-offering rules.⁸⁶⁰

13.5.2 Rules on Climate-Related Disclosures for Investors

Since 2021, the SEC has taken some initiatives to encourage issuers to be more transparent, including about their exposure to climate and other ESG risks. This is indirectly beneficial for transparency and due diligence among investors, as it helps them identify biodiversity-related risks

^b This is updated to EDGAR Next since 2025, with a new interface.

in their portfolios. However, these initiatives only address the potential losses issuers may face if ESG risks materialise, not the impacts issuers may have on ESG issues (double materiality).

With this objective in mind, in 2021, the SEC created the Climate and ESG Task Force to detect ESG-related misconduct in reporting across registrants. The initial focus was to identify any material gaps or misstatements in issuers' disclosure of climate risks under existing rules. The task force also examined disclosure and compliance matters related to investment advisers' and funds' ESG strategies.⁸⁶¹

In March 2024, the SEC published *Final Rules on the Enhancement and Standardisation of Climate-Related Disclosures for Investors*.⁸⁶² Immediately after the *Rules on Climate-Related Disclosures* were published by the SEC, they were put on hold by a US Appeals Court.⁸⁶³ In March 2025, the SEC announced that it had voted to end its defence, dramatically shifting the agency's approach to climate-related disclosures, largely stemming from the Trump administration. Currently, the litigation is on hold unless the SEC reconsiders or resumes defending the Final Rules, which seems unlikely at this point, according to legal experts.⁸⁶⁴

Despite the regulation's name suggesting otherwise, these rules do not cover disclosures by investors, but disclosures by all companies issuing shares and bonds on the stock exchange. If the rules come into effect, they will require that climate risk disclosures be included in a company's SEC filings, such as annual reports and registration statements, rather than on company websites. These rules allow investors to make better-informed decisions regarding investing in public companies exposed to climate-related risks. This is defined as the actual or potential negative impacts of climate-related conditions and events, including physical risks and transition risks related to a less fossil fuel-dependent economy, on a company's consolidated financial statements, business operations, or value chains.

Physical risks include the risks created to a company's operations or the operations in its value chain by both acute, short-term extreme weather events, such as hurricanes or floods, and by chronic risks, such as long-term weather patterns and related effects, such as rising sea levels or sustained higher temperatures that may create a corresponding increase in exposure to wildfires. The SEC defines "value chain" to include:

- upstream activities: activities by a party other than the company itself that relate to the initial stages of a company's production of a good or service; and
- downstream activities: activities by a party other than the company itself that relate to processing materials into a finished product and delivering it, or providing a service, to the end user.

The SEC introduces this definition with the aim of capturing the full extent of a company's potential exposure to climate-related risks.⁸⁶⁵

The SEC *Rules on Climate-Related Disclosures* focus solely on the risks posed by climate-related conditions and events to the company itself and do not consider the company's impacts on climate, the environment, and society (the "double materiality" principle). The rules only require Scope 1 and 2 disclosure for larger companies, if material. In an initial proposal for this rule, the SEC considered requiring companies to disclose Scope 3 GHG emissions from their supply chains. Scope 3 emissions are the most significant source of GHGs from the forest, agriculture, and land sector, largely due to land conversion and deforestation,⁸⁶⁶ as well as methane emissions from livestock production.⁸⁶⁷ Scope 3 emissions are also the most significant source of GHGs for financial institutions, as the portfolio lending and investing of a financial institution, and the real economy impact of that financing, are considered Scope 3 activities. According to the SEC, this requirement was removed from the rule due to the large number of comments received on the costs of compliance and the consistency and reliability of Scope 3 data.⁸⁶⁸

Currently, companies still follow the 2010 SEC Guidance Regarding Disclosure Related to Climate Change.⁸⁶⁹ In March 2026, the SEC began a formal review of climate disclosure rules by inviting public input on potential updates to Regulations S-K and S-X.⁸⁷⁰ These regulations cover disclosure requirements related to climate-related risks, greenhouse gas emissions, and transition plans.

On 29 May 2026, the SEC formally proposed the full rescission of the Climate-Related Disclosure Rules finalised in March 2024, arguing that the rules exceed the agency's statutory authority.⁸⁷¹ The proposed rescission would eliminate the only comprehensive federal mandate for climate-related financial disclosures by US public companies, reverting to the pre-2024 approach, in which climate disclosure was based on general materiality principles rather than specific rules. Additionally, the rescission would remove the reporting requirements for Scope 1 and Scope 2 greenhouse gas emissions, which were key operational components of the 2024 rules.⁸⁷² The public comment period remained open until August 3, 2026. Afterwards, SEC staff will review comments, and the SEC will determine whether, when, and how to proceed. However, all indications suggest a full repeal, as the Commission proposes complete rescission, has abandoned its defence, and all three Commissioners support the proposal.⁸⁷³

13.5.3 Californian sustainability reporting requirements

While regulations regarding sustainability reporting are fairly limited at the national level and have been challenged in court, some states are moving further and faster. In September 2023, California approved the Climate Accountability Package, a pair of bills that would create sustainability reporting requirements. The bills require reporting standards far beyond those of the SEC. In July 2024, the Governor of California, Gavin Newsom, proposed to delay the implementation of the laws by two years.⁸⁷⁴ But the California Senate overruled this proposal, and the original plan remained valid.⁸⁷⁵

Senate Bill 253 requires companies doing business in California with over USD 1 billion in revenue, known as "reporting entities," to submit an annual report for Scope 1 and Scope 2 starting in 2026. Scope 3 reporting will begin in 2027. The California Air Resources Board formalised the definitions and requires that the first-year Scope 1 and Scope 2 disclosures be due before August 10, 2026, and that Scope 3 disclosures be made within 180 days after the public disclosure of Scope 1 and Scope 2 emissions.⁸⁷⁶

Senate Bill 261 requires companies that do business in California and have an excess of USD 500 million in revenue, defined as "covered entities", to submit a biennial climate-related financial risk report. The report should be based on the TCDF framework, established by the Financial Stability Board (or an equivalent internationally recognised standard).⁸⁷⁷ Following the challenge by the U.S. Chamber of Commerce and other parties in January 2024 against Senate Bill 253 and Senate Bill 261, in January 2026, the U.S. Court of Appeals for the Ninth Circuit held an oral hearing.⁸⁷⁸ This led to the issuance of a temporary injunction blocking enforcement of Senate Bill 261, while Senate Bill 253 remains in effect.⁸⁷⁹

13.5.4 New York's Climate Corporate Data Accountability Act

Following California's lead, the New York State Senate introduced the Climate Corporate Data Accountability Act in February 2026. Although it does not directly regulate institutional investors, New York's Climate Corporate Data Accountability Act, when enacted, will also affect them. The Act requires entities doing business in New York with over USD 1 billion in annual revenue to verify

and disclose Scope 1, 2, and 3 GHG emissions annually starting in 2027, with Scope 3 reporting beginning in 2028.⁸⁸⁰

13.6 Regulations protecting human rights and/or the environment

While they do not specifically address financial markets, several legislative initiatives that address forest-related biodiversity impacts are worth mentioning.

13.6.1 Lacey Act

On 22 May 2008, the US Congress passed a groundbreaking law banning the import of plants and their products sourced illegally, including timber and wood products. The new law is an amendment to a 100-year-old statute, named the Lacey Act after the Congressman who first championed it.

