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Press Release

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**Major Banks Fueling Biodiversity Collapse by \$395 Billion Since the Paris Agreement;
Governments Failing to Reign in Banks**

New reports reveal escalating financing to destructive sectors and highlight the urgent need for financial sector regulations to achieve the Global Biodiversity Goals

As the critical Convention on Biological Diversity (CBD) COP16 approaches, new research and analysis released today by the Forests and Finance (F&F) Coalition — a group of 10 international civil society organizations including Sahabat Alam Malaysia, Rainforest Action Network, TuK Indonesia, Profundo, Amazon Watch, Repórter Brasil, BankTrack, Friends of the Earth US, Milieudefensie & CED Cameroon — reveals that the world's major banks have funneled over US\$ 395 billion in credit to sectors driving deforestation and human rights abuses in tropical forests, since the adoption of the Paris Agreement, with US\$ 77 billion in credit in the most recent analysis period alone (January 2023 to June 2024).

Further analysis also exposes that the world's governments are doing little to stem the tide, despite adopting the Global Biodiversity Framework (GBF) nearly two years ago. The research underscores the urgent need for robust regulatory measures to align financial practices with the objectives of the GBF. The real 'finance gap' for conservation is a gap in regulation to stop banks and investors from knowingly fuelling the biodiversity crisis.

The second annual Banking on Biodiversity Collapse (BoBC) report is the most comprehensive analysis of global finance's role in furthering tropical forest destruction. The report examines the banks and investors providing financing to 300 companies operating in six forest-risk commodity sectors — beef, palm oil, pulp and paper, rubber, soy, and timber — responsible for most of the tropical deforestation, biodiversity loss, and human rights abuses in Southeast Asia, Latin America, and Central and West Africa.

Released concurrently with a second report titled, Regulating Finance for Biodiversity, the two reports together show that the majority of financing is coming from Brazil, China, Indonesia, the EU, and the US and that strengthening financial regulations in these five countries and regions would have a critical impact on the problem. Governmental regulations are needed as voluntary banking initiatives are proving to be a failure, with over half of the top 30 forest-risk banks being members of at least one sustainability initiative, such as the Principles for Responsible Banking, the Net-Zero Banking Alliance, and the Taskforce on Nature-related Financial Disclosures (TNFD).

F&F data¹ reveals that Malaysia is the forest-risk country with the second largest investment holdings of bonds and shares (USD 6.9 billion) in companies operating in the tropical forest-risk commodity sectors. Although the Malaysian financial sector is largely exposed to forest-risk commodity sectors through investment, its banks ranked seventh globally, providing a total of USD 16.4 billion in loans and underwriting services in the period 2016 - June 2024.

The 2023 F&F policy assessment², which evaluates the quality and robustness of the financial institutions' policies based on a set of 38 environmental, social, and governance (ESG) criteria, concludes that, globally, financial institutions' policies are woefully inadequate.

Globally, financial institutions received an average overall score of just 17%, while the average score for Malaysian financial institutions was slightly higher in comparison at 23%. F&F policy assessment shows incremental yet encouraging improvements among the Malaysian financial institutions in Malaysia. However, the overall policy performance does not yet reflect the urgency and scale with which we must address climate change, biodiversity loss and social issues.

Civil society organisations in Malaysia and around the world are still battling destructive projects that pose high environmental and social risks. While the social and environmental harms related to the expansion of forest-risk commodities are already widely documented; finance continues to flow with impunity. Private financial flows to activities that harm biodiversity are much greater than public investments in conservation.

Three key messages from the global reports that are applicable for Malaysian financial regulator and institutions are:

1. The global BoBC report highlights the dangers of financial institutions' overreliance on flawed certification schemes like the Forest Stewardship Council (FSC) and the Roundtable on Sustainable Palm Oil (RSPO). Many financiers with no-deforestation policies depend solely on these certifications for compliance, despite their significant limitations. Financial institutions must adopt more rigorous due diligence and independent verification processes to prevent contributing to deforestation and human rights violations.
2. Policymakers must enforce stricter financial regulations that ensure financial flows and investments do not contribute to environmental degradation and human rights abuses, and instead undertake a just transition towards sustainable, community-led solutions that protect ecosystems and promote equitable development.
3. The financial regulator needs to develop in-house expertise on biodiversity and human rights and establish inclusive stakeholder platforms to consult with Indigenous Peoples, civil society and other experts. Outcome-focused policies that align with the objectives of GBF and shift the economy away from harmful activities must be supported by a robust sanctions regime. These should include stringent penalties for non-compliance and mandatory obligations to fund restorative and remedial efforts for affected communities and ecosystems.

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Relevant Links to the reports:

Banking on Biodiversity Collapse (BoBC) 2024

- Full Report - <https://forestsandfinance.org/BoBC-2024>
- Exec Summary - <https://forestsandfinance.org/BoBC-summary-2024>
- Landing page - <https://forestsandfinance.org/banking-on-biodiversity-collapse/>

Regulate Finance for Biodiversity (RF4B)

- Full Report - <https://forestsandfinance.org/finreg-assessment-2024>
- Exec Summary - <https://forestsandfinance.org/finreg-assessment-summary-2024>
- Publication page - <https://forestsandfinance.org/news/bobc-2024-regulate-finance/>

[1] <https://forestsandfinance.org/data/>

[2] <https://forestsandfinance.org/bank-policies/>