To address illegal logging and other illegal plant trade, the Lacey Act requires the following three main things:

- Prohibits all trade in plant and plant products (e.g., furniture, paper, or lumber) that are illegally sourced from any US state or foreign country
- Requires importers to declare the country of origin of harvest and the species name of all plants contained in their products
- Establishes penalties for violation of the Act, including forfeiture of goods and vessels, fines, and jail time.⁸⁸¹

The Lacey Act does not impose specific due diligence or disclosure obligations on banks and investors merely because they finance a company that imports or trades covered products. Its relevance to finance is therefore indirect. Non-compliance by a borrower or investee company may lead to forfeiture, fines, criminal penalties and disruption of its supply chains, creating legal, credit and reputational risks for its financiers. The Act also illustrates the type of traceability information that financial institutions could use when assessing clients exposed to illegal logging. However, it does not require them to identify or restrict financing linked to illegally sourced plant products.

13.6.2 FOREST Act

On 30 November 2023, a bipartisan group of members of Congress reintroduced the Fostering Overseas Rule of Law and Environmentally Sound Trade Act of 2023, also known as the FOREST Act of 2023. An earlier version of the bill had been introduced in 2021. The 2023 bill would prohibit the import of products made wholly or in part from the following commodities if those were produced on land where illegal deforestation took place on or after the date of the bill's enactment:

- Cattle
- Cocoa
- Palm oil
- Rubber
- Soybeans

Furthermore, it requires goods entering the United States to be subject to supply-chain traceability to reduce the risk of association with illegal deforestation. In addition, the FOREST Act aims to enhance US cooperation with countries lacking adequate and effective protection against illegal deforestation.⁸⁸²

The law would also add illegal deforestation to the list of unlawful activities under the anti-money laundering statute. A report by the Financial Accountability and Corporate Transparency (FACT) Coalition, published in October 2023, said that "critical gaps" in the US anti-money-laundering

system are vulnerable to exploitation by criminal groups, including those behind the destruction of the Amazon, the world’s largest tropical rainforest.⁸⁸³

Although the Act can be considered guidance for investors as well, it does not prohibit investment in producers of the mentioned commodities if they are produced on land where illegal deforestation occurred. At the time of writing this report, the FOREST Act has not yet been signed into law; it was not repealed and died with the end of the 118th Congress (2023-2024).⁸⁸⁴ If it were signed into law, it would complement the Lacey Act (see section 13.6.113.6.1).

13.6.3 TREES Act

The New York Tropical Rainforest Economic & Environmental Sustainability (TREES) Act aims to prevent the New York State government procurement from contributing to tropical deforestation and degradation by tightening an existing state ban on the use of tropical hardwoods for government projects and creating a new statute requiring state contractors who deal in forest-risk commodities to certify that their products do not drive deforestation. The Act has passed both chambers but was vetoed by the Governor at the end of 2024⁸⁸⁵. In 2025, it was reintroduced as Senate Bill S7203 in the 2025-2026 legislative session, “died in assembly” in January 2026, and was returned to the Senate.⁸⁸⁶ When implemented, New York would be the first state in the United States to adopt such a policy.⁸⁸⁷

13.7 Possible improvements of financial regulations in the United States

13.7.1 Assessment of current US regulations

This chapter has described and summarised the financial regulations in the United States that could be relevant to aligning investor and creditor financing flows with the targets of the GBF. Table 17 presents the results of the assessment against the three author-developed criteria informed by selected GBF targets, using the methodology described in **Error! Reference source not found.**

Table 17 Assessment of current US regulations against GBF targets

Assessment criteria	Colour score	Justification
1 Financial regulations do not allow financing of, or investment in, activities or companies responsible for deforestation or the conversion of natural ecosystems.	Dark red	Financial regulations do not prohibit investment in companies involved in the conversion of natural landscapes. The FOREST Act of 2023 would have restricted imports linked to illegal deforestation and added illegal deforestation to the list of specified unlawful activities under federal anti-money laundering law. However, it did not impose a general prohibition on financing or investment and died at the end of the 118th Congress.
2 Financial regulations expect financial institutions to support a just transition in the Agriculture, Aquaculture, Fisheries and Forestry sectors, in ways that uphold the rights of workers, peasants, fisherfolk, Indigenous Peoples, traditional and local communities.	Dark red	Financial regulations do not require financial institutions to support a just transition in the Agriculture, Aquaculture, Fisheries and Forestry sectors. The US does not currently have a sustainable finance taxonomy identifying environmentally and socially sustainable activities. Some states have adopted or proposed narrower climate-related measures. California requires certain large companies to disclose greenhouse gas emissions, although enforcement of its climate-related financial risk reporting requirement is temporarily blocked, while comparable proposals in New York remain pending. These measures do not require comprehensive environmental and human rights due diligence across

Assessment criteria	Colour score	Justification
		financing and investment relationships or specific measures to protect the rights of workers, peasants, fisherfolk, Indigenous Peoples and traditional and local communities.
3 Financial regulations require transparent disclosure of all financing and investment portfolios and of the biodiversity and social impacts associated with these flows.	Light red	Regulations provide partial transparency on investment holdings. Institutional investment managers above the applicable threshold must publicly report certain holdings in reportable securities, but this does not cover all investments, private placements, bank lending or other financing flows. In the absence of a US sustainable finance taxonomy, funds define in their prospectuses the relevant terms used in their names and the criteria for selecting investments. Financial institutions are not required to disclose the biodiversity and social impacts of all their financing and investments.

13.7.2 Recommendations for US legislators and financial sector regulators

This section presents recommendations to improve the United States' financial regulations to limit financing and investment in corporate activities that contribute to (tropical) deforestation and biodiversity loss.

- **Reintroduce climate-related regulatory initiatives**

Trump's second term began with the rescission of multiple regulatory initiatives and the dissolution of climate-related regulatory agencies. Given the scale of the US financial system and its exposure to climate risks, it is essential and urgent for regulators and financial institutions in the US to properly evaluate and incorporate climate considerations into their risk frameworks.

- **Adopt the Global Biodiversity Framework**

As a starting point, the United States should join the 196 countries that have adopted the GBF in December 2022. By adopting the GBF and aligning its financial regulations with the GBF targets, the United States would not only give support to the ambitious pathway to reach the global vision of a world living in harmony with nature by 2050, set out by the GBF; it would also help to create a global level playing field for banks and investors when it comes to integrating social and biodiversity risks and impacts in decision-making processes and operating practices in the financial sector. Integrate biodiversity into bank supervision and financial stability policy

The Federal Reserve should incorporate biodiversity-related risks into its financial stability framework by developing nature-related scenario analyses, supervisory expectations, and risk assessment methodologies. It should also re-engage in international cooperation on climate- and nature-related financial risks to improve the resilience of the US financial system.

- **Integrate biodiversity into Federal Reserve monetary policy operations**

The Federal Reserve should assess how biodiversity loss and ecosystem degradation could affect monetary policy, the financial institutions it deals with, the assets it accepts as collateral and its own balance sheet. It should develop practical ways to identify and manage these risks and avoid favouring activities linked to severe ecosystem conversion.

- **Improve corporate disclosure standards on climate, biodiversity, and social impacts**

To help investors understand the climate, social, and biodiversity impacts of their investment in American companies, the SEC should require companies to take a "double materiality"

approach by reporting on the financial risks of social and environmental factors for their operations as well as on the impacts of their corporate activities and supply chains on the environment and society. Companies should be required to disclose how biodiversity and social risks and impacts are integrated into their company strategy and business models. This includes establishing metrics, setting targets, and creating a transition plan to address environmental and social risks and impacts, and reporting transparently on these aspects.

- **Abolish the disclosure exemptions for private placements**

It is crucial to ensure that issuers opting for private placement of bonds to investors meet the same reporting requirements as issuers of securities on the stock exchange and also adopt a “double materiality” approach in their reporting on the financial risks of social and environmental factors related to their operations, as well as the impacts of their corporate activities and supply chains on the environment and society.

- **Develop a Sustainable Finance Taxonomy**

Following the EU and many other jurisdictions, a Sustainable Finance Taxonomy should be developed to classify economic activities as sustainable or unsustainable. The taxonomy should align with other major national and regional taxonomies to enable interoperability and usability. It should encompass the key social and environmental issues, including biodiversity, and contain a list of unsustainable activities and TSC for all biodiversity-risk sectors. This would allow investors to identify which companies meet environmental standards and develop business strategies that avoid deforestation and biodiversity loss. Currently, there are no plans in the US to launch a Sustainable Finance Taxonomy.

- **Develop a Green Bonds Framework**

The US should advance the development of a regulatory framework for green bonds, including norms on the issuance process, disclosure requirements, and the standardisation of green activities using a Sustainable Finance Taxonomy to prevent greenwashing. All green bond net proceeds must be allocated to activities classified as green under a sustainable taxonomy. Furthermore, while there are various international principles for issuing green bonds, national guidelines for this process would help issuers align their practices with other United States regulations. Additionally, the SEC must mandate that issuers of green bonds disclose regularly in which activities the proceeds are being invested. This would increase transparency for the investors and prevent greenwashing.

- **Reconsider the Names Rule for funds**

Once the US has developed and adopted a Sustainable Finance Taxonomy, the SEC should also consider aligning the Investment Company Act Names Rule to this taxonomy. Therefore, for funds that incorporate ESG-related terms in their names, the SEC could ensure that the assets in the fund's portfolio are aligned with sustainable activities defined by the taxonomy. The SEC has noted that the wide range of ESG-related terms, along with changing investor expectations for terms such as “sustainable” and “socially responsible,” increases the likelihood of investor confusion and potential “greenwashing” in fund names.⁸⁸⁸ Therefore, since a Sustainable Finance Taxonomy has not been established yet in the US, the SEC could use internationally recognised sustainability standards or rankings as a guide to determine which assets related to ESG projects or activities could be included in a fund portfolio labelled with ESG terms.

- **Introduce mandatory environmental and social due diligence for the financial sector**

The US should also require large companies, including financial institutions, to prevent, mitigate, and address environmental impacts and human rights abuses related to their own operations and supply chains, similar to the EU Corporate Sustainability Due Diligence Directive. The requirement should involve identifying the most important social and environmental impacts caused by, contributed to, or directly linked to the company and its

value chain. After identification, the company should act to stop or mitigate these impacts and provide a remedy. Implementing these measures would enable investors to identify corporations that have adopted reliable actions to address environmental and social issues. It would also force large investment firms to develop such strategies themselves.

- **Reintroduce and enact the FOREST Act with direct financial sector requirements**

Congress should reintroduce and enact legislation based on the FOREST Act of 2023, supported by legally binding implementing procedures and effective enforcement. The legislation should also impose due diligence requirements on banks, asset managers, pension funds and insurers in relation to financing and investments connected with covered commodities and products. Financial institutions should be prohibited from providing financing or investment where they know, or should reasonably know, that the relevant company or transaction is linked to products that would be prohibited from entry into the United States because of illegal deforestation.

- **Hold financial institutions accountable**

The SEC and criminal authorities should act if investors do not meet the requirements in existing regulations and the new regulations proposed above. Fines and sanctions such as holding board members accountable, (temporarily) revoking a licence, or not allowing market access for certain financial products should be used.

14

Conclusions

This chapter draws together the key conclusions emerging from the assessment of the eleven jurisdictions. Across these jurisdictions, financial regulation has begun to recognise biodiversity but has not yet aligned financial flows with it. Regulation remains dominated by financial materiality, taxonomies classify without redirecting capital, monetary policies are largely biodiversity-blind, and the social dimension of a just transition remains insufficiently addressed. Regulatory trajectories are mixed and, in several jurisdictions, regressive. Closing the gap between the recognition of the GBF targets and the regulatory alignment requires a shift from voluntary, product-level disclosure towards binding, portfolio-level obligations, backed by credible enforcement and strong social safeguards.

14.1 International commitments have not translated into financial regulation

The assessments of financial regulation in the eleven jurisdictions identify a substantial implementation gap between international biodiversity commitments and financial regulations. The United States is the only country assessed that is not a Party to the Convention. CEMAC is assessed as a regional regulatory jurisdiction which is also not a Party to the Convention as a whole, but whose six member states are individually Parties. Nevertheless, all jurisdictions are assessed against the framework based on GBF targets.

Against the author-developed criteria used in this study, no jurisdiction received a green score. Of the 33 completed scores across GBF Targets 1, 10 and 15, only three are yellow, while the remaining 30 are light red or dark red. The weakness is most pronounced on the criterion informed by Target 1 (no financing of, or investment in, natural-landscape conversion), where no jurisdiction scores above light red, and least pronounced on the criterion informed by Target 15 (transparency), which accounts for all three yellow scores – indicating that disclosure duties are emerging first while binding restrictions on financing of and investing in ecosystem conversion lag behind. In practical terms, none of the completed assessments finds that financial institutions are required to align all financing and investment decisions with the GBF targets. Even the strongest frameworks require only partial steps, cover limited groups of institutions or products, or rely on disclosure and risk management duties rather than substantive portfolio alignment.

Table 18 Integration of biodiversity criteria in financial regulations in 11 jurisdictions

Assessment criteria	Target 1 Assessment	Target 10 Assessment	Target 15 Assessment
As defined by authors for the purpose of this study. The colours indicate alignment with the author-developed criteria.	Financial regulations do not allow financing of, or investment in, activities or companies responsible for deforestation or the conversion of natural ecosystems.	Financial regulations expect financial institutions to support a just transition in the Agriculture, Aquaculture, Fisheries and Forestry sectors, in ways that uphold the rights of workers, peasants,	Financial regulations require transparent disclosure of all financing and investment portfolios and of the biodiversity and social impacts associated with these flows.

Assessment criteria	Target 1 Assessment	Target 10 Assessment	Target 15 Assessment
		fisherfolk, Indigenous Peoples, traditional and local communities.	
Brazil	(Light red) Brazil restricts government-controlled rural credit to companies violating laws on natural landscape conversion. However, it does not generally ban financing or investment in all converting companies, nor does it clearly cover standard bank credit or capital-market products.	(Light red) Brazil requires certain financial institutions to adopt social, environmental, and climate responsibility policies and prohibits rural credit for enterprises on Indigenous lands. However, no rules require them to support a just transition that upholds the rights of workers, Indigenous Peoples, or local communities.	(Light red) Brazil requires financial institutions to report on how they manage social, environmental, and climate risks. However, they need not disclose financing flows or assess social and environmental impacts, and no biodiversity transparency or impact requirements apply to agricultural investment products.
Canada	(Dark red) No banking or investment regulations currently prohibit financing or investment in activities or companies responsible for deforestation or natural landscape conversion. OSFI's B-15 addresses climate-related financial risk, yet does not envisage restrictions on financing nature conversion.	(Light red) Banks may face human-rights, labour, Indigenous rights, environmental-permitting and project-assessment issues in specific transactions, but financial regulators do not impose a broad duty on banks to "stimulate a just transition" in those sectors. OSFI's climate framework is prudential and risk-based, not focusing on just transition and biodiversity considerations	(Light red) There are partial climate and sustainability disclosure requirements and voluntary reporting standards, with rules addressing misleading ESG claims. However, there are no requirements envisaging a transparent disclosure of financing and investment flows or their biodiversity and social impacts at portfolio level. The proposed sustainable investment guidelines, or taxonomy, are voluntary and do not propose mandatory taxonomy reporting.
CEMAC	(Dark red) No regulations currently prohibit financing companies involved in deforestation or natural landscape conversion.	(Dark red) No regulations require financial companies to support a just transition in the Agriculture, Aquaculture, Fisheries and Forestry sectors, in ways that uphold the rights of workers, peasants, fisherfolk, Indigenous Peoples, traditional and local communities.	(Dark red) No regulations require financial institutions to disclose financing flows and their impacts on biodiversity and social issues. COSUMAF Guide on GSS Bonds requires issuers to disclose project descriptions and anticipated environmental/social

Assessment criteria	Target 1 Assessment	Target 10 Assessment	Target 15 Assessment
China			impacts, but this is only applicable to GSS bond issuances, not to all investment flows.
	(Light red) Financial regulations classify green finance without imposing portfolio-level requirements on banks or restricting financing for environmentally harmful activities. Financial authorities also encourage Chinese banks and insurers to establish grievance mechanisms to manage the ESG risks of their clients; however, there are no regulations prohibiting financing companies involved in the conversion of natural landscapes.	(Light red) Financial regulations stimulate the issuance of green bonds, whose proceeds can be used for a just transition of relevant sectors in China. But not necessarily all proceeds have to be used in this way; social criteria are weak, and the transition of these sectors overseas is not within the scope of the green bond guidelines. Normal corporate bonds are not covered either.	(Yellow) Corporate Sustainability Disclosure Standards are voluntary but will become mandatory in 2030. The disclosure requirement lists biodiversity loss and soil fertility change as part of the climate-related material risks for corporates to identify and report. There are no requirements set for the transparency and full disclosure of the biodiversity and social impacts of financial flows.
	(Light red) There are currently no regulations prohibiting investing in or financing of activities and companies responsible for deforestation or natural landscape conversion. While sustainable finance rules classify or disclose investments, exclusions are limited, and the EU Deforestation Regulation does not apply to the financial sector.	(Light red) Financial regulations encourage environmental transition but do not require financial institutions to support a just transition or protect affected communities. Human rights safeguards apply only to voluntary taxonomy alignment, while social standards under CSRD (ESRS S1 to S4) focus on disclosure rather than mandatory action, and the sectoral standards envisaged for agriculture, farming and fishing and for financial institutions were never adopted, with Omnibus I removing the legal basis for binding sectoral standards.	(Yellow) Regulations require ESG and biodiversity disclosures but fall short of full transparency on all investment flows and their impacts. Requirements envisage only limited biodiversity reporting obligations and uneven implementation of prudential ESG planning rules.
EU			
Indonesia	(Dark red) No regulations currently prohibit financing activities or companies responsible for deforestation or	(Light red) Indonesia requires sustainable finance plans and reporting, while sector guidance and taxonomies address biodiversity and	(Light red) Banks are not required to disclose their financing or investment portfolios. While listed companies, including banks, must

Assessment criteria	Target 1 Assessment	Target 10 Assessment	Target 15 Assessment
Japan	natural landscape conversion.	some social safeguards. However, these measures do not expressly require financial institutions to support a just transition in agriculture, aquaculture, fisheries and forestry that upholds the rights of workers, peasants, fisherfolk, Indigenous Peoples and traditional and local communities. Palm oil financing guidelines encourage biodiversity risk assessment using HCV approaches, but sector-specific guidance for other high-risk sectors remains limited.	report their own direct sustainability and biodiversity impacts, banks do not have to disclose the biodiversity and social impacts of the companies they finance.
	(Dark red) Currently, no banking or securities regulation broadly prohibits banks or investors from financing companies responsible for conversion of natural landscapes.	(Dark red) Biodiversity risks may inform materiality, risk management, and transition disclosures for financial institutions and companies. However, financial regulators do not explicitly require financial institutions to support a just transition.	(Light red) Japan's sustainability disclosure rules focus on general sustainability and climate issues, without dedicated biodiversity or social impact requirements. These impacts may be reported based on materiality risk through general sustainability or climate disclosures, as well as related voluntary initiatives. In addition, Japan lacks an economy-wide green taxonomy.
	(Light red) Financial regulations assess climate- and nature-related risks and encourage steering finance towards lower-climate-risk activities; however, they do not require financial institutions to refrain from financing harmful activities.	(Light red) Malaysia's principle-based financial regulation addresses Indigenous Peoples' rights to a limited extent, including provisions for exclusions suggested by financial authorities; however, it does not require financial institutions to support a just transition in biodiversity-risk sectors.	(Light red) Financial regulations require regular climate-related exposure reporting but do not cover nature-related impacts or require full disclosure of all financing flows.
Malaysia			
Singapore	(Light red) No regulations currently prohibit financing activities or	(Light red) The regulatory framework references high-risk sectors and	(Light red) Regulations require listed and large non-listed banks to

Assessment criteria	Target 1 Assessment	Target 10 Assessment	Target 15 Assessment
UK	companies responsible for deforestation or natural landscape conversion. While MAS guidelines require banks to manage environmental risks, including deforestation and land-conversion risks, they do not establish a financing ban.	(some) social issues are mentioned (SAT minimum safeguards; ABS on Indigenous Peoples and communities), but no instrument requires financial institutions to stimulate a just transition. Aquaculture and fisheries are barely covered, and the just transition and community rights core of this GBF target appears only as illustrative guidance, not a strict requirement.	make sustainability and climate disclosures and manage environmental risks, including biodiversity loss. However, they do not require transparent disclosure of all financing and investment portfolios, nor full disclosure of biodiversity and social impacts of those portfolios.
	(Light red) No regulations currently prohibit financing companies involved in deforestation or natural landscape conversion. Biodiversity risks are recognised through stewardship and risk frameworks, but no binding exclusion, divestment requirement, or finance-sector forest-risk regulation is currently in place.	(Dark red) Financial regulations do not require or specifically promote a just transition in agriculture, aquaculture, fisheries, or forestry. Social and ESG considerations remain general, while just-transition obligations appear only in voluntary frameworks, not binding finance rules.	(Yellow) Financial regulations require some sustainability disclosures and anti-greenwashing measures but do not ensure full transparency on investment portfolios or their biodiversity and social impacts. Reporting initiatives remain climate-focused and apply a financial materiality rather than a double materiality approach, and they contain no uniform mandatory biodiversity impact indicators, or equivalent social-impact indicators, applicable to all banks and investors.
	(Dark red) Financial regulations do not prohibit investment in companies involved in natural landscape conversion. The proposed FOREST Act would have restricted investments linked to illegal deforestation and conversion, but it was not enacted.	(Dark red) Financial regulations do not require financial institutions to support a just transition in agriculture, aquaculture, fisheries, or forestry. No sustainable finance taxonomy or investment-level social and environmental due diligence requirements are in place.	(Light red) Regulations require large institutional investors to disclose holdings, and ESG funds must meet ESG investment thresholds of 80% fund allocation. However, managers determine qualifying investments, and investors are not required to report biodiversity or social impacts.
US			

14.2 Financial regulatory developments are unevenly connected to GBF commitments

One key finding of this report is that there is often little explicit connection between integrating biodiversity into financial regulation and jurisdictions' commitments in their national targets and NBSAPs. Under Target 14, many focus on general policy integration without specifying reforms to financial regulation. Although some jurisdictions explicitly link the two (for example, the EU, UK, and, to some extent, Indonesia and Malaysia), relevant domestic regulatory measures often extend beyond what their biodiversity commitments and national reports describe. As a result, these documents do not consistently capture the financial reforms actually taking place or set clear objectives for further action.

14.3 Double materiality remains exceptional

A cross-cutting weakness is the continued dominance of financial materiality, particularly in prudential supervision and risk management. Regulators generally ask how climate change, ecosystem degradation, and (in rare cases) biodiversity loss may affect the financial institution, its counterparties, or its portfolio. They much less often require institutions to identify, prevent, and disclose the impacts their financing has on biodiversity and affected communities.

There are, however, some notable exceptions. For example, elements of Brazil's banking framework address both risks and impacts. The EU's ESRS and parts of the SFDR apply double-materiality concepts. China's emerging corporate standards adopt double materiality. Nevertheless, these approaches are uneven, often limited in scope, weakened by delayed implementation, and rarely translated into binding requirements governing the full financing and investment portfolios of financial institutions.

14.4 Biodiversity remains secondary to climate in regulatory frameworks

Sustainable finance regulations continue to be structured primarily around climate. Although climate-related requirements remain incomplete and uneven in coverage, ambition, and implementation across jurisdictions, climate generally receives more regulatory attention and more developed assessment and reporting tools than biodiversity. Climate and biodiversity concerns nevertheless partially overlap. For example, climate stress tests and transition assessments may capture deforestation and land-use change when they contribute to emissions, physical risks, or transition risks. However, this overlap does not remove the need for dedicated biodiversity criteria and assessment methods. Climate risks are often addressed via dedicated standards, stress tests, transition planning frameworks and reporting indicators in many jurisdictions, while biodiversity is frequently subsumed under broad references to environmental risk, natural capital or "do no significant harm". Even where biodiversity is recognised as an objective, regulations often lack sector-specific criteria, spatially sensitive assessment methods, measurable indicators, science-based thresholds and time-bound targets. This is particularly problematic for agriculture, forestry, fisheries, aquaculture, mining, infrastructure and other activities whose impacts depend heavily on location, cumulative pressures and the condition of particular ecosystems.

14.5 Disclosure requirements remain uneven and incomplete

Reporting obligations also differ substantially in their scope and coverage. Thus, some jurisdictions require basic sustainability or climate disclosures, while others regulate primarily the claims and disclosures of products marketed as sustainable. Several national regimes continue to rely heavily on voluntary standards.

Few jurisdictions require disclosure of portfolio holdings, financing flows, financed biodiversity impacts, or exposure to biodiversity-sensitive locations and high-risk commodity chains. The United States and Indonesia provide partial exceptions: large US institutional investment managers must publicly disclose their reportable securities holdings, while Indonesian listed companies

disclose which banks finance them, although neither regime provides full transparency on financing flows or their biodiversity and social impacts. These remaining gaps limit comparability and interoperability across institutions and jurisdictions, leaving regulators, investors, civil society and affected communities without a complete picture of the impacts associated with financial flows.

14.6 Voluntary rules and taxonomies do not redirect capital

Currently, seven of the eleven jurisdictions have developed or are developing a sustainable finance taxonomy, which, in all cases, classifies economic activities considered environmentally sustainable or transitional. Only a few taxonomies also classify activities that do not meet their green or transition criteria, for example, as red, unqualified or ineligible. Some frameworks describe non-aligned or environmentally harmful activities as “brown”, but these classifications do not necessarily require financial institutions to avoid or phase out their financing. These sustainable finance taxonomies can help to improve definitions, comparability and market transparency, and several of the taxonomies reviewed now contain biodiversity objectives or relevant screening criteria.

However, no jurisdiction requires financial institutions to align a specified and progressively increasing share of their overall lending or investment portfolios with its taxonomy. In most cases, taxonomy alignment is voluntary or becomes mandatory only for particular disclosures or products presented as sustainable. As a result, regulators often only identify what activities count as green or brown, without requiring capital to move away from activities that destroy biodiversity and towards activities that demonstrably protect or restore biodiversity and respect human rights.

This problem is especially evident in relation to the conversion of natural landscapes. No jurisdictional assessment identifies a comprehensive, finance-wide prohibition on lending to or investing in companies involved in deforestation, wetland destruction or other ecosystem conversion. Brazil's rural credit restrictions provide a significant but limited exception: they do not amount to a general prohibition, and they do not clearly extend to ordinary bank credit or to all capital-market products, such as CRA (agribusiness receivables certificates) and Fiagro (agribusiness investment funds).

Commodity due diligence regimes in the European Union and the United Kingdom that focus on preventing deforestation, meanwhile, do not directly cover financial institutions. Positive taxonomies and exclusion lists cannot close this gap unless they are connected to enforceable client due diligence, traceability, escalation procedures, financing restrictions and sanctions. Taxonomy-related reporting can improve transparency but does not require financial institutions to redirect capital. A financial institution may comply by reporting that only a small proportion of its activities is taxonomy eligible or aligned, or that none is aligned, without changing its lending or investment portfolio.

14.7 Monetary policy remains largely biodiversity-blind

Across the eleven reviewed jurisdictions, biodiversity is rarely explicitly integrated into monetary policy operations. This report does not suggest that central banks should replace governments in setting biodiversity policy or pursue environmental objectives independently of their legal mandates. Those mandates differ across jurisdictions. In some countries, central banks are primarily responsible for price stability and financial stability, while in others they also support government economic policy, national development objectives or sustainable economic growth. Integrating biodiversity into monetary policy operations may therefore be justified by its relevance to price and financial stability, by its contribution to national development priorities, or by both. Ecosystem degradation can affect inflation, productivity, commodity prices, collateral values, counterparty creditworthiness and the transmission of monetary policy. Many central banks also act as prudential supervisors, financial regulators, or standard-setting bodies. They therefore need

to take a clear and proportionate stance on material nature-related risks within the financial system they regulate and support.

In practice, biodiversity is almost universally absent as a distinct operational criterion in collateral frameworks, asset purchase programmes, refinancing and liquidity facilities, differentiated reserve requirements and the management of central banks' portfolios. Where environmental considerations have entered monetary policy operations, they have focused predominantly on climate. As climate and biodiversity concerns partially overlap, this provides a useful first step, but it should be followed by more explicit attention to biodiversity and nature-related risks. A proportionate response would be to:

- Assess and disclose nature-related risks in counterparties, collateral, and central bank balance sheets;
- Ensure that monetary operations do not systematically favour activities associated with severe ecosystem conversion; and
- Use supervisory mandates to require financial institutions to identify and manage both their dependencies on nature and their impacts on it.

This would not require central banks to act outside their mandates. Rather, depending on the jurisdiction, it could support price stability, financial stability, broader economic development objectives, or a combination of these, while enabling central banks to act with a more complete understanding of material economic and financial risks.

14.8 Regulatory trajectories are uneven and sometimes regressive

The direction of regulatory developments for banks and investors is mixed and, in several jurisdictions, concerning. The EU still has the most comprehensive sustainable finance architecture, and its disclosure framework includes some of the strongest double-materiality and biodiversity-related elements. However, the Omnibus I 'simplification' reforms have narrowed the scope of the Corporate Sustainability Reporting Directive, delayed or weakened elements of corporate due diligence, and discontinued the development of binding sector-specific reporting standards. The financial sector also remains outside the direct scope of the EU Deforestation Regulation, while the Corporate Sustainability Due Diligence Directive does not impose due diligence on lending, investment and underwriting activities. These changes risk eroding important advances before they have been fully implemented.

Other jurisdictions show similarly divergent trends. In Canada, work on a mandatory climate-disclosure rule was paused, while the proposed sustainable investment guidelines remain under development, more focused on climate change rather than other sustainability considerations, and voluntary. The United Kingdom abandoned the development of a green taxonomy after several years of preparatory work. It has strengthened anti-greenwashing and sustainability-labelling rules and has announced further work on a forest-risk commodities regime, but that regime is not yet in force, applies a narrower legality-based standard than the EU's deforestation-free approach, and does not directly regulate banks or investors. In the United States, the withdrawal of interagency climate risk principles, the dismantling of climate-related structures within the Federal Reserve and the proposed rescission of federal climate disclosure rules represent a clear regulatory reversal, although some state-level initiatives continue to move in the opposite direction.

There are also important, but incomplete, signs of progress. China is moving from largely voluntary corporate sustainability reporting towards mandatory standards by 2030. Thus, its emerging Corporate Sustainability Disclosure Standards adopt a double-materiality approach and identify biodiversity loss and changes in soil fertility as relevant risks. However, banking and investment requirements remain dominated by (often) high-level guidance, and financial institutions are not systematically required to use the disclosed information in credit and capital allocation decisions.

Indonesia benefits from the substantially improved ASEAN and national taxonomies. These improvements include updated TSC for agriculture, forestry and fishing and social safeguards. Yet these tools remain insufficiently binding and do not prohibit financing linked to ecosystem conversion and biodiversity loss.

Brazil has some of the clearest targeted restrictions, especially for government-controlled rural credit connected to illegal deforestation, protected areas and indigenous lands, as well as new bioeconomy and restoration initiatives. At the same time, these restrictions do not extend comprehensively to ordinary bank credit and capital market products, and the implementation of deforestation verification requirements has been postponed.

In CEMAC, Japan and Singapore, the integration of biodiversity into financial regulation remains at an early stage, although their broader sustainable finance frameworks differ considerably. CEMAC has only limited building blocks; Japan relies largely on guidance focused on climate; and Singapore has more developed environmental risk, taxonomy and disclosure frameworks, but biodiversity is not yet fully operationalised. None of these frameworks requires financial flows to align with the GBF.

14.9 The social dimension and a just transition remain insufficiently covered

Finally, the social dimension remains largely absent from binding, portfolio-wide financial regulation. No jurisdiction reviewed requires a comprehensive biodiversity-related just transition across all financing and investment decisions in agriculture, aquaculture, fisheries and forestry. In Indonesia, financial institutions must prepare and implement Sustainable Finance Action Plans and publish sustainability reports, while increasingly sector-specific taxonomies include criteria for agriculture, forestry and fishing and some social safeguards. However, these measures still do not establish a portfolio-wide, enforceable obligation protecting workers, peasants, fisherfolk, Indigenous Peoples and traditional and local communities. Elsewhere, human rights safeguards and social criteria are mostly quite generic, often limited to products claiming taxonomy alignment, or contained in voluntary guidance. A transition cannot be considered environmentally credible or just if it shifts costs onto communities, weakens land and tenure rights, or excludes those who depend directly on ecosystems from decision-making and benefits.

14.10 From recognition to binding alignment

Overall, the regulatory frameworks reviewed increasingly recognise biodiversity, but recognition has not yet translated into alignment. Closing this gap requires a shift from voluntary risk awareness and product-level disclosure towards binding portfolio-level obligations. Regulators should require:

- double-materiality assessments;
- biodiversity-specific indicators, thresholds and transition plans;
- transparent disclosure of financing flows and financed impacts;
- mandatory taxonomy reporting followed by time-bound portfolio-alignment targets; and
- due diligence and restrictions for financing linked to deforestation and ecosystem conversion.

In addition, central banks should also incorporate material nature-related risks into the operational and supervisory frameworks through which they implement their existing mandates. These measures must be accompanied by strong social safeguards, meaningful participation and remedies for affected communities, and credible supervisory enforcement. Without this shift, financial regulation will continue to manage selected symptoms of nature loss while permitting financial flows to undermine the GBF's central objective of halting and reversing biodiversity loss.

The measures listed here go beyond the literal wording of individual GBF targets. They represent the regulatory outcomes that this study considers necessary to give practical effect to Target 14's requirement to progressively align financial flows with the GBF as a whole.

Chapter 15 develops these priorities into more detailed recommendations, grouped by type of financial regulation and applicable across all jurisdictions reviewed in this report.

15

Overarching recommendations for all jurisdictions

This chapter sets out general recommendations for financial regulators and legislators on how to integrate biodiversity criteria into financial regulation and align it with the GBF targets. They reflect the aims of the Forests & Finance coalition behind this report: ending tropical deforestation, securing respect for the human rights of Indigenous Peoples and local communities, and supporting economies that benefit both people and the planet – objectives that are closely aligned with the Kunming-Montreal Global Biodiversity Framework. The recommendations draw on the conclusions emerging from the assessment of the eleven jurisdictions covered in this report and are grouped by the types of regulation. For CBD Parties, these recommendations can inform stronger national targets, NBSAPs and Biodiversity Finance Plans. They are also addressed more broadly to legislators, central banks and financial regulators, including in jurisdictions that are not Parties to the Convention. Financial regulation receives limited and uneven attention in the NBSAPs and national targets reviewed, even where jurisdictions have introduced relevant domestic measures. Explicit, measurable commitments under the GBF to integrate biodiversity into banking and investment regulation would give domestic reform clearer policy direction and provide a common reference point. This could support greater alignment and interoperability between jurisdictions whose frameworks currently differ substantially in scope, ambition, implementation, and enforcement.

15.1 Central bank policies

Within their respective mandates, the monetary policy instruments reviewed in this report can support better environmental outcomes. Across the jurisdictions assessed, biodiversity is almost entirely absent from these operations, and where environmental considerations have entered, they have focused mainly on climate. Since climate and biodiversity concerns partially overlap, this provides a useful starting point, but more explicit attention to biodiversity is still needed.

- In asset-purchase programmes, central banks should tilt towards issuers and sectors that make a demonstrable contribution to biodiversity protection or restoration, and away from those with severe negative impacts.
- Collateral frameworks should assess issuer- and asset-level biodiversity and human rights performance, rather than relying solely on a green or sustainable label, and should exclude assets connected to severe biodiversity and human rights impacts where permitted by the central bank's mandate.
- Central banks should introduce or reinforce lending and refinancing facilities offering preferential terms for financing the transition, again anchored in a taxonomy to ensure proper use.

- Central banks should assess and disclose the biodiversity and human rights impacts of their own portfolios and balance sheets, and address them through engagement and exclusion – setting an example for institutional investors.

15.2 Banking regulations

Banking regulations already incorporate financial risks related to climate change in many of the jurisdictions reviewed, typically through scenario analysis and stress testing. Because corporate activity depends on and affects biodiversity so heavily (in particular, in agriculture, fisheries, forestry and beyond), the integration of biodiversity and human rights into prudential regulation is the necessary next step.

- Prudential regulation should require banks and investors to integrate biodiversity and human rights risks and impacts, on a double-materiality basis, into their risk management processes, strategies, due diligence and client-onboarding procedures, across both corporate and retail business lines.
- Because funding extended to one company is often related to a parent, subsidiary or sister company, due diligence requirements should reach beyond the direct client to the entire corporate group it belongs to.
- Banks should be required to adopt a biodiversity transition plan with clear, time-bound targets and sector-specific expectations of the companies they finance. Where clients are unable or unwilling to address serious impacts, the financing relationship should ultimately be ended.
- To contain systemic risk, exposure to high biodiversity-risk activities should be capped, and capital requirements for lending to such activities should be set significantly higher, through instruments such as higher capital requirements, capital add-ons and concentration or exposure limits.
- Biodiversity should be built into system-wide stress tests for banks and insurers, supported by supervisory guidance on how to conduct them.

15.3 Capital market regulations

Effective market oversight, public accountability and informed decision-making require investors, regulators and affected communities to have meaningful information about financial institutions' exposures and financed impacts. Current disclosure regimes fall well short of this, as the assessment found across all eleven jurisdictions.

- All institutional investors, including pension funds and insurers, should publicly disclose their investee companies and the amounts invested, at least annually.
- Banks should publish a breakdown of their loan portfolio by economic sector.
- All financial institutions should report their biodiversity exposure and impacts at the portfolio level, with detailed reporting on high-impact sectors such as marine fisheries, tropical agriculture, forestry, metals and mining and infrastructure. Reporting should follow recognised frameworks, cover progress against the institution's transition plan and any complaints received, and be independently assured.
- Any biodiversity-related claim about a product, fund or portfolio should be substantiated and independently verified to guard against greenwashing.
- Investment funds should be categorised and labelled by sustainability criteria, linked to a sustainable finance taxonomy. As a next step, the market offering of funds invested in companies with severe biodiversity impacts should be phased out on an ambitious timeline, including by progressively raising the required share of taxonomy-aligned investment.

15.4 Regulations on money laundering and financial crime

Anti-money laundering frameworks should address proceeds from environmental crimes, including illegal logging, mining and waste trafficking, in both resource-producing countries and financial centres.

- Financial institutions should integrate environmental crime risks into customer due diligence, beneficial ownership checks, transaction monitoring and suspicious transaction reporting.
- Financial intelligence units, supervisors and environmental authorities should coordinate investigations across borders to trace, freeze and confiscate criminal proceeds.
- Trade finance operations should be brought within environmental crime risk controls, since proceeds from illegal logging, mining and illegal cross-border waste shipments are frequently laundered primarily through trade transactions and companies set up solely to disguise ownership. Documentary credits, open account financing and commodity trade facilities should be screened for mis-invoicing, falsified permits and shipment documentation, and unexplained intermediaries in timber, mineral and agri-food supply chains.

15.5 Regulations on corporate disclosure

Corporate disclosure regulation matters to financial institutions twice over: they are reporting entities themselves, and they rely on corporate disclosures to conduct due diligence on clients and investees. The assessments found reporting regimes fragmented and rarely reaching the impact side.

- Financial reporting requirements should be strengthened so that companies disclose more detail on their assets (including the plantations or concessions they manage and their legal title to them) and on their financing relationships, including the banks and bondholders behind them.
- Companies within medium-sized and large corporate groups should report annually, on a double-materiality basis, on the biodiversity exposure and the biodiversity and human rights impacts of the whole group, using verifiable geolocation data for high-impact sectors, with independent assurance and a record of serious grievances and the company's response.
- Issuers of shares and bonds should provide additional, in-depth disclosure of biodiversity and human rights risks and impacts in their prospectuses.
- Beneficial ownership registers should require companies to register not only their Ultimate Beneficial Owner but the structure of the corporate group they belong to, helping financial institutions trace where their funding may ultimately flow.
- Financial reporting requirements could oblige companies, at a minimum, to disclose their principal bankers, making it easier for affected communities to identify which financial institutions have financing ties to harmful activities in their area. This should supplement, rather than substitute for, direct disclosure obligations on financial institutions.

15.6 Regulations requiring double materiality disclosure

Among the reviewed jurisdictions, the EU applies double materiality most extensively. China has adopted double materiality explicitly in its sustainability disclosure standards, but the only topical standard issued so far covers climate; the requirements apply to corporate reporting rather than to lending and investment, and implementation is phased to 2030. Brazil's banking framework incorporates elements of the approach with significant limitations.

- All jurisdictions should explicitly base sustainability requirements for lending and investment on double materiality, addressing both financial risks to institutions and the impacts of their financing on biodiversity and society.

- Financial institutions should be required to assess and disclose significant impacts even where these are not financially material, and translate those assessments into due diligence, measurable mitigation targets and changes to financing decisions.

15.7 Regulations stimulating the financing of sustainable activities

Sustainable finance taxonomies and related instruments are emerging across the jurisdictions reviewed, but they often tend to classify suitable activities without redirecting capital, and their treatment of biodiversity considerations and legal force varies widely.

- Taxonomies should be expanded beyond climate to cover biodiversity and human rights, including activities that actively contribute to conservation and restoration, with technical screening criteria and measurable thresholds developed together with scientists and environmental NGOs.
- Taxonomies should also define which sectors and activities are inherently harmful, signalling that financing for their expansion should stop and existing exposure be phased out.
- Human rights, labour rights, FPIC and just-transition requirements should apply across all financing, not only to products claiming taxonomy alignment. Jurisdictions may also consider complementary social classification frameworks (taxonomies) where these would strengthen, rather than fragment, the regulatory system.
- Criteria for green bonds and loans should be set nationally, on a double-materiality basis and in line with recognised international standards and taxonomies.
- Financial institutions should be required to adopt Sustainable Finance Action Plans with clear metrics and targets, aligning their portfolios with the taxonomy and phasing out financing of environmentally and socially harmful activities.
- Where taxonomies diverge across jurisdictions or fail to keep pace with current science, interoperability suffers; they should therefore rest on shared principles and broadly comparable requirements, while leaving room for local environmental and economic variation.

15.8 Regulations protecting human rights and/or the environment

No jurisdiction requires financial institutions, across their whole portfolio, to stop financing deforestation and ecosystem conversion or to protect the communities that depend on the ecosystems at stake. Where such requirements exist at all, they are partial, voluntary or confined to particular products, leaving the most damaging financing largely untouched.

- Countries that have not yet done so (notably, the US) should ratify or accede to the Convention on Biological Diversity and align their financial regulations with the GBF.
- Financial institutions should not be excluded from human rights and environmental due diligence regimes, or from rules on the import of deforestation-linked products. Their financing and investment decisions can contribute to harm in the sense of the UN Guiding Principles on Business and Human Rights, and they should be required to assess and mitigate those impacts. Due diligence should not end at disclosure: it should connect to traceability of client operations and supply chains down to the plantation or concession level, clear escalation and engagement procedures, and (where risks go unaddressed) financing restrictions, exclusion and sanctions. Legislators should establish equivalent due diligence and traceability obligations for finance connected to deforestation-risk supply chains. This could be achieved through dedicated financial-sector rules or, where legally appropriate, by extending relevant commodity due diligence regimes.
- Regulations governing financing and investment in agriculture, aquaculture, fisheries and forestry should require institutions to support a just transition and protect the rights of workers,

peasants, fisherfolk, Indigenous Peoples and traditional and local communities, including through Free, Prior and Informed Consent for activities affecting their lands. These social criteria should apply across the whole portfolio, not only to products claiming taxonomy alignment.

- Independent grievance and accountability mechanisms should be established for the financial sector, allowing affected communities to raise complaints and, where an institution has contributed to harm, requiring it to provide remedy and redress.
- Financial institutions should be included in regulations defining a corporate duty to prevent serious human rights violations and environmental damage, so that they can be held liable, and required to provide remedy, for harms connected to the corporate groups they finance.

15.9 Stronger enforcement and continuous improvement across regulatory areas

The recommendations in the previous sections of this chapter depend on coordinated effort from legislators, central banks and regulators, and on enforcement. The assessment found biodiversity expectations are too often formulated as voluntary guidance, with no consequences for inaction.

- Biodiversity-related regulatory duties should be binding, clearly supervised and backed by a proportionate and dissuasive sanctions regime, from enhanced supervisory scrutiny and capital add-ons through concentration limits, board accountability and financial penalties to licensing consequences in the most serious cases.
- Regulators should continuously build expertise on biodiversity and social issues, provide training and capacity building to financial institutions, and work with scientific bodies to ensure that the biodiversity measurements used by the sector are science-based, credible and transparent. In developing supervisory expectations, they should involve Indigenous Peoples and other rights-holders, affected communities and civil society, including Women and Youth organisations.

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Appendix 1 Regulations assessment framework

Objective

The objective of the framework is to assess financial regulation in the selected jurisdictions against three author-developed normative criteria informed by the GBF. Target 14 provides the overarching mandate because it calls for the progressive alignment of public and private financial flows with the goals and targets of the Framework. The criteria draw particularly on Targets 1, 10 and 15, together with the rights and participation principles contained in Section C and Targets 22 and 23.

Targets 18 and 19 are examined separately in the national planning and reporting analysis because of their relevance to harmful incentives and resource mobilisation. They are not included in the comparative colour scoring, which retains the three-criterion framework originally developed for this study.

2030 targets of the GBF

The GBF includes 23 targets for 2030, grouped into three groups as shown below:^c

1. Reducing threats to biodiversity
 1. Plan and Manage all Areas to Reduce Biodiversity Loss
 2. Restore 30% of all Degraded Ecosystems
 3. Conserve 30% of Land, Waters and Seas
 4. Halt Species Extinction, Protect Genetic Diversity and Manage Human–Wildlife Conflicts
 5. Ensure Sustainable, Safe and Legal Harvesting and Trade of Wild Species
 6. Reduce the Introduction of Invasive Alien Species by 50% and Minimise Their Impact
 7. Reduce Pollution to Levels that Are not Harmful to Biodiversity
 8. Minimise the Impacts of Climate Change on Biodiversity and Build Resilience
2. Meeting people's needs through sustainable use and benefit-sharing
 9. Manage Wild Species Sustainably to Benefit People
 10. Enhance Biodiversity and Sustainability in Agriculture, Aquaculture, Fisheries and Forestry
 11. Restore, Maintain and Enhance Nature's Contributions to People
 12. Enhance Green Spaces and Urban Planning for Human Well-Being and Biodiversity
 13. Increase the Sharing of Benefits from Genetic Resources, Digital Sequence Information and Traditional Knowledge
3. Tools and solutions for implementation and mainstreaming
 14. Integrate Biodiversity in Decision-Making at Every Level
 15. Businesses Assess, Disclose and Reduce Biodiversity-Related Risks and Negative Impacts
 16. Enable Sustainable Consumption Choices to Reduce Waste and Overconsumption
 17. Strengthen Biosafety and Distribute the Benefits of Biotechnology
 18. Reduce Harmful Incentives by at Least USD 500 Billion per Year and Scale up Positive Incentives for Biodiversity
 19. Mobilise USD 200 Billion per Year for Biodiversity from all Sources, Including USD 30 Billion Through International Finance
 20. Strengthen Capacity-Building, Technology Transfer and Scientific and Technical Cooperation for Biodiversity
 21. Ensure that Knowledge Is Available and Accessible to Guide Biodiversity Action

c Convention on Biological Diversity (n.d.), "2030 Targets (with Guidance Notes)", online: <https://www.cbd.int/gbf/targets>

22. Ensure Participation in Decision-Making and Access to Justice and Information Related to Biodiversity for all
23. Ensure Gender Equality and a Gender-Responsive Approach for Biodiversity Action

Assessment framework

The framework consists of three normative criteria developed by the authors. One target was selected from each of the three groups of GBF targets, and the authors identified a regulatory outcome that they consider necessary for financial flows to support achievement of that target. These criteria are intentionally more specific and, in some respects, more demanding than the literal wording of the selected targets. The assessment therefore measures alignment with the criteria developed for this study, not formal legal compliance with Targets 1, 10 or 15.

Table 19 Author-developed framework for assessing financial regulation against selected GBF targets

Group	Target	Regulatory criterion developed for this study
Reducing threats to biodiversity	1 Plan and manage all areas to reduce biodiversity loss.	Financial regulations do not allow financing of, or investment in, activities or companies responsible for deforestation or the conversion of natural ecosystems.
Meeting peoples' needs through sustainable use and benefit sharing	10 Enhance biodiversity and sustainability in Agriculture, Aquaculture, Fisheries and Forestry.	Financial regulations expect financial institutions to support a just transition in the Agriculture, Aquaculture, Fisheries and Forestry sectors, in ways that uphold the rights of workers, peasants, fisherfolk, Indigenous Peoples, traditional and local communities.
Tools and solutions for implementation and mainstreaming	15 Businesses assess, disclose and reduce biodiversity-related risks and negative impacts.	Financial regulations require transparent disclosure of all financing and investment portfolios and of the biodiversity and social impacts associated with these flows.

Each of the three assessment criteria will be assigned a colour score, based on the scoring table shown in 20.

Table 20 Regulations assessment framework: Scoring table

Colour score	Assessment
Dark red	Relevant financial regulations contain no meaningful requirement addressing the criterion, or no relevant regulatory measure was identified.
Light red	Relevant regulations or guidance recognise aspects of the criterion, but measures are voluntary, narrowly scoped or limited primarily to awareness, classification or disclosure.
Yellow	Regulations require relevant action, but coverage, ambition, implementation or enforcement remains incomplete and does not amount to portfolio-wide alignment.
Green	Regulations require financial institutions to align financing and investment decisions across their portfolios with the criterion, supported by adequate disclosure, due diligence and enforcement.

Scope and limitations

Scores are qualitative judgements based on the regulatory instruments identified by the researchers up to 31 of July 2026. In assigning scores, the authors considered legal force,

institutional and product coverage, whether rules address impacts as well as financial risks, and whether they require substantive changes to financing decisions. The assessment focuses primarily on regulatory design and does not comprehensively evaluate implementation, enforcement or compliance in practice. Regulatory systems differ significantly across jurisdictions, and the same score can reflect different combinations of strengths and weaknesses. Proposed rules, consultation documents and voluntary initiatives are discussed where relevant but are not treated as equivalent to binding regulation. Regional jurisdictions, national systems and subnational measures are assessed according to their respective competences. The scores should therefore be read together with the accompanying jurisdictional analysis rather than as a standalone ranking.